

MINUTES OF THE SENATE NATURAL RESOURCES

The meeting was called to order by Chairman Carolyn McGinn at 8:30 A.M. on January 21, 2005 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Lisa Montgomery, Revisor of Statutes Office
Emalene Correll, Legislative Research Department
Raney Gilliland, Legislative Research Department
Joyce Bishop, Committee Secretary

Conferees appearing before the committee:

Tracy Streeter, Director, Kansas Water Office
Joe Fund, Chief Fiscal Officer, Kansas Water Office
Earl Lewis, Jr., Manager, Hydrology & Evaluation, Kansas Water Office

The meeting was called to order at 8:34 a.m. by Chairperson McGinn. The Chair recognized Tracy Streeter, Director, Kansas Water Office, who presented an overview of the Role and Activities of the Kansas Water Authority and Kansas Water Office (Attachment 1) and the 2005 Annual Report on the Kansas Water Authority (Attachment 2).

Referring to a question from Chair McGinn concerning the irrigation transition buyout program, Mr. Streeter noted that the program is voluntary. The original concept was to procure federal grant funding for the program. A proviso, adopted by the 2004 Legislative Session, gives the State Conservation Commission a one-year authority to operate the program. No money was provided in the current budget year, requiring the program to look to FY 2006 for funding. Basically the concept is to look at targeted areas, such as Rattlesnake Creek basin in Central Kansas, MidArk basin and the Ogalala. Landowner or a water right owner would apply for the funding and a bid process would determine the level of funding needed to convert wet land to dry land production or even if the conversion is feasible. The funding would be paid out over a ten-year period.

Mr. Streeter called on Joe Fund, Kansas Water Office, to respond to a question from Chair McGinn concerning voting rights of ex-officio members of the Kansas Water Board. Mr. Fund stated that, according to statutory provisions, ex-officio members are excluded in voting but not excluded from making motions or giving seconds to motions in subcommittees. Mr. Fund noted that less than 15% of motions are made by ex-officio members. A bill has been introduced that would further limit the rights of ex-officio members.

With reference to a question from Senator Teichman concerning the economic impact of the irrigation transition program, Mr. Streeter responded that the only economic impact statement that the agency is working on at the current time pertains to the rules and regulation process. Because the need continues for a reduction in consumption of water or water usage, there could be an economic impact; however, because funding is currently not available to promote the program, it will not have a huge impact on any one area at the present time. It was noted that there is concern by property owners about the impact on property valuations and that affect on school districts from switching irrigated land to dry land. Legislation has been introduced in the House Environment Committee that would put future funding in place for the irrigation transition program. Senator Taddiken noted that there would be a three-year sunset on the legislation.

Responding to a question from Senator Taddiken with regards to the state's support of development around lakes and reservoirs, Mr. Streeter stated that the Kansas Water Office is involved in this issue. The issue is complex as some dams were built as high-hazard and some dams were built as low-hazard. It is important to prevent a low-hazard dam from becoming a high-hazard dam because of the possible development down-stream.

Senator Lee noted she felt the irrigation transition program is important and that the program should be voluntary for landowners; however, further noted that it is important not to allow property owners, who

CONTINUATION SHEET

MINUTES OF THE Senate Natural Resources at 8:30 A.M. on January 21, 2005 in Room 423-S of the Capitol.

would have stopped irrigation because of other factors, to impact the program. Senator Lee stated that water resources continues to be a factor in economic development for many communities of the state.

In response to a question from Senator Huelskamp concerning funding in the Governor's budget, Mr. Streeter noted that of the \$3.6 million request, the Governor recommends \$2.25 million funding. The Governor also did not recommend moving two programs, Aid to Conservation Districts and Stream Gaging Program, to the State General Fund (SGF) as the Water Office had requested. With reference to the Circle K project, Mr. Streeter stated that there have been no negotiations at the present time and there are no reserves in the Governor's budget for this project. Mr. Streeter indicated that funds from the irrigation transition program cannot be used for the Circle K project.

With reference to the unfunded liability for Kansas reservoirs and a question from Senator Lee, Mr. Streeter stated that \$71.2 million (\$30 million at Milford Reservoir and \$41.2 million at Perry Reservoir) would be the amount of funds required to pay the federal government if the water was called into service today. Currently, there are no prospects of calling this water into service; however, the Water Office is concerned because the contract on these reservoirs is based on construction date prices and interest rates. If the state does not pull the water into service by the expiration dates or pay off the liability, the contract will expire and new prices could be exorbitant. Mr. Streeter asked Earl Lewis, Jr., Manager, Hydrology and Evaluation for the Kansas Water Office, to respond. Mr. Lewis indicated that this funding option was a good idea in the early years but because no payment have been made on this liability, the state needs to be aware of the expiration date and the amount of money required for the unfunded liability.

Chairperson McGinn thanked Mr. Streeter for his presentation.

