



## W-1 State Funding for Transportation

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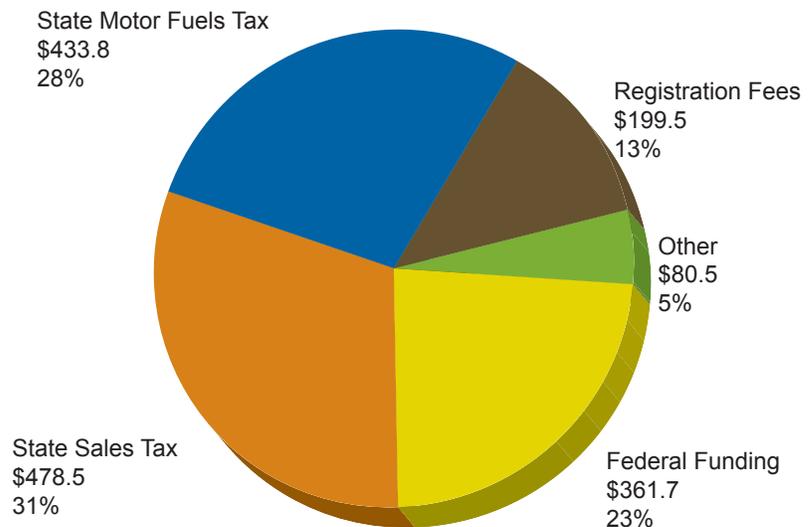
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## Transportation and Motor Vehicles

### W-1 State Funding for Transportation

The *Kansas Constitution's* Article 11, Section 10, says that "The State shall have power to levy special taxes, for road and highway purposes, on motor vehicles and on motor fuels." For many years, the state sources that provide the most funding for transportation programs have been motor fuels taxes, sales tax, and registration fees, as illustrated in the pie chart below. This article provides some history and general information regarding these state funding sources, including information regarding the changes in funding associated with two bills enacted during the 2010 Session: Senate Sub. for Senate Sub. for HB 2650, the Transportation Works for Kansas (or T-Works) Program, and Senate Sub. for HB 2360, which affects sales tax rates and distribution.

**Projected KDOT 2014 Revenues  
as of September 2013 (in millions)**



Federal funding dropped from \$590.0 million (38 percent) anticipated for FY 2012 to \$361.7 million (23 percent) anticipated for FY 2014.

### State Motor Fuels Tax

**History.** Kansas has imposed a tax on vehicle fuels since 1925, when it imposed a tax of 2 cents a gallon on gasoline. The table to the right

lists the effective dates of tax increases for motor fuels. The increases in 1989 through 1992 were part of the Comprehensive Highway Plan as it was enacted in 1989, and those in 1999 and 2001 were part of the original ten-year Comprehensive Transportation Program enacted in 1999. These taxes remain at the rates given in the table; no subsequent bills have changed these rates.

A tax of 17 cents a gallon was imposed on E-85 gasohol beginning in 2006. Certain fuel purchases, including aviation fuel and fuel used for non-highway purposes, are exempt from the tax.

The average U.S. household spent \$2,912, or just less than 4 percent of income before taxes, on gasoline in 2012, according to an estimate by the U.S. Energy Information Administration. The amount of fuel tax paid by each taxpayer depends on the amount of fuel purchased. The table below, "Approximate Annual State Gasoline Tax Payments by Individual Taxpayers," illustrates those amounts with different scenarios of miles driven and vehicle miles per gallon.

<b>Motor Fuel Tax Rates, 1925-2012</b>		
Effective Date	Gasoline	Diesel
1925	2¢	
1929	3¢	
1941		3¢
1945	4¢	4¢
1949	5¢	5¢
1956		7¢
1969	7¢	8¢
1976	8¢	10¢
1983	10¢	12¢
1984	11¢	13¢
1989	15¢	17¢
1990	16¢	18¢
1991	17¢	19¢
1992	18¢	20¢
1999	20¢	22¢
2001	21¢	23¢
2002	23¢	25¢
2003	24¢	26¢

