

Approved March 22, 1989
Date

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Senator Ross Doyen at
Chairperson

4:02 a.m./p.m. on March 14, 1989 in room 423-S of the Capitol.

All members were present except: quorum was present.

Committee staff present:

Don Hayward, Revisor
Laura Howard, Research
Lila McClaflin, Committee Secretary

Conferees appearing before the committee:

John Strickler, Governor's Office
Dr. Gary Hulett, Department of Health and Environment
Richard G. Jones, Executive Director, Kansas Assn. of Conservation Districts
Vic Studer, The Kansas Rural Center, Inc. Whiting, Ks.
Jerry Hazlett, Executive Manager, Kansas Wildlife Federation
Mary Ann Bradford, League of Women Voters of Kansas

List of others present is on file.

Chairman Doyen opened the hearing for the proponents on H.B. 2008 concerning the financing of the state water plan; imposing fees. He called on John Strickler.

Mr. Strickler gave an overview regarding the State's investments in its water resources (Attachment I).

Mr. Strickler responded to questions, and he called on Dr. Gary Hulett to respond to questions concerning the contamination and remediation sites in the State.

Richard G. Jones presented written testimony supporting the concept, but recommending it be funded from the state general fund. Attachment II

Vic Studer gave testimony supporting H.B. 2008 (Attachment III). She responded to questions.

Jerry Hazlett supported H.B. 2008 as written (Attachment IV). He responded to questions.

Mary Ann Bradford presented written testimony supporting H.B. 2008 (Attachment V). She responded to questions.

Written testimony supporting H.B. 2008 was distributed from Charles R. Warren, President, Kansas, Inc. (Attachment VI).

The meeting adjourned. The next meeting will be on March 15, 1989.

1989 SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

Date March 14, 1989

PLEASE PRINT

GUEST LIST

NAME

REPRESENTING

Jim Ludwig

KPL CIAS SERVICE

Mary Ann Bradford

League of Women Voters

Foyce Wolf

Ks. Audubon Council

Yic Stupka

KS Rural Center

Chris Wilson

KS Fertilizer & Chemical Ass'n

Ken Fern

ST. CONSERVATION COMMISSION

J.D. Cameron

KACD.

Richard James

Ks Assoc. Coun. Districts

Howard W. Lee

KS ASSN. of Wheat Growers

Beverly Bradley

KS ASSOC of COUNTIES

Wayland Anderson

DWR - KSBA.

Dalpat Singh Jain

KWD - TOPINI

Jerry Hazlett

9L2. Wildlife Federation

WAYNE BOSSERT

NW KS GMD #4, COLBY

Alan Steppat

Kansas Legislative Policy Group

Bill Fuller

Kansas Farm Bureau

Warren Parker

Kansas Farm Bureau

Joe Lieber

Hts. Co-op Council

M. Hawver

Cap-Joc 491

Margaret Ahrens

Ks Chapter Sierra Club

Gary Baker

SW Kansas GMD #3

Keith Lebbin

Weston Ks. GMD #1

ED SCHAUB

WASTE MGMT INC.

1989 SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

Date 3/14/89

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GUEST LIST

NAME

REPRESENTING

Louie Stroup Jr.

KANSAS Municipal Utilities

Jerry Coonrod

KGE&E

Rich McKee

Kansas Livestock Assoc.

KENNETH FRANK

self-employed FARMER

Ken PETERSON

KS Petroleum Council

Rick Kready

KPL Gas Service

Lex Behr

NACH

Kent Weatherby

KPL Gas Service

Bob Meinen

Kansas Wildlife & Parks

Gary K. Hulett

KDHE

Woodruff Woodman

KCPK

Terry Eaton

KCPK

Conni McGinness

KS Electric Cooperatives

Anne Smith

Hein & Ebert

Bill Bryson

KCC

CLARK Duffin

Kansas Water Office

Mike Gorman

Boeing Military Airplanes

Becky Shirley

Intern

STATE OF KANSAS



OFFICE OF THE GOVERNOR

State Capitol
Topeka 66612-1590
(913) 296-3232

Mike Hayden Governor

TO: Senate Committee on Energy and Natural Resources
Ross Doyen, Chairperson

FROM: John K. Strickler
Special Assistant for Environment and Natural Resources

DATE: March 14, 1989

RE: HB 2008 - Financing of State Water Plan

I appreciate the opportunity to appear before you today on behalf of Governor Hayden regarding the State's investments in its water resources.

