

Approved January 25, 1989  
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Dennis Spaniol at  
Chairperson

3:30 ~~am~~ p.m. on January 17, 1989 in room 526-S of the Capitol.

All members were present except:

Representative Barr (excused)  
Representative Lacey (excused)

Committee staff present:

Raney Gilliland, Research Department  
Laura Howard, Research Department  
Mary Torrence, Revisor of Statutes' Office  
Betty Ellison, Committee Secretary

Conferees appearing before the committee:

The meeting was called to order by Chairman Dennis Spaniol. He called attention of the committee to the minutes of the January 12 meeting which had been distributed. He noted that the policy of the committee would be that minutes would stand approved unless there were corrections or objections from committee members. It was noted that Representative Patrick should have been shown excused in the January 12 minutes.

House Bill 2006 - Crime of commercialization of wildlife.

The proposed amendments to this bill were presented and explained to the committee by staff. Attachment 1. Representative Freeman, seconded by Representative Sutter, moved that the balloon amendments be accepted. The motion passed.

Representative Freeman made a motion to report House Bill 2006 as amended favorably for passage. The motion was withdrawn.

Representative Webb offered an amendment relative to Sec. 2, line 71. He wanted to see "statute book" changed to "Kansas Register." This would move the effective date up so it would apply for the 1989 fishing season. The Chairman agreed that it would be appropriate to act on this as expeditiously as possible. Representative Webb moved the amendment, seconded by Representative Holmes. The motion carried.

Representative Freeman, seconded by Representative Sughrue, renewed his motion to report House Bill 2006 as amended favorably. The motion passed.

House Bill 2008 - Financing of state water plan. Re Proposal No.16.

Raney Gilliland of the research staff reviewed the state water policy and the financing of it. This included background information regarding water-related projects as well as alternatives for financing the State Water Plan. Attachment 2.

A memorandum requested by the Special Committee on Energy and Natural Resources was provided by staff. This memorandum was dated October 26, 1988 and copies were provided to the committee. Attachment 3. The solid waste tonnage (tipping) fee listed was defined as a dumping or disposal fee...a dollar amount assessed for so many tons of solid waste dumped. Also provided to the committee were copies of the interim committee report. Attachment 4. Amounts of revenue sources listed therein were taken from the October 26 Memorandum.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
room 526-S Statehouse, at 3:30 ~~am~~/p.m. on January 17, 1989

During committee discussion, Chairman Spaniol commented that the interim committee heard several of the water agencies testify that there would be a consistent need of \$15 million annually as an ongoing expense to fund the water plan in the future. That was the reason they tried to achieve that particular goal.

Laura Howard of the research staff presented background information on state water policy and the Governor's budget recommendations for FY 1990. Attachment 5.

Chairman Spaniol requested staff to provide a list of the various subcommittees that budget the Kansas Water Office and the water-related subjects that they would deal with in those subcommittees.

Discussion of the Governor's budget recommendations followed.

The Chairman announced that hearings on House Bill 2008 would be held on January 23, 24 and 25. He requested committee members to retain the staff memoranda presented at this meeting for future reference, and recommended that any additional information or clarification be obtained from staff before hearings begin.

The meeting was adjourned at 4:15 p.m.

The next meeting of the House Energy and Natural Resources Committee will be held at 3:30 p.m. on January 23, 1989 in Room 526-S.

Date: Jan. 17, 1989

GUEST REGISTER

HOUSE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

NAME	ORGANIZATION	ADDRESS	PHONE
ROBERT ANDERSON	MID CONTINENTAL	Box 9 OTTAWA	334-0589
Woody Woodman	KCP L	Po Box 679 KCMo	556-2155
Tom Taylor	APL Gas Service	Topeka	296-1927
Paul E. Fleener	Kansas Farm Bureau	Manhattan	537-2261
Shelley Sutton	Ks Engineering Society	Topeka	233-1867
DAN STEVENS	TEXACO INC.	TULSA OK	918 560-6035
James Power	KDHE	Topeka	296-1535
DAVID M. TRASTER	KDHE	Topeka	296-1291
Catherine Holdeman	City of Wichita	Wichita	827-2547
Richard Jones	Ks Assoc. of Bus. Dist	Salina	
DAN MCGEE	CENTEL ELECTRIC	GREAT BEND	(316) 793-7841
Anne Smith	Him + Elert - Mesa Petroleum	Topeka	293-1441
Jerry Robertson	JRS CONSULTING ENGRS	Topeka	357-1829
Edward E. Rupp	DWR - KSBA	Topeka	296-3717
Frank Stubbs	NBAK	"	233-9853
Chris Wilson	Ks Fertilizer & Chemical Ass'n	Topeka	254-0461
Rebbie McCaskill	KDOC	Topeka	296-6022
Bob McKee	Ks Luth. Assoc.	Topeka	233-9358
Mike Beann	" " "	"	"
Tom Acosta	PANHANDLE EASTERN Pipeline	Houston	413 627-4813
Donna Thurman	KCC		
Bill Bryson	KCC	Topeka	296-5113



# HOUSE BILL No. 2006

By Special Committee on Energy and Natural Resources

Re Proposal No. 15

12-22

16 AN ACT concerning crimes and punishments; defining and classifying  
17 the crime of commercialization of wildlife.

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

19 Section 1. (a) Commercialization of wildlife is knowingly com-  
20 mitting any of the following ~~for profit or commercial purposes~~, except  
21 as permitted by statute or rules and regulations:

22 (1) Capturing, killing or possessing ~~all or any part of any wildlife~~, for profit or commercial purposes,  
23 protected by this section;

24 (2) selling, bartering, purchasing or offering to sell, barter or  
25 purchase ~~all or any part of any wildlife protected by this section~~, for profit or commercial purposes,

26 (3) shipping, exporting, importing, transporting or carrying; caus-  
27 ing to be shipped, exported, imported, transported or carried; or  
28 delivering or receiving for shipping, exporting, importing, trans-  
29 porting or carrying all or any part of any wildlife ~~protected by this~~ protected by this section, for profit or commercial  
30 ~~section~~ purposes; or

31 (b) The wildlife protected by this section and the value thereof (4) purchasing, for personal use or consumption, all  
32 are as follows: or any part of any wildlife protected by this section.

33 (1) Eagles, \$500; ↙ minimum

34 (2) deer or antelope, \$200;

35 (3) elk or buffalo, \$500;

36 (4) furbearing animals, \$25;

37 (5) wild turkey, \$75;

38 (6) owls, hawks, falcons, kites, harriers or ospreys, \$125;

39 (7) game birds, migratory game birds, resident and migratory  
40 nongame birds, game animals and nongame animals, \$10 unless a  
41 higher amount is specified above;

42 (8) fish, the value for which shall be no less than the value listed  
43 for the appropriate fish species in the monetary values of freshwater

Attachment  
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# MEMORANDUM

January 17, 1989

TO: House Committee on Energy and Natural Resources

FROM: Kansas Legislative Research Department

RE: Financing of the State Water Plan and Other Water Programs

## Background

The federal and state governments and local units of government expend considerable amounts of money to develop and maintain water resources projects and programs that are designed to provide an adequate supply of good quality water to Kansas citizens. The funds provided by these various governmental entities allow for construction of facilities that increase the supply of available water, clean the waste water stream produced by modern industrial society, and supplement funding for the recreational needs of communities. In addition, governments regulate the quantity and quality of water used for drinking and industrial and agricultural purposes and limit the pollutants that threaten surface and groundwater supplies.

Since the beginning of organized societies, governments have engaged in water management. With the emergence of the modern industrial state, the management of water resources has required consideration of future needs on a large scale. Water resources planning in Kansas occurred in an informal fashion during the first half of this century; it was not until 1955, with the creation of the Water Resources Board, that a formal water planning agency appeared. In the early years of water planning in Kansas, state agencies authorized to manage water did not include planning in their management process. Aside from creating the mechanism for state participation in providing state water storage capacity in the federal reservoirs constructed in the state and the publication of various reports and studies, the state did not link planning and management until 1983.

