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Memo To: House Taxation Committee  
Date: January 31, 2017  
From: Scott Zaremba, Zarco USA  
RE: Motor Fuel Tax Increase

Mr. Chairman, and members of the House Taxation Committee. My name is Scott Zaremba and I am Owner of Zarco USA in Lawrence, Kansas. I have been in the petroleum business for over 40 years, second generation marketer and we own 3 fueling sites in Lawrence.

This committee will soon debate a bill that will increase motor fuel taxes \$.11. Usually, fuel tax increases are used to help pay for comprehensive transportation programs. And, as I understand it 4/10s of a cent was directed to assist the completion of the TWORKS project but the governor has been sweeping KDOT funds to fill budget needs elsewhere.

I am also aware that over \$ 2 billion has been swept by the legislature over the course of about 10 years. If additional taxes are approved, I have no confidence that the legislature will have the discipline to keep their hands-off dedicated funds. As an example, back in 2002 the Underground Storage Tank fund that is used to clean up contaminated sites had \$14 million being held in escrow to clean-up sites. But the governor needed money and decided to sweep \$10 million. The money by statute was to be used only for environmental remediation. But I guess there was a loophole somewhere.

KDOT receives over \$1 billion annually and I find it hard to believe that Kansas cannot run a program and complete projects with that type of funding. Dedicated dollars for construction and road repair is essential but recent actions by Governor Brownback taking more money out of KDOT must stop.

Adding \$.05 to \$.11 per gallon to fill the coffers of KDOT only to have the governor or this legislature take it for other reasons is wrong. Owning a small business in Lawrence I compete on a daily basis based on price. The consumer is price sensitive and I am forced to match my competitors price even if it means I must sell fuel below my acquisition cost. If I don't match prices I lose customers.

I also know that Kansas has the highest fuel excise tax than 3 of 4 surrounding states... Kansas is 8 cents per gallon higher than Missouri and Oklahoma and 3 cents higher than Colorado. The numbers get worse if you consider the price differential for diesel fuel.

KS	\$.25(gas)	\$.273 (diesel)
NE	\$.273	\$.273
MO	\$.173	\$.173
OK	\$.170	\$.140

The rates include 1 cent environmental fee.

As I said earlier the consumer watch fuel prices closely. It probably doesn't help that we have price signs to help the consumer make choices. Consumers are so price driven that they would drive 15 miles to save 2 cents per gallon. There are new phone apps that list the lowest prices in each city to assist price conscious consumers.

If a person is will to go out of there way and drive 15 or so miles to save 2 cents I have to believe that my customers will drive to KC to save 20 cents per gallon. Granted, the consumer won't do this only to buy gas, they will do all their shopping where the prices are the lowest.

Retailers on the border will be hit hardest by any increase in motor fuel. I believe I heard that 35% of the Kansas population lives in the first county from the border... that number doubles when you consider the second county in from the border. Lawrence is not that far from the Missouri border and the price increase that you are considering has me worried about my small business.

What also bothers me is that the money that was intended for road use is being used to fill administrative holes in the budget. When this happens, my customers lose and my store loses. Quit stealing money out of KDOT.

I oppose a fuel increase. T Works can be completed, perhaps not in the time frame that was originally planned but given time they can complete the projects. Increasing taxes hurt the consumer and will hurt small businesses like Zarco USA.

Thank You