

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on January 26, 2005 in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
Amy VanHouse, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Steve Irsik, Chair, Kansas Water Authority
Tracy Streeter, Acting Director, Kansas Water Office

Others Attending:

See Attached List.

- Attachment 1 Presentation by Amy VanHouse, Legislative Research Department on the Statutory Responsibilities of the Kansas Water Office and Kansas Water Authority
- Attachment 2 Presentation by Steve Irsik, Chair, Kansas Water Authority

Representative Hutchins moved to introduce legislation concerning reauthorization of capital improvement projects at Fort Hays State University. The motion was seconded by Representative McLeland. Motion carried.

Representative Pottorff moved to introduce legislation concerning a revision to the Kansas state use law. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Powell moved to introduce legislation prescribing certain procedures for acquisition of land by state agencies. The motion was seconded by Representative Schwartz. Motion carried.

Representative Light moved to introduce legislation concerning the reorganization of the State Fire Marshal's office. The motion was seconded by Representative Pottorff. Motion carried.

Representative Landwehr moved to introduce legislation relating to an act concerning children in need of care and informal supervision as recommended by the judges across the state. The motion was seconded by Representative Ballard. Motion carried.

Representative Landwehr moved to introduce legislation converting a pilot program, which allowed two advocates for the parents of a child-in-need-of-care case into the courtroom, to a permanent program across the state. The motion was seconded by Representative Henry. Motion carried.

Representative Gatewood moved to introduce legislation regarding the manufacture, storage and distribution of Class C fireworks. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Gatewood moved to introduce legislation regarding the manufacture, storage and distribution of explosives. The motion was seconded by Representative Lane. Motion carried.

Representative Bethell moved to introduce legislation concerning the integrity of prescription drugs. The motion was seconded by Representative Henry. Motion carried.

Representative Bethell moved to introduce legislation concerning the insurance pool for nursing home

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facilities. The motion was seconded by Representative Henry. Motion carried.

HB 2107 was referred to Social Services Budget Committee

HB 2105 and **HB 2106** were referred to Revenue, Judicial, Transportation and Retirement Budget Committee.

HB 2108 and **HB 2116** were referred to the Agriculture and Natural Resources Budget Committee.

Amy VanHouse, Legislative Research Department, presented a staff briefing on the statutory responsibilities and make-up of the Kansas Water Office and the Kansas Water Authority (Attachment 1).

Steve Irsik, Chairman, Kansas Water Authority, presented an overview of the Kansas Water Authority (Attachment 2). Mr. Irsik introduced other members of the Kansas Water Authority who were present: Don Paxton, Penokee Conservation District; Betty Criss, El Dorado; and Dennis Schwartz, Topeka Rural Water Association.

Some highlights of Mr. Irsik's testimony include:

- The Kansas Water Authority is working to educate and communicate with the citizens of Kansas about the declining supply of water in the Ogallala aquifer in the western part of the state.
- Water drives the economy of the state of Kansas.
- Reservoirs in the eastern part of the state are the sole supplier of water for 750,000 citizens.
- Siltation rate in the state's reservoirs is of great concern.
- The unfunded liability of approximately \$100 million for Kansas reservoirs is another concern and needs to be addressed in the near future. This liability is owed to the federal government for the water storage in Big Hill, Hillsdale, Milford and Perry reservoirs.

Responding to a question from the Committee, Mr. Irsik indicated that there is no agenda or specific coordination between the Governor's Sub-cabinet on Natural Resources and the Kansas Water Authority; however, new leadership is working to coordinate efforts. In response to a question concerning the unfunded liability of Kansas reservoirs, Mr. Irsik noted that there are no specific dollars proposed to be expended in the Governor's budget at the present time to cover the state's liability. The Water Authority's position is that funding should be set aside in escrow to fund this liability when it becomes due. The Water Authority is requesting \$800,000 to fund long-range projects for watershed restoration and protection. This funding will be matched by federal environmental protection agency dollars. A Committee member noted that they felt it would be important for the Water Authority to review state statutes concerning where landfills can be built in relationship to a water supply.

Chair Neufeld thanked Mr. Irsik for his testimony and recognized Tracy Streeter, Acting Director of the Kansas Water Office.

Some highlights of Mr. Streeter's testimony include:

- The largest budget issue is the irrigation transition project which converts irrigated land to dry land.
- The Water Office is working on demonstration projects, particularly in the southwest part of the state, to control salt cedars, Russian olives and other plants that are large consumers of water and seeing good success from these projects.
- Quality of water, as well as quantity, is of concern, such as irrigation water that is being returned to the rivers.
- The construction of new reservoirs is not feasible.
- A study is being conducted concerning the water supply at Wilson Reservoir to determine if this water can be treated to be re-allocated for use by industrial and municipal units.
- The Water Office is working with Missouri and Oklahoma on tri-state issues, such as the movement of fresh water east from Kansas into Missouri.
- The Water Office is advocating the restoration of the Water Plan Fund. The Governor has recommended that the statutory transfer of \$6 million be restored.

Responding to questions from the Committee, Mr. Streeter noted that an irrigation transition project was adopted to extend the life of the Ogallala with original funding from federal grants; however, this money has not materialized and they are now looking at state funds. The amount of the unfunded liability is stable until the expiration date. The Water Office is not advocating the payment of the unfunded liability; however, the

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office is requesting funds be put in escrow so that the funds will be available when due. With regard to the degradation of the Kansas River, Mr. Streeter stated that studies show that what occurs at the reservoirs, as well as the Missouri River, have an impact on the Kansas River. At the present time, the U.S. Corp of Engineers controls the activity in the Kansas River, particularly the sand dredging operation. Mr. Streeter stated that the proposed \$2 million proposed to be expended in the budget, is for dredging in lakes as well as the Kansas River. Responding to another question concerning the dredging operation, Mr. Streeter noted that the Water Office believes that the U.S. Corp of Engineers has a responsibility to clean up the reservoirs, indicating also that the agency felt that the amount of state funds spent on dredging operations should be deducted from the unfunded liability. Mr. Streeter indicated that no negotiations have taken place at this time on the proposed purchase of the Circle K Ranch sale.


Mr. Streeter noted that he did not believe there is any strong influence from canoeists concerning dredging and other operations in the Kansas River. With reference to the irrigation transition project concerning the Colorado water rights settlement, Mr. Streeter stated that the Water Office is working closely with the Arkansas River Steering Committee for their recommendations. The Committee suggested that one-third of the Colorado water rights settlement should be used to address the upper Ark area issue.

In response to a question from the Committee, Earl Lewis, Kansas Water Office, stated that most of the reservoirs in Kansas are on schedule as pertains to the siltation rate; however, Perry Reservoir is ahead of schedule. At the present time, Big Hill, Hillsdale, Milford and Perry reservoirs are still within their settlement storage areas as determined at the time of construction.

The Chair thanked Mr. Streeter for his testimony.

Representative Light reported on the Public Safety Budget Committee's recent tours to observe the Kansas Juvenile Correctional Complex and the Lansing Correctional Facility.

The meeting was adjourned at 10:30 a.m. The next meeting will be on call of the Chair.



Melvin Neufeld, Chair

January 25, 2005

Kansas Water Office Statutory Responsibilities

The Kansas Water Office was created in 1981 as the state's water policy, planning, and coordination agency. The Kansas Water Office replaced the former State Water Resources Board.

K.S.A. 74-2608 states that the Kansas Water Office shall:

- Collect and compile information pertaining to climate, water, and soil as related to the usage of water for agricultural, industrial, and municipal purposes and the availability of water supplies in the state's watersheds.
- Develop a comprehensive state plan for the management, conservation, and development of the water resources of the state.
- Develop and maintain guidelines for water conservation plans and practices.
- Establish guidelines as to when conditions indicative of drought exist (with the approval of the Kansas Water Authority).

In addition, K.S.A. 74-2609 states that the Kansas Water Office may:

- Seek and accept grants and other financial assistance from the federal government and other public or private sources or enter into contracts with other entities to carry out the responsibilities of the agency.
- Acquire water rights under the Kansas Water Appropriation Act to provide public water supply storage in either federally or non-federally funded multipurpose small lakes.
- Authorize the issuance of revenue bonds to pay all or part of the cost of acquiring a site, constructing, reconstructing, improving, and expanding large reservoir projects or to finance the purchase of storage in existing reservoirs.

Kansas law also addresses the specific responsibilities of the Kansas Water Authority. K.S.A. 74-2622 states that the Kansas Water Authority shall:

- Consult with and be advisory to the Governor, the Legislature, and the Director of the Kansas Water Office.
- Review plans for the development, management, and use of the water resources of the state by any state or local agency.

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ATTACHMENT 1

- Study state and federal law relating to water including the conservation and development of water resources, appropriation of water for beneficial use, flood control, construction of levees, drainage, irrigation, soil conservation, watershed development, stream control, gauging of stream, and stream pollution.
- Make recommendations to other state agencies for the coordination of their activities relating to flood control, construction of levees, drainage, irrigation, soil conservation, watershed development, stream control, gauging of stream, stream pollution, and groundwater studies.
- Make recommendations to the Legislature and to the Governor concerning necessary or advisable legislation.
- Approve, prior to submission to the Legislature by the Kansas Water Office or its Director,
 - any contract entered into pursuant to the State Water Plan Storage Act,
 - any amendments to the State Water Plan or the State Water Planning Act, and
 - any other legislation concerning water resources of the state.
- Approve any policy changes proposed by the Kansas Water Office concerning the pricing of water for sale pursuant to the State Water Plan Storage Act.
- Approve any agreement entered into with the federal government by the Kansas Water Office.
- The Authority may review any state agency's budget estimate pertaining to the state's water resources. The Authority may evaluate it and furnish recommendations to the Governor and the Legislature.
- Approve, prior to adoption by the Director of the Kansas Water Office, rules and regulations.
- Approve, prior to adoption by the Director of the Kansas Water Office, guidelines for conservation plans and practices.

K.S.A. 74-2608 directs the Kansas Water Office to develop a state water plan. K.S.A. 82a-907 specifically outlines items that need to be considered in the formulation of the state water plan.

