

T-LINK MEETING 11-19-08

Despite ongoing economic uncertainties, Kansas transportation officials should recommend a framework for a future transportation plan for state legislators to consider in the upcoming session, members of a state transportation task force said Wednesday.

Meeting in Topeka, members of the Transportation-Leveraging Investments in Kansas (T-LINK) task force said the positive economic impact of transportation improvements makes it essential to forge ahead.

Transportation Secretary Deb Miller, co-chair of the task force, suggested that the group lay out a framework for a plan that does not include specific funding proposals, but rather preferred “funding principles.” Possibilities include higher fuel taxes and additional debt financing.

“We don’t know how long the downturn is going to be, but we have to set ourselves up to take advantage of opportunities,” she said.

Indeed, KDOT Public Affairs Director Julie Lorenz said the economic benefits driven by transportation infrastructure represented ongoing good news for Kansas. Lorenz asked task force members and the public for ideas on how to increase awareness of such benefits.

A CHALLENGING MISSION

The T-LINK task force was established earlier this year by Gov. Kathleen Sebelius. The 35 members – leaders in the fields of business, government and labor – were assigned to develop recommendations for a new strategic transportation approach as the state’s 10-year transportation program comes to an end. Task force members traveled around the state in September to meet with citizens at local consultation meetings.

But in recent weeks, formulating a new transportation approach has become more difficult amid the turmoil of a deepening recession and its impact on transportation funding. Earlier this month KDOT was forced to suspend most construction lettings for two months.

Miller said KDOT faces potential funding shortfalls of \$54.3 million this year and \$256.1 million in 2010, including a \$160 million reduction in federal funding next year.

“By late this fall, I lost confidence that our estimate of federal funds was where we needed to be,” Miller said. “We have revised our cash flow estimates. We’re not going to begin work on projects if we don’t have money to pay for them.”

But Miller said the situation will improve if Congress passes an economic stimulus package.

“I’d like to keep my options open,” said T-LINK member Don Schroeder, Kansas representative from Inman. “I certainly don’t think we should eliminate any potential sources (of funding). Even in a downturn, opportunities arise. At least in terms of putting a framework for a highway program in place, now is the time to do it.”

DOING WHAT'S PRACTICAL

Jerry Younger, KDOT Deputy Secretary for Engineering, said the state already has been taking steps to stretch transportation dollars, through a "practical improvements" approach that's designed to fulfill basic needs.

For example, Younger said KDOT recently added a two-foot shoulder to K-156 in Hodgeman County at a cost of \$78,000 per mile. The cost of adding a full six-foot shoulder would have been \$225,000 per mile.

Other cost savings examples include building fewer shoofly (construction-related) detours, new bridge construction products and using thinner pavement on shoulders than on the main part of a road.

Such an approach could be especially useful for improving roads in outlying areas, Younger said.

"The practicality of this is extremely attractive," said T-LINK member Brenda Herrman, Hays Director of Public Works. "There are many instances where more is not always better. I'm thrilled to see this."

T-LINK member Marge Vogt, an Olathe City Council member, said a similar approach is being taken by many governmental entities. "It's just some common sense," she said. "I applaud you for coming up with these ideas."

Miller said she received an enthusiastic response from lawmakers when she discussed the practical improvements approach during a recent presentation she made to the Legislative Joint Interim Transportation Committee.

"This really resonates with legislators, and we need to make it resonate with taxpayers," Miller said.

STATE HIGHWAYS

Kyle Schneweis, a KDOT project manager, gave a presentation on options and possible policy statements on highway preservation, modernization and capacity improvements.

Schneweis noted that highway preservation has been a top KDOT priority and that it reduces maintenance costs in the long term. Ninety-six percent of the state's interstate pavement and 83 percent of state road non-interstate pavement is in good condition, he said.

He gave two possible scenarios for a 2010 pavement preservation program: a \$420 million program that would meet needs and a \$280 million "bare bones" program that would not.

