

MINUTES OF THE House COMMITTEE ON TransportationThe meeting was called to order by Representative Rex Crowell at
Chairperson2:00 ~~xxx~~/p.m. on February 23, 1984 in room 519-S of the Capitol.All members were present ~~except~~

Committee staff present:

Fred Carman, Office of the Revisor of Statutes
Hank Avila, Legislative Research Department
Donna Mulligan, Committee Secretary

Conferees appearing before the committee:

Representative Jim Lowther
Representative Bill Buntен
Dr. Richard Funk, Kansas Association of School Boards
Mr. Dan Watkins, Kansas Department of Transportation
Ms. Mary Turkington, Kansas Motor Carriers Association
Mr. Charles Nicolay, Kansas Oil Marketers Association
Mr. Richard Brewster, Amoco
Mr. Ron Calbert, United Transportation Union

Chairman Crowell called the meeting to order and the first order of business was a hearing on HB-2889. Representative Jim Lowther, principal sponsor of the bill, was introduced and reviewed the fiscal impact HB-2889 would have on the State's general fund. (See Attachment 1)

Representative Johnson asked if we were going to attempt to cut back any spending, and Representative Lowther explained that the Ways and Means Committee is making an effort to do so and having very difficult problems. He said they are talking about taking money away from education, taking money away from capitol improvements, talking about not spending any extra KPERS money, talking about hopefully having an increase of \$10 Million in revenue estimates, talking about money left over from the medical center, and talking of cutting a considerable amount on budget requests for state agencies from the Governor's recommendation.

Representative Bill Buntен, a co-sponsor of HB-2889, testified on the bill and told the committee he feels it is a mistake to move away from the traditional user tax method of funding highways to use of the State general fund. He stated that the program which was initiated last year to transfer dollars from the State General Fund is a hardship as the proposed budget makes no provision for building the balances in the State general fund. Representative Buntен recommended that the transfers from the general fund to the highway fund should be held at \$5 Million.

Dr. Richard Funk, Assistant Executive Director of the Kansas Association of School Boards, testified as a proponent of HB-2889. (See Attachment 2)

Dr. Funk related that the Kansas Association of School Boards is opposed to legislation which results in the transfer of state general fund dollars to other state funds which have traditionally been funded by user fees. He also stated his organization feels the state transportation fund, traditionally funded by user fees, fuel taxes, interest income and federal assistance should continue to be funded by those means and not by the transfer of state general fund monies.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,
room 519-S, Statehouse, at 2:00 a.m./~~p.m.~~ on February 23, 1984.

Mr. Dan Watkins, Special Assistant to the Secretary, Kansas Department of Transportation, was introduced and testified that the 1983 Legislature passed a highway finance package which enabled the state, cities and counties to begin accelerated improvements to the rapidly deteriorating streets, roads and highways in Kansas. (See Attachment 3)

Mr. Watkins stated KDOT is concerned that HB-2889 is not in agreement with the compromise and the commitments made in the 1983 highway finance package, and any loss in highway revenue would require a reduction in planned highway improvements at least equal to the loss in revenue.

Ms. Mary Turkington of Kansas Motor Carriers Association appeared before the committee in opposition to HB-2889. (See Attachment 4)

She stated her association believes the highway funding program adopted by the 1983 Legislature provides urgently needed revenue to fund road and highway improvements at both the state and local levels, and this funding program should remain intact.

Ms. Turkington also referred to a statement from Mr. Conrad Odell who is president of Branson Truck Lines of Lyons, Kansas, and also president of Kansas Motor Carriers Association. (See Attachment 5)

Mr. Charles Nicolay, Executive Director of Kansas Oil Marketers Association, was next to testify in opposition to HB-2889. (See Attachment 6)

Mr. Nicolay stated HB-2889 takes away some important aspects of the funding package which was approved during the 1983 session. He pointed out tax rates in bordering states saying Oklahoma's tax is 6.58 cents and Colorado's is 9 cents, while in Kansas the tax is 11 cents on gasoline and 13 cents on diesel.

Mr. Nicolay reported that Kansas is decreasing in consumption of motor fuels compared to other states, saying Kansas sold more gallons in 1970 than in 1982. Mr. Nicolay concluded by saying members of his association believe that passage of HB-2889 would be an unfair challenge to last year's highway finance plan before it has been given a chance to prove itself. He urged that the bill not be passed.

