

STATE OF KANSAS

DIVISION OF THE BUDGET
LONDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612



PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov
<http://budget.kansas.gov>

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

April 19, 2018

The Honorable Joe Seiwert, Chairperson
House Committee on Energy, Utilities and Telecommunications
Statehouse, Room 481-W
Topeka, Kansas 66612

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2672 by Representative Lusk, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2672 is respectfully submitted to your committee.

To protect Kansans from induced seismic activity caused by injections of large volumes of saltwater or other waste fluids from oil and gas operations, HB 2672 would prohibit an operator of a Class II injection disposal well from injecting more than 8,000 barrels of saltwater or other waste fluid per day into a well. The bill would also prohibit a Class II injection disposal well from being drilled within ten miles of any known or suspected fault line. To protect Kansans from increased risks of groundwater contamination from the operation of these wells, the applicant would be required to conduct groundwater testing within a one-mile radius of the well location prior to drilling the well, in each year during operation of the well, and in each year for no less than five years after the well has been abandoned. In addition, the bill would establish requirements for testing and reporting with regard to these wells. The Kansas Corporation Commission (KCC) would be required to make information specified by the bill on Class II injection wells available on its website.

Prior to the drilling of any Class II injection disposal well, operators would be required to file an application of intent. The KCC would then notify all affected landowners, as well as the governing body of any county, city or township within 15 miles of the proposed well, and hold a public hearing. Operators of the wells would be required to pay an application fee of no less than \$1,000, and upon meeting the conditions stated in the bill, the application to drill could be approved. In addition, a fee of \$.01 per 100 barrels would be charged for total saltwater or other waste fluid injected in each well during a reporting period. All monies received from these fees would be credited to the Injection Well Induced Seismicity Fund created by the bill. Expenditures from this fund would be limited to reimbursing Kansas citizens who suffer damages from induced seismicity events; providing funding for the KCC to administer, monitor, and enforce the

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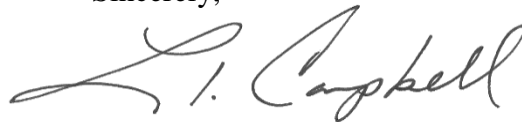
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administrative provisions relating to Class II injection disposal wells; and providing operation monies for the Citizens' Injection Well Board, created by the bill. The Board would consist of five members appointed by the Governor, with one member from each Congressional District and the remainder from the state at large. The purpose of the Board would be to protect the interests of Kansas citizens, businesses, counties, cities and townships in any proceedings before the KCC concerning Class II injection disposal wells.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	\$232,000
Expenditure	--	--	--	\$145,880
FTE Pos.	--	--	--	3.00

According to the KCC, enactment of HB 2672 would result in additional expenditures of approximately \$135,680 from the Public Service Regulation Fund. The agency indicates that it would need to add 3.00 FTE positions: one to monitor and administer the fund and claims, one to receive and manage the increase in filings in the Conservation Division, and one to convert the paper forms to digital and upload them to the website. Combined salaries and wages and one-time setup costs for these positions would be \$145,880. Ongoing costs would amount to \$135,680 annually. Revenue received under the provisions of the bill would be approximately \$232,000 annually, based on application fees of \$1,000 per well and an average of 232 disposal wells per year. Any fiscal effect associated with HB 2672 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Jake Fisher, KCC
Dan Thimmesch, Health & Environment