- The management, conservation, and development of the water resources of the state for the benefit of the state as a whole;
- The benefits to be derived from development of reservoir sites for the combined purposes of flood control, water supply storage, and recreation;
- The inclusion of conservation storage in reservoir development and planning for the regulation of streamflow for the purpose of quality control, such inclusion not to serve as a substitute for methods of controlling wastes at their sources;
- The public health and general welfare of the people of the state. This includes the safeguards to public health, aquatic, and animal life established by Kansas law.
- The use of waters to augment the flow of surface streams for the support of aquatic and other wildlife and to improve the water quality of the stream and to protect the public health
- Means and methods for the protection of aquatic and other wildlife;

- The water development policies, whenever possible, consistent with the beneficial development of other natural resources;
- All appropriation and other rights to the use of water that exist pursuant to the Kansas Water Appropriation Act and the State Water Plan Storage Act;
- The interrelationship of groundwater and surface water supplies and the effects of evapotranspiration on water supply;
- The alternative plans, programs, and projects in the interest of effective water resource management, conservation, and development;
- The maintenance, preservation, and protection of the sovereignty of the state over all the waters within the state;
- Plans, projects, and recommendations of public corporations, the federal government, and state agencies prepared pursuant to statutory authority;
- Plans, recommendations, and projects of private associations or organizations as they relate to the water resources of the state;
- The need of the state to control storage in federal reservoirs by purchase or agreement; and
- Such other matters as the office deems proper or desirable.

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74-2608

Chapter 74.--STATE BOARDS, COMMISSIONS AND AUTHORITIES **Article 26.--KANSAS WATER OFFICE AND KANSAS WATER AUTHORITY**

74-2608. Duties of office. The Kansas water office shall:

(a) Collect and compile information pertaining to climate, water and soil as related to the usage of water for agricultural, industrial and municipal purposes and the availability of water supplies in the several watersheds of the state, and, in so doing, the office shall collect and compile the information obtainable from other agencies, instrumentalities of the state, political subdivisions of the state and the federal government.

(b) Develop a state plan of water resources management, conservation and development for water planning areas as determined by the office, and cooperate with any agency or instrumentality of the state or federal government now or hereafter engaged in the development of plans or having developed plans affecting any such area of the state.

(c) Develop and maintain guidelines for water conservation plans and practices. Such guidelines shall:

- (1) Not prejudicially or unreasonably affect the public interest;
- (2) be technologically and economically feasible for each water user to implement;
- (3) be designed to curtail the waste of water;
- (4) consider the use of other water if the use of freshwater is not necessary;
- (5) not require curtailment in water use which will not benefit other water users or the public interest;
- (6) not result in the unreasonable deterioration of the quality of the waters of the state;
- (7) consider the reasonable needs of the water user at the time;
- (8) not conflict with the provisions of the Kansas water appropriation act and the state water planning act;
- (9) be limited to practices of water use efficiency except for drought contingency plans for municipal users; and
- (10) take into consideration drought contingency plans for municipal and industrial users.

When developing such guidelines, the Kansas water office shall consider existing guidelines of groundwater management districts and the cost to benefit ratio effect of any plan.

(d) The Kansas water office, with the approval of the Kansas water authority, shall establish guidelines as to when conditions indicative of drought exist. When the Kansas water office determines that such conditions exist in an area, it shall so advise the governor and shall recommend the assembling of the governor's drought response team.

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History: L. 1955, ch. 356, § 4; L. 1967, ch. 420, § 1; L. 1981, ch. 398, § 11; L. 1981, ch. 302, § 12; L. 1986, ch. 392, § 1; L. 1991, ch. 292, § 2; July 1.

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74-2609

Chapter 74.--STATE BOARDS, COMMISSIONS AND AUTHORITIES

Article 26.--KANSAS WATER OFFICE AND KANSAS WATER AUTHORITY

74-2609. Duties of office. The Kansas water office may:

(a) Seek and accept grants and other financial assistance that the federal government and other public or private sources make available and utilize the same for any purpose which the office is required or authorized to study or make recommendations concerning.

(b) Contract with public agencies or with qualified private persons or agencies to accomplish any purpose which the office is required or authorized to study or make recommendations concerning.

(c) For the purpose of providing public water supply storage in either federally funded or nonfederally funded multipurpose small lakes, acquire water rights under the Kansas water appropriation act.

(d) Authorize the issuance of revenue bonds for the purpose of paying all or part of the cost of acquiring a site, constructing, reconstructing, improving and expanding large reservoir projects or to finance the purchase of storage in existing reservoirs as provided by K.S.A. 82a-1360 to 82a-1368, inclusive.

History: L. 1955, ch. 356, § 5; L. 1961, ch. 384, § 1; L. 1970, ch. 313, § 1; L. 1981, ch. 302, § 13; L. 1985, ch. 342, § 10; L. 1986, ch. 394, § 6; July 1.

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74-2622

Chapter 74.--STATE BOARDS, COMMISSIONS AND AUTHORITIES

Article 26.--KANSAS WATER OFFICE AND KANSAS WATER AUTHORITY

74-2622. Kansas water authority; membership; appointment; qualifications; terms; compensation and allowances; powers and duties; application of K-GOAL.

(a) There is hereby established within and as a part of the Kansas water office the Kansas water authority. The authority shall be composed of 23 members of whom 13 shall be appointed as follows: (1) One member shall be appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto. Except as provided by K.S.A. 46-2601, such person shall not exercise any power, duty or function as a member or chairperson of the water authority until confirmed by the senate. Such member shall serve at the pleasure of the governor and shall be the chairperson of the authority; (2) except as provided by subsection (b), 10 members shall be appointed by the governor for terms of four years. Of the members appointed under this provision one shall be a representative of large municipal water users, one shall be representative of small municipal water users, one shall be a board member of a western Kansas groundwater management district, one shall be a board member of a central Kansas groundwater management district, one shall be a member of the Kansas association of conservation districts, one shall be representative of industrial water users, one shall be a member of the state association of watershed districts, one shall have a demonstrated background and interest in water use conservation and environmental issues, and two shall be representative of the general public. The member who is representative of large municipal water users shall be appointed from three nominations submitted by the league of Kansas municipalities. The member who is representative of small municipal water users shall be appointed from three nominations submitted by the Kansas rural water district's association. The member who is representative of a western Kansas groundwater management district shall be appointed from three nominations submitted by the presidents of the groundwater management district boards No. 1, 3 and 4. The member who is representative of a central Kansas groundwater management district shall be appointed from three nominations submitted by the presidents of the groundwater management district boards No. 2 and 5. The member who is representative of industrial water users shall be appointed from three nominations submitted by the Kansas association of commerce and industry. The member who is representative of the state association of watershed districts shall be appointed from three nominations submitted by the state association of watershed districts. The member who is representative of the Kansas association of conservation districts shall be appointed from three nominations submitted by the state association of conservation districts. If the governor cannot make

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an appointment from the original nominations, the nominating authority shall be so advised and, within 30 days thereafter, shall submit three new nominations. Members appointed by the governor shall be selected with special reference to training and experience with respect to the functions of the Kansas water authority, and no more than six of such members shall belong to the same political party; (3) one member shall be appointed by the president of the senate for a term of two years; and (4) one member shall be appointed by the speaker of the house of representatives for a term of two years. The state geologist, the chief engineer of the division of water resources of the state board of agriculture, the director of the division of environment of the department of health and environment, the chairperson of the state corporation commission, the secretary of commerce, the director of the Kansas water office, the secretary of wildlife and parks, the administrative officer of the state conservation commission, the secretary of the state board of agriculture and the director of the agricultural experiment stations of Kansas state university of agriculture and applied science shall be nonvoting members ex officio of the authority. The director of the Kansas water office shall serve as the secretary of the authority.

(b) A member appointed pursuant to subsection (a)(2) shall be appointed for a term expiring on January 15 of the fourth calendar year following appointment and until a successor is appointed and qualified.

(c) In the case of a vacancy in the appointed membership of the Kansas water authority, the vacancy shall be filled for the unexpired term by appointment in the same manner that the original appointment was made. Appointed members of the authority attending regular or special meetings thereof shall be paid compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto.

(d) The Kansas water authority shall:

(1) Consult with and be advisory to the governor, the legislature and the director of the Kansas water office.

(2) Review plans for the development, management and use of the water resources of the state by any state or local agency.

(3) Make a study of the laws of this state, other states and the federal government relating to conservation and development of water resources, appropriation of water for beneficial use, flood control, construction of levees, drainage, irrigation, soil conservation, watershed development, stream control, gauging of stream and stream pollution for the purpose of determining the necessity or advisability of the enactment of new or amendatory legislation in this state on such subjects.

(4) Make recommendations to other state agencies and political subdivisions of the state for the coordination of their activities relating to flood control, construction of levees, drainage, irrigation, soil conservation, watershed development, stream control, gauging of stream, stream pollution and groundwater studies.

(5) Make recommendations to each regular session of the legislature and to the governor at such times as the authority considers advisable concerning necessary or advisable legislation relating to any of the matters or subjects which it is required by this act to study for the purpose of making recommendations to the legislature. All such recommendations to the legislature shall be in drafted bill form together with such explanatory information and data as the authority considers advisable.

(6) Approve, prior to submission to the legislature by the Kansas water office or its

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director, (A) any contract entered into pursuant to the state water plan storage act, (B) any amendments to the state water plan or the state water planning act and (C) any other legislation concerning water resources of the state.

(7) Approve, before they become effective, any policy changes proposed by the Kansas water office concerning the pricing of water for sale pursuant to the state water plan storage act.

(8) Approve, before it becomes effective, any agreement entered into with the federal government by the Kansas water office.

(9) Request any agency of the state, which shall have the duty upon that request, to submit its budget estimate pertaining to the state's water resources and any plans or programs related thereto and, upon the authority's receipt of such budget estimate, review and evaluate it and furnish recommendations relating thereto to the governor and the legislature.

(10) Approve, prior to adoption by the director of the Kansas water office, rules and regulations authorized by law to be adopted.

(11) Approve, prior to adoption by the director of the Kansas water office, guidelines for conservation plans and practices developed pursuant to subsection (c) of K.S.A. 74-2608, and amendments thereto.

