

February 15, 2012

The Honorable Carl Holmes, Chairperson
House Committee on Energy and Utilities
Statehouse, Room 174-W
Topeka, Kansas 66612

Dear Representative Carl Holmes:

SUBJECT: Fiscal Note for HB 2711 by House Committee on Energy and Utilities

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2711 is respectfully submitted to your committee.

HB 2711 would require the board of county commissioners of each county to establish a county well plugging assurance trust fund to receive money from the state's Well Plugging Assurance Trust Fund established in statute and administered by the Kansas Corporation Commission (KCC). Within each fund, the county would be required to maintain a separate trust account for each well located in the county and for which the county receives funding from the Well Plugging Assurance Trust Fund. When notified by the KCC that the plugging of a well is complete, the county would pay all money credited to the trust account for that well into the county well plugging assurance trust fund of the county. The money would then go to the operator, state agency, or other individual or organization that plugged the well.

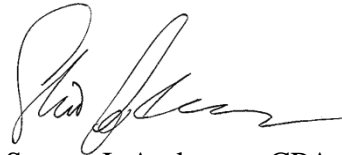
In addition, each operator would make annual payments to the KCC for each well the operator controls. The payment would be based on an amount equal to 5.0 percent of the total projected cost of plugging the well at the time of the application of intent to drill the well. The annual payments would continue until 100.0 percent of the total projected cost of plugging the well is paid. The KCC would remit all money to the State Treasurer, to be credited to the state Well Plugging Assurance Trust Fund. This money would be credited back to the county where the well is located and be placed in the trust account assigned to that well.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$161,500
FTE Pos.	--	--	--	2.00

The Kansas Corporation Commission indicates that passage of HB 2711 would increase expenditures by approximately \$161,500 from the Conservation Fee Fund and require 2.00 FTE Accountant II Positions. The Conservation Division's processes would be expanded to account for the number of wells that would be paying into the Well Plugging Assurance Fund. In addition, the existing well-plugging database system developed in conjunction with the Kansas Geological Survey (KGS) would need software and programming upgrade enhancements for revamping the receipt system to track costs. The KCC and the KGS estimate these upgrades to cost approximately \$50,000. Salaries and wages for the 2.00 new FTE positions would cost \$111,500 and this would result in a total expenditure increase of \$161,500. There are currently 106,000 oil, gas, and injection wells in the state. In addition, the KCC processes between 4,500 and 6,000 intent-to-drill requests and plugs between 2,000 and 3,000 wells annually.

Kansas counties that have oil and gas production would also incur significant costs for accounting and computer upgrades to implement HB 2711. A precise estimate of the cost to the 93 counties with oil and gas production is unknown. Any fiscal effect associated with HB 2711 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Tom Day, KCC