

MINUTES OF THE HOUSE TRANSPORTATION.

The meeting was called to order by Chairperson Gary Hayzlett at 1:35 p.m. on April 4, 2002 in Room 519-S of the Capitol.

All members were present except:
Representative Loganbill, excused

Committee staff present:
Bruce Kinzie, Office of the Revisor
Hank Avila, Legislative Research Department
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Dean Carlson, Secretary of Transportation
Edward DeSoignie, Heavy Constructors Association
Bob Totten, Kansas Contractors Association
Pat Hurley, Economic Lifelines
George Barbee, Kansas Consulting Engineers
Woody Moses, Kansas Cement Council, KRMCA, KAPA
Jim DeHoff, Kansas AFL-CIO
Marlee Carpenter, Kansas Chamber of Commerce and Industry
Tom Whitaker, Kansas Motor Carriers Association
Terry Presta, Petroleum Marketers and Convenience Store Association

Others attending:
See attached sheet

HB 3026 - financing for the comprehensive transportation program

Chairman Hayzlett opened hearings on **HB 3026**. Dean Carlson, Secretary of Transportation, was the first presenter. He told the committee this bill would provide a financing package in five ways 1) increase motor fuel taxes by two cents effective June 1, 2002 with the entire amount deposited in the State Highway Fund 2) increase vehicle registration fees an average of three percent 3) increase the state sales and compensating tax rate by 0.25 percent with the entire amount deposited in the State Highway Fund 4) change the demand transfer to be 14 percent of the sales tax collections in the Department of Revenue's account for new car dealers classification 5511 and 5) reduce the sales tax transfer in FY 2003 to zero. He concluded that while there would remain a projected deficit of \$280 million, the proposed financing would significantly reduce the program's dependence on the State General Fund in future years. (Attachment 1)

Edward DeSoignie, Heavy Constructors Association, said **HB 3026** would provide greater assurance that planned highway and bridge improvements under the 1999 Comprehensive Transportation Program would be delivered as promised. He said the State's investment in its public highway and road system has provided modern, safer roads, enhanced the economy by reducing costs of transporting goods and provided good-paying jobs to thousands of men and women throughout the state. He concluded the economic conditions present when the 1999 CTP was enacted into law have changed and this legislation is a needed course correction if the program is to be delivered as intended. (Attachment 2)

Bob Totten, Kansas Contractors Association, Inc., told the committee highway construction provides jobs and economic stimulus to the local communities..not only in the jobs created but also a benefit to the community and the state with a good road. He urged support for **HB 3026** to provide sufficient funding for the 1999 Comprehensive Transportation Program and keep Kansas headed in the right direction. He also included in his testimony a copy of a news report filed by the US News and World Report which explained how the transportation program had kept Kansas economically sound and also presented a copy of a study done by Dr. Michael Babcock, Kansas State University, on the total effects of the highway program. (Attachment 3)

Pat Hurley, Economic Lifelines, said the Governor has proposed one short-term solution, which would be

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the elimination of the entire demand transfer taken out of the program and spent elsewhere in FY 03. If passed, this proposal would avoid eliminating any projects this year, however, there is a grave concern that if the Demand Transfer is eliminated entirely, even for a single year, it might prove impossible to restore it again in the following years. During the remainder of the program the total loss of the Demand Transfer would be approximately \$1.5 billion dollars. Therefore, the House Appropriations Committee adopted the subcommittee report recommending introduction of **HB 3026**. He concluded, on behalf of those awaiting the benefits of this program ..jobs, highways, airports, public transit, railroads, he urged support of **HB 3026** and pledged the support from the members of Economic Lifelines. (Attachment 4)

George Barbee, Kansas Consulting Engineers, said **HB 3026** is the answer to providing economic strength to Kansans and to conclude the covenant made to Kansans in the Comprehensive Transportation program. He urged not only committee support but also to become ambassadors in their political caucuses to support this transportation funding concept. (Attachment 5)

Woody Moses presented testimony from the Kansas Cement Council (Attachment 6), the Kansas Ready Mixed Concrete Association, (Attachment 7) the Kansas Aggregate Producers' Association (Attachment 8) He said together these entities provide over 1,200 jobs in Kansas. A study evaluating the 1989 Comprehensive Highway Program concluded the program had a significant positive impact on the States economy during difficult times. Successful completion of the 1999 program will have the same positive impact on the Kansas economy. He concluded **HB 3026** is needed in order to start the process of securing the future of the program.

Jim DeHoff, Kansas AFL-CIO, said the two most beneficial economic programs passed by the Kansas legislature were the 1989 Transportation Plan and the plan passed in 1999 which provided thousands of jobs to workers and their families. Without additional funding, the program will be drastically scaled back which would result in the reduction of jobs and economic opportunities for Kansans. He urged passage of **HB 3026**. (Attachment 9)

Marlee Carpenter, Kansas Chamber of Commerce and Industry, stated the Kansas business community believes that good roads are vital to business development and growth. To that end they are supportive of **HB 3026** so that the 1999 Comprehensive Transportation Program is fully funded and construction promised will be completed. (Attachment 10)

Written testimony was provided by Matthew Ross, Executive Director of the Missouri/Kansas Chapter of American Concrete Pavement Association. (Attachment 11)

There were no other proponents.

The Chair then called on Tom Whitaker, Kansas Motor Carriers Association, who spoke in opposition to **HB 3026**. He said this bill would increase the tax on all motor fuels (including diesel) by \$.02 per gallon, effective June 1, 2002. He told the committee truckers in Kansas currently pay substantial state and federal taxes and gave an example. A 2001 Peterbilt truck tractor and semi-trailer pays a \$.23 (\$.02 more than gasoline) per gallon states diesel tax and a \$.244 (\$.06 more than gasoline) per gallon federal diesel tax. The registration fee is \$1,760, \$550 federal heavy vehicle use tax, a federal excise tax which is 12% on the retail value of the vehicle and approximately \$3,745 in property taxes. Trucks did not receive any benefits from the Legislature's reduction of vehicle property taxes on automobiles and pickup trucks. Based on the 2000 operating ration reported by the American Trucking Associations, in order to pay the average \$332.77 per truck increase as proposed in **HB 3026** that one truck would have to produce \$97,873.53 in revenue. He concluded the Kansas trucking industry is struggling to make it through the rough economic times and asked the committee to use caution when considering additional taxes on the Kansas trucking industry. (Attachment 12)

Terry Presta, President of Presta Oil Inc., also spoke in opposition to **HB 3026**. He stated that with low gasoline prices and interest rates that are at a 40 year low , it is only a matter of time until state revenues rebound and only a short-term solution is needed until the economy recovers. He said raising taxes 2 cents per gallon would further exacerbate the border disparity along the Kansas/Missouri border which is now 4/5 cents per gallon. Statistics indicate that last year the total consumption of gasoline in the State of Kansas was down for the first time in recent memory. He argued that it is extremely shortsighted to raise

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the gasoline tax forever in the face of a short-term shortfall in State revenues. (Attachment 13)

There were no other opponents.

The fiscal note for **HB 3026** was discussed. A copy will be given to each member at the next meeting. Following questions by the committee Chairman Hayzlett closed the hearings on **HB 3026**.

Chairman Hayzlett adjourned the meeting at 3:00 p.m. The next meeting of the House Transportation Committee will be Tuesday, April 9, 2002.