

SESSION OF 2016

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 373**

As Agreed to March 24, 2016

Brief*

SB 373 would require the registered owner of a vehicle driven on a project of the Kansas Turnpike Authority (KTA) to pay all tolls associated with that vehicle's use on any Turnpike project. The KTA could provide a notice of toll evasion to the registered owner, and that notice could include a toll-evasion civil penalty, administrative fee, and costs for each instance in which the registered owner has failed to pay a toll.

On and after January 1, 2018, the Director of the KTA (*i.e.*, the Secretary of Transportation) or the Director's designee would be authorized to instruct the Division of Vehicles to require payment of any tolls due and owing to the county treasurer at the time of registration or renewal of registration, or otherwise to refuse to register or renew the registration of the vehicle until the amounts are paid to the satisfaction of the Director or the Director's designee, if the outstanding amount of tolls due and owing by the registered owner exceeds \$100. The bill would state an application for registration or renewal of registration for a vehicle shall not be accepted if the records of the Division of Vehicles show that after three attempts by the KTA to contact the registered owner, including at least one registered letter, the registered owner of the vehicle has unpaid tolls; the Director or the Director's designee has instructed the Division to refuse to accept the registration or renewal of registration; and

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payment to the county treasurer is not made at registration. The bill would provide that 15.0 percent of the toll moneys collected by a county treasurer at registration or registration renewal would be retained by the county treasurer, with the remainder remitted to the KTA.

The bill would allow the registered owner to contest any notice of toll evasion, including all tolls, penalties, fees, costs, and registration holds, to the KTA. The bill would require the KTA to investigate and provide to the owner, within 30 days, a violation order containing the findings of the investigation. The owner could pay the order or request an administrative hearing, within 15 days of receipt of the order; the hearing would be conducted in accordance with the provisions of the Kansas Administrative Procedure Act, and the owner could appeal the administrative hearing order to the district court in accordance with the provisions of the Kansas Judicial Review Act.

The bill would authorize the KTA to adopt rules and regulations necessary to carry out the provisions of the section that would be added.

Conference Committee Action

The Conference Committee replaced the contents of SB 373 (which are included in the Conference Committee report for HB 2522) with the contents of HB 2605, with these changes:

- Requiring the amount of unpaid tolls (and not including penalties, fees, or costs) to exceed \$100 before the Director could instruct the Division to require payment before registration or renewal of registration;
- Placing an effective date of January 1, 2018, on requiring certain unpaid tolls be paid before vehicle registration or renewal; and

- Requiring Division records to show the KTA had made three attempts to contact the registered owner about the amount owed, including at least one registered letter.

Background

The Conference Committee report would delete the contents of SB 373 and insert the contents of HB 2605.

HB 2605 Background

The Chief Executive Officer (CEO) of the KTA provided proponent testimony at the House Committee on Transportation hearing. He said the KTA is considering gateless systems for three high traffic terminals (Bonner Springs, East Topeka, and the southern terminal near the Oklahoma border) but must ensure collection of tolls. He stated several other states have authorized withholding vehicle registration due to unpaid tolls and provided a summary of the process the KTA plans to use.

Opponent testimony was presented by the Shawnee County Treasurer. He stated requiring the county treasurers to collect Turnpike tolls before collecting vehicle property taxes would prevent a county treasurer from completing the treasurer's statutory duty to collect taxes and the process would add confrontation and increase wait times at vehicle registration. Similar concerns were raised in written opponent testimony from the president of the Kansas County Treasurers Association, the Johnson County Treasurer and Finance Director, and the Sedgwick County Treasurer. Opponent testimony also noted duplicate tag numbers between vehicle registration types, leading to possible misidentification of vehicles for which tolls were not paid.

The House Committee amended the bill to authorize the Director or the Director's designee to instruct the Division of

Vehicles to refuse to register or renew registration of a vehicle only if the outstanding amount of any tolls, penalties, fees, or costs due and owing by the registered owner exceeds \$100. (The Conference Committee report would state the minimum due before registration would be blocked would be \$100 in tolls.)

The House Committee of the Whole amended the bill to authorize the Director or the Director's designee to instruct the Division of Vehicles to require payment of any tolls, penalties, fees, or costs; authorize the KTA to adopt rules and regulations; state registration would be accepted if the amounts due were paid at vehicle registration; and direct the county treasurer to retain 15.0 percent of the moneys collected and remit the remainder to the KTA. (The Conference Committee report would modify but include these amendments, with an effective date of January 1, 2018, for provisions blocking registration under certain circumstances.)

At the Senate Committee on Transportation hearing, the CEO of the KTA and another representative of the KTA testified in favor of HB 2605. Written proponent testimony was provided by the Secretary of Transportation and a KTA Board member. The president of the Kansas County Treasurers Association, the Johnson County Treasurer and Finance Director, and the Crawford Country Treasurer testified as opponents to the bill. Written opponent testimony was provided by the Shawnee County Treasurer. The Senate Committee did not take action on the bill.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Department of Revenue estimates the bill would require additional expenditures totaling \$373,000 in FY 2017. Of this, \$214,531 would be for salaries, wages, and other costs associated with adding 4.00 new Customer Representative full-time-equivalent positions needed to handle additional workloads related to vehicle registration or renewal inquiries and investigations. Also included in the total is \$115,250 for database updates, \$28,800 for information system changes,

and \$14,419 for communications, reporting, and quality assurance costs.

The fiscal note states counties also could incur additional costs in the form of increased staff time from the changes to the vehicle renewal and registration process, and it is possible counties could experience reduced or delayed payments of registration fees and taxes because of unpaid tolls. However, the Kansas Association of Counties is unable to estimate the total dollar effect.

The fiscal note also states the KTA recognizes expenditures would be needed by the Kansas Department of Revenue and by counties to implement the bill and indicates it will be willing to reimburse the Department and counties or create a cost-recovery mechanism for those expenditures. No estimates were available from the KTA regarding the increase in outstanding toll collections resulting from the bill.

The bill could result in reduced or delayed revenues from vehicle registration fees to the State Highway Fund. However, neither the Kansas Department of Transportation nor the Kansas Department of Revenue has information on the number of registered vehicle owners with unpaid KTA tolls and the types of vehicles, information necessary to reliably estimate the fiscal effect on the State Highway Fund. Any fiscal effect associated with the bill is not reflected in *The FY 2017 Governor's Budget Report*.

turnpike; toll; vehicle registration; county treasurer

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