

HOUSE BILL No. 2462

AN ACT concerning water; requiring the secretary of health and environment to adopt rules and regulations by July 1, 2028, allowing for the direct and indirect potable reuse of treated wastewater; requiring such rules and regulations to prioritize prescriptive treatment processes that make the reuse of treated wastewater affordable or otherwise achievable; relating to the water technical assistance fund and the water projects grant fund; extending the current expiration date of such funds; transferring moneys from the state general fund to the state water plan fund; requiring the Kansas water office to transfer appropriations for the water technical assistance fund and the water projects grant fund; establishing additional criteria for the operation of such funds; prohibiting grants for issues related to water rights impaired by another water right; prioritizing applications based on public health, resource management, population trends, funding sources, regional cooperation and weather resiliency; requiring applications to be submitted annually by September 15, with grants subject to revocation and repayment under certain circumstances; amending K.S.A. 65-162a and 65-171m and K.S.A. 2025 Supp. 82a-955, 82a-956 and 82a-957 and repealing the existing sections.

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

Section 1. K.S.A. 65-162a is hereby amended to read as follows: 65-162a. As used in K.S.A. 65-163 and 65-163a; and in K.S.A. 65-171m to through 65-171t, ~~inclusive and amendments thereto~~, unless the context clearly requires otherwise, ~~the following words and phrases shall have the meanings respectively ascribed to them in this section:~~

(a) "Direct potable reuse" means using advanced treatment processes to produce finished drinking water through the utilization of a water source that contains treated wastewater that has not passed through an environmental buffer.

(b) "Indirect potable reuse" means the planned delivery or discharge of treated wastewater to an environmental buffer, such as ground or surface waters, for the development of, or as a supplement to, a drinking water supply.

(c) "Person" means an individual, corporation, company, association, partnership, state, municipality or federal agency.

~~(b)~~(d) (1) "Public water supply system" means a system for the provision to the public of piped water for human consumption, if such system has at least ~~ten (10)~~ service connections or regularly serves an average of at least ~~twenty-five (25)~~ individuals daily at least ~~sixty (60)~~ days out of the year. ~~Such term~~

(2) "Public water supply system" includes any source, treatment, storage or distribution facilities under control of the operator of the system and used primarily in connection with the system, and any source, treatment, storage or distribution facilities not under such control but which are used in connection with such system.

~~(e)~~(e) "Secretary" means the secretary of health and environment.

~~(d)~~(f) "Supplier of water" means any person who owns or operates a public water supply system.

Sec. 2. K.S.A. 65-171m is hereby amended to read as follows: 65-171m. (a) (1) The secretary of health and environment shall adopt rules and regulations for the implementation of ~~this act~~ K.S.A. 65-162a, 65-163, 65-163a, 65-170b and 65-171m through 65-171t, and amendments thereto.

(2) (A) On or before July 1, 2028, the secretary of health and environment shall adopt rules and regulations allowing for the direct and indirect potable reuse of treated wastewater.

(B) The rules and regulations submitted pursuant to this paragraph shall prioritize prescriptive treatment processes that make the reuse of treated wastewater affordable or otherwise achievable.

(b) In addition to procedural rules and regulations, the secretary may adopt rules and regulations providing for, but not limited to:

~~(a)~~(1) Primary drinking water standards applicable to all public water supply systems in the state. The primary drinking water standards may ~~(1)~~:

(A) Identify contaminants ~~which~~ that may have an adverse effect on the health of persons;

~~(2)~~(B) specify for each contaminant either:

(i) A maximum contaminant level that is acceptable in water for human consumption, if it is economically and technologically feasible

to ascertain the level of such contaminant in water in public water supply systems; or

(ii) the treatment techniques or methods which lead to a reduction of the level of the contaminant sufficient to protect the public health, if it is not economically or technologically feasible to ascertain the level of the contaminant in the water in the public water supply system; and ~~(b) establish the~~

(2) requirements for adequate monitoring, maintenance of records and submission of reports, sampling and analysis of water, citing criteria and review and inspections to ~~insure~~ ensure compliance with the contaminant levels or methods of treatment and to ~~insure~~ ensure proper operation and maintenance of the public water supply system; and ~~(e)~~

(3) the definition of different categories of public water supply systems, such as community water supply systems and noncommunity water supply systems, and may provide for varying requirements for monitoring, maintenance of records and reporting, sampling and analysis of water, citing criteria; and review and inspections based on numbers of persons served, source of supply whether surface or groundwater or other conditions as the secretary may determine to be in the interest of public health and welfare and economic benefits.

(c) The standards established under this section shall be at least as stringent as the national primary drinking water regulations adopted under public law 93-523. No primary drinking water standard or rule and regulation may require the addition of fluorides to public water supplies.

