INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 3rd Meeting of the 2020 Interim

August 18, 2020

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Transportation was held on Tuesday, August 18, 2020, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Ken Upchurch, Chair, called the meeting to order, and the secretary called the roll. The minutes for the Committee's July 7, 2020 meeting were approved.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Ralph Alvarado, Karen Berg, C.B. Embry Jr., Stephen Meredith, Gerald A. Neal, Brandon Smith, and Johnny Ray Turner; Representatives Terri Branham Clark, Randy Bridges, Chris Fugate, Al Gentry, Robert Goforth, David Hale, Chris Harris, Samara Heavrin, Kathy Hinkle, Thomas Huff, Derek Lewis, Savannah Maddox, Bobby McCool, Sal Santoro, Maria Sorolis, Cherlynn Stevenson, Jim Stewart III, Ashley Tackett Laferty, and Walker Thomas.

Guests: Jim Gray, Secretary, Kentucky Transportation Cabinet (KYTC); Robin Brewer, Budget Director, KYTC; Mark Wilson, Partner, Top Shelf Lobby, LLC; Grant Gabbard, Executive Vice President, The Allen Company, Executive Chair, Kentuckians for Better Transportation (KBT); Mark Day, Director of Development and Facilities, Blue Grass Airport; William Downey, Director of Government Affairs, R.J. Corman Railroad Group; Greg Pritchett, Director, Henderson Riverport.

LRC Staff: John Snyder, Brandon White, Dana Fugazzi, and Christina Williams

Opening Remarks

Jim Gray, Secretary, KYTC, stated KYTC came into the year with a substantial backlog of uncompleted work, and that last year, almost $1.5 billion worth of new construction was let by KYTC. Historically $800 million worth of construction would be let. Because of this, Secretary Gray stated a substantial cash balance is needed in order to pay the contractors for completion of backlogged work. He added that the uncompleted backlog of work, totaling approximately $1.9 billion, coupled with revenue challenges due to the COVID-19 pandemic, it is surprising that KYTC's revenue concerns are not as severe as the Consensus Forecasting Group (CFG) predicted. The Consensus Forecasting Group stated KYTC could be down approximately $160 million in the FY 2020 revenues. In actuality, KYTC revenues are only down approximately $60 million. He added August lettings were planning to be approximately $60 million, and they have not yet been able to let as many pavement projects.

Secretary Gray stated that lettings were suspended in May and June of 2020 because of COVID – 19 and were renewed in July with approximately $35 million worth of new lettings. He added there have not been as many “quick spend” or pavement projects that have been able to be let, but 99 pavement contracts that have been suspended have been released. They are planning to release more in the September and October lettings. Secretary Gray stated the revenue sharing for August is in the process of being released to the counties.

In moving forward, Secretary Gray stated there are two things to keep in mind; COVID- 19 is not over, and also it is uncertain if a federal transportation budget will be reached by October 1, 2020. He also reminded the committee that it is not just a matter of Congress appropriating the funds, but that the funds also must be allocated and obligated. In closing, he encouraged members to stress to Congress the critical urgency and high priority of reauthorization of the continuation of the transportation act by Labor Day.

Final FY 2020 Road Fund Report

Robin Brewer, Budget Director, KYTC, gave a brief update on the Final Fiscal Year 2020 Road Fund Report. Director Brewer stated the total Road Fund revenue estimate made in December 2019 by the CFG was approximately $1.572 billion. When the General Assembly enacted the KYTC Budget during the 2020 Regular Session, it used a more pessimistic revenue estimate of approximately $1.551 billion, leaving a $21 billion deficit between the two. Director Brewer stated that in May 2020, the CFG issued a revised revenue estimate of $1.39 billion for FY 2020, a $161.8 million deficit in the enacted revenue estimate.

Director Brewer stated that fortunately revenues came in higher in 2020 than the May CFG estimates, but still some $60 million less than the enacted number upon which the budget was based. This number included a $31.6 million shortfall in motor fuels tax, and a $19.3 million shortfall motor vehicle usage tax. She also added that due to reduced spending and statutory reduction in revenue sharing due to the decline in motor fuel tax revenue, the Road Fund ended with a positive balance of $140,000 for the year.

Director Brewer stated that because of COVID- 19, the growth of the FY 2020 fourth quarter Road Fund revenue was down to -23.6 percent from its growth of 4.6 percent in the third quarter.

