

TRANSPORTATION 2000



THE COMPREHENSIVE TRANSPORTATION PROGRAM

A PROGRAM IN JEOPARDY

Report to the Governor

December 9, 2002

TRANSPORTATION 2000 MEMBERS

Mary E. Turkington, Chairman
Chairman, Kansas Turnpike Authority

- ♦ **James M. AuBuchon**
Vice President, Pittsburg State University
- ♦ **Steve Baccus**
President, Kansas Farm Bureau
- ♦ **Virginia B. Beamer**
Logan County Commissioner
- ♦ **Marcia Bernard**
Transit Manager, Unified Government of
Wyandotte County/Kansas City, Kansas
- ♦ **E. Dean Carlson (Ex-Officio)**
Secretary, Kansas Department of
Transportation
- ♦ **Marlee Carpenter**
Kansas Chamber of Commerce and
Industry
- ♦ **Ann K. Charles**
Publisher, Parsons Sun
- ♦ **Chris Cherches**
Wichita City Manager
- ♦ **D. Ted Dankert**
President, Dustrol, Inc., El Dorado
- ♦ **Jim M. DeHoff**
Executive Director/Treasurer,
Kansas AFL-CIO
- ♦ **Ed DeSoignie**
Executive Director, Heavy Constructors
Association of the Greater KC Area
- ♦ **Senator Les Donovan**
Chairman, Senate Transportation and
Tourism Committee
- ♦ **Senator Greta H. Goodwin**
Member of Senate Transportation and
Tourism Committee
- ♦ **Rep. Gary K. Hayzlett**
Chairman, House Transportation
Committee
- ♦ **Charles Johnson**
President, Cessna Aircraft Company,
Wichita
- ♦ **Steve Kelly**
Kansas Dept. of Commerce and Housing
- ♦ **Ed O'Malley**
Overland Park Chamber of Commerce
- ♦ **Don R. Landoll**
CEO, Landoll Corp., Marysville
- ♦ **Rep. Margaret Long**
Ranking Minority Member House
Transportation Committee
- ♦ **T. Nelson Mann**
Greater Kansas City Transportation
Committee
- ♦ **Carol Marinovich**
Mayor/CEO, Unified Government of
Wyandotte County/Kansas City, Kansas
- ♦ **Ken I. Meier**
Harvey County Commissioner
- ♦ **Kevin Mitchelson**
Chairman, Highway Advisory
Commission, Pittsburg
- ♦ **Timothy F. Rogers**
Executive Director, Salina Airport
Authority
- ♦ **Bill Sepic**
President, Lawrence Chamber of
Commerce
- ♦ **Orville (Butch) Spray**
President, Venture Corp., Great Bend
- ♦ **Max Zimmerman**
Owner, Zimmerman and Company
Insurance, Liberal

TRANSPORTATION 2000

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Executive Summary

The citizens of Kansas overwhelmingly support the Comprehensive Transportation Program (CTP), are opposed to any funding reductions in the CTP, are alarmed at how State Highway Fund (SHF) dollars are being used to balance the state budget, and are demanding that the promises made when the CTP was passed in 1999 be kept. This is the message heard by the Transportation 2000 study group, which Governor Bill Graves reconvened in August 2002.

Governor Graves decided to reconvene the group because he was concerned about the adequacy of funding for the CTP. In his letter to the study group members, the Governor wrote, "I believe it is important for the public to understand how much the state transportation program will be impacted should funding for the CTP continue to be used to make up the State General Fund deficit. I am asking the Transportation 2000 study group to reconvene to review CTP funding, confirm that there is a real problem, and discuss these issues at several public meetings across the state."

Once again under the leadership of chair Mary E. Turkington, former Executive Director of the Kansas Motor Carriers Association and chairman of the Kansas Turnpike Authority, the group held an organizational meeting in Topeka on September 4, 2002 and determined to conduct four public meetings on four consecutive weeks in

October in Fort Scott, Overland Park, Dodge City, and Wichita. Approximately 800 city and county leaders, business people, and citizens attended the four meetings. About 150 people spoke or gave presentations.

A presentation by the Kansas Department of Transportation at the meetings confirmed the Governor's concerns. It dramatically portrayed the potential for a \$1.3 billion loss in funding for the CTP if the sales tax demand transfer component of the funding stream is eliminated. The sales tax demand transfer is a legislatively mandated percentage of sales tax receipts that is to be transferred from the State General Fund (SGF) to the SHF. The transfer was reduced in FY 2000, FY 2001, FY 2002, and eliminated entirely in FY 2003. These actions alone have resulted in a \$238.3 million loss to the program.

There have been other reductions in CTP funding, which have created a total reduction of \$291.1 million. In addition to those reductions, the 2002 legislature borrowed \$95 million from the SHF to shore up the SGF ending balance. This loan is statutorily mandated to be repaid by the end of FY 2003 (June 30, 2003).

The presentation pointed out that at the study group's September meeting the State Budget Director, Duane A. Goossen, had estimated that FY 2003 SGF receipts would not be enough to finance the approved FY 2003 budget. (The November 2002 estimates by the Consensus Revenue Estimating Group place the FY 2003 shortfall at more than \$300 million.) Director Goosen had also given the group a gloomy outlook for FY 2004 - assuming only statutory increases in expenditures and using current revenue estimates, he predicted an SGF deficit of between \$500 million and \$700 million.

***"Without public transportation,
many would become prisoners
within their own homes."***

Bonnie Stoller
Quality Assurance Coordinators
Arrowhead West, Inc.

“We have waited many years for these proposed improvements and don’t believe the present financial difficulties should delay this progress. We have been promised better roads and are paying additional taxes right now for them.”

M. Don Russell
Economic Development Director
City of Fort Scott

This prediction, dire as it was, fell short of the most recent estimates by the Consensus Revenue Estimating Group, which place the deficit for FY 2004 at \$780 million.

This financial situation jeopardizes the demand transfer to KDOT for FY 2004 and possibly future years. If the demand transfer is eliminated for the remaining six years of the CTP and the \$95 million loan is not paid back, the CTP would face a deficit of \$1.3 billion.

Such a situation would jeopardize the following promises of the CTP:

- ◆ Increased state investment in local transportation
- ◆ Increased state investment in aviation, public transit, and rail
- ◆ Preservation, modernization, and enhancement of the State Highway System.

KDOT’s presentation showed the magnitude of cuts that would have to be made if the demand transfer was eliminated and the CTP faced a deficit of \$1.3 billion. These potential cuts would severely impact the state’s transportation infrastructure and could affect the entire spectrum of Kansas communities—cities large and small; counties rural and urban. The impact would be felt by everyone from bus riders to motor vehicle drivers, from farmers shipping grain to pilots flying emergency medical flights.