Mr. Richard Brewster of Amoco appeared before the committee in opposition to HB-2889.

Mr. R. E. (Ron) Calbert of the United Transportation Union also gave testimony in opposition to HB-2889. (See Attachment 7) Mr. Calbert told the committee that the UTU has long been convinced that automobiles are a necessity, not a luxury, therefore, they are opposed to over-taxing the automobile in Kansas.

The meeting was adjourned at 3:05 p.m.


Rex Crowell, Chairman

GUEST LIST

COMMITTEE: TRANSPORTATION

DATE: 2-23-84

PLEASE PRINT

NAME	ADDRESS	COMPANY/ORGANIZATION
ED DESOIGNIE	TOPEKA	KDOT
BILL EDDS	"	REVENUE
Yann Watkins	"	KDOT
Dick Knerth	"	Budget
Dick Funk	"	KHSO
Beal Porter	"	KSUC-TV
Mary Beth Threese	Lawrence	Close Up
Debra Patterson	Lawrence	Close-Up
Edythe A. Gordon	Lawrence	Close-Up
Ralph Shlor	Dodge City, Ks.	
Dennis Shirley	Worcutters	
ROSS MARTIN	TOPEKA	KS PETROLEUM COUNCIL
WAYNE ELMORE	TOPEKA	REVENUE
T.A. Lockhart	LEA WORTH	NAACP
Joe JOE FURJANIC	TOPEKA	KASB
Charles Bruner	Uniontown	
Chester Peckover	Burlingame, Ks.	Mayor - Teacher
Fred Mertz	Ros Angeles	Ricardo Enterprises
Dick Brewster	Topoka	Amoco Oil Co.
Glen Cogswell	Topoka	Sweet Grain Co
Mary Turkington	Topoka	Kansas Motor Carriers Assn
Conrad Odell	Lyons	BRANSON TRUCK LINE, INC
Tom H. Putman	Topoka	Ks Motor Carriers Assn
BRYAN WHITEHEAD	KEK	BRAC
Ron Culbert	Newton	U.I.U.
SP. Hoshaw	Topoka	Ks Oil Marketers Assn
Charles Nicolay	Topoka	AP
Don Hennis	100	

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

February 2, 1984

COMMITTEE ASSIGNMENTS

VICE-CHAIRMAN: EDUCATION
MEMBER: WAYS AND MEANS
CHAIRMAN, APPROPRIATIONS SUB-COMMITTEE
ASSESSMENT AND TAXATION
LEGISLATIVE EDUCATIONAL PLANNING
COMMITTEE

JAMES E. LOWTHER
REPRESENTATIVE, SIXTEENTH DISTRICT
LYON COUNTY
1549 BERKELEY ROAD
EMPORIA, KANSAS 66801

Legislation to:

- Replace future general fund transfers into the highway fund with motor fuel taxes.
- Would cap the transfer at the FY 84 level of \$5 million, and over the next five fiscal years retain \$75 million in the general fund to meet the general obligations of the state.
- Would replace the revenue to the highway fund with two 1¢ increases in the motor fuels tax--the first on January 1, 1985 and the second on July 1, 1988.
- The net effect of the changes would approximate the following--

(Figures in millions)

	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>Total</u>
Highway Fund Revenue	\$7	\$14	\$14	\$14	\$28	\$77+
Gain (loss)	+ \$2	+ \$4	(-\$1)	(-\$6)	+ \$3	\$2+
General Fund	+ \$5	+ \$10	+ \$15	+ \$20	+ \$25	\$75+

Attachment 1

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

TESTIMONY ON H.B. 2889

by
Richard Funk, Assistant Executive Director
Kansas Association of School Boards

February 23, 1984
House Transportation Committee

Mr. Chairman and members of the committee:

Thank you for allowing me to appear before you today representing 300 of the 305 school districts in the state of Kansas. I appear as a proponent of H.B. 2889.

The Kansas Association of School Board's legislative policy states:

"KASB is opposed to legislation which would result in the transfer of state general fund dollars to other state funds which have traditionally been funded by user fees."

