

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2462**

As Agreed to March 25, 2026

Brief*

HB 2462 would require rules and regulations for potable reusable water to be adopted and make changes to the sunset, funding transfers, and the grant process for the Water Technical Assistance Fund (Technical Fund) and Water Projects Grant Fund (Grant Fund).

Potable Reusable Water Rules and Regulations

The bill would require the Secretary of Health and Environment to adopt rules and regulations on or before July 1, 2028, that would allow for the direct and indirect potable reuse of treated wastewater.

The bill would also require these rules and regulations to prioritize prescriptive treatment processes that make the reuse of treated wastewater affordable or otherwise achievable.

Definitions

The bill would define the following terms:

- “Direct potable reuse” would mean using advanced treatment processes to produce finished drinking water through the utilization of a water source that contains treated wastewater that has not passed through an environmental buffer; and
- “Indirect potable reuse” would mean the planned delivery or discharge of treated wastewater to an environmental buffer, such as ground or surface waters, for the development of, or as a supplement to, a drinking water supply.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <https://klrd.gov/>

Water Technical Assistance Fund and Water Projects Grant Fund

State General Fund Transfers

The bill would extend the sunset on transfers from the State General Fund (SGF) to the State Water Plan Fund (SWPF) and transfers from the SWPF to the Technical Fund and Grant Fund on a yearly basis until July 1, 2027. The bill would also state it is the intent of the Legislature to provide for the transfer of \$35.0 million from the SGF to the SWPF on July 1, 2028.

State Water Plan Fund Transfers

The bill would amend continuing law to decrease the annual transfer from the SWPF to the Technical Fund from \$5.5 million to \$5.0 million and to the Grant Fund from \$12.5 million to \$12.0 million, and make corresponding date changes to reflect the new sunset date of July 1, 2029.

Water Technical Assistance Fund

The bill would remove provisions regarding grants to municipalities with specific populations, prioritization of projects by specific entities, and rules and regulations authority.

Engineering report. The bill would require applications for grants from the Technical Fund to include a complete preliminary engineering report (report) that meets similar standards established by the U.S. Department of Agriculture (USDA) for rural water projects or the U.S. Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund requirements.

The bill would require that until a report has been submitted and the Kansas Water Office (KWO) determines the project is feasible, funding would only be provided for completion of a preliminary engineering report. If the report is complete, and KWO determines the project is feasible, then additional funding could be provided for necessary planning and engineering work.

The report would include studies for specific projects, regionalization studies, or any other study or report intended to determine the feasibility of future plans and projects.

Priority of municipalities with a population less than 3,000. The bill would require a minimum of 60 percent of the annual amount transferred to the Technical Fund to be awarded to municipalities with a population less than 3,000 residents. The requirement would not apply in years when there are not enough applicants to allow compliance.

These provisions would not be construed as a limitation on the total amount awarded to municipalities with fewer than 3,000 residents.

Prohibition. The bill would prohibit any grants from the Technical Fund to be used to address issues related to the impairment of water rights by another water right.

Water Projects Grant Fund

The bill would remove rules and regulation authority and remove consideration of criteria for grants regarding the socio-economic status of entities, among other criteria.

The bill would also state prepayment of outstanding loan balances from the Public Water Supply Loan Fund or the Kansas Water Pollution Control Revolving Fund would be subject to parameters in continuing law.

Legislative intent. The bill would state it is the intent of the Legislature that grants awarded from the Grant Fund prioritize awarding partial grants combined with loan funding from the municipality, Kansas Department of Health and Environment (KDHE), USDA, or other financial sources before grants for the full cost of projects are awarded in order to increase the impact of available funding.

Applications for Funding

The bill would establish requirements for applications to both the Technical Fund and the Grant Fund.

Demonstration in applications. The bill would require municipalities with a population more than 50,000 to demonstrate a threat to public health.

Special district applications. For the Technical Fund, the bill would prohibit a special district's application for a grant from being prioritized based on the number of customers or residents. [Note: A "special district" would mean a groundwater management district, rural water district, or other similar district formed for a special or single purpose related to water.]

For the Grant Fund, the bill would authorize special districts to be eligible for loan prepayment up to 50 percent of an outstanding balance and for any other grant funding if the application meets specific criteria listed in the bill.

