

February 15, 2011

The Honorable Ralph Ostmeyer, Chairperson
Senate Committee on Natural Resources
Statehouse, Room 225-E
Topeka, Kansas 66612

Dear Senator Ostmeyer:

SUBJECT: Fiscal Note for SB 124 by Senate Committee on Natural Resources

In accordance with KSA 75-3715a, the following fiscal note concerning SB 124 is respectfully submitted to your committee.

SB 124 would establish the Lower Smoky Hill Water Supply Access Program as part of the Kansas Water Office (KWO); would create the Lower Smoky Hill Water Supply Access Fund; would authorize the Lower Smoky Hill Water Supply Access District; and create the Lower Smoky Hill River Special Irrigation District. The bill would allow for the sale of additional water rights through the Program that would allow the KWO to recoup a portion of the annual operations, maintenance, principal, and interest costs once an agreement is reached with the new Access District. The Chief Engineer of the Department of Agriculture would have the responsibility of protecting releases from Kanopolis reservoir, and would also collaborate with the Access District, the KWO, and the U.S. Corps of Engineers to develop an operations agreement and to update the operations agreement every five years. The Chief Engineer would be required to adopt rules and regulations to implement SB 124.

The bill would also allow the KWO to issue revenue bonds to pay for all or part of the cost of acquiring a site or sites, constructing, reconstructing, improving, or expanding projects within the program area or to finance the purchase of additional storage in the Kanopolis reservoir. SB 124 would allow the KWO to charge the District as necessary to cover the expense of issuing revenue bonds.

SB 124 would authorize a special irrigation district to participate in the new Program. The Lower Smoky Hill River Special Irrigation District would be formed upon petition by eligible irrigation water right holders to the KWO that would demonstrate a need for and request the purchase of 500 acre-feet or more of water supply access storage for the proposed Irrigation District. The Chief Engineer would be required to provide consultation to the KWO regarding the eligibility of prospective members, the verification of land ownership within the Irrigation District. The bill would establish procedures for the Irrigation District to select a governing board and set up a fee structure sufficient to pay for water supply access storage and any additional costs as necessary.

The Honorable Ralph Ostmeyer, Chairperson

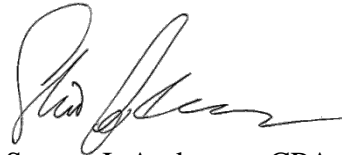
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The Kansas Water Office (KWO) indicates that the state purchased storage in the Kanopolis reservoir in 2002, and sold water rights to customers through the Water Marketing and the Water Assurance Programs in the KWO. Through this arrangement, the KWO has paid approximately \$26,000 per year in operation and maintenance costs and \$235,000 in principal and interest payments. The bill would not affect expenditures for the KWO; however, depending on the agreement reached with the new District, SB 124 could shift expenditures from the KWO to the District.

The Department of Agriculture estimates that passage of the bill would require an increase in State General Fund expenditures of \$15,892 in FY 2012 for 428 staff hours to comply with all aspects of the bill. Participating local governments would incur expenses including fees for membership in the Access District and the Irrigation District; however those local governments would also benefit from reservoir releases during periods of low natural river flows that would allow them to continue to provide water to their customers during dry periods. The fiscal effect of this bill is not included in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Dawn Palmberg, Water Office
Mark Heim, Agriculture
Nancy Wolfe, KDFA