

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Representative Rex Crowell at
Chairperson

1:30 ~~am~~p.m. on January 29, 1985 in room 519-S of the Capitol.

All members were present ~~xxxx~~

Committee staff present:

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

Conferees appearing before the committee:

Dr. Tom Severn, Legislative Research Department
Mr. Larry Morlan, Kansas Department of Transportation
Mr. Harley Duncan, Kansas Department of Revenue
Mr. Paul Fleener, Kansas Farm Bureau
Mr. Tom Regan, Kansas Ethanol Association
Mr. H. D. Wullschleger, Kansas Corn Growers Association
Mr. Jim Kaup, League of Kansas Municipalities
Mr. Tom Whitaker, Kansas Motor Carriers Association
Mr. Charles Nicolay, Kansas Oil Marketers

Chairman Crowell opened the meeting and announced the first order of business was a hearing on HB-2022.

Hank Avila of the Legislative Research Department briefed the Committee on the contents of the bill as well as the Interim study which resulted in the bill being introduced.

Chairman Crowell said the federal government increased their gasohol exemption by \$.01 beginning January 1, 1985. He said what Lines 28, 29 and 30 mean is we will take for the state the \$.01 increase in the exemption the federal government gave starting January 1, 1985.

Tom Severn of the Legislative Research Department also spoke to the Committee concerning the bill and Interim study on Proposal No. 45.

The first conferee, Mr. Larry Morlan of the Kansas Department of Transportation, said HB-2022 would reduce the gasoline-gasohol state tax differential from \$.05 per gallon to \$.04 per gallon beginning July 1, 1985. (See Attachment 1)

Mr. Morlan said the message Secretary Kemp brought to the Interim Committee last summer basically dealt with the loss of revenue from the gasohol exemption which could be used in the 5-year highway construction program for the state of Kansas.

Chairman Crowell asked for the figures on the projected loss due to the tax differential. Mr. Morlan said it would be \$57.4 million over the five year period, FY 1984-1988. He added that the declining rate of the cost of gasoline has changed the ratio of how many gallons of gasohol are being used versus gallons of gasoline.

Representative Sutter asked how many gallons of gasohol were sold in the state of Kansas in 1983 and 1984. Mr. Morlan referred to Table 47 in his handout which indicates 6,897,620 gallons of gasohol were sold in FY-1983 and in FY-1984 the figure was 169,624,950 gallons of gasohol sold.

CONTINUATION SHEET

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Representative Knopp asked if it was a correct analysis that if the exemption is decreased by \$.01 and we pick up \$3.4 million the first year and \$3.7 million every year thereafter, instead of a loss of \$57 million over a five year period we would only lose about \$40 million. Mr. Morlan said this is correct.

Chairman Crowell asked if the price of crude oil decreases, does the price of asphalt also decrease. Mr. Morlan said the last charts he saw did not reflect any significant decrease in the price of asphalt.

Representative Erne requested Mr. Morlan to supply the Committee with figures showing receipts from the gasoline tax for 1983 and 1984. He also requested figures for 1983 and 1984 on the amount of ethyl alcohol produced in the state, the portion of the ethyl alcohol produced in the state which is used in the state, and how much ethyl alcohol is being shipped into Kansas.

Mr. Harley Duncan, Kansas Department of Revenue, was the next conferee to present testimony concerning HB-2022. He stated the Department of Revenue's figures are basically the same as the figures provided by the Department of Transportation.

Mr. Duncan explained that the figures of the Department of Revenue are based on the consensus estimate developed in November which indicates the annual receipts from an increase of \$.01 in the gasohol tax to be about \$3.2 million of which \$3 million would be received in FY-1986. Mr. Duncan pointed out when there is a tax increase associated with fuel, there is usually a corresponding tax on the existing inventory. There is no provision for the inventory tax in HB-2022.

Chairman Crowell asked if an inventory tax would pay for itself in terms of administrative costs to the Department of Revenue. Mr. Duncan said they estimate there would be \$70,000 worth of inventory tax collected.

Chairman Crowell asked if there is information available on how much alcohol is blended into fuel that is derived from Kansas sources. Mr. Duncan indicated he was not aware of any data.

Mr. Paul Fleener, of the Kansas Farm Bureau, testified favorably concerning HB-2022. (See Attachment 2) Mr. Fleener told the Committee farmers and ranchers continue to support the ethanol production activities in Kansas, as such production provides a market for grains produced in the state. In addition, Mr. Flenner stated ethanol production plants provide other tax revenues to local units of government and to Kansas.

Chairman Crowell asked if there were figures available showing ethanol production is actually a benefit to agriculture. Mr. Fleener said he believed Mr. Jack Reeve testified before the Interim Committee regarding this question.

Representative Spaniol asked if there have been studies made regarding the impact of the gasohol subsidy on the cash price of grain. Mr. Fleener stated the market would be enhanced by perhaps 2 or 3 cents per bushel.

Mr. Tom Regan of the Kansas Ethanol Association was the next conferee and testified in favor of HB-2022. (See Attachment 3)

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Mr. Regan stated that in 1984 the consumption by Kansas ethanol producers was 13.6 million bushels of Kansas grain.

Chairman Crowell asked if the additional incentive provided by the state in 1983 resulted in increased production in Kansas. Mr. Regan replied that it did, and cited an incident whereby a plant in Atchison had terminated its production but in 1983 when the incentive was enhanced by the Legislature, the plant resumed operating and is still in business. In regard to whether or not new plants are on line, Mr. Regan stated the answer is no except for the Colwich Plant. He said the Colwich Plant started production last March or April but was certainly on the drawing table before the incentive was enhanced in 1983.

Chairman Crowell asked how much of the alcohol that is produced in Kansas goes into alcohol blended fuels. Mr. Regan said Reeves Cattle Company testified previously that they sell 80 to 85 percent of their product in Kansas. He added that High Plains Corporation, which is the new 10 million gallon producer in Colwich, said they sell all their product in Kansas.

Representative Patrick asked if they sell to refineries or someone else. Mr. Regan said they sell to refineries and to retailers.

Representative Erne asked how many gallons of ethyl alcohol are coming in from out of state. Mr. Regan estimated that the production in Kansas represents about 25 percent of the amount of the product sold in Kansas. He said the remainder comes from out of state.

Representative Patrick referred to Page 2 of the written testimony which states 16 million bushels of grain will be consumed annually by the industry, and asked how much that figure would drop if the subsidy is eliminated. Mr. Regan said he had been advised without the subsidy the industry in Kansas would be "gutted".

Representative Patrick requested that Mr. Regan supply figures on how many bushels a year would be consumed without the subsidy as well as information concerning how many persons would lose their jobs if the subsidy is eliminated.

Representative Patrick also asked for information on the difference in the per bushel price of wheat paid by the Reeves Cattle Company compared to the local elevator price. Mr. Regan said he believes the difference is \$.02 per bushel.

Mr. H. D. Wullschleger of the Kansas Corn Growers Association appeared before the Committee as a proponent on HB-2022. He stated that for every 5 million bushels of corn consumed by any method, it increases the price of a bushel of corn \$.10.

Mr. Jim Kaup of the League of Kansas Municipalities testified favorably concerning HB-2022. (See Attachment 4) He told the Committee it is estimated the state motor fuel tax revenue in 1985 will be about 11.6 million less as a result of the reduced tax on gasohol compared to what would be collected at full tax rates. He said because of the need for additional highway use of revenue, the \$.05 per gallon subsidy of reduced taxes on gasohol should be phased out. He added that what his organization prefers is the complete phasing out of the gasohol subsidy but he is appearing in support of HB-2022 as its provisions are preferable to the current situation.