The Governor commends the Legislature for its in-depth look at the water resource needs of Kansas, and for its efforts in exploring the various funding alternatives for implementing the State Water Plan. As you know, the Kansas Water Plan is a continuing process initiated by the Legislature in 1981. We would estimate the annual funding needed to implement the plan to be in the range of \$15.0 million to \$19 million per year.

The Governor also supports the concept embodied in HB 2008 of a permanent, dedicated source of funding to implement the Water Plan. Last year for the first time, the Governor recommended and the Legislature approved with minor adjustments over \$4 million in new initiatives for water-related programs plus another \$3 million in continuing initiatives.

Using the 1989 budget as the first major step forward in addressing our water resource needs, the Governor has built on that and has recommended approximately \$10.5 million for the Water Plan in his FY 1990 budget. For your convenience, I have

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(Attachment I) AI

attached an Executive Summary that outlines the programs and amounts the Governor recommends for the Water Plan. The amounts underlined after the project titles are the funding requested in his budget recommendation. The amounts in parenthesis are the additional amounts the Governor would recommend if a dedicated source of funding is agreed to.

Among the Water Plan efforts recommended in his budget are the following initiatives:

- * \$1,987,800 for cleanup of contaminated sites.
- * \$3,220,000 for Land Treatment Cost Share.
- * \$1,640,000 for renovation work on the internationally recognized Cheyenne Bottoms wetlands.
- * \$1,000,000 for continuation of the recreational enhancements and construction at Hillsdale Reservoir.
- * \$1,301,250 for the Jetmore Multipurpose Small Lake Project for water supply, flood control and recreation.

In addition to the \$10.5 million in the Governor's recommendations for the Water Plan, he has identified \$6.2 million of additional projects he would like to see implemented if a permanent, stable source of funding can be agreed upon. These projects are:

- * \$1,700,000 for Public Water Supply Protection and Aid to Local Units.
- * \$1,500,000 for Non-Point Source Pollution Control.
- * \$2,000,000 for additional Land Treatment Cost Share and Watershed Projects.
- * \$1,000,000 for additional Contamination Remediation.

I would point out that these projects primarily are directed at prevention of water problems before they occur.

The Governor is aware that there is probably no single source of revenue that will meet all the funding needs for implementing the Water Plan on a continuing basis. Some will say that the State General Fund should be used for all our water needs, but history does not support that contention. When natural resource issues compete with the needs of education (both higher education and K-12), social services and the myriad other programs traditionally funded from the State General Fund, they have not fared well. Until last year, when the lottery and some other special funding sources were used, implementation of the Water Plan had been deferred.

In December, the Governor met with a number of individuals representing a cross-section of the diverse groups concerned

about the State Water Plan. He listened to their concerns and ideas, and while there was not a consensus, he urged the various groups to work together in a spirit of compromise to arrive at an equitable, stable source of funding. In that spirit he has recommended over \$6 million from SGF for Water Plan projects in his 1990 budget. Continuing to believe that proper management of our water resources is intimately linked with our long-term economic vitality, he has included \$3 million of Water Plan projects from the Economic Development Initiatives Fund. These combined with several other sources provides the total of \$10.5 million for Water Plan implementation in his 1990 budget recommendations.

From the Interim Committee deliberations, general agreement was reached that a dedicated source of revenue was desirable and necessary to ensure stable, long-term financing for the Water Plan and other water-related activities. The House action on HB 2008 supports that agreement. The Governor agrees with that concept and commends the Legislature for its work to develop a broad-based, equitable source of dedicated funding for Water Plan implementation. He suggests the following as a framework for exploring the alternatives:

- * The fiscal integrity of the state and the State General Fund balances must be maintained.
- * Stability for long-term funding should be the goal.
- * Whatever funding mechanisms are selected should be equitable and assure that no single sector bears an unfair burden.

