

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at  
Chairperson

9:00 a.m. ~~xxx~~ on January 30, 1985 in room 254-E of the Capitol.

All members were present except:

Sen. Hoferer was excused.

Committee staff present:

Fred Carman, Revisor  
Hank Avila, Research Department  
Louise Cunningham, Secretary

Conferees appearing before the committee:

Dan Lykins, Kansas Head Injury Association  
Alan Alderson, County Treasurers Association  
Michael O'Keefe, Kansas Department of Transportation  
Tom Whitaker, Kansas Motor Carriers Association  
Charles Nicolay, Kansas Oil Marketers Association  
Gerry Ray, Johnson County Commissioners  
Jim Kaup, Kansas League of Municipalities  
Dan Rambow, Kansas Contractors Association  
Don Schnacke, Kansas Independent Oil and Gas Association  
Tom Regan, Kansas Ethanol Association  
Paul Fleenor, Kansas Farm Bureau

The Chairman said he had several requests for introduction of bills.

Dan Lykins, Kansas Head Injury Association, said they request a helmet bill in order to reduce future tragedies on our roads and highways. He submitted a proposed bill along with their position paper. A copy is attached. (Attachment 1). A motion was made by Sen. Frey and seconded by Sen. Walker to recommend the bill be introduced as a Committee Bill. Motion carried with Sen. Martin and Sen. Francisco voting against the motion.

Alan Alderson, Country Treasurers Association, requested legislation to increase the annual compensation for county treasurers and to increase the service fee. He submitted a copy of the proposed bill. (Attachment 2). A motion was made by Sen. Hayden and seconded by Sen. Martin to introduce the bill as a Committee Bill. Motion carried.

A motion was made by Sen. Francisco and seconded by Sen. Thiessen to introduce as a Committee Bill legislation pertaining to warranties on motor vehicles, commonly called "lemon law" legislation. Motion carried. A copy of the proposed bill is attached. (Attachment 3).

HEARING ON S.B. 30 - Phase-out of gasohol subsidy.

The Chairman said S.B. 30 was introduced after an interim study on the subject this summer. This bill would phase out the subsidy.

Sen. Morris said none of the existing ethanol plants were built depending on the subsidy since it was known at the time they were built the subsidy would be ended. Later the Legislature extended and increased the subsidy and this will cost the state and local highway system approximately \$70 million in the next 5 years. This is money that should be going to the Kansas highway system, not subsidies for ethanol plants. S.B. 30 would address this problem.

Michael O'Keefe, KDOT, said the phase-out would reduce the subsidy from 5¢ to 2¢ per gallon from January 1, 1986 to January 1, 1987. It would then be reduced to 1¢ to January 1, 1988 and be eliminated January 1, 1988. The restored funding would go back into the roads and highways. A copy of his statement is attached. (Attachment 4).

CONTINUATION SHEET

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PROPOSERS:

Tom Whitaker, Kansas Motor Carriers Association, said gasohol fuels were initially encouraged to provide an expanded market for Kansas produced grain and related agricultural products. Their studies have revealed that gasohol fuel does not necessarily increase the consumption of grain and related agricultural products produced in Kansas. A copy of his statement is attached. (Attachment 5).

Charles Nicolay, Kansas Oil Marketers Association, spoke in favor of S.B. 30 and said that the exemption for alcohol enhanced fuels was originally passed by the Legislature at a time of severe shortage of product but now there is an abundance of product and little justification for the state to lose needed revenue. A copy of his statement is attached. (Attachment 6).

Jim Kaup, Kansas League of Municipalities, said the subsidy was adversely affecting the roads and highways. Taxpayers are giving up improved roads and highways and are questioning whether they are getting their money's worth to continue the subsidy. A copy of his statement is attached. (Attachment 7).

Gerry Ray, Legislative Liaison, Johnson County Commissioners, said it is immaterial what type of motor fuel is used in a vehicle. They all use the streets and highways and the increased consumption of a subsidized fuel reduces revenue but the need for road maintenance continues to increase. A copy of her statement is attached. (Attachment 8).

Dan Ramlow, Kansas Contractors Association, spoke in favor of S.B. 30 and said that several years ago it was thought that the gasohol subsidy might possibly reach \$5 million per year. Today it is costing almost three times that much and could go even higher. Phasing out the subsidy would assist in the maintenance and rehabilitation of our highway system. A copy of his statement is attached. (Attachment 9).

Don Schnacke, Independent Oil and Gas Association, said at first the subsidy was a promotion for Kansas industry but it has not been very effective in that respect. He said his industry has been going through changes as prices have dropped and many refineries in Kansas have closed. They want to push for elimination of subsidies for gasohol at the federal and state level.

Mr. Schnacke said, as a consumer, he did not appreciate paying \$75 to have his engine cleaned out as a result of the alcohol used in the fuel.

OPPONENTS TO S.B. 30

Tom Regan, Kansas Ethanol Association, spoke in opposition to S.B. 30 and said this bill would literally gut the industry. He said H.B. 2022 is the appropriate way to go in relation to the state incentive. He said it was a young and growing industry and presented the state with economic benefits. A copy of his statement is attached. (Attachment 10).

Paul Fleenor, Kansas Farm Bureau, said 29 states have some exemption for ethanol and 6 states have no tax on gasohol. He said the agricultural industry was in need of every possible market. The Farm Bureau would like to see the whole tax be federal so there would be uniformity in all the states. A copy of his statement is attached. (Attachment 11).

The Chairman said the Committee would have an additional hearing on S.B. 30 to hear from automobile mechanics on the effect of gasohol on automobile engines and also to hear from owners of proposed gasohol plants.

