



**KANSAS**  
ASSOCIATION OF  
**COUNTIES**

### TESTIMONY

HB 2262 re. Oil and Gas Valuation Depletion Trust Fund  
House Appropriations Committee  
Wednesday, February 27, 2013

Chairman Rhodes and members of the committee, I am Randall Allen, Executive Director of the Kansas Association of Counties. I appreciate the opportunity to testify in opposition to HB 2262, a bill which would *reverse* the transfer of monies in the Oil and Gas Valuation Depletion Trust Fund from the State to county treasurers (*accomplished just last year*), and send the monies back to the State General Fund. We object to this proposal for the following reasons:

1. The Oil and Gas Valuation Depletion Trust Fund was established several years ago as a way to ease the transition of Kansas counties with significant oil and gas production to new, different economies (and property tax bases) when oil and gas reserves are depleted. The original legislation was progressive, visionary, and a responsible way to plan for the future. Last year, the Legislature enacted a law transferring the monies from the State Treasury to the county treasurers as a means of preventing a sweep of the funds for other purposes. Now, not even a year later, HB 2262 would reverse course and direct the monies back to the State.
2. Counties make financial plans just like the State. The Oil and Gas Valuation Depletion Trust Fund *is current public policy*, and counties are making their future year budget plans on the assumption that these *monies will be available* to offset what otherwise would be required in ad valorem property taxes when, in the future, their mineral valuations fall 50% for two consecutive years.
3. The source of these funds was the state's severance tax on oil and gas. Regardless of where the monies are held (i.e. the State Treasury or county treasuries), the monies are held *in trust*. This implies a fiduciary responsibility of the person or entity holding the funds, that the funds be used for their intended purpose and not diverted in some way for another purpose. In this case, the trust funds are intended for the benefit of future taxpayers, to absorb some of the financial "shock" that may occur when oil and gas reserves are depleted. We urge the Legislature to resist moving monies that are held for a specific purpose "in trust" to finance regular, ongoing program expenses such as those budgeted in the State General Fund.

In summary, we urge the committee to reject HB 2262. Again, thank you for the opportunity to testify before the committee.