HOUSE BILL No. 2302

By Committee on Water

2-6

AN ACT concerning water; relating to funding for the state water plan and water infrastructure projects; creating the water technical assistance fund and water projects grant fund; authorizing the Kansas water office to provide grants from such funds and adopt rules and regulations to establish the criteria for grants from such funds; distributing a portion of the revenue from the sales and compensating use tax to the state water plan fund; amending K.S.A. 82a-951 and K.S.A. 2022 Supp. 79-3620, 79-3710, 79-4804 and 82a-953a and repealing the existing sections

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Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) On July 1, 2023, and each July 1 thereafter through July 1, 2028, no transfers to the state water plan fund pursuant to K.S.A. 79-4804 and 82a-953a, and amendments thereto, shall be made if the full amount of sales tax revenue authorized for distribution by K.S.A. 79-3620 and 79-3710, and amendments thereto, is transferred to the state water plan fund.

- (b) (1) The state water plan fund shall continue to be appropriated and expended for the purposes prescribed in K.S.A. 82a-951, and amendments thereto, except that:
- (A) On July 1, 2023, and each July 1 thereafter through July 1, 2028, or as soon thereafter on such dates as moneys are available:
- (i) \$5,000,000 shall be transferred from the state water plan fund to the water technical assistance fund established in section 2, and amendments thereto; and
- (ii) \$15,000,000 shall be transferred from the state water plan fund to the water projects grant fund established in section 3, and amendments thereto; and
- (B) for the fiscal years ending June 30, 2024, June 30, 2025, and June 30, 2026, an amount not less than \$15,000,000 from the state water plan fund shall be applied toward the retirement of any water supply storage debt for Milford and Perry Lake reservoirs until such debt is retired.
- (2) The appropriation acts required by paragraph (1) shall only be made if the full amount of sales tax revenue authorized for distribution by K.S.A. 79-3620 and 79-3710, and amendments thereto, is transferred to the state water plan fund.

(3) The provisions of this section shall expire on July 1, 2028. On July 1, 2028, the director of accounts and reports shall transfer all moneys in the water technical assistance fund and the water projects grant fund to the state water plan fund and all liabilities of the water technical assistance fund and the water projects grant fund shall be imposed upon the state water plan fund. On July 1, 2028, the water technical assistance fund and the water projects grant fund shall be abolished.

- (c) (1) (A) Notwithstanding any restrictions in K.S.A. 82a-951, and amendments thereto, the Kansas water authority may recommend to the legislature the appropriation of up to 10% of the unencumbered balance of the state water plan fund to be used to supplement salaries of existing state agency full-time equivalent employees and for funding new full-time equivalent positions created to implement the state water plan. Moneys from such appropriation may be used to supplement existing positions, but such moneys shall not be used to replace state general fund moneys, any fee fund moneys or other funding for positions existing on July 1, 2023.
- (B) Eligible full-time equivalent positions that moneys may be used for pursuant to this paragraph include engineers, geologists, hydrologists, environmental scientists, attorneys, resource planners, grant specialists and any other similar positions.
- (2) If at least two conservation districts present a joint proposal to the Kansas water authority for a position or positions to provide shared services to all districts involved in such proposal, the Kansas water authority may recommend that moneys be used to supplement the salary or salaries of such position or positions pursuant to paragraph (1).
- (d) All reporting requirements established in K.S.A. 82a-951, and amendments thereto, shall continue and such reporting requirements shall apply to the water technical assistance fund established in section 2, and amendments thereto, and the water projects grant fund established in section 3, and amendments thereto.
- New Sec. 2. (a) (1) There is hereby established in the state treasury the water technical assistance fund. The fund shall be administered by the Kansas water office. Expenditures from such fund shall be used for the purposes described in subsection (b). All expenditures shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by director of the Kansas water office, or such director's designee.
- (2) Whenever the unencumbered balance of the water technical assistance fund exceeds \$15,000,000, such excess moneys may be recommended for appropriation by the Kansas water authority for the same purposes as any other moneys in the state water plan fund are appropriated.
 - (b) (1) The water technical assistance fund shall be used by the

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Kansas water office to provide grants to municipalities for 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. The Kansas water office may offer services directly, provide funding to other organizations to provide such services at no cost to a municipality or may provide grants directly to applicants to cover expenses related to the hiring of such technical assistance.