Meeting was adjourned at 9:50 a.m.

SENATE TRANSPORTATION & UTILITIES COMMITTEE

Date 1-30 Place 254-E Time 9<sup>00</sup> a.m.

GUEST LIST

PLEASE PRINT

<u>NAME</u>	<u>ADDRESS (City)</u>	<u>ORGANIZATION</u>
Scott Faust	East Topeka	Eagle-Beacon
Alan Anderson	TOPEKA	COUNTY TREASURERS ASSN.
Don Lykins	Topeka	Ks. Head Injury Assoc
RON CALBERT	NEWTON	UNITED TRANSPORTATION UNION
John D McNeal	Topeka	
Jim Kaupp	Topeka	League of Municipalities
Raul R. Luevara	topeka	KDOT
Glenn D. Cozswell	Topeka	Smoot Grain Co.
Edward R. De Soignie	Topeka	KDOT
Tom Whitaker	Topeka	Ks Motor Carriers Assn
R. L. Crenshaw	"	Committee of Farm Orgs.
Conrad Edell	Lyons	KMCA
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Marek Turkington	Topeka	Kansas Motor Carriers Assn.
Kevin Robertson	TOPEKA	KOL / GSC
Charles H. Nicolay	Topeka	Ks Oil Marketers Assn
Tom Reegan	Topeka	Ks Ethanol Assn.
Don Schmecke	Topeka	ICIOGA
Allen Coulter	Topeka	Kansas Contractors Assn.
Dan Ramlow	Topeka	Ks. Contractors Assn.
Booth Wilkin	"	An Am Union Prof
H. D. Moran	Topeka	Ks Dept. of Revenue

SENATE TRANSPORTATION & UTILITIES COMMITTEE

Date \_\_\_\_\_ Place \_\_\_\_\_ Time \_\_\_\_\_

GUEST LIST

PLEASE PRINT

NAME

ADDRESS (City)

ORGANIZATION

CHARLES BELT

350 W. DOUGLAS  
WICHITA

WICHITA AREA  
CHAMBER OF COMMERCE

①

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HOWARD A. JONES  
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CHARLES H. OLDFATHER, JR.

January 29, 1985

Senator Bill Morris  
Chairman, Senate Transportation Committee  
State Capitol  
Topeka, Kansas 66612

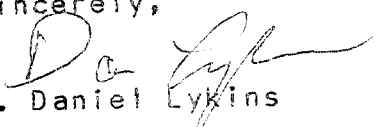
Re: Proposed helmet law for 1985 legislature

Dear Senator Morris:

As treasurer of the Kansas Head Injury Association, I appeared before your committee January 30, 1985 regarding a helmet bill. The Kansas Head Injury Association requests that your committee sponsor a helmet bill in order to prevent future tragedy on our Kansas roads and highways. I have enclosed a copy of the proposed helmet bill, along with a position paper put out by the Kansas Head Injury Association.

Any help that you and your committee can give us would be greatly appreciated. Thank you for your assistance.

Sincerely,

  
R. Daniel Lykins

RDL/cw  
Enclosures

cc: Mary Pat Beals, Executive Director  
Kansas Head Injury Association  
5950 Roe Avenue, #7  
Roeland Park, Kansas 66205  
(913)363-5472

1/30/85  
ATT. ①

PROPOSED HELMET LAW  
FOR 1985 LEGISLATURE

**K.S.A. 8-1598 OPERATION OF MOTORCYCLES; EQUIPMENT REQUIRED FOR  
OPERATORS AND RIDERS**

(a) No person shall operate or ride upon a motorcycle or a motorized bicycle, unless wearing a helmet which complies with minimum performance requirements established by the National Highway Traffic Safety Administration pursuant to the National Traffic and Motor Vehicle Safety Act of 1966 for helmets designed for use by motorcyclists and other motor vehicle users.

(b) No person shall operate a motorcycle unless such person is wearing an eye-protective device of a type which complies with standards established by the Secretary of Transportation, except when the motorcycle is equipped with a windscreen which has a minimum height of ten (10) inches measured from the center of the handlebars.

(c) This section shall not apply to persons riding within an enclosed cab or on a golf cart, nor shall it apply to any person operating or riding any industrial or cargo-type vehicle having three wheels and commonly known as a truckster.

(d) The secretary of transportation may approve or disapprove eye-protective devices required by this section, and may adopt rules and regulations establishing standards and specifications for the approval thereof. The secretary shall publish lists of all eye-protective devices by name and type which the secretary has approved.

(e) Failure to wear a helmet or eye-protective device while operating or riding upon a motorcycle or motorized bicycle shall not constitute negligence.

Reasons for (e):

(1) A defendant should not diminish the consequences of his negligence by the failure of the injured party to anticipate defendant's negligence in causing the accident itself;

(2) A defense premised on an injured party's failure to wear a protective helmet would result in a windfall to tortfeasors who pay only partially for the harm their negligence caused;

(3) Allowing the defense would lead to a veritable battle of experts as to what injuries would have or have not been avoided had the plaintiff been wearing a helmet.

(4) The taxpayers of Kansas may have to pay for the medical bills of the severely injured motorcyclists if the tortfeasor is allowed to escape paying for his harm, simply because the victim had no helmet.

H E L M E T L A W

POSITION PAPER

KANSAS HEAD INJURY ASSOCIATION

NOVEMBER 6, 1984

Dan Lykins

Andrea Ramsay

KANSAS HEAD INJURY ASSOCIATION

POSITION PAPER

HELMET LAW

1. I knew someone who was wearing a helmet and they died. Do helmets really work?

Yes. Because of the exposed position of the motorcycle rider, accidents provide great opportunity for injury to all parts of the body, and there are several kinds of protective equipment available to riders. The one item of protective equipment which is unique to the motorcyclist is the safety helmet; no other vehicle in traffic use has the same associated demand for head protection.

