

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. ~~pm~~ on March 28, 1985 in room 254-E of the Capitol.

All members were present ~~except~~.

Committee staff present:

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

Conferees appearing before the committee:

Rep. V. Snowbarger
Mary Turkington, Kansas Motor Carriers Association
Rep. M. Moomaw

On a motion from Sen. Vidricksen, a second from Sen. Hayden and unanimous approval by the committee the Minutes of March 22, 26 and 27 were approved.

HEARING ON H.B. 2524 - Permits not required for vehicles in an ICC commercial zone.

PROPOSERS:

Rep. Snowbarger said the Olathe Chamber of Commerce had come to him with a problem concerning transporting materials from Olathe to points east from Missouri. Apparently there was a charge of approximately \$30 more to Olathe, Bonner Springs and Lenexa than to other communities in Johnson County in a designated commercial zone. This makes them less competitive.

Mary Turkington, Kansas Motor Carriers Association, showed the commercial zone under discussion on a map. She said this was the only one of its kind in Kansas. She had spoken to the Department of Revenue on this and they said the loss in revenue would be minimal. A copy of her statement is attached. (Attachment 1). She also had an amendment to the bill which this committee had already approved in S.B. 321. S.B. 321 was still in the House and this amendment, concerning dealer tag requirements, was necessary.

A motion was made by Sen. Francisco and seconded by Sen. Hayden to adopt the proposed amendment (see attachment) to section 5 of H.B. 2524. Motion was adopted.

A motion was made by Sen. Francisco to recommend H.B. 2524, as amended, favorably for passage. Motion was seconded by Sen. Martin. Motion carried.

HEARING ON H.B. 2344 - Slow moving agricultural equipment

Rep. Moomaw explained this bill to the committee. It would exempt a second towed vehicle of every three-vehicle combination of vehicles from being equipped with service brakes which act on the wheels of at least one axle. This would exempt a slow-moving farming implement when moving from field to field. Rep. Moomaw was asked for a definition of "implement of husbandry". He said he would get a definition to the committee. He also said that most farmers would look for a deserted country road to move their equipment. They do not want to travel on a highway with traffic because it is dangerous. (Attachment 2).

A motion was made by Sen. Hayden to recommend H.B. 2344 favorably for passage. Motion was seconded by Sen. Thiessen. Motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:00 a.m. ~~p.m.~~ on March 28, 1985.

ADDITIONAL INFORMATION ON H.B. 2022 - Gasohol subsidy

The chairman had received a presentation from Leonard Schruben,
Manhattan, Kansas dated February 12, 1985 which was a study of gasohol.
This same material had been presented to the House Committee on Trans-
portation on February 12, 1985. A copy of this presentation is attached.
(Attachment 3).

Meeting was adjourned at 9:45 a.m.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 2-28-85 Place 254-E Time 900

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
<u>Walter J. King</u>	<u>Topeka</u>	<u>Kansas Motor Carriers Assn</u>
<u>Paul E. Sullivan</u>	<u>Topeka</u>	<u>KDOT</u>
<u>Ed Schaub</u>	<u>Topeka</u>	<u>SWBT</u>
<u>KAREN McClain</u>	<u>Topeka</u>	<u>KS ASSOC OF REALTORS</u>

STATEMENT

By The

Kansas Motor Carriers Association

In support of House Bill 2524 relating to territory defined by the Interstate Commerce Commission as the commercial zone.

Presented to the Senate Transportation & Utilities Committee, Senator Bill Morris, Chairman; Statehouse, Topeka, Thursday, March 28, 1985.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Mary Turkington, Executive Director of the Kansas Motor Carriers Association with offices in Topeka. I am here representing our member-firms and the highway transportation industry supporting the provisions of House Bill 2524 as it was passed by the House of Representatives.

At the outset, I believe it is important for the committee to understand that vehicles operating in and through Kansas must qualify in three major areas:

1. Registration (pro-rate, trip permit, limited reciprocity or full registration.)
2. Fuel tax responsibility for the miles traveled in Kansas through a fuel use permit, a fuel trip permit or the purchase of fuel with full tax payment at the pump.
3. Regulatory requirements, if applicable.

ATT. ①
3/28/85

House Bill 2524 addresses transportation requirements for vehicles operating within territory designated as a commercial zone by the Interstate Commerce Commission. The proposal primarily was requested by shippers and businesses in Johnson county who utilize motor carrier transportation moving between a point in the commercial zone in Missouri to a point in the commercial zone in Kansas or vice versa.

Current law exempts from regulation by the Kansas Corporation Commission, transportation by motor carriers performed:

1. wholly within the corporate limits of a city or village in Kansas and within 3 miles of such corporate limits.
2. between contiguous cities or villages in Kansas or between such contiguous cities in this state and another state. (Kansas City, Kansas and Kansas City, Mo., for example).
3. private motor carriers are exempt from KCC regulation so long as such private motor carrier operations are within a radius of 25 miles beyond the corporate limits of a city or village.

