

NEW APPROACHES FOR TRANSPORTATION

FINAL RECOMMENDATIONS OF THE T-LINK TASK FORCE
JANUARY 2009



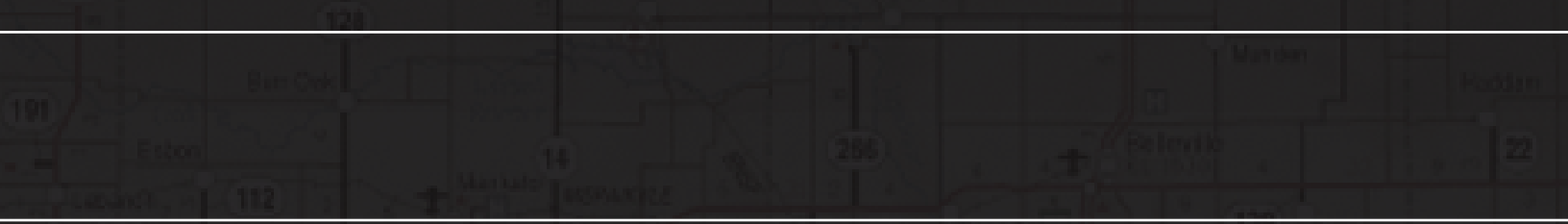


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T-LINK Task Force Members

Co-Chairs

Tim Rogers, Executive Director, Salina Airport Authority, Salina

Secretary Deb Miller, Kansas Department of Transportation, Topeka

Members

Fred Bailey, Bailey Truck Line, Abilene

Gary Beachner, Beachner Grain, St. Paul

Mary Birch, Lathrop and Gage, Overland Park

Joan Brabec, Twin Valley Developmental Services, Inc., Greenleaf

Commissioner Shelly Buhler, Shawnee County, Topeka

Ed DeSoignie, Heavy Constructors Association, Kansas City

Allie Devine, Kansas Livestock Association, Topeka

Commissioner Pat Hageman, Rooks County, Natoma

Bernie Hayen, City of Manhattan

Brenda Herrman, City of Hays

Bart Hildreth, Wichita State University, Wichita

Jan Huston, Highway Advisory Commission, Americus

Roger Kaminska, Operating Engineers Local 101, Kansas City

Mike Kelley, YRC Worldwide, Kansas City

Don Linville, Garden City Area Chamber of Commerce, Garden City

Richard Lopez, SER-Jobs for Progress, Wichita

Dean Mann, Citizens Bank, Fort Scott

Scott Moore, City of Wichita

Bill Pickert, BKD, Wichita

Mayor Joe Reardon, Unified Government of Wyandotte County and Kansas City, Kansas

Randall Riggs, City of Newton

Bob Totten, Kansas Contractors Association, Topeka

Pat Weaver, KU Transportation Center, Lawrence

Jane Westerman, Cargill, Dodge City

Councilmember Marge Vogt, Olathe

Legislative Members

Senator Les Donovan, Wichita

Senator Greta Goodwin, Winfield

Representative Margaret Long, Kansas City

Representative Don Schroeder, Inman

Ex-Officio Members

Secretary David Kerr, Kansas Department of Commerce, Topeka

Secretary Joan Wagnon, Kansas Department of Revenue, Topeka

Michael Johnston, Kansas Turnpike Authority, Wichita

Steve Weatherford, Kansas Development Finance Authority, Topeka

EXECUTIVE SUMMARY

The \$13.2 billion, ten-year Comprehensive Transportation Program (CTP) will end in 2009. Recognizing that conditions have changed markedly since the CTP was enacted, Governor Kathleen Sebelius created the Transportation-Leveraging Investments in Kansas (T-LINK) Task Force in August 2008 to examine the state of transportation in Kansas and to develop a set of recommendations that “frame a new strategic approach to our future transportation needs.”

T-LINK was co-chaired by Tim Rogers, Executive Director of the Salina Airport Authority, and Deb Miller, Secretary of Transportation. Its 35 members were business, government and community leaders from across Kansas. Governor Sebelius charged T-LINK to focus on three concepts as they formulated their recommendations:

- A commitment to keeping roads and bridges safe and in good repair.
- Forward thinking without relying on old business models.
- A new approach that reflects today’s fiscal realities and creates a framework to prepare Kansas for its transportation future.

T-LINK concluded that considerable needs exist throughout the state for road, bridge and other transportation improvements and the traditional ways of choosing, funding and delivering transportation projects appear obsolete in the face of growing and changing transportation needs statewide.

T-LINK members met on January 26, 2009 to review and finalize their recommendations. They unanimously approved these recommendations for a new transportation approach that recognizes the crucial relationship

between transportation improvements and economic development. Members believe it is critical to recommend a new, more flexible plan to replace the CTP.

T-LINK urges that the new business approaches be adopted in 2009. Because of the state’s serious budget situation and the uncertainty of the timing and amount of funding of a federal transportation reauthorization, T-LINK defers to the Governor and the Legislature as to the timing of a new funding program. T-LINK emphasized, though, that there are serious needs for transportation improvements and funding should be increased as expeditiously as possible.

This report presents T-LINK’s unanimous recommendations to Governor Sebelius. Implementing these recommendations will position the state to better meet the transportation needs of Kansas businesses and citizens and give Kansas the ability to leverage future economic opportunities through strategic transportation improvements.

T-LINK's recommendations were guided by the following principles:

T-LINK GUIDING PRINCIPLES

- **Preserve the existing transportation system.**
This is T-LINK's overriding principle. Kansans have spent billions of dollars on their highway system and fully funding preservation of that system is the top priority.
- **Support the economic priorities of Kansas.**
While previous investments in transportation have provided significant benefits, more attention must be paid to the interaction between transportation investments, jobs retention and growth of the Kansas economy.
- **Implement new transportation business models.**
The state could leverage the benefits of investing in transportation infrastructure regardless of funding levels by implementing new business models. The business model recommendations were developed with the understanding that requests for greater flexibility or additional funding should be met with increased accountability. While T-LINK supports these new business models at a conceptual level, KDOT will need to work closely with stakeholders across the state to flesh out the details.
- **Increase funding for all modes of transportation.** T-LINK identified increasing needs across all modes and recommends targeted funding increases when revenues allow. The following chart shows recommended funding levels.
- **Fund a new transportation program with a broad range of funding sources.** In the long-term, meeting the state's growing transportation needs will require more funding. T-LINK urges consideration of a multi-pronged strategy that includes

increased funding from existing sources and using new funding sources.

PROCESS

T-LINK developed the recommendations after a significant amount of public input. It hosted a series of local consultation meetings, one each in Ulysses, Hays, Abilene, Topeka, Olathe, Hutchinson, Pittsburg and Wichita from September 11 through September 30, 2008. Participants represented a broad diversity of interests. The interactive meetings included discussion groups with modal themes and an opportunity for the public to offer formal testimony. More than 850 people attended the meetings to discuss local transportation needs and regional transportation priorities and to share their ideas about funding the next transportation program. From breakout group discussions to formal testimony, T-LINK gathered and documented information from participants about their transportation needs. Summaries of the local consultation testimonies and meeting attendance lists are in Appendix II.

Comparing the T-LINK Recommendations with the CTP and anticipated future needs

State Highway Construction	Average actual CTP spending	CTP spending if inflated to 2010 dollars	T-LINK Rec	Annual future need	Percent of need met by T-LINK
Preservation	\$275	\$425	\$415	\$415	100%
Modernization	85	130	35	80	44%
Capacity/Eco Impacts	170	235	340	700	49%
State Highway Total	\$530	\$790	\$790	\$1,195	66%

Modes	Average actual CTP spending				State spend. if inflated to 2010 dollars	T-LINK Rec	Annual future need	Percent of need met by T-LINK + Fed + Local
	Total	Fed	Local	State				
Local Roads	\$735	\$65	\$500	\$170	\$255	\$235	* see note	
Aviation	30	25	2	3	5	6	64	58%
Transit	52	19	27	6	11	16	115	48%
Shortline Rail	4	0	1	3	5	7	20	40%
Bike/Ped	6	5	1	0	0	0	15	40%
EcoDevo Set-Aside	9	0	2	7	11	20	35	69%
Modes Total	\$836	\$114	\$533	\$189	\$287	\$284	After factoring inflation, average annual payout over 10 years is: \$1,266	
TOTAL PROGRAM	\$719				\$1,077	\$1,074	----->	

GAP ANALYSIS (millions)

	<u>10-Year Average</u>
T-LINK Recommended Program - Average Annual Payout Obligations Over 10 Years	\$1,336
Average Annual Operations, Maintenance and Other Costs:	
Management, Buildings, Maintenance, Engineering, CTP Final Payouts	\$366
Debt Service	\$151
Transfers to Other Agencies	\$127
Total Average Annual Expenditure Obligation	\$1,980
Anticipated Average Annual Agency Revenue	\$1,340
10-YEAR AVERAGE ANNUAL GAP	\$640

* Due to the size (130,000 miles) of the local road system and its many jurisdictions, it is inherently difficult to calculate the level of need. Informal studies and surveys have indicated that the needs could range from \$1 billion to as much as \$3 billion.

With T-LINK recommended funding levels, the average annual funding gap would be \$640 million over a period of ten years. The gap does not necessarily have to be funded entirely with state dollars; however, the timing and size of a federal reauthorization is uncertain.

LINK TRANSPORTATION INVESTMENTS TO THE STATE'S ECONOMIC PRIORITIES

While preserving the existing transportation system is the top priority, T-LINK emphasized the importance of using transportation investments to expand the Kansas economy. KDOT should establish processes that better link transportation investments to the economic priorities of the state by working collaboratively with local governments and stakeholders. Those processes should be multi-modal and include the following concepts:

Recommendations – New Business Models

- 1. For all modes, emphasize the “capacity and economic opportunities” element of the transportation program to address quickly emerging, time-sensitive needs.** Economic opportunities can emerge quickly and may be time-sensitive. These are sometimes high-cost and often complex congestion relief, accessibility needs, special initiatives, and mega projects. To provide desired responsiveness, KDOT should work with local officials to develop a process to select economic opportunity projects.
- 2. Use economic impact analysis as a part of project selection for all modes.** Currently, KDOT does not consider information about potential economic impacts of transportation projects. So that funds are spent in a way that creates a high-quality investment for the state, projects in all modes, except preservation, should meet certain economic criteria as measured with an economic analysis process.
- 3. Expand and reform the Economic Development Set-aside program and fund it at \$20 million annually.** Currently, the local Economic Development Program is funded at \$7 million annually to support highway and bridge construction projects

that enhance area economic development. The program is popular and applications for funding often exceed available resources.

- 4. Promote multi-modal solutions first.** The most beneficial solution to a transportation problem may not be a highway improvement. The state should take a multi-modal approach and consider what solution fits the problem – it could be one mode or a combination of modes.

- 5. Simplify transportation project funding categories.** KDOT should develop a multimodal transportation program that has a core “preservation and modernization” element and a “capacity and economic opportunities” element.

T-LINK recommends a new multi-modal business model to better link transportation investments to economic priorities. Kansas needs a transportation decision-making process that is clearer, more responsive and more flexible to address changing economic opportunities.

- 6. Use a rolling program for core projects that address preservation, modernization, and some congestion relief needs.** T-LINK recommends that KDOT implement a rolling program with the core projects selected primarily based on results from KDOT’s priority formula and staff recommendations. The projects would be selected annually and

programmed on a three-to-five year basis. For example, in year one, projects for years two through five would be announced; in year two, projects for years three through six would be announced. Programmed projects could be revised, however, to address rapidly developing needs, such as a bridge deteriorating faster than expected. As a result, the list of core projects would be adjusted and announced annually to address changing conditions on the system.

Preservation means keeping the existing system in good condition and includes activities like pavement resurfacing or short-line rail track repair. Modernization means to improve the system to more current criteria and includes efforts such as widening shoulders or narrow roadways or improving airport navigation aids. Congestion relief includes such activities as new turn lanes or commuter transit service on crowded corridors.

HIGHWAYS

\$790 MILLION/YEAR RECOMMENDED

Over the last 10 years, Kansas made significant investments in preserving and modernizing its roads and bridges and in adding new capacity. Average annual spending on capacity, preservation and modernization during the CTP was \$530 million per year (2008 dollars).

Preservation Needs

Keeping approximately 10,000 miles of roads and bridges on the state highway system in good condition requires a large program of on-going maintenance. Like maintaining a home or car, preventative maintenance of roads is less costly than rebuilding them. Keeping Kansas roads in good shape is expensive, but not doing so carries an even higher price.

Modernization Needs

Many older highways in Kansas were designed when traffic volumes were lower and the types of vehicles were different than today. They often have narrow shoulders, steep hills or sharp curves. Modernizing a stretch of highway can include widening shoulders, flattening hills or removing curves. Modernization can also include improvements such as upgrading antiquated interchanges and building highway/rail grade separations.

Capacity and Economic Opportunity Needs

Congestion causes delays and reduces the predictability of travel times on a growing portion of Kansas highways. It is not limited to urban areas; some rural corridors with heavy truck volumes also experience periodic congestion. Some of the state's largest capacity needs ("mega projects") must be addressed with solutions that cost hundreds of millions of dollars. A mix of federal,

state, local and private funds will be necessary to build these and some large expansion projects. Not all capacity problems, however, require mega project solutions.

T-LINK recommends new business models and funding that emphasizes preservation and capacity and economic opportunity improvements over modernization projects.

Recommendations – New Business Models

- 1. Emphasize preservation of the state's road and bridge infrastructure.** This is the highest priority. In 2008, 96 percent of interstates, 83 percent of non-interstates, and 93 percent of all bridges on the state highway system were in good condition. Failure to fully fund preservation needs will result in a decrease in road and bridge conditions.
- 2. Increase funding for capacity and economic opportunity projects and decrease investments for modernization needs.** It will be important to select major investments that support local, regional or state economic opportunities and that the economic impact analysis shows the project is an important investment to make. The state's capacity needs far exceed its ability to meet those needs. The remaining modernization needs are largely on the state's less traveled roads. Through local consultation, T-LINK heard that those remaining roads are important to address but we also have to balance modernization with pressing capacity needs.

3. Incorporate “practical improvements” into project design, as appropriate, to help control project costs. For modernization, practical improvements include more flexibility for matching shoulder width and type to traffic volume, using lower cost techniques for construction detours and improving bridges and their approaches so their widths match the existing roadway. For capacity projects, opportunities include adding passing lanes on a two-lane highway instead of rebuilding it into a four-lane highway.

