

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Don Sallee at 8:00 a.m. on March 22, 1994 in Room 423-S of the Capitol.

All members were present or excused:

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Don Hayward, Revisor of Statutes
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:

Mrs. Terry Duvall, Policy Consultant and Staff Assistant, Kansas Water Office
Gloria Timmer, Division of Budget, State of Kansas

HB-3058 - concerning revenue bonds issued to acquire certain water supply storage capacity

Mrs. Terry Duvall, Policy Consultant and Staff Assistant, Kansas Water Office, appeared before the committee to explain the costs that would be associated with the acquisition of water storage supply capacity in federal reservoirs. Attachment 1 Mrs. Duval stated Milford and Perry storage was under contract but to obtain total control it must be called into service and payments started. Mrs. Duval stated the Water Office proposed to start this phase only when absolutely necessary.

Mrs. Duval told the committee that negotiation of contracts for purchase of the remaining storage by the state need to be put in place. Marion and Elk City reservoirs were included in the cost of purchase due to people in the Marion area feeling they were being excluded.

A member told the committee of a previous suggestion, discussed with the Governor who seemed to approve, to use idle funds from the pooled money investment fund for a shorter period of time. The member suggested that additional savings were possible using a possible 4 year period. Borrowing from the pooled money investment fund would allow with the addition of Marion and Elk City reservoirs.

Mrs. Duvall said the House subcommittee of Energy and Natural Resources had determined the first source of revenue used to make payment on bonds should come from those who would use the water with the second source coming from the state water plan fund.

A member wondered if this could possibly be funded at least for the first few years by up front funding to get through 1996 and 1997.

Gloria Timmer, Division of Budget, appeared to discuss alternative financing. Ms. Timmer told members that an ad hoc committee had looked into numerous funding possibilities such as bonds, combinations of sources such as the state water fund or EDIF funds. A sales tax increase was suggested to and turned down by the governor. In general a shorter financing period would cost less interest than bonding which would run 10 to 20 years. A great many people are very concerned about impacting the water fund so heavily that it might force some projected funding to be deleted or postponed for a long period of time. Those approached about such action stated there was nothing that could be deferred.

The purchase price for storage from all reservoirs except Milford and Perry would be \$13.6 million. Including Milford and Perry would total about \$17 million. A member asked about the inclusion of Marion Reservoir noting earlier testimony had questioned reliability of Marion Reservoir as a stable source. Mrs. Duval stated people in that area are very upset that they were left out of the plan.

Mrs. Duval told members the expenses for operations and maintenance would be over and above the storage purchase price. They are costs incurred by Corp of Engineers to operate and maintain that reservoir and are charged on a percentage of control the state has on the water in the reservoir. The costs are audited by the state but the state cannot control them.

A member stated that irrigators also pay the maintenance and operation fees with no control over costs. They have 45 year contracts and pay for the water, whatever is guaranteed in their original contract, whether they

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 423-S Statehouse, at 8:00 a.m. on March 22, 1994.

get it or not. The irrigators would continue to buy from the federal government.

Attention was called to a report provided on the status of the State Water Plan Fund which indicates where the funds are used and future commitments of the funds. Attachment 2 A member said that some years ago when the water plan fund was established there was a great deal of discussion concerning the use of it for the funding of additional water storage. Over a period of time the funds do not have the potential to cover everything desired.

Discussion again considered bonding and the use of pooled money investment funds with a shorter term payback. The state would receive the interest on them and it would require more money in a shorter period but ultimately cost much less. The dollars would be used to purchase the storage and it would be paid back with interest from the water fund or EDIF. The scenario would be to take \$4 million from the state water fund or EDIF each year to repay the pooled money investment fund from which the funds were originally borrowed. We are, in effect, making a decision to use water plan fund money, EDIF money or general fund, the same as with bonding only over a shorter period of time.

Mrs. Duvall stated that as the process goes the Water Authority would make decisions, then make recommendations to the Governor and the Legislature who would have the final decision.