While H.B. 2889 still authorizes the transfer of state general fund revenues to the state transportation fund, the amount authorized by H.B. 2889 significantly reduces the amount of such transfers as proposed in the state's budget message. We feel that this would be a step in the right direction of eliminating these transfers.

KASB recommends that the state transportation fund, traditionally funded by user fees, fuel taxes, interest income and federal assistance continue to be funded by those means and not by the transfer of state general fund monies.

Attachment 2

KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

FEBRUARY 23, 1984

MEMORANDUM TO: HOUSE COMMITTEE ON TRANSPORTATION
FROM: DAN WATKINS
SPECIAL ASSISTANT TO THE SECRETARY
REGARDING: HOUSE BILL 2889

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU THIS AFTERNOON ON HOUSE BILL 2889.

THE 1983 LEGISLATURE, AFTER CONSIDERABLE DEBATE AND DELIBERATION, PASSED A HIGHWAY FINANCE PACKAGE WHICH ENABLED THE STATE AND CITIES AND COUNTIES TO BEGIN ACCELERATED IMPROVEMENTS TO THE RAPIDLY DETERIORATING STREETS, ROADS AND HIGHWAYS THROUGHOUT THE STATE. THE 1983 HIGHWAY FUNDING PACKAGE WAS A COMPROMISE MEASURE. KDOT IS CONCERNED THAT H.B. 2889 IS NOT IN AGREEMENT WITH THE COMPROMISE AND THE COMMITMENTS.

ANY LOSS IN REVENUE WOULD REQUIRE A REDUCTION IN PLANNED HIGHWAY IMPROVEMENTS AT LEAST EQUAL TO THE ANNUAL LOSS IN REVENUE. FUTURE PROGRAMS WOULD NOT BE OF THE SAME MAGNITUDE AS CURRENTLY ASSUMED IF HB 2889 WERE PASSED AND INDEXING DOES NOT OCCUR.

Attachment 3

STATEMENT

By The

KANSAS MOTOR CARRIERS ASSOCIATION

Opposing H.B. 2889 which would
revise highway funding revenues.

Presented Thursday, February 23, 1984,
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. This statement is submitted on behalf of the member-firms of our Association and the highway transportation industry.

We must oppose the provisions of House Bill 2889.

Our Association was a member of the coalition which supported the highway funding program adopted by the 1983 session of the Kansas Legislature.

We sincerely believe that this program provides urgently needed revenues to fund road and highway improvements at both the state and local levels.

The policy decisions incorporated in the 1983 highway funding package address future needs as well as the more immediate highway expenditures.

We believe this funding program should remain intact.

Attachment 4

We also have included in your folders, testimony presented by our President, Mr. Conrad Odell, to the Senate Finance Committee in Washington, D.C., on February 9, 1984.

This statement speaks to the issue of the excessive special use taxes which will come down on this industry July 1, 1984, unless Congress grants an alternative, pay-as-you-go diesel differential fuel tax concept to replace the "fixed" use tax fees.

We hope you will have an opportunity to review that statement to better understand the impact of the federal tax increases which our industry already has accommodated and the probable additional tax increases at the federal level which will be imposed in some form effective July 1.

These federal tax increases plus the 1983 highway funding proposal adopted by this Legislature have levied some very harsh tax increases on motor truck owners.

The provisions of H.B. 2889 obviously would accelerate fuel tax rates for Kansas motorists beyond the policy guidelines adopted by the 1983 Legislature and would, in combination with the federal taxes on motor truck owners, be destructive to our industry.

We will be pleased to respond to any questions you may have.

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STATEMENT
OF
CONRAD ODELL

President, Branson Truck Line, Inc.
1309 Highway 56 East - Lyons, Kansas

President, Kansas Motor Carriers Association
2900 S. Topeka Avenue, Topeka, Kansas

BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

SENATOR ROBERT DOLE, CHAIRMAN

THURSDAY, FEBRUARY 9, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Conrad Odell and I am president and owner of Branson Truck Line of Lyons, Kansas. I have been engaged in the transportation of livestock for 19 years. I also am the president of the Kansas Motor Carriers Association, a state association of truck and bus operators whose 1,550 member-firms primarily are small business people. I appear before you today to talk about the issue of highway user taxes on behalf of the members of our Association, and on behalf of my own company.