There were no introductions of legislation.

The next meeting will be held at 8:30 a.m. on January 27, 2005, with an update on the Colorado-Nebraska compact. The Chair adjourned the meeting at 9:20 a.m.

Senator Carolyn McGinn

Water Resources Overview
Role and Activities of the Kansas Water Authority and Kansas Water Office

Presented to

The Senate Natural Resources Committee

Tracy Streeter
Director, Kansas Water Office
January 21, 2005

Chair McGinn and members of the Committee, I am Tracy Streeter, Director of the Kansas Water Office. I appreciate the opportunity to appear before you this morning to provide an overview of the Kansas Water Office and Kansas Water Authority.

The Kansas Water Office and the Kansas Water Authority were established in 1981. The Kansas Water Office is the water planning, policy, coordination and marketing agency for the state. The primary statutory functions of the agency are the development and implementation of the State Water Plan and management of state controlled water storage in federal reservoirs.

Other responsibilities of the Kansas Water Office include overseeing weather modification, drought monitoring, development of conservation guidelines, and the coordination of water related research and policy development. The State Water Plan Fund provides a dedicated funding source for the implementation of the Kansas Water Plan and is coordinated and monitored by the Water Office. The Water Plan Fund is appropriated to seven state agencies for various programs and projects.

The Kansas Water Authority (KWA) is statutorily within and a part of the Kansas Water Office. The KWA is a 24-member group representing the state's diverse water interests. One of its primary duties is to consider and approve policy recommendations for inclusion in *the Kansas Water Plan*. Once approved, the KWA submits these recommendations to the Governor and Legislature for their consideration.

New Water Plan policies approved by the KWA:

Alternative Dispute Resolution – The KWA has determined that it is in the state's best interest to establish an alternative dispute resolution (ADR) process for resolving water resource conflicts using both in-house agency mediators as well as professional mediators in a three year pilot program. Money for the first year of the pilot is included in the Governor's budget.

Reservoir Restoration and Demonstration Projects & Research – The KWA has recommended that one or more small lake restoration demonstration projects 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. This is part of a long-range effort to protect and extend the life of reservoirs supplying water to communities across Kansas.

Water Marketing Program – The KWA is recommending that changes need to be made in 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. A bill incorporating these recommendations has been introduced in the House Appropriations Committee (HB 2108).

Testimony – Senate Natural Resources Committee
January 21, 2005

Senate Natural Resources
1/21/05
Attachment 1

Issues currently being studied:

Economic Development at Lakes and Reservoirs – In a joint effort with the Department of Commerce, the Kansas Water Office is studying whether the State should support and promote development around lakes and reservoirs, and if so, determine how to do this while maintaining primary lake uses, including flood control, public water supply, water quality and public access.

Public Input on Water Planning Process – The Kansas Water Office is studying whether the historic ways of soliciting public input for the water planning and implementation process are outdated, and whether they need to be changed to meet the current information needs of the Kansas water resource planning and management process.

Enhancement of Groundwater Availability – The Kansas Water Office is studying the best ways to provide a stable water supply for public water suppliers dependent on groundwater.

Issues to be presented to the KWA for consideration:

Kansas River Channel Degradation – The KWA is being asked to recommend a study to determine what factors are contributing to channel degradation in the Kansas River, including the role of aggregate dredging.

Water Conservation – The KWA is being asked to recommend a study to determine the role that water conservation should play in the management of the state's water resources, and what responsibilities the state has in future conservation efforts.

Kansas Water Plan Projects Initiative

During the past 18 months, the Kansas Water Authority has reviewed and approved the Water Plan Projects Initiative to comprehensively address four priority water resources issues in Kansas. In brief, they are:

