

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chair Melvin Neufeld at 9:00 a.m. on March 5, 2003, in Room 514-S of the Capitol.

All members were present except:

Representative JoAnn Pottorff, Excused
Representative Barbara Ballard, Excused
Representative Jerry Henry, Excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy Deckard, Legislative Research Department
Becky Krahl, Legislative Research Department
Amy VanHouse, Legislative Research Department
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Ken Grotewiel, Assistant Director, Kansas Water Office
Joe Fund, Fiscal Officer, Kansas Water Office
Kent Weatherby, General Counsel, Kansas River Water Assurance District #1

Others attending: See Attached

HB 2251 was referred to Agriculture and Natural Resources Budget Committee.

Hearing on HB 2397 – Establishing the water supply storage assurance fund

Amy VanHouse, Legislative Research Department, explained the Water Supply Storage Assurance Fund, which has been annually authorized in the appropriation bills since 1999, and is used to administer the Water Assurance Program. The bill was recommended for introduction by the Agriculture and Natural Resources Budget Committee. The language in this bill has been included as a proviso in the appropriation bills for the last several years and this bill would put the language into the general statutes instead of provisos. The bill will have no fiscal effect on the state.

The Governor's recommendation for expenditures for FY 2004 is \$400,000. The programs are not financed with state funding or State General Fund. They are funded by the users of the fund.

Ken Grotewiel, Assistant Director, Kansas Water Office, presented testimony in support of **HB 2397**, as recommended by the Agriculture and Natural Resources Budget Committee in place of the provisos, which have appeared since 1999 (Attachment 1). Director Grotewiel introduced Joe Fund, Fiscal Officer, Kansas Water Office, who explained the money comes from the members of the several Assurance Districts and a status report is published annually by the Kansas Water Office. The Water Assurance Program works somewhat like an insurance policy, guaranteeing water when there is low flow to the Assurance members. The collected funding is placed in a fund and expended as needed.

Kent Weatherby, General Council for Kansas River Water Assurance District #1, presented oral testimony in support of **HB 2397**. The Water Assurance Districts were established by special legislation about 15 years ago. The first one established included about 16 municipalities which included Lawrence, Kansas City, Johnson County Water District 1, Western Resources, Manhattan and Junction City. The Assurance District contracts with the state and the state contracts with the federal government for storage. The district pays whatever the federal government charges for storage, operation, and maintenance. The district pays the state for their storage and service and whatever costs the state has in administering and enforcing the program.

Chair Neufeld announced the hearing on **HB 2397** is closed.

Representative Gatewood moved to report **HB 2397** favorably and place it on the consent calendar. Motion seconded by Representative Schwartz. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 5, 2003, in Room 514-S of the Capitol.

Hearing on HB 2399 – Authorizing the Kansas Water Office to borrow funds for certain purposes

Amy VanHouse explained **HB 2399** allows the Kansas Water Office to borrow money with interest for up to five years from the Pool Money Investment Board (PMIB). The bill also allows them to borrow an interest-free loan of less than one year from the PMIB to stabilize the rate charged to customers of the Water Marketing Program through the Water Marketing Fund. The language in this bill has been included as a proviso in the appropriation bills for the last several years and this bill would put the language into the statute instead of provisos. The bill will have no fiscal effect on the state.

Ken Grotewiel, Assistant Director, Kansas Water Office, presented testimony in support of **HB 2399**. (Attachment 1).

Chair Neufeld announced the hearing on **HB 2399** is closed.

Representative Schwartz moved to report favorably **HB 2399** and place it on the consent calendar. Motion was seconded by Representative Gatewood. Motion carried.

Hearing on HB 2400 – Establishing the local water project match fund

Amy VanHouse explained **HB 2400** creates a fund for receiving and passing through Local Match Funds for Federal programs. The language in this bill has been included as a proviso in the appropriations bills for the last several years and this bill would put the language into the general statutes instead of provisos. The bill will have no fiscal effect on the state.

Ken Grotewiel, Assistant Director, Kansas Water Office, presented testimony in support of **HB 2400** (Attachment 1).

Chair Neufeld announced the hearing on **HB 2400** is closed.

