

**Report of the
Special Committee on Transportation
to the
2010 Kansas Legislature**

CHAIRPERSON: Senator Dwayne Umbarger

VICE-CHAIRPERSON: Representative Gary Hayzlett

RANKING MINORITY MEMBER: Senator Kelly Kultala

OTHER MEMBERS: Senators Les Donovan, Anthony Hensley, Bob Marshall, Steve Morris, and John Vratil; and Representatives Paul Davis, Phil Hermanson, Margaret Long, Julie Menghini, Melvin Neufeld, Shirley Palmer, Virgil Peck, Richard Proehl, Vern Swanson, and Ron Worley

STUDY TOPIC

Study the need and potential financing mechanisms for a new Comprehensive Transportation Plan. Review the status of the current Comprehensive Transportation Plan. Examine 2009 SB 323 and HB 2382 which deal with creating a new Comprehensive Transportation Plan.

Special Committee on Transportation

COMPREHENSIVE TRANSPORTATION PLAN

CONCLUSIONS AND RECOMMENDATIONS

The Committee voted to offer two funding scenarios for debate in the Legislature during the 2010 Session. One would reduce the motor fuel tax by 5 cents a gallon but remove the sales tax exemption for motor fuels, beginning January 1, 2013. The other would increase the motor fuel tax by 7 cents a gallon and index future increases. Both scenarios would increase car registration by \$20 and truck registration by \$100, and both assumed approximately \$2 billion in additional bonding.

Proposed Legislation: The Committee voted to include certain programmatic elements into a new bill regarding legislative intent for a new transportation plan. Those elements include authorization for a bonding cap of 18 percent of adjusted KDOT revenues, a Transportation Economic Development Loan (T-EDL) program for use by local governments, removing the 2020 sunset on motor fuel taxes in current law, and removing obstacles to tolling additional highways or lanes.

The Committee also voted to introduce separate legislation to expand eligibility for the short-line rail program to include shippers, local governments, and industrial parks.

BACKGROUND

The Special Committee on Transportation was directed by the Legislative Coordinating Council to study the need and potential financing mechanisms for a new Comprehensive Transportation Plan, review the status of the Comprehensive Transportation Plan enacted in 1999, and examine 2009 SB 323 and 2009 HB 2382, which deal with creating a new comprehensive transportation plan.

COMMITTEE ACTIVITIES

The Committee devoted its first meeting, held September 29, to background on the issue and work completed to date on ideas for a new plan. Officials from the Kansas Department

of Transportation (KDOT) and legislative staff presented information on the following topics:

- History of the 1989 Comprehensive Highway Program (CHP) and the 1999 Comprehensive Transportation Program (CTP);
- Information received from constituents across the state by the 2008 Special Committee on a New Comprehensive Transportation Plan;
- 2009 Senate Bill 323 and 2009 House Bill 2392, which are transportation plan bills;
- Recommendations of the Governor's Transportation - Leveraging Investments in Kansas (T-LINK) Task Force;
- Federal bills to extend or replace the expiring federal transportation plan;

- The gap between funding levels recommended by the T-LINK Task Force and amounts expected from current funding streams;
- Bonding used in financing the CHP and the CTP;
- Fuel taxes in all 50 states;
- Recent enacted bills and other related transportation finance information from all 50 states;
- Kansas' history of sales tax as a transportation funding source;
- Registration fees;
- The gap between the T-LINK recommended program funding and the funding proposal in SB 323; and
- Transportation funding and financing ideas used in or proposed by other states or by national entities studying the issue.

The Committee also heard from representatives of the Northern Flyer Alliance and from a private citizen on the importance of action to advance passenger rail service in Kansas, including applying for federal grants.

A subcommittee was chosen to review options and recommend funding sources for a transportation plan.

At its second meeting, on November 16, the Committee heard an update on KDOT's pilot project selection process. The process varies by project type and whether the project is in a rural or urban area.

The organization Economic Lifelines presented an overview of priorities for a new transportation program and projects identified by city and county officials. The organization

provided each legislator with a notebook containing resolutions that include locally identified priorities in the legislator's district. A representative of the organization TRIP, a national transportation research nonprofit organization, presented findings from its report (released in September 2009) on improvements needed in Kansas transportation systems, safety concerns, funding available to meet transportation needs, and the economic impact of spending on transportation infrastructure.

