Revised

SESSION OF 2010

SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR SENATE SUBSTITUTE FOR HOUSE BILL NO. 2650

As Amended by Senate Committee of the Whole

Brief*

Senate Sub. for Senate Sub. for HB 2650 would establish a new comprehensive transportation program, to be called the Transportation Works for Kansas (T-Works) Program.

The bill would set out legislative intent regarding the program and provide that the program expenditures could be made for purposes including, but not limited to, the following:

- Preservation projects, as determined by Kansas Department of Transportation (KDOT) performance measures;
- Expansion and economic opportunity projects, selected using criteria including engineering and traffic data, local consultation, geographic distribution, and an economic impact evaluation; however, no expansion or economic opportunity project could be selected before February 1, 2011, unless funded by Build America bonds;
- Modernization projects (such as widening lanes or shoulders and upgrading interchanges), selected using criteria including engineering data, local consultation, and geographic distribution. "Practical improvements," such as adding narrow rather than full 8-foot shoulders on highways with little traffic, are to be incorporated into these projects;

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

- Assistance to cities and counties as under current law, and adding programs to allow local governments to exchange federal aid funds for state funds;

- Railroad, aviation, and public transit programs, as in current law; and

- A multi-modal economic development program to provide assistance for transportation-sensitive economic opportunities on a local or a regional basis.

The Secretary of Transportation would select projects using KDOT selection methods and criteria. The bill would authorize the Secretary to procure one demonstration project in Johnson or Wyandotte County that would use the design-build concept. The Secretary must provide a cost-benefit analysis to the House and Senate Transportation Committees on completion of the project.

The bill would increase revenues into the State Highway Fund in these ways:

- Increasing registration fees for some smaller vehicles (generally, less than 12,000 lbs.), trailers, and buses by $20 ($10 in 2013 and $10 in 2014);

- Increasing registration fees for trucks 54,000 lbs. and smaller by $100 ($50 in 2013 and $50 in 2014); and

- Increasing registration fees for trucks larger than 54,000 lbs. by $135 ($85 in 2013 and $50 in 2014).

It would add a provision for a one-time registration fee of $10 and permanent license plates for trailers used in combination with vehicles registered for a gross weight of 54,000 pounds or more, starting in 2013. The Secretary could adopt rules and regulations to carry out the provisions in that section of the bill.

The bill would increase transfers from the State Highway Fund to assist transit, rail, and aviation starting in 2013:

- From $6 million a year to $11 million a year into the Coordinated Public Transportation Assistance Fund;
- From $3 million a year to $5 million a year into the Rail Service Improvement Fund;
- From $3 million a year to $5 million a year into the Public Use General Aviation Airport Development Fund.

The bill also would authorize the Secretary to transfer moneys from the State Highway Fund to the Rail Service Improvement Fund and vice versa, as long as the Secretary does not diminish the $5 million transfer as listed above.

The bill also would specify that, between July 1, 2010, and June 30, 2020, $8 million is to be spent in each county for transportation projects. It also would specify that the current distribution of motor fuel taxes would stay at the current ratio of 66.37 percent into the State Highway Fund and 34.63 percent into the Special City and County Highway Fund.

The bill would make additional changes to existing law:

- The bill would expand KDOT's bonding authority to allow the Secretary to issue bonds to a limit of 18 percent debt service payments out of projected State Highway Fund revenues for any year; the bill would specify how those revenues would be calculated. Current law sets a dollar amount limit on bonds.
- It would allow municipalities to use loans from the Transportation Revolving Fund for projects and allow certain moneys from special districts, such as community improvement districts and transportation development districts, to be used to repay loans from the Transportation Revolving Fund.

- The bill would allow the Secretary to recommend construction of a new toll or turnpike project or the designation of an existing highway or portion thereof as a toll or turnpike project if a feasibility study provides a favorable result.

The bill would become effective upon publication in the *Kansas Register*.

