

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on February 15, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Norman Furse, Revisor of Statutes
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Michelle Alishahi, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Senator Stephen Morris
Madison M. Traster, Grant County Commissioner
Carl Higgs, Grant County Commissioner
Bob Boaldin, President, Kansas Legislative Policy Group and Morton County Commissioner
Dave Bozone, Stevens County Commissioner
Gary Baker, Stevens County Commissioner
John Crump, President, Southwest Kansas Royalty Owners Association
Edward P. Cross, Executive Vice President, Kansas Independent Oil & Gas Association
Gene Schwein, Citizen, Ulysses, Kansas (written)
Melvin Webb, Stevens County Commissioner (written)
Hamilton County Board of Commissioners (written)
Stanton County Board of Commissioners (written)
Thomas W. Wright, IV, Chairman, Kearny County Board of Commissioners (written)
Ray Brown, Haskell County Commissioner (written)

Others attending:

See attached list.

Chairman Umbarger opened the public hearing on:

SB 128--Creating the oil and gas valuation depletion trust fund and providing for distribution of moneys therefrom

Staff briefed the committee on the bill.

The Chairman welcomed the following conferees on **SB 128**:

Senator Stephen Morris testified in support of **SB 128** (**Attachment 1**). Senator Morris explained that the bill creates a Gas and Oil Valuation Depletion Trust Fund for 46 counties in Kansas that is derived from severance tax proceeds. He mentioned that this is an economic aid measure targeted to those counties that are losing a significant portion of their tax due to rapidly declining mineral valuations.

Madison M. Traster, Grant County Commissioner, spoke in support of **SB 128** (**Attachment 2**). Mr. Traster mentioned that the production of the mineral resources in Western Kansas, primarily natural gas, is the basis of a large economy generating tax revenue for the state in the form of individual income tax, property and severance tax. He noted that those minerals also support a large work force, and as an example, explained that there are nine facilities in Grant County that either process or compress the natural gas on its way to the

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eastern markets. Mr. Traster mentioned that the bill would alleviate, partially, the shock of the depletion of the mineral deposits as they apply their energies, ingenuity and resourcefulness to create a new economy.

Carl Higgs, Grant County Commissioner, Ulysses, Kansas, testified in support of **SB 128** ([Attachment 3](#)). Mr. Higgs addressed the depletion of the natural resources of both gas and oil. He noted that over one billion dollars has been collected through the severance tax on natural gas alone over the past twenty years. Mr. Higgs urged following other states (Wyoming and Alaska) that have established a similar fund years ago in order to extend the tax life of their mineral resources.

Bob Boaldin, President, Kansas Legislative Policy Group and Morton County Commissioner, spoke in support of **SB 128** ([Attachment 4](#)). Mr. Boaldin explained that Southwest Kansas is entering a period when they can no longer rely on natural gas and the related industries to provide the necessary tax base of the local governments. He noted that the bill provides a portion of the severance tax currently remitted to the State to be held in a trust fund for the benefit of local governments.

Dave Bozone, Stevens County Commissioner, testified in support of **SB 128** ([Attachment 5](#)). Mr. Bozone expressed concern that the counties in southwest Kansas are sparsely populated, so a small group of citizens would carry the tax burden when the mineral base is depleted. He provided the following solutions:

- Raise the tax levy to offset the loss.
- Promote economic development in the county.
- Save some of the moneys now to get ready for the inevitable future when the tax base will be much less.

Gary Baker, Stevens County Commissioner, spoke in support of **SB 128** ([Attachment 6](#)). Mr. Baker provided a brief history of the discovery and development of natural gas and oil in southwest Kansas. He noted that **SB 128** would provide some assistance during a time of transition as other avenues of growth of the tax base are being sought.

John Crump, President, Southwest Kansas Royalty Owners Association (SWKROA), testified in support of **SB 128** ([Attachment 7](#)). Mr. Crump explained that the subject of the bill is not specifically a matter for royalty owners, but he represented a long-established and well-regarded group which is concerned about the production of natural gas from the Hugoton Field. He noted that SWKROA urges favorable consideration of the bill primarily from a sense of fairness and that the Hugoton Field has contributed millions in tax revenues over the years. The bill would help ease the transition as the Field finally depletes.

Edward P. Cross, Executive Vice President, Kansas Independent Oil & Gas Association (KIOGA), spoke in opposition to **SB 128** ([Attachment 8](#)). Mr. Cross explained that **SB 128** has serious implications for the State of Kansas which are addressed in his written testimony. He urged the committee to consider the facts presented in his written testimony and to not pass **SB 128**.

Written testimony was submitted by the following conferees:

Gene Schwein, Citizen, Ulysses, Kansas ([Attachment 9](#))
Melvin Webb, Stevens County Commissioner ([Attachment 10](#))
Hamilton County Board of Commissioners ([Attachment 11](#))
Stanton County Board of Commissioners ([Attachment 12](#))
Thomas W. Wright, IV, Chairman, Kearny County Board of Commissioners ([Attachment 13](#))
Ray Brown, Haskell County Commissioner ([Attachment 14](#))

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 128**.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2005 and FY 2006 were available to the committee.

Subcommittee budget reports on:

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Kansas Lottery (Attachment 15)

Subcommittee Chairwoman Jean Schodorf reported that the subcommittee on the Kansas Lottery and Kansas Racing and Gaming Commission concurs with the Governor's recommendation in FY 2005 with adjustments and observations and concurs with the Governor's FY 2006 recommendations with adjustments and observations.

Senator Schodorf moved, with a second by Senator Barone, to adopt the subcommittee budget report on the Kansas Lottery in FY 2005 and FY 2006. Motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Barone, to adopt the subcommittee budget report on the Kansas Racing and Gaming Commission in FY 2005 and FY 2006. Motion carried on a voice vote.

State Board of Tax Appeals (Attachment 16)

Subcommittee Chairwoman Vicki Schmidt reported that the subcommittee on the State Board of Tax Appeals concurs with the Governor's recommendation in FY 2005 with observation and with the Governor's FY 2006 recommendations with adjustments and observations.

Senator Schmidt moved, with a second by Senator Kelly, to adopt the subcommittee budget report on the State Board of Tax Appeals in FY 2005 and FY 2006. Motion carried on a voice vote.

The meeting adjourned at 11:45 a.m. The next meeting is scheduled for February 16, 2005.