

SESSION OF 2005

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2017

As Amended by House Committee on
Environment

Brief*

HB 2017 would reallocate the clean drinking water fee imposed by KSA 2004 Supp 82a-2101. Under current law, 5/106 of the fee goes to the State Highway Fund and the remainder goes to the State General Fund. On and after July 1, 2006, 5/106 would continue to go to the State Highway Fund and the remainder would go to the State Water Plan Fund.

Of the amount going to the State Water Plan Fund, 15 percent would be used to provide on-site technical assistance for public water supply systems to aid these systems in conforming to responsible management practices and complying with regulations from the U.S. Environmental Protection Agency and rules and regulations of the Kansas Department of Health and Environment. The remainder would be used to renovate and protect lakes which are used directly as a source of water for public water supply systems, so long as where appropriate, watershed restoration and protection practices are in place. The State Conservation Commission, in coordination with the Kansas Water Office, would promulgate rules and regulations establishing the project application criteria for the moneys used for renovations and protections of public water supply lakes.

Background

This bill was introduced by Representative Sloan. At the hearing on the bill, Representative Sloan appeared before the Committee and indicated that until a few years ago, drinking water systems were required to pay sales tax on all purchases while wastewater systems

*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>

were exempt from the tax. He indicated that this caused problems for communities which provided both drinking water and wastewater services. He noted that the Legislature recognized this problem and authorized drinking water systems the option of paying an in lieu of tax payment called the "clean drinking water fee." He stated that this made the accounting process for drinking water systems much easier. Further, Representative Sloan stated that the bill attempts to help small water systems meet water treatment requirements and to help preserve and restore drinking water storage availability in water structures.

There were a number of conferees who supported the bill, including representatives of the Kansas Biological Survey, the Kansas Rural Water Association, the City of Olathe, and the State Conservation Commission. Also appearing in support of the bill was the Mayor of the City of Horton. Written testimony in support of the bill was received from the City of Holton and from the Kansas Lower Republican River Basin Advisory Committee. The Director of the Kansas Water Office appeared, giving comments and expressing general support for the concepts of the bill.

The House Committee on Environment amended the bill to begin the reallocation of the money received through the clean drinking water fee on July 1, 2006 rather than on January 1, 2006 so that it would begin at the start of a state fiscal year. The Committee also clarified that language regarding the use of the money for renovation and restoration of lakes so that it would be used only directly for the purposes intended and appropriate and where watershed restoration and protection practices are planned or in place. Further, the Committee amended the bill so that the State Conservation Commission, in coordination with the Kansas Water Office, would be required to promulgate rules and regulations which would establish the project application evaluation criteria for the use of money for lake renovation or protection.

The fiscal note on the bill as introduced states that in FY 2004, the clean drinking water fee generated \$2,594,571 for the State General fund and \$139,434 for the State Highway Fund, and it is estimated that receipts for FY 2005 should be the same. The fiscal note indicates that the bill, in its original form, would reduce State General Fund revenue by \$1,297,285 and State Highway Fund revenue by \$69,717 in FY 2006 because the bill would go into effect on January 1, halfway through FY 2006. The same amount would be deposited in the State Water Plan

Fund instead. The note further states that for FY 2007 and beyond, the passage of the bill would reduce State General Fund revenue by \$2.6 million and State Highway Fund revenue by \$139,434 each year, while increasing revenue to the State Water Plan Fund by \$3,094,005. According to the fiscal note, the Kansas Water Office would be able to manage the administrative changes required by the bill within existing resources. Any fiscal effect resulting from enactment of HB 2017 is not accounted for in *The FY 2006 Governor's Budget Report*.