4. Recognize that many capacity and economic opportunity mega projects will require individual financing packages if they are to be constructed. Mega projects are massive infrastructure improvements of regional or statewide significance. Each project could cost more than an entire year’s budget for capacity expansions. Specific financing packages including a mix of federal, state, local, and private funds will likely have to be developed to support them.

5. Work with stakeholders to develop a descriptive route class terminology to replace the letter-based route class terminology used today. The State Highway System is divided into five classification levels – A through E – terms the public has difficulty understanding and relating to. KDOT should work with stakeholders to rename the categories and confirm that routes are placed in the appropriate category.

Recommendations – Funding

6. Fund system preservation at \$415 million annually. This is necessary to maintain current performance targets for pavement and bridges.

7. Fund capacity needs at \$340 million annually. This investment would add about 100 miles of passing lanes in rural areas, upgrade 50 miles of two-lane road to four lanes, fund some priority urban projects, and provide state “seed” money for mega projects.

8. Fund modernization needs at \$35 million annually. This investment over a 10-year period would address many of the remaining modernization needs on heavily traveled routes. There are 1,300 miles of less traveled roads that will still need shoulders and other improvements.

LOCAL ROADS

\$235 MILLION/YEAR RECOMMENDED

Local roads account for 90 percent of all roads in the state. The local road network in Kansas is comprised of 130,000 miles of local roads and 20,500 bridges that range from lightly-traveled, graveled farm routes to busy, urban arterials. It was laid out in the 19th century on a one-mile grid pattern. It likely wouldn't be built today in the same size or way in which it was originally designed. The state needs to invest in a 21st century local road system.

Kansas counties, townships and cities are responsible for their roads. Two-thirds of Kansas counties have fewer than 10 people per mile of public roads. For many counties, the cost of maintaining their roads outweighs the revenues to pay for it and the system is not sustainable in its current configuration. In urban areas, where high traffic volumes wear roads out faster and economic activity brings new development and demand for more local road capacity, the cost of meeting local roads needs also outweighs the funding. As a consequence of funding shortfalls, many local roads and bridges are past their intended life-spans.

Under the CTP, the state invested about \$170 million per year in local roads (2008 dollars). This was complemented by an estimated \$500 million in local funds and \$65 million in federal funds. T-LINK recognizes the importance of local roads and recommends that local governments share in the additional revenue raised for the next transportation program.

Recommendations – New Business Models

1. In collaboration with local officials, move toward a sustainable local roads network. The state should work with local officials to create a process

to identify a prioritized local road network. Any new state and all federal dollars should be targeted for roads and bridges on that network.

T-LINK recommends a local road program that supports a sustainable local road system, increases funding for local road improvements and improves the flexibility of local governments to fund their projects.

2. Create a fund exchange program so that local governments could “sell” or “swap” their federal funds for state funds that carry fewer prescriptive requirements. Federal dollars, which require a 20 percent local match, would be exchanged for 80 cents in state monies to be paid to the local agency per federal dollar they exchange, which require no match. Federal dollars make up nine percent of local roads funding in Kansas. Local governments sometimes struggle to use federal dollars because the engineering standards that apply to projects funded with federal dollars are not practical for small local roads projects. T-LINK heard strong support for a fund exchange program.

Recommendations – Funding

3. Increase funding for the Special City and County Highway Fund (SCCHF) and then increase the amount shared with local governments to \$183 million annually and distribute funds using the current formula. Because the SCCHF is funded primarily through motor fuels taxes, the growth of this revenue source has significantly underperformed

with respect to the rate of inflation and the state's population growth. Restoring the buying power of the SCCHF is vital to maintain transportation funding at the local level.

4. Increase funding for City Connecting Link payments to \$5 million annually. This program helps cities maintain their city connecting links, which are city streets that connect two rural portions of state highway.

5. Increase annual funding for the KLINK Resurfacing Program to \$7 million and for the Geometric Improvement program to \$10 million. The KLINK Resurfacing Program funds the resurfacing of city connecting links. These projects are funded under a matching arrangement with cities based on population. The maximum state share for a project is \$200,000.

The Geometric Improvement (GI) Program helps modernize city connecting links with about \$8 million per year, currently. Requests for GI projects are typically about five times the amount KDOT can fund.

6. Provide \$30 million in new funding for the prioritized local road network. To accomplish this, additional state funding is needed to make progress on the backlog of local road and bridge needs but additional state resources should only be devoted to supporting a prioritized local road network.

TRANSIT

\$16 MILLION/YEAR RECOMMENDED

Public transit in Kansas provided approximately 10 million rides for residents across the state in 2007. In rural Kansas, about 180 small transit operators provide a fragmented patchwork of mostly public on-demand and client-specific transit service spread over a wide geographic area. In more densely populated urban areas of the state, five large transit operators offer scheduled bus service along fixed routes. Transit in Kansas provides important economic, health, and social benefits by giving citizens without regular access to a personal vehicle a way to get to work or to make important personal trips and to maintain their independence.

Local transit is funded with a combination of federal (Federal Transit Authority), state and local sources. Under the CTP, the state provides \$3.5 million per year for urban transit and \$2.5 million per year for rural transit. Additional funding for transit comes from fare-box revenue, and federal and local funding sources. Most rural and urban transit agencies in Kansas are struggling to manage rapidly increasing costs.

Recommendations – New Business Models

1. Create a regional transit approach to expand and improve delivery of rural transit service funded at \$2 million annually to support technology and administration. There are 15 Coordinated Transit Districts (CTD) in Kansas, most covering more than one county. While many transit providers are doing the best they can to serve their communities within the CTD business model, services statewide could improve by altering the current business model to work on a regional level. The CTD system sometimes hinders efficient regional service because providers' service boundaries and policies are based

on constraints from their local funding sources. This limits travel outside of the providers' borders, even if that is where riders need to go. An expanded, regional transit approach would bring greater efficiency by leveraging rural transit funding to offer a more strategic way to provide service.

To begin the process, T-LINK recommends creating one or more pilot projects in rural areas with the help of providers, local governments and their stakeholders. Aspects of a regional approach could include:

- Eventually, 10 to 12 transit jurisdictions defined by travel demand patterns.
- Each jurisdiction would have a lead agency, funded by the state, which would be required to meet a specific level of service or could use subcontractors.
- Lead agencies would be required to use advanced technologies and "One-Call" dispatching to enhance scheduling efficiency and help users find service more easily.

Recommendations – Funding

1. Fund urban transit at \$8.3 million annually and rural transit at \$4.4 million annually. KDOT should review the current urban funding formula and additional factors such as ridership, extent of service, amount of local match and efficiency of service be considered in addition to population. Currently, there is no formula for distributing rural transit funds, so a new formula should be created. Some state-level urban and rural funds should be distributed on a discretionary basis to help meet one-time capital needs that might not be affordable with an area's formula-based funds.

2. Create a special, stand-alone, discretionary “commuter corridor” transit funding program that is funded at \$1.2 million annually. The program would support commuter service, van pools, or park and ride facilities, and allow the state to support the capital and operating costs of some special transit projects that serve emerging transit needs associated with economic opportunities of regional significance.

PASSENGER RAIL NO FUNDING RECOMMENDATION

KDOT and Amtrak are working on an Amtrak Expansion Feasibility Study to identify capital requirements and operating costs needed to provide a state-supported service. The study is needed to provide current information on which to base decisions about the service. T-LINK supports the goals of passenger rail service, but cannot make a recommendation because estimated funding needs are not known.

SHORT-LINE FREIGHT RAIL \$7 MILLION/YEAR RECOMMENDED

Most rail freight shipments that begin or end their journey in Kansas depend on local “short-line” railroads that connect individual shippers and manufacturers to the nationwide Class I rail network. About 14.5 million tons of freight are transported on Kansas short-line railroads each year. Short-line rail accounts for about 41 percent (about 1,930 miles) of the nearly 4,780 miles of rail across the state. It fills a gap created when the Class I railroads abandoned tracks that are critical for moving Kansas products but were no longer profitable or were too expensive to maintain or improve from a national perspective.

The state’s freight rail program under the CTP expires in 2009 and has provided \$3 million yearly for a loan and grant program to support capital improvements on short-line railroads.

Recommendations – New Business Models

1. Amend the statute for the short-line railroad program so shippers, local governments and industrial parks would be eligible to apply for funding if the project meets strict criteria. Currently, only short-line railroads and port authorities can apply for loans or grants to improve rail infrastructure. As the volume of freight traveling by rail grows, some shippers, local governments and industrial parks are experiencing costly delays in accessing short-line capacity due to local bottlenecks. They need modest improvements such as a new rail spur or added siding capacity that could alleviate freight congestion or promote economic development, but they often lack the capital to build these types of improvements.

2. Establish a Statewide Freight Rail Advisory

Committee. The Advisory Committee should work with stakeholders to address long-term planning, safety and economic issues related to freight rail. T-LINK also recommends using the Advisory Committee as an additional accountability measure so public funds are well spent.

Recommendations – Funding

3. Fund short-line loan and grant program at \$7 million annually. This increase is needed, in part, to serve the expanded eligibility list. The full cost of implementing all practical short-line improvements is estimated at \$20 million per year over the next 20 years. Once the \$7 million funding level is reached it could support rehabilitation of 1,400 miles of track over a ten-year period.

AVIATION

\$6 MILLION/YEAR RECOMMENDED

Kansas has more than 142 public-use basic, community, business, regional and commercial airports that help link the state's communities. Under the CTP's Kansas Airport Improvement Program (KAIP), the state has invested \$3 million per year in airports, primarily for preservation projects that helped improve the condition of many of the state's runways.

Airport modernization, especially all-weather access, is a high priority. The goal is to have an all-weather airport within a thirty minute drive of anyone in Kansas. Improvements needed to enhance all-weather airport coverage range from developing instrument approaches to building major runway and taxiway improvements.

Recommendations – New Business Models

1. In a collaborative process with stakeholders, create a strategic aviation projects plan and establish project priorities to develop a network of airports that accommodate air ambulance service and promote economic development. The strategic plan should play a strong role in subsequent Kansas Airport Improvement Program funding decisions. Stakeholders support the plan so that aviation funds are invested wisely in preserving and modernizing airports across the state.

One important goal would be to have an all-weather airport within a thirty minute drive of anyone in Kansas. About 93 percent of the population could be served with an investment of \$35 million over 10 years. In addition to all-weather modernization needs, general airport needs include runway lengthening and widening, lighting, approaches, communications, and weather stations.

Recommendations – Funding

2. Consider reducing or removing the aviation fuel sales tax exemption to provide additional transportation funding. Aviation fuels (aviation gas and jet fuel) sold for commercial purposes are exempt from sales tax. Sales tax revenue on aviation gas is currently estimated between \$1 and \$2 million annually based upon a gallon price between \$2 and \$4. The assessment of sales tax on aviation gas is currently thought to be underreported. If the exemption was lifted entirely, like many states have done, an estimated additional \$11 million in revenue could be raised.

3. Deposit the sales tax revenue in a transportation fund that allows revenue to be used for all modes. The revenue currently raised from aviation fuel sales is deposited in the State General Fund.

BICYCLE AND PEDESTRIAN LOCAL FUNDING RECOMMENDED

Bicycle and pedestrian facilities help make Kansas communities safer and more attractive places to live and do business. About 120 miles of multi-use trails in Kansas communities have been built with federal Transportation Enhancement (TE) funds, but nearly 1,000 miles of proposed trails have not been built. Under the last two transportation programs, state funds have not been dedicated to non-motorized transportation needs.

Recommendations – New Business Models

1. Establish clear evaluation criteria and a screening process for accommodating bicycle and pedestrian facilities when developing highway projects. When KDOT builds or replaces roads, accommodations for bicycles and pedestrians, such as sidewalks, crosswalks, wide shoulders, marked

bicycle lanes, or dedicated-use trails, are incorporated a part of the project where it is appropriate and affordable. These improvements may involve a mix of local, state and federal funding. T-LINK believes that considering bicycle and pedestrian facilities when developing road projects is a worthwhile effort, as is using state funds to build the bicycle/pedestrian improvement, if appropriate.

2. Support bike and pedestrian education campaigns within existing resources, including sponsorship of state or regional conferences for stakeholders. Education and outreach can help reduce the annual average of 836 accidents and 26 deaths among bicyclists and pedestrians that occur in Kansas.

FUNDING AND FINANCE

The average annual funding gap to maintain the existing system is about \$54 million over the next 10 years with no increase of revenues for modernization or capacity projects, or for any increase of revenues to local communities or modes. To meet the demands for preservation, capacity, local communities, and modes, the average annual funding gap reaches approximately \$640 million. T-LINK recommends funding a new transportation program with a broad range of sources using a multi-pronged strategy over the next 10 years that includes some or all of these elements:

Recommendations – State Funding

- 1. Increase traditional state revenue sources such as motor fuel taxes, car and truck registration fees. In addition, the state should explore tolling options and should use debt financing to augment revenues as appropriate.** The state's traditional revenue resources are relatively stable, easy to administer, reasonably equitable and provide significant revenue sources. T-LINK recommends using a mix of those sources to address revenue shortfalls for system preservation, capacity improvements, modal support and local support. When economic opportunities arise and appropriate economic conditions exist, the state should supplement traditional revenue sources with debt financing. T-LINK also recommends that Kansas continue to look for opportunities to improve the system with some use of toll financing where practical.
- 2. Consider motor fuels sales taxes and consider analyzing the viability of a tax on vehicle-miles traveled as a new revenue source in the long term.**

There are significant funding gaps over the next five and 10-year periods that T-LINK recommends filling with a mix of sources. T-LINK also recommends changes in local financing and debt financing approaches.

In the near term, the state should consider adding a sales tax on motor fuels. A sales tax on motor fuels would be affected by the volume of sales and the unit price so revenues may fluctuate. With a sales tax on motor fuels, as fuel prices rise, construction costs also rise, so tax revenues would tend to increase. For the long term the state should continue to analyze the viability of alternative methods of funding transportation, i.e. Vehicle Miles Traveled (VMT).