(e) The Kansas water authority may appoint citizens' advisory committees to study and advise on any subjects upon which the authority is required or authorized by this act to study or make recommendations.

(f) The provisions of the Kansas governmental operations accountability law apply to the Kansas water authority, and the authority is subject to audit, review and evaluation under such law.

History: L. 1981, ch. 302, § 10; L. 1981, ch. 299, § 42; L. 1982, ch. 347, § 35; L. 1982, ch. 311, § 1; L. 1982, ch. 312, § 4; L. 1986, ch. 396, § 10; L. 1988, ch. 296, § 1; L. 1989, ch. 118, § 180; L. 1990, ch. 276, § 1; L. 1992, ch. 116, § 36; L. 1993, ch. 216, § 1; L. 1995, ch. 241, § 10; L. 2000, ch. 29, § 2; L. 2003, ch. 154, § 27; July 1.

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82a-907

Chapter 82a.--WATERS AND WATERCOURSES Article 9.--STATE WATERRESOURCE PLANNING

82a-907. State water resource planning act; considerations in formulation of state water plan. In formulating the state water plan the office shall consider:

- (a) The management, conservation and development of the water resources of the state for the benefit of the state as a whole;
- (b) the benefits to be derived from development of reservoir sites for the combined purposes of flood control, water supply storage and recreation;
- (c) the safeguards to public health, aquatic and animal life established by K.S.A. 65-161 to 65-171t, inclusive, and amendments thereto, and the Kansas water quality management plan approved and adopted as provided by chapter 351 of the 1979 Session Laws;
- (d) the water development policies, whenever possible, consistent with the beneficial development of other natural resources;
- (e) the public health and general welfare of the people of the state;
- (f) all appropriation and other rights to the use of water that exist pursuant to the Kansas water appropriation act and the state water plan storage act;
- (g) the interrelationship of groundwater and surface water supplies and the effects of evapotranspiration on water supply;
- (h) the alternative plans, programs and projects in the interest of effective water resource management, conservation and development;
- (i) the means and methods for the protection of aquatic and other wildlife;
- (j) the use of waters to augment the flow of surface streams for the support of aquatic and other wildlife and to improve the water quality of the stream and to protect the public health;
- (k) the inclusion of conservation storage in reservoir development and planning for the regulation of streamflow for the purpose of quality control, such inclusion not to serve as a substitute for methods of controlling wastes at their sources;
- (l) the maintenance, preservation and protection of the sovereignty of the state over all the waters within the state;
- (m) plans, projects and recommendations of public corporations, the federal government and state agencies prepared pursuant to statutory authority;
- (n) plans, recommendations and projects of private associations or organizations as they relate to the water resources of the state;
- (o) the need of the state to control storage in federal reservoirs by purchase or agreement; and

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(p) such other matters as the office deems proper or desirable.

History: L. 1963, ch. 514, § 7; L. 1981, ch. 398, § 7; L. 1984, ch. 379, § 5; L. 1986, ch. 394, § 1; July 1.

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**State Water Plan Fund,
Kansas Water
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Water Litigation

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Agriculture and Natural Resources

**B-4 State Water Plan Fund, Kansas Water Authority, and
State Water Plan**

The State Water Plan Fund was created by the 1989 Legislature for the purpose of implementing the State Water Plan (KSA 82a-903). Subject to appropriations acts, the fund may be used for the establishment and implementation of water-related projects or programs and related technical assistance. State Water Plan Funds may not be used to replace personnel or for recreational projects which do not meet the goals or objectives of the State Water Plan (KSA 82a-951).

Revenue

Revenue for the fund is generated from the following sources:

- **Water Protection Fees.** A water protection fee of 3 cents per 1,000 gallons of water is assessed on the following:
 - Water sold at retail by public water supply systems;
 - Water appropriated for industrial use; and
 - Water appropriated for stockwatering.
- **Fees Imposed on Fertilizer and Pesticides.** A tonnage fee on fertilizer and a fee for the registration of pesticides is assessed and transferred to the State Water Plan Fund in the following amounts:
 - Inspection fees are imposed on each ton of fertilizer sold, offered or exposed for sale, or distributed in Kansas. Of that fee, \$1.40 per ton is credited to the State Water Plan Fund.
 - Every agricultural chemical which is distributed, sold, or offered for sale within the state must be registered with an annual fee assessed for each registration. The law requires that \$100 from each registration fee be credited to the State Water Plan Fund.
- **Pollution Fines.** Certain fines and penalties are levied by the Department of Health and Environment for water-related pollution including:
 - Violation of terms or conditions relating to public water supply systems;

- The commission of prohibited acts in relation to the operation of a public water supply system; and
 - Violations of law governing the disposal of solid and hazardous waste.
- **Sand Royalty Receipts.** A fee of \$0.0375 per ton of sand sold is deposited in the State Water Plan Fund.
 - **State General Fund Transfer.** By statute, \$6 million annually is to be transferred from the State General Fund to the State Water Plan Fund. In recent fiscal years this amount has been reduced in appropriations bills.
 - **Economic Development Initiatives Fund Transfer.** By statute, \$2 million is to be transferred from the Economic Development Initiatives Fund to the State Water Plan Fund. In recent fiscal years this amount has been reduced in appropriations bills.

State Water Plan Fund Revenue	
Source	FY 2006 Estimate
Municipal Water Use Fee	\$ 3,334,000
Industrial Water Use Fee	1,100,000
Stockwater Use Fee	357,000
Pesticide Fee	901,000
Fertilizer Fee	2,856,000
Pollution Fines and Penalties	45,000
Sand Royalty Fund	211,000
State General Fund Transfer	6,000,000
Economic Development Initiatives Fund Transfer	2,000,000
TOTAL	\$ 16,804,000

Expenditures

Expenditures from the State Water Plan Fund are made based on priorities of the State Water Plan. The State Water Plan is developed and approved by the Kansas Water Authority. The following table summarizes recent actual and approved expenditures from the State Water Plan Fund.

State Water Plan Fund Expenditures			
Expenditures	Actual FY 2004	Legislative Appr. FY 2005	KWA Rec. FY 2006
Agency/Program			
<i>Kansas Corporation Commission</i>			
Well Plugging*	\$ 0	\$ 0	\$ 0
<i>Department of Health and Environment</i>			
Contamination Remediation	\$ 1,060,888	\$ 983,867	\$ 983,867
TMDL Initiatives	296,666	320,088	323,338
Local Environmental Protection Program	1,674,856	1,502,737	1,502,737
Nonpoint Source Program	347,259	385,975	385,975
Water Restoration and Protection	0	0	800,000
Total—Health & Environment	\$ 3,379,669	\$ 3,192,667	\$ 3,995,917
<i>University of Kansas</i>			
Geological Survey	\$ 40,000	\$ 40,000	\$ 64,000
<i>Department of Agriculture</i>			
Floodplain Management	\$ 63,240	\$ 66,852	\$ 66,852
Interstate Water Issues	234,884	248,859	248,859
Subbasin Water Resources Management	464,548	490,682	540,682
Water Appropriations Subprogram	62,857	181,749	181,749
Water Use	59,456	60,018	60,018
Total—Dept. of Agriculture	\$ 884,985	\$ 1,048,160	\$ 1,098,160
<i>State Conservation Commission</i>			
Water Resources Cost Share	\$ 3,602,892	\$ 3,495,218	\$ 3,495,218
Nonpoint Source Pollution Asst.	2,779,661	2,799,520	2,799,520
Aid to Conservation Districts	1,043,000	1,043,000	0
Watershed Dam Construction	279,135	352,499	352,499
Water Quality Buffer Initiative	161,049	307,157	307,157
Riparian and Wetland Program	230,066	249,782	249,782
Irrigation Transition/Water Rights Purch.	0	0	1,310,000
Total—Conservation Commission	\$ 8,095,803	\$ 8,247,176	\$ 8,514,176
<i>Kansas Water Office</i>			
Assessment and Evaluation	\$ 81,325	\$ 108,511	\$ 648,511
Federal Cost-Share Programs	16,000	0	0
GIS Database Development	250,000	247,405	247,405
MOU - Storage Oper. and Maintenance	431,290	450,151	450,151
Ogallala Aquifer Institute	40,000	0	0
PMIB Loan Payment for Storage	237,477	240,036	240,036
Public Information	34,917	0	0
Stream Gauging Program	367,830	378,878	0
Technical Assistance to Water Users	310,424	180,131	205,131
Water Planning Process	179,692	313,205	313,205
Water Resource Education	55,000	39,690	60,000
Weather Modification	3,311	120,000	120,000
Kansas Water Authority	25,000	37,384	37,384
Water Marketing Unfunded Liability	0	0	908,755
Total—Kansas Water Office	\$ 2,032,266	\$ 2,115,391	\$ 3,230,578
<i>Department of Wildlife and Parks</i>			
Circle K Ranch Debt Service	\$ 0	\$ 0	\$ 0
State Park No. 24	0	0	115,000
Stream (Biological) Monitoring	0	0	40,000
Total—Wildlife and Parks	\$ 40,002	\$ 0	\$ 155,000
Total Water Plan Expenditures	\$ 14,472,725	\$ 14,643,394	\$ 17,057,831
* A revenue transfer is made to the Kansas Corporation Commission for well plugging. For FY 2005, the Legislature approved a transfer of \$667,000 for the program. The Kansas Water Authority recommends the statutory \$400,000 amount be transferred for FY 2006.			

Kansas Water Authority

The Kansas Water Authority is a 24-member board which provides water policy advice to the Governor, Legislature, and the Director of the Kansas Water Office. The Authority is responsible for approving water storage sales, the State Water Plan, federal water contracts, and regulations and legislation proposed by the Kansas Water Office. The Authority meets quarterly. The Authority consists of 13 private citizens and 11 *ex officio* members.

Private citizen membership includes:

- One member appointed by the Governor (also serving as chairperson);
- One member appointed by the President of the Senate;
- One member appointed by the Speaker of the House;
- A representative of large municipal water users;
- A representative of small municipal water users;
- A board member of a western Kansas Groundwater Management District (including districts 1, 3, and 4);
- A board member of a central Kansas Groundwater Management District (including districts 2 and 5);
- A member of the Kansas Association of Conservation Districts;
- A representative of industrial water users;
- A member of the State Association of Watershed Districts;
- A member with a demonstrated background and interest in water use, conservation, and environmental issues; and
- Two representatives of the general public.

