

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Gary Hayzlett at 1:30 p.m. on March 4, 2009, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Gene Rardin- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Betty Boaz, Committee Assistant

Conferees appearing before the Committee:

Representative Jeff King
Bill Wullenschneider, Independence, KS
Pat Hubbell, Representing KYLE Railroad
Todd Byornstad, General Mgr. KYLE Railroad
Ron Seeber, Vice President of Government Affairs for the KS Grain and Feed Ass'n.
Bob Alderson, Representing Mid-States Port Authority (MSPA)
Leslie Kaufman

Others attending:

See attached list.

The meeting was called to order by Chairman Hayzlett. He opened the hearing on **SB 5**.

SB 5 - Designating part of U.S. 160 as the 1011th Quartermaster Co. U.S. Army Reserve memorial highway.

Chairman recognized Representative Jeff King who introduced Bill Wullenschneider. (Attachment #1) According to Mr. Wullenschneider the primary reason for this bill is because the current and former members of the unit deserve it. He said the 1011th was activated and served in the Vietnam Conflict, Operation Desert Shield/Desert Storm and Operation Iraqi Freedom. He said the 1011th distinguished itself in all three deployments, supporting units of the Royal Thai Army, to Saudi Arabia and Operation Desert Storm where the unit supported Coalition Forces from several base camps.

There being no other proponents and no opponents, the Chairman closed the hearing on **SB 5**.

It was the Committee's desire to work **SB 5**. Representative King made a motion to pass favorably, seconded by Representative Proehl and the motion carried.

Chairman Hayzlett opened the hearing on **SB 46**.

SB 46 - Procedures for sale of certain property by port authorities.

The Chairman recognized the first proponent Pat Hubbell, representing KYLE Railroad. (Attachment #2) Mr. Hubbell had prepared a presentation and drew the Committee's attention to Page 2 showing a map of the 500 miles of tracks. He then gave a brief history of the KYLE Railroad from when the Rock Island Railroad went bankrupt to the Mid-States Port Authority being created, to 1984 when the KYLE Railroad was acquired and an agreement between the MSPA and KYLE Railroad Company was reached with the terms of 22 years, three months. At the end of the term when KYLE's rental payments had been paid, KYLE could purchase the property for \$1.00. Mr. Hubbell said KYLE has met all of its responsibilities. The agreement is set to expire in June 2009 at which time KYLE intends to exercise its purchase option. He said a 1987 change to KS Port Authorities Act limits a port authority's power to negotiate the sale of property. He said the 1987 amendment was never intended to apply to lease-purchase arrangements and option grants already negotiated and agreed to. **SB 46** clarifies that the 1987 law was not intended to apply to the 1984 lease-purchase agreement. If the lease-purchase agreement is dishonored by MSPA, based upon a misapplication of the

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1987 law, KYLE could, theoretically, be found to pay for the line twice. Mr. Hubbell concluded by saying they were here for the long haul; that the 25-year partnership should go forward as the parties intended.

Mr. Hubbell introduced the next proponent who was Todd Byornstad, General Manager, KYLE Railroad. Mr. Byornstad gave some background information and then stood for questions. There were none.

Chairman Hayzlett recognized the next proponent who was Ron Seeber, Vice President of Government Affairs for the KS Grain and Feed Association. (Attachment #3) Mr. Seeber spoke in support of **SB 46**. He said this legislation facilitates the orderly transfer of railroad assets from Mid States Port Authority to Rail America as previously agreed to by both parties.

The next conferee was Bob Alderson, who was appearing on behalf of Mid-States Port Authority. (Attachment #4) Mr. Alderson gave some background on the Mid-States Port Authority. He said it was formed in 1980 pursuant to the Kansas port authority statutes by the Joint Cooperative Agreement of 14 Kansas counties in north central and northwest Kansas He said it was formed in the wake of the bankruptcy and proposed liquidation of the Chicago, Rock Island and Pacific Railroad Company which would leave these 14 KS counties without rail service. He said currently there are two issues that need to be resolved. First, there is some uncertainty as to the validity of KYLE's option to purchase MSPA's property and second, there has been some question of whether the leases which MSPA has entered into with shippers and other lessees will be assumed intact by KYLE upon the transfer of MSPA's property to KYLE. He concluded by urging the Committee to recommend **SB 46** favorable for passage, not only will it validate the Lease Agreement between MSPA and KYLE but will also give effect to the Agreement.

The Chairman drew the Committee's attention to written testimony by Leslie Kaufman in support of **SB 46**. (Attachment #5)

There were no other proponents and no opponents to **SB 46** so the Chairman closed the hearing.

It was the Committee's desire to work **SB 46**. Representative Burgess made a motion to pass SB 46 favorably out of committee and place it on the Consent Calendar, seconded by Representative Wetta and the motion carried.

There being no further business before the Committee, the Chairman adjourned the meeting at 2:15 p.m. The next meeting will be on March 5, 2009, at 1:30 p.m.