The National Technical Information Service (NTIS) of the U.S. Department of Commerce published a report in 1981, based on studies made on the scene of 900 motorcycle accidents in California. The study assessed the effectiveness of various safety equipment, including helmets. Of the 900 accidents, it was found that 355 riders and 24 passengers wore helmets; 537 riders and 127 passengers did not. The overall usage of helmets on the roads was approximately 50% voluntary usage.

The report found the following incidence of injuries and fatalities:

	<u>No Helmets</u>	<u>Helmets</u>
Riders and Passengers	664	379
Facial Injuries	44	19
Neck Injuries	25	12
Head Injuries	174	26
Fatalities	46	12

No single piece of safety equipment can prevent all accidents or injuries, but it is obvious that helmets reduce facial, neck and head injuries and save lives.



Thus, in Kansas last year, unhelmeted riders were involved in more accidents, were 2.3 times as likely to die, and almost twice as likely to be injured. In a more comprehensive study of motorcycle accidents in Kansas, prepared by Norman E. McSwain, Jr., M.D., F.A.C.S., and Michael Lummis, M.P.H., as part of a larger Department of Transportation study of several states which had repealed or weakened their helmet laws, it was found that nonhelmeted persons were 106% more likely to be head-injured than were helmeted riders. The repeal of the mandatory motorcycle helmet law resulted in increased injuries and fatalities among nonhelmeted riders. Comparing pre-repeal and post-repeal figures, it was found that there had been a 333% increase in fatalities, a 106% increase in head injuries overall, and a 67% increase in head injury severity among nonhelmeted riders. The figures compared were figures for the years 1975 to 1977, and are based on fatalities or injuries per 1000 accidents.

The death rate from head injuries when helmets were not worn versus when helmets were worn was 333%. The total outpatient cost for helmeted motorcyclist was \$876.00, whereas the non-helmeted was \$2,478.00. Inpatient cost for helmeted motorcyclist was \$5,976.00, whereas the non-helmeted was \$17,886.00. "presentation for the Louisiana Legislative Committee for Mandatory Helmet Legislation" by Norman E. McSwain, Jr., M.D., Professor of Surgery, Tulane University School of Medicine (from a Kansas Study, 1977).

Obviously, helmets work. However, no single piece of safety equipment can prevent all accidents or injuries, but helmets produce significant reductions in facial, neck and head injuries and fatalities.

2. Helmets cause accidents because hearing and vision is impaired.

Wrong. There is no data indicating that helmet use increases accidents by impairing vision or hearing, or by causing fatigue or over-confidence. No evidence that helmets cause or increase severity of neck injury in motorcycle accidents. In May, 1976, representatives of the American Motorcyclist Association, in conjunction with an American Medical Association Conference, concluded unanimously that helmets impaired neither the vision nor the hearing of a motorcycle rider.

In the California-based NTIS study, it was found that approximately 50% of all motorcycle riders voluntarily wore helmets, but nonhelmeted riders accounted for about two-thirds of all of the accidents. At best, it appears that people who wear helmets are safer operators and have fewer accidents. At least, it shows that wearing helmets did not cause more accidents by impairing; helmeted riders accounted for only approximately one-third of all accidents.

3. I have the right to decide if I want to wear a helmet.

States have the authority to require helmets in the public interest. Regulation of use of vehicles on public roads is a valid function of government. Each driver accepts reasonable limitations on how he or she may use the roads, i.e. driver's license, license plates, etc. Death and disablement because of failures of many motorcyclists to wear helmets places substantial burdens on society through insurance, medical care and welfare benefits.

The Supreme Court of the United States answered this question.

As of December 1, 1976, helmet laws had been upheld 30 times by the highest courts in 25 states. At least five times the United States Supreme Court has refused to overturn decisions which sustained the constitutionality of helmet laws.

In 1972, the United States Supreme Court affirmed without opinion the District Court decision in *Simon v. Sargent*, 346 F. Supp. 279 (Mass. 1972). The three judge Federal panel in *Simon v. Sargent* unanimously held that a Massachusetts statute requiring protective headgear was constitutional. The court reasoned that although the police power does not extend to overcoming the right of an individual to incur risks that involve only himself, the public has a legitimate interest if public resources are directly involved in those risks. The court noted that it is society that picks a person up off the highway, delivers him to a municipal hospital and municipal doctors, provides him with unemployment compensation and assumes responsibility for the victim's family's continued subsistence.

In earlier cases, the Supreme Court had denied three petitions for certiorari in cases upholding headgear legislation and dismissed an appeal in a fourth case "for want of a substantial federal question," *Bisenius v. Karns*, 165 N.W. 2d 377 (S. Ct. Wisc. 1969), appeal dismissed, 89 S. Ct. 2033 (1969). The appellant had attacked Wisconsin's headgear legislation (347.485(1) (a) stats. as a restriction upon individual liberty and as exceeding the police power of the State, alleging that both violated the due process clause of the Fourteenth Amendment.

The Supreme Court's dismissal of appeal "for want of substantial Federal question" meant that the Court viewed the decision to be correct, and that no substantial question on the merits was raised.

The issues raised in *Bisenius* were essentially the same as those raised in other suits challenging the constitutionality of headgear legislation, and forecast the Court's affirmation in *Simon v. Sargent*, supra.

