

**M E M O R A N D U M**

**DATE:** August 4, 2009  
**TO:** Kansas Water Authority  
**FROM:** KWA Budget Committee  
**SUBJECT:** FY 2011 Budget Recommendations

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Attached are the FY 2011 State Water Plan Fund (SWPF) recommendations of the Kansas Water Authority Budget Committee. The Committee met on July 29 in Topeka. Don Paxson chaired the meeting, which was attended by Lisa French, David Corliss, Gary Baker, Tracy Streeter, Earl Lewis and Kim Christiansen.

The Committee's recommendations propose the expenditure of \$19,605,820 for FY 2011. This total includes the full demand transfer from the State General Fund (SGF) and fee projections as discussed at the June KWA meeting in El Dorado. The FY 2011 total revenue projection is \$1,339,771 less than the SWPF projected revenue a year ago. Staff provided an overview of the recommendations which were formulated by using the FY 2010 KWA budget recommendations and adjusting for the reduction in anticipated revenue. The adjustment for the FY 2011 recommendations was made by proportionately reducing each agency's total SWPF amount and asking each agency to distribute this total among the SWPF programs proposed for FY2011 funding.

In addition to normal SWPF expenditures, the Budget Committee also recommends, as it did a year ago, ten percent of the Expanded Lottery Act Revenue Fund (ELARF) be dedicated to debt reduction and infrastructure projects. The revenue projections for FY 2011 ELARF are currently unavailable. However, the staff has recommended that the Committee adopt a budget projecting the same amount of ELARF revenue as is anticipated for FY 2010.

Please note the FY 2010 SWPF column has been further adjusted since the June KWA meeting in El Dorado. As a result of continuing decreases in State General Fund revenue, the Governor found it necessary to reduce the FY 2010 budget approved by the Legislature. As a result, the \$3.295 million SGF transfer to the SWPF will not be made this year. The majority of the impact of this action can be seen in the budget line items of the State Conservation Commission and Kansas Water Office.

Finally, the Budget Committee discussed the budget development process, especially in light of the possibility of continuing revenue shortfalls. As a result, the Budget Committee will meet August 13 at 10 a.m., prior to the KWA meeting to discuss a process for reviewing current and proposed SWPF expenditures and relative budget priorities. The Committee will consider whether to recommend such a process begin at the November Kansas Water Authority meeting in Liberal.

Upon completion of the Budget Committee meeting, the Committee convened a stakeholder meeting with representatives of organizations that testified for and against SB 165, last year's legislation proposing to increase SWPF fees.

Organizations represented at the meeting included:

Johnson County Rural Water District No. 1  
Kansas Ag Retailers Association  
Kansas Aggregate Producers Association  
Kansas Association of Conservation Districts  
Kansas Farm Bureau  
Kansas Grain and Feed Association  
Kansas Livestock Association  
Kansas Rural Water Association  
Kansas Water Authority  
Kansas Water Office  
League of Kansas Municipalities  
State Association of Kansas Watersheds  
State Conservation Commission

KWA Budget Committee members and KWO Staff convened the meeting and indicated that to the group that the initial meeting was not designed to find a solution but to begin a longer, intense process of exploring ideas for funding water resources program funding that the stakeholder groups could support.

The stakeholders discussed a wide range of issues including current funding mechanisms utilized by other states and broadening the scope beyond water resource funding to a dedicated funding source for all natural resources. KWO will research several options to present at the next meeting. Some of the options include:

- A complete new funding mechanism with statewide contribution. For example, this could be a dedicated portion of current or additional sales tax revenue.
- Keeping the current fee structure and adding new fee options. For example, current fees might remain unchanged. Other fees would be added to the current fee structure to provide a source of fund by a diverse group of Kansans. Some examples a number of alternatives include fees for softener salt or a bottle "premium" for plastic bottles.

The meeting attendees agreed that additional meetings to look at funding options would be appropriate. No future date was set. KWO will coordinate among those attending this initial meeting and will be soliciting additional stakeholders to participate in subsequent meetings.

