

MINUTES OF THE HOUSE COMMITTEE ON ENVIRONMENT.

The meeting was called to order by Chairperson Joann Freeborn at 3:30 p.m. on January 25, 2000 in Room 423-S of the Capitol.

All members were present except: Rep. Henry Helgerson - excused
 Rep. Douglas Johnston - excused

Committee staff present: Raney Gilliland, Kansas Legislative Research Department
 Mary Torrence, Revisor of Statute's Office
 Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Elmer Ronnebaum, General Manager, Kansas Rural Water Assoc., PO Box 226, Seneca, KS 66538
 David Mueller, President, KRWA Board of Directors, Kansas Rural Water Assoc., PO Box 226, Seneca, KS 66538
 Gary H. Hanson, Attorney, Stumbo, Hanson & Hendricks, 2887 SW MacVicar, Topeka, Kansas 66611
 Norman Schmitt, Mayor, 805 Main, PO Box 187, Sabetha, Kansas 66534
 Kim Gulley, Director of Policy Development & Communications, League of Kansas Municipalities, 300 SW 8th, Topeka, Kansas 66603-3912
 Donald R. Seifert, Management Services Director, City of Olathe, PO Box 768, Olathe, Kansas 66051
 Ron Appletoft, Gov. Affairs Coordinator, 5930 Beverly Street, Mission, Kansas 66202
 Karl Mueldener, Bureau of Water, Kansas Department Health and Environment, Forbes Field, Bldg. 283, Topeka, Kansas 66620-0001

Others attending: See Attached Sheet

Chairperson Joann Freeborn called the meeting to order at 3:30 p.m. She reminded the committee of an open house reception by the Kansas Water Office on February 2, 3:30 to 5:30 p.m. Also the Kansas Water Authority will be holding their quarterly meeting at the same location on February 2 and 3.

The Chairperson opened the floor for committee bill requests. No one responded. She asked if any of the Agencies had bill requests. No one came forward.

Chairperson Joann Freeborn made a motion to introduce a bill that would allow 12 and 13 year olds to hunt any game with the use of a bow or a firearm while under the supervision of an adult 21 years of age or older. Seconded by Representative Ray Merrick. Motion carried.

Chairperson Freeborn opened the hearing on **HB2659**.

HB2659: An act concerning public wholesale water supply districts; relating to the powers and duties thereof.

The Chairperson welcomed Elmer Ronnebaum, General Manager, Kansas Rural Water Association, to the committee. He appeared in support of the bill. (See attachment 1) The Association believes this legislation would allow city and rural water districts that are members of Public Wholesale Water Supply Districts to contract for operation or maintenance support service from the Public Wholesale Water Supply District from which they purchase water. Generally members of the Public Wholesale Water Supply Districts are smaller cities or rural water districts. It is the desire of some of these small utilities to contract the operation and maintenance of their utilities to the Public Wholesale Water Supply District. This bill would grant Public

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Wholesale Districts the right to enter into service agreements with their member entities. Questions and discussion followed.

The Chairperson closed the hearing on **HB2659**. She opened the hearing on **HB2658**.

HB2658: **An act concerning public water supply systems; concerning regulation and related fees; providing exemptions from certain fees and taxes.**

A letter from the Mayor of the City of Holton, Janet L. Zwonizer, in support of the bill, was distributed to members. (See attachment 2) On behalf of the City of Holton, she believes the bill to be a responsible approach to clarifying state sales tax law and providing a funding mechanism for the regulation of and assistance to public water supplies in Kansas.

The Chairperson welcomed David Mueller, President, KRWA Board of Directors, Kansas Rural Water Association, Seneca, Kansas. He provided testimony in support of the bill and suggests it accomplishes two goals. First, it ensures funding for services that are needed and second, it ends the sales tax nightmare. (See attachment 3) A list of members of the Kansas Rural Water Association is included.

