

SESSION OF 2013

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE
BILL NO. 2262**

As Recommended by House Committee on
Appropriations

Brief*

Sub. for HB 2262 would retain the Oil and Gas Valuation Depletion Trust Fund (OGVDTF) for future years; however, the bill would lower the percentage annually credited to the OGVDTF based on the previous year's severance tax receipts from 12.41 percent to 8.25 percent beginning in FY 2014. The bill also would transfer 7.0 percent to the Special County Mineral Production Tax Fund and the remainder would be transferred to the State General Fund (SGF). The statutory criteria for a county to receive a distribution from the Trust Fund would not change and the trust funds would remain in control of the counties.

Background

The bill was introduced by the House the Committee on Appropriations and is part of the Governor's proposal to abolish the OGVDTF and transfer the savings to the SGF for FY 2014 and FY 2015. As part of the Governor's budget recommendation, it is estimated that abolishing the OGVDTF would save \$14.7 million in FY 2014 and \$19.0 million in FY 2015.

At the House Committee hearing, there was no proponent or neutral testimony. The opponents included Representative Don Hineman, Representative Ron Ryckman, Sr., and a representative from the Morton County

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Commission, the Harper County Board of County Commissioners, the Seward County Commission, the Chairman of the Barton County Commissioner, the Chairman of the Hamilton County Board of Commissioners, a representative of the Grant County Commissioners, and a representative of the Kansas Association of Counties.

The Chairperson created a subcommittee on the bill to further examine the bill. The Subcommittee looked at the importance of the OGVDTF and its impact on counties in western and southeast Kansas. Additionally, the subcommittee examined severance tax revenues in Kansas, as well as various scenarios regarding different severance tax rates. Upon reaching consensus, the subcommittee recommended a substitute bill be introduced. The substitute bill makes the following changes to the original bill: the percentage credited to the Oil and Gas Valuation Depletion Trust Fund be reduced to 8.25 percent; and would no longer return to the SGF the amount of prior year's transfer to the OGVDTF.

The fiscal note prepared by the Division of the Budget for the original bill indicates abolishing the Fund would increase revenues to the SGF by \$34.0 million in FY 2013, \$14.7 million in FY 2014, and \$15.7 million in FY 2015.

Under the revised fiscal impact, the OGVDTF would receive \$9.947 million in FY 2014 and \$13.295 in FY 2015. Additionally, the amount retained by the SGF would increase under the substitute bill when compared to current law. Under the revised fiscal impact, the amount transferred to the SGF would increase by \$5.0 million in FY 2014 to \$142.406 million and \$6.7 million to \$176.238 million in FY 2015.