

January 20, 2017

REVISED

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

Dear Representative Sloan:

SUBJECT: Revised Fiscal Note for HB 2032 by House Committee on Water and Environment

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2032 is respectfully submitted to your committee.

Current law establishes a cap on fees collected by the Kansas Department of Agriculture for inspection of commercial fertilizers and registration of agricultural chemicals sold, offered or exposed for sale or distributed in Kansas. A portion of these fee receipts is deposited in the State Water Plan Fund. HB 2032 would amend existing law to increase the cap on the fee charged for commercial fertilizer inspection from \$1.67 to \$2.37 per ton. The amount then credited to the State Water Plan Fund would be increased from \$1.40 to \$2.10 per ton. The cap on the annual fee for each registered agricultural chemical would be increased from \$150 to \$200. The amount then credited to the State Water Plan Fund would be increased from \$100 to \$150 per year.

Currently, a water protection fee is imposed for water sold at retail by a public water supply system, as well as water appropriated for industrial use or stockwatering through a Kansas Water Appropriation Act permit. HB 2032 would increase the fee for water sold by a public water supply system from \$.03 per 1,000 gallons to \$.06 per 1,000 gallons. The fee for water appropriated for industrial use or stockwatering would increase from \$.03 per 1,000 gallons to \$.045 per 1,000 gallons. In the fiscal effect statement originally issued, the increase was incorrectly stated at \$.45 per 1,000 gallons.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	\$6,362,604	--	\$6,362,604
Expenditure	\$5,059	\$5,059	\$5,059	\$5,059
FTE Pos.	--	--	--	--

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According to the Kansas Water Office (KWO), passage of HB 2032 would increase receipts to the State Water Plan Fund by approximately \$6,362,604, annually. The Office does not indicate that passage of the bill would have a direct effect on the agency budget. Because the increases to fees charged for fertilizer inspection and agricultural chemicals would be passed directly to the State Water Plan Fund, the Kansas Department of Agriculture (KDA) indicates that passage of the bill would have no effect on its budget. The Kansas Department of Health and Environment (KDHE) also states that its budget would not be affected by passage of HB 2032.

Increases to receipts into the State Water Plan Fund would, however, cause changes to the amounts available to be appropriated from the State Water Plan Fund for water projects conducted by the KDA, KDHE, and KWO although it is not possible to estimate what those changes would amount to for the individual agencies. Passage of the bill also would affect public water supply systems which would experience increased costs for the water protection fee.

According to the Kansas Department of Revenue, passage of HB 2032 would result in additional administrative costs for the agency of \$5,059 to be paid for from the State General Fund. Of this amount \$2,400 would be for 80 hours of developer time to implement code changes and test programming, \$525 would be to change the WP-1 return so that it would print the correct rates, and three publications would need to be changed at a total cost of \$1,800. In addition, notices would need to be mailed to 822 customers at a cost of \$334. The annual stock/industrial billing letter would need to be changed, as would the legacy system for both retail and annual water. Current receipts for Water Protection Fees amount to about \$4.4 million. The agency estimates that those receipts would increase by \$3.7 million annually. Any fiscal effect associated with HB 2032 is not reflected in *The FY 2018 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: Justin Law, Agriculture
Ginger Harper, Water Office
Dan Thimmesch, Health & Environment