

February 7, 2017

The Honorable Tom Sloan, Chairperson
House Committee on Water and Environment
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Sloan:

SUBJECT: Fiscal Note for HB 2189 by House Committee on Water and Environment

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2189 is respectfully submitted to your committee.

HB 2189 would amend existing law concerning requirements for intent to drill applications that must be fulfilled prior to the drilling of an oil or gas well. The bill would require that the operator provide a map showing the location and relative distances to any surface structures or water wells. Operators would also be required to submit proof that they have the right to enter and extract minerals from the property. Before a well is drilled or its usage changed, the Kansas Corporation Commission would have to determine if the operator has a valid lease and examine the impact the well could have on the right to quiet enjoyment of a surface owner's property and any potential impact on the surface owner's water wells.

The Commission would be required to adopt rules and regulations for oil and gas wells within 1,000 feet of occupied buildings to protect the rights of affected persons and property associated with those buildings. Operators of wells within 1,000 feet of occupied buildings would be required to take actions to capture gas; reduce noise, light, and odors; and protect the properties from spills. The bill would also require notification to any resident or person whose place of business is within 1,000 feet of a proposed well and would require the operator to meet with any of those parties who request a meeting. The Commission would be responsible for establishing a minimum setback from occupied buildings and for establishing insurance, bonding, and indemnification requirements. The bill would prohibit the drilling of any well within 500 feet of an existing structure that required a permit from a municipal authority to build without consent of the surface owner and would establish a statewide ten-acre spacing system. Variances to the spacing could be obtained.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	\$756,507	--	\$605,875
FTE Pos.	--	8.00	--	8.00

According to the Kansas Corporation Commission, enactment of HB 2189 would result in increased expenditures to the agency of \$756,507 from agency fee funds in FY 2018 and \$605,875 in FY 2019 and out years. Currently, the approval of intent-to-drill applications is the primary duty of one staff geologist, and field inspections are necessary only when a well is located in a designated sensitive groundwater area. To fulfill the requirements of HB 2189, the agency indicates that it would need to hire at least 2.00 Geologist FTE positions, 5.00 Field Inspector FTE positions, and 1.00 Attorney FTE position. These new staff members would need office space and computers, and trucks would need to be provided to the geologists and field inspectors. The agency estimates that costs in FY 2018 would amount to \$587,635 for salaries and wages, \$18,240 for office space, \$10,632 for computers, and \$140,000 for trucks. In FY 2019, the estimated costs would be \$587,635 for salaries and wages and \$18,240 for office space. Travel, fuel, repairs and maintenance are not included in the agency's estimate of expense for either year. Because there is no fee collected for intent-to-drill applications, the agency does not expect to receive additional revenues. Any fiscal effect associated with HB 2189 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Justin Law, Agriculture
Amy Green, KCC