Ex Officio membership includes:

- The State Geologist;
- The Chief Engineer of the Division of Water Resources of the Kansas Department of Agriculture;
- The Secretary of the Kansas Department of Health and Environment;
- The Director of the Kansas Water Office (also serving as secretary);
- The Director of the Agricultural Experiment Station of Kansas State University;
- The Chairman of the Kansas Corporation Commission;
- The Secretary of the Kansas Department of Wildlife and Parks;
- The Secretary of the Kansas Department of Commerce;
- The Executive Director of the State Conservation Commission;
- The Secretary of the Kansas Department of Agriculture; and
- The Director of the Kansas Biological Survey.

One primary responsibility of the Kansas Water Authority is to consider and approve policy for inclusion in the State Water Plan. The Plan includes policy recommendations that have specific statewide or local impact and priority issues and recommendations for each of the twelve river basins in Kansas.

The top three priorities of the State Water Plan include:

- To protect and restore watersheds in order to improve water quality;
- To conserve and extend the life of the Ogallala Aquifer; and
- To develop regional public water supply strategies throughout the state.

Budgetary process

The current administration has created a subcommittee of state agencies concerned with agricultural and environmental issues called the Governor's Subcabinet on Natural Resources. The Subcabinet consists of the following members:

- The Secretary of the Department of Wildlife and Parks;
- The Secretary of the Department of Agriculture;
- The Secretary of the Department of Health and Environment;
- The Director of the Kansas Water Office;
- The Executive Director of the State Conservation Commission;
- The Chairperson of the Kansas Corporation Commission; and
- The Livestock Commissioner.

Creation of the Subcabinet has changed the budgetary process for the State Water Plan Fund. Currently, the Subcabinet develops a plan of proposed expenditures from the State Water Plan Fund to present to the Kansas Water Authority at its June meeting. Since there was no formalized Subcabinet on Natural Resources, agency representatives met, established priorities, and sought Water Authority approval for the expenditure of State Water Plan Fund moneys.

In addition, the State Water Plan Fund Consensus Revenue Estimating Group meets during late spring to review past and current receipts and expenditures from the Fund as well as to estimate sources and amounts of revenue for the upcoming budget year. The group consists of representatives of the Kansas Water Office, Department of Revenue, Department of Agriculture, Department of Health and Environment, Division of the Budget, and Legislative Research Department.

Using the proposed budget, the Kansas Water Authority approves a recommended budget for the State Water Plan Fund at its June meeting. Once the budget is approved by the Authority, it is presented to the Governor and the Director of the Budget. This budget is used by the Director of the Budget to assign allocations to each agency that expends State Water Plan Fund moneys. Allocations assigned by the Director of the Budget are used by the state agencies to develop their budgets. The Water Authority also provides recommendations to the Governor and Legislature prior to December 1 each year for proposed legislation, coordination, and the appropriation of money. The Governor's budget includes recommended expenditures from the State Water Plan Fund when it is presented to the Legislature each January. Appropriations from the Water Plan Fund are made by the Legislature.

For more information, please contact:

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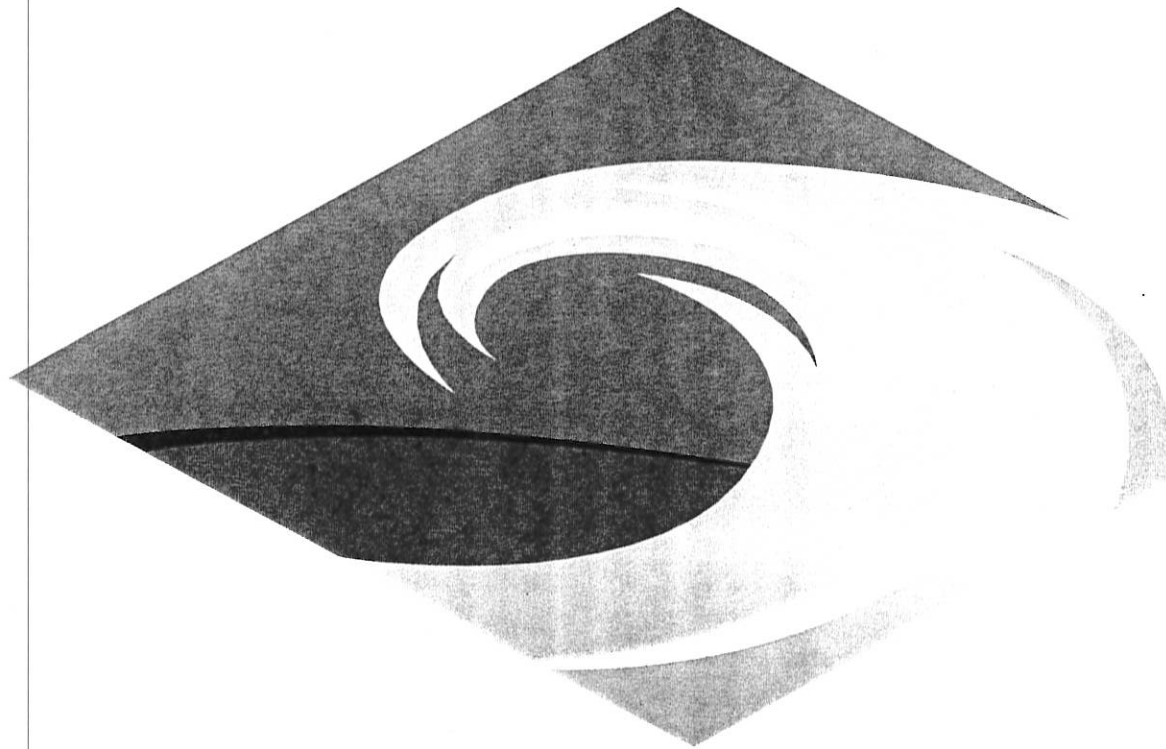
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Topeka, Kansas 66612
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Priorities of the *Kansas Water Plan*

2005 Annual Report Kansas Water Authority



Approved for release to the Governor and Members of the Kansas Legislature
November 18, 2004

HOUSE APPROPRIATIONS

DATE 1-26-2005
ATTACHMENT 2

Chair's Perspective

2-2

**To: Governor Kathleen Sebelius
Members of the Kansas Legislature**

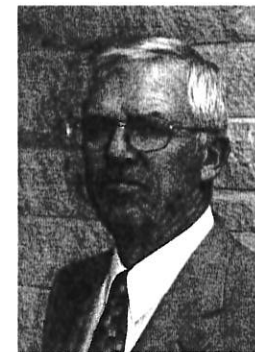
As chairman of the Kansas Water Authority, I recognize that future generations may not have the same luxury of abundant water and natural resources currently available unless *we take action now*.

Kansans, with the enthusiastic support of state government policy, have demonstrated that they can turn the resources into dollars. Throughout the development era, state policy encouraged tapping ground and surface water to grow crops, develop industries and expand cities.

Today, the development era has evolved into the management era. It's prudent that we take stock of our resources and manage them to maintain and grow existing businesses and economies to the greatest extent possible.

The report you are holding details our short and long-term plans. The Water Plan Projects Initiative is a far-reaching set of projects to deal with the unfinished business of protecting the water resources of Kansas using the State Water Plan Fund as the financial engine.

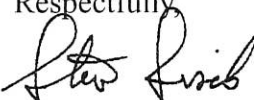
Completing the projects in the Water Plan Projects Initiative will prevent today's water resource challenges from becoming tomorrow's water crises. The Water Plan Projects Initiative is intended to:



- Conserve and extend the life of the generally declining High Plains aquifer
- Develop regional strategies to meet water supply needs
- Protect and restore watersheds to assure a reliable source of drinking water
- Invest now to save the state money on long-term debt for federal reservoir water storage

These steps are as vital as steps to improve education and deserve the same consideration for funding. Restoration of the State Water Plan Fund to its original purpose will provide the needed dollars. ***It does little good to educate our youth, only to export them because they fail to find the quality of life within our borders that only forward thinking natural resource management can provide.***

On behalf of the Kansas Water Authority, I submit this report.

Respectfully,

Steve Irsik, Chair

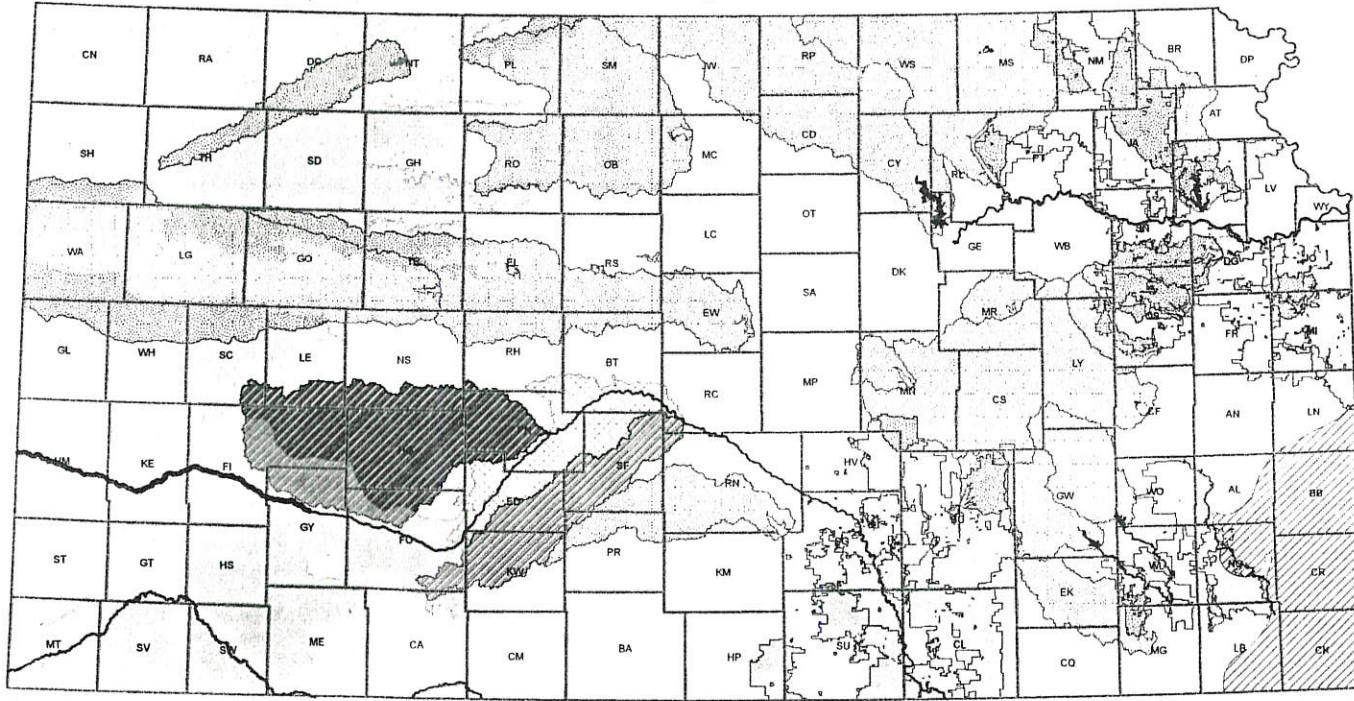
Kansas Water Office
www.kwo.org
The State's Water Planning Agency
WATER - Your Resource For LIFE