KDOT officials also reviewed a set of scenarios for funding and financing a new program. Its scenarios included changes in several main variables: programs that would allow new projects to go forward in the first year versus programs that would address only preservation for three years; traditional funding sources (*e.g.*, motor fuel taxes, registration fees, sales tax deposit) versus mixed revenue sources (*e.g.*, indexing motor fuel tax, sales tax on motor fuels); meeting the funding recommendations of the T-LINK Task Force (\$5.8 billion over 10 years) versus partial funding (\$3.5 billion for a traditional program or \$2.7 billion for a program that would address only preservation for the first three years). Officials stressed that many additional types of scenarios were possible. The scenarios assumed federal spending would continue at current levels; at the time of the meeting, the federal program was being extended for short periods until a replacement bill could be determined.

The subcommittee met the days of the second and third meetings of the full Committee.

At the Committee's third meeting, on January 4, 2010, KDOT officials reviewed two scenarios the subcommittee requested be brought to the full Committee to address the gap of approximately \$5.7 billion between revenues from current sources and the amount needed for maintenance and other types of projects identified as necessary by the T-LINK Task Force:

- One scenario would reduce the motor fuel tax by 5 cents a gallon but remove the sales tax exemption for motor fuels, beginning January 1, 2013. It does not apply the sales tax to fuels that currently are exempt from the motor fuel gallon tax, such as off-road diesel. KDOT projected this would raise \$4 billion over ten years, filling about 70 percent of the overall gap but meeting 65 percent of the needs for modernization, expansion, non-highway, and local projects. This scenario would adjust the percentage of revenues into the Special City and County Highway Fund to ensure that the percentage of the gap to be filled would be the same for both KDOT and local governments.
- The other scenario would increase the motor fuel tax by 7 cents a gallon and index future increases to increases in the Consumer Price Index. This was projected to raise \$3.6 billion over 10 years, filling nearly 63 percent of the overall gap but meeting 56 percent of the needs for modernization, expansion, non-highway, and local projects.

Both scenarios would increase car registration by \$20 and truck registration by \$100, and both assumed approximately \$2 billion in bonds would be issued during the program. Increases would be partially implemented in 2013 and fully in 2014. KDOT officials reviewed the revenue effects of each and the gap between the amounts that would be raised and T-LINK-recommended spending on transportation infrastructure.

KDOT officials provided information on bonding strategies to allow KDOT to maintain highways and bridges in their current condition before new revenues would become available under those scenarios. KDOT suggested it be authorized to issue bonds up to 18 percent of adjusted agency revenues (a T-LINK recommendation), to use Build America Bonds (under which the federal government would pay a portion of the interest), and to use flexible

debt management tools (such as 25-year bond terms).

KDOT also provided a funding supplement, with surrounding state comparisons, requested by the subcommittee and a summary of expected reductions to the State Highway Fund in Fiscal Years 2010 and 2011.

KDOT officials also briefly reviewed several programmatic issues, including project selection, the consequences of not fully funding highway preservation, allowing design build bids for highway projects, determining a priority network for local roads, allowing local governments to exchange federal funds for state funds, efficiency efforts in and possible funding changes for transit, expanded eligibility for the short-line railroad loan/grant program, strategic improvements in airports, multimodal economic development projects, and tolling.

A representative of the Kansas Contractors Association testified in opposition to allowing design build bid procurement for highway projects.

The Committee voted to advance both funding scenarios – increasing and indexing the motor fuel tax and removing the current exemption on sales tax on motor fuels – for consideration by the Legislature. The Committee also voted to recommend certain programmatic changes be included in a bill expressing legislative intent for a highway plan and a separate bill to change eligibility for the grant/loan program for short-line railroads.

CONCLUSIONS AND RECOMMENDATIONS

The Committee voted to offer both scenarios heard at the January 4 meeting for debate on financing a new transportation plan.

The Committee voted to include the following elements in a bill otherwise similar to

the legislative intent section (Section 1) of 2009 SB 323 and 2009 HB 2382: authorization for a bonding cap of 18 percent of adjusted KDOT revenues, a 25-year term of debt from the issue date of any bond issue, allowing KDOT to refund bond principle and interest, a Transportation Economic Development Loan (T-EDL) program for use by local governments, removing the 2020 sunset on motor fuel taxes in current law,

and removing obstacles to tolling additional highways or lanes.

The Committee further voted to introduce separate legislation to expand eligibility for the short-line rail program to include shippers, local governments, and industrial parks.