



TESTIMONY

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In Opposition to HB 2747 Regarding Distribution of State Sales Tax Revenues House Taxation Committee

AAA wishes to express our appreciation to Chairman Carlson and members of the Committee for the opportunity to share our concerns on the funding of income tax reductions.

AAA has long advocated for “transportation improvements based upon needs that are clearly identified, and outcomes that are supported by research and assured through application of performance standards.” No state has done a better job of this than Kansas through T-WORKS, the latest comprehensive program that is providing immediate and subsequent job creation through its projects and resulting economic growth.

A key part of AAA’s support are the inherent improvements in roadway safety that result in these projects that reduce the human and financial costs to ALL Kansans and Kansas government through Medicaid reimbursements, property damage and other medical costs.

However, the bill caps transfers to KDOT in FY14 and FY15 to fund T-WORKS. A total of approximately \$350 million would be withheld on top of the \$200 million already taken last year, rendering KDOT’s ability to deliver on T-WORKS impossible.

AAA has also long held that revenues generated for programs like T-WORKS, not only must be dedicated, but also protected from diversion to other uses. This bill violates that accountability and creates multiple concerns through promises to repay in future years by future legislatures. The bill also includes a 2 percent annual spending cap further hamstringing that ability to repay. The accountability issue inherent in this bill also shows up in KDOT’s bond rating prospects.

There has been no better time than now to proceed with projects in the T-WORKS program: Bonding rates are low. Construction costs are low. Conversely, the ramifications of redirecting the sales tax funds transfer to KDOT as defined in this bill draw in the likelihood of decreased bond ratings and increased borrowing costs. The bill postpones projects into years likely to see higher construction costs, delays the creation of future jobs and threatens the protection of current ones. AAA respectfully urges rejection of this bill as currently drafted.