

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on February 9, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Edward Cross, Executive VP, Kansas Independent Oil & Gas Association (KIOGA)
Mike Terry, Executive Director, Oklahoma Energy Resources Board (OERB)
Gary Anderson, Gilmore & Bell PC
Larry Baer, League of Kansas Municipalities
Mary Buhl, Legal Counsel, Johnson County
Doug Wareham, Kansas Bankers Association

Others attending:

See attached list.

SB 209 - Transportation Development District Act, district sales tax

Chairperson Allen opened the meeting today with a hearing on **SB 209** - Transportation Development District Act, district sales tax.

Gary Anderson, Gilmore & Bell, appeared before the Committee in support of **SB 209**. Mr. Anderson stated **SB 209** would remove the protest provisions, and also clarify that the public hearing would cover the intent to levy a TDD sales tax in the district (Attachment 1).

Larry Baer, presented testimony on behalf of the League of Kansas Municipalities in support of **SB 209** (Attachment 2).

There being no others wishing to testify as a proponent or opponent on **SB 209**, Chairperson Allen closed the public hearing.

SB 193 - Minimum bids required of mortgages at tax foreclosure sales of real estate

Chairperson Allen brought the Committee's attention to the hearing on **SB 193** - minimum bids required of mortgages at tax foreclosure sales of real estate.

Chairperson Allen welcomed Mary Buhl, Legal Counsel, Johnson County, to the Committee. Ms. Buhl testified as a proponent of **SB 193**, stating the bill was written to assist Kansas counties with the collection of delinquent real estate taxes (Attachment 3).

Judy Moler, Legislative Services Director, Kansas Association of Counties, provided the Committee with written testimony in support of **SB 193** (Attachment 4).

There being no others wishing to testify as a proponent to **SB 193**, the Chair asked for the opponents to the bill.

Doug Wareham appeared before the Committee on behalf of the Kansas Bankers Association (KBA). Mr. Wareham's testimony stated **SB 193** is an attempt to disrupt the uniformity of the foreclosure process by singling out mortgagees, and placing a higher burden in the form of a minimum bid requirement on them, if they choose to enter a bid on real estate sold at public auction (Attachment 5).

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:40 A.M. on February 9, 2005 in Room 423-S of the Capitol.

There being no others wishing to testify as an opponent to **SB 193**, Chairperson Allen closed the hearing.

The Chair brought the Committee's attention to reconsider the action previously taken on **SB 37**. When the bill was discussed and worked, the Committee made a substantive change regarding the ability of the public to obtain parent/subsidiary information. The Committee deleted the language that made this information available to the public on corporate annual reports. The bill was brought back to Committee to further discuss this substantive change. Melissa Wangemann, Secretary of State's office, and Marlee Carpenter, KCCI, submitted material for the Committee regarding this issue (Attachment 6).

Final action on:

Chairperson Allen called for a motion to reconsider **SB 37**. Senator Lee Made a motion to reconsider the previous action on SB 37, and to report the bill favorably as amended. Senator Schmidt seconded the motion, and the motion carried.

Senator Lee made a substitute motion to remove the amendment that would eliminate the requirement for parents to list subsidiaries on the annual report to Secretary of State. Senator Goodwin seconded the motion and the motion carried.

Senator Lee made a motion to pass SB 37 favorably as amended. Senator Schmidt seconded the motion, and the motion carried.

SB 70 - Creating the Kansas petroleum education and marketing act

Edward Cross, KIOGA, presented testimony in support of **SB 70**, and explained why the bill is needed, how the program will be funded, and how the program benefits all citizens of Kansas (Attachment 7).

Supporting testimony for **SB 70** was submitted in writing by Mike Terry, Executive Director, OERB (Attachment 8).

There being no others wishing to testify as a proponent, and no opponents, the Chair closed the hearing on **SB 70**.

Approval of minutes

Senator Jordan made a motion to approve the minutes of February 3rd, seconded by Senator Pine. The motion carried.

The meeting adjourned at 11:50 a.m.

The next meeting is Thursday, February 10, 2005

**SENATE
ASSESSMENT & TAXATION COMMITTEE**

GUEST LIST

DATE: Wed Feb 9, 05

NAME	REPRESENTING
Richard Ann	KOPR
Stephanie Mickelsen	SOS
Melissa Wangemann	SOS
Bud Bupke	City of Olathe
Larry R. Buer	CKM
Jeanne Goodwin	City of Wichita
Mike Repou	Sedwick County
Julie Hean	Hein Law Firm
Ed Cross	KIOGA
Tim Carr	Kansas Geological Survey
George Peterson	Kansas Taxpayers Network
Steve Johnson	Kansas Gas Service
Whitney Jaman	KS Gas Service
Anker Shaverli	MCA
Brian Duff	KCC Taxpayers
Lucas Bell	Kenney and Associates, Inc.
BRAD HARRELSON	KFB
Natalie Haug	Security Benefits

**SENATE
ASSESSMENT & TAXATION COMMITTEE**

GUEST LIST

DATE: Wed Feb 9, 05

NAME	REPRESENTING
<i>pat decker</i>	<i>Overland Park KS</i>
<i>R. D. ...</i>	<i>✓ ✓ ✓</i>

**Testimony to the Senate Committee on Assessment and Taxation
by Gary Anderson
of Gilmore & Bell, P.C. on February 9, 2005**

Madam Chair and distinguished members of the Committee, my name is Gary Anderson and I am a director with the law firm of Gilmore & Bell, P.C. in our Kansas City office. Gilmore & Bell specializes in tax-exempt and taxable bond financing for state and local governments and is one of the nation's leading public finance law firms. The firm has 37 attorneys and has offices in Kansas City, Wichita, St. Louis, Missouri and Lincoln, Nebraska.

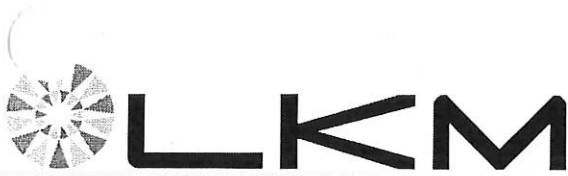
I have been a municipal finance attorney for over 20 years. My practice area at Gilmore & Bell is primarily in economic development and specifically transportation development districts, tax increment financing and other economic incentives. I was the primary author of the original bill that became the Transportation Development District Act.

The Transportation Development District Act was in several respects modeled after the special benefit district act in Kansas, including the provisions that allowed for protest by the property owners. However, a special benefit district can be created with only 51% of the property owners signing the petition.

For a TDD to be created in Kansas, **100% of the property owners** have to the sign the petition. In addition, the only persons who can protest are the same property owners. So there is no reason for the protest provisions in the TDD statute. They were left over from when the original TDD act was introduced that allowed for less than 100% of the property owners to sign the petition for creation of the district.

This bill would simply remove the protest provisions and also clarify that the public hearing would cover the intent to levy any TDD sales tax in the district.

Madam Chair and members of the Committee thank you for the opportunity to present my comments and I would be happy to answer any questions.



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

Date: February 9, 2005

To: Senate Committee on Assessment and Taxation

From: Larry R. Baer
Assistant General Counsel

Re: SB 209 – Testimony in Support

Thank you for allowing me to appear before you today on behalf of the League of Kansas Municipalities and its member cities.

The League appears in support of SB 209. SB 209 provides clean up and clarification of two sections of the Transportation Development District Act (TDD).

It removes the reference to a protest petition and period and the delay that is occasioned by the protest period. There is no need for a protest provision because the formation of a TDD requires the petition of 100% of the landowners within the proposed district. In other words, all parties involved have requested and consented to the formation of the TDD and there is no one left to protest. The net result is that the adoption of the ordinance to create the district, authorize the project, etc. is delayed for no reason while the 30 day protest period runs.

SB 209 also deletes language regarding the calling of an election in the event that a valid protest petition is filed. Without the protest petition requirement, as stated above, there is no need for an election.

SB 209 is a good common sense piece of legislation. The League encourages your support of SB 209 and asks that it be passed out favorably.



JOHNSON COUNTY LEGAL DEPARTMENT

Testimony in support of SB 193
presented to the
Senate Assessment and Taxation Committee

by

Mary Buhl

Assistant Johnson County Counselor

February 9, 2005

Madame Chairman and Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bill 193, regarding who may bid at real property tax foreclosure auctions in the State of Kansas.

Senate Bill 193 was written to assist Kansas counties with the collection of delinquent real estate taxes.

Senate Bill 193 would amend K.S.A. 79-2804b and K.S.A. 79-2804h. These statutes relate to who can bid at delinquent real estate tax foreclosure auctions, and to whom the successful bidder may deed the property. Some categories of people, and entities, are not allowed to bid at the auctions. (Examples: the original debtor, family members of the debtor, and corporate officers of a corporate debtor.) This is to stop debtors from circumventing the tax collection process: a debtor who doesn't pay real estate taxes cannot buy his own property at tax sale, potentially for less than he would have paid in taxes.

The statute also prohibits anyone from buying at tax sale for less than the taxes owed, then transferring the property to someone in one of the prohibited categories, for ten years.

Because of an amendment in 2003, mortgage holders now can bid on a property for less than the taxes owed, then immediately deed the property to the original debtor. The debtor and the mortgage holder then have the property, and the taxpayers of the Kansas have lost that tax revenue. We are asking that you close this loophole.

It is important to remember that a mortgage holder of record may be a bank or anyone who loans money and takes a mortgage.

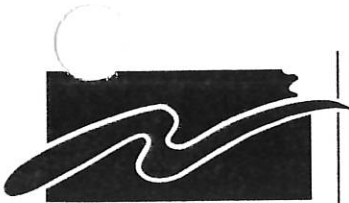
Assessment & Taxation
Date 02-09-05
Attachment # 3

It is also important to remember that mortgage holders have specific rights and obligations, by law, that govern their actions and that offer protections to the mortgage holder. A mortgage holder of record can require that the taxes be paid as part of the mortgage payment; can ask for special billing from the county treasurers, so that it receives copies of the tax statements and delinquency; can foreclose on its mortgage to protect its interest; and is entitled to be named as a party of interest in the tax foreclosure suit so that it can claim its lien in the county's suit.

Kansas counties, however, do not have any other remedy for collecting delinquent real estate taxes. Kansas counties are not entitled to seek personal judgments against a debtor. But, we have a duty to the taxpayers of the State to make the best effort possible to collect delinquent real estate taxes, and we need Senate Bill 193 to help us do that.

