

REVISED
SESSION OF 2004

**CONFERENCE COMMITTEE REPORT BRIEF ON
SENATE BILL NO. 384**

As Agreed to April 1, 2004

Brief*

SB 384 would provide a funding mechanism for the Comprehensive Transportation Program (CTP). The bill provides for issuance of revenue bonds and changes in the sales tax rate and disposition of resulting revenue.

Bonding. The bill would:

- ! authorize the Kansas Development Finance Authority (KDFA), subject to approval of the Secretary of Transportation and the State Finance Council, to issue revenue bonds in an amount not to exceed \$150,000,000, plus amounts to pay the costs of the bonds, including credit enhancements, and provide reserves required for the bonds, to finance the CTP. Revenue from those bonds would be credited to the State Highway Fund (SHF);
- ! authorize issuance of additional bonds, subject to approval of the State Finance Council, to offset any shortfall in anticipated federal receipts for state fiscal years 2005 - 2009 in an amount that is the lesser of the federal shortfall or \$60,000,000. Any such issuance would be subject to review and recommendation to the Finance Council by the Legislative Budget Committee; and
- ! require the revenue bonds and interest to be payable from money appropriated from the State General Fund.

Sale Tax Rate and disposition of revenue provisions. The bill also would extend indefinitely the current 5.3 percent state sales and compensating use tax rate which is scheduled by law to be reduced to 5.0 percent on July 1, 2006. An increased portion of the

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sales and use tax rate also would be earmarked for deposit in the SHF. Under current law, 5/106 (one quarter cent) is deposited in the SHF. The bill would expand the earmarking to 19/265 (0.38 cents) in FY 2007; and 13/106 (0.65 cents) in FY 2008 and thereafter. Finally, the bill would repeal a statute that provides for a transfer to the SHF 12 percent of sales and use taxes which are deposited initially in the SGF.

Conference Committee Action

The Conference Committee agreed to delete all provisions of SB 384 and to amend the bill to include provisions of HB 2918, as amended by the House Committee of the Whole, with one change. That change reduces from \$90 million to \$60 million the maximum amount of supplemental bonding authority available to compensate for a shortfall in federal funds.

Background

Conferees who testified in support of one or more of the funding plans for the CTP included representatives of Economic Lifelines of Kansas; KDOT; Kansas Aggregate Producers' Association and Kansas Ready Mixed Concrete Association; Kansas Society of Professional Engineers; Kansas Consulting Engineers; The Heavy Constructors Association; and Kansas Contractors Association.

Fiscal implications. The total change in revenues relative to current law based on the tax rate extension and the additional diversion of receipts to the State Highway Fund would be as follows, based on the November, 2003 consensus estimate:

	(\$ in millions)		
	Total New Revenue	SGF	SHF
FY 2007	\$111.419	\$58.748	\$52.671
FY 2008	\$125.802	(\$41.934)	\$167.735
FY 2009	\$130.204	(\$43.401)	\$173.605
FY 2010	\$134.762	(\$44.920)	\$179.682
FY 2011	\$139.479	(\$46.492)	\$185.971
5-Year Total	\$641.666	(\$117.999)	\$759.664

Based on the November, 2003 consensus estimate, the repeal of the transfer would be expected to have the following impact:

(\$ in millions)

	<u>SGF</u>	<u>SHF</u>
FY 2005	\$200.179	(\$200.179)
FY 2006	\$207.508	(\$207.508)
FY 2007	\$206.192	(\$206.192)
FY 2008	\$209.082	(\$209.082)
FY 2009	\$216.400	(\$216.400)
FY 2010	\$223.974	(\$223.974)
FY 2011	\$231.813	(\$231.813)
Thru FY 2011	\$1,495.149	(\$1,495.149)