



November 19, 2008



# Managing Uncertainty

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- Funding at the Federal level
- State revenue concerns
- National level
- Must know we can pay for projects when we let them



# Federal Funds

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- On-going crisis— emergency measures were taken
- Shortfall continues
- Adjusting estimates downward:
  - 45% (\$160M) for 2010
  - 20% (\$70 M) for 2011 and beyond
- Impacts to cities and counties
  - \$34 M in 2010
  - \$15 M in 2011



# State Revenue--Then

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- 2004 Legislature “reset” funding for transportation
- 2005– Katrina and inflation hit hard
- KDOT revised budgets and schedules—very tightly balanced



# State Revenue- Now

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- Consensus Revenue Estimates

	2009	2010
Sales Tax	-\$8 M	-\$11 M
Reg. Fees	-\$9 M	-\$9 M
MFT	<u>-\$7 M</u>	<u>-\$7 M</u>
<b>TOTAL</b>	<b>\$24 M</b>	<b>\$27 M</b>



# State Funds- Uncertainty

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	2009	2010
Loan Repayment	-\$31 M	-\$31 M
KHP		<u>-\$36 M</u>
<b>TOTAL</b>	\$31 M	\$67 M



# Funding Summary: Potential Losses

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	2009	2010
Federal Funds	---	-\$160 M
Consensus Revenue Estimates	-\$23 M	-\$27 M
Loan Repayment	-\$31 M	-\$31 M
KHP	---	<u>-\$36 M</u>
<b>TOTALS</b>	<b>\$54 M</b>	<b>\$254 M</b>



# Managing Uncertainty

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- KDOT operates on cash-flow basis
- Won't put the State, KDOT or contractors at risk
- Suspend lettings for 2 months



# Managing Uncertainty

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- Determine amount of new work we can afford
- Continue work underway
- Federal economic stimulus program for infrastructure? If so, CTP projects priority



# On-going Communication

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- News Release
- Community Calls
- Letters to Legislators
- Conference Call to Contractors



Bureau of Transportation Information  
700 SW Harrison  
Topeka, KS 66603-3754

**NEWS RELEASE**

# Practical Improvements

Balancing the decisions that affect project cost & scope to stretch our dollars further while maintaining our highway system.





# What Other States Are Doing

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- **Missouri**

  - “Practical Design”

    - very progressive

- **Pennsylvania/New Jersey**

  - “Smart Transportation”

    - very planning based

- **Wyoming** – focused on using flexibility in AASHTO





# Pilot Project

KDOT added a 2-foot shoulder to K-156 in Hodgeman County

Cost: \$78,000 per mile

Cost for a full 6-foot shoulder: \$225,000 per mile



# Other Cost Saving Examples

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- Detours – Fewer shoofly detours, more highway and local roads. Remaining shooflies designed for lower speeds.
- New bridge products – multi-polymer instead of single fume overlays
- Shoulder thickness – using thinner pavement depth on shoulders than on mainline

# **Transportation Investment & the Kansas Economy**



# Transportation Infrastructure Investment & the Kansas Economy

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What drives the economy?

An educated and trained work force

Business-friendly climate

Entrepreneurial initiative

**An effective transportation system**

Successful economic development needs

Strategic thinking

Strong public and private sector partnerships



# Transportation Sustains a Diverse Kansas Economy

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- 30 million vehicle miles and \$900 billion in freight utilize the Kansas transportation network annually
- Key economic sectors, like services, agriculture, and manufacturing, depend on transportation
- Stakeholders in 2007 KDOT's Long-Range Plan named support for economic development as one of the plan's three guiding principles

# Short-Term Impact

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- Direct and immediate
- “Multiplier” – ripple effect



- Business growth
- Multiplier effect
- Long – term effects add up





# Transportation Investments and the Kansas Economy

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- Looking back- previous economic studies
- Economic impacts today
  - Case Studies
  - Impact of preservation
  - Impact of a potential program
- Looking forward
  - Economic Analysis and project selection/programming

