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MEMORANDUM

To: Senate Committee on Agriculture and Natural Resources
From: Office of Revisor of Statutes
Date: March 15, 2023
Subject: Bill Brief – HB 2302

House Bill 2302, as amended by the House Committee on Water, modifies the distribution of money to the State Water Plan Fund (SWPF), creates the Water Technical Assistance Fund and the Water Projects Grant Fund and distributes a portion of sales tax revenue to the State Water Plan Fund.

Beginning with Sections 4 and 5, HB 2302 distributes a portion of revenue from the sales and compensating use tax. Those sections provide that on July 1, 2023, and each July 1 prior to July 1, 2028, 1.231% of the revenue generated from the sales and compensating use tax shall be deposited into the SWPF.

Returning to Section 1, this section provides that beginning on July 1, 2023, statutory transfers to the SWPF that are required by K.S.A. 79-4804 and 82a-953a, will not be made until July 1, 2028, if the full amount of sales tax revenue authorized for distribution pursuant to Sections 4 and 5 is transferred to the SWPF. Section 1 goes on to provide certain transfers from the SWPF into the newly created Water Technical Assistance Fund and the Water Projects Grant Fund. Beginning on July 1, 2023, through July 1, 2028, \$5,000,000 will be transferred from the SWPF to the Water Technical Assistance Fund, and \$15,000,000 will be transferred from the SWPF to the Water Projects Grant Fund. Additionally, in fiscal years 2024, 2025 and 2026, at least \$15,000,000 from the SWPF shall be used to retire debt associated with Milford and Perry Lake reservoirs. Section 1 also directs the Kansas Water Authority to recommend appropriations of up to 10% of the unencumbered balance of the SWPF to be used to supplement salaries for existing employees and for new employees to help implement the State Water Plan. Additionally, if at least two conservation districts present a joint proposal to the Kansas Water Authority for a position to provide shared services to the districts in the proposal, the Kansas Water Authority can recommend funding for that position. Annual reporting requirements applicable to the SWPF will be applicable to the two new funds. Finally, all of Section 1, including the new transfers and new funds will sunset on July 1, 2028, and any remaining money and liabilities in

those new funds will be transferred back to the SWPF. The House Committee on Water inserted language into Section 1 for the Kansas Water Authority to encourage funding requests from state and local entities that work with nonprofit entities on water quality and quantity projects.

Section 2 establishes the Water Technical Assistance Fund. The fund will be administered by the Kansas Water Office to provide grants to municipalities for the planning, engineering, managing and other technical assistance that may be necessary in the development of plans for water infrastructure projects or for processing the grant and loan applications for such water infrastructure projects. Any municipality or special district related to water may apply for a grant. Full grants will be prioritized for municipalities with fewer than 2,000 residents. The Kansas Water Office is authorized to adopt rules and regulations to establish criteria for the grants. Such criteria shall be based on factors applicable to municipalities with different populations such as ability to repay any loans without grant assistance, public health and socio-economic factors and factors applicable to special districts like watershed districts or conservation districts. No single grant can exceed \$1,000,000 unless specified by an appropriation act of the Legislature. If the Water Technical Assistance Fund balance ever exceeds \$15,000,000 then the excess money can be used for other SWPF purposes. The House Committee on Water inserted language to clarify that any special district related to water may apply for grant funds.

Section 3 establishes the Water Projects Grant Fund. The fund will be administered by the Kansas Water Office. The fund will provide full or partial funding in the form of grants to any municipality or special district for the construction, repair, maintenance or replacement of water-related infrastructures and related construction costs, matching moneys for grant or loan applications for water-related infrastructure projects and grants that may be applied to any outstanding loan balances from the Public Water Supply Loan Fund or the Kansas Pollution Control Revolving Fund. The Kansas Water Office is authorized to adopt rules and regulations to establish criteria for grants from the fund. The criteria will be based on factors such as whether the planned construction on the project is complete and requiring that a municipality or special district has made at least five years of payments on loans for a project. Additionally, criteria will be established for awarding grants that provide repayment to municipalities on a sliding scale from 90% to 25% of the remaining loan balance on a project depending on the population of the municipality. No single grant can exceed \$8,000,000 unless specified by an appropriation act of the Legislature. If the Water Projects Grant Fund balance ever exceeds \$45,000,000 then the excess money can be used for other SWPF purposes. The House Committee on Water inserted language to direct KDHE and the Kansas Water Office to share applicant information for loans from the Public Water Supply Loan Fund or the Kansas Pollution Control Revolving Fund and consider grant approval for eligibility for loans from the funds.

HB 2302 passed in the House 119-3.