

February 17, 2022

REVISED

The Honorable Ron Highland, Chairperson
House Committee on Water
Statehouse, Room 152-S
Topeka, Kansas 66612

Dear Representative Highland:

SUBJECT: Revised Fiscal Note for HB 2686 by House Committee on Water

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2686 is respectfully submitted to your committee.

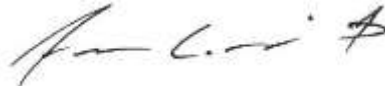
HB 2686 would create the Kansas Department of Water and Environment as a new agency within the Executive Branch. The duties and powers of the Kansas Water Office, the Division of Environment within the Kansas Department of Health and Environment, and the Divisions of Conservation and Water Resources within the Kansas Department of Agriculture would be transferred to the new agency and those offices and divisions would be abolished. The bill would create the Water and Environment Maintenance Fund and establish a new fee on water rights to be deposited into the fund. The bill would create the Water and Environment Maintenance Board to oversee the new fund and the State Water Plan Fund. In addition, the bill would modify several procedures, fees, and other duties related to water and environment matters. HB 2686 would be effective July 1, 2023.

The Kansas Department of Health and Environment states that enactment of HB 2686 may result in administrative costs related to setting up a new state agency, but the fiscal effect could not be estimated. The Kansas Department of Agriculture notes that the transfer of the Division of Water Resources would reduce federal funds utilized for indirect services resulting in a reduction of funding for the remaining agency. The Kansas Water Office states that enactment of the bill would increase revenues associated with the new water rights fee, but the total new revenue could not be estimated. The agency also reports there could be an effect on groundwater management districts (GMD) and local election offices due to modification of aspects of the election of GMD board members included in the bill, but that effect is unknown.

All agencies affected by the transfer of current programs reported that expenditures and revenues should remain consistent within the newly created agency, agency expenditures and revenues would decrease in proportion to those transferred, and costs associated with the transition of offices could not be estimated. Since the original fiscal effect statement was issued, the Kansas Department of Revenue has provided information on the fiscal effect of this bill. The agency indicates enactment of HB 2686 would increase revenue to the State Water Plan Fund by \$2.1 million each year beginning in FY 2023, due to an increase in Water Protection Fees. In addition, the agency estimates administrative costs totaling \$14,906 in FY 2023 to update IT tax applications, publications, and the agency website.

The Department of Administration reports that enactment of HB 2686 would not have any fiscal effect on agency operations. Any fiscal effect associated with HB 2686 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Debra Jones, Water Office
Dan Thimmesch, Health & Environment
Kellen Liebsch, Agriculture
Celeste Chaney-Tucker, Department of Administration
Shelbie Konkel, Office of the Governor