Following enactment in 1981 of legislation creating the present Kansas Water Authority and the Kansas Water Office, the Office initiated a process designed to establish comprehensive water planning. The State Water Resource Planning Act (K.S.A. 82a-901a) states that the "state can best achieve the proper utilization and control of the water resources of the state through comprehensive planning which coordinates and provides guidance for the management, conservation and development of the state's water resources." The Kansas Water Office serves as the water planning agency for the state and is mandated to "formulate on a continuing basis a state water plan for the management, conservation, and development of the water resources of the state" (K.S.A. 82a-903). According to the "Planning Process and Purpose" section of the Kansas Water Plan, the state water planning process is continuous, comprehensive, and coordinated. Planning is a continuous process in that plans are implemented, operated, and evaluated resulting in modifications and improvements to the plan. Thus, sections are both added to and deleted from the State Water Plan on an ongoing basis. Given the changing state of the planning process, there is consequently no single comprehensive State Water Plan that must be implemented. Rather, there are discrete water policies to be considered and proposed water management activities to be funded. Whether a particular Water Plan document proposal is implemented depends upon the Governor's or the Legislature's acceptance of

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Attachment 2

that proposal and upon appropriations to implement it. The state planning process must also be coordinated among agencies at all levels of government, private individuals, and sometimes other states which are all involved in the management of the state's water resources. A classification system was developed by the Water Office in order to meet the mandate of comprehensiveness and to facilitate the preparation of a plan dealing with the issues of management, conservation, quality, fish, wildlife, and recreation and development. The State Water Plan document also includes basin plans to address these issues as well as development issues of relevance to the particular basin. Furthermore, this document addresses policies associated with each of these issues, presents options, and proposes recommendations which are subject to executive and legislative action.

The Plan document, produced by the Kansas Water Office with the approval of the Kansas Water Authority, contains major sections on Management, Conservation, Quality, Fish, Wildlife, and Recreation, and one section on each of 12 separate river basins. Within each section are subsections that describe a particular policy issue, list options, and propose recommendations. Most subsections note the policy that the particular planning strategy seeks to implement. Each subsection also contains an implementation strategy for possible legislative and administrative action, a request for a statement of financial implications of the recommendation, and a time schedule for implementation. Each subsection of the Plan document contains a discrete policy issue that is subject to executive and legislative action.

The state's water resources are managed by various state agencies, including the Division of Water Resources of the State Board of Agriculture, the Division of the Environment of the Department of Health and Environment (KDHE), the new Wildlife and Parks Department, the Conservation Commission, and the State Corporation Commission, with support from the Kansas Geological Survey, the Kansas Water Resource Research Institute, various divisions within the University of Kansas and Kansas State University, and other state agencies. The statutes authorizing the management of the state's waters by these various state agencies do not reference the long-range goals and objectives or the policies that are part of the planning process.

Administrative and legislative implementation of the State Water Plan is, in reality, a process through which the planning agency, the Kansas Water Office with approval of the Authority, evaluates existing management strategies and studies particular policies or issues that would enhance existing management practices or initiate a new management strategy. Whether each recommendation for enhancement of the existing management activity would require legislative or executive action depends upon which branch of government is required to initiate the particular action to affect the management practice. Legislative authorization is required for many initiatives and appropriations are also necessary to enhance management practices.

#### Water Plan and Water-Related Activities in Kansas

The following paragraphs summarize the various types of water projects and the funding sources and governmental entities involved in each project.

Public Water Supply Projects. Federal and state governments began financing water supply projects on a large scale in 1940 (federal government) and 1958 (state government). The U.S. Corps of Engineers and the federal Bureau of Reclamation constructed the state's system of 24 reservoirs. The state's role was limited to the purchase of water supply storage capacity for the state water marketing program. In the past, the federal government paid most of the costs of these projects, but declining federal

involvement in recent years has forced the state to reexamine its role in financing new sources of water supply.

The state's water marketing program, administered by the Kansas Water Office, provides municipalities, rural water districts, utilities, and other entities with a reliable water supply from state controlled storage in nine federal reservoirs in Kansas. In the past this program incurred a substantial debt to the State General Fund. However, the program is now designed to repay the General Fund over the life of the program. Revenue generated from water sales should exceed payments to the federal government for storage.

The state agency, the State Conservation Commission, administers the Multipurpose Small Lakes Program, enacted by the 1985 Legislature. The program authorizes the state to have a cost-share arrangement with local entities such as cities or watershed districts in the development of small lake projects for multiple purposes, including water supply.

The Water Office also administers an Assurance Program, recommended in the State Water Plan, which was statutorily authorized in 1986. The program allows water right holders downstream from a reservoir to form an assurance district to purchase capacity in that reservoir for use in times of drought. This program does not involve state financing but affords local entities with water rights and other water right holders the opportunity to take the initiative in acquiring and financing water supply under drought conditions.

Water Conservation Projects. Land treatment practices have been a traditional means of retaining water on the land and maximizing efficient use of that water. Since the 1930s, the federal government has funded such practices on a cost-share basis with landowners. Since 1980, this state has supplemented federal funding through appropriations to the State Conservation Commission for a high priority cost-share program, a water resources cost-share program, a watershed dam construction program, and a multipurpose small lakes program. Watershed districts assess a levy on land in the district, proceeds of which are used to pay part of the cost-share arrangement for projects in the district.

Water/Wastewater Projects. Municipal wastewater management has been a matter of local compliance with the federal Clean Water Act, as administered by the state. Wastewater treatment projects have been funded on a local pay-as-you-go basis supplemented by revenue bond financing and federal grants. Federal construction grants are being phased out during the next several years and will be replaced entirely by state revolving loan funds in FFY 1994.

Pollution Cleanup/Water Contamination Projects. State water quality projects are funded with both federal and state moneys. Implementation of these projects meets requirements of federal acts which include the Clean Water Act, the Safe Drinking Water Act, the Resource Conservation and Reclamation Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), and the Mined Land Conservation and Reclamation Program. In addition, over the years, the Kansas Legislature has enacted a number of laws concerning water quality which give state agencies control over various private and governmental activities. The regulatory activities are funded either from federal funds, the State General Fund, or fee funds. The predominant fee fund in this category is the State Corporation Commission's Conservation Fee Fund which is used to administer the oil and gas regulatory program, including the plugging of old wells. The primary remedial program is administered by the Department of Health and Environment's Bureau of Environmental Remediation, funding of which has been derived from a State General Fund transfer to the then Hazardous Waste Cleanup Fund. During the 1988 Legislative Session, moneys from the Economic Development



Initiatives Fund (EDIF) were authorized for this program. Most of these funds were authorized for saltwater contamination projects.

Fish, Wildlife, and Recreation Projects. Recreational water resource projects have typically been financed either through the Fish and Game Fee Fund or the General Fees Fund and various federal funding sources, including the federal Land and Water Funds. Enhanced water resource development for recreation is usually financed from federal funds. Funding from the EDIF has also been used for recreational projects. An example of this is the Hillsdale reservoir.

Urban Flood Projects. City and county governments are initially responsible for protecting the lives and property of the people within their political subdivisions in the event of a flood emergency or disaster. Generally, federal agencies have provided planning and construction assistance to urban communities for local flood control projects. However, in some cases where local capabilities are not sufficient, assistance is requested from the Division of Emergency Preparedness. State emergency assistance may involve several state agencies and a variety of emergency services, including evacuation, temporary shelter, and financial assistance. The state has considered costs incurred in such situations to be a state expense.

Research Projects. Water-related research projects are carried out by university personnel and by the State Biological and Geological Surveys as well as by state agencies and private groups and are funded by several sources: the State General Fund, fee funds, federal funds, and local and private funds. For example, the Dakota Aquifer study is being funded from oil overcharge funds made available to Kansas.

#### 1988 Interim Energy and Natural Resources Committee

Proposal No. 16 directed the Special Committee on Energy and Natural Resources to consider alternatives for financing the State Water Plan and other related water programs and recommend a method or methods for long-term financing of the Plan and related water programs.

Several of the conferees proposed funding sources to the Committee, which included: the State General Fund; Economic Development Initiatives Fund, or money from the Gaming Revenue Fund; agricultural chemical fees; a statewide sales tax; a tax on water use; tonnage fees on solid and hazardous waste disposal; and a resource withdrawal fee on metered water. Several funding mechanisms were also suggested, including the establishment of a special fund, the establishment of a trust fund, and the issuance of bonds. The Committee discussed funding sources for water projects, identified several funding options, and requested that staff of the Kansas Legislative Research Department project revenues that might be generated for each of the identified options. In response to that request, staff presented a memorandum to the Committee which provided revenue estimates for the following options: (1) solid waste tonnage fee; (2) sales and use tax; (3) trust fund; (4) gaming revenues fund; (5) elimination of the sales tax exemption on water utilities or imposition of a surcharge on water users; (6) dedicated fines or penalty revenues; (7) elimination of the sales tax exemption on fertilizers and pesticides or imposition of additional fees; and (8) severance tax revenue. This memorandum is attached. The interim Committee concluded that funding of approximately \$15 million annually is necessary on an ongoing basis to implement the provisions of the State Water

Plan. The Committee report reflects the sources from which the Committee suggests the revenue be raised.

