

April 3, 2015

The Honorable Dennis Hedke, Chairperson
House Committee on Energy and Environment
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Hedke:

SUBJECT: Fiscal Note for HB 2348 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2348 is respectfully submitted to your committee.

HB 2348 would amend current law regarding hydraulic fracturing. The bill would require the Kansas Corporation Commission (KCC) to adopt more stringent regulations prior to December 31, 2016. The new regulations would include a number of provisions including but not limited to baseline water sampling; minimum setback distances from occupied buildings and surface waters; casing depth minimums; pressure test requirements; complete chemical disclosure; impervious pit liner standards; and waste fluid transportation requirements. The bill would authorize penalties for first and second violations, and a \$100,000 fine and license termination for a third violation. The bill would also require a forty-year liability period for maintenance, abandonment, or remediation; the monitoring of air pollutants; the conservation of water, radiation testing of flowback fluids and drilling mud; the capture of methane releases; and a requirement that tests be performed by an independent contractor selected by the KCC.

The KCC indicates that it is unable to estimate the fiscal effect of HB 2348, however, potential costs would include staff time to amend current or draft new regulations; programming upgrade costs; and the hiring of outside consultants to handle the radiation testing. The exact number of wells per year that would require additional oversight is unknown but the KCC staff estimate that the oversight would impact more than 2,500 well completions each year, based on the well completion average of more than 5,100 per year for the past five years. Any fiscal effect associated with HB 2348 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Amy Gilbert, KCC