- (2) Any municipality, watershed district or conservation district organized under the laws of the state of Kansas may apply for a grant, and the Kansas water office is authorized to award full or partial grants to such applicants. Municipalities with fewer than 2,000 residents shall be prioritized for the awarding of full grants. Watershed districts and conservation districts shall not be prioritized for the awarding of full grants for the purposes of this section.
- (c) The Kansas water office shall adopt rules and regulations to establish any necessary criteria for administering the water technical assistance fund and awarding grants for technical assistance. Such criteria shall include, but not be limited to, factors applicable to:
- (1) Municipalities with greater than 2,000 residents. Such factors may include, but not be limited to, public health, socio-economic factors and the ability for a municipality to repay any loans without grant assistance; and
- (2) special districts such as watershed districts, conservation districts, groundwater management districts, rural water districts and any other similar districts formed for a special or single purpose related to water.
- (d) No single grant awarded for technical assistance pursuant to this section shall exceed \$1,000,000 unless specified by any appropriation act of the Kansas legislature.
- New Sec. 3. (a) (1) There is hereby established in the state treasury the water projects grant fund. The fund shall be administered by the Kansas water office. Expenditures from such fund shall be used for the purposes described in subsection (b). All expenditures shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the director of the Kansas water office, or such director's designee.
- (2) Whenever the unencumbered balance of the water projects grant fund exceeds \$45,000,000, such excess moneys may be recommended for appropriation by the Kansas water authority for the same purposes as any other moneys in the state water plan fund are appropriated.
- (b) The Kansas water office may provide full or partial funding in the form of grants to any municipality or special district established pursuant to the laws of the state of Kansas for the following:

(1) Construction, repair, maintenance or replacement of water-related infrastructures and any related construction costs;

- (2) matching moneys for grant or loan applications for water-related infrastructure projects; and
- (3) grants that may be applied to an outstanding loan balance from the public water supply loan fund established in K.S.A. 65-163e, and amendments thereto, or the Kansas pollution control revolving fund established in K.S.A. 65-3322, and amendments thereto, subject to the provisions of subsection (c).
- (c) The Kansas water office shall adopt rules and regulations to establish any necessary criteria for grants that may be applied to projects with outstanding loan balances from the public water supply loan fund established in K.S.A. 65-163e, and amendments thereto, or the Kansas pollution control revolving fund established in K.S.A. 65-3322, and amendments thereto. Such criteria shall be based on the following factors:
- (1) The planned construction on the project with the outstanding loan balance is complete;
- (2) the municipality or special district has made at least five years of payments on such project loans;
 - (3) awarding grants that provide repayment of up to:
- (A) 90% of any remaining project loan balance for cities with fewer than 2,000 residents;
 - (B) 75% of any remaining project loan balance for cities with fewer than 5,000 residents;
 - (C) 50% of any remaining project loan balance for cities with fewer than 10,000 residents; and
 - (D) 25% of any remaining project loan balance for all other cities in Kansas; and
 - (4) any other relevant criteria including, but not limited to, the socioeconomic status of the residents of any municipality, public health and the ability of any municipality to repay a loan without further assistance.
 - (d) No single grant awarded for a project pursuant to this section shall be greater than \$8,000,000 unless specified by any appropriation act of the Kansas legislature.
 - Sec. 4. K.S.A. 2022 Supp. 79-3620 is hereby amended to read as follows: 79-3620. (a) All revenue collected or received by the director of taxation from the taxes imposed by this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts withheld as provided in subsection (b) and amounts credited as provided in subsections (c), (d) and (e), to the credit of the state general fund.
 - (b) A refund fund, designated as "sales tax refund fund" not to exceed

\$100,000 shall be set apart and maintained by the director from sales tax collections and estimated tax collections and held by the state treasurer for prompt payment of all sales tax refunds. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act. In the event such fund as established by this section is, at any time, insufficient to provide for the payment of refunds due claimants thereof, the director shall certify the amount of additional funds required to the director of accounts and reports who shall promptly transfer the required amount from the state general fund to the sales tax refund fund, and notify the state treasurer, who shall make proper entry in the records.