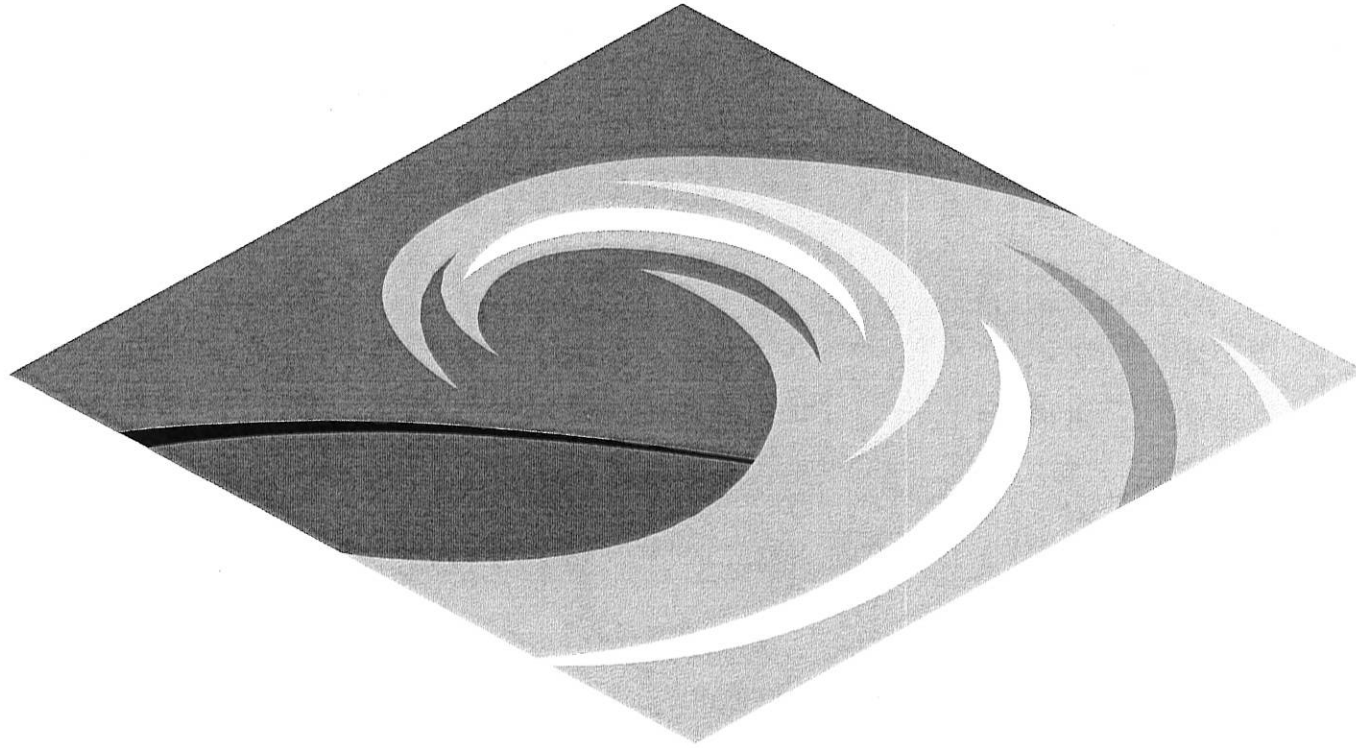
- 1) High Plains/Ogallala Aquifer Management;
- 2) Watershed Restoration and Protection;
- 3) Regional Public Water Supply Strategies; and
- 4) Capital Development Plans, including Unfunded Liability.

These priority issues are explained in more detail in the *Kansas Water Authority 2005 Annual Report*. To finance the Initiative, a restoration of revenues lost to the Water Plan Fund is proposed in the FY 2006 budget. The Governor's budget recommendation includes a restoration of the State General Fund demand transfer of approximately \$2.25 million.

I would like to thank you, Senator McGinn and members of the Committee for your time and attention today. I would be happy to stand for questions.

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

Senate Natural Resources
1/21/05
Attachment 2

Senate Natural Resources
1/21/05
pages

Senate Natural Resources
1/21/05
Attachment 2

Chair's Perspective

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.

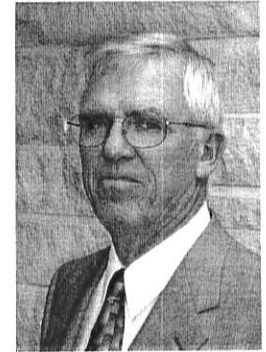
The report you are holding details our short and long-term plans. The Water Plan Projects Initiative is a far-reaching set of projects to deal with the unfinished business of protecting the water resources of Kansas using the State Water Plan Fund as the financial engine.



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

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:

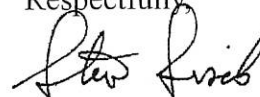
- Conserve and extend the life of the generally declining High Plains aquifer
- Develop regional strategies to meet water supply needs
- Protect and restore watersheds to assure a reliable source of drinking water
- Invest now to save the state money on long-term debt for federal reservoir water storage



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.