In answer to a member's question Ms. Duvall stated that all of the water that is to be committed in the next few years has been removed from these compacts.

A member questioned whether Kanopolis had been considered as a possibility and what additional costs would be incurred. Mrs. Duvall stated she could not answer with dollars and cents, that the federal government is now doing a study concerning reallocation. Funds were made available through the Kansas delegation for the study which is only in preliminary state. Ms. Duvall stated they hope to get Kanopolis included.

A member suggested amending Kanopolis into this bill with Mrs. Duvall stating the bill does not name the reservoirs, therefore it leaves it up to negotiation which reservoirs are included.

Ms. Duvall stated there is currently in existence a \$4 million dollar escrow account that is made up of pooled investment board idle funds that has been in existence since 1985 and will be released in 1996. That \$4 million will go back to the pooled money investment board in 1996 when the MOU is no longer available to us. It was money that we were required under the MOU with the federal government to set aside in an escrow account to show good faith that we would follow through in purchasing the additional storage. That money earns interest, that interest going back to the pooled money investment board each year.

Senator Wisdom made a conceptual motion to amend the bill to allow the state to contract with the pooled money investment board as an option. Senator Morris seconded the motion.

A member questioned whether this was to be the first option or just an option, it was decided it was just an option. The question then arose who would decide which option would be used. A member suggested the amendment be changed and make it the first option. Another member suggested that members would see the bill again since it will have to be funded by Ways and Means appropriations. Another member stated the Kansas Water Office is authorized to sell these bonds or authorize use of the pooled money investment funds. The motion carried.

Senator Lee moved to pass HB-3058 out favorable as amended. Senator Emert seconded the motion and the motion carried.

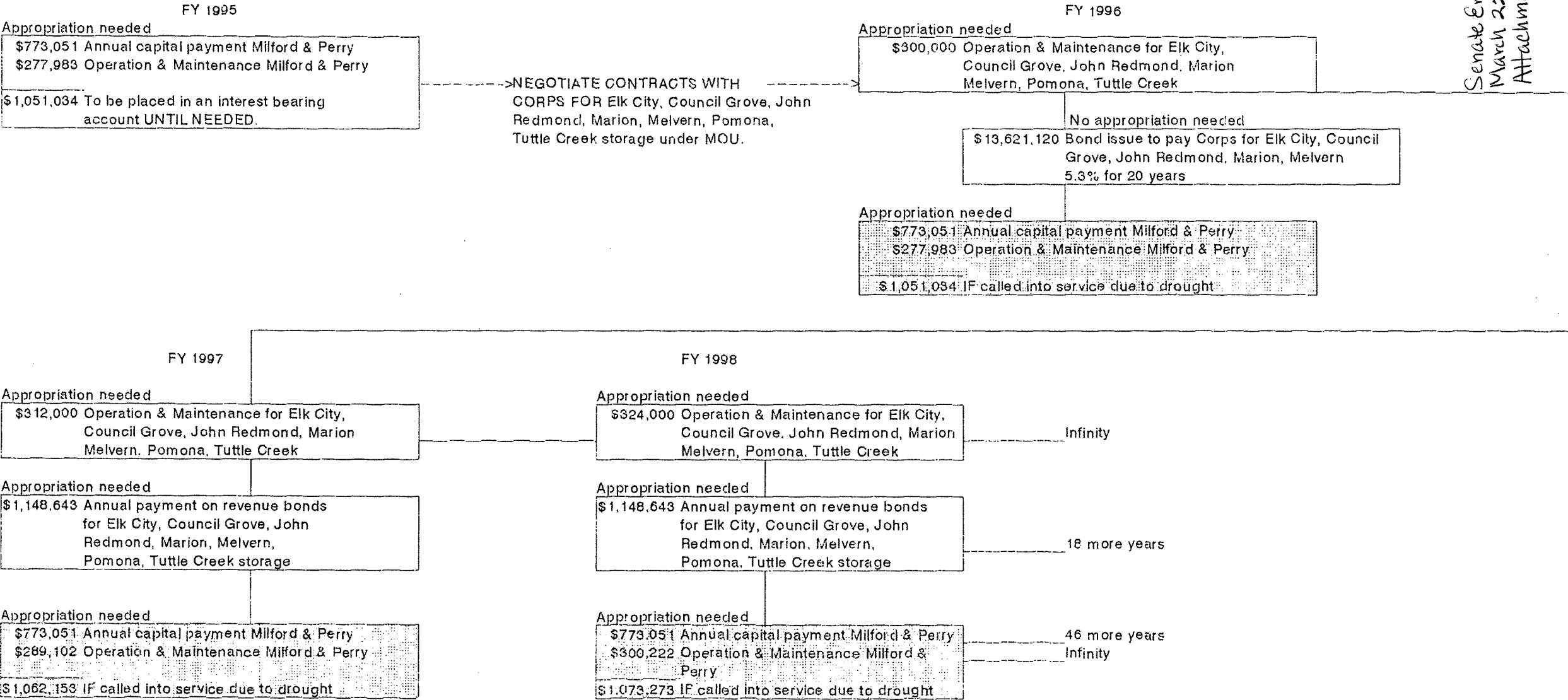
Senator Morris moved approval of the minutes for March 15, 16, 17 and 18. Senator Emert seconded the motion and the motion carried.

