

SESSION OF 2005

SUPPLEMENTAL NOTE ON SENATE BILL NO. 128

As Amended by Senate Committee on
Ways and Means

Brief*

SB 128 would provide for a partial diversion of gas severance tax receipts from the State General Fund (SGF) beginning in FY 2009 relative to collections in those counties with severance tax receipts of at least \$100,000 in FY 2005. For such counties, an increasing portion of receipts would be diverted from the SGF beginning in FY 2009 into a new fund, the Oil and Gas Valuation Depletion Trust Fund (OGVDTF). Each participating county would have a separate trust account established on its behalf within the OGVDTF.

The portion of severance tax receipts from the affected counties earmarked for deposit in the OGVDTF would be 4.96 percent in FY 2009; 7.44 percent in FY 2010; 9.93 percent in FY 2011; and 12.41 percent in FY 2012 and thereafter. Under current law, the SGF receives 93 percent of severance tax receipts, while the County Mineral Production Tax Fund (CMPTF) receives the other 7 percent. Under the provisions of the bill, the CMPTF would continue to receive 7 percent of severance tax receipts, while the SGF's 93 percent share would be reduced relative to the new earmarking of receipts for the OGVDTF.

Beginning in 2009, counties would be entitled to receive distributions from their accounts within the OGVDTF by January 15 when the previous tax year's oil and gas leasehold property valuation was less than 50 percent of such valuation in the second succeeding tax year. Each distribution would be exactly 20 percent of all moneys credited to a county's trust account.

*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>

Background

Based on an analysis of FY 2003 severance tax receipts conducted by the Legislative Research Department, an estimated 46 counties, which produce 98.37 percent of severance tax receipts, would qualify for the OGVDTF trust accounts.

Based on additional assumptions regarding continuing gas production declines and estimated future prices of oil and gas, the bill would be expected to reduce SGF receipts by the following amounts (which also represent the amounts that would be diverted to the OGVDTF):

(\$ in millions)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Gas	—	—	—	(\$2.718)	(\$3.944)	(\$4.907)	(\$5.687)
Oil	—	—	—	(\$0.854)	(\$1.281)	(\$1.710)	(\$2.137)
Total	—	—	—	(\$3.572)	(\$5.224)	(\$6.616)	(\$7.823)

Proponents included the Senate President, the Kansas Legislative Policy Group, and the Southwest Kansas Royalty Owners' Association. The Kansas Independent Oil and Gas Association appeared in opposition.

The Senate Committee amendment is technical.