# Short-term CHP

- \$2.86 billion investment
- 118,000 jobs
- \$7.4 billion output
- \$1.4 billion income
- 1991-96 analysis



**2.58**  
**Multiplier**

# Broader Benefits of CHP

- Compared impact of building CHP w/ “business as usual” scenario
- Cost = \$4.2 billion
- Benefits = time savings, safety, income
- B/C = at least 3:1



**3:1  
Multiplier**

# Short-Term CTP

- \$2.73 billion spent
- 115,000 jobs
- \$7.1 billion output
- \$1.4 billion income
- 1999-2004 analysis



**2.6**  
**Multiplier**

# **Economic Impacts Today**

# 5 Case Studies of Past Transportation Projects





# 5 Case Studies of Past Transportation Projects

<b>Project</b>	<b>Project Cost</b>	<b>Jobs Added</b>	<b>Economic Value Added</b>
Parsons - US-400 Bypass	\$27 M	1,400	\$56 M
Wichita - K-96 Bypass	\$103 M	24,000	\$1.6 B
WY County –110 <sup>th</sup> St Interchange	\$50 M	5,700	\$186 M
Overland Park – Nall Ave Interchange	\$48 M	17,500	\$4.1 B
Hays – Commerce Pkwy Interchange	\$3.5 M	2,200	\$111 M
<b>TOTAL</b>	<b>\$231 M</b>	<b>50,800</b>	<b>\$6.1 B</b>



# On-Ground Evidence of Economic Impacts

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## **US-400: Helping Transform Parsons' Economy –**

- New cluster of employment at US-400 Bypass/US 59 N.
- Helped offset Army Ammo closure and tornado effects
- Opened developable land north of Parsons

## **K-96 Northeast Bypass: Maintaining Steady Regional Growth–**

- 10.5 miles accelerated growth on east side of Wichita
- “... you cannot overstate the economic and civic benefits that highway represents” – former mayor, Bob Knight



# On-Ground Evidence of Economic Impacts

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## **I-70 and 110<sup>th</sup> St: Attracting National-Scale Development (2001)**

- 85,000 spectator Kansas Speedway/400 acre Legends retail center
- Top tourist destination in Kansas / more attractions coming

## **I-435 Nall Interchange: Retaining a Major KS Employer (1997)**

- Sprint – largest KC Metro employer considered relocating HQ
- Now– medical facilities on land few thought would develop

## **I-70 and Commerce Parkway: New Jobs in Hays (1995)**

- Airport Industrial Park including A-1 Plank and Scaffolding (116 jobs) from CA and customer support centers (373 jobs)



# Preservation has Economic Impacts

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- **For illustrative purposes** - If maintenance funding reduced by 60% over 10 years
  - Highway miles in good condition drop by 30%
  - 100 more bridges would require weight restrictions or detours
- **Economic Impact** – Estimated impact by 2020:
  - 12,000 jobs lost per year, and
  - \$670 million lost per year in gross state product

Looking Forward



# New Project Selection Approach

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- More flexible and frequent project selection in needed
  - Update and expand process
- Economic Impacts should be assessed and included in project selection
  - New tools are needed



# Recommended Framework

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- Mary Birch (Chair)
- Ann Charles
- Dr. Bart Hildreth
- Dr. Tom Johansen
- Steve Kelly
- Jeff Longwell
- Carol Meyer
- Howard Partington



# Kansas Economic Assessment Tool: General Principles

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- Apply to “economic opportunity” projects
- Gauge net new economic impacts (jobs, income, economic value added)
- Favor net new jobs/income growth and job retention



# General Principles

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- Avoid rural and urban comparisons
- Qualitative discussion also needed
- Economic impact analysis part of project selection



# Kansas Economic Assessment Tool

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1. Does project merit analysis?
  - Transportation need
  - Strong local/regional support
  - Some minimum cost threshold