Sec. 3. K.S.A. 2025 Supp. 82a-955 is hereby amended to read as follows: 82a-955. (a) On ~~July 1, 2024, the director of accounts and reports shall transfer \$45,000,000 from the state general fund to the state water plan fund. On July 1, 2025, and July 1, 2026, and July 1, 2027,~~ the director of accounts and reports shall transfer \$35,000,000 from the state general fund to the state water plan fund. It is the intent of the legislature to provide for the transfer of \$35,000,000 from the state general fund to the state water plan fund on July 1, ~~2027~~ 2028.

(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 if an appropriation is made for any fiscal year as intended in subsection (a), on July 1, 2025, and July 1, 2026, or as soon thereafter on such dates as moneys are available:

(A) ~~\$5,500,000~~—\$5,000,000 shall be transferred from the state water plan fund to the water technical assistance fund established in K.S.A. 2025 Supp. 82a-956, and amendments thereto; and

(B) ~~\$12,500,000~~—\$12,000,000 shall be transferred from the state water plan fund to the water projects grant fund established in K.S.A. 2025 Supp. 82a-957, and amendments thereto.

(2) The provisions of this section shall expire on July 1, ~~2028~~ 2029. On July 1, ~~2028~~ 2029, 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~~ 2029, 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).

(3) The Kansas water authority shall encourage funding requests from state and local entities that cooperate with qualified nonprofit entities on projects that provide a direct benefit to water quantity and quality, including water infrastructures that are both natural and constructed, and include matching funds from non-state sources.

(4) The Kansas water authority may direct the Kansas water office to provide funding pursuant to K.S.A. 2025 Supp. 82a-956 or 82a-957, and amendments thereto, for the improvement of water infrastructure in an unincorporated area related to or serving a national park site or state historic site if the request for funding is made by a nonprofit organization or state agency that is willing to administer the moneys and oversee the project, and the Kansas water authority deems such applicant capable of successfully managing the project. Upon receipt of such a request, the Kansas water office may award moneys in any fiscal year prior to July 1, ~~2028~~ 2029, with such awarding of moneys to be made at the discretion of the Kansas water office.

(5) The Kansas water authority shall encourage the creation of grant programs for stockwatering conservation projects. Such grant programs shall prioritize the use of fees collected pursuant to K.S.A. 82a-954(a)(3), and amendments thereto.

(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 K.S.A. 2025 Supp. 82a-956, and amendments thereto, and the water projects grant fund established in K.S.A. 2025 Supp. 82a-957, and amendments thereto.

Sec. 4. K.S.A. 2025 Supp. 82a-956 is hereby amended to read as follows: 82a-956. (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 the 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 Kansas water office to provide grants 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. The Kansas water office may offer services directly, provide funding to other organizations to provide such services at no cost to a municipality or special district related to water or the Kansas water office may provide grants directly to applicants to cover expenses related to the hiring of such technical assistance.

(2) Any municipality or special district related to water 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,~~

~~conservation districts, groundwater management districts and all special districts related to water shall not be prioritized for the awarding of full grants for the purposes of this section.~~

~~(e) 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 of different populations including the prioritization of small municipalities as required by subsection (b)(2). 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.~~

(3) (A) An application submitted pursuant to paragraph (2) shall include a complete preliminary engineering report that meets similar standards established by the United States department of agriculture for rural water projects or the environmental protection agency drinking water state revolving fund requirements. Until a completed preliminary engineering report has been submitted and the Kansas water offices determines that the project is feasible, funding shall only be provided for completion of a preliminary engineering report.

(B) If the preliminary engineering report is complete and the Kansas water office has determined that the project is feasible, then additional technical assistance funding may be provided for necessary planning and engineering work.

(C) A preliminary engineering report shall include studies for specific projects, regionalization studies or any other study or report intended to determine the feasibility of future plans and projects.

~~(d)(c)~~ *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.*

(d) (1) A minimum of 60% of the annual amount transferred to the technical assistance fund shall be awarded to municipalities with fewer than 3,000 residents. This requirement shall not apply in years when there are not enough applicants to allow compliance with this subsection.

(2) The provisions of paragraph (1) shall not be construed as a limitation on the total amount awarded to municipalities with fewer than 3,000 residents.

(e) To be eligible to receive a grant, and in addition to any other requirements, a municipality with more than 50,000 residents shall demonstrate a threat to public health.

(f) No grants from the technical assistance fund shall be used to address issues related to the impairment of water rights by another water right.

(g) If a special district, such as a groundwater management district, rural water district or other similar district formed for a special or single purpose related to water, applies for a grant, such district's application shall not be prioritized based on the number of customers or residents pursuant to subsection (d). In addition to being scored pursuant to subsection (h), such district's application shall meet at least one of the following criteria:

(1) The project is for the purpose of expanding residential, commercial, industrial and agricultural activity that cannot be reasonably served by another source or distributor, except that any use defined as irrigation by the chief engineer shall not be eligible;

(2) the project facilitates the transfer or upgrade of existing water services to allow or assist with the incorporation of previously unincorporated territory; or

(3) the project meets a specific goal or priority identified in the state water plan.