House Bill 2524 extends that exemption to transportation by motor carriers to:

1. transportation between a city or village within the commercial zone designated by the Interstate Commerce Commission in this state and a city or village in another state which also is within the commercial zone designated by the Interstate Commerce Commission.

House Bill 2524 also provides an exemption from fuel tax requirements for such transportation only when vehicles are operated between a city or village in this state and a city or village in another state -- both of which are located in the territory designated as a commercial zone by the interstate commerce commission.

The same exemption is extended to the requirement for such vehicles to secure a temporary registration when the transportation moves only between a city or village in this state and another state which are within territory designated as a commercial zone by the Interstate Commerce Commission.

Under present law, such vehicles must be fully licensed in some other state to be eligible for a temporary registration from Kansas. If the vehicle is prorated with Kansas, which many of the vehicles involved in this transportation would be, a temporary registration would not be required in any event.

The exemption from securing the temporary registration in Kansas would apply only to vehicles properly registered in some other state and operating between a city or village in Kansas and a city or village in another state -- both of which are located within territory designated as a commercial zone by the Interstate Commerce Commission.

As we understand the provisions of this bill, the exemptions outlined apply only to vehicles operating from a city or village in Missouri to a city or village in Kansas so long as such points are within the territory described as the commercial zone designated by the Interstate Commerce Commission or vice versa.

We believe the provisions of this bill answer a need for transportation between states in the commercial zone and therefore support the bill.

We would like to request that this Committee consider one additional amendment to the bill. This amendment does not affect the policy provisions now present in the bill affecting the movement of vehicles in the commercial zone territory.

The amendment does concern a matter this committee already has approved when you considered Senate Bill 321 which revised certain dealer tag requirements.

Section 5 of that bill added exemption (r) to K.S.A. 66-1,109, which sets out the exemptions from KCC regulation. The specific exemption would provide:

"(r) A vehicle being operated with a dealer license plate issued under K.S.A. 8-2406 and amendments thereto, and in compliance with K.S.A. 8-136 and amendments thereto."

We ask that you consider adoption of this language in this bill to be certain that this exemption is provided. Senate Bill 321 has been amended substantially by the House. If that legislation should not prevail, exemption (r) is needed and properly can be considered as a part of House Bill 2524.

We appreciate the opportunity to provide this testimony and will be pleased to answer any questions at this time.

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STATE OF KANSAS

MAX MOOMAW
REPRESENTATIVE, 117TH DISTRICT
HODGEMAN LANE AND
PARTS OF FINNEY AND
NESS COUNTIES
P. O. BOX 45
DIGHTON, KANSAS 67839



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER EDUCATION
ELECTIONS

TO: The Honorable Bill Morris, Chairman
Senate Transportation and Utilities Committee

FROM: Representative Max Moomaw
117th District

RE: House Bill 2344

DATE: March 28, 1985

Mr. Chairman and Members of the Committee:

HB 2344 relates to the towing of vehicles. Under current law the second towed vehicle of every three-vehicle combination of vehicles must be equipped with service brakes which act on the wheels of at least one axle.

Let me give you an example. A tractor is towing a fertilizer applicator with a nurse tank behind it. Under current law the nurse tank would have to have brakes on at least one axle if the combination was moving from one field to another field.

HB 2344 exempts such combinations which include a slow-moving vehicle which is an implement of husbandry when moving from field to field.

ATT. ②
3/28/85

Leonard Schruben

800 Wildcat Ridge, Manhattan, Kansas 66502

(913) 539 6396

Bill Morris

Feb. 12, 1985

Committee Hearings, Kansas House of Representatives, Topeka

GASOHOL

My name is Leonard Schruben. I have made a comprehensive study of gasohol. My qualifications are widely recognized as evidenced by being invited to give scientific papers on the subject in Australia, Argentina, and Europe as well as in the U.S. My presentation is to share with you, as a public service, information I have learned. I am here at my expense, I speak only for myself, and I have no financial interest in the outcome of your deliberations except that I am a farmer, a taxpayer, and highway user.

My testimony follows:

1. How much net income does the gasohol subsidy add to the agricultural sector?

a. Gross income

* Estimates are that no more than 1/5 of the fuel alcohol subsidized by Kansas is currently made in the state. The remainder is imported, chiefly from Brazil and from other states. How does Kansas taxes used to pay Brazil to use sugar cane to make alcohol to sell in gasohol help a farmer in Kansas?

* One byproduct of subsidized alcohol production is sugar. This subsidy has enabled fructose sugar to drive beet sugar production out of Kansas, and the income created by entire industry has been lost.