Even the "bare bones" program would require the state to raise additional revenues, Schneweis said.

Schneweis asked T-LINK members to consider whether KDOT should continue to make preservation a top priority, if KDOT's preservation targets are appropriate and if revenues should be increased to ensure those targets are met.

Task force members generally supported those policy statements, with some reservations.

“The bottom line is, you’ve got to show me the money,” Vogt said.

Schneweis asked task force members to consider whether highway modernization should be a focus in a new program, especially for higher traveled roads, and whether KDOT should develop a plan to improve lesser-traveled roads in more cost-effective ways.

Task force members again expressed general agreement, but Miller said such a policy must demonstrate equity throughout the state. “If that’s the road you and your family drive every day, you look at it differently,” she said.

After further discussion, Schneweis said he would revise the modernization proposals to include more specifics.

Schneweis asked task force members to consider four possible policy statements regarding highway capacity improvements:

- Capacity improvements should be a main priority in a new program.
- Passing lanes should be used as one of the solutions to congestion in rural areas.
- The needs are so great that economic impacts must be a part of the selection process.
- Options for innovative and collaborative funding should be explored.

There was general agreement on the first three statements, but some dissent regarding the potential for collaborative funding between state and local governments at the present time.

“I think the faucet got turned off,” said T-LINK member Mary Birch, government relations coordinator with the Lathrop & Gage law firm in Overland Park. “Until it gets turned back on, local governments are not going to be able to play.”

Birch said it’s also not a good time to look toward collaborative transportation funding with private developers, “because new economic development projects aren’t getting started.”

IT’S THE ECONOMY

Joe Crossett, a partner with High Street Consulting Group, gave a presentation on Transportation Infrastructure Investment and the Kansas Economy.

Crossett said transportation’s importance in sustaining the Kansas economy is demonstrated by the 30 million miles driven by vehicles on the state’s roads in 2006, and goods valued at \$892 billion that move across the state’s transportation network every year.

Transportation is imperative to the success of service industries, manufacturing and agriculture/agribusiness/ food processing, Crossett said.

He said transportation infrastructure improvements generate short-term and long-term economic benefits. Included are construction jobs in the short term and, in the long term, more new jobs after

projects are completed. For example, a distribution center might expand and hire more employees after highway improvements are made.

The long-term impacts of transportation investments also depend on labor costs, overall economic conditions and the regulatory environment regarding business.

But alongside all the factors in the economic equation, transportation often emerges as a catalyst that promotes growth.

Crossett cited five case studies of transportation projects that have helped the Kansas economy:

- **K-96 Northeast Wichita Bypass.** Following construction of the bypass in 1993, the bypass corridor contributed about 75 percent of regional job growth between 1994 and 2006. Development in the corridor includes Greenwich business park, Cox Communications, Sonaca NMF and upscale office, retail and residential complexes such as the Waterfront.
- **Interstate 70 and 110th Street Interchange in Western Wyandotte County.** This interchange, built at a juncture that was dotted with farm fields, subsequently attracted the Kansas Speedway and Village West developments that brought almost 5,700 new jobs to Kansas between 2001 and 2006. The interchange also led to plans for the future Hard Rock Hotel & Casino in the vicinity.
- **U.S.-400 Parsons Bypass.** Built in 2004, the bypass helped transform the economy of Parsons, which struggled in recent decades. Businesses drawn by the improved transportation access include a 300-employee storage tank manufacturer, a 24-hour truck stop and restaurant and a Wal-Mart Supercenter.
- **Interstate 435 and Nall Interchange in Overland Park.** Construction of the interchange helped the Kansas City area retain the headquarters of Sprint Corp. (now Sprint Nextel), which built a business park capable of housing 14,000 workers nearby. Total job growth in the vicinity has now exceeded 17,500, including jobs added by the Overland Park Convention Center and a wide variety of health-care operations.
- **Interstate 70 and Commerce Parkway Interchange in Hays.** This interchange has attracted job generators such as the Airport Industrial Park. A-1 Plank and Scaffolding moved to the industrial park from California in 1996 and now employs 116 people. A total of 2,233 new jobs have been added in Hays since the Commerce Parkway interchange was completed.