(h) *Eligible applications shall be prioritized based on the criteria in this subsection. The Kansas water office shall establish a scoring matrix based on these criteria and, following the announcement of awards based on the highest scores, annually publish the scores of every application.*

(1) *Each of the following categories shall be scored on a scale of 0 to 5:*

(A) *Public health. The proposed project's impact on addressing a threat to public health, including, but not limited to, violations of K.S.A. 65-162a et seq., and amendments thereto, or conditions that have caused or may lead to a violation of state or federal drinking water standards.*

(B) *Existing resources. The applicant can demonstrate that such applicant has taken steps to adequately support and maintain current and future infrastructure and provide relevant information concerning the municipality's finances to demonstrate the need for project funding. Relevant factors shall include, but are not limited to, demographic or community economic information that would affect the municipality's ability to pay for the proposed project without grant funding pursuant to this section.*

(C) *Regional cooperation. The municipality is cooperating with other municipalities and regional entities or can demonstrate how the proposed project would improve the regional water supply or support regional economic growth.*

(D) *Additional funding sources. Municipalities shall provide information concerning the efforts of any such municipality to find other available funding sources for the proposed project or why obtaining such funding is not feasible. Applicants that can provide some level of funding or in-kind contributions themselves or from any other source shall be prioritized. Relevant factors shall include, but not be limited to, the size of such contribution relative to the applicant's request and such applicant's ability to contribute.*

(E) *Economic impact. The municipality can demonstrate the proposed project's importance for the growth of the community, new residential housing projects, an existing economic activity or for the recruitment of new economic activity. Economic activity includes any commercial, industrial or agricultural activity, except that any use defined as irrigation by the chief engineer shall not be eligible.*

(F) *Conservation and extreme weather resiliency. The municipality can demonstrate how the proposed project supports conservation or would otherwise improve the municipality's ability to provide, maintain and protect services during drought and flood events.*

(G) *Emergent issues. The municipality can demonstrate how the proposed project addresses emergency circumstances that the community is facing or will be facing related to insufficient access to water-related infrastructure or resources.*

(2) (A) *If an applicant fails to provide enough information to be scored in any category listed in this section, the Kansas water office shall notify the applicant regarding the information needed and provide an additional 30 days, starting from the date that the applicant received such notice, for such applicant to submit such information.*

(B) *The Kansas water office shall send such notice by:*

(i) *An electronic mail message to the electronic mail address included in the applicant's application; or*

(ii) *certified mail, return receipt requested, to the address that the applicant included in such applicant's application.*

(C) *If the applicant fails to submit the information requested under this paragraph, such applicant shall be given a score of 0 in the corresponding category.*

(i) *Applications shall be due annually on September 15, and grants shall be awarded not later than 180 days after such date.*

(j) (1) *Any grant may be revoked if:*

(A) *The grantee does not accept the grant award within 45 days of such grant being issued unless the grantee requests additional time to*

secure supplemental funding, but in no case shall the additional time exceed 120 days of such grant being issued;

(B) it is determined that there has been no substantial performance;

(C) there is substantial evidence of fraud, gross abuse or corrupt practices;

(D) there is a lack of funding; or

(E) it is demonstrated that the project cannot be completed.

(2) Upon the revocation of any grant pursuant to this subsection, the applicable grantee shall repay the Kansas water office any award amount issued to the grantee in an amount determined by the director. Any such grantee shall enter into a repayment agreement with the director specifying the terms of such repayment obligation.

(k) The Kansas water office shall include reporting and payment requirements within the terms of each awarded grant.

Sec. 5. K.S.A. 2025 Supp. 82a-957 is hereby amended to read as follows: 82a-957. (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 \$35,000,000, the director of the Kansas water office shall certify such excess amount to the director of accounts and reports. Upon receipt of such certification, the director of accounts and reports shall transfer the certified excess amount from the water projects grant fund to the state general fund.

(b) The Kansas water office may provide full or partial funding in the form of grants to any municipality or special district related to water 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 from the water projects grant fund. Such rules and regulations shall include any necessary criteria that may be applied to the selection of projects with~~*Prepayment of* 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,~~ *shall be subject to the following parameters:*

(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; *and*

(3) ~~awarding grants that~~ *may 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 socio-economic 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.

