

January 30, 2014

The Honorable Sharon Schwartz, Chairperson
House Committee on Agriculture and Natural Resources
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Schwartz:

SUBJECT: Fiscal Note for HB 2439 by House Committee on Agriculture and Natural Resources

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2439 is respectfully submitted to your committee.

HB 2439 would create the Sustainable Drinking Water Source Protection Fee Fund and authorize the Kansas Water Office to execute contracts and issue revenue bonds for the purpose of paying all or part of the cost of acquiring storage in water supply lakes and reservoirs and the cost of infrastructure protection and restoration of those lakes and reservoirs. The bill would impose fees on municipal and industrial water users as a source of revenue to the fund. The bill would, beginning in FY 2015, impose a fee of \$0.10 per 1,000 gallons of municipal surface water sold at retail and \$0.10 per 1,000 gallons of industrial surface water used by water rights issued under the Water Appropriation Act to be credited to the fund. The fee would increase to \$0.18 per 1,000 gallons beginning in FY 2019 for both municipal water sold and industrial water appropriated. The fund would be administered by the director of the Kansas Water Office. The highest priorities for expenditures from the fund would be:

1. Sedimentation source, measurement, control, and removal;
2. Drinking water supply quantities and quality; and
3. Flood and drought protection.

Secondary priorities for expenditures from the fund would be the state management of water releases and recreational and tourism opportunities

HB 2439 would require: (1) the greater of 7.5 percent of monies collected, or \$650,000, to be used for technical assistance to small water systems, and (2) whichever is the greater of 7.5 percent of monies collected, or \$650,000, to be used for data collection and management to

better assure that public policies and programs are successful and address the highest priorities. The bill would require the Kansas Water Office to develop a priority schedule for addressing water supply and allow the agency to contract with organizations that would fund infrastructure improvements through the repayment of water deliveries. HB 2439 would authorize the Kansas Water Office to issue and sell revenue bonds to pay the costs to acquire, protect, and restore reservoir storage.

The bill would repeal KSA 2013 Supp. 82a-953a that authorizes the annual revenue transfer of \$6.0 million from the State General Fund to the State Water Plan Fund.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	--	\$9,311,136
Expenditure	--	--	--	--
FTE Pos.	--	--	--	\$15,460

The Kansas Water Office estimates the fiscal effect of the bill by using the most recent available industrial and municipal water use data collected during calendar year 2012. The numbers in this fiscal note reflect the estimate of the amount of fee revenue that would be collected in FY 2015, based on FY 2012 data. The Kansas Water Office further states that no additional staff would be needed to implement the bill.

For municipal use, it is assumed that the percentage sold at retail by a public water supply system drawing water from surface water and delivered through mains, lines, or pipes is the same as the overall percentage of water sold at retail versus the amount diverted from either surface or ground water. The amount of surface water diverted in 2012 was multiplied by the percentage of total municipal water sold at retail versus the total amount of municipal water diverted to gain the estimated amount subject to the fee. The following table includes annual fee revenue estimates for both municipal water sold and industrial water appropriated.

	<u>Gallons</u>	<u>2015 – 2019</u>	<u>2019 – beyond</u>
Municipal water sold at retail	74,155,301	\$7,415,530	\$13,347,954
Industrial water appropriated	<u>18,956,056</u>	<u>1,895,606</u>	<u>3,412,090</u>
Total	93,111,357	\$9,311,136	\$16,760,044

Because the revenue transfer from the State General Fund to the State Water Plan Fund was suspended in the budget for FY 2014 and FY 2015, the table in the Fiscal Effect section does not show State General Fund savings attributable to HB 2439 for FY 2014 or FY 2015.

The Honorable Sharon Schwartz, Chairperson

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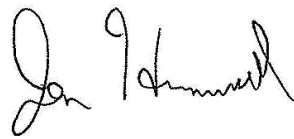
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The Department of Agriculture indicates that the entire municipal water fee would be borne by local municipalities and rural water districts. It is expected that local public water suppliers would pass the additional fee on to their customers. This would increase by \$1.50 the average monthly water bill for a family of four.

The Department of Revenue indicates that passage of the bill would require form changes, changes to the deposit system, and changes to the existing computer processing system that would track the new fund. The Department would also be required to send notices to taxpayers. The cost for the changes is estimated to be \$15,460 from agency fee funds.

Any fiscal effect associated with HB 2439 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Susan Metzger, Water Office
Mark Heim, Agriculture
Steve Neske, Revenue
Bonnie Gauntt, KDFA