

Date

MINUTES OF THE SENATE NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Carolyn McGinn at 8:30 a.m. on February 1, 2007, in Room 423-S of the Capitol.

All members were present with the exception of Senator Terry Bruce.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Emalene Correll, Kansas Legislative Research Department
Art Griggs, Revisor of Statutes Office
Judy Holliday, Committee Assistant

Conferees appearing before the committee:

Proponents:

Steve Swafford, Director of Natural Resources, Kansas Farm Bureau
Greg Foley, Executive Director, Kansas Conservation Commission
Tracy Streeter, Director, Kansas Water Office
Mike Beam, Director, Kansas Livestock Association
Adrian Polansky, Secretary, Kansas Department of Agriculture (written only)

Opponents:

Mary Jane Stankewicz, Vice President and General Counsel, Kansas Grain and Feed Association and Kansas Agribusiness Retailers Association
Leslie Kaufman, Executive Director, Kansas Cooperative Council
Matt Johnson, Director of Feed Ingredient Procurement, Seaboard Foods
Thomas Palace, Petroleum Marketers Convenience Store Association of Kansas (written)
Tim Stroda, President and CEO, Kansas Pork Association (written)

Neutral:

Dana Peterson, Kansas Association of Wheat Growers
Don Whittemore, Kansas Geological Survey

Others attending:

See attached list.

Chairman McGinn had a bill pertaining to certain beverage containers that she had been asked to introduce by Senator Derek Schmidt. Senator Ostmeyer made a motion to introduce the bill, seconded by Senator Taddiken. The motion carried.

Senator Francisco introduced a bill that would revise the statutes regarding the method of destroying, controlling, and managing the prairie dogs. Senator McGinn made a motion to introduce the bill, seconded by Senator Wysong. The motion carried.

Chairman McGinn opened the hearing on **SB 123, Establishment of upper Arkansas river conservation reserve enhancement program**. Because of the large number of conferees, Chairman McGinn told the Committee that the first portion of the hearing would be an overview by Legislative Research staff, with the remaining time divided equally between the conferees. Conferees were asked to tell the Chairman if they were from out of town so that they would have the opportunity to testify.

Raney Gilliland, Kansas Legislative Research Department, explained **SB 123**, which authorizes the agreement with the federal government to establish a program called Conservation Reserve Enhancement Program (CREP). The program had been discussed in previous years and was resurfacing because of action taken by the Legislature last year. A line item from the appropriations bill is devoted to the Conservation Reserve Enhancement Program for about \$4.5 million. **SB 123** is the authorizing language for the agreement to occur for the Conservation Reserve Enhancement Program, which is an extension of the more common Conservation Reserve Program in southwest Kansas. The bill targets land along the Arkansas River, payments to landowners, and permanent dismissal of water rights by those individuals because this is irrigated land. The State of Kansas is the primary entity responsible for the allocation of water rights and would also be the decision making body with regard to the dismissal of water rights on properties in southwest Kansas.

CONTINUATION SHEET

MINUTES OF THE Senate Natural Resources Committee at 8:30 a.m. on February 1, 2007, in Room 423-S of the Capitol.

Land would be taken out of production for agricultural purposes for 15 years.

Steve Swafford, Director of Natural Resources for Kansas Farm Bureau, testified as a proponent of **SB 123** (Attachment 1). Mr. Swafford told the Committee that many of the people in the audience were Farm Bureau members and on Farm Bureau's national environmental resources committee. Mr. Swafford addressed the issue of declining water levels in the High Plains aquifer from irrigated crop production and that permanent retiring of water rights will help slow the process of aquifer decline. The program would allow irrigated production to be extended for a longer period of time but on fewer acres. Kansas Farm Bureau believes the voluntary program may reduce the need for regulatory or court ordered action.

Farm Bureau's position is that the Conservation Reserve Enhancement Program may help cushion the economic losses to the region, with less severe economic impacts than allowing water to be used until depleted, or regulatory action by the Division of Water Resources to restrict water usage. Mr. Swafford told the Committee that the program offers the best opportunity to leverage state funds into federal funds.

Greg Foley, Executive Director, State Conservation Commission, testified as a proponent of **SB 123** (Attachment 2). Mr. Foley explained that the Conservation Reserve Enhancement Program (CREP) would be a joint agreement between the Kansas Water Office and the State Conservation Commission that, once established, would be administered and implemented by the State Conservation Commission.

Mr. Foley told the Committee that the voluntary program would enable landowners to receive incentive payments for setting aside irrigated land for soil and water conservation by retiring water rights. Conversion to native vegetation would be eligible for a contract period of 15 years. Mr. Foley told the Committee that all water rights will not be qualified for enrollment, but only those which have been used in three of the last five years and which have reported at or above 50% of their authorized quantities during that period. Because there is a potential for a large amount of water rights that could be involved, support personnel knowledgeable in developing and implementing agency rules and regulations would be required. Additionally, producers must be allowed opportunities to learn about the CREP, how they might be affected, and whether they choose to participate.

Tracy Streeter, Director, Kansas Water Office, testified as a proponent of **SB 123** (Attachment 3). Mr. Streeter told the Committee that the proposed bill is a collaboration with other agencies and organizations in developing a comprehensive proposal for a Conservation Reserve Enhancement Program (CREP) and is submitted per instructions of the 2006 Legislature. Mr. Streeter told the Committee that the bill addresses the documented serious water level declines along the Arkansas River valley, and without a voluntary, incentive based program, irrigators and the regional economy will be impacted with wells going dry as water levels continue to decline. He stated that CREP alone won't solve all the shortages, but will help slow the decades of water declines and help assure water for a viable western Kansas into the future.

Mike Beam, Director, Kansas Livestock Association, testified as a proponent of **SB 123** (Attachment 4). Mr. Beam told the Committee that the beef cattle industry depends on grain and forage, and a stable price level and availability of corn and hay. Taking productive irrigated land out of production is a concern to the industry, but in spite of these concerns the Kansas Livestock Association supports the use of the Conservation Reserve Enhancement Program (CREP) to address water right holders and business interests that benefit from a long-term supply of groundwater. He encouraged the Committee to support the CREP targeting the prioritizing of water rights retirement to 1) areas identified by the state as having an impact on interstate compliance; 2) portions of the Arkansas River where impairment actions are pending or likely to occur; 3) basins or sub-basins where an IGUCA order has been issued or proposed; and to include a mechanism to amend CREP contracts to allow dryland farming if changes at the federal level allow.

Don Whittemore, Kansas Geological Survey, provided information on the effects of pumping in the Upper Arkansas Basin and the effects of the Conservation Reserve Enhancement Program (Attachment 5). The handout contained graphs showing the water level declines and the estimated usable lifetime for the High Plains aquifer; groundwater levels relative to the Arkansas River; sulfate concentrations in the High Plains aquifer; predicted migration of saline groundwater along the Arkansas River corridor; estimated usable lifetime of the High Plains aquifer; and water quality of the Arkansas River at the Colorado-Kansas state line.

CONTINUATION SHEET

MINUTES OF THE Senate Natural Resources Committee at 8:30 a.m. on February 1, 2007, in Room 423-S of the Capitol.

The CREP could extend the usable lifetime of the aquifer, slow the rate of saline water migration, and slow groundwater declines.

Tom Thompson testified as a proponent on behalf of the Sierra Club (Attachment 6). Mr. Thompson told the Committee that creating a joint federal and state program to decrease water usage would help the health of the Arkansas River and its tributaries, re-establish prolific habitation of migrating wildlife, and improve the quality of life for all Kansans.

Adrian Polansky, Secretary of Agriculture, Kansas Department of Agriculture, provided written testimony in support of **SB 123** (Attachment 7).

Mary Jane Stankiewicz, Vice President and General Counsel for the Kansas Feed and Grain Association and the Kansas Agribusiness Retailers Association, provided testimony opposing **SB 123** (Attachment 8). Ms. Stankiewicz rebutted the state's claim that water would be saved by instituting a CREP program, when in fact the water from the rights forfeited could be used by the surrounding water right users. Ms. Stankiewicz cited an economic impact study done by KSU last year that concluded the CREP program would result in a decrease in household income, loss of tax revenues, job losses, and would take 30-40 years to rebound. She told the Committee there are other options to save water, but do not have large amounts of federal matching funds attached to them. Ms. Stankiewicz urged the Committee to focus on programs that actually save water and do not wreck the local economies of at least ten counties.

Leslie Kaufman, Executive Director, Kansas Cooperative Council, testified in opposition to **SB 123** (Attachment 9). Ms. Kaufman detailed the Kansas Cooperative Council position of opposing a Conservation Reserve Enhancement Program until dryland farming is allowable on CREP acres. The main issues for opposition to the program are the negative economical impact on the region, the lack of enforcement and oversight mechanisms, taking land out of production in areas that are historically heavy grain production, and lower agriculture property valuations.

Matt Johnson, Director of Feed Ingredient Procurement for Seaboard Foods, presented testimony in opposition to **SB 123** (Attachment 10). Mr. Johnson told the Committee that Seaboard Foods produces hogs in Western Kansas and much of its operation depends on the availability of grain grown locally to process into feed in Seaboard's own feed mills. Taking land out of grain production through the CREP program affects not only pork production, but affects the expanding ethanol industry in the western corn belt, impacts negatively the rural communities' economies, increases taxes on Seaboard and other industries, and reduces the quality of life in some rural communities.

Thomas Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas, offered written testimony in opposition to **SB 123** (Attachment 11). Mr. Palace proposed that if the CREP becomes reality, that the Committee advance this issue to the congressional level to allow dryland farming to offset the negative impact of taking farmland out of production.

Tom Stroda, President and CEO of the Kansas Pork Association, provided testimony in opposition to **SB 123** (Attachment 12). Mr. Stroda told the Committee that because of the rapidly expanding ethanol industry, demand for grain has grown dramatically, and the production costs of the Kansas Pork Industry has risen 25 percent in a few months. Mr. Stroda explained that the CREP program penalizes the pork producers through increased taxes, and urged the Committee to vote no on **SB 123**.

Dana Peterson, Producer Policy Specialist, Kansas Association of Wheat Growers, presented testimony neutral on **SB 123** (Attachment 13).

Chairman McGinn told the conferees and others attending that **SB 123** will probably be worked the week after next and that the hearing will be left open for questions at that time.

Chairman McGinn adjourned the Committee meeting at 9:35 a.m.

The next meeting will be on Friday, February 2.

SENATE NATURAL RESOURCES COMMITTEE

Guest Roster

2/1/07

(Date)

Susan Stover	Kansas Water Office
Steve Swatter	KFB
Kenil Askren	KFB
Jim Congrove	KFB
Jerry Eggloston	KFB
Grea Askren	KFB
Robin Tennessee	CMO #1
Bob Lone	KFB
Loren Kuchan	KFB
AMERON PRICE	KFB
Justin Knight	KFB
Chuck Leiningen	KFB
Bert Stramel	KFB
Denise Noonan	KFB
Raymond Splitter	KFB
Rachel Cloudis	KFB
Justin Claude	KFB
Kobert Voegeli	KFB
Adrian Polinsky	KDA
Bob Haselwood	KFB
Dane Peterson	Ks Assoc of Wheat Growers
MA Jobse	Seward SD
Mary Jane Stankiewicz	KEFA
Tim Stroda	Kansas Park Association
Tom Bruno	Farm Credit Associations of KS
Leslie Kaufman	Ks Co-op Council
CJ Cotsovaldis	KDHT

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Kansas Farm Bureau
POLICY STATEMENT

Senate Natural Resources Committee

**SB 123 an act concerning water, establishment of the upper
Arkansas river conservation reserve enhancement program**

February 1, 2007

Submitted by:

Steve M. Swaffar

Director of Natural Resources

Chairperson McGinn and members of the committee, thank you for this opportunity to provide testimony today on Senate Bill 123 creating the Kansas CREP program. I am Steve Swaffar, Director of Natural Resources for the Kansas Farm Bureau. KFB stands in support for SB 123.

Irrigated crop production from the High Plains aquifer is in jeopardy from declining water levels in the aquifer; and that is a trend that we believe will not change. Our members recognize this trend and adopted policy this fall in support of a CREP in Kansas. KFB believes CREP can help slow the process of aquifer decline by permanently retiring water rights; allowing irrigated production to be extended for a longer period of time in the region, just on fewer acres. KFB also believes a voluntary program like CREP may reduce the need for regulatory or court ordered action.

CREP can help cushion the economic losses to the region. Although there are forecasted economic impacts from implementation of the CREP program, they may be far less severe than allowing the water to simply be used until it's gone, or the more likely scenario of regulatory actions to restrict water use by the Division of Water Resources. It only makes sense to our members to infuse some money into the economy to soften the eventual economic impacts. No other program available today offers the opportunity to leverage state funds into federal funds like CREP. This money will be spent somewhere in the country, why not Kansas?

Senate Natural Resources
February 1, 2007
Attachment 1

We also see CREP as an opportunity for water rights holders to make a decision about the property right they control. Since CREP is a voluntary program, water rights holders would have the opportunity to make the decision to enroll if CREP fits the needs of their operation now and in the future. They can weigh all of the factors that impact them like commodity and input prices, productivity of the well, the likelihood of regulation of their water right, future generation's abilities and desire to continue farming with irrigation, and others. Clearly CREP will not be for everyone, but shouldn't those individuals holding the water rights have the opportunity to make that decision?

KFB understands there are potential negative impacts of CREP and that some view CREP as leading to economic disaster, we don't hold that same opinion. We believe CREP is an opportunity for local farmers and ranchers to be a part of the solution to declining water levels while at the same time helping delay or avoid regulation, and bring some recovery of losses to the economy. Thank you for this opportunity to provide testimony.



Greg A. Foley, Executive Director

Kathleen Sebelius, Governor

KANSAS
State Conservation Commission

**Testimony on SB 123
relating to establishment of the**

**Upper Arkansas River Conservation Reserve Enhancement Program
presented to**

**Senate Committee on Agriculture
by**

**Greg Foley
Executive Director
State Conservation Commission**

February 1, 2007

Chairperson Taddiken and associate committee members,

Thank You for the opportunity to provide testimony on SB 123. I appear before you today to discuss State Conservation Commission (SCC) implementation roles and responsibilities regarding the Upper Arkansas River Conservation Reserve Enhancement Program (UAR CREP).

Senate Bill 123 proposes "AN ACT concerning water; providing for establishment of an upper Arkansas river conservation reserve enhancement program" According to S.B. 123 language, the UAR CREP would be executed according to "an agreement between the state of Kansas and the farm service agency" (FSA). The CREP program would be established jointly by the Kansas Water Office and the State Conservation Commission (SCC). Once established, the responsibility for implementation and administration of the program would reside with SCC.

As an offspring of USDA's very successful Conservation Reserve Program (CRP), the UAR CREP proposes a voluntary program for agricultural landowners which targets additional focus on achieving specific resource management benefits. This unique USDA / SCC partnership would allow landowners to receive incentive payments for setting aside irrigated land for soil and water conservation. Through the CREP, farmers can receive annual rental payments and cost-share assistance to voluntarily dismiss water rights and establish long term resource conserving covers on eligible land. Practices such as conversion to native vegetation would be eligible with a contract period of 15 years. **The management goal of the program is to conserve about 150,000 acre-feet of water per year in the basin.** With a state match of 20% and a federal match of 80%, **up to 100,000 acres could be enrolled in this program.**

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*Senate Natural Resources
February 1, 2007
Attachment 2*

The significant size and scope of this proposed program warrants serious consideration regarding administrative implementation. In addition to the \$5 Million which has been designated (lock-boxed) by the Legislature as direct contributions in the form of state incentive payments, SCC is also proposing to contribute an additional \$600,000 for well plugging activities, \$750,000 for tamarisk control projects, and \$1,305,000 for coordination personnel over the 15 year life of the program.

The fundamental mechanism for achieving the consumptive use reduction objective of the CREP is to secure the dismissal of as many available water rights with the most appropriated quantities as is possible. Not all water rights will be qualified; in fact, only water rights which have been used in 3 of the last 5 years (2001 to 2005), and those which have reported at or above 50% of their authorized quantities during that time, will be eligible for enrollment. In the role of statewide coordinator for the program, the SCC will be responsible for evaluating and screening all of the CREP applications for enrollment. If approved, the SCC must verify the dismissal of the water right and provide initial oversight and financial assistance to achieve a proper decommissioning and legal status of the well; plugging, capping, conversion to domestic, etc.

Because water rights in Kansas are just inherently complicated, and because of the considerable number of water rights which could potentially be involved, this undertaking will require support personnel. FSA requirements outline that the state sponsor will provide a CREP coordinator for program implementation. SCC understands the need for an additional Environmental Scientist position to work closely with FSA and assist the SCC's Water Conservation Programs Manager with effective coordination.

In order to achieve the most optimum results expected, the SCC will be assisting with a great deal of training in FSA and other state / local agency offices. Support personnel at the state and county levels must be informed of how to receive and process these extra-ordinary "CRP" applications. In order to make knowledgeable decisions about participation, producers must have at least one or several opportunities to learn about the CREP and how they might be affected – whether they choose to individually participate or not.

Finally, in order to provide the most streamlined implementation possible, the SCC staff must develop and adopt a comprehensive set of agency rules and regulations on the program. This will require careful anticipation, deliberation, and crafting.

In conclusion, the State Conservation Commission stands prepared to fulfill its roles and responsibilities of implementing the Kansas State Water Plan projects which the Legislature deems timely and necessary. We support the committee's consideration of a state funded component of a federal program to provide enhanced conservation benefits to this very important area of our state, and if directed to do so, we will work diligently to provide the most efficient, cost-effective, and advantageous program possible.

Mr. Chairman, I would again like to thank you for the opportunity to provide testimony on SB 123, and I will gladly stand for any questions at the pleasure of the committee.



K A N S A S

KANSAS WATER OFFICE

TRACY STREETER, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

**Testimony on Senate Bill 123
Senate Natural Resources Committee**

February 1, 2007

Chairperson McGinn and members of the Committee, I am Tracy Streeter, Director of the Kansas Water Office (KWO). I appear before you this morning in support of Senate Bill 123. SB 123 authorizes the State of Kansas to enter into an agreement with US Department of Agriculture, Farm Services Agency (FSA), for the establishment of an Upper Arkansas River Conservation Reserve Enhancement Program (CREP). A CREP is a federal/state/local partnership to address natural resource issues of state and national importance. The goal of this CREP is to sustain the resources of the upper Arkansas River valley including the regional ground water supply. Reduction of water use along the Arkansas River valley will slow the stream flow declines and reduce the rate of aquifer declines. It will also mitigate water quality problems, and enhance wildlife habitat. The lessening stream flow and aquifer declines are serious challenges for our State. Water quality is also a serious concern; the Arkansas River is one of the most saline rivers in the nation when it enters Kansas.