(e) *It is the intent of the legislature that grants awarded pursuant to subsection (b)(1) prioritize the awarding of partial grants combined with loan funding provided from the municipality, the department of health and environment, the United States department of agriculture or other financial sources before grants for the full cost of projects are awarded in order to increase impact of available funding.*

(f) The Kansas water office and the department of health and environment shall coordinate the sharing of information regarding applicants for loans from the public water supply loan fund established in K.S.A. 65-163e, and amendments thereto, and the Kansas pollution control revolving fund established in K.S.A. 65-3322, and amendments thereto, and shall take into consideration the approval or likely approval of a grant by the Kansas water office when considering the eligibility of any municipality to receive moneys from such funds.

(g) *Special districts such as groundwater management districts, rural water districts and any other similar districts formed for a special or single purpose related to water that apply for funding or services shall be eligible for loan prepayment of up to 50% of an outstanding balance and for any other grant funding if the application meets one of the following criteria:*

(1) *The project is for the purpose of expanding residential, commercial, industrial or agricultural activity that cannot be reasonably served by another source or distributor, except that any use defined as irrigation by the chief engineer shall not be eligible;*

(2) *the project facilitates the transfer or upgrade of existing water services to allow or assist with the incorporation of previously unincorporated territory; or*

(3) *the project meets a specific goal or priority identified in the state water plan.*

(h) *To be eligible to receive a grant, and in addition to any other requirements, a municipality with more than 50,000 residents shall demonstrate a threat to public health.*

(i) *No grants from the water projects grant fund shall be used to address issues related to the impairment of water rights by another water right.*

(j) *In any year where applications exceed the amount of funds or capacity to provide services, eligible applications shall be prioritized based on the criteria in this section. The Kansas water office shall establish a scoring matrix based on the criteria below and, following the announcement of awards based on the highest scores, annually publish the scores of every application.*

(1) *Each of the following categories shall be scored on a scale of 0 to 5:*

(A) *Public health. The proposed project's impact on addressing a threat to public health, including, but not limited to, violations of K.S.A. 65-162a et seq., and amendments thereto, or conditions that have caused or may lead to a violation of state or federal drinking water standards.*

(B) *Existing resources. The applicant can demonstrate that such applicant has taken steps to adequately support and maintain current and future infrastructure and provide relevant information concerning the municipality's finances to demonstrate the need for project funding. Relevant factors shall include, but are not limited to, demographic or community economic information that would affect the municipality's ability to pay for the proposed project without grant funding pursuant to this section.*

(C) *Regional cooperation. The municipality is cooperating with*

other municipalities and regional entities or can demonstrate how the proposed project would improve the regional water supply or support regional economic growth.

(D) Additional funding sources. Municipalities shall provide information concerning the efforts of any such municipality to find other available funding sources for the proposed project or why obtaining such funding is not feasible. Applicants that can provide some level of funding or in-kind contributions themselves or from any other source shall be prioritized. Relevant factors shall include, but not be limited to, the size of such contribution relative to the applicant's request and such applicant's ability to contribute. Applications, even if denied, for other sources of funding shall be acknowledged.

(E) Economic impact. The municipality can demonstrate the proposed project's importance for the growth of the community, new residential housing projects, an existing economic activity or for the recruitment of a new economic activity. Economic activity includes any commercial, industrial or agricultural activity, except that any use defined as irrigation by the chief engineer shall not be eligible.

(F) Conservation and extreme weather resiliency. The municipality can demonstrate how the proposed project supports conservation or would otherwise improve the municipality's ability to provide, maintain and protect services during drought and flood events.

(G) Emergent issues. The municipality can demonstrate how the proposed project addresses emergency circumstances that the community is facing or will be facing related to insufficient access to water-related infrastructure or resources.

(2) (A) If an applicant fails to provide enough information to be scored in any category listed in this section, the Kansas water office shall notify the applicant regarding the information needed and provide an additional 30 days, starting from the date that the applicant received such notice, for such applicant to submit such information.

(B) The Kansas water office shall send such notice by:

(i) An electronic mail message to the electronic mail address included in the applicant's application; or

(ii) certified mail, return receipt requested, to the address that the applicant included in such applicant's application.

(C) If the applicant fails to submit the requested information, such applicant shall be given a score of 0 in the corresponding category.

(k) Applications shall be due annually on September 15.

(l) (1) Any grant may be revoked if:

(A) The grantee does not accept the grant award within 45 days of such grant being issued;

(B) it is determined that there has been no substantial performance;

(C) there is substantial evidence of fraud, gross abuse or corrupt practices;

(D) there is a lack of funding; or

(E) it is demonstrated that the project cannot be completed.

(2) Upon the revocation of any grant pursuant to this subsection, the applicable grantee shall repay the Kansas water office any award amount issued to the grantee in an amount determined by the director. Any such grantee shall enter into a repayment agreement with the director specifying the terms of such repayment obligation.

(m) The Kansas water office shall include reporting and payment requirements within the terms of each awarded grant.

Sec. 6. K.S.A. 65-162a and 65-171m and K.S.A. 2025 Supp. 82a-955, 82a-956 and 82a-957 are hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.