

Approved: February 22, 2008
Date

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman John Faber at 3:30 P.M. on February 4, 2008, in Room DSOB 783 of the Capitol.

All members were present except:

Representative Carl Holmes- excused
Representative Bill Feuerborn- excused
Representative Vaughn Flora- excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research
Gordon Self, Revisor of Statutes
Kristen Kellems, Revisor of Statutes
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Constantine Cotsoradis, Deputy Secretary, Kansas Department of Agriculture
Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas

Others attending:

See attached list.

It was noted that committee minutes from January 15, 16, and 17, were sent electronically and, by consensus were approved on February 4, 2008.

The Chair opened the hearing on **HB 2660 - payment of petroleum products inspection fees** - and welcomed Constantine Cotsoradis, Deputy Secretary, Kansas Department of Agriculture, who testified in support of the bill (Attachment 1). He said that the bill, which reduces from \$250,000 to \$100,000 the amount of money the Kansas Department of Revenue retains for the petroleum industry fee fund, is needed to keep the program operating at current service levels without raising fees. He commented that the petroleum inspection program assures consumers that they are receiving the correct amount of fuel.

Answering questions, Mr. Cotsoradis said carry-over funds were declining, presently totaling \$652,000. He replied that the inspection fee fund is self-supporting, providing six state-wide gasoline inspectors and one wholesale inspector; he noted that in 2003 the cost of the inspection program totaled \$672,427; in 2007 the cost was \$789,624. The projected cost for 2008 is \$790,000. He responded to another question, saying that the propane meter inspection budget was increased \$16,000 to purchase new equipment.

Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas, spoke in support of the bill, saying that reducing the amount retained for the State General Fund will provide the Kansas Department of Health and Environment (the designated inspection agency) with added revenue to maintain a quality inspection program (Attachment 2). Answering questions, Mr. Palace said the current inspection fee is 1.5 cents per gallon of gasoline. He said a pilot program is being developed to evaluate regulations for gasoline/ethanol blends fuel such as E15, E30, and E85.

The hearing on **HB 2660** was closed.

Representative Knox requested the Committee sponsor a bill to increase the fee fund for wheat commodities. Brandy Carter requested the Committee sponsor a bill establishing control management for prairie dogs. Without objection, the Committee agreed to accept both bill requests.

The Division of Water Resources Report on Implementing Flex Accounts was made available to Committee members (Attachment 3).

The meeting was adjourned at 3:50 p.m. The next meeting is scheduled for Tuesday, February 5, 2008.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: February 4, 2008

NAME	REPRESENTING
Dana Peterson	KAWB
CVCotsovadis	KDA
Stacey Worlington	KDA
Chris Tymen	KDWP
Steve Swatter	KS Farm Bureau

Testimony on HB 2660
to
House Agriculture and Natural Resources Committee

by
Constantine V. Cotsoradis
Deputy Secretary
Kansas Department of Agriculture

February 4, 2008

Good afternoon, Mr. Chairman and members of the committee. I am Constantine Cotsoradis, deputy secretary of agriculture, and I am here to testify in support of House Bill 2660.

HB 2660 reduces – from \$250,000 to \$100,000 – the amount of money the Department of Revenue keeps for the state general fund from the fees collected for the petroleum industry fee fund. The change is needed to keep the program operating at current service levels without raising fees.

The petroleum inspection program provides a valuable service to consumers and to industry as well. We inspect more than 26,000 gas pumps and 300 wholesale meters each year. This ensures that consumers and gas station owners receive the correct amount of fuel for which they have paid. We also sample fuel to ensure it meets established fuel standards.

The primary benefit to the petroleum industry, and the reason they opted to have this fund, is that the petroleum inspection program gives consumers assurance that they are purchasing a quality product and receiving the correct amount of fuel each time they fill up.

The assessed rate has not been increased since the fund was created in 1996. We have used the money effectively, but costs go up over time. Since the success of this program is due to the partnership between our regulatory program and the petroleum industry, we believe it is better to seek a funding solution that does not involve a fee increase. Especially when you consider testimony given last year that the state's cost to administer this program is about \$25,000.