With this much at stake, it is not surprising

that there was widespread and emphatic rejection of the possible cuts. The public meetings revealed overwhelming public support for the completion of the CTP - a level of support every bit as strong as it was when the program was created in 1999. The study group heard time and again that people opposed any funding reductions that would jeopardize the completion of the CTP. Some of the key themes the group heard:

- ◆ **People oppose funding reductions to the Comprehensive Transportation Program (CTP) and believe the state needs to fulfill the commitments made in the 1999 legislation creating the CTP.**
- ◆ **The CTP has a positive impact on the state’s economy and provides good jobs with good wages.**
- ◆ **The sales tax demand transfer is an important component of the funding stream for the CTP. Economic pressures on the State General fund have forced reductions in the transfer amounts. Remedial legislation needs to be developed to assure the percentage of the transfer reflects the user fee concept on which it was originally based.**
- ◆ **Good transportation infrastructure keeps the state competitive with neighboring states.**
- ◆ **The state needs to protect funding for cities and counties through the Special City County Highway Fund (SCCHF).**
- ◆ **The state needs to fully fund the public transportation component of the CTP to give mobility and independence to the elderly, the disabled, and the economically disadvantaged.**
- ◆ **The CTP is necessary to continue improving the safety of our highways.**
- ◆ **General Aviation airports in Kansas have benefited greatly from the CTP and this funding should continue.**
- ◆ **The Rail Assistance Program has kept short line railroads operating in Kansas, giving local shippers access to economical rail service.**

Based on what the study group heard at the public meetings, they therefore make the following findings and recommendations to Governor Graves:

- ◆1. It is evident from the recent hearings that the citizens of the state of Kansas continue to overwhelmingly support completion of the entire 1999 Comprehensive Transportation Program and strenuously oppose any reduction in funding, which would prevent the completion.

The members of the Transportation 2000 study group therefore strongly voice their opposition to any further reduction in funding, which would cause the elimination of any promised highway project, or reductions in funding for any modes, or in the amounts of city/county revenue transfers.

The study group further states that only at

such time as such funding may become inadequate to meet all of the commitments of the program should the state consider options that would allow it to still meet every commitment of the 1999 Comprehensive Transportation Program.

- ◆2. The current sales tax demand transfer funding component of the 1999 Comprehensive Transportation Program (CTP) should be replaced by a revenue transfer based on the percentage of sales tax collected from the sales of new and used motor vehicles.

It has long been recognized that this portion of the sales tax should be considered user fees whose appropriate repository is the State Highway Fund. To accomplish this, Transportation 2000 endorses the suggested legislative remedy provided by Economic Lifelines at the Wichita public meeting, which is included as part of this report (Appendix C).

“... the consequences of not following through on funding promises will have a dire effect on the state. Funding the General Fund should be dealt with directly; continuing to raid the transportation fund is not the answer.”

Harry “Butch” Felker
Mayor, City of Topeka

The Study Group

The citizens of Kansas overwhelmingly support the Comprehensive Transportation Program (CTP), are opposed to any funding reductions in the CTP, are alarmed at how State Highway Fund (SHF) dollars are being used to balance the state budget, and are demanding that the promises made when the CTP was passed in 1999 be kept. This is the message heard by the Transportation 2000 study group, which Governor Bill Graves reconvened in August 2002.

Governor Graves first convened the Transportation 2000 study group in 1998 to review the state's transportation needs. As a direct result of those efforts, the CTP was enacted in 1999.

Governor Graves decided to reconvene the group because he was concerned about the adequacy of funding for the Comprehensive Transportation Program. In his letter to the study group members, the Governor wrote, "I believe it is important for the public to understand how much the state transportation program will be impacted should funding for the CTP continue to be used to make up the State General Fund deficit. I am asking the Transportation 2000 study group to reconvene to review CTP funding, confirm that there is a real problem, and discuss these issues at several public meetings across the state."

Once again under the leadership of chair Mary E. Turkington, former Executive Director of the Kansas Motor Carriers Association and chairman of the Kansas Turnpike Authority, the group held an organizational meeting in Topeka

"Frankly, investment in infrastructure is one of the most effective ways to help recover the economy and provide more money for education and other important programs."

Bernie Koch

Vice President for Communication and
Government Relations
Wichita Area Chamber of Commerce

on September 4, 2002, and determined to conduct four public meetings on four consecutive weeks in October.

The Meetings

The study group's meetings took place as follows:

- ◆ **October 2, 2002** - Fort Scott at the Fort Scott Middle School
- ◆ **October 8, 2002** - Overland Park at The Doubletree Hotel
- ◆ **October 17, 2002** - Dodge City at the Dodge House
- ◆ **October 23, 2002** - Wichita at the Hyatt Regency Hotel

All the meetings began at 5:30 p.m. Approximately 800 people attended the four meetings. About 150 people- city and county leaders, business people, and citizens - spoke or gave presentations. The overwhelming majority of these presentations showed strong support for full funding of the Comprehensive Transportation Program

Each meeting followed the same format. Chairman Mary E. Turkington gave a brief overview of the purpose of the study group hearing, which was to carry out Governor Graves' instructions to review the status, funding and future of the state's Comprehensive Transportation Program and to seek testimony from the public on those issues. The public was then given a presentation prepared by Kansas Department of Transportation (KDOT) staff.

Rosemary M. Ingram, P.E., Chief of KDOT's Bureau of Program Management, gave a presentation outlining the key components of the CTP, its funding sources and the changes to those funding sources since the CTP was enacted in 1999. (The complete presentation is included as Appendix B.)

One of the most critical changes has been the reduction of the sales tax demand transfer. This is a legislatively mandated percentage of sales tax receipts that is to be transferred from the State General Fund (SGF) to the State Highway Fund (SHF). The transfer was reduced in FY 2000, FY

2002, and eliminated entirely in FY 2003. These actions alone have resulted in a \$238.3 million loss to the program.

There have been other reductions in CTP funding, which have created a total reduction of \$291.1 million. In addition to those reductions, the 2002 legislature borrowed \$95 million from the SHF to shore up the SGF ending balance. This loan is statutorily mandated to be repaid by the end of FY 2003 (June 30, 2003).

The presentation pointed out that at the study group's September meeting the State Budget Director, Duane A. Goossen, had estimated that FY 2003 SGF receipts would not be enough to finance the approved FY 2003 budget. (The November 2002 estimates by the Consensus Revenue Estimating Group place the FY 2003 shortfall at more than \$300 million.) Director Goosen had also given the group a gloomy outlook for FY 2004 - assuming only statutory increases in expenditures and using current revenue estimates, he predicted an SGF deficit of between \$500 million and \$700 million. This prediction, dire as it was, fell short of the most recent estimates by the Consensus Revenue Estimating Group, which place the deficit for FY 2004 at \$780 million.

