

***A Glimpse at the History of  
Transportation Finance in Kansas***

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H. Edward Flentje

Hugo Wall School of Urban and Public Affairs

Wichita State University

# Four Questions in Future Transportation Finance

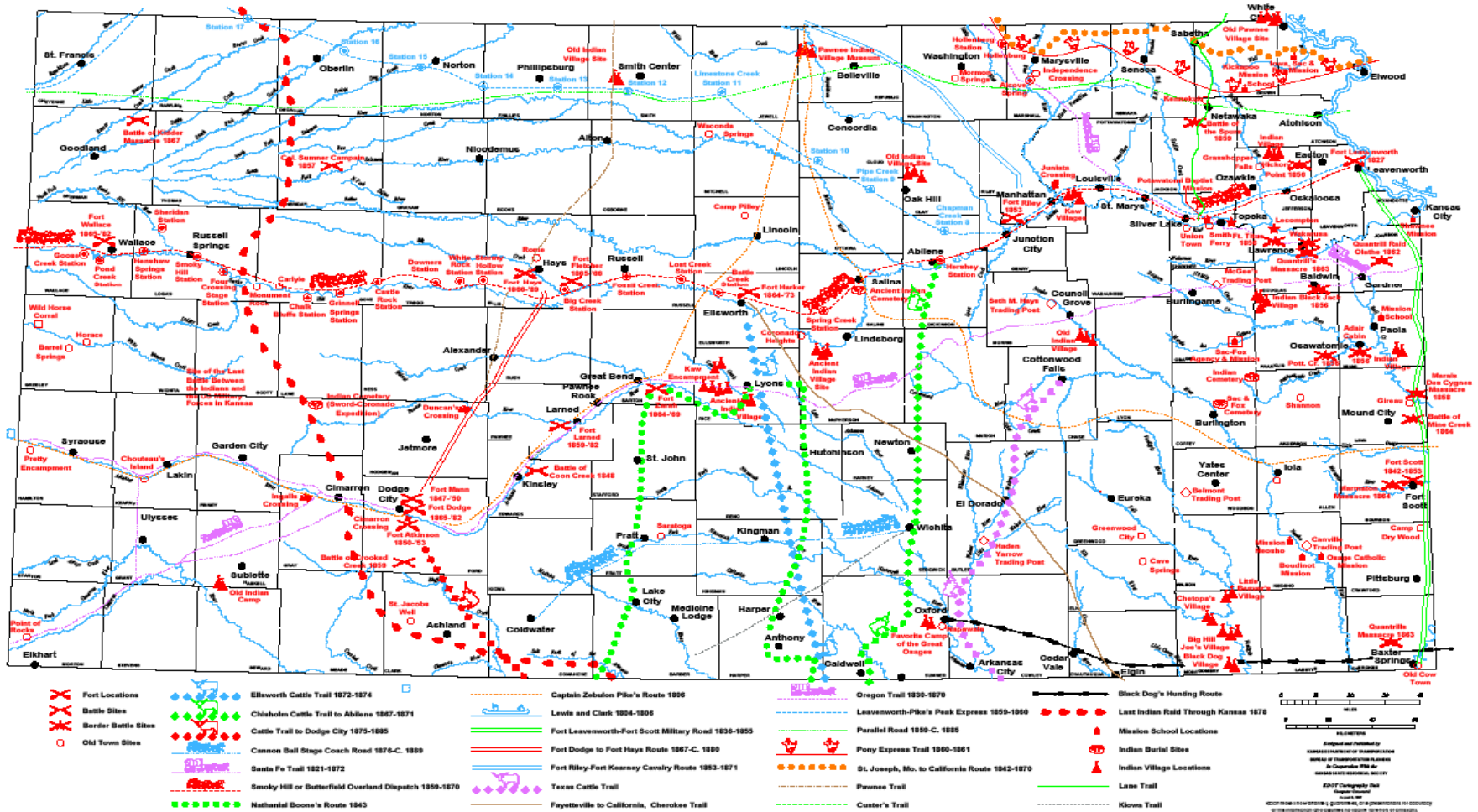
- Should future transportation finance be based in part on reducing the size of Kansas' 140,000 miles of public roads—the third largest “system” of public roads in the nation?
- Should local officials in Kansas continue to rely on the Special City and County Highway Fund for transportation finance?
- Should future transportation finance rely on expanded debt financing?
- Should future transportation finance rely on state sales tax revenues?