Senate Bill 193 does not return K.S.A. 79-2804b and K.S.A. 79-2804h to their pre-2003 status. Instead, SB 193 amends the statutes to permit a mortgage holder to bid at auction, if it chooses to, but requires that the mortgage holder bid, at a minimum, in the amount of delinquent taxes, interest, and costs. Then, the mortgage holder can transfer the property to anyone it wants, including the original debtor. And, then, the counties in Kansas do not risk losing the tax revenue.

We appreciate your consideration of this problem and of the proposed solution, Senate Bill 193, and urge your support of this amendment. Thank you.



KANSAS
ASSOCIATION OF
COUNTIES

WRITTEN TESTIMONY
Senate Assessment and Taxation
SB 193

February 9, 2005

By Judy A. Moler, General Counsel/Legislative Services Director

Thank you Chairman Allen and Members of the Senate Committee for allowing the Kansas Association of Counties to provide written testimony on SB 193

The Kansas Association of Counties supports the passage of SB 193. At the 2004 KAC Annual Meeting support of this bill was voted on by the entire membership and affirmed unanimously.

In 2003 certain legislative changes were made that would permit mortgage holders to bid at a tax auction. In the same legislation restrictions were removed as to whom the mortgage holder may make transfers to, if the mortgage holder is the successful bidder. The concern arising from this is the possibility exists that a mortgage holder may buy its secured property at auction for less than the amount of taxes, interest and costs. In a worst case scenario the mortgage holder could even transfer the property back to the original debtor thus avoiding the taxes owed altogether and thus spreading the tax debt on other local tax payers.

In the interest of fairness in taxation, the Kansas Association of Counties respectfully requests passage SB 193.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

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Assessment & Taxation
Date 02-09-05
Attachment # 4



Date: February 9, 2005
To: Senate Assessment & Taxation Committee
From: Doug Wareham, Vice President-Government Affairs
Re: Senate Bill 193

Madam Chairman and members of the Committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 360 Kansas banks, which operate more than 1,300 banking facilities in 440 towns and cities across the state. KBA appreciates the opportunity to appear in opposition of S.B. 193.

S.B. 193 is an attempt to disrupt the uniformity of the foreclosure process by singling out mortgagees and placing a higher burden (in the form of a minimum bid requirement) on them if they choose enter a bid on real estate sold at public auction. The Kansas Bankers Association is opposed to this discriminatory language and believes it is unfortunate that proponents of this bill have targeted mortgagees, simply because it is perceived the mortgagee is likely a bank with "deep pockets".

Some points we hope you will consider include:

- A taxing entity that is owed taxes and court costs on a foreclosed property has priority over all other claims. In other words, whatever revenue is generated from the tax sale is paid to the county first before any other party, including the mortgagee is considered.
- The mortgagee or bank often experiences significant losses if the tax sale does not produce bids high enough to cover the taxes. S.B. 193 exacerbates the plight of the mortgagee by also requiring a minimum bid at tax sales that will not be applied to other bidders.
- There should be no disparity in bidding rights. Why should another bidder, with no investment or risk in the property, have the right to buy the property for less?

In simple terms, KBA supports allowing the marketplace to determine the sale price on foreclosure sales of real estate.

Thank you for the opportunity to appear on this issue and I would be happy to stand for questions.

Chapter 79.--TAXATION

Article 28.--JUDICIAL FORECLOSURE AND SALE OF REAL ESTATE BY COUNTY

79-2804. Order of sale; publication notice; auctioneer may be employed; procedure for bidding in behalf of county; deed, execution and recordation. After the rendition of such judgment there shall be issued by the clerk of the district court to the sheriff of the county an execution or order of sale, which shall describe each tract, lot or piece of real estate mentioned and described in such judgment or decree, on which the lien has not been paid, with the amount of lien charged to each tract, lot or piece of real estate and the costs, charges and expenses of the proceedings and sale chargeable to each piece, lot or tract, in such amount as the court may order. If no order is made, then a sum equal to 5% of the amount set forth in the petition as the lien for taxes, charges, interest and penalties chargeable to each tract, lot or piece of real estate, with the name of the ascertained owner thereof, as disclosed by the judgment or decree, with the command to advertise and sell the real estate described therein. **Such order of sale shall be delivered to the sheriff of the county, who shall thereupon cause notice of sale to be published once each week for three consecutive weeks in some newspaper of general circulation in the county, in accordance with the provisions of K.S.A. 64-101, and amendments thereto.** The notice shall describe each tract, lot or piece of real estate to be sold and the lien for which it is to be sold, as determined by the judgment of the court and fix the date of sale, which shall not be less than 30 days from the date of the first publication. The notice shall state that the sale will be held at the front door of the courthouse in the county or shall identify some other location in the county where the sale will be held, as selected by the chief judge of the judicial district in which the county is located.

On the day fixed for the sale by such notice, the sheriff shall offer each such tract, lot or piece of real estate for sale, separately, and the same shall be sold at public auction for the highest and best bid obtainable therefor. The sheriff may employ an auctioneer for such reasonable compensation as may be determined by the court, to be allowed as a part of the costs and expenses of the proceedings and sale. **The sheriff or such other person as may be authorized by the board of county commissioners, if directed by the county commissioners, may bid at such sale in the name of the county such amount as the county commissioners authorize.** No bid in behalf of such county shall be accepted in excess of the amount of the judgment lien and interest thereon, as provided by law, plus the costs, charges and expenses of the proceedings and sale as set forth in the execution or order of sale. If the county is the successful bidder the costs, charges and expenses of the proceeding and sale set forth in the execution and order of sale shall be paid by the county to the clerk of the district court and charged to the county general fund. If such sale, for want of time, cannot be completed on the day fixed by the notice, it may be adjourned from day to day until completed.

The sheriff shall make return to the clerk and the same, as soon as practicable, shall be examined by the court, and if found by the court to be regular, it shall be confirmed, and the sheriff ordered to forthwith execute to the purchasers at such sale a good and sufficient deed therefor.

If one person or the county purchases more than one tract, lot or piece of real estate, the same may be included in one deed. The deed shall be executed by the sheriff and acknowledged before the clerk of the district court. No particular form of deed shall be required. It shall be sufficient if it shows the date of sale, a description of the property conveyed, the amount for which each tract, lot or piece of real estate was sold, the name of the purchaser, the date such sale was confirmed by the court and the title of the suit in which the tax lien was foreclosed. The deed shall be filed for record, by the sheriff at the time the deed is executed, in the office of the register of deeds of the county where such real estate is situated. Any fee or charge for such filing shall be collected from the successful bidder at the time of sale and deposited with the register of deeds at the time of recording. When the deed is filed it shall vest in the purchaser or grantee therein named, as against all persons, including, but not limited to, corporations and municipal corporations, parties to such proceedings, a fee simple title thereto, subject only to valid covenants running with the land and valid easement of record in use and subject to taxes and interest which have become a lien thereon, subsequent to the date upon which such judgment was rendered. Such deed shall be prima facie evidence of the regularity of all proceedings prior to the date of filing the same for record.

After the sale and confirmation thereof by the court, an execution shall issue, upon praecipe of the county attorney, county counselor or the purchaser, requiring the officer to deliver possession of the real estate, particularly describing it, to the parties entitled thereto, including the county. When the deed is executed to the county by the sheriff, it shall be filed for record forthwith in the office of the register of deeds. Thereupon the assessed valuation of such real estate shall be eliminated from the assessment and tax rolls until such time as such real estate is sold as provided by K.S.A. 79-2804f, and amendments thereto.

History: L. 1901, ch. 392, § 4; R.S. 1923, 79-2804; L. 1941, ch. 375, § 20; L. 1943, ch. 302, § 4; L. 1945, ch. 362, § 4; L. 1968, ch. 398, § 7; L. 1972, ch. 371, § 1; L. 1978, ch. 399, § 1; L. 1989, ch. 294, § 3; L. 1999, ch. 57, § 72; July 1.

Barbara Allen

From: Marlee Carpenter [mcarpenter@kansaschamber.org]
Sent: Monday, February 07, 2005 4:29 PM
To: bailey-allen@kc.rr.com
Subject: franchise fee information

Senator Allen—

Below are bullets for taking the subsidiary language out of SB 37. Please let me know if you are going to bring the bill back to committee and if I can provide any additional information.

- The franchise tax is administered under the Department of Revenue who has access to subsidiary information on the corporate income tax combine reports
- Filing the type of information requested is duplicative and administratively burdensome for companies
- The annual reports filed in the Secretary of State's Office is not confidential information like the information filed with the Department of Revenue
- In a court action, you can subpoena information about a company, including subsidiary companies, that must be turned over

Marlee Carpenter
Vice President Government Affairs
Kansas Chamber of Commerce
835 SW Topeka Blvd
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(785) 357-6321
(785) 357-4732 FAX
mcarpenter@kansaschamber.org

Assessment & Taxation
Date 02-09-05
Attachment # 6

RON THORNBURGH
Secretary of State



Memorial Hall, 1st Floor
120 S.W. 10th Avenue
Topeka, KS 66612-1594
(785)296-4564

STATE OF KANSAS

MEMO

TO: SENATOR BARBARA ALLEN, CHAIR
SENATE ASSESSMENT AND TAXATION COMMITTEE

CC: GORDON SELF, OFFICE OF THE REVISOR OF STATUTES

FROM: MELISSAWANGEMANN, LEGAL COUNSEL

RE: HISTORY OF PARENT/SUBSIDIARY LANGUAGE IN SB 37

DATE: 7 FEB 2005

Senator Allen called me with questions about the provision of SB 37 requiring a parent corporation to report its subsidiaries on the annual report. I am providing the following historical information explaining that section of the law. Gordon, if you have a different recollection, please let me know.