# MEMORANDUM

October 26, 1988

TO: Special Committee on Energy and Natural Resources  
FROM: Kansas Legislative Research Department  
RE: Proposal No. 16 -- Financing the State Water Plan

At its September meeting the Special Committee on Energy and Natural Resources identified potential funding options for the State Water Plan and directed staff to provide estimates which might be generated from these revenue sources. The following paragraphs summarize potential revenues from each of these options.

## Solid Waste Tonnage (Tipping) Fee

In its Groundwater Protection Act, the state of Iowa established a per ton "tipping" fee on solid waste disposed in landfills. The Iowa plan established an initial fee of \$1.50 per ton, with annual increases of \$.50 per ton to not exceed \$3.50 per ton. The table below illustrates the funding scenario based on data on actual tonnage of solid waste deposited in Kansas landfills in calendar years 1983-1986:

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
TONS	1,015,871	1,235,820	1,273,172	1,598,514
Tipping Fee per Ton				
\$1.50	\$1,523,807	\$1,853,730	\$1,909,758	\$2,397,771
\$2.00	2,031,742	2,471,640	2,546,344	3,197,028
\$2.50	2,539,678	3,089,550	3,182,930	3,996,285
\$3.00	3,047,613	3,707,460	3,819,516	4,795,542
\$3.50	3,555,549	4,325,370	4,456,102	5,594,799

Based on the above scenario, estimated revenue at \$1.50 per ton would total from \$1.5 to \$2.4 million annually. Potential revenue at the maximum fee of \$3.50 would range from \$3.6 to \$5.6 million annually. The revenue estimates included in the above table are conservative in that some landfills do not have heavy scales to weigh deposited waste and instead make volume estimates. Revenue projections for such waste is not included in the above tonnage figures.

## Sales and Use Tax

The estimated revenue from a 1-cent statewide sales and use tax is \$200 million. The estimated revenue from a 1/2-cent statewide sales and use tax increase is \$100 million. Approximately 8 percent of sales tax revenue is returned to local units through the Local Ad Valorem Tax Reduction and City/County Revenue Sharing Funds. The net receipts to the state after these transfers to local units would equal \$184 million for a 1-cent sales and use tax, and \$92 million for a 1/2-cent sales and use tax. A sales tax of 1/10 of 1 percent would raise revenue of approximately \$20 million, including \$1.6 million for transfer to local units and \$18.4 million in revenues to the state.

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Trust Fund

The Committee requested information on how much revenue would be available annually from a trust fund created from an initial appropriation of \$30-\$50 million from the State General Fund. The Committee assumed that 80 percent of the interest would be used each year to fund water projects and the remainder would be returned to the fund. An estimated interest rate of 8 percent was used for this scenario (based on approximate current rate of return on repurchase agreements). The tables below depict estimated funding available for the Water Plan over a five-year period based on initial appropriations of \$30 million, \$40 million, and \$50 million from the State General Fund.

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
Beginning Balance	\$30,000,000	\$30,480,000	\$30,967,680	\$31,463,162	\$31,966,573
Interest	<u>2,400,000</u>	<u>2,438,400</u>	<u>2,477,414</u>	<u>2,517,053</u>	<u>2,557,326</u>
Total Available	\$32,400,000	\$32,918,400	\$33,445,094	\$33,980,215	\$34,523,899
Expenditures	<u>1,920,000</u>	<u>1,950,720</u>	<u>1,981,932</u>	<u>2,013,642</u>	<u>2,045,861</u>
Ending Balance	<u>\$30,480,000</u>	<u>\$30,967,680</u>	<u>\$31,463,162</u>	<u>\$31,966,573</u>	<u>\$32,478,038</u>
Beginning Balance	\$40,000,000	\$40,640,000	\$41,290,240	\$41,950,884	\$42,622,098
Interest	<u>3,200,000</u>	<u>3,251,200</u>	<u>3,303,219</u>	<u>3,356,071</u>	<u>3,409,768</u>
Total Available	\$43,200,000	\$43,891,200	\$44,593,459	\$45,306,955	\$46,031,866
Expenditures	<u>2,560,000</u>	<u>2,600,960</u>	<u>2,642,575</u>	<u>2,684,857</u>	<u>2,727,814</u>
Ending Balance	<u>\$40,640,000</u>	<u>\$41,290,240</u>	<u>\$41,950,884</u>	<u>\$42,622,098</u>	<u>\$43,304,052</u>
Beginning Balance	\$50,000,000	\$50,800,000	\$51,612,800	\$52,438,605	\$53,277,623
Interest	<u>4,000,000</u>	<u>4,064,000</u>	<u>4,129,024</u>	<u>4,195,088</u>	<u>4,262,210</u>
Total Available	\$54,000,000	\$54,864,000	\$55,741,824	\$56,633,693	\$57,539,833
Expenditures	<u>3,200,000</u>	<u>3,251,200</u>	<u>3,303,219</u>	<u>3,356,070</u>	<u>3,409,768</u>
Ending Balance	<u>\$50,800,000</u>	<u>\$51,612,800</u>	<u>\$52,438,605</u>	<u>\$53,277,623</u>	<u>\$54,130,065</u>

A higher interest rate might be available if the Committee wishes to include specific language in legislation authorizing the Pooled Money Investment Board to invest in longer-term securities or corporate bonds. The latest Data Resources Inc., monthly forecast (October, 1988) of highly rated corporate and utility bonds for the period 1989 to 1991 ranges from 10-11 percent. Eighty percent of the interest generated at an interest rate of 10 percent would total \$2.4 million with an initial investment of \$30 million; \$3.2 million with an initial investment of \$40 million; and \$4.0 million with an initial investment of \$50 million. Higher amounts would be generated in subsequent years.

Gaming Revenues Fund

A specific request was made for information concerning revenue available from a percentage of the Gaming Revenues Fund. The FY 1989 approved budget of the Kansas Lottery estimates transfers of \$25 million credited to the Gaming Revenues Fund. The following table summarizes revenues which would be available to finance the Water Plan using different percentages of the Gaming Revenues Fund.

Gaming Revenues Fund

Estimated Revenue	\$25,000,000
10 percent	2,500,000
20 percent	5,000,000
30 percent	7,500,000
40 percent	10,000,000

Elimination of the Sales Tax Exemption  
on Water Utilities or Imposition  
of a Surcharge on Water Users

The Committee requested information on the amount which could be raised by reimposing the sales tax on water utilities, or alternatively, placing some type of a surcharge on water bills. The Municipal Utilities Annual Report published by the League of Kansas Municipalities in June, 1987, provides some data on 1986 municipal water use. This is the most recent information available concerning water usage. An average rate of \$1.36/1,000 gallons was used to estimate water sales. The following table summarizes the estimated revenue which would be raised by reimposing the 4 percent state sales tax or imposing some percentage surcharge on water utility bills.

Water Use Surcharge

<u>Percentage Change</u>	<u>Estimated Revenue</u>
4 Percent Sales Tax	\$ 6,337,844
3 Percent Surcharge	4,753,383
2 Percent Surcharge	3,168,922
1 Percent Surcharge	1,584,461

Fine or Penalty Revenues

The Committee requested information on revenues from environmental fines or penalty revenue which might be dedicated to State Water Plan funding. Information obtained from the Kansas Department of Health and Environment indicates that revenue from fines collected by the Bureau of Environmental Remediation, the Bureau of Water Protection, and the Bureau of Waste Management, totaled \$30,050 in FY 1986, \$69,300 in FY 1987, and \$14,750 in FY 1988. An indeterminate amount in additional revenues would also be generated by penalty fees assessed by the Board of Agriculture. The largest amount of penalty fees collected is by the Kansas Corporation Commission in its regulation of oil producers in the state. However, this revenue is deposited in the Conservation Fee Fund and used for regulatory and well plugging activities as statutorily prescribed in K.S.A. 55-143.