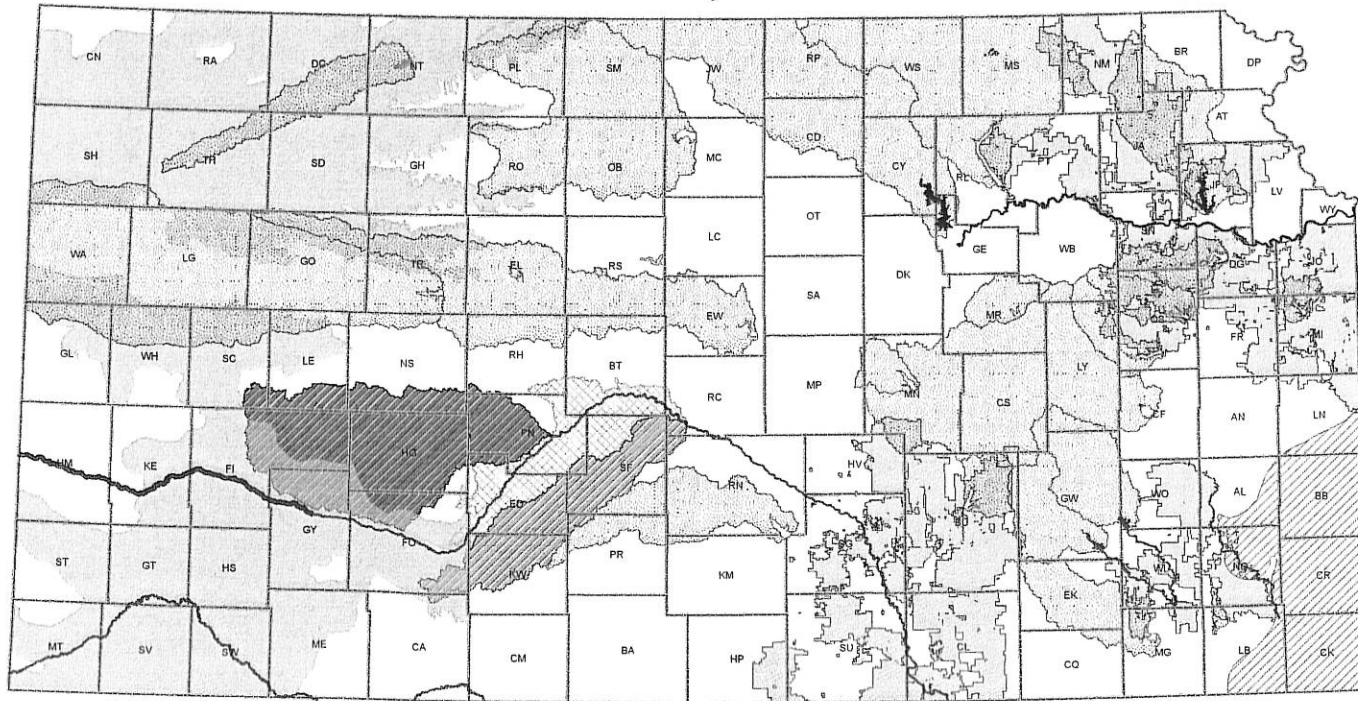
Respectfully,


Steve Irsik, Chair

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. Keith 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.

1-2

2-3

High Plains aquifer

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.



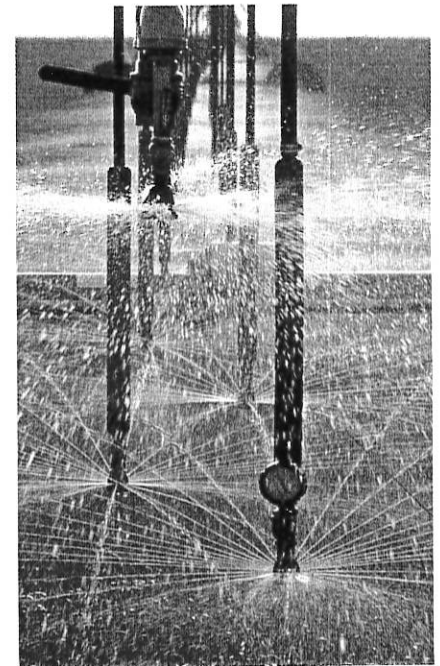
- Action Items**
- Reduce water use based on locally developed voluntary plans
 - Control "weed trees" that compete for water
 - Reduce salt contamination in the Arkansas River

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.



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.



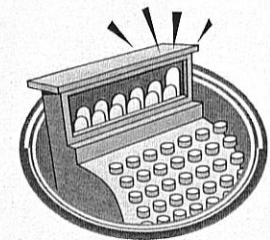
Kansas and Colorado to study ways to manage salt intrusion

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.

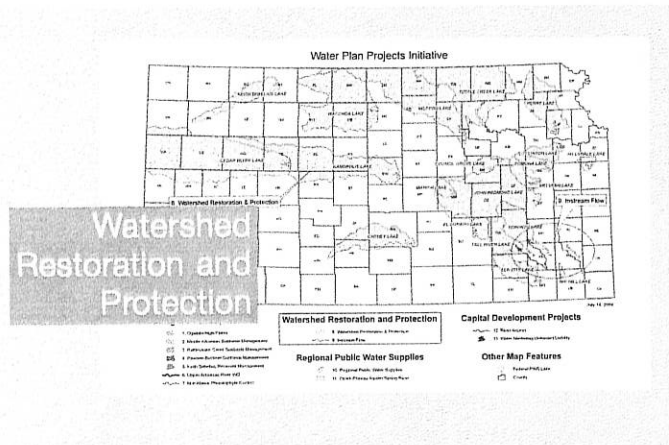
NEW INVESTMENT
High Plains aquifer
\$1.4 million



Watershed Restoration and Protection

2-2

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.

