



**Kansas Contractors Association**

March 12, 2019

**Increase Motor Fuels Tax – Proponent Testimony  
House Taxation Committee**

Chairman Johnson and Members of the Committee,

Thank you for the opportunity to appear before you on behalf of the Kansas Contractors Association (KCA). The KCA represents more than 200 companies working in Kansas' heavy construction industry. Collectively, these companies create and sustain thousands of good-paying, private sector jobs across our state.

The KCA applauds the recommendations of the Task Force to reduce the highway transfers, invest in preservation and modernization projects, complete commitments made under T-Works and identify stable, consistent funding for the Kansas Department of Transportation.

Reevaluating the motor fuel tax was one of the recommendations made by the Joint Legislative Transportation Vision Task Force to provide consistent funding for transportation infrastructure.

***Consistent Stable Funding***

The Kansas Contractors Association believes the motor fuels tax is a good way to fund transportation infrastructure because such a fee is constitutionally protected, and the funds generated from the tax must be spent on roads and bridges across the state. Unlike the portion of the State Highway Fund generated by the sales tax, the motor fuels tax revenue cannot be transferred to fund other government functions. This increased revenue would give transportation additional stable funding needed to maintain a healthy system. On average, every penny of motor fuels tax generates about \$18 million in revenue that would go directly to the State Highway Fund.

***Improve the Health of the System***

Since 2011 over \$2.5 billion has been swept from the State Highway Fund. The result has been delayed T-Works projects, a decrease in preservation work, and a rapid decline in system health. Providing increased funding would allow KDOT to finish T-Works and increase the amount of annual preservation and turn the health of the system around in the right direction.

***Update Statutes***

Traditionally, since 1941 the motor fuel rates have been updated every 5-10 years to account for inflation and the increased cost of road maintenance; however, the current rate has not been changed in 16 years since they were last updated in 2003. As time goes on and inflation increases, the nominal value of the revenue decreases and the cost of maintenance goes up. A solution that 20 states, including Nebraska, have taken is to adopt a variable-rate gas tax that adjusts to fluctuations in prices without

having to pass new laws. According to the Tax Foundation, “Indexing gas taxes for inflation is one of the most important actions states can take to create a more stable source of revenue to fund infrastructure maintenance and repair needs for years to come.”

### ***Increase Trigger***

Another concept to consider is a trigger that would raise the motor fuels tax if the Legislature sweeps revenue from the State Highway Fund. So rather than indexing the motor fuels for inflation, the Legislature could trigger an increase if dollars were swept from the highway fund and reduce the tax when the money is returned. This could keep the State Highway Fund whole when revenues are needed for the State General Fund.

### ***Comparison with Other States***

According to the Tax Foundation, the current Kansas motor fuel tax rate of 24 cents per gallon ranks 33<sup>rd</sup> highest nationally, Nebraska and Iowa rank higher with rates of 29.6 cents per gallon and 30.7 cents per gallon. In 2018 Oklahoma increased their motor fuel tax and Missouri attempted to raise their rates through a ballot initiative. In the past 6 years, 27 states have passed laws to increase their motor fuel tax.

### ***Public Supports***

In the summer of 2018, a survey of Kansas Primary Republicans found that 61 percent of voters were more likely to support a candidate who voted for an increase in the gas tax if the money was dedicated towards repairing roads and bridges. Moreover, according to the American Road & Transportation Builders Association, nationwide over the past 10 years, 82 percent of ballot measures asking voters to increase their own taxes to fund transportation projects such as roads and bridges were approved by voters.

In closing, thank you for the opportunity to testify in support of an increase in motor fuels tax. The Kansas Contractors Association believes an increase in the motor fuel tax would go a long way in improving the preservation of our highway system, allow for increased modernization and expansion projects, and also provide a positive economic impact across our state through an investment in infrastructure.



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### Motor Fuels Tax Rates Changes 1925-Present

Effective Date	Gasoline	Diesel
1925	\$0.02	--
1929	\$0.03	--
1941	--	\$0.03
1945	\$0.04	\$0.04
1949	\$0.05	\$0.05
1956	--	\$0.07
1969	\$0.07	\$0.08
1976	\$0.08	\$0.10
1983	\$0.10	\$0.12
1984	\$0.11	\$0.13
1989	\$0.15	\$0.17
1990	\$0.16	\$0.18
1991	\$0.17	\$0.19
1992	\$0.18	\$0.20
1999	\$0.20	\$0.22
2001	\$0.21	\$0.23
2002	\$0.23	\$0.25
2003	\$0.24	\$0.26