The Governor would express opposition to the amendment beginning on line 373 with the words "Such moneys shall be used" and continuing through line 380. He is concerned that this amendment is too restrictive given the long-term aspect of the funding provided for in this bill. The Governor believes that the concerns covered by this amendment can best be addressed through the overview provided by the Legislature on an annual basis, and still allow future Governors and Legislatures the flexibility to address the full range of water needs identified in future provisions of the Water Plan.

I would also point out that the bill as passed by the House would provide for nearly \$2 million more from the State General Fund than was included in his budget recommendation.

In summary, the Governor is greatly encouraged by the efforts of the House to establish a long-term, dedicated source of funding to implement the Water Plan. He wants me to assure you that he is eager to work with the Legislature in a spirit of compromise and nonpartisanship to achieve the necessary funding to properly protect and manage our water resources. We owe nothing less to the generations of Kansans who will follow us.

Again, thank you for the opportunity to visit with you on this most important matter.

Executive Summary
Overview of Governor Hayden's Recommended Budget
for Implementation of the State Water Plan for 1990

The Governor's recommendations for implementation of the Water Plan for FY 1990 include projects in a number of water-related state agencies. Following is a brief description of each program. For more information refer to the detailed description in the Overview document. The amount listed and underlined is the amount requested in the Governor's budget. The amount in parenthesis is the additional amount the Governor would recommend if a dedicated source of funding is agreed to.

Contamination Remediation - \$1,987,800 (\$1,000,000)
Directed at cleanup of contaminated sites threatening or actually contaminating groundwater or surface water.

Non-Point Source Pollution - (\$1,500,000)
Directed at monitoring and preventing contamination of surface water and groundwater from non-point sources. The primary thrust of the 1990 effort is private water well testing to determine the extent of contamination from a variety of sources.

Public Water Supply Protection and Aid to Local Units - (\$1,700,000)
Directed primarily at providing technical assistance and funding to local units of government in planning and managing for public water supply protection, solid waste, hazardous waste, sanitary codes, etc.

Watershed Dam Construction - \$770,000 (\$1,000,000)
Provides up to 70 percent of the costs for construction of small watershed dams and grade stabilization structures for flood and siltation control.

Land Treatment Cost Share - \$3,220,000 (\$1,000,000)
(includes both Water Resources and High Priority Cost Share Programs)-
Provides cost-sharing assistance to landowners for enduring conservation practices that prevent soil erosion, sedimentation and runoff.

Multipurpose Small Lakes Program - \$1,301,250
Provides funding to assist local communities in planning and constructing dams for flood control, public water supply and recreation purposes. Of the \$1,301,250 requested in FY 1990 for the Jetmore Multipurpose Small Lake, \$850,000 will be repaid to the State when the city begins using the water supply.

Cheyenne Bottoms Management Area - \$1,640,000
Provides funding for engineering studies, design and reconstruction of water delivery and control structures for this critical wetland. The Bottoms are internationally recognized as one of the most critical wetland areas for waterfowl and shorebirds in the western hemisphere.

Hillsdale Lake Project - \$1,000,000
Continuation of a project begun in 1988 to develop water-related recreational facilities at Hillsdale State Park.

Mined Land Development - \$36,642

Provide for a feasibility study and plan for recreational development for canoeing trails and other recreational opportunities in the mined land areas of southeast Kansas.

Water Project Coordination - \$147,482

Directed at providing timely consideration and processing of permit applications for stream obstructions, dams, levees and other water projects as called for under the Environmental Coordination Act.

Water Use Reporting - \$77,870

Provides for timely processing and review of water use reports as now required by state law. This effort will enhance the Kansas water data base.

Dakota Aquifer Study - \$200,000

Directed at assessing the water resources potential of the Dakota Aquifer in order to address the long-term planning and management needs for agriculture, public water supplies and other uses. This aquifer underlies the western half of Kansas.

Public Education - \$32,529

Directed at the need for education about water conservation and water quality issues.

Minimum Desirable Streamflow - no cost

Adds minimum desirable streamflow standards to five streams (Walnut, Whitewater, Solomon, Spring River and Chapman Creek).

Interbasin Transfer Study - \$35,529

Provide funding to study the social, economic, environmental and political "long-term" implications of large scale transfer of water between basins.