**Approximate Annual State Gasoline Tax Payments by Individual Taxpayers**

<b>Miles</b>		<b>Gasoline Tax</b>	<b>Fuel at \$3.00/gal</b>	<b>Fuel at \$4/gal</b>
Per Year	Per Gallon	Amount Paid in Fuel Taxes at Current 24¢	Overall Fuel Bill if Total Price is \$3/Gallon	Overall Fuel Bill if Total Price is \$4/Gallon
12,000	15	\$192	\$2,400	\$3,200
12,000	25	\$115	\$1,440	\$1,920
12,000	35	\$82	\$1,029	\$1,371
30,000	15	\$480	\$6,000	\$8,000
30,000	25	\$288	\$3,600	\$4,800
30,000	35	\$206	\$2,571	\$3,429

State Tax % of Price: 8.00%      State Tax % of Price: 6.00%

*All amounts rounded to the nearest dollar*

**Federal fuel taxes.** Drivers also pay federal fuel taxes of 18.4 cents a gallon for gasoline, gasohol, and special fuels, and 24.4 cents a gallon for diesel fuel. The federal taxes on gasoline and diesel fuel have not increased since 1993.

**Other states' fuel taxes.** All states tax motor vehicle fuels. Most use a set amount per gallon, but some use sales taxes. At least three states index their gasoline taxes to inflation, and other rates can change based on factors such as the highway repair budget. The American Petroleum Institute publishes maps quarterly that show average gasoline and diesel fuel taxes in each state. (Each amount shown is a weighted average, meaning that any taxes that can vary across a state's jurisdiction are averaged according to the population of the local areas subject to each particular tax rate.) Those maps are available through <http://www.api.org/statistics/fueltaxes/>. States' total gasoline taxes, per gallon and including excise taxes plus other state taxes and fees, range from 30.8¢ in Alaska to 71.6¢ in California as of October 2013.

State		Total Gasoline Tax (cents per gallon)
3 highest	California	71.6
	Hawaii	68.7
	New York	68.3
<i>U.S. Average</i>		49.5
Kansas and Nearby States	Nebraska	45.6
	Kansas	43.4
	Colorado	40.4
	Missouri	35.7
	Oklahoma	35.4
3 lowest	South Carolina	35.2
	New Jersey	32.9
	Alaska	30.8

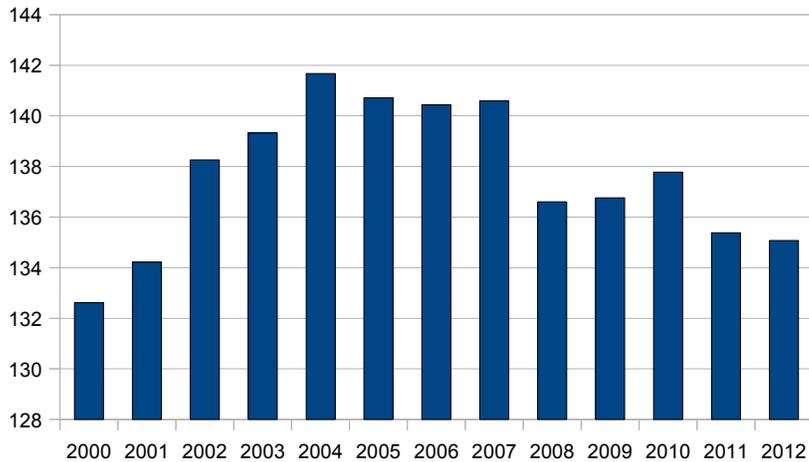
Source: American Petroleum Institute, October 2013

prices, and other factors. This is a nationwide trend, particularly since 2004. For reasons including these decreases and fairness in amounts paid for the amount of infrastructure used, the National Conference of State Legislatures and the National Surface Transportation Infrastructure Financing Commission have urged moving toward a system based on vehicle miles traveled. No states have yet adopted a system based on vehicle miles traveled, although the states of Oregon, Nevada, Colorado, and Minnesota and several other government entities have piloted programs. The 2012 Washington Legislature also authorized a pilot program; a \$100 annual fee on electric vehicles also was enacted with the bill.