This situation jeopardizes the demand transfer to KDOT for FY 2004 and possibly future years. If the demand transfer were eliminated for the remaining six years of the CTP and the \$95 million loan is not paid back, the CTP would face a deficit of \$1.3 billion.

Such a situation would jeopardize the promises of the CTP:

- ◆ Increased state investment in local transportation
- ◆ Increased state investment in aviation, public transit, and rail
- ◆ Preservation, modernization, and enhancement of the State Highway System.

The presentation then outlined three scenarios to help illustrate the impact on the CTP if there were a deficit of \$1.3 billion.

“The loss of this shared revenue would force Andover, and perhaps other cities and counties, to either raise taxes significantly...or start sacrificing the safety of our local roads.”

City of Andover

Scenario #1

◆ **Cut all System Enhancement projects not yet let to construction-- 26 projects with a \$950 million reduction in state funds PLUS...**

◆ **\$350 million more would have to be cut**

--OR--

Scenario #2

◆ **Cut all FY 2004-2009 Major Modification projects including Interstate, Non-Interstate, and set-aside projects, which represent almost one-half of the planned Major Modification mileage-- a \$1.3 billion reduction.**

--OR--

Scenario #3

◆ **Aviation--** Cut current \$3 million per year to zero for FY 2004-2009, an \$18 million reduction PLUS...

◆ **Public Transit--** Cut current \$6 million per year to zero for FY 2004-2009, a \$36 million reduction PLUS...

◆ **Rail--** Cut current \$3 million per year to zero for FY 2004-2007, a \$12 million reduction that would prevent the loan program from becoming self-sustaining PLUS...

◆ **Local Transportation--** Eliminate FY 2004-2009 Special City County Highway Fund payments resulting in a \$960 million reduction to cities and counties PLUS...

◆ **\$274 Million more would have to be cut**

It was stressed that while the scenarios showed the magnitude of the cuts that would have to be made if the demand transfer was eliminated, the actual impacts could be a combination of any of the elements of the scenarios.

Themes

After the KDOT presentation, study group members heard from the public, and what they heard was a remarkable outpouring of support for the CTP- support as strong now as it was in 1999. The testimony had common themes, the key ones of which are listed below.

- ◆ **The public overwhelmingly opposes funding reductions to the Comprehensive Transportation Program.**
- ◆ **The public demands that the state fulfill the commitments made in the 1999 legislation creating the CTP.**

City and county leaders, business people, and citizens all told the group that their communities were counting on the highway improvements promised in the CTP. In some cases, these projects will improve the safety of roads with consistently high accident rates. In others, the projects will mean new or continued economic development for the communities. Those communities that were awarded System Enhancement projects told the group that those projects were much anticipated by their citizens and were viewed as a commitment by the state. What the group heard time and again was that the CTP has benefited local communities and should continue to be fully-funded.

Conferees at all the hearings expressed concern that failing to complete the CTP as promised would create a lack of credibility and negatively impact public support for any future transportation programs.

- ◆ **The CTP has a positive impact on the state's economy and provides good jobs with good wages.**

The CTP stabilizes and stimulates the state's economy during all times but especially during difficult economic times and it supports statewide economic development.

“Rather than calling into question the funding of the CTP, the State’s current economic outlook only further supports the need to ensure the CTP be fully-funded. In difficult economic times, transportation spending is particularly important in stabilizing and stimulating the State’s economy.”

Robert D. Lowry
Director of Public Works
City of Overland Park

Two economic researchers have verified that the previous program, the 1989 Comprehensive Highway Program (CHP), was a direct stimulant to the Kansas economy in the early 1990s.

Research by economist Dr. Michael Babcock of Kansas State University shows that the 1989 CHP:

- had an economic multiplier of 2.6 for every dollar spent. In other words, every dollar spent by the state was magnified to almost three dollars as it wound its way through the state economy ;
- created 118,000 private sector jobs statewide;
- increased statewide income by \$1.4 billion; and
- also increased economic development and benefited highway users.

Economist Dr. David Burress, of the University of Kansas, did a Benefit/Cost analysis of the 1989 program.

- He conservatively estimated the Benefit/Cost ratio of the CHP to be at least three, meaning the program returned at least three dollars' worth

of value to Kansans for every dollar's worth of cost to Kansans.

●His study states that this "...finding means that, in aggregate terms, the KCHP has been at least three times as valuable to taxpayers as returning their tax dollars would be."

●The report goes on to say the authors believe the same would be true of a new highway program.

Drs. Burress and Babcock were each asked to estimate the impact of a \$1.3 billion cut on the current CTP.

Dr. Babcock's economic impact analysis estimates such a cut would result in:

●\$3.3 billion reduction in Kansas production

●\$0.6 billion reduction in Kansas wages and salaries

●loss of more than 53,000 jobs

Dr. Burress' economic impact analysis estimated:

●A loss of \$4.7 billion in benefits, which includes travel time and accident savings in addition to income and production

◆**Transfer of sales tax collections to the State Highway Fund are critical to continued funding of the CTP.**

This is currently accomplished through the sales tax demand transfer. Economic pressures on the State General Fund have forced reductions in the transfer amounts. Remedial legislation needs to be developed to assure the percentage of the

"I have mental retardation, mild cerebral palsy, and epilepsy and am visually impaired. I can NOT get to work without transportation. I want to keep being a taxpayer, not a tax user!"

Don Shifton

transfer reflects the user fee concept on which it was originally based. At the Wichita meeting, Economic Lifelines presented draft language for suggested legislation. It calls for revenues from sales taxes collected on the sale of new and used motor vehicles to be transferred automatically to the State Highway Fund. This approach is faithful to the original concept behind the percentage of the demand transfer, which recognized that sales tax dollars collected on the sale of new and used motor vehicles are highway user fees and should be distributed to the State Highway Fund.

◆**Good transportation infrastructure keeps the state competitive with neighboring states.**

Many participants noted the poor condition of Missouri's highways due to that state's lack of funding for transportation needs. Others noted how businesses seeking to locate in Kansas often ask about transportation options and access. They stressed that continuing to improve Kansas transportation infrastructure is vital to attracting and keeping new businesses.

◆**The state needs to protect funding for cities and counties through the Special City County Highway Fund (SCCHF).**

City and county executives explained how much their street and road programs depend upon SCCHF distributions. For many, losing this source of funding would mean increasing local mill levies anywhere from four mills to 16 mills. All said increases of that magnitude would be unacceptable to their constituencies. As one county commissioner put it, "If I suggested a mill levy increase of that size, believe me, I'd have to sleep with one eye open."