The 2006 Legislature appropriated up to \$5 million in matching funds for the Upper Arkansas River CREP and placed those funds in a "lock box". The Legislature further instructed the Kansas Water Office and State Conservation Commission to prepare the CREP program for review and approval by the 2007 Legislature. Per those instructions, we have prepared and submitted to the FSA national office a well documented and comprehensive proposal for a CREP. It extends along the upper Arkansas River valley from the stateline downstream to just past Great Bend, where it intersects the Rattlesnake Creek River. The initial proposal was submitted in August, 2006. After FSA comments, we revised and resubmitted the proposal in December, 2006. The CREP proposal is available online at: www.kwo.org. During the development of the proposal, we've collaborated with other agencies and organizations, met with county commissioners, and held public meetings for input. We tried to incorporate the flexibilities requested, within the confines of the national CREP guidelines.

CREP is a voluntary, incentive based program. An irrigator who has acreage that lies within the CREP boundaries can apply to enroll those acres into a 14 or 15 year contract. During the life of the contract, the land must be put into one or more of the eight approved conservation practices. In cases of whole field enrollments, permanent cover consisting of native grasses would be planted based on current federal policy. The participant will receive a signup incentive payment from the State for every irrigated acre enrolled, plus assistance on plugging the associated irrigation well. USDA will pay

the participant \$50 per acre for seeding, and an annual rental and maintenance payment for every year of the contract. Acres that are irrigated will receive irrigated rental rate payments; dryland acres will get dryland rental rate payments. On some select conservation practices, USDA will also pay the producer a signup incentive payment, a practice implementation payment, and/or a hydrology bonus payment.

A condition of acceptance into the program is the permanent dismissal of the water rights associated with the acres enrolled. There are both federal and state minimum use requirements for eligibility. Both the federal government and the State want to assure that there are real benefits that accrue to the area with the dismissal of a water right, that what is dismissed is a "wet" water right and not just on paper.

The maximum size of a CREP program is 100,000 acres. However, States may, and several do, have more than one CREP. The program is targeted to irrigated acres, but dryland corners with a whole field enrollment are also allowed. If this CREP is fully enrolled, the potential annual water savings are 148,500 AF.

The Kansas Water Office and the State Conservation Commission are currently in negotiations with the Farm Services Agency on the proposal. We anticipate the key negotiations completed in the near future. One requirement of a CREP is that the federal government cannot pay more than 80% of the total program costs. The State and Local must pay at least 20% of the total costs, and half of that, or 10% of the total, must be cash payments. In most cases, this would be cash payments to CREP participants. However, additional costs are allowed as part of the State cash contributions, such as the cost of the State CREP coordinator.

Currently, the proposal identifies just over \$17 million in the non-federal cash contributions over the 15 year program. Included is the \$5 million appropriated by the 2006 Legislature. In addition, \$600,000 for well plugging cost-share assistance is included for the five year enrollment period with \$120,000 of that total requested in the FY 2008 budget. All other cash identified in the proposal is from either currently existing resources within the State Conservation Commission, or one time money from the Kansas v. Colorado Arkansas River Compact litigation damage award. By statute, a portion of the damage award funds went into the Water Conservation Projects Fund to be used for conservation and efficiency projects within the area of economic damage from past Arkansas River compact violations. The projects proposed are consistent with the goal of the CREP, and may be credited by FSA as a State cash contribution. As proposed, the non-federal contributions are sufficient match for the requested federal assistance which exceeds \$155 million. All federal funds will be provided to CREP participants in the form of annual rental payments, cost-share for grass establishment and other incentive payments on selected practices.

The irrigated land rental rates are not yet established. We have proposed a rate that is in the \$100 – \$110 per acre range, with a higher rate for center pivot fields, and lower for fields in flood irrigation. The rates will be established by FSA organized teams in the CREP counties, which will include bankers, extension agents, realtors, farmers and others that aware of what the going cash rental rate is for irrigated land. Dryland rates have already been established for each county and soil type. The FSA annual maintenance fee payment is \$4/acre.

Within the CREP area, the state payments are based on whether the acres are tier one or tier two. Tier one acres are closer to the river, or have a higher wind erodibility and

are unlikely to be successfully dryland farmed. Tier two acres are further from the river. The state will pay a one time upfront payment of \$62/irrigated acre in tier one, and \$35/irrigated acre in tier two.

One flexibility I heard from several groups is the desire to retire the water, but continue to dryland farm. Under the current federal rules, that is not an option. However, in the proposal and in our discussions with FSA it is noted that should dryland farming become an option under the 2007 federal Farm Bill, the Kansas CREP program would be subject to that new provision as well as any other new CREP provisions contained in the conservation title farming. Another flexibility included in the proposal is the future use of grasses planted under the program for ethanol production.

In closing, the Upper Arkansas River CREP provides a very real opportunity to leverage a limited amount of one time money in State dollars with a substantial amount of federal assistance to address serious water level declines along the Arkansas River valley. The declines in this region are well documented. There is little doubt that without a voluntary, incentive based programs, irrigators and the regional economy, will be impacted with well yield loss and wells going dry as water levels continue to decline. CREP alone won't solve all the shortages, but it will help slow the decades of water declines. This is an important program towards assuring water for a viable western Kansas far into the future.

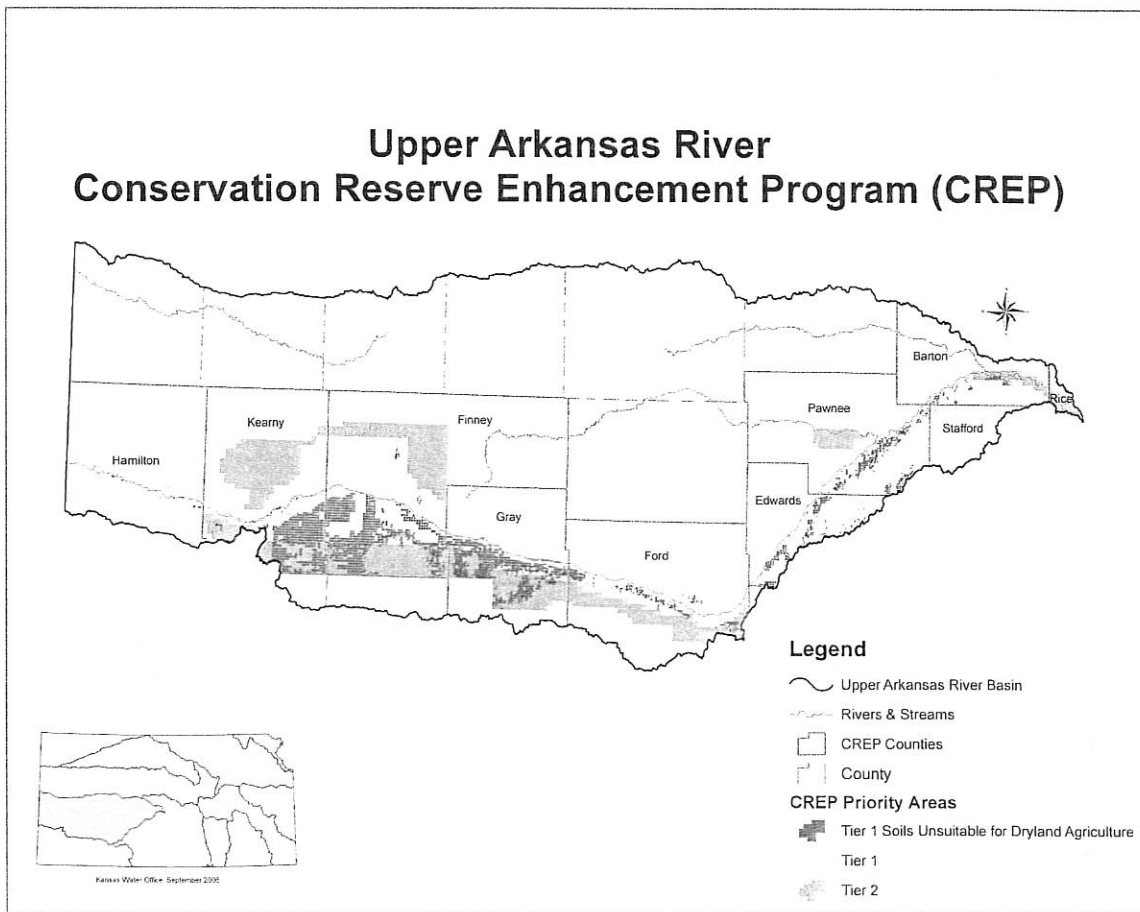
Thank you Madam Chair for the opportunity to appear before you this morning. I will stand for questions at the appropriate time.

Key features on the proposed Upper Arkansas River Conservation Reserve Enhancement Program (submitted to USDA FSA, December 2006)

Total Estimated Project Costs

Table 6-1. Estimate of total program costs.

Source	Costs	NPV Costs
Federal contributions	\$155,430,125	\$113,042,930
Non-federal contributions	\$44,269,074	\$44,269,074
Total Project Costs	\$199,699,199	\$157,312,004

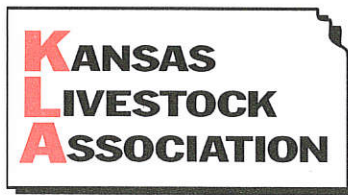


	State and Local		Federal		Total
State & Local Cash	State SIP (see table 6.9)	\$5,000,000	Rental (including maintenance) NPV at 5.15%	\$109,054,093	
	SCC CREP Coordinator (\$90K/year except year 1)	\$1,305,000	Incentives (SIP, PIP, and Hydrology)	\$161,212	
	KWO Wetland Bonus (see table 6.10)	\$360,000	Cost-sharing on practices	\$3,827,625	
	SCC CREP Well Plugging (see table 6.11)	\$600,000			
	SCC Tamarisk Control (see table 6.12)	\$750,000			
	WCPF aquifer recharge (see table 6.13)	\$2,540,000			
	WCPF SW efficiency (see table 6-13)	\$4,050,000			
	SCC Cost Share (see table 6.13)	\$2,538,930			
	State cash subtotal	\$17,143,930	Federal cash subtotal	\$113,042,930	\$130,186,860
Tech Assistance	WCPF Project Manager	\$400,000			
	KDA, DWR	\$6,000,000			
	Kansas Geological Survey	\$1,530,000			
	Kansas Department of Wildlife and Parks	\$651,000			
	Conservation Districts	\$11,250			
	State TA subtotal	\$8,592,250			\$8,592,250
State & Local In Kind	SCC Cost Share	\$5,864,025			
	Water Conservation Project Fund	\$2,450,000			
	GMD #5 water rights management in CREP areas	\$3,635,897			
	GMD #5 payments to not irrigate	\$150,000			
	GMD #3 water rights management in CREP areas	\$4,500,000			
	KDHE water quality monitoring and restoration	\$439,872			
	KWO weather modification and tamarisk recovery	\$1,485,300			
	GIS Projects and Data Collection	\$7,800			
	State In Kind subtotal	\$18,532,894			\$18,532,894
Total	State cash subtotal	\$17,143,930			
	State TA subtotal	\$8,592,250			
	State in kind subtotal	\$18,532,894			
	State Payments	\$44,269,074	Federal Payments	\$113,042,930	\$157,312,004
State cash match	11%				
State total match	28%				

County CREP Area	Flood Irrigation Rental Rate ¹	Center Pivot Irrigation rental rate	Weighted average of flood & Center Pivot in county	% CREP in County	County Weighted Irrigated Rate in CREP
Hamilton	\$95.00	\$104.00	\$102.52	3.61	\$3.72
Kearny	\$90.00	\$99.00	\$98.02	19.06	\$18.68
Finney	\$105.00	\$116.00	\$114.59	29.23	\$33.37
Gray	\$100.00	\$110.00	\$109.73	12.06	\$13.23
Ford	\$103.00	\$113.00	\$112.78	12.69	\$14.01
Edwards	\$105.00	\$115.00	\$114.89	8.07	\$9.31
Pawnee	\$100.00	\$110.00	\$108.27	10.88	\$11.78
Stafford	\$112.00	\$123.00	\$122.68	0.16	\$0.20
Barton	\$100.00	\$110.00	\$106.70	3.82	\$4.08
Rice	\$90.00	\$99.00	\$98.42	0.44	\$0.42
Total					\$108.80

Proposed Irrigation Rental Rates. Actual rates will be determined by FSA organized teams in CREP counties, and set by HUCs (Hydrologic Unit Codes) rather than county boundaries.

Example Payment to a Producer IF irrigated rental rate is approved by USDA-FSA					
Finney County, Center Pivot 160 acre Whole Field (CP2)	Annual Rental (15 years) plus \$4 maintenance fee	Seeding Cost Share	State Incentive Payment	Total	
130 acres irrigated	\$116/acre +\$4	\$50/acre	\$62.00	Year 1 on 160 acres: \$32,660	
30 acres dryland corners	\$29.33/acre + \$4	\$50/acre	None		
Years 2-14 of program	Acre rental plus maintenance \$\$	n/a	n/a	15 Years Total: \$265,058	



Since 1894

TESTIMONY

To: Senate Natural Resources Committee
Sen. Carolyn McGinn, Chairperson

From: Mike Beam, Sr. Vice President
Kansas Livestock Association

Date: February 1, 2007

Subject: SB 123 - Establishing a Conservation Reserve Enhancement Program in Kansas.

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry... including seed stock, cow-calf and stocker cattle production, cattle feeding, grazing land management and diversified farming operations. Kansas ranked second nationally with 6.65 million cattle on ranches and in feed yards as of January 1, 2006. The state's beef industry consumes 72% of the corn, 16% of the soybeans, and 60% of the hay grown in Kansas.

The Kansas Livestock Association (KLA) is a proponent of a state-federal partnership to establish a Conservation Reserve Enhancement Program (CREP) in the High Plains aquifer.

You'll note in my introductory paragraph the beef cattle industry of our state has much at stake with the future availability of grain and forage. At no time in recent history have beef producers expressed more concern and anxiety about the price and availability of corn and hay. Taking productive irrigated crop land out of production, as more demand from ethanol production increases daily, has stimulated considerable discussion and soul searching by our policy committee deliberations.

Despite these concerns, however, KLA remains supportive of the use of a CREP to address a critical issue facing many water right holders and business interests that benefit from a long-term supply of ground water.

*Senate Natural Resources
February 1, 2007
Attachment 4*

Purpose of the Upper Arkansas River CREP:

The proposal, as presented by the Kansas Water Office lists the following benefits, goals, or purposes for the proposal authorized by SB 123:

- Reduce irrigation demands
- Slow the aquifer decline
- Mitigate the spread of saline waters into the aquifer
- Restore stream and riparian health

These are all benefits worthy of consideration by this legislature. We'd like to add another benefit. A targeted CREP provides significant resources for water right holders facing a reduction and/or constraint of their water use by state regulatory actions.

Why KLA supports a CREP:

When we look at the future of irrigation in the high plains, we cannot ignore or dismiss the challenges in the High Plains aquifer. Many areas are over appropriated and ground water is being pumped at rate faster than it is recharged. The Division of Water Resources continues to receive complaints of water right impairments. In several instances, irrigators, water right holders, and Groundwater Management Districts are developing and advancing initiatives to reduce consumptive use on hopes of avoiding the designation of an Intensive Groundwater Use Control Area.

In June 2006 the Chief Engineer issued an order initiating proceedings to amend the 1981 designation of the intensive groundwater control use control area (IGUCA) in the Pawnee Valley to the Pawnee Buckner watershed area just west of Larned, Kansas. Water right holders in other areas are fearful they too will be faced with an IGUCA order in the near future.

One tool to address the over appropriated issue is the purchase of water rights, on a voluntary and targeted basis. The Kansas legislature has considered and approved water right purchase tools (Water Transition Assistance Program in 2006) previously, but we believe the state is unlikely to appropriate the level of funds for this purpose that are available with a state-federal matching CREP.

Suggestions for advancing a CREP in Kansas:

We encourage this committee to support a CREP and consider further targeting by prioritizing the retirement of water rights to (1) areas identified by the state as having an impact on interstate compliance, (2) portions of the Arkansas River where impairment actions are pending, or likely to occur, (3) basins or sub-basins where an IGUCA order has been issued, or proposed. Furthermore, we believe it is imperative the CREP include a mechanism to amend CREP contracts and allow dry land farming if subsequent changes at the federal level allow such practices.

We appreciate this committee's consideration of our suggestions and offer to work with the legislature to pass authorizing CREP legislation during the 2007 session.

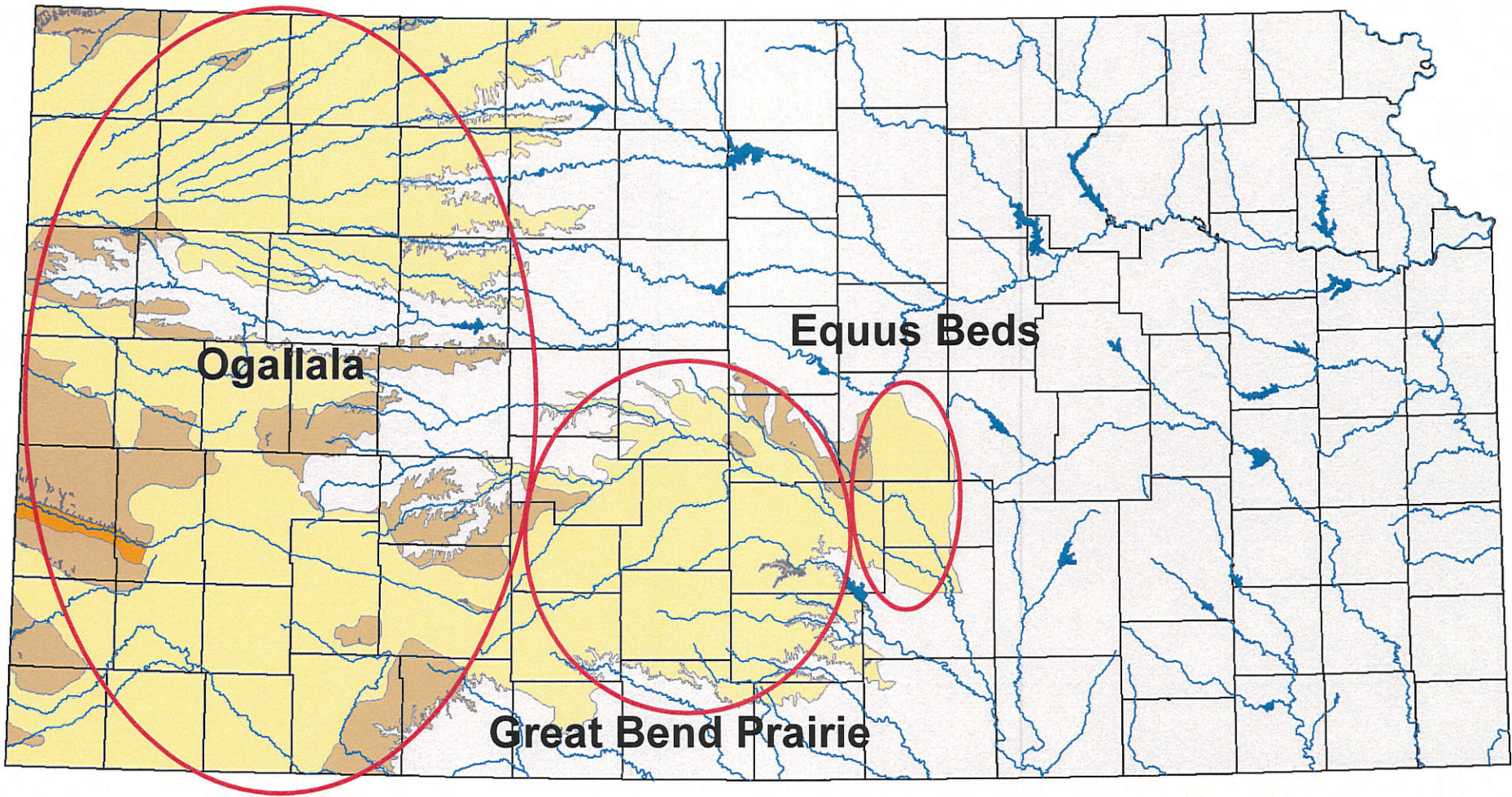
Thank you!