- o The Kansas Bar Association's revised corporate code, SB 29, was introduced during the 2003 legislative session. It contained a provision allowing a parent corporation to subtract the net worth of any subsidiary entity prior to calculating the franchise tax.
- o The bill was heard by Senate Judiciary, which passed it out favorably with the provision intact.
- o Discussion on the senate floor raised questions as to the fiscal impact of this provision; allowing a parent to subtract the subsidiary would reduce state revenues.
- o The bill was withdrawn from the senate floor and referred to Senate Assessment and Taxation to review this specific issue.
- o The Secretary of State could not provide data as to how many parent/subsidiary relationships existed in the state, as our office did not record that information. Therefore, an estimate as to the revenue reduction caused by the provision was difficult. The Department of Revenue estimated a possible \$6m loss to the state general fund.
- o The committee deleted the subsidiary subtraction provision; however, they added a requirement that parent corporations report subsidiaries on the annual report so as to track this information for future consideration of the issue.
- o The corporate rewrite bill, SB 29, passed the Senate in 2003 and the House in 2004. It went into effect on January 1, 2005. The question about parent/subsidiaries is currently on the annual report form.
- o House Substitute for SB 147 also passed during the 2004 session, and moved the franchise tax from the Secretary of State to the Department of Revenue. A flat fee of \$40 is now paid when the annual report is filed with the Secretary of State. The franchise tax paid to Department of Revenue is based on net worth.

01/16/2003 Senate—Introduced—SJ 19
 01/17/2003 Senate—Referred to Judiciary—SJ 22
 02/17/2003 Senate—CR: Be passed as am. by Judiciary—SJ 127
 02/25/2003 Senate—COW: CR be adptd; be further am.; be passed as am.—SJ 164; EFA: Passed as am.; Yeas 29 Nays 11—SJ 164
 02/26/2003 House —Received and introduced—HJ 205
 02/27/2003 House —Referred to Federal and State Affairs—HJ 228
 05/27/2004 Senate—Died in House committee

S 0028 Bill by Judiciary

H Sub for S 28 by Committee on Judiciary—Professional corporations, adding licensed physician assistants and occupational therapists in the definition of professional services. Effective date: Statute Bk.

01/16/2003 Senate—Introduced—SJ 19
 01/17/2003 Senate—Referred to Judiciary—SJ 22
 02/04/2003 Senate—CR: Be passed as am. by Judiciary—SJ 71
 02/11/2003 Senate—COW: CR be adptd; be passed as am.—SJ 97
 02/12/2003 Senate—FA: Passed as am., Yeas 40 Nays 0—SJ 105
 02/13/2003 House —Received and introduced—HJ 146
 02/14/2003 House —Referred to Judiciary—HJ 157
 03/24/2004 House —CR: Substitute be passed by Judiciary—HJ 1463; Substitute introduced & placed on General Orders—HJ 1463
 03/25/2004 House —COW: CR recommending sub. bill be adptd; Sub. be passed—HJ 1552
 03/26/2004 House —FA: Passed; Yeas 114 Nays 10—HJ 1585
 03/26/2004 Senate—Ruled materially changed—SJ 1643; Referred to Judiciary—SJ 1643
 05/27/2004 Senate—Died in committee

S 0029 Bill by Judiciary

Amendments to general corporation law and laws related to other business entities. Effective date: 1/01/2005 & Statute Bk.

01/16/2003 Senate—Introduced—SJ 19
 01/17/2003 Senate—Referred to Judiciary—SJ 22
 02/10/2003 Senate—CR: Be passed as am. by Judiciary—SJ 90
 02/12/2003 Senate—COW: CR be adptd—SJ 110; Be passed over & retain a place on calendar—SJ 110
 02/25/2003 Senate—COW: Be further am.—SJ 164; Be passed over & retain a place on calendar—SJ 164; Withdrawn from calendar, referred to Ways and Means—SJ 167
 02/26/2003 Senate—Withdrawn from Ways and Means—SJ 169; Referred to Assessment and Taxation—SJ 169
 03/21/2003 Senate—CR: (as prev. am.) be further am.; be passed as am. Assessment and Taxation—SJ 290
 03/25/2003 Senate—COW: CR be adptd; be passed as am.—SJ 369
 03/26/2003 Senate—FA: Passed as am., Yeas 33 Nays 7—SJ 375
 03/26/2003 House —Received and introduced—HJ 393
 03/27/2003 House —Referred to Judiciary—HJ 415
 03/24/2004 House —CR: Be passed as am. by Judiciary—HJ 1501
 03/25/2004 House —COW: CR be adptd; be passed as am.—HJ 1559
 03/26/2004 House —FA: Passed as am.; Yeas 109 Nays 15—HJ 1586
 03/26/2004 Senate—Nonconcurrent; CC requested; apptd Vratil, Pugh, Goodwin—SJ 1645
 03/26/2004 House —Acceded; apptd O'Neal, Patterson, Pauls—HJ 1602
 04/28/2004 House —Not subject to limitations of joint rule 4(k)—HJ 1897; Adptd CCR: Yeas 110 Nays 14—HJ 1897
 04/28/2004 Senate—Motion to adopt CCR-requested to pass over—SJ 1963
 04/29/2004 Senate—Not subject to limitations of joint rule 4(k)—SJ 2012; Rejected CCR; 2nd CC requested, apptd Vratil, Pugh, Goodwin—SJ 2012
 04/30/2004 House —Acceded; 2nd CC apptd O'Neal, Patterson, Pauls—HJ 1952
 05/01/2004 House —Adptd CCR, Yeas 115 Nays 7—HJ 2003
 05/01/2004 Senate—Adptd CCR on senate bill; Yeas 40 Nays 0—SJ 2099
 05/07/2004 Senate—Enrolled and presented to gov.—SJ 2322
 05/17/2004 —Approved by gov.—SJ 2372

S 0030 Bill by Ways and Means

Appropriations for FY
 agencies. Effective

01/16/2003 Senate—Intro
 01/17/2003 Senate—Ref
 01/28/2003 Senate—CR
 01/29/2003 Senate—CO
 49
 02/17/2003 Senate—Will
 SJ 127
 01/15/2004 Senate—CR
 committee report

S 0032 Bill by Federal and State Affairs

Distribution of breakage
 conduct races. Eff
 01/21/2003 Senate—Intro
 01/22/2003 Senate—Ref
 03/11/2004 Senate—CR
 1323
 03/15/2004 Senate—CO
 03/16/2004 Senate—FA
 03/17/2004 House —Re
 03/18/2004 House —Ref
 05/27/2004 Senate—Died

S 0035 Bill by Judiciary

Criminal use or possess
 01/21/2003 Senate—Intro
 01/22/2003 Senate—Ref
 02/10/2003 Senate—CR
 02/12/2003 Senate—CO
 110
 02/18/2003 Senate—CO
 131
 02/19/2003 Senate—FA
 02/20/2003 House —Rec
 02/21/2003 House —Ref
 05/27/2004 Senate—Died

S 0038 Bill by Judiciary

Annual report, filing of cr
 ities of certain bus
 01/21/2003 Senate—Intro
 01/22/2003 Senate—Refer
 02/10/2003 Senate—CR: E
 02/12/2003 Senate—COW
 Passed as am.; Yea
 02/13/2003 House —Rec
 02/14/2003 House —Ref
 02/17/2003 House —With
 05/27/2004 Senate—Died

S 0039 Bill by Bunten

School district budgeting
 01/21/2003 Senate—Intro
 01/22/2003 Senate—Refer
 02/05/2003 Senate—Hear
 05/27/2004 Senate—Died

S 0041 Bill by Federal and State Affairs

School building construct
 ute Bk.
 01/22/2003 Senate—Intro
 01/23/2003 Senate—Refer
 03/23/2004 Senate—CR: E
 1489

Elections and Local Government: **SB 266**.

CONSIDERATION OF MOTIONS TO CONCUR OR NONCONCUR

On motion of Senator Morris the Senate nonconcurred in the House amendments to **SB 43** and requested a conference committee be appointed.

The President appointed Senators Morris, Adkins and Feleciano as a conference committee on the part of the Senate.

On motion of Senator O'Connor the Senate nonconcurred in the House amendments to **SB 102** and requested a conference committee be appointed.

The President appointed Senators Allen, O'Connor and Gilstrap as a conference committee on the part of the Senate.

REPORTS OF STANDING COMMITTEES

Committee on **Assessment and Taxation** recommends **SB 29**, as amended by Senate Committee of the Whole, be amended on page 95, by striking all in lines 7 through 43;

On page 96, by striking all in lines 1 through 3;

And by renumbering sections accordingly;

Also on page 96, in line 33, by striking "and"; in line 35, before the period, by inserting

“(7) if the corporation is a parent corporation holding more than 50% equity ownership in any other business entity registered with the secretary of state, the name and identification number of any such subsidiary business entity”;

On page 98, in line 12, before the period by inserting “; and

(5) if the corporation is a parent corporation holding more than 50% equity ownership in any other business entity registered with the secretary of state, the name and identification number of any such subsidiary business entity”;

On page 99, in line 40, by striking “and”;

On page 100, in line 4, before the period by inserting “; and

(7) if the corporation is a parent corporation holding more than 50% equity ownership in any other business entity registered with the secretary of state, the name and identification number of any such subsidiary business entity”;

On page 105, in line 40, by striking “17-7501.”;

On page 1, in the title, in line 20, by striking “17-7501.”; and the bill be passed as amended.

Also **HB 2005**, as amended by House Committee, be amended on page 1, in line 31, by striking “2002” and inserting “2004”; in line 33, by striking all after “to”; in line 34, by striking all before “20%”; and the bill be passed as amended.

Committee on **Elections and Local Government** recommends **HB 2122**, as amended by House Committee, be amended on page 2, in line 6, by striking all preceding the semicolon;

On page 3, in line 37, following “liens” by inserting “or mechanics’ liens”; in line 40, by striking all after the second comma; in line 41, by striking “buyer and”; and the bill be passed as amended.

