

Approved: 3-31-99
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 24, 1999, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Bruce Sneed, City of Manhattan
Benjamin Watson, Kansas City Regional Clean Cities
Coalition
Bill Raynor, G.R. Milner Ford
Lee Eisenhower, Propane Marketers Association of Kansas
Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list.

HB 2226-Alternative-fueled motor vehicles; concerning certain incentives.

Senator Langworthy informed the Committee that Representative Jeff Petterson, sponsor of **HB 2226**, was unable to attend the meeting because he was involved in a debate in the House.

Bruce Sneed, Manhattan City Commissioner, testified in support of **HB 2226**. He explained that the proposed changes in the bill will clarify past confusion by updating the definitions of "alternative fuel fueling station" and making the definitions applicable to all the alternative fuel statutes. The bill also addresses the difference in investment costs between purchasing vehicles and installing fueling stations, and it increases the maximum amounts that can be loaned by the state to local government agencies for purchasing new alternative fueled vehicles, for conversion of new or existing motor vehicles to operate on alternative fuels, and for the construction of an alternative fuel fueling station. He asked the Committee to support the bill because use of alternative fuels, such as propane and compressed natural gas, benefits the environment by reducing air pollution, enhances national energy security by reducing imported oil, and spurs economic development within the state. (Attachment 1)

Senator Langworthy clarified with staff that, essentially a program for alternative-fueled motor vehicles is currently in place, but the bill expands it to apply to qualified alternative fueling stations. Mr. Sneed confirmed that the City of Manhattan has a commitment to install an alternative fuel fueling station by July 1, 1999, paid for by the city with additional support from the Ford Motor Company. The City of Manhattan also has a commitment to purchase 30 alternative-fueled vehicles over the next three years. The city has been working with the Clean Cities Program, which is a Department of Energy program, to encourage alternative-fueled vehicle use and infrastructure.

Senator Bond asked to what extent the incentives which are in currently in place are being used. Shirley Sicilian, Kansas Department of Revenue, responded that her information indicates that no credits have been utilized to date. Mr. Sneed commented that he believes the proposed changes will expand the availability of credits to a greater number of people.

Benjamin Watson, Kansas City Regional Clean Cities Coalition, testified in support of **HB 2226**. He contended that the proposal is very timely to a growing interest to establish alternative fuel corridors linking Kansas with its surrounding states along the interstate highway system. The bill would improve the leveraging position that private sector funding sources, such as automakers, are seeking when developing and

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S Statehouse, at 11:10 a.m. on March 24, 1999.

funding alternative fuel infrastructure. The Kansas City Clean Cities Coalition is especially supportive of the alternative fuel government fleet loan fund portion of the bill. Mr. Watson believes the bill will help improve air quality in Kansas, especially in metropolitan areas. (Attachment 2) Mr. Watson informed the Committee that a bill patterned on **HB 2226** was recently introduced in the Missouri legislature.

Bill Raynor, fleet manager for G.R. Milner Ford in Overland Park, followed with further testimony in support of **HB 2226**. He noted that the auto industry is currently producing a wide array of vehicles that operate on other than gasoline. In addition, Ford Motor Company is helping fund alternative fuel infrastructure projects in Kansas in the form of grants. He believes the bill could be considered the American fuels incentive as it promotes truly American fuels. He contends that passage of the bill will ensure that Kansas remains a leader in the American fuels industry. (Attachment 3)

Lee Eisenhauer, Propane Marketers Association of Kansas, gave final testimony in support of **HB 2226**. She supports the bill as a means to encourage the use of clean-air motor fuels for improving the environment as well as a means to strengthen the country's energy security. The tax incentive would help encourage investment in the installation of easily accessible refueling stations. Furthermore, extension of the credit to smaller fleets may provide the encouragement necessary for more clean-air fuels usage. (Attachment 4)

Senator Langworthy called attention to written testimony in support of **HB 2226** submitted by Otto Sitz, Kansas Corporation Commission (Attachment 5), and Whitney Damron, on behalf of Kansas Gas Service (Attachment 6). With this, the hearing on **HB 2226** was closed.