CONTINUATION SHEET

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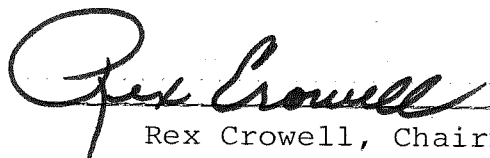
Mr. Kaup stated that the League of Kansas Municipalities does not believe the tax subsidy contributes significantly to the price of agricultural products. He referred to figures submitted by the State Highway Department and said he believes the gasohol subsidy is adversely affecting the future financing of state and local highways.

Mr. Tom Whitaker of the Kansas Motor Carriers Association was introduced and presented testimony in favor of HB-2022. (See Attachment 5) He stated that studies have revealed the gasohol fuel does not necessarily increase the consumption of grain and related agriculture products produced in Kansas, and in fact utilizes out-of-state and imported grain products in most instances. He also said Secretary of Transportation John Kemp has projected gasohol fuel will capture some 30 percent of the gasohol/gasoline fuel market in Kansas because of its subsidy in fuel taxes. In tax dollars this computes to some \$80 million in lost highway revenue over a 5-year period with the annual revenue loss growing to over \$17 million (about what one cent of fuel tax produces) in a year's time.

Mr. Whitaker stated the Kansas Motor Carriers Association supports the intent of HB-2022 and requests that the tax subsidy on gasohol fuels be eliminated.

Mr. Charles Nicolay of the Kansas Oil Marketers Association testified favorably concerning HB-2022. (See Attachment 6) Mr. Nicolay stated he supports the concept of HB-2022 but does not feel the bill adequately addresses the problem. Mr. Nicolay said the Board of Directors of the Kansas Oil Marketers Association adopted a policy recommending total elimination of the tax exemption on alcohol enhanced fuels.

The hearing on HB-2022 was concluded, and Chairman Crowell adjourned the meeting at 3:05 p.m.


Rex Crowell, Chairman

GUEST LIST

COMMITTEE: Transportation

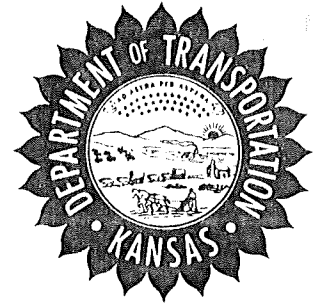
DATE: 1-29-85

PLEASE PRINT

NAME	ADDRESS	COMPANY/ORGANIZATION
Jim Kemp	Topeka	League of Municipalities
Raul N. Guerrero	Topeka	KDOT
ED DESOIGNIE	TOPEKA	KDOT
LARRY MORLAN	TOPEKA	KDOT
DAN RAMLOW	TOPEKA	Ks. Contractors Assn.
H. D. Wulfschlegel	HOME, KS	KANSAS CORN GROWERS
TOM REGAN	TOPEKA	Gas et Home Services
Tom Whitaker	Topeka	Ks Motor Carriers Assn
Mary Turkington	Topeka	Kansas Motor Carriers Assn
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Charles H. Nicolay	Topeka	Ks Oil Marketers Assn.
Scott Faust	WRE Topeka	Eagle-Beaver
GERRY RAY	Olathe	So. Co Commissioners
William C. Miller	Olathe	-
Chip Wheeler	Topeka	Reg. Policy Group
James Damm	"	KPC
Jim McBride	Topeka	United Way
H. Dunce	Topeka	Dept of Rev
RON CALBERT	NEWTON	UNITED TRANSPORTATION UNION
BOB BRADLEY	LAWRENCE	Ks Assoc Counties

KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

MEMORANDUM TO: House Transportation Committee

DATE: January 29, 1985

REGARDING: House Bill 2022

BILL DESCRIPTION: House Bill 2022 would reduce the gasoline-gasohol tax differential from 5 cents per gallon to 4 cents per gallon beginning 12:01 a.m., July 1, 1985.

FISCAL IMPACT: It has been estimated the motor fuel tax revenues would increase by about \$3.7 million on an annualized basis as a result of this change. The revenues in FY 1986 are estimated to be \$3.4 million because of the one month lag between collections and deposits in the 1st year of implementation. These revenues are projected to be distributed as follows:

- \$1.6 million - State Highway Fund
- \$0.4 million - State Freeway Fund
- \$1.4 million - Special City and County Highway Fund

BACKGROUND:

Briefly, the 1983 State highway funding bill (H.B. 2566) included an exemption of 5 cents per gallon on gasohol. The Federal Surface Transportation Assistance Act of 1982 (STAA) included another exemption of 5 cents per gallon. The Federal Deficit Reduction Act of 1984 provided for an additional 1 cent per gallon gasohol subsidy beginning January 1, 1985. This 11 cent total subsidy appears to be the cause of a loss in motor fuel tax receipts of approximately \$57.4 million for the five-year period, FY 1984-1988. Approximately \$27.8 million of this loss would be to the Highway Fund, \$6.3 million to the State Freeway Fund and \$23.3 million to the Special City and County Highway Fund. Last June, the expected loss was reported to be \$69 million to the interim committee. However, since that time, the price of motor fuel has trended downward causing a change in the concentration ratio between the fuels, leading to a slight upward revision in expected tax receipts.

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Attach. 1

Memorandum To: House Transportation Committee
January 29, 1985
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The interim committee was presented considerable detail on the issue and I have included certain attachments which review aspects of that testimony.

CONCLUSION:

The KDOT position, as it has always been, is that the amount and method of funding provided for the highway program is a joint decision of the Legislature and the Governor.

The loss of revenue due to the gasohol tax differential affects the program. Any restored funding will go back into the program.

Attachments

FEDERAL FUNDING

TABLE 35
SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982
HIGHWAY USER FEES

USER FEE TYPE	PREVIOUS RATE	NEW RATE	EFFECTIVE DATE OF CHANGES
Gasoline	8 cents/gallon	9 cents/gallon	April 1, 1983
Diesel	4 cents/gallon	9 cents/gallon	April 1, 1983
Gasohol	0	4 cents/gallon *	April 1, 1983
Tires	9.75 cents/lb., all tires	Tires under 40 lbs., 0; 40-70 lbs., 15 cents/lb. in excess of 40; 70-90 lbs., \$4.50 + 30 cents/lb. in excess of 70; over 90 lbs., \$10.50 + 50 cents/lb. in excess of 90.	January 1, 1984
Tread Rubber	5 cents/lb.	0	January 1, 1984
Inner Tubes	10 cents/lb.	0	January 1, 1984
Lubricating Oil	6 cents/gallon	0	January 6, 1983
Truck Parts	8% at wholesale for all trucks	0	January 6, 1983
Truck Sales	10% at wholesale for trucks over 10,000 lbs. gvw	12% at retail for trucks over 33,000 lbs. gvw and trailers over 26,000 lbs. gvw	April 1, 1983 1
Heavy Vehicle Use Fee 2	\$3/1,000 lbs. gvw for trucks over 26,000 lbs. gvw	Trucks under 33,000 lbs. gvw, 0 33,000-55,000 lbs. gvw, \$50 + \$25/1,000 lbs. in excess of 33,000 55,000-80,000 lbs. gvw, \$600 + \$40/1,000 lbs. 4 in excess of 55,000 Over 80,000 lbs. gvw, \$1,600 5	July 1, 1984 July 1, 1988 3

- 1 Exemption for trucks below 33,000 lbs. gvw and trailers below 26,000 lbs. gvw effective January 6, 1983.
- 2 Vehicles traveling less than 5,000 miles per year on highways are exempt from this tax.
- 3 The tax on trucks under 33,000 lbs. will be removed effective July 1, 1984. New rates will be phased-in beginning July 1, 1984 with top rate of \$1,900 effective July 1, 1988.
- 4 This rate rises in 4 steps - \$40, \$44, \$48, and \$52.
- 5 This rate rises in steps - \$1,600, \$1,700, \$1,800, and \$1,900.
- * The tax rate on gasohol will be reduced to 3 cents/gallon on January 1, 1985.

SOURCE: Our Nation's Highways: Selected Facts and Figures, U.S. Department of Transportation, Federal Highway Administration, 1983.