- 3. If gaming revenues become available, dedicate a portion of the revenues to the SHF.**

Recommendations – Local Funding

- 4. To open financing options for local communities, allow the Secretary of Transportation to review transportation-related economic development opportunities and authorize the use of debt financing with repayment streams flowing from the development revenue.** T-LINK recognized that communities – even growing communities – struggle to fund improvements to serve new development. Current financing options are difficult and cumbersome for communities to use. Therefore, T-LINK recommends combining into a single piece of legislation approaches similar to the economic

development and transportation specific elements found in STAR Bonds, Transportation Development Districts (TDD's) and Tax Increment Financing (TIF).

5. Replenish the Transportation Revolving Loan

Fund. The Transportation Revolving Fund (TRF) is a low-cost loan program to help local governments in Kansas finance road and bridge improvements. It is funded with \$25 million in state funds and \$100 million in bonds. More than 50 borrowers have participated in this highly popular program since it was started in 2004. The TRF is the lender of choice for many smaller governmental units. Local officials want to keep this financial tool viable, which requires a further infusion of equity.

Recommendations – Debt Financing

6. Give KDOT the flexibility to manage its debt within a statutory parameter that caps the bonded debt service ceiling at 18 percent of Adjusted Total Agency Revenues. T-LINK recommends a new business model for the issuance and reissuance of State Highway Fund (SHF) debt in which SHF debt

service is limited to eighteen percent (18%) of Adjusted Total Agency Revenues. This would replace the current model in which a specific dollar limit on new debt is authorized. Such a statutory parameter should be balanced with consideration of the state's overall debt load.

7. Reserve a portion of the debt ceiling to build fast emerging economic developments whose worth has been demonstrated through an economic impact analysis. T-LINK recommends that a small percentage (i.e., 2-3 percent) of the 18 percent debt service cap be reserved to allow the issuance of bonds to build fast emerging projects with significant economic impact based on economic impact analysis. Legislation should allow a specific revenue stream to be identified and set aside to service the debt obligations.

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INTRODUCTION

Every sector of the Kansas economy – services, agriculture, and manufacturing – relies on an efficient multimodal transportation network to stay competitive and to grow. This relationship is demonstrated by the 47 million vehicle miles driven on the state’s highway system in 2006 and \$894 billion in goods that moved across all modes in Kansas in 2006. It is important that the transportation system embrace the change necessary to support economic growth.

The ten-year Comprehensive Transportation Program (CTP) will end in 2009. This \$13.2 billion program was passed in 1999 from the work of Transportation 2000, a group of dedicated Kansans appointed by former Governor Bill Graves to review the state’s transportation needs.¹

Recognizing that conditions have changed markedly since the CTP was enacted, Governor Kathleen Sebelius created the Transportation-Leveraging Investments in Kansas (T-LINK) Task Force in August 2008 to examine the state of transportation in Kansas and to develop a set of recommendations that “frame a new strategic approach to our future transportation needs.”

Governor Sebelius charged T-LINK to focus on three concepts as they formulated their recommendations:

- Maintain a commitment to keeping roads and bridges safe and in good repair.
- Be forward thinking without relying on old business models.
- Develop a new approach that reflects today’s fiscal realities and creates a framework to prepare Kansas for its transportation future.

T-LINK concluded that considerable needs exist throughout the state for road, bridge and other transportation improvements and the traditional ways of choosing, funding and delivering transportation projects appear obsolete in the face of growing and changing transportation needs statewide. With the goal of helping the state make more strategic transportation investments by prioritizing needs and solutions, T-LINK members made tough choices among important issues as they developed their recommendations.

Even though a deep national recession emerged as T-LINK members began their work, they remained focused on developing recommendations that will serve the state well for the long term. T-LINK carefully scrutinized the need to increase funding associated with its recommendations. Members considered a range of funding levels for each mode before making their funding recommendations.

Because of the state’s serious budget situation and the uncertainty of the timing and amount of funding of a federal transportation reauthorization, T-LINK defers to the Governor and the Legislature as to the timing of a new funding program. T-LINK emphasized, though, that there are serious needs for transportation improvements and funding should be increased as expeditiously as possible.

¹ Governor Kathleen Sebelius in her charge letter to T-LINK members, August 7, 2008. See Appendix I

Comparing the T-LINK Recommendations with the CTP and anticipated future needs

State Highway Construction	Average actual CTP spending	CTP spending if inflated to 2010 dollars	T-LINK Rec	Annual future need	Percent of need met by T-LINK
Preservation	\$275	\$425	\$415	\$415	100%
Modernization	85	130	35	80	44%
Capacity/Eco Impacts	170	235	340	700	49%
State Highway Total	\$530	\$790	\$790	\$1,195	66%

Modes	Average actual CTP spending				State spend. if inflated to 2010 dollars	T-LINK Rec	Annual future need	Percent of need met by T-LINK + Fed + Local
	Total	Fed	Local	State				
Local Roads	\$735	\$65	\$500	\$170	\$255	\$235	* see note	
Aviation	30	25	2	3	5	6	64	58%
Transit	52	19	27	6	11	16	115	48%
Shortline Rail	4	0	1	3	5	7	20	40%
Bike/Ped	6	5	1	0	0	0	15	40%
EcoDevo Set-Aside	9	0	2	7	11	20	35	69%
Modes Total	\$836	\$114	\$533	\$189	\$287	\$284	After factoring inflation, average annual payout over 10 years is: \$1,266	
TOTAL PROGRAM	\$719				\$1,077	\$1,074	----->	

GAP ANALYSIS (millions)

	<u>10-Year Average</u>
T-LINK Recommended Program - Average Annual Payout Obligations Over 10 Years	\$1,336
Average Annual Operations, Maintenance and Other Costs:	
Management, Buildings, Maintenance, Engineering, CTP Final Payouts	\$366
Debt Service	\$151
Transfers to Other Agencies	\$127
Total Average Annual Expenditure Obligation	\$1,980
Anticipated Average Annual Agency Revenue	\$1,340
10-YEAR AVERAGE ANNUAL GAP	\$640

* Due to the size (130,000 miles) of the local road system and its many jurisdictions, it is inherently difficult to calculate the level of need. Informal studies and surveys have indicated that the needs could range from \$1 billion to as much as \$3 billion.

With T-LINK recommended funding levels, the average annual funding gap would be \$640 million over a period of ten years. The gap does not necessarily have to be funded entirely with state dollars; however, the timing and size of a federal reauthorization is uncertain.

T-LINK Guiding Principles

To address the three concepts outlined by Governor Sebelius, T-LINK crafted their recommendations using these guiding principles:

- **Preserve the existing transportation system.**
Kansans have spent billions of dollars on their highway system and fully funding the preservation of that system is the top priority.
- **Support the economic priorities of Kansas.**
While previous investments in transportation have provided significant benefits, more attention must be paid to the interaction between transportation investments and the Kansas economy.
- **Implement new transportation business models.**
T-LINK identified several new business models for Kansas that will improve transportation decision-making processes. By implementing new business models and strategic network approaches now, Kansas will be better positioned to use future investments in a responsible and responsive manner. The business model recommendations were developed with the understanding that requests for greater flexibility or additional funding should be met with increased accountability. While T-LINK members and local consultation participants support the concepts of the new business models, KDOT will need to work closely with stakeholders across the state to fully develop the models into business practices.
- **Increase funding for all modes of transportation.** T-LINK identified increasing needs across all modes and recommends funding increases when revenues allow.

- **Fund a new transportation program with a broad range of funding sources.** In the long-term, meeting the state's growing transportation needs will require more funding. After exploring traditional and innovative funding approaches used by some states, T-LINK concluded there is no single funding source that will be able to meet all the needs. A mix of traditional funding sources will be necessary along with more innovative approaches like transportation development districts. T-LINK also concluded that debt financing is a legitimate tool for advancing large construction projects such as mega projects and major economic development projects. T-LINK urges the state to consider a multi-pronged strategy that includes increased funding from existing sources and using new funding sources.

This report presents T-LINK's recommendations to Governor Sebelius. Implementation of these recommendations will position the state to better meet the transportation needs of Kansas businesses and citizens. These recommendations give Kansas the ability to leverage future economic opportunities through strategic transportation improvements.

T-LINK urges that the new business approaches be adopted in 2009.

Process

T-LINK developed the recommendations in this report after significant public input, review of transportation approaches in other states, consideration of the economic impacts associated with transportation investments and extensive discussion and deliberations on what is in the best interests of the citizens and businesses of our state. Some highlights of the process include:

- **Representative Membership** – The T-LINK Task Force was co-chaired by Tim Rogers, Executive Director of the Salina Airport Authority, and Deb Miller, Secretary of Transportation. Its 35 members were business, government and community leaders from across Kansas. See the inside front cover of this report for a complete list of T-LINK members.
- **Local Consultation** – T-LINK hosted a series of local consultation meetings, one each in Ulysses, Hays, Abilene, Topeka, Olathe, Hutchinson, Pittsburg and Wichita from September 11 through September 30, 2008. Participants represented a broad diversity of interests. The interactive meetings included discussion groups with modal themes and an opportunity for the public to offer formal testimony. More than 850 people attended the meetings to discuss local transportation needs and regional transportation priorities and to share their ideas about funding the next transportation program. From breakout group discussions to formal testimony, T-LINK gathered and documented information from participants about their transportation needs. Summaries of the local consultation testimonies and meeting attendance lists are in Appendix II.

- **Working Meetings** – T-LINK met six times between August 2008 and February 2009. Meetings were held in Topeka and Lawrence and covered the following topics:
 - August 27 – Kick off meeting, charge to the Task Force, briefing on long range transportation plan, overview of transportation modes in Kansas and a review of current revenue and expenditures.
 - October 14 and 15 – Summary of local consultation results and in-depth mode-by-mode discussions of needs, funding levels, and potential new business models for rail, transit, aviation and bike and pedestrian facilities.
 - October 29 – In-depth local roads discussion and discussion of needs, funding levels and potential new business models.
 - November 19 – In-depth discussions of highways needs, funding levels, potential new business models, a review of the economic impacts of transportation projects and of various financial strategies.
 - December 8 and 9 – Initial development of Task Force recommendations.
 - January 26 – Review and finalize recommendations.

While T-LINK recognized that issues such as energy independence, climate change, the gallon-based fuels tax and accelerating project delivery are important, it was not able to address these issues in-depth during the time available. T-LINK urges KDOT to monitor state and national trends and be open to opportunities to address these issues.

Below are highlights of some of the key issues from each local consultation meeting. This is not a comprehensive representation of the input, however.

About this Report

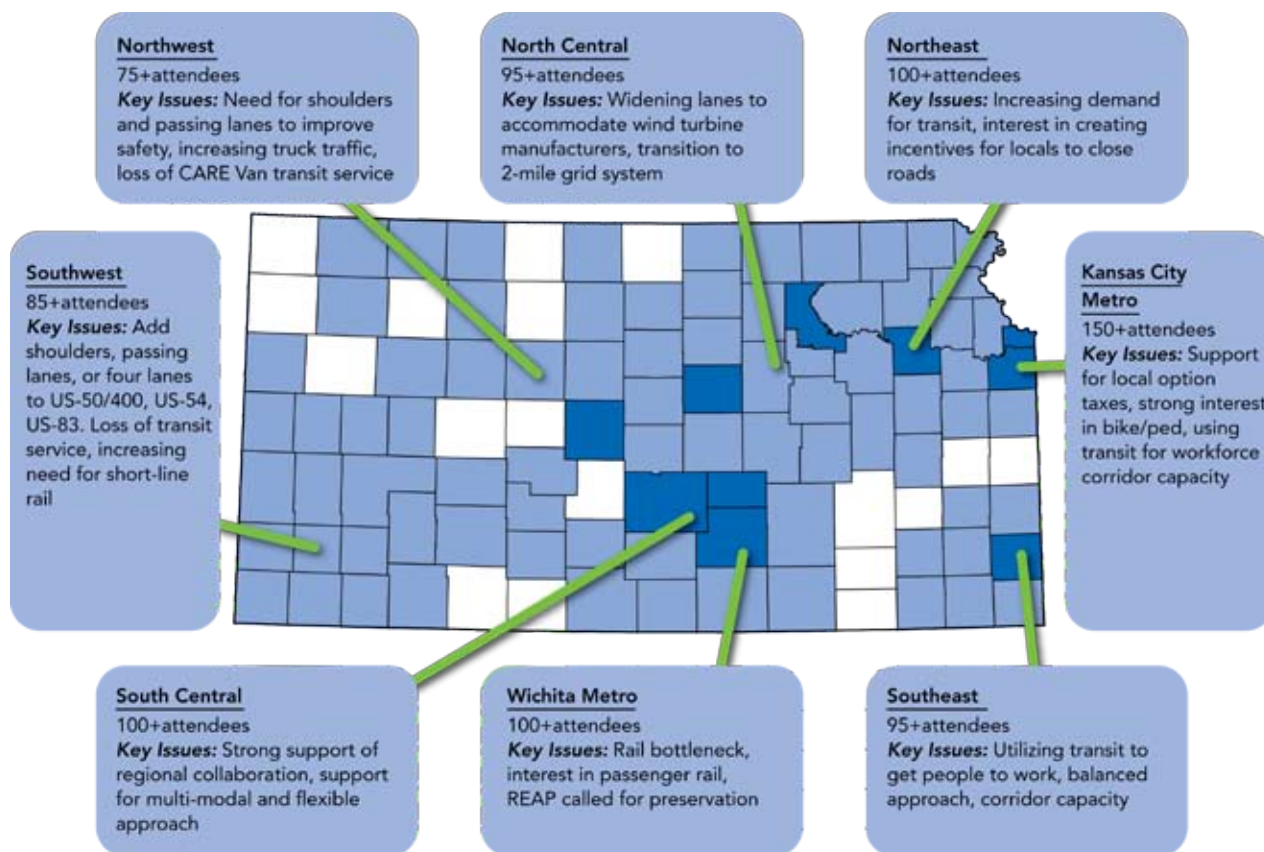
The following report is organized into chapters by major subject. The chapters generally consist of background information followed by the recommendations for new business models and recommended funding levels. Most chapters conclude with charts summarizing the recommended funding levels compared with how the levels meet projected needs. Many of the needs outlined in this report were first identified in the Kansas Long Range Transportation Plan, June 2008, then confirmed and refined during the T-LINK process.

The chapters include:

- Linking the transportation system to the state’s economic priorities
- Highways
- Local Roads
- Modes, including transit, short-line rail, aviation, and bicycle and pedestrian facilities
- Funding and finance discussion and recommendations.

The report concludes with an Appendix of supporting documentation.

