

## **Land-spreading of Oil and Gas Production Waste; Holding Money in Trust for Counties from the Oil and Gas Valuation Depletion Trust Fund; Senate Sub. for HB 2597**

**Senate Sub. for HB 2597** enacts provisions of law relating to the disposal of solid waste generated by drilling of oil and gas wells, through land-spreading, and changes the process for holding money in trust for individual counties in the Oil and Gas Valuation Depletion Trust Fund.

### ***Disposal of Solid Waste Generated by Drilling of Oil and Gas Wells through Land-spreading***

The bill allows the Secretary of Health and Environment (Secretary) to authorize persons to carry out activities without a solid waste permit, which includes allowing the disposal through land-spreading of solid waste generated by drilling oil and gas wells. The land-spreading is to be done in accordance with best management practices and maximum loading rates developed by the Secretary. For areas that receive more than 25 inches of precipitation annually, solid waste disposed of through land-spreading is required to be incorporated into the soil. Additionally, no land-spreading is to be allowed to occur on any area where the water table is less than ten feet below the surface, or on an area where there is documented groundwater contamination, as determined by the Kansas Department of Health and Environment (KDHE).

For each land-spreading location, an application is to be filed with KDHE and contain the location, soil characteristics, waste characteristics, waste volumes, drilling mud additives, and land-spreading method to be used on the land. A fee of \$250 will be assessed for each application. A land-spreading application will not be approved for the same location unless a minimum of three years has passed since the previous land-spreading occurred on that location. In addition, a post-land-spreading report will need to be filed once the land-spreading has been completed.

The Secretary will enter into an agreement with the Kansas Corporation Commission (KCC) to administer the program, monitor compliance, and establish mechanisms for enforcement and remedial action. In addition, on or before January 1, 2014, the Secretary, in coordination with the KCC, is required to adopt rules and regulations governing land-spreading. In the development of rules and regulations, the Secretary and the KCC will seek the advice of and comments from groundwater management districts and from other groups or persons who are knowledgeable and experienced in this subject matter. The KCC is required to present a report on or before January 30, 2013, and January 30, 2014. The report is to include information on the costs associated with the regulation of land-spreading, but is not limited to this type of information. The report is to be presented to the Senate Committee on Natural Resources, the Senate Committee on Ways and Means, the House Committee on Agriculture and Natural Resources, and the House Committee on Appropriations.

These provisions take effect upon publication in the *Kansas Register*, with the provisions expiring on July 1, 2015.

### ***Process for Holding Money in Trust for Individual Counties in the Oil and Gas Valuation Depletion Trust Fund***

The bill also changes the process for holding money in trust for individual counties in the Oil and Gas Valuation Depletion Trust Fund. Under prior law, money credited to those trust

accounts was held in the State Treasury until a county met the statutory criteria for a distribution from its trust account.

The bill annually transfers to each affected county the funds held in its trust account in the State Treasury. The bill requires each county that is to receive moneys from the Oil and Gas Valuation Depletion Trust Fund to establish a county oil and gas valuation depletion trust fund, to be administered by the county treasurer. On October 1 of each year, the Director of Taxation, Kansas Department of Revenue, will certify the amount in each county's trust account within the State Treasury, and the State Treasurer will issue a warrant to the county for deposit by the county treasurer in the county's oil and gas valuation depletion trust fund. The statutory criteria for a county to receive a distribution from the trust fund will not change.

The Director of Taxation is directed to impose and collect an administrative fee equal to two percent of the amount credited to the Oil and Gas Valuation Depletion Trust Fund, prior to crediting any amounts to the individual trust accounts in the Fund.

All moneys in the Oil and Gas Valuation Depletion Trust Fund trust accounts on the effective date of the bill will be distributed to the applicable counties within 30 days of the effective date, for deposit in each county's oil and gas valuation depletion trust fund.