* Another byproduct, animal feed with about half of the value of grain used to make alcohol, is returned to the feed market to compete with grain and soybean meal. Studies by Iowa State University indicate that for each 25¢ per bushel increase in corn price resulting from gasohol, a corresponding 50¢ drop would occur in the price of soybeans.

* Executive Dwayne Andreas, speaking for Archer Daniels Midland, reported to produce about half of the fuel alcohol in the U.S., stated, "The alcohol from one billion bushels would allow us to boost the octane of all gasoline, while not increasing food prices at all." (See Corn Grower, June, 1981). It is reasonable to assume grain prices will not go up without an increase in food prices.

ATT. ③
3/28/85

*A witness before the Interim Committee in July testified that distillers needed an additional 20¢ per gallon of alcohol because of high grain prices and lower gasoline prices. Fuel alcohol requires cheap grain and high price gasoline. Most farmers desire the opposite.

*No additional fuel alcohol plants have been built in Kansas since the new subsidy was granted in 1983. Therefore use of Kansas grain for this purpose will not increase much if there are no new plants in which to process it.

b. Cost of farm operation

*Increased property taxes. Since July 1983, over \$7 million in highway funds allocated to counties to reduce property taxes has been diverted to the gasohol industry. Farmers pay property taxes, and farm organization have for some years been pressing for relief at the same time their successful support for a gasohol subsidy requires higher property taxes. (See exhibit entitled "Gasohol Keeps Taxes High, Kansas Farmer" Sept. 1, 1984.).

*Increased sales and income taxes result from transfers from the general fund to the highway fund to make up for the shortfall in the latter resulting from the gasohol subsidy. Whether the cost of the subsidy is state or federal, it is a cost to Kansas taxpayers.

*Increased fuel taxes for over-the-road vehicles.

*There are no offsetting reductions in the cost of farming

c. Conclusion: All evidence points to the conclusion that the gasohol subsidy decreases farm income, not increase it.

2. Is there a Kansas law that limits the gasohol subsidy to only that using alcohol made from American products?

a. Yes. However, there is no way to determine the raw material used to make alcohol brought into Kansas from outside the state, so as a practical matter, it cannot be enforced.

b. Florida also has such a law. It was ruled unconstitutional Oct. 11, 1984 by the Florida Supreme Court on grounds it violated both the commerce and foreign trade provisions of the constitution.

3. Does making alcohol fuel from grain increase energy supply?

a. No major producer has permitted an independent audit to determine energy balance but

*The largest fuel alcohol distiller in the U.S. certified to the federal government it would require 120 gallons of alcohol to be made to replace the petroleum used in the production of only 100 gallons, a net loss of 1 gallon for each 4 made.

4. How does the gasohol subsidy affect employment?

- a. Testimony before the Interim Committee indicated that only 6 new jobs had been added by an existing to make alcohol fuel as a result of the increased subsidy of 1983. Total loss of highway funds through October, 1983 was about \$15 millions or a cost per new job of about \$2.5 millions. Many more jobs would have been created by spending the same amount of money to build and repair highways.

5. How much is gasohol subsidy costing the people of Kansas at the present time?

- a. Total subsidy per gallon of alcohol is \$1.10, which is greater than the cost of gasoline. It cost Kansas treasury 50¢. (taxes not collected by the federal government cannot be allocated back to the state, therefore the total cost is 50¢ per gallon of alcohol plus the 60¢ federal subsidy).
- b. Per net bushel of Kansas grain used to make fuel alcohol is \$1.10 times 2.5 times 5. (only about 1/5 th. of net grain equivalent is produced in Kansas times 2 (about 1/2 its value is byproduct feed which returns to the market). The total subsidy, therefore is costing Kansas taxpayers at least \$25 per net bushel of surplus grain disposed of.
- c. Subsidy realized by the gasohol industry is \$2.75 per bushel of grain processed, about 25¢ above the current price of corn. This is free corn plus 25¢ per bushel to cover other expenses. This includes the same payment is made to corn belt states where the subsidy is considerable lower than in Kansas.
- d. The U.S. recently granted a \$500 million loan to Brazil to enable them to buy grain in this country. Because of high tariffs protecting gasohol, they are not able to earn enough dollars to pay cash. The cost of this and earlier loans are a direct drain on taxpayers, Kansans included.

6. Does Kansas have an implied commitment to continue the subsidy?

a. Consider:

- * Every plant operating in Kansas was built with the clear understanding that the then subsidy would be phased out at a total cost of no more than \$5 million dollars to taxpayers. In passing such a law the legislature made it clear that no long term commitment was to be made or implied. No new plants have been built since the increased subsidy was allowed in 1983, therefore, none can claim they invested in response to a permanent subsidy.