Refer to the table at the back of the Overview for a summary of the dollar amounts for each of these projects.

State Water Plan Implementation

<u>Item</u>	<u>Agency</u>	<u>Appropriation Bill Number</u>	<u>Governor's Budget Recommendation</u>
1. Contamination Remediation	KDHE	HB 2029	\$1,900,000
2. Cost Share	SCC	SB 29	3,220,000
3. Watershed Construction	SCC	SB 29	770,000
4. Jetmore Multipurpose Small Lake	SCC	SB 29	1,301,250
5. Mined Land Canoe Trail Evaluation	KDWP	SB 29	36,642
6. Cheyenne Bottoms Management Project	KDWP	SB 29	1,640,000
7. Recreation Facilities at Hillsdale Lake	KDWP	SB 29	1,000,000
8. Water Project Administration	BOA	SB 29	147,482
9. Water Use Reporting	BOA	SB 29	77,870
10. Dakota Study	KGS	SB 29	200,000
11. Public Education	KWO	SB 29	32,529
12. Minimum Desirable Streamflow	KWO	-----	0
13. Interbasin Transfer Study	KWO	SB 29	<u>35,000</u>
Subtotal			<u>\$10,360,773</u>

Items Recommended Subject to Passage of Funding Legislation

1. Contamination Remediation	KDHE	Not Introduced	1,000,000
1. Non-Point Source Pollution	Joint Venture (KDHE Lead)	Not Introduced	1,500,000
3. Aid to Local Units and Public Water Supply Protection	KDHE	Not Introduced	1,700,000
4. Land Treatment Cost Share and Watershed Construction	SCC	Not Introduced	<u>2,000,000</u>
Subtotal			<u>\$6,200,000</u>
Total State Water Plan Related Items			<u><u>\$16,560,773</u></u>

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988
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Contamination Remediation - \$1,987,800 (\$1,000,000) \$1.5 million
Directed at cleanup of contaminated sites threatening or actually contaminating groundwater or surface water. (1.0 million to be included in the 1990 Budget, \$1.5 million to be included in the 1991 Budget)

Non-Point Source Pollution - (\$1,500,000)
Directed at monitoring and preventing contamination of surface water and groundwater from non-point sources. The primary thrust of the 1990 effort is private water well testing to determine the extent of contamination from a variety of sources.

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Provides cost-sharing assistance to landowners for enduring conservation practices that prevent soil erosion, sedimentation and runoff.

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*Tipping fee - Dedicated
1/2 to 2008
1/2 to local Gov on basis % guarantee
(Use estimate if possible & no current change)*

State Water Plan Implementation

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11. Public Education	KWO	SB 29	32,529
12. Minimum Desirable Streamflow	KWO	-----	0
13. Interbasin Transfer Study	KWO	SB 29	<u>35,000</u>
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Subtotal			\$6,200,000
Total State Water Plan Related Items			<u><u>\$16,560,773</u></u>

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

MARCH 14, 1989

Testimony on House Bill No 2008 - AN ACT concerning financing of the state water plan; imposing certain fees on certain retail sales, uses of water, solid waste disposal and registrations of chemicals; amending K.S.A. 65-170f and 65-3415, K.S.A. 1988 Supp. 79-4227 and K.S.A. 1987 Supp. 2-2204 and 65-3419, both as amended by chapter 356 of the 1988 Session Laws of Kansas, and repealing existing sections.

I am Richard G. Jones, Executive Director of the Kansas Association of Conservation Districts.

The Association represents the 105 county conservation districts in Kansas. Conservation Districts provide assistance to landowners and operators for the protection and improvement of their soil, water, plant, and animal resources. Conservation Districts are governed by a five member board of supervisors made up of local landowners who serve without compensation.

At our 44th annual convention this past fall, the conservation districts of Kansas adopted a resolution calling for the funding of the State Water Plan. A copy of that resolution is attached. The resolution requests that the Governor and the Kansas Legislature establish a special fund to initiate the implementation of the State Water Plan. The 105 conservation districts feel that a dedicated source of funds be established to fund the State Water Plan. The State Water Plan is beneficial to all the citizens of Kansas and the funds dedicated to the water plan must be fair and equitable to the citizens of Kansas. No one

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(Attachment II) A II

sector of the Kansas economy should have to pay a disproportionate share to fund a plan that benefits all the citizens of the state. The conservation districts believe that funding of the State Water plan should be a annual direct transfer from the state general fund.

