

STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 14, 2018

The Honorable Tom Sloan, Chairperson
House Committee on Water and Environment
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Sloan:

SUBJECT: Fiscal Note for HB 2641 by House Committee on Water and Environment

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2641 is respectfully submitted to your committee.

HB 2641 would establish a statewide Class II injection disposal limit of 8,000 barrels of fluid per well per day and would institute a quarterly injection reporting requirement. The bill would define a "Class II injection disposal well" and "induced seismicity."

According to the Kansas Corporation Commission (KCC), wells producing oil and natural gas in Kansas also produce water that must be disposed of if it is not being reinjected for pressure maintenance. Limiting the amount of fluid that could be disposed of on a daily basis would result in the scaling back of production, which in turn would reduce the revenue generated for the Conservation Fee Fund as the majority of revenue to that fund is derived from an assessment on the volume of production. The agency is not able to estimate the amount of the reduction.

To process and track the required quarterly injection reports, the agency indicates that it would need to hire 1.00 FTE Research Analyst I position at a cost of \$39,680 annually. Expenditures for rent, information technology services, and associated costs for the new employee would be approximately \$4,358 annually. Based on the range for the last two times the injection report was updated as part of the memorandum of understanding between KCC and the Kansas Geological Society, a programming update to the online filing system would result in a one-time cost ranging between \$6,000 and \$10,000. Any fiscal effect associated with HB 2641 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. Campbell".

Larry L. Campbell
Chief Budget Officer

cc: Jake Fisher, KCC