

SESSION OF 2022

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE  
BILL NO. 2686**

As Recommended by House Committee on  
Water

**Brief\***

Sub. for HB 2686 would amend the Kansas Groundwater Management District Act to require groundwater management districts (GMDs) to provide certain reports to the Legislature. The bill would also distribute a portion of retailers' sales tax and compensating use tax revenue to the State Water Plan Fund each year.

***Groundwater Management District Reporting  
(New Section 1)***

*Annual Financial and Activity Report*

The bill would require, no later than January 31 of each year, the board of each GMD (GMD board) to submit a written report to the House Committee on Water, House Committee on Agriculture, Senate Committee on Agriculture and Natural Resources, and any other appropriate or successor committees, on the finances and activities of the GMD from the most recently audited calendar year. The bill would require a GMD board representative to appear before each committee upon request.

The bill would require the report to contain a detailed financial statement and a description of activities undertaken by the GMD board. The bill would require the report to be

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\*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>

prepared according to generally accepted accounting principles and would include, at minimum, the following:

- An itemized list of all income and the source from which the income was received, including grants and interest income earned;
- An itemized list of all expenditures by the GMD board; and
- An accounting of all assets currently held by the GMD board.

The bill would require the annual report to contain a detailed statement that explains how the expenditures by the GMD board served to further the:

- Conservation of groundwater;
- Prevention of economic deterioration;
- Stabilization of agriculture; or
- Otherwise supported implementation of the GMD's management program.

The bill would suspend the authority of a GMD board to make any further expenditures for the calendar year when there is a failure to timely provide the report with the required information. The only expenditures allowed would be for costs directly related to completion of the report.

#### *One-time Report*

The bill would require, by January 15, 2023, each GMD board to submit a one-time report to the House Committee on Water, House Committee on Agriculture, Senate Committee on Agriculture and Natural Resources, and any other appropriate or successor committees, that would include:

- An itemized list of each resolution, program established, or other action by the GMD board that resulted in measurable conservation of water over the last five years and the total cost of implementation of each item listed;
- An itemized list of each resolution, program established, or other action by the GMD board that the GMD board believes may have encouraged conservation but did not result in any measurable conservation of water or an other quantifiable data over the last five years and the total costs of implementation of each item listed;
- The goals and priorities set by the GMD board for any period over the next 20 years and any actions taken by the GMD board to achieve such goals and priorities; and
- A list of areas within each district that meet the criteria set forth in the Kansas Groundwater Management District Act, and any specific actions taken to address the conditions in each area.

***Tax Revenue to State Water Plan Fund (Sections 2–3)***

The bill would amend the Kansas Retailers’ Sales Tax Act and the Kansas Compensating Tax Act.

***Retailers’ Sales Tax Revenue Deposit***

The bill would require the State Treasurer to credit 1.538 percent of revenue collected and received from the retailers’ sales tax at the rate of 6.5 percent to be deposited into the State Water Plan Fund beginning on July 1, 2022.

### *Compensating Use Tax Deposit*

The bill would require the State Treasurer to credit 1.538 percent of revenue collected and received from the compensating use tax at the rate of 6.5 percent to be deposited into the State Water Plan Fund beginning on July 1, 2022.

### *Technical Amendments*

The bill would also make technical amendments.

### **Background**

HB 2686 was introduced by the House Committee on Appropriations at the request of Representative Highland.

### ***House Committee on Water***

In the House Committee hearing, **proponent** testimony was provided by Representative Blex, three private citizens, and representatives of the City of Wichita, Climate and Energy Project, Friends of the Kaw, Kansas Municipal Utilities, Kansas Sierra Club, Regional Economic Area Partnership, and WaterOne. Generally, the proponents stated that water issues in the state need more attention and funding and should be elevated to a cabinet-level agency.

Written-only proponent testimony was provided by three private citizens and representatives of the City of Hutchinson, Heartland Conservation Alliance, Kansas Farm Union, and The Nature Conservancy.

**Opponent** testimony was provided by one private citizen and representatives of the Kansas Association for Conservation Districts, Kansas Corn Growers Association, Kansas Farm Bureau, Kansas Livestock Association, Kansas Water Congress, GMD No. 2, GMD No. 3, GMD No. 4, GMD

No. 5, and WaterPACK. Generally, the opponents stated that water should continue to be controlled at the local level with no additional fees or increases.

Written-only opponent testimony was submitted by three private citizens and representatives of the Kansas Agriculture Alliance and Southwest Kansas Irrigation Association.

Neutral testimony was presented by representatives of the City of Garden City, Kansas Biological Survey, and Kansas Society of Professional Engineers.

No other testimony was provided.

The House Committee deleted the contents of the bill, added provisions that would require certain reports from each GMD board and direct certain tax revenues to the State Water Plan Fund, and recommended a substitute bill be passed.

### **Fiscal Information**

The fiscal note prepared by the Division of the Budget on the bill, as introduced, no longer reflects the contents of the bill. An updated fiscal note was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

State Water Plan Fund; groundwater management districts; tax; reporting; Kansas Groundwater Management District Act; Kansas Retailers' Sales Tax Act; Kansas Compensating Tax Act; conservation