Data valid until December 1985. Readers are urged to consult updated publications for possible revisions after that date.

TABLE 36
FEDERAL USER FEE STRUCTURE

<u>TAX TYPE</u>	<u>1982 STAA RATE</u>	<u>1984 DEFICIT REDUCTION ACT</u>
GASOLINE	9 cents/gallon	No Change
GASOHOL	4 cents/gallon	3 cents/gallon Effective 1/1/85
DIESEL	9 cents/gallon	15 cents/gallon 1 Effective 8/1/84
TIRES	0-40 lbs.: No Tax 40-70 lbs.: 15 cents/lb. 70-90 lbs.: \$4.50 + 30 cents/lb. over 70 lbs. 90 lbs. - : 10.50 + 50 cents/lb. over 90 lbs.	No Change No Change No Change No Change
TRUCK SALES	12% Retail - All Tractors 12% Retail - Trucks over 33,000 lbs. gvw 12% Retail - Trailers over 26,000 lbs. gvw Piggyback Trailers - Same Rate as Above	No Change No Change No Change 6% First Year and 12% Thereafter *
USE TAX	26-33,000 lbs.: No Tax 33-55,000 lbs.: \$50 + \$25/1,000 lbs. over 33,000 55-80,000 lbs.: \$600 + \$40/1,000 lbs. over 55,000 to a maximum of \$1,600 Logging Trucks - Same Rate as Above	Up to 55,000 lbs. * - No Tax * 55,000 lbs. and over - \$100 + \$22/1,000 lbs. over 55,000 to a maximum of \$550 over 75,000 lbs. * 75% of the Rate Above *

1 One time tax credit given to diesel vehicles under 10,000 lbs. and 1979 or later model year.

* Effective July 1, 1984.

Data valid until December 1985. Readers are urged to consult updated publications for possible revisions after that date.

STATE FUNDING

TABLE 39
HISTORY OF STATE MOTOR FUEL TAX RATES
(CENTS/GALLON)

<u>EFFECTIVE DATE</u>	<u>GASOLINE</u>	<u>DIESEL</u>	<u>LP</u>	<u>GASOHOL</u>	<u>DOLLARS/PERMIT TRIP PERMITS</u>
*July 1, 1925	2	-	-	-	-
*July 1, 1929	3	-	-	-	-
July 1, 1941	3	3	3	-	-
March 1, 1946	4	4	4	-	-
July 1, 1949	5	5	5	-	-
January 1, 1956	5	7	7	-	-
July 1, 1956	5	7	5	-	-
July 1, 1957	5	7	7	-	-
July 1, 1958	5	7	5	-	-
July 1, 1959	7	8	5	-	-
January 1, 1972	7	8	5	-	3
July 1, 1976	8	10	7	-	3
July 1, 1977	8	10	7	-	5
**July 1, 1979	8	10	7	3	5
July 1, 1983	10	12	9	6	6
January 1, 1984	11	13	10	6	6.50
July 1, 1985	Determined by Indexation.				

* Tax revenue was returned to the county of origin for the general road fund. In 1928, the Kansas Constitution was amended to authorize the State to construct and maintain a State Highway System and to levy special taxes on motor vehicles and motor fuels for road and highway purposes. The 1929 law increased the tax rate to 3 cents credited that the net revenue credited to the State Gasoline Tax Fund for construction and maintenance of roads and highways.

** On July 1 of each year thereafter, the tax rate for gasohol increased by 1 cent until it reached 6 cents a gallon in 1983.

SOURCE: Kansas Legislative Research Department, 1976 Kansas Tax Facts, pp. 40-41.

INDEXATION

In accordance with the 1983 House Bill 2566, motor fuel tax rates will be determined by an indexation method beginning July 1, 1985. Under this provision of the bill, the tax rate for gasoline will be ten percent of the unweighted average price per gallon of premium, unleaded and regular motor vehicle fuel sold during the month of November of the previous year, as published by the U.S. Department of Energy. The tax rate is limited in that it cannot be less than 11 cents per gallon and the tax rate cannot be increased or decreased by more than 1 cent per gallon from the prior fiscal year tax rate. A change of one cent in the regular motor fuel tax rate will also be reflected in a 1 cent tax rate increase or decrease in the tax rates for gasohol, diesel and liquid petroleum, and the trip permits will change in 50 cent increments. It is anticipated that the motor fuel tax rates for FY 1986 will remain at their FY 1985 levels.

Data valid until September, 1985. Readers are urged to consult updated publications for possible revisions after that date.

TABLE 45
MOTOR FUEL TAX RATES - FEDERAL AND SELECTED STATES
AUGUST 1, 1984
(CENTS/GALLON)

<u>STATE</u>	<u>GASOLINE</u>	<u>DIESEL</u>	<u>GASOHOL</u>	<u>NOTES</u>
KANSAS	11.0	13.0	6.0	
COLORADO	12.0	13.0	7.0	
IOWA	13.0	15.5	10.0	
MISSOURI	7.0	7.0	7.0	
NEBRASKA	14.9	14.9	9.9	Gasoline & Diesel rate 11.5 + 4%, reviewed Quarterly.
OKLAHOMA	9.0	9.0	9.0	Rate increased from 6.58 to 9 cents/gallon on 4-16-84.
ARKANSAS	9.5	10.5	0.0	4% sales tax on gasohol only.
NEW MEXICO	11.0	11.0	0.0	Variable rate set annually, 11 cent maximum.
WYOMING	8.0	8.0	8.0	
TEXAS	10.0	10.0	0.0	Gasohol from home grown grain is tax exempt. Gasoline increased 5 cents and Diesel 3.5 on highest motor fuel tax rates in nation.
WASHINGTON	18.0	18.0	16.2	+4% sales tax applies unless exempt.
MICHIGAN	15.0	15.0	11.0	Rate indexed and set annually.
FEDERAL	9	9	4	

SOURCE: Nebraska Department of Roads, State Motor Fuel Tax Rates, August 1, 1984.

Data valid until December, 1985. Readers are urged to consult updated publications for possible revisions after that date.

GASOHOL

TABLE 46
GASOLINE-GASOHOL TAX DIFFERENTIAL

	GASOLINE TAXES			GASOHOL TAXES			GASOHOL TAX ADVANTAGE
	STATE	FEDERAL	TOTAL	STATE	FEDERAL	TOTAL	
June 1, 1979							
- June 30, 1980	8	4	12	3	0	3	9
July 1, 1980							
- June 30, 1981	8	4	12	4	0	4	8
July 1, 1981							
- June 30, 1982	8	4	12	5	0	5	7
July 1, 1982							
- March 31, 1983	8	4	12	6	0	6	6
April 1, 1983							
- June 30, 1983	8	9	17	6	4	10	7
July 1, 1983							
- December 31, 1983	10	9	19	6	4	10	9
January 1, 1984							
- Present	11	9	20	6	4	10	10

HIGHLIGHTS: FEDERAL LEGISLATION: The 1982 Surface Transportation Assistance Act raised the federal tax on gasoline from 4 cents per gallon to 9 cents per gallon beginning April 1, 1983 and at the same time established a tax of 4 cents per gallon for gasohol. In effect, the federal tax differential between gasoline and gasohol was raised from 4 cents to 5 cents beginning April 1, 1983.

The 1984 Deficit Reduction Act will reduce the federal tax on gasohol by 1 cent per gallon, thereby raising the federal tax differential from 5 cents per gallon to 6 cents per gallon beginning January 1, 1985.

STATE LEGISLATION: The Highway Finance Bill (1983 House Bill No. 2566) passed by the Kansas Legislature in the 1983 session, specified that the gasoline tax rate was to increase to 10 cents per gallon on July 1, 1983 and to 11 cents per gallon beginning January 1, 1984. Gasohol was to be taxed at 6 cents per gallon, thereby creating a 4 cent state tax differential for the first half of FY 1984 and a 5 cents differential thereafter. The law further provides that the gasohol tax rate will remain at 5 cents per gallon less than the gasoline tax rate once the cumulative tax loss reaches \$5 million. Since this has already occurred, a permanent state tax differential of 5 cents per gallon is in effect.