Application criteria. The bill would require the application to be scored as provided in the bill and for the project to meet at least one of the following criteria:

- For the purpose of expanding residential, commercial, industrial, and agricultural activity that cannot be reasonably served by another source or distributor, except that any use defined as irrigation by the Chief Engineer, Division of Water Resources, Kansas Department of Agriculture (Chief Engineer), would not be eligible;
- Facilitates the transfer or upgrade of existing water services to allow or assist with the incorporation of previously unincorporated territory; or
- Meets a specific goal or priority identified in the State Water Plan.

The bill would require eligible applications to be prioritized based on criteria in a scoring matrix.

Application scoring matrix. The bill would require KWO to establish a scoring matrix based on the criteria in the bill. Each of the following categories would be required to be scored on a scale of 0 to 5:

- Public health:
 - The proposed project's impact on addressing a threat to public health, including but not limited to, violations of continuing law regarding public water supply systems or conditions that have caused or could lead to a violation of state or federal drinking water standards;
- Existing resources:
 - The applicant would demonstrate that the applicant has taken steps to adequately support and maintain current and future infrastructure and would provide relevant information concerning the municipality's finances to demonstrate the need for project funding; and
 - Relevant factors would include, but are not limited to, demographic or community economic information that would affect the municipality's ability to pay for the proposed project without grant funding pursuant to this section;
- Regional cooperation:
 - The municipality would be cooperating with other municipalities and regional entities or could demonstrate how the proposed project would improve the regional water supply or support regional economic growth;
- Additional funding sources:
 - Municipalities would provide information concerning the efforts of any such municipality to find other available funding sources for the proposed project or why obtaining such funding is not feasible;
 - Applicants that can provide some level of funding or in-kind contributions themselves or from any other source would be prioritized; and
 - Relevant factors would include, but not be limited to, the size of contribution relative to the applicant's request and the applicant's ability to contribute;
- Economic impact:
 - The municipality could demonstrate the proposed project's importance for the growth of the community, new residential housing projects, of an existing economic activity, or for the recruitment of a new economic activity; and
 - Economic activity would include any commercial, industrial, or agricultural activity, except that any use defined as irrigation by the Chief Engineer would not be eligible;
- Conservation and extreme-weather resiliency:
 - The municipality could demonstrate how the proposed project supports conservation or would otherwise improve the municipality's ability to provide, maintain, and protect services during drought and flood events; and
- Emergent issues:

- The municipality could demonstrate how the proposed project addresses emergency circumstances the community is facing, or will be facing, related to insufficient access to water-related infrastructure or resources.

The bill would require KWO to notify the applicant, if an applicant fails to provide enough information to be scored in any scoring matrix category, regarding the information needed and provide an additional 30 days to submit the information, starting from the date the applicant received the notice.

The bill would require KWO to send the notice by:

- The email listed on the application; or
- Certified mail, return receipt requested, to the address on the application.

If the applicant fails to submit the requested information, the applicant would be given a score of 0.

The bill would require KWO to publish annually the matrix scores of each application.

Due date. The bill would establish September 15 of each year as the deadline to submit applications, and grants would be awarded no later than 180 days after that date.

Revocation of application. The bill would allow a grant to be revoked if:

- The grantee does not accept the grant within 45 days of it being issued unless the grantee requests additional time to secure supplemental funding, but in no case would the additional time exceed 120 days of the grant being funded;
- It is determined there has been no substantial performance;
- There is substantial evidence of fraud, gross abuse, or corrupt practices;
- There is a lack of funding; or
- It is demonstrated the project cannot be completed.

The bill would require that upon the revocation of a grant, the grantee would repay KWO any grant amount in an amount determined by the Director of KWO. The grantee would be required to enter into a repayment agreement with the Director that would specify the terms of the repayment obligation.

Reporting and payment requirements. The bill would require KWO to include reporting and payment requirements within the terms of each awarded grant.

Technical Amendments

The bill would also make technical amendments to continuing law.

Effective Date

This section of the bill would be effective upon publication in the *Kansas Register*.

