

February 18, 2020

Memorandum:

To: House Appropriations Committee
From: Thomas M. Palace Executive Director PMCA of Kansas
Re: Neutral Testimony HB 2588

Mr. Chairman and Members of the House Appropriations Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store retailers throughout Kansas.

PMCA has long been an opponent of the legislature sweeping funds from any fee funded agency. To date the legislature has swept over \$2 billion from the Kansas Department of Transportation and delayed a number of T-Works projects.

When T-Works was initiated it was to be funded with motor fuel excise taxes and 4/10 of cent sales tax. Initially, the sales tax revenue was sufficient to complete new road projects and maintain the current highway system. As the funds were swept highway projects were put on the back burner.

Funding sustainability is the key to the highway program and the legislature needs the discipline to stop stealing money earmarked for specific programs.

Automobile manufacturers will continue to work on new and better ways for vehicles to get better gas mileage and the proliferation of electric vehicles are good examples as to why Kansas cannot continue to rely on motor fuel excise taxes to fund a long term highway program.

HB 2588 does not increase motor fuel excise taxes (yet), but it does rely on the state reducing its appetite to take the sales tax dollars away from KDOT.

It appears that the "Forward "plan will provide flexibility to address opportunities as funds are available. The program also will work on prioritization of projects partnering with local communities.

We believe that the delayed T-Works projects as well as additional new road projects can be completed if ALL the sales tax dollars earmarked for KDOT are left untouched.

PMCA will not support any increase in motor fuel taxes. Kansas motor fuel rate is \$.25 gas \$.27 diesel. We can argue that we are at a tremendous competitive disadvantage for any retailer that competes on or near a border of Missouri (\$.174 gas \$.174 diesel) and Oklahoma (\$.20 gas \$.20 diesel). Kansas does enjoy a competitive advantage with Nebraska (\$.302 gas \$.293 diesel).

The National Association of Convenience Stores has reported that consumers are more sensitive to gas prices than other top economic concerns.

Consumers will change their behavior to save a few cents per gallon. People drive out of their way, 10-15 miles, to save a couple pennies on gas.

Retailers that compete on or near the border are hit hardest with motor fuel, or any type, of excise tax increase. When Kansas increases taxes', it gives the Kansas consumer another reason to cross the border to purchase goods and services and is excellent economic development for our neighboring states.

Thank You