◆**The state needs to fully fund the public transportation component of the CTP to give mobility and independence to the elderly, the disabled, and the economically disadvantaged.**

Those who testified made it clear that public transportation was vital and for many was the only way to get to medical appointments, go grocery shopping, or get to jobs. As one person put it, "I

want to keep being a taxpayer, not a tax user.” Many were upset that the 2002 legislature had reduced funding for public transportation by more than \$500,000. They urged study group members to recommend restoring those dollars to the six million dollars in state funds provided annually to public transportation under the CTP and to advocate for full funding of the public transportation component of the CTP in the future.

◆**The CTP is necessary to continue improving the safety of our highways.**

Many of the communities that supported the CTP in 1999 did so because they had sections of road in their regions that needed safety improvements. To cite just two examples, US-169 between Spring Hill and Paola and US-54/400 between Kingman and Pratt.

◆**General Aviation airports in Kansas have benefited greatly from the CTP and this funding should continue.**

The CTP ended Kansas’ woeful distinction as the only one of 50 states that did not provide state funding for General Aviation airports. Pi-

lots and airport operators told the group there has been a tremendous impact from the CTP’s Aviation Improvement Program. They noted that the percentage of runways in Kansas listed as being in poor condition has dropped since passage of the program. They also noted that the local match requirement of the program has created solid state and local partnerships and has allowed both entities to get more value for the dollars invested by better leveraging the amounts available.

◆**The Rail Assistance Program has kept short line railroads operating in Kansas, giving local shippers access to economical rail service.**

The CTP also created state funding for short line rail assistance. The program has rehabilitated tracks and helped a Kansas company (WATCO) dedicated to rail service purchase tracks that otherwise may have been sold for salvage. Those who spoke about the rail assistance program stressed the need to keep short line rail service available to farmers as an economical option for shipping grain.

“To cut an already devastated budget would be unreasonable, and create unsafe driving conditions. The thought of a lost loved one or family member is reason enough to make cuts somewhere else or raise taxes.”

Melvin Matlock

Sumner County Road and Bridge Director

Conclusions and Recommendations

The Transportation 2000 study group members met once again on November 14, 2002, in Topeka, to discuss their findings and to develop recommendations to present to the Governor. The panel agreed their public meetings had demonstrated that support for the Comprehensive Transportation Program is as strong now as it was in 1999 and that the public opposes any reductions in funding to the CTP.

The study group determined that the best way to achieve the goal of fully funding and completing the CTP as promised was to endorse the Economic Lifelines proposal which replaces the current sales tax demand transfer with a revenue transfer. The study group members saw the revenue transfer as a better way to fully fund the CTP for the following reasons:

◆ **The ability to reduce the demand transfer whenever the State General Fund is facing a shortfall is the “fatal flaw” of the CTP funding stream.**

Until this is remedied, there is no way to guarantee the promises made in 1999. Any solution that doesn't speak to this issue doesn't adequately address the problem. It was pointed out that even one more year of eliminating the transfer will result in a CTP deficit of more than \$400 million.

◆ **The Economic Lifelines proposal reflects the original intent behind the demand transfer.**

Group Chair Mary Turkington reminded the members of the reasoning behind the demand transfer. It is a user fee concept. It is fitting and fair that any sales taxes from new and used motor vehicle sales go into the State Highway Fund. The demand transfer was the mechanism chosen to achieve this result. However, it has been a difficult revenue resource because the legislature has cut or eliminated the demand transfer dollars each year. Changing to a revenue transfer would assure that these user fees go directly to the State Highway Fund.

◆ **It presents a positive recommendation to the legislature.**

The study group stressed the importance of having a solid idea to present to lawmakers, especially in an area as complex as transportation funding.

The study group therefore makes the following findings and recommendations to Governor Graves:

1. It is evident from the recent hearings that the citizens of the state of Kansas continue to overwhelmingly support completion of the entire 1999 Comprehensive Transportation Program and strenuously oppose any reduction in funding, which would prevent the completion.

The members of the Transportation 2000 study group therefore strongly voice their opposition to any further reduction in funding, which would cause the elimination of any promised highway project, or reductions in funding for any modes, or in the amounts of city/county revenue transfers.

The study group further states that only at such time as such funding may become inadequate to meet all of the commitments of the program should the state consider options that would allow it to still meet every commitment of the 1999 Comprehensive Transportation Program.

2. The current sales tax demand transfer funding component of the 1999 Comprehensive Transportation Program (CTP) should be replaced by a revenue transfer based on the percentage of sales tax collected from the sales of new and used motor vehicles.

It has long been recognized that this portion of the sales tax should be considered user fees whose appropriate repository is the State Highway Fund. To accomplish this, Transportation 2000 endorses the suggested legislative remedy provided by Economic Lifelines at the Wichita public meeting, which is included as part of this report (Appendix C).

APPENDIX A

***SELECTED EXCERPTS
OF TESTIMONY***

Fort Scott, October 2, 2002

“Public Transportation provides mobility and access to the community for thousands of Kansans who otherwise would have none. Public transportation takes people to the doctor, the grocery store, a senior center, or work. Public transportation is an investment that pays off in its ability to keep people at home instead of care facilities or at work rather than on welfare. Public transportation saves costs in other state and local programs.”

Steve Feigenbaum, Executive Director Kansas
Public Transit Association

“Without a doubt rail service is critical to a sustainable agricultural industry in this state. Whether it is wheat outbound to flour mills or corn inbound to western Kansas feedlots, connection to the national rail system is vital for rural Kansas. That is one of the primary benefits of the funding you recommended to the Legislature...”

“The preservation of the existing rail fund is very important to the shortline rail industry, [and] more than 700 miles of grain producing railroad lines have been preserved because of your initial recommendations.”

Ed McKechnie
Director of Government Affairs
Watco Companies, Inc
(Railroad Service Holding Company with
more than 300 employees, Pittsburg)

“If we are to grow economically in this area, we must continue the improvement of each segment of transportation. Even though times are difficult, this is not the time to raid transportation funds to pay for other programs.”

Tim Emert
Former State Senate Majority Leader
Independence

“In looking at the Fall enrollment figures for Fort Scott Community College on Monday, out of 1,739 students we have only 465 who live in Bourbon County. Many of the others come from a corridor that runs from Crawford County to Wyandotte County and includes Bourbon, Linn, Miami, and Johnson Counties. Good roads represent an economic lifeline for Fort Scott Community College... We're excited about the prospect of the transportation proposals helping meet the needs of Southeast Kansas and would urge you to stay

the course and follow through by providing the citizens of Southeast Kansas access to quality transportation.”

Richard Hedges
President, Fort Scott Community College

“If the State operated more like sound business, at a time of recession, you look at the opportunities to stimulate business growth, economic development, and investment. Investment into the infrastructure (building good highways) will stimulate the economy, ultimately yielding a return on investment and economic growth. ... We urge the State of Kansas to live up to the commitment that was passed in 1999 and restore the funding for the Comprehensive Transportation Program.”

