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House Taxation
Date: 3/14/2012
Attachment: 3

CHARLOTTE O'HARA
27TH DISTRICT

I come before the House Tax Committee in strong support of HB 2763. I am here to speak to one specific part of funding the elimination of the corporate tax for calendar year 2013 and reduce the individual income tax rates by 1/3 in FY2014, then phased out over FY2015 and FY2016.

This Fair Tax plan uses the .4 cent sales tax due to go to the Kansas Department of Transportation, July 1, 2013 as part of funding the plan.

Currently KDOT is funded ($1.8 billion annual revenue stream) by motor fuel's tax, motor registration tax, bonds issued (currently $1.7 billion), sales tax and federal highway funds. This mix of taxes has developed over the past 23 years. Beginning in 1989, a ten year transportation plan was passed which increased motor fuel's tax 7 cents a gallon, increased sales tax by .25 cents (1/4 cent sales tax), increased registration tax and additional bonding authority.

In 1999 another ten year transportation plan was passed. All tax increases from the 1989 transportation plan remained in place and increased the fuels tax by an additional 6 cents a gallon, additional bonding authority and a small increase in revenue from sales tax.

As a result, from 1989 through 2003 our state fuel tax increased from 11 cents to the current 24 cents a gallon or 118.1% increase.

In 2010, another transportation plan was passed, which $21 million in additional sales tax revenue was given to KDOT with an additional .4 cent sales tax July 1, 2013, expanded their bonding authority and truck registration fees are scheduled to increase substantially. Again with no rollbacks from all of the tax increases in both 1989 and 1999.

2013 KDOT's budget is $1.823 billion, with $740 million in reserves and $1.7 billion in debt. Historically KDOT has structured their debt to push the repayment of principle out, in some instances, 20 years. $325 million bond was issued in 2010 and NO principle will be paid until 2031. This structure will require 5 years of balloon payments of $61 million, $63 million, $64 million, $67 million and a final payment of $69 million

Now onto other states' DOT departments. Iowa, Nebraska, South Dakota, Tennessee and Wyoming have no bond debt. Colorado, with a population of 5 million, has $678 million transportation debt or $135 per person. Kansas, with a population of 2.8 million, the debt per person is $600 per person, 4.5 times, per person, higher than Colorado.

For every 1 dollar spent in KDOT for maintenance, $9 is spent on new projects (source; Governor's 2013 Budget document). Using this .4 cent sales tax to lower corporate and personal income tax will not touch KDOT's current revenue stream, currently over $1.8 billion annually. KDOT is quite capable of operating and maintaining our Kansas roads within its current funding stream, again over $1.8 billion. A much more valuable use of this .4 cents sales tax would be for real tax reform and true economic development strategy in the State of Kansas.