Committee on **Natural Resources** recommends **HB 2078**, as amended by House Committee of the Whole, be amended on page 3, by striking all in lines 4 through 15 and relettering the remaining subsections accordingly;

On page 4, in line 25, by striking “(n)(1) and”; in line 26, by striking “(n)(2)” and inserting “(m)(1) and (m)(2)”; in line 36, by striking “(n)” and inserting “(m)”; in line 40, by striking “(n)” and inserting “(m)”;;

On page 5, in line 5, by striking all after “valid”; in line 6, by striking all before the period and inserting “within a designated county or counties where the qualifying landowner or tenant’s lands are located”; also on page 5, in line 11, by striking all after the period; by striking all in lines 12 through 14; in line 16, by striking “2005” and inserting “2008”;

On page 9, after line 13, by inserting the following:

“New Sec. 4. The department is hereby authorized and directed to develop a report containing recommendations for the establishment of a landowner deer management pro-

As Amended by House Committee

As Further Amended by Senate Committee

[As Amended by Senate Committee of the Whole]

As Amended by Senate Committee

Session of 2003

SENATE BILL No. 29

By Committee on Judiciary

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16 AN ACT concerning business entities; amending K.S.A. 17-6102, 17-
17 6201, 17-6202, 17-6301, 17-6302, 17-6305, 17-6402, 17-6407, 17-6408,
18 17-6410, 17-6412, 17-6417, 17-6418, 17-6420, 17-6422, 17-6423, 17-
19 6424, 17-6425, 17-6426, 17-6501, 17-6503, 17-6504, 17-6505, 17-6506,
20 17-6507, 17-6508, 17-6509, 17-6510, 17-6511, 17-6512, 17-6513, 17-
21 6514, 17-6515, 17-6517, 17-6518, 17-6519, 17-6520, 17-6604, 17-
22 6801, 17-6805a, 17-6808, 17-6810, 17-6811, 17-6902, 17-6903, 17-
23 6904, 17-6905, 17-6906, 17-6907, 17-6908, 17-6909, 17-6910, 17-6911,
24 17-7003, 17-7103, 17-7104, 17-7202, 17-7303, 17-7304, ~~17-7501~~, 17-
25 7510, 17-7512 and 17-7514 and K.S.A. ~~2002~~ 2003 Supp. 17-6002, 17-
26 6003, 17-6205, 17-6206, 17-6401, 17-6502, 17-6605, 17-6701, 17-6702,
27 17-6703, 17-6704, 17-6705, 17-6706, 17-6707, 17-6712, 17-6804, 17-
28 7001, 17-7301, 17-7302, 17-7306, 17-7503, 17-7504, 17-7505, 17-7506,
29 17-7507 and 17-7508 and repealing the existing sections; also repealing
30 K.S.A. 17-7513 and K.S.A. ~~2002~~ 2003 Supp. 17-7502.
31

32 *Be it enacted by the Legislature of the State of Kansas:*

33 Section 1. K.S.A. ~~2002~~ 2003 Supp. 17-6002 is hereby amended to
34 read as follows: 17-6002. (a) The articles of incorporation shall set forth:

35 (1) The name of the corporation which, except for banks, shall con-
36 tain one of the words "association," "church," "college," "company," "cor-
37 poration," "club," "foundation," "fund," "incorporated," "institute," "so-
38 ciety," "union," "syndicate" or "limited," or one of the abbreviations
39 "co.," "corp.," "inc.," "ltd.," or words or abbreviations of like import in
40 other languages if they are written in Roman characters or letters, and
41 which shall be such as to distinguish it upon the records in the office of
42 the secretary of state from the names of other corporations, limited lia-
43 bility companies and limited partnerships organized, reserved or regis-

days and is not one in the course of similar transactions of like nature; and

(10) transacting business in interstate commerce.

(b) The ownership in this state of income producing real property or tangible personal property, other than property excluded under subsection (a), constitutes transacting business in this state.

(c) This section does not apply in determining the contacts or activities that may subject a foreign corporation to service of process, taxation or regulation under any other law of this state.

Sec. 79 81. K.S.A. 17-7304 is hereby amended to read as follows: 17-7304. (a) Any foreign corporation, which that has qualified to do business in this state may change its registered office or resident agent in the manner prescribed by K.S.A. 17-6203, and amendments thereto.

(b) Any individual or corporation designated by a foreign corporation as its resident agent for service of process may resign pursuant to the provisions of K.S.A. 17-6205 or 17-6206, and amendments thereto.

(c) A resident agent may change the address of the corporation's registered office in the manner prescribed by K.S.A. 17-6204, and amendments thereto.

Sec. 80 82. K.S.A. 2002 2003 Supp. 17-7306 is hereby amended to read as follows: 17-7306. (a) Any foreign corporation which shall have qualified to do business in this state under the provisions of K.S.A. 17-7301, and amendments thereto, may surrender its authority to do business in this state and may withdraw therefrom by filing with the secretary of state:

(1) A certificate signed by its president or a vice-president and attested by its secretary or an assistant secretary executed in accordance with K.S.A. 17-6003, and amendments thereto, stating that it surrenders its authority to transact business in the state of Kansas and withdraws therefrom; and stating the address to which the secretary of state may mail any process against the corporation that may be served upon the secretary of state; or

(2) a copy of a certificate of dissolution issued by the proper official of the state or other jurisdiction of its incorporation, certified to be a true copy under the hand and official seal of the official, together with a certificate, which shall be executed in accordance with paragraph (1) of this subsection K.S.A. 17-6003, and amendments thereto, stating the address to which the secretary of state may mail any process against the corporation that may be served upon the secretary of state; or

(3) a copy of an order or decree of dissolution made by any court of competent jurisdiction or other competent authority of the state or other jurisdiction of its incorporation, certified to be a true copy under the hand of the clerk of the court or other official body, and the official seal of the

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1 court or official body or clerk thereof, together with a certificate executed
2 in accordance with paragraph (1) of this subsection K.S.A. 17-6003, and
3 amendments thereto, stating the address to which the secretary of state
4 may mail any process against the corporation that may be served upon
5 the secretary of state.

6 The documents evidencing the withdrawal may be filed by telefacsimile
7 communication as prescribed by K.S.A. 17-6003a, and amendments
8 thereto.

9 (b) ~~The secretary of state,~~ Upon payment to the secretary of state of
10 any required fees, ~~shall file the secretary of state shall record~~ the certifi-
11 cate of withdrawal and ~~certify a duplicate return the original, certified~~
12 ~~copy,~~ evidencing the surrender of the authority of the corporation to do
13 business in this state and its withdrawal therefrom.

14 (c) Upon the filing of the certificate by the secretary of state, the
15 appointment of the resident agent of the corporation in this state, ~~upon~~
16 ~~whom process against the corporation may be served,~~ shall be revoked,
17 and the corporation shall be deemed to have consented that service of
18 process in any action, suit or proceeding based upon any cause of action
19 arising in this state, during the time the corporation was authorized to
20 transact business in this state, may thereafter be made by service upon
21 the secretary of state in the manner prescribed by K.S.A. 60-304, and
22 amendments thereto.

23 Sec. 81. K.S.A. 17-7501 is hereby amended to read as follows: 17-
24 7501. As used in this act:

25 —(a) “Domestic corporation” means any corporation organized under
26 the laws of this state, irrespective of whether such corporation is organ-
27 ized for profit.

28 —(b) “Foreign corporation” means any corporation organized under
29 the laws of any jurisdiction other than this state.

30 —(c) “Articles of incorporation” means the original articles of incor-
31 poration filed to create a corporation, but such term also includes the
32 charter, articles of association and any other instrument by whatever name
33 known under which a corporation has been or may be lawfully formed.

34 —(d) “Shareholder’s equity” means the sum of: (1) Paid-in capital stock;
35 except that paid-in capital stock shall not include any capital stock issued
36 by a corporation and reacquired by such corporation through gift, pur-
37 chase or otherwise and available for resale or retirement, (2) capital paid
38 in, in excess of par, and (3) retained earnings, except that any moneys
39 which have been allocated and are payable to the members of any cor-
40 poration which is organized as a cooperative association or society shall
41 not be included as part of the retained earnings of such corporation for
42 the purpose of this act, minus the amount of equity owned in any subsid-
43 iary entity reported on the subsidiary entity’s annual report.

1 —(c) “Shareholder’s equity attributable to Kansas” means the share-
 2 holder’s equity of a corporation multiplied by a percentage which is the
 3 average of the following three percentages: (1) The average value of the
 4 corporation’s real and tangible personal property owned or rented and
 5 used in this state during the next preceding tax period divided by the
 6 average total value of the corporation’s real and tangible personal property
 7 owned or rented and used during the next preceding tax period; (2) the
 8 total amount of compensation paid by the corporation in this state during
 9 the next preceding tax period divided by the total amount of compensa-
 10 tion paid everywhere by the corporation during the next preceding tax
 11 period; and (3) the total sales of the corporation in this state during the
 12 next preceding tax period divided by the total sales of the corporation
 13 everywhere during the next preceding tax period. If a corporation has no
 14 property or activity mentioned in one of the above factors, the appropriate
 15 percentage for that factor is 100%.

16 —(f) “Tax period” means a corporation’s taxable year under the Kansas
 17 income tax act.

18 —(g) “Subsidiary entity” means an entity in which a corporation holds
 19 more than 50% equity ownership.

20 Sec. 82: ~~81~~ 83. K.S.A. ~~2002~~ 2003 Supp. 17-7503 is hereby amended
 21 to read as follows: 17-7503. (a) Every domestic corporation organized for
 22 profit shall make an annual report in writing to the secretary of state,
 23 stating the prescribed information concerning the corporation at the close
 24 of business on the last day of its tax period next preceding the date of
 25 filing, but if a corporation’s tax period is other than the calendar year, it
 26 shall give notice thereof to the secretary of state prior to December 31
 27 of the year it commences such tax period. The reports shall be made on
 28 forms prescribed by the secretary of state. The report shall be filed at the
 29 time prescribed by law for filing the corporation’s annual Kansas income
 30 tax return, except that if any such corporation shall apply for an extension
 31 of time for filing its annual income tax return under the internal revenue
 32 service or under subsection (c) of K.S.A. 79-3221, and amendments
 33 thereto, such corporation shall also apply, not more than 90 days after
 34 the due date of its annual report, to the secretary of state for an extension
 35 of the time for filing the report and an extension shall be granted for a
 36 period of time corresponding to that granted under the internal revenue
 37 code or K.S.A. 79-3221, and amendments thereto. Such application shall
 38 include a copy of the *extension* application to filed with the income tax
 39 authorities. The report shall contain the following information:

- 40 (1) The name of the corporation;
 41 (2) the location of the principal office;
 42 (3) the names and addresses of the president, secretary, treasurer or
 43 equivalent of such officers and members of the board of directors, with

1 the residence address of each;

2 (4) the number of shares of capital stock issued and the amount of
 3 capital stock paid up and the par value per share of each class of capital
 4 stock having a par value and the number of shares of each class of stock
 5 without par value which the corporation is authorized to issue;

6 (5) the number of shares of capital stock issued; and

7 (6) the nature and kind of business in which the corporation is en-
 8 gaged; and; and

9 (7) if the corporation is a parent corporation holding more than
 10 50% equity ownership in any other business entity registered with
 11 the secretary of state, the name and identification number of any
 12 such subsidiary business entity.

13 (6) a list of stockholders owning at least 5% of the capital stock of the
 14 corporation, with the post office address of each.