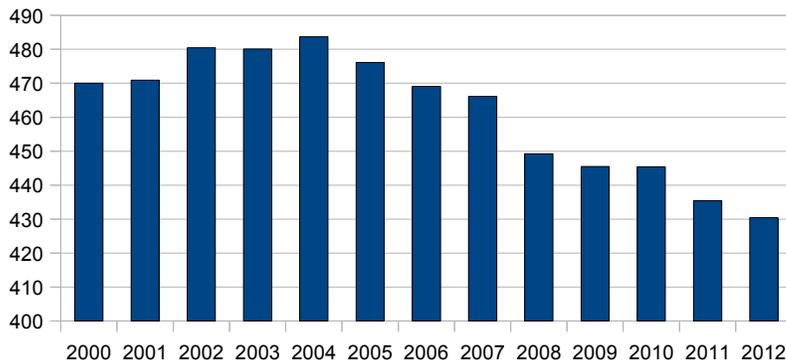
Kansas Fuel Tax Revenues	
(in millions):	
FY 2013	\$411.9
FY 2012	\$431.5
FY 2011	\$432.7
FY 2010	\$421.1
FY 2009	\$417.8
FY 2008	\$427.8
Source: KDOT 2015 Budget	

**Fuel tax revenues.** Amounts raised from fuel taxes fluctuate but generally have declined with decreases in fuel usage attributed to increased fuel efficiency in vehicles, overall increased fuel

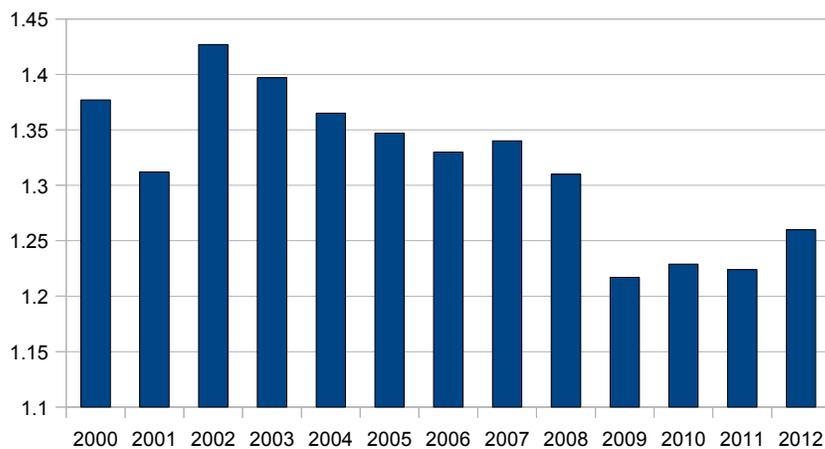
**U.S. Total Gasoline Sales (in billions of gallons), by year**



**U.S. Gasoline Sales per Capita (in gallons), by year**



**Kansas Total Gasoline Sales (in billions of gallons), by year**



Source for information in the bar charts: Monthly Motor Fuel Reported by States from the Office of Highway Policy Information, Federal Highway Administration, U.S. Department of Transportation, <http://www.fhwa.dot.gov/ohim/mmfr/index.cfm>; population information from the U.S. Census, [www.census.gov](http://www.census.gov).

**Allocation under current law.** State fuel tax revenues are allocated 66.37 percent to the State Highway Fund and 33.63 percent to the Special City and County Highway Fund (KSA 79-34,142).

## Sales Tax

**History of the allocation to the State Highway Fund.** The 1983 highway bill enacted a transfer from the State General Fund (SGF) to the State Highway Fund (SHF) in increasing amounts over a period of years based roughly on the percentage of sales tax receipts attributable to new and used motor vehicles, then determined to be 9.19 percent of the sales tax base. The bill also required the Department of Revenue to annually determine the percentage of retail sales attributable to vehicle sales.

The 1989 Comprehensive Highway Program (CHP) bill increased the transfer percentage to 10 percent. It also increased the sales and compensating use tax rate from 4 percent to 4.25 percent, with the additional 0.25 percent deposited directly into the SHF.

Legislation enacted in 1992 that raised the sales and use tax rate from 4.25 percent to 4.90 percent also reduced the 10 percent transfer to 7.628 percent, an amendment designed to produce an equivalent amount of revenue for the SHF transfer under both different sales tax rates.