Director Brewer stated in FY 2020 the total Road Fund revenues collected were $1,491.5 million compared to the FY 2019 total revenues collected of $1,566.1 million, a difference of $-74.6 million or -4.8 percent. In FY 2020 there was $741.6 million collected in Motor Fuels Tax compared to $773.2 million collected in FY 2019, a difference of -

$31.6 million or -4.1 percent. In FY 2020 there was $499.3 million collected in Motor Vehicle Usage Tax compared to $514.5 million collected in FY 2019, a difference of -$15.2 million or -3.0 percent. Director Brewer added there were other revenues collected in FY 2020 in the amount of $250 million compared to $278.3 million collected in other revenues in FY 2019, a difference of $-27.7 million or -10 percent.

Director Brewer gave the official enacted Road Fund revenue estimates for FY 2021, including $786.6 million in Motor Fuels Tax revenue, $494.8 million in Motor Vehicle Usage Tax revenue, $118.8 million in Motor Vehicle License revenue, $81.2 million in Weight Distance Tax revenue, $41.3 million to be collected in other revenue, $18.3 million in motor vehicle operators revenue, and $2.4 million to be collected in investment revenue, for a total of $1,543.4 million to be collected in FY 2021. A chart was also provided that compared the total Road Fund revenues starting from FY 2014 to FY 2020.

In response to a question by Co-Chair Higdon, Director Brewer stated the 6.5 cent difference between the historical high for the gas tax rate versus where it is now would have resulted in approximately $195 million received annually if collected. She added a portion of that would have to be revenue shared.

In response to a question asked by Co-Chair Higdon, Secretary Gray stated KYTC is going to try to incorporate state funds in the September and October pavement lettings.

In response to a question asked by Chairman Upchurch, Secretary Gray stated the cabinet plans to be cautiously aggressive in paying back deferred payments on resurfacing projects and small new construction projects.

Alternative Non-Highway Modes of Transportation

Mark Wilson, Partner, Top Shelf Lobby, LLC introduced Grant Gabbard, Executive Vice President, The Allen Company, Executive Chair, KBT. Mr. Gabbard stated that KBT was founded in 1977 by individuals that represent the rail, barge, aviation, and public transit industries, as well as the highway, road, and bridge industry. He stated KBT's mission is to educate and advocate for all modes of transportation to promote a safe, sustainable, transportation network that brings economic growth and improved quality of life to all Kentucky communities. Mr. Gabbard stated that KBT has grown to approximately 300 members that continue to represent all modes of transportation as well as local governments, chambers of commerce and many other businesses that depend on safe transportation networks. Kentuckians for Better Transportation is also a founding member of the Kentucky Infrastructure Coalition.

Mr. Gabbard highlighted the lack of sustainable transportation funding and the threat that poses to Kentucky's transportation networks, especially after the pandemic. He stated increased investment in transportation is necessary in order for Kentucky to recover from the pandemic and thrive in the years to come. He stated KBT, their partners, and the Kentucky Infrastructure Coalition look forward to continuing to lead and educate on transportation funding in hopes to be able to accelerate transportation recovery. He added KBT has members available to speak on transportation issues in any district.

Mark Day, Director of Development and Facilities, Blue Grass Airport, spoke to the committee on aviation systems. Director Day stated there are 59 public use airports in Kentucky and over half of those airports are members of KBT. A map was provided to showcase the locations of the airports. He stated in addition to those 59 public use airports, there are 203 registered heliports, private airstrips, and military fields. There are also 2,517 registered aircrafts to date in Kentucky.

Director Day stated each airport is different and there are a variety of airport categories and services. The airport categories include commercial and/or cargo service, general aviation with limited commercial service, and general aviation. Airport services include passenger, cargo, economic development, business headquarters, flight schools, maintenance, and military services.

Director Day stated it is important to note that there is an international pilot shortage that occurred even before COVID-19. He stated it is important to maintain flight schools and to have active and safe airfields to maintain those flight schools for training of future pilots.

Director Day stated the types of infrastructure in Kentucky's airports fall under four major categories which are safety, security, buildings, and pavement. He stated from the safety perspective, they must maintain their Federal Aviation Administration certifications. Security is vital to keep everyone safe. Buildings include things such as the terminals and the hangers. Director Day stated pavement is an airport's number one capital asset.

Director Day stated the major sources of funding for Kentucky's airports are the Federal Aviation Administration, the Kentucky Department of Aviation, and the city and county governments. He stated the federal matching dollars are a key funding source.

Director Day stressed the importance of pavement in aviation. He stated the runways, taxiways, and ramps all must be safely maintained, free of debris, and marked properly with lighting and signage.