### Revenue Projections from Fertilizers and Pesticides

Table I includes estimates generated from the removal of the sales tax exemption on fertilizer sales. The tonnage of each type of fertilizer sold in the state was obtained from the Kansas State Board of Agriculture. Its data appears to be fairly complete since sellers are required to submit tonnage reports to the agency. A tonnage tax, currently fixed at \$.30 per ton, is imposed upon all commercial fertilizers sold, offered or exposed for sale, or distributed in Kansas. Also, the state of Kansas imposes a registration fee of \$5 for each commercial fertilizer. Actual and estimated revenue from this source, including both the registration fee and the tonnage tax, is as follows:

<u>FY 1988</u> <u>Actual</u>	<u>FY 1989</u> <u>Est.</u>	<u>FY 1990</u> <u>Est.</u>
\$ 424,639	\$ 389,627	\$404,200

In addition to a tonnage tax, Iowa imposes a groundwater protection fee on nitrogen-based fertilizers. A fee of \$.75 per ton is assessed on fertilizers with an 82 percent nitrogen solution, whereas a proportionate fee per ton is assessed on fertilizers with a smaller percentage of nitrogen. Revenue estimates from the imposition of this type of fee are included in Table I.

Table II includes estimates generated from the removal of the sales tax exemption on restricted use pesticides. Data on the amount of general use pesticide sales in Kansas are not available and, therefore, this table illustrates a minimum amount that is likely to be generated from the removal of the exemption and is not a reflection of the revenue that would be generated on all pesticides.

Iowa imposes a fee for pesticide registration at the rate of 1/5 of 1 percent of gross sales with a minimum fee of \$250 and a maximum fee of \$3,000. Fifty dollars of the total fee finances the other provisions of the Iowa pesticide statutes, with the remainder deposited to the Groundwater Protection Fund. The second table estimates the revenue from this type of fee being imposed in the state of Kansas for certain types of restricted use pesticides. That table does not include sales tax revenue estimates for all of the restricted use pesticides that could be sold in Kansas, because many of these pesticides have been sold in small quantities. However, the table does estimate the excluded restricted use pesticides at the minimum \$200 rate that could finance a portion of the State Water Plan.

The Economic Research Service of the United States Department of Agriculture publishes a document entitled "Economic Indicators of the Farm Sector: State Financial Summary" on a yearly basis. This document includes estimates for expenditures of manufactured inputs, including pesticides by state. However, these estimates include costs of application rather than just the retail expenditures for pesticides. Nonetheless, based on these numbers, an imposition of the 4 percent sales tax on these pesticide expenditure estimates would have resulted in revenue to the state of \$4,428,000 in 1985, \$3,976,000 in 1986, and \$4,068,000 in 1987.

Severance Tax Revenue

The Committee requested data on State General Fund receipts from the severance tax. The table below reflects receipts from FY 1984-1988. The estimate for FY 1989 is currently \$62.2 million and will be revised on November 8. In addition, the estimate for FY 1990 will be available at that time.

State General Fund Receipts from the Severance Tax  
In Thousands

<u>Fiscal Year</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>	<u>Salt</u>	<u>Total</u>
1984	\$ 65,814	\$ 39,921	\$285	\$ 92	\$ 106,112
1985	61,836	38,978	397	80	101,290
1986	52,505	38,793	632	81	92,010
1987	26,294	29,777	934	75	57,079
1988	31,933	40,287	953 <sup>(a)</sup>	9 <sup>(a)</sup>	73,182

Note: Details may not add to total due to rounding.

- a) Coal exemption expanded on January 1, 1988 and tax on salt eliminated effective July 1, 1987.

TABLE I

TONNAGE OF FERTILIZER SOLD IN KANSAS, SALES TAX REVENUE, AND REVENUE BASED ON IOWA LAW -- FISCAL YEAR 1988

<u>Type of Fertilizer</u>	<u>Fall 1987 &amp; Spring 1988 Retail Sales-Tons</u>	<u>Average Retail Sales Price Per Ton*</u>	<u>Total Dollar Value of Retail Sales</u>	<u>Sales Tax Revenue (4%)</u>	<u>Revenue Based on Iowa Law**</u>
Ammonium Nitrate	53,798	\$ 155	\$ 8,338,690	\$ 333,548	\$ 16,677
Anhydrous Ammonia	411,564	177	72,846,828	2,913,873	308,673
Ammonium Sulphate	5,100	156	795,600	31,824	969
Urea	134,660	194	26,124,040	1,044,962	56,557
Liquid Nitrogen -- 28%	256,280	125	32,035,000	1,281,400	66,632
Liquid Nitrogen -- 32%	95,499	140	13,369,860	534,794	27,695
Liquid Mixed Fertilizer	114,679	225	25,802,775	1,032,111	10,321
18% to 20% Superphosphate	1,589	230	365,470	14,619	--
45% and over Superphosphate	30,257	236	7,140,652	285,626	--
Potash	57,902	166	9,611,732	384,469	--
Unacidulated Phosphate	6,363	90	572,670	22,907	--
Micronutrients	4,126	120	495,120	19,805	--
6-24-24	2,915	215	626,725	25,069	175
8-32-16	3,544	225	797,400	31,896	248
10-10-10	128	190	24,320	973	12
10-20-10	564	216	121,824	4,873	51
11-52-0	43,096	258	11,118,768	444,751	4,310
12-12-12	576	195	112,320	4,493	63
12-24-12	1,998	226	451,548	18,062	220
13-13-13	2,309	195	450,225	18,010	277
16-20-6	1,818	230	418,140	16,726	273
18-46-0	153,739	251	38,588,489	1,543,540	24,598
Miscellaneous Mixed Goods	29,513	251	7,047,763	296,311	4,722
<b>Total</b>			<b>\$ 257,615,959</b>	<b>\$ 10,304,642</b>	<b>\$ 522,473</b>

\* Three retail sales businesses were contacted in order to determine an average price at retail. No official data representing a statewide average retail sale price is available.

\*\* Iowa law places a \$.75 per ton fee on 82 percent nitrogen solution fertilizers and taxes others based on the percentage of actual nitrogen in the formulation with 82 percent serving as the base.

3-4



TABLE II

SELECTED RESTRICTED-USE PESTICIDES SALES<sup>(a)</sup>, SALES TAX REVENUE,  
AND REVENUE BASED ON IOWA LAW -- FISCAL YEAR 1988

	<u>Quantity Sold</u>	<u>Average Retail Sales Price Per Unit<sup>(b)</sup></u>	<u>Total Dollar Value of Retail Sales</u>	<u>Sales Tax Revenue (4%)</u>	<u>Revenue Based on Iowa Law<sup>(c)</sup></u>
Ambush 25W Insecticide	110 gal	\$ 99.00	\$ 10,890	\$ 436	\$ 200
Asana XL Insecticide (Du Pont)	891 gal	109.50	97,565	3,903	200
Bladex 4L & 4L-B Herb. (Transfer)	11,615 gal	19.48	226,260	9,050	403
Bladex 4L Herbicide	12,372 gal	19.48	241,007	9,640	432
Bladex 80W Herbicide	3,460 lbs	3.65	12,629	505	200
Bladex 80W Herbicide (Transfer)	1,967 lbs	3.65	7,180	287	200
Bladex 90 DF Herbicide	51,385 lbs	4.43	227,636	9,105	405
Bladex 90DF Herbicide (Transfer)	50,730 lbs	4.43	224,734	8,989	399
Brom-O-Gas 2%	2,188 lbs	1.07	2,341	94	200
Chlor-O-Pic	2,228 gal	7.64	17,022	681	200
Counter Systemic Insect.-Nemat	2,002,315 lbs	1.49	2,983,449	119,338	2,950
Cyclone Herbicide	10,743 gal	32.23	346,247	13,850	642
Detia Gas EX-B	4,525 lbs	1.97	8,914	357	200
Detia Pellets	36,272 can	30.00	1,088,160	43,526	2,126
Detia Rotox AT	1,339 can	30.00	40,170	1,607	200
Detia Tablets	20,039 can	30.00	601,170	24,047	1,152
Di-Syston 15% Granular	13,182 lbs	1.06	13,973	559	200
Di-Syston 8	3,275 gal	50.89	166,665	6,667	233
Dyfonate 20-G	318,700 lbs	1.84	586,408	23,456	1,123
Dyfonate 20G	119,240 lbs	1.84	219,402	8,776	389
Eckroat Gopher Getter Bait	8,972 lbs	1.10	9,869	395	200
Extrazine 210DF Herbicide	950 lbs	3.25	3,088	124	200
Extrazine 4L Herbicide	1,906 lbs	13.75	26,208	1,048	200
Extrazine 90DF Herbicide	925 lbs	3.20	2,960	118	200
Fumitoxin Coated Pellets	18,961 can	26.50	502,467	20,099	955
Fumitoxin New Coated Tablets-R	8,484 can	40.00	339,360	13,574	629
Furadan 15 Granules, Code 366	2,218,609 lbs	1.37	3,039,494	121,580	2,950
Furadan 15G	1,466,759 lbs	1.37	2,009,460	80,378	2,950
Furadan 4 Flowable, Code 279	40,364 gal	51.25	2,068,655	82,746	2,950
Furadan 4 Flowable Insecticide	399 gal	51.25	20,449	818	200
Furadan 4F	34,592 gal	51.25	1,772,840	70,914	2,950
Gastoxin Fumigation Pellets	26,385 can	40.00	1,055,400	42,216	2,061
Gastoxin Fumigation Tablets	5,889 can	40.00	235,560	9,422	421
Hoelon 3 EC Herbicide	1,626 gal	53.55	87,072	3,483	200
Larvacide 100	3,374 lbs	6.30	21,256	850	200
Meth-O-Gas 100	1,746 lbs	5.53	9,655	386	200