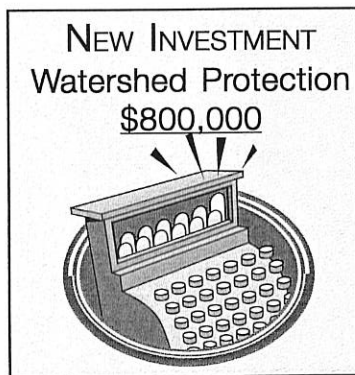
While all watersheds are different, the approach to protecting and restoring them is similar. This uniform process, known as Watershed Restoration and Protection Strategies, or WRAPS, is designed to engage watershed stakeholders to identify watershed needs, goals, actions and cost effective strategies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

- ### Action Items

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

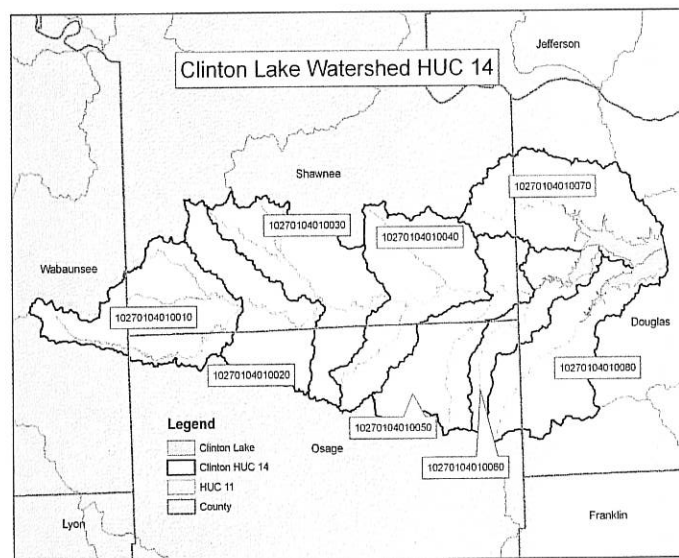
Efforts have been initiated to develop and implement WRAPS in watersheds across Kansas. Enhanced support is needed to ensure that WRAPS projects are implemented in priority watersheds to

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



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.



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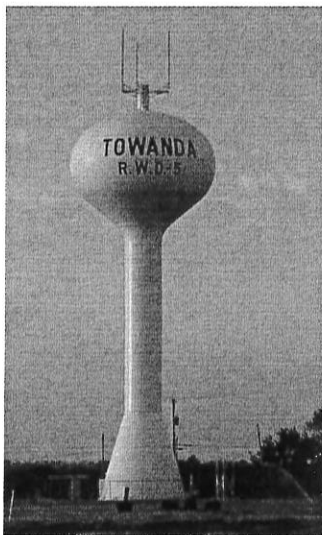
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Regional Public Water Supply Strategies

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.

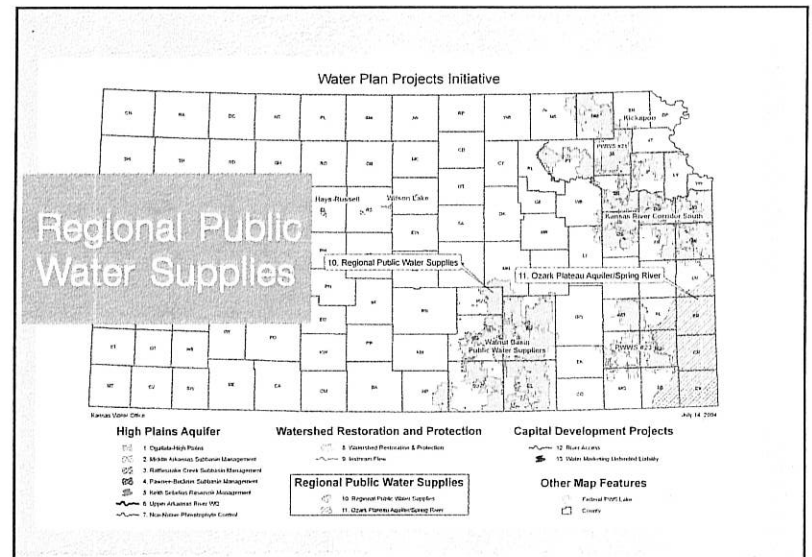
Strategies are being developed to make the best shared use of limited resources, both water and financial. Implementation of those mutually-developed strategies may mean voluntary boundary adjustments, system interconnections, shared treatment facilities, shared accounting or district mergers.



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

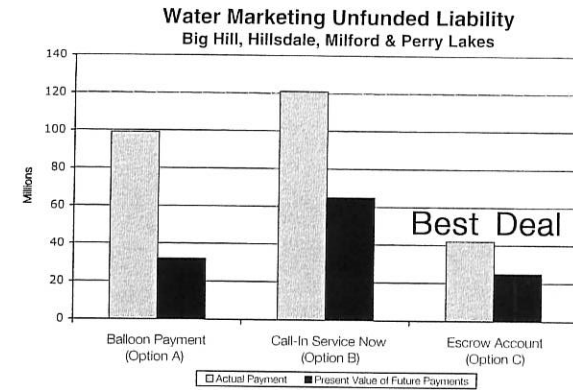
Capital Development Plans

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).

