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Kansas Contractors Association

Testimony

By the Kansas Contractors Association before the House Taxation

Committee regarding an Increase in Fuel Tax---H 2427

May 5, 2015

Mr. Chairman and members of the House Taxation Committee, I am Bob Totten, Executive Vice President for the Kansas Contractors Association. Our organization, which was founded in 1923, represents over 350 companies who are involved in the construction of highways and water treatment facilities in Kansas and the Midwest.

Today, I want to thank you for allowing me to testify in regards to House Bill 2427. As you might expect, our association has strong feelings about this measure which I thought initially raised the motor fuels tax five cents a gallon and raised close to \$90 million dollars a year to fund KDOT.

But in further reading I discovered that the bill is net zero meaning KDOT does not get any additional funds because the bill takes back in sales tax the same amount that the five cents a gallon raises.

I am not sure this helps the cause because it doesn't reduce the budget shortfall and it doesn't help KDOT.

Since the beginning of the year, our association has supported an increase in the motor fuels tax as part of an effort to reduce the reductions promoted in the governor's FY 2015 and FY 2016 budget.

We have been very disappointed to see these budgets divert so much money from KDOT. As you know, the diversion amounts to over a billion dollars in years 2015, 2016, and 2017 and over $2.1 billion dollars since the T Works was passed in 2010. That diversion of funds which when coupled with the reductions in the 2015 budget amount to the loss of almost $300 million dollars in construction dollars for FY2015 and FY 2016.

That means many of our construction companies will cut their work force in half this summer if the governor's budget is approved and nothing is changed. We have had various studies conducted since 1995 which promote the fact that for each million dollars spent on highway construction 47 jobs are created. Using a factor of only 40 jobs being created for each million spent on highway construction, the cuts suggested in the two years combined will cost the state close to 12,000 jobs this coming year.

I realize the highway program is not just a jobs program but a program designed to keep our roads safe and efficient. And I must tell you our members tell me that the roads we have will deteriorate over the course of the summer and winter when the full effect of the proposed FY2016 budget is implemented. It will mean our roads will be not as safe as they were the year before.

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I sent to all of you a brochure that shows roads already deteriorating on I-70. This picture in this brochure is of a road that needs repair that was scheduled for repair this summer but it was postponed. We know that when you see a road fail like this one, it needs to be treated now…or the costs will escalate for the future. Roads like this are everywhere and I suppose most of you can point to one in your district that needs to be addressed.

But it won't be happen if you divert **any more funds from KDOT**.

In addition, we are worried about the condition of our bridges. For the past 3 years, KDOT will have repaired or repainted on average 110 bridges a year…but for FY2016, the governor's recommendation calls for only 58 bridges to be repaired or repainted. That is close to half as many bridges being addressed for the coming year.

In the same brochure that is before you, I point out that over 2400 bridges are structurally compromised. That means these bridges need to be fixed. Bridges are the lifeblood of our transportation program and if a bridge fails or needs to be closed because of structural deficiencies, it clogs up the whole system.

In regards to this bill, I urge you to pass the five cents motor fuels tax and amend the measure by removing the section on page 8 which reduces the amount of sales tax that goes in KDOT. That way, KDOT stands to gain $90 million which could defray the reductions previously mentioned.

It does not fully restore the $300 million taken in the governor's FY 2016 budget but it does assist KDOT in attempting to full fill its mission which was set out in the 2010 T Works program.

I will be glad to answer any of your questions.

