

Approved: March 7, 2000

Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Senator David Corbin at 8:00 a.m. on March 6, 2000 in 245-N of the Capitol.

All members were present except: Senators Huelskamp and Pugh who were excused.

Committee staff present:

Raney Gilliland, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Lila McClafin, Committee Secretary

Conferees appearing before the committee:

Clark Duffy, Assistant Director, Kansas Water Office

Others attending:

See attached list. Not available.

With a motion from Senator Morris and a second from Senator Vratil the minutes of March 1 and 2 were adopted as written.

Chairperson Corbin said continuation of the discussion on **SB 634** was in order. Information compiled by Clark Duffy from the Kansas Water Office responding to some of the questions that arose on Thursday during the discussion of **SB 634** was distributed (Attachment 1). Staff provided a report of the recommendations of the budget subcommittee that review the Kansas Water Office. On page 3 of the report the Senate Subcommittee recommendations are listed (Attachment 2).

A cap on the short and long term loans was discussed, and Senator Morris told the committee there was a cap on the short term loans but not on the long term. Senator Biggs moved that the bill be amended to include a maximum of \$1,000,000. at any one time. Senator Goodwin seconded the motion. The morion carried.

Senator Morris moved that SB 634 as amended be passed. Senator Stephens seconded the motion. The motion carried.

The meeting was adjourned. The next scheduled meeting will be at 8:00 a.m. on March 7, 2000.

SUBCOMMITTEE REPORT

Agency: Kansas Water Office

Bill No. --

Bill Sec. --

Analyst: Holwegner

Analysis Pg. No. 752

Budget Page No. 479

Expenditure Summary	Agency Request FY 2001	Governor Recommendation FY 2001	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 6,237,949	\$ 5,767,445	\$ (39,057)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 6,237,949</u>	<u>\$ 5,767,445</u>	<u>\$ (39,057)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 6,237,949</u></u>	<u><u>\$ 5,767,445</u></u>	<u><u>\$ (39,057)</u></u>
State General Fund:			
State Operations	\$ 1,530,014	\$ 1,442,819	\$ (37,432)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 1,530,014</u>	<u>\$ 1,442,819</u>	<u>\$ (37,432)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 1,530,014</u></u>	<u><u>\$ 1,442,819</u></u>	<u><u>\$ (37,432)</u></u>
FTE Positions	22.5	22.5	0.0
Unclass. Temp. Positions	1.0	1.0	0.0
TOTAL	<u><u>23.5</u></u>	<u><u>23.5</u></u>	<u><u>0.0</u></u>

Agency Request/Governor's Recommendation

The Water Office requests \$6,237,949 for FY 2001 operating expenditures. This is an increase of \$429,617 (7.4 percent) above the FY 2000 estimate. The agency's expenditures request includes: \$1,530,014 from the State General Fund, \$3,210,674 from the State Water Plan Fund, \$1,372,577 from the Water Marketing Fund, and \$124,684 from all other revenue funds. The Water Office requests \$1,385,247 for the salaries and wages of 22.5 FTE positions and 1.0 unclassified temporary position. This is an increase of \$50,581 (3.8 percent) over the FY 2000 estimate.

The Governor recommends \$5,767,445 for operating expenditures in FY 2001. This is a decrease of \$140,727 (2.4 percent) from the FY 2000 recommendation, and a decrease of \$470,504 (7.5 percent) from the agency's FY 2001 request. The Governor recommends \$1,442,819 from the State General Fund, \$2,826,474 from the State Water Plan Fund, \$1,372,112 from the Water Marketing Fund, and \$126,040 from all other revenue

funds. The Governor recommends \$1,375,293 for the salaries and wages of 23.5 positions (22.5 FTE positions and 1.0 unclassified temporary position). This is an increase of \$40,788 (3.1 percent) from the FY 2000 recommendation and a decrease of \$9,954 (0.7 percent) from the agency's FY 2001 request. The Governor recommends a KPERS rate freeze (\$4,355), a KPERS insurance moratorium (\$6,702), and a decrease in Worker's Compensation contribution (\$867).

FY 2001 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Assessment and Evaluation	\$ 0	\$ 50,000	0.0	\$ 0	\$ 0	0.0
Federal Cost-Share Programs	0	250,000	0.0	0	250,000	0.0
Kansas Water Resources Research Institute	0	136,000	0.0	0	0	0.0
Stream Team Coordinator	0	50,000	0.0	0	0	0.0
Public Water Supply-GIS Data Development	0	95,200	0.0	0	0	0.0
TOTAL	\$ 0	\$ 581,200	0.0	\$ 0	\$ 250,000	0.0

Enhancements

Assessment and Evaluation. The agency requests an additional \$50,000 from the State Water Plan Fund. The agency wants to determine if the Water Authority's objectives for 2010 will be met with the current programs of the State Water Plan. With the enhancement the agency requests a total of \$300,000 from the State Water Plan Fund for assessment and evaluation of water resource conditions in each of the twelve planning basins. While the Governor does not recommend the enhancement, the Governor recommends \$200,000 for assessment and evaluation.

Federal Cost-Share Programs. The agency requests an additional \$250,000 from the State Water Plan Fund for federal cost-share programs. A one-to-one match is required. These projects include: sediment surveys of water supply lakes, evaluation of options to meet the water supply needs of the Walnut Basin Region, evaluation of the Upper Arkansas River corridor, evaluation of the Missouri River in Kansas, evaluate the need and scope for a potential study of the Pikitanoi water supply project for the Kickapoo Indian Nation. The Governor concurs.