The 1999 Comprehensive Transportation Program (CTP) bill initially increased the transfer to 9.5 percent and would have phased in additional increases to 12 percent by July 1, 2004.

Legislation enacted in 2004 to help shore up the CTP abolished the transfer, which at that time was not being funded, and also repealed the requirement to annually determine the percentage of retail sales attributable to vehicle sales. The same bill also increased the amount of the daily sales and use tax receipts deposited in the SHF from 0.25 percent to 0.38 percent and then to 0.65 percent. From 2002 until July 2010, the state levied a sales and use tax rate of 5.30 percent. Of every \$530 in collections, \$465 was deposited in the SGF and \$65 in the SHF.

### Amounts of Sales and Compensating Use Taxes Deposited Directly in the SHF

(in millions)	
FY 2013	\$319.4
FY 2012	\$312.4
FY 2011	\$292.6
FY 2010	\$259.4
FY 2009	\$268.7
FY 2008	\$273.3

Source: KDOT 2015 Budget

In 2010, Senate Sub. for HB 2360 raised the state sales and compensating use tax rate from 5.3 percent to 6.3 percent, effective July 1, 2010, to be reduced to 5.7 percent on July 1, 2013. As of July 1, 2013, an amount roughly equal to the sales and compensating use tax revenues above what would have been raised at the 5.3 percent rate was to be directed to the SHF. The percentage of sales tax revenues going to the SHF was adjusted to provide an estimated \$20.4 million of additional revenue in FY 2011 and \$21 million in FY 2012 and again in FY 2013. The 2013 Legislature changed the state sales and compensating use tax rate to 6.15 percent, as of July 1, 2013. The 2013 Legislature also adjusted the disposition of the revenues to SHF, to roughly equal the amount the SHF would have gotten under the 2010 legislation.

## Registration Fees

The Legislature first imposed registration fees on vehicles in 1913: \$5 for a "motor vehicle" (car or truck) and \$2 for a motorcycle. Registration fees for trucks have been based on their rated carrying capacities since 1921. Except for certain relatively small fees, registration fees are directed to the State Highway Fund (see KSA 8-145).

Rates in Kansas vary by type of vehicle and by vehicle weight. The 2010 T-Works Program does not increase registration rates for private passenger vehicles. The bill increased rates in 2013 for small farm trucks and other small commercial vehicles by \$20, for trucks smaller than 54,000 pounds by

\$100, and for larger trucks by \$135. The increases in the bill are divided over two years. A sample of those rates with their increases is shown below.

<b>Sample of Kansas Vehicle Registration Fees, 1989-Present</b>				
	1989	2002	2013	2014
Passenger vehicle, less than 4,500 pounds	\$25	\$30	no change	no change
Truck or truck-tractor, 12,000-16,000 pounds	\$100	\$102	\$152	\$202
Truck or truck-tractor, 80,000-85,500 pounds	\$1,925	\$1,935	\$2,020	\$2,070
Farm truck, 12,000-16,000 pounds	\$35	\$37	\$47	\$57
Farm truck, more than 66,000 pounds (largest category)	\$600	\$610	\$695	\$745
Trailer, 8,000 pounds or less	\$15	\$15	\$25	\$35
Trailer, 12,000-54,000 pounds	\$35	\$35	\$45	\$55
(1) Registration is optional for trailers weighing less than 2,000 pounds.				
Source: KSA 8-143 as amended by 2010 Senate Sub. for Senate Sub. for HB 2650				

<b>SHF Revenues from Vehicle Registration Fees and Related Charges</b>	
<b>(in millions)</b>	
FY 2013	\$198.5
FY 2012	\$178.3
FY 2011	\$178.9
FY 2010	\$176.0
FY 2009	\$171.2
FY 2008	\$171.7
Source: KDOT 2015 Budget	

At registration, Kansas vehicle owners also pay motor vehicle (property) taxes on those vehicles. Those taxes vary, depending on the county’s mill levy. The proportion of the total amount paid depends upon the value of the vehicle and the applicable mill levy, as illustrated in a table on the next page.