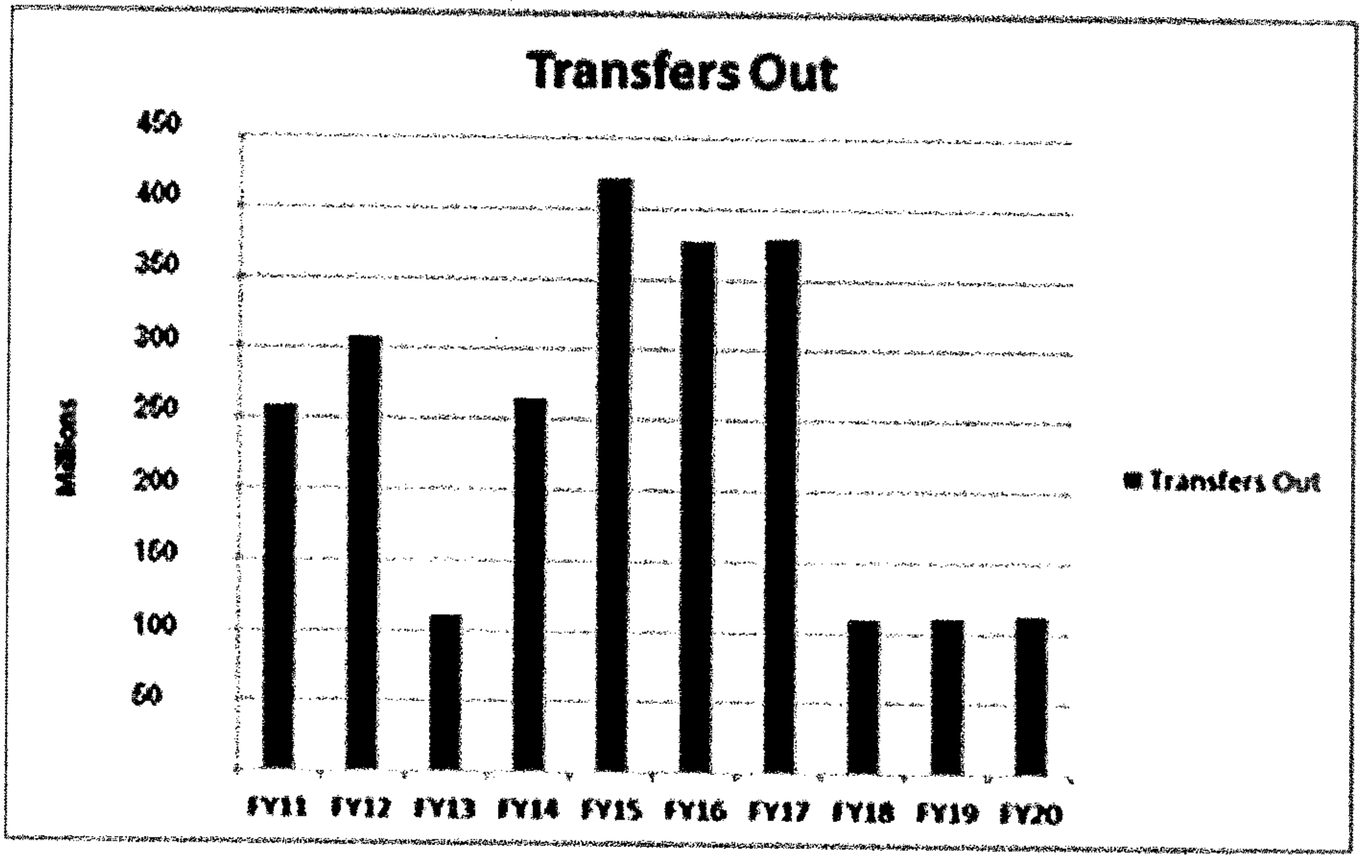
SHF Transfers to SGF and Other State Agencies

