

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Nancy Brown at 1:30 p.m. on February 2, 1994, 1994 in Room 521-S of the Capitol.

All members were present.

Committee staff present: Michael Heim, Legislative Research Department  
Theresa Kiernan, Revisor of Statutes  
Lois Hedrick, Committee Secretary

Conferees appearing before the committee:  
Senator Marian Reynolds  
Nicholas J. Horner, President/CEO, First National Bank of Winfield  
J. Tom Price, Oxford City Councilman

Others attending: See Attachment 1.

Chairman Brown opened the hearing on **SB 436**, concerning collection of certain delinquent personal property taxes by counties. Marian Reynolds, Senator - 38th District, spoke in support of the bill which would allow county commissioners in any Kansas county to employ collection agencies or individuals to assist in collecting past due personal property taxes the same as was enacted for the State in legislation last year (see Attachment 2). Senator Reynolds also distributed Bev Bradley's letter expressing the Kansas Association of Counties' support of the concept of SB 436 (see Attachment 3). There being no other present to testify, the hearing on SB 436 was closed.

The Chairman then opened the hearing on **HB 2698**, concerning transfer of certain moneys to city of Oxford. Nicholas J. Horner, President and CEO of the First National Bank of Winfield, testified in support of the bill. He outlined reasons for requesting the legal transfer of monies in the Oxford Community Lease Account (which are deposited in his bank), its history, and the city's desire to discontinue the account and use the funds for the benefit of Oxford residents (see Attachment 4 for his testimony).

J. Tom Price, Oxford City Councilman, also testified in support of the bill, described the account's history and the difficulties the city authorities would encounter in determining the rightful owners of the account's proceeds (see Attachment 5), stating that the bank ownership had changed, records were not complete and it would be difficult to locate the property owners (over 400) and their heirs.

There were several questions raised by committee members concerning the city's reasons for requesting special legislation in view of the newly amended unclaimed funds act which, when effective, will cause unclaimed moneys to be paid to the state treasurer. Also, the legalities of terminating the account were questioned. Mr. Horner stated the account is a non-interest bearing account, with annual deposits growing smaller each year as the wells are depleted.

There being no other present to testify, the hearing on **HB 2698** was closed.

Chairman Brown announced that the agenda next week will include final action on bills that have been heard, as well as finalization of bills being reviewed by subcommittees.

The meeting was adjourned at 2:25 p.m.. The next meeting of the committee (subcommittees) will be tomorrow, February 3, 1994, at 1:30 p.m.; and the full committee will meet on February 8, 1994 at 1:30 p.m., in Room 521-S of the Capitol.

HOUSE OF REPRESENTATIVES  
COMMITTEE ON LOCAL GOVERNMENT  
CONFEREES AND VISITORS  
FEBRUARY 2, 1994

NAME AND ADDRESS (Please print)

## REPRESENTING

Nicholas J. Horner Winfield, Ks. First Nat. Bank of Winfield

Ray L Jones      oxford, KS      Mayor oxford

1. Tom PRICE OXFORD, KS CITY COUNCIL, OXFORD

Chuck Stones Typeky KBA

Michael Camer Topolka atty. for Small

Sen. Marian Reynolds

MARIAN REYNOLDS

SENATOR, 38TH DISTRICT  
 STATEHOUSE—458 E  
 TOPEKA, KS 66612  
 (913) 296-7359

P.O. BOX 121  
 DODGE CITY, KS 67801  
 (316) 227-9557



TOPEKA

SENATE CHAMBER

## COMMITTEE ASSIGNMENTS

VICE CHAIRMAN: LOCAL GOVERNMENT  
 MEMBER: COMMERCE  
 ASSESSMENT & TAXATION  
 GOVERNMENTAL ORGANIZATION  
 KANSAS SENTENCING COMMISSION

February 2, 1994

House Local Government Committee:

Chairman Brown and Ladies and Gentlemen of the Committee. Senate Bill 436 is a relatively simple bill that changes existing law to allow for the County Commissioners in any county in the State of Kansas to employ attorneys or other persons, such as collection agencies to assist the county in collecting past due personal property taxes.

Prior to this proposed change, this opportunity was only afforded to those counties with a population of more than 100,000 and the law stated that the person who owed the delinquent taxes had to be a former resident of that county.

Last year the legislature passed a law that allowed for the Department of Revenue to hire outside counsel to help in their efforts to collect delinquent taxes and therefore all this bill attempts to do is afford our individual counties the same opportunity.

I thank you for your kind attention to this matter and would be willing to stand for questions.

