

MINUTES OF THE HOUSE TRANSPORTATION.

The meeting was called to order by Chairperson Gary Hazylett at 1:35 p.m. on April 5, 2001 in Room 526-S of the Capitol.

All members were present except

Representative John Ballou, excused
Representative Marti Crow, excused
Representative Joe Humerickhouse, excused
Representative Judith Loganbill, excused
Representative Eber Phelps, excused
Representative Ted Powers, excused

Committee staff present:

Bruce Kinzie, Revisor
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:

Ed McKechnie, Watco Companies
Representative R.J. Wilson
Doug Wareham, Kansas Grain and Feed Association
Dean Carlson, Secretary of Transportation
Leslie Kaufman, Kansas Farm Bureau
Pat Hubbell, Kansas Railroad
Tom Whitaker, Kansas Motor Carriers

Others attending:

See attached sheet

Several of the Transportation Committee members were late in arriving because of prior commitments.

HB 2586 - an act relating to taxation; allowing credits for payments to certain port authorities

Chairman Hayzlett opened hearings on **HB 2586**. He called on Ed McKechnie, Watco Companies, as the first proponent. He said the Kansas & Oklahoma Railroad (formerly the Central Kansas Railroad) has more than 900 miles of track and is primarily agricultural, but has a 40 percent base of industrial commodities. He sited some of the long-term commitments of the railroad and said the movement of grain on these lines is a critical portion of the operational and customer success of this railroad but even with a budget for track maintenance and capital improvements for the first year of operation of more than \$6 million, it is still not enough to preserve these lines for the future. Also, after an exhaustive and intensive review of the former CKR, the Kansas and Oklahoma Railroad will announce an 18 month moratorium on track abandonments for all rail lines in Kansas exclusive of the Jetmore to Hanston and Coats to Protection lines. He concluded that from the state of Kansas they are requesting authorization of a Port Authority which will provide \$3.677 million in capital improvements through property tax abatements and an additional authority (**HB 2586**) to provide for refundable income tax credit for Class III railroads operating a Port Authority owned track which would provide an additional \$6.1 million in capital improvements. (Attachment 1)

Representative Pauls questioned how they could be assured the railroad would honor their 18 month moratorium on track abandonments since this language was not in either **HB 2586** or **HCR 5032**. Mr. McKechnie stated they would agree to sign a commitment with the state and Department of Transportation to oversee this.

Representative Wilson spoke in support of **HB 2586**. He told the committee that Watco is one of the largest employers in Pittsburg and has proven it is a very good steward of money. He strongly supports the creation of a port authority and the tax credits.

Secretary Carlson also stood in support of the Watco Companies merger and its commitment for continued rail service in Kansas. He stated one of the things they had talked about was the agreement they would want which would provide for a 20 year service agreement, an arbitration system to be put in place to resolve any service problems that arise, the railroad would be required to file an annual report with KDOT and also an operative plan for the system as well as a marketing plan and sign a security agreement to protect KDOT'S interest as they were putting up a sizable amount of money in the transaction.

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE, Room 526-S of the Capitol at 1:35 p.m. on April 5, 2001.

Leslie Kaufman, Kansas Farm Bureau, presented the written testimony by Kerri Ebert, Kansas Agricultural Alliance President, in support for Watco Companies acquisition of the Central Kansas Railway and their commitment to preserve the rural infrastructure of the state. (Attachment 2)

Doug Wareham, Vice President of Government Affairs, Kansas Grain and Feed Association, spoke in support of **HB 2586**. He said they believe the Watco Companies' purchase of the Central Kansas rail lines located in south-central and western Kansas is good news for their shipper members and asks the committee and the Kansas Legislature to help facilitate maintaining rail service to the many Kansas rural communities served by those purchased lines. (Attachment 3)

Pat Hubbell, Kansas Railroads, expressed the importance of the railroad being in the hands of a company that recognizes the proper way to operate a railroad in Kansas and this is very important for the entire state. He asks support for **HB 2586**.

There were no other proponents.

Tom Whitaker, Kansas Motor Carriers Association, spoke in opposition to **HB 2586**. He told the committee the bill contains no ending date so it is a \$500,000 a year refundable tax credit that goes on and on. It was his feeling that basically it was a way around the internal improvement law which requires a two thirds majority of both the House and Senate to pass. He concluded there are probably a lot of trucking companies that would like a tax credit of \$500,000 a year. He asked that a time limit, or dollar limit be placed in this legislation.

Following questions by the committee Chairman Hayzlett closed hearings on **HB 2586**.

HCR 5032 - approving creation of Pittsburg, Kansas, port authority.

Chairman Hayzlett opened hearings on **HCR 5032**.

Ed McKechnie reiterated the need for a Port Authority and asked for support for this Resolution which would provide \$3.677 million in capital improvements through property tax abatements.

Leslie Kaufman, Kansas Agricultural Alliance; Doug Wareham, Kansas Grain and Feed Association; Pat Hubbell, Kansas Railroads; Secretary Dean Carlson, Department of Transportation, Representative Wilson and Tom Whitaker, Kansas Motor Carriers Association all spoke in support of **HCR 5032**.

Chairman Hayzlett closed hearings on **HCR 5032**.

HCR 5032 - approving creation of Pittsburg, Kansas, port authority.

Chairman Hayzlett, with committee approval, opened **HCR 5032** for discussion and final action. Representative Aday made a motion to pass HCR 5032 favorably, seconded by Representative Levinson and the motion carried.

HB 2586 - an act relating to taxation; allowing credits for payments to certain port authorities

Chairman Hayzlett opened **HB 2586** for discussion and final action. Representative Vickery offered an amendment which would set a twenty (20) year time limit on tax credits, seconded by Representative McKinney and the motion carried.

Representative McKinney made a motion to pass HB 2586, as amended, seconded by Representative Levinson and the motion carried.

Representative Hayzlett adjourned the meeting at 2:28 p.m.