

Written Testimony

By the Kansas Contractors Association

before the House Taxation Committee

regarding

The Governor's Budget HB 2110

January 31, 2013

This is written testimony from the Kansas Contractors Association which is in Support of HB 2110 provided by Bob Totten, Executive Vice President for the Kansas Contractors Association. Our organization **represents over 350 companies** who are involved in the construction of highways and water treatment facilities in Kansas and the Midwest.

The Kansas Contractors Association is supportive of the governor's budget to extend the 6 tenths sales tax as well as the continuation of the 4 tenths sales tax slated to go to KDOT July 1.

I am only addressing the tax issue as I am more familiar with what that means to the construction industry that I represent. The 4 tenths sales tax will raise

approximately \$175 million dollars a year for KDOT's budget and we know in the highway construction business how important that tax is to the continuation of the 10 year program passed in 2010.

The Kansas Contractors Association supported the passage of the 2010 transportation program and agreed that it needed to be smaller than the previous programs in 1989 and 1999 because the economy was not as robust as it should be. That is why KDOT and other industry groups supported a plan that is basically a preservation program. Our analogy is like the person who knows he needs a new roof but cannot afford it and so he agrees to just having it just repaired. We see that in Kansas and that analogy can be taken further in that if you don't fix it now, you will have to fix it later and it cost you more.

KDOT Secretary King has said KDOT is receiving lower bid prices and lower bond prices than expected and due to that KDOT has been able to find efficiencies and save the state over \$300 million dollars. We as contractors cringe at that comment as we would like to have higher bid prices and pay our employees more money but that is not the case right now.

Still we do believe the bid prices will be going up...as we see that happening in our neighbor state of Oklahoma and we figure it will happen here in Kansas in the near future for various reasons. One, the economy is turning around ever so slowly and of course if you approve the governor's budget, we will see a more robust economy in the state in the next few years due to the changes being suggested. In addition, there are also some federal regulations that KDOT is already aware of that will necessitate higher bid prices in the near future.

So to make all this work, we support the governor's proposal. Not saying we like all of it since we see a diversion of KDOT money to transport children to schools, help support a KBI lab and pay for the highway patrol. And we think that is a diversion of funds that should go to highway construction but we do agree that to make this all work, the 4 tenths of cent sales tax needs to stay in place and the 6 tenths of a cent sales needs to be supported or other programs including KDOT will be devastated.

I stand for questions or comments if you have any.