* Another state agency (Kansas State University) published an estimate of cost and returns for a 20 year period using actual corn, fuel, labor, equipment, investment and other costs for each year included. This research demonstrated in not one of the 20 years would such a plant have made a profit without a large, and increasing subsidy. Can the state be held responsible if data provided by the state, which proved accurate, was ignored?*

7. Will demand for gasoline without lead eventually allow alcohol fuel to be self supporting?
- a. The EPA recently has recognized what California recognized some years ago and that is gasohol has a higher vaporation pressure than gasoline and therefor air pollution from from that source is greater. The EPA was reacently reported to be testing for the first time the enviremental impact of the alcohol alternative to lead . Thus, it appears to be premature to assume an answer to this question except to say such a result is not a certainty.
 - b. Should Kansas taxpayers subsidize oil companies in their search for higher octane additdives to comply with EPA requirements?

**Of interest in this connection, a critic of the time wrote to the University stating the author, ..."poses no problem to me personally, but he (his findings) might have weight with bankers and in particular my banker. If his statements were true it would be different." The critic did build the plant and this past summer, its spokesman told the Interm Committee that the state share of the subsidy needed to be increased by 20¢ per gallon (40 percent), for the company to show a reasonable profit.

Know your market



LEONARD W. SCHRUBEN
Agricultural Economist

Gasohol keeps taxes high

If you pay property taxes, and who doesn't, you will want to take a close look at the accompanying chart. This chart shows the cumulative cost in the gasoline tax allocated to local government units since the big increase in gasohol subsidy in 1983. Yes, the gasohol subsidy causes an increase in your property tax.

Take a look at your tax statement from the county. You will find a mill levy to raise taxes to pay for roads and bridges. This road and bridge fund is supplemented by a payment from the state. That payment is somewhat more than 40 percent of the gasoline taxes collected at the service station when you buy gasoline. The more taxes collected, the lower your property tax.

When you fill your tank with gasohol the amount the state collects from the seller is 5 cents less per gallon than when you buy gasoline. This adds up to millions each year—enough this year to account for the projected shortfall in state revenues. The state cannot allocate money it doesn't have to your county. So the county in turn cannot reduce your property tax. It is as simple as that!

Therefore, the lower the collections, the higher your property tax. Ironically some farm organizations advocate lowering property tax while at the same time urge increased subsidy for gasohol. This is inconsistent. You cannot have it both ways.

It should be obvious, the more gasohol that is sold, the higher will be your property tax. Higher subsidies for gasohol increases sales. Therefore, higher subsidies means higher property taxes.

How much does gasohol cost property tax payers? Let's put it this way, every bushel of Kansas grain made into fuel alcohol nicks the property tax fund for about \$2.50. But that gets rid of only about half of the value of the nutrients in the grain because the other half comes back on the market as byproduct feed to compete in the market.

This means the actual cost of gasohol to property taxpayers comes to about \$5.00 per net bushel of Kansas grain made into fuel alcohol. The rest of the alcohol comes from somewhere else, such as that made from sugar cane grown in Brazil, or from some other state. That is where most of your property tax spent to subsidize gasohol ends up. How does that help boost the price of Kansas grain?

You might want to think about the cost of gasohol the next time you wonder why taxes are so high.

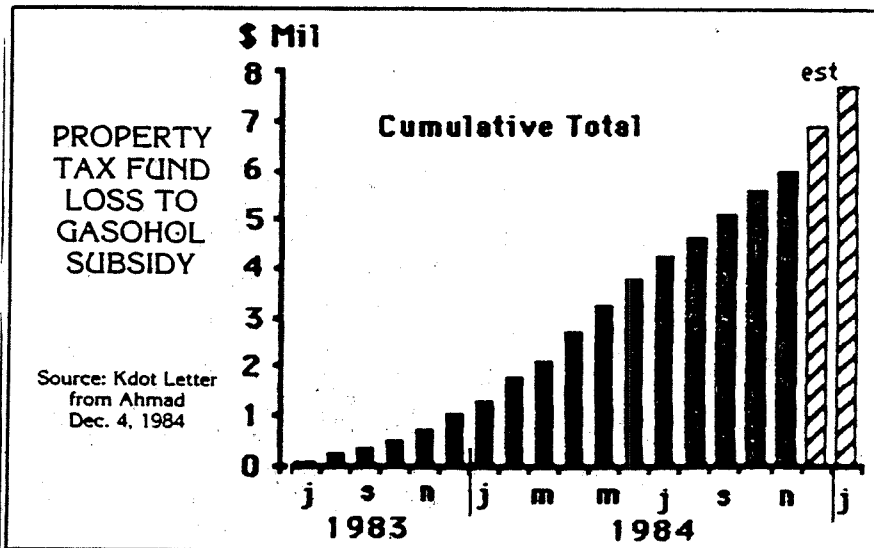


EXHIBIT - Gasohol hearings
To p. 14
2/12/85