Hydrologic Responses to Pumping in the Upper Arkansas Basin and Effects of the Conservation Reserve Enhancement Program

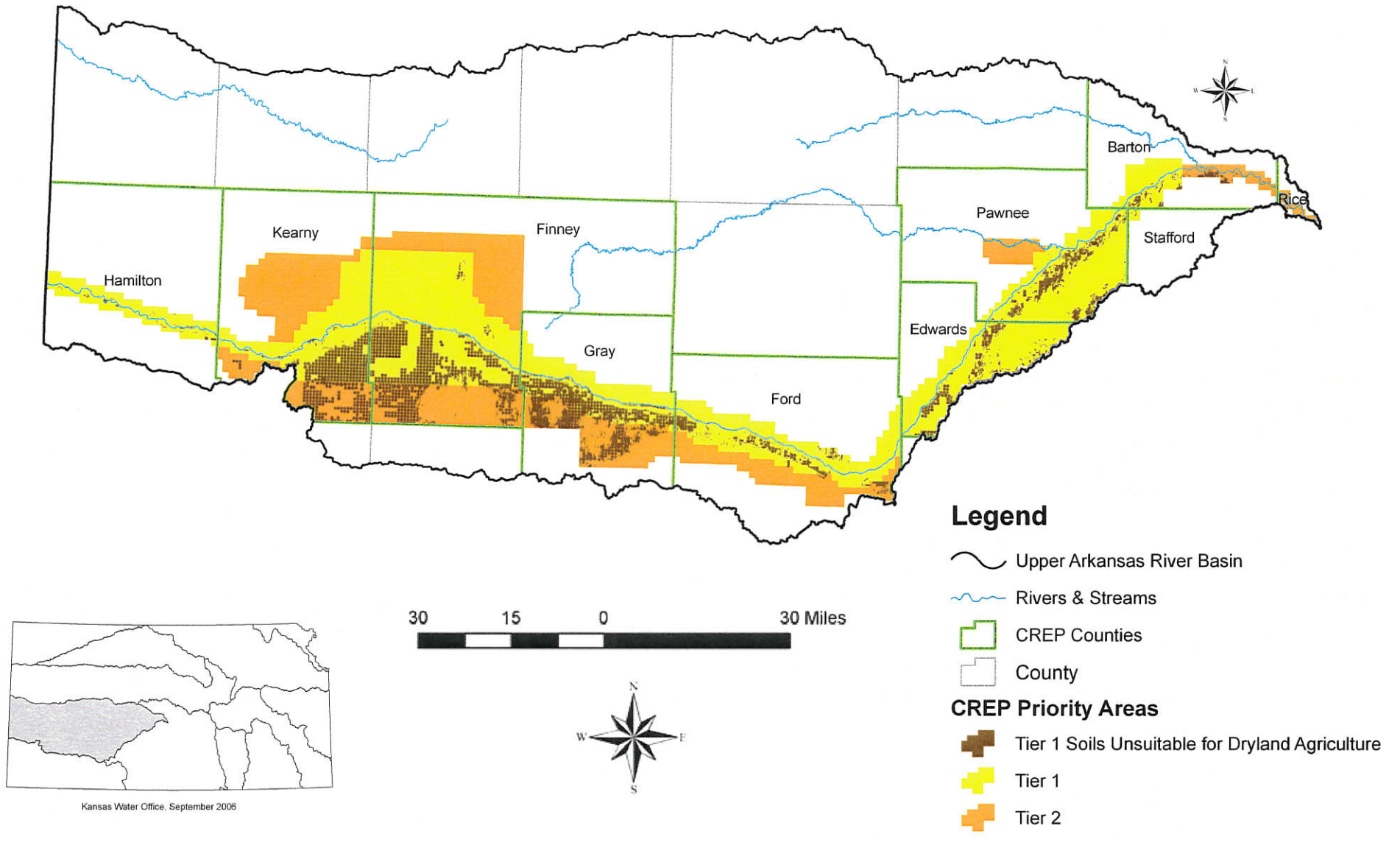
House Agriculture and Natural Resources Committee
January 30, 2007



Sub-regional Areas of the High Plains Aquifer



Upper Arkansas River Conservation Reserve Enhancement Program (CREP)

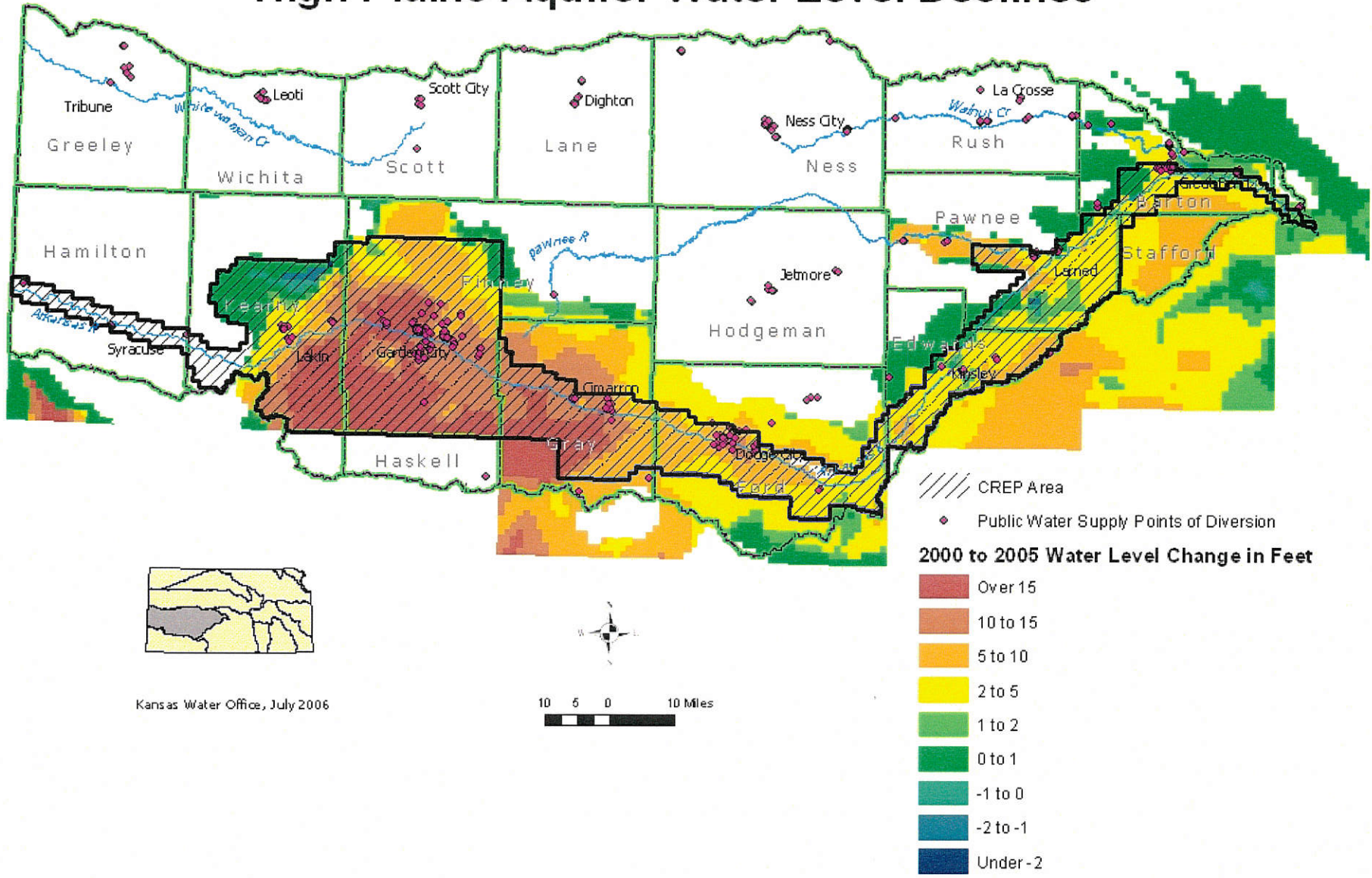


Kansas Water Office, September 2005

HYDROLOGIC RESPONSES TO FUTURE PUMPING IN THE UPPER ARKANSAS RIVER BASIN

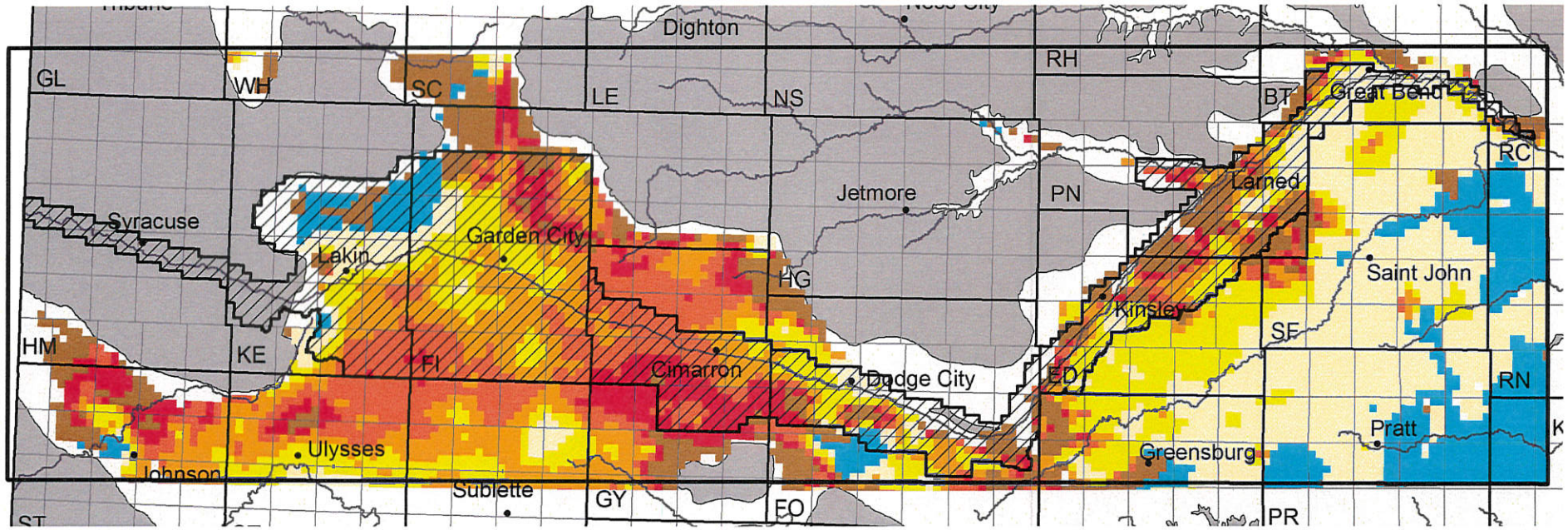
- Ground-water levels will continue to decline unless there are substantial reductions in pumping.
- The aquifer will no longer be usable for large capacity wells in the future if water levels continue to decline at current rates.
- The water-level declines increase the rate of Arkansas River water loss into the aquifer in southwest Kansas and decrease the river flow reaching the Middle Arkansas subbasin.
- The Arkansas river flow from Colorado is saline. Thus, saline river-water seepage is increasing the salinity of the aquifer water.

Upper Arkansas River Valley CREP Counties High Plains Aquifer Water Level Declines



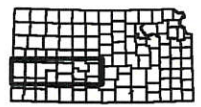
Kansas Water Office, July 2006

Estimated Usable Lifetime for the High Plains Aquifer in Kansas
 (Based on ground water trends from 1996 to 2006 and the minimum saturated thickness required to support well yields at 400 gpm under a scenario of 90 days of pumping with wells on 1/4 section)



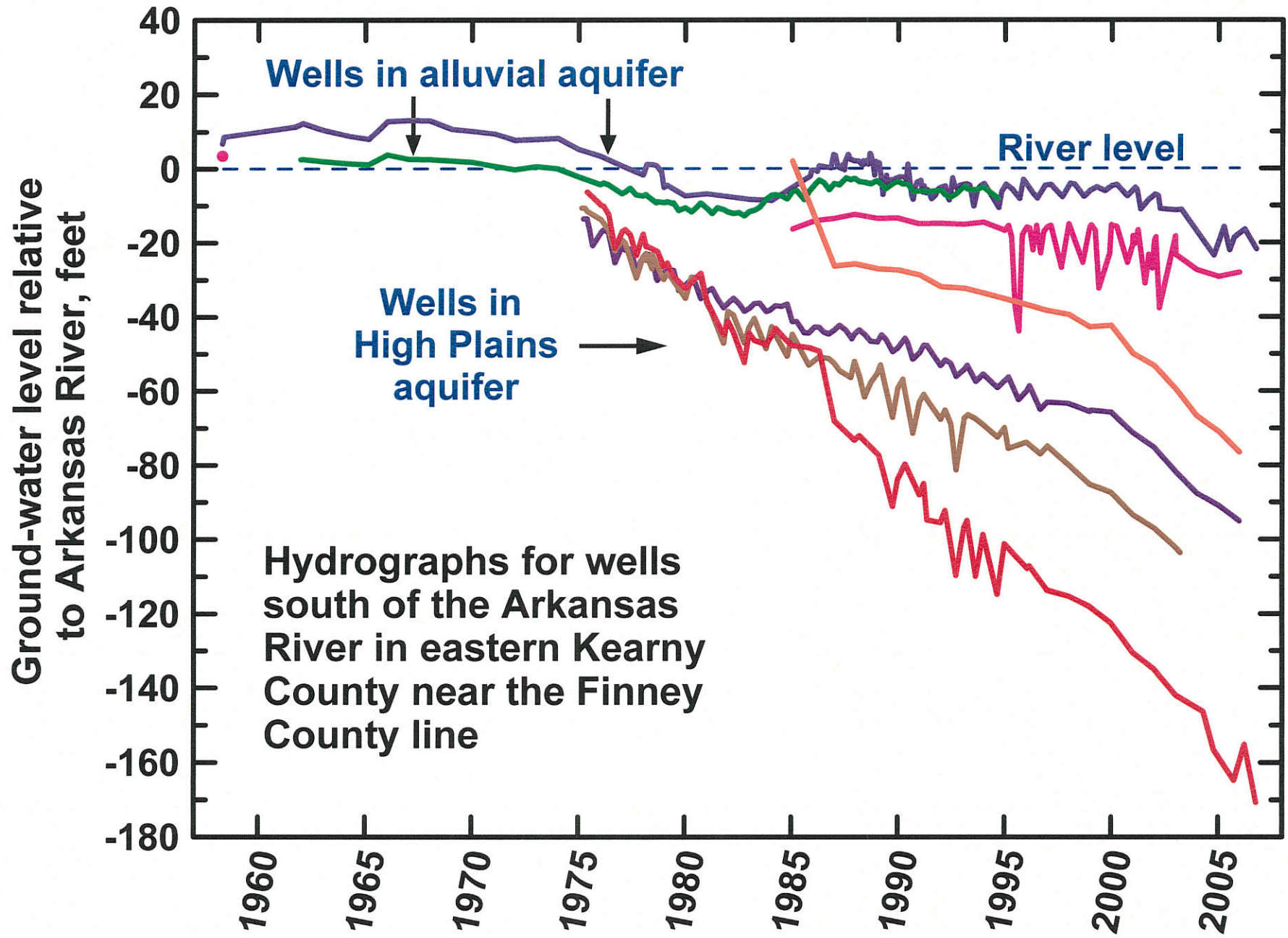
Years From 2005 Until the Saturated Thickness (ST) Reaches Minimum Threshold

- ST Already Below Minimum Threshold
- Water Table Above 1996 Levels
- Under 25
- 25 - 50
- 50 - 100
- 100 - 250
- Over 250