David Mauersberger
Controller, Superior Industries International
(Aluminum wheel manufacturer with 700 employees)
Pittsburg, Kansas

“We have waited many years for these proposed improvements and don't believe the present financial difficulties should delay this progress. We have been promised better roads and are paying additional taxes right now for them.”

M. Don Russell
Economic Development Director
City of Fort Scott

“Southeast Kansas wants to give more back to the state than it receives. It can't do that until the highway issue is addressed so that the region can attract business and industry. Until the State of Kansas is willing to invest in highways, this region of the state cannot overcome the perception that it is too hard to get here.”

Tom Bryant
President, Pittsburg State University

“... removal of the demand transfers by the State to cover the budget shortfall will mean a loss of over \$1 million to the City's budget for 2003. To make up for this possible loss in revenue, the City would have to increase our local mill levy by 9.9 mills. Passing the budget shortfall on to the local property taxpayers does not solve the State's budget problems, only shifts these problems to the local level, forcing the city commission to either raise property taxes or cut budgets.”

Jerry Lindbergh
Director of Economic Development
City of Pittsburg

Overland Park, October 8, 2002

“...we strongly feel that failure to keep faith with the public by not implementing this transportation plan will result in increased maintenance costs, increased delays and congestion and lost productivity, resulting in loss of economic development potential. In the long run this will mean additional costs in the form of lost opportunity, increased debt financing and ultimately higher taxes. It is the classic “pay me now or pay me later,” except in this case, pay a lot more when you pay later.”

Ron Norris
City of Lenexa

“Governor Graves and the Kansas Legislature acted on the will of the people and approved the Comprehensive Transportation Program- and we should not break faith with those same people now... Rather than calling into question the funding of the CTP, the State’s current economic outlook only further supports the need to ensure the CTP be fully-funded. In difficult economic times, transportation spending is particularly important in stabilizing and stimulating the State’s economy.”

Robert D. Lowry
Director of Public Works
City of Overland Park

“Public use of transportation in general benefits the economic value of a state when it provides means for the citizen taxpayer to get to their jobs in these tough economic times... We, in Kansas, hope to compete and encourage major corporations to look upon us favorably as a place to bring their companies. We need to be able to show them that we are keeping up with other states innovative public transportation systems.”

Melana Cooke
Chair, Johnson County Transportation Advisory Council

“Without the ability to efficiently move traffic, the economic engine of development is strangled. With appropriate investment in roads however, development in areas such as Leavenworth County will continue at a rapid pace, generating new property taxes, payroll taxes, and sales taxes vitally needed to reverse the state’s revenue shortfall.”

John W. Young
Director of Public Works
City of Lansing

“ At some point, the state of Kansas needs to determine whether it is prepared to support the basic services that only government can provide: whether it is education, roads, or public safety. All of these services and others are critical to the economy of the state. All of them deserve adequate fiscal support. Failure to provide adequate support places a detrimental burden on the taxpayers in the future. Such a failure is not fiscally responsible.”

G. Craig Weinaug
Douglas County Administrator

“Please do not let the vision to construct a comprehensive transportation program be discarded due to current economic turbulence.”

John Franiuk
Mayor, City of Tonganoxie

Dodge City, October 17, 2002

“The economic future of Kansas depends on a good transportation system. We all realize that the state is in an economic recession right now, but one way to start that recovery is to start building the highways that are so badly needed. This will provide scores of new jobs and give the economy a badly needed boost. This will also give us the means to recruit and attract businesses, industries or new citizens.”

Jack Taylor
Liberal Chamber of Commerce

“Without public transportation, many would become prisoners within their own homes. Being able to have the freedom to get out when we want and need to is something most of us take for granted, but for a person with a disability or a person who is otherwise transportation dependent, it means the difference between having some quality of life or no quality of life.”

Bonnie Stoller
Quality Assurance Coordinators
Arrowhead West, Inc. (non-profit rehabilitation facility) Dodge City

“... since the passage of the Comprehensive Transportation Program, the condition of Kansas Airports has risen from a state of disrepair to a condition where these airports now provide a renewed purpose and are a catalyst from which new revenue streams are generated for the local economies they serve.”

Resolution of the Kansas Association of Airports

Wichita, October 23, 2002

"I don't agree with those who say that if we just put all of our resources into education, everything else will take care of itself.... Education is important, but there must be a sense of equilibrium in our state's priorities or we will find ourselves returning to the 1980's condition when the state's lack of investment in our transportation system brought us to a crisis in the condition of our roads... Frankly investment in infrastructure is one of the most effective ways to help recover the economy and provide more money for education and other important programs."

"I can remember the circumstances surrounding the first comprehensive program... and the final passage in 1989... Many of you will recall that one major argument of the opponents was that if a program was passed, the promised projects would not be built. There was a distrust of state government, a distrust of KDOT, and a strong pessimism that worked against us... The success of the 1989 program changed that. The promised projects were built....The danger now is if the state does not deliver the 1999 program. I fear we will return to that pessimism I saw and heard 14 years ago. That attitude will hurt the state's ability to address future infrastructure needs."

Bernie Koch

Vice President for Communication and
Government Relations
Wichita Area Chamber of Commerce

"To cut an already devastated budget would be unreasonable, and create unsafe driving conditions. The thought of a lost loved one or family member is reason enough to make cuts somewhere else or raise taxes."

Melvin Matlock

Sumner County Road and Bridge Director

"For the City of Andover, we anticipate \$187,000 from this (Special City County Highway) fund to maintain our 53 miles of streets in 2003. These dollars represent roughly half of our total street maintenance budget. I would like to specify maintenance, not construction, not enhancements, but maintenance- the basic elements of making sure a roadway is safe. With these dollars we purchase ice and snow control materials, sand and gravel, tires for vehicles, street signs, road paint, gasoline, diesel fuel, sealer to prolong the life of these streets, and maintain traffic signals, school crossing lights, school zone indicators. The loss of this shared revenue

would force Andover, and perhaps other cities and counties, to either raise taxes significantly, 3.45 mills for Andover to replace the lost revenue, or start sacrificing the safety of our local roads."

City of Andover

"... most of our riders are very elderly and very frail. The average age of our riders is 88; most ride our lift-equipped vans to visit their doctors, go to dialysis, visit their loved ones in nursing homes, or do their shopping... Our Transportation services help keep Butler County's elderly and disabled persons in the community- and keep them as independent as possible. We also transport persons to and from work and to college classes... We must protect the transportation funding we now have..."

Connie Rausch

Director, Butler County Department on Aging
and Transportation

"... the consequences of not following through on funding promises will have a dire effect on the state. Funding the General Fund should be dealt with directly; continuing to raid the transportation fund is not the answer. We need our state leaders to keep the commitment they made to Kansans when they passed the 1999 Comprehensive Transportation Plan. Transportation infrastructure is too important to let idle, we only have to look at neighboring states to know that."