# Framework cont.

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2. Group projects by cost
3. Model jobs, income and investment impacts
  - Off-the-shelf model
  - TREDIS for this analysis
  - Calibrated with Kansas Data
  - Multi-modal



# Framework cont.

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## 4. Qualitative analysis

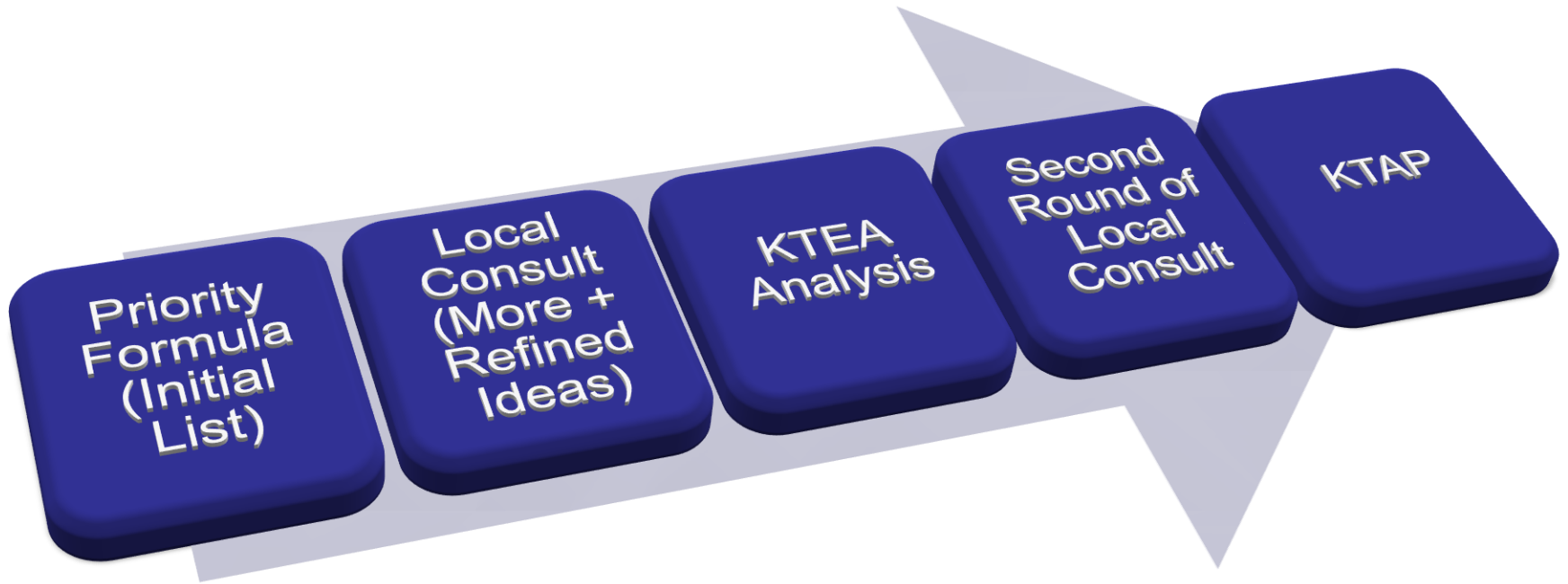
- Consistency with statewide goals
- Retain jobs
- Economic distress

## 5. Score projects using qualitative and quantitative analysis



# More Frequent & Flexible Project Selection

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- Special initiatives
- Emerging Opportunities



# Multimodal Economic Development Program

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- Go multi-modal
- Focus on immediate opportunities
- Employ a rigorous selection process
- Use a rolling application cycle
- Ensure local commitment



# Possible Policy Statements

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- The needs are so great that economic impacts must be a part of the selection process
- More frequent project selection is needed to meet emerging economic needs
- Expand Local Consultation and use a KTAP approach for project selection
- Reform the ED program to be multi-modal and use a more rigorous eco analysis