

February 18, 2016

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 2510 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2510 is respectfully submitted to your committee.

HB 2510 would create the Water Depletion Fund which would be administered by the Director of the Kansas Water Office (KWO). Separate accounts would be created within the fund for each county that has experienced depletion in available water resources, and revenues would be credited in proportion to the depletion. The Director of the KWO would annually certify the amount due each county to the Director of Accounts and Reports, who would then credit that amount to each account. From revenues deposited into the main fund, 20.0 percent would be transferred to the State Water Plan Fund (SWPF). The bill would require the Secretary of Wildlife, Parks and Tourism to charge a Recreation Water Protection Fee of \$10 in addition to any vessel registration fee, waterfowl hunting permit fee, and state park permit fee. The amount collected by the agency would be deposited into the Water Depletion Fund. Caps for certain fees related to licensing of confined animal feeding operations by the Kansas Department of Health and Environment (KDHE) would be increased by 25.0 percent, and 25.0 percent of all fees related to licensing of confined animal feeding operations would be credited to the Water Depletion Fund.

The bill would divide the existing State Water Plan to create the Eastern State Water Plan and the Western State Water Plan and would establish priorities for each plan and an account for each in the SWPF. The fee paid to register agricultural chemicals that are distributed, sold, offered for sale, or transported within or through Kansas would be increased by 50.0 percent, from \$150 to \$225, for FY 2017. The fee amount would be determined by the Secretary of Agriculture on July 1 of each fiscal year and would be based on a formula contained in the bill. Currently of the revenue from this fee, \$100 goes to the SWPF and the remainder to the Agricultural Chemical Fee Fund. HB 2510 would change the distribution of fee revenue with 16.6 percent to be deposited in the Eastern State Water Plan account, 16.6 percent in the Western State Water Plan account, 33.3 percent in the Water Depletion Fund, and the remainder to the Agricultural Chemical Fee Fund.

Tonnage fees collected by the state for removal of sand, gravel, and other materials from a river owned by the state or from land in that river would be increased under HB 2510 by 53.3 percent, from \$.15 per ton to \$.23 per ton, for FY 2017, and the area affected would be increased to include land within one mile of that river. After FY 2017, the fee amount would be determined by the Secretary of Revenue on July 1 of each fiscal year. Under current law, the proceeds from the sale of sand by the state are deposited into the Sand Royalty Fund with the net amount, after expenses and payments to drainage districts and counties, transferred to the SWPF. HB 2510 would transfer the net amount into the Eastern State Water Plan account of the SWPF.

In addition, HB 2510 would increase the Clean Drinking Water fee from \$.03 to \$.10, or 233.3 percent, per 1000 gallons and remove existing language allowing public water supplies to exempt themselves from paying this fee. Current law credits 5/106 of the Clean Drinking Water fee revenue to the State Highway Fund and the balance to the SWPF. In addition to other uses of this balance specified in statute, HB 2510 would require that not less than 10.0 percent be used to provide on-site technical assistance for drinking and wastewater treatment operators to support conservation district and watershed dam support programs, other recharge programs, and multi-purpose small lake partnerships.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	--	(\$9,798,703)
Expenditure	--	--	--	\$1,268,784
FTE Pos.	--	--	--	1.00

According to the Kansas Department of Revenue passage of HB 2510 would result in \$67,720 in additional revenue from sand royalty fees and \$6.9 million in Clean Drinking Water fees in FY 2017. Of the sand royalty fees collected, \$17,430 would be distributed to counties and drainage districts with the remainder credited to the SWPF. Of the Clean Drinking Water Fee revenue collected, \$325,446 would be credited to the State Highway Fund and the remainder to the SWPF. The agency estimates that costs to implement the bill would be \$4,400 to update publications and computer processing systems and to notify customers and would be paid from existing resources. The Kansas Department of Transportation agrees with the Department of Revenue estimates for increased revenue of \$325,446 to the State Highway Fund.

The Kansas Department of Wildlife, Parks and Tourism indicates that passage of HB 2510 would result in a net loss in revenue for the agency of \$18,845,374. The Department sold a combined total of 113,944 vessel registrations, waterfowl hunting permits and park permits in calendar year 2014. At \$10 per license and permit, the bill would generate \$1,139,440. To be eligible to receive federal funds generated by excise taxes, the use of revenues to the Wildlife Fee Fund and Boating Fee Fund from license fees or permits is limited by state statute and federal law. Fees collected into these funds and used for other purposes under the provisions of HB 2510 would result in a diversion of these funds from the intended use. Based on the federal apportionments for FY 2016, passage of HB 2510 would cause the agency to lose \$15,059,994

from federal Pittman-Robertson funds and \$4,924,820 from Dingell-Johnson funds. The diversion would also bring into question the agency's ability to receive other federal funds such as Coast Guard boating funds and land and water conservation funds. Any associated losses in revenue would continue until the agency stopped the diversion and repaid the diverted funds. The agency notes that many of its registrations and permits cost less than \$10 and the required increase would likely decrease participation in purchases and activities. The agency is unable to estimate the amount of that decrease, however.

The Kansas Water Office indicates that passage of HB 2510 would increase revenue to the SWPF by \$7,230,633, with \$227,888 from the KDWPT Recreation Water Protection fees, \$370,705 from agricultural chemical registration fees, \$7,736 from the KDHE Water Pollution Control Permit System fees related to licensing of confined animal feeding operations, \$50,290 from the Sand Royalty Fund, and \$6,574,014 from the Clean Drinking Water fees. Of the increased revenue, \$204,766 would be credited to the Eastern State Water Plan account of the SWPF and \$154,476 would be credited to the Western State Water Plan account of the SWPF. Estimated net revenue to the Water Depletion Fund, after the 20.0 percent transfer to the SWPF, would be \$1,189,509, which would be paid to counties that have experienced water depletion. The agency states that it would need to add 1.00 FTE position to determine the counties' water depletion credit at a cost \$74,875 from agency fee funds. Of that amount, \$1,175 would be a one-time expenditure for a computer and phone.

According to the Kansas Department of Health and Environment, passage of HB 2510 would result in a reduction in annual revenue of \$8,424. This reduction results from the net effect of the transfer to the Water Depletion Fund of 25.0 percent of all Water Pollution Control Permit System fees related to licensing of confined animal feeding operations, rather than only the fees increased by the bill. The Kansas Department of Agriculture reports that passage of HB 2510 would increase revenues from agricultural chemical registrations by \$309,075 based on 12,363 registered products and an increase of \$25 in the agency's share of the fee. Passage of the bill would result in Kansas counties and drainage districts receiving approximately \$1.2 million in the first full year of implementation. Any fiscal effect associated with HB 2510 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Katie Mitchell, Water Office
Justin Law, Agriculture
Aaron Dunkel, Health & Environment
Chris Tymeson, Wildlife, Parks & Tourism
Jack Smith, Department of Revenue