Conference Committee Action

The Conference Committee agreed to the contents of HB 2462, as passed by the Senate, and agreed to insert the contents of SB 317, as amended by the House Committee on Water, with the following changes:

- Sunset the transfer from the SGF to the SWPF on July 1, 2027;
- Restore language that states the Legislature's intent to provide for the transfer of \$35.0 million from the SGF to the SWPF on July 1, 2027, and extend the transfer date to July 1, 2028;
- Decrease the annual transfer from the SWPF to the Technical Fund from \$5.5 million to \$5.0 million;
- Decrease the annual transfer from SWPF to the Grant Fund from \$12.5 million to \$12.0 million;
- Change the sunset to July 1, 2029, for transfers from the SWPF to the Technical Fund and Grant Fund;
- Increase from 2,000 to 3,000 the population of municipalities that would be prioritized for the awarding of grant funding;
- Change the scoring matrix from a scale of 10 to 5;
- Add to the criteria for existing resources regarding the applicant demonstrating the applicant has taken steps to adequately support and maintain current and future infrastructure; and
- Add to the criteria of regional cooperation that the proposed project would also support regional economic growth.

Background

HB 2462–Potable Reuse of Water

The bill was introduced by the House Committee on Water at the request of Representative Pickert.

House Committee on Water

In the House Committee hearing, **proponent** testimony was provided by representatives of the City of Wichita, Kansas WaterReuse Association, and League of Kansas Municipalities, who

stated that municipalities are researching all the possible tools to meet current and future needs of water consumers. One possible tool could be the reuse of potable water; however, the State does not currently have any official standards for the reuse of potable water in public water supply systems.

The Director of the Bureau of Water, Kansas Department of Health and Environment (KDHE), also provided proponent testimony, but stated the agency is concerned about the funding that would be needed for staffing and administrative and research needs to fulfill the requirements of the bill, if enacted. [Note: The House Committee requested a revised fiscal note from KDHE, which is detailed under “Fiscal Information” below.]

Written-only proponent testimony was provided by representatives of the City of Derby, Kansas Municipal Utilities, Kansas Water Environment Association, and Southwest Kansas Coalition. No other testimony was provided. The House Committee adopted a motion to reflect in the supplemental note that the Committee has requested a revised fiscal note from KDHE.

No other testimony was provided.

House Committee of the Whole

The House Committee of the Whole amended the bill to prohibit the rules and regulations authorized by the bill from requiring prescriptive treatment processes that make the reuse of treated wastewater unaffordable or otherwise unachievable. [Note: The Conference Committee did not retain this amendment.]

Senate Committee on Agriculture and Natural Resources

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the City of Wichita, KDHE, and Kansas Municipal Utilities. The proponents generally stated the value of utilizing water reuse methods and that such methods would allow for more flexibility with water resources in communities, safely easing water scarcity in regions of the state currently experiencing such concerns.

Written-only proponent testimony was provided by Representative Pickert and representatives of the City of Derby, the City of Garden City, and the League of Kansas Municipalities.

No other testimony was provided.

The Senate Committee amended the bill to:

- Require the prioritization of prescriptive treatment processes that make the reuse of treated wastewater affordable or otherwise achievable; and
- Make a technical amendment.

[Note: The Conference Committee retained these amendments.]

317–Water Funding

The bill was introduced by the Senate Committee on Agriculture and Natural Resources at the request of Senator Shane on behalf of Senator Titus.

Senate Committee on Agriculture and Natural Resources

In the Senate Committee hearing, **proponent** testimony was provided by Senator Titus and a representative from Kansas Municipal Utilities. The proponents generally stated the bill would provide a clear and concise criteria for application to the Technical Fund and Grant Fund and clarify the Legislature’s intent of the Grant Fund, as well as provide transparency and consistency for the grant funding.

Neutral testimony was provided by representatives of KDHE, KWO, and the League of Kansas Municipalities. The neutral conferees generally stated that if enacted, the bill would provide additional direction to the KWO on how to evaluate and prioritize the awarding of grant money approved by the legislature.

No further testimony was provided.

The Senate Committee amended the bill to:

- Allow preliminary engineering reports to meet similar standards to the EPA’s Drinking Water State Revolving Fund requirements as an alternative to the USDA standards for rural water projects;
- Require that grants must be awarded no later than 180 days following the September 15 application deadline;
- Provide an exception that if the grantee has not accepted the grant within 45 days of issuance, the grantee will not have the grant revoked if they have requested additional time to secure supplemental funding, provided the additional time requested does not exceed 120 days of the issue date of the grant;
- Replace the term “forgiveness” with the term “prepayment” in regard to loan repayment; and
- Include “municipality” in the list of entities the Legislature prioritizes the awarding of partial grants to, in combination with the loan funding.