Representative Osborne moved to report favorably **HB 2400** and place it on the consent calendar. Motion was seconded by Representative Schwartz. Motion carried.

Agriculture and Natural Resources Budget Committee recommendations for HB 2387 – Charge fees for each head of cattle slaughtered in the state

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee's recommendations on **HB 2387** and moved for the adoption of the Budget Committee recommendations (Attachment 2). Motion was seconded by Representative Osborne.

The Budget Committee recommended that an interim study be conducted on the fee structure and State General Fund financing of the Kansas Animal Health Department. Included in the study would be an evaluation of the equity of fees in the agency and the appropriate level of State General Fund appropriations in the agency's revenue sources.

Representative Gatewood made a substitute motion to not adopt the Budget Committee recommendations on **HB 2387**. Motion was seconded by Representative Feuerborn. Motion carried.

The meeting was adjourned at 9:45 a.m. The next meeting is scheduled for March 6, 2003.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: *March 5, 2003*

NAME	REPRESENTING
<i>Kent Weatherby</i>	<i>Kansas River Water Assn. District #1</i>
<i>Lisa Hoopes</i>	<i>Legislative Post Audit</i>
<i>DERL TREFF</i>	<i>P m i B</i>
<i>Ron Appletoft</i>	<i>WaterOne</i>
<i>Tom GACHES</i>	<i>KSPE</i>
<i>Leslie Kaufman</i>	<i>Ks Farm Bureau</i>
<i>Godd Johnson</i>	<i>Kansas Livestock Assn.</i>
<i>Mark Tomb</i>	<i>LKM</i>

**Kansas Water Office
Testimony on HB2397, 2399 and 2400**

Ken Grotewiel, Assistant Director
March 5, 2003

Mr. Chairman and members of the House Appropriations Committee, I am pleased to appear before you today in support of House Bills 2397, 2399 and 2400.

The intent of these legislative proposals have been included in previous years as appropriations provisos and on February 14, 2003, this Committee also recommended including these items in the Omnibus Appropriations bill for FY2004 as appropriations provisos.

House Bill 2397 creates the water supply storage assurance fund.

Further, the language provides for transferring monies from this account for the following purposes:

- 1) Payment to the federal government for annual capital costs of water supply storage in federal reservoirs under the water assurance program;
- 2) Payment and reimbursement to the water marketing fund for water supply storage space previously paid for with revenue from the water marketing fund;
- 3) Payment to the federal government of annual operations, maintenance and repair costs associated with water supply storage space; and
- 4) Payment and reimbursement to the water marketing fund and state general fund for costs incurred by the state for administration and enforcement of the water assurance program.

The Kansas Water Office routinely conducts these transactions since the creation of the Water Assurance Program. However, in 1998 the statute that established the Water Assurance Fund was inadvertently abolished. Either this bill or an appropriations proviso is necessary for the agency to receive and expend monies in accordance with the Water Assurance Act.

House Bill 2399 authorizes the Pooled Money Investment Board (PMIB) to loan money to the Kansas Water Office to maintain cash flow of the water marketing fund and requires repayment of these monies within five years. Passage of this legislation would allow the Kansas Water Office to maintain a stable rate when unusual expenses occur. When these unusual expenses occur, it is anticipated that the actual rate increase would be less than 1 cent per thousand gallons of this law is enacted. Without this authorization, the rate may fluctuate as much as 4-5 cents in any one calendar year.

K.S.A. 82a-1315(c)(b)(5) was enacted in 1991 to allow the Kansas Water Office to maintain a reserve account within the Kansas Water Marketing Fund to meet any

shortfall in revenue or unusual expenses. The primary objective of that statutory change in 1991 was to stabilize the annual rate charged for water so customers would not be subjected to dramatic one-year increases in rates and so that future customers could be assured of a stable rate.

During the 1999 Legislative Session, the Kansas Legislature removed \$633,360 from the account and deposited it into the State General Fund. During that same year, the Legislature added an appropriation proviso to authorize the Kansas Water Office to borrow funds, for water marketing rate stabilization purposes, from the Pooled Money Investment Board to meet unusual expenses, including 'cash flow' needs for this program. This appropriation proviso has been included in the Kansas Water Office appropriation bill since 1999.