Written and Produced by the
Kansas Water Office on behalf of the Kansas Water Authority
in accordance with K.S.A. 74-2622 and K.S.A 82a-951
901 S. Kansas Ave. Topeka, KS 66612 • (785) 296-3185

Water Plan Projects Initiative

2-3

Water Plan Projects Initiative



Kansas Water Office

July 14, 2004

High Plains Aquifer

- 1. Ogallala-High Plains
- 2. Middle Arkansas Subbasin Management
- 3. Rattlesnake Creek Subbasin Management
- 4. Pawnee-Buckner Subbasin Management
- 5. Kellth Sebelius Reservoir Management
- 6. Upper Arkansas River WQ
- 7. Non-Native Phreatophyte Control

Watershed Restoration and Protection

- 8. Watershed Restoration & Protection
- 9. Instream Flow

Regional Public Water Supplies

- 10. Regional Public Water Supplies
- 11. Ozark Plateau Aquifer/Spring River

Capital Development Projects

- 12. River Access
- 13. Water Marketing Unfunded Liability

Other Map Features

- Federal PWS Lake
- County

“Completing the projects ... will prevent today’s water challenges from becoming tomorrow’s water crises.” Steve Irsik, Chair

The Water Plan Projects Initiative is a far-reaching set of projects to deal with the unfinished business of protecting and enhancing the water resources of Kansas using the State Water Plan Fund as the financial engine.

High Plains aquifer

2-4

Too many users and too little water. Here are some solutions



Ground water is key to western Kansas' economic and social well-being. Of the 13 high priority issues identified in the *Kansas Water Plan*, seven are focused in the High Plains aquifer region.

At the heart of all of the High Plains projects is the general decline of the aquifer as a result of use in excess of the system's natural ability to be recharged. The past policy of development, right for the time, now is proving to be a challenge. The aquifer is highly variable in the amount of water in storage, the rate it moves through the system and in the concentration of use. Some areas, based on past water decline trends, are projected to have adequate ground water for more than 250 years. In other areas, it's less than 25. In the southeastern extent of the aquifer, voluntary conservation measures will help assure that aquifer recharge is in balance with water withdrawals.

- ### Action Items

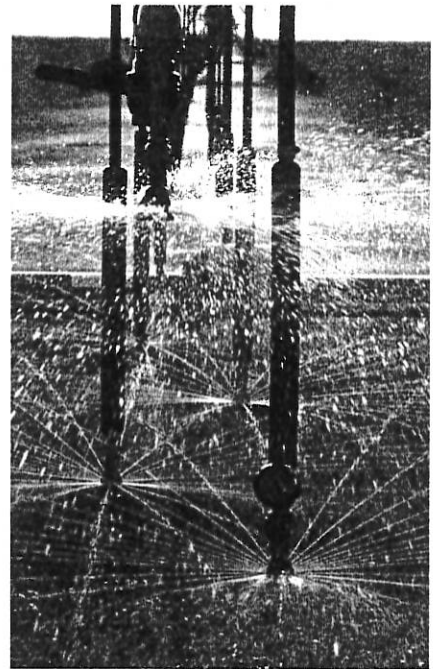
 - Reduce water use based on locally developed voluntary plans
 - Control "weed trees" that compete for water
 - Reduce salt contamination in the Arkansas River

One size does not fit all
In the Ogallala-High Plains aquifer area served by Groundwater Management Districts Nos. 1, 3 and 4, it's recognized that a "one-size fits all" solution is

impractical. Using the latest in scientific data provided by the Kansas Geological Survey and others, the groundwater management districts are defining aquifer subunits. Subunit-specific water use management plans will then be developed. The underlying objective is to conserve and extend the life of the aquifer.

These management plans will set water use goals, set priorities, and design strategies to achieve them. Voluntary and incentive-based steps to conserve water will be encouraged to avoid regulatory action whenever possible.

The proposed Irrigation Transition Assistance Program (ITAP) would be an important incentive based, voluntary program to reduce water use. ITAP would provide grants to irrigators in priority areas closed to new appropriations to voluntarily transition irrigated land to dryland use and dismiss their water rights.



2-5

Water users help develop plans in Middle Arkansas, Rattlesnake Creek and Pawnee-Buckner sub-basins

Voluntary management plans have been developed in three sub-basins of the Arkansas River...the Middle Arkansas, Pawnee-Buckner and the Rattlesnake Creek. The approaches in these areas, most of which lies within the Great Bend Prairie portion of the High Plains aquifer where recharge is more likely, are a mixture of voluntary water-use reductions and enhanced regulatory controls.

The potential purchase of the Circle K Ranch by the State and Groundwater Management District No. 5 and retirement of the ranch's water rights would play a significant role in balancing the water budget in the Middle Arkansas sub-basin. Any irrigated land taken out of production would be converted to wildlife habitat and managed by the Kansas Department of Wildlife and Parks for public use.

Control methods target water thirsty salt cedars, Russian olives

Water is being consumed by the invasion of salt cedars, Russian olives and other phreatophytes in the Cimarron and Arkansas river corridors. A survey in 2004 indicates more infested acres in Hamilton and Kearny counties alone than previously had been estimated for all of Kansas. Mechanical, chemical and biological control methods are being studied to determine the most effective combination of controls.



Kansas and Colorado to study ways to manage salt intrusion

Water quality in the Arkansas River at the Colorado-Kansas line is impaired by salt with high total dissolved solids, high sulfates, and elevated selenium. The salt-laden water is a result of concentration through irrigation practices. Negotiations are underway with Colorado and studies will be initiated to examine the impact of current irrigation practices in Colorado on salt loading and strategies to improve water quality.

A win for irrigators and recreationists at Keith Sebelius Reservoir

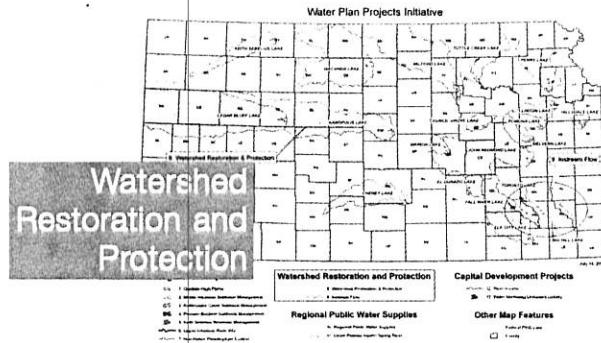
In northwestern Kansas, Keith Sebelius Reservoir was built by the Bureau of Reclamation for irrigation. It also provides excellent recreational opportunities for outdoor enthusiasts. In recent drought years, however, the Sebelius Reservoir has not been a reliable source of water for irrigators of the Almena Irrigation District. The District has signed a two-year agreement to limit its water withdrawal in exchange for a "rental payment." The agreed-upon water level is expected in the short term to meet irrigation and recreational needs. Discussions are continuing on finding a more permanent solution.

NEW INVESTMENT
 High Plains aquifer
\$1.4 million

Watershed Restoration and Protection

2-6

Protecting watersheds protects our drinking water supply



The federal reservoirs and multipurpose small lakes collectively are the eastern Kansas counterpart to the Ogallala aquifer, providing drinking water for more than one million people. In addition, they provide other benefits such as recreation, flood control and aquatic habitat.

Rural and urban dwellers in the watersheds above these reservoirs have a direct influence on the quality and quantity of the water the reservoirs contain.

While all watersheds are different, the approach to protecting and restoring them is similar. This uniform process, known as Watershed Restoration and Protection Strategies, or WRAPS, is designed to engage watershed stakeholders to identify watershed needs, goals, actions and cost effective strategies and put them into action.

Action Items

- Develop local plans to protect water resources
- Initiate pilot project to help assure instream flow

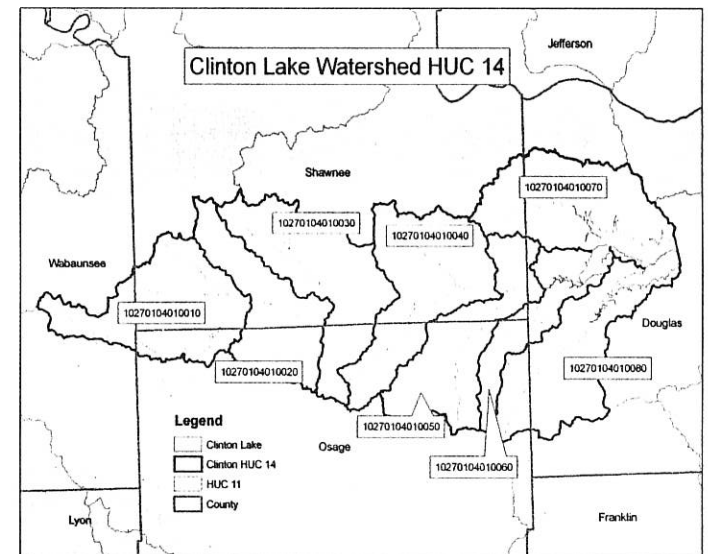
protect or restore water quality, extend the useful life of water supply reservoirs and address other vital resource needs.