15 (b) Every corporation subject to the provisions of this section which
 16 holds agricultural land, as defined in K.S.A. 17-5903, and amendments
 17 thereto, within this state shall show the following additional information
 18 on the report:

19 (1) The acreage and location listed by section, range, township and
 20 ~~location listed by section, range, township and~~ county of each lot,
 21 tract or parcel of agricultural land in this state owned or leased by or to
 22 the corporation;

23 (2) the purposes for which such agricultural land is owned or leased
 24 and, if leased, to whom such agricultural land is leased;

25 (3) the value of the nonagricultural assets and the agricultural assets,
 26 stated separately, owned and controlled by the corporation both within
 27 and without the state of Kansas and where situated;

28 (4) the total number of stockholders of the corporation;

29 (5) the number of acres owned or operated by the corporation, the
 30 number of acres leased by the corporation and the number of acres leased
 31 to the corporation;

32 (6) the number of acres of agricultural land, held and reported in
 33 each category under provision (5), state separately, being irrigated; and

34 (7) whether any of the agricultural land held and reported under this
 35 subsection was acquired after July 1, 1981.

36 (c) The report shall be signed by its president, secretary, treasurer or
 37 other officer duly authorized so to act, or by any two of its directors, or
 38 by an incorporator in the event its board of directors shall not have been
 39 elected executed in accordance with the provisions of K.S.A. 17-6003, and
 40 amendments thereto. The fact that an individual’s name is signed on such
 41 report shall be prima facie evidence that such individual is authorized to
 42 sign the report on behalf of the corporation; however, the official title or
 43 position of the individual signing the report shall be designated. This

SUPPLEMENTAL NOTE ON SENATE BILL NO. 29

**As Further Amended by Senate Committee on
Assessment and Taxation**

Brief*

SB 29 would amend the Kansas General Corporation Code to bring it into substantial compliance with the General Corporation Law of Delaware, the laws upon which the Kansas Code has been based since 1939.

The major amendments are as follows:

- A subsidiary entity is defined as ownership of over 50 percent of the entity.
- Use of electronic communication, electronic signatures, and tendering of documents and instruments "in writing or by electronic transmission." The bill directs the Kansas Secretary of State to image paper documents filed by customers and return the paper document to the customer as a certified copy.
- Provision for corporate action through "any authorized officer" as opposed to specifically designated officers.
- Clarification in the description of acts to be taken or procedures to be followed based on actual corporate practices.
- The addition of two new sections to Article 65 allowing: (a) the appointment of vote inspectors for stockholder meetings conducted by public and widely held corporations, and (b) consent by stockholders to the receipt of notice by electronic transmission.
- Allowing mergers and consolidations with entities other than corporations.
- The term "facts" as used throughout the Kansas corporate code is defined.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/kIRD>

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Revisions to the voting threshold requirements for nonstock (nonprofit) corporations are made and other clarifying amendments are made regarding the application of the present Kansas corporation laws to nonprofit corporations.

Substantial revisions to KSA 17-6712 regarding stockholder appraisal rights are made.

Additional changes mirroring those adopted in Delaware are adopted.

The term "doing business" in Kansas regarding foreign corporations is defined.

Annual report filing procedures are changed and the way agricultural land is reported is changed to require only the name of the county rather than the township, section, and range.

Allows the Secretary of State to set filing and copying fees as well as other service fees (see Section 85).

Increases the penalty for disobedience to a court order from not to exceed the current limit of \$5,000 to \$25,000.

Requires parent corporations with more than 50 percent interest in other business entities to list such subsidiary entities on annual reports filed with the Secretary of State.

The Senate Committee on Judiciary reduced the penalty for disobedience to a court order to \$25,000, from the original bill which raised the penalty to \$50,000.

The Senate Committee of the Whole amendment was technical.

The Senate Assessment and Taxation Committee removed a provision, which would have reduced corporation franchise tax receipts by an estimated \$6.0 million, allowing a parent corporation to subtract the amount of equity owned in a subsidiary entity that is reported on the subsidiary entity's annual report, prior to the calculation of the applicable Kansas franchise tax for the parent corporation. That committee also added the provision requiring parent corporations with more than 50 percent interest in other business entities to list such subsidiary entities on annual reports.



Background

The bill was recommended by the Kansas Bar Association (KBA) after a study by a special KBA study committee. The last major statutory revision of the Kansas General Corporation Code was adopted by the Legislature in 1988. The amendments were submitted to the 2002 Legislature and were incorporated in HB 3022 but there was insufficient time for the Legislature to act on the bill.

Proponents included the chairman of the special KBA study committee, a Topeka attorney, and a representative of the Kansas Secretary of State's Office.

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Testimony to the Senate Assessment & Taxation Committee

Senate Bill 70 – An Act creating the Kansas petroleum education and marketing act

Edward P. Cross, Executive Vice President
Kansas Independent Oil & Gas Association

February 9, 2005

Good morning Madam Chair and members of the committee. I am Edward Cross, Executive Vice President of the Kansas Independent Oil & Gas Association, and I am happy to be here today to express our support for Senate Bill 70 (SB 70).

Introduction

My comments today will explain why SB 70 is needed, how SB 70 meets those needs, how the program is funded, how the program benefits all citizens of Kansas, and close with some concluding remarks.

Why SB 70 is Needed

The National Petroleum Council has repeatedly cited public image as the number one problem facing the domestic oil and gas industry. The need for better energy education cannot be underestimated. Carl Michael Smith, former Deputy Secretary of the U.S. Department of Energy Office of Fossil Fuels said, "America needs to improve its domestic energy image. In his national energy policy, President Bush called for an emergency energy education program. We must help inform the public about the benefits of American domestic energy resources and the essential role they play in terms of our economy and national security."

Several states have taken initiatives over the past decade to address the need for better energy education. Oklahoma was the first with a program initiated in 1993. Ohio and Illinois followed in 1998. Today, New Mexico and Michigan have also begun programs and Wyoming, Texas and several Appalachian states are looking to develop similar programs. I was the executive director for the Illinois program before I came to Kansas and I can attest to the significant positive impact the program makes for all citizens of the state.

Assessment & Taxation
Date 02-09-05
Attachment # 7

How SB 70 Meets the Need for Better Energy Education

Kansas Energy Resources Board (KERB)

SB 70 creates the Kansas energy resources board (KERB) to administer the Kansas petroleum education and marketing program. The KERB will consist of 15 members appointed by the qualified producer associations in Kansas, namely the Kansas Independent Oil & Gas Association, the Kansas Petroleum Council, and the Eastern Kansas Oil & Gas Association.

KERB Mission

The mission of the KERB is to coordinate a program designed to:

- Demonstrate to the general public the importance and significance of the oil and natural gas industry in Kansas;
- Encourage the wise and efficient use of energy;
- Promote environmentally sound production methods and technologies;
- Support research and educational activities concerning the oil and natural gas industry;
- Promote oil and natural gas exploration and production safety;
- Support job training and research activities concerning oil and natural gas production; and
- Implement and comply with the provisions of the Kansas Petroleum Education and Marketing Act.

The goal of the program is to bring the vitality, contributions, and environmental responsibility of the Kansas oil and gas industry to light through positive action and education.

Program Credibility

The credibility of the KERB program has been established by several qualifiers. First, a strategic plan has been developed that defines the challenge, goals, expected outcomes, performance indicators, and objectives for the program. The development and dissemination of data and knowledge are essential for cultivating an understanding and appreciation of the Kansas oil and gas industry's contributions to our national, state, and local energy needs. The challenge for the KERB is: How can the Kansas oil and gas industry educate the public on the importance of the oil and gas industry to Kansas' history, society, and economy? Two goals have been outlined in the strategic plan. Goal 1-A is to maintain effective oil and natural gas related primary and secondary energy education programs. Goal 1-B is to provide oil and natural gas industry public outreach, information, and educational experiences to the general public. The strategic plan provides a roadmap in the form of specific objectives for meeting the goals. The strategic plan also outlines expected outcomes and performance indicators as qualitative and quantitative measures of progress.

The credibility of the KERB program was further established through professional publications and presentations. A professional paper discussing the public outreach program in Kansas was published in 2004 by the Integrated Petroleum Environmental Consortium, a consortium of The University of Tulsa, The University of Oklahoma, Oklahoma State University, and The University of Arkansas. In addition, an article discussing the program was published in the December 2004 issue of the *American Oil & Gas Reporter*.

As other states look to initiate better energy education programs, the Kansas efforts have not gone unnoticed. On invitations, presentations on the design and progress of the Kansas energy education and public outreach efforts have been made during 2004 at the International Petroleum Environmental Conference and the Appalachian Producers Marketing Conference.

Last, but certainly not least, the credibility of the KERB programs is established by the certification of the energy education curricula brought to Kansas schools. During 2004, the Kansas oil and gas industry developed programs, curricula, and lesson plans that meet Kansas State Department of Education (KSDE) K-12 learning standards for Science and Social Science. In addition, many of these programs, curricula, and lesson plans meet National Science Education Standards and have been accredited in part by the National Science Teachers Association and the National Youth Leadership Council. The KERB will also provide teacher training programs that assist educators in providing a model for collaborative learning using crude oil, natural gas, and energy issues. The KERB will bring better energy education to Kansas schools through a standards-based program specifically aligned with KSDE learning standards.

Funding Mechanism

To fund the activities of the KERB, SB 70 proposes a voluntary assessment not to exceed the amount of 1 ½ cent per barrel of crude oil produced and 3/20 cent per thousand cubic feet of natural gas produced from each well in the state of Kansas shall be deducted from proceeds paid by the first purchaser to each interest owner. This assessment is a voluntary checkoff and shall be treated in all respects accordingly. An annual cap of \$20,000, determined on a calendar year basis, shall be placed on any one interest owner. The assessment shall not in any manner be deemed to be a tax or governmental assessment of any kind, and the state of Kansas shall have no duty or responsibility with respect to any such assessment. The assessments imposed shall be remitted to the KERB by the first purchaser and shall be deposited with a bank or savings and loan association.

By way of illustrating the small burden this puts on any interest owner, a 12 ½% interest owner who receives \$7,482 in natural gas proceeds in a given year from a well that produces the Kansas average natural gas stripper well production of 32.8 Mcf per day would contribute \$2.25 to the KERB program.