Either passage of this legislation or an appropriations proviso is necessary to allow the Kansas Water Office to maintain a stable rate when unusual expenses occur as was envisioned in K.S.A. 82a-1315(c)(b)(5).

House Bill 2400 creates the local water project match fund for receiving matching funds from local government entities and instrumentalities. Monies deposited in this fund would be used to leverage more federal dollars through the Planning Assistance to States Program. The Kansas Water Office is the state's representative in these projects.

Each state has a maximum receipt cap of \$500,000 based on availability of funding. Recent years, this has been limited to \$250,000, in FY 2003, the KWO budgeted approximately \$160,000 and have requested \$100,000 for FY04.

The federal government can only make money available to states through the Planning Assistance to States Program. Additional federal matching funds are available for use in Kansas. Unfortunately, there are not enough state resources available to match all of the federal funds. The creation of this fund would allow the Kansas Water Office to partner with local governments to increase the amount of federal funding accessed in Kansas.

During the 2001 Legislative Session, the Legislature added an appropriations proviso creating a fund for receiving and passing through local match funds for federal cost-share programs. This proviso has been included each year.

Passage of HB 2400 or continuation of an appropriation proviso is necessary to establish a fund for receiving and passing through local match funds for federal cost-share programs.

Thank you Chairman Neufeld and members of the House Appropriations Committee for this opportunity to address these legislative proposals. I am pleased to respond to questions that the Committee may have.

HOUSE BUDGET COMMITTEE REPORT


ON HB 2387



Representative Sharon Schwartz, Chair



Representative Carl Holmes



Representative Vern Osborne



Representative Larry Powell

Representative Vaughn Flora

Representative Doug Gatewood



Representative Tom Thull

HOUSE APPROPRIATIONS

DATE 3-5-03

ATTACHMENT 2

House Agriculture and Natural Resources Budget Committee

Recommendation on HB 2387

HB 2387 establishes a \$0.26 per head fee on cattle slaughtered at a facility which handles over 5,000 animals per year. This fee is to be deposited in the disease control fund of the Animal Health Department. In addition, this bill eliminates the \$375 public livestock market application fee, the \$40 annual public livestock or electronic auction licensing fee, and all feedlot inspection fees. The brand inspection fee for cattle sold at a public livestock market is also reduced from \$0.40 per head to \$0.20 per head. Cattle are also exempted from the \$0.15 inspection fee at public livestock markets. With an estimated 7.2 million cattle slaughter in the state annually, the new fee would generate \$1,872,000 in annual revenue. Including revenue reductions from the elimination of certain fees, the net effect of the bill is an increase of \$1,330,797 in agency fee funds.

Budget Committee Recommendation

1. The Budget Committee recommends an amendment which changes the \$0.26 fee on page 1, line 15 to \$0.08 with the fee fixed by rule and regulation and puts a cap on the late fee assessed on page 2, line 7 to \$500 with the fee fixed by rule and regulation. The revenue generated by a \$0.08 fee makes the bill revenue neutral.
2. The Budget Committee discussed the fee structure of the agency and how the agency is financed. The Budget Committee recommends that an interim study be conducted on the fee structure and State General Fund financing of the Animal Health Department. Included in the study would be an evaluation of the equity of fees in the agency and the appropriate level of State General Funds in the agency's revenue sources.
3. The Budget Committee recommends the bill be tabled.

Background

The House Agriculture and Natural Resources Budget Committee held a hearing on the bill February 19, 2003. The Committee heard from the Livestock Commissioner. The Commissioner provided an overview of the fee structure of the disease control function of the agency and also provided statistics on Kansas livestock markets and feedlots. The deletion of feedlot inspection fees impacts beef cattle feedlots as well as lots for swine, sheep, and dairy cattle. The Commissioner expressed concern on the impact the bill has on the brand inspection program.

General Fund support of the agency and the equity of agency funding provided by the bee, cattle and livestock industries versus the pet animal industry. Further, the KLA appreciates the interest in examining the agency's fee structure and encourages further discussion of this issue in the future.