Senator Langworthy began a discussion of a bill previously heard, **SB 228**, concerning the determination of the credit for income tax paid to another state. She noted that the bill was introduced at the request of former Senator Bob Vancrum. Shirley Sicilian, Kansas Department of Revenue, explained the difference between current law and the provisions of the bill. Under the bill, a Kansas resident would be able to take a Kansas credit for taxes paid to another state at a higher, pre-charitable, credit level.

Ms. Sicilian explained that the Department used the individual income tax model to compute the fiscal note on the bill. The model showed 97,000 Kansans were currently claiming credit for taxes paid to other states. The total amount of other states credit claimed is nearly \$145.3 million currently. Since the Department does not have information to estimate the exact impact of the bill, it used magnitudes. She calculated, if five percent of Kansas residents, who are claiming a credit for taxes paid to other states, claimed a qualified credit of \$500 in another state, the impact to Kansas would be \$2.4 million.

Senator Lee commented that the \$2.4 million is not part of the Senate transportation plan. She stated that she has no problem with **SB 228**, but if she has to choose between it and other tax credits, she feels other credits, such as those contained in **SB 18** or **HB 2543** regarding the oil and gas industry, are more important given the limited amount of dollars available for tax cuts.

In response to a question from Senator Langworthy as to if the fiscal note concerns opportunity lost or actual funds lost, Ms. Sicilian said she assumes that some of the contributions in other states are currently being made by a portion of the 97,000 Kansans and would be a real loss; however, she understands that a portion could be attributed to opportunity lost.

Bob Vancrum stood to remind the Committee that the purpose of the bill is to allow persons whose businesses have made charitable deductions in another state (for the most part in Missouri) to get the benefit of their credit and not have their Kansas income tax increase. He believes that the fiscal note is at best an opportunity lost and not an actual loss to the state.

There being no further time, the discussion on **SB 228** was continued to March 25. Senator Langworthy announced that a discussion of **SB 242** concerning an income tax credit for foster parents is also scheduled.

The meeting was adjourned at 12:00 p.m. The next meeting is scheduled for March 25, 1999.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: March 24, 1999

NAME	REPRESENTING
Shirley Sicilian	KDOR
Bob Vancrum	Blue Valley USD 229
Whitney Damon	Kansas Gas Service
Wade Wright	Kansas Gas Service
Bill Raymond	G.R. MILNER FORA
Orion Jordan	OPA/OPA/CAP
Jim Langford	DOB
John Frederick	Boeing
BENJAMIN WATSON	KANSAS CITY REGIONAL CLEAN ^{CITIES}
SCOTT GUNETDER	WGA
Bob Meyer	Senate
BUD BURKE	Highway 69 Assn.
Woody Moses	Ks. App. Prod. Assn.
Don Schmaehl	WFOG
Auto Site	Kansas Corporation Commission
STEVE KEARNEY	SUNKS IDENTIFIERS
Karl Peterjohn	Kans Taxpayers Network
Natalie Bright	KCCI
Julie Horn	Heinz Weir, Chtd



Testimony before Senate Assessment and Taxation Committee
March 24, 1999
On HB 2226 – Alternative Fuel Vehicle Incentives
by
Bruce Snead
City Commissioner
Manhattan, Kansas

My name is Bruce Snead and I appear here today representing the City of Manhattan as a City Commissioner. Thank you for this hearing and the opportunity to address the legislation introduced by Representative Jeff Peterson.

For several months, the City of Manhattan and representatives of the alternative fuels program at the Kansas Corporation Commission, Kansas Gas Service, the Propane Marketer's Association of Kansas, and Transportation Design and Manufacturing have worked together to propose these changes to the existing alternative fuel legislation in the State of Kansas. The proposed changes have been reviewed by the Kansas Department of Revenue.

What will these amendments accomplish ?