A 12 ½% interest owner who receives \$4,142 in crude oil proceeds in a given year from a well that produces the Kansas average oil well production of 2.27 barrels of oil per day would contribute \$1.55 to the KERB program. The assumptions in these illustrations include a market price of \$5 per Mcf for natural gas and \$40 per barrel for crude oil and the interest owner chooses to participate in the program.

Any interest owner may seek a refund. The KERB shall refund to each interest owner requesting a refund the amount of the assessment paid by the interest owner during the preceding calendar year plus interest earned at the rate equal to the average United States Treasury bill rate of the preceding calendar year. Historical and empirical evidence suggests the oil and natural gas industry will support this program. The refund rate from other states are very low e.g., 5% in Oklahoma and less than 1% in Illinois and Ohio. The enormous benefits of the program far outweigh the very small financial burden placed on the industry.

Program Benefits

For Kansas, better energy education means educating the public on the importance of oil and natural gas to Kansas' history, society, and economy for decades to come, as well as the role of alternative energy sources in the long-term future of our nation. Indeed, an effective energy education program educates the public on all energy sources, but should focus on bringing the truth about energy sources; dispelling misconceptions about important environmental and economic issues, and optimizing our state's energy strengths and minimizing energy weaknesses.

An energy education program that focuses on optimizing our state's energy strengths will result in a better educated public that produces better energy policy, better public policy, economic growth, and energy value growth for all of Kansas. Better energy education in Kansas recognizes the role of conservation and efficiency, alternative energy sources, and environmental impact of providing energy value growth for Kansas.

Conclusion

Better energy education is needed for economic growth in Kansas. The Kansas oil and gas industry's vision for a better Kansas is growing. Our confidence going forward is based on our past performance. Our past successes prove we can make a difference! We have only just begun to capture the value of the opportunities that our industry can create. We have elevated our expectations and truly believe our best performance is yet to come! SB 70 will make a positive difference and create value for all Kansans. I urge the Kansas Legislature to pass Senate Bill 70.

Kansas Energy Resources Board (KERB) Energy Education and Public Outreach Program

Strategic Plan February 2005

The development and dissemination of data and knowledge are essential to cultivating an understanding and appreciation of the Kansas oil and gas industry's contributions to our national, state, and local energy needs. The Kansas Independent Oil & Gas Association (KIOGA), Kansas Petroleum Council (KPC), and Eastern Kansas Oil & Gas Association (EKOGA) are leaders among state industry associations in their support for energy education. For example, the KIOGA Educational Foundation, founded in 2001, has developed and disseminates energy education programs that emphasize the importance of energy in our everyday lives and is designed to increase awareness about the significance and viability of the Kansas oil and gas industry to our national, state, and local energy needs.

The Kansas Energy Resources Board (KERB) has developed teacher workshops, classroom presentations, and curricula that are designed to address the issues teachers and educators need to meet Kansas State Department of Education (KSDE) K-12 learning standards for both science and social science. More specifically, the KERB energy education program meets KSDE science learning standards 1 (Inquiry & Design), 2 (Physical Science), 4 (Earth Science), 5 (Science & Technology), 6 (Environmental Science), and 7 (Science History). The KERB energy education programs also meet KSDE social science learning standards for economics, history, and geography. Many KERB energy education programs meet national science education standards and have been accredited in part by the National Science

Teachers Association (NSTA) and the National Youth leadership Council (NYLC). The KSDE has advocated the energy education programs developed and disseminated by the KERB.

The KERB supports many educational initiatives to convey energy education and oil and gas industry information to the public. These efforts include building educational partnerships, developing and distributing formal educational resource materials, and improving hands-on educational opportunities. A special KERB emphasis is on oil and gas energy education for primary and secondary schools. The emphasis is on classroom presentations and teacher workshops.

The following challenge, goals, and objectives have been established to direct KERB in addressing energy education needs:

Challenge: How can the Kansas oil and gas industry educate the public on the importance of the oil and gas industry to Kansas' history, society, and economy?

KERB provides leadership by coordinating and enhancing existing energy education programs and curricula, developing new programs and curricula, and providing support for a variety of audiences and informal education providers. KERB works in partnership with many other agencies, organizations, and educators to develop and deliver teacher training programs and opportunities.

KERB develops and disseminates information on a wide range of oil and gas and energy issues through programs at schools, training facilities, educational materials, newsletters, reports, publications, web site, and other venues. KERB education programs meet national and state standards for science education, are based on identified needs and evaluated for effectiveness.

Goal 1-A: Maintain effective oil and gas related primary and secondary energy education programs.

KERB has implemented teacher workshops designed to incorporate long-term, standards-based oil and gas energy education into Kansas classrooms. KERB teacher workshops are designed to assist educators in providing a model for collaborative learning using crude oil, natural gas, and energy issues. Teachers and educators who complete KERB teacher workshops, seminars, and/or symposia receive continuing professional development units and/or continuing education units for their work.

KERB strives to ensure that our educational offerings are tied to KSDE learning standards. By providing standards-based energy education curricula and other resources to supplement curricula, many adult and student learners will be reached. KERB is committed to making our resources and programs available to broad audiences through brochures, booklets, CD's, internet, and other venues.

Expected Outcomes

1. Increased awareness and appreciation of the Kansas oil & gas industry's contributions to Kansas' history, society, and economy.
2. Increased understanding of the Kansas oil and gas industry among teachers and school children.
3. Greater use of KERB energy education materials in classrooms.

Performance Indicators

1. Number of teachers using KERB energy education materials in classroom.
2. Number of teachers completing KERB teacher workshops.
3. Number of primary and secondary students reached with energy education classroom presentations.

Objectives

Objective 1-A-1: Conduct training for industry professionals to make classroom presentations.

Objective 1-A-2: Conduct Petroleum Professionals in the Classroom (Petro Pros) presentations in elementary and secondary schools throughout the state of Kansas.

Objective 1-A-3: Conduct oil and gas energy education teacher workshops.

Objective 1-A-4: Provide oil and gas energy related educational materials and programs to elementary and secondary schools throughout the state of Kansas.

Objective 1-A-5: Provide on-line support to Kansas teachers and educators.

Goal 1-B: Provide oil and gas industry public outreach, information, and educational experiences to the general public.

KERB reaches out to the general public to inform them on oil and gas energy issues and activities. Many of KERB's educational materials and publications provide information about the Kansas oil and gas industry and stress the importance of energy in our every day lives. KERB's public outreach efforts include radio advertising, TV advertising, outdoor advertising, news media, on-site marketing, online exposure, and industry workshops.

KERB relies on an extensive volunteer network to provide educational and public outreach services that could not be delivered

with KERB staff alone. Volunteers are trained to assist or guide educational and public outreach activities in both formal and informal settings. KERB also relies on volunteers to provide feedback on activities and programs. The KERB reviews the feedback to determine important public outreach issues and potential strategies to resolve those issues.

Expected Outcomes

1. Greater public awareness and appreciation of the Kansas oil & gas industry's contributions to Kansas' history, society, and economy.
2. Increased understanding of important environmental and economic issues surrounding the oil and gas industry.
3. Increased public participation in KERB educational activities.
4. Greater public satisfaction with KERB activities and programs.

Performance Indicators

1. Number of positive news media stories.
2. Number of participants completing KERB industry workshops.
3. Number of educators, students, and general public expressing high satisfaction with KERB public outreach program.
4. Volunteer hours assisting KERB education & public outreach programs.

Objectives

Objective 1-B-1: Develop and distribute oil and gas industry energy educational materials and publications to the general public.

Objective 1-B-2: Develop and maintain media advertising campaigns (radio, TV, newspaper, outdoor, etc.) and media kits to disseminate information on the contributions the Kansas oil and gas industry makes to Kansas' history,

society, and economy and optimize positive publicity.

Objective 1-B-3: Develop and encourage civic club and professional presentations to disseminate information about the positive contributions to history, society, and the economy made by the Kansas oil and gas industry.

Objective 1-B-4: Develop and maintain NewsLine service as a media outlet for oil and gas energy issues.

Objective 1-B-5: Host and participate in special public and professional events and programs with on-site marketing to promote and highlight the positive contributions of the Kansas oil and gas industry

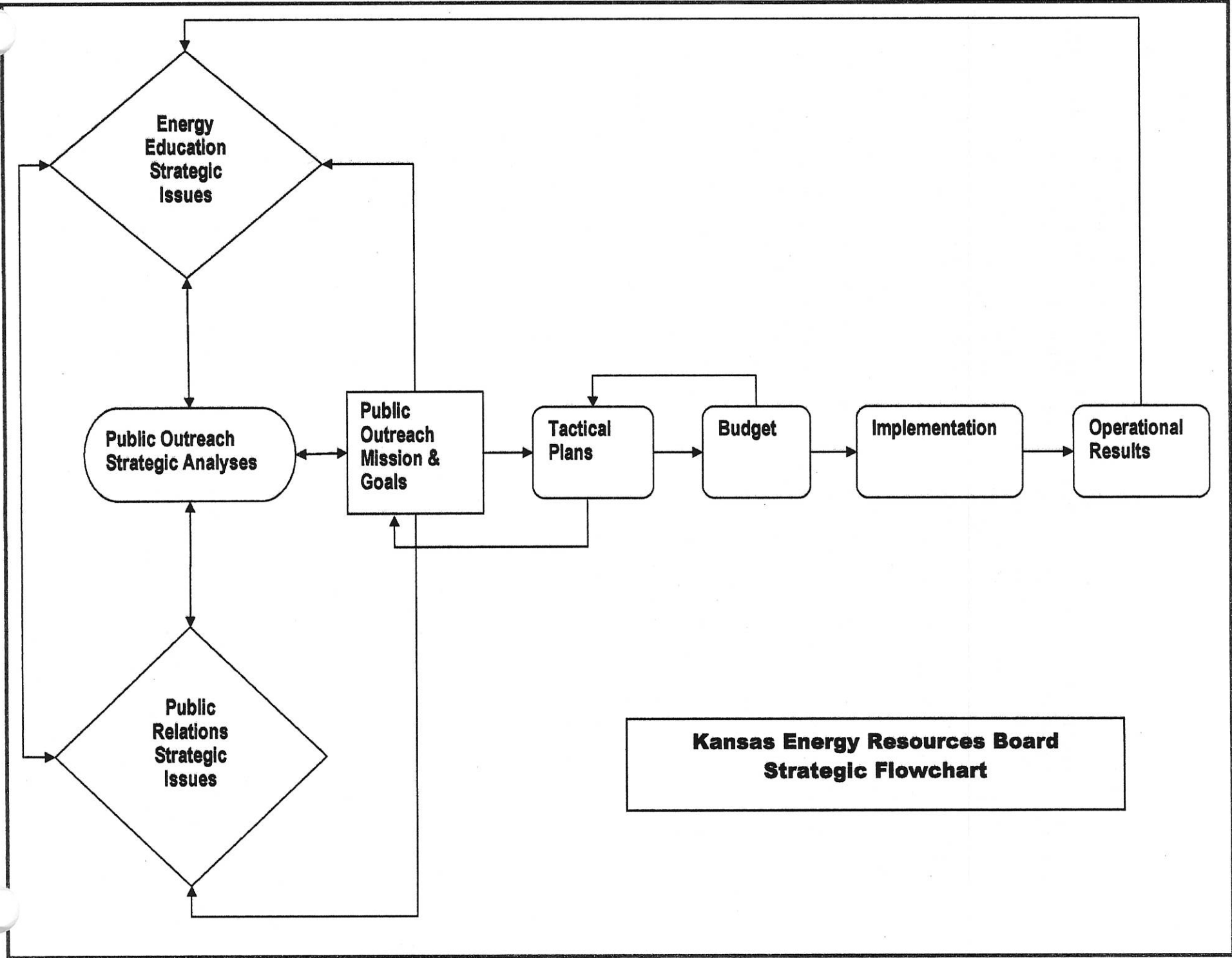
Objective 1-B-6: Conduct workshops and programs that provide oil and gas energy related experiences to new audiences.