"Head Injury" is a euphemis for brain damage. Once the brain is damaged, the damage is incurable. The consequences are devastating. Only 13% of all head-injured persons are ever able to work again. Those who are able to work again can seldom return to the same job they held before the accident. Most face a lifetime of being handicapped, of living under severe limitations, and of being dependent upon someone else for their care and support. At least 50% of all head injured persons are between the ages of 16 and 24. Another large group is between the ages of 24 and 35. These people may live a normal lifespan after the accident, although they remain at greater risk of ailments associated with their head injury. Few people have long-term disability insurance which will care for them or their families for life. Social Security and Medicare are inadequate for the task of caring for all their needs. The states do not provide for all their needs, but will probably be responsible for what support and care is provided. There is no way to measure in dollars the suffering of families, friends and loved ones when a normal person suddenly and irreversibly becomes a severely handicapped, possible mentally deficient. No one has the moral or legal right to multiply their risks of injury in such a way as to inflict upon others the suffering and financial burden which head injuries create.

4. Why was the previous law repealed, date and year?

The Highway Safety Act of 1966 (1) granted to the U.S. Secretary of Transportation the authority to withhold State Highway Safety of Construction funds for noncompliance with mandatory motorcycle helmet usage.

208 of the Highway Safety Act of 1976 withdrew the authority from the Secretary of Transportation granted under the Highway Safety Act of 1966 to disapprove a state highway safety program which does not require helmet use by a person. Congress interpreted this as helmet usage is not important.

Since 1976, 35 states repealed their helmet laws. Kansas repealed theirs, May 1976.

5. How much money can be saved in reduced health costs?

In "The Economics of Safety Deregulation: Lives and Dollars Lost due to Repeal of Motorcycle Helmet Laws," J. Health Politics, Policy and Law, Volume 8, Number 1, Spring, 1983, a study indicated that 516 excess deaths occurred in 1980 in the 28 states that weakened or repealed their helmet laws, at an increased excess economic cost of \$180 million. These figures represent only those costs associated with excess fatalities, that is the increase in fatalities directly due to repeal or weakening of helmet laws.

McSwain, supra #1 indicates the following:

\$2,478.00	Outpatient Unhelmeted	- \$17,886.00	Inpatient Unhelmeted
- 876.00	Outpatient Helmeted	- -5,976.00	Inpatient Helmeted
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\$1,602.00	Savings	- \$11,910.00	Savings

Combined total Savings: \$12,972.00

or \$1.5 million per person for a severely head injured person over a lifetime.

6. How many states have a helmet law?

23 states have an unlimited law:

- |                |                          |
|----------------|--------------------------|
| 1. Alabama     | 12. New Jersey           |
| 2. Arkansas    | 13. New York             |
| 3. Florida     | 14. North Carolina       |
| 4. Georgia     | 15. Pennsylvania         |
| 5. Kentucky    | 16. South Carolina       |
| 6. Louisiana   | 17. Tennessee            |
| 7. Mass.       | 18. Vermont              |
| 8. Michigan    | 19. Virginia             |
| 9. Mississippi | 20. West Virginia        |
| 10. Missouri   | 21. Wyoming              |
| 11. Nevada     | 22. District of Columbia |
|                | 23. Puerto Rico          |

7. What does the present law say?

K.S.A. 8-1598. Operation of motorcycles; equipment required for operators and riders, (a) No person under the age of 18 years shall operate or ride upon a motorcycle or a motorized bicycle, unless wearing a helmet which complies with the minimum performance requirements established by the National Highway Safety Administration pursuant to the National Traffic and Motor Vehicle Safety Act of 1966 for helmets designed for use by motorcyclists and other motor vehicle users.

(b) No person shall operate a motorcycle unless such person is wearing an eye-protective device of a type which complies with the standards established by the Secretary of Transportation, except when the motorcycle is equipped with a windscreen which has a minimum height of 10 inches measured from the center of the handlebars.

(c) This section shall not apply to persons riding within an enclosed cab or a golf cart, nor shall it apply to any person operating or riding any industrial or cargo-type vehicle having three wheels and commonly known as a truckster.

(d) The Secretary of Transportation may approve or disapprove eye-protective devices required by this section, and may adopt rules and regulations establishing standards and specifications for the approval thereof. The Secretary shall publish lists of all eye-protective devices by name and type which the Secretary has approved.

8. What are the standards for helmets? Who controls or regulates the standards?

Federal Motorcycle Safety Standards No. 218:

1. Impact Attenuation
2. Penetration
3. Configuration
4. Retention
5. Projections
6. Labelling:

Permanent, legible label with manufacturer's name and I.D., precise model designation, month, year of manufacture and DOT sticker.

The United States Department of Transportation Standards regulates the standards for helmets through their National Highway Traffic Safety Administration.

Other helmet labels:

ANSI-Z90.1 is the "Specification for Protective Headgear for Vehicular Users" published by the American National Standards Institute.

The "Snell" label means that the helmet has been tested in accordance with a procedure somewhat more severe than the Z90.1. Snell approved helmets are generally intended for competition use by motorcyclists and auto racers.

DOT MVSS 218 is the federal standard of the United States Department of Transportation and is a refined version of the ANSI-Z90.1 standard, specifically intended for road users.

CSA-D230 is the Canadian Standards Association standard for "Safety Helmets for the Motorcycle Riders".

9. Does the insurance industry support helmets? Why?

Yes. Ronald Cobb, Vice President of S.W. Region of the American Insurance Association, Houston, Texas, which is the National Trade Association for insurance companies, states, yes.

The legal counsel for the association are: Mark Bennett, Sr. (Topeka) and Bud Cornish (Topeka).