The Kansas Water Authority Budget Committee makes the following recommendations to the Kansas Water Authority:

- 1) Adopt the FY 2011 State Water Plan Fund base budget proposing expenditures totaling \$19,605,820.
- 2) Adopt the proposal to dedicate, beginning in FY 2011, 10 percent of the Expanded Lottery Act Revenues Fund to water debt reduction and infrastructure projects.
- 3) Support continued efforts of the Budget Committee and Water Office to collaborate with stakeholders to seek future funding options to address water resource issues and other natural resource concerns.

<b>SWPF: FY 2008-2011</b>						
<b>Agency/Program</b>	<b>FY 2009 SWP Legislative Recs.</b>	<b>FY 2010 KWA Recommend</b>	<b>FY 2010 Legislative Approved</b>	<b>FY 2010 Revised</b>	<b>FY 2011 SWPF Base</b>	<b>FY 2011 ELARF</b>
<b>Department of Health and Environment</b>						
Contamination Remediation 1802	840,575	804,385	570,737	567,216	753,870	-
TMDL Initiatives 1805	238,316	301,988	214,055	210,780	238,316	-
Local Environmental Protection Program 1803	1,502,848	1,502,735	1,066,942	1,066,942	1,400,000	-
Nonpoint Source Program 1804	307,642	299,856	299,029	291,241	299,856	-
WRAPs 1808	600,613	800,000	481,042	481,042	783,852	-
Use Attainability Analysis 1807		--				-
Soil Treatment Study 1809		--				-
<b>Total--KDHE</b>	<b>3,489,994</b>	<b>3,708,964</b>	<b>2,631,805</b>	<b>2,617,221</b>	<b>3,475,894</b>	<b>-</b>
<b>University of Kansas--Geological Survey</b>	<b>32,000</b>	<b>40,000</b>	<b>28800</b>	<b>28800</b>	<b>37,486</b>	<b>-</b>
<b>Department of Agriculture</b>						
Interstate Water Issues 0070	527,908	475,181	343,370	337,379	459,816	-
Water Use 0075	48,000	70,000	49,700	49,700	66,000	-
Basin Management 0080	713,506	761,319	755,321	737,536	252,977	-
Enhanced Water Management					445,607	-
Dam Safety and Rehabilitation						1,000,000
<b>Total--Department of Agriculture</b>	<b>1,289,414</b>	<b>1,306,500</b>	<b>1,148,391</b>	<b>1,124,615</b>	<b>1,224,400</b>	<b>1,000,000</b>
<b>State Conservation Commission</b>						
Water Resources Cost Share 1200 + 1205	3,570,250	3,265,972	2,943,551	2,351,510	3,060,216	-
Nonpoint Source Pollution Asst. 1210	3,134,168	3,473,754	3,126,379	2,501,102	3,254,907	-
Aid to Conservation Districts 1220	2,264,831	2,255,919	2,255,919	2,255,919	2,113,796	-
Watershed Dam Construction 1240 + 1245	938,493	1,055,000	949,500	759,600	988,535	-
Water Quality Buffer Initiative 1250+1255	363,210	300,000	270,000	216,000	281,100	-
Riparian and Wetland Program 1260	242,598	251,782	226,604	181,283	235,920	-
Multipurpose Small Lakes 1265	1,123,176	--	--	--	-	-
Salt Cedar Demonstration Projects 1280	--	--	--	--	-	-
Lake Restoration/Management 1275	998,466	998,466	898,619	718,896	937,569	-
Water Transition Assistance 1215	2,221,274	916,273	826,333	81,010	858,548	-
Conservation Reserve Enhance. Pgm. 1225	1,229,707	--	--	--	-	-
Streambank Stabilization						1,000,000
<b>Total--Conservation Commission</b>	<b>16,086,173</b>	<b>12,517,166</b>	<b>11,496,905</b>	<b>9,065,320</b>	<b>11,730,591</b>	<b>1,000,000</b>
<b>Kansas Water Office</b>						