House Bill 2732 dealing with Tree City, USA was discussed with a member stating that some years ago a bill was passed from Ways and Means which pledged a great deal of money to the forestry program. The member stated they felt it HB-2732 was a good bill and an important bill and would support it if there was any way to fund it. A member stated the feeling that this bill takes a good volunteer program and makes more bureaucracy. With no funding the bill is meaningless.

Senator Walker moved to report HB-2732 favorable for passage. Senator Lawrence seconded the motion. The motion failed.

The meeting adjourned at 9:00 a.m. No further meetings are scheduled as of this date.

TIME LINE



Senate Energy & Natural Res
March 22, 1994
Attachment 1

EXPENDITURES FROM THE RESOURCES OF THE STATE WATER PLAN FUND

<u>Bill No.</u>	<u>Agency/Program</u>	<u>Governor's Rec. FY 94</u>	<u>Governor's Rec. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Rec. FY 95</u>
H.B. 2753	State Conservation Commission				
	Conservation District Aid	\$ 778,700	\$ 780,171	\$ 780,171	\$ 780,171
	Watershed Dam Construction	1,261,102	1,865,000	1,865,000	1,865,000
	Multipurpose Small Lakes	1,171,151	--	--	--
	Nonpoint Source Pollution Asst.	1,687,327	1,000,000	1,400,000	1,163,513
	Land Treatment Cost Share	5,725,896	5,400,000	5,400,000	5,400,000
	Riparian and Wetland Program	100,000	150,000	150,000	150,000
	Conservation District Prog. Coord.	--	--	--	39,121
	Total - Conservation Commission	\$ 10,724,176	\$ 9,195,171	\$ 9,595,171	\$ 9,397,805
H.B. 2753	Kansas Water Office				
	Water Related Research	\$ 557,700	\$ 495,000	\$ 495,000	\$ 495,000
	GIS Resource Manager	47,815	50,103	50,103	50,103
	GIS Data Base Development	300,000	280,000	280,000	280,000
	GIS Data Support Center	120,000	120,000	120,000	120,000
	Geography Resource Center	50,000	--	--	--
	Natural Resource Education	--	50,000	50,000	50,000
	Conservation Educational Assist.	--	75,000	75,000	75,000
	Conservation Plan Technical Asst.	75,000	150,000	150,000	150,000
	Stream Gaging Program	3,928	--	--	294,372
	Total - Kansas Water Office	\$ 1,154,443	\$ 1,220,103	\$ 1,220,103	\$ 1,514,475
H.B. 2753	Wildlife and Parks				
	Cheyenne Bottoms Renovation	\$ 1,839,568	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
	Hillsdale Reservoir Facilities	29,651	--	--	--
	Dam Maintenance & Repair	--	500,000	--	--
	Cheney Reservoir Riprap	275,000	--	--	--
	Lake Crawford Dam	39,108	--	--	--
	Easement Aquisition	100,000	50,000	50,000	50,000