Registration Fees and Motor Vehicle (Property) Taxes for a Sample of Vehicles						
Vehicle description	2014 Value	2014 Motor Vehicle Property Tax <sup>(1)</sup>		Registration <sup>(2)</sup>	Total <sup>(3)</sup>	Registration % of Total
2014 Acura RLX	\$49,000	Smith County	\$1,908	\$30	\$1,947	1.5%
(Krell Audio Pkg/Trim)		State Average	\$1,090		\$1,129	2.7%
		Coffey County	\$657		\$696	4.3%
2014 Nissan Altima 3.5 L SL	\$27,000	Smith County	\$1,051	\$30	\$1,090	2.8%
		State Average	\$601		\$640	4.7%
		Coffey County	\$362		\$401	7.5%
2014 Ford Focus 5-Door Hatchback (SE)	\$17,000	Smith County	\$662	\$30	\$701	4.3%
		State Average	\$378		\$417	7.2%
		Coffey County	\$228		\$267	11.2%
2012 Toyota Yaris 5-Door Liftback L	\$9,031	Smith County	\$352	\$30	\$391	7.7%
		State Average	\$201		\$240	12.5%
		Coffey County	\$121		\$160	18.7%
1999 Ford Escort (LX)	\$830	Smith County	\$32	\$30	\$71	42.1%
		State Average	\$24		\$63	47.6%
		Coffey County	\$24		\$63	47.6%
2012 Ford F250 (Lariat, 4 x 4, Crew Cab, Diesel)	\$32,513	Smith County	\$1,266	\$232	\$1,507	15.4%
		State Average	\$723		\$964	24.1%
		Coffey County	\$436		\$677	34.3%
2012 International Prostar Limited <sup>(4)</sup>	\$89,868	Smith County	\$5,788	\$1,345	\$7,142	18.8%
		State Average	\$3,539		\$4,893	27.5%
		Coffey County	\$2,348		\$3,702	36.3%
<p><sup>(1)</sup> Property tax equals value times mill levy times the assessment rate. The assessment rate is 20 percent for all the vehicles listed above except the 2012 International truck; its assessment rate is 30 percent. KSA 79-5105(a)(1) sets a minimum tax of \$24 for vehicles (\$12 for motorcycles) from model year 1981 and newer; for older vehicles the minimums are \$12 and \$6. The example 2014 motor vehicle property tax levies are as follows: Smith County (the highest in the state), 0.194696; the state average, 0.111260; and Coffey County (the lowest in the state), 0.067090. The reported tax is rounded to the nearest dollar.</p>						
<p><sup>(2)</sup> The T-Works bill of 2012 increased registration rates for trucks weighing 12,000 or more, starting 1/1/2013. It did not increase registration amounts for cars and other smaller vehicles.</p>						
<p><sup>(3)</sup> The total includes two fees: \$4 modernization surcharge authorized by KSA 75-5160 and \$5 service fee authorized by KSA 8-145d. The service fee would not apply to a truck used in interstate commerce or to a converter gear. Voluntary additional fees that could apply include \$40 for personalized license plates (KSA 8-132(c)) and a satellite registration fee of not more than \$5 per vehicle (KSA 8-145d).</p>						
<p><sup>(4)</sup> This example assumes the truck is taxed as property. The 20 mill school general fund is included in this group, changing the tax levies to Smith County, 0.214696; state average, 0.131260; and Coffey County, 0.087090. The county average was used; however, depending on the situs of the truck, the levy may be higher or lower. However, starting January 1, 2014, an annual commercial vehicle fee replaces property tax for trucks used in commerce. The fee for this truck would be \$404 (KSA 8-143m, KSA 8-145f).</p>						

**Allocation.** Except for relatively small fees (e.g., portions of certificate of title fees, all registration fees are directed to the State Highway Fund (KSA 8-145(c)). Motor vehicle property taxes are distributed to taxing subdivisions in the same manner as general property taxes, except that school district general funds do not receive any of the receipts.

