

INFORMATION ITEM

Follow-up correspondence from the Transportation Cabinet

During the June 23, 2021 Capital Planning Advisory Board meeting, questions were raised regarding proposed projects included in the Transportation Cabinet's six-year capital plan.

The attached correspondence from Ms. Robin Brewer, Executive Director, Office of Budget and Fiscal Management, is provided in response to member questions.

BOARD ACTION: Information only. No action is required.



COMMONWEALTH OF KENTUCKY
TRANSPORTATION CABINET
transportation.ky.gov

Andy Beshear
GOVERNOR

Jim Gray
SECRETARY

The Honorable Adrienne Southworth
Co-Chair, Capital Planning Advisory Board
Room 253, Capitol Annex
Building Frankfort, KY
40601

The Honorable Bobby McCool
Co-Chair, Capital Planning Advisory Board
Room 357E, Capitol Annex
Building Frankfort, KY 40601

Dear Chairs:

Thank you for the opportunity to speak with the Capital Planning Advisory Board at the June 23rd meeting. At the meeting, there were two requests for follow-up information with which the Cabinet needed to provide to members at a later time.

First, Chairperson Southworth asked if the Cabinet had ever considered consolidation of its facilities with the counties as well as its salt supply and other road maintenance supplies. For example, has anybody ever looked at the potential of perhaps having one facility and both KYTC and the counties share maintenance facilities in anyway? Is that possible? Could KYTC combine forces with the counties whether it's some equipment used once a year? Could the county and state share the same garage, have one mega garage versus having 2 small garages, etc. As you can see from the 2022-2028 KYTC Capital Plan that was submitted in April 2021, the Cabinet has a significant amount of capital needs since it has over 1,400 facilities across the state to achieve its mission. Unfortunately, each budget process typically results in just a fraction of funding to meet the ever-increasing capital needs for the Cabinet. As a result, the Cabinet has not explored options of consolidating operations with the county due to the already-strained financial situation on the Road Fund. It's important to note that KYTC does allow the counties to use some of its master agreements to procure salt and other commodities which likely saves them money because the counties benefit from the same competitive prices the Cabinet likely receives due to economies of scale from the sheer volume of commodities KYTC orders on these contracts. In addition, occasionally when there has been a serious winter weather event, a county has needed salt, and the Cabinet has been in the position to have a sufficient amount of supplies, they have provided counties salt for compensation. The Cabinet tries to help where it can; however, it isn't a financial position to currently consolidate operations since it becomes increasingly difficult each year for the Cabinet to just maintain state roads across the Commonwealth with a

Maintenance budget that has remained relatively flat for at least eleven years, weather events becoming increasingly more severe and causing more widespread costly damage, and one of the largest components of revenue in the Road Fund, the motor fuels tax, remaining at the statutory floor since the end of Fiscal Year 2015.

Second, Chairperson Southworth asked about the capital project item for 16 new hangars at Capital City Airport, and based on the minimal amount of rental income that they would generate, she inquired about the reason for such an investment. I have confirmed with staff at Capital City Airport that my previous response to the Board was correct. As I stated at the meeting, the rental income generated from these hangars is not really meant to be viewed as strictly the sole return on investment. These hangars are used by people that fly into the State who may currently be conducting business in the State or potentially considering doing business in the State, so these hangars are more viewed as an investment to continue as well as promote economic development opportunities for the Commonwealth. While we may not be able to quantify the value that this investment brings, I think we can all agree that investing in economic development adds value to Kentucky. In addition, each aircraft owner pays taxes and buys jet fuel, which has an economic impact on the airport and the community. In addition, some of the owners have businesses that require use of their airplanes. The primary purpose of an aircraft hangar is aircraft storage and without adequate storage, customers will not base their airplanes at an airport. Today, there are 31 customers interested in renting a T-Hangar at Capital City Airport. While the payoff appears to be long term, it must be considered an investment in the community and the future of the Commonwealth.

If you have any questions, please do not hesitate to call me at 502-782-4087.

Sincerely,

Robin Brewer

Robin Brewer, Executive Director
Office of Budget and Fiscal Management