Beginning January 1, 1985, the total tax differential between gasoline and gasohol will be 11 cents per gallon - 6 cents per gallon at the federal level and 5 cents per gallon at the state level.

Data valid until December, 1985. Readers are urged to consult updated publications for possible revisions after that date.

TABLE 47
COMPARISON OF GASOHOL AND GASOLINE TAX RECEIPTS
AND GROSS TAXABLE GALLONS

	GASOHOL		GASOLINE*		GASOHOL CONCENTRATION RATIO
	RECEIPTS	GALLONS	RECEIPTS	GALLONS	
FY 1983					
July	\$ 30,068	601,320	\$ 8,645,482	108,068,525	0.55%
August	31,315	521,917	9,142,511	114,281,388	0.45%
September	33,752	562,533	8,115,265	101,440,813	0.55%
October	26,757	445,950	7,877,666	98,470,825	0.45%
November	27,848	464,133	4,740,677	59,258,463	0.78%
December	44,786	746,433	11,223,323	140,291,538	0.53%
January	41,967	699,450	8,276,480	103,456,000	0.67%
February	5,628	93,800	2,719,776	33,997,200	0.28%
March	60,114	1,001,900	11,066,221	138,327,763	0.72%
April	34,768	579,467	7,780,131	97,251,638	0.59%
May	40,803	680,050	7,855,473	98,193,413	0.69%
June	30,040	500,667	8,913,372	111,417,150	0.45%
TOTAL	\$ 407,844	6,897,620	\$ 96,356,377	1,204,454,713	0.57%
FY 1984					
July	\$ 45,474	757,900	\$ 7,844,493	98,056,163	0.77%
August	321,271	5,354,517	11,144,462	111,444,620	4.58%
September	439,215	7,320,250	9,522,971	95,229,710	7.14%
October	437,110	7,285,167	8,768,393	87,683,930	7.67%
November	491,470	8,191,150	7,763,658	77,636,580	9.54%
December	810,141	13,502,350	9,651,558	96,515,580	12.27%
January	1,196,802	19,946,700	9,815,139	98,151,390	16.89%
February	805,299	13,421,650	7,724,038	70,218,527	16.05%
March	1,385,073	23,084,533	8,450,353	76,821,391	23.11%
April	987,452	16,457,500	6,496,562	59,059,655	21.79%
May	1,730,517	23,842,033	9,525,631	86,596,645	24.98%
June	1,527,672	25,461,200	9,445,413	85,867,391	22.87%
TOTAL	\$10,177,496	169,624,950	\$106,152,671	1,043,281,582	13.98%
FY 1985					
July	\$ 1,631,926	27,198,767	\$ 9,289,505	84,450,045	24.36%
August	1,466,543	24,442,383	9,627,333	87,521,209	21.83%
September	997,754	16,629,233	8,628,115	78,437,409	17.49%
October	1,484,045	24,734,033	8,705,136	79,137,600	23.81%

* Inventory tax not included.

NOTE: Gasohol concentration ratio is equal to the ratio of the gasohol taxable gallons to the sum of the gasoline and gasohol gallons.

Data valid until December, 1985. Readers are urged to consult updated publications for possible revisions after that date.

TABLE 48
REVENUE LOSS DUE TO THE GASOLINE-GASOHOL TAX DIFFERENTIAL
MONTHLY LOSS BY FUND

FY 1983	STATE HIGHWAY FUND	STATE FREEWAY FUND	SPECIAL CITY & COUNTY HIGHWAY FUND	TOTAL ALL FUNDS
July	\$ 9,418	\$ 3,203	\$ 5,419	\$ 18,040
August	5,449	1,853	3,136	10,438
September	5,874	1,998	3,380	11,251
October	4,656	1,583	2,679	8,919
November	4,846	1,648	2,789	9,283
December	7,794	2,651	4,485	14,929
January	7,303	2,484	4,202	13,989
February	979	333	564	1,876
March	10,461	3,558	6,019	20,038
April	6,050	2,058	3,481	11,589
May	7,101	2,415	4,086	13,601
June	5,227	1,778	3,008	10,013
TOTAL	\$ 75,159	\$ 25,560	\$ 43,247	\$ 143,966
FY 1984				
July	\$ 6,607	\$ 1,820	\$ 6,730	\$ 15,158
August	93,362	25,722	95,096	214,181
September	127,637	35,165	130,008	292,810
October	127,025	34,997	129,385	291,407
November	142,823	39,349	145,475	327,647
December	235,429	64,863	239,802	540,094
January	387,381	87,351	323,137	797,868
February	325,824	73,470	271,789	671,083
March	560,401	126,365	467,462	1,154,228
April	399,522	90,088	333,264	822,875
May	700,169	157,881	584,051	1,442,102
June	618,096	139,375	515,589	1,273,060
TOTAL	\$3,724,278	\$876,447	\$3,241,788	\$7,842,513
FY 1985				
July	\$ 660,277	\$148,886	\$ 550,775	\$1,359,938
August	\$ 593,363	\$133,798	\$ 494,958	\$1,222,119
September	\$ 403,691	\$ 91,028	\$ 336,742	\$ 831,462
October	\$ 600,445	\$135,394	\$ 500,866	\$1,236,705
November*	\$ 541,840	\$122,180	\$ 451,980	\$1,116,000

* November 1984 figures are preliminary.

NOTE: Details may not add to totals due to rounding.

Data valid until December 1985. Readers are urged to consult updated publications for possible revisions after that date.

Statement To
HOUSE COMMITTEE ON TRANSPORTATION

Dennis
Joan
Harry

RE: H.B. 2022 - Proposal No. 45
January 29, 1985
Topeka, Kansas

Presented By
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and members of the Committee:

We appreciate the opportunity to make a brief statement regarding House Bill 2022, the product of the interim committee on transportation and utilities which studied the taxation of motor vehicle fuels, and specifically examined the tax differential for motor vehicle fuels containing agricultural ethyl alcohol. At the same time the interim committee was studying the topic of motor fuel tax and revenues derived therefrom, our members were reexamining the position they had previously taken concerning motor fuel tax and specifically the tax differential granted to ethyl alcohol.

Farmers and ranchers continue to support the ethanol production activities in the State of Kansas. Such production provides a market for grains produced in this state. In addition, ethanol production plants provide other tax revenues to local units of government and to the State of Kansas.

There are documented performance properties of gasohol as a motor fuel that exceed those of gasoline. Among the advantages for alcohol as a fuel blend are these:

1. Alcohol causes the mixture to expand slightly producing a larger volume of fuel.
2. Alcohol increases the octane of gasoline. The octane is not enhanced as much as is done by tetraethyl lead, but as you know the move is away from lead as a fuel additive.

1/29/85
Attach. 2

3. Alcohol also lowers carbon monoxide emissions.

These are but a few of the beneficial uses of grain alcohol when blended with gasoline.

At our most recent annual meeting the farmers and ranchers from the 105 counties of Kansas, following their examination of the ethanol production program in Kansas and the motor fuel tax situation in our state adopted the following policy position:

ETHANOL PRODUCTION

The need for development of new markets for grain is paramount. The development of new industries for rural Kansas should also be assisted.