I am a small trucker and a small businessman. I know what it means to pay the bills. I want to thank Senator Dole and this committee for the opportunity to explain to you today how the special user fees enacted in the Surface Transportation Assistance Act of 1982 affect me and my company.

The profile of my company includes the operation of 22 tractor and semi-trailer livestock units -- all of which are registered for 80,000 lbs. gross weight. Our company provides employment for 29 hard-working people. Our annual payroll last year was \$580,620 on which we paid \$1,934 in unemployment compensation taxes and \$37,943 in FICA taxes. Our units operated a total of 2,074,440 miles in 1983 and consumed some 471,796 gallons of diesel fuel.

Our state registration fees allocated to Kansas and to the other jurisdictions through which we operate, totaled \$28,381 last year. Kansas registration fees for an 80,000-lb. vehicle are assessed at \$1,325 for the power unit and \$25 for the semi-trailer. I also paid property taxes to Kansas on those same units in 1983 at a cost of \$15,221. These are some of the "fixed" costs which we must accommodate at the state level before we ever turn a wheel.

Kansas has had a diesel differential in its truck tax system since January 1, 1956. The Kansas diesel differential currently is 2 cents per gallon. Kansas, as did many states, found it necessary to increase its user fees effective July 1, 1983. Our state fuel taxes were increased two cents per gallon across-the-board July 1, and an additional cent per gallon on January 1, 1984. Our fuel tax rate in our home state now is 11 cents per gallon on gasoline and 13 cents per gallon on diesel fuel.

My company and our Association supported the five cent increase which the Congress adopted on fuel taxes effective April 1, 1983. We fully understand that our highway system has to be properly constructed and maintained. We believe that those who operate motor truck vehicles should pay a proper share of the cost of those highways. We have, as an industry, committed ourselves to assure that the highway program enacted in the Surface Transportation Assistance Act is financed.

We strongly believe, however, that some workable solution must be found to permit the excessive, "fixed" special user fees adopted in the STAA legislation to be reduced and to permit the owners and operators of motor truck vehicles to utilize the fuel tax concept for a pay-as-you-go revenue source to fund our highway programs!

Let me illustrate my point.

In the 1973-74 livestock market depression in this country, no one was shipping cattle. I've worked in this industry a lot of years and believe me, I know a lot of shippers. I called those shippers not just in Kansas but in other states to try to find a load of cattle to move. There was not a load to be found. Our vehicles simply sat on our lot. We didn't move. We almost lost the company. We certainly didn't use the roads.

All that I have to sell is the service of my company. Members of the Committee, I don't have \$1 of business "waiting" on my books even next month, let alone any assurance of what my business will be a year from July 1, 1984.

We hope that cattle will continue to move. We believe they will, but I'm taking about all the risk I can absorb unless my trucks are actually operating and producing revenue for my business.

That situation is true not only for Branson Truck Line but for every truck operator -- large or small -- who is trying to provide transportation service for the people in this country!

I must say to you that I look on these sharply-increased special use taxes almost as a "franchise fee." If this Committee and the Congress cannot give us some relief, I'm going to be expected to pay an additional \$1,600 per vehicle July 1, 1984, just to comply with the opportunity to operate my vehicles lawfully on the roads and highways.

For my company, that "franchise fee" is going to amount to \$35,200. As of today, I don't know from where that \$35,200 is coming.

The real world is that I have to meet a payroll, buy equipment, pay some very healthy taxes -- and hopefully have a little something left for Conrad Odell and the risk I take on my investment. The \$35,200 use tax isn't the only bill I have coming due July 1, 1984. We are all aware of the cost of borrowing money these days -- even if it is available.

I like to believe that my company is important in terms of the service we provide the livestock and beef packing industry. In our Kansas community of Lyons, Kansas, with its population of 4,500 good citizens, those 29 Branson Truck Line jobs are important to 29 family households, to the economy of our town, and to the economy of our state. The trucking industry currently provides more than 87,000 jobs in Kansas.

I had the opportunity to visit with Senator Dole about the highway user tax situation when he visited our hometown earlier this past year. I said then and I say as strongly as I can again today, we need a pay-as-you-go fuel tax concept to fund our highway program.