**Bonding**

To finance portions of the programs, both the 1989 Comprehensive Highway Program (CHP) and the 1999 Comprehensive Transportation Program (CTP) authorized KDOT to issue certain amounts

of bonds (KSA 68-2320), which KDOT has issued. The 2010 T-Works bill added KDOT bonding authority, with this limit: “the maximum annual debt service on all outstanding bonds issued pursuant to [the CHP, the CTP, and T-Works] and [CHP Refunding bonds] . . . will not exceed 18 percent of projected state highway fund revenues for the current or any future fiscal year.” (KSA 68-2320(c)) The bill specifies how projected rates for variable rate interest and projected SHF revenues will be calculated. The table below contains information on debt outstanding as of late September 2013 and anticipated debt outstanding for subsequent years. Transfers from the SHF are considered reductions to revenues and can reduce bonding capacity.

Outstanding State Highway Fund Debt, At End of FY (in millions) (Source: KDOT)						
Fiscal Year	Total	CHP	CHP Refunding	CTP	T-Works	Estimated Bond Service Loads
2013	\$1,737.6	\$11.5	\$43.0	\$1,158.1	\$ 525.0	16.25%
2014	\$1,634.3	\$ 0.0	\$ 4.0	\$1,105.3	\$ 525.0	16.43%
2015	\$1,520.9			\$ 995.9	\$ 525.0	15.99%
2016	\$1,418.2			\$ 900.2	\$ 518.0	No projections for later years as of publication date
2017	\$1,310.9			\$ 800.1	\$ 510.8	
2018	\$1,202.6			\$ 699.2	\$ 503.4	
2019	\$1,086.0			\$ 590.2	\$ 495.8	
2020	\$ 971.9			\$ 483.9	\$ 488.0	
2021	\$ 860.9			\$ 422.9	\$ 438.0	
2022	\$ 735.3			\$ 304.9	\$ 430.4	
2023	\$ 604.5			\$ 181.7	\$ 422.8	
2024	\$ 512.0			\$ 97.0	\$ 415.0	
2025	\$ 405.0				\$ 405.0	
2026	\$ 395.0				\$ 395.0	
2027	\$ 385.0				\$ 385.0	
2028	\$ 375.0				\$ 375.0	
2029	\$ 365.0				\$ 365.0	
2030	\$ 355.0				\$ 355.0	
2031	\$ 345.0				\$ 345.0	
2032	\$ 273.8				\$ 273.8	
2033	\$ 200.8				\$ 200.8	
2034	\$ 135.9				\$ 135.9	
2035	\$ 68.9				\$ 68.9	
2036	\$ 0.0				\$ 0.0	

## Transfers from the State Highway Fund

Since 1999, anticipated State General Fund (SGF) revenues to the SHF have been reduced by approximately \$1.8 billion. The following table summarizes the categories of those reductions.

A detailed spreadsheet, "State Highway Fund Adjustments," shows year-by-year revenue adjustments, by category; it is available through the KLRD website homepage, "Capitol Issues," "Transportation."

<b>Net Changes to SHF Revenues from SGF, Anticipated to Realized, 1999-October 2013 (in millions)</b>	
<u>Sales Tax Demand Transfer.</u> As noted above, sales taxes were transferred from the SGF to the SHF under highway program bills starting in 1983. The CTP as enacted in 1999 included provisions to transfer certain percentages of sales tax (9.5 percent in 2001 – 14 percent in 2006 and later) from the SGF to the SHF. Appropriations reduced those amounts, and the transfers were removed from the law in 2004.	\$(1,456.73)
<u>Sales and Compensating Use Tax.</u> As noted above, when sales tax transfers were eliminated, the sales tax was increased and the percentage going directly into the SHF was increased. The amount reflects the increases enacted in 2010 Senate Sub. for HB 2360, and as amended by 2013 House Sub. for SB 83.	\$420.75
<u>Loans to the SGF.</u> A total of \$125.2 million was "borrowed" from the SHF with arrangements to replace that money from FY07 through FY10. Only the first two payments were made.	\$(61.79)
<u>Bond Payments.</u> The 2004 Legislature authorized the issuance of \$210 million in bonds backed by the SGF. SGF payments were made on those bonds only in 2007 and 2008. (Subsequent payments have been made from the SHF.)	\$26.58
<u>Transfers to the SGF.</u> Transfers include amounts for the Fair Fares program at the Department of Commerce, Highway Patrol operations, payments on SGF-backed bonds, allotments, and the 2011 direct transfer of \$200 million.	\$(754.63)
<b>Total</b>	<b>\$(1,825.82)</b>

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