Gary Hanson, Attorney with the law firm of Stumbo, Hanson & Hendricks, Topeka, Kansas, was welcomed to the committee. He appeared in support of the bill. His firm serves as counsel for over thirty small public water supplies, as well as the Kansas Rural Water Association. He limited his comments to the issue of sales tax. He believes this bill imposes a fee based on water sales in exchange for an exemption from sales taxes for public water supplies' purchases and is a fair trade. (See attachment 4)

Norman D. Schmitt, Jr., Mayor, City of Sabetha, Kansas, appeared in support of the bill. The City of Sabetha believes this bill will result in generation of dedicated, reliable, and consistent revenue for use of the Bureau of Water at KDHE. The City of Sabetha does not see the proposed fee as a new tax. In fact, dependent on the amount of future construction and service improvements implemented, it will likely reduce the total cost to users in Sabetha. (See attachment 5) Questions and discussion followed.

Kim Gulley, League of Kansas Municipalities, Topeka, Kansas, was welcomed to the committee. She appeared in a neutral position to the bill. The League is very supportive of increased training and technical assistance for public water supply systems. Many small cities in Kansas operate public water supplies and the expertise in this area varies greatly across the state. They support the portions of the bill that expand the uses of the fee fund revenues as well as the addition of a League representative on the advisory board that makes recommendations concerning the use of this fund. The League supports the concept of the bill but opposes the funding mechanism which has been proposed. (See attachment 6)

Don Seifert, City of Olathe, Olathe, Kansas, appeared in a neutral position. He addressed the committee with several concerns about the bill. First, he feels the proposed funding mechanism appears excessive and inequitable. The bill proposes a fifteen-fold increase in the water supply fee, increasing the present \$200,000 KDHE monitoring program to a \$3.3 million level with 19 new positions. The fiscal impact on their water customers is approximately \$100,000. The city would not expect to receive anywhere near this in services from the department. Secondly, the proposed fee increase seems to bear little relation to the regulatory burden. The states larger water utilities like Olathe will have a disproportionate share of the fee increase, although they account for a relatively small share of the department's workload and use of services. (See attachment 7)

Ron Appletoft, Coordinator Governmental Affairs, Water District #1 of Johnson County, appeared in a neutral position to the bill. Water District #1 is a political subdivision organized as a regional water utility to serve the suburban region in and around Johnson County. It is governed by a seven member elected Board and operates as a quasi-municipal corporation and currently serve over 330,000 consumers. He believes the proposed fees would cost Water District ratepayers approximately \$631,000 annually when fully implemented with very little, if any benefit. (See attachment 8)

Karl Mueldener, Bureau of Water, Kansas Department Health and Environment, was welcomed to the committee. He offered comments in a neutral position to the bill. The Department believes Kansans are being

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confronted with new and complex requirements regarding water quality. This bill addresses the state's needs regarding drinking water. There are a host of significant needs regarding surface water and ground water programs which also need to be dealt with. Some of those needs include: storm water permitting, disinfection byproducts, radon, revolving loan fund management, source protection, enhanced surface water treatment, consumer confidence reports, technical assistance, management capacity assurance, arsenic and selenium standards, and requirements for unregulated contaminants. While the demands on the state and the public's expectations for water quality continue, Kansas has significantly downsized its oversight of water quality programs. The Bureau of Water is operating with one-third less people than a decade ago. (See attachment 2) Questions and discussion followed.

Shirley Sicilian, with the Policy and Research Department, Kansas Department of Revenue, was in attendance and answered questions concerning the fiscal note for **HB2658**. This bill would have a significant impact on the State General Fund. The Department of Revenue estimates that the passage of this bill would reduce state sales tax revenue by \$4.4 Million in FY 2001. Sales tax revenue would be reduced by a total of \$5.0 million in FY 2002, as the FY 2001 reduction would reflect only 11 months of collections.

Chairperson Freeborn closed the hearing on **HB2658**. She thanked conferees and guests for their participation and the committee for their attention.

The meeting adjourned at 5:40 p.m. The next meeting is scheduled for January 27, 2000.