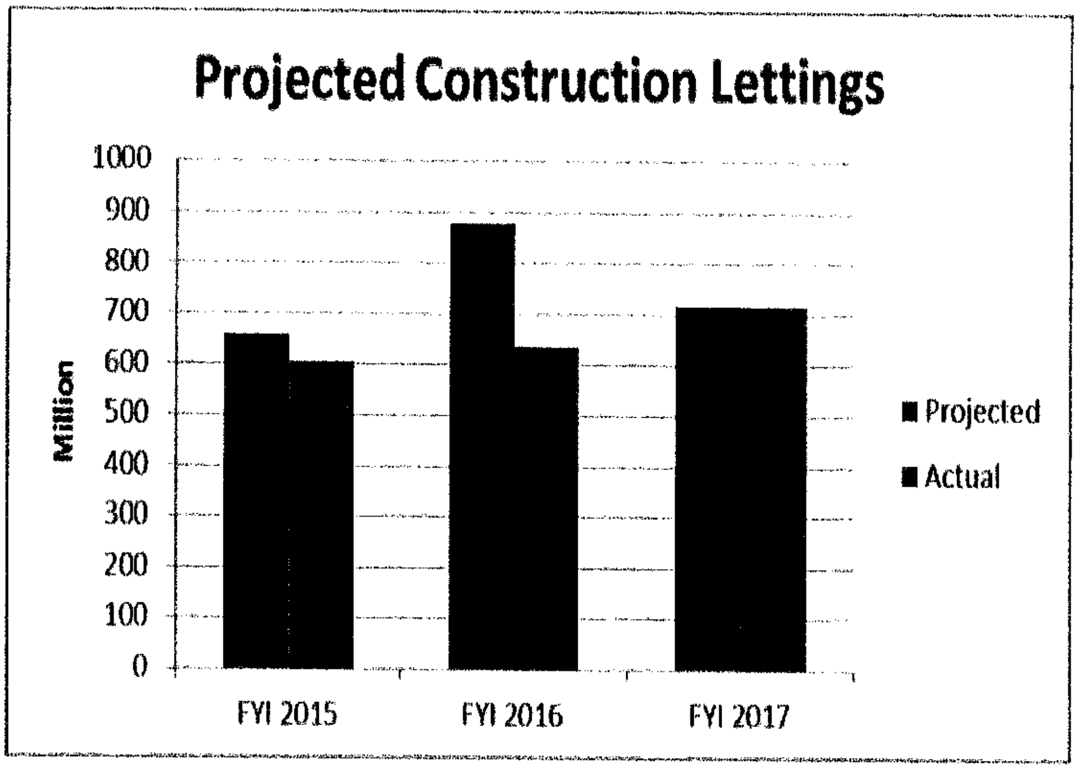
	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Approved	FY 2015 Gov Rec	FY 2016 Gov Rec	FY 2017 Gov Rec	FY 2011-2017 Total
Extraordinary Transfers								
Education Technical Education Transportation	-	-	(600,000)	(650,000)	(650,000)	(650,000)	(650,000)	(3,200,000)
Education Transportation Weighting	-	-	-	(96,600,000)	(96,600,000)	(96,600,000)	(96,600,000)	(386,400,000)
Education Transportation of Special Ed Students	-	-	-	(43,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(73,000,000)
SGF Transfers	(149,592,584)	(205,000,000)	-	-	(150,679,087)	(116,000,000)	(117,000,000)	(738,271,671)
SGF Transfer - Agency Operations Reduction					(7,800,000)	(13,323,611)	(13,770,869)	(34,894,280)
SGF Transfer for KDOT/KTA formalized partnership savings				(15,000,000)	(15,000,000)	-	-	(30,000,000)
Revenue Division of Vehicles Modernization Fund	-	-	(6,751,952)	-	-	-	-	(6,751,952)
Revenue KS Biodiesel Fuel Producer Incentive Fund*	-	-	-	(200,000)	-	(200,000)	-	(400,000)
Aging and Disability Services - Mental Health Grants	-	-	-	-	(9,750,000)	(9,750,000)	(9,750,000)	(29,250,000)
Adjutant General Office of Emergency Communications Fund	-	-	-	(270,690)	(270,690)	(270,690)	(270,690)	(1,082,760)
KBI - Uninterrupted Power Source Replacement Fund	-	-	-	-	(27,000)	-	-	(27,000)
Department of Administration - Statehouse Debt Service	-	-	-	-	(20,000,000)	(20,000,000)	(20,000,000)	(60,000,000)
Commerce Affordable Airfares	(5,000,000)	-	-	(5,000,000)	(5,000,000)	(4,000,000)	(3,000,000)	(22,000,000)
Total Extraordinary Transfers	(154,592,584)	(205,000,000)	(7,351,952)	(160,720,690)	(315,776,777)	(270,794,301)	(271,041,359)	(1,385,277,663)
Ordinary or Historically Routine Transfers								
Department of Administration SGF - Overhead Payments/Purchasing	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)	(1,470,000)
SGF Transfer to fund KHP	(36,000,000)	(32,760,399)	-	-	-	-	-	(68,760,399)
KHP Transfers	(19,766,025)	(20,797,811)	(54,022,471)	(55,143,485)	(56,164,133)	(55,891,216)	(57,270,725)	(319,055,866)
Department of Agriculture - Water Structures State Highway Fund	(102,813)	(109,651)	(112,234)	(123,006)	(128,379)	(128,379)	(128,379)	(832,841)
Department of Education School Bus Safety Fund	(282,888)	(247,156)	(293,036)	(227,200)	(247,568)	(253,301)	(256,804)	(1,808,953)
Wildlife and Parks Department Access Road Fund	(1,649,819)	(2,755,456)	(2,804,195)	(2,235,885)	(2,591,432)	(3,333,782)	(3,333,421)	(18,703,992)
Wildlife and Parks Bridge Maintenance Fund	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(1,400,000)
Revenue Division of Vehicles Operating Fund	(45,066,388)	(45,506,388)	(45,102,831)	(44,967,704)	(45,927,136)	(45,927,136)	(45,927,136)	(318,424,719)
Total Ordinary Transfers	(103,277,933)	(102,586,863)	(102,744,767)	(103,107,280)	(105,468,648)	(105,943,814)	(107,325,465)	(730,464,770)
Grand Total SHF Transfers to SGF and Other State Agencies	*(257,870,517)*	*(307,586,863)*	*(110,096,719)*	*(263,827,970)*	*(421,245,425)*	*(376,738,115)*	*(378,366,824)*	*(2,115,732,433)*

