

Approved 10/11/83
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rep. Rex Crowell at
Chairperson

12:52 ~~am~~ p.m. on April 8, 19 83 in room 519-S of the Capitol.

All members were present ~~except~~.

Committee staff present:

Fred Carman, Revisor of Statutes
Hank Avila, Legislative Research
Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Glen Coulter, Kansas Contractor's Association
Charles Nicolay, Kansas Oil Marketers Association
Ted Harder, Truck Stop Operators
Mary Turkington, Kansas Motor Carriers Association
Jack McGlothlin, United Transportation Union

The meeting was called to order by Chairman Crowell at 12:52p.m.

Mr. Glen Coulter, Kansas Contractor's Association, appeared before the committee in support of the bill. Mr. Coulter stated that for each million dollars raised in new revenue 63 people would be employed. The Contractor's Association is definitely a proponent of an accelerated highway funding program.

Mr. Chuck Nicolay, Kansas Oil Marketers Association, appeared in opposition to HB 2566. Mr. Nicolay cited figures on motor fuels taxes in surrounding states and expressed concern that increasing the motor fuels tax would drive consumers to other states (Attachment 1).

The next conferee appearing in opposition to HB 2566 was Mr. Ted Harder, truck stop operator. Mr. Harder reiterated Mr. Nicolay's concerns and stated in his opinion the trucking industry already pays their fair share of taxes and that he hoped they would not have to pay additional motor fuel taxes.

Mary Turkington, Kansas Motor Carriers Association, testified before the committee in opposition to HB 2566. Ms. Turkington stated the Association supports a 3¢ across the board gallonage tax increase but has a problem with the indexing feature. (Attachment 2).

The Chairman opened the meeting to committee questions.

Rep. Kent Ott asked Ms. Turkington what means the state had for auditing trucks entering the state and not paying the required fuels taxes. Ms. Turkington replied that there were three areas to check, 1) registration fees, 2) fuel taxes, and 3) regulatory fees.

The final conferee in opposition to HB 2566 was Mr. Jack McGlothlin, United Transportation Union. Mr. McGlothlin stated his organization opposes any tax increase or indexed tax placed on fuels.

The Chairman opened the meeting to committee discussion. Rep. Bill Fuller made a brief statement to the committee expressing his disappointment over the political "cat and mouse" games being played this session. Rep. Fuller stated during the past five years he had seen five different proposals from the Governor and while HB 2566 will not adequately fund the highway problems, it opens an additional avenue to pursue and enables the legislature to look at additional

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,
room 511-S, Statehouse, at 12:52 ~~xx~~/p.m. on April 8, 1983

areas to develop a meaningful funding program. Rep. Fuller stressed the fact that Kansas has a high amount of out-of-state cross traffic and that a motor fuel tax makes those out-of-state users help fund our highway needs. Rep. Fuller concluded his statement by indicating he hoped favorable passage of HB 2566 would enable the legislature to develop a constructive revenue package to meet one of the major needs of the state.

Rep. Knopp moved to adopt an amendment to create a new section 15 that would clarify that when there is reference made to population that it refers to the federal census. The motion was seconded by Rep. Bill Fuller.

Rep Cloud offered a substitute motion to amend HB 2566 to change section 11 to the language which was distributed in the Transportation Committee meeting held this morning (4/8/83 - 9:00 a.m.) and to also amend the bill to include the necessary cleanup amendments mentioned by Fred Carman, Revisor, in that same meeting. The motion was seconded by Rep. Moomaw. Motion passed.

Rep. Knopp made a motion to add a new section 15 regarding population referring to the federal census and further included in his motion that should a conflict exist between the agriculture census and the federal census that the federal census would control. Rep. Harper seconded the motion.

Rep. Bill Fuller made a substitute motion to pass HB 2566 favorable as amended. Rep. Cloud seconded the motion. Motion passed. A division was called for on the vote with ten voting in favor and 8 opposed. Reps. Dillon, Erne, Justice, and Schmidt asked to be recorded as voting no. Reps. Knopp and Fuller asked to be recorded voting yes. Meeting adjourned at 1:30 p.m.


Rex Crowell, Chairman

STATEMENT PREPARED FOR THE
TRANSPORTATION COMMITTEE
RE: HB 2566
BY: CHARLES H. NICOLAY
EXECUTIVE DIRECTOR, KOMA

April 8, 1983

On behalf of the members of the Kansas Oil Marketers Association, representing nearly 400 small businessmen who serve as motor fuels tax collectors for the state, I am grateful for the opportunity to appear today to express our thoughts on House Bill #2566.

We appreciate the concern the committee has shown in addressing the problem of obtaining revenue to maintain our vast highway network, the nation's third largest system. However we do not believe that this bill will serve as an equitable approach to generating those needed funds.

Moreover, we have grave concerns that the tax formula of this bill will place our state in an unfavorable position with regard to our neighboring states.

To illustrate, we first need to examine the tax rates of our neighbors. In Oklahoma, the motor fuels tax is 6.58¢. In Nebraska - 13.7¢. In Missouri, the rate is 7¢, and in Colorado, the tax is 9¢.

