

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2525

As Amended by House Committee on
Agriculture and Natural Resources

Brief*

HB 2525, as amended, would direct the Secretary of Health and Environment (Secretary) to deposit the following fees into the Water Program Management Fund (Water Fund):

- Water well contractor application and license fees;
- Class 1 and Class 5 underground injection control (UIC) well permitting, monitoring, testing, inspection, and regulation fees; and
- Fees, charges, or penalties from the certification of operators for water supply system and wastewater treatment facilities.

The bill would authorize the Secretary to remit revenue from the fees to the State Treasurer who, upon receipt of the funds, would deposit the entirety of the funds to the credit of the Water Fund. [Note: Current law requires remittance to the State General Fund (SGF).]

The bill would require the Secretary to adopt rules and regulations to establish fees for:

- The permitting, monitoring, testing, inspecting, and regulating of Class 1 UIC wells. The fees could not exceed the following amounts:

*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 <http://www.kslegislature.org>

- \$6,500 per active, hazardous waste injection well;
- \$4,500 per active, non-hazardous waste injection well; or
- \$1,000 per any hazardous or non-hazardous waste injection well in monitoring or inactive status;

The bill would require the Secretary to provide for a reduction in such fees for facilities already subject to these fees; and

- The permitting, monitoring, testing, inspecting, and regulating of Class 5 UIC wells, which could not exceed \$2,000 per well.

The bill would prohibit establishing such fees for small-capacity, sanitary septic systems, including single-family residential septic systems and non-residential septic systems that are used solely for sanitary waste.

The bill would authorize the Secretary to remit revenue from the new fees to the State Treasurer who, upon receipt of the funds, would deposit the entirety of the funds to the credit of the Subsurface Hydrocarbon Storage Fund (Hydrocarbon Fund).

Background

The bill was introduced by the House Committee on Agriculture and Natural Resources at the request of a representative of the Kansas Department of Health and Environment (KDHE).

[*Note:* The bill, as introduced, is identical to HB 2159, which was recommended for passage by the House Committee on Agriculture and Natural Resources on February 16, 2023, but stricken from the House Calendar by House Rule 1507 on February 23, 2023.]

House Committee on Agriculture and Natural Resources

In the House Committee hearing, representatives from the Bureau of Water, KDHE, and ONEOK, Inc., provided **proponent** testimony. The proponents stated the bill would authorize the Secretary to set maximum limits on fees that would be collected and placed into the Water and Hydrocarbon funds. These funds would be used to offset the current subsidization of underground hydrocarbon storage injection wells. The bill would clarify that underground hydrocarbon storage injection wells would only be required to pay once. The funds would be used directly to pay for regulatory duties outlined in the bill.

No other testimony was provided.

The House Committee amended the bill to clarify the term “small-capacity, sanitary septic systems” would include single-family residential septic systems and non-residential septic systems that are used solely for sanitary waste. [*Note: No fee is charged for these types of systems.*]

Fiscal Information

According to the fiscal note provided by the Division of the Budget on the bill, as introduced, KDHE estimates the bill would increase fee fund revenue by \$297,000 in FY 2025 and \$300,000 in FY 2026 due to new fees established in the bill for UIC Class 1 and Class 5 wells, as well as rerouting fees deposited in the SGF from the Water Fund. The agency also anticipates a reduction of \$92,000 in SGF revenues as a result of the rerouting of fees. The revenue assumption for the SGF is based on the previous three-year average of program deposits into the SGF. The revenue assumption for the UIC Class 1 wells is based on existing permitted Class 1 wells in addition to the discounted fees for entities that also pay fees to the Hydrocarbon Fund. The revenue assumption for the UIC Class 5 wells is based on existing permitted Class 5 wells and a one-time environmental remediation

authorization. KDHE expenditures are not anticipated to change with the enactment of the bill, as all associated regulatory programs are existing, and the bill would not change program operations. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties estimates the bill would not have a fiscal effect on counties. The League of Kansas Municipalities estimates the bill could increase expenditures for any city that owns an UIC Class 1 well.

Kansas Department of Health and Environment; Water Program Management Fund; Subsurface Hydrocarbon Storage Fund; waste injection well; underground injection control well