- (c) (1) On January 1, 2023, the state treasurer shall credit 17% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rates provided in K.S.A. 79-3603, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
- (2) On January 1, 2025, and thereafter, the state treasurer shall credit 18% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rates provided in K.S.A. 79-3603, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
- (3) On and after July 1, 2023, and prior to July 1, 2028, the state treasurer shall credit 1.231% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rates provided in K.S.A. 79-3603, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state water plan fund.
- (d) The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, as certified by the director, from taxpayers doing business within that portion of a STAR bond project district occupied by a STAR bond project or taxpayers doing business with such entity financed by a STAR bond project as defined in K.S.A. 12-17,162, and amendments thereto, that was determined by the secretary of commerce to be of statewide as well as local importance or will create a major tourism area for the state or the project was designated as a STAR bond project as defined in K.S.A. 12-17,162, and amendments thereto, to the city bond finance fund, which fund is hereby created. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under K.S.A. 79-3710(d), and

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amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such STAR bond project.

- 4 (e) All revenue certified by the director of taxation as having been 5 collected or received from the tax imposed by K.S.A. 79-3603(c), and 6 amendments thereto, on the sale or furnishing of gas, water, electricity and 7 heat for use or consumption within the intermodal facility district 8 described in this subsection, shall be credited by the state treasurer to the 9 state highway fund. Such revenue may be transferred by the secretary of 10 transportation to the rail service improvement fund pursuant to law. The provisions of this subsection shall take effect upon certification by the 11 12 secretary of transportation that a notice to proceed has been received for 13 the construction of the improvements within the intermodal facility 14 district, but not later than December 31, 2010, and shall expire when the 15 secretary of revenue determines that the total of all amounts credited 16 hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is 17 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all 18 revenues shall be collected and distributed in accordance with applicable 19 law. For all tax reporting periods during which the provisions of this 20 subsection are in effect, none of the exemptions contained in K.S.A. 79-21 3601 et seq., and amendments thereto, shall apply to the sale or furnishing 22 of any gas, water, electricity and heat for use or consumption within the 23 intermodal facility district. As used in this subsection, "intermodal facility 24 district" shall consist of an intermodal transportation area as defined by 25 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county 26 within the polygonal-shaped area having Waverly Road as the eastern 27 boundary, 191st Street as the southern boundary, Four Corners Road as the 28 western boundary, and Highway 56 as the northern boundary, and the 29 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd 30 Street as the southern boundary, Waverly Road as the western boundary, 31 and the BNSF mainline track as the northern boundary, that includes capital investment in an amount exceeding \$150 million for the 32 33 construction of an intermodal facility to handle the transfer, storage and 34 distribution of freight through railway and trucking operations. 35
 - Sec. 5. K.S.A. 2022 Supp. 79-3710 is hereby amended to read as follows: 79-3710. (a) All revenue collected or received by the director under the provisions of this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts set apart as provided in subsection (b) and amounts credited as provided in subsection (c), (d) and (e), to the credit of the state general fund.
 - (b) A revolving fund, designated as "compensating tax refund fund"

not to exceed \$10,000 shall be set apart and maintained by the director from compensating tax collections and estimated tax collections and held by the state treasurer for prompt payment of all compensating tax refunds. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act.