If, as proposed, the formula expressed in H.B. 2566 were based on the January 1983, unweighted average retail costs of leaded regular, unleaded regular and leaded premium, the tax would be 13.65¢ per gallon - or 14¢ rounded off to the nearest cent. (Figures obtained from the U.S. Department of Energy).

This would amount to an increase of 6¢ per gallon - or an unprecedented tax increase of 75%. The Kansas gasoline tax would be twice Missouri's rate and more than

Attachment 1

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double the Oklahoma rate.

Clearly, we can see what a tax like this would mean on three of our state's borders. The repercussions would be felt throughout the Kansas economy. And, if the price of oil were to suddenly skyrocket, the Kansas tax would follow a corresponding spiral, while our neighbor's tax rates would remain stable and much lower.

We have only recently experienced a hefty motor fuels tax increase at the federal level, bringing the gasoline tax up from 4¢ per gallon to 9¢ per gallon. Let us suppose HB 2566 were enacted, and that it reflected this January's gasoline prices - using the same figures mentioned earlier. We would end up with a tax of 23¢ (14¢ state/9¢ federal) on a commodity costing approximately \$1.09. The Kansas consumer certainly will question the fairness of a tax rate of over 20%. We think he is justified in doing so.

We believe this proposal has another negative aspect built into it. The bill would take the responsibility for determining fair taxes out of the hands of the Kansas legislature where it has traditionally been entrusted by the voters of our state, and place it at the whims of the world oil market conditions.

The citizens of Kansas want their elected representatives to decide important tax matters, not an international oil cartel that is far removed from Kansas highway problems and the pulse of the Kansas taxpayer. In essence, this bill imposes an unfair tax rate for the average motorist who is obligated to maintain a vehicle because of the scarcity of mass transportation; yet the tax rate is not even remotely based on the Kansas price of fuel.

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One other factor needs to be considered - the amount of revenue generated by each one-cent increase in the tax rate. Again, Kansas is at a distinct disadvantage with surrounding states in this area.

In Oklahoma, each one-cent increase would raise nearly \$20 million. In Colorado, \$16 million. While in Missouri, each penny increase would net nearly \$29 million additional tax dollars. In Kansas, only \$14 million dollars is generated through each additional one-cent increase. Again, we must guard our economic position with regard to our surrounding states.

Speaking of our neighbors, perhaps, instead of placing ourselves at a disadvantaged position with them, we should follow their lead and use part of the general fund to maintain and repair our highways.

We first proposed a highway funding package back in 1979. We still think it has merit and, if adopted, would provide good roads for Kansas.

We propose:

1. transfer of funding for the highway patrol from the highway fund to the general fund,
2. placing a portion of the revenue from the sales tax on automobiles, parts, and accessories into the highway fund,
3. to maintain sufficient balances in the general fund, an increase in the 3% sales tax now levied in Kansas,
4. an increase in the motor vehicle registration fee, and
5. a modest increase in the motor fuels tax (no more than 2¢).

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We urge you to consider this funding package. We have reached the point in Kansas where we can no longer expect to finance road programs with motor fuel taxes alone.

Again, thank you for the opportunity to express the views of our members on this issue of importance to all of us.

We will be most happy to help this committee in any manner possible toward the goal of an equitable solution to our highway problems.

STATEMENT

By The

KANSAS MOTOR CARRIERS ASSOCIATION

Concerning House Bill 2566 which would
increase the tax on motor vehicle fuels.

Presented Friday, April 8, 1983, to the
House Transportation Committee, Rep. Rex
Crowell, Chairman.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Mary Turkington, Executive Director of the Kansas Motor Carriers Association with offices in Topeka. I appear here today on behalf of our member-firms and the highway transportation industry.

Our Association fully recognizes the need for additional highway funding in our state.

The Kansas Motor Carriers Association, since July, 1980, has supported an across-the-board 3-cent a gallon increase in the tax on all motor vehicle fuels and would support a 4-cent a gallon increase if necessary. That policy, incidentally, acknowledges the continuation of the present two-cent differential between gasoline and diesel fuels.

I also emphasize that our industry supports such Kansas fuel tax increases even in the light of the substantial increase in fuel taxes now imposed at the federal level.

Attachment 2

We have included in your folder today a summary of the tax provisions of the Surface Transportation Assistance Act of 1982. Members of this committee are well aware that effective April 1, 1983, the fuel tax at the federal level was increased from 4¢ a gallon to 9¢ a gallon. Our industry supported this 5¢ a gallon tax increase for the federal highway trust fund because we also recognize that additional funding must be provided for the federal highway and bridge system. Not many Kansans are particularly thrilled with the thought that some \$1.1 billion of this highway tax revenue paid by highway users will be allocated for mass transit transportation.

You will note from the summary of increased federal taxes that there are tax increases over and beyond the fuel tax increase. Heavier vehicles are faced with confiscatory increases in the special use tax which trucks have paid into the federal Highway Trust Fund from its inception. That special use tax was increased from the present maximum of \$240 per vehicle to a \$1,900 maximum -- an increase which just is more than we possibly can pay.