# Roads Built from the Bottom Up

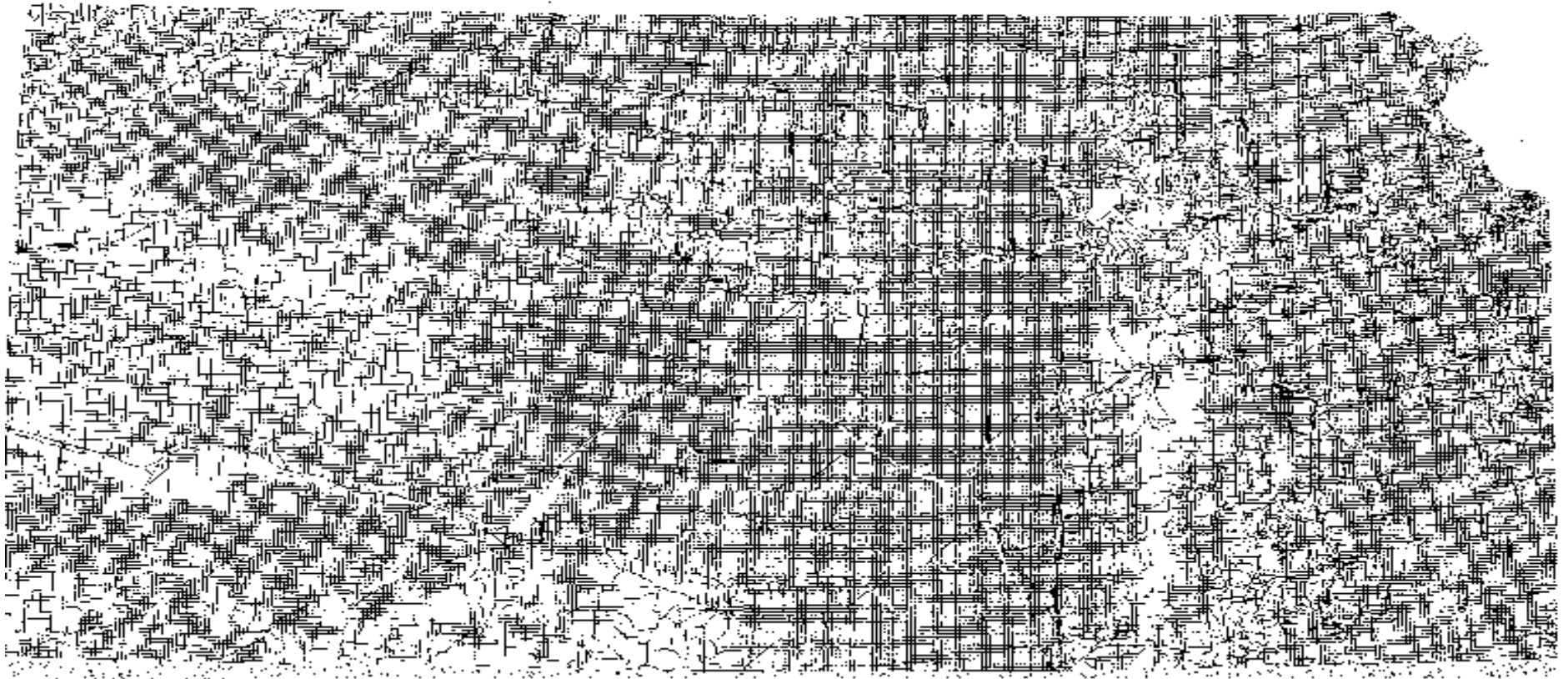
- **Environmental factors:**
  - few natural impediments in moving from one place to another
  - a big place, 400 x 200 miles, 13<sup>th</sup> largest land area among the 50 state
- **Economic factors**
  - over 50 million acres moved from public into private hands from 1861 through 1900, primarily for farming and ranching
  - land parceled out using a grid system
- **Political factors:**
  - Kansas Constitution (1859) bans “internal improvements” by state government.
  - Kansas Supreme Court (1871) rules that state participation in “any roads, highways, bridges” is prohibited.
- **The result:**
  - By early in the 20<sup>th</sup> century, Kansas had 130,000 miles of city, county, and township, roads—a disparate, non-standard, largely uncoordinated tangle of local roads serving local purposes.