- (c) (1) On January 1, 2023, the state treasurer shall credit 17% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rates provided in K.S.A. 79-3703, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
- (2) On January 1, 2025, and thereafter, the state treasurer shall credit 18% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rates provided in K.S.A. 79-3703, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
- (3) On and after July 1, 2023, and prior to July 1, 2028, the state treasurer shall credit 1.231% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rates provided in K.S.A. 79-3703, and amendments thereto, and K.S.A. 2022 Supp. 79-3603d, and amendments thereto, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state water plan fund.
- (d) The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, as certified by the director, from taxpayers doing business within that portion of a redevelopment district occupied by a redevelopment project that was determined by the secretary of commerce to be of statewide as well as local importance or will create a major tourism area for the state as defined in K.S.A. 12-1770a, and amendments thereto, to the city bond finance fund created by K.S.A. 79-3620(d), and amendments thereto. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under K.S.A. 79-3620(d), and amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such redevelopment project.

This subsection shall not apply to a project designated as a special bond project as defined in K.S.A. 12-1770a(z), and amendments thereto.

(e) All revenue certified by the director of taxation as having been collected or received from the tax imposed by K.S.A. 79-3603(c), and amendments thereto, on the sale or furnishing of gas, water, electricity and

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1 heat for use or consumption within the intermodal facility district 2 described in this subsection, shall be credited by the state treasurer to the 3 state highway fund. Such revenue may be transferred by the secretary of 4 transportation to the rail service improvement fund pursuant to law. The 5 provisions of this subsection shall take effect upon certification by the 6 secretary of transportation that a notice to proceed has been received for 7 the construction of the improvements within the intermodal facility 8 district, but not later than December 31, 2010, and shall expire when the 9 secretary of revenue determines that the total of all amounts credited hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is 10 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all 11 12 revenues shall be collected and distributed in accordance with applicable 13 law. For all tax reporting periods during which the provisions of this 14 subsection are in effect, none of the exemptions contained in K.S.A. 79-15 3601 et seq., and amendments thereto, shall apply to the sale or furnishing 16 of any gas, water, electricity and heat for use or consumption within the 17 intermodal facility district. As used in this subsection, "intermodal facility 18 district" shall consist of an intermodal transportation area as defined by 19 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county 20 within the polygonal-shaped area having Waverly Road as the eastern 21 boundary, 191st Street as the southern boundary, Four Corners Road as the 22 western boundary, and Highway 56 as the northern boundary, and the 23 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd 24 Street as the southern boundary, Waverly Road as the western boundary, 25 and the BNSF mainline track as the northern boundary, that includes capital investment in an amount exceeding \$150 million for the 26 27 construction of an intermodal facility to handle the transfer, storage and 28 distribution of freight through railway and trucking operations. 29

Sec. 6. K.S.A. 2022 Supp. 79-4804 is hereby amended to read as follows: 79-4804. (a) After the transfer of moneys pursuant to K.S.A. 79-4806, and amendments thereto, an amount equal to 85% of the balance of all moneys credited to the state gaming revenues fund shall be transferred and credited to the state economic development initiatives fund. Expenditures from the state economic development initiatives fund shall be made in accordance with appropriations acts for the financing of such programs supporting and enhancing the existing economic foundation of the state and fostering growth through the expansion of current, and the establishment and attraction of new, commercial and industrial enterprises as provided by this section and as may be authorized by law and not less than ½ of such money shall be distributed equally among the congressional districts of the state. Except as provided by subsection (g), all moneys credited to the state economic development initiatives fund shall be credited within the fund, as provided by law, to an account or

 accounts of the fund, which are created by this section or for state fiscal years 2022, 2023 and 2024, to an account or accounts of the fund created by appropriation acts.

