

# BLUE RIBBON FUNDING TASK FORCE FOR WATER RESOURCE MANAGEMENT

January 11, 2017

*Final Report to  
Governor Sam  
Brownback*

# Blue Ribbon Funding Task Force for Water Resource Management

## Report to Governor Sam Brownback

### Introduction

The *Long Term Vision for the Future of Water Supply in Kansas*, published January, 2015, identified a Blue Ribbon Funding Task Force (Task Force) as a critical, immediate action item. The Task Force was charged with developing a balanced, affordable and sustainable method to provide financing for water resource management and protection, including alternatives that utilize public and private partnerships. Keeping in line with the Phase I Action Items, the Task Force was formed in the first year of implementation of the Vision. Members were appointed in November, 2015.

### Executive Summary

The Task Force met seven times during 2016 to evaluate overall financial needs to implement the *Long Term Vision for the Future of Water Supply in Kansas*, current revenue sources and alternatives, and develop a recommendation to present to the Governor and 2017 Legislature.

The Task Force came to the consensus that roughly \$55 million in annual funding is needed for full implementation of the Vision. Actual project expenditures will vary from year to year in response to changing priorities and accomplishments. The Kansas Water Authority (KWA) remains the appropriate entity to make budgetary recommendations, in concert with the Governor's Water Resources Sub-Cabinet, on priority projects and programs.

To ensure an adequate revenue stream to support the funding needs, the Blue Ribbon Funding Task Force recommends the following:

- Existing fees into the State Water Plan Fund (SWPF) be maintained at current levels,
- One-tenth of one percent of the existing statewide sales tax be dedicated to funding Vision implementation,
- It is preferable that the dedication of the one-tenth of one percent sales tax be protected for this purpose by constitutional amendment and subject to referendum every 10 years,
- A review of all existing user fees by the legislature five years after successful collection of the state sales tax, to continue every 5 years thereafter,
- That the State General Fund & Economic Development Initiatives Fund statutory demand transfers be provided to the SWPF by the legislature during the 2017 session for the FY2018 and 2019 budgets, or until the proposed sales tax revenue is successfully collected, and
- The Legislature and the KWA look at the statute relative to the makeup of the KWA, and seek to include demographic and user fee participation as guidelines for representation and appointments.

## **Membership**

Throughout the Vision process, it was emphasized that Kansas is a diverse state with many unique issues facing water users in different regions. Thus, the Vision embodies the flexibility to craft solutions unique to local regions and beneficial to all types of users. Therefore, membership of the Task Force was equally diverse, incorporating state-wide organizations, legislators, and agency officials. Tracy Streeter, Director of the Kansas Water Office (KWO) and Ex-Officio Member, was selected by the Task Force to serve as Chair.

## **Organizations**

Randall Allen, Executive Director, Kansas Association of Counties  
John Bridson, Vice-President of Generation, Westar Energy  
Colin Hansen, Executive Director, Kansas Municipal Utilities  
Gary Harshberger, Chairman, Kansas Water Authority  
Terry Holdren, Chief Executive Officer, Kansas Farm Bureau  
Karma Mason, Member, Kansas Chamber & Kansas Water Authority  
Erik Sartorius, Executive Director, League of Kansas Municipalities  
Dennis Schwartz, Director, Kansas Rural Water Association & Kansas Water Authority  
Matt Teagarden, Chief Executive Officer, Kansas Livestock Association  
Tom Tunnell, President and CEO, Kansas Grain and Feed Association

## **State Legislators**

Senator Jim Denning, Overland Park  
Senator Tom Hawk, Manhattan  
Senator Larry Powell, Garden City  
Representative Jerry Henry, Atchison  
Representative Steven Johnson, Assaria  
Representative Sharon Schwartz, Washington

## **Ex-Officio Agency Members**

Robin Jennison, Secretary of Wildlife, Parks & Tourism  
Jackie McClaskey, Secretary of Agriculture  
Susan Mosier, Secretary of Health and Environment  
Tracy Streeter, Director, Kansas Water Office

## **Meetings**

The Task Force met seven times beginning in January, 2016. A brief synopsis of each meeting is below.

### January 29, 2016

The Task Force was charged with their duties and introductions were made. A Vision update was provided with all current and future action items presented. Task Force members also received a background presentation on the State Water Plan Fund (SWPF), which was created in 1989 as a balanced effort in municipal and industrial fees, agricultural fees and statewide support through the State General Fund (SGF) and Economic Development Initiatives Fund (EDIF). To show current revenue sources geographically, maps were provided which showed fee breakdown by county. Also included in the discussion was the history of the Water Marketing Fund and the relationship with the U.S. Army Corps of Engineers in terms of reservoir storage, and the evolution into the Water Assurance Program to ensure water supply for customers in times of drought. The final piece of background information shared with the Task Force was a presentation on how other states fund their water programs. These included fees, sales tax, energy and natural resource royalties, and state general fund support. From this discussion, members wanted additional information on what one-tenth of one percent of sales tax would generate in Kansas.

### March 18, 2016

The majority of this meeting was spent discussing the known funding demands of the Vision and the SWPF. The KWO presented the Vision as action items with cost estimates to estimate the level of funding needed to support the long-term plan. The estimated cost presented was \$45.9 million. This did not include any costs for the Education and Outreach goals and action items as designated in the Vision, and it was anticipated there would be more costs identified at the next meeting during the public input session. Agencies also presented their expense and revenue tables for current funding levels from all sources. At this meeting, an irrigation use fee was first discussed as a revenue option for future discussion.

### April 19, 2016

This meeting was dedicated to receiving public input from interested individuals and organizations on what should be funded to implement the Vision. Twenty-two individuals and organizations presented oral testimony at the meeting and answered questions from the Task Force. Additionally, 10 individuals and organizations submitted written testimony for consideration by the Task Force. The presentations were organized according to the Vision document, using the following categories: Funding for the Vision for Future Water Supply in Kansas; Water Conservation and Management; Technology and Crop Varieties; Additional Sources of Supply; and Education. Presenters were asked to not only include projects and priorities for consideration of the Task Force, but also include funding requests or known demands and costs. Presenters identified an additional \$6.5 million needed in addition to items presented at the March meeting. The Task Force also received information from the KWO on the history of the SGF and EDIF transfers to the SWPF.

### June 16, 2016

At the June meeting, Task Force members were presented with an updated revenue target number of \$56,550,000 based on public input and inclusion of costs associated with implementation of a comprehensive education and public outreach effort.



The Task Force was also presented with an interactive spreadsheet of revenue options for consideration. These options included within the spreadsheet included:

- existing fees with options to increase or decrease them,
- an irrigation water use fee,
- an assessment on electric generation and/or residential electric use state-wide,
- a bottled water fee, and
- a state-wide sales tax.