	<u>Quantity Sold</u>	<u>Average Retail Sales Price Per Unit<sup>(b)</sup></u>	<u>Total Dollar Value of Retail Sales</u>	<u>Sales Tax Revenue (4%)</u>	<u>Revenue Based on Iowa Law<sup>(c)</sup></u>
Mocap 15% Granular	2,800 lbs	\$ 1.24	\$ 3,472	\$ 139	\$ 200
Parathion 4-E (Clean Crop)	933 gal	30.65	28,596	1,144	200
Parathion 8E	325 gal	26.56	8,632	345	200
Parathion E8	4,701 gal	28.44	133,696	5,348	217
Pennacap-M Insecticide	3,813 gal	18.20	69,397	2,776	200
Phorate 15G (Clean Crop)	6,300 lbs	1.19	7,497	300	200
Phorate 15G Systemic Insecticide	8,700 lbs	1.19	10,353	414	200
Phorate 20G	12,450 lbs	1.19	14,816	593	200
Phorate 20G (Clean Crop)	26,400 lbs	1.19	31,416	1,257	200
Phostoxin Coated Pellets	4,803 can	29.55	141,929	5,677	234
Phostoxin New Coated Tablets-R	16,304 can	45.10	735,310	29,412	1,421
Pounce 3.2 EC Code 3510	3,251 gal	148.13	481,571	19,263	913
Pydrin Insecticide 2.4 E.C.	3,593 lbs	114.94	412,979	16,519	776
Pydrin Insecticide	76 gal	111.30	8,459	338	200
Supracide 2E	947 gal	38.80	36,744	1,470	200
Thimet 20-G Soil & Systemic	277,092 lbs	1.33	368,532	14,741	687
Thimet 20G	1,000 lbs	1.33	1,330	53	200
Tordon 22K Weed Killer	69,147 gal	80.12	5,540,058	221,602	2,950
Tordon 22K Weed Killer	55 gal	80.12	4,407	176	200
Tordon 22K Weed Killer	5,442 gal	80.12	436,013	17,441	822
Tordon 22K Weed Killer	3,999 gal	80.12	320,400	12,816	591
Tordon 2K Pellets Herbicide	57,105 gal	1.10	62,816	2,513	200
65 Restricted Use Pesticides Not Included @ \$200 <sup>(a)</sup>					13,000
<b>TOTAL</b>			<b>\$27,184,038</b>	<b>\$ 1,087,361<sup>(d)</sup></b>	<b>\$ 53,731</b>

- a) Not all restricted use pesticides are included in this table. Some were eliminated due to small retail sales.
- b) Retail chemical businesses from three locations across the state were contacted in order to determine average sales price. Some chemicals were sold only in one contacted business location.
- c) Iowa law now puts a minimum of \$200 (based on a percent of gross sales) from each pesticide registered, in its Groundwater Protection Fund; the maximum is \$2,950.
- d) Note that this estimate only includes data for restricted use pesticide sales. No data is available for sales of general use pesticides in Kansas.

88-276b/RG

**RE: PROPOSAL NO. 16 -- FINANCING OF THE STATE WATER  
PLAN AND OTHER WATER PROGRAMS\***

Proposal No. 16 directed the Special Committee on Energy and Natural Resources to consider alternatives for financing the State Water Plan and other related water programs and recommend a method or methods for long-term financing of the Plan and related water programs.

**Background**

The charge to the Committee resulted from a request by Representative Rick Bowden that this topic be studied.

During the 1988 Legislative Session, considerable discussion ensued concerning the use of expenditures from the Economic Development Initiatives Fund (EDIF) for water and natural resources projects. Current law provides that FY 1989 funding from the Gaming Revenues Fund (GRF) be apportioned among the EDIF (60 percent), the County Reappraisal Fund (30 percent), and the Correctional Institutions Building Fund (CIBF) (10 percent). Current law also provides that in FY 1990, 90 percent of receipts to the GRF will be transferred to the EDIF, and 10 percent will be transferred to the CIBF. The Governor recommended to the 1988 Legislature that the FY 1989 distribution formula be extended to FY 1990, and that beginning in FY 1991, the distribution formula be altered to provide that 20 percent be credited to the CIBF, and 60 percent to the EDIF, with 20 percent to be used for natural resources improvements. Two bills were introduced to accomplish these objectives but were not enacted by the 1988 Legislature. Discussion also ensued concerning whether natural resources and water-related projects fall within the realm of economic development initiatives and are appropriate expenditures from the EDIF.

**Existing Funding Mechanisms**

In addition to the above legislation, not enacted in 1988, two pieces of legislation were enacted in that year which set forth funding mechanisms which can be used for water-related projects.

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\* H.B. 2008 accompanies this report.

H E+NR  
1-17-89  
Attachment 4

The first, 1988 S.B. 472, established a Kansas Water Pollution Control Revolving Fund to provide loans to Kansas municipalities for construction of wastewater collection and treatment facilities. Pursuant to this act, the Kansas Department of Health and Environment is to establish criteria for project ranking, review applications, prepare an annual priority list of projects, and select loan recipients. This law also requires that at least 10 percent of the total amount of loans made available each year be reserved for projects in municipalities with populations of 5,000 or less. The Legislature enacted S.B. 472 in response to the Federal Water Quality Act of 1987 which phases out the existing federal construction grants program for wastewater treatment works and provides a six-year transition period before all federal funding would cease. During this period (FFY 1989 - FFY 1994), federal seed money, requiring a 20 percent state match, is available to capitalize this state revolving loan fund program. Under the bill, proceeds from revenue bonds issued by the Kansas Development Finance Authority (KDFA) may be used to pay off the matching grant requirements.

The second bill, 1988 S.B. 574, established the Kansas Partnership Fund, expenditures from which will finance loans for public infrastructure improvement projects. The Secretary of Commerce is authorized to administer the loan program, enter into agreements with Kansas cities and counties, review and analyze applications, develop criteria for such review and analysis, and adopt rules and regulations necessary for implementation of this program. The infrastructure revolving loan fund is to consist of legislative appropriations, proceeds from the sale of bonds issued by the KDFA, loan repayments and interest payments. Eligible projects may include the construction, reconstruction, rehabilitation, alteration, expansion, or improvement of public facilities that support Kansas basic enterprises as defined in the bill. Certain types of water projects will be eligible for funding under this program. The 1988 Legislature authorized FY 1989 EDIF expenditures of \$4.5 million to fund this program.

### **The State Water Plan**

According to the State Water Resource Planning Act (K.S.A. 82a-901a), the "state can best achieve the proper utilization and control of the water resources of the state through comprehensive planning which coordinates and provides guidance for the management, conservation and development of the state's water resources." The Kansas Water Office serves as the water planning agency for the state and is

mandated to "formulate on a continuing basis a state water plan for the management, conservation, and development of the water resources of the state" (K.S.A. 82a-903). According to the "Planning Process and Purpose" section of the Kansas Water Plan, the state water planning process is continuous, comprehensive, and coordinated. Planning is a continuous process in that plans are implemented, operated, and evaluated resulting in modifications and improvements to the plan. Thus, sections are both added to and deleted from the State Water Plan on an ongoing basis. The state planning process must also be coordinated among agencies at all levels of government, private individuals, and sometimes other states. A classification system was developed by the Water Office in order to meet the mandate of comprehensiveness and to facilitate the preparation of a plan dealing with the issues of management, conservation, quality, fish, wildlife, and recreation and development. The State Water Plan document also includes basin plans to address these issues as well as development issues of relevance to each basin. Furthermore, this document addresses policies associated with each of these issues, presents options, and proposes recommendations which are subject to executive and legislative action. There is no single comprehensive State Water Plan that must be implemented, but rather discrete water policies to be considered and specific water management activities to be funded. The implementation of a proposal depends upon its acceptance and funding by the Governor and the Legislature.