Assessment and Evaluation 1110	720,143	750,000	675,000	532,500	700,000	-
GIS Data Base Development 1140	250,000	250,000	225,000	177,500	250,000	-
MOU - Operations and Maintenance 1150	301,418	305,000	274,500	216,550	355,000	-
Technical Assistance to Water Users 1200	632,918	624,919	562,427	443,692	624,919	-
Weather Stations 1235	80,000	80,000	72,000	57,198	70,000	-
Water Resource Education 1220	97,200	77,907	70,116	54,916	55,000	-
Weather Modification 1230	240,000	220,000	198,000	156,200	240,000	-
Wichita Aquifer Recharge Project 1245	1,000,000	700,000	630,000	300,000	805,044	-
Neosho River Basin Issues 1240	960,000	300,000	270,000	213,000	-	-
Reservoir Storage Purchase						3,220,357
<b>Total--Kansas Water Office</b>	<b>4,281,679</b>	<b>3,307,826</b>	<b>2,977,043</b>	<b>2,151,556</b>	<b>3,099,963</b>	<b>3,220,357</b>
<b>Department of Wildlife and Parks</b>						
Almena Irrigation District 1802		--				-
Minimum Pool Agreement for Webster		--				250,000
Stream (Biological) Monitoring 1801	32,000	40,000	28,800	28,800	37,486	-
<b>Total--Department of Wildlife and Parks</b>	<b>32,000</b>	<b>40,000</b>	<b>28,800</b>	<b>28,800</b>	<b>37,486</b>	<b>250,000</b>
<b>Total Water Plan Expenditures</b>	<b>25,211,260</b>	<b>20,920,456</b>	<b>18,311,744</b>	<b>15,016,312</b>	<b>19,605,820</b>	<b>5,470,357</b>
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<b>State Water Plan Resource Estimate</b>	<b>FY 2009 SWP Legislative Recs.</b>	<b>FY 2010 KWA Recommend</b>	<b>FY 2010 Legislative Approved</b>	<b>FY 2010 Revised</b>	<b>FY2011 Base</b>	<b>FY2011 ELARF</b>
Beginning Balance	2,846,479	(153,638)	(153,638)	(153,638)	(137,485)	--
Adjustments	--	--			--	--
Released Encumbrances	1,087,010	421,700	421,709	421,709	--	--
Transfer to KCC	(320,000)	(400,000)	(288,000)	(288,000)	(374,865)	--
Revenues						
Expanded Lottery Act Revenue Fund						5,470,357
State General Fund Transfer	2,000,000	6,000,000	3,295,432	--	6,000,000	--
Economic Development Fund Transfer	2,846,126	2,000,000	2,000,000	2,000,000	2,000,000	--
Municipal Water Fees	3,748,687	3,785,991	3,785,991	3,785,991	3,270,343	--
Industrial Water Fees	1,272,024	1,079,103	1,079,103	1,079,103	1,129,729	--
Stock Water Fees	368,708	404,176	404,176	404,176	372,594	--
Pesticide Registration Fees	1,000,000	965,000	965,000	965,000	941,000	--
Fertilizer Registration Fees	2,940,000	2,940,000	2,940,000	2,940,000	3,220,000	--
Pollution Fines and Penalties	80,000	85,000	85,000	85,000	210,000	--
Clean Drinking Water Fee Fund	6,480,609	3,469,486	3,469,486	3,469,486	2,804,473	--
Sand Royalty Receipts	182,250	170,000	170,000	170,000	170,031	--
KS v. CO Damage Award -2005	525,729	--	--	--	--	--
KS v. CO Damage Award -2006	--	--	--	--	--	--
FY 2009 Pay Plan Savings	--	--	--	--	--	--
Total Receipts	21,444,133	20,898,756	18,194,188	14,898,756	20,118,170	5,470,357
Total Available	25,057,622	20,766,818	18,174,259	14,878,827	19,605,820	5,470,357
Less Expenditures	25,211,260	20,920,456	18,311,744	15,016,312	19,605,820	5,470,357
Ending Balance	(153,638)	(153,638)	(137,485)	(137,485)	--	--