Funding Options



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.

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

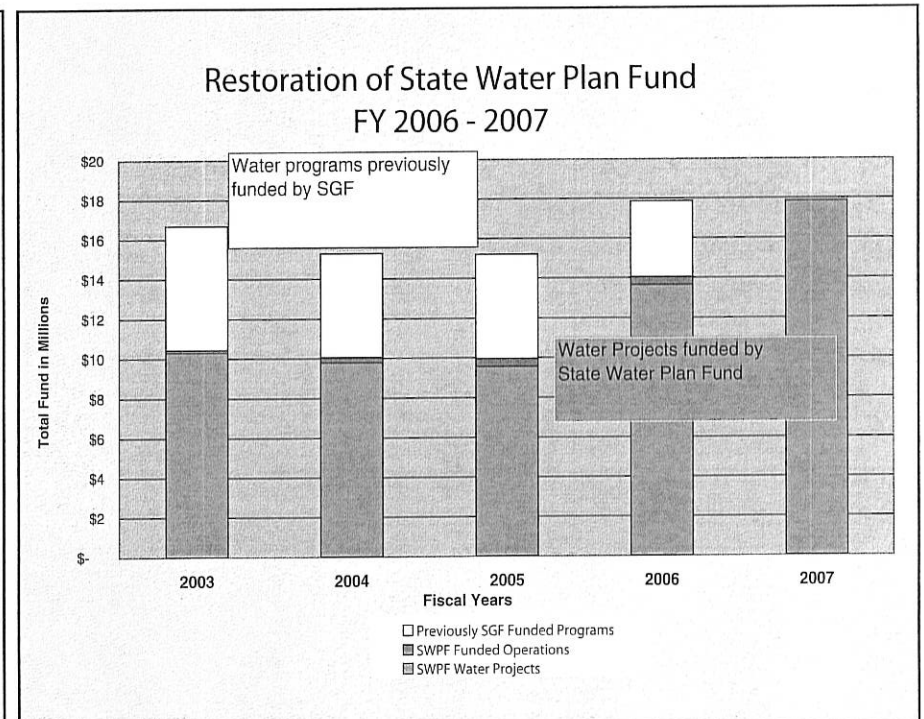
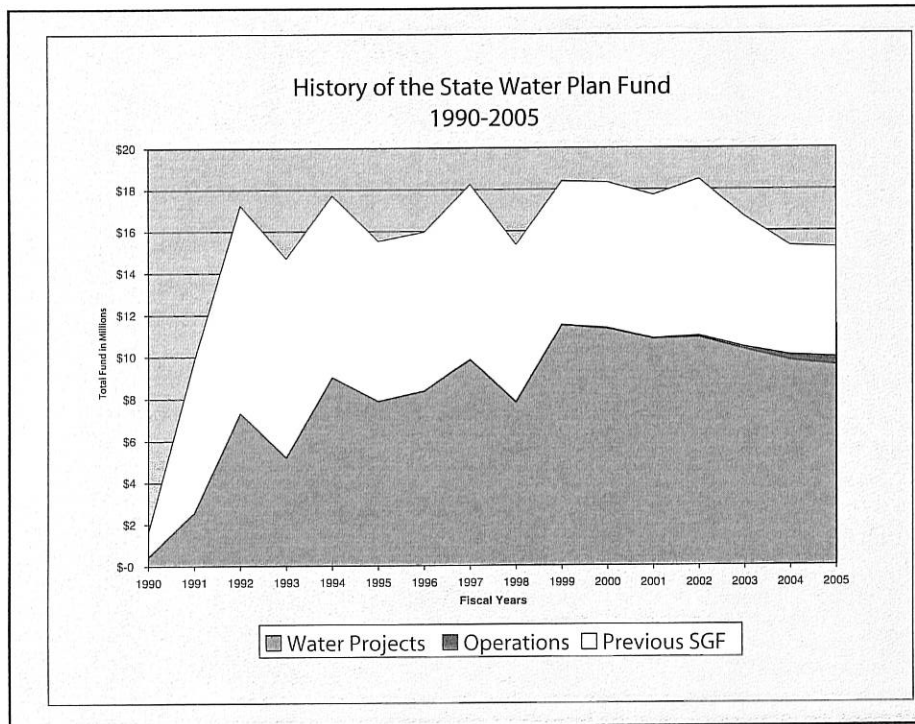
Restoration of State Water Plan Fund

6-2

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.