At the conclusion of this meeting, the Task Force option to continue for discussion was:

- Increase municipal, industrial, stockwater and clean drinking water fees from 3 cents per 1,000 gallons to 10 cents per thousand gallons,
- Decrease fertilizer fee going to the SWPF from \$1.40 per ton to \$0.70 per ton,
- Reduce pesticide registration fee going to SWPF from \$100 per label to \$50 per label,
- Eliminate the sand royalty fee,
- Institute an irrigation use fee of ½ cent per 1,000 gallons used, and
- Institute a bottled water fee of 4 cents per bottle.

This proposal would generate approximately \$54 million and is detailed in the “Alternatives Considered” section of this report.

#### August 4, 2016

During the August meeting, KWO presented background information and findings related to the implementation of a bottled water fee as discussed at the June meeting. The information shared is listed in the Appendix of this report. After discussion, the Task Force decided to not pursue the implementation of the bottled water fee due to logistical issues, equity issues, and uncertainty related to assessment capabilities. The rest of the meeting discussion related to the draft proposal presented at the June meeting. Several municipalities and Groundwater Management Districts (GMDs) were present at the meeting and shared thoughts and perspectives related to the fee increases. Of particular interest to many were the introduction of the irrigation water use fee and the significance of the increase in the existing fees. The Task Force also began consideration of ways to protect additional funding that is generated including by adoption of a constitutional amendment. Final discussion items included the need to look at representation on the Kansas Water Authority (KWA) in terms of fee payers to the SWPF.

The Task Force suggested evaluating:

- Increasing municipal, industrial, stockwater and clean drinking water fees from 3 cents per 1,000 gallons to 4 cents per thousand gallons,
- Maintaining the fertilizer, pesticide registration and sand royalty fees at current levels, and
- Instituting a 1/10 of 1% retail sales tax.

This option would generate roughly \$58 million per year.

### September 19, 2016

The Task Force discussed feedback that had been received since the last meeting including additional comments in opposition to the irrigation water use fee. Maps showing fee revenue generated in the 14 water planning regions of the state were provided to the Task Force. Discussion occurred regarding the option or necessity of dedicating funding back to the region in which it is generated. Local Regional Advisory Committees' work to develop regional goals and action plans was noted, as was the need for continued local oversight of projects.

The meeting concluded with an option of maintaining all existing fees at the current level with dedication of 1/10 of 1% of the existing retail sales tax to Vision implementation.

### October 31, 2016

The meeting began with a review of the decisions reached at the previous meeting in terms of a funding proposal. Feedback was received on the proposal from the Kansas Farm Bureau and the Kansas Livestock Association, and a discussion ensued on the implementation of new fees, continuation of existing fees, as well as possible sunset provisions for existing fees should a new revenue source be identified. Dr. Kenneth Kriz from Wichita State University also presented his research into the geographical origin of existing SWPF revenue, and expected sources of future revenue and expenditures by region. The Task Force asked for additional information from Dr. Kriz on where future expenditures may be targeted or distributed. The Task Force then entered deliberations on the funding proposal drafted at the September meeting and took action to present a final proposal. This deliberation and decision is detailed in the "Recommendation" section of this report, and the full minutes of the October 31, 2016 meeting are presented in the appendix.

## **Public Input**

The April 19<sup>th</sup> meeting of the Blue Ribbon Funding Task Force for Water Resource Management was chaired by Tracy Streeter, Director, Kansas Water Office. Testimony was received on existing funding needs, future needs, and possible revenue sources in five subject areas; Funding, Water Conservation and Management, Technology and Crop Variety, Additional Sources of Supply, and Education. All testimony is available to the public and is posted on the Kansas Water Office website at [www.kwo.org](http://www.kwo.org).

## ***Funding***

Testimony was received by Brad Loveless (Kansas Alliance for Wetlands and Streams), Leslie Kaufman (Kansas Cooperative Council), Nick Guetterman (Kansas Farm Bureau), Darci Meese (WaterOne), Randy Stookey (Kansas Ag Retailers Association), and Allyn Lockner (Self).

Questions and discussion from the Task Force included the following:

- On the fertilizer tonnage fee proposed by the Kansas Ag Retailers Association in their testimony, that it would require a change in statute.
- Mr. Lockner further discussed his proposal to recruit Kansans through an entity such as the Kansas Volunteer Commission to do work to improve water quality and complete water projects.
- Mr. Loveless discussed that user fees must come from a variety of sources, included the recreational users and irrigation users to benefit conservation. There are many programs in place, but they are underfunded.
- Mr. Guetterman expanded on his testimony regarding the landlord/tenant relationship, stating that there is a need for education and awareness on the importance of conservation practices. Cost-share programs as they exist now have problems, such as they are over too long of time period, to make it worthwhile. Programs are also outdated and need to look at new research in order to be more effective.
- Ms. Meese discussed the possible ways Regional Advisory Committees could be used as stakeholder groups to help establish fees and funding needs.

## ***Water Conservation and Management***

Testimony was received from Gary Satter (Glacial Hills RC&D), Cleve Reasoner (Wolf Creek Nuclear Operating Corporation), Tom Huntzinger (Upper Wakarusa Watershed), Rob Manes (Nature Conservancy), Jared “Pete” Gile (Kansas Bostwick Irrigation District), and Ed Hockenberg (Perry Yacht Club).

Questions and discussion from the Task Force included the following:

- Mr. Reasoner expanded on the increase in water fees Wolf Creek will pay in the upcoming year.
- Mr. Hockenberg discussed lake level management at Perry. He said that his members may be open to contributing their “fair share” to helping secure storage at the reservoir.
- The Task Force asked about a prioritization of efforts, or any barriers to get things done. The group discussed that you cannot prioritize activities such as dredging over streambank stabilization, because the solution will be a mixture of many strategies. Mr. Satter cited the WRAPS system, which has a built-in priority mechanism, and also agreed that wetland forebays are a priority.
- Mr. Gile said that a barrier is the size of some projects and the inability to secure funds for cost-share programs.

- The group of presenters agreed that it is always more efficient to prevent problems than remediate them later.
- Mr. Huntzinger expanded on wetland forebays, explaining they are storm run-off retention structures to control inlets and outlets. Stream run-off goes into the wetland to settle sediment, rather than going into the reservoir.
- The Task Force asked if stakeholders would be more agreeable to fees if money is targeted to specific projects. The reaction was mixed. While the politics of funding will always be important, they felt stakeholders would like to see where the need is, and where you can get the most “bang for the buck.” It was noted that all WRAPS funding is already targeted, as are streambank projects.

