

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 8:30 a.m. on March 30, 2011, in Room 548-S of the Capitol.

Senator Emler was absent.

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department
Dorothy Hughes, Fiscal Analyst, Legislative Research Department
Christina Allen, Fiscal Analyst, Legislative Research Department
Brea Short, Intern, Senator McGinn's Office
Jan Lunn, Committee Assistant
Josh Lewis, Chief of Staff

Others attending:

See attached list.

Conferees:

Representative Moxley
Daniel Yoza, Office of the Revisor of Statutes

HB 2357 – Arkansas River Gaging Fund

Daniel Yoza, Office of the Revisor of Statutes, was recognized to brief staff on **HB 2357** (Attachment 1). This bill re-establishes funding from royalties of state oil and gas leases in Hamilton, Kearney, Finney, Gray and Ford counties for the water-flow measuring devices along the Kansas-Colorado border at 5 sites along the Arkansas River. Amendments in the House limit the amount of money in the gaging fund to \$75,000, and any remaining balances would be deposited in the State General Fund (SGF). Those remaining funds are to be expended for the:

1. Livestock Market Report (up to \$20,000 yearly)
2. Bluestem Pasture Report (up to \$5,000 yearly)

Senator McGinn noted two proponents had submitted written testimony:

John Donley, Kansas Livestock Association (Attachment 2)
Douglas E. Smith, The Garden City Company (Attachment 3)

Representative Moxley spoke in support of **HB 2357** indicating the bill supports water commerce in western Kansas (no written testimony). In addition, with implementation of this legislation the Livestock Market Report and the Bluestem Pasture Report will be funded. He explained the Livestock Market Report is the key index for feeder cattle in America and aids producers, consumers, and distributors in the sale and purchase of livestock. It was previously funded by the U. S. Department of Agriculture. The Bluestem Pasture Report is a report that contains an accurate analysis and assessment of pasture conditions and a detailed breakdown of lease rates for property in the 14-county area of the Flint Hills.

Representative Moxley, in response to questions, indicated that:

- In times of quickly fluctuating prices, both the Livestock Market and the Bluestem Pasture Reports are important resources for landowners, livestock producers, consumers, and investors in Kansas.
- A private entity could not assume the costs of the Livestock Market Report because the Chicago Mercantile mandates an unbiased party collect and disseminate the information.



CONTINUATION SHEET

MINUTES OF THE WAYS AND MEANS COMMITTEE on March 30, 2011, 8:30 a.m. 548-S

- he measurement gages are used to monitor compliance to the Arkansas River Compact by surrounding states to ensure appropriate control, utilization, and conservation.

Christina Allen, Legislative Research Department, clarified that the spelling of "gage" instead of "gauge" is the preferred spelling as indicated by the United States Army Corps of Engineers.

Senator Umbarger expressed concern related to the \$75,000 cap contained in the bill, and he moved to increase the cap from \$75,000 to \$80,000. Senator Taddiken seconded the motion, which carried on a voice vote. Senator Francisco requested that her "no" vote be recorded.

Senator Teichman moved to pass out HB 2357 as amended. Senator Schodorf seconded the motion, which carried on a voice vote. Senator Francisco requested that her "no" vote be recorded.

The meeting was adjourned at 9:05 a.m.

March 30, 2011

[illegible]

Testimony from
Daniel Yoza

Office of Revisor of Statutes

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MEMORANDUM

To: Senate Ways and Means Committee
From: ~~Sean Ostrow, Assistant Revisor~~ Daniel Yoza, Revisor of Statutes *OPH*
Date: March 29, 2011
Subject: House Bill 2357

House Bill 2357 re-establishes funding for the gages, or water flow measuring devices, along the Kansas-Colorado border at five different sites along the Arkansas river. Based on testimony provided during the hearing in the House Agriculture and Natural Resources Committee, there had not been sufficient funding for the maintenance and upkeep of all of the gages, which resulted in the Department of Agriculture, Division of Water Resources being unable to determine the water flow of the Arkansas River with as much specificity as before. This was a concern because it directly impacted the purposes of the Arkansas river compact in that the state was unsure about how much water was being used by various water right holders.

Under the bill, the gages would be funded by royalties from state oil and gas leases in Hamilton, Kearny, Finney, Gray and Ford counties, which are currently deposited in the state general fund. These royalties would be deposited into the Arkansas river gaging fund, created by the bill. The total amount of royalties is unknown at this time.

In House committee, two amendments were adopted:

1. Limiting the amount of money in the Arkansas river gaging fund to \$75,000 at any time, and the remaining balances would go into the state general fund.
2. Directing any remaining funds within the Arkansas river gaging fund to be expended for the purposes of: A) Livestock market reporting up to \$20,000 a year and B) the Bluestem Pasture Report up to \$5,000 a year.