* Please note in FY 2014 a total of $400,000 was transferred to the Kansas Biodiesel Fuel Producer Incentive Fund due to an error in the bill posting. A total of $200,000 was transferred back to the SHF in FY 2015 to correct the error. The number shown in this chart reflects the net result of this action and the legislative intent for this transfer.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Administration and Transportation Planning:					
Percent of bridges on the state highway system with bridge health index of 88 or above	88.0%	87.0%	88.0%	88.0%	88.0%
Percent of roadway miles on the state highway system with desirable levels of service during peak hours of travel	95.0%	95.0%	95.0%	95.0%	95.0%
Percent of non-Interstate miles on the state highway system that are classified as "good" or "acceptable"	84.0%	85.0%	85.0%	84.0%	84.0%
Number of modernization miles programmed	44	90	63	70	69
Number of preservation miles programmed	1,953	1,745	2,359	2,119	2,267
Number of preservation bridges programmed	189	191	150	109	129
Number of public-use airports improved	40	45	25	25	25
Local Support:					
Percent of programmed local road and street projects contracted in the programmed year	125.0%	176.0%	180.0%	190.0%	190.0%
Annual ridership for rural public transportation operations	2,983,000	2,968,108	2,976,207	2,993,419	3,008,990
Average number of days to complete a road safety audit	450	450	450	450	450
Injuries per hundred million vehicle miles	59	52	51	50	49
Number of accidents related to alcohol	2,550	2,543	2,500	2,450	2,400
Maintenance:					
Percent of lane miles of connecting links maintained	71.0%	71.0%	71.0%	71.0%	71.0%
Percent of shoulder miles on the state highway system that are repaired	39.0%	32.0%	32.0%	32.0%	32.0%
Lane miles of state highway system repaired	1,351	1,500	1,500	1,500	1,500
Construction:					
Number of project miles designed	168	148	182	75	76
Number of bridge projects designed	67	46	40	30	20
Number of preservation projects	271	260	276	232	254
Number of preservation miles resurfaced	1,938	1,710	2,350	2,112	2,258
Number of bridges repaired and repainted	120	115	95	58	103


Transfers Out
450
400
350
300
250
200
150
100
50
Millions
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
Transfers Out


Projected Construction Lettings
Million
1000
900
800
700
600
500
400
300
200
100
0
FYI 2015
FYI 2016
FYI 2017
Projected
Actual