#### Technology and Crop Variety

Testimony was received from Greg Krissick (Kansas Corn Growers), Fred Jones (City of Garden City), Kent Winter (Kansas Grain Sorghum Producers Association), and Tom Willis (T&O Farms and Water Technology Farm Sponsor).

Questions and discussion from the Task Force included the following:

- The task force was interested in water rates in Garden City. Mr. Jones explained that current re-use is part of the current power purchase agreement. For future re-use, a rate specific to industry would be developed, but would still be lower than potable rates to encourage use. The City is looking to a recharge project in the future. While they have not proposed a direct potable reuse, they are currently setting up the framework to have the discussion in the future.
- In terms of the future use of sorghum as a crop, Mr. Winter stated that there is growth, as China has now entered the sorghum market, increasing the human food potential. There are also many advances being made in processing techniques.
- Questions were asked about the Water Technology Farm Mr. Willis is involved with. Mr. Willis discussed his hypothesis that you can control the aquifer levels on your farm. He hopes that through further testing and example, it will be determined that these technologies are applicable and worth the investment. The Water Technology Farm will also test sorghum.

#### Additional Sources of Supply

Testimony was received from Mark Rude (Southwest Groundwater Management District No. 3), Howard Neibling (University of Idaho), Hi Lewis, and Duane Hund (Watershed Districts).

Questions and discussion from the Task Force included the following:

- Could Kansas implement some of the same technologies to re-use oil and gas water as they do in Oklahoma? It is possible, according to those present.

#### Education

Testimony was received from Dana Ladner (KDA, Education and Outreach Working Group) and Jared Bixby (KACEE).

Questions and discussion from the Task Force included the following:

- Are other states being talked to or used as an example in education efforts? Ms. Ladner said the Education and Outreach Coordinating Team had reached out to Texas and Colorado. Texas uses an outside marketing firm for their education efforts, and Colorado uses in-house resources.

- The Task Force asked about the general importance of education and how it could affect the outcome of water Vision efforts. Those testifying discussed how the current fragmented message makes it hard to determine current outcomes, but that a consistent message could lead to much greater awareness across the state.

### **Alternatives Considered**

The first funding proposal (Proposal A) considered and put forth for feedback was deliberated at the June meeting. Proposal A raised \$54.2 million in revenue from existing fee sources, additional fees, and a bottled water fee. Municipal fees, industrial fees, stockwater fees, and the Clean Drinking Water Fee Fund (CDWFF) were each raised from the current \$.03/1000 gallons to \$.10/1000 gallons. An irrigation use fee of \$.05/1000 gallons was also implemented. Fertilizer fees were decreased from \$1.40/ton to \$.70/ton and pesticide fees were decreased from \$100/license to \$50/license. Sand royalty fees were eliminated. The bottled water fee was proposed at \$.04/bottle of water sold in Kansas. The largest single revenue contributor was the bottled water fee, raising \$19.9 million.

Proposal A raised adequate revenue, but public feedback provided and comments from Task Force members ultimately raised questions regarding the fee increases, as well as the addition of the irrigation fee. GMDs and other western irrigators believed this resulted in a double fee on irrigators, as they are assessed at a greater amount in property tax for irrigated land. The Kansas Livestock Association also expressed concern that the increase in the stockwater fee would be passed on to a small number of producers, resulting in an unfair burden on few fee payers. The bottled water fee also proved to be problematic. In consultation with the Kansas Department of Revenue, the bottled water fee was found less attractive by the Task Force due to the question of where to collect the fee. A fee at the point of sale would be logistically difficult to implement, while a fee on the wholesale quantity would be disproportionately large on Kansas bottlers.

Municipalities and public water suppliers expressed concern at the increase in fees on residential water customers. Any fee increase is generally met with questions and objection, no matter how large or small. This was a similar concern with a residential electric fee, even if it was assessed statewide. Task Force members discussed ways to communicate the need for the increases with customers if there was a desire to continue with Proposal A.

Regional Advisory Committees throughout the State expressed a desire for portions of the funds raised be distributed directly back to the regions that generate the funds. The Task Force discussed this concept on multiple occasions and decided to defer this to the Kansas Water Authority for further development and consideration.

## Recommendation

At the October 31, 2016 meeting, Task Force members took action to approve a recommendation to the Governor and the Legislature during the 2017 legislative session.

The Task Force came to the consensus that the number of roughly \$55 million in total for the SWPF is appropriate. This allows flexibility for large expenditures, such as purchase of storage at reservoirs, while allowing the KWA to act as the entity to prioritize projects and Vision-related funding items.

The Task Force approved a proposal that allows one-tenth of one percent of existing state-wide sales tax to be marked for the SWPF, asks that the funds be constitutionally protected, is subject to a voter referendum every 10 years, and recommended a review of all existing user fees by the legislature five years after successful collection of the state sales tax, to continue every 5 years thereafter.

The Task Force fully supports funding the SGF & EDIF Fund obligation by the legislature during the 2017 session for the FY2018 and 2019 budget, or until the proposed sales tax revenue is successfully collected.

|                        |              | Based on 2011-2015 Average Usage |                      |          |                      |
|------------------------|--------------|----------------------------------|----------------------|----------|----------------------|
|                        |              | Current                          |                      | Proposed |                      |
|                        | Units        | Fee                              | Revenue Generated    | Fee      | Revenue Generated    |
| Municipal Fees         | ¢ / 1000 Gal | 3                                | \$ 3,318,143         | 3        | \$ 3,318,143         |
| Industrial Fees        | ¢ / 1000 Gal | 3                                | \$ 1,095,350         | 3        | \$ 1,095,350         |
| Stockwater Fees        | ¢ / 1000 Gal | 3                                | \$ 374,448           | 3        | \$ 374,448           |
| CDWFF                  | ¢ / 1000 Gal | 3                                | \$ 2,998,235         | 3        | \$ 2,998,235         |
| Irrigation Use Fee     | ¢ / 1000 Gal | 0                                | \$ -                 | 0        | \$ -                 |
| Irrigation Use Fee     | \$/ Af       | 0                                | \$ -                 | 0        | \$ -                 |
| Fertilizer Fees        | \$/ Ton      | 1.4                              | \$ 3,416,703         | 1.4      | \$ 3,416,703         |
| Sand Royalties         | \$/ Ton      | 0.15                             | \$ 100,873           | 0.15     | \$ 100,873           |
| Pesticide Fees         | \$/ License  | 100                              | \$ 1,202,420         | 100      | \$ 1,202,420         |
| Sales Tax              | %            | 0.0%                             | \$ -                 | 0.1%     | \$ 43,397,814        |
| Bottled Water Fee      | ¢ / Bottle   | 0                                | \$ -                 |          | \$ -                 |
| Electric Generation    | ¢ / MWH      | 0                                | \$ -                 |          | \$ -                 |
| Electric Residential   | ¢ / kWh      | 0                                | \$ -                 |          | \$ -                 |
| Watershed Reservoirs   | ¢ / 1000 Gal | 0                                | \$ -                 |          | \$ -                 |
| Rec/Hunting Marsh      | ¢ / 1000 Gal | 0                                | \$ -                 |          | \$ -                 |
| Sand/Gravel Pit Evap   | ¢ / 1000 Gal | 0                                | \$ -                 |          | \$ -                 |
| <b>Total SWPF Fees</b> |              |                                  | <b>\$ 12,506,172</b> |          | <b>\$ 55,903,986</b> |