Figure 1.1—Summary of Local Consultation meetings



*Blue counties indicated counties that were represented, dark blue means 20+ participants from that county

LINK TRANSPORTATION INVESTMENTS TO THE STATE'S ECONOMIC PRIORITIES

Transportation – alongside factors like workforce education and training, a business-friendly regulatory climate, and entrepreneurial initiative – helps support economic prosperity. But today and in the future, Kansas needs a transportation decision-making process that is clearer, more responsive to stakeholders' input, and more flexible to address changing economic opportunities. To that end, T-LINK recommends a new multi-modal business model to better link transportation investments to economic priorities.

While preserving the existing transportation system is the top priority, T-LINK also emphasized the importance of using transportation investments to expand the Kansas economy. Economic opportunities can come in many sizes and with different time frames. Some can be addressed through set-aside programs and some through traditional programming approaches. Still other opportunities will need rapid decisions and the ability to commit funds quickly. Some of the opportunities will be so large they cannot be funded with the usual funding sources. To address this variety, T-LINK made a series of recommendations.

Recommendations – New Business Models

1. For all modes, emphasize the “capacity and economic opportunities” element of the transportation program to address quickly emerging, time-sensitive needs. Economic opportunities can emerge quickly and may be time-sensitive. These are sometimes high-cost and often complex congestion relief, accessibility needs, special initiatives, and mega projects. They are often large-scale projects that generate significant public interest and they can

be beyond the scope of traditional funding sources. The state's past strategy of identifying and then building a ten-year list of projects is not sufficiently flexible or sensitive to a broad range of perspectives to support economic opportunity needs effectively.

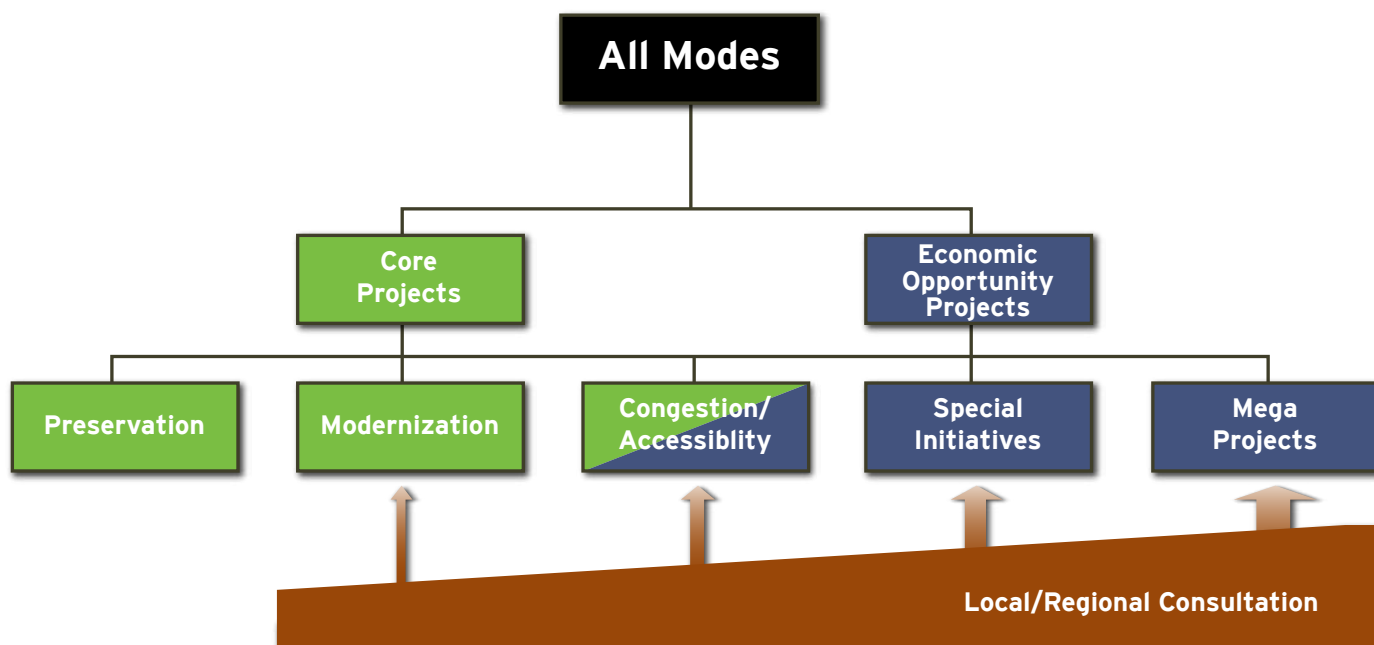
To provide desired responsiveness, KDOT should work collaboratively with local officials to develop a process to select economic opportunity projects based the following guidelines:

- Candidate projects could be identified by the Priority Formula, through local consultation, or to meet an emerging opportunity.
- An economic impact analysis should be conducted on candidate projects. (see recommendation 2, next page)
- The project selection process should be transparent and mechanisms should be put into place to increase accountability, including use of an advisory group. The advisory group could offer advice on emerging issues, economic opportunity project selection and could integrate input gathered from local consultation. The need for accountability increases with the flexible program structure that T-LINK recommends.
- Continue using local consultation to promote regular, informal dialogue with stakeholders and help develop a more regional, multi-modal perspective. KDOT has been conducting local consultation meetings since 2006 to hear local input on project needs and priorities. Originally, the meetings focused on highway needs but through the T-LINK process, other modes were included in the September 2008 meetings.

Economic opportunities needs are different from preservation and maintenance needs. Projects that reduce travel time and improve travel reliability or create new access – such as new four lane facilities, interchanges or bypasses – can support tremendous economic opportunities when they are built in the right place, at the right time. A KDOT-sponsored analysis of past projects like the I-70 Speedway interchange in Wyandotte County, the K-96 Northeast Bypass in Wichita and the I-70 Commerce Parkway Interchange in Hays showed how transportation can support economic prosperity. For more information on these and other projects, see *Transportation Infrastructure Investment and the Kansas Economy* in Appendix V.

2. Use economic impact analysis as a part of project selection for all modes. So that funds are spent in a way that creates a high-quality investment for the state, projects in all modes, except preservation, should meet certain economic criteria as measured with an economic analysis process. The process should include consideration of long-term economic impacts as gauged by job retention and net new job growth for the state as well as effects on income and gross state product. To provide more equitable evaluation, T-LINK recommends that low, medium and high cost projects be evaluated in their respective categories.

Figure 2.1—New Programming Model



KDOT is moving toward a multimodal program with a core “preservation and modernization” element and an “economic opportunities and capacity” element to better reflect the changing needs of the state.

Currently KDOT does not consider information about potential economic impacts. Instead, a data-driven computer application called the “Priority Formula” drives selection of highway projects. Using massive amounts of data about the condition of the state’s highway system, the Priority Formula identifies those highway sections most in need of improvement because of deficiencies such as rough pavement or problems related to shoulders, hills, curves, traffic volume or safety. Consideration of economic impacts for certain projects with potential economic significance would help address KDOT emerging economic opportunities.

3. Expand and reform the Economic Development Set-aside program. Currently, the Economic Development Program is funded at \$7 million annually to support highway and bridge construction projects that enhance area economic development. There is a 25 percent local match requirement. The program is popular with local governments and applications for funding routinely exceed available resources.

The program has funded a mix of small, local, important improvements to the local and state road system but it does not use a rigorous selection and economic analysis process. Project applications are solicited and funds are awarded on an annual basis. This process hinders quick response to emerging needs for projects with important economic benefits.

T-LINK recommends funding for the program should be increased from \$7 million annually to \$20 million annually with inflation adjustments for subsequent years and a stronger emphasis should be placed on economic impacts.

The Economics Impacts Working Group, (EIWG), a group of stakeholders convened to develop a framework for the Kansas Economic Assessment Tool (K-TEA), shaped its recommendations according to these guiding principles:

- Examine predicted economic impacts for selected project types.
- Focus analysis on impacts to jobs and income growth.
- Avoid comparing “apples to oranges,” i.e. strive for equitable evaluation by evaluating projects in low, medium and high cost categories.
- Favor retention of threatened jobs, net new job and income growth to the state
- Use information about economic impacts to assist in decision-making.

T-LINK considered the recommendations of the EIWG before making its own economic analysis recommendations.

Additionally, T-LINK recommends:

- Expanding project eligibility to include all modes.
- Using a portion of the funds to secure opportunities for quickly emerging, known economic developments. The funds should not be used for improvements built for speculative purposes.
- Increasing responsiveness by considering applications as they are received and immediately awarding funds for time-sensitive, high priority projects. Projects that are less time-sensitive and of a lower

priority would be selected later based on the remaining funds.

This program will be focused on meeting locally or regionally important transportation-sensitive economic opportunities rather than larger projects of statewide significance.

In addition to its recommendations addressing economic opportunities, T-LINK recommends the following refinements to the state’s approach to transportation.

4. Promote multi-modal solutions first. The most beneficial solution to a transportation problem may not be a highway improvement. The state should take a multi-modal approach and consider what solution fits the problem – it could be one mode or a combination of modes. A small but fast-growing share of the transportation needs in Kansas – often those that offer great economic potential – can only be met with multimodal solutions. KDOT’s modally stove-piped decision-making model can be an impediment. T-LINK encourages KDOT to strengthen its planning and project delivery capabilities to better handle major, multimodal projects.

T-LINK also recommends renaming the State Highway Fund to the State Transportation Fund to more accurately reflect the new model.

5. Simplify transportation project funding categories. To do this, T-LINK recommends KDOT develop a multimodal transportation program that has a core “preservation and modernization” element and a “capacity and economic opportunities”

element. KDOT should move away from categories like major modification and system enhancement which don’t clearly communicate the purpose of the projects. Instead, label and define project categories based on what they will accomplish.

6. Use a rolling program for core projects that address preservation, modernization, and some congestion relief needs. Preservation means keeping the existing system in good condition and includes activities like pavement resurfacing or short-line rail track repair. Modernization means to improve the system to more current criteria and includes efforts such as widening shoulders or narrow roadways or improving airport navigation aids. Congestion relief includes new turn lanes or commuter transit service on crowded corridors.

Selection of these projects is best determined by engineering criteria and predictable scheduling helps local officials coordinate their programs with the state’s plans. While T-LINK indicated that preservation is the top priority, it recognized it is hard to predict preservation and modernization needs for a ten-year period. Therefore, T-LINK recommends that KDOT implement a rolling program with the core projects selected primarily based on results from KDOT’s priority formula and staff recommendations. The projects would be selected annually and programmed on a three-to-five year basis. For example, in year one, projects for years two through five would be announced; in year two, projects for years three through six would be announced. Programmed projects could be revised, however, to address rapidly developing needs, such as a bridge deteriorating faster than expected. As a result, the list of core projects

would be adjusted and announced annually to address changing conditions on the system.

Recommendations – Funding

7. Fund the Economic Development Set-Aside program at \$20 million annually.

Table 2.1—Funding Economic Development Set-Aside

	Average Annual CTP State Funding	Recommended Annual State Funding	Annual Future Need	Percent of Future Need Met by T-LINK, State Funding
Economic Development Set-Aside	\$7M	\$20M	\$35M	69%

HIGHWAYS

\$790 MILLION/YEAR RECOMMENDED

Highways are the network that connects businesses and communities throughout Kansas. In 2006, the state's highway system carried 56 percent of the state's total traffic, nearly 47 million vehicles miles in all, and carried goods valued at \$547 billion. Every sector of the state's economy – services, agriculture and agribusiness, or manufacturing – depends on an extensive and reliable highway network to stay competitive and to grow. If pressing needs on the state highway system go unmet, however, the system's ability to support economic opportunities, community quality of life and travel safety diminishes.

Over the last 10 years, Kansas made significant investments in preserving and modernizing its roads and bridges and in adding new capacity. Average annual spending on capacity, preservation and modernization during the CTP was \$530 million per year (2008 dollars).

Highway project construction contributes to the Kansas economy in two ways. The first is the multiplier effect when contractors spend money for employees, materials, and services. For instance, during the Comprehensive Highway Program (1989-1997), economists estimated that the program returned three dollars of value to Kansans for each dollar's worth of cost to Kansans.²

The second is the long-term economic benefit as more jobs are created and new development moves to an area after improvements are made to the road system. The long-term economic potential of a project depends on several factors, including its location and the kinds of improvements that are made. Preservation projects that keep a road in its original condition have fewer long-

term impact than projects that reduce travel time or relieve congestion, such as new interchanges, bypasses or new four-lane highways.

Preservation Needs

Keeping approximately 10,000 miles of roads and bridges on the state highway system in good condition requires a large program of on-going maintenance. Like maintaining a home or car, preventative maintenance of roads is less costly than rebuilding them. A heavily traveled asphalt road, for example, can last up to 35 years with a regular schedule of low-cost repaving actions. But the same road's lifespan will be much shorter and may require costly rebuilding if it is not maintained regularly. Preservation needs are estimated at \$415 million annually for ten years.

Deteriorating infrastructure, such as rough pavements or weight-restricted bridges, also increase user and business travel costs and hinder safe travel. Keeping Kansas roads in good shape is expensive, but not doing so carries an even higher price. A recent KDOT study found that a 60 percent reduction in highway preservation spending would impose larger economic losses each year. By 2020, the study's authors predicted the Kansas economy would lose over 12,000 jobs and \$670 million in Gross Domestic Product per year compared to maintaining funding at its current level.³

Modernization Needs

Many older highways in Kansas were designed when traffic volumes were lower and the types of vehicles were different than today. They often have narrow shoulders, steep hills or sharp curves that slow traffic and require attentive driving habits. Modernizing a

² (Buess, Oslund, 1999)

³ (Petraglia, Alstadt, & Weisbrod, 2008)

stretch of highway by widening shoulders, flattening hills or removing curves can cost as much as \$2.3 million per mile.

Modernization costs are usually highest for the oldest routes that carry the least amount of traffic. Under the Comprehensive Highway Program (CHP) and the CTP, Kansas modernized nearly 800 miles of state highways. Although more than 1,550 miles of older state highways remain, about 85 percent of these needs occur on less traveled roads that carry 1,800 vehicles on average. If all 1,550 miles of were to be modernized, the total cost could reach as much as \$4 billion; however, T-LINK recommends that only the heavily-traveled routes be modernized.