Objective 1-B-7: Maintain a volunteer network to assist in KERB educational and public outreach programs.

Objective 1-B-8: Respond to media inquiries and public requests.

Conclusion

The Kansas oil and gas industry's vision for a better Kansas is growing. Our confidence going forward is based on our past performance. Our past successes prove we can make a difference! We have only just begun to capture the value of the opportunities that our industry can create. The KERB energy education and public outreach program has made a positive difference, fostering better energy education for Kansas and creating value for the Kansas oil and gas industry. We have elevated our expectations and truly believe our best performance is yet to come!



**Kansas Energy Resources Board
Strategic Flowchart**

Polymer Power

Petroleum-based Products

Cycle 8

Wonder Why . . .

Have you ever wondered how many of the products you use today come from petroleum?

Concept

Petroleum is a part of our daily lives. Many products such as nylon, plastics and rubber come from petroleum-based polymers. Scientists have been able to develop polymers with many different properties.

Kansas State Department of Education Learning Standards

Grade 6

Science Inquiry Standards

Observe and Measure; Classify; Experiment; Interpret and Communicate; Inquiry

Physical Science Content Standards

Matter has physical properties that can be measured (i.e., mass, volume, temperature, color, and texture). Changes in physical properties of objects can be observed, described, and measured using tools such as simple microscopes, gram spring scales, metric rulers, metric balances, and Celsius thermometers.

Grade 7

Science Inquiry Standards

Observe and Measure; Classify; Experiment; Interpret and Communicate; Inquiry

Physical Science Content Standards

Matter has physical properties that can be measured (i.e., mass, volume, temperature, color, texture, and density). Physical changes of a substance do not alter the chemical nature of a substance (e.g., phase changes of water and/or sanding wood).

Grade 8

Science Inquiry Standards

Observe and Measure; Classify; Experiment; Interpret and Communicate; Inquiry

Physical Science Content Standards

Substances react chemically with other substances to form new substances with different characteristics (e.g., rusting, burning, reaction between baking soda and vinegar).

Matter has physical properties that can be measured (i.e., mass, volume, temperature, color, texture, density, and hardness). In chemical reactions and physical changes, matter is conserved (e.g., compare and contrast physical and chemical changes).

National Science Education Standards

Substances react chemically in characteristic ways with other substances to form new substances (compounds) with different characteristic properties.

Technology influences society through its products and processes. Technology influences the quality of life and the ways people act and interact.

Benchmarks for Science Literacy

The configuration of atoms in a molecule determines the molecule's properties. Shapes are particularly important in how large molecules interact with others.

Activity One - Petroleum Products

Recognizing products made from petroleum.

Materials

___ Handout entitled "Polymer Power" (blackline master)

Discovery Procedure



1. Look around the classroom and list everything you see that is made from petroleum.
2. Review the "Polymer Power" handout and circle everything on that list that is made from petroleum.

Concept Formation

1. How many items did you list?
2. How many items did you circle?
3. How many more can you think of?
4. What do they all have in common? (Possible answer(s): They all contain hydrogen and carbon.)

Activity Two - Polymer Chain Simulation

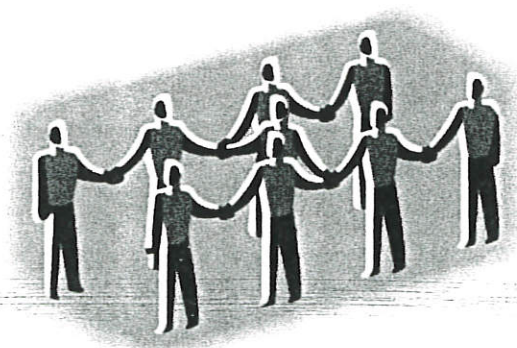
Modeling monomers, polymers and polymer chains.

Materials

Student Volunteers

Discovery Procedure

1. Ask for eight volunteers to demonstrate the chemical concept of "cross-linking." (Instructor may want to inform students that they will be holding hands or wrists.) Tell the class that each volunteer represents a "monomer"--one unit.
2. Have monomers move freely around the room.
3. Have two groups of four monomers join hands to form two short segments of the polymer chain. "Poly" means many, and "mer" means unit, so a polymer is many units linked together.
4. Have each polymer move around the room with hands still linked. Point out that they can move relatively freely.
5. Explain that some polymer chains contain cross-linkers that connect the polymer chains together. Have one other student play the role of the cross-linker by holding the arm of one monomer in the middle of each of the polymer chains.



6. Have the polymers try to move around as before. (While some movement is still possible, it will be more restricted than before the cross-linker was added.)

Concept Formation

1. When was the polymer movement least restrictive? (Possible answer(s): When there were fewer links.)
2. When was the polymer movement most restrictive? (Possible answer(s): When the cross-linker was added.)
3. Were the polymers still able to move about when the cross-linker was added? (Possible answer(s): Yes, but their movement was more restrictive.)
4. What does this experiment tell us about the characteristics of polymers. (Possible answer(s): Polymers can move, but not as easily as monomers. The more links, the more difficult it is for polymers to move.)

Expansion

- Using pattern included in the kit, make a paper doll polymer chain. (Fold in one direction, not accordion-style.)

Activity Three - Making Polymer Putty

Making putty in the classroom.



Materials

- Small paper cups or baggies
- Craft sticks
- Saturated borax (sodium borate) solution
- White school glue
- Water
- Measuring spoons or other measuring devices such as graduated, disposable medicine cups
- "Fuel-less" Video

Safety



- ▶ Do not taste Polymer Putty!
- ▶ Some people have an allergic reaction to dry borax.
- ▶ Use adequate ventilation when preparing the solution and wash your hands after contact with the solid.



- ▶ Students should not handle the dry borax.
- ▶ Students should wear goggles.



Teacher Preparation

Make a saturated sodium borate solution by adding 1/4 cup of borax in 1 quart of warm water. Stir to dissolve. Pour the solution off any undissolved solid.



Discovery Procedure



1. Measure 15ml (1 Tbsp) white glue and pour it into a small paper cup or baggie. Observe the glue and record observations. (Instructor: Explain that the glue has polymer molecules (polyvinyl acetate)).



2. Measure 15ml (1 Tbsp) water and add it to the glue in the cup/baggie. Stir with a craft stick or knead in the baggie. Repeat observations and record.
3. Measure 10ml (2 tsp) borax solution. Ask someone to help you so you can stir with the craft stick as the borax (cross-linker) is added to the glue solution (If using a baggie, knead with your hand while holding the baggie upright). (Instructor: Explain that the borax solution acts as the cross-linker with the polymer molecules.)
4. Once the Polymer Putty is formed, remove it from the cup/baggie and knead it for several minutes.



5. Record your observations? (Instructor: Allow time for free exploration.)

Concept Formation

1. Roll the Polymer Putty into a ball and set it in the palm of your hand. Does the ball keep its shape?
2. Pat the Polymer Putty between your hands and try to form a thin "pancake." Hold it at one end and observe.
3. Drop a ball of Polymer Putty onto a clean non-wooden table top. Does it bounce? How quickly does it begin to spread out?
4. Use coins or small objects to make imprints in the Polymer Putty. Do these imprints last?
5. Roll the Polymer Putty into a tube shape and slowly pull it apart while holding it at both ends. Reform the tube and pull it apart quickly. Put the Polymer Putty on top of an upside down cup. What happens?

6. With a washable marker or fluorescent highlighter, write your name or draw a face on a plastic bag. Shape the Polymer Putty into a small pancake, place it over the design and remove it carefully. What happens?
7. What have you learned about polymers? (Answers will vary.)

Expansion

- Compare your product with those made using different combinations of glue, water, and borax.



Disposal

Store Polymer Putty in a sealed plastic bag so it will not dry out. To retard mold growth, keep it in the refrigerator. When you are finished with your Polymer Putty, discard it in a waste can. Do NOT put it down the drain. Do not set Polymer Putty on natural wood furniture as it will leave a water mark. Polymer putty may also stick to other materials. If Polymer Putty sticks to the carpet, use vinegar to dissolve it; then wash the area with soap and water.

Activity Four - Making a Rubber Band

Seeing the polymer characteristic of stretching.

Materials

- ___ Liquid latex (available from most science supply stores and some hobby stores)
- ___ Vinegar
- ___ Small cups
- ___ Paper towels
- ___ Stirring stick
- ___ Pencils, test tubes or graduated cylinders



Discovery Procedure

1. Dip a pencil/open end of a test tube or graduated cylinder into the liquid latex. Remove your pencil, holding it over the cup for about 10-20 seconds to allow the excess to drip back into the cup.
2. Dip the latex coated pencil into the cup of vinegar and hold it there for 20-30 seconds. Remove from the vinegar, allowing the excess to drip into the cup for about 20-30 seconds (for best results allow to dry overnight before completing next step).
3. With the point of a pencil, poke a small hole in the latex at the tip of your pencil and quickly, but evenly, roll the latex down the pencil.
4. Slide the "rubber band" off your pencil. Let the rubber band rest for a few minutes while you make two or three more rubber bands.