Director Day stated there is an update to the state's Airport Pavement Maintenance Program which was available for distribution to members. The Airport Pavement Maintenance Program has a seven-year projection with an estimated $120 million in maintenance needed. He added that there are 12 general aviation airports alone that have projects needed with an estimated cost between $3 million and $13 million. In addition to the maintenance cost, it is projected that there is an annual need of $10 million to prevent further decline. He also added the "big three" airports in Louisville, Lexington, and Cincinnati are not part of this dollar figure, and that other funding sources are typically utilized for them such as funding from FAA due to passenger and cargo traffic.

In response to a question asked by Chairman Upchurch, Director Day stated he is unsure of how many flight schools there are in Kentucky.

William Downey, Director of Government Affairs, R.J. Corman Railroad Group briefed the committee on Kentucky's railway systems. Director Downey stated there are seven major class one railroads in the United States. Class one railroads consist of railroads that include long distance hauling and high-density traffic areas. He stated there are over 600 short line and regional railroads in the United States. Short line railroads focus on "first and last mile" of rail car delivery and connectivity to the transportation network.

Director Downey stated the U.S. freight railroads have become the best rail network in the world since the Staggers Act of 1980, which allowed for balanced regulation. Class one railroads could divest in abandoned properties and lines that were no longer strategic for their overall operations. This allowed for entrepreneurs such as Rick Corman to invest in these small branch lines and develop business.

Director Downey stated that railroads are federally regulated. He stated the Federal Railroad Administration was established in 1966 by the Department of Transportation Act, one of ten agencies within the United States Department of Transportation (USDOT) that is focused on intermodal transportation. The Surface Transportation Board (STB) is an independent federal agency that is charged with the economic regulation of various modes of surface transportation, primarily freight rail. The STB was created in 1996 as a successor to the Interstate Commerce Commission (ICC) and was aligned with the USDOT until 2015 when Congress reauthorized the STB and established it as an independent federal agency.

Director Downey stated that there are 12 freight railroads in Kentucky with 2,624 miles of freight railroad mileage. There are 3,208 freight rail employees with average wages and benefits per freight rail employee of $120,480. There are 13,778 railroad retirement beneficiaries with approximately $308 million in railroad retirement benefits paid out. Director Downey stated nationwide, in 2017, major U.S. railroads supported approximately 1.1 million jobs (about eight jobs for every railroad job), nearly $219.5 billion in annual economic activity, $71 billion in wages and almost $26 billion in tax revenues. He also stated in 2017, America's railroads moved a ton of freight an average of 479 miles on one gallon of fuel. On average, railroads are four times more fuel efficient than trucks. Moving freight by rail instead of truck reduces greenhouse gas emissions by on average 75 percent. One train can carry as much freight as several hundred trucks. It would have taken approximately 12.6 million additional trucks to handle the 227 million tons of freight that originated in, terminated in, or moved through Kentucky by rail in 2017.

Director Downey gave an overview of CSX railroad, a class one railway company. He stated they are the largest railroad in Kentucky and have over 2,000 track miles and over 1,300 public grade crossings. In 2018, CSX moved over 357,000 carloads. The major commodities that they haul are agriculture and food, automotive parts, chemicals, coal, intermodal parts, metals and equipment, minerals, paper and forest products, and phosphates and fertilizers. He stated CSX has a mega site in Glendale, Hardin County, and Henderson, Kentucky.

Director Downey gave an overview of Norfolk Southern Railway, which is the second largest railway company in Kentucky. They operate over 400 miles of railway and have over 600 grade crossings. They have a lot of intermodal traffic inbound and outbound. Norfolk Southern Railway carries a substantial amount of automotive and automotive parts with facilities in both Georgetown and Louisville. Director Downey stated that Norfolk Southern Railway has carried a train full of automobiles for Toyota, adding there can be up to 750 automobiles in a single Norfolk Southern train.

Director Downey gave an overview of the Paducah and Louisville Railway, Inc., a full-service railroad that operates over a 280-mile main line from Paducah to Louisville. The railway connects directly to five class one carriers: BNS, CSX, CN, NS, and Union Pacific. These connections allow for reach to virtually any destination in the U.S. with one switch. Their service is enhanced by the geographic proximity to the interstate highway system and inland waterways. Their reach also extends beyond rail served customers by serving multiple rail-barge and rail-truck transloading facilities. Paducah and Louisville Railway, Inc. employs 226 employees with annual payroll and benefits of $35 million. Their annual capital investment is $28 million, and over 100 shippers are served.

