



March 7, 2023

**Neutral Testimony on House Bill 2318
House Tax Committee**

Chairman Smith 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 220 companies working in Kansas' heavy construction industry. Collectively, these companies create and sustain more than 43,000 good-paying, private sector jobs across our state.

I am not here today to speak to the merits of House Bill 2318 other than to point out:

- 1) The anticipated impact it would have, as written, on revenues currently designated for the State Highway Fund; and
- 2) The resulting impact on state and local infrastructure projects if sales tax revenues are reduced without adjusting the rate designated for the Highway Fund.

The IKE Plan

In 2020, the Legislature passed a 10-year comprehensive transportation plan known as the Eisenhower Legacy (IKE) Transportation Plan. Delivering on the IKE promise is a key priority for KCA and its members to address the ongoing growth and infrastructure needs across the state. The ability to initiate infrastructure projects promised to local communities relies on sales tax revenue projections that were based on a 6.5% sales tax rate.

The IKE plan is designed to prioritize preservation projects, so the first dollars spent are to maintain our current system. Safety and modernization of our system are also a concern, but with any revenues lost, these would be the first projects to be delayed or eliminated.

Current Sales Tax Rate for the State Highway Fund

The current percentage of the sales tax designated for the State Highway Fund is 17% of the 6.5% state rate. Under the existing grocery sales tax reduction plan, that percentage is set to go to 18% to offset a reduction to the Highway Fund. If the sales tax is reduced across the board (not just groceries), as proposed in HB 2318, the State Highway Fund would take a considerable hit.

Without seeing a current fiscal note on the proposal, KDOT has predicted an \$80 million dollar revenue loss annually to the State Highway Fund. To offset the \$80 million the portion designated to the State Highway Fund would need to go from 18% to 19%. This would come close to preventing significant cuts to the Highway Fund.

Proposed Amendment

The KCA would respectfully request an amendment in Section 1 (lines 10-17) to adjust to a rate and implementation date that would help compensate for the lost revenue and keep the IKE Plan whole.

Again, thank you for allowing me the opportunity to appear before you today. If House Bill 2318 is advanced, we appreciate your favorable consideration of an amendment to adjust the amount of sales tax revenue for the State Highway Fund so that Kansans' jobs and pending infrastructure projects are not inadvertently impacted.

A handwritten signature in black ink, appearing to read "Michael White". The signature is fluid and cursive, with the first name "Michael" being more prominent than the last name "White".

Michael White, Executive Director
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