My company has paid the special highway use tax since it was implemented. I need not remind the Committee that there has not been universal compliance with this user tax even with the fee at \$210 or \$240 whichever was applicable. I fully believe that further erosion of lawful compliance with these fees will occur when the fees jump to the \$1,600 level in 1984 and the eventual \$1,900 fee which is to follow. A diesel fuel tax differential will be collected for all miles operated for affected vehicles. There would be little incentive or opportunity to escape such a tax.

On July 1, 1983, my special use tax bill was \$4,620. As I indicated, July 1, 1984, that tax obligation will jump to \$35,200 and then increase another \$100 per truck for the next three years or another \$2,200 a year for a total of \$41,800 regardless of how many miles my vehicles operate.

I have prepared some comparisons for the Committee on my actual company operations for 1982 and 1983 and, based on these actual operations, what my user taxes compute to be for 1984.

In 1982

Total Miles:	2,116,872	Fuel Taxes:	\$19,406 - 4¢ federal
			<u>48,515</u> - 10¢ state
Fuel Consumed:	485,147 gallons		\$67,921
Federal Use Tax:	\$4,620		

In 1983

Total Miles:	2,074,440	Fuel Taxes:	\$36,353 - federal
			[Jan.-Mar. 4¢
Fuel Consumed:	471,796 gallons		Apr.-Dec. 9¢]
			<u>52,008</u> - state
Federal Use Tax:	\$4,620		\$88,361

The recession really depressed our company operations for the first six months of 1983 causing our total operating miles to drop. One readily can see, however, that on fuel taxes alone my company paid \$16,947 additional federal fuel tax dollars in 1983 over 1982 -- operating fewer miles, consuming less fuel -- with the 9¢ per gallon rate in effect for only 9 months of that year.

Now let me move to my computation illustrating the impact of some tax options for 1984 based on the same miles my company operated in 1983 and using the same number of gallons of diesel fuel consumed in 1983.

If the provisions of S. 1475 were enacted and a five-cent diesel differential were adopted, my federal fuel tax would be:

471,796 gallons x 9¢ present federal tax	= \$42,461
471,796 gallons x 5¢ diesel differential	= <u>\$23,590</u>
	\$66,051

Compare this with our 1983 federal tax payment:

federal fuel taxes	\$36,353
federal use tax	<u>4,620</u>
	\$40,973

My subtraction tells me that, with a 5-cent diesel differential substituted for the federal use tax I paid in 1983, my company would pay an increase of \$25,078 in federal taxes in this category in 1984.

For the 22 units operated by my small company, this means an increase of almost \$1,140 additional federal taxes per unit.

It also means that I would be paying more than a 511 percent increase through the five-cent diesel differential over what my special use tax responsibility was in 1983. I don't know any other business in this country that has been asked to pay that kind of tax increase.

None of us like tax increases but I know we need additional money for our highways. The diesel differential tax at least would be a pay-as-you-go tax which could be collected easily and efficiently. Further, this tax source has a potential for growth as business improves.

IF the special "fixed" use taxes at the federal level are not reduced, my company in 1984, under the illustrations I have computed would pay:

Federal fuel taxes - 471,796 gallons x 9¢	=	\$42,461
"Fixed" federal use tax on 22 units x \$1,600	=	<u>35,200</u>
		\$77,661

Compared to my actual total federal taxes paid in 1983, this would mean an increase of \$36,688 just in these federal taxes for my company. My federal "use" tax of \$4,620 would have been increased 762 percent and I would somehow have to "find" at least the first quarter of that lump sum payment of \$35,200 on July 1, 1984, under the provisions of the present STAA legislation.

Project those fixed user fees on up to the \$1,900 level and my company is faced with even greater federal tax payments regardless of the miles I operate.

I think it would be very easy for the Committee to calculate, from the figures I have submitted in this statement, that even doubling the present maximum highway user fee of \$240 to a \$480 maximum, and adopting the 5-cent diesel differential, would subject my company to a federal tax payment almost equal to that now required under the STAA legislation for 1984.

Federal use tax: 22 units x \$480	=	\$10,560
471,796 gallons x 9¢	=	42,461
471,796 gallons x 5¢	=	<u>23,590</u>
		\$76,611

This particular tax option would be approximately \$1,000 less in total tax payments than the 1984 taxes required by STAA. I honestly must say to you that if we are to receive any meaningful help with our tax burden, that option would not offer my company much relief.