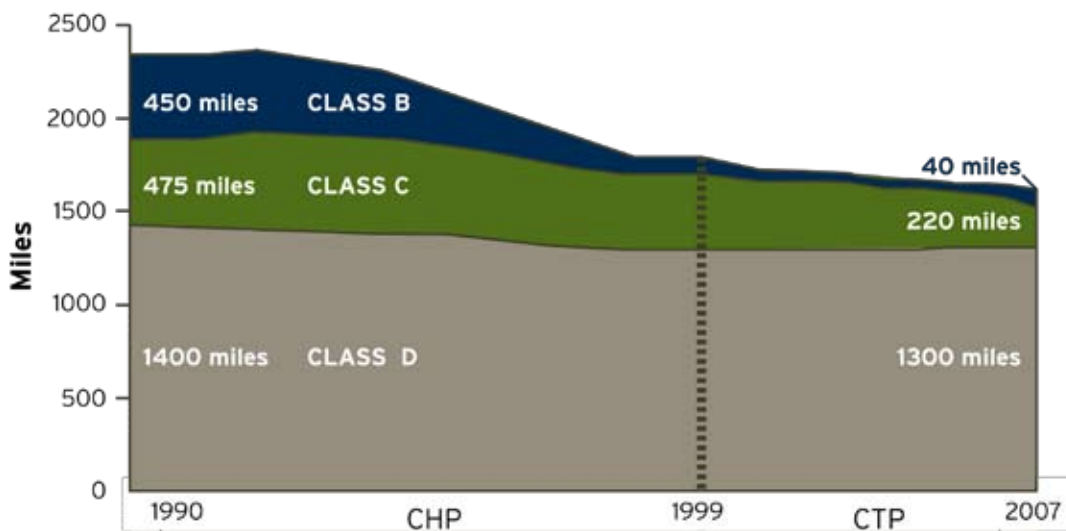
Modernization can also include other improvements such as upgrading antiquated interchanges and building grade separations to take a road or highway over a

high-traffic rail line. With these improvements included, the total modernization need is \$80 million annually for 10 years.

Capacity and Economic Opportunity Needs

Traffic congestion causes delays and reduces the predictability of travel times on a growing portion of Kansas highways. Congestion is not limited to the state's urban areas; some rural transportation corridors with heavy truck volumes also experience periodic congestion. Travel forecasts suggest congestion will grow; the number of miles of congested urban highways is expected to increase from 105 miles today to 265 miles by 2030. On rural routes about 535 miles have periodic congestion today and this is expected to increase to 1,725 miles by 2030. Capacity and economic opportunity needs are estimated at \$700 million annually for ten years.

Figure 3.1—Kansas Highways in Need of Modernization



KDOT modernized the most heavily traveled highways during the CHP and the CTP. The remaining modernization needs are largely on the state's less traveled roads (Class C and D routes).

Well-planned capacity investments that relieve congestion or provide new access can add jobs, income and economic value. These are realized during the short term as dollars are spent on project construction and in the long term as businesses respond to faster and more reliable drive times and better access to local destinations by locating or expanding in the vicinity of completed projects. Faster, more reliable trips also benefit drivers passing through an area.

Capacity and economic opportunity needs also arise in response to major new economic development investments, such as a new interchange needed to serve a major private or public sector development. These opportunities are unpredictable and their success often depends on cooperation between public and private entities.

For instance, a \$50 million interchange at I-70 and 110th Street in Wyandotte County is supporting the growth of the Village West development area near the Kansas Speedway. It helped bring nearly 5,700 new jobs to Kansas between 2001 and 2006. The interchange provides quick access to I-70 and the Kansas City region.⁴

Some of the state's largest capacity needs must be addressed with solutions that cost hundreds of millions of dollars. These are "mega projects" and the examples could include the I-35/I-435/K-10 Interchange in Kansas City and the I-235/Kellogg/Central interchange complex in Wichita. A mix of federal, state, local and private funds will be necessary to build these and some large expansion projects. Not all capacity problems, however, require mega project solutions. In some instances, a two-lane road with passing lanes can be

used in place of a four-lane road, with significant cost savings.

Recommendations – New Business Models

1. Emphasize preservation of the state's road and bridge infrastructure. This is the highest priority. In 2008, 96 percent of Interstates, 83 percent of non-Interstates, and 93 percent of all bridges on the state highway system were rated in good condition. Failure to fully fund preservation needs will result in a decrease in road and bridge conditions. KDOT estimates, for example, that a 40 percent cut in annual pavement preservation funding would reduce the share of non-interstates in good condition to 49 percent by 2019. T-LINK reviewed the highway preservation performance targets established by KDOT and the input of Road Rally* participants and believes the targets are appropriate and in line with citizens' expectations.

**KDOT conducted Road Rallies in 2008 to learn how residents and community leaders perceive Kansas road conditions. More than 350 people from 24 counties participated in events in Olathe, Pittsburg, Garden City, Wichita, Colby, and Salina. Participants toured representative 50-mile road sections in vans and rated the sections on various characteristics. Results showed that pavement condition, traffic flow and striping have the greatest influence on driver satisfaction and that conditions in 2008 met users' expectations. In focus groups after the tour, participants rated alternate investment scenarios that addressed choices such as spending transportation funds on capacity, preservation or modernization. They preferred preservation and capacity spending over modernization and strongly preferred passing lanes over four-lane improvements under constrained fiscal conditions.*

⁴ (Crosset, Joe, 2008)

2. Increase funding for capacity and economic opportunity projects and decrease investments for modernization needs. The state needs to shift its emphasis toward capacity and economic opportunities so its investments are doing the most possible to support the state's economy. When implementing this recommendation, it will be important to select major investments that support local, regional or state economic opportunities and that the economic impact analysis shows the project is an important investment to make. This shift will help to address congestion problems caused by increasing commuter and truck traffic. It can be considered because KDOT modernized the most heavily traveled highways during the last 20 years.

The state's capacity needs far exceed its ability to meet those needs. They affect the state's busiest highways in rural and urban areas and can hinder the state's economic prosperity.

The remaining modernization needs are largely on the state's less traveled roads. At T-LINK's recommended funding level, many of the heavily traveled highways could be modernized over 10 years. Through its local consultation process, T-LINK heard that those remaining roads are important to address but we also have to balance modernization with pressing capacity needs.

3. Incorporate "practical improvements" into project design, as appropriate, to help control project costs. Several states, including Missouri, Pennsylvania and Wyoming have revised their design guidance to identify opportunities to build roads and bridges that cost less without compromising safety

and convenience. KDOT is conducting a similar review to find ways to build "practical improvements" that still meet public expectations and engineering criteria, but can be completed at a more reasonable cost.

For modernization, practical improvements include more flexibility for matching shoulder width and type to traffic volume, using lower cost techniques for construction detours and improving bridges and their approaches so their widths match the existing roadway. For capacity projects, opportunities include adding passing lanes on a two-lane highway instead of rebuilding it into a four-lane highway.

In a follow-on process, KDOT should work with its local partners to better understand their expectations for these lower-cost, but important, improvements. T-LINK heard strong support for the practical improvements concept at the local consultation meetings.

4. Recognize that many capacity and economic opportunity mega projects will require individual financing packages if they are to be constructed. Mega projects (see Capacity and Economic Opportunity Needs, this chapter) are massive infrastructure improvements of regional or statewide significance. Each project could cost more than an entire year's budget for capacity expansions. Specific financing packages outside the typical programming process, including a mix of federal, state, local, and private funds will likely have to be developed to support them.

LOCAL ROADS

\$235 MILLION/YEAR RECOMMENDED

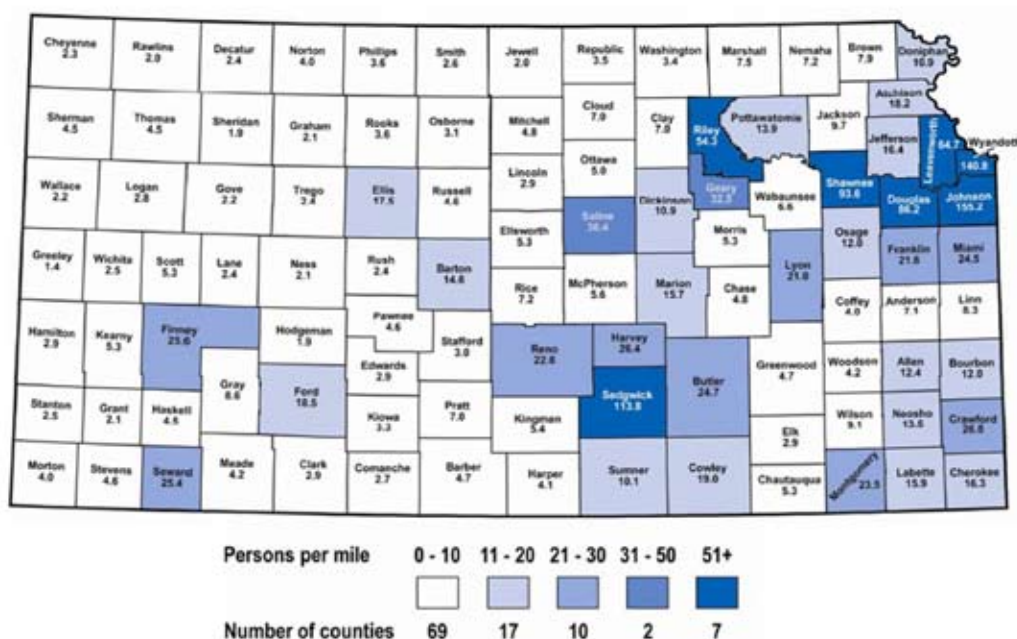
The local road network in Kansas is comprised of 130,000 miles of local roads and 20,500 bridges that range from lightly-traveled, graveled farm routes to busy, urban arterials. Local roads account for 90 percent of all roads in the state. They provide neighborhood and community-level connections from thousands of driveways, shipping docks, farm gates, and parking lots. The local road network supports the Kansas economy by providing convenient access from anywhere in the state to regional, intra- and interstate transportation routes.

The local road network was laid out in the 19th century on a one-mile grid pattern. Though some people still rely on the original configuration, the size of the system is overwhelming. It likely wouldn't be built today in the same size or way in which it was originally designed. The state needs to invest in a 21st century local road system.

Kansas counties, townships and cities are responsible for their local roads. They rely on property taxes and special levies to raise about two-thirds of total local road funding with the remainder coming from state motor fuel taxes and federal sources. In many counties, the cost of maintaining local roads outweighs the revenues available to pay for maintenance, and the system is not sustainable in its current configuration.

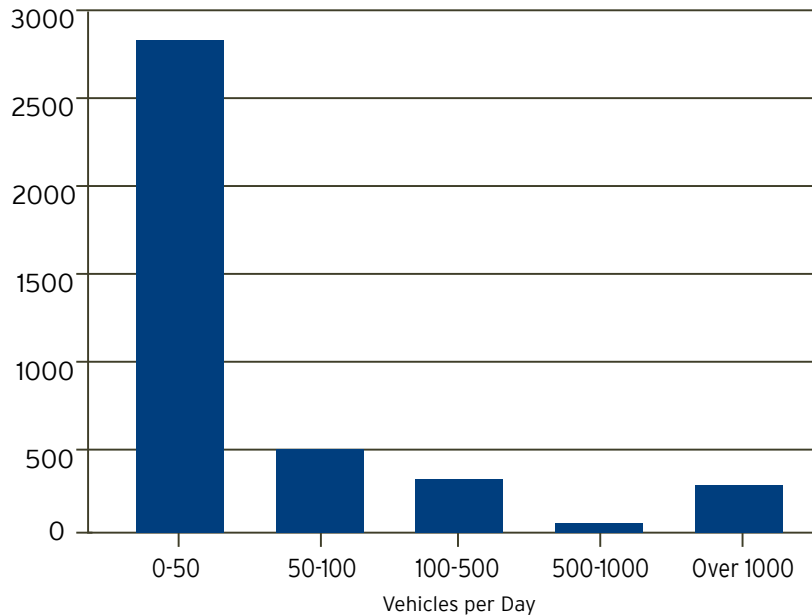
For example, many rural jurisdictions struggle to raise revenue from a declining population base to support their roads. Two-thirds of Kansas counties have fewer than 10 people per mile of public roads. An estimated 12,500 bridges on the local road network carry less than 50 vehicles per day and about 3,000 of these bridges are deficient. T-LINK heard about changing farming practices – from the use of heavier trucks to more frequent planting cycles – which increase rural road maintenance needs. Some counties, struggling with a large

Figure 4.1—People per Public Road Mile



More than 65 percent of counties in Kansas average 10 or fewer people per mile of public road.

Figure 4.2—Deficient Local Bridges and Traffic Volume



Most local deficient bridges serve less than 50 vehicles per day.

inventory of lightly traveled roads and a limited tax base have begun to close some bridges that carry few vehicles or do not support economic activity that justifies their cost. In October 2007, for example, Saline County closed 22 bridges to save \$12.3 million in preservation costs. On the other hand, rural economic opportunities such as ethanol production, wind power or agribusiness require targeted local road improvements.

In urban areas of the state, where high traffic volumes wear roads out faster and economic activity brings both new development and demand for more local road capacity, the cost of meeting local roads needs also outweighs available funding. Overland Park, for example, oversees 1,700 lane miles of roads and 100 bridges and officials estimate that the city's \$10 to \$12 million annual roads budget covers only about 70 percent of Overland Park's annual road preservation needs.

As a consequence of funding shortfalls, many local roads and bridges are past their intended life-spans. For example, KDOT estimates that 10,000 local bridges in the state are now beyond their 50-year design life, but current funding allows for replacement of only 40 local bridges per year. Rough pavement, weight-restricted bridges, and detours come with aging infrastructure and impose higher travel costs that hurt economic productivity and diminish the quality of life in communities with crumbling pavements and bridges.

Under the CTP, the state invested about \$170 million per year in local roads (2008 dollars). This funding is complemented by an estimated \$500 million in local funds and \$65 million in federal funds. T-LINK recognizes the importance of the local road network to the state's overall transportation system and recommends local governments share in the additional revenue that is raised for the next transportation program.