Respectfully Submitted,

Marian Reynolds  
 Senator - 38th District

MKR

HOUSE LOCAL GOVERNMENT  
 Attachment # 2  
2 / 2 / 94



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Executive Director

John E. Herbert, CAI

To: Representative Nancy Brown, Chairperson  
Members House Local Government Committee

From: Bev Bradley, Deputy Executive Director  
Kansas Association of Counties

Re: SB 436 collection of certain delinquent property taxes

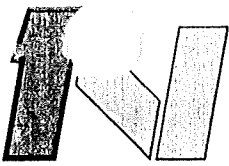
Thank you for the opportunity to testify today in favor of SB 436. I am Bev Bradley, representing Kansas Association of Counties.

Our association supports the concept outlined in SB 436. We believe that County Officials should be allowed to govern their own jurisdictions and that it is only fair to remove the population restriction contained in KSA 79-2018. There is major concern among counties and some cities over the collection of delinquent taxes. Any methods which can be allowed to assist in this process is a step in the right direction.

The taxes so collected under the procedure outlined in this bill will be apportioned back to the appropriate funds so that all taxing units stand to gain from this effort.

Again, I appreciate the opportunity to appear before this committee. I am willing to stand for questions if there are any.

HOUSE LOCAL GOVERNMENT  
Attachment # 3  
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## FIRST NATIONAL BANK OF WINFIELD

HB 2698  
House Local Government Committee  
February 2, 1994

Chairperson Brown and members of the House Local Government Committee, my name is Nicholas J. Horner, and I am President and Chief Executive Officer of The First National Bank of Winfield, Kansas. I appear today representing the bank and, at least indirectly, the citizens of Oxford, Kansas. I have no personal financial interest in this matter or HB 2698, but I am very supportive of its passage.

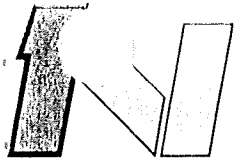
Passing of this proposed legislation would have a substantial beneficial impact on the City of Oxford and its citizens, as well as address a longstanding problem that our bank "inherited" in 1991. HB 2698, if passed, would allow our bank to turn over the proceeds of an account in our bank known as the "Oxford Community Lease" account, and the money could then be used for municipal purposes in Oxford which would benefit the residents of Oxford.

By way of very brief background, this situation began in 1924. Oxford, which is situated in Sumner County and the legislative district of House Speaker Miller, sits atop an oil field which has been in production since 1924. The oil company which originally negotiated the lease on this production contracted with "the owners of various tracts of land in the city of Oxford". An individual named Homer Jester, then president of The Oxford Bank, was named as trustee on the account into which oil run checks were to be deposited. Through the years, The Oxford Bank replaced Mr. Jester as trustee on the account. Even more significantly, as affected property owners within the city of Oxford died, moved away, sold or traded their property, etc., it was virtually impossible to maintain a current and accurate record of the rightful parties in interest to the monies. As near as I can determine, the only transactions in this account through the years have been deposits of the oil run checks and annual payment of property taxes. The account balance as of yesterday was \$47,610.14.

In 1988, First National Bancshares of Winfield, Inc., parent holding company of our bank, purchased The Oxford Bank. Then, in 1991, The Oxford Bank was merged into The First National Bank of Winfield, and has operated since that time as a full-service branch bank. It was through this progression that our bank became involved in this matter.

Our bank, in cooperation with officials from the City of Oxford, has tried unsuccessfully to find a legally correct method of transferring these funds to the City where they can be put to some worthwhile purpose. Initially we were advised that a "quiet title" action would be the preferred course. However, it was estimated that abstracting costs alone would approximate \$10-12,000. Attorneys' fees, publication and reproduction costs, and other associated expenses were estimated to be at least that much. Even then, our counsel had lingering questions as to whether or not our bank would be completely relieved of its fiduciary responsibilities and liabilities. The feasibility of some form of class action suit, whereby a willing individual would represent the interests of the rightful owners to the money, was also considered.

HOUSE LOCAL GOVERNMENT  
Attachment # 4-1  
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## FIRST NATIONAL BANK OF WINFIELD

Chairperson Brown, and other committee members, you may be wondering why our bank really cares what happens with this money. After all, we are receiving the benefit of a very stable account of better than average size, the type of account which is very profitable for a commercial bank and becoming more rare with each passing year. However, in our estimation, it seems that even though there are probably thousands of individuals who can claim a rightful ownership interest in the balance of the account, on a per capita basis the amount would surely be less than \$5. That being the case, what sense does it make to engage in expensive and involved legal remedies that would undoubtedly dissipate the account to the point that the remainder would do precious little good for anyone? Therefore, we at the First National Bank of Winfield desire that this legislation be ratified so that a deserving recipient - the City of Oxford - can put the funds to use for the overall benefit of the citizens of Oxford.