The proposed changes will clarify past confusion by updating the definitions of alternative fuel motor vehicle and alternative fuel fueling station and making them applicable to all the alternative fuel statutes. They also recognize the difference in investment costs between purchasing vehicles and installing fueling stations and increase the maximum amounts that can be loaned by the State to local government agencies;

- for incremental costs of purchasing of new alternative fueled motor vehicles, from \$2,000 to \$3,000.
- for conversion of new or existing motor vehicles to operate on alternative fuels, from \$2,000 to \$3,000
- for the construction of each alternative fuel fueling station, from \$100,000 to \$200,000.

The loan program is administered by the Secretary of Administration, has annual limits of \$100,00 per agency for vehicles, and \$200,000 per agency for fueling stations, has other positive compliance requirements, and all loans must be repaid within four years. The fund would be a vital resource for governmental entities, including school districts, to invest in alternative fuel vehicles and fueling infrastructure. These tax- exempt entities are unable to take advantage of the income tax credits available to the private sector. This

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fund was created in 1995, but has never received any funding allocation. Key to the success of this loan program is the allocation of funds.

Similar to the changes in the loan program for the public sector agencies are the expansion of the income tax credits for the private sector. It enables individuals and small fleet owners (less than 10 vehicles) to access income tax credits increased from \$2,500 to \$3,000 maximum per each new or conversion vehicle, and extends the credits through 2004, with a 10% reduction in the credit starting in 2005. Investments in alternative fuel fueling stations by individuals or small fleet owners could qualify for up to \$200,000 maximum credit through 2004, with a 10% reduction in the credit starting in 2005.

Why should you support this legislation?

Use of Kansas based alternative fuels such as propane and compressed natural gas benefits our environment by reducing air pollution, enhances our national energy security by reducing imported oil, and spurs economic development in our state.

The mobility and convenience of the automobile cannot be sustained without a change to fuel technology and infrastructure which is clean and environmentally sound. I believe both individual, local and state government action and example is essential in catalyzing a transition to clean fuels and non-polluting vehicles.

In partnership with the State and others, Manhattan has brought Transportation Design and Manufacturing's alternative fuel vehicle assembly plant to our community for economic development. Key to the adoption of new technologies is access, convenience and incentives. With our collaborative regional efforts to champion the use of alternative fuel vehicles, install public access fueling stations, and extend alternative fuel mobility along the I-70 corridor we are starting to address the challenge of access and convenience. This legislation expands the key ingredient of incentives to help spur action. I urge your support of it.

Thanks for your time and I look forward to any questions you may have.



HB 2226 Testimony to Kansas Senate Tax Committee

March 24, 1999

My name is Benjamin Watson; I am the Kansas City Regional Clean Cities Coalition Coordinator for the groups efforts related to alternative fuels and vehicles in three Kansas and four Missouri counties. The Coalition is a volunteer group of over 100 Kansas and Missouri businesses and organizations dedicated to increasing the use of domestically produced and clean-burning fuels in Kansas City regional fleets. The Coalition received the U.S. Department of Energy's Clean Cities designation on November 18, 1998.

I am here to testify in favor of the revisions to the Kansas Alternative Fuel Incentives package. Since 1990 or earlier, Kansas has been very supportive of the introduction of Alternative Fuels and Vehicles in State, public and private fleets. In the early years, Kansas took the regional lead in promoting alternative fuel use through informational seminars, training, and public exhibits, such as the Alternative Fuels Roundup, and vehicle conversions.

This progressive leadership continues today through this legislative package that is being proposed. It is very timely to a growing interest to establish alternative fuel corridors linking Kansas with its neighbors, Oklahoma, Colorado, Missouri and Nebraska, along the interstate highway system.

This bill would improve the leveraging position that private sector funding sources, such as Ford Motor Company and other automakers are seeking when developing and funding alternative fuel infrastructure. On March 11th we were notified of Ford Motor Company's approval of \$125,000 for support for 4 CNG refueling sites in Manhattan, Overland Park, Topeka and Fort Riley. This is just the beginning of participation such as this because of the present incentives and legislation you have. It will only become greater with the recommended improvements of HB 2226.

The Kansas City Clean Cities coalition is especially supportive of the Kansas alternative fuel government fleet loan fund portion of the bill. These types of programs have proven to be successful in accelerating the adoption of alternative fuel vehicles and infrastructure.