# Few Geographic Impediments to Travel in 19<sup>th</sup> Century Kansas

## 19 TH CENTURY KANSAS TRAILS



# The Grid for Rural Roads Based on Section Lines



# Political Machinations, 1916-1929: One Step Forward, Two Steps Back

- Congress enacts Federal Aid Road Act of 1916
- Kansas political culture resists giving ground on local control of roads:
  - “The idea of giving a highway commission, appointed by the governor, authority to drive into Ness County and order the construction of a road, probably pave a few miles and spend all our money without the sanction of county commissioners, is preposterous.”
- U.S. Bureau of Public Roads suspends road aid to Kansas, based on a lack of “confidence in the organization as a whole.” (1925)
- Kansas voters adopt constitutional amendments authorizing state government to “adopt, construct, reconstruct, and maintain a state system of highways” and to “levy special taxes, for road and highway purposes, on motor vehicles and motor fuels.” (1928)

# A Political Bargain on Roads (1929)

- State officials secure state financing and take control of a “State Highway System”: a patchwork of roughly 10,000 miles of formerly local roads, become designated state highways including some “earth” and gravel, as well as, paved roads.
- Local officials secure a claim on state fuel taxes, that has evolved into the Special City and County Highway Fund, for local road improvements, and retain control of 130,000 miles of local roads.



## Kansans Fear Debt:

### State Government Embraces “*Pay as We Go*”

- 1816: Thomas Jefferson writes “To preserve our independence, we must not let our rulers load us with perpetual debt...I place...public debts as the greatest of dangers to be feared.”
- 1859: Kansas Constitution limits state debt to \$1 million, except through a referendum.
- 1881: Governor St. John says “We are creating no new debts but pay as we go...”
- 1900: Kansas municipalities lead the nation in defaults (77 defaults, 1870-1905).
- 1900: Ratio of local to state debt: 47 to 1
- 1916: Kansas state government becomes debt free.

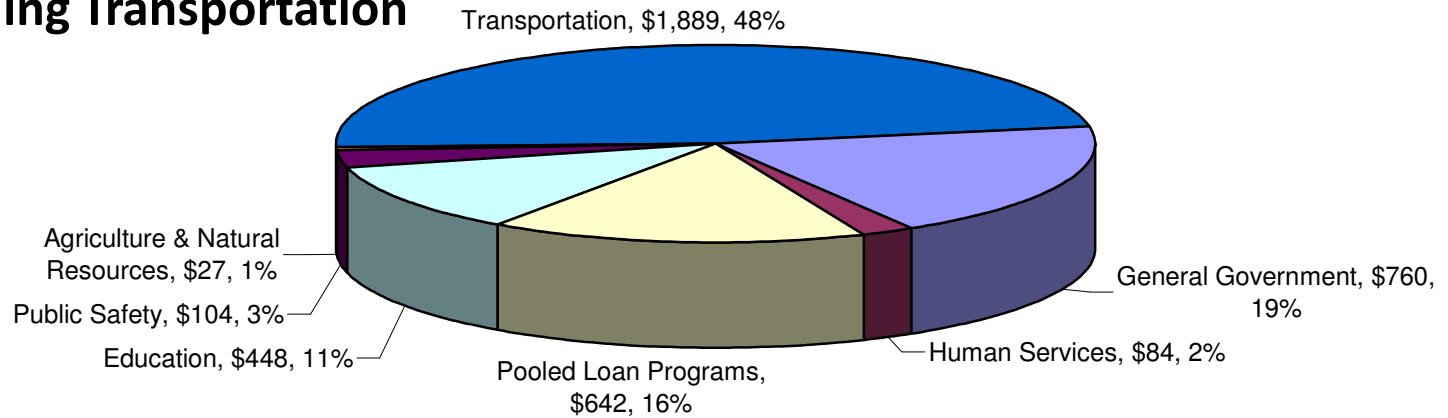
## Kansans May Like Road Debt:

### State Government Embraces “*Pay as We Use*”

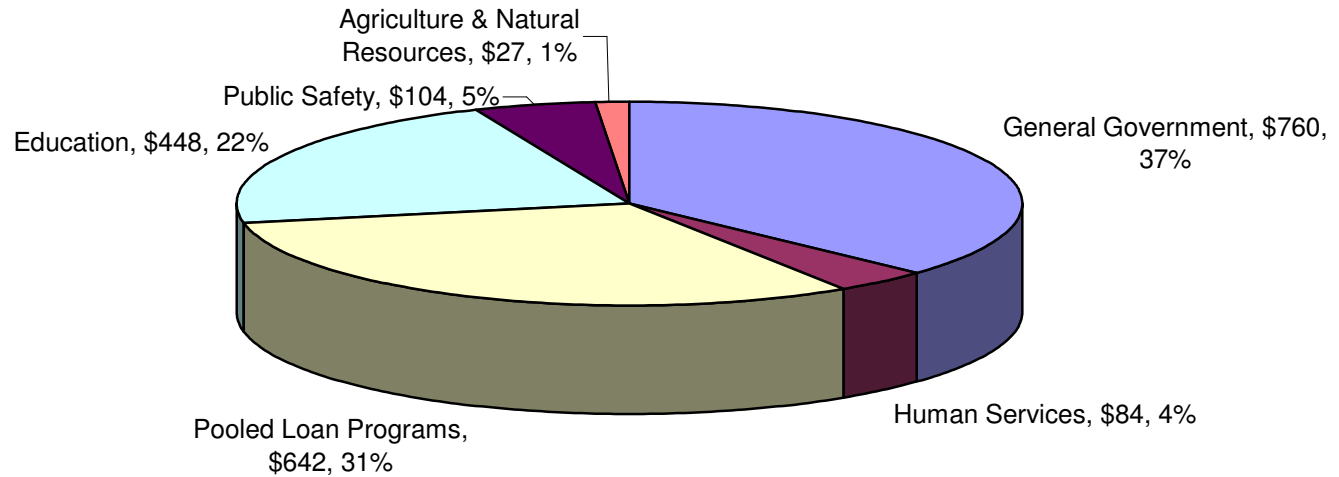
- 1934: Kansas Supreme Court sanctions road debt by ruling that constitutional debt limit applies only to debt secured by property taxes
- 1953: State lawmakers authorize \$160 million in bonds for construction of Kansas turnpike
- 1972: State lawmakers authorize \$320 million in bonds for state “freeways”
- 1989: State lawmakers authorize \$890 million in bonds for “comprehensive highway program”
- 1999: State lawmakers authorize \$995 million in bonds for “comprehensive transportation program”