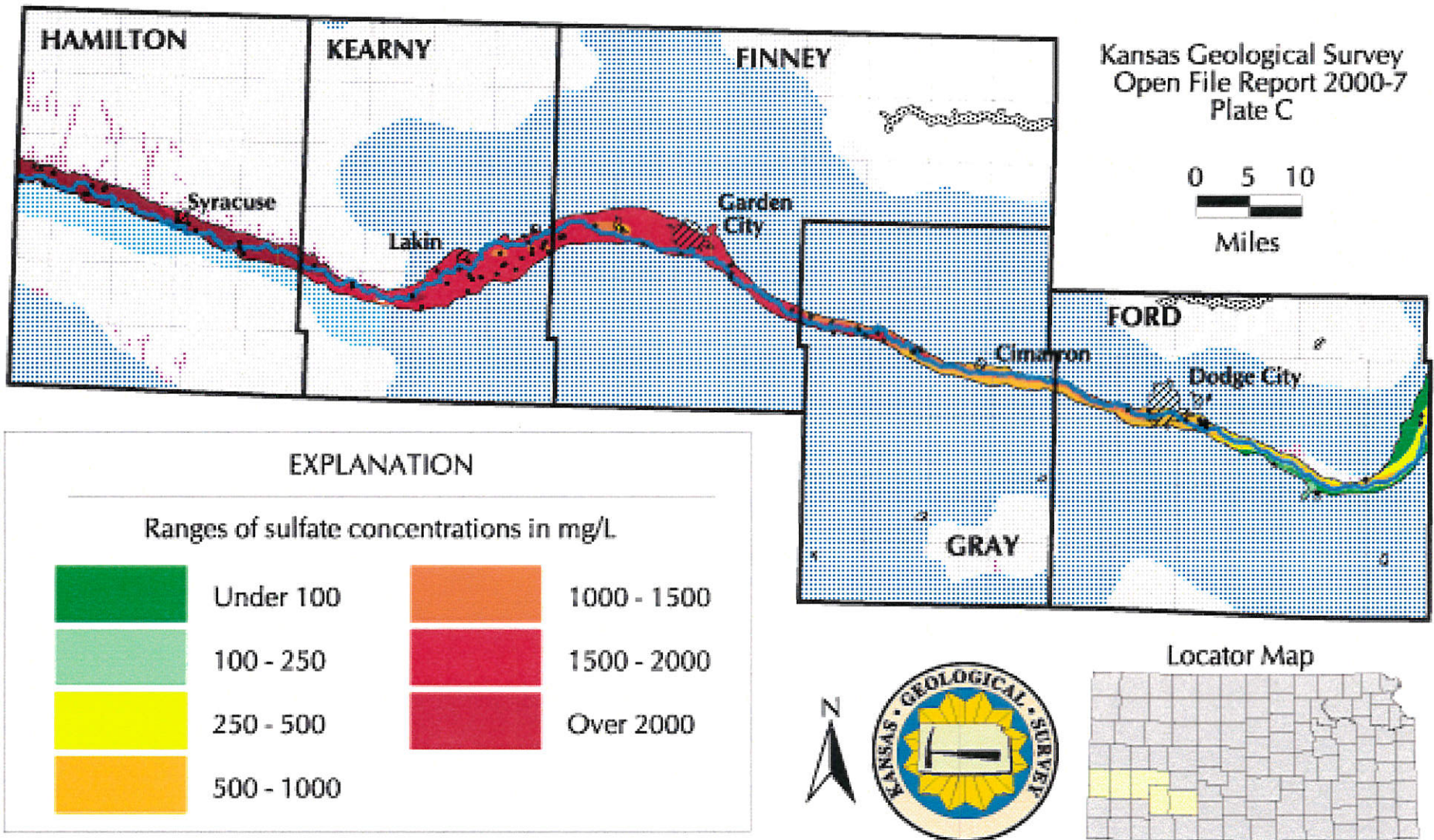


- Extent of the Saturated Portion of the High Plains Aquifer
- CREP Area

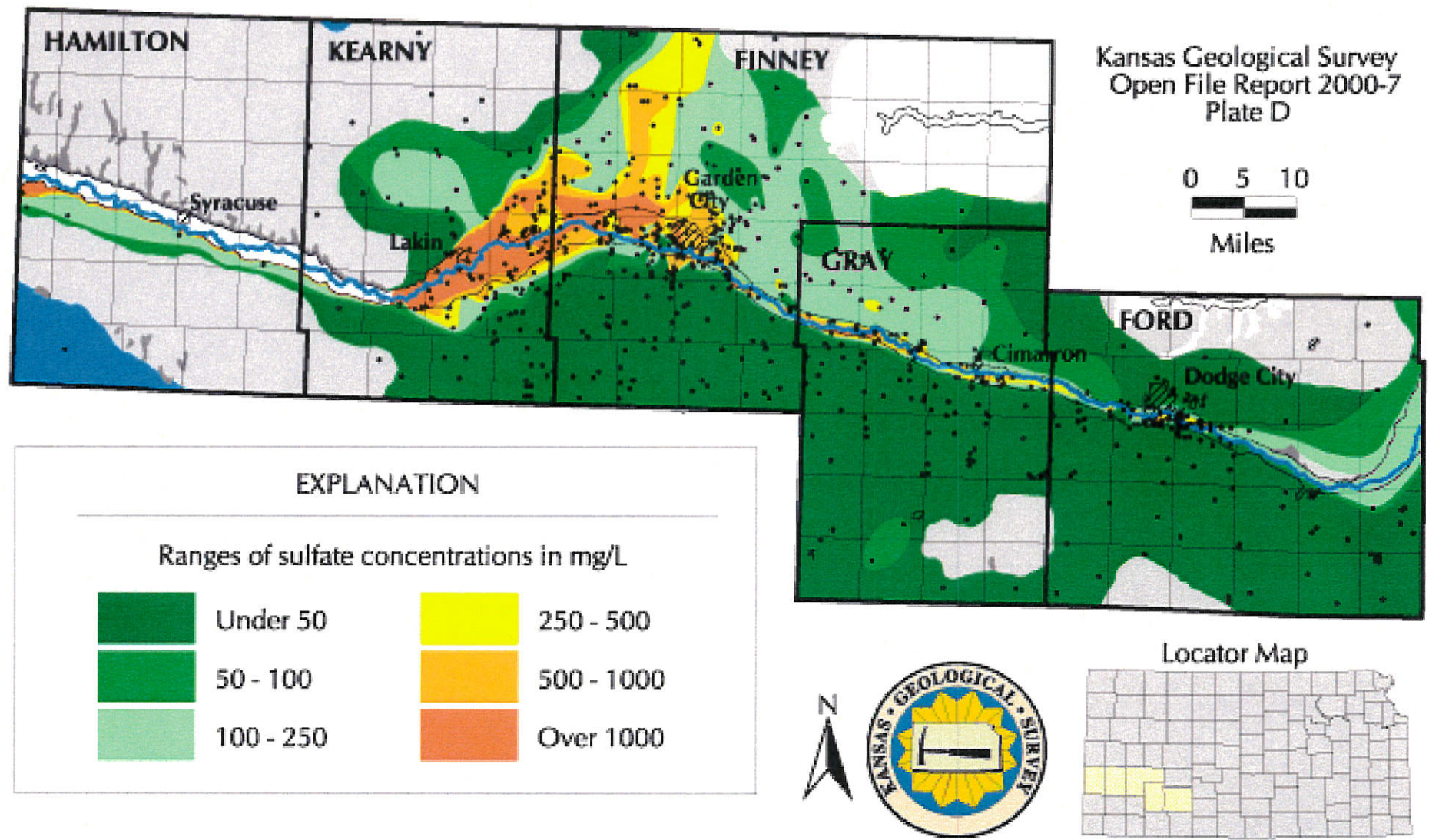
CREP would extend the usable lifetime of the aquifer

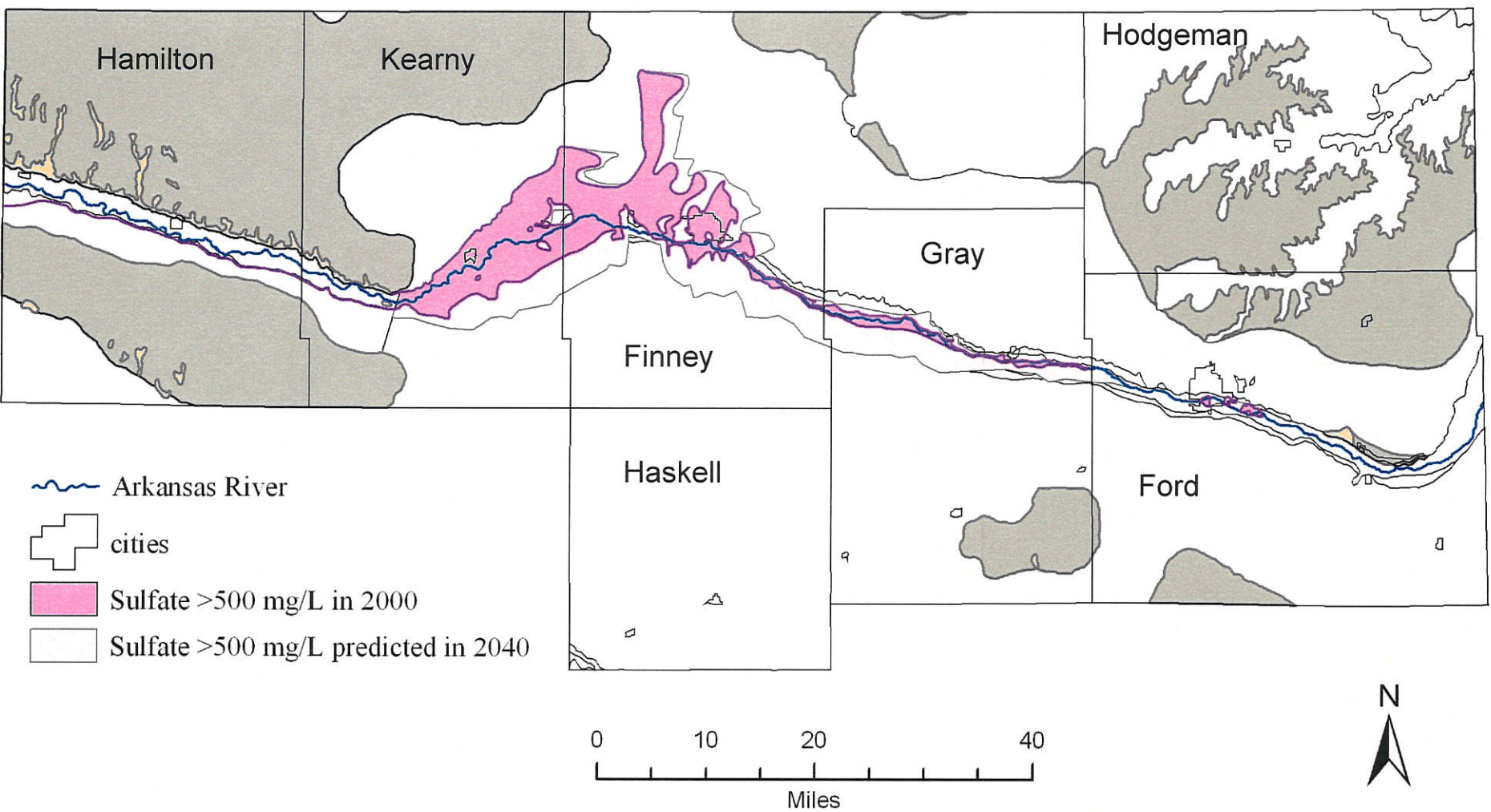


Sulfate Concentration in Ground Water in the Alluvial Aquifer in the Upper Arkansas River Corridor, Southwest Kansas



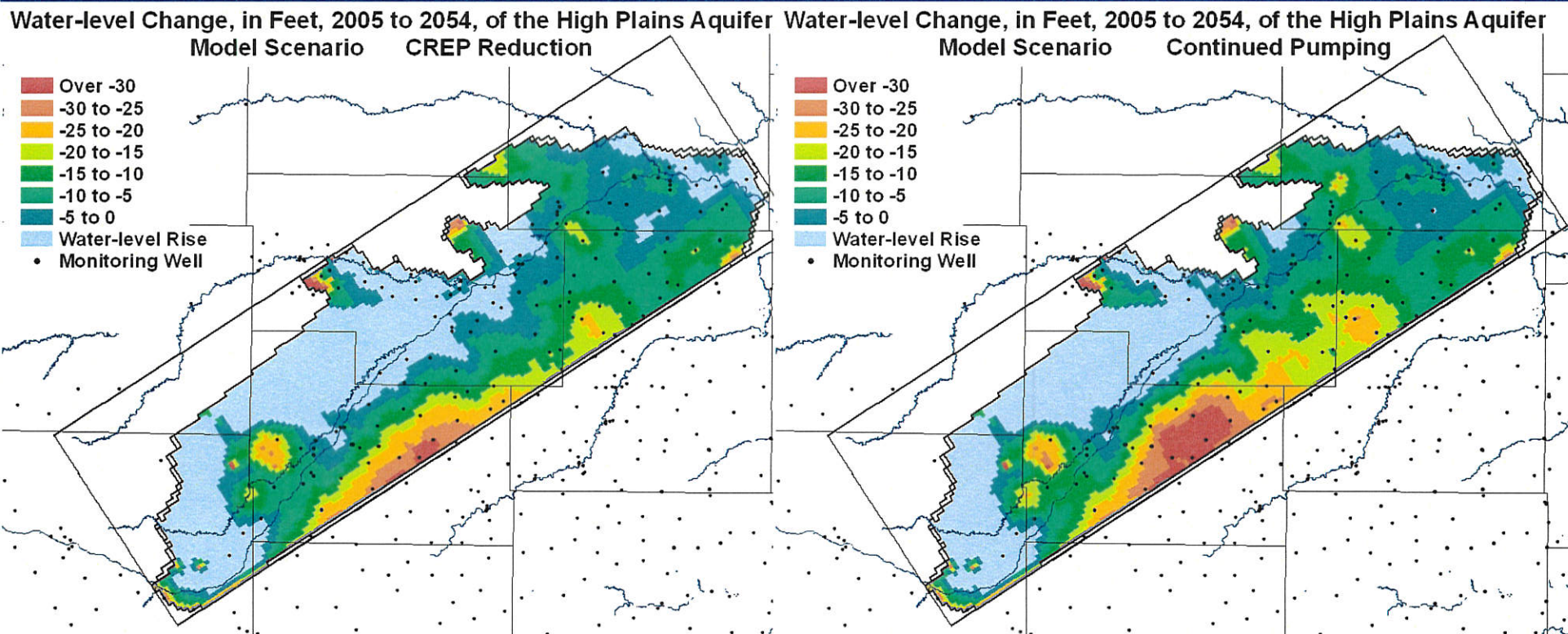
Sulfate Concentration in Ground Water in the High Plains Aquifer in the Upper Arkansas River Corridor, Southwest Kansas





Predicted migration of saline ground water in the High Plains aquifer along the Arkansas River corridor in 2040 based on average 1990s water use

CREP would slow the rate of saline water migration

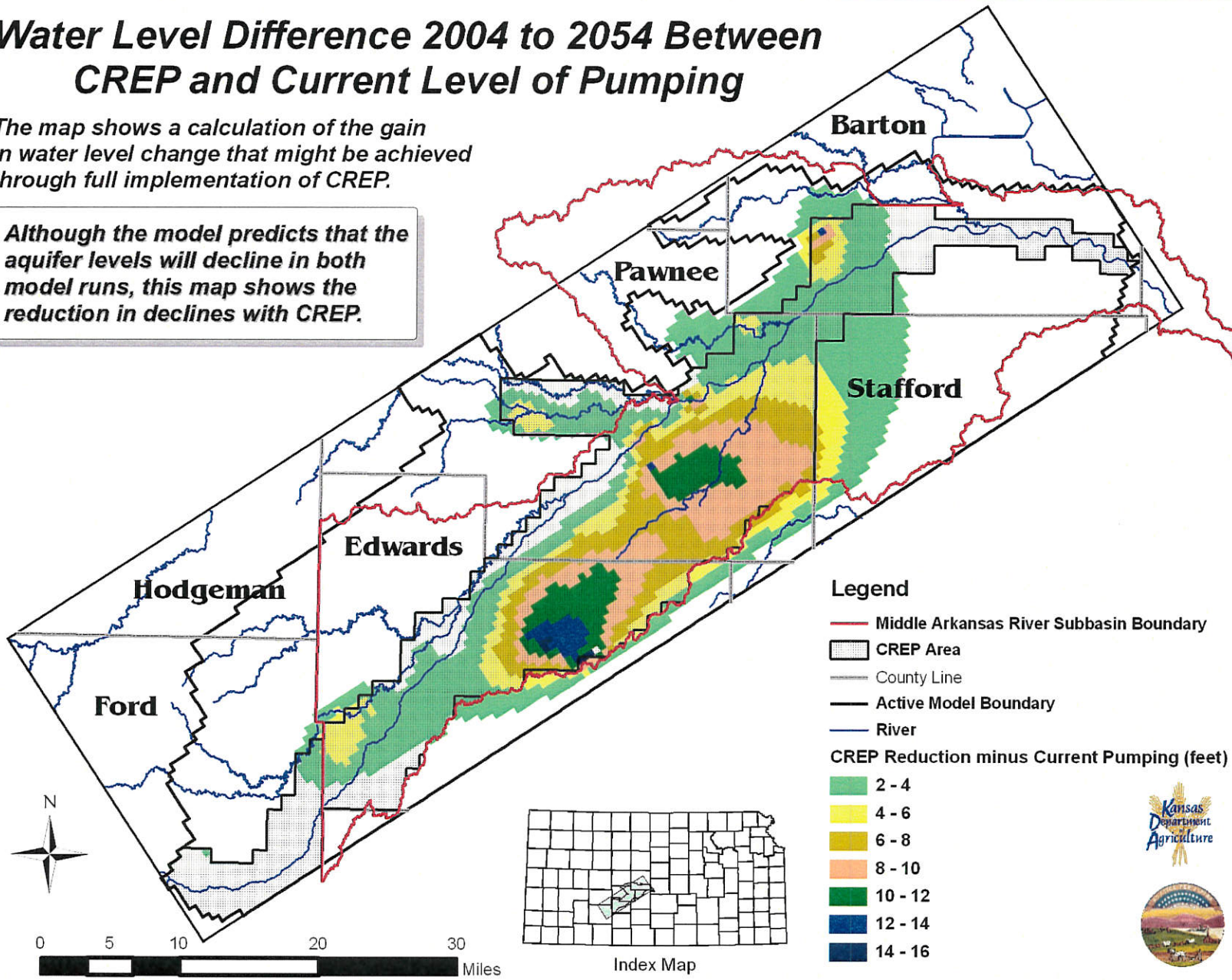


Comparison of CREP Pumping and Continued-Pumping Scenarios for Numerical Modeling of the Middle Arkansas River Subbasin

Water Level Difference 2004 to 2054 Between CREP and Current Level of Pumping

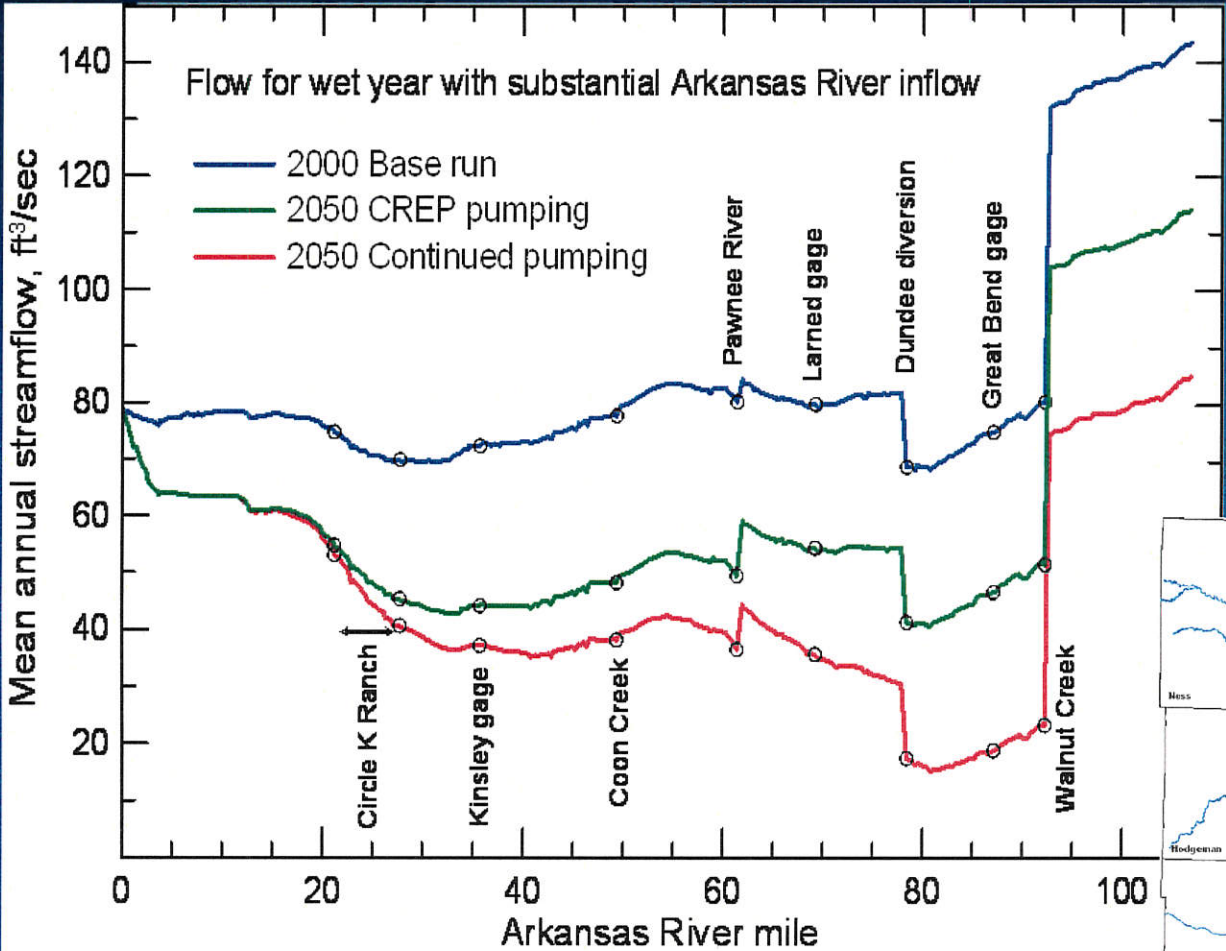
The map shows a calculation of the gain in water level change that might be achieved through full implementation of CREP.