Good air quality is important to Kansas. This bill will help to improve air quality, especially in the metropolitan areas of Kansas City and Wichita. Both areas are expected to exceed the new federal air quality standard for ozone. Alternative fuel vehicles -- already part of the Kansas City regional ozone plan -- are a cost-effective strategy to comply with the standard.

You have the opportunity to advance the future of Kansas' changeover to cleaner-burning fuels that include fuels produced by Kansas businesses or grown by Kansas Agriculture. We no longer talk of

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these fuels as fuels of the future because they are here today. All that is needed is to strategically place the refueling infrastructure and make the cost competitive.

Thank you for allowing this opportunity to make these comments.

Attachment (Coalition Organizations)

ID	Organization Name	Address	City	State	Zip
15	U.S. Dept. of Energy	1000 Independence Ave, SW	Washington	DC	20585
30	Chicago Regional Support Office.	One South Wacker Dr., #238	Chicago	IL	60606
14	City of Belton	506 Main	Belton	MO	64012
12	Jackson County PW	1030 Crysler	Independence	MO	64050
51	City of Lee's Summit	126 SE 3rd St.	Lee's Summit	MO	64063
26	Jackson County Parks	22807 NW Woods Chapel Rd	Blue Springs	MO	64105
21	Mid America Regional Council	600 E. Broadway	Kansas City	MO	64105
35	Greater KC Chamber of Commerce	911 Main , Ste 2600	Kansas City	MO	64105
32	Rep. Karen McCarthy	400 E. Ninth. St., Ste 9350	Kansas City	MO	64106
54	MO Director Community Affairs	615 E. 13th, Ste 517	Kansas City	MO	64106
58	SW Bell Telephone	500 E. 8th St, #838	Kansas City	MO	64106
25	KC Area Transit Authority	1350 E. 17th St.	Kansas City	MO	64108
18	U.S. Postal Service	315 Pershing Road	Kansas City	MO	64108
34	Kansas City Air Quality	2400 Troost	Kansas City	MO	64108
33	Marcus Allen Ford	3401 Broadway	Kansas City	MO	64108
23	Metropolitan Energy Center	3808 Paseo	Kansas City	MO	64109
47	Missouri Gas Energy	3420 E. Broadway	Kansas City	MO	64111
38	Jack Miller Chrysler	30 NE Vivion Rd	Kansas City	MO	64116
13	NO KC Public Works	2010 Howell	NO Kansas City	MO	64116
42	Farmland Industries	3315 North Oak Trafficway	Kansas City	MO	64116
46	Ford North American Fleet	Hwy 69, POB 11200	Kansas City	MO	64119
59	Ferrellgas	6910 N. Holmes, #151	Gladstone	MO	64119
24	City of Gladstone	4000 NE 76th Street	Gladstone	MO	64119
43	Kansas City Water Service Dept.	1901 Brooklyn	Kansas City	MO	64127
36	University of MO KC	5100 Rockhill Rd.	Kansas City	MO	64128
27	MO Department of Transportation	5117 E. 31st St.	Kansas City	MO	64128
22	U.S. General Serv. Administration	1500 E. Bannister Rd. Rm 10	Kansas City	MO	64131
16	KC Aviation Department	125 Paris Street	Kansas City	MO	64153
52	KCI Shuttle	7 Amsterdam Circle	Kansas City	MO	64153
20	Northwest MO University	Valk Bldg, 800 Univ. Dr.	Maryville	MO	64448
50	G.R. Milner Ford, Lincoln, Mercury	Junct. Hwy. 71 & 291	:Harrisonville	MO	64701
9	MO Division of Energy	PO Box 176	Jefferson City	MO	65102
29	National Ethanol Vehicle Coalition	3702 W. Truman, Ste. 100	Jefferson City	MO	65109