Efforts have been initiated to develop and implement WRAPS in watersheds across Kansas. Enhanced support is needed to ensure that WRAPS projects are implemented in priority watersheds to

NEW INVESTMENT
Watershed Protection
\$800,000

Instream flow

A component of properly functioning watersheds is adequate instream flow to help support healthy habitat and aquatic life. Meeting the instream flow needs is easiest to achieve in stream reaches below a dam. Pilot projects currently are underway on stream reaches below large reservoir impoundments in the Neosho River and Verdigris River basins to define instream flow needs and identify management strategies to meet those needs.



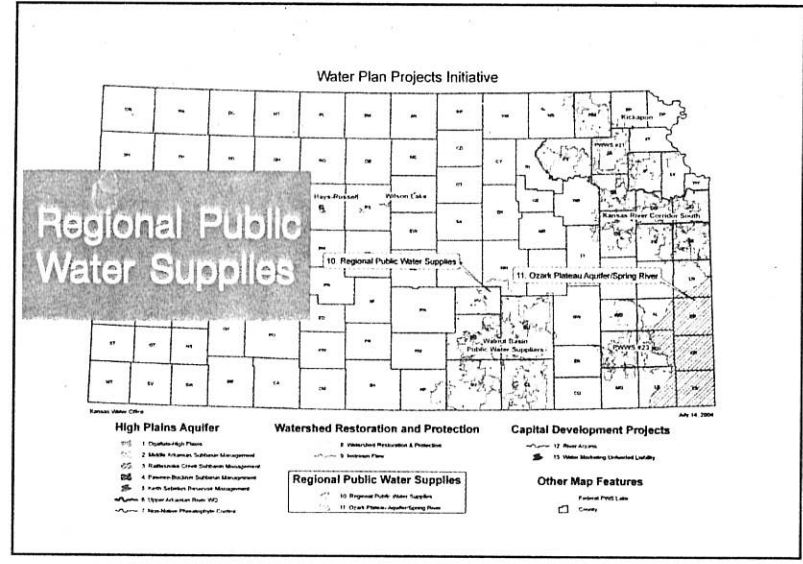
Regional Public Water Supply Strategies

2-7

Working together to solve common problems

Faced with new drinking water standards and aging infrastructure, water suppliers will have to find cost-effective ways to serve their customers. The regional public water supply strategy initiative looks broadly at Kansans' drinking water needs to deal with today's problems and assess future links between suppliers.

Strategies are being developed to make the best shared use of limited resources, both water and financial. Implementation of those mutually-developed strategies may mean voluntary boundary adjustments, system interconnections, shared treatment facilities, shared accounting or district mergers.



Ozark Plateau Aquifer/Spring River

In southeastern Kansas, water quantity and water quality problems have arisen for Kansas communities that depend on water from the Ozark Plateau aquifer system and the Spring River. In part, it has been due to rapid development in areas in Missouri that depend on the same system.



Restrictions have been adopted in Kansas to limit new appropriations of ground water in this region to term permits, domestic use and temporary permits, and permits for five acre feet or less until a study to determine safe yield, or balance between withdrawal and recharge, can be completed. Kansas, Missouri and Oklahoma officials are exploring the possibility of cooperative efforts to manage regional water resources.

Action Item

- Help public water suppliers find mutually beneficial ways to meet their customers' needs

NEW INVESTMENT
Regional Public
Water Supply Strategies
\$440,000

Capital Development Plans

Our water investment future depends on spending money now

Kansas faces payments of more than \$100 million for water that will be needed in the future. Farsighted Kansans in the 1970s recognized the future need for water in the densely populated east where *more than one-half of the state's population lives*. The State of Kansas contracted to buy storage in federal reservoirs, including Milford, Perry, Big Hill and Hillsdale. Balloon payments on these contracts will come due between now and 2042.

Payment options for unfunded liability. The Kansas Water Authority recommends that the state invest money throughout the term of the contract to pay the liability at term (Option C).

- Action Items**

 - Invest money throughout the contract period to allow payment of the water storage liability at term
 - Build an access point on the Kansas River between Manhattan and Topeka

The state continues to explore ways to reduce the unfunded liability. One of them is to seek payment credit from the federal government for watershed protection expenditures made above reservoirs.

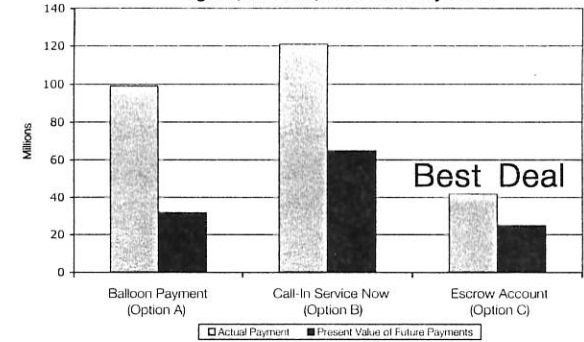


River access for recreation. Providing additional access points on the Kansas River is the focal point of meeting Kansans' river-based recreational needs.

Plans call for building an access point on the Kansas River between Manhattan and Topeka as part of the Water Plan Projects Initiative.

Funding Options

Water Marketing Unfunded Liability
Big Hill, Hillsdale, Milford & Perry Lakes



Unfunded Liability for Kansas Reservoirs		
Reservoir	Fiscal Year Due	Amount Due
Big Hill	2029	\$4.4M
Hillsdale	2030	\$38.3M
Milford	2034	\$30.0M
Perry	2041	\$41.2M

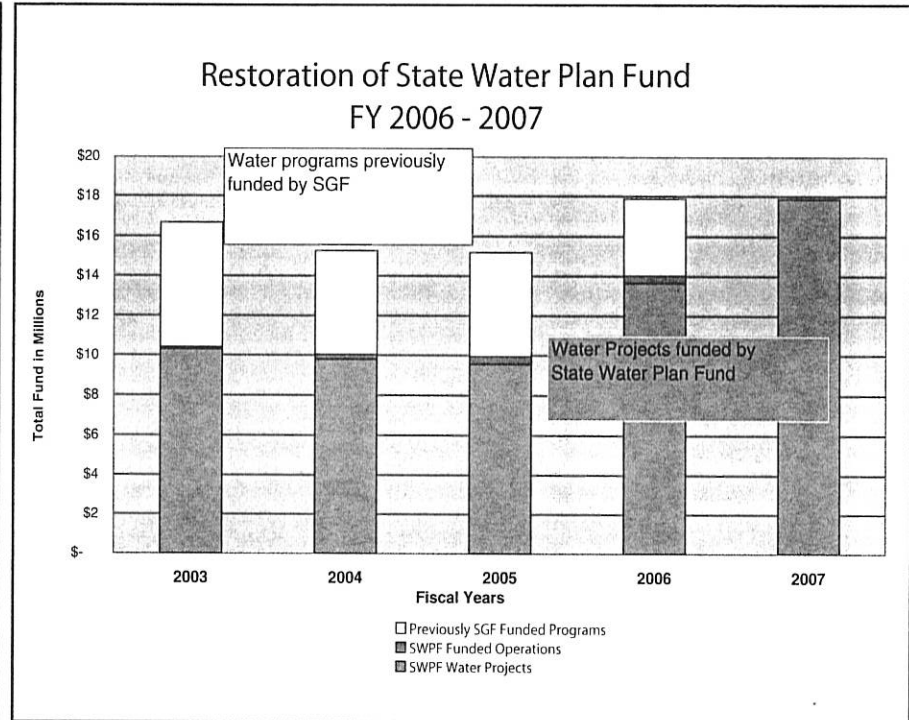
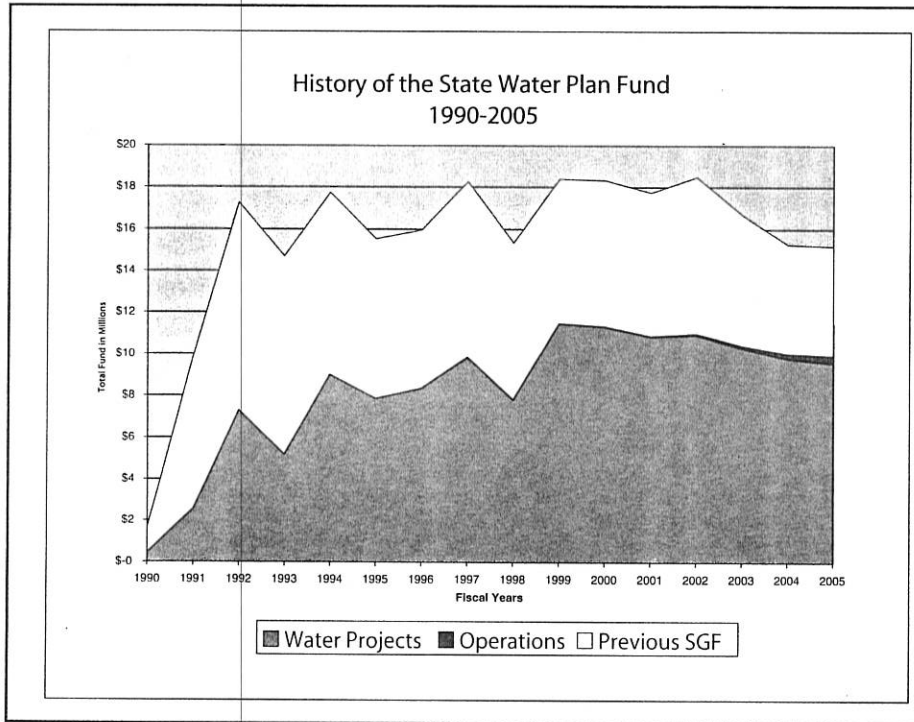
Restoration of State Water Plan Fund

6-2-9

Water projects, not programs, should be funded from the State Water Plan Fund

The State Water Plan Fund needs to be restored for its intended purposes. Many programs that once were funded from the State General Fund are now being paid for from the State Water Plan Fund account. There are multiple examples, including stream gaging operated by the U.S. Geological Survey and the Aid to Conservation Districts through the State Conservation Commission.