#### **Water-Related Activities in Kansas**

There are many different types of water projects which are funded from several sources and implemented by different governmental entities. The types of water-related projects include public water supply; water conservation; wastewater management; pollution cleanup/water contamination; fish, wildlife, and recreation; urban and rural flooding; and research projects.

The following table summarizes the funding sources currently used for water projects in Kansas:

<u>Projects</u>	<u>Federal Funds</u>	<u>State Fee Funds</u>	<u>SGF</u>	<u>Local/Private Funds</u>
Public Water Supply	X	X	--	X
Water Conservation	X	X	X	X
Water/Wastewater	X	--	--	X
Pollution Clean-Up	X	X	X	X
Fish, Wildlife, and Recreation	X	X	X	X
Urban Flood Projects	X	--	--	X
Research Projects	X	X	X	X

### **Funding Considerations**

A 1984 issue report by the Conservation Foundation on America's water states that, traditionally, the answer to the question of who pays for water resources has been based more on political considerations than economic theory or budgetary policy. In many cases, states and localities have convinced the federal government to fund water development and treatment, and have paid for the resources or done without the project in the absence of such funding. The goal underlying expenditures for many water-related projects has been to meet the increasing demands of user groups. Moreover, recent reductions in federal appropriations have shifted the fiscal initiative to the states. For water supply and treatment projects, this typically means higher user fees to repay obligations of local or state government. The traditional means of viewing water project financing has been to consider the different types of benefits produced by each project and to require that beneficiaries, whenever they can be identified, incur some of the cost.

The Conservation Foundation proposes three principles for decision making concerning water resources funding:

1. Funding from any source should support only the least-cost solution to a water problem.
2. As a general rule, all types of users should pay the full cost of obtaining water.
3. Any subsidy for water should recognize the first principle of least-cost problem solutions and should be explicit about its rationale for violating the second, user-pay principle.

State funding mechanisms for water resources projects in Kansas are typically based on the philosophy that the beneficiary should bear the cost and pay for the benefit received. Projects which have been funded from state resources, specifically the State General Fund, generally provide some benefit to the state or the public as a whole or have no clearly identifiable beneficiaries. State General Fund expenditures for water-related activities in Kansas have been applied to: (1) research; (2) water pollution cleanup; (3) recreation; (4) conservation projects; (5) projects for which no other funding source is available; or (6) projects which are financed, in part, with a required match from other sources, such as the primary beneficiaries.

#### **State Water Resources Funding**

For FY 1988, the State Water Plan Implementation Report estimated \$12.8 million in additional funds were needed to finance the "public benefit" portion of projects identified in the State Water Plan. In the FY 1989 Implementation Report, a total of \$14.2 million, or \$1.4 million more, was estimated for the "public benefit" portion of projects identified in the Plan. Based on the implementation funding requests for FY 1988 and FY 1989, annual funding of \$10-\$15 million is necessary to fund on a continuous basis the highest priority public benefit projects identified by the State Water Plan.

In practice, funding of the State Water Plan involves a delineation of, and recommended funding levels for, programs and projects. Funding for State Water Plan initiatives was first recommended during the 1986 Session. In the Governor's proposed "investment budget," \$4,639,724 (including \$2,852,724 as earnest money for the Assurance Program) was recommended from State General Fund appropriations. The Legislature appropriated a total of \$3,183,717 for FY 1987. The 1987 Legislature appropriated funds totaling \$3,308,695 for water plan projects in FY 1988.

The Governor's FY 1989 budget recommendation to the 1988 Legislature included a total of \$4,170,000 in expenditures for natural resources, including \$4,000,000 from the EDIF and \$170,000 from oil overcharge funds. The Legislature approved the funding of all projects recommended by the Governor but shifted \$1,157,482 of funding in the State Conservation Commission budget for the multipurpose small lakes program from the EDIF to the State Conservation Storage Water Supply

Fund. In addition, other expenditures were approved for water-related projects, including funding for land treatment and watershed construction, for total FY 1989 funding of \$7.1 million.

### **Committee Activity**

Staff of the Legislative Research Department presented a background memorandum providing information on the State Water Plan; water resources funding in Kansas; long-range needs; funding mechanisms and sources used in the states of New Mexico, Kentucky, Oklahoma, Wyoming, Colorado, Wisconsin, Iowa, Florida, and Missouri; and options for funding mechanisms and sources predicated on other states' experiences.

Following the staff presentation, the Committee heard testimony from representatives of the following organizations and agencies: the Governor's Office; the Kansas Water Office; the State Conservation Commission; the State Board of Agriculture; the Kansas Development Finance Authority; Kansas Farm Bureau; Kansas Rural Center; Kansas Natural Resource Council; the Department of Health and Environment; Legislative Division of Post Audit; League of Kansas Municipalities; Kansas Association of Counties; Kansas State University; Groundwater Management Districts; U.S. Environmental Protection Agency (Region 7); Representative Larry Turnquist; the League of Women Voters of Kansas; and the Department of Wildlife and Parks.

The Governor's Special Assistant for Natural Resources expressed the Governor's continued support for funding the State Water Plan from the EDIF and for permanently dedicating 20 percent of the GRF for natural resources projects after the costs of reappraisal have been met. The Director of the Kansas Water Office testified that the Plan could be funded within existing State General Fund revenues. In response to questions from the Committee, he also noted that funding options could include the removal of the sales tax exemptions on water, fertilizers, and pesticides.

The President of the KDFA discussed the current statutory restrictions which prohibit the KDFA from issuing bonds for local projects for which local bonding authority exists, unless the bonds are taxable pooled bonds. He suggested that the KDFA could be used as a



mechanism to issue bonds for local water projects if a statutory exception is made to this provision.

Representative Larry Turnquist testified on behalf of himself and Representative Joe Knopp and suggested several alternatives for funding the State Water Plan. His suggestions included: the State General Fund; revenues from the EDIF; the establishment of a quasi-franchise fee on water charges; and the removal of the sales tax exemption on products such as pesticides and fertilizers. He suggested that a Kansas Water Plan Fund be established to which these revenues could be credited, and stressed the necessity of a special fund or formula for automatic transfers to insure long-term consistent funding.

Several of the conferees proposed funding sources to the Committee, which included: the State General Fund; EDIF, or moneys from the GRF; agricultural chemical fees; a statewide sales tax; a tax on water use; tonnage fees on solid and hazardous waste disposal; and a resource withdrawal fee on metered water. Several funding mechanisms were also suggested, including the establishment of a special fund, the establishment of a trust fund, and the issuance of bonds. The Committee discussed funding sources for water projects, identified several funding options, and requested that staff of the Legislative Research Department project revenues that might be generated for each of the identified options. In response to that request, staff presented a memorandum to the Committee which provided revenue estimates for the following options: (1) solid waste tonnage fee; (2) sales and use tax; (3) trust fund; (4) gaming revenues fund; (5) elimination of the sales tax exemption on water utilities or imposition of a surcharge on water users; (6) dedicated fines or penalty revenues; (7) elimination of the sales tax exemption on fertilizers and pesticides or imposition of additional fees; and (8) severance tax revenue.

#### **Committee Conclusions and Recommendations**

The Committee concludes that a dedicated source of revenue is desirable and necessary to ensure stable long-term funding of the State Water Plan and other water-related activities. The Committee further concludes that funding of \$15 million annually is necessary on an ongoing basis to implement the provisions of the Plan. The Committee recommends that several revenue sources be used to fund the State

Water Plan. Following is a summary of the revenue sources and projected revenues recommended by the Committee:

<u>Revenue Source</u>	<u>Projected Annual Receipts</u>
3 percent Groundwater Protection Fee on sale of water by public water supply systems for retail purposes	\$ 4,753,383
2 percent Groundwater Protection Fee on sale of agricultural fertilizers	5,152,341
4 percent Groundwater Protection Fee on sale of restricted use pesticides	1,087,361
Dedicate revenue from fines and penalties levied against environmental offenders	70,000
Dedicate a portion of severance tax receipts	2,000,000
Solid Waste Tipping Fee -- \$1.00 per ton	<u>1,598,514</u>
Total Annual Receipts	<u>\$ 14,661,599</u>

The Committee further recommends that the Solid Waste Tipping Fee instituted at \$1.00 per ton be increased annually in 25-cent increments to a maximum of \$2.00 per ton.