Recommendations – New Business Models

- 1. In collaboration with local officials, move toward a sustainable local roads network.** The state, working with local officials, should create a process to identify a prioritized network of local roads. Any new state and all federal dollars should be targeted for roads and bridges on that network. KDOT should assist local officials with this process by providing planning and technical assistance to local governments as they develop their priorities.
- 2. Create a fund exchange program so that local governments could “sell” or “swap” their federal funds for state funds that carry fewer prescriptive requirements.** Federal dollars, which require a 20 percent local match, would be exchanged for 80 cents in state monies to be paid to the local agency per federal dollar they exchange, which require no match. Federal dollars make up nine percent of total local roads funding in Kansas. But local governments sometimes struggle to use federal dollars because the stringent, time-consuming, inflexible engineering standards that apply to projects funded with federal dollars are not practical for small local roads projects. As a result, they stifle the flexibility and innovation needed to build transportation projects in ways that help stretch budgets and meet more needs faster. In the local consultation process, T-LINK heard strong support for a fund exchange program.

Recommendations – Funding

- 3. Increase funding for the Special City and County Highway Fund (SCCHF) and then increase the amount shared with local governments to \$183 million annually and distribute funds using the current formula.** As is the case at the state level,

because the SCCHF is funded primarily through motor fuels taxes, the growth of this revenue source has significantly underperformed with respect to the rate of inflation and the state’s population growth. Restoring the buying power of the SCCHF is vital to maintain transportation funding at the local level. The SCCHF uses a legislatively-mandated formula for distributing approximately one-third of state motor fuel tax revenue to local governments for roads. For counties, the formula is based on registered vehicles, miles of roadway and vehicle miles traveled; and for cities it is based on population. In 2008, about \$155 million was distributed to local governments via the SCCHF.

- 4. Increase funding for City Connecting Link payments to \$5 million annually.** This program helps cities maintain their city connecting links, which are city streets that connect two rural portions of state highway. KDOT currently distributes funds at \$3,000 per lane mile or \$3 million per year for maintenance costs.
- 5. Increase annual funding for the KLINK Resurfacing Program to \$7 million and for the Geometric Improvement program to \$10 million.** The KLINK Resurfacing Program funds resurfacing of city connecting links. These projects are funded under a matching arrangement with cities based on population. The maximum state share for a project is \$200,000.

The Geometric Improvement (GI) Program helps modernize city connecting links with about \$8 million per year, currently. Requests for GI projects are typically about five times the amount KDOT can fund.

The Economic Development Program is currently a local program and supports highway and bridge construction projects that enhance area economic development. T-LINK recommends that this program be expanded and reformed and should become part of the broader economic opportunities program structure. (See Chapter One)

6. Provide \$30 million in new funding for the prioritized local road network. To accomplish this, additional state funding is needed to make progress on the backlog of local road and bridge needs but additional state resources should only be devoted to supporting a prioritized local road network (described in New Business Models, this chapter).

7. Fund local roads at a total of \$235 million annually.

Table 4.1—Funding Local Roads

	Average Annual CTP State Funding	Recommended Annual State Funding	Annual Future Need	Percent of Future Need Met by T-LINK, Federal and Local Sources
SCCHF	\$155M	\$183M		
Priority Local Road Network	\$0M	\$30M		
KLINK	\$6M	\$7M		
GI Programs	\$6M	\$10M		
City Connecting Links	\$3M	\$5M		
TOTAL	\$170M	\$235M	*	

*Due to the size (130,000 miles) of the local road system and its many jurisdictions, it is inherently difficult to calculate the level of need. Informal studies and surveys have indicated that the needs could range from \$1 billion to as much as \$3 billion.

TRANSIT

\$16 MILLION/YEAR RECOMMENDED

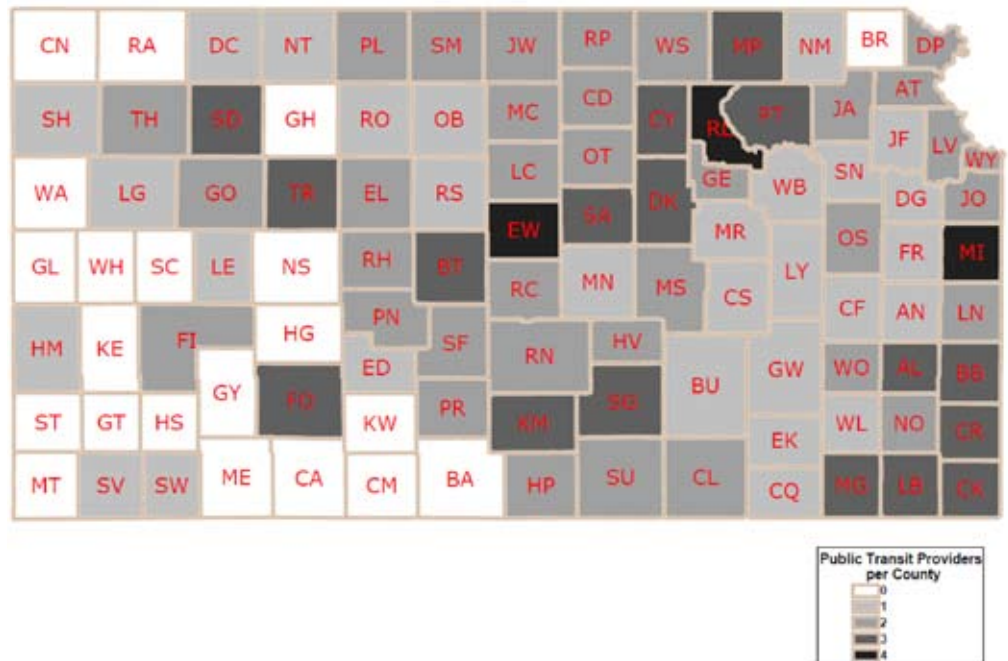
Public transit in Kansas provided approximately 10 million rides for residents across the state in 2007. In sparsely populated rural Kansas, about 180 small transit operators provide a fragmented patchwork of mostly public on-demand and client-specific transit service spread over a wide geographic area. In more densely populated urban areas of the state, five large transit operators offer scheduled bus service along fixed routes. Transit in Kansas provides important economic, health, and social benefits by giving citizens without regular access to a personal vehicle a way to get to work or to make important personal trips and to maintain their independence. In urban areas of the state, buses help alleviate traffic congestion and reduce air pollutant emissions.

Most rural and urban transit agencies in Kansas are struggling to manage rapidly increasing costs driven by growing ridership, higher fuel costs, need for new vehicles, demand for longer hours of service, wider coverage areas, and demand for shorter waiting times between buses on fixed routes. Increases in federal, state, and local funding for transit have not kept pace with cost increases.

Over the last eight years, transit ridership in urban and rural Kansas has grown by 48 percent. Long-term trends driving ridership growth include an aging population that is more reliant on transit for basic transportation needs such as access to health care and other necessities and the cost-effectiveness of transit

Figure 5.1—General Public Transportation Provides with a Substantial Service Presence per County

The map depicts the number of General Public Transportation providers offering significant public transit services, such as trips with both origins and destinations in a county. Specialized transit providers for the elderly or disabled are not included. Some of the counties that have no significant services on the map might have some service (often destinations) but not enough to show that significant services are offered within the county. Many counties in western Kansas have no significant public transit service.



compared to driving. T-LINK heard about the importance of transit at all of its local consultation meetings. For instance, the need to get people to work was cited in southeast Kansas and the need to transport patients to health care was noted in western Kansas.

Under the CTP, the state provides \$3.5 million per year for urban transit and \$2.5 million per year for rural transit. Additional funding for transit comes from fare-box revenue, and federal and local funding sources.

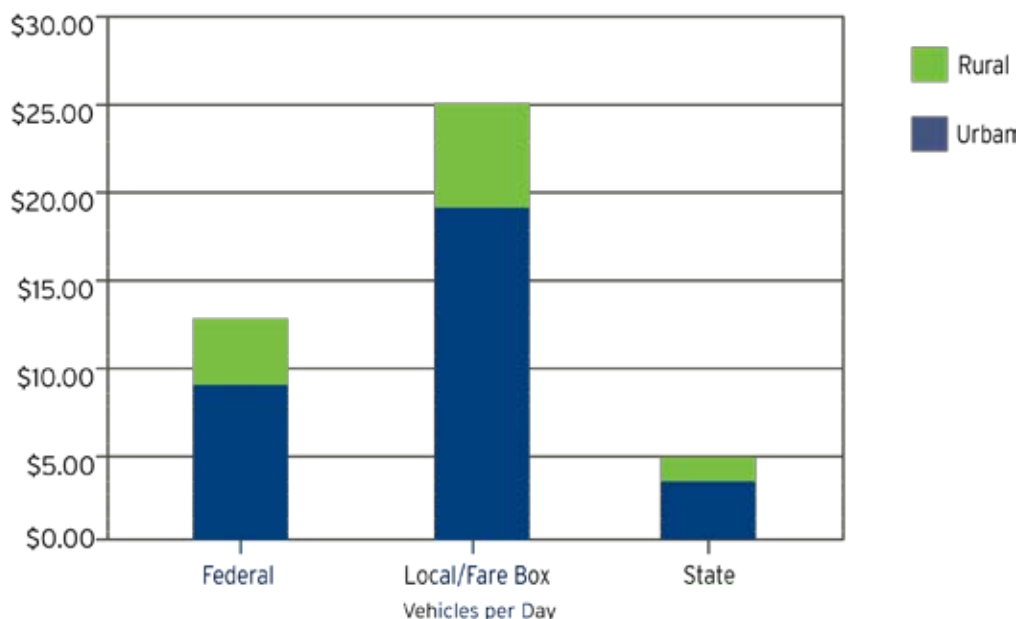
Recommendations – New Business Models

1. Create a regional transit approach to expand and improve delivery of rural transit service funded at \$2 million annually to support technology and administration. KDOT contracts with about 180 separate rural and specialized transit providers in

Kansas. Still, eighteen counties, all in the western half of the state, have no transit service for the general public and twelve of these counties have no transit service of any kind. Managing so many contracts is inefficient for the state and limits the state’s and providers’ ability to expand and coordinate services.

There are 15 Coordinated Transit Districts (CTD) in Kansas, most covering more than one county. Each CTD is responsible for consolidating reports and hosting meetings for rural public and specialized transit services within their service area, which may involve a number of small transit providers. While many transit providers are doing the best they can to serve their communities within the current business model, services statewide could improve by altering the current business model to work on a regional level. Membership in CTDs is required by statute for

Figure 5.2—Funding for Local Transit Service



Local transit is funded with a combination of federal (Federal Transit Authority), state and local sources. The chart does not depict other funding sources that transit providers may use.

rural and specialized transit providers that receive state funds, but the CTDs are staffed by volunteers who lack the authority and funding to consolidate and coordinate transit services. In urbanized areas, urban transit providers are not required to participate in the CTD, although most urban providers regularly attend CTD meetings. The current business model generally focuses narrowly on single communities rather than larger areas.

The CTD delivery system sometimes hinders efficient regional service because most operators are small, focused on single communities and they do not have the authority to consolidate and coordinate services. This is because their service boundaries and policies are based on constraints from their local funding sources. This approach limits travel outside of the providers' borders, even if that is where riders need to go. Poor coordination can cause duplication of administrative functions, service connectivity gaps between communities, and missed opportunities to invest in technologies like "one-call" ride dispatching that improve service efficiency. An expanded, regional transit approach would bring greater efficiency by leveraging rural transit funding to provide a more modern, comprehensive, strategic way of providing service.

To begin the process, T-LINK recommends creating one or more pilot projects in rural areas with the help of providers, local governments and their stakeholders. The jurisdictions would be defined by travel demand patterns rather than by local governmental boundaries or providers. The number of jurisdictions could be increased over time. Aspects of a regional approach could include:

- Eventually, the development of 10 to 12 transit jurisdictions using a substantial public involvement process.
- Each jurisdiction would have a lead agency, funded by the state, which would be required to meet a specific level of service or could use subcontractors. Currently, there are no service requirements.
- Lead agencies would be required to use advanced technologies and "One-Call" dispatching, which would enhance scheduling efficiencies and help users find service more easily.



Creating new regional transit jurisdictions would require a change in state statutes.

Recommendations – Funding

2. Fund urban transit at \$8.3 million annually and rural transit at \$4.4 million annually. The transit funds should be dispersed using separate formulas for urban and rural communities.

Currently, state transit funds for urban areas are distributed according to a formula that is mostly based on population size, which is not a reliable predictor of transit demand. T-LINK recommends the urban transit funding formula be reviewed and additional factors reflecting needs such as ridership, extent of service, amount of local match and efficiency of service be considered.

Although KDOT funds rural projects based on applications that outline specific needs, no formula is used for distributing state transit funds to rural areas. As a result, T-LINK also recommends establishing a

formula approach for distributing funds to rural areas and jurisdictions using the regional transit approach.

Some state-level urban and rural transit funds should be distributed on a discretionary basis to help meet one-time capital needs projects that might not be affordable with an area’s formula-based funds.

3. Create a special, stand-alone, discretionary “commuter corridor” transit funding program that is funded at \$1.2 million annually. The program would support commuter service, van pools, or park and ride facilities, and allow the state to support the capital and operating costs of a limited number of special transit projects that best serve emerging transit needs associated with economic opportunities of regional significance.

Among commuters in the state’s more urbanized counties, alternatives to single-occupancy vehicles such as express commuter transit service, car and vanpooling, and use of park-and-ride lots are attracting more interest as congestion grows and the costs of owning and operating a vehicle increase. Some travel corridors in the state show a high ridership potential that may merit providing transit service beyond the boundaries of the state’s five main urban transit providers. In January 2007, for example, service on K-10 between Lawrence and Johnson County was initiated with 171 riders a day that grew to more than 1,000 riders a day by August 2008. The program operates at capacity during peak hours. Other possible routes include Lawrence to Topeka, downtown Kansas City to Lawrence, and Hutchinson to Wichita.

4. Fund public transit at a total of \$16 million annually.

Table 5.1—Funding Transit

	Average Annual CTP State Funding	Recommended Annual State Funding	Annual Future Need	Percent of Future Need Met by T-LINK, Federal and Local Sources
Urban	\$3.5M	\$8.3M	\$60M	
Rural	\$2.5M	\$4.4M	\$33M	
Regional Transit Approach	\$0M	\$2M	\$2M	
Commuter Corridors	\$0M	\$1.2M	\$20M	
TOTAL	\$6.0M	\$15.9M	\$115M	48%

PASSENGER RAIL NO FUNDING RECOMMENDATION

In addition to local transit service, Kansas has a limited amount of intercity passenger rail service. Amtrak's Southwest Chief service from Los Angeles to Chicago stops at six locations in Kansas (Garden City, Dodge City, Hutchinson, Newton, Topeka and Lawrence) twice daily in the early morning hours.