KACD and the 105 conservation districts of Kansas commend your committee for its actions in implementing funding for the State Water plan. We support the concepts of House Bill No. 2008, but feel strongly that all Kansas citizens will benefit by having more and cleaner water and all citizens should share in the cost of achieving it through an annual direct transfer from the state general fund.

KANSAS ASSOCIATION OF CONSERVATION DISTRICTS
WATER RESOURCES COMMITTEE
RESOLUTION NO. 1.

WHEREAS, the Kansas Water Plan has been developed and meets the approval of the citizens of Kansas,

WHEREAS, it was the intent of the Legislature and the Governor, when the Water Authority was established and instructed to develop a State Water Plan,

WHEREAS, to implement the State Water Plan will require about \$15 million annually,

WHEREAS, the State Water Plan is beneficial to all citizens of Kansas, funding of the State Water Plan must be fair and equitable to the citizens of Kansas,

THEREFORE, BE IT RESOLVED that the Governor of the State of Kansas and the Kansas Legislature through necessary action establish a special fund of \$15 million to initiate the implementation of the State Water Plan. This fund will be appropriated annually from the General Fund.

FURTHER BE IT RESOLVED that if in the wisdom of the Legislature and the Governor, it deems necessary to generate additional revenue for the General Fund to off set the cost of implementing the State Water Plan; that taxation of public water supply and the use of Lottery or Gaming funds be considered a viable source.

THE KANSAS RURAL CENTER, INC.

304 Pratt Street

WHITING, KANSAS 66552

Phone: (913) 873-8431

Testimony on HB2008 before the Senate Energy and Natural Resource Committee,
March 14-15, 1989.

Mr. Chairman and members of the committee, I am Vic Studer, Water Policy Coordinator at the Kansas Rural Center, a non profit, education and research organization.

The Rural Center supports the concept of HB2008 and we highly commend your efforts toward encouraging a creative and equitable plan. There is no question that Kansas is in need of a stable source of funding for the Water Plan and the members of the Energy and Natural Resource Committee have gone to great lengths to become well informed and aware of the problems. We must now look toward the issue of building an ethic of resource conservation.

The fertilizer sales tax and annual registration fee for ag chemicals sets a needed precedent to begin curbing the use of pesticides and fertilizers that are known to be harmful to water and public health. Agriculture is the most pervasive contributor of non point source pollution in Kansas. Whether or not these chemicals will contaminate groundwater is dependent on a number of variables and it is of extreme importance that we begin to identify these variables and explore alternatives to the over-use of pesticides and fertilizers. According to The National Toxics Campaign only one-tenth of one percent of pesticides ever hit their target. The other 99.9 percent is contaminating our soil, our water, and our food supply. EPA concludes that even if these chemicals are applied properly, they will still eventually end up contaminating the groundwater. Twenty-three different types of pesticides have been found in groundwater in 24 states. It is significant to note that only one percent of municipal water supplies have carbon filters able to extract these pesticides. (That is nationally.)

Irrigation uses the most groundwater in Kansas. Today, water withdrawn from the Ogallala aquifer from Nebraska to Texas is used to irrigate one-fifth of all U.S. cropland. A \$25 fee per irrigation well will probably not provide much of an incentive to irrigators to use the water sparingly. We recognize that it is a valid attempt at educating the irrigator of resource loss that is currently demonstrated by depletion and contamination of Kansas groundwater. But, in light of the fact that irrigators use over 80% of the 6.6 million gallons of groundwater that is utilized every day in Kansas, the fee should be set at a higher rate to provide a stronger incentive towards conservation and protection. According to some experts, if all farmers in the Ogallala region began using water conservation measures, depletion of the aquifer would only be delayed, not prevented in the long run. At the present rate of depletion, much of the Ogallala could be dry by the year 2020 and in some areas much sooner where it is only a few meters deep. Groundwater contamination from irrigation has been observed in the Republican River area in northcentral Kansas, the Equus Beds of north Wichita, the Great Bend Prairie regions southeast of Great Bend and along the Arkansas River in western Kansas.

