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# THE HUTCHINSON NEWS

COVERING THE BETTER PART OF KANSAS

**Health law eases path to acquiring food stamps, A2**      **Find out where Starkey, Purcell are headed, B1**

THURSDAY, APRIL 23, 2015      75¢ newsstand

## Big dip forecast for road fund's cash flow

By Jonathan Shorman  
 The Topeka Capital-Journal

**TOPEKA** — The state highway fund — a popular source of cash to fuel state spending — will fall to nearly nothing in two years, a Kansas Department of Transportation document projects.

A KDOT spreadsheet predicting cash flow up to fiscal year 2020 for the highway fund anticipates the fund will have an ending balance of only \$6.9 million in fiscal year 2017. That is drastically lower than in previous years, when ending balances have typically exceeded \$100 million.

It is also much lower than the about \$56 million required minimum ending balance the fund should have that year, according to the document.

The cash flow projections are based on a revenue forecast produced in November that is now out of date. KDOT is working to update its projections based on a new forecast issued earlier this week. The new forecast could potentially push the projections downward, in part because less sales tax revenue is now expected.

But even if the projections show a near zero or negative ending balance, the department's top financial official said, there should be no practical impact to the agency's work. Kent Olson, director of KDOT's Division of Fiscal and Asset Management, indicated the agency can issue bonds to ensure a positive ending balance.

About \$775 million in bonds have been issued so far as part of T-Works, Olson said. An additional \$250 million may potentially be issued this fall, he said.

The projections are also fluid because projects can sometimes come in under budget and the agency sometimes receives more federal funds than it had anticipated. The projections also show the fund returning to an ending balance of \$152 million in 2018.

But when KDOT issues bonds, debt service can't consume more than 18 percent of the expected revenue sources, Olson said. Transfers from the highway fund are subtracted from the revenue number used to make the 18 percent determination.

"When the 18 percent was initially discussed, we did look at comparables in other states for example and it was developed ... with the

understanding that we would have some level of transfers but not at the level we do now," Olson said.

The Kansas Center for Economic Growth, which has been critical of the state's tax policy, said in a new report to be released today that Gov. Sam Brownback has proposed nearly \$1.2 billion in transfers from the highway fund during the current and next two budget years.

In recent years, transfers from the fund to pay for non-transportation measures have become commonplace, with the highway fund even referred to as the "Bank of KDOT" by some.

An early copy of the report was provided to The Topeka Capital-Journal. The KDOT cash flow projections were contained in a supporting document to the report that was also provided.

Officials released a new revenue forecast Monday that will force lawmakers to make about \$200 million in additional adjustments to next year's budget on top of \$210 million in tax hikes and other changes already proposed. But so far, no one has proposed increasing transfers from the highway fund over what has already been put forward.

Annie McKay, director of the Center for Economic Growth, said the state is reaching the ceiling of what it can extract from the fund, given the ratio of debt service to revenue it must maintain.

"We've run that credit line all the way up, and there's no longer an option there," McKay said.

The report notes that while expansion projects announced as part of the state's 10-year infrastructure plan known as T-Works are moving ahead, the state has fallen behind on maintenance. The state earlier this year announced delays of \$300 million in road preservation projects.

"And while we're transferring money out of transportation at unprecedented levels, we are turning around and borrowing money to plug some, but not nearly all, of the potholes left in our master transportation plan," the report reads.

"This shell game is unsustainable and not without costs — the money we borrow must be repaid with interest, and the projects we are

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### HUTCH POLICE AND BODY CAMERAS: CITY TO 'PATROL' FOR BEST IT CAN BUY

Officers will team up with the Hutchinson Police Dept. to test a type of body camera on the right shoulder in a patrol vehicle on Wednesday afternoon at the Law Enforcement Center.

**To help the big picture**

The Kansas Bureau of Investigation (KBI) is looking for a new body camera for its officers. The agency is currently testing a new camera on its officers. The camera is expected to be used by officers in the near future.

**Permit to build OK'd for mall site**

Fashion chain mall owner says lease for a clothing store.

**It's really exciting, it's nothing but good news and it will increase traffic.**

City Council member says the mall will bring in new jobs and increase traffic.

**Rice Co. farmer who visited Cuba tells officials of potential**

By Ann Brown, Kansas AgNet

John H. Rice, a farmer from Rice County, visited Cuba last week. He is expected to return to the U.S. soon. Rice is a member of the Rice County Farm Bureau.

**News reporters win KU journalism honor for series on water**

By Dan Meyer

The Kansas Journalism Society has named the KU journalism students who wrote a series of articles on water in Kansas as the winners of the 2014-2015 Journalism Award.

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delaying indefinitely will be costlier to address as maintenance issues go unaddressed year after year."

**A report released in January by the national transportation research group TRIP found that 29 percent of Kansas' major local- and state-maintained urban roads and highways have pavements in poor condition, with an additional 46 percent of the state's major roads rating in mediocre or fair condition. Only 25 percent are rated in good condition.**

The January report noted, however, that 95 percent of urban roads and highways in Kansas rated in poor condition are maintained by local governments.