Senate Ways and Means

Date: 03/30/11

Attachment: 1

KANSAS LIVESTOCK ASSOCIATION

Since 1894

To: Senate Ways & Means Committee
Senator Carolyn McGinn, Chairperson

From: John Donley, Kansas Livestock Association

Re: **Statement of Support for KDA Funding of Auction Market Reports**

Date: March 30, 2011

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 production, cattle feeding, dairy production, grazing land management and diversified farming operations.

The Kansas Livestock Association respectfully urges the Committee to provide state funding (\$20,000) for two (2) livestock auction market reports that have previously been part of a state-federal agreement. These reports play a vital role in the price discovery of feeder cattle and are ultimately used by the industry through the Chicago Mercantile Exchange's (CME) Feeder Cattle Index.

Background:

The Kansas Department of Agriculture's (KDA) budget in FY10 and FY11 did not include state funding for two (2) livestock auction market reports, which were originally supported by state funds appropriated to the Agricultural Statistics Division of KDA. These reports are the official records, distributed to the public, for sales of livestock at the Farmers and Ranchers Livestock Commission, Co. in Salina, Kansas, and Pratt Livestock, Inc. in Pratt, Kansas. Prior to the beginning of the 2010 fiscal year, an agreement was made between USDA's Agricultural Marketing Service and KDA to fund one of these reports with federal dollars, on a temporary basis, at a cost of \$10,000 per year. (USDA-AMS currently provides a market report for the livestock auction in Dodge City.) The other auction was covered by reducing the number of hay market reports to once weekly and the hay market news reporter covered the second auction.

These reports were under additional financial pressure during the state's 2011 fiscal year. USDA's AMS again temporarily funded one auction with federal dollars. USDA's National Agricultural Statistics Service (USDA-NASS field office in Topeka stepped up to pay for the second auction in FY 11, again with

Senate Ways and Means

Date:

03/30/11

Attachment:

2

federal dollars. No state dollars were available for funding. It's our understanding this arrangement is temporary and USDA-NASS, nor USDA AMS will not likely be able to provide this service, especially for FY13.

Why are these reports critical?

Kansas is one of the states whose 650-850 lbs feeder cattle prices are utilized in determining the cash settlement index for the CME Feeder Cattle Index. This index is comprised of both private treaty sales and auction market sales, both of which are reported by the USDA market news service. Over the course of a year about 60 % of the Kansas cattle making up this index are derived from the three sales mentioned above, in about equal numbers. If we lose the Pratt and Salina reports we will effectively drop the total reported volume in Kansas by 40%.

Omitting the sales reports from these two markets will cause a regional shift in the overall index, which may be disruptive to our Kansas producers. (Because of the state's large cattle feeding industry, prices of feeder cattle in Salina and Pratt often yield a premium price compared to other markets in the multi-state region.)

In order for this contract to be a viable risk management tool for our ranchers, we need large volumes of cattle market sales reported on a consistent basis. Additionally, the reports from these sales are considered a regional barometer for monitoring calf, feeder cattle, and butcher cow prices in Kansas and neighboring states.

By funding these two reports, for a total of \$20,000 per year, the state can provide a significant service to the state's \$6 billion industry. This service is best provided by an objective, third party source...such as the Kansas Department of Agriculture.

Thank you for your consideration.

THE GARDEN CITY COMPANY
REMARKS CONCERNING HOUSE BILL NO. 2357
SENATE WAYS & MEANS COMMITTEE

MARCH 30, 2011

Chairman McGinn and Members of the Committee:

Thank you for the opportunity to present remarks in support of House Bill No. 2357 on behalf of the Garden City Company. The Garden City Company owns and operates Lake McKinney in northwest of Deerfield in Kearney County, Kansas and supplies water to surrounding areas through a series of canals and ditches for irrigation purposes. Lake McKinney is an above ground reservoir capable of storing water diversions from the Arkansas River for future use.

The Garden City Company supports House Bill No. 2357, as amended by the House Committee, and the permanent funding source it establishes for the operation and maintenance of river stream gages along the Arkansas River. These stream gages are used to measure the flow of water and help calculate releases of water from the State of Colorado. For the Garden City Company knowing what water is available and the discharges coming from John Martin Reservoir in Colorado provides for more effective rotations with the various ditch companies creating more efficient use of our water resources.

Identifying and establishing stable financial funding mechanism for the State's maintenance commitment is important for continued monitoring and upkeep of this measuring equipment. Federal resources, primarily through the USGS, are and will continue to be limited making action by the State of Kansas essential to keep these gages functional.

We urge this committee to strongly consider and recommend House Bill No. 2357, as amended by the House Committee, favorable for passage.

Thank you for your time and consideration.

Douglas E. Smith
For the Garden City Company

Senate Ways and Means

Date:

Attachment:

03/30/11

3