Finally, Chairperson Brown, if I may, there are two modifications to the proposed bill which I would ask the Committee to consider. First, inasmuch as revenues do continue to flow into the account from oil production, I would ask that the bill direct our bank, or its successor, to remit any such proceeds to the City of Oxford when and as received. Second, we feel it would be desirable if the City of Oxford would formally indemnify our bank against any future claims which might be made by individuals asserting an ownership interest in the monies. I might add that Oxford city officials have consistently volunteered such indemnities.

In closing, I appreciate this opportunity to appear before the Committee. With the suggested modifications, I firmly believe that HB 2698 will resolve a longstanding frustration, and provide an opportunity for a small Kansas community to accomplish a public good which might otherwise not have been possible. Thank you for your consideration.

HOUSE LOCAL GOVERNMENT  
Attachment # 4-2  
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# CITY OF OXFORD

HB 2698

Dear Chairwoman Brown & Committee Members:

Thank you for the opportunity to appear before this Committee, and to present the City of Oxford's position regarding the proposed bill concerning the Oxford Community Lease account. My name is Tom Price, and I represent, as City Councilman, the Mayor, the City Council, and the citizens of Oxford, Kansas.

Oxford is a community of 1100 citizens located in Sumner County, south-central Kansas, about 40 miles southeast of Wichita.

During the late 1920's, many oilwells were drilled in and around Oxford. From old pictures of Oxford, it appears that oilwells far outnumbered the trees. From an old City map, it seems that about 400 property lots were included in the land under which the oil was removed resulting in the Oxford Community Lease Account.

The number of property owners was so large, and oil royalties so small, that it was obviously impractical to distribute the small royalty to so many persons back then. Today, after the passage of 65 years, and the addition of 3 or 4 generations from the original property owners, several thousand persons could claim the \$1,000 to \$1,500 annual income which goes into the Community Lease Account. With low oil prices and declining production, we would estimate continued annual reductions in this income. It is safe to say that the \$47,610 in the account on January 14, 1994, would not begin to cover the tremendous expense of determining "who" the several thousand owners, heirs, and successors are, "where" they are located, and "how much" each was entitled to receive. The task would seem impossible, and most certainly would not be economically feasible.

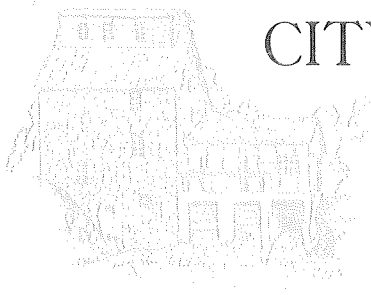
The oil produced in Oxford left its unpleasant "legacy" - much of the water beneath Oxford, and south, east, and west of Oxford was polluted by the oil and salt water of the oil boom. The citizens of Oxford today are paying for this terrible pollution, because our water supply must be pumped from wells seven miles north of Oxford. In 1994, our citizens will pay \$92,745 for an annual payment on the bonds used to finance this water system - a water system necessitated by the pollution from the oil production which has contributed a meager \$47,610 over many, many years to the Oxford Community Lease Account.

The \$1,000 to \$1,500 received annually in oil royalty income, added to the \$47,610 accumulated over sixty-plus years in the Lease Account seems paltry as consideration for the \$1.2 million water system, requiring annual payments in excess of \$90,000, which the citizens of Oxford are having to pay as a result of oilfield pollution of their underground water. The annual oil royalty payments of \$1,000 to \$1,500 won't cover many of the monthly \$700 electric bills the City must pay to pump water to town from its remote wells.

HOUSE LOCAL GOVERNMENT

Attachment # 5-1  
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# CITY OF OXFORD

In summary, it seems only equitable that the Oxford Community Lease Account, and the limited future income payments belong to the City of Oxford, to be used for the benefit of its 1100 citizens who have borne, and will continue to bear for many years, a tremendous financial burden created by the pollution of its underground water supply by the very same oil production which resulted in the funds in the Community Lease Account.

On behalf of the Mayor, the City Council, and the citizens of Oxford, Kansas, I respectfully request, Chairperson Brown and Committee Members, that you enable the passage of this legislation which will provide equity and some relief to the citizens of Oxford who have already paid dearly for the funds and income of the Oxford Community Lease Account.

Thank you again for allowing me to present the position of the citizens of Oxford on this bill. We appreciate your careful consideration of this legislation, and if it passes, I can assure you that at least 1100 Kansas citizens will appreciate your efforts on their behalf.

Tom Price  
Oxford City Council

HOUSE LOCAL GOVERNMENT  
Attachment # 5-2  
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