“Each of these projects are strong economic development projects, and transportation was a catalyst for growth,” Crossett said.

Lorenz presented a framework for assessing the economic impacts of proposed transportation projects. This Kansas Economic Assessment Tool is based on recommendations by members of a KDOT Economic Impacts Working Group, including:

- Mary Birch of the T-LINK task force.
- Ann Charles, with the Local Redevelopment Planning Authority in Labette County.
- Bart Hildreth, T-LINK member and professor of public finance at Wichita State University.
- Tom Johansen, associate professor of economics at Fort Hays State University.
- Steve Kelly, Deputy Secretary of the Kansas Department of Commerce.
- Jeff Longwell, Wichita City Council member.
- Carol Meyer, former president of the Garden City Chamber of Commerce.
- Deb Miller, T-LINK co-chair and Transportation Secretary.
- Howard Partington, Great Bend City Administrator.

The framework includes guiding principles such as:

- **Examine predicted economic impacts for selected project types.** For example, projects that add transportation capacity or improve access may be a catalyst for economic growth, and choices regarding such projects should be informed by careful consideration of their predicted economic impacts.
- **Focus analysis on impacts to jobs and income growth.** Under this proposal, KDOT would expand its project evaluation process to include broader benefits affecting jobs and income.
- **Avoid comparing rural and urban projects against each other.** Decision makers should avoid an unfair focus on high-cost projects that generate large economic impacts.
- **Favor net new job and income growth in Kansas and retention of threatened jobs.** Projects that merely transfer economic benefits among different regions within the state are not as valuable.
- **Use information about economic impacts to assist in decision making.** Data on predicted economic impacts should be used to inform a broader project selection process that also includes consideration of engineering, community and fiscal factors. First and foremost, projects should serve compelling transportation needs.

T-LINK member Allie Devine, with the Kansas Livestock Association, said she would like the proposed principles to place greater emphasis on job retention.

Miller said “Goal #1 is to retain the jobs we have, then income growth and new jobs.”

The framework also includes greater emphasis on a multi-modal approach to transportation planning.

T-LINK member David Kerr, Kansas Secretary of Commerce, said transportation planning must have the flexibility to address economic impact issues.

NUMEROUS FUNDING POSSIBILITIES, BUT NO EASY CHOICES

Joe Erskine, KDOT Deputy Secretary for Finance and Administration, presented task force members with a hypothetical check list of funding policy statements.

Options include revenues from gaming; higher vehicle registration fees; a higher per-gallon motor fuels tax; a sales tax on motor fuels; increased use of tolling; a vehicle miles traveled tax; and added flexibility to economic development tools such as Tax Increment Financing districts, Transportation Development Districts and Star Bonds.

“Regardless of where we go, it would be good to have some options,” Erskine said. “There is a lot of detail that necessarily changes as our economy changes. It needs to be a living document.”

There was some discussion favoring or opposing specific proposals. For example, T-LINK member Ed DeSoignie, executive director of the Heavy Constructors Association of Greater Kansas City, said he supported raising revenues from bonding, gaming and motor fuels taxes.

“I don’t like local option motor fuels taxes because it could create a checkerboard across the state,” DeSoignie said.

T-LINK member Michael Johntson, president of the Kansas Turnpike Authority, said it would be wrong to use turnpike toll revenue to support non-turnpike transportation improvements.

Several task force members said they needed more time to formulate their recommendations for specific proposals to fund a potential transportation plan.

Julie Lorenz, KDOT public affairs director, said KDOT by early next week will send T-LINK members a survey to gauge their funding preferences.

NEXT MEETING

The next T-LINK meeting is scheduled for Dec. 8-9 in Topeka.