H.B. 2008, which accompanies this report, implements these recommendations. The Committee recommends that consideration of this bill begin in the House of Representatives.

Respectfully submitted,

November 14, 1988

Rep. Dennis Spaniol, Chairman  
Special Committee on Energy and  
Natural Resources

Sen. Ben Vidricksen,  
Vice-Chairman  
Sen. Norma Daniels  
Sen. Roy Ehrlich  
Sen. Paul Feleciano, Jr.\*  
Sen. Audrey Langworthy  
Sen. Merrill Werts

Rep. Clint Acheson  
Rep. Ginger Barr  
Rep. Betty Jo Charlton  
Rep. Ken Grotewiel  
Rep. Carl Holmes  
Rep. Jack Lacey  
Rep. Gayle Mollenkamp  
Rep. Eugene Shore  
Rep. Darrel Webb  
Rep. Vernon Williams

\* Ranking Minority Member

#### Minority Report

We agree with the Committee's conclusion that there is a need to find a dedicated source of revenue to ensure stable long-term funding of the State Water Plan and other water-related activities in which the state is involved. We also agree that the proper amount of funding on an annual basis should be in the range of \$15 million. However, we believe there will be great concern over the funding proposed in the Committee Report given the current balances in the State Treasury and the revenue sources from which the moneys are raised. This concern will be heightened by certain special interest groups and by citizens who believe that the State Water Plan and the other water-related activities in which the state is involved should be the responsibility of the state and, therefore, should be funded from the State General Fund. We view the Committee's recommendations as a starting point for Legislative deliberation as to the proper funding mechanism for the State Water Plan. It was on this basis that we supported the Committee's action to tap the various sources of revenue outlined in the Committee Report. In view of the importance of funding the State Water Plan, we recommend that discussions on this topic, because they are so vital, continue

during the 1989 Legislative Session. The Legislature cannot continue to ignore funding of the State Water Plan. In conclusion, the recommendations made in the Committee Report may not be the ones implemented by the 1989 Legislature, but they will serve as a catalyst for discussion on various alternatives from which the Legislature will have to choose a funding mechanism.

Respectfully submitted,

Representative Ginger Barr

Representative Carl Holmes

# MEMORANDUM

January 16, 1989

TO: House Committee on Energy and Natural Resources

FROM: Kansas Legislative Research Department

RE: State Water Plan Funding and the Budget Process

## BACKGROUND

There is no single comprehensive State Water Plan that must be implemented, but rather discrete water policies to be considered and specific water management activities to be funded. The implementation of a proposal contained in the State Water Plan depends upon its acceptance by the Governor and the Legislature, and legislative appropriations or authorized expenditures for the project. As a part of this process, the Kansas Water Authority makes recommendations to the Governor and the Legislature each year regarding legislative and budget initiatives to implement the State Water Plan. The Kansas Water Authority recommendations to the Governor and the 1989 Legislature include several policy recommendations and budget initiatives totaling \$18,974,080. The Authority also recommends that the State Water Plan be fully funded in FY 1990 through a variety of funding sources as the Governor and Legislature see fit, and notes that a continuous and permanent source of funding for the Plan is a necessity.

## FY 1990 GOVERNOR'S BUDGET RECOMMENDATIONS

In his FY 1990 budget recommendations, the Governor recommends \$13,118,281 in funding for natural resources from several funding sources. The recommendation includes funding for projects administered through the Department of Wildlife and parks, \$5,727,031; the Department of Health and Environment, \$1,900,000; the Kansas Geological Survey, \$200,000; and the State Conservation Commission, \$5,291,250. The recommendation includes funding of \$7,075,000 from the State General Fund, \$4,251,250 from the Economic Development Initiatives Fund (EDIF), \$850,000 from the State Conservation Storage Water Supply Fund, \$200,000 from oil overcharge funds and \$742,031 from fee funds in the Department of Wildlife and Parks. Of the total amount recommended, approximately \$2,685,000 is for projects which are not primarily related to the State Water Plan or other water-related activities. Thus, of the total amount recommended, approximately \$10,433,281 could be considered funding for water-related activities. This amount includes \$5,860,000 from the State General Fund, \$3,051,250 from the EDIF, and \$1,522,031 from other funds. Attachment I provides a summary of the Governor's natural resources recommendations for FY 1990.

*H E & NR  
1-17-89  
Attachment 5*

## HISTORICAL FUNDING COMPARISONS

A funding comparison for three fiscal years is helpful in identifying the amount and extent of budgetary enhancements which have been recommended for funding of the State Water Plan and other water related programs. Attachments 2 and 3 provide detailed listings of the amounts appropriated for FY 1988 and FY 1989. The 1987 Legislature appropriated \$3.3 million for these projects in FY 1988. For FY 1989, the Governor recommended, and the Legislature approved, enhanced funding of \$4,170,000 for total funding of \$7,212,462. The Governor's recommendation for FY 1990, specifically for water-related projects, is an enhancement of \$3,220,819 from the FY 1989 amount, including an increase of \$2,930,000 (100 percent) from the State General Fund, \$208,738 from the EDIF, and \$82,081 from other funds.

## DEDICATED FUNDING FOR THE STATE WATER PLAN

In The Governor's Report on the State of Kansas Budget for FY 1990, the Governor also recommends that the Legislature "consider passage of legislation to provide stable and permanent funding of approximately \$6.0 million to add to the natural resource initiatives." According to the Governor, the funds should be aimed particularly at prevention of contamination and management of wastes. The Governor also recommends that any financing plan be broad based, equitable, and built upon the Governor's recommended funding base (State General Fund, EDIF, etc.). The Governor provided a listing of additional projects which he would recommend if legislation were to be enacted to provide this additional funding. These recommendations include:

1. Public Water Supply Protection and Technical Assistance (Local communities waste and environmental management)	\$1,700,000
2. Non-Point Source Pollution Control	\$1,500,000
3. Land Treatment Cost Share and Watershed Projects	\$2,000,000
4. Environmental Remediation	\$1,000,000
TOTAL	\$6,200,000

The recommendation would fund programs administered by the Department of Health and Environment and the State Conservation Commission. This funding was not included in the Governor's budget recommendation consistent with current law which does not allow the inclusion of funds from legislation which has not been enacted.

## THE BUDGET PROCESS

Funding for State Water Plan projects and other water-related activities is considered as a part of the normal appropriations process. Following the submission of budget requests by the agencies and recommendations by the Governor, the Legislature makes decisions on the appropriate level of funding for each state agency.

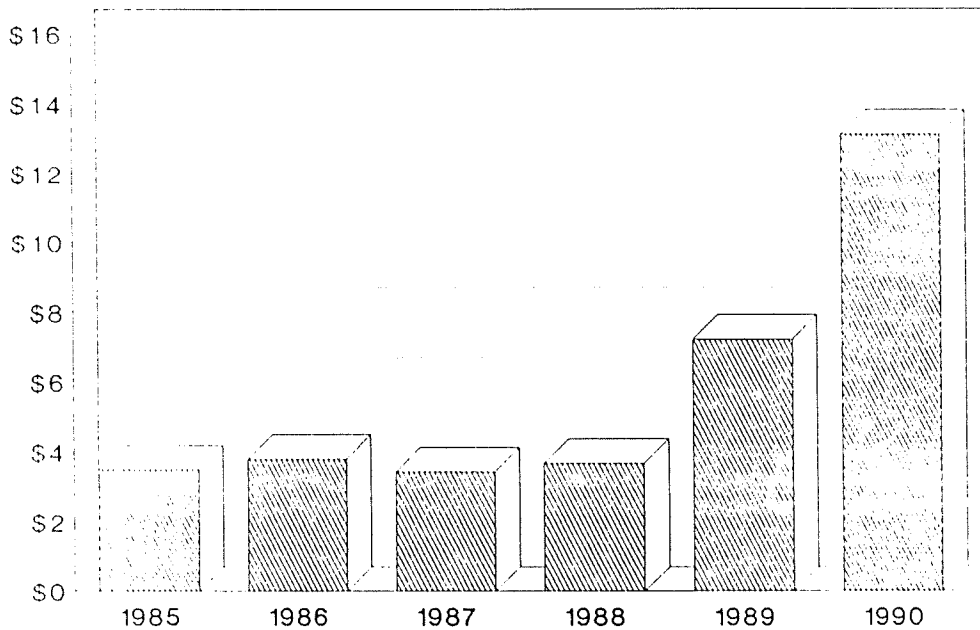
The House Appropriations Committee and the Senate Ways and Means Committee both utilize subcommittees which review and make recommendations to the full committee on funding for specific agencies to which they are assigned. The funding for the State Water Plan is divided among several different agencies and appropriation bills. The Governor's recommendations include funding in four different agencies, and three different appropriation bills. Thus, initial consideration by the Legislature could involve as many as six to eight different subcommittees in the House Appropriations and Senate Ways and Means Committee before consideration by each full committee and the Committees of the Whole. This process makes it more difficult to make comprehensive recommendations on Water Plan funding, or in general, any type of funding which involves separate projects and activities in different agencies.

enr.mem/LH/bd

NATURAL RESOURCES

Protection of the environment and wise management of natural resources will continue to be emphasized in the current administration. As the graph below shows, there is a significant increase in natural resource funding, beginning in FY 1989 with the Governor's recommendation of \$4,170,000 from economic development initiatives funds and oil overcharge funds for natural resource initiatives. These funds were in addition to \$3,042,462 recommended from traditional funding sources.