Although the model predicts that the aquifer levels will decline in both model runs, this map shows the reduction in declines with CREP.

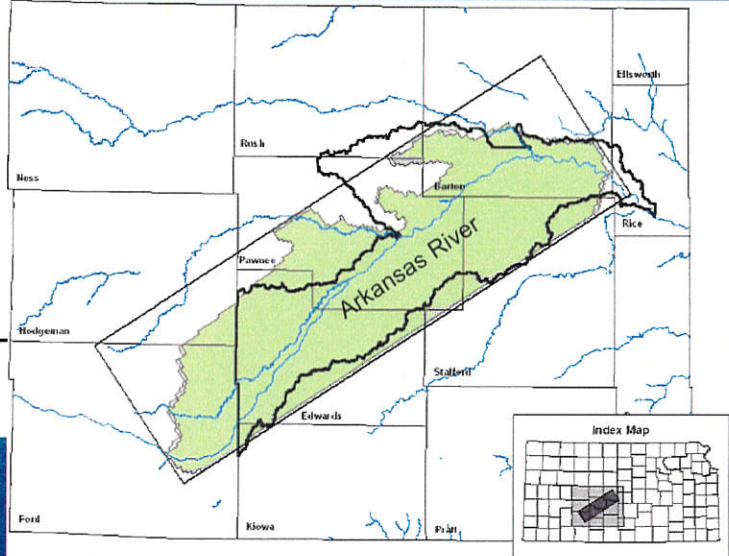


CREP would slow ground-water declines

CREP would slow streamflow declines in the Middle Arkansas River subbasin



Middle Arkansas subbasin and model area



Questions???

Kansas Geological Survey
University of Kansas
1930 Constant Ave, Lawrence, KS 66047

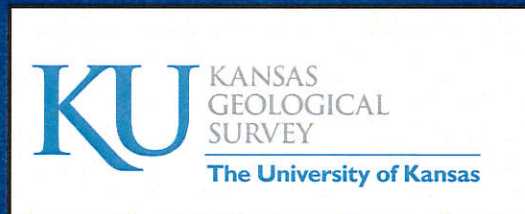
Visit our web sites at <http://www.kgs.ku.edu/>

High Plains/Ogallala Aquifer Information
<http://www.kgs.ku.edu/HighPlains/index.htm>

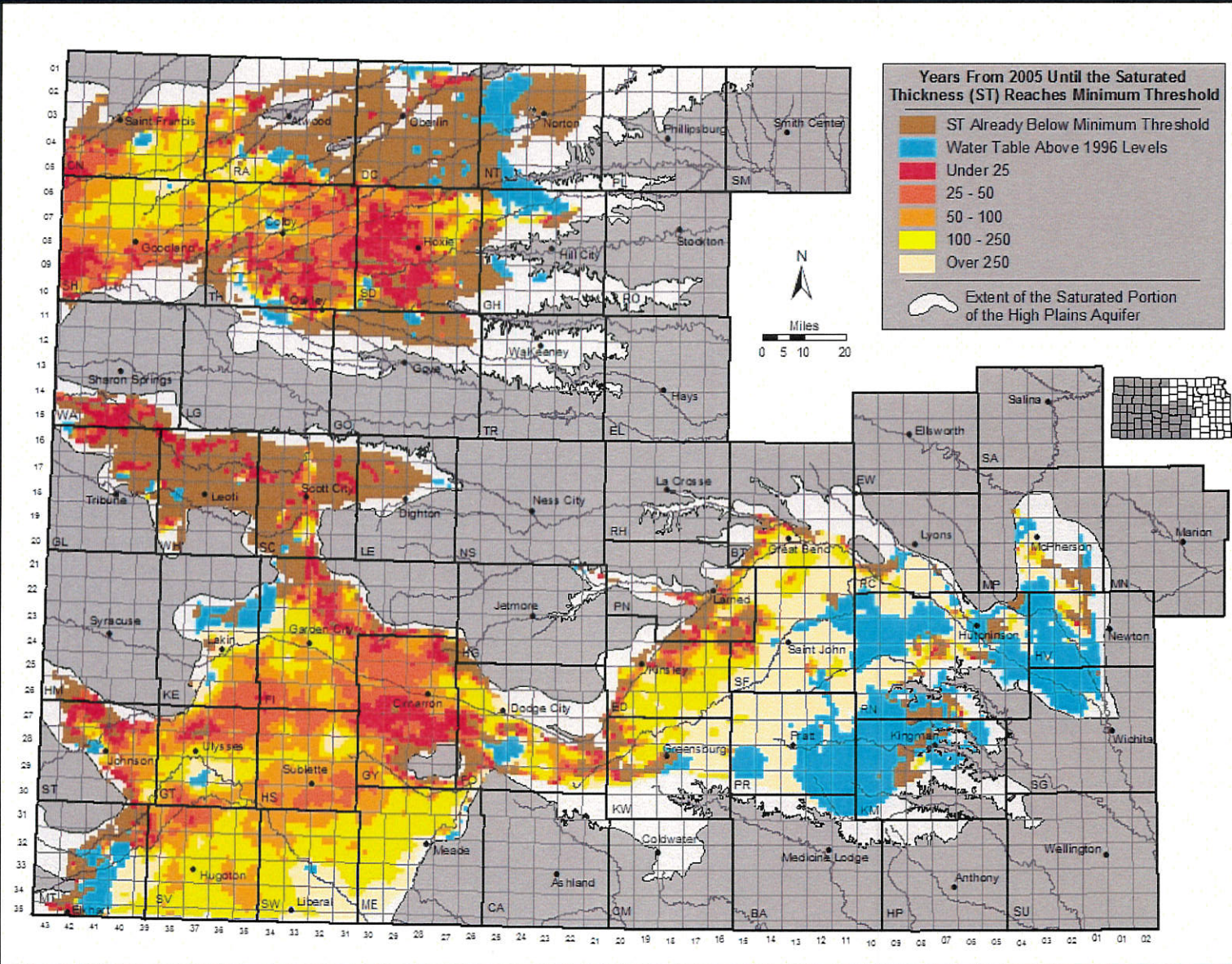
Upper Arkansas River Corridor Study
<http://www.kgs.ku.edu/Hydro/UARC/index.html>

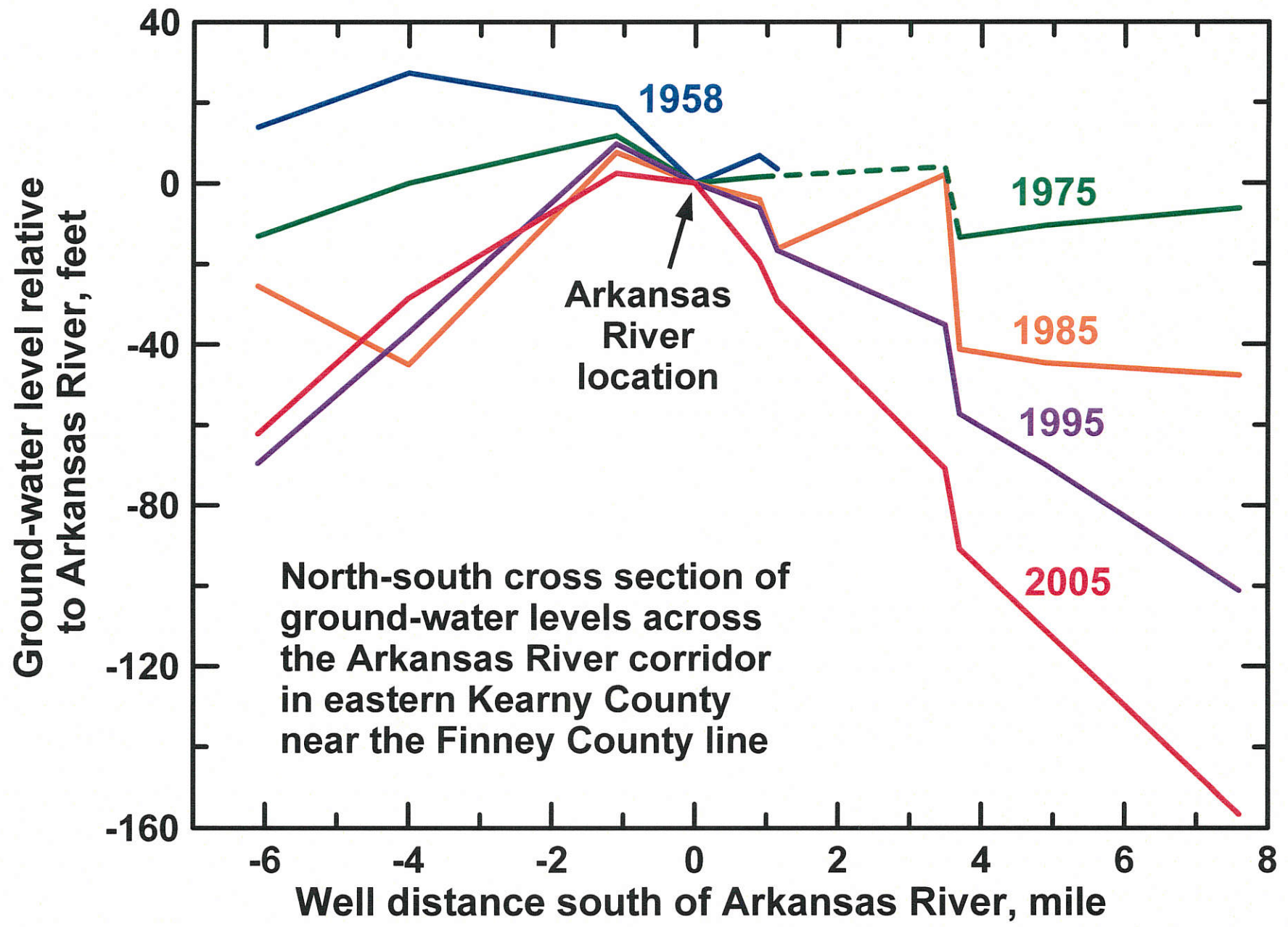
Numerical Model of the Middle Arkansas River Basin
http://www.kgs.ku.edu/HighPlains/mid_ark_model.htm

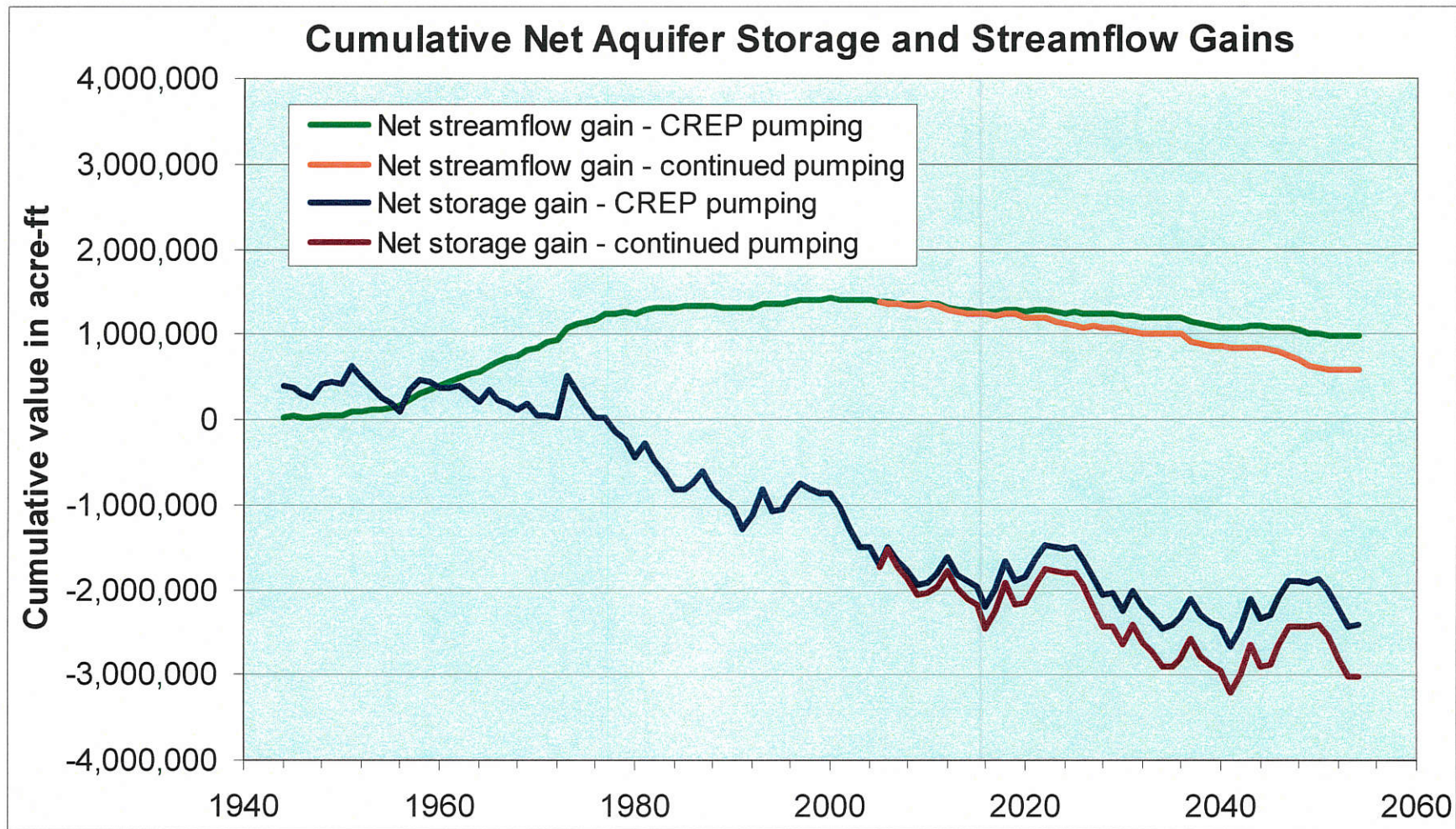
Upper Arkansas Basin CREP Education
http://www.kgs.ku.edu/HighPlains/wraps_crep.htm



