

SESSION OF 2026

SUPPLEMENTAL NOTE ON SENATE BILL NO. 317

As Amended by House Committee of the Whole

Brief*

SB 317, as amended, would amend law regarding the operation of the Water Technical Assistance Fund (Technical Fund) and the Water Projects Grant Fund (Grant Fund) and grant applications and processes. The bill would be in effect upon publication in the *Kansas Register*.

Water Technical Assistance Fund

The bill would remove provisions regarding grants to municipalities with less than 2,000 residents, 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 the KWO determines the project is feasible,

*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 <https://klrd.gov/>

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 8,000

The bill would require a minimum of 50 percent of the annual amount transferred to the Technical Fund to be awarded to municipalities with a population less than 8,000 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 8,000 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 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 applications that are related to the distribution or supply of water to demonstrate that:

- A 25-year water supply, at a minimum, is available; or
- The project will extend the current water supply beyond 25 years.

The bill would require municipalities with a population more than 50,000 to demonstrate a threat to public health or that failure to complete a project creates a disproportionate burden on a low-income population in order to be eligible to receive a grant, in addition to any other requirements.

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 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 that in any year where applications exceed the amount of funds or capacity to provide services, the eligible applications would be prioritized based on this criteria.

Application Scoring Matrix

The bill would require the 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 project's impact on addressing an imminent threat to public health;
- Responsible management of existing resources:
 - The applicant would demonstrate the applicant has responsibly managed its finances and further demonstrate whether the municipality could realistically complete the project without outside funding;
 - The applicant would also demonstrate the applicant has enacted policies that will adequately support and maintain current and future infrastructure; and
 - Relevant factors would include the municipality's total bonding authority, debt per capita, credit rating as applicable, total tax burden per capita, current operating policies, rate structure, debt burden per meter that the municipality is willing to finance, and other similar measures;
- Long-term population trends:
 - Funding would be prioritized to support population growth and new residential housing projects that increase the demand for existing water services;
- Additional funding sources:
 - Municipalities that can provide funding themselves or from any other source would be prioritized; and
 - Applicants would be scored proportionate to the amount of funding that can be provided, with the maximum score for applicants that can provide 60 percent or more of the project's funds [*Note:* Applications for other

sources of funding, even denied, would be required to be acknowledged.];

- Economic impact:
 - The municipality could demonstrate the project is necessary for the growth 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, Division of Water Resources, Kansas Department of Agriculture (KDA), would not be eligible;
- Regional cooperation:
 - The municipality would cooperate with other municipalities and regional entities or could demonstrate improvements in regional water supply; and
 - Consideration would be given to projects that support regional economic growth, including the development of reinvestment housing districts, workforce housing, or other residential housing activities that help fulfill housing needs that have been identified by any housing study conducted within the 10 years immediately preceding the date the application was submitted; and
- Extreme-weather resiliency:
 - The municipality would demonstrate improved ability to provide, maintain, and protect services during drought and flood events.

The bill would require the 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 the 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 the 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 the KWO any grant amount in an amount determined by the Director of the 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 the 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.

Background

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 providing 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.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to make technical amendments.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the KDA indicates enactment of the bill would unlikely have a fiscal effect on operations; however, additional costs could be absorbed by the agency.

KWO and KDHE indicate that 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; water rights; Kansas Water Office; Water Projects Grant Fund; Water Technical Assistance Fund