While I have given you my actual federal use tax payments for the years 1982 and 1983, I would remind the Committee that motor truck owners encounter another complexity with application of the use tax. The use tax follows the vehicle.

If I should trade my present equipment for replacement vehicles, I lose all remaining credit on the federal use tax dollars I have paid on my existing equipment. In that taxable year, I must pay additional tax dollars on the vehicles for which I have traded. The tax payment on the newly-acquired vehicles is prorated for the number of months remaining in the taxable year, but represents substantial additional tax dollars when we are prorating a \$1,600 a year -- or a \$1,900 a year tax liability per vehicle.

Further, application of the use tax may force a management decision different from one I would like to make. Let me illustrate.

The last time I traded for new equipment, the manufacturer from whom I purchased my truck-tractors, offered a very favorable finance rate in today's money market. I was able to take advantage of that rate and replace my equipment without any great additional tax burden in terms of the present federal use tax. The equipment trade was made in May and did not present a major tax burden at \$210 per unit, prorated for two months of the current tax year.

I might have had a quite different story had that opportunity to efficiently trade my equipment presented itself in August or September of a taxable year in which I had just paid the STAA use tax on my existing equipment. I would lose the credit on the equipment for which I already had paid the tax, and would have to pay again for the new equipment for 10 or 11 months of the current tax year. The opportunity to replace equipment could cost sizeable tax dollars to my company -- again without any relationship to my use of the roads and highways.

For the purposes of my statement to the Committee today, I have addressed only the increases in fuel and special use taxes. My company, like every other trucking business, will be paying more federal excise taxes on our purchases of truck and trailer equipment and on our tires purchased after January 1, 1984. I have not even attempted to assess the increases Branson Truck Line, Inc., will pay in these categories. I can tell you that our power units now cost us some \$65,000 each and our trailer equipment \$32,000 per unit.

Our livestock industry is indeed grateful for the 80,000-lb. gross weight provisions of the STAA legislation. Uniformity in sizes and weights will benefit shippers and help hold down transportation costs.

I would point out that some segments of the industry will benefit more than others from the 102-inch width provision of STAA. In the cattle business, the 102-inch trailers will be of little benefit to my company as we have the capacity in our present equipment to haul all the cattle we legally can scale on our axle limits.

The STAA legislation did not add one ounce of weight to the axle or gross weight limits we have had in effect in our state since 1973 and which were authorized on our interstate system in January, 1975.

I hope members of the Committee have some idea of the destructive increases the present STAA legislation holds for me and my business and for countless others in this same situation. I have not presented to you today any "guess" estimates. I have tried very hard to show you exactly how these taxes impact on my own business.

I speak for all of the members of our Association when I tell you that we are willing to pay our way -- but there is a limit. The 5-cent fuel tax differential on diesel fuel as proposed in S. 1475 offers an efficient, pay-as-you-go answer to collecting highway revenue.

We do need money for highways. I strongly believe that the tax dollars highway users pay should all go to fund our highway programs and that we need to watch expenditures in this critical area. Highway taxes should pay for highways.

I have paid my special highway user tax dollars at the current level and have paid my fuel taxes at both the state and federal levels in full.

I hope you will review what we are paying in state registration fees and state fuel taxes as you consider the ability for motor truck owners to pay a workable level of federal taxes.

We need this Committee's help to find that workable solution that will permit us to continue to provide the transportation services our communities need and to pay-as-we-go through fuel taxes to fund our highway programs. I do not pretend to be any fiscal expert on highway taxes. I do know about my company and what it takes to pay the bills. I will be glad to attempt to answer any questions you may have. Thank you again for permitting me to bring my statement to the Committee.

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KOMA
KANSAS OIL MARKETERS ASSOCIATION

Suite 804 Merchants National Bank • Topeka, Kansas 66612 • Phone (913) 233-9655

February 28, 1984

TO: Representative Rex Crowell, Chairman, and members of the
House Transportation Committee

FROM: Charles Nicolay, Executive Director,
Kansas Oil Marketers Association

RE: HB 2889, Increase in Motor Fuel Tax

The commentary that follows complies with your request that I submit a written version of the oral testimony given on February 23, 1984, regarding HB 2889.