This change will provide ample funding to administer the program today and into the future, so the program can continue to provide consumer and industry protection without raising fees.

I will answer questions at the appropriate time.



Memo To: House Agriculture and Natural Resources Committee
From: Thomas M. Palace
Date: February 4, 20078
Re: Comments on HB 2660

Mr. Chairman and members of House Agriculture and 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 the opportunity to make comments in support of HB 2660.

HB 2660 amends the statute relating to the Petroleum Inspection Fee fund. Currently, the first \$250,000 that is paid into the PIFF is credited to the State General Fund. The amendment would reduce the amount of PIFF funding that goes into the State General Fund to \$100,000. The fees collected under the PIFF are used to run the Weights and Measures Division to inspect fueling dispensers for fuel quality and quantity.

With the proliferation of renewable fuels, fuel quality testing is of greater importance to the consumer as well as the sellers of these products. Many petroleum marketers guarantee their fuel, meaning they will repair engines if the fuel purchased is tainted, and want to make sure that any new product being sold in the marketplace meet state standards so that they continue the practice of guaranteed fuel. More importantly consumer confidence is very important, and quality testing of any new product that enters the market is needed.

This amendment would reduces the amount of PIFF funding that goes to the general fund and remain with the enforcing entity, KDHE's Weights and Measures Division, retain funding in the PIFF Fund where it could be dedicated solely for improved fuel quality testing.

Kansas Consumers and members of our industry would benefit from all PIFF intended funds accomplishing what they were originally intended to accomplish.

Thank you.

Petroleum Marketers and Convenience Store Association of Kansas

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HS Ag & Nat'l. Resources
2-4-08
Attachment 2

Report on Implementing Flex Accounts (K.S.A. 82a-736)
to
the House Committee on Agriculture and Natural Resources

by David W. Barfield
Chief Engineer
Division of Water Resources
Kansas Department of Agriculture

February 1, 2008

K.S.A. 82a-736, which became law May 9, 2001, requires the chief engineer of the Kansas Department of Agriculture's Division of Water Resources to implement a program that provides for issuing term permits to water right holders to allow them to establish flex accounts for groundwater use. There also is a provision that requires the chief engineer to submit a written report on the law's implementation to your standing committees by February 1 each year.

K.S.A. 2004 Supp. 82a-736 was amended by the Legislature in 2005. The amendments changed the base average use period from 1996 through 2000 to 1992 through 2002. They also provide for the amount deposited into the flex account not to exceed 90 percent of the base average use multiplied by five, as opposed to being exactly 90 percent of the base average use multiplied by five.

Attached are a copy of the rules and regulations promulgated in 2002, and the revisions to those rules that became effective January 6, 2006, to implement the program within the amended statutory criteria. The criteria allow eligible, participating water right holders to use, within a five-year period, an amount of groundwater that is no more than 90 percent of their actual base average use times five and as long as it does not impair other existing water rights.

The law requires that any groundwater water right holder who wants to establish a flex account and exercise its use through a term permit must file the term permit application no later than October 10 of the year preceding the first year for which application is made.

In 2007, water right holders were reminded of the flex account provision through a news release to media outlets statewide. As of October 10, 2007, no applications for term permits had been filed with the chief engineer, nor have we received any applications to participate in the program beginning in 2009.

In our day-to-day interaction with water right holders, we make sure that those individuals who we believe could benefit the most from this option know that it exists. We also make our flex account literature available to the public when we have a table or booth at water-related events. Information about flex accounts also is available on our website at <http://www.ksda.gov/appropriation/cid/297>.

Currently there are only four active flex accounts: Two were filed in 2002 and are for the period from 2003 through 2007. Three were filed in 2003, one of which was dismissed prior to approval because it proposed to deposit only a portion of a water right, which does not comply with K.A.R. 5-16-6(f). They are for the period from 2004 through 2008.

Due to the limited interest shown in this program, no additional staff was hired to process applications. All applications have been handled by existing staff in the water appropriation program. The \$400 filing fee was paid for the five permit applications we received in 2002 and 2003.