Kansas Water Resources Research Institute. The agency requests an additional \$136,000 from the State Water Plan Fund for the Kansas Water Resources Research Institute (KWRRRI). These funds will be utilized in a two- for-one match for an investigation of physical, chemical, and biological characteristics of surface and groundwater. The Governor does not recommend this enhancement.

Stream Team Coordinator. The agency requests an additional \$50,000 from the State Water Plan Fund for a Stream Team Coordinator. The agency would contract with a non-profit organization to hire a coordinator who would further communications and cooperation between stream teams in the state. The Governor does not recommend this enhancement.

Public Water Supply–GIS. The agency requests an additional \$95,200 from the State Water Plan Fund to develop Geographic Information System (GIS) data for public water supplies. The Governor does not recommend this enhancement.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendation with the following adjustments, recommendations, and observations.

1. **Delete \$39,057**, including \$37,432 from the State General Fund, based on the recommendation to delete funding for the Governor's pay plan adjustments from individual agency budgets. This includes classified step movement (\$20,601), an unclassified merit pool of 2.5 percent (\$4,275), and the longevity bonus (\$14,181).
2. **Transfer \$653,350** from the Water Marketing Fund to the State General Fund. The Water Marketing Program supplies water to municipal and industrial users. The Water Marketing Fund receives the water fees from this program and makes payments to the U.S. Corp of Engineers for water storage and to the State General Fund for capital and interest payments. This transfer is a partial prepayment on the loan from the State General Fund. Over time the Water Marketing Fund has been collecting an internal reserve to reduce the effect of any dramatic water rate increases. By making a prepayment, the future cost of paying off the loan will decrease and could cause a small decrease in water rates.

Since the Water Marketing Program operates on a calendar year rather than a fiscal year, this transfer could cause some short term cash flow difficulties. To help alleviate this concern, the Subcommittee recommends allowing the Water Office to obtain a short term loan from the Pooled Money Investment Board to meet the financial obligations of the Water Marketing Program. To lessen the effects of a dramatic water rate increase, the Subcommittee also recommends that legislation be introduced to allow the Water Office to obtain a long term loan from the Pooled Money Investment Board.

3. The Subcommittee notes that for FY 2001 the Governor has not recommended or anticipated any money returned back to the State Water Plan Fund. The Subcommittee understands that returned funds are usually estimated for the current fiscal year, and for FY 2000 the amount expected to be returned to the fund is \$1.8 million. At the end of FY 2001, the Governor currently estimates the ending balance of the State Water Plan Fund to be \$20,000.

4. The Subcommittee is concerned about research being conducted in the Equus Bed Aquifer regarding water quality, available amounts, and the effect of pollutants. As agencies do their independent studies, there appears to be no organized statewide effort to identify pollutants. The Subcommittee discussed the agency's request for \$136,000 from the State Water Plan Fund for surface and groundwater research to be conducted by the Kansas Water Resources Research Institute. The Institute is a part of the Kansas Agricultural Experiment Station and conducts research on water efficiency and quality use. The Governor did not recommend this project.

The Subcommittee concludes that at least part of the issue is being addressed and refrains from making additional recommendations until after the Kansas Department of Health and Environment and the State Conservation Commission have been reviewed.

5. The Subcommittee notes that the Governor recommends \$250,000 from the State Water Plan Fund for federal cost-share programs with the U.S. Corps of Engineers that require a one-to-one match. The Subcommittee has learned that the list of potential projects has been prioritized by the Water Office. The first two projects to be performed are a sedimentation study of several small water supply lakes and a study of the Upper Arkansas River corridor. If time and money is available, the agency plans to evaluate the options to meet the water supply needs of the Walnut Basin Region, including storage at El Dorado Lake.

6. The Subcommittee received public testimony regarding the state's Hail Suppression Program. The counties of Rawlins and Cheyenne, through either the county commission or a vote of the people, have opted to not participate in the program. According to the public testimony that the Subcommittee heard, Groundwater Management District (GMD) #4 plans to request a permit from the Water Office to suppress hail in these two counties. The director of the Water Office stated that his policy is to follow the wishes of a county as expressed by the board of county commissioners or by a vote of the people. The Subcommittee respectfully requests that the director of the Water Office seek written commitment

from GMD #4 that it does not plan to request a permit for Rawlins and Cheyenne counties. The Subcommittee also requests that it receive copies of the letter from GMD #4 from the Water Office.

Senate Committee Recommendation

The Committee concurs with the subcommittee's recommendation.

STATE OF KANSAS



Bill Graves, Governor

KANSAS WATER OFFICE

Al LeDoux
Director

March 3, 2000

901 S. Kansas Ave.
Topeka, Kansas 66612-1249

785-296-3185
FAX 785-296-0878
TTY 785-296-6604

Dave Corbin
Chairman
Senate Energy and Natural Resources Committee
300 SW 10th
Room 120 S
Topeka, Kansas 66612

Re: Senate Bill 634

Dear Senator Corbin:

During the committee's discussion on SB 634 this week, the question arose as to the actual amounts of money that have been "borrowed" from the reserve account for the water marketing program. I reviewed the records of the program and offer the following:

Reserve Account Funds used to meet cash flow shortages

1992	\$7,527.08
1993	\$19,851.14
1998	\$43,366.81

Reserve Account Funds used to cover "unusually high operation and maintenance costs" (this does not include the \$900,000 expense in 1989 which resulted in the creation of reserve account)

FY 1998	\$175,000
FY 1999	\$175,000

I hope this information will be helpful for your deliberations. If you or members of the committee desire any additional information, please let me know.

Sincerely,

Clark Duffy

cc: Senate Energy and Natural Resource committee members
Mary Torrence
Raney Gilliland
Reed Holwegner
Jeff Arpin

Senate Energy & Natural Resources

Attachment: 2

Date: 3-6-2000