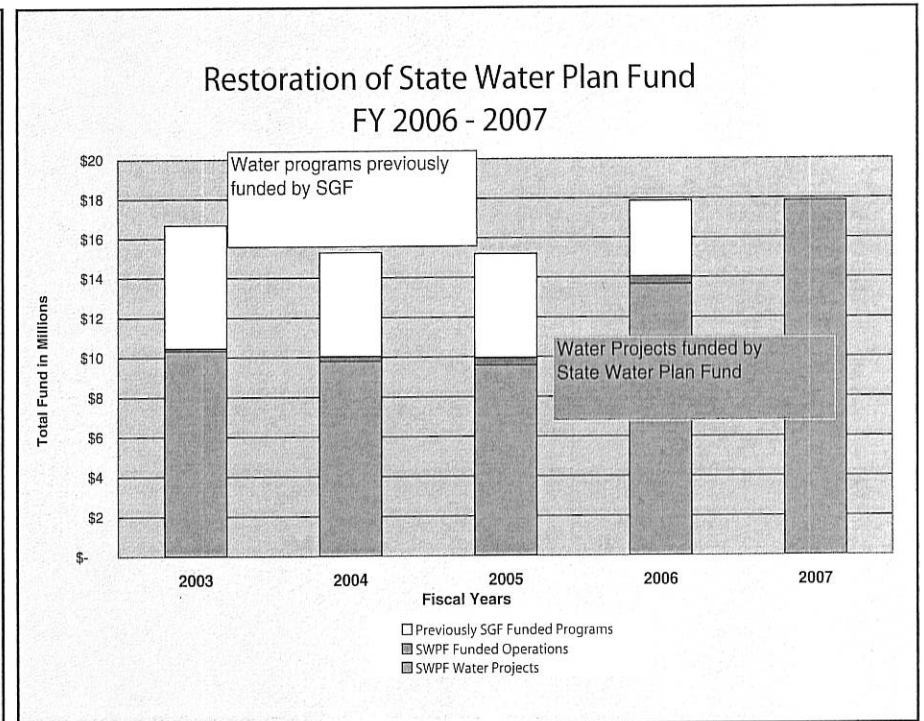
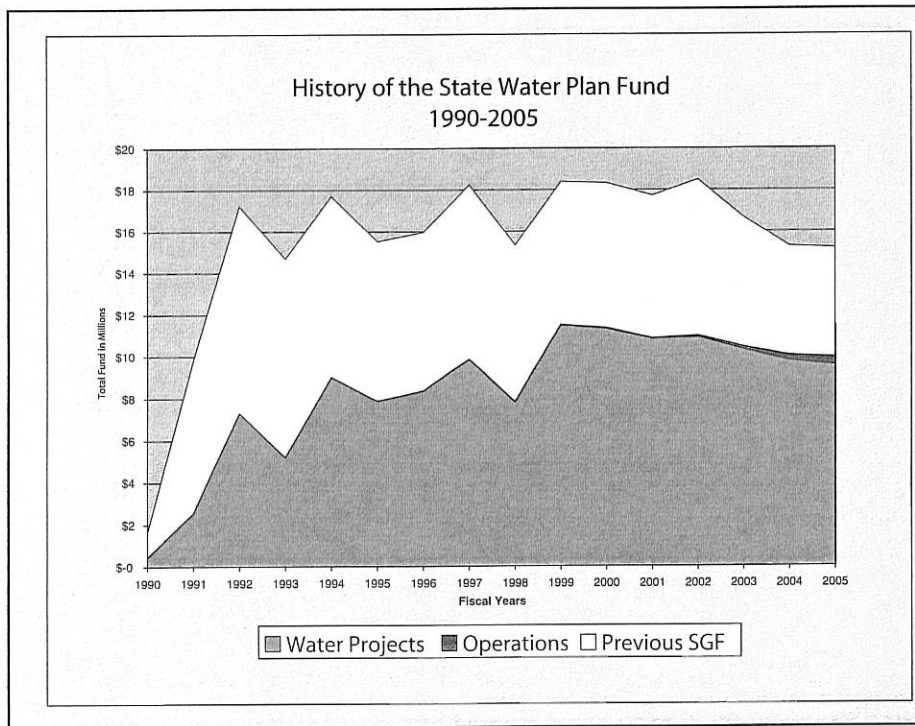
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Restoration of State Water Plan Fund

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Water Plan Fund Recommendations for 2006

11-2

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	387,939	385,975	385,975
WRAPs			800,000
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

2-11

Revenue and Expenditure Summaries

2-12

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

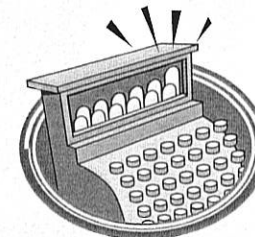
Water Plan Projects Initiative

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



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Legislative Proposals

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.