The Kansas Water Authority recommends that these two programs be funded once again from the State General Fund and that the transfer of State General Fund money to the State Water Plan Fund be restored to its statutory amount.



Water Plan Fund Recommendations for 2006

2-10

Aid to Conservation Districts and Stream Gaging should be shifted to the ledger of the State General Fund as the first step in restoring the State Water Plan Fund to its original purpose

FY 2006 State Water Plan Fund and Proposed Expenditures	
Total Available State Water Plan Fund (SWPF)	\$17,863,966
Total Proposed SWPF Expenditures	17,457,831
Balance	\$ 406,135
The \$406,135 balance is being held in reserve for possible debt service for the Circle K Ranch in Edwards County. If the Circle K Ranch is not bought by the state, the balance would be placed in the Irrigation Transition Assistance Program fund.	

Agency/Program	Final Legislative Approved FY 2004	Final Legislative Approved FY 2005	Total Proposed SWPF FY 2006 Funding
KCC — Well Plugging	-	667,000	400,000
Department of Health and Environment			
Contamination Remediation	1,060,434	983,867	983,867
TMDL Initiatives	346,224	320,088	323,338
Local Environmental Protection Program	1,674,856	1,502,737	1,502,737
Nonpoint Source Program WRAPs	387,939	385,975	385,975
Total — Department of Health and Environment	3,469,453	3,192,667	3,995,917
University of Kansas — Geological Survey	40,000	40,000	64,000
Department of Agriculture			
Floodplain Management	65,836	66,852	66,852
Interstate Water Issues	240,076	248,859	248,859
Subbasin Water Resources Management	483,538	490,682	540,682
Water Appropriations Subprogram	74,420	181,749	181,749
Water Use	60,000	60,018	60,018
Total — Department of Agriculture	923,870	1,048,160	1,098,160
State Conservation Commission			
Water Resources Cost Share	4,228,478	3,495,218	3,495,218
Nonpoint Source Pollution Asst.	2,987,793	2,799,520	2,799,520
Aid to Conservation Districts	1,043,000	1,043,000	-
Watershed Dam Construction	362,212	352,499	352,499
Water Quality Buffer Initiative	278,031	307,157	307,157
Riparian and Wetland Program	250,480	249,782	249,782
Irrigation Transition / Water Rights Purchase (a)	-	-	1,310,000
Total — Conservation Commission	9,149,994	8,247,176	8,514,176
Kansas Water Office			
Assessment and Evaluation	204,220	108,511	648,511
Federal Cost-Share Programs	88,094	-	-
GIS Data Base Development	250,000	247,405	247,405
MOU - Storage Operations and Maintenance	431,291	450,151	450,151
Ogallala Aquifer Institute	40,000	-	-
PMIB Loan Payment for Storage	237,477	240,036	240,036
Public Information	35,000	-	-
Stream Gaging Program	367,830	378,878	-
Technical Assistance to Water Users	339,737	180,131	205,131
Water Planning Process	179,710	313,205	313,205
Water Resource Education	55,000	39,690	60,000
Weather Modification	4,305	120,000	120,000
Kansas Water Authority	25,000	37,384	37,384
Water Marketing Unfunded Liability	-	-	908,755
Total — Kansas Water Office	2,257,664	2,115,391	3,230,578
Department of Wildlife and Parks			
Circle K Ranch Debt Service	-	-	-
River Recreation	-	-	115,000
Stream (Biological) Monitoring	40,000	-	40,000
Total — Department of Wildlife and Parks	40,000	-	155,000
Total Water Plan Expenditures	15,880,981	15,310,394	17,457,831

Revenue and Expenditure Summaries

2-11

State Water Plan Fund Receipts

State Water Plan Resource Estimate	Final Legislative Approved FY 2004	Final Legislative Approved FY 2005	Revenue Estimate for FY 2006
Beginning Balance	1,666,504	348,748	12,640
Adjustments			
Prior Year Recovery	-	110,447	110,447
Transfer to State General Fund	(5,724)	-	-
Revenues			
State General Fund Transfer	3,773,949	3,748,839	6,000,000
Economic Development Fund Transfer	1,900,000	2,000,000	2,000,000
Municipal Water Fees	3,500,000	3,500,000	3,334,000
Industrial Water Fees	1,190,000	1,200,000	1,100,000
Stock Water Fees	315,000	315,000	357,000
Pesticide Registration Fees	890,000	890,000	901,000
Fertilizer Registration Fees	2,730,000	2,940,000	2,856,000
Pollution Fines and Penalties	30,000	30,000	45,000
Sand Royalty Receipts	240,000	240,000	211,000
Total Receipts	14,568,949	14,863,839	16,804,000
Adjusted Receipts	16,235,453	15,323,034	16,927,087
TOTAL FUNDS AVAILABLE			17,863,966

Water Resource Agencies State Water Plan Fund Expenditures

Kansas Corporation Commission	\$ 400,000
Ks Dept. of Health and Environment	\$ 3,995,917
University of Kansas - Geological Survey	\$ 64,000
Kansas Department of Agriculture	\$ 1,098,160
State Conservation Commission	\$ 8,514,176
Kansas Water Office	\$ 3,230,578
Kansas Department of Wildlife and Parks	\$ 155,000
Total Proposed SWPF Expenditures	\$ 17,457,831

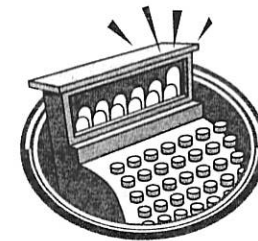
Water Plan Projects Initiative

FY2006 Total Base (FY05 Approved) SWPF Allocations	13,621,516
Initiative Allocations	
High Plains aquifer	1,429,000
Watershed Restoration and Protection	843,250
Regional Public Water Supplies	440,000
Capital Development Projects	1,103,755
Restoration of Water Resources Education	20,310
SUBTOTAL	3,836,315
Reserve (Circle K Ranch) Irrigation Transition *	406,135
Total Initiatives and Reserves	4,242,450
TOTAL EXPENDITURES	17,863,966

* Included in High Plains Aquifer narrative.

TOTAL
NEW INVESTMENT

\$3.8 million



Legislative Proposals

2-12

Useful life of Kansas lakes and reservoirs depends on today's actions

At issue is what initial steps the State of Kansas should take to extend the useful life of its lakes and reservoirs for flood control, public water supply and recreation.

Take steps now to restore lakes and reservoirs to assure their long-term usefulness for flood control, water supply and recreation.

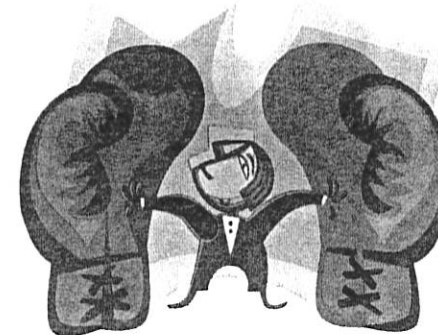
The Kansas Water Authority recommends that a small lake restoration demonstration project be conducted and that results from two on-going studies at federal reservoirs be applied to development of a restoration plan at a reservoir that is part of the Kansas Water Marketing Program. The Authority also recommends that a statutory change be made to credit revenue from the Clean Drinking Water Fee to the State Water Plan Fund for restoration of small lakes and reservoirs and other programs beneficial to public water systems including on-site technical assistance.

A new way to resolve water resource conflicts

At issue is whether it is in the state's best interest to establish an alternative dispute resolution (ADR) protocol for resolving water resource conflicts.

Alternative Dispute Resolution techniques will help resolve water resource conflicts before punches are thrown in or out of court.

The Kansas Water Authority recommends using alternative dispute resolution to resolve water resource conflicts in Kansas. The Kansas Water Office would coordinate the selection of trained mediators from within agencies with water related responsibilities for conflicts that are limited to agency specific issues. The Authority further recommends that a three-year pilot project be created to resolve conflicts that are multi-party, multi-county or multi-agency in nature using professional mediators and facilitators under contract with the State of Kansas. The Authority is asking the Kansas Legislature to appropriate \$40,000 for contractual services for the first year of the pilot project.



Water Marketing Program's success depends on changes made now

At issue is what changes should be made to the State's Water Marketing Program to make it more cost effective and responsive in providing wholesale water to public water suppliers in the future. The Kansas Water Authority is making three recommendations.

Unfunded Liability for Kansas Reservoirs		
Reservoir Due	Fiscal Year	Amount Due
Big Hill	2029	\$4.40M
Hillsdale	2030	\$38.30M
Milford	2034	\$30.00M
Perry	2041	\$41.20M

1) Long-Term Financial Solvency of the Kansas Water Marketing Program. The Kansas Water Authority recommends that a long-term financial strategy be put in place to avoid balloon payments at the end of the contract term for purchase of storage in U.S. Army Corps of Engineers reservoirs by establishing a joint, interest-bearing, escrow account. While no legislative action is required to establish an escrow account, the Kansas Water Authority recommends that the Kansas Legislature appropriate money for placement in the account.

Long and short-term actions will save the state money and improve the operating efficiency of the Kansas Water Marketing Program.

2) Financial Operations of the Kansas Water Marketing Program. The Kansas Water Authority recommends that the Legislature address concerns with the current rate structure of the Water Marketing Program to meet current and future program demands.

Two changes would require legislative action:

- Amend the Water Marketing Act to increase the depreciation reserve component of the rate to reflect the amount necessary to meet the needs of the Water Marketing Program Capital Development and Storage Maintenance Plan.
- Amend the Water Marketing Act to require that the rate be built on upcoming year operation and maintenance expenses instead of the previous year as is the case under current law.

3) Program Oversight of the Kansas Water Marketing Program. The Kansas Water Authority recommends that the Legislature amend the Water Marketing Act so the Kansas Water Office can directly fund all the costs to administer and enforce the Program from the Water Marketing Fund.