Harry "Butch" Felker

Mayor, City of Topeka
Representing a coalition of Shawnee County,
City of Topeka, The Topeka Metropolitan Transit Authority, the Metropolitan Topeka Airport Authority, and the Greater Topeka Chamber of Commerce.

"Continuing to cut and possibly eliminate elements of the Comprehensive Transportation Program will create significant damage to the economy in this region and the entire state. The short-term gain that can be achieved by transferring funds or killing projects to shore up the state's budget difficulties are not worth the long-term economic harm that would result."

Mike Ledy

Mayor, City of Winfield
Chair, Regional Economic Area Partnership

“My brother, Barry Harris, is 95% dependent on public transportation, along with his friends and neighbors at the Timbers. Cuts in their transportation could result in many of them losing their jobs. Without jobs, you then severely hinder their ability to provide food and shelter for themselves.”

Jeffrey Harris

“I realize the difficult situation our state is in because of the bad economy and the reduction of money the state is receiving through tax collections. I believe that our state needs to support people who want to work hard and be active and productive members in our community who pay taxes. Please maintain the funding for public transportation programs for myself and others who share this need.”

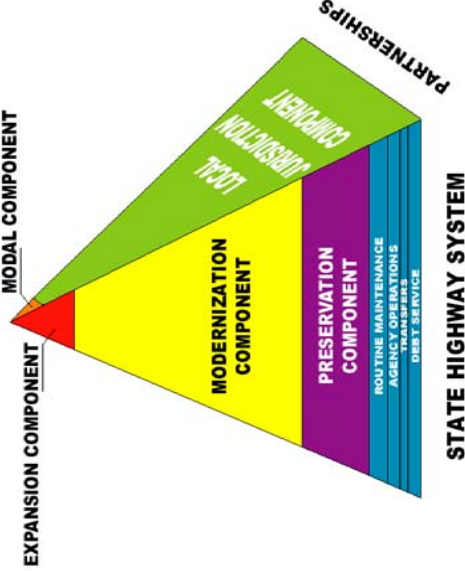
Karrie Knightley

“I have mental retardation, mild cerebral palsy, and epilepsy and am visually impaired. I can NOT get to work without transportation. I want to keep being a taxpayer, not a tax user!”

Don Shifton

APPENDIX B

***KDOT PRESENTATION
AT MEETINGS***

<p>COMPREHENSIVE TRANSPORTATION PROGRAM (CTP)</p> <p>A PROGRAM IN JEOPARDY</p> <p>Sponsored by the Transportation 2000 Study Group</p> <p>Fort Scott, October 2, 2002 Overland Park, October 8, 2002 Dodge City, October 17, 2002 Wichita, October 23, 2002</p>	<p>COMPREHENSIVE TRANSPORTATION PROGRAM "BUILDING BLOCKS"</p>  <p>2</p>
<p><u>"Must-Do" Activities</u></p> <ul style="list-style-type: none"> • Debt Service <ul style="list-style-type: none"> – 1989 CHP bonds plus 2000 and 2001 CTP bonds • Transfers <ul style="list-style-type: none"> – Funding provided to other agencies • Agency Operations <ul style="list-style-type: none"> – Building upkeep, administrative costs, etc. <p>3</p>	<p><u>"Must-Do" Activities</u> (continued)</p> <ul style="list-style-type: none"> • Routine Maintenance <ul style="list-style-type: none"> – Snow removal, mowing, etc. • Minimum Expenditure per County <ul style="list-style-type: none"> – \$3 million (highway construction) over life of CTP <p>4</p>

Highway Program Components

- Preservation
 - Substantial Maintenance projects protect the state's investment by preserving "as-built" conditions as long as possible.
- Modernization
 - Major Modification road projects go beyond preservation to improve capacity and geometrics and enhance safety.
 - Priority Bridge projects target the most deficient bridges for replacement or modernization.
- Expansion
 - System Enhancement projects "substantially improve safety, relieve congestion, improve access, or enhance economic development."

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Modal Components

- Aviation Component
 - Kansas Airport Improvement Program funded at \$3 million per year.
- Public Transit Component
 - Increased from \$1 million (prior program) to \$6 million per year state funding for capital and operating subsidies.
- Rail Component
 - \$3 million state loan/grant funds annually for eight years to assist Kansas shortline railroads with track rehabilitation. Funds may also be used for financing and acquisition activities.

6

Local Jurisdiction Component

- Special City and County Highway Fund (SCCHF) distributes a percentage of net motor fuels tax revenues, approximately \$160 million per year, directly to cities and counties
- Increased payments for maintenance of City Connecting Links from \$2,000 per year per lane-mile during prior program to \$3,000 per year per lane-mile for CTP
- Increased annual state set-aside amounts for Local Partnership Program and established Local Partnership Railroad Grade Separations Program
- Continued sharing federal aid increases-- "TEA-21" provided for a 45% increase to cities and counties resulting in approximately \$17 million per year additional funding for FFY 1998 - 2003 for cities and counties

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Why Should the Legislature Maintain Its Commitment to the CTP?

- Economic impact
 - CTP stabilizes and stimulates the state's economy during all times but especially during difficult economic times
 - CTP supports statewide economic development
- Protect state investment in infrastructure
 - CTP is necessary to address the state's current transportation needs
 - Millions of dollars of unmet transportation needs remain to be addressed