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ID	Organization Name	Address	City	State	Zip
37	Missouri Corn Growers	3702 W. Truman, ste. 100	Jefferson City	MO	65109
10	Thermogas	PO Box 50	New Century	KS	66031
31	Kansas Corn Growers	P.O. Box 446	Garnett	KS	66032
57	University of Kansas	4000 Learned	Lawrence	KS	66045
39	City of Leavenworth PW	100 North Fifth	Leavenworth	KS	66048
11	City of Olathe	P.O. Box 768	Olathe	KS	66051
53	Johnson County Public Works	1800 W 56 Highway	Olathe	KS	66061
17	Olathe	Ford	Olathe	KS	66062
28	UPS	13881 South Kaw Dr.	Olathe	KS	66062
5	Liberty Public Works	101 E. Kansas	Liberty	MO	66068
40	Unified Government of KCK & Wyandotte Co.	One McDowell Plaza	Kansas City	KS	66101
60	U.S. EPA Region VII	726 Minnesota Ave.	Kansas City	KS	66101
19	Board of Public Utilities	342 S. Bethany	Kansas City	KS	66102
2	Kansas City, KS Good Year	7908 State Avenue	Kansas City	KS	66109
8	KCP&L	4400 Front Street	Kansas City	MO	66120
1	Mid-America Truck Center	POB 3212	Shawnee Mission	KS	66203
49	City of Prairie Village	3535 Sommerset Dr.	Prairie Village	KS	66208
44	Blue Valley Good Year	6717 W. 119th St.	Overland Park	KS	66209
56	United Cities & Greeley Gas Co.	9401 Indian Creek Pkwy. #45	Overland Park	KS	66210
61	Sprint Communications	9350 Metcalf, Ste. 924	Overland Park	KS	66212
41	City of Overland Park	11300 W. 91st St.	Overland Park	KS	66214
7	Kansas Gas Service	8912 Niemann Rd.	Lenexa	KS	66215
3	Lenexa Public Works	12812 W. 83rd Terr	Lenexa	KS	66215
6	Johnson County Environment	11180 Thompson Avenue	Lenexa	KS	66219
55	Kansas Corporation Commission	1500 SW Arrowhead Rd.	Topeka	KS	66604
4	Kansas Department of Health	Forbes Field, Bldg 283	Topeka	KS	66620
45	Denver Regional Support Office	1617 Cole Blvd., Bldg. 17	Golden	CO	80401

SENATE TAXATION COMMITTEE
MARCH 24, 1999

HOUSE BILL 2226

Chairwoman Langworthy, members of the committee, I am Bill Raynor a resident of Overland Park, Kansas, and Fleet Manager for G.R. Milner Ford, a Kansas City Metro Ford Dealer. I support HB 2226.

I firmly believe that for a public incentive like HB 2226 to succeed, private industry must also be supportive. Ford, General Motors, Chrysler, Honda, & Toyota already are producing a wide array of vehicles that operate on other than gasoline. In addition, Ford Motor Company is helping to fund infrastructure projects in the state of Kansas in the form of grants. With the support of both vehicle manufactures and fuel providers, this bill makes sense for it's positive long-term impact on Kansans and the State of Kansas.

HB 2226 could be considered the American Fuels incentive. The fuels that this bill promotes are truly American fuels. Propane, Compressed Natural Gas, & Ethanol are all produced in Kansas.

As I previously stated, I am a provider of American Fueled vehicles. This bill is complete in that it covers incentives for vehicles, infrastructure, and fuels.

Your positive endorsements for HB 2226 will ensure that Kansas remains a leader in the American Fuels industry. HB 2226 will promote sustained economic growth and guarantee that current and future Kansans will have clean air into the next millenium.

Thank you.

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Attachment 3



Propane Marketers Association of Kansas

214 S.W. 6th Avenue, Suite 305

Topeka, KS 66603-3719

Phone 785-354-1749

Fax 785-354-1740

e-mail: pmak@inlandnet.net

Lee Eisenhauer
Executive Vice-President

STATEMENT

By

Lee Eisenhauer

Concerning House Bill 2226

Presented Wednesday, March 24, 1999

to the

Senate Committee on Assessment and Taxation

Madam Chairman and Members of the Committee:

My name is Lee Eisenhauer; I serve the propane marketers in Kansas as executive vice-president of their association.

We thank you for your consideration of House Bill 2226, and for the opportunity of being here today.