Ethanol production has a promising future for grain consumption and grain pricing. We strongly support ethanol production and encourage:

1. *Establishment of research projects on wet stillage feeding and feed trials, as well as utilization of other by-products of the ethanol production process;*
2. *Consumer promotion and education concerning ethanol use;*
3. *A federal tax credit, equal to the nine-cent federal motor fuel (gasoline) tax, for ethanol used in motor fuel; and*
4. *Continuation of the Kansas motor fuels tax exemption for ethanol until a federal tax credit program is in effect, after which we will support phase-out of the ethanol exemption in Kansas.*

In summary, Mr. Chairman and members of the Committee, we see ethanol production as a viable grain market opportunity. There are on-going research projects on the feeding of distillers dried grain as well as wet stillage and other by-products of the ethanol production process. Our members are supportive of legislation such as H.B. 2022 PROVIDED the differential can be maintained either in concert with the federal government (in the tax differential provided there) or by maintaining a portion of the motor fuels tax exemption presently granted for ethanol in Kansas. Since H.B. 2022 seeks only to reduce by two cents the present differential . . . which in reality maintains, with the federal six cent differential . . . a ten cent advantage for gasohol, we can support H.B. 2022.

Thank you very much for this opportunity to present the views of farmers and ranchers in Kansas.

KEA

increase means increase in the incentive
**KANSAS
ETHANOL
ASSOCIATION**

did additional incentive in 1983 increase for production

HOUSE TRANSPORTATION COMMITTEE

Tuesday, January 29, 1985

1:30 p.m.

Statement of Thomas Regan, Kansas Ethanol Association

Re: HB 2022

Mr. Chairman and Members of the Committee:

I am Tom Regan and represent the Kansas Ethanol Association and I appear today to support HB 2022.

As the Committee is aware, HB 2022 would reduce the ethanol industry's incentive at a rate of \$.01 per gallon less than is presently authorized. This recommendation by the Interim Committee is a result of much debate during the summer and early fall as to the appropriateness of the incentive considering the impact on highway funds and the potential impact of the agricultural community. As the Committee is aware, the incentive would drop from \$.05 to \$.04 commencing July 1, 1985. The combined federal and state incentive would remain the same as a result of an increase of \$.01 in the federal subsidy which became effective January 1, 1985.

Ethanol is produced from the fermentation of bio-mass material, most notably corn, milo and other grains. One bushel of milo will produce 2.5 gallons of ethanol plus 17 pounds of distillers dry grain (DDG).

A ten-million gallon ethanol plant will consume four million bushels of grain annually and grain consumption by producers is estimated in Kansas for 1984 at 13.6 million bushels.

The ethanol industry was born in the late 1960's in response to America's gasoline shortage. In 1978, ethanol blends were marketed for the first time at the retail level.

This is a young and growing industry. As the Committee is aware, EPA intends to phase down lead in gasoline and by the early 1990's, ethyl alcohol should be economically viable without state road tax support.

The argument of lost revenue to our highway system cannot and should not be just winked out, but the industry also presents the state with economic benefits, including the new market for Kansas agriculture, employment, taxes, etc.

We believe the interim committee recommendations were appropriate and we ask the Committee to adopt those recommendations.

Respectfully Submitted,


THOMAS W. REGAN

ETHANOL FACTS

I. WHAT IS ETHANOL?

- a. Ethanol is 200 proof (100% anhydrous alcohol) used as a motor fuel additive by blending 90% gasoline with 10% ethanol. This blended mixture use to be referred to as "Gasohol": It is now called Super Unleaded or Unleaded, with ethanol added.
- b. Ethanol blended fuels burn cleaner with lower noxious emissions and have up to a 3 point higher octane rating than unleaded fuels.
- c. Ethanol is approved for use by almost all domestic and foreign automobile manufacturers.
- d. Ethanol should not be confused with methanol. Methanol, also known as "wood alcohol" is made from natural gas and can be highly corrosive to plastic and rubber parts in automobile engines.

II. HOW IS ETHANOL PRODUCED?

- a. Ethanol is produced from the fermentation of bio-mass material, most notably corn, milo and other grains.
- b. One bushel of milo will produce 2.5 gallons of ethanol plus 17 pounds of distillers dry grain (DDG). DDG has as much as 30% protein content and is used as a livestock feed.
- c. A ten-million gallon ethanol plant will consume 4-million bushels of grain annually.

III. THE IMPORTANCE OF ETHANOL FUEL

- a. Production of ethanol is a vital new market for surplus grain. The USDA estimates for every 100,000,000 bushels of grain diverted from food use, approximately 7 to 12¢ per bushel will be added to market prices.
- b. Ethanol is a renewable fuel while petroleum resources, which are rapidly being depleted throughout the world and Kansas, are not.
- c. Ethanol can provide one alternative source of energy to help reduce the nation's and Kansas' reliance on petroleum resources. For every gallon of ethanol produced and sold, a gallon less which needs to be imported.

IV. THE U.S. ETHANOL INDUSTRY

- a. The ethanol industry was born in the late 1960s in response to America's gasoline shortage. In 1978, ethanol blends were marketed for the first time at the retail level. In that year, motorists used 40-million gallons of ethanol.

- b. By the end of 1983, the ethanol industry had increased nearly ten times to a projected annual sales level of 380-million gallons sold by over 70 ethanol manufacturers located throughout the United States. Most producers are in the Midwest. Twelve large companies account for nearly 80% of total ethanol sales, which include the involvement of Texaco, Ashland Oil, Chevron and Archer Daniels Midland.

V. ECONOMICS

- a. Since it costs more to produce a gallon of ethanol than a gallon of gasoline, the ethanol industry has needed tax subsidies from Federal and State governments. The Federal government provides a 5¢ per gallon reduction on Federal Motor Fuel Tax for each gallon of ethanol blended fuel sold. This law expires in 1992. Additionally, 35 states have separate tax incentives which range from 2¢ to 11¢ per gallon.

VI. THE KANSAS ETHANOL INDUSTRY

- a. The ethanol industry in Kansas is relatively new and is represented by the Kansas Ethanol Association. The industry consists of four companies and two additional companies are expected to be in production within the next 18 months.

<u>Current Producers</u>	<u>Plant Location</u>	<u>Annual Capacity</u>
Reeves Cattle Co. (Garden City)	Garden City	1,500,000 Gal.
ESE Alcohol (Leoti)	Leoti	500,000 "
Midwest Solvents (Atchison)	Pekin, IL	6,000,000 "
High Plains Corp.	Colwich	10,000,000 "
<u>Potential Producers</u>		
Circle Energy	Garden City	15,000,000 Gal. <i>may not go on line</i>
Farmers Fuel & Grain	Liberal	6,000,000 "

- b. Within the next two years, the Kansas' ethanol industry may produce approximately 40-million gallons of ethanol and 148,000 tons of DDG.
- c. The industry will consume 16-million bushels of grain annually, directly employ 160 people in production, create 990 new jobs in supporting industries and generate \$160-million in economic activity for State.



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

TO: House Transportation Committee
FROM: Jim Kaup, Staff Attorney
DATE: January 29, 1985
SUBJECT: HB 2022, Taxation of Gasohol

The passage of 1983 House Bill 2566, authorizing a new state-local highway finance program, was greeted with considerable enthusiasm by the city officials of Kansas. From the local government standpoint, the new act was the most significant highway finance action taken since the 1969 legislative session when approximately one-half of the revenue from a 2¢ fuel tax increase was shared with local units of government, with distribution formula changes made in 1970. By formal action of its Convention of Voting Delegates at its 1983 annual convention, the League of Kansas Municipalities adopted the following policy statement: "We commend the 1983 legislature for its enactment of a comprehensive highway finance program. City officials are ready to publicly support those legislators who voted for the tax increases necessary to adequately maintain our state and local highway system."

The enthusiasm of Kansas city officials for HB 2566 was based on a number of assumptions that were felt to be reasonable at the time of the bill's enactment in 1983. The first of these assumptions was that gasoline consumption during 1983 and 1984 would be at the same level as for 1982. Based on this and other assumptions, it was estimated by the League in May 1983 that cities could expect to receive \$28.2 million in 1984 direct highway aid payments, or \$15.27 per capita. The estimated amount of highway aid payments to counties for 1984 was \$39.4 million. Again, both estimates were based on the prediction that the consumption of gasoline would remain stable.