I do not want to take the Committee's time to review the federal tax consequences for this industry in great detail this morning. I do want to refer you to the last page of the STAA tax summary and ask that you review those comparisons as your time permits.

Add a \$1,500 annual increase in federal fuel tax payments, a \$1,900 annual special use tax at the federal level, increases in federal excise taxes on truck and trailer equipment, an increase in the federal tax on tires plus state registration fees of \$1,325 or \$1,475 per power unit, state fuel taxes, regulatory fees, ad valorem taxes AND the business taxes all other businesses and industries pay -- and you have a tax burden that is just about all this industry can stand.

The current recession and the regulatory changes imposed on our industry have resulted in an excess capacity of 40 percent in the rolling stock owned by motor carriers. In other words, we presently have 40 percent more trucks available than we have goods to haul.

Fuel taxes at least are "pay-as-you-go" taxes, are based on highway use, and are the most economical to administer and collect. I know you are aware that the larger trucks, even with the purchase of equipment that adds maximum fuel efficiency, still only average some 5 miles per gallon in fuel consumption.

If you had time to review the tax figures we submitted to you March 28, you noted that trucks presently pay almost 50 percent of the total fuel taxes collected in this state and pay 66.60 percent of the registration fees collected. Overall, we pay 56.72 percent of the TOTAL state user taxes collected in Kansas.

Gov. John Carlin has recommended alternate sources of revenue for funding highways. We believe the time has come to consider the sales tax collections on motor vehicles and parts as a use tax and to begin "phasing in" a portion of the dollars so collected into the state highway fund.

We also have no objection to a reasonable transfer from the Freeway fund to the State highway fund. It would seem feasible to consider funding the Highway Patrol budget from the state general fund if dollars are available to consider this alternative.

An increase in the motor vehicle fuels tax is another ingredient for additional funding for Kansas highways. As we understand present consumption figures, each cent of fuel tax produces some \$14.07 million in highway tax dollars.

House Bill 2566 proposes increases in the tax on motor vehicle fuels. Section 11 of the bill sets out how fuel taxes will be determined.

The bill provides that present tax levels be utilized as a "floor" for such fuel taxes and then sets out an "indexing procedure" through which fuel taxes would be determined each July 1. A 12½ percent factor would be applied to the

". . . unweighted average of the average retail price per gallon of premium, regular and unleaded motor-vehicle fuels sold during the month of January 1983 as reported in the monthly petroleum products price report and published by the energy information administration of the United States department of energy."

This procedure would be repeated each July 1. The tax rate on special fuels would be the amount of the motor fuels tax plus 2 cents more per gallon.

House Bill 2566 provides for no "ceiling" on fuel tax increases except to state that the tax could not increase nor decrease more than 2 cents per gallon each year.

The bill further does not stipulate whether those average retail price per gallon factors are to include taxes or whether taxes are to be excluded.

Based on information KMCA obtained for such average retail prices, the 12½ percent factor would result in the following tax levels for the 1980, 1981, 1982 and 1983 years.

	<u>Leaded Regular</u>	<u>Unleaded Regular</u>	<u>Lead Premium</u>	<u>Unweighted Average</u>	<u>12½%</u>
1980 (Jan.)	108.6	113.1	114.9	112.2	14.03
1981 "	123.8	129.8	133.8	129.1	16.1
1982 "	128.5	135.8	145.6	136.6	17.1
1983 "	114.6	122.8	135.3	124.2	15.53

It is apparent that the tax rates based on the 12½ percent factor fluctuate substantially and the above unweighted average fuel prices would have been excessive increases. The figures above are motor fuel tax rates -- special fuel taxes would have been 2 cents more.

If any indexing concept is to be considered seriously, we urge this committee to establish not only the floor -- but also a maximum for such fuel tax increases.

Without such a maximum, the Legislature relinquishes its responsibility to retain control of such tax rates and to review periodically the relationship of highway needs and fuel tax collections.

The proposal does not provide for a maximum level to which the tax rates could be increased over a period of years. Neither is there any provision for any reduction in tax rates should the measure produce revenues in excess of demonstrated needs or in excess of the Department's ability to implement such revenues.

The procedure contained in H.B. 2566 further denies taxpayers of the state the opportunity to be heard when fuel tax rates are to be adjusted. We strongly object to such a procedure.

The present system of taxation of motor vehicle fuels requires the Legislature to review the priorities and needs for highway funds before making a judgment to increase taxes which the people of Kansas must bear. Requests for additional revenues now must be justified by highway officials. Our present "cents-per-gallon" system thus assures that the taxpayers of Kansas are represented by responsible, elected officials each time a tax must be increased.

We respectfully suggest the Legislature should make the decision as to when and how much state fuel taxes should be adjusted.

Mr. Chairman and members of the Committee, we would support an across-the-board fuel tax increase as a part of a meaningful highway funding program. We believe the alternatives the Governor recommended also should be considered. We do not agree with the "indexing factor" proposed in H.B. 2566 nor to any indexing without a maximum amount such taxes could be increased.

We will be pleased to work with this Committee and with any other person or group to develop a positive program for funding Kansas highways. The need obviously is here. The remedy is overdue. I will be pleased to respond to any questions you may have.

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