We support this bill as a means to encourage the use of clean-air motor fuels for improving our environment, as well as strengthening our country's energy security by lessening dependency on foreign products, the purposes of the Environmental Protection and Clean Air acts.

One of the drawbacks to convincing Kansans to use alternative motor fuels is the lack of easily accessible refuelling stations. It is also a problem for travelers through our state who are accustomed to such accessibility. This tax incentive would help to encourage investing in the installation of such stations, using the modern equipment now available.

Also, as we all know, it usually takes some kind of incentive for most of us to invest in something new or different. The current tax incentive for purchase of, or conversion to, alternative fueled motor vehicles is limited to those with fleets of 10 or more vehicles. We believe that the extension of the credit to individuals and/or smaller fleets may provide the encouragement necessary for more clean air fuels usage.

We urge your passage of House Bill 2226, and thank you again for allowing us this time. I would be happy to try to answer any questions you may have.

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Attachment 4

Senate Assessment & Taxation Committee
Testimony of the Kansas Corporation Commission Staff
March 24, 1999

House Bill 2226

Chairwoman Langworthy, members of the committee, I am Otto Sitz, Alternative Fuels Energy Specialist for the Corporation Commission. I support HB 2226.

This bill makes three important changes to the existing alternative fuel legislation in the State of Kansas.

1. It extends and enhances the existing tax credits for the investment in alternative fuel vehicles and alternative fuel fueling infrastructure.
2. It allows small fleets and individuals to be eligible for the tax credits. This is extremely important in the case of an individual taxpayer willing to invest in an alternative fuel fill station.
3. It clarifies the definitions of alternative fuel motor vehicle and alternative fuel fueling stations as proposed in K.S.A. 75-37,116, making them applicable in all sections of the alternative fuel statutes.

Kansas is in a favorable position to benefit greatly from any national growth in the use of any one of the alternative fuels because it produces and exports propane, natural gas and ethanol, and an ever-increasing number of alternative fuel vehicles and equipment.

Kansas already boasts three companies that produce alternative fuel buses, four plants producing ethanol, one producing alternative fuel airport tractors and one plant producing compressed natural gas (CNG) powered highway mowers. Pittsburgh University now has a 30 million dollar automotive & fuel emissions research center built mostly with federal funds. Troy Design and Manufacturing (TDM) operates in Manhattan adding fuel systems to produce propane-powered and CNG powered F-150 and F-250 Ford pickup trucks plus CNG powered Contour sedans.

This bill is very important to sustain the growth of alternative fuels and related economic development in Kansas.

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WHITNEY B. DAMRON, P.A.
1100 MERCANTILE BANK TOWER
800 SW JACKSON STREET
TOPEKA, KANSAS 66612-2205
(785) 354-1354 ♦ 354-8092 (FAX)

SUBMITTED TESTIMONY

TO: **The Honorable Audrey Langworthy, Chair**
 And Members Of The
 Senate Committee on Assessment and Taxation

FROM: **Whitney Damron**
 On Behalf Of
 Kansas Gas Service

RE: **HB 2226/Alternative Fuels Incentives**

DATE: **March 24, 1999**

Kansas Gas Service, an Overland Park, Kansas-based subsidiary of ONEOK, Inc., of Tulsa, Oklahoma respectfully requests your support of HB 2226 which provides economic development incentives to the alternative fuels market in our state. Kansas Gas Service, or KGS, is a Local Distribution Company with over 600,000 commercial, industrial and residential customers in Kansas.

The State of Kansas is one of the largest producers of natural gas in the country. And although Kansas Gas Service purchases the majority of their gas needs from Kansas producers, marketing opportunities for gas producers remains commercially limited to traditional gas usages. Economic development proposals such as HB2226 help develop new markets for our gas producers, which will be beneficial to all Kansans.

Producers in our state will benefit from new markets for their products and we will all benefit from a cleaner environment. The small incentives created by HB 2226 are an appropriate, yet modest means of market stimulation for the alternative fuels industry.

On behalf of Kansas Gas Service, we thank you for your consideration of this information and respectfully request your support for HB 2226.

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