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<p style="text-align: center;"><u>Original House Bill 2071</u> <u>FY 2000-2009 CTP New Funding</u></p> <ul style="list-style-type: none"> • Motor Fuels Tax Increase <ul style="list-style-type: none"> – Phased increase of 4 cents per gallon: 2 cents in 1999; 1 cent each in 2001 and 2003; “sunsets” in 2020 • Sales Tax Transfer <ul style="list-style-type: none"> – Capped at 1.75% increase for FY 2000 and FY 2001; stepped increases from 9.5% in FY 2002 to 12% in FY 2005 and thereafter • Bonding <ul style="list-style-type: none"> – \$995 million in additional bonding authority with 20-year bonds <p style="text-align: right;">9</p>	<p style="text-align: center;"><u>Changes to Original</u> <u>FY 2000-2009 CTP Funding</u></p> <ul style="list-style-type: none"> • 2001 Sales Tax Demand Transfer Reduction and Increased Bonding <ul style="list-style-type: none"> – \$160 million cut in Demand Transfer over the life of the program (\$20 million each year for FY 2002-2009) – Increased bonding authority of \$277 million to offset the \$160 million funding reduction but increased debt service after FY 2009 • 2002 House Bill 3011 <ul style="list-style-type: none"> – Motor Fuels Tax increase of 2 cents per gallon effective July 1, 2002 (all to the State Highway Fund); “sunsets” in 2020 – Registration Fee increase of \$5 for cars and pickups (varies from \$2 to \$10 for trucks) effective July 1, 2002 <p style="text-align: right;">10</p>
<p style="text-align: center;"><u>Changes to Original</u> <u>FY 2000-2009 CTP Funding</u> (continued)</p> <ul style="list-style-type: none"> • Sales Tax Demand Transfer <ul style="list-style-type: none"> – FY 2000-2002: \$91.7 million total reduction – FY 2003: statutory amount reduced to zero (approximate \$146.6 million reduction to State Highway Fund) – FY 2004 and thereafter: statutory transfer to resume (approximately \$156 million to State Highway Fund for FY 2004) • State General Fund Loan <ul style="list-style-type: none"> – \$95 million was borrowed from the State Highway Fund for the State General Fund in FY 2002 and is scheduled to be repaid in FY 2003 <p style="text-align: right;">11</p>	<p style="text-align: center;"><u>Changes to Original</u> <u>FY 2000-2009 CTP Funding</u> (continued)</p> <ul style="list-style-type: none"> • For FY 2003, public transit funding was reduced 8.3 percent from the statutory \$6 million-- \$500,000 was transferred from the Coordinated Public Transportation Assistance Fund to the State General Fund • \$5.8 million total unanticipated transfers to other agencies for FY 2000-2003 <p style="text-align: right;">12</p>

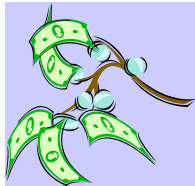
Reductions to Statutory Sales Tax Demand Transfer for CTP

- CTP Demand Transfer Reductions So Far
 - FY 2000: \$27.2 Million
 - FY 2001: \$39.2 Million
 - FY 2002: \$25.3 Million
 - FY 2003: \$146.6 Million (statutory amount reduced to zero)
- **FY 2000-2003 Total Reduction = \$238.3 Million**

September 2002

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The Bottom Line



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Other Reductions to CTP Funding

- Actual Revenue Collections
 - Motor Fuels Tax collections for FY 2000-2002 are \$37.5 million less than originally projected
 - Quarter-Cent Sales Tax collections for FY 2000-2002 are \$9.0 million less than originally projected

September 2002

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CTP Funding Reduction Summary

- Summary of FY 2000-2003 Reductions
 - \$238.3 million from Sales Tax Demand Transferred
 - \$0.5 million transferred from the Coordinated Public Transportation Assistance Fund
 - \$5.8 million unanticipated transfers to other agencies
 - \$37.5 million in actual Motor Fuels Tax collections
 - \$9.0 million actual Quarter-Cent Sales Tax collections
- **\$291.1 Million Reduction in CTP Funding**

September 2002

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State General Fund Outlook

- FY 2003 State General Fund (SGF)
 - The State Budget Director estimates that FY 2003 SGF receipts will not be enough to finance the approved FY 2003 budget without further cuts through the remainder of FY 2003.
- FY 2004 State General Fund (SGF)
 - Based on current revenue estimates and assuming only the statutory increases in expenditures, the State Budget Director estimates that the FY 2004 SGF budget will run a \$500-\$700 million deficit.
 - Included in the FY 2004 SGF statutory expenditures is the Sales Tax Demand Transfer to the State Highway Fund set at \$128 million by the Division of Budget.

Source: Duane A. Goossen, State Budget Director, Presentation to Transportation 2000, September 4, 2002

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Future Statutory Sales Tax Demand Transfer for CTP?

- FY 2004 Statutory Demand Transfer
 - The 1999 act, HB 2071, set the transfer at 11.25% of the net State General Fund sales tax collections, approximately \$156 million to the State Highway Fund
- Statutory Demand Transfer for FY 2005 and thereafter
 - HB 2071 set the transfer at 12.0% of the net State General Fund sales tax collections, approximately \$173 million to the State Highway Fund in FY 2005, totaling \$1.2 billion for FY 2004-2009.

September 2002

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Potential CTP Revenue Losses

- Nonrepayment of \$95 million State General Fund Loan
 - Loss of \$1.2 billion (includes interest) from FY 2004-2009 Sales Tax Demand Transfer
- Potential \$1.3 Billion Loss**

September 2002

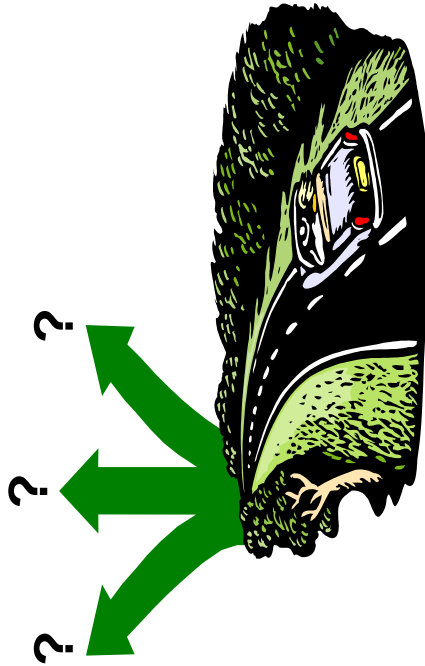
19

Bottom Line

- Without current statutory funding, the CTP cannot be completed as promised.

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The Future of the CTP...



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These CTP Promises Are in Jeopardy

- Preservation, modernization, and enhancement of the State Highway System
- Increased state investment in Local Transportation
- Increased state investment in Aviation, Public Transit, and Rail Transportation
- Economic impact and development as a direct result of CTP

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1989 CHP Economic Impacts

- Economic multiplier of 2.6 for every dollar spent
- An increase of nearly 118,000 private sector jobs statewide
- \$1.4 billion increase in statewide income
- Other benefits
 - Increased economic development
 - Highway user benefits

Source: Babcock, Michael W., et al. Economic Impacts of the Kansas Comprehensive Highway Program. Kansas State University, 1997.

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1989 CHP Benefit-Cost

- The Benefit-Cost ratio was conservatively estimated to be at least 3, meaning the program returned at least three dollars' worth of value to Kansans for every dollars' worth of cost to Kansans.
- This "...finding means that, in aggregate terms, the KCHP has been at least three times as valuable to taxpayers as returning their tax dollars would be. We believe the same would be true of a new highway program..."

Source: Burress, David, et al. Benefits and Costs of the Kansas Comprehensive Highway Program. University of Kansas, 1999.