Over the past several years many long hours have been spent in meetings to arrive at a workable highway funding measure. At the end of the 1983 session, a funding package was passed to the relief, if not the satisfaction, of everyone involved. The consensus at that time was that it wasn't perfect, but at least it was a workable plan that could address the highway funding question for the next five years.

HB 2889 takes away some important aspects of that funding package. First of all, before a gallonage tax increase is considered, we believe there are some facts this committee needs to be aware of. Of utmost importance, is a look at tax rates in some bordering states. Across the line in Missouri, the tax is seven cents per gallon on all road use fuels. Oklahoma's tax is 6.58 cents; Colorado's - 9 cents. In Kansas the tax is 11 cents on gasoline and

Attachment 6

13 cents on diesel. (None of our neighboring states have a tax differential between gasoline and diesel.)

Another comparison relating to consumption in surrounding states is pertinent. It concerns the amount of revenue that would be collected from a cent-per-gallon increase. (These figures are based on consumption statistics from the National Petroleum News Fact Book)

Nebraska	11 million
Colorado	16 million
Oklahoma	20 million
Missouri	28 million
Kansas	14 million

It is important to note that there are only 2 states with larger highway systems than Kansas: California and Texas. A penny increase in California would net 100 million, and in Texas, raise 80 million.

Although some might believe that consumption in Kansas is increasing; it is not. There were 150 million fewer gallons sold in 1982 than in 1970, while all other states in the above comparison (other than Nebraska) experienced an increase. This indicates that other states, with even smaller highway systems, have a larger tax base than Kansas.

These are some of the reasons we feel that an increase in the motor fuels tax is not the answer to the highway funding solution in Kansas.

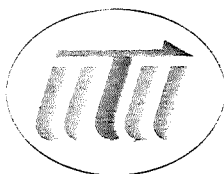
This takes us to Section 2 of HB 2889 which does away with last year's formula that provides for a portion of the sales tax revenue from the sale of

motor vehicles to be placed in the highway fund. That portion of sales tax from motor vehicle sales is a highway use tax. We feel that the portion allocated to highways is a fair and equitable means of providing road funds. At the same time, it helps keep the tax rate in Kansas in line with the rates in other states.

This method creates a balance in revenue sources for highways, a very important factor at present when a cents-per-gallon method has reached the limit. For every gallon of gasoline sold in Kansas, there is a 20 cent tax. A gallon of diesel means a 22 cent tax (including 9 cents federal excise tax).

In conclusion, members of our association believe that passage of HB 2889 would be an unfair challenge to last year's plan before it has been given a chance to prove itself. Therefore, we urge the committee not to pass this measure.

Thank you for allowing us to present our views on this issue.



United Transportation Union

KANSAS STATE LEGISLATIVE DEPARTMENT

Newton, Kansas, February 25, 1984

To: House Transportation Committee, Thursday, February 23, 1984

Re: H.B. 2889..Financing of highways; increasing motor fuels taxes

Mr. Chairman and members of the Committee, I am Ron Calbert, Assistant Director, Kansas State Legislative Board - United Transportation Union authorized to speak for our seven thousand (7000) active and retired members and their families who reside in Kansas. My testimony is also submitted on behalf of the Brotherhood of Railway & Airline Clerks Union representing over eight thousand (8000) employed and retired members residing in Kansas and the Kansas State Federation of Labor, AFL-CIO, whose affiliate members total over 70,000 wage-earning taxpayers in Kansas.

Mr. Chairman, we rise in opposition to H.B. 2889. As a representative of employee's in Kansas Industries, we have long been convinced that their automobiles are a necessity, not a luxury. Therefore, we have always been an opponent of over taxing the automobile in Kansas. The passage of H.B. 2566 (1983), which increased motor fuels taxes by 2 cent per gallon on July 1, 1983 and by an additional 1 cent on January 1, 1984, and other compromises made even though we didn't agree in entirety, should be given sufficient time to work as intended and eliminate the need of further taxing.

Attachment 7

Today we heard from the Kansas Department of Transportation that they were satisfied with H.B. 2566 and we support no changes at this time also. We also agree with the statement made by Representative Schmidt, that there is some \$85 million in funds generated by sales tax on new cars, trucks, tires, auto parts and repair, which goes into the State General Fund.

Thank you for the opportunity to express our views.

Ron E. Calbert
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