

**TESTIMONY OF ECONOMIC LIFELINES REGARDING HOUSE BILL
2381; INCREASING THE STATE MOTOR FUEL TAX RATE AND REVISIONS TO
THE SALES TAX AND COMPENSATING USE TAX DISTRIBUTIONS TO THE STATE
HIGHWAY FUND**

Chairman Johnson and members of the House Taxation Committee, thank you for the opportunity to provide comments regarding House Bill 2381.

House Bill 2381 proposes increasing the state motor fuel tax rate by six cents; beginning July 1, 2019, revising the distribution percentages of motor fuels revenues going to the State Highway Fund and the Special City and County Highway Fund and revises percentages of sales tax and compensating use tax revenues deposited in the State Highway Fund. We note at the start of our comments that we have not seen a fiscal note on the legislation.

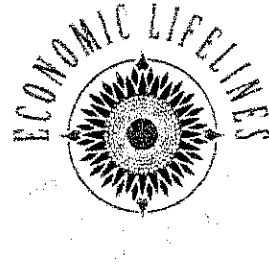
Economic Lifelines has long supported the need to provide stable and consistent funding for the State Highway Fund. A key component of that funding has been the sales tax and compensating use tax revenue going to the State Highway Fund.

We note that leading up to the 2010 T-Works Program, there was growing awareness that adoption of CAFÉ standards on automobiles were having long-term effects on gasoline consumption affecting Kansas motor fuel tax revenues. The motor fuel tax had historically been the main funding component of state highway programs. Long-term projections indicated they would not be enough to adequately maintain and improve the State Highway System.

With passage of each transportation program starting in 1989, there was a growing awareness that transportation improvements were closely tied to the economic health of the state's communities. The 2010 transportation program, enacted during a recession, was intended to be an economic driver for the state. To provide the needed boost to reach the needed level of funding, sales tax revenues became an important driver component of the T-Works Program because sales tax revenues would be consistent and should actually increase over time if left at KDOT with the State Highway Fund.

We commit to continue working with the Legislature and Governor to find solutions to adequately fund street, highway and bridge needs across our state. Until we can fully assess the impact of House Bill 2381, we respectfully defer a position on the legislation.

Thank you. I am available to answer your questions.



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March 2019

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