- (b) There is hereby created the Kansas capital formation account in the state economic development initiatives fund. All moneys credited to the Kansas capital formation account shall be used to provide, encourage and implement capital development and formation in Kansas.
- (c) There is hereby created the Kansas economic development research and development account in the state economic development initiatives fund. All moneys credited to the Kansas economic development research and development account shall be used to promote, encourage and implement research and development programs and activities in Kansas and technical assistance funded through state educational institutions under the supervision and control of the state board of regents or other Kansas colleges and universities.
- (d) There is hereby created the Kansas economic development endowment account in the state economic development initiatives fund. All moneys credited to the Kansas economic development endowment account shall be accumulated and invested as provided in this section to provide an ongoing source of funds, which shall be used for economic development activities in Kansas, including, but not limited to, continuing appropriations or demand transfers for programs and projects, which shall include, but are not limited to, specific community infrastructure projects in Kansas that stimulate economic growth.
- (e) Except as provided in subsection (f), the director of investments may invest and reinvest moneys credited to the state economic development initiatives fund in accordance with investment policies established by the pooled money investment board under K.S.A. 75-4232, and amendments thereto, in the pooled money investment portfolio. All moneys received as interest earned by the investment of the moneys credited to the state economic development initiatives fund shall be deposited in the state treasury and credited to the Kansas economic development endowment account of such fund.
- (f) Moneys credited to the Kansas economic development endowment account of the state economic development initiatives fund may be invested in government guaranteed loans and debentures as provided by law in addition to the investments authorized by subsection (e) or in lieu of such investments. All moneys received as interest earned by the investment under this subsection of the moneys credited to the Kansas economic development endowment account shall be deposited in the state treasury and credited to the Kansas economic development endowment account of the state economic development initiatives fund.
 - (g) Except as provided further and in section 1, and amendments

thereto, in each fiscal year, the director of accounts and reports shall make transfers in equal amounts on July 15 and January 15 that in the aggregate equal \$2,000,000 from the state economic development initiatives fund to the state water plan fund created by K.S.A. 82a-951, and amendments thereto. In state fiscal year 2022, the director of accounts and reports shall make transfers in equal amounts on July 15 and January 15 that in the aggregate equal \$1,719,264 from the state economic development-initiatives fund to the state water plan fund. No other moneys credited to the state economic development initiatives fund shall be used for: (1) Water-related projects or programs, or related technical assistance; or (2) any other projects or programs, or related technical assistance that meet one or more of the long-range goals, objectives and considerations set forth in the state water resource planning act.

- Sec. 7. K.S.A. 82a-951 is hereby amended to read as follows: 82a-951. (a) On and after July 1, 1989, there is hereby created, in the state treasury, the state water plan fund. All moneys in the state water plan fund shall be expended in accordance with appropriations acts for implementation of the state water plan formulated pursuant to K.S.A. 82a-903 et seq. and amendments thereto. Except as provided in section 1, and amendments thereto, such moneys shall be used only for the establishment and implementation of water-related projects or programs, and related technical assistance, and shall not be used for: (1) Replacing full time equivalent positions of any state agency; or (2) recreational projects which do not meet one or more of the long-range goals, objectives and considerations set forth in the state water resource planning act.
- (b) On or before December 1 of each year, the Kansas water authority shall submit to the governor and the legislature a report setting out: (1) An account of all moneys expended from the state water plan fund, the water technical assistance fund and the water projects grant fund during each such fiscal year; and (2) a five-year capital development plan for state water plan projects.
- Sec. 8. K.S.A. 2022 Supp. 82a-953a is hereby amended to read as follows: 82a-953a. *Subject to the provisions of section 1, and amendments thereto,* during each fiscal year, the director of accounts and reports shall transfer \$6,000,000 from the state general fund to the state water plan fund created by K.S.A. 82a-951, and amendments thereto, ¹/₂ of such amount to be transferred on July 15 and ¹/₂ to be transferred on January 15. During the fiscal year ending June 30, 2022, the transfer shall not exceed \$4,005,632.
- Sec. 9. K.S.A. 82a-951 and K.S.A. 2022 Supp. 79-3620, 79-3710, 79-4804 and 82a-953a are hereby repealed.
- Sec. 10. This act shall take effect and be in force from and after its publication in the statute book.