KDOT and Amtrak are working on an Amtrak Expansion Feasibility Study to identify capital requirements and operating costs needed to provide a state-supported service between Kansas City, Oklahoma City, and Fort Worth, Texas. The study is needed to provide current information on which to base decisions about the service.

T-LINK supports the goals of passenger rail service, but cannot make a recommendation without estimated funding needs.



Approval of expanded passenger rail service would require legislative action.

Article 11, Section 9 of the Kansas Constitution prohibits

the State from making improvements off the state highway system unless both houses of the Legislature, by vote of not less than two-thirds of their members, approve such expenditures. The Kansas Legislature would have to take this step to provide operating support for passenger rail, in addition to approving the funding.

SHORT-LINE FREIGHT RAIL \$7 MILLION/YEAR RECOMMENDED

The short-line freight railroads that serve Kansas businesses are important to the state's economy. Most rail freight shipments that begin or end their journey in Kansas depend on local "short-line" railroads that connect individual shippers and manufacturers to the nationwide Class I rail network that moves goods across the United States and to ports for global distribution. Short-line rail accounts for about 41 percent (about 1,930 miles) of the nearly 4,780 miles of rail across the state.

Short-line rail fills a gap created when the Class I railroads abandoned tracks that are critical for moving Kansas products but were no longer profitable or were too expensive to maintain or improve from a national perspective. The track left behind can be fragile and may be in marginal condition for the weights and speeds of today's rail cars. As the weight of Class I compatible railcars gets greater, for example, many Kansas short-line operators are finding that the cost of essential track upgrades is far beyond their capital and operating budgets.

Nationally, domestic freight is expected to increase by as much as 70 percent by 2020. In Kansas, the tonnage of freight transported by all modes is expected to grow by 23 percent by 2020 (beginning in 2006). About 14.5 million tons of freight are transported on Kansas short-line railroads each year. Using rail to move farm products, ethanol, chemicals and other bulk goods helps Kansas businesses keep their transportation costs low and it reduces truck traffic, enhancing highway safety, and reducing congestion and pavement wear.

The state's freight rail program under the CTP expires in 2009 and has provided \$3 million yearly for a loan

and grant program to support capital improvements on short-line railroads. The program provided resources for essential activities like track rehabilitation and rail car purchases. Operators are required to provide at least a 30 percent match for the loans. T-LINK discussed concerns about state funds supporting private business, but concluded the loan and grant program is important to the Kansas economy and that it should be continued.

Recommendations – New Business Models

1. Amend the statute for the short-line railroad program so shippers, local governments and industrial parks would be eligible to apply for funding if the project meets strict criteria. Currently, only short-line railroads and port authorities can apply for loans or grants to improve rail infrastructure. As the volume of freight traveling by rail grows, some shippers, local governments and industrial parks are experiencing costly delays in accessing short-line capacity due to local bottlenecks. They need modest improvements such as a new rail spur or added siding capacity that could alleviate freight congestion or promote economic development, but they often lack the capital to build these types of improvements. Broader access to state-level funding for short-line rail improvements will help improve the responsiveness of freight rail infrastructure to new economic opportunities. T-LINK recommends that projects considered under an expanded program should provide not only local benefits but also regional benefits.

2. Establish a Statewide Freight Rail Advisory Committee. Rail freight growth means that longer trains on busier rail lines cross about 5,400 at-grade public crossings in hundreds of Kansas communities

every day. Local governments and railroad operators are recognizing the value of statewide communication and cooperation among stakeholders to help balance the rail transportation needs of businesses with the safety and mobility concerns of affected communities. T-LINK recommends KDOT create a statewide freight advisory committee that can work with all stakeholders to address long-term planning, safety and economic issues related to rail freight in Kansas. T-LINK also recommends using the Advisory Committee as an additional accountability measure so public funds are well spent.

Recommendations – Funding

3. Fund short-line loan and grant program at \$7 million annually. This increase is needed, in part, to serve the expanded eligibility list. The full cost of implementing all practical short-line improvements is estimated at \$20 million per year over the next 20 years. Once the \$7 million funding level is reached it could support rehabilitation of 1,400 miles of track over a ten-year period.



Opening the program to shippers, local governments and industrial parks would require a change in state statute, but not a 2/3 vote of both houses of the Legislature.

Table 7.1—Funding Short-line Freight Rail

	Average Annual CTP State Funding	Recommended Annual State Funding	Annual Future Need	Percent of Future Need Met by T-LINK, Federal and Local Sources
Short-Line Freight Rail	\$3M	\$7M	\$20M	40%

AVIATION

\$6 MILLION/YEAR RECOMMENDED

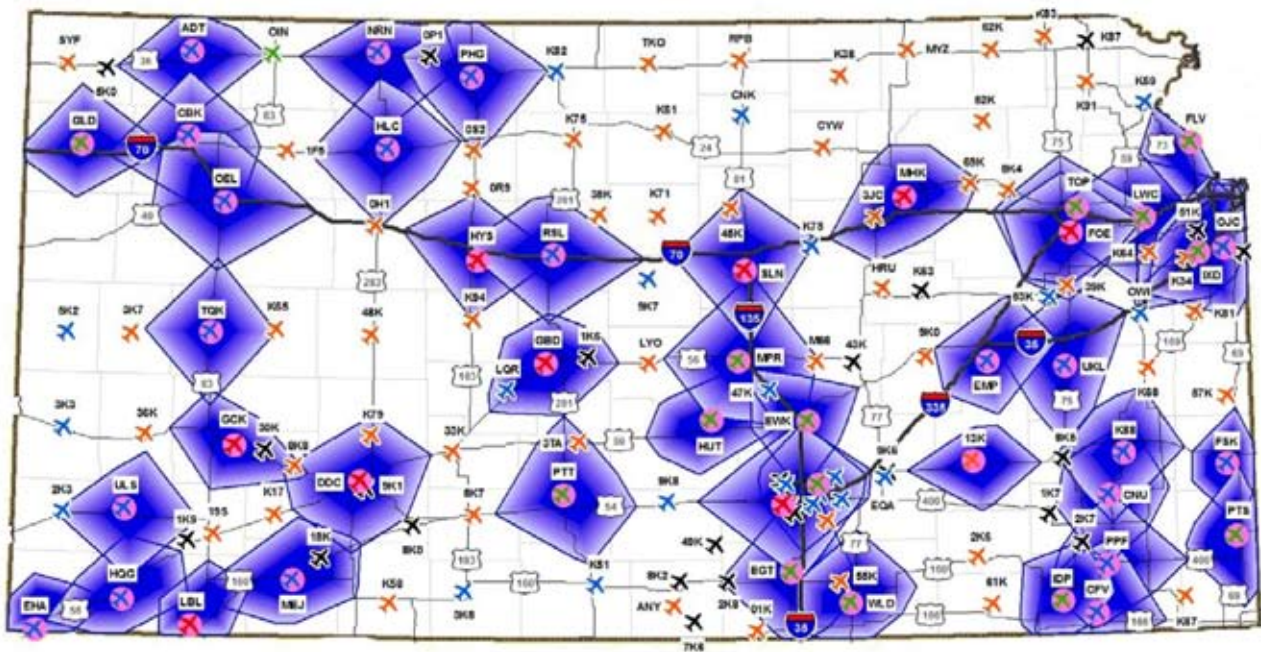
Kansas has more than 142 public-use basic, community, business, regional and commercial airports that help link the state's communities. Investment of state aviation funds over the course of the CTP has helped improve the condition of many of the state's runways. Access to reliable air transportation spurs economic growth by improving business access and enhances the quality of life by providing opportunities for air ambulance service to reach remote areas of the state.

Airport modernization, especially all-weather access, is a high priority for Kansas. The goal is to have an all-weather airport within a thirty minute drive of anyone in Kansas. Air ambulance accessibility declines significantly if the weather is cloudy or hot. Eight-one airports in 52 counties either lack on-field weather ob-

servations or an instrument approach or require improvements in runway length, width, or pavement condition to accommodate air ambulance landings in all-weather conditions. Improvements needed to enhance all-weather airport coverage range from developing instrument approaches to building major runway and taxiway improvements.

Under the CTP's Kansas Airport Improvement Program (KAIP), the state has invested \$3 million per year in airports, primarily for preservation projects. Depending on a community's size, a 10 to 50 percent local match for a KAIP grant is typical. In addition to state and local funds, Kansas receives \$22 million in federal aviation funds annually.

Figure 8.1—Air Ambulance Service



This map depicts areas within a 30-minute drive of an all-weather airport. These areas currently serve 42% of Kansas and 84% of the population.

Recommendations – New Business Models

1. In a collaborative process with stakeholders, create a strategic aviation projects plan and establish project priorities to develop a network of airports that accommodate air ambulance service and promote economic development. The strategic plan should play a strong role in subsequent Kansas Airport Improvement Program funding decisions. Local communities currently decide for themselves to apply for KAIP funding, limiting the state’s ability to make strategic aviation infrastructure investments that offer the greatest benefit to Kansas. Evidence of a strong local commitment should be a part of the project prioritization process. Stakeholders support development of the plan so that aviation funds are invested wisely in preserving and modernizing airports across the state.

One important goal would be to have an all-weather airport within a thirty minute drive of anyone in Kansas. About 93 percent of the population could be served with an investment of \$35 million over 10 years.

With less than five percent of the average runway pavement condition rated “poor or failing,” the benefits from investing in runway preservation under the CTP should be maintained with continued investment in runway preservation. FAA-eligible airports are generally able to take care of preservation needs with federal funds. Most preservation needs are now found at smaller, non FAA-eligible community and business airports that have no alternative funding sources.

In addition to all-weather modernization needs, general airport needs include runway lengthening and widening, lighting, approaches, communications, and weather stations. Most funding for airport modernization in Kansas comes from FAA sources, but smaller community and business airports are often unable to access FAA modernization funds. Although T-LINK recognizes that not all modernization needs can be met, the program should be expanded to include those types of projects, and T-LINK recommends that \$0.6 million be spent on them each year.

Recommendations – Funding

- 2. Fund aviation at a total of \$6 million annually.**
- 3. Consider reducing or removing the aviation fuel sales tax exemption to provide additional transportation funding.** Aviation fuels (aviation gas and jet fuel) sold for commercial purposes are exempt from sales tax. Sales tax revenue on aviation gas is currently estimated between \$1 and \$2 million annually based upon a gallon price between \$2 and \$4. The assessment of sales tax on aviation gas is currently thought to be underreported. T-LINK believes a good approach for increasing aviation funding is to reduce or remove the exemption. If the exemption was lifted entirely, like many states have done, an estimated additional \$11 million in revenue could be raised. The aviation community expressed some support for this concept at the local consultation meetings.

4. Deposit the sales tax revenue in a transportation fund that allows revenue to be used for all modes.

The revenue currently raised from aviation fuel sales is deposited in the State General Fund.



Reducing or removing the aviation fuels sales tax exemption and depositing the revenues into a different fund would require changes in state statutes.

Table 8.1—Funding Aviation

	Average Annual CTP State Funding	Recommended Annual State Funding	Annual Future Need	Percent of Future Needs Met by T-LINK, Federal and Local Sources
All Weather Upgrades	\$0M	\$3.5M	\$5M	
Preservation	\$3M	\$1.9M	\$33M	
Other Modernization Needs	\$0M	\$0.6M	\$26M	
TOTAL	\$3M	\$6M	\$64M	58%

BICYCLE AND PEDESTRIAN LOCAL FUNDING RECOMMENDED

Bicycle and pedestrian facilities help make Kansas communities safer and more attractive places to live and do business. Biking and walking are not only popular forms of recreation, but for short trips they offer a healthy, low-cost, environmentally-friendly alternative to driving that can help to reduce congestion. Throughout the state, the public and local governments strongly support building more non-motorized transportation facilities. About 120 miles of multi-use trails in Kansas communities have been built with federal Transportation Enhancement (TE) funds, but nearly 1,000 miles of proposed trails have not been built.

Under the last two transportation programs, state funds have not been dedicated to non-motorized transportation needs. KDOT, however, considers bicycle and pedestrian needs on its highway projects and sometimes incorporates bicycle or pedestrian elements where appropriate.

The federally-funded TE program is an 80/20 grant program administered by KDOT that typically dedicates about \$5 million per year for bicycle and pedestrian projects out of \$10 million in total funding. Likewise, the federal Safe Routes to School program, which provides 100 percent grants to school districts, cities, counties and non-profit organizations, is administered by KDOT and provides \$1.6 million per year in funding for school transportation projects around the state.

Recommendations – New Business Models

1. Establish clear evaluation criteria and a screening process for accommodating bicycle and pedestrian facilities when developing highway projects.

When KDOT builds or replaces roads, accommo-

tions for bicycles and pedestrians, such as sidewalks, crosswalks, wide shoulders, marked bicycle lanes, or dedicated-use trails, are incorporated a part of the project where it is appropriate and affordable. These features are generally added on a case-by-case basis when KDOT, in consultation with project stakeholders, determines they offer safety, mobility and access benefits that outweigh their costs. These improvements may involve a mix of local, state and federal funding. In the multimodal business model recommended by T-LINK, considering bicycle and pedestrian facilities when developing road projects is a worthwhile effort, as is using state funds to build the bicycle/pedestrian improvement, if appropriate.

2. Support bike and pedestrian education campaigns within existing resources, including sponsorship of state or regional conferences for stakeholders.

Education and outreach can help reduce the annual average of 836 accidents and 26 deaths among bicyclists and pedestrians that occur in Kansas. KDOT partners with federal and local government agencies to provide education and awareness campaigns for bicyclists and pedestrians. For example, KDOT recently co-sponsored a campaign with the National Highway Traffic Safety Administration to spend \$21,000 on public information, education, and bike helmets.

Recommendations – Funding

3. Fund bicycle and pedestrian facilities primarily at the local level but consider using state and federal funds for these facilities as a part of highway projects as appropriate. T-LINK recognizes the importance of bicycle and pedestrian improvements but recommends that funding should remain primarily a local responsibility.