Background

HB 2650, as introduced, would have named a portion of US-75 between Topeka and Holton the James Lane Freedom Trail Memorial Highway.

The Senate Committee on Transportation approved Senate Sub. for HB 2650 as a bill outlining a Transportation Works for Kansas program. No testimony was received specifically on Senate Sub. for HB 2650, but testimony regarding a comprehensive transportation bill was received for SB 498 and SB 515, in joint hearings. Those bills differ from Senate Sub. for HB 2650 primarily in the tax changes proposed. SB 498 would have increased motor fuel taxes and linked future changes to changes in the Consumer Price Index; SB 515 would have decreased motor fuel taxes but eliminated the sales tax exemption for motor fuels.

The Secretary of Transportation and members of her staff presented testimony on the history of previous transportation plans (the Comprehensive Highway Program enacted in 1989 and the Comprehensive Transportation Program enacted in 1999), the need for additional funding for various aspects of transportation as determined by the Governor's Transportation-Leveraging Investments in Kansas (T-LINK) Task Force, and the need for additional changes to current law to enable and direct KDOT and local governments to carry out transportation improvements.

Testimony was received on SB 498/SB 515 from the following proponents, grouped, with some of their main points:

- City governments (Dodge City, Garden City, Great Bend, Manhattan, Overland Park, Topeka, League of Kansas Municipalities); a regional organization, the Southwest Passage Initiative for Regional and Interstate Transportation; local Chambers of Commerce (Greater Kansas City, Lenexa, Olathe, Overland Park, Greater Topeka); and the Kansas Economic Progress Council: good transportation is vital to economic vitality, the momentum from earlier plans must be maintained to ensure progress is not lost, regional approaches are being developed, highways in nearby states are not in good condition, rural areas need four-lane roads to compete for new industry or large businesses, localities need the jobs associated with projects and a new plan, flexibility is needed in any program, support options for locality funding of projects, localities have demonstrated their support for a new plan, past transportation investments have brought economic development that would not have occurred otherwise; State Highway Fund moneys should not be diverted; funding for a new program should be sufficient and will be supported.

- Air, transit, and rail service providers (Four County Mental Health Center dba Connections, Johnson County Transportation Department, Kansas Association of Airports, Kansas Public Transit Association, Riley County Area Transportation Agency, Salina Airport Authority, short line railroads, Topeka Metropolitan Transit Authority): transit and airports are vital to economic growth, demand for transit is increasing, additional funding is needed to maintain current services and improvements are needed, certain parts of the state do not have all-weather access to air ambulance services, investments made under previous plans have paid off.

- Contractors, other transportation-related companies, related associations, and a union (AAA Allied Group;

Affinis Corp.; American Concrete Pavement Association, Missouri/Kansas Chapter; American Council of Engineering Companies - Kansas; Amino Brothers; APAC-Kansas, Inc., Shears Division; Ash Grove Cement Company; Dustrol, Inc.; Beachner Construction Company, Inc.; Heavy Constructors Association of Kansas City; Kansas AFL-CIO; Kansas Aggregate Producers' Association and Kansas Ready Mixed Concrete Association; Kansas Asphalt Pavement Association; Kansas Contractors Association; Kansas Society of Professional Engineers; L&M Contractors, Inc.; Reece Construction; Sporer Land Development, Inc.; Venture Corporation): more than 1 in 4 construction workers are out of work, which has ripple effects through the economy, including on state expenditures; transportation-related companies have already laid off workers and will not hire seasonal employees; a significant portion of these companies are in danger of going out of business; cuts in programs have meant 23,000 jobs cut or not created; funding raised for transportation should be used for transportation projects; projects should be in small or medium sizes (perhaps less than $40 million) appropriate for bids from Kansas companies; projects have positive effects throughout the localities where they are located; projects with a new program will generate taxes from workers and new business; improvements save lives, injuries, time, vehicle maintenance costs; continue to keep Kansas roads in good repair.