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Attachment III A III

The Rural Center recommends that the 1% tax for **public water supply sales** be designed in a more equitable manner as a per gallon fee rather than a per dollar fee. Many rural water districts already pay a higher per gallon rate and are assessed a higher monthly fee in order to retire their debt. In taxing a per gallon rate (as designed for industry and stockwatering), the fee applies to all water users equally.

Petroleum refining, chemical processing, metal plating, petroleum transportation and storage and oil field activities are all frequent water polluters. There are over 200 known or suspected groundwater pollution sites in Kansas resulting from these activities. Areas around Kansas City, Topeka and Wichita suffer most from such pollution. Yet this design for funding the Water Plan does not create any new tax for the heavy water users and polluters in the oil and gas industry. In addition to the six million dollars in severance tax revenues, the Rural Center would encourage a new **user fee or incentive to encompass oil and gas interests.**

The Challenge. There is no question that further issues need to be raised and explored. Offering farmers alternatives to chemical usage by funding research must be recognized and included as part of the comprehensive Water Plan. The Rural Center has suggested that the legislature encourage research of limited or non-chemical farming at the state universities as a means of going to the root of the many problems that the Water Plan attempts to address. The major step is to move in this progressive direction and build a firm foundation for the funding with a continuance towards a strong commitment to conservation of natural resources and a stable revenue source. As has been espoused by other conferees, it is important that no one entity bear the greater financial burden for the enhancement, protection and preservation of our Kansas waters. We ask that the legislature continue in its efforts towards equity and stability.

Thank you.

Kansas Wildlife Federation, Inc.

200 S.W. 30th, Suite 101 • P.O. Box 5715 • Topeka, KS 66605

TESTIMONY HB 2008
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
PRESENTED By Jerry R. Hazlett, Executive Manager
March 14 & 15, 1989

The KANSAS WILDLIFE FEDERATION is a not-for-profit natural resource and conservation organization. Our 8000 volunteer members join with the 10,000 Kansas members of our affiliate organization, the National Wildlife Federation, in supporting the sound use, management and enjoyment of our vital air, water, soil and wildlife resources.

KWF supports HB2008 because it recognizes that some water users have much greater impacts on our water resources than others. It places a burden of funding on those who use, deplete and/or contaminate our ground and surface water supplies. It only seems reasonable that municipal, industrial and agricultural share part of the funding burden because of their disproportionate impacts on this vital resource.

KWF also supports the use of State general funds to help fund the State Water Plan. The continued wise management of our remaining water resources is critical to the future of Kansas and all Kansans. The assurance of quality water supplies for the future is too important to quibble over "who pays". Through the use of the general fund all Kansans are contributing toward fulfilling future water needs.

KWF asks you to pass HB2008 as written with your full recommendation.

SE&NR
3/14/89

(Attachment IV)



league of women voters of kansas

919½ So. Kansas Ave.
Topeka, KS 66612
913/234-5152

A Statement to the Senate
Energy and Natural
Resources Committee

HB 2008, Financing the State Water Plan

March 14, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Mary Ann Bradford, Natural Resources Coordinator for the League of Women Voters of Kansas. The League is a non-partisan organization whose members are interested in many national, state and local governmental issues. One area of interest to League members is our natural resources and the environment. Through study and member consensus, the League has been addressing management of water resources since the 1940's.

In the past, the League has supported the use of general funds for water programs and projects as one way by which Kansans can equitably fund these activities. We are heartened by and appreciative of the Legislature's efforts to establish an on-going, multi-source funding mechanism for the State Water Plan through dedication of moneys to a State Water Plan Fund.

With regards to HB 2008, the League endorses the principles underlying the bill: to have anyone who withdraws and uses water and/or anyone whose activities have the potential as point or non-point sources of pollution be a part of the financing of the State Water Plan. Although individual provisions of the legislation seem unfair to certain sectors, they do provide a broad base of water users and activities for financing the plan.

The League supported the establishment of the mineral severance tax and believes that it is appropriate for a portion of the receipts to be placed in the State Water Plan Fund. Also, we agree that moneys from penalties should be included.

