

# Kansas Good Roads, Inc.

## TESTIMONY

TO: The Honorable Richard Carlson, Chair  
And Members of the House Taxation Committee

FROM: Whitney Damron  
On Behalf of Kansas Good Roads, Inc.

RE: HB 2747 - An Act concerning taxation; relating to income and privilege tax rates; income tax deductions and credits and income determination; distribution of sales tax and use tax revenue; severance tax; exemptions; rural opportunity zones.

DATE: February 16, 2012

Chairman Carlson and Members of the Committee:

On behalf of Kansas Good Roads, Inc., representing the transportation industry in Kansas, we respectfully urge this Committee to reconsider provisions in HB 2747 that would divert revenues away from the T-WORKS program that were committed to transportation funding and scheduled to begin on July 1, 2013.

By way of information, our remarks are also supported by Ed DeSoignie and the Heavy Constructors of Greater Kanas City.

Leading up to the 2010 legislative session, the Kansas Department of Transportation worked with hundreds of transportation stakeholders, including cities, counties, chambers of commerce, business and industry in crafting the framework for a comprehensive transportation plan as the ten-year plan adopted in 1999 was scheduled to expire. Out of that collaborative effort T-WORKS was created and successfully passed during the 2010 session.

KDOT, local units of government and the contractors who build and rebuild our infrastructure rely upon long-term planning and investment. That is why the State embarked on long-term planning for its infrastructure needs dating back to the 1989 ten-year transportation plan, which was followed in 1999 with another ten-year plan and now T-WORKS, adopted in 2010. Commitments were made to local units of government and the project was financed through sound economic projections and policies. KDOT worked with all of the stakeholders to develop a comprehensive transportation that met the needs of Kansans, was affordable and equitable to those receiving the benefits of the program as well as those paying for it.

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**Kansas Good Roads, Inc.**

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*An association created to promote good roads in Kansas for all, by those who build them for people who use them.*

The proponents of a strong transportation system have worked with past and present state leaders, both in the Governor's office and the Legislature to manage the state's revenue shortfalls, with significant budget holes filled or patched with dollars originally raised and earmarked for transportation and infrastructure programs. We certainly understand the economic challenges the state and local units of government have faced during the past 3-4 years, as our members have suffered from the same economic downturn. However, such is not the case this year, as state revenues are well ahead of projections. What is contained in HB 2747 is nothing more than a "bait and switch" for the taxpayers and transportation users.

In 2010, legislators made a commitment to improving the state's transportation system and responsibly included a revenue stream of .4 of a cent sales tax in the T-WORKS legislation in order to provide a stable source of funding for the new transportation plan. Now, two legislative sessions later, we see an effort to appropriate funds promised for transportation and divert them to a totally unrelated agenda – reduction of income taxes.

We know the Governor has been a strong advocate of lowering the state's income tax rates for individuals, as evidenced by his 2012 legislative initiatives. However, Governor Brownback has not proposed taking money away from the T-WORKS program or KDOT to finance his proposal. To the contrary, after using \$200 million of transportation dollars to help address FY 2012 budget issues, the Governor affirmed his commitment to KDOT, transportation and funding by saying he would not take funds from KDOT in the future.

Kansas is in a unique position in regard to its transportation program, given the state of the economy. We need jobs; we have the ability to save and create jobs with T-WORKS. We also have the opportunity to expend precious taxpayer dollars at a time when borrowing costs, labor and construction costs are at an all-time low. Now is the time to invest in our infrastructure needs, not later. Governor Brownback and KDOT recognize this, as evidenced by their recent announcement of acceleration of \$50 million of investment in our transportation system in advance of previous timelines for spending.

Proponents of the diversion of funds from KDOT to finance income tax reductions suggest the state will repay funds to KDOT in the out years. With over \$1 billion taken out of KDOT revenues during the past decade, let's just say the Legislature does not have a good track record in this regard. As a compromise, perhaps the Legislature would grant KDOT an additional \$350 in bonding authority backstopped by this promise to repay... but I suspect that wouldn't be looked upon favorably by many in the Legislature. Nor will this proposal be looked upon favorably by the bond rating agencies that assess KDOT's financial integrity, which can have a material impact on the state's ability to borrow at the lowest possible cost.

Slowing, delaying or otherwise reducing revenues into the T-WORKS program will cost this state jobs, delay or cause the elimination of transportation projects throughout Kansas and break the promises the state made to transportation consumers when T-WORKS was passed in 2010. We urge this Committee to reject portions of HB 2747 that would break the promises made to Kansans in 2010 to support a ten-year transportation that was properly financed.

The Legislature passed a comprehensive transportation plan in 2010 that was partially financed through a .4 of a cent sales tax in order to move away from increases in motor fuels. For far too long the Legislature has had to rely on KDOT dollars to shore up the budget. But that is not the case today. Please resist the temptation to use KDOT as the Bank of Political Opportunity and keep the current funding streams in place for T-WORKS.

Thank you.

Whitney Damron