House Appropriations Committee
House Bill No. 2262
February 27, 2013
By: Bob Boaldin, County Commissioner
Morton County, Kansas

Member Counties

Barber
Barton
Clark
Cloud
Ellis
Finney
Gove
Grant
Gray
Hamilton
Harper
Haskell
Hodgeman
Lane
Logan
Meade
Morton
Ness
Norton
Rawlins
Rice
Russell
Seward
Scott
Sheridan
Stanton
Stevens
Thomas
Trego
Wallace
Wichita

Good morning Mister Chairman and members of the Committee. Thank you for allowing me the opportunity to testify today. I'm appearing before the Committee both as a Morton County Commissioner and also representing the 33 member counties of Kansas Legislative Policy Group. I'm Bob Boaldin; I'm a native of Elkhart, Kansas a businessman, farmer and rancher. Over my career, I have served the City of Elkhart and Morton County in various elected positions since 1970.

In 2004, I appeared before the Legislature as then President of Kansas Legislative Policy Group (KLPG) and a proponent when the public policy of the oil and gas depletion trust fund was first debated. I appear before you today as a strong supporter of the fund and ask you to defeat House Bill No. 2262, which would abolish the oil and gas depletion trust fund.

KLPG was organized in the early 1980's to address concerns and oppose imposition of the severance tax. Now 30 years later we are still trying to protect the interests of counties.

Due to the decline of the Hugoton Gas Field, city, county and school officials have been increasingly concerned about the future of our tax base. We are aware the Hugoton Field has a limited life expectancy, like all natural resources. How long the field will continue remains unknown. We know many rural counties are entering a period when they can no longer rely long-term on natural resources and related industries to provide the tax base of our local governments and schools.

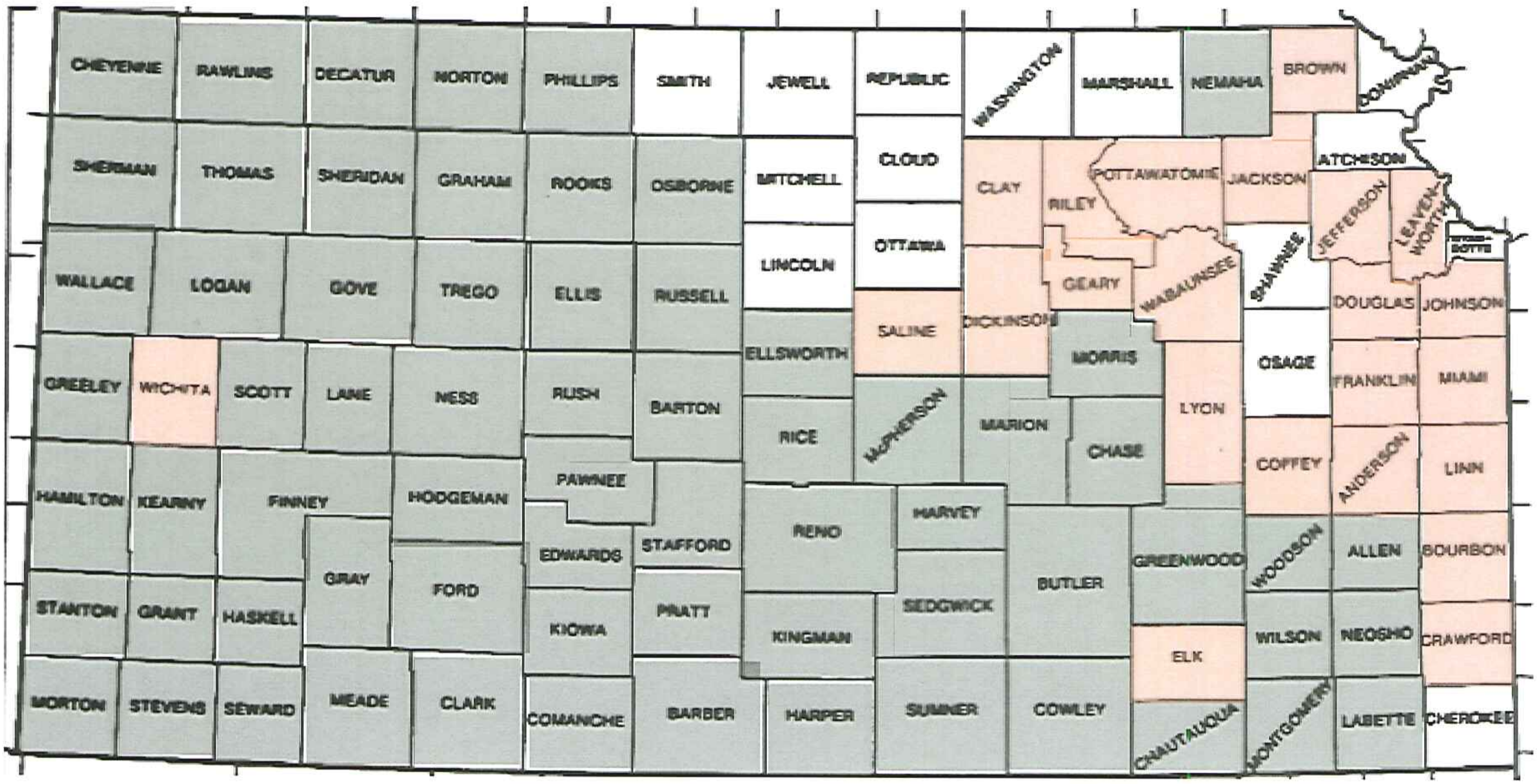
Section One of the bill proposes to abolish the fund established in 2006 and no longer will funds from the commercial production of oil and gas reserves in our counties be set aside to benefit counties when the natural resources are depleted. 67 counties all across Kansas benefit from this fund. The ability to draw from this fund does not make a county whole, in terms of valuation lost, but it does ease the transition away from a dependence on natural resources. It simply provides a portion of the severance tax currently remitted to the state to be held in a trust for the benefit of local governments from where the resources were mined.

Section Two of the proposed legislation seeks to have money already distributed to counties returned. I believe the State formally transferred their ownership and control in the oil and gas depletion fund monies over to the counties when the Department of Administration authorized warrants and the funds were directly distributed to each county. By statute the County Treasurer is authorized to administer and maintain the funds like all other county funds, with no State oversight or control. There are no specific conditions or compliance measures for counties to meet and therefore no statutory provisions for the State to claw back the county money. The only limitation is county can't use the funds until the valuation trigger is certified by the Director of Taxation; otherwise the State has no authority over the money. Requiring the return of money distributed to counties is highly objectionable and creates a precedent that no party should want to follow.

Finally, in making financial plans for the future, counties have taken into consideration and have a reliance that funds from the oil and gas depletion fund may someday be available to meet budgeted needs.

Today we seek your cooperation in opposing House Bill No. 2262.

Thank you for allowing me to testify and I am pleased to answer any questions.



Counties with Mineral Tax Depletion Trust Fund - 67

Counties with no mineral production - 15

Counties with mineral production, but no Mineral Tax Depletion Trust Fund - 23