5. Test the strength and stretchiness of the rubber bands. Be careful not to pull too hard. Compare your rubber bands to those made by others in your group.



Note: (You may prefer to make a rubber ball by pouring about 1 Tbsp of latex into the bottom of a paper cup. Add 1 Tbsp of vinegar and work the liquid back and forth with a stirring stick for a few minutes; then take out and form into a ball. Limit size to 1-inch diameter.)



6. Compare and contrast the rubber band and the polymer putty.

Concept Formation

1. What have you learned about polymers? (Answers will vary.)
2. View "Fuel-less" video.
3. Refer to the "Polymer Power" handout. Use what you now know about the characteristics of polymers to determine if any additional products are made from petroleum-based polymers. Circle additional products.

Teacher Information

The most used by-product of crude oil is gasoline; however, today more than 6,000 products are produced wholly or in part, from petroleum. These products contain polymers.

A polymer is a huge, chain-like molecule made by combining many small molecules called monomers. A wide variety of polymers are obtainable because they can be made from different kinds of monomers, and monomers can be put together in many different ways to form polymers. They may be flexible or rigid, transparent or opaque, heat resistant or not, waterproof or water-soluble, electrical insulators or conductors, hard or soft, and elastic or not.

Nearly all the materials that make up living organisms involve polymers. These include such things as bone, cartilage, tendons, hair, enzymes, certain hormones, DNA, cotton, wool, wood and latex from rubber trees. These are called natural polymers.

Synthetic polymers are becoming more and more a part of our daily lives. They are made from petroleum and are used to make thousands of products (see Polymer Power handout). We encounter these substances constantly in everything from plastic soda bottles to foam polystyrene cups to disposable diapers. Synthetic polymers are used to manufacture such a variety of items because chemists are able to design products with the specific properties required.

Polymer Power

garbage bags ~ insulated foam cups ~ milk jugs ~ toothpaste tubes
sandwich bags ~ fast food containers ~ shoe strings ~ junk food bags
pop bottles ~ plastic eating utensils ~ shampoo bottles ~ shoe string tips
food wraps ~ disposable razors ~ egg cartons ~ thread spools ~ rope
margarine tubs ~ disposable diapers ~ coffee stirrers ~ insulation ~ yarn
caulking ~ beverage boxes ~ shrink wrap ~ bubble packing ~ Silly String®
Silly Putty® ~ Slime® ~ cellophane tape ~ epoxy glue ~ Super Glue®
dishpans ~ pens ~ plastic cups ~ food storage containers ~ combs
toothbrushes ~ ceiling light covers ~ table tops ~ chair seats ~ carpet
refrigerators ~ telephones ~ floor tile ~ synthetic fabrics for clothing
rubber soles on shoes ~ bicycle and automobile paint ~ tires ~ dashboards
floor mats ~ bicycle hand grips ~ reflectors ~ roller blades ~ sunglasses
vinyl wall covering ~ glasses ~ compacts ~ contact lenses ~ pencil cases
lipstick tubes ~ hair spray ~ windbreakers ~ raincoats ~ rubber gloves
tights ~ galoshes ~ umbrellas ~ sweaters ~ Nerf ball® ~ Frisbee®
snorkels ~ swim fins ~ wet suits ~ volleyballs and nets ~ basketballs
racquetballs ~ tennis balls ~ tennis racquets and strings ~ guitar strings
balloons ~ rubber bands ~ credit cards ~ portable radios ~ computers
watch faces ~ safety glasses ~ false teeth ~ hearing aids ~ lunch boxes
coffee mugs ~ thermos bottles ~ lunch tray ~ flower pots ~ Velcro®
microwave cookware ~ lawn chairs ~ football helmets ~ football pads
cleats ~ footballs ~ hockey pucks ~ buttons ~ erasers ~ wigs
parachutes ~ sailboats ~ sails ~ gears ~ playing cards ~ floor wax
furniture polish ~ clarinets ~ flutes ~ recorders ~ video recorders
videotapes ~ audio tapes ~ compact discs ~ luggage ~ computer monitors
metallic balloons ~ flea collars ~ life rafts ~ model planes ~ model cars
pacifiers ~ baby bottles ~ baby rattles ~ baby diapers ~ pillow cases
exercise mats ~ photographs ~ mannequins ~ store signs ~ book bags
school desks ~ knapsacks ~ rulers ~ protractors ~ overhead projectors
transparencies ~ movie film ~ dust brushes ~ rubber tubing ~ fishing line
fishing bobbers ~ tackle boxes ~ waders ~ life jackets ~ cameras
sneakers ~ vitamin capsules ~ safety glasses ~ sponges ~ seat cushions
particle board ~ hair dryers ~ life jackets ~ hair curlers ~ ping-pong balls
tents ~ windshield wipers ~ shower doors ~ electrical tape ~ bubble gum
house paint ~ ice chests ~ car batteries ~ water pipes ~ zippers ~ pianos
band-aids ~ mops ~ curtains ~ pot handles ~ picture frames ~ wallets
shoe polish ~ fan belts ~ paint brushes ~ vinyl siding ~ checkers ~ flags
rubber duckies ~ puppets ~ earphones ~ whistles ~ trash cans
motorcycle helmets ~ coasters ~ ice cube trays ~ hang gliders ~ sandals
skateboard wheels ~ measuring tapes ~ extension cords ~ sun visors

SUPPORTING TESTIMONY FOR SENATE BILL No.

70

The Kansas Petroleum Education & Marketing Act

Submitted to: Senate Committee on Assessment & Taxation

February 9, 2005

Submitted by: Mike Terry-Executive Director
Oklahoma Energy Resources Board (OERB)
P.O. Box 18738
Oklahoma City, Oklahoma
405-942-5323

It is my honor and privilege to submit this written testimony in support of Senate Bill 70 to create the Kansas Petroleum Education and Marketing Act. The OERB was created by the Oklahoma Legislature in 1993 and I have directed the Board's activities since March, 1994. I have personally been involved in assisting other oil and gas states such as Ohio, Illinois, Texas, Wyoming, Colorado, New Mexico, and North Dakota in drafting similar legislation for the creation of industry-funded education programs similar to the OERB proto-type.

The oil and natural gas industry is one of the most misunderstood industries in America today. The industry continues to be hit hard with costly waves of environmental overkill and regulatory discrimination that seems to grow annually. We are wrongly symbolized as prime polluters, greedy, knavish and no longer important to economic prosperity. The results are more orphaned and abandoned wells, decreased exploration and production, and the growing glut of imports, and corresponding plummeting of jobs and tax revenues.

Text books in our schools are practically void of important facts about fossil energy, how it was formed millions of years ago, how it is explored, produced, transported and ultimately consumed in our homes and businesses. Most students and teachers have no idea how electricity is generated or how we heat and cool our schools. What is visible are pictures of oily birds and beaches, huge solar panels and wind farms.

(more)

Assessment & Taxation
Date 02-09-05
Attachment # 8

It is past time for us to be realistic in recognizing that in today's society, perception is reality. Despite individual efforts by oil and gas companies, the domestic energy industry has not unified in such a concerted effort to answer the bombastic charges exhibited by extremists. This bias is now encountered at virtually every level of society—even in producing states such as Kansas. We are perceived as bad environmental stewards and money mongrels—so therefore it must be true. A 2002 national study by Gallup cited the oil and gas industry as dead last on the corporate image chart rankings. Sadly, even in producing states such as Kansas, we don't do much better.

The OERB represents the first petroleum industry checkoff in the nation. Created in 1993, funding for the program is accomplished with an assessment of 1 tenth of 1% (.001) on oil and natural gas revenues when sold at the well head. The assessment is refundable at the end of each calendar year if contributors do not want to participate in OERB activities. The assessment is collected by the first purchasers and refunds have averaged approximately five (5) percent of revenues. No major oil and gas company has ever asked for a refund of the OERB assessment. Although some large companies contribute several hundred-thousand dollars annually to the OERB, the average royalty owner contributes less than \$3 per year. The "checkoff" funding system has proven to be fair and equitable for all interest owners.

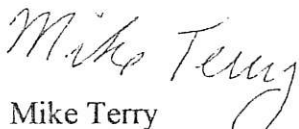
One of the obvious opportunities for this type of education initiative is the partnerships that can be developed with the schools. With the help and support of the Oklahoma Department of Education, the OERB has developed and implemented energy education curricula and other programs for every grade level. Educators from across the State of Oklahoma have joined forces with the OERB to bring exciting and challenging hands-on science curricula where students are introduced to the basics of how petroleum is transformed from prehistoric remains to fuel and other products that allow us the quality of life we all enjoy. Initially developed for elementary and middle schools, these concepts have been enriched and expanded to the high school level with activity-based energy modules in not only science, but also math, social studies, language arts and history. These lessons relate "real world" applications to learning about today's energy industry. With OERB curricula being taught in two-thirds of all the school districts in Oklahoma (on a voluntary basis), energy education has become common-place in our state.

In addition, oilfield safety programs have been developed to help students learn about the dangers awaiting their curiosity when associated with things like toxic fumes, electric boxes, pumping units, tank batteries, pipelines, etc. A sister program in Ohio has also implemented oilfield fire and safety programs for the general public with their checkoff dollars.

If and when this bill is passed, the industry will have the opportunity to educate the deserving people of Kansas about one of its most important industries. There are a multitude of myths and unknowns that can be corrected through the sound and responsible uses of these checkoff dollars. In Oklahoma, we have used our checkoff dollars to educate about the industry's environmental responsibility, the importance of a vibrant and healthy industry which has built our state and continues to be the corner stone of our state's economy and tax base. We have also communicated the importance of industry related jobs and how career opportunities for our young people are as promising as they have ever been. In addition, we have established relationships with the media enabling us to tell these stories in the most creditable format available the news media.

I believe Kansas is primed and ready for this type of program. As one of the largest oil and gas producing states, it is imperative that the energy story be told in a way that will build respect, credibility and empower the industry to continue to grow and prosper. I congratulate Ed Cross, Executive Vice-President of KIOGA and its board of directors for taking the lead in this initiative. Many of the companies that have seen the success of the OERB are also operating oil and gas properties in Kansas. I believe they share my view that enactment of SB 70 will be one of the most important pieces of legislation ever passed on behalf of the industry.

Respectfully Submitted,


Mike Terry
Executive Director