# Outstanding Debt by Program for FY 2005 (in millions)

## A. Including Transportation

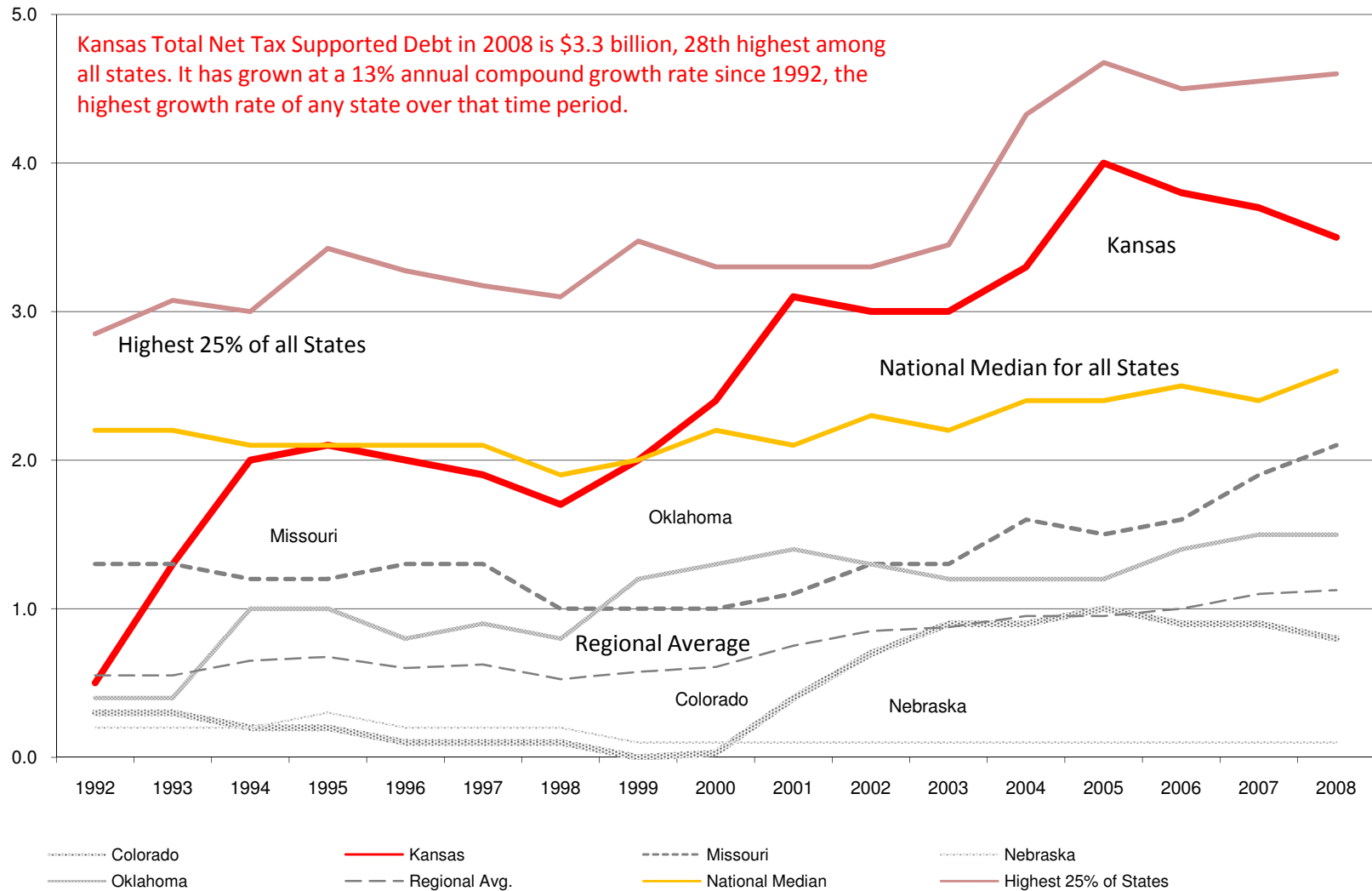


## B. Excluding Transportation



Source: WSU Kansas Public Finance Center, "State of Kansas 2005 Debt Affordability Report," based on Kansas Division of Budget spreadsheets as of June 30, 2005.

## Debt per Capita as a Percent of Personal Income by State As Reported by Moody's Investors Service



# Compound Annual Growth Rates In Total Net Tax-Supported Debt

|                      | 1992-2008               | 1998-2008               |
|----------------------|-------------------------|-------------------------|
| Rank 1 <sup>st</sup> | Kansas (12.93%)         | Colorado (23.11%)       |
| Rank 2 <sup>nd</sup> | North Carolina (10.11%) | Idaho (14.87%)          |
| Rank 3 <sup>rd</sup> | Idaho (9.05%)           | North Carolina (14.87%) |
| Rank 4 <sup>th</sup> | Oklahoma (8.61%)        | Arkansas (10.98%)       |
| Rank 5 <sup>th</sup> | New Jersey (7.97%)      | Alaska (10.31%)         |
| Mean<br>All States   | 1.09%                   | 1.36%                   |
| Median<br>All States | 1.05%                   | 2.16%                   |
| Missouri             | 3.04%                   | 4.91%                   |
| Kansas               | 12.93%                  | 6.30%                   |

# Sales Tax Revenues for Roads?

- 1983: State lawmakers divert a portion of sales tax revenues attributed to new and used car sales to State Highway Fund
- 1996: State Lawmakers embrace two approaches:
  - Sales Tax Transfers from General Fund to State Highway Fund
  - Direct Transfers of Sales Tax Revenues to State Highway Fund

# Sales Tax Transfers from General Fund to State Highway Fund (\$ in thousands)

| Year  | Projected Sales<br>(11/1/2000) | Actual    |
|-------|--------------------------------|-----------|
| 2000  | \$62,240                       | \$62,240  |
| 2001  | 51,706                         | 51,706    |
| 2002  | 148,582                        | -4        |
| 2003  | 178,925                        | 0         |
| 2004  | 190,311                        | 0         |
| 2005  | 211,118                        | 0         |
| 2006  | 219,563                        | 0         |
| 2007  | 228,345                        | 0         |
| 2008  | 237,479                        | 0         |
| 2009  | 246,978                        | 0?        |
| Total | \$1,775,247                    | \$113,942 |

# Direct Transfers of Sales Tax Revenues to State Highway Fund (\$ in thousands)

| Year  | Projected<br>November 1, 2000 | Actual               |
|-------|-------------------------------|----------------------|
| 2000  | \$87,880                      | \$88,598 (.25 cents) |
| 2001  | 93,144                        | 89,241 (.25 cents)   |
| 2002  | 96,869                        | 91,611 (.25 cents)   |
| 2003  | 100,744                       | 89,369 (.25 cents)   |
| 2004  | 104,744                       | 90,137 (.25 cents)   |
| 2005  | 108,965                       | 93,353 (.25 cents)   |
| 2006  | 113,323                       | 99,069 (.25 cents)   |
| 2007  | 117,856                       | 158,559 (.38 cents)  |
| 2008  | 122,571                       | 273,446 (.65 cents)  |
| 2009  | 127,474                       | 170,000 (.38 cents)? |
| Total | \$1,073,570                   | \$1,243,383          |

# Sales Tax Transfers to State Highway Fund Projected and Actual, 2000-2009 (\$ in thousands)

|  | Projected   | Actual      |
|--|-------------|-------------|
| Sales Tax Transfers from General Fund to State Highway Fund  | \$1,775,247 | \$113,942   |
| Direct Transfers of Sales Tax Revenues to State Highway Fund | 1,073,570   | 1,243,383   |
|  | \$2,848,817 | \$1,357,325 |

# Four Questions in Future Transportation Finance

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