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**TESTIMONY BEFORE THE  
HOUSE TAXATION COMMITTEE**

**REGARDING HOUSE BILL 2318  
RELATING TO STATE SALES TAX**

**March 7, 2023**

Mr. Chairman and Committee Members:

The Kansas Department of Transportation (KDOT) is providing written testimony in opposition of House Bill 2318 relating to State sales tax

HB 2318 reduces the state sales tax rate from 6.5% to 6.15% but has no language to hold the State Highway Fund (SHF) harmless from the reduction of sales tax revenue. The effect of this bill would be to significantly decrease revenue to the SHF and impact KDOT's ability to deliver the Eisenhower Legacy Transportation Program (IKE), requiring us to reevaluate the program by reducing project lettings and/or increasing bonding. If this bill becomes state law, the estimated loss of revenue to the State Highway Fund is estimated to be approximately \$303.8 million for FY 2024 – FY 2027, and well over \$500 million for the remainder of IKE. This amount represents about 10% of the total anticipated to be invested in preservation (taking care of our existing system) projects for the life of the program.

If the committee pursues reduction of the state sales tax, the agency requests a corresponding adjustment to the amount of sales tax revenue that is deposited into the SHF. This adjustment would be consistent with past policy decisions by the legislature. If HB 2318 were adopted in its current form, the proportion of revenue from the remaining sales tax receipts deposited in the SHF would need to be adjusted up by approximately two percentage points to reflect the loss of revenues in HB 2318's fiscal note.

Thank you for the opportunity to provide opponent testimony on House Bill 2318.