

March 3, 2008

The Honorable John Faber, Chairperson
House Committee on Agriculture and Natural Resources
Statehouse, Room 161-W
Topeka, Kansas 66612

Dear Representative Faber:

SUBJECT: Fiscal Note for HB 2658 by House Committee on Agriculture and Natural Resources

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2658 is respectfully submitted to your committee.

HB 2658 would create the Reservoir Sustainability Fee Fund and impose fees that would be deposited in the fund. Revenue from the fund would be credited to the State Water Plan Fund and established as an account in the Kansas Water Office (KWO). Monies credited to the fund would be used for the following purposes:

1. Establish a program to eliminate releases of water from Kansas reservoirs by the United States Army Corp of Engineers;
2. Monitor water storage capacity and water quality in state reservoirs;
3. Ensure the sustainability of each reservoir's operational capacity by controlling and managing sediment deposits that adversely affect water storage capacity, drinking water quality, and recreational opportunities; and
4. Encourage participation in upstream conservation and water management programs.

The bill would require that the KWO prepare an annual report to the Governor and the Legislature that includes the effect of the state's reservoirs on: the suitability of drinking water supplies and the status of ground water supplies. Listed below are the revenue sources for the Reservoir Sustainability Fee Fund:

1. \$0.05 per 1,000 gallons of water sold at retail by a public water supply system and delivered through mains, lines, or pipes;
2. \$0.05 per 1,000 gallons of water appropriated for industrial use through a permit;
3. \$5 surcharge for annual boat licenses; \$2 surcharge on state park permits; and, \$0.50 surcharge on daily state park permits;
4. \$0.20 per \$1,000 surcharge for flood insurance premiums; and
5. \$12 per acre foot of water used by a holder of water rights in water in a reservoir managed by the U.S. Corp of Engineers or the U.S. Bureau of Reclamation or by a holder of water rights water downstream from a state reservoir.

The Department of Revenue would administer, enforce, and collect the fees. The bill would require a three-year moratorium on increases for any of the fees listed in the bill as the revenue source for the Reservoir Sustainability Fee Fund. After three years, the Director of the KWO could change the fee schedule based on projected costs of upcoming projects. The KWO Director must consult with the Insurance Commissioner and the Secretary of Wildlife and Parks prior to increasing state park or flood insurance surcharges.

Estimated State Fiscal Effect				
	FY 2008 SGF	FY 2008 All Funds	FY 2009 SGF	FY 2009 All Funds
Revenue	--	--	--	\$17,443,509
Expenditure	--	--	\$287,923	\$319,166
FTE Pos.	--	--	--	4.00

Passage of the bill would increase administrative expenditures from the State General Fund for the KWO by \$207,405 in FY 2009. The increase includes 3.00 technical and administrative FTE positions at \$170,565 and \$36,840 in operating expenses related to the new positions. The Department of Wildlife and Parks (KDWP) would need an additional \$31,243 from the Park Fee Fund to re-program the Kansas Outdoor Automated Licensing System with the surcharge changes in the bill. The bill would increase administrative expenses from the State General Fund for the Department of Revenue by \$80,518 in FY 2009 and by \$44,000 in subsequent years. The Department would need to hire 1.00 new FTE position at \$44,000 to administer the billing, enforcement, and collection functions of the bill and there would be one-time costs of \$36,518 in FY 2009 for forms, mailing notices, and computer system changes. The Kansas Water Office and the Kansas Department of Revenue estimate the following revenue to the fund:

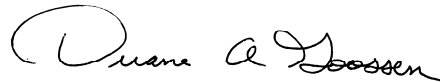
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Water sold at retail	\$ 6,368,798
Water appropriated for industrial use	2,248,324
Boat licenses and state park permits	364,012
Water used from water rights in reservoirs—KDWP	3,255,378
Water used from water rights in reservoirs—KWO	4,892,328
Insurance surcharges	<u>314,669</u>
Total	\$17,443,509

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Stacey Woolington, Department of Agriculture
Joe Fund, Water Office
Dick Koerth, Wildlife & Parks
John Campbell, Insurance
Steve Neske, Department of Revenue
Mark Heim, Conservation Commission