[*Note:* The Conference Committee retained these amendments.]

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to make technical amendments.
[*Note:* The Conference Committee retained this amendment.]

House Committee on Water

In the House Committee hearing, **proponent** testimony was provided by Senator Titus and a representative of the Kansas Municipal Utilities, who offered testimony substantially similar to that presented to the Senate Committee. Additional proponent testimony was provided by a representative of the Kansas Rural Water Association, who stated that member utilities of the organization have been awarded 94 of the 104 grant awards, totaling \$40.5 million of the \$44.2 million in total awards.

Neutral testimony was provided by a representative of the League of Kansas Municipalities, who presented some of the organization's concerns but expressed support for the overall intent of the bill.

Written-only neutral testimony was provided by a representative of KWO.

Opponent testimony was provided by a representative of Southwest Kansas Groundwater Management District No. 3, who discussed their concerns and proposed three amendments.

No other testimony was provided.

The House Committee amended the bill to:

- Require a minimum of 60 percent, instead of 50 percent, of Technical Fund awards to be awarded to municipalities with fewer than 2,000 residents, instead of 8,000 residents. This requirement should not be construed as a limit on the total amount awarded to municipalities with fewer than 2,000 residents [*Note: The Conference Committee modified and retained this amendment.*];
- Remove the quantifier requiring a demonstration that failure to complete a project creates a disproportionate burden on a low-income population with regard to the grant eligibility criteria of a municipality with more than 50,000 residents that demonstrates a threat to public health [*Note: The Conference Committee retained this amendment.*];
- Remove long-term population trends from the scoring matrix and reorganize regional cooperation in the scoring matrix list [*Note: The Conference Committee retained this amendment.*];
- Extend the sunset on transfers from the SGF to the SWPF and transfers from the SWPF to the Technical Fund and Grant Fund on a yearly basis until July 1, 2031 [*Note: The Conference Committee did not retain this amendment.*];
- Remove language regarding circumstances in any year where applications exceed the amount of funds or capacity to provide services [*Note: The Conference Committee retained this amendment.*]; and
- Amend the criteria for the categories that would be scored through the scoring matrix and add a category for emergent issues [*Note: The Conference Committee retained this amendment.*].

Fiscal Information

HB 2462–Potable Reuse of Water

According to the revised fiscal note prepared by the Division of the Budget on the bill as of February 2, 2026, KDHE states enactment of the bill could increase State General Fund expenditures by \$180,600 annually for FY 2027 and FY 2028, and \$80,600 in future years. No additional revenue is anticipated.

The agency states there are no federal requirements or guidelines for developing indirect or direct potable reuse regulations; therefore, intensive research and pilot projects would be needed. In addition, the agency would need to coordinate robust technical stakeholder engagement and develop technical studies to ensure safe implementation. The agency estimates that 1.0 FTE Environmental Specialist position would be needed to fulfill the requirements of the bill. This would include an Environmental Specialist with salary and benefits estimated at \$80,000 annually. The position would also require approximately \$600 for computer and communications needs.

The agency states that at least one contract would be needed for research and assessment of existing technology, standards, and regulations developed by other states. The agency anticipates the contracts would be approximately \$100,000 per year for at least two years but cannot determine an exact cost without developing a scope for the contracts and conducting the request for proposal process.

The Kansas Water Office indicates that enactment of the bill would not result in a fiscal effect for the agency. The Kansas Association of Counties and the League of Kansas Municipalities believe the bill would have no fiscal effect on counties and municipalities, respectively. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

317–Water Funding

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, KDA indicates enactment of the bill would likely not have a fiscal effect on operations; however, additional costs could be absorbed by the agency. The KWO and KDHE indicate enactment of the bill would not have a fiscal impact on the agencies.

The Kansas Association of Counties indicates enactment of the bill would not have a direct fiscal effect on counties, but could result in increases to revenues and expenditures through the creation and funding of projects through KWO.

The League of Kansas Municipalities indicates enactment of the bill would vary from city to city and could increase revenues or expenditures for some cities and decrease revenues or expenditures for other cities; however, a precise fiscal effect cannot be determined at this time.

Water; potable water; rules and regulations; drinking water; Kansas Department of Health and Environment

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