Estimated Usable Lifetime of the High Plains Aquifer

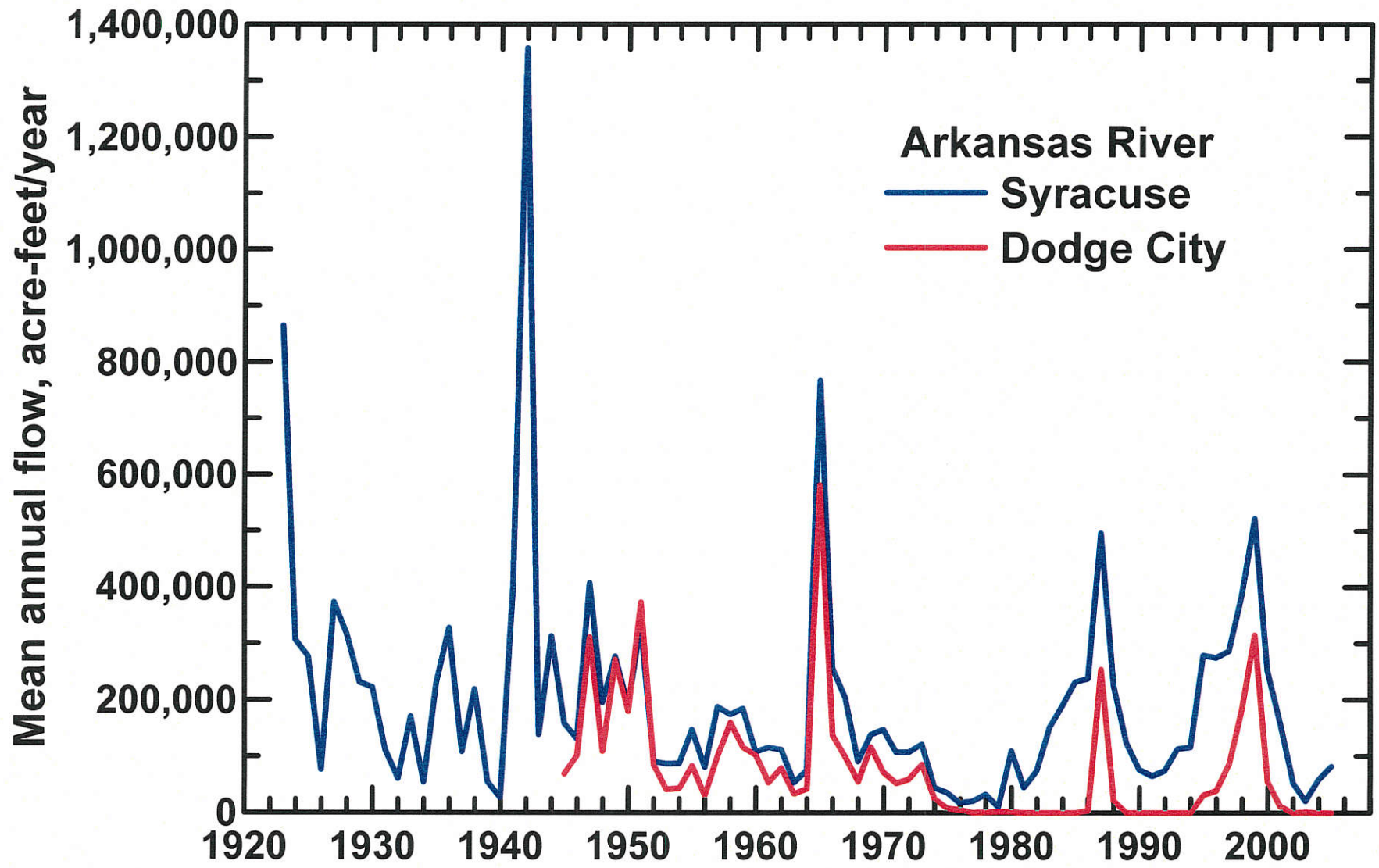




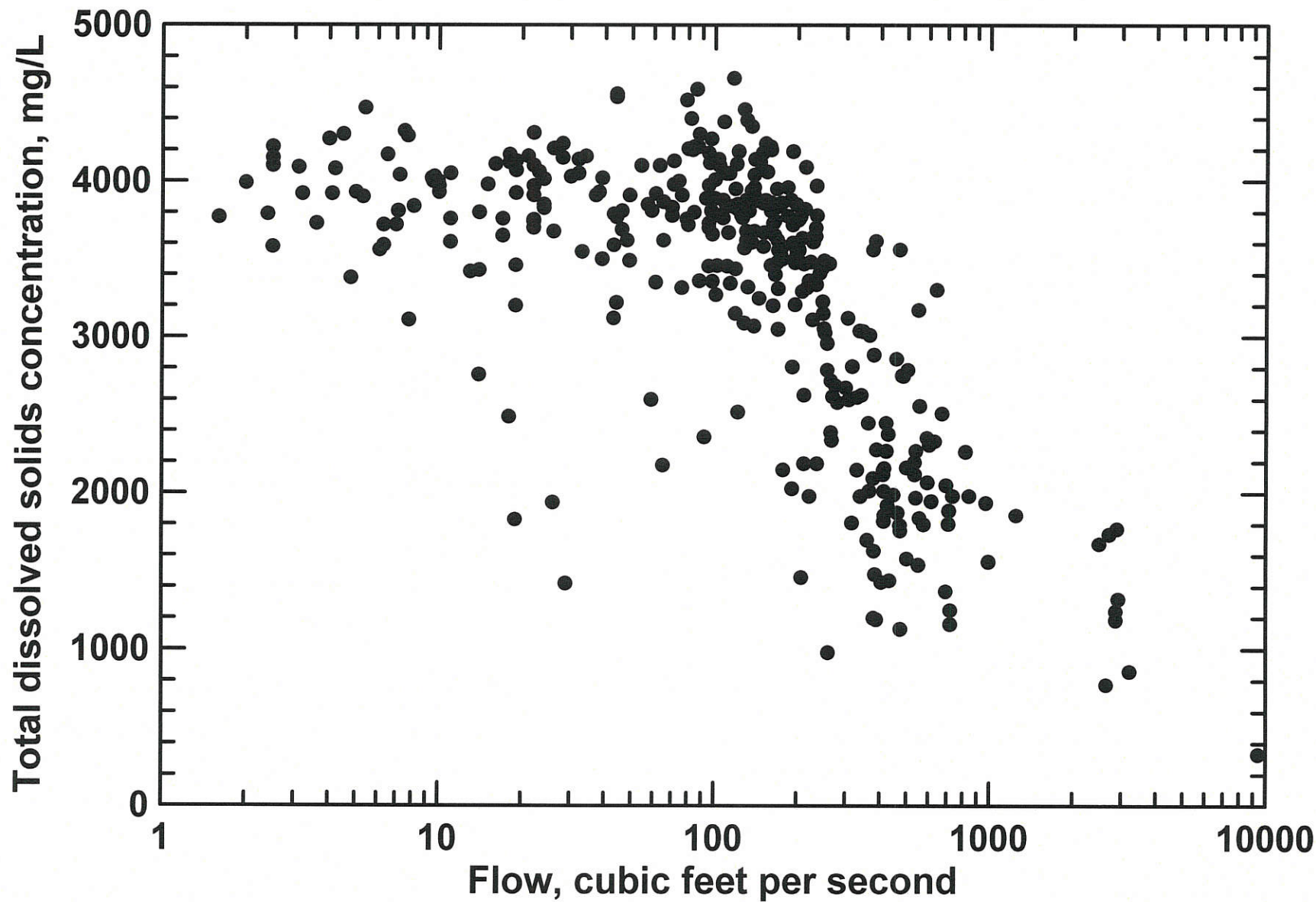


Comparison of CREP Pumping and Continued Pumping Scenarios for Numerical Modeling of the Middle Arkansas River Subbasin

Annual flow of the Arkansas River in southwest Kansas



Water quality of the Arkansas River at the Colorado-Kansas state line



**Testimony for the Senate Natural Resources Committee
February 1, 2007
Supporting S. B. 123**

Chairperson McGinn and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I am here to support S.B. 123.

S.B. 123 provides a conservation reserve enhancement program in the Upper Arkansas River Basin.

With the purpose of creating a joint Federal and State program with the purpose of decreasing water usage, the Sierra Club hopes that the health of the Arkansas River and its tributaries will benefit. By helping the Arkansas River it is hoped the local and migrating wildlife will benefit.

Habitat everywhere is decreasing. With help, farmers, ranchers and other landowners will be more able to re-establish the health of the Arkansas River and to re-establish habitat in many areas. It could add up to 100,000 acres into the program in the next 5 years.

The Sierra Club supports S.B. 123 and hopes that by restoring the health of riparian areas and streams that the quality of life for all Kansans will be improved. It hopes that citizens will be more able to enjoy the benefits of healthier habitat and more prolific wildlife.

Thank you for this opportunity and your time.

Sincerely
Tom Thompson
Sierra Club

*Senate Natural Resources
February 1, 2007
Attachment 6*

Written Testimony on SB 123
to
the Senate Natural Resources Committee

by Adrian Polansky
Secretary of Agriculture
Kansas Department of Agriculture

February 1, 2007

Good morning Chairwoman McGinn and members of the committee. I am Adrian Polansky, and I am submitting written testimony in support of SB 123 to allow a Conservation Reserve Enhancement Program (CREP) to be implemented in the upper Arkansas River valley.

The upper Arkansas River valley is heavily developed for cropland irrigation, and often there is little or no surface flow in the river beyond Garden City. Groundwater levels have declined significantly in this Ogallala-High Plains area, and alluvial aquifer system shortages have been exacerbated by ongoing drought and water shortages. These water shortages are threatening the economic well-being of this agricultural region.

Enrolling land in the CREP program is voluntary, but retiring irrigation water rights on land enrolled in the program is required. The proposed area to be included in the CREP includes critical reaches of the Arkansas River that are hydrologically connected to the stream. This would help reduce water use and soil erosion and improve water quality and increase wildlife habitat.

In addition, the CREP program would provide economic incentives for some producers to convert irrigated land to non-irrigated grass cover. This conversion would help stabilize groundwater levels and water supplies, and contribute to our overall strategy for long-term management of available water in targeted areas. These conservation practices would provide ecological benefits and improved streamflow.

Others have suggested expanding the proposed CREP area to include the Pawnee-Buckner river valley and other areas that could likely fall under water-use restrictions. Having a tool like CREP could provide economic benefits to additional areas that also are experiencing water shortages. However, we request that you not include additional areas at this time because it could delay USDA's approval of the current CREP and possibly prevent its approval under the existing farm bill. It would be better to get the CREP approved as it is proposed and seek to amend it later, after all relevant factors can be considered.

Monitoring the CREP program is vital, so water flow meters must be installed to accomplish this. The current proposed area is fully metered, but the Pawnee-Buckner valley is not.

An area currently included in the proposal – Pawnee County – is metered. A meter order was issued and is in its second year of a four-year implementation process in Hodgeman and Ness counties. Passing the current CREP proposal and amending it later would fit with the timeline for metering in the Pawnee-Buckner river valley.

Given the significant benefits that would come from this program, I request that you consider passing SB 123 as proposed to allow CREP as a conservation program in the upper Arkansas River valley.



316 SW Tyler, Suite 100
Topeka, Kansas 66612

(785) 234-0461
Fax (785) 234-2930
www.KansasAg.org

Kansas Grain & Feed Association

Kansas Agribusiness Retailers Association

TESTIMONY BEFORE THE SENATE NATURAL RESOURCE COMMITTEE FEBRUARY 1, 2007

SB 123 - CONSERVATION RESERVE ENHANCEMENT PROGRAM

I am Mary Jane Stankiewicz, Vice President and General Counsel for the Kansas Grain and Feed Association and the Kansas Agribusiness Retailers Association. KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state. KARA's membership includes over 700 agribusiness firms that are primarily retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry.

I am not going to go into an overview of crep since you have received a well done overview already. However, I do want to point out that this is a substantially different program than what was brought before you last year. Last year's program involved \$5m and would retire 35,000 acres. Without legislative approval or knowledge the state submitted a proposal to USDA that increased the state's funding to \$40m and increased the idling of acreage to 100,000 acres. Therefore this proposed program has tripled over the past summer.

There are basically 3 main reasons that the state and the proponents have given you as reasons for passing SB 123. These reasons are:

1. Save water and extend the use of the aquifer
2. Assist in transitioning farmers out of irrigation and in doing so, the loss of income from ag production would be offset by crep payments.
3. Need to do something to save water and enacting a crep is the best answer

Water: The main purpose of this bill have been stated to be to save water and extend the life of the aquifer. However this program will not achieve this goal. While the state says that the program is estimated to save 149,000 acre feet, this is only a paper saving. What I mean by this is that the state is claiming an automatic savings when a water right is forfeited, however, the reality is the water from the retired water right can be used by the other surrounding water right users.

In the proposed crep area there are approximately 6000 water rights (see attached map). As you can see, these water rights are literally stacked on top of each other. The state has said they are planning on retiring 600 water rights. Randomly retiring water rights will not save water. This is especially true since there is no enforcement or monitoring planned by the state. Think about 10

*Senate Natural Resources
February 1, 2007
Attachment 8*

straws in one glass of water, if you remove 1 straw the rest of the people drink the water- there is no savings, just a reallocation to the remaining people. Some people say that the straw example does not apply because water moves slowly, however in this area, the water rights are basically on top of each other like the map shows so there is no necessity to travel any distance at all.

Furthermore there will not be any water savings because there is little to no enforcement of the water issues that need to be addressed, such as:

- the meters are not required to be sealed therefore anyone can tamper or shut off these meters without the owner or the division of water resources knowing of this action;
- there is no law against increasing your pumping if you are below your allocated amount. Therefore I can pump my neighbors forfeited water without penalty unless I go over my authorized quantity. However, since this area is only using 42% of their authorized amount, there is little chance anyone will ever go over their authorized amount even if they are utilizing their neighbor's water.

While the state may hope that there will be water savings, this will just not be achieved because of the significant number of water rights in the proposed area and the lack of enforcement on the remaining water right users.

Revenue: last year, KSU did an economic impact study regarding the economic impact a crep would have on this 10 county area. The bottom line was KSU concluded that the proposed crep program would result in the following;

- annual \$15m negative impact
- Decrease of household income by 10 percent
- Loss of tax revenues in the amount of \$400,000
- 120 job losses
- Take 30-40 years to rebound from the crep program

These numbers are very scary to any community but especially to some of the western Kansas cities that already have a declining population base and are working hard just to maintain. The worse part is that these numbers should probably be worse since KSU estimated only 10 percent of the payments would leave the area. We think this number is too low because currently 40 percent of ag land in Kansas is in a landlord tenant situation. Therefore, we think the right leakage number is somewhere between 10-40 percent which would cause the negative economic numbers to increase.

Crep is Not the Only Option; While we recognize that you want to help and do something to address the issue however, please think twice before putting money behind this program. There are other options which might actually save water and benefit the affected area in western Kansas. Just to be clear, the "affected area" in the Kansas v. Colorado lawsuit is only the area west of Garden City. The proposed crep area is much larger and broader than the actually "affected area".

There is also a group of individuals that comprise the Arkansas River Negotiating Committee. This committee consists of a number of individuals that are from that area, the chief engineer and other agency personnel that are charged with the duty of determining potential projects that will save and improve water issues in the affected area. These projects vary from channel modification to enhancing the aquifer recharge to lining the canal and alternate delivery system. You have other options that will save water, benefit the affected area and do not devastate the local economy. The only drawback to these programs is that do not have large matching funds attached to them. However, I would urge you not to be so blinded by the large amount of federal dollars to miss the fact that this money will only benefit 600 people and will devastate the local economy of at least 10 counties. Why would we want to spend money just to lose more money and devastate a number of local economies on a program that does not have the necessary regulatory or enforcement measures to ensure water savings.

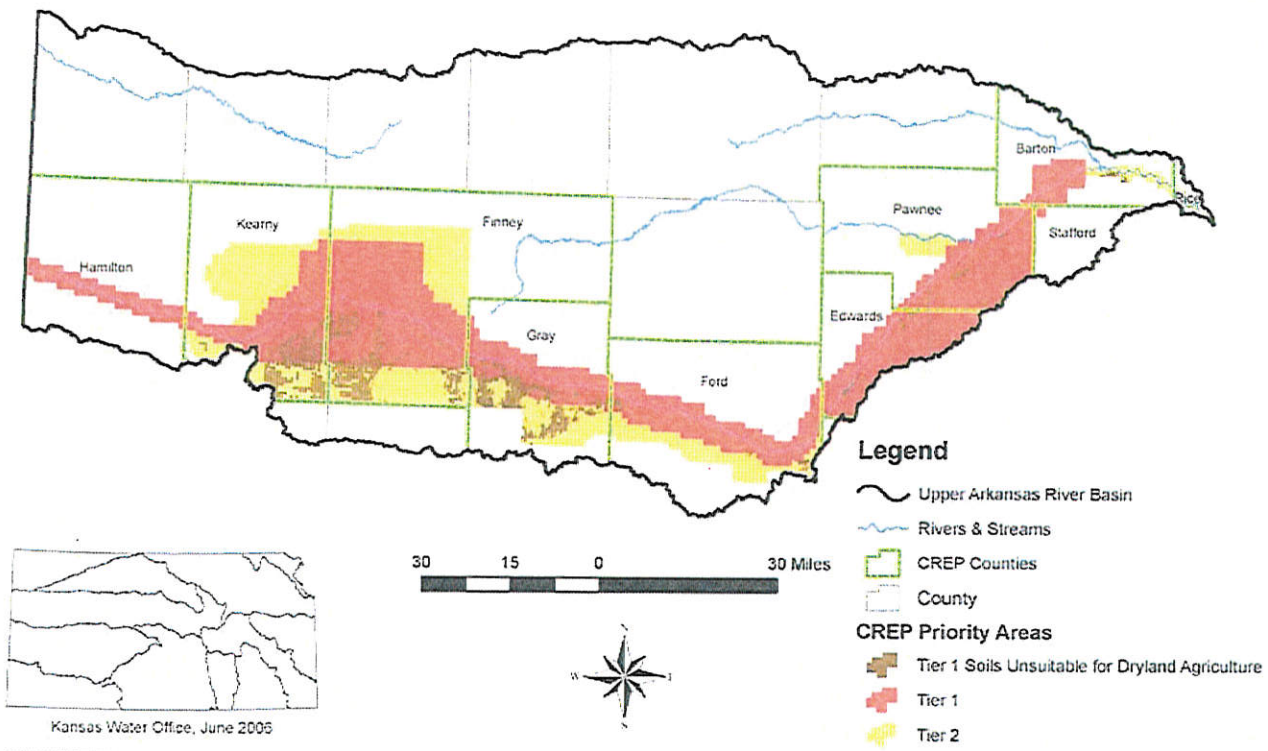
We urge you to not pass SB 123 and instead focus your support on programs that actually save water and do not wreck the local economy.

I appreciate your time and attention and I will be happy to stand for questions at the appropriate time.

7-10-06

8-4

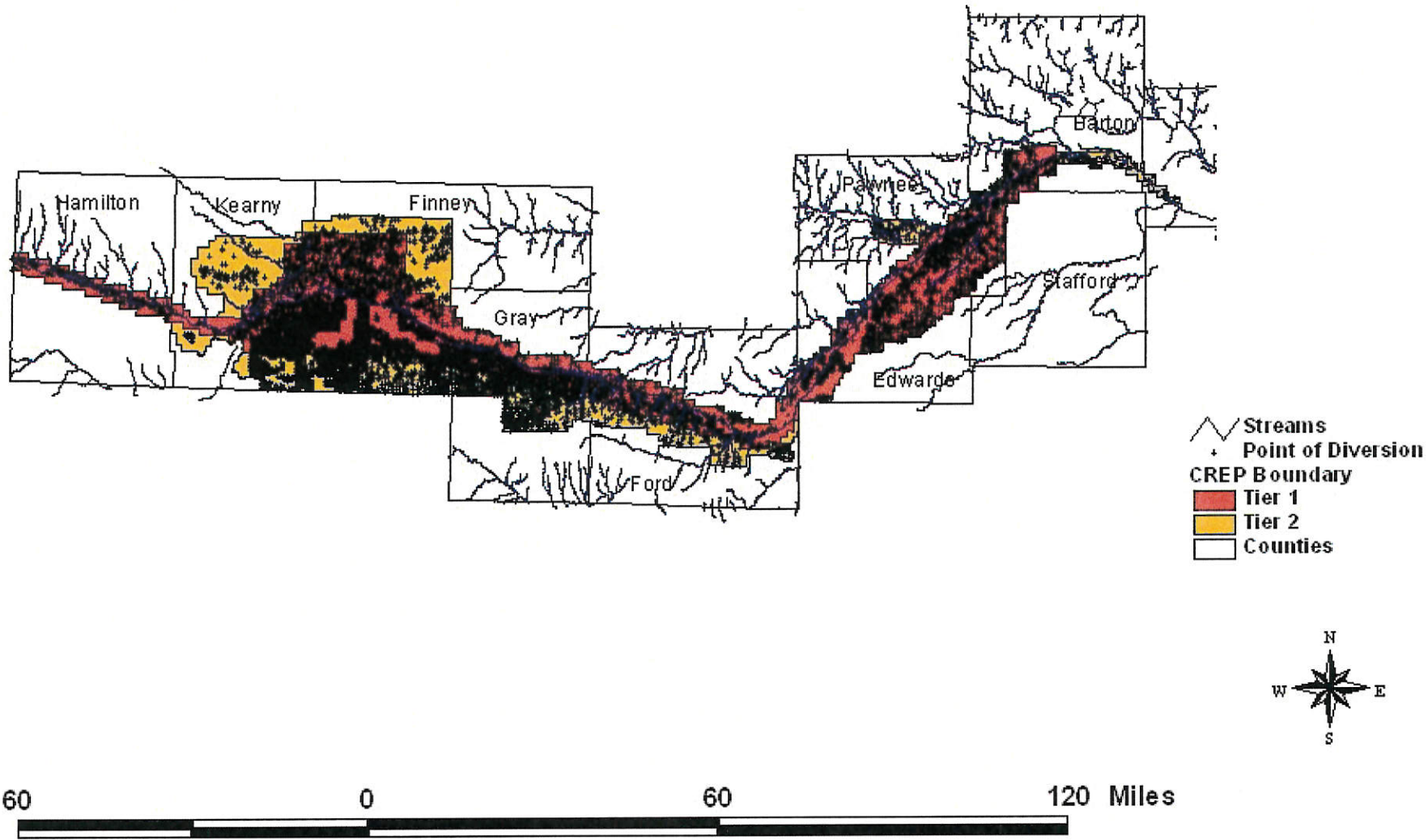
Upper Arkansas River Conservation Reserve Enhancement Program (CREP)



Description	Total Acres	Acres Authorized for GW Irr	Authorized for GW Irr
Tier 1 Unsuitable for Dryland Agriculture	238,410	224,240 Ac	378,469 AF
Tier 1	845,034	340,218 Ac	550,407 AF
Tier 2	487,996	154,225 Ac	262,545 AF
Total CREP area	1,571,440	718,683 Ac	1,191,421 AF

Change from 3 tiers to 2 tiers

Conservation Reserve Enhancement Program



4-17-06
H. Ag Budget
subcenter

Regional Economic Impacts of Implementation
of the
Conservation Reserve Enhancement Program
in the
Kansas Upper Arkansas River Basin

John Leatherman, Ph.D.
Associate Professor

Bill Golden, Ph.D.
Consultant

Allen Featherstone, Ph.D.
Professor

Terry Kastens, Ph.D.
Professor

Kevin Dhuyvetter, Ph.D.
Professor

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331 Waters Hall
Manhattan, KS 66506

785-532-4492
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April 2006

FINAL INTERIM REPORT

Funding for this project was provided by the Kansas Water Office

Final Interim Report

Regional Economic Impacts of Implementation of the Conservation Reserve Enhancement Program in the Kansas Upper Arkansas River Basin

Executive Summary

This study estimated the potential economic impacts associated with implementation of the Conservation Reserve Enhancement Program (CREP) in the Kansas Upper Arkansas River Basin. The analysis assumed approximately 85,000 acres of irrigated land and 15,000 acres of dryland were enrolled. Following 15 years of program participation, the CREP acreage was assumed to return to combined dryland agricultural production/pasture land with irrigation water rights permanently retired.