Capital Development Plan (2005 through 2015)

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Capital Development Plan	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Kansas Water Office											
Milford Reservoir Escrow Account	\$ -	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015	\$ 473,015
Perry Reservoir Escrow Account	\$ -	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740	\$ 435,740
Big Hill Payment at Term	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
On-going Public Water Supply Obligations											
Cedar Bluff Reservoir O&M*	\$ 79,317	\$ 82,490	\$ 85,789	\$ 89,221	\$ 92,790	\$ 96,501	\$ 100,361	\$ 104,376	\$ 108,551	\$ 112,893	\$ 117,409
Reservoir Purchase (PMB Loan Payment)											
Melvern, Council Grove, John Redmond, Tuttle Creek, Marion, Elk City	\$ 235,159	\$ 237,945	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MOU Storage O&M*	\$ 375,553	\$ 329,815	\$ 368,202	\$ 384,403	\$ 401,317	\$ 418,975	\$ 437,410	\$ 456,656	\$ 476,748	\$ 497,725	\$ 519,625
Other Potential Capital Projects											
Wilson Reservoir Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Conservation Commission											
Irrigation Transition Program											
Water Right Retirement	\$ -	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
Capital Development Programs											
Water Resources Cost-Share (w/ Tech Asst.)	\$ 3,548,216	\$ 3,495,218	\$ 4,200,000	\$ 4,300,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000
Nonpoint Source Pollution Asst. (w/ Tech Asst.)	\$ 2,800,500	\$ 2,799,520	\$ 3,200,000	\$ 3,400,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Buffer Initiatives	\$ 307,471	\$ 307,157	\$ 507,000	\$ 607,000	\$ 707,000	\$ 707,000	\$ 707,000	\$ 707,000	\$ 707,000	\$ 707,000	\$ 707,000
Watershed Dam Construction	\$ 352,500	\$ 352,499	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000	\$ 805,000
Multipurpose Small Lakes	\$ 440,491	\$ -	\$ 363,867	\$ 363,051	\$ 366,348	\$ 366,348	\$ 366,348	\$ 366,348	\$ 366,348	\$ 366,348	\$ 366,348
Other Potential Capital Projects											
Reservoir Protection and Maintenance											
Conservation Practices	\$ -	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dredging	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bio-Detention Facilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Kansas Department of Wildlife and Parks											
Navigable River Access											
Kansas River Access Point	\$ -	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ -	\$ -	\$ -	\$ -	\$ -
Other Potential Capital Projects											
Circle K Ranch (Edwards County)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Keith Sebelius Reservoir Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Cost	\$ 8,139,207	\$ 10,028,399	\$ 14,963,613	\$ 12,372,429	\$ 12,696,209	\$ 12,717,579	\$ 12,624,874	\$ 12,648,134	\$ 12,672,402	\$ 12,697,721	\$ 12,724,137

* Operation and Maintenance are on-going costs.

Interstate Compact Updates

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Kansas v Colorado litigation over the Arkansas River Compact

On Dec. 7, the U.S. Supreme Court affirmed the Special Master's recommendations in his Fourth Report dealing with the amount of money Colorado is expected to pay Kansas for past damages and how future compliance with the Arkansas River Compact will be achieved. While the Court rejected Kansas exceptions to the Special Master's report, its decision paves the way for Kansas' recovery of about \$29 million in damages. Timing of the payment is yet to be determined.

In confirming the Special Master's recommendations, the Court:

- Accepted Kansas' updated methodologies which increase Colorado's water delivery obligations by about 15%
- Adopted the model recommended by Kansas, rejecting almost all of the changes proposed by Colorado to reduce its delivery obligations
- Retained jurisdiction to address further issues Kansas requested to be decided
- Affirmed Colorado's obligation to on-going, real-time replacement of river depletions due to groundwater pumping.

The Court remanded the case to the Special Master for preparation of the final decree. Given the importance of this process, the decree drafting will likely be detailed and potentially as contentious as previous phases of the case.

A certain amount of recovered damages, per action of the 1996 Kansas Legislature, will first be paid into an interstate water litigation fund. Two thirds of the remainder will go for projects in the Upper Arkansas River Basin area directly impacted by the Compact. The remaining one-third will be credited to water conservation projects funded through the State Water Plan. (K.S.A. 82a-1801, 82a-1802, 82a-1803)

Republican River Compact Settlement

After years of seeking to resolve Kansas' concerns with Nebraska's over-use of Republican River waters and on-going groundwater development, Kansas sued Nebraska and Colorado in 1998 to enforce the provisions of the Republican River Compact.

The three states agreed to a settlement in December, 2002. The settlement calls for a moratorium on new development in Nebraska and prescribes detailed accounting formulas and reporting requirements to determine Compact compliance. It allows flexibility in location and timing of the use of a state's allocation, but requires more restrictive use by all states during times of water shortage. The Settlement also commits the states to additional studies, including the effect of conservation practices on the basin's water supply.

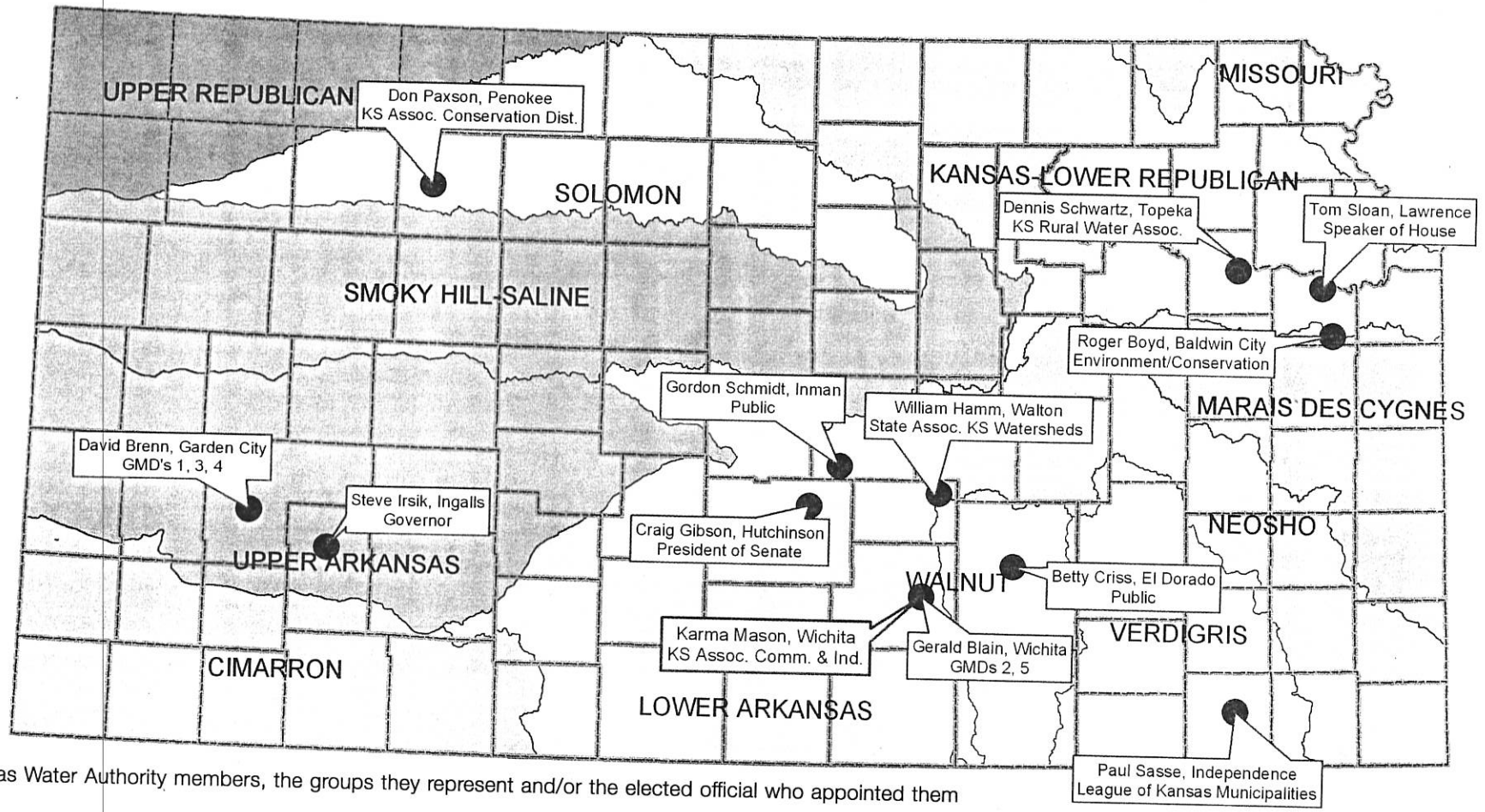
A study to explore ways to improve water management in the lower Republican River is part of the settlement. The states of Kansas and Nebraska and the Bureau of Reclamation are underwriting the study expected to take place in Fiscal Years 2006 and 2008. Kansas' cost is expected to be \$125,000 a year for the first two years and half that amount for the third year.

The Division of Water Resources, Kansas Department of Agriculture working with the Attorney General's office and the State's consultants, will continue to monitor the compliance of the other states with the settlement provisions. If obligations are not being met, the settlement first requires mediation to help resolve the matter. A funding enhancement of \$50,000 is needed for these purposes in Fiscal Year 2006.

Note: Information current as of Dec. 10, 2004.

Kansas Water Authority Members

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Kansas Water Authority members, the groups they represent and/or the elected official who appointed them

Kansas Water Authority Ex Officio Members

Fred Cholick
Agricultural Experiment
Station, Kansas State University

Ron Hammerschmidt
Kansas Dept. of Health
and Environment

Mike Hayden
Kansas Dept. of
Wildlife and Parks

Brian Moline
Kansas Corporation
Commission

David Pope
Division of Water Resources
Kansas Dept. of Agriculture

Greg Foley
State Conservation Commission

William Harrison
Kansas Geological Survey

Edward Martinko
Kansas Biological Survey

Adrian Polansky
Kansas Dept. of
Agriculture (KDA)

Tracy Streefer
Kansas Water Office

Howard Fricke
Kansas Dept. of Commerce