	Biological Assessment	13,400	74,200	74,200	74,200
	Total - Wildlife and Parks	\$ 2,296,727	\$ 1,624,200	\$ 1,124,200	\$ 1,124,200
S.B. 590	University of Kansas				
	Dakota Aquifer Study	\$ 200,000	\$ 200,000	\$ --	\$ 200,000
H.B. 2753	Board of Agriculture				
	Conservation Plan Coordination	\$ 118,640	\$ --	\$ --	\$ --
	Interstate Water Issues	136,071	142,959	133,641	133,641
	Subbasin Management Plan	575,286	904,759	697,801	697,801
	Water Res. Info. Sys. Conversion	--	--	216,276	216,276
	Total - Board of Agriculture	\$ 829,997	\$ 1,047,718	\$ 1,047,718	\$ 1,047,718
S.B. 633	Health and Environment				
	Contamination Remediation	\$ 2,489,579	\$ 1,500,000	\$ --	\$ 1,500,000
	Local Environmental Protection	1,620,000	2,150,000	--	2,100,000
	Nonpoint Source Program	256,352	466,661	--	466,661
	Total - Health and Environment	\$ 4,365,931	\$ 4,116,661	\$ --	\$ 4,066,661
TOTAL EXPENDITURES		\$ 19,571,274	\$ 17,403,853	\$ 12,987,192	\$ 17,350,859

* Includes expenditures from prior year allocations from the State Water Plan Fund

*Senate Energy & Natural Resc.
March 22, 1994
Attachment 2*

STATUS OF THE STATE WATER PLAN FUND

	<u>Governor's Rec. FY 94</u>	<u>Governor's Rec. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Rec. FY 95</u>
BEGINNING BALANCE	\$ 857,433	\$ 947,752	\$ 947,752	\$ 947,752
RECEIPTS:				
State General Fund	\$ 5,760,000	\$ 5,932,800	\$ 6,000,000	\$ 5,932,800
EDIF	1,980,000	2,000,000	2,000,000	2,000,000
Public Water Supply Fees	3,000,000	3,200,000	3,200,000	3,200,000
Industrial Water Use Fees	1,300,000	1,300,000	1,300,000	1,300,000
Stock Water Use Fees	275,000	275,000	275,000	275,000
Fertilizer Inspection Fees	2,300,000	2,012,500	2,012,500	2,012,500
Pesticide Registration Fees	764,500	749,200	749,200	749,200
Fines	57,277	51,541	51,541	51,541
Subtotal — Receipts	\$ 15,436,777	\$ 15,521,041	\$ 15,588,241	\$ 15,521,041
TOTAL AVAILABLE	\$ 16,294,210	\$ 16,468,793	\$ 16,535,993	\$ 16,468,793
LESS TRANSFERS:				
State Conservation Commission	\$ 9,654,544	\$ 8,495,171	\$ 8,731,658	\$ 8,534,292
Kansas Water Office	1,152,981	1,219,731	1,219,731	1,514,103
Wildlife and Parks	995,000	1,574,200	1,074,200	1,074,200
University of Kansas	200,000	200,000		200,000
Board of Agriculture	600,000	1,047,718	1,047,718	1,047,718
Health and Environment	2,743,933	3,616,661		3,566,661
Subtotal — Transfers	\$ 15,346,458	\$ 16,153,481	\$ 12,073,307	\$ 15,936,974
ENDING BALANCE	\$ 947,752	\$ 315,312	\$ 4,462,686	\$ 531,819