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DON HINEMAN
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Testimony in Opposition to HB 2262

Submitted by Representative Don Hineman
February 27, 2013

Chairman Rhoades, Vice Chair Suellentrop, Ranking Minority Member Henry, and members of the Committee: Thank you for this opportunity to appear before you today to testify in opposition to HB 2262.

When a severance tax was first proposed by Governor John Carlin, I and practically all of my neighbors in Western Kansas were not happy. In fact we were incensed at the notion that our locally-owned natural resources would be singled out as a new revenue source to be used by the state for the benefit of all Kansans. There was even talk throughout the west about possibly seceding from the state. Fortunately cooler heads prevailed, and as you know, the severance tax on oil and gas became a reality. Since its inception in 1983 the severance tax has contributed a total of $2.74 billion to the state's coffers.

As we all know, oil and gas are finite resources. Someday the wells will go dry. And when that day comes the counties where the wells are located will suffer a dramatic reduction in their local property tax base. I know what that feels like, because I was a Lane County Commissioner in the late 1980's when the price of oil collapsed and the valuation of oil wells in Lane County followed suit. We lost substantial valuation in just a single year. We were forced to make deep cuts to county budgets and simultaneously raise the mill levy to make up for that loss in valuation.

Fortunately the Kansas legislature saw fit in 2006 to set up the oil and gas depletion trust fund to provide a source of revenue for the counties when their oil and gas valuation begins to drop dramatically. How much valuation might counties lose when their oil and gas wells start to run out? Here is the percent of 2011 total assessed valuation represented by oil and gas in a sampling of the counties:

Meade	22.7%
Hamilton	28.4%
Harper	30.4%
Logan	37.3%
Lane	54.9%
Grant	62.8%
Kearny	70.2%
Haskell	76.3%

Governor Sebelius fought against the idea of sharing severance tax revenue with the counties from whence it came, and funding did not actually begin to flow into the fund until October 2009. Then just last year, recognizing that money in the fund might be safer if the counties held it themselves, the Kansas Senate and House both voted unanimously to send that money back out to the counties for which it was earmarked. But now this bill would reverse that unanimous vote, abolish the trust fund that many counties were counting on to ease them down when the wells go dry, and actually reach out and take back the money that was sent to the counties less than a year ago. That would be a truly incredible reversal. And it would be a slap in the face to the counties who are depending on that money being there when they need it. I respectfully urge you not to do that. Instead I ask that you show some gratitude to those regions of the state that have contributed an additional $2.74 billion to the state's coffers in the last thirty years. Let's see to it that the trust fund is there for them when the wells eventually go dry.

Thank you, Mr. Chairman, and I would be pleased to stand for questions.

Don Hineman