Director Downey gave an overview of the R.J. Corman Railroad Company, LLC, a holding company for 14 short line railroad companies with a combined total of over 1,000 miles of track. R.J. Corman has operations in ten states and moves approximately 80,000 carloads per year. There are 708 R.J. Corman employees and 388 customers. R.J. Corman has 327 total miles of track, 820 bridges, and 341 crossings. Their main commodity moved is metal. They also move agriculture products, chemicals, plastic, wood and paper products, and construction materials. There are more than 12,500 carloads moved per year on the Central Kentucky lines, 8,000 carloads moved per year on the Memphis line, and over 400 carloads per year moved on the Bardstown line.

Director Downey briefed the committee on products shipped via rail. He stated in 2019 there were approximately 6,000 carloads shipped for Nugent Sand, and 6,200 aluminum ingots shipped for Novelis via RJC and CSX from Berea to Russellville. Smuckers plants in Lexington have had 1,700 cars of peanuts and some oil shipped via rail in 2019. Over 100 carloads of spirits have been shipped from Florida and Mexico to Jim

Beam in Frankfort. Approximately 680 carloads of plastics have been shipped to Washington Penn for multiple uses but primarily used in the automotive industry.

Director Downey stated there are railroad funded programs in Virginia, Mississippi, Ohio, North Carolina, and Pennsylvania. In Virginia they have a Rail Reservation Fund and Rail Industrial Access fund with a 70/30 match with a $450, 000 maximum. In 2018, Mississippi they had a Mississippi Rail Grant Program of $30 million with a 75/25 state and local match. Ohio has the Ohio Rail Development Commission, which annually funds about $2 million of rail infrastructure and economic development projects with a match between 65/35 to 50/50. North Carolina has the Short line Infrastructure Assistance Program and industrial access funds that have a 50 percent match and as of March 2019, there was $7 million invested. In Pennsylvania, there is the RTAP and RFAP funds with a 70/30 match which consists of approximately $30 million annually.

Mr. Downey stated that an infrastructure investment is needed to stay competitive with other states. Safe, reliable, efficient transportation is needed to make KY a logistical hub that allow business and industry to locate and expand in the Commonwealth.

Co-Chair Higdon highlighted the asset that My Old Kentucky Dinner Train in Bardstown is to Kentucky.

In response to a question asked by Co-Chair Higdon, Mr. Downey responded that there is a Kentucky Rail Crossing Improvement Program focused on rail crossings, which typically has approximately $1.6 million allocated to it every year.

Greg Pritchett, Director, Henderson Riverport, gave an overview of Kentucky Public Riverports. He stated Kentucky Public Riverports are organized under Kentucky Revised Statutes by cities and counties across the state as necessary or desirable to promote freight transportation via water, and to attract industrial or commercial operations to the property held as riverport industrial parks in Kentucky. Just recently, the Kentucky Water Transportation Advisory Board met and reviewed this list of grant applicants from Riverports across the state. The board recommended the funding of certain projects to Secretary Jim Gray.

Kentucky Public Riverports appreciate the willingness to provide funds for improvements. It is important to note that Kentucky is competing with surrounding states all desiring to enhance economic development activities. During 2020, the Ohio and Illinois legislative sessions set aside $11 million and $40 million respectively to develop and expand public riverports in their states. Indiana has announced a plan to develop another Ohio River port in direct competition with Ohio and Kentucky for future business opportunities.

Director Pritchett stated a few years ago while attending a freight conference in New York, he listened as a senior official with a major freight transportation company presented their vision and business expansion plan to Wall Street. A map was shown denoting the projected population growth in the Carolina's, Georgia, and Tennessee, to the south then Ohio, Indiana, and Illinois to the north. Director Pritchett stated what he found disturbing about the map was there was no significant growth projections for Kentucky and that it was just a land bridge between the projected growth centers of the east, north, and south of the Commonwealth.

Director Pritchett stated that supporting and growing Kentucky's economy builds stability, strong jobs and retains the next generation of Kentucky families and citizens. He added he hopes Kentucky is mindful of the work the riverport network is doing to facilitate commerce and grow with the past and future financial support to maintain and upgrade the riverports as needed.

In response to a question asked by Representative Thomas, Director Pritchett stated the fullest lock in Kentucky is near Illinois and is up and running. He added that the locks in general are way beyond their capacity.

In response to a question asked by Representative Hinkle, Director Pritchett stated the proposed new port in Indiana, will not have much effect on Louisville.

Chairman Upchurch informed the committee of the next meeting on Tuesday, September 15th and reminded members they can attend remotely. With no further business to come before the Committee, Chairman Upchurch adjourned the meeting at 2:17 P.M.