Based on recent figures it now appears that the League's estimates for 1984 were about 9.1 percent too high. The most recent KDOT information for direct highway aid payments to cities and counties indicates that the 11¢ total gasohol subsidy (5¢ state subsidy, 6¢ federal subsidy) will be the cause of a loss in motor fuel tax receipts of \$57.4 million for the five-year period of FY 1984-1988. Of this amount, it is estimated that \$27.8 million will be lost to the highway fund, \$6.3 million lost to the state freeway fund, and \$23.3 million lost to the special city and county highway fund. In FY 1984 alone, the gasoline-gasohol tax differential resulted in a revenue loss for the special city and county highway fund in an amount of \$3,241,788. The gasohol subsidy appears to have already cost that same fund nearly \$2.5 million in the first five months of FY 1985.

1/29/85
Attach. 4

In May of 1983 total state receipts from gasohol were estimated at only \$200,000 for FY 1984. In November 1983 this estimate was revised dramatically to reflect receipts of \$4,500,000. In March 1984 the estimate was again increased to \$8,500,000. The final figure for FY 1984 gasohol receipts went far higher than even the March estimate--\$10,177,496. This dramatic increase in gasohol usage--and the equally dramatic drop-off in motor fuel tax receipts--is reflected in KDOT's figures comparing gasoline usage to gasohol usage. In FY 1983, gasohol made up only 0.57% of combined gasoline-gasohol consumption. By October 1984 that percentage had jumped to 23.81%.

The League of Kansas Municipalities supports the phase-out of the gasohol subsidy. This position is based on a formal policy, adopted by the voting delegates to the 1984 League convention, which provides: "It is estimated that state motor fuel tax revenue in 1985 will be about \$11.6 million less as a result of the reduced tax on gasohol, compared to what would be collected at full tax rates. Because of the need for additional highway user revenue, the 5¢ per gallon subsidy of reduced taxes on gasohol should be phased out."

We are not convinced that the tax subsidy significantly contributes to the Kansas agricultural economy. We are convinced that it is adversely affecting the future financing of our state and local highway system. While we acknowledge the uncertainty of estimating the impact of the gasohol subsidy, we would emphasize once more the KDOT statement that the subsidy will cost the special city and county highway fund \$23.3 million over the period FY 1984-1988. This is money urgently needed to carry out essential road repair and improvement projects which were undertaken in reliance upon the highway aid package put together by the 1983 Legislature. Phasing out the gasohol subsidy will not solve the Kansas highway finance problem, but it will help keep it from getting worse.

While the League's policy position on gasohol is squarely met by legislation now in the other house--SB 30, we do support the step in reducing the subsidy that is represented by HB 2022.

STATEMENT

By

KANSAS MOTOR CARRIERS ASSOCIATION

Concerning House Bill No. 2022 relating to the rate of taxation on ethyl alcohol blended motor vehicle fuels.

Presented to the House Transportation Committee, Rep. Rex Crowell, Chairman; Statehouse, Topeka, Tuesday, January 29, 1985.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Tom Whitaker, Governmental Relations Director of the Kansas Motor Carriers Association with offices in Topeka. I appear here this afternoon representing the 1,550 member-firms of the Association and the highway transportation industry.

The Interim Transportation Committee researched the gasohol issue at some length with respect to the impact the tax subsidy for gasohol fuel is making on highway revenues in Kansas and with concern for the interests of the agricultural industry should the gasohol subsidy be reduced or eliminated.

The production of gasohol fuels initially was encouraged to provide an expanded market for Kansas produced grain and related agricultural products. Subsequent studies have revealed that gasohol fuel does not necessarily increase the consumption of grain and related agricultural products produced in Kansas -- and, in fact, utilizes out-of-state and imported grain products in most instances.

1/29/85
Attach. 5

Secretary of Transportation John Kemp has projected the gasohol fuel to capture some 30 percent of the gasohol/gasoline fuel market in Kansas because of its subsidy in fuel taxes. In tax dollars this computes to some \$80 million in lost highway revenue over a 5-year period with the revenue loss growing to over \$17 million (about what one cent of fuel tax produces) in a year's time.

House Bill No. 2022 increases the Kansas tax on gasohol by one cent on July 1, 1985, from six cents per gallon to seven cents per gallon.

On January 1, 1985, the Federal tax rate on gasohol was reduced from four cents to three cents per gallon. The total state and federal tax rate on gasohol is nine cents per gallon. If House Bill No. 2022 is enacted by the 1985 Legislature, the combined tax rate in Kansas on gasohol will become ten cents per gallon effective July 1, 1985.

Currently, the combined state and federal tax rate on gasoline is twenty cents per gallon and diesel fuel is taxed at a rate of twenty-eight cents per gallon. The impact on highway revenues of continued subsidy of this gasohol fuel is a major concern to all highway users -- including those served by local streets and highways.

The Kansas Motor Carriers Association supports the intent of House Bill No. 2022. Our industry respectfully requests that the tax subsidies on gasohol fuels at both the state and federal levels be eliminated and this fuel bear its share of taxes when consumed on streets and highways.

#####

1983 KANSAS HIGHWAY USER TAXES

Trucks and Buses in Kansas Paid \$168,435,000
in State and Federal Highway User Taxes

<u>TAX</u>	<u>PASSENGER CARS & MISCELLANEOUS</u>	<u>TRUCKS AND BUSES</u>	<u>TOTAL</u>	<u>TRUCK & BUS % OF TOTAL</u>
Registration Fees	\$24,630,000	\$40,429,000	\$ 65,059,000	62.14%
Miscellaneous Fees	5,387,000	6,043,000	11,430,000	52.87
Fuel Taxes	62,186,000	63,977,000	126,163,000	50.71
Motor Carrier Taxes	----	3,430,000	3,430,000	100.00
Total State User Taxes	\$92,203,000	\$113,879,000	\$206,082,000	55.26%

Federal Highway User Taxes Paid by Trucks and Buses in Kansas - 1983

Motor Fuel Taxes	\$39,671,000
Lubricating Oil	63,000
Excise - Parts & Accessories	902,000
Excise - Tires, Tubes & Camelback	4,403,000
Excise - New Trucks, Trailers & Buses	5,608,000
Federal Use Tax	3,909,000
Total Federal Tax	\$54,556,000

Total State and Federal Highway User Taxes
Paid by Trucks and Buses in Kansas \$168,435,000

The motor carrier industry pays its highway user tax bill PLUS all of the general business tax paid by all other business and industry.

Distributed by:

Kansas Motor Carriers Association
2900 South Topeka Blvd.
Topeka, Kansas

KANSAS HIGHWAY USER TAXES

TRUCK AND BUS PERCENT OF TOTAL
REGISTRATION FEES AND FUEL TAXES

<u>Year</u>	<u>Registration Fees</u>	<u>Fuel Taxes</u>	<u>Total</u> ⁽¹⁾
1970	55.0%	38.5%	43.3%
1971	45.4 ⁽²⁾	39.2	40.6 ⁽²⁾
1972	57.6	39.4	45.3
1973	57.6	40.6	45.9
1974	57.9	41.7	46.5
1975	61.4	42.4	48.5
1976	61.7	43.2	48.8
1977	61.1	45.4	50.5
1978	61.8	43.2	49.7
1979	63.0	45.5	51.6
1980	64.3	46.7	53.5
1981	66.6	49.9	56.7
1982	64.0	52.4	57.0
1983	62.1	50.7	55.3

TRUCKS AND BUSES PAY THEIR SHARE OF KANSAS HIGHWAY USER TAXES.
THAT SHARE NOW STANDS AT OVER 55 PERCENT.

(1) Total includes miscellaneous fees and motor carrier taxes.

(2) 1971 was the first year automobiles were registered on the present staggered monthly system. This resulted in additional registration fees collected from automobiles in 1971 which made the truck and bus percentage of total registration fees disproportionately low.

