



ECONOMIC LIFELINES

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TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE

REGARDING HOUSE BILL 2747 RELATING TO TAXATION

February 16, 2012

Mr. Chairman and Honorable Committee Members:

My name is Julie Lorenz, and I serve as Chief Executive of Economic Lifelines, the largest transportation coalition in Kansas. I'm here representing our membership of cities, counties, chambers of commerce, airports and transit providers, construction workers and engineers to express strong opposition to this measure as it relates to withholding funds for the T-WORKS transportation program.

The Kansas economy and our citizens rely on and expect a strong transportation system. Ask farmers who export crops and cattle. Ask the elderly in rural areas who need transit to get regional hospitals for dialysis. Ask the metro areas which need to unravel choke points so they can continue to grow. Ask Economic Development Directors what one of the top two factors is in new businesses deciding where to locate. Their answers will all be the same: transportation.

People ask where the jobs associated with transportation are. You don't have to look any further than the 5 case studies KDOT conducted of past projects: for an investment of \$230 million there was an estimated \$6 BILLION return to the economy and 50,000 long-term jobs. Economic impact and job creation such as this is an outstanding return on investment. I like that return on investment, and citizens do as well.

So why would you want to change course now? Our members didn't like it but did understand when funds were withheld from transportation in earlier years due to revenue shortfalls. However, we must now strongly oppose withholding funds when there isn't a budget hole to fill. We need to fund the best jobs program we have in the state of Kansas: completing the T-WORKS expansion projects on time. Those 37 projects are estimated to cost \$1.7 billion and return more than \$10 billion to the Kansas

economy, providing 175,000 construction and supplier jobs through these 10 years and creating the climate to attract new business today and tomorrow. These projects are supported across the State – with more than 2,000 Kansans participating in hearings to talk about the projects they need to improve their safety and economies.

The T-WORKS expansion projects are an investment for today that will provide immediate economic benefits, including jobs, and will continue a strong return on investment for years to come. Governor Brownback’s budget acknowledges the importance of transportation to the economy by fully funding transportation – and in fact, the Governor instructed KDOT to accelerate \$50 million in construction work just a few weeks ago in recognition of the impact that work will have on the economy.

As I understand the bill, an estimated **\$350 million in sales tax revenue will be removed** from T-WORKS funding in 2013 and 2014 and then **“repayments” of \$50 million per year** will be made to restore the funds over 7 years. The bill will delay economic development and job creation at a time when Kansas desperately needs both. You can understand **the skepticism of my members** when it comes to promises that transportation funds will be repaid after years of transfer withholdings, loans becoming permanent and repayments not being made.

I must ask **what drives the need for the money in 2013 and 2014 that will be resolved beyond that timeframe?** And resolved so significantly that the revenue transfer percentage can **jump from 11.53%** in 2014 **to 20.15%** in 2015?

Erratic investments scare us and scare the markets. We know KDOT is on a negative watch and we haven’t yet heard what will happen to KDOT’s bond rating when funds are withheld from the State Highway Fund again. Nor, have we seen a cash flow to understand how construction contracts will have to be slashed.

So in closing, let me be clear. Economic Lifelines members stand united in our opposition to this proposal of withholding funds with a promise to repay funds at a later date. We’ve been down that road far too often. The only position we support, and in fact the best position for the State of Kansas, for economic development, and for job creation is to fully fund T-WORKS in the manner it approved in legislation in 2010.