Acreage enrollment in the CREP was projected based on land productivity and hydrologic characteristics. Associated production values were estimated using an eight-year average value of production by crop type. CRP payment schedules were then used to calculate estimates of new household income associated with CREP payments. Finally, values were calculated to estimate an amount of new recreation spending for lease hunting on fallowed lands.

Under the CREP program, it was estimated that the annual value of agricultural production would decline by about \$15.6 million (2003\$), regional household income would increase by about \$6.5 million each year, and recreation-related businesses would annually capture an additional \$285,000. This makes the total direct impact of the CREP program an annual reduction of about \$8.7 million (2003\$) annually for the 15 years of the program. For perspective, the output reduction represents about 3.0 percent of the total value of all agricultural crops production in the 10-county region.

Following the term of the CREP it was assumed the land would return to a combination of dryland agricultural production and pasture and generate approximately \$2.5 million in productive value to the region. The net annual value of agricultural production, however, was assumed to decline by about \$13.4 million (2003\$). The relatively greater impact post-CREP is due to the loss of the CREP household income payments, and is measured against the irrigated agriculture production values of the 2003 base year. The output reduction represents about 2.6 percent of the total value of all agricultural crops production in the 10-county region.

These direct economic impacts were applied to an economic model of the 10-county regional economy called a Social Accounting Matrix (SAM). The SAM can be used to estimate the indirect economic effects of an event or policy.

Direct + Indirect
Impact is
\$14.8 m/yr

Under the scenario of CREP implementation, the combined direct and indirect impact to regional economic output were estimated to be a decline by about \$14.8 million (2003\$) annually. That value of activity is closely tied to about 119 jobs. Using a very broad measure of household income associated with regional productive activity, household economic welfare was projected to decline by about \$7.7 million (2003\$) annually.

Under the post-CREP scenario of the permanent conversion of irrigated cropland to dryland/pasture, regional economic output would decline by about \$17.4 million (2003\$) annually. That value of activity is closely tied to about 165 jobs. Regional household income was projected to decline by about \$9.3 million (2003\$) annually. For perspective, these are in a range of about 0.1 percent to 0.2 percent of total regional activity, depending on the impact indicator considered.

If the changes in regional economic activity into perpetuity are amortized over the 15-year period of the CREP, the overall impact of the program from its inception into perpetuity can be characterized as a single estimate of the change in regional economic output. The annualized reduction in output equals \$24,922,029 (the impact of the CREP plus production reductions into perpetuity) to be paid in 15 annual installments, or a one-time equivalent payment of \$258,682,139 (2003\$).

Applying the assumption that the economy will adjust to changes over time requires a dynamic perspective to overlay the static model output. Absent any directly applicable guidelines to be found in the

Final Interim Report

empirical literature, a consensus forecast was generated by the research team. Application of the economic adjustment assumption resulted in a 36 percent overall reduction to \$164,717,276 from \$258,682,139. Also, if the total cost of the program were to be amortized over the 15 years of its existence, the annual cost would be \$24,922,029 with no economic adjustment and only \$15,869,239 if economic adjustments occur like those suggested as plausible.

It should be acknowledged that these long-term impact estimates are associated with a degree of uncertainty. While properly calculated and appropriately reported, there is nonetheless reason to believe that they may overestimate the long-term economic response within the regional economy by some amount. There is anecdotal evidence that the regional economy adjusts in response to CRP enrollment such that the negative impact is lessened by some degree over time. At present, however, no research-based guidelines have been identified that would permit the application of a "decay function" to the impacts. Thus, the estimates of long-term impact reported here should be considered tentative and subject to change should additional information be identified.

Further, it should be acknowledged that these impacts could further be mitigated by the fact that more than 300,000 acres in the 10-county region currently enrolled in the CRP program will be coming out of contract in the next five years. Uncertainty regarding the future of the CRP program and the ultimate disposition of these acres preclude incorporating consideration of them in this analysis. But, any of this acreage returning to agricultural production would represent a positive economic stimulus.

The analysis of changes in county property tax revenue associated with the adjustments to assessed valuation under dryland conditions suggested that total regional county property tax revenue would decline by about \$400,000 (2003\$) in perpetuity. Pawnee County would experience the largest property tax loss. A more general tax impact analysis based on the published data use to construct the regional social accounts estimated that combined federal, state, and local revenue collections would decline by about \$900,000 (2003\$) annually.

A simple sensitivity analysis was incorporated in the research to acknowledge that general trends in irrigated agriculture in Western Kansas are trending lower due to a declining water supply. While a specific estimate of the decline due to diminishing water supplies in the CREP region was beyond the scope of this analysis, it is underway there as it is elsewhere. As such, for each one percent decline in irrigated agriculture, whether due to water availability, energy costs, land retirement, or other reason, regional output declines by about \$2 million and total income declines by about \$1 million. This level of activity is closely linked to about 20 jobs.

Finally, there have been questions about the potential impact of near- and long-term increases in energy prices. For example, K-State economists estimate that in 2004 and 2005, escalating fuel prices have increased costs for irrigated production in western Kansas in excess of \$110 million dollars in all of western Kansas. A review of available research provided general indications of producer responses to energy prices. The review concluded that producers are forced by economic conditions to generally continue with current management schemes and accept lower profits in response to higher energy costs. In general, irrigated acreage, crop choice, and water usage patterns will change for only producers on marginal land or those with credit constraints. In this environment, CREP may represent an expected positive net present value alternative that would enhance participation. In the long-run, if energy costs remain high, producers will make management decisions to lower this cost (e.g., negotiate lower rents, adopt technology and farming systems that reduce fuel usage).

An investigation of the notion of altering the size of the program, e.g. 35 or 50 percent of the presumed total acres enrolled, suggested that the production response curve becomes almost linear after about 35,000 acres. Therefore, the direct economic impacts could be proportioned between 35 and 100 percent. The SAM model used to estimate the indirect economic impacts does incorporate an assumption of linearity. Therefore, it would be appropriate to scale the overall impacts of the CREP program between 35,000 and 100,000 acres. Below 35,000 acres, the impact would be less than the relative percentage change and new direct economic impact estimates would need to be estimated.

Table 8: Non-federal in-kind and direct contributions for the UAR CREP.

AGENCY OR PROGRAM	Estimated Direct Costs (15 years)	Estimated Indirect Costs (15 years)
State SIP	\$5,000,000	_____
CREP Coordinator	\$1,305,000	_____
State Conservation Commission Cost Share	\$5,163,750	\$6,588,750
Water Conservation Project Fund	\$5,959,950	\$1,800,000
WCPF Project Manager	\$400,000	_____
Groundwater Management District #5	\$150,000	\$75,000
Groundwater Management District #3	_____	\$4,500,000
Kansas Department of Agriculture, Division of Water Resources	_____	\$6,000,000
Kansas Department of Health and Environment		
Kansas Department of Wildlife and Parks		
Kansas Forest Service	_____	\$90,000
Kansas Geological Survey	_____	\$1,530,000
Kansas Water Office	_____	\$2,645,000
Conservation Districts	_____	\$11,250
GIS Projects and Data Collection	_____	\$7,800
Total Non-Federal Contributions	\$17,978,700	\$23,247,800

The Kansas Water Office (KWO), the state's planning agency, provides coordination of the CREP program development. KWO will contribute to public outreach through presentations at Basin Advisory Committee (BAC) meetings and to other interested stakeholders. KWO will work with each of the agencies identified below to prepare and provide USDA with annual CREP progress reports. KWO administers the Water Conservation Projects Fund, for projects in the Upper Arkansas River corridor that



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Senate Committee on Natural Resources

February 1, 2007

Topeka, Kansas

SB 123 – Enabling the Establishment of the Upper Arkansas River Conservation Reserve Enhancement Program (CREP).

Chair McGinn and members of the Senate Natural Resources Committee, thank you for the opportunity to comment today in opposition to SB 123 and share our concerns regarding the establishment of the Upper Arkansas River CREP.

I am Leslie Kaufman and I serve the Kansas Cooperative Council as Executive Director. The Kansas Cooperative Council represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. Approximately half of our membership is involved in agriculture/farm supply and marketing.

As most of you know, our association has supported water conservation programs, like last year's Water Right Transition Assistance Program (WTAP) or an EQIP (USDA Environmental Quality Incentive Program), that provides for continued agriculture/dryland crop production. We have strongly opposed certain programs that dictate land use applications rather than simply targeting water consumption. These sentiments are expressed in our policy language on irrigation transition programs:

Irrigation Transition

*Programs designed to encourage irrigation transitions must include an economic analysis, which evaluates the impacts on the local community, businesses and tax base. **This Council supports a program that provides for transition to dryland farming.***

The Kansas Cooperative Council opposes the establishment of a Conservation Reserve Enhancement Program in Kansas until dryland farming is allowable on CREP acres. The Council is extremely concerned with the economic impacts the proposed Ark River CREP will have on the local and regional economies in the ten included counties and the resulting long-term viability of that region of our state. We urge the legislature to refrain from funding CREP and encourage the development of a totally different water conservation program for that region.

The KCC Board of Directors believes this issue is of critical interest to our membership. We will continue to be actively involved in monitoring, lobbying and educating our members, legislators and others as to the impacts irrigation transition programs may have. We actively support economic studies that provide additional information on the potential outcomes various transition programs can have.

Our farm and ag supply cooperatives know first-hand what happens to their business, their community and their local economy when large acreages of cropland are idled under the Conservation Reserve Program (CRP) program. We have expressed our concerns with the continued expansion of the CRP

The Mission of the Kansas Cooperative Council is to promote, support and advance the interests and understanding of agricultural, utility, credit and consumer cooperatives and their members through legislation and regulatory efforts, education and public relations.

*Senate Natural Resources
February 1, 2007
Attachment 9*

program to reach beyond the original intent of addressing highly erodible lands to focus on a widening arena of environmental concerns.

As you probably know, this CREP is a specialized CRP program so enrolled land can not be used for agricultural production. But, the proposed Ark River CREP area has a vast amount of land that will not meet the federal CRP erodibility index in order to be eligible for participation. So, special rules have been created under the federal CRP program to allow non-highly erodible land to be enrolled.

The state technical committee of the USDA Farm Service Agency in Kansas has created a special Conservation Priority Area (CPA) to facilitate enrollment of the Ark River corridor. Total CPA acreage in the state is limited, so other priority areas had to be redrawn or shrunk to create the CREP CPA. One of the areas that was substantially reduced was the Cheney Lake CPA. This priority area was earlier implemented to help reduce run-off into the lake. I have included an old CPA map and the new map showing CPA areas and changes.

The economic impacts are not just a factor cooperatives consider. There is growing concern about the economic implications CREP will have on the 10-county implementation area. It is not just agribusiness that is troubled by the economic projections outlined in the analysis performed by K-State's Agriculture Economics department. The projected impacts are sobering.

In short, the state and federal government want to partner together to spend roughly \$200 million to negatively impact 10 counties in southwest Kansas to the tune nearly a \$15 million loss per year for the 15 years of the program and beyond. The KSU study estimates the region will need more than 30 years to recover from CREP.

Some might argue that the economic loss is worth it because of the quantity of water we will save. The state has authorized approximately 6,100 water rights in the proposed CREP area. They project 600, maybe 650, rights will be purchased under CREP. So, if we "ballpark" the numbers, that's about 1 in 10 that could be purchased. But, that does not mean that all the water being used under that right will be "unused" once enrolled in the program. There are many factors that will lead to continued use of various amounts of that "purchased" right and reduce the "bang for our buck" in terms of water savings:

- Rights are enrolled on a first-come, first-serve basis rather than hydrologic benefit;
- Producers know their wells and those with limited pumping capability will likely be the first to sign up;
- Producers will be paid by land acre associated with the water right rather than the historic water usage on that right or current well capacity;
- Some wells will be converted to domestic use
- Mandating cover grasses/trees ignores the fact that certain cover practice will consume roughly the same amount of water as certain crop, thus reducing the potential for greatest water savings with the least amount of negative economic impact.
- Some points of diversion are close enough that shutting down one well is like taking out one straw in a glass. The water will still get slurped-up by the remaining straws.

Depending on your viewpoint about CREP, the water situation in southwest Kansas and what you think should be done with the money from the Kansas v. Colorado lawsuit, you can probably find a reason to fault the CREP proposal:

- 1) If you think all the Kansas v. Colorado settlement should go to the directly impacted area, this program spreads that money further east than the lawsuit area.
- 2) If you think the Kansas v. Colorado money in the statewide pool should be used outside the impacted area, this program diverts a good portion of that funding back to that area. Thus ignoring needs in northwest Kansas along the Prairie Dog, an issue of compliance with the Republican River Compact. It side-steps contamination issues in southeast Kansas in the Ozark aquifer.

- 3) If you are concerned about measurable results, this program does not strengthen enforcement mechanisms. We have not employed sealed meters to track water usage and other tighter oversight options. Without adequate monitoring, measuring and enforcement, the hope for water savings potential is diminished.
- 4) If you are concerned about preserving rural Kansas, the KSU economic projections indicate a depressed economic scenario under the CREP;
- 5) If you are concerned about food and fuel security, this program takes 100,000 acres of land completely out of production in an area that has historically been a heavy grain producing region.
- 6) If you believe that plant science and biotechnology will enable us to produce crops with less water, this program closes the door for that option for 15 years (if not into perpetuity depending on soil type).
- 7) If you are concerned that marginal rights will be purchased, this program does not evaluate the hydrologic benefit of a right for any priority or premium
- 8) If you are concerned with state sponsored programs that decrease the local tax base, this program results in lower ag property valuations.
- 9) If you are concerned about CRP artificially inflating the price of land and forcing increased competition for tillable acres, this program will significantly expand idled acreages.
- 10) If you are concerned with payment "leakage" out of the proposed CREP counties, this program will fund the pursuits of many "absentee landowner"

Much has been said about implementing the CREP to extend the life of the aquifer. CREP is portrayed as the premier "tool in the toolbox" to produce large-scale water savings. Yet, safe guards are not in place to ensure that the water savings is real and not just paper.

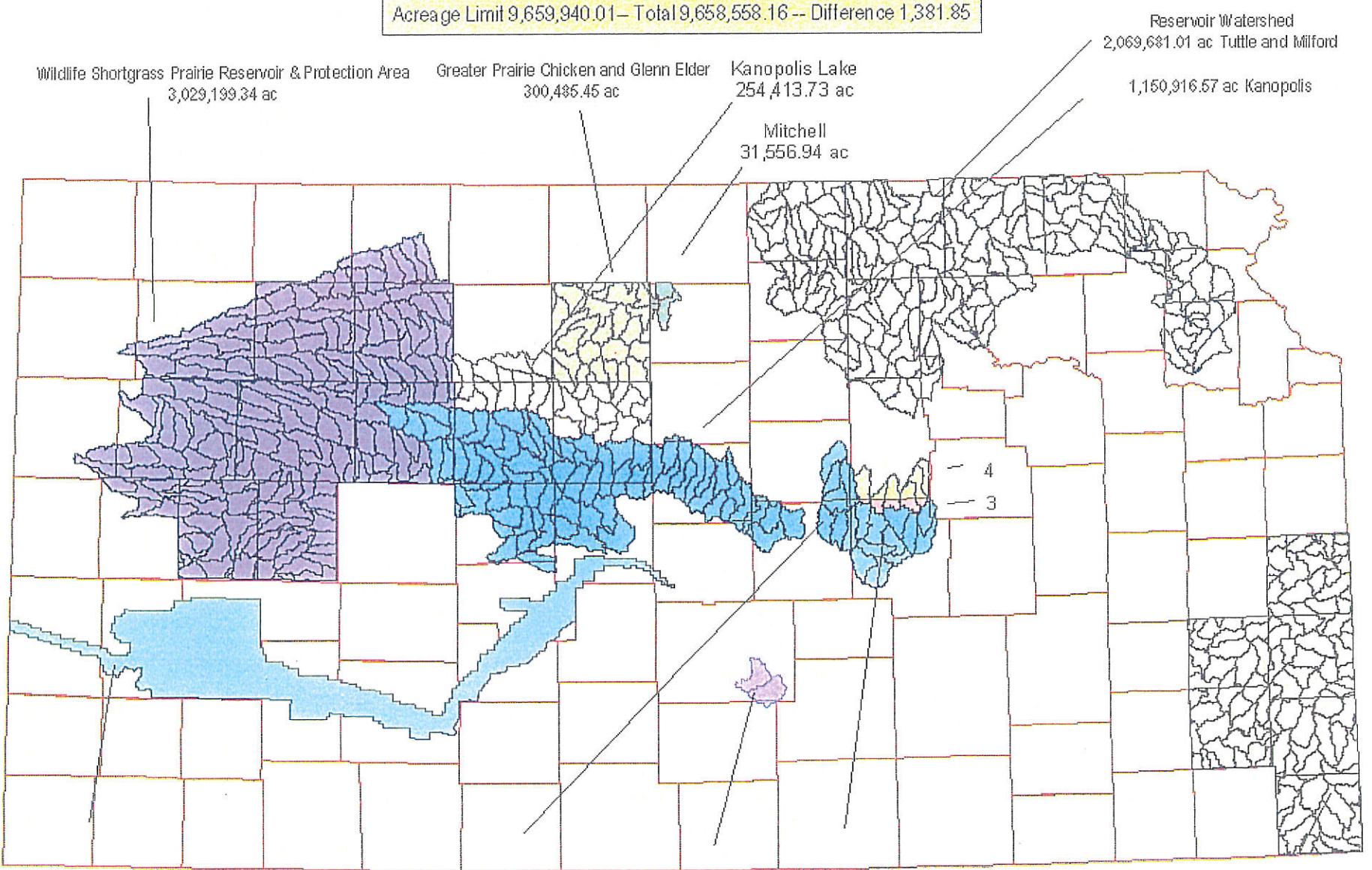
So, what can we do to implement a meaningful water conservation program? We have options. Options that can produce real water savings. Options that mitigate economic impacts on the region. Options that will allow southwest Kansas to retain the vitality it has now. What should such a program encompass:

- The ability to continue active agricultural production – cropping, grazing, haying, etc.;
- The purchase and permanent retirement of a water right and/or the permanent buy-down and retirement of a portion of a water right;
- Prioritization based on hydrologic benefit; and
- Quality enforcement and monitoring of water usage in the entire CREP area

With these components as the mainstays of a water conservation program, we can maintain the economic viability of the region while making meaningfully efforts to reduce consumption.