One main reason they support helmets is the cost of motorcyclists accidents, nationwide.

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\_\_\_\_\_ BILL NO. \_\_\_\_\_

BY \_\_\_\_\_

An Act ...

Be it enacted ...

Section 1. K.S.A. 8-145 is hereby amended to read as follows:

8-145. (a) All registration and certificates of title fees shall be paid to the county treasurer of the county in which the applicant for registration resides or has an office or principal place of business within this state, and the said county treasurer shall issue a receipt in triplicate, on blanks to be furnished by the division of vehicles, one copy of which shall be filed in the county treasurer's office, one copy to be delivered to the applicant, and the original copy shall be forwarded to the director of vehicles.

(b) The county treasurer shall deposit seventy-five cents (75¢) of each license application, seventy-five cents (75¢) out of each application for transfer of license number plates and **[one dollar (\$1) until January 1, 1981 and thereafter]** two dollars (\$2) out of each application for a certificate of title, collected by such treasurer under this act, in a special fund, which fund is hereby appropriated for the use of the county treasurer in paying for necessary help and expenses incidental to the administration of duties in accordance with the provisions of this law and extra compensation to the county treasurer for the services performed in administering the provisions of this act, which compensation shall be in addition to any other compensation provided by any other law, except that the county treasurer shall receive as additional compensation for administering the motor vehicle title and registration laws and fees, a sum computed as follows: The county treasurer shall, during the month of December, determine the amount to be retained for extra compensation not to exceed **[one hundred twenty dollars (\$120) applicable to the calendar year 1980, and]** two hundred and forty dollars (\$240) applicable to the calendar year 1985, and three hundred sixty dollars (\$360) annually commencing in [1981] 1986 for each one thousand (1,000) total vehicle registrations or

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fraction thereof, but in no case shall said compensation under this provision exceed [one thousand two hundred dollars (\$1,200) for the calendar year 1980 nor] two thousand four hundred dollars (\$2,400) for the calendar year [1981] 1985, nor three thousand six hundred dollars (\$3,600) for calendar year 1986 or any calendar year thereafter. If more than one person shall hold the office of county treasurer during any one calendar year, such compensation shall be prorated among such persons in proportion to the number of weeks served. The total amount of compensation paid said treasurer together with the amounts expended in paying for other necessary help and expenses incidental to the administration of the duties of the county treasurer in accordance with the provisions of this act, shall not exceed the amount deposited in such special fund. Any balance remaining in such fund at the close of any calendar year shall be withdrawn and credited to the general fund of the said county prior to the first day of June of the following calendar year.

(c) The county treasurer shall remit the remainder of all such fees collected, together with the original copy of all applications to the secretary of revenue to be deposited with the state treasurer and credited to the state highway fund.

Sec. 2. K.S.A. 8-145d is hereby amended to read as follows: 8-145d. In addition to the annual vehicle registration fees prescribed by K.S.A. 8-143, 8-143b, 8-143c, 8-143g, 8-143h, 8-143i, 8-167, 8-172 and 8-195 any applicant for vehicle registration or renewal thereof for registration periods beginning after December 31, [1982] 1985, shall pay a service fee in the amount of [\$.50] \$1.00 to the county treasurer at the time of making such application for registration or renewal thereof. The county treasurer shall deposit all amounts received under this section in the special fund created pursuant to K.S.A. 8-145, and such amounts shall be used by the county treasurer for all purposes for which such fund has been appropriated by law, and such additional amounts are hereby appropriated as other amounts deposited in such fund.

Sec. 3. K.S.A. 8-145 and 8-145d are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after January 1, 1986, and its publication in the statute book.



## SENATE BILL NO. \_\_\_\_\_

By Committee on Transportation and Utilities

AN ACT concerning motor vehicles; automobile warranties; commonly called the lemon law.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) As used in this act:

(1) "Consumer" means the purchaser, other than for purposes of resale, of a motor vehicle, any person to whom such motor vehicle is transferred during the duration of an express warranty applicable to such motor vehicle and any other person entitled by the terms of such warranty to enforce the obligations of the warranty; and

(2) "motor vehicle" means a motor vehicle designed to carry passengers which is sold in this state.

(b) If a new motor vehicle does not conform to all applicable express warranties, and the consumer reports the nonconformity to the manufacturer, its agent or its authorized dealer during the term of such express warranties or during the period of one year following the date of original delivery of the motor vehicle to a consumer, whichever is the earlier date, the manufacturer, its agent or its authorized dealer shall make such repairs as are necessary to conform the vehicle to such express warranties, notwithstanding the fact that such repairs are made after the expiration of such term or such one-year period.

(c) If the manufacturer, or its agents or authorized dealers, are unable to conform the motor vehicle to any applicable express warranty by repairing or correcting any defect or condition which substantially impairs the use and value of the motor vehicle to the consumer after a reasonable number of attempts, the manufacturer shall replace the motor vehicle with a comparable motor vehicle under warranty or accept return of the

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vehicle from the consumer and refund to the consumer the full purchase price including all collateral charges, less a reasonable allowance for the consumer's use of the vehicle. Refunds shall be made to the consumer, and lienholder if any, as their interests may appear. A reasonable allowance for use shall be that amount directly attributable to use by the consumer and any previous consumer prior to the first report of the nonconformity to the manufacturer, agent or dealer and during any subsequent period when the vehicle is not out of service by reason of repair. It shall be an affirmative defense to any claim under this act (1) that an alleged nonconformity does not substantially impair such use and value, or (2) that a nonconformity is the result of abuse, neglect or unauthorized modifications or alterations of a motor vehicle by a consumer.