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<p style="text-align: center;">The Effects of a \$1.3 Billion Funding Loss State Economy</p> <ul style="list-style-type: none"> • According to Babcock economic impact analysis <ul style="list-style-type: none"> – \$3.3 billion reduction in Kansas production – \$0.6 billion reduction in Kansas wages and salaries – Loss of more than 53,000 jobs • According to Burress economic impact analysis <ul style="list-style-type: none"> – Loss of \$4.7 billion in benefits which includes travel time and accident savings in addition to income and production <p style="font-size: small;">Source: Dr. Michael W. Babcock, Kansas State University Dr. David Burress, University of Kansas Presentations to Transportation 2000, September 4, 2002</p> <p style="text-align: right; font-size: small;">25</p>	<p style="text-align: center;">The Effects of a \$1.3 Billion Funding Loss Scenario #1</p> <ul style="list-style-type: none"> • <u>Cut all System Enhancement projects not yet let to construction-- 26 projects with a \$950 million reduction in state funds PLUS...</u> • <u>\$350 million more to cut</u> <p style="text-align: right; font-size: small;">September 2002</p> <p style="text-align: right; font-size: small;">26</p>
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<p style="text-align: center;">The Effects of a \$1.3 Billion Funding Loss Scenario #2</p> <ul style="list-style-type: none"> • <u>Cut all FY 2004-2009 Major Modification projects including Interstate, Non-Interstate, and set-aside projects, which represent almost one-half of the planned Major Modification mileage-- a \$1.3 billion reduction</u> <p style="text-align: right; font-size: small;">September 2002</p> <p style="text-align: right; font-size: small;">27</p>	<p style="text-align: center;">The Effects of a \$1.3 Billion Funding Loss Scenario #3</p> <ul style="list-style-type: none"> • <u>Aviation-- Cut current \$3 million per year to zero for FY 2004-2009, an \$18 million reduction PLUS...</u> • <u>Public Transit-- Cut current \$6 million per year to zero for FY 2004-2009, a \$36 million reduction PLUS...</u> • <u>Rail-- Cut current \$3 million per year to zero for FY 2004-2007, a \$12 million reduction which would prevent the loan program from becoming self-sustaining PLUS...</u> • <u>Local Transportation-- Eliminate FY 2004-2009 Special City County Highway Fund payments resulting in a \$960 million reduction to cities and counties PLUS...</u> • <u>\$274 Million more to cut</u> <p style="text-align: right; font-size: small;">September 2002</p> <p style="text-align: right; font-size: small;">28</p>
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APPENDIX C

ECONOMIC

LIFELINES' PROPOSAL



700 SW JACKSON ■ SUITE #206 ■ TOPEKA, KANSAS 66603
(785) 235-0220 ■ FAX (785) 233-5440

TESTIMONY OF ECONOMIC LIFELINES

Presented by Patrick J. Hurley
to Governor's Transportation 2000 Committee
at Wichita, Kansas, October 23, 2002

Madame Chairperson, Mr. Secretary, Distinguished Members of the Legislature, and Members of Transportation 2000 Committee:

I am Patrick J. Hurley and I am pleased to present these remarks on behalf of Economic Lifelines. As you know, Economic Lifelines is a statewide coalition of all groups interested in transportation improvements, highway safety, and the future economic development of the communities in Kansas.

I am here to express the concern of all members of Economic Lifelines about the fate of the 1999 Comprehensive Transportation Program and to offer a recommendation for your consideration, which could help resolve the problem you have heard described.

Quite simply, the problem is that the Legislature, in its search for funding during a period of declining state revenues, has annually reached into the demand transfer and reduced the amount that is supposed to go into the highway fund.

As you heard, they have done so each of the first four years of the program and this past session they took the entire demand transfer (\$147 million) and borrowed another \$95 million, taking almost one quarter billion dollars from the highway fund in just one year.

You have also heard the state budget director's projections of continued revenue declines in the state general fund that could reach \$800 million. This presents the real danger that the next Governor and Legislature will again be tempted to take the full demand transfer next year, and each year thereafter for the remainder of the program. KDOT has presented scenarios that illustrate the catastrophic impact such revenue cuts would have on the

program. The obvious question is what can be done to prevent that? What can the T2000 Commission recommend that could save the program and all the projects promised thereunder.

At a minimum, Economic Lifelines and virtually every conferee that has testified hope you will recommend in the strongest possible language, that no further funds be taken from the program and that the State honor its commitment to complete every announced project, fully fund all modes, and maintain the full transfers to local governments as the law provides.

The weakness in the current formula, now broadly recognized as a fatal flaw, is the ability of the Legislature to annually adjust or eliminate the demand transfer through an appropriations bill.

They cannot do this with any of the other funding components (motor fuels, registration fees, the quarter cent sales tax, and bond proceeds.) Each of those goes directly into the highway fund. They can only be reached by amending the law. So they are protected by statute where the demand transfer is not.

Economic Lifelines has adopted a proposal to enact legislation that would change the demand transfer to a revenue transfer of total sales tax revenues collected from the sale of new and used motor vehicles. We have attached the statutory language that would accomplish this. The effect of such legislation would be to annually deposit into the highway fund an amount roughly equal to the current demand transfer. This would permanently protect that funding component, place it on equal footing with the other components, and eliminate the ability of future legislatures to tamper with these funds without amending the law. Once and for all, such legislation would cure the fatal flaw in the funding formula of the 1999 CTP. The most attractive part of this proposal is that it does not require additional revenue sources or tax increases to allow the program to be completed.

Economic Lifelines strongly recommends that you consider this proposal and incorporate it into your final report to the Governor and the Legislature. In your deliberations, KDOT will be able to explain this approach in greater detail.

Finally, on a personal note, we sincerely believe there would not have been a 1999 Comprehensive Transportation Program without the work of your Commission. You provided the forum for citizens and communities from all parts of the state to express their need for transportation improvements and their strong support for a new program. Due to

your efforts, the program was passed by over seventy percent of each House of the Legislature.

Now, due to economic circumstances beyond our control, that program, and your hard work, is being threatened. You again have the opportunity to play a vital role in persuading the Governor and the Legislature that it is critical that the state complete the entire program. We sincerely hope you will do so.

Thank you for the opportunity to address you.

ATTACHMENT

K.S.A. 79-34,147(a)(5) be amended to read as follows:

(5)(a) On July 1, 2003, and quarterly thereafter, the secretary of revenue shall certify to the director of accounts and reports the amount equal to the total revenues *from the sale of new and used motor vehicles* received by the secretary from the taxes imposed under the Kansas retailers' sales tax act and deposited in the state treasury and credited to the state general fund during the preceding three calendar months.

(b) Upon receipt of each certification under subsection (a), the director of accounts and reports shall transfer from the state general fund to the state highway fund an amount equal to the amount so certified, on each July 1, October 1, January 1 and April 1.

(c) All transfers made in accordance with the provisions of this section shall be considered to be *demand revenue* transfers from the state general fund.