Thank you.

Acreege Limit 9,659,940.01 - Total 9,658,558.16 -- Difference 1,381.85



CREP 1,198,020.01 ac	Greater Prairie Chicken 259,496.69 ac	Cheney Lake 51,333.72 ac	Marion Watershed 144,782.42 ac	Quail Initiative 1,091,230.26 ac
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Recommendations:
 1-HUC 10 contains 143,348.14 acres NOT INCLUDED
 2-HUC 20 contains 207,832.28 acres NOT INCLUDED
 3-Upper Tier Marion 23,305.01 acres INCLUDED
 4-Lower Tier Dickinson 54,137.01 acres INCLUDED
 5-Dickinson next north Tier 107,826.04 acres NOT INCLUDED

Assuming Mitchell HUC selections are correct

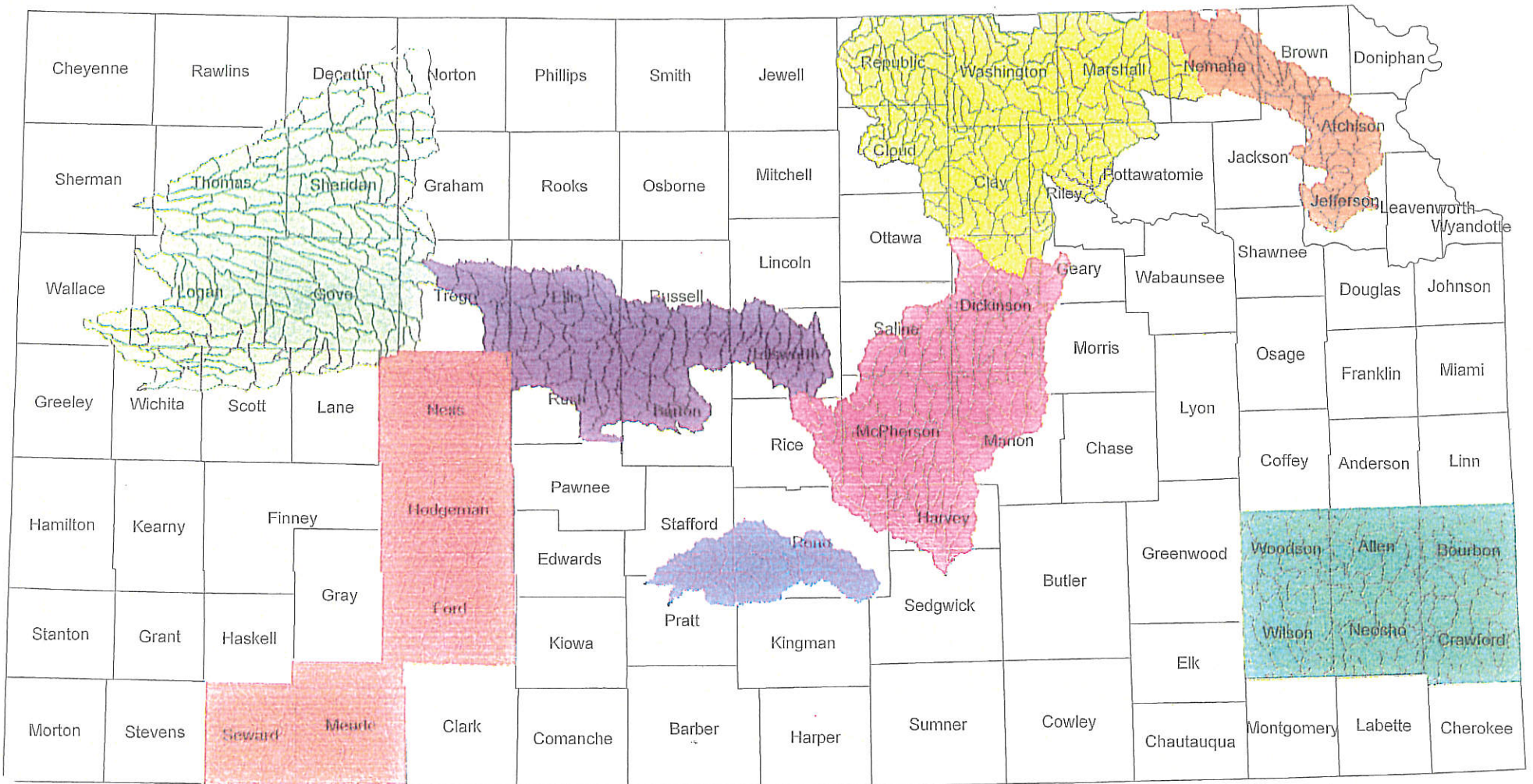
NEW MAP

October 26, 2006

KANSAS CONSERVATION PRIORITY AREAS

Proposed by the Kansas Farm Service Agency

- | | |
|--|--|
| <p> CPA 1- Lesser Prairie Chicken</p> <p> CPA 2- Bob White & T and E Recovery</p> <p> CPA 3- Bob White & Perry</p> <p> CPA 4- Tuttle Creek & Milford</p> | <p> CPA 5- Greater Prairie Chicken</p> <p> CPA 6- Bob White & Cheney</p> <p> CPA 7- Pheasant & Kanopolis</p> <p> CPA 8- Pheasant & Northwest KS Reservoir Protection</p> |
|--|--|



OLD MAP

**TESTIMONY BEFORE THE
SENATE NATURAL RESOURCES COMMITTEE
REGARDING SB 123
FEBRUARY 1, 2007**

Good morning Chairperson McGinn and members of the Senate Natural Resource Committee. I am Matt Johnson, Director of Feed Ingredient Procurement for Seaboard Foods, and I appear before you in opposition to SB 123.

First, let me explain a little about Seaboard Foods' presence in Kansas, and why we are extremely interested in the issue of the retirement of water rights in western Kansas and the idling of 100,000 acres.

Seaboard Foods is an integrated food company which means we are involved in breeding, farrowing, finishing, and processing hogs to provide quality pork products to all levels of the food industry, domestic and abroad. A good portion of our hog facilities are located in western Kansas where we raise 1.6 million head out of a total of 3.9 million head produced annually by our Company. Part of our integrated business, involves company owned feedmills, 2 of which are located in Hugoton and Leoti. By having our own feed mill operations, we are able to manufacture the proper feed rations to ensure the healthy and consistent growth in our hogs, which results in a pork product consumers can trust and enjoy.

However, to properly feed all the hogs throughout their life cycle, our feedmills must produce 1.7 million tons of animal feed company wide annually of which 900,000 tons is made at the Kansas facilities. This amount of feed is equivalent to a consumption of 40 million bushels of grain annually, of which 22 million bushels are used at the Leoti and Hugoton facilities alone. Seaboard purchases a significant amount of this grain from local farmers along with a large portion originating within the state of Kansas for feedmills located in Oklahoma. Therefore, we are very

*Senate Natural Resources
February 1, 2007
Attachment 10
Matt Johnson*

concerned the proposed Conservation Reserve Enhancement Program will take 100,000 acres out of production, most of which are currently in corn and milo production. This would be the equivalent of 20 million bushels of corn if all of the acres were corn, which they are not. This amount would almost be 6% of the 2006 Kansas corn crop. Currently, under any CRP program, this land cannot be dryland farmed. To change this rule would require a change in the upcoming Farm Bill, and there is no guarantee that this change will occur, therefore, this land could remain idle and out of production for 15 years.

The idling of this land becomes one of increased concern as the grain based ethanol industry expands in Kansas and surrounding states. The increased demand for corn from the ethanol industry in the western cornbelt will reduce the amount of surplus grain that is able to be imported by rail or truck from other regions of Kansas and surrounding states. Thus it is more important that Kansas becomes self sufficient in meeting the demand for grain from the Kansas livestock and energy sectors. This program makes self sufficiency more challenging.

While we recognize the decline of the water table in western Kansas, we do not think idling 100,000 acres for 15 years is the appropriate answer. This is especially true since the proposed program does not have any mechanisms in place to ensure that water is actually saved for the future. The proposed program leaves the amount of monitoring or enforcement of water usage by the neighboring 10 county region in question. Without some additional oversight and monitoring of surrounding wells, the retired water may just be reallocated to the nearest neighbor instead of actual conservation.

Before the state implements this program, we urge you to think about the impact on the rural communities if this acreage is removed from production. We currently employ 560 people in our Kansas facilities with another 660 employees living in Kansas but working at Seaboard facilities in surrounding states. The CREP program would cause us not only to pay more in taxes, it would also raise the taxes for all of our employees to make up for the tax loss of approximately \$400,000/annually this region would incur.

Seaboard has worked hard to be a good neighbor and strives to make western Kansas communities better for our employees to live. As with most employers, hiring good employees is always a concern, thus it is important

to have attractive western Kansas communities for our employees to live. One specific way Seaboard has worked to improve a community has been in Leoti. When Seaboard expanded in Wichita County we pledged the Wichita County school district \$450,000 over 10 years to be used on computers. We are proud to be in rural Kansas, but these areas are facing some serious economic challenges in the near future, and we fear this program could cause a significant reduction in the quality of life in some of our rural communities.

In conclusion, we must be good stewards of water, but we are in the business of producing food to feed the world which requires significant amounts of grain. At a time when the USDA is estimating that the United States needs to increase the planted corn acres by at least six million acres, we do not think it is prudent or wise to retire and idle 100,000 acres in the heart of an agricultural area, especially when the water savings is questionable, and the economic harm is estimated to be significant to rural communities.

Thank you for listening to our concerns about SB 123. I urge you to vote no on SB 123. I will be happy to stand for questions at the appropriate time.



Memo To: Senate Natural Resources Committee
From: Thomas M. Palace
Date: February 2, 2007
Re: Written Comments on SB 123

Madam Chair and members of Senate Natural Resources Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

We appreciate to offer comments regarding SB 123.

The implementation of the Conservation Reserve Enhancement Program (CREP) will take approximately 100,000 acres of land out of use, 85% of which is irrigated farm land, for 15 years. After 15 years (or when the program ends), land can then be used for dryland agricultural production with irrigation rights being permanently retired.

We are concerned with the economic loss to businesses in the 10 county project. This program will take land out of crop production for 15 years. The Kansas State University study that was completed in April 2006, states that under the CREP program, "it is estimated that the annual value of agricultural production would decline by about \$15 million." The study also, states that there will be a 9.3% decrease in household income, loss of tax revenues of approximately \$400,000, and approximately 120 jobs. These are all reasons why PMCA does not support SB 123.

The economic loss to the people impacted by this program appears to be significant. Although we are uncertain as to whether losses that petroleum distributors might sustain have been accounted for in the KSU study, we are concerned that by taking this land out of farming use, our members will experience a negative financial impact due to CREP. Our members supply fuel to many of the local, farmers as well as the local Cooperatives that will be impacted by CREP.

While we recognize the state is making efforts to conserve water by retiring water rights for 600 land owners, the negative economic impact, as reported by the KSU study, will be a significant loss for the 10 counties impacted this program. I've been told that if the acreage impacted by CREP could be dryland farmed, the financial impact would not be as great. But statutory constraints do not allow this option.

Petroleum Marketers and Convenience Store Association of Kansas

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*Senate Natural Resources
February 1, 2007
Attachment 11*

If implementation of CREP does becomes a reality, we urge this committee to make a strong push at the Congressional level to allow dryland farming to offset the negative economic impact that CREP causes.

Thank You

February 1, 2007

Written Testimony to
Senate Natural Resources Committee
On Senate Bill 123



Presented on behalf of the Kansas Pork Association
By Tim Stroda
President-CEO

Chairperson McGinn and members of the Senate Natural Resource Committee. I am Tim Stroda. I represent the members of the Kansas Pork Association.

Our principle concern with Senate Bill 123 is the loss of grain production in the state.

In 2007, Kansas pork operations will utilize over 30 million bushels of corn and milo. It will also take eight million bushels of soybeans to produce the soybean meal our industry uses to balance the nutritional needs of the pigs. To remain competitive, our members need these feedstuffs to be grown as close as possible to the operations.

In just the past few months, the demand for grain has grown dramatically due to the expanding ethanol industry. This has driven the price of corn and milo to very exciting levels for the grain farmer. However, our members have seen their cost of production rise about 25 percent in just a few months.

For the pork industry, this is a very troubling time to be taking a large number of acres completely out of production. While the members of the KPA are strong supporters of conservation, we believe water usage can be reduced without the complete discontinuation of grain production.

A secondary issue is the loss of property value within the region. Under this legislation, the businesses that stay in production in the region essentially get penalized with an increase in taxes. Unless a pork producer has decided to exit the industry, he will not be enrolling acres in this program. The business simply can't afford the loss of grain production.

For our members, this program raises our cost of production through higher grain prices and tax increases.

The KPA urges you to vote no on Senate Bill 123. I will be happy to provide answers to questions at the appropriate time.

2601 Farm Bureau Road • Manhattan, Kansas 66502 • 785/776-0442 • Fax 785/776-9897

e-mail: kpa@kspork.org • www.kspork.org

*Senate Natural Resources
February 1, 2007
Attachment 12*

Kansas Pork Industry Facts



Kansas pork producers help feed the world

- There are 1,500 hog farms in Kansas. Of these operations, 310 produce over 95% of the state's pork.
- Kansas is the number 9 state in hog and pig inventory producing about 2.80 percent of the nation's total.
- In 2006, Kansas producers sold 3,169,928 market hogs, feeder pigs and seedstock with a gross market value of \$390,012,065. These hogs produced over 500,000,000 pounds of The Other White Meat® which helps feed millions of people in the U.S. and abroad.

Pork industry important to Kansas economy

Kansas pork operations consume over 30 million bushels of grain. Primarily, these operations utilize Kansas-grown milo and corn. At January 2007 prices, Kansas pork producers will spend over \$120,000,000 on milo and corn this year

Kansas pork operations also consume the equivalent of over eight million bushels of soybeans through soybean products. At January 2007 prices, Kansas pork producers will spend over \$39,000,000 on soybean meal this year.

Kansas pork producers support suppliers of goods and services to their businesses. A short list of vendors include:

Feed suppliers - grain and nutritional supplements.

Construction - includes new building and maintenance.

Labor - as with any business, growth means increased labor needs.

Supplies - pork producers utilize mainstreet businesses for a vast array of items ranging from veterinary supplies to office supplies.

Equipment - pork producers utilize specialty equipment for many tasks including nutrient management.

Utilities - gas, propane and electric.

Trucking - producers utilize trucking to bring grain to the farm as well as hauling hogs to market.

Services - pork producers utilize many services along mainstreet including financial, medical, accounting, insurance, legal, engineering, and veterinary.

Tim Stroda • President-CEO • Kansas Pork Association
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KANSAS ASSOCIATION OF WHEAT GROWERS

217 Southwind Pl • Manhattan, KS 66502 • (785) 587-0007 • FAX (785) 539-8946

To: Senate Natural Resources Committee
From: Dana Peterson, Producer Policy Specialist
Date: February 1, 2007
Subject: Testimony on SB 123 – Establishment of upper Arkansas river conservation reserve enhancement program

Madame Chairwoman McGinn and committee members, thank you for the opportunity to submit neutral testimony on behalf of the Kansas Association of Wheat Growers (KAWG). The proposed plan, administered by the state conservation commission, would reduce withdrawal demands on the high plains aquifer, improve water quality, protect public water supplies and enhance wildlife habitat. However, by enrolling 85,000 acres of irrigated farm ground (about 530 irrigated circles at 160 acres), this plan would also draw down the economic activity in the region at an estimated \$8.7 million. This plan partners federal dollars with state dollars. The state dollars would pay a one-time payment for the permanent retirement of the water right and the federal dollars would be delivered over the 15 years of the required CRP contracts. Our struggle with this plan is two-fold.

I will begin with the state's permanent retirement of water rights. KAWG policy states that we support voluntary irrigation conservation and retirement efforts. This allows producers to make their own individual decision based on the program offerings. However, the utilization of these Colorado water litigation funds will be seen as precedence, as we may potentially have funds delivered from similar litigation with other states. Will other regions of the state be privy to similar programs in the future? A first step to getting the most bang out of our buck would be to deliver to producers a solid and reliable program the first time around. We support conservation programs that are open to producers throughout the state.

Secondly, the plan also requires that the land be enrolled into CRP. As approximately 300,000 acres of CRP in this region potentially come out over the near term, producers must weigh their

*Senate Natural Resources
February 1, 2007
Attachment 13*

Options with the current commodity markets. Given that these acres that are coming out are under dryland contracts, it might be assumed that they would return to dryland crop production, possibly wheat production. The 14 or 15-year contracts further complicate this decision; typical CRP contracts are for 10 years. Kansas wheat growers are committed to bringing innovation and technology to fruition for wheat growers in those 15 years. Will producers and landowners want to lock up their options for 15 years?

Additionally, CRP is up for debate this year as we reauthorize federal agriculture programs. With the Bush administration's efforts with regard to renewal energy incentives, there could be substantial changes to the CRP program. Just this week Secretary Johannes announced their proposal, which includes allowing portions of CRP acres to be harvested. Other discussions have included even potential dryland production on land in this CREP program. Even though CRP was developed as a production control program, we believe it should evolve into more of a true conservation program for our natural resources.

As we speak of conserving our resources, I would like to note that in order to utilize these federal dollars in this plan, the Upper Arkansas River was named as a Conservation Priority Area (CPA) by the USDA Farm Service Agency State Technical Committee. This designation enables enrollment of lands into the CRP that don't meet erodibility standards. This process removed this CPA designation from these counties: Cherokee, Linn, Sedgwick, Reno, Rice, McPherson, Saline, Dickinson, Geary, Stafford, Pratt, Meade, Seward, Ford, Hodgeman, Ness, Scott and Lane. The options for producers and landowners across the state have already been impacted.

Some may recall the educational process that agriculture producers undergo when the federal agriculture programs change. With past changes, this has involved significant time and resources from our extension and government agency personnel. The development of this program has involved substantial commitment from both state and federal agency personnel. With limited state resources, it is important to have a solid program to deliver to producers the first time around.

Both the state and federal components of this voluntary plan are complicated and intertwined. Given the record of slow enrollments we have seen in the Nebraska CREP, I urge you to fully consider the final development and administration of this precedence setting plan and its impact on producers and landowners throughout the state. Let's make sure and get it right for Kansans the first time around.