Natural Resources  
Annual Expenditures (Millions)



The Governor's budget recommendations include \$7,212,462 for major investments in the state's natural resources in FY 1989 and \$13,118,281 for FY 1990, an increase of 81.9 percent. The table below lists these projects and includes initiatives begun in FY 1989 and proposed for FY 1990. By and large, these initiatives are consistent with the water plan. The complete breakdown of projects for FY 1989 and FY 1990 by fund and agency is contained in Appendix I 1 and 2.



	FY 1989	FY 1990
<b>Wildlife and Parks</b>		
Cedar Bluff Reservoir	\$365,418	—
Cheyenne Bottoms	—	1,640,000
Cooperative Habitat Districts	—	1,000,000
Recreational Access Program	—	1,200,000
Fishing Lakes Improvements	112,468	164,858
Ford County Lake	—	210,000
Hillsdale Reservoir	700,000	1,000,000
Wetlands Purchase	27,094	27,173
Wildlife and Parks Land Acquisition	—	485,000
<b>Health and Environment</b>		
Hazardous Waste Cleanup	\$300,000	\$300,000
Superfund Site Cleanup	—	—
Arkansas City	—	100,000
Galena	500,000	—
Contamination Cleanup	1,250,000	1,500,000
<b>Conservation Commission</b>		
Conservation Cost Share Programs		
High Priority	\$500,000	\$500,000
Water Resources	1,360,000	2,720,000
Multipurpose Small Lakes Program		
Centralia	240,000	—
Jetmore	—	1,301,250
Wellington	917,482	—
Watershed Dam Construction	770,000	770,000
Dakota Aquifer Investigation	170,000	200,000
Total	\$7,212,462	\$13,118,281

Approximately 54 percent of the funding in FY 1990 for these initiatives is from the State General Fund. This contrasts with approximately 41 percent in FY 1989 and reflects the Governor's strong commitment to natural resources. Approximately 32 percent is from the Economic Development Initiatives Fund. The Governor again recommends this as a source of funding. The Governor believes strongly that preservation of the state's natural resources; enhancement of local water supplies; flood control; restoration of contaminated groundwater supplies; and development of regional recreational opportunities are vital components of economic development. Further, these projects assist and ensure compliance with current statutes that mandate that 50 percent of the Economic Development Initiatives Fund be distributed evenly among the five congressional districts.

#### Funding

State General Fund	\$2,930,000	\$7,075,000
Economic Development Initiatives Fund	2,842,512	4,251,250
State Conservation Water Storage Fund	1,157,482	850,000
Wildlife and Parks Fee Funds	112,468	742,031
Oil Overcharge Funds	170,000	200,000
Total	\$7,212,462	\$13,118,281

NATURAL RESOURCES

FY 1990	STATE GENERAL FUND	ECONOMIC DEVELOPMENT INITIATIVES FUND	STATE CONSERVA- TION WATER STORAGE FUND	FEE FUNDS	OIL OVERCHARGE	TOTAL
Cheyenne Bottoms Renovation .....	1,500,000					1,500,000
Cheyenne Bottoms Study .....	70,000			70,000		140,000
Recreational Access Program .....		1,200,000				1,200,000
Fishing Lakes Improvements .....				164,858		164,858
Ford County Lake .....				210,000		210,000
Hillsdale Reservoir .....		1,000,000				1,000,000
Cooperative Habitat Districts .....	1,000,000					1,000,000
Land Acquisition .....	215,000			270,000		485,000
Wetlands Purchase .....				27,173		27,173
<b>Wildlife and Parks .....</b>	<b>\$2,785,000</b>	<b>\$2,200,000</b>	<b>\$0</b>	<b>\$742,031</b>	<b>\$0</b>	<b>\$5,727,031</b>
Arkansas City Superfund Match .....		100,000				100,000
Hazardous Waste Cleanup .....	300,000					300,000
Contamination Cleanup .....		1,500,000				1,500,000
<b>Health and Environment .....</b>	<b>\$300,000</b>	<b>\$1,600,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,900,000</b>
<b>Kansas Geological Survey— Dakota Aquifer Investigation .....</b>					<b>\$200,000</b>	<b>\$200,000</b>
High Priority Cost Share .....	500,000					500,000
Jetmore Multipurpose Small Lake .....		451,250	850,000			1,301,250
Water Resources Cost Share .....	2,720,000					2,720,000
Watershed Dam Construction .....	770,000					770,000
<b>Conservation Commission .....</b>	<b>\$3,990,000</b>	<b>\$451,250</b>	<b>\$850,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,291,250</b>
<b>Total .....</b>	<b>\$7,075,000</b>	<b>\$4,251,250</b>	<b>\$850,000</b>	<b>\$742,031</b>	<b>\$200,000</b>	<b>\$13,118,281</b>

ATTACHMENT 2

STATE WATER PLAN  
 FY 1988 APPROPRIATIONS

Agency	SGF	Other Funds	Total
KDHE:			
General Remediation	\$ 0	\$ 300,000 <sup>a</sup>	\$ 300,000
WILDLIFE AND PARKS:			
Hillsdale State Park	300,000	0	300,000
CONSERVATION COMMISSION:			
Land Treatment	1,682,936	0	1,682,936
Watershed Construction	787,215	0	787,215
Multipurpose Small Lakes	<u>140,352</u>	<u>98,192<sup>b</sup></u>	<u>238,544</u>
Subtotal	<u>\$ 2,610,503</u>	<u>\$ 98,192</u>	<u>\$ 2,708,695</u>
 TOTAL	 <u>\$ 2,910,503</u>	 <u>\$ 398,192</u>	 <u>\$ 3,308,695</u>

a) \$300,000 transferred from the SGF to the Hazardous Waste Cleanup Fund

b) State Conservation Water Supply Fund

Kansas Legislative Research Department  
 September 9, 1988

NATURAL RESOURCES

FY 1989	STATE GENERAL FUND	ECONOMIC DEVELOPMENT INITIATIVES FUND	STATE CONSERVA- TION WATER STORAGE FUND	FEE FUNDS	OIL OVERCHARGE	TOTAL
Cedar Bluff Reservoir .....		365,418				365,418
Fishing Lakes Improvements .....				112,468		112,468
Hillsdale Reservoir .....		700,000				700,000
Wetlands Purchase .....		27,094				27,094
<b>Wildlife and Parks .....</b>	<b>\$0</b>	<b>\$1,092,512</b>	<b>\$0</b>	<b>\$112,468</b>	<b>\$0</b>	<b>\$1,204,980</b>
Galena Superfund Match .....		500,000				500,000
Hazardous Waste Cleanup .....	300,000					300,000
Contamination Cleanup .....		1,250,000				1,250,000
<b>Health and Environment .....</b>	<b>\$300,000</b>	<b>\$1,750,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,050,000</b>
<b>Kansas Geological Survey— Dakota Aquifer Investigation .....</b>					\$170,000	\$170,000
Centralia Multipurpose Small Lake .....			240,000			240,000
High Priority Cost Share .....	500,000					500,000
Water Resources Cost Share .....	1,360,000					1,360,000
Watershed Dam Construction .....	770,000					770,000
Wellington Multipurpose Small Lake .....			917,482			917,482
<b>Conservation Commission .....</b>	<b>\$2,630,000</b>	<b>\$0</b>	<b>\$1,157,482</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,787,482</b>
<b>Total .....</b>	<b>\$2,930,000</b>	<b>\$2,842,512</b>	<b>\$1,157,482</b>	<b>\$112,468</b>	<b>\$170,000</b>	<b>\$7,212,462</b>