(d) If the manufacturer receives actual notice of the nonconformity, it shall be presumed that a reasonable number of attempts have been undertaken to conform a motor vehicle to the applicable express warranties, if (1) the same nonconformity has been subject to repair four or more times by the manufacturer or its agents or authorized dealers within the express warranty term or during the period of one year following the date of original delivery of the motor vehicle to a consumer, whichever is the earlier date, but such nonconformity continues to exist, or (2) the vehicle is out of service by reason of repair for a cumulative total of 30 or more calendar days during such term or period, whichever is the earlier date. The term of an express warranty, such one-year period and such thirty-day period shall be extended by any period of time during which repair services are not available to the consumer because of war, invasion, strike, fire, flood or other natural disaster.

(e) Nothing in this act shall in any way limit the rights or remedies which are otherwise available to a consumer under any other law.

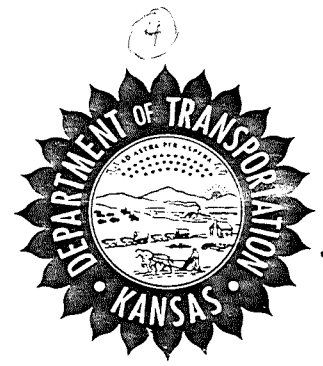
(f) If a manufacturer has established an informal dispute settlement procedure which complies in all respects with the

provisions of title 15, code of federal regulations, part 703, as from time to time amended, the provisions of subsection (c) concerning refunds or replacement shall not apply to any consumer who has not first resorted to such procedure.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

# KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

MEMORANDUM TO: Senate Transportation and Utilities Committee

DATE: January 30, 1985

REGARDING: Senate Bill 30

BILL DESCRIPTION: Senate Bill 30 would:

- 1) Reduce the tax differential between gasoline and gasohol to \$0.02 per gallon from the current \$0.05 per gallon beginning at 12:01 a.m., January 1, 1986 to January 1, 1987.
- 2) Reduce the tax differential to \$0.01 per gallon from and after 12:01 a.m., January 1, 1987 to January 1, 1988.
- 3) Eliminate the tax differential from and after 12:01 a.m., January 1, 1988.

FISCAL IMPACT: On an annualized basis, the motor fuel tax receipts are expected to increase by \$6.3 million in FY 86. However, since there is a one month lag between collections and deposits, the motor fuel tax receipts are expected to increase by \$5.25 million in FY 86. These revenues are projected to be distributed as follows:

\$2.55 million - State Highway Fund  
\$0.57 million - State Freeway Fund  
\$2.13 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.

1/30/85  
ATT. ④

Memorandum To: Senate Transportation and Utilities Committee  
January 30, 1985  
Page 2

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 the 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 & CHANGES
Gasoline	4 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	3% 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, 1983 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	No Change
	40-70 lbs.: 15 cents/lb.	No Change
	70-90 lbs.: \$4.50 + 30 cents/lb. over 70 lbs.	No Change
	90 lbs. - : 10.50 + 50 cents/lb. over 90 lbs.	No Change
TRUCK SALES	12% Retail - All Tractors	No Change
	12% Retail - Trucks over 33,000 lbs. gvw	No Change
	12% Retail - Trailers over 26,000 lbs. gvw	No Change
	Piggyback Trailers - Same Rate as Above	6% First Year and 12% Thereafter *
USE TAX	26-33,000 lbs.: No Tax	Up to 55,000 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	55,000 lbs. and over - \$100 + \$22/1,000 lbs. over 55,000 to a maximum of \$550 over 75,000 lbs. *
	Logging Trucks - Same Rate as Above	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, 1931	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 1925, 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 December, 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	30,066	601,320	\$ 8,645,492	108,068,525	0.55%
August	31,315	521,917	9,142,511	114,281,389	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	454,133	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	1,386,073	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	28,842,033	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	1,486,543	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	24,734,083	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
<b>TOTAL</b>	<b>\$ 75,159</b>	<b>\$ 25,560</b>	<b>\$ 43,247</b>	<b>\$ 143,966</b>
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	337,381	87,351	323,137	797,868
February	325,824	73,470	271,789	671,083
March	550,401	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
<b>TOTAL</b>	<b>\$3,724,278</b>	<b>\$876,447</b>	<b>\$3,241,788</b>	<b>\$7,842,513</b>
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

5

By

KANSAS MOTOR CARRIERS ASSOCIATION

---

Concerning Senate Bill No. 30 relating to the phase-out of the tax subsidy on ethyl alcohol blended motor vehicle fuels.

---

Presented to the Senate Transportation & Utilities Committee, Sen. Bill Morris, Chairman; Statehouse, Topeka, Wednesday, January 30, 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 morning 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, according to Interim Transportation Committee testimony, 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.

1/30/85  
ATT. (5)

Secretary of Transportation John Kemp earlier projected that the gasohol fuel would capture some 30 percent of the gasohol/gasoline fuel market in Kansas because of its subsidy in fuel taxes. In tax dollars this now is estimated to erode some \$57.4 million in highway revenue over a 5-year period based on current gasohol concentration ratios.

Senate Bill 30 proposes to leave the gasohol tax at six cents per gallon until January 1, 1986. On January 1, 1986, the tax rate would increase to nine cents per gallon until January 1, 1987. On January 1, 1987, the tax rate would increase to ten cents per gallon. On and after January 1, 1988, the tax rate would be that prescribed for motor vehicle fuel.

On January 1, 1985, the Federal tax rate on gasohol was reduced from four cents to three cents per gallon. Effective January 1, 1985, the total state and federal tax rate on gasohol is nine cents per gallon.