Table 9.1—Funding Bicycle and Pedestrian

	Average Annual CTP State Funding	Recommended Annual Dedicated State Funding	Annual Future Need	Percent of Future Need Met by T-LINK, Federal and Local Sources
Bicycle and Pedestrian	\$0M	\$0M	\$15M	40%

FUNDING AND FINANCE

The State of Kansas has historically used three primary sources of revenues to pay for state transportation improvements, in addition to available federal fund reimbursements:

- Motor fuel taxes
- Vehicle registration fees
- A portion of the state sales tax, since 1983

These sources have provided a stable and slowly growing source of revenues over the past 75 years as the state's population and economy have grown. There are two major disadvantages to the traditional revenue sources, both locally and around the country:

- Motor vehicle fuel efficiency, and at times high gas prices, has slowed the growth in fuel consumption
- The growth of inflation has been greater than the growth of either economic activity or population.

To supplement the traditional revenues throughout the past 40 years the state has on three occasions authorized bonds to be issued to fund highway projects, with the bonds to be repaid from future revenues. The final repayment of existing State Highway Fund (SHF) debt is scheduled to occur in the year 2025.

The table on the next page illustrates the funding mechanisms contemplated in 1999 during the passage of the Comprehensive Transportation Program (CTP), and the subsequent revisions and amendments enacted through the past 10 years as a result of various economic challenges at the state level. As seen in the table, the CTP legislation contemplated an incremental revenue stream of approximately \$2.3 billion over a 10-year period of time (\$231 million on average per year). The funding and financing mechanisms included motor fuels tax, sales tax transfer, registration fees, and bonding. In

response to the economic challenges of the time, after remedial measures taken at the state level, the resulting incremental stream of revenue for the CTP came to approximately \$1.7 billion over the 10-year period (\$174 million on average per year).

There are significant funding gaps over the next five and 10-year period between anticipated revenues from existing state and federal sources and T-LINK's priorities of funding preservation and capacity and economic opportunity improvements. There is an average annual funding gap of about \$54 million to maintain the existing system over the next 10 years, with no increase of revenues for modernization or capacity projects, or for any increase of revenues to local communities or modes. In order to meet the demands of the state for preservation, capacity, local communities, and modes, the average annual funding gap reaches approximately \$640 million.

T-LINK recommends funding a new transportation program with a broad range of funding sources using a multi-pronged strategy over the next 10 years that includes some or all of these elements:

Recommendations – State Funding

- 1. Increase traditional state revenue sources such as motor fuel taxes, car and truck registration fees. In addition, the state should explore tolling options and should use debt financing to augment revenues as appropriate.** Clearly, meeting the state's growing transportation needs will require more funding. The state's traditional revenue resources are relatively stable, easy to administer, reasonably equitable and provide significant revenue

CTP Historical Funding Summary

(Unless noted otherwise, amounts in millions)

	As Passed in 1999	As Updated/Amended		
<u>State Motor Fuel Tax Increases</u>				
FY 2000, cents per gallon increase	2	2		
FY 2002, cents per gallon increase	1	1		
FY 2003, cents per gallon increase		2		
FY 2004, cents per gallon increase	1	1		
Average annual incremental revenue				
State Highway Fund	\$ 46	\$ 70		
Special City & County Highway Fund	\$ 15	\$ 14		
<i>Avg. annual incremental revenue- life of CTP:</i>	\$ 61	\$ 84		
<u>Sales Tax Transfer</u>				
	<u>Statutory</u>	<u>Capped Amt</u>	<u>Statutory</u>	<u>Effective</u>
FY 2000	7.27%	6.20%	7.27%	4.40%
FY 2001	7.27%	6.09%	7.27%	3.59%
FY 2002	9.50%		9.50%	6.48%
FY 2003	11.00%		0.00%	<--Transfer Ended in 2003
FY 2004	11.25%		0.00%	
FY 2005	12.00%		0.00%	
<i>Avg. annual incremental revenue- life of CTP:</i>			(\$70)	
<u>Direct Sales Tax Deposit</u>				
FY 2007, increase from .25 cents to			.38 cents	
FY 2008, increase to			.65 cents	
<i>Resulting avg. annual incremental revenue- life of CTP:</i>			\$ 28	
<u>Funding for KHP (began 2004), avg annual increment</u>			(\$18)	
(Note: Actual annual Transfer is approx. \$30M. \$18M reflects avg annual affect thru life of CTP.)				
<u>Bond Proceeds</u>				
State Highway Fund - new authority	\$ 995		\$ 1,272	
Less: incremental SHF debt service	(\$345)		(\$283)	
State General Fund back bonds	-		\$ 210	
Net	\$ 650		\$ 1,199	
<i>Avg. annual incremental revenue:</i>	\$ 65		\$ 120	
<i>Interest earnings, avg. annual incremental revenue:</i>	\$ 19		\$ 30	
<i>Total Avg Annual Revenue Increases from CTP:</i>	\$ 231		\$ 174	
(Note: Amounts shown on average annual increase basis)				
<i>Total CTP Incremental Revenue- 10 years</i>	\$ 2,310		\$ 1,739	

Notes

- 1) Consumer price inflationary growth over 10 year period 2.6%
- 2) Growth in construction costs over life of CTP 5.3%
- 3) Due to lower than expected incremental revenue generated by CTP, KDOT engaged in a series of cash flow policies to ensure the completion of the CTP projects:
 - (a) Secondary lettings of certain projects will be let in years beyond CTP.
 - (b) Certain funds were shifted from Substantial Maintenance activities into new construction
 - (c) Debt service was restructured resulting in larger debt service payments post-CTP.
 - (d) Reduced amounts allocated to specific activities "set-aside"
 - (e) Reduced the ending balance requirement to pay for open encumbrances at the end of the program

sources. T-LINK recommends using a mix of those sources to address revenue shortfalls for system preservation, capacity improvements, modal support and local support. Additionally, debt financing should be made available, as described under Debt Financing later in this chapter. T-LINK does not see debt financing as a revenue source, but rather, as a strategic financing and cash flow management mechanism to complement increases to the traditional revenue sources. Finally, though the low population density and traffic volumes in Kansas limit opportunities to build new toll roads, T-LINK recommends Kansas continue to look for opportunities to improve the system with some use of toll financing where practical (See Appendix VI).

2. Consider motor fuels sales taxes and consider analyzing the viability of a tax on vehicle-miles traveled as a new revenue source in the long term. In the near term, the state should consider adding a sales tax on motor fuels. A sales tax on motor fuels would be affected by the volume of sales and the unit price so revenues may fluctuate. With a sales tax on motor fuels, as fuel prices rise, construction costs also rise, so tax revenues would tend to increase.

For the long term the state should continue to analyze the viability of alternative methods of funding transportation, i.e. Vehicle Miles Traveled (VMT). Such a trend is evident at the federal level. After nearly 20 months of intense deliberations conducted by a diverse work group, as of the date of this report, the National Surface Transportation Infrastructure Financing Commission (NSTIFC) is nearing completion of its findings and recommendations for funding transportation at the federal level. A transportation

columnist recently summarized the NSTIFC's efforts as follows: "The Commission has concluded that the current federal surface transportation funding structure is unable to generate sufficient revenues to support the country's future transportation needs. Hence, the nation must begin to shift to a more sustainable system that is able to raise substantially greater revenues. A search for alternative funding mechanisms has led the Commission to focus on the potential of direct user charges, and particularly on a charge system based on vehicle-miles-traveled (VMT). Such a funding framework is consistent with the Commission's guiding principle that users and direct beneficiaries should bear the full cost and pay more directly for the services they use. However, a transition to a VMT-based charge system cannot occur overnight, and the immediate needs are simply too critical to wait. Therefore, the Commission will recommend a two-phased approach. To accommodate transportation infrastructure needs in the near and intermediate term (i.e. possibly over the next two authorization cycles), the Commission will recommend a program of incentives to help states and local governments finance infrastructure investments through tolling and other user fees. To enable the federal government to meet its share of funding (currently this share amounts to about 40-45 percent of total national system-wide infrastructure investment), the Commission recommends a one-time increase of 10 cents/gallon in the federal gasoline tax and a 15-cent increase in the federal diesel tax, both taxes to be indexed for inflation. In the long term, as the nation converts to a VMT-based charge system, the federal fuel taxes should be progressively phased out. Because of the complexity inherent in transitioning from the current system to a VMT-based system

(both institutionally and technologically), the Commission believes the transition process must begin immediately.⁶

T-LINK recommends that the state follow suit and appoint a Blue Ribbon Panel to track the progress on the federal level and to create a plan to position Kansas using such an alternative for funding transportation in the future.

3. If gaming revenues become available, dedicate a portion of the revenues to the SHF.

Recommendations – Local Funding

4. To open financing options for local communities, allow the Secretary of Transportation to review transportation-related economic development opportunities and authorize the use of debt financing with repayment streams flowing from the development revenue. T-LINK recognized that communities – even growing communities – struggle to fund improvements to serve new development. Current financing options are difficult and cumbersome for communities to use. Therefore, T-LINK recommends combining into a single piece of legislation approaches similar to the economic development and transportation specific elements found in STAR Bonds, Transportation Development Districts (TDD's) and Tax Increment Financing (TIF). The major attributes of such legislation should include:

1. Use of debt financing through bonds issued by the Kansas Development Finance Authority (KDFA).
2. Multiple forms of development revenue may be pledged for the service of the infrastructure debt, i.e., property tax increment, sales taxes, income

taxes, special assessments, etc.

3. Authority rests with the Secretary of Transportation to review and approve projects, including the use of debt financing for such a purpose.
4. As opposed to current TDD legislation, projects should not require the approval of 100 percent of those within a particular economic development district.
5. Authorize the local communities and the state to institute their power of eminent domain when utilizing such legislation, pursuant to the provisions and procedures of K.S.A. 26-501, et seq., the Kansas Eminent Domain Procedure Act.

5. Replenish the Transportation Revolving Loan

Fund. The Transportation Revolving Fund (TRF) is a low-cost loan program to help local governments in Kansas finance road and bridge improvements. TRF monies can be used to pay for the federal share of projects. The TRF is funded with \$25 million in state funds and \$100 million in bonds. Low cost borrowing enables local governments to construct more miles of roads on their local road systems. Several borrowers have secured multiple loans. As loans are repaid the funds are recycled to other borrowers. On average, each equity dollar invested in the TRF program results in \$5 in loans.

More than 50 borrowers have participated in this highly popular program since it was started in 2004. Collectively they are borrowing over \$100 million. As of January 2009, 27 applications from 12 different borrowers seeking more than \$25 million in loans were pending. The TRF is the lender of choice for many smaller governmental units. Local officials want to keep this financial tool viable, which requires

⁶ (Orski, 2009)

a further infusion of equity. One official described the program as “wonderful, keep up the good work.” Steps need to be taken to replenish the TRF program’s capacity and keep this financing tool available to locals units of government.

Recommendations – Debt Financing

6. Give KDOT the flexibility to manage its debt within a statutory parameter that caps the bonded debt service ceiling at 18 percent of Adjusted Total Agency Revenues. T-LINK recommends a new business model for the issuance and reissuance of State Highway Fund (SHF) debt in which SHF debt service is limited to eighteen percent (18%) of Adjusted Total Agency Revenues. This business model would replace the current model in which a specific dollar limit on new debt is authorized. As always, such a statutory parameter should be balanced with consideration of the state’s overall debt load. Adjusted Total Agency Revenues would exclude extraordinary receipts (such as a federal stimulus payment), Special City and County Highway Fund (SCCHF) revenues and bond proceeds.

The following is a hypothetical illustration for fiscal year 2010. All amounts are listed in millions.

1. Total Agency Revenues are \$1,304;
2. The American Recovery and Reinvestment Act (ARRA) may provide a certain amount of additional revenue for Kansas as a one-time stimulus;
3. SCCHF revenues are \$166 and;
4. SHF debt service is \$172.

In this scenario, Adjusted Total Agency Revenue is \$1,138. SHF debt service represents 15.1 percent of

such revenue. The SHF would have authorization to issue additional debt in this circumstance, as the SHF debt service is under 18 percent.

7. Reserve a portion of the debt ceiling to build fast emerging economic developments whose worth has been demonstrated through an economic impact analysis. T-LINK recommends that a small percentage (i.e., 2-3 percent) of the 18 percent debt service cap be reserved to allow the issuance of bonds to build fast emerging projects with significant economic impact based on economic impact analysis. Legislation should allow a specific revenue stream to be identified and set aside to service the debt obligations. If a specific economic development stream of revenue is identified and set aside to service the debt obligations of the bonds, the debt service should be categorized outside of the 18 percent debt service ceiling. If no such specific stream of revenue is identified and set aside, the debt service of the bonds should be designated within the portion of the agency’s debt subject to the 18 percent ceiling.

Note: Specific funding approaches, background information, and funding alternative menu can be found in T-LINK Financial Overview, Appendix IV of this report.



New statutory authority will be needed for issuing debt up to 18 percent of adjusted total agency revenue and for debt supported by specific economic development revenue streams. Changing Transportation Development Districts would require a change in state statutes.

CONCLUSION

After months of analysis and citizen input, T-LINK members met on January 26, 2009 to review and finalize their recommendations. They unanimously approved these recommendations for a new transportation approach that recognizes the crucial relationship between transportation improvements and economic development. Members believe it is critical to recommend a new, more flexible plan to replace the state's ten-year Comprehensive Transportation Program that will end in 2009.

T-LINK's work, which included local consultation meetings around the state, was complicated by the economic downturn and state budget shortfall. Although the state faces a challenging economic climate and budget difficulties, T-LINK believes the new business models represent a significant step forward and members emphasize the importance of moving to implement the new business models, even if their programmatic recommendations cannot be fully funded at this time.

Works Cited

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APPENDIX (bound under separate cover)

- I. Governor Sebelius' Charge to T-LINK Members
- II. Summary of Local Consultation Meetings
- III. T-LINK Financial Overview
- IV. Transportation Infrastructure Investment and the Kansas Economy
 - Section 1: Transportation Infrastructure Investments and Economic Growth
 - Section 2: Kansas Economic Assessment Tool (K-TEA)
 - Section 3: Proposal for Reforming KDOT's Economic Development Program
 - Section 4: Economic Benefits of KDOT Highway Preservation Funding
 - Section 5: University Research Reports
 - i. Approximation of the Economic Impacts of the Kansas Comprehensive Transportation Program
 - ii. Benefits and Costs of the Kansas Comprehensive Transportation Program
 - iii. Economic Impacts of the Kansas Comprehensive Transportation Program
- V. Using Tolls to Support Needed Transportation Projects
- VI. Projects Identified as Priorities During 2008 T-LINK Local Consultation