

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 2349 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2349 is respectfully submitted to your committee.

HB 2349 would establish the Earthquake Risk Pool Fund to compensate for personal injury or property damage due to induced earthquakes that are the result of the use of saltwater injection disposal wells. The Kansas Corporation Commission (KCC) would be required to promulgate rules and regulations regarding the distribution of money from the fund to persons suffering personal injury or property damage. The bill would authorize annual license fees for each class II saltwater injection disposal well operated by a licensed operator. The fees would be deposited in the Earthquake Risk Pool Fund.

The bill would authorize the KCC to suspend all current licenses, permits and approvals for class II saltwater injection disposal wells in Harper and Sumner counties as well as in other counties that the KCC determines have demonstrated induced seismicity from saltwater injection wells. The licenses, permits, and approvals could be reinstated once the balance in the Earthquake Risk Pool Fund is adequate to compensate for potential personal injury and property damages.

Currently, the KCC receives \$125,000 in new permit and amendment fees from injection and disposal wells. HB 2349 would suspend all licenses and permits in Harper and Sumner counties and in some other counties as appropriate. The KCC is unable to estimate the precise reduction in revenue, as well as what funding level would be required in the Earthquake Risk Pool Fund. The KCC would need to hire a consulting firm to perform a liability study and recommend the appropriate Class II license fee to charge in excess of the one-time permit or amendment fees. The estimated cost of such a study would be \$150,000 from agency fee funds.

The Honorable Dennis Hedke, Chairperson

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Any fiscal effect associated with HB 2349 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,  
Director of the Budget

cc: Amy Gilbert, KCC