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 Senate Bill 30. 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 &amp; MISCELLANEOUS</u>	<u>TRUCKS AND BUSES</u>	<u>TOTAL</u>	<u>TRUCK &amp; 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> <sup>(1)</sup>
1970	55.0%	38.5%	43.3%
1971	45.4 <sup>(2)</sup>	39.2	40.6 <sup>(2)</sup>
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
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LOCAL AND 6,000 MILE

	<u>Local</u>	<u>6,000 Mile</u>	
\$ 25.00	0	0	\$ 0
47.00	2,152	334	116,842
75.00	1,212	270	111,150
100.00	1,786	403	218,900
135.00	1,267	237	203,040
160.00	428	158	93,760
185.00	424	153	106,745
235.00	1,024	233	295,395
315.00	1,029	172	378,315
360.00	329	148	171,720
440.00	123	106	100,760
575.00	107	117	128,800
675.00	160	126	193,050
775.00	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 &amp; Bus Highway User Taxes 1/</u>	<u>% Increase Over 1955</u>	<u>Truck &amp; 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 &amp; Bus Highway User Taxes 1/</u>	<u>% Increase Over 1955</u>	<u>Truck &amp; 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	\$ 46,457,142

\* 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

(6)

STATEMENT FOR THE SENATE TRANSPORTATION AND UTILITIES COMMITTEE

BY THE KANSAS OIL MARKETERS ASSOCIATION

KANSAS SENATE

RE: SENATE BILL 30

Mr. Chairman, members of the Committee, my name is Charles Nicolay. I am Executive Director of the Kansas Oil Marketers Association. Members of our association are the licensed fuel distributors across Kansas who remit tax on motor fuel and special fuel to the Kansas Department of Revenue.

Today, we are here to voice our support of S.B. 30 which phases out the subsidy for alcohol-enhanced fuel over a three-year period ending in 1988.

In July of last year, our Board of Directors issued a resolution in favor of total elimination of the exemption for alcohol-enhanced fuels. They did so for a number of reasons.

First, it was the consensus of our directors that the loss of revenue to the state jeopardized the solvency of the highway fund.

According to current Department of Revenue figures, that loss is approximately 1.1 million dollars a month, over 13 million dollars per year. A loss of revenue of that magnitude, over just a period of a few years, constitutes a real threat to good roads in our state.

1/30/85  
ATT. (6)

Second, our directors believed, as do most taxpayers, that a substantial loss of revenue has to be made up somewhere. To their way of thinking, the alternative to be considered by the legislature would be an increase in the motor fuel tax. I need not make any lengthy remarks today on the popularity of motor fuel tax increases among our membership.

Third, our directors believed that the exemption for alcohol enhanced fuels passed by the Legislature six years ago was really a tax subsidy put into place to enhance supply of motor fuel at a time of severe shortage of product. With an abundance of product today, there is little justification for the state to lose needed revenue to a problem that no longer exists.

Although our board passed a resolution calling for total elimination of the gasohol subsidy, we are in favor of the three-year phaseout contained in S.B. 30.

This three-year phaseout would allow those in the ethanol producing industry adequate time to adjust their marketing programs. The tap, so to speak, would not be turned off all at once.

Mr. Chairman and Members of the Committee, we appreciate this opportunity to appear before you to voice our support of S.B. 30, a bill that presents a sensible approach to a serious problem. If there are any questions, I would be happy to respond to them.

Thank you.





# League of Kansas Municipalities

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

TO: Senate Transportation and Utilities Committee  
FROM: Jim Kaup, Staff Attorney  
DATE: January 30, 1985  
SUBJECT: SB 30--Phase-Out of the Gasohol Subsidy

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.

1/30/85  
ATT. ⑦

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 passage of SB 30. 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.

JOHNSON COUNTY KANSAS

*Office of the Board of County Commissioners*

JOHNSON COUNTY COURTHOUSE  
OLATHE, KANSAS 66061  
782-5000

SENATE TRANSPORTATION COMMITTEE

HEARING ON SENATE BILL 30 - JANUARY 30, 1985

TESTIMONY OF GERRY RAY, LEGISLATIVE LIAISON, JOHNSON COUNTY COMMISSIONERS

Mr. Chairman, members of the committee.

My name is Gerry Ray and I am Legislative Liaison for the Johnson County Board of Commissioners.

I would like to express the support of the Johnson County Commissioners for Senate Bill 30 to phase out the gasohol subsidy.

In 1984 the revenue received in our county from motor fuel tax was \$200,000 less than had been anticipated. We do not have the means to determine how much of that can be directly attributed to the increase in gasohol consumption, however it is believed to be the major factor in the loss.

In the County's view it is immaterial what type of motor fuel is used to operate a vehicle, that vehicle uses the streets and highways. It follows that with the increased consumption of a subsidized fuel, revenue is reduced but the need for road maintenance and improvement continues to increase.

Because of these concerns the Johnson County Commissioners urge the committee to recommend passage of Senate Bill 30.

1/30/85  
ATT. ⑧

TESTIMONY JANUARY 29, 1985

KANSAS CONTRACTORS ASSOCIATION ON SENATE BILL 30

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE - MY NAME IS DAN RAMLOW AND I AM THE ASSISTANT MANAGER OF THE KANSAS CONTRACTORS ASSOCIATION.

OUR MEMBERS BUILD OVER 90% OF THE HIGHWAYS, BRIDGES AND STREETS IN KANSAS AND THUS WE FEEL WE HAVE FIRST HAND KNOWLEDGE OF THE TRANSPORTATION NEEDS IN KANSAS.