KANSAS LICENSE TAG FEES PAID BY TRUCKS AND BUSES IN 1983

(Compiled from year end Motor Vehicle Department reports)

REGULAR

<u>Tag Fee Bracket</u>	<u>Weight Brackets</u>	<u>Number of Registrations</u>	<u>Estimated Tag Fees Paid</u>	
\$ 27.50	0 - 12,000 lbs.	372,099	\$10,232,722	
75.00	12,001 - 16,000	5,929	444,675	
100.00	16,001 - 20,000	4,387	438,700	
150.00	20,001 - 24,000	5,913	886,950	
235.00	24,001 - 30,000	3,776	887,360	
285.00	30,001 - 36,000	1,499	427,215	
360.00	36,001 - 42,000	1,090	392,400	
460.00	42,001 - 48,000	1,415	650,900	
615.00	48,001 - 54,000	1,242	763,830	
765.00	54,001 - 60,000	645	493,425	
915.00	60,001 - 66,000	280	256,200	
1,175.00	66,001 - 74,000	447	525,225	
1,325.00	74,001 - 80,000	1,255	1,662,875	
1,475.00	80,001 - 85,000	684	1,008,900	
		<u>400,661</u>		
				TOTAL
				\$19,071,377

PRORATED VEHICLES

Kansas and Foreign	37,197			
				TOTAL
				\$15,140,727

LOCAL AND 6,000 MILE

		<u>Local</u>	<u>6,000 Mile</u>	
\$ 25.00	0 - 12,000 lbs.	0	0	\$ 0
47.00	12,001 - 16,000	2,152	334	116,842
75.00	16,001 - 20,000	1,212	270	111,150
100.00	20,001 - 24,000	1,786	403	218,900
135.00	24,001 - 30,000	1,267	237	203,040
160.00	30,001 - 36,000	428	158	93,760
185.00	36,001 - 42,000	424	153	106,745
235.00	42,001 - 48,000	1,024	233	295,395
315.00	48,001 - 54,000	1,029	172	378,315
360.00	54,001 - 60,000	329	148	171,720
440.00	60,001 - 66,000	123	106	100,760
575.00	66,001 - 74,000	107	117	128,800
675.00	74,001 - 80,000	160	126	193,050
775.00	80,001 - 85,500	81	84	127,875
		<u>10,122</u>	<u>2,541</u>	
				TOTAL
				\$ 2,246,352

FARM

<u>Tag Fee Bracket</u>	<u>Weight Brackets</u>	<u>Number of Registrations</u>	<u>Estimated Tag Fees Paid</u>
\$15.00	0 - 12,000 lbs.	136,252	\$2,043,780
21.00	12,001 - 16,000	20,978	440,538
26.00	16,001 - 20,000	19,056	495,456
42.00	20,001 - 24,000	21,204	890,568
62.00	Over - 24,000	13,666	847,292
		<u>211,156</u>	
		TOTAL	\$ 4,717,634

TRAILERS

Trailers	87,374	\$1,261,325
	TOTAL	\$ 1,261,325

PERMITS

72 - Hour	55,390	\$1,099,060
30 - Day	<u>6,993</u>	<u>274,375</u>
	62,383	
	TOTAL	\$ 1,373,435

URBAN BUS

\$15.00	8 - 30 Passengers	97	\$ 1,455
30.00	31 - 39 Passengers	3	90
60.00	Over 39 Passengers	<u>78</u>	<u>4,680</u>
		178	
		TOTAL	\$ 6,225

GRAND TOTAL \$43,817,075

KANSAS HIGHWAY USER TAXES PAID BY TRUCKS AND BUSES,
AND TRUCK AND BUS REGISTRATIONS

(Comparison of Calendar Years)

<u>Calendar Year</u>	<u>Total Truck & Bus Highway User Taxes 1/</u>	<u>% Increase Over 1955</u>	<u>Truck & Bus Registrations 2/</u>	<u>% Increase Over 1955</u>
1955	\$ 20,471,354	---	251,188	---
1956	\$ 22,266,393	+ 8.77%	254,858	+ 1.46%
1957	\$ 23,045,428	+ 12.57%	258,474	+ 2.90%
1958	\$ 23,902,302	+ 16.76%	258,363	+ 2.86%
1959	\$ 25,172,210	+ 22.96%	268,045	+ 6.71%
1960	\$ 26,675,819	+ 30.31%	275,371	+ 9.63%
1961	\$ 27,515,828	+ 34.41%	286,627	+ 14.11%
1962	\$ 28,728,453	+ 40.33%	298,981	+ 19.03%
1963	\$ 30,377,424	+ 48.39%	309,607	+ 23.26%
1964	\$ 31,207,337	+ 52.44%	320,702	+ 27.67%
1965	\$ 32,973,536	+ 61.07%	335,393	+ 33.52%
1966	\$ 34,934,972	+ 70.65%	348,912	+ 38.90%
1967	\$ 36,682,188	+ 79.19%	363,059	+ 44.54%
1968	\$ 39,135,778	+ 91.17%	380,854	+ 51.62%
1969	\$ 45,621,435	+122.85%	400,581	+ 59.47%
1970	\$ 52,170,362	+154.85%	415,884	+ 65.57%
1971	\$ 55,053,033	+168.93%	438,648	+ 74.63%
1972	\$ 59,780,096	+192.02%	467,327	+ 86.05%
1973	\$ 67,892,557	+231.65%	505,385	+101.20%
1974	\$ 66,929,498	+226.94%	526,312	+109.53%
1975	\$ 71,152,271	+247.57%	539,476	+114.77%
1976	\$ 79,338,733	+287.56%	566,187	+125.40%
1977	\$ 95,567,194	+366.83%	577,303	+129.83%

(continued next page)

KANSAS HIGHWAY USER TAXES PAID BY TRUCKS AND BUSES,
AND TRUCK AND BUS REGISTRATIONS

(Comparison of Calendar Years)

<u>Calendar Year</u>	<u>Total Truck & Bus Highway User Taxes 1/</u>	<u>% Increase Over 1955</u>	<u>Truck & Bus Registrations 2/</u>	<u>% Increase Over 1955</u>
1978	\$ 97,110,088	+374.37%	599,263	+138.57%
1979	\$104,935,590	+412.60%	633,464	+152.19%
1980	\$102,423,946	+400.33%	630,070	+150.84%
1981	\$112,341,086	+448.77%	N.A.	-----
1982	\$112,104,000	+447.61%	649,034	+158.39%
1983	\$113,879,000	+456.28%	621,443	+147.40%

NOTE: 1/ Total does not include ad valorem taxes paid either to the counties or to the state by motor carriers.

2/ Truck and bus registrations include county reports, quarterly payments, urban buses and Kansas prorates.

N.A.--Not available. Kansas was in the process of registering light trucks on a staggered basis instead of annually. Consequently many light trucks were registered twice in 1981 and an accurate truck count was not available.

SUMMARY OF KANSAS HIGHWAY USER TAXES PAID BY TRUCKS AND BUSES
(Comparison of Calendar Years)