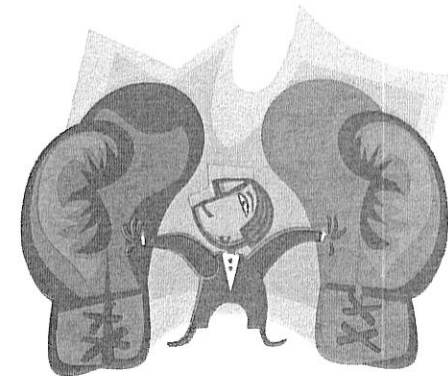
The Kansas Water Authority recommends that a small lake restoration demonstration project be conducted and that results from two on-going studies at federal reservoirs be applied to development of a restoration plan at a reservoir that is part of the Kansas Water Marketing Program. The Authority also 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 (PMIB Loan Payment)											
Melvorn, 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.

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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.

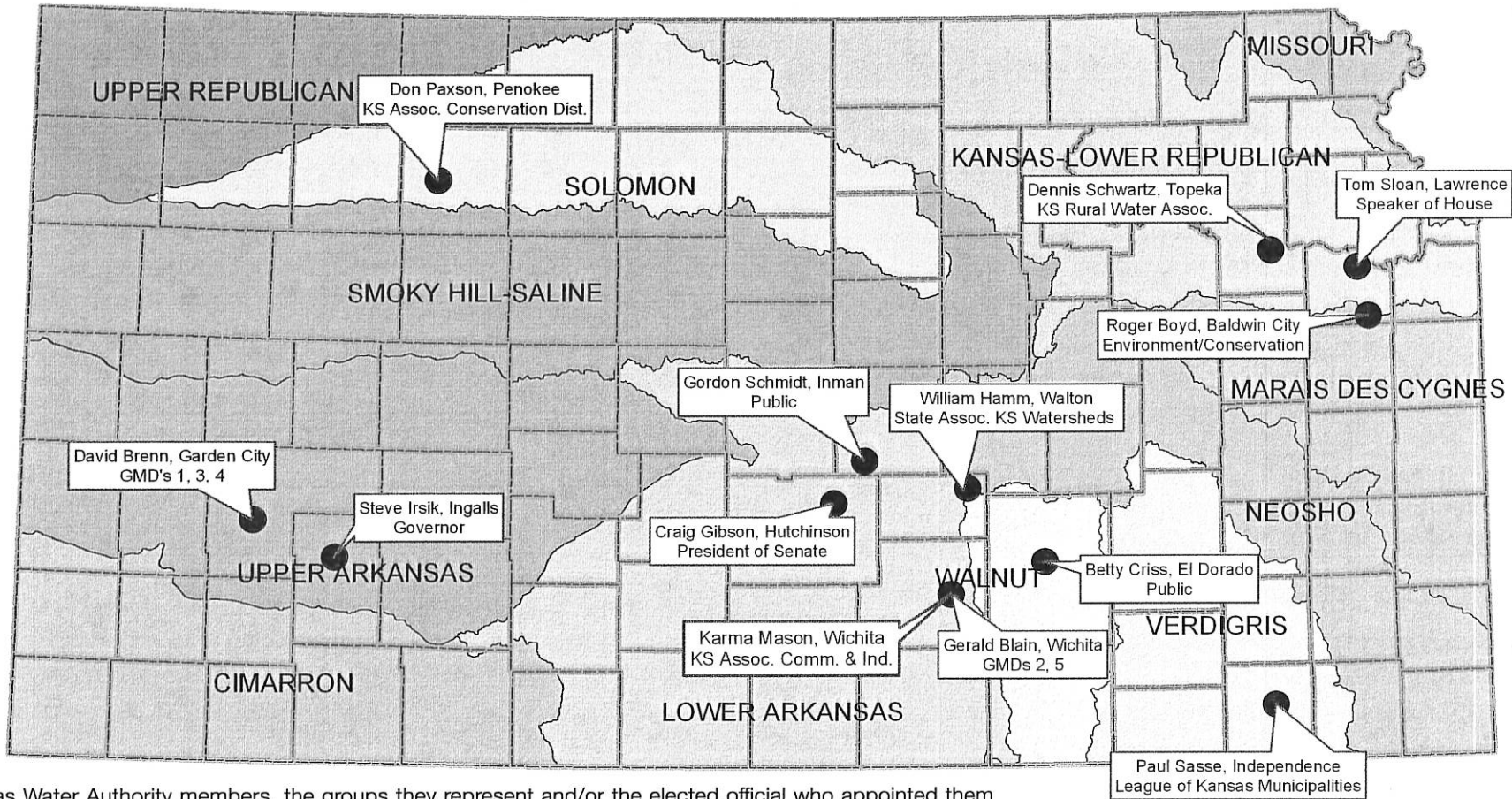
Note: *Information current as of Dec. 10, 2004.*

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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 Streeter
Kansas Water Office

Howard Fricke
Kansas Dept. of Commerce

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