The creation of a Local Solid Waste Management Fund is an innovative idea and certainly cities and counties have much to accomplish in that area.

3/14/89
SE+NR
(Attachment V)

However, with the Task Force on Solid Waste Management, established by the Kansas Department of Health and Environment, still in the process of study and making recommendations to the legislature through the department, could it be precipitous to be mandating a grant program at this time?

A source of funding not considered in HB 2008 is revenues from the Economic Development Initiatives Fund (EDIF). The League supported and continues to support Governor Hayden's proposal to have a percentage of the EDIF dedicated to natural resources. We suggest your consideration of the EDIF as a partial funding source either presently or after reappraisal has been completed.

League members recognize that establishment of permanent sources of funding for the State Water Plan will affect Kansas citizens in one or more ways. We also know that the use of general funds is not a stable funding source for water resources management. We ask your support for this reliable multi-source financing mechanism. Thank you.

Ken Dayton

KANSAS
inc.

Governor Mike Hayden, Co-Chairman
Eric Thor Jager, Co-Chairman

Charles R. Warren, President

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DATE: January 20, 1989

TO: Members of the Senate Energy and Natural Resources Committee

FROM: Charles R. Warren, President *Charles*

SUBJECT: Kansas Inc.'s Recommendation on Funding of State Water Plan

The Board of Directors adopted several policy positions at its January 12, 1989 meeting. I have sent you a copy of each of these positions.

I am attaching the background information prepared by my staff concerning funding of the State Water Plan, an issue relevant to the Energy and Natural Resources Committee. The Board believes that this issue is important to the economic development of the state and should be addressed during this legislative session.

Should you have any questions or comments on this issue, I would be pleased to discuss them with you.

SE & NR
3/14/89
(Attachment VI)

A VI

January 12, 1989

(Proposal #5)

Funding of State Water Plan

Board Decision: Should the following policy recommendation be adopted?

The Board of Directors of Kansas Inc. recommends that the Legislature provide a stable and secure source of long-term financing for the state water plan and related water projects. The assurance of a clean and adequate supply of water is essential to the State's continued economic vitality. The use of Economic Development Initiatives Funds for the state water plan is appropriate for those projects which are clearly and directly related to a community's need for job growth and/or retention.

Background:

The Kansas Inc. strategy for economic development includes as one of its major elements "Investment in Public Infrastructure," including water and wastewater treatment facilities. K.S.A. 79-4804(d) provides for the "Kansas Economic Development Endowment Account" to fund economic development activities including: "programs and projects which shall include, but are not limited to, specific community infrastructure projects in Kansas that stimulate economic growth."

Water projects selected for EDIF funding should be supported by a cost/benefit analysis which demonstrates the economic development contribution that will accrue from the investment. As applicable to all other initiatives to be supported by EDIF, water projects should meet the criteria outlined in H.C.R. 5033: 1) not to be used for salaries of permanent personnel; 2) should not replace state general funding; and, 3) clearly identify with a pillar of the economic development strategy of the State.

"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." Total Fiscal Year 1989 funding for water related projects was \$7.1 million of which \$2,942,512 was from EDIF. (Source: Interim Committee Report of Energy and Natural Resources November 1, 1988.)

In Fiscal Year 1989, \$4.5 million from the EDIF was appropriated to establish the Partnership Loan Fund expenditures which will finance loans for public infrastructure improvement projects. Certain types of water projects will be eligible for funding under this program. Due to an estimated \$4.2 million shortfall in anticipated lottery revenues, FY89 funding for the Partnership fund will be reduced. The Fund has not been implemented, but is awaiting approval of rules and regulations and completion of arrangements for additional bond financing through the Kansas Development Finance Authority.

The Interim Committee on Energy and Natural Resources has recommended that \$10 to \$15 million annually is necessary to implement the state water plan, and that several sources be used for funding to include: 1) fee on sale of water, 2) fee on sale of fertilizers, 3) fee on sale of restricted use pesticides, 4) dedicated portion of severance tax receipts, and 5) a solid waste tipping fee. The Interim Committee did not recommend use of EDIF for ongoing funding of the state water plan.