IN 1983 THE KANSAS LEGISLATURE PASSED ONE OF THE FINEST HIGHWAY PACKAGES IN AMERICA AND WE ARE PROUD THAT ALREADY A LITTLE BIT OF PROGRESS IS BEING MADE ON A VERY LARGE PROBLEM.

HOWEVER, IN ORDER TO MAKE ANY SIGNIFICANT PROGRESS IT IS OF PARAMOUNT IMPORTANCE THAT WE MAKE WISE USE OF EVERY AVAILABLE DOLLAR AND THAT IS WHY WE WHOLEHEARTEDLY SUPPORT SENATE BILL 30 WHICH WOULD PHASE OUT THE GASOHOL EXEMPTION OVER THE NEXT THREE YEARS.

IT WAS THOUGHT SEVERAL YEARS AGO THAT THE GASOHOL SUBSIDY MIGHT POSSIBLY REACH \$5 MILLION PER YEAR. TODAY THE SUBSIDY IS COSTING ALMOST THREE TIMES THIS AMOUNT AND UNLESS IT IS CHECKED WILL GO EVEN HIGHER.

LADIES AND GENTLEMEN WE RESPECTFULLY ASK THAT THE GASOHOL SUBSIDY BE PHASED OUT IN ORDER TO ASSIST OUR CITIES, OUR COUNTIES AND OUR KANSAS DEPARTMENT OF TRANSPORTATION AS THEY ATTEMPT TO REHABILITATE OUR SYSTEM OF HIGHWAYS AND STREETS THAT ARE SO VITAL TO OUR ECONOMIC DEVELOPMENT.

THANK YOU VERY MUCH FOR YOUR CONSIDERATION.

1/30/85  
ATT. (9)

KEA

**KANSAS  
ETHANOL  
ASSOCIATION**

SENATE TRANSPORTATION COMMITTEE  
Wednesday, January 30, 1985  
9:00 a.m.

Statement of Thomas Regan, Kansas Ethanol Association

Re: SB 30

Mr. Chairman and Members of the Committee:

I am Tom Regan and represent the Kansas Ethanol Association and I appear today in opposition to SB 30.

As the Committee is aware, a special Interim Committee, as a result of much debate during the summer and early fall, recommended the reduction of the ethanol industry's incentive at a rate of \$.01 per gallon less than is presently authorized. The appropriateness of the incentive was considered as a result of the impact on highway funds and the potential impact on 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.

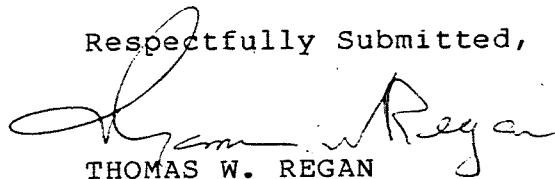
The ethanol industry was born in the late 1960's in response to America's gasoline shortage. In 1978, ethanol blends were marketed for the first time at the retail level.

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 would be most appropriate and we ask the Committee to adopt those recommendations in lieu of SB 30 which the Producers advise would literally gut the industry.

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.
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.



STATEMENT TO  
SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

RE: S.B. 30 - Phase-out of Gasohol Subsidy  
January 30, 1985  
Topeka, Kansas

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

Mr. Chairman and members of the Committee:

We appear today as opponents of Senate Bill 30. Our opposition is based on the fact that this legislation, if enacted, would, in the course of 30 months totally eliminate the differential in motor fuel taxes between gasoline and motor vehicle fuels containing agricultural ethyl alcohol.

In the summer and fall of 1984 an interim committee of the Kansas Legislature - the Special Committee on Transportation - examined several aspects of motor fuel taxes in this state. One topic of study was gasohol. That interim committee was presented with information showing that there are, or were as of July 1, 1984, 29 states which provide a differential ranging from about one cent in four states to sixteen cents in one state (Louisiana). There are six of our sister states which impose NO tax on gasohol. Those states are Alaska, Arkansas, Florida, Louisiana, and two of our near neighbors New Mexico and Texas.

Two of our border states, Nebraska and Colorado have the same five cent differential as exists in Kansas.

At the same time the interim committee was studying this topic our own members were examining the policy position of our organization concerning ethanol production in Kansas and the tax differential granted ethanol over gasoline. Our farmers and ranchers, in need of every possible market, believe that ethanol production is a process that provides them a market for

ATT. (11) 1/30/85

grains produced in this state. Testimony was given to that fact to the interim committee. In fact, when the ethanol or gasohol differential was being phased out there was a cut back in ethanol production in Kansas and a loss of employment in production plants. Now, with the differential in place there has been an increase in production and an increased market for agricultural commodities.

At our most recent annual meeting, December 2-4, 1984, our farmers and ranchers from 105 counties in Kansas, through their voting delegates at the annual meeting, 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.*

Mr. Chairman and members of the Committee, yesterday we addressed the House Committee on Transportation and supported H.B. 2022, the bill introduced by the interim committee to modestly reduce the differential between gasoline and motor vehicle fuels containing agricultural ethyl alcohol. We supported that in keeping with our policy position. If the Congress would move with the dispatch proposed by S.B. 30 we would find no great fault with this legislation, the subject of your hearing today. Our ultimate goal, as pointed out in item 4 of the policy position adopted by our members is to continue the Kansas motor fuels tax exemption for ethanol until a federal tax credit program is in effect. We will be seeking at the federal level legislation to make gasohol exempt from the full federal motor fuels tax. S.B. 30 proposes to totally eliminate the differential and for that reason we cannot support this legislation, though we do support the modest reduction in H.B. 2022 to maintain the same amount of differential as existed prior to the increase in the federal exemption.

Thank you for this opportunity to testify.