

SESSION OF 2018

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2727

As Amended by House Committee on Water
and Environment

Brief*

HB 2727 would require a notice regarding surface property rights and mineral rights to be placed in each contract for the sale of real property in the state. The notice would not create a duty to investigate or disclose that does not otherwise exist for a real estate licensee, as required by law. The provisions of the bill would be part of and supplemental to the Kansas Real Estate Brokers' and Salespersons' License Act.

Background

The bill was introduced by the House Committee on Water and Environment.

At the House Committee hearing, Representative Horn provided testimony in favor of the bill, stating as oil and gas drilling activity increases in Eastern Kansas, property owners may not be aware that surface and mineral rights on the property may be owned separately. Two members of the public and a representative of the Kansas Association of Realtors also presented testimony in favor of the bill, along with suggestions for amendments to it. Written proponent testimony was submitted by a Douglas County Commissioner.

*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>

Neutral testimony was submitted by representatives of the Eastern Kansas Oil and Gas Association and Kansas Independent Oil and Gas Association, which contained suggestions for amending the language of the bill.

Written opponent testimony was submitted by a representative of the Southwest Kansas Royalty Owners Association.

The House Committee amended the bill by adding clarifying language regarding an oil and gas lease; defining “minerals” as including “oil, natural gas, iron ore, coal, salt, sand, gravel, or any other natural substance that may be of commercial value and is obtained by mining, quarrying, or drilling on the surface or subsurface of the lands,” for purposes of the notice; specifying the buyer is encouraged to seek additional information regarding mineral ownership and mining, quarrying, or drilling activity on or adjacent to the property; and stating the notice required by the bill does not create a duty to investigate or disclose that does not already exist in law.

The fiscal note prepared by the Division of the Budget on the bill as introduced states the Kansas Real Estate Commission (Commission) indicates the bill has the potential to increase administrative costs and staff time to examine additional documentation in real estate transactions to determine if the required notice is included in the real estate purchase contract. The Commission does not have information on the amount of additional documentation that would be required to be reviewed as part of a compliance review; however, the costs are estimated to be negligible and could be absorbed within existing budget resources. The Kansas Corporation Commission and the Department of Revenue indicate the bill would have no fiscal effect.