Calendar Year	Truck & Bus License Tag Fees	KCC Regulatory Fees	Miscellaneous Fees	Motor Fuel Taxes			Gross Total 1/	NET GAIN OVER 1955
				Gasoline & LP Gas	Diesel	Total		
1955	\$ 4,986,324	\$ ---	\$ 711,000	\$ 10,689,603	\$ 564,759	\$ 11,254,362	\$ 20,471,354*	\$ ---
1956	\$ 8,711,831	\$ 817,720	\$ 547,000	\$ 11,298,679	\$ 891,163	\$ 12,189,842	\$ 22,266,393	\$ 1,795,039
1957	\$ 8,667,655	\$ 796,028	\$ 535,114	\$ 12,039,784	\$ 1,006,847	\$ 13,046,631	\$ 23,045,428	\$ 2,574,074
1958	\$ 9,130,587	\$ 816,076	\$ 581,402	\$ 12,091,216	\$ 1,283,021	\$ 13,374,237	\$ 23,902,302	\$ 3,430,948
1959	\$ 9,662,248	\$ 904,179	\$ 693,667	\$ 12,270,780	\$ 1,641,336	\$ 13,912,116	\$ 25,172,210	\$ 4,700,856
1960	\$ 10,491,693	\$ 911,978	\$ 696,205	\$ 12,615,892	\$ 1,960,051	\$ 14,575,943	\$ 26,675,819	\$ 6,204,465
1961	\$ 11,009,466	\$ 885,505	\$ 863,709	\$ 12,411,182	\$ 2,345,966	\$ 14,757,148	\$ 27,515,828	\$ 7,044,474
1962	\$ 11,677,826	\$ 833,334	\$ 911,678	\$ 12,593,942	\$ 2,711,673	\$ 15,305,615	\$ 28,728,453	\$ 8,257,099
1963	\$ 12,354,746	\$ 946,505	\$ 990,327	\$ 12,837,824	\$ 3,248,022	\$ 16,085,846	\$ 30,377,424	\$ 9,906,070
1964	\$ 12,750,563	\$ 981,423	\$ 1,053,268	\$ 12,962,131	\$ 3,459,952	\$ 16,422,083	\$ 31,207,337	\$ 10,735,983
1965	\$ 13,182,173	\$ 982,592	\$ 1,082,021	\$ 14,242,568	\$ 3,484,182	\$ 17,726,750	\$ 32,973,536	\$ 12,502,182
1966	\$ 13,977,484	\$ 1,066,176	\$ 1,129,245	\$ 14,471,194	\$ 4,290,873	\$ 18,762,067	\$ 34,934,972	\$ 14,463,618
1967	\$ 14,562,689	\$ 1,086,361	\$ 1,132,511	\$ 15,301,781	\$ 4,598,846	\$ 19,900,627	\$ 36,682,188	\$ 16,210,834
1968	\$ 15,376,808	\$ 1,174,636	\$ 1,226,002	\$ 15,984,066	\$ 5,374,266	\$ 21,358,332	\$ 39,135,778	\$ 18,664,424
1969	\$ 16,096,603	\$ 1,277,878	\$ 1,309,694	\$ 19,728,746r	\$ 7,208,514r	\$ 26,937,260	\$ 45,621,435	\$ 25,150,081
1970	\$ 17,071,662	\$ 1,253,895	\$ 1,694,765	\$ 23,803,277r	\$ 8,346,763r	\$ 32,150,040	\$ 52,170,362	\$ 31,699,008
1971	\$ 17,867,840	\$ 1,221,916	\$ 1,859,803	\$ 24,634,730r	\$ 9,468,744r	\$ 34,103,474	\$ 55,053,033	\$ 34,581,679
1972	\$ 21,029,697	\$ 1,950,208	\$ 1,762,761	\$ 24,154,449r	\$10,882,981r	\$ 35,037,430	\$ 59,780,096	\$ 39,308,742
1973	\$ 22,027,247	\$ 2,104,365	\$ 1,846,036	\$ 28,588,815r	\$13,326,094r	\$ 41,914,909	\$ 67,892,557	\$ 47,421,203
1974	\$ 22,241,146	\$ 1,772,741	\$ 2,358,706	\$ 27,120,456	\$13,435,448	\$ 40,555,904	\$ 66,928,497	\$ 46,457,146

* In 1955, gross total included \$3,519,668 in ton-mile taxes not shown separately.

(continued next page)

SUMMARY OF KANSAS HIGHWAY USER TAXES PAID BY TRUCKS AND BUSES
(Comparison of Calendar Years)

Calendar Year	Truck & Bus License Tag Fees	KCC Regulatory Fees	Miscellaneous Fees	Motor Fuel Taxes			Gross Total 1/	NET GAIN OVER 1955
				Gasoline & LP Gas	Diesel	Total		
1975	\$ 25,862,852	\$ 2,126,000	\$ 2,436,234	\$ 28,099,765	\$ 12,627,420	\$ 40,727,185	\$ 71,152,271	\$ 50,680,917
1976	\$ 27,174,735	\$ 2,365,218	\$ 2,594,630	\$ 32,183,079	\$ 15,021,071	\$ 47,204,150	\$ 79,338,733	\$ 58,867,379
1977	\$ 35,097,954	\$ 2,437,235	\$ 2,524,005	\$ 40,304,000	\$ 15,204,000	\$ 55,508,000	\$ 95,567,194	\$ 75,095,840
1978	\$ 37,465,617	\$ 3,036,607	\$ 2,670,864	\$ 38,266,000	\$ 15,671,000	\$ 53,937,000	\$ 97,110,088	\$ 76,638,734
1979	\$ 39,722,968	\$ 3,200,932	\$ 2,898,690	\$ 36,028,000	\$ 23,085,000	\$ 59,113,000	\$104,935,590	\$ 84,464,236
1980	\$ 42,498,608	\$ 3,165,505	\$ 2,854,833	\$ 36,441,000	\$ 17,464,000	\$ 53,905,000	\$102,423,946	\$ 81,952,592
1981	\$ 47,408,827	\$ 3,590,276	\$ 3,773,983	\$ 34,844,000	\$ 22,724,000	\$ 57,568,000	\$112,341,086	\$ 91,869,732
1982	\$ 41,121,000	\$ 4,008,000	\$ 5,358,000	\$ 39,166,000	\$ 22,451,000	\$ 61,617,000	\$112,104,000	\$ 91,632,646
1983	\$ 40,429,000	\$ 3,430,000	\$ 6,043,000	\$ 43,713,000	\$ 20,264,000	\$ 63,977,000	\$113,879,000	\$ 93,407,646

NOTE: 1/ Gross total does not include ad valorem taxes paid either to the counties or to the state by motor carriers.

Distributed by:

Kansas Motor Carriers Association
2900 South Topeka Blvd.
Topeka, Kansas

Nicolay

STATEMENT FOR THE HOUSE TRANSPORTATION COMMITTEE

BY THE KANSAS OIL MARKETERS ASSOCIATION

KANSAS HOUSE OF REPRESENTATIVES

RE: HB 2022

Mr. Chairman, members of the committee, my name is Charles Nicolay. I am the Executive Director of the Kansas Oil Marketers Association. The members of this association are licensed fuel distributors in the state of Kansas who remit tax on motor fuel and special fuel to the Kansas Department of Revenue.

We appear before you today on H.B. 2022. This bill proposes to decrease the motor fuel tax incentive from the present 5¢ per gallon to 4¢ per gallon, effective July 1, 1985. We applaud the efforts made by the interim study committee on this issue this past season and we support the concept of this bill; however, in our opinion, this bill does not adequately address the problem. Our board of directors has adopted a policy recommending total elimination of the exemption on alcohol enhanced fuels.

At the time this policy was adopted, the loss of revenue to the state of Kansas as a result of this 5¢ per gallon exemption amounted to over one million dollars per month. Today some six months later, the revenue loss is, according to Department of Revenue figures, holding at that level. A loss of 13 million dollars per year is the result of this exemption.

1/29/85
Attach. 6

As difficult as it is to obtain adequate funds for our road system, it would only seem logical that this total tax exemption be eliminated.

Six years ago, at the time it passed a bill calling for a 5¢ a gallon exemption on alcohol enhanced fuel, the Kansas legislature intended to phase down the exemption by 1¢ per year for the succeeding five years with a stop/loss provision. This provision was added so that, if the loss of revenue to the state reached five million dollars, the tax exemption would be completely eliminated.

The exemption for alcohol enhanced fuels really was a tax subsidy put into place to enhance supply of motor fuel at a time when there was a severe shortage of product. With an abundance of product today, there seems to be little justification for the state to lose needed revenue to a problem that no longer exists.

We respectfully ask the members of this committee to consider the provisions of Senate Bill #30, a bill which completely phases out this 5¢ exemption over a three-year period ending in 1988.

Mr. Chairman and members of the Committee, we appreciate this opportunity to appear before you on this issue, and if there are any questions, I would be more than happy to respond to them.

Thank you.