A representative of Economic Lifelines, a statewide coalition including some of the companies, associations, and chambers of commerce listed above, presented proponent testimony. He stated that current funding would meet only half of highway preservation needs over the next ten years so highways would deteriorate, that previous transportation plans have produced significant benefits and new taxes, and that all 105 counties and 107 cities have submitted resolutions supporting a new transportation plan.

The State Treasurer of Kansas testified as a proponent and suggested changes to the original bills. The president of the Economic Development Research Group testified in favor of the bills.

Opponent testimony was received from representatives of Americans for Prosperity, Kansas; Casey's General Stores, Inc.; the Kansas Chamber of Commerce; the Kansas Motor Carriers Association; the National Federation of Independent Business; and the Petroleum Marketers and Convenience Store Association of Kansas, and from a private citizen whose company owns multiple convenience stores. The points made included that Kansas roads are in good condition, that Kansas taxes are high in comparison to those of nearby states, and that any increase in fuel tax would put Kansas businesses at a competitive disadvantage with their counterparts in other states (noting a third of Kansas' population lives in counties adjoining Missouri), with resulting losses to Kansas in sales tax revenue. They also stated that moneys raised for transportation should be used solely for transportation and not used to fund other portions of the budget and that no increases in amounts raised for transportation should be approved if those moneys will be used for other purposes.

The Kansas Department of Transportation provided information on various options and estimates of how much would be raised under various funding scenarios.

Senate Sub. for HB 2650 was re-referred to the Senate Committee on Transportation on April 29. The Committee modified the bill and designated it as this substitute bill, Senate Sub. for Senate Sub. for HB 2650. The changes including removing sales tax provisions, removing a requirement that no single KDOT transportation district would receive more than 45 percent of the total program expenditures, adding authorization for additional transfers between the State Highway Fund and the Rail Service Improvement Fund, and clarifying which trailers would qualify for permanent license plates.

Senate Sub. for Senate Sub. for HB 2650 was re-referred to the Senate Committee on Transportation on May 4. The Committee removed portions of the bill that would have increased registration and related fees for small vehicles (generally, less than 12,000 pounds).

The Senate Committee of the Whole amended the bill in three ways:

- To specify that no expansion and economic opportunity projects be selected before February 1, 2011, except those funded by Build America bonds;
- To authorize the Secretary to procure one design-build demonstration project in Johnson or Wyandotte County and to require the Secretary to provide a cost/benefit analysis upon completion of that project to the House and Senate Transportation Committees; and
- To increase the amount to be spent in each county from $6 million to $8 million.

Build America Bonds were created by the American Recovery and Reinvestment Act of 2009. The bonds allow states and municipalities to finance infrastructure projects with an interest subsidy from the federal government.

Certain portions of this bill are the same or nearly the same as in House Sub. for SB 302, including the statement of legislative intent, sections dealing with loans from the Transportation Revolving Fund, and allowing the Secretary to recommend tolling in certain circumstances. Bonding requirements differ in these ways: the length of certain bond terms differs, and House Sub. for SB 302 states the Legislature intends that the proceeds of any additional bonding capacity be divided, as nearly as possible, equally among the six transportation districts. House Sub. for SB 302 does not contain provisions that would increase revenue.

Anticipated Fiscal Impact

The following fiscal effect estimates for this bill were obtained from KDOT:

	Registration Fee Increases over 2 Years, Starting Jan. 1, 2013	Bonding Proceeds Before Incremental Debt Service
	($ in millions)	
FY 2011	-	$ 300.00
FY 2012	-	-
FY 2013	$ 6.00	$ 200.00
FY 2014	$ 15.00	$ 200.00
FY 2015	$ 18.00	$ 200.00
FY 2016	$ 18.00	$ 100.00
FY 2017	$ 18.00	$ 100.00
FY 2018	$ 19.00	$ 100.00
FY 2019	$ 19.00	$ 100.00
FY 2020	$ 19.00	-
Program	$ 132.00	$ 1,300.00