### **Oversight**

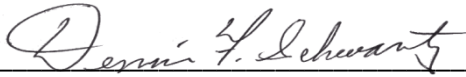
The Task Force agreed that the KWA should continue to act as they do now as the body that recommends appropriation amounts from the SWPF money. The KWA would be tasked with working with the Regional Advisory Committees to determine regional priorities, and look to distribute some of the fees collected back to the region they came from. A continual review of Vision and statewide priorities will be necessary.

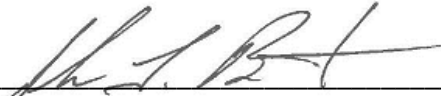
Through additional discussion, membership of the KWA was brought to the table as worthy of review by the Legislature. Some Task Force members expressed concern that a large percentage of payers, such as those in large metropolitan areas, were not guaranteed equal representation on the KWA with the current appointment breakdown. The Task Force took action to recommend to the Legislature and the KWA to look at the statute relative to the makeup of the KWA, and seek to include demographic and user fee participation as guidelines for representation and appointments.




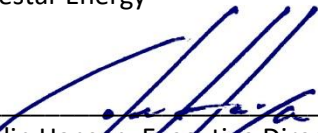
Respectfully Submitted,


  
Randall Allen, Executive Director  
Kansas Association of Counties

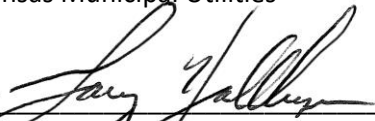
  
Dennis Schwartz, Director  
Kansas Rural Water Association

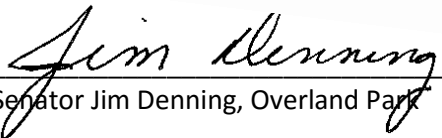
  
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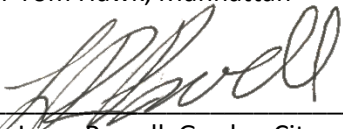
  
Gary Harshberger, Chairman  
Kansas Water Authority

  
Senator Jim Denning, Overland Park

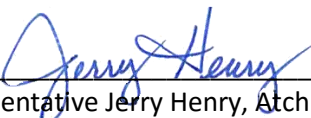
  
Terry Holdren, Chief Executive Officer  
Kansas Farm Bureau

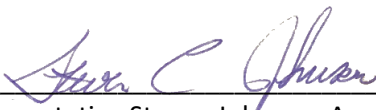
  
Senator Tom Hawk, Manhattan

  
Karina Mason, Member  
Kansas Chamber

  
Senator Larry Powell, Garden City

  
Erik Sartorius, Executive Director  
League of Kansas Municipalities

  
Representative Jerry Henry, Atchison

  
Representative Steven Johnson, Assaria

  
Representative Sharon Schwartz, Washington

## **Appendix**

- a. Powerpoint of Funding Demands presented by Agencies and Public Input
- b. Revenue fee table with proposal
- c. Background information on bottled water fee
- d. October 31, 2016 meeting minutes
- e. KWA Memo to Task Force
- f. Maps presented to Task Force

June 16, 2016

# BLUE RIBBON FUNDING TASK FORCE

KNOWN FUNDING DEMANDS  
UPDATED

# Vision for the Future of Water Supply

## Implementation Costs - \$45,900,000

|                        | Water Conservation  | Water Management | Technology and Crop Varieties | Additional Sources of Water |
|------------------------|---|------------------|-------------------------------|-----------------------------|
| Research               |   | \$300,000        | \$3,000,000                   | \$500,000                   |
| Education and Outreach | Presented at April Meeting                                      |                  |                               |                             |
| Actions and Practices  | \$22,000,000  | \$100,000        | \$1,500,000                   | \$17,500,000                |
| Administration         | Should agency administration be paid from implementation funds? |                  |                               |                             |
| <b>Total</b>           | \$22,000,000  | \$400,000        | \$4,500,000                   | \$19,000,000                |

# Vision for the Future of Water Supply

## Implementation Costs - \$50,050,000

|                        | Water Conservation  | Water Management | Technology and Crop Varieties | Additional Sources of Water |
|------------------------|---|------------------|-------------------------------|-----------------------------|
| Research               |   | \$300,000        | \$3,000,000                   | \$500,000                   |
| Education and Outreach | \$4,250,000   |                  |                               |                             |
| Actions and Practices  | \$21,900,000  | \$100,000        | \$1,500,000                   | \$17,500,000                |
| Administration         | Should agency administration be paid from implementation funds? |                  |                               |                             |
| <b>Total</b>           | \$26,150,000  | \$400,000        | \$4,500,000                   | \$19,000,000                |

# Public Input Funding Needs

## Not Included in Previous Known Demands

### Technology and Crop Varieties

| Technology and Crop    | Action   | Cost               |
|------------------------|--|--------------------|
| Research               | Research & develop wastewater treatment technologies which provide water quality and quantity suitable for livestock consumption to promote reuse of wastewater generated by livestock facilities. | \$1,000,000        |
|                        | Research & develop sensors, control, and mechanical devices that will reliably control and limit wintertime overflows from livestock water supply tanks.   | \$500,000          |
| Education and Outreach | Extension Systems Ag Research Programs   | \$5,000,000        |
| Actions and Practices  |  |                    |
| Administration         |  |                    |
| <b>Total</b>           |  | <b>\$6,500,000</b> |

# Vision for the Future of Water Supply

## Implementation Costs - \$56,550,000

|                        | Water Conservation  | Water Management | Technology and Crop Varieties | Additional Sources of Water |
|------------------------|---|------------------|-------------------------------|-----------------------------|
| Research               |   | \$300,000        | \$4,500,000                   | \$500,000                   |
| Education and Outreach | \$4,250,000   |                  | \$5,000,000                   |                             |
| Actions and Practices  | \$21,900,000  | \$100,000        | \$1,500,000                   | \$17,500,000                |
| Administration         | Should agency administration be paid from implementation funds? |                  |                               |                             |
| <b>Total</b>           | \$26,150,000  | \$400,000        | \$11,000,000                  | \$19,000,000                |

\*Does not include all actions from plans being developed by Regional Advisory Committees

# Water Conservation Costs

| Water Conservation     | Action                                      | Cost                 |
|------------------------|---|----------------------|
| Research               |   |                      |
| Education and Outreach | Strategic Education Plan                    | \$ 4,250,000         |
| Actions and Practices  |   |                      |
|                        | Implementation of Best Management Practices | \$ 15,500,000        |
|                        | Streambank Stabilization                    | \$ 5,000,000         |
|                        | Construction of Watershed Dams              | \$ 1,000,000         |
|                        | CREP Implementation                         | \$ 400,000           |
| Administration         |   |                      |
| <b>Total</b>           |   | <b>\$ 26,150,000</b> |



# Water Management

| Water Management       | Action                                   | Cost              |
|------------------------|--|-------------------|
| Research               |  |                   |
|                        | Kansas River Stream Aquifer Model        | \$ 160,000        |
|                        | Kansas River Alluvial Index Well Network | \$ 40,000         |
|                        | Kanapolis Reallocation Feasibility Study | \$ 100,000        |
| Education and Outreach |  |                   |
| Actions and Practices  |  |                   |
|                        | Planning & Technical Assistance for PWS  | \$ 100,000        |
| Administration         |  |                   |
| <b>Total</b>           |  | <b>\$ 400,000</b> |

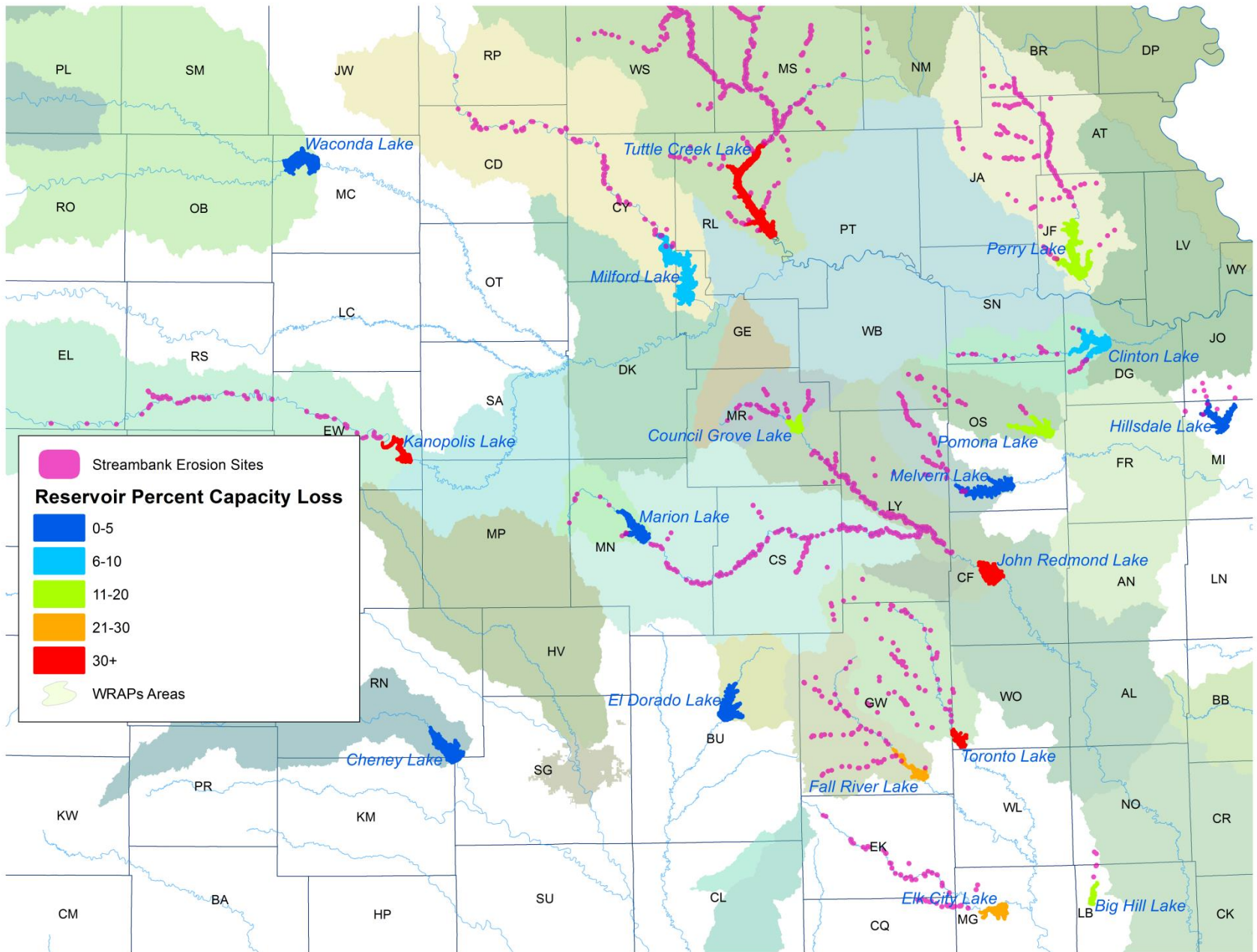
# Technology and Crop Varieties

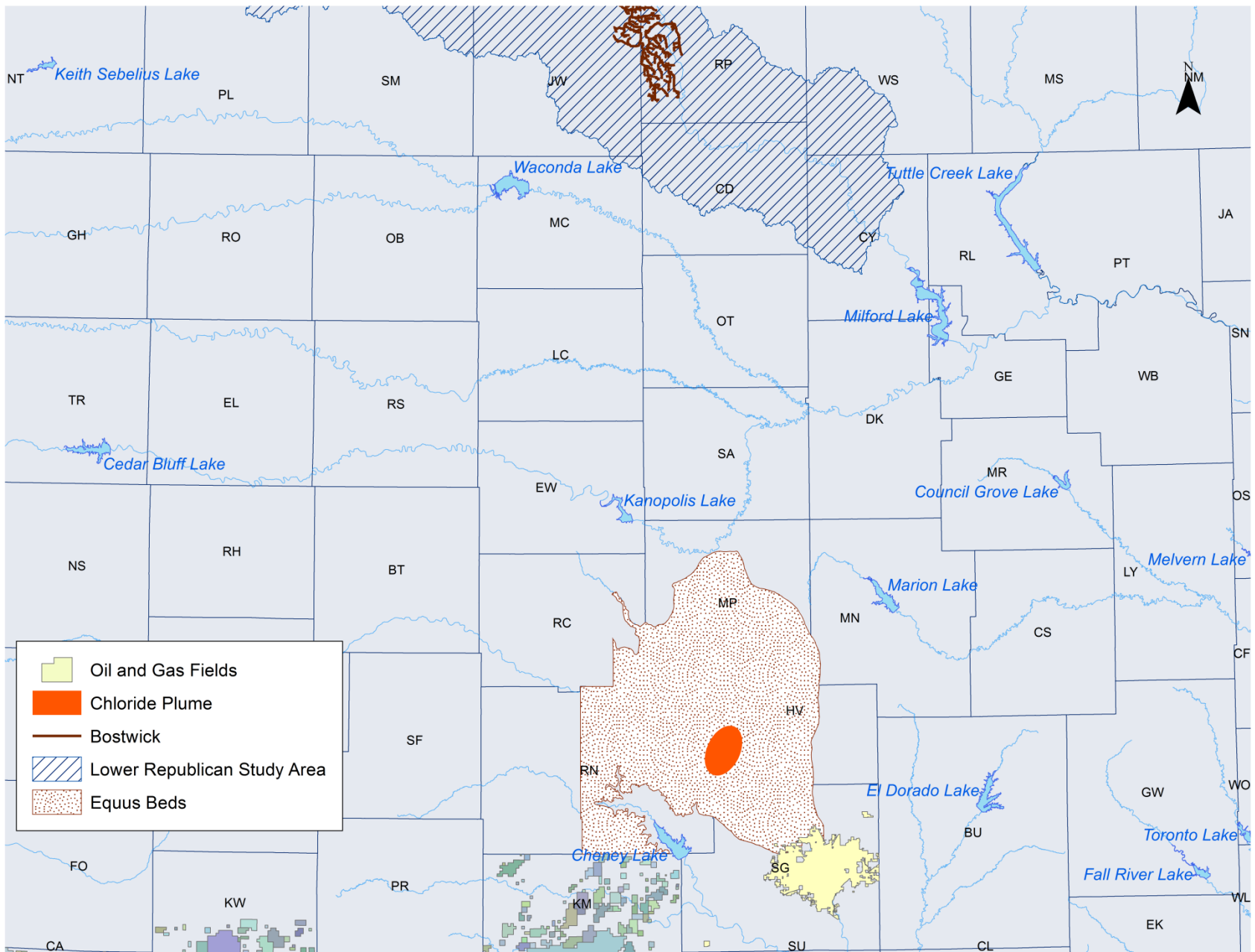
| Technology and Crop   | Action                                | Cost                                   |
|-----------------------|---------------------------------------|--|
| Research              | Stream Gaging Network                 | \$ 500,000                             |
|                       | LiDAR Aquisition                      | \$ 60,000                              |
|                       | Bathymetric Surveys                   | \$ 150,000                             |
|                       | Sediment Coring                       | \$ 50,000                              |
|                       | In-stream Sediment Monitoring         | \$ 150,000                             |
|                       | Expand High Plains Index Well Network | \$ 65,000                              |
|                       | Less Water Intensive Crop Research    | \$ 2,000,000                           |
|                       | Livestock Wastewater Treatment        | \$ 1,000,000                           |
|                       | Livestock Water Supply Tank Overflow  | \$ 500,000                             |
|                       | Education and Outreach                | Extension Systems Ag Research Programs |
| Actions and Practices | Maintenance of hydrogeologic models   | \$ 25,000                              |
|                       | Irrigation Technology Adoption        | \$ 1,500,000                           |
| Administration        |                                       |  |
| <b>Total</b>          |                                       | <b>\$ 11,000,000</b>                   |

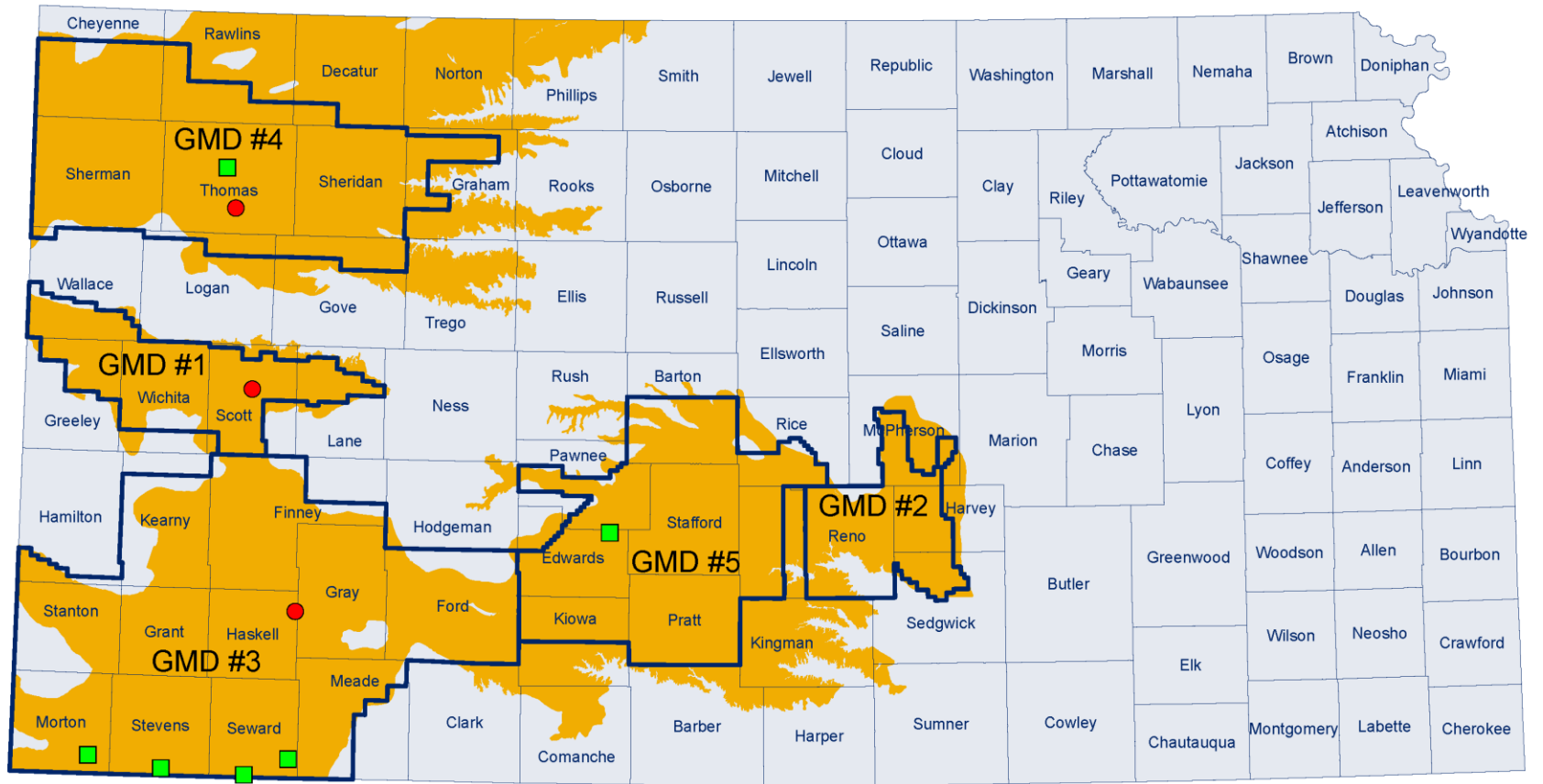
# Additional Sources of Supply

| Additional Sources     | Action  | Cost                 |
|------------------------|---|----------------------|
| Research               | Identify additional reservoir sites & Feasibility   | \$ 200,000           |
|                        | Model to Assess Chloride Remediation of Equus Beds  | \$ 200,000           |
|                        | Expand models of aquifers containing brackish water | \$ 30,000            |
|                        | Research Treatment of Lower Quality Water           | \$ 120,000           |
| Education and Outreach |   |                      |
| Actions and Practices  | Call into service storage at Milford and Perry      | \$ 3,322,269         |
|                        | Construct MPSL reservoirs                           | \$ 2,000,000         |
|                        | Minimum Pool Agreements in the Solomon-Republican   | \$ 100,000           |
|                        | Sediment Removal                                    | \$ 10,000,000        |
|                        | Nitrate Removal/Remediation in PWS                  | \$ 2,000,000         |
|                        | Projects to remediate brackish water                | \$ 1,000,000         |
| Administration         |   |                      |
| <b>Total</b>           |   | <b>\$ 18,972,269</b> |

Questions?







2011-2015 Average Usage

|                        | Units        | Current |                      | Proposed |                      | Impact Units            | Current   | Proposed  | Frequency | Total number of Units |
|------------------------|--------------|---------|----------------------|----------|----------------------|-------------------------|-----------|-----------|-----------|-----------------------|
|                        |              | Fee     | Revenue Generated    | Fee      | Revenue Generated    |                         |           |           |           |                       |
| Municipal Fees         | ¢ / 1000 Gal | 3       | \$ 3,318,143         | 3        | \$ 3,318,143         | Family of four          | \$ 0.45   | \$ 0.45   | Monthly   | 614,471               |
| Industrial Fees        | ¢ / 1000 Gal | 3       | \$ 1,095,350         | 3        | \$ 1,095,350         |                         |           |           |           |                       |
| Stockwater Fees        | ¢ / 1000 Gal | 3       | \$ 374,448           | 3        | \$ 374,448           | 1,000 Head of Cattle    | \$ 164.25 | \$ 164.25 | Annual    |                       |
| CDWFF                  | ¢ / 1000 Gal | 3       | \$ 2,998,235         | 3        | \$ 2,998,235         | Family of four          | \$ 0.45   | \$ 0.45   | Monthly   | 555,229               |
| Irrigation Use Fee     | ¢ / 1000 Gal | 0       | \$ -                 | 0        | \$ -                 | 125 Acre                | \$ -      | \$ -      | Annual    | 25,350                |
| Irrigation Use Fee     | \$/ Af       | 0       | \$ -                 | 0        | \$ -                 | 125 Acre                | \$ -      | \$ -      | Annual    | 25,350                |
| Fertilizer Fees        | \$/ Ton      | 1.4     | \$ 3,416,703         | 1.4      | \$ 3,416,703         | 125 Acre Irrigated Corn | \$ 11.81  | \$ 11.81  | Annual    |                       |
|                        |              |         |                      |          |                      | 125 Acre Dryland Corn   | \$ 4.81   | \$ 4.81   | Annual    |                       |
| Sand Royalties         | \$/ Ton      | 0.15    | \$ 100,873           | 0.15     | \$ 100,873           |                         |           |           |           |                       |
| Pesticide Fees         | \$/ License  | 100     | \$ 1,202,420         | 100      | \$ 1,202,420         |                         |           |           |           |                       |
| Sales Tax              | %            | 0.0%    | \$ -                 | 0.1%     | \$ 43,397,814        |                         |           |           | Annual    |                       |
| Bottled Water Fee      | ¢ / Bottle   | 0       | \$ -                 |          | \$ -                 | Individual              | \$ -      | \$ -      | Annual    |                       |
| Electric Generation    | ¢ / Mwh      | 0       | \$ -                 |          | \$ -                 |                         |           |           |           |                       |
| Electric Residential   | ¢ / Kwh      | 0       | \$ -                 |          | \$ -                 | Residential Customer    | \$ -      | \$ -      | Monthly   | 1,228,858             |
| Watershed Reservoirs   | ¢ / 1000 Gal | 0       | \$ -                 |          | \$ -                 |                         |           |           |           |                       |
| Rec/Hunting Marsh      | ¢ / 1000 Gal | 0       | \$ -                 |          | \$ -                 |                         |           |           |           |                       |
| Sand/Gravel Pit Evap   | ¢ / 1000 Gal | 0       | \$ -                 |          | \$ -                 |                         |           |           |           |                       |
| <b>Total SWPF Fees</b> |              |         | <b>\$ 12,506,172</b> |          | <b>\$ 55,903,986</b> |                         |           |           |           |                       |



**Blue Ribbon Funding Task Force for Water Resource Management**  
**Bottled Water Fee – Additional Information**  
**Source: Kansas Department of Revenue**

**Definition of “Bottled Water”**

According to the Streamlined Sales and Use Tax Agreement (SSUTA), “bottled water” means “water that is placed in a safety sealed container or package for human consumption. Bottled water is calorie free and does not contain sweeteners or other additives except that it may contain: (i) antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals, and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or essences derived from a spice or fruit. "Bottled water" includes water that is delivered to the buyer in a reusable container that is not sold with the water.”

KDOR suggested two options that could be implemented and keep Kansas in compliance with SSUTA; assessing a unit tax on packages sold (cents/bottle) or assessing a gallonage tax on packaged water (cents/gallon).

**Tax on packages Sold**

**Fee at Retail Level**

Statute should specify whether the fee is imposed directly on the consumer or if it is imposed on the seller.

- On the seller it would be included in the sales price unless the statute authorizing or imposing the fee provides that the seller may, but is not required, to collect such tax from the consumer.
- If the fee is excluded from the sales price, the statute should require it to be separately stated on the invoice provided to the purchaser.

**Fee at Wholesale Level**

If the fee is imposed at the wholesale level, it is assumed that the fee would be included in the cost of the product to the retailer and included in the sale price.

Anticipated Revenues: <sup>1</sup>

| Bottles/gallon | Bottles Used | Annual Revenue | Annual Revenue |
|----------------|--------------|----------------|----------------|
|                |              | \$0.01/bottle  | \$0.04/bottle  |
| 4              | 425,099,586  | \$4,250,996    | \$17,003,983   |
| 5              | 531,374,483  | \$5,313,745    | \$21,254,979   |
| 6              | 637,649,379  | \$6,376,494    | \$25,505,975   |
| 7              | 743,924,276  | \$7,439,243    | \$29,756,971   |
| 8              | 850,199,172  | \$8,501,992    | \$34,007,967   |

**Discussion points for fee imposed directly on consumer**

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<sup>1</sup> According to the International Bottled Water Association, U.S. per capita consumption of bottled water in 2015 was 36.5 gallons. With a Kansas population of 2.912 million, this equates to 106.3 million gallons of bottled water consumed in 2015. Since bottled water is sold in various sized containers, it is not clear how to determine how many bottles would be used per gallon of water. The table shows how many bottles would be consumed based on the number of bottles used per gallon of water.

- If the fee were imposed directly on the consumer, the retailer would need to modify its receipts to report the tax to the consumer. This would create a greater hardship on smaller retailers who may not have a sophisticated computer system to track such sales and taxes.
- Bulk sales and the use of refillable containers, such as home and office delivery services (ie. LindySpring and others), would need to be addressed.
  - Would all containers be taxed, or only those containers within a certain size range?
  - Would all sized containers be taxed at the same rate? This may lead to a perceived unfairness by the consumer. For example, with a \$0.04/bottle tax, a 24 pack of 16.9 ounce bottles would be taxed at \$0.96. A 24 pack of 16.9 ounce bottles contains about 3 gallons of water. Purchasing the same 3 gallons of water in one gallon containers would only bear a \$0.04/bottle tax of \$0.12.
- Consumer concern may also arise from a bottle tax being applied to bottled water but not to other beverages sold in similar containers.

**Gallonage Tax**

If a gallonage tax were imposed, the following table shows potential revenues at various tax thresholds.

| <u>Cents/Gallon</u> | <u>Annual Revenue</u> |
|---------------------|-----------------------|
| \$0.01              | \$ 1,062,749          |
| \$0.02              | \$ 2,125,498          |
| \$0.03              | \$ 3,188,247          |
| \$0.04              | \$ 4,250,996          |
| \$0.05              | \$ 5,313,745          |
| \$0.10              | \$ 10,627,490         |
| \$0.15              | \$ 15,941,234         |
| \$0.20              | \$ 21,254,979         |
| \$0.25              | \$ 26,568,724         |
| \$0.30              | \$ 31,882,469         |
| \$0.35              | \$ 37,196,214         |

A gallonage tax may be less problematic since it would be assessed on a wholesale level. It is anticipated that it could be implemented in a similar fashion to the existing gallonage tax on liquor.

**Meeting Minutes of the Blue Ribbon Task Force for Water Resource Management  
October 31, 2016, 1:00 p.m.**

The Blue Ribbon Funding Task Force for Water Resource Management (Task Force) met on October 31, 2016, at 1:00 p.m. in the Kansas Soybean Association Board Room.

Members present were: Terry Holdren, Kansas Farm Bureau; Aaron Popelka, Kansas Livestock Association (representing Matt Teagarden); Tom Hawk, Kansas Senate; Colin Hanson, Kansas Municipal Utilities; Karma Mason, Kansas Chamber; Larry Powell, Kansas Senate; Gary Harshberger, Kansas Water Authority; Jim Denning, Kansas Senate; Steven Johnson, Kansas House; Eric Sartorius, League of Kansas Municipalities; Tom Tunnell, Kansas Grain and Feed Association; Rob Reschke, Kansas Department of Agriculture (representing Secretary Jackie McClaskey); Gary Mason, Kansas Department of Health and Environment (representing Secretary Susan Mosier); Tracy Streeter, Kansas Water Office; Brad Loveless, Westar Energy (representing John Bridson); Dennis Schwartz, Kansas Rural Water Association.

**Feedback**

The Task Force began by reviewing the proposal last discussed at the September meeting, which was to designate one-tenth of one percent of existing state sales tax to the State Water Plan Fund (SWPF), and leave the existing user fees unchanged.

Kansas Water Authority (KWA) Chairman Gary Harshberger discussed the memo sent to the Task Force, emphasizing that the KWA stands ready to be the decision making body regarding disbursement of funds and prioritization of projects throughout the state. He also discussed the targeted funding for Vision implementation, and the coordination with Regional Advisory Committees on some funding being targeted to regions.

Also discussed was the Kansas Farm Bureau and the Kansas Livestock Association joint letter to the Task Force regarding the proposal. Kansas Farm Bureau agrees with the KWA being the entity to disburse and oversee the funding, but would like to see more emphasis on public-private partnerships, especially in the education area, in order to best leverage funds. They do not support the establishment of an irrigation user fee. Additionally, the State should meet its statutory obligation and transfer \$6 million from the State General Fund to the SWPF. Kansas Livestock Association agreed with what Kansas Farm Bureau discussed, and also expressed interest in seeing the stockwater user fee phased out, as the users do not see direct benefit from the SWPF, and are not asking for additional services.

Dr. Ken Kriz, Wichita State University, presented the analysis of the user fees and sales tax generation being done and indicated he will be providing updates to the Task Force as they become available.

**Deliberations**

The discussion kicked off with the total revenue proposal, and the Task Force came to the consensus that the number of roughly \$55 million in total for the SWPF is appropriate. This allows flexibility for large expenditures, such as purchase of Future Use Storage at reservoirs, while allowing the KWA to act as the entity to prioritize projects and Vision-related funding items. Also discussed were options for protecting the funds from being used for something else in the state budget.

Gary Harshberger moved to approve the request for one-tenth of one percent of existing sales tax marked for the SWPF, constitutionally protected, keeping the existing fee structure paid by water users. The motion was seconded by Terry Holdren.

Aaron Popelka amended the motion to add a mandatory sunset of all user fees to occur five years after sales tax collections begin, and implement a 10 year referendum on the sales tax by voters. The amendment was seconded by Larry Powell. The Amendment failed.

Gary Harshberger modified his original motion to state that the proposal recommend one-tenth of one percent sales tax marked for the SWPF, it is constitutionally protected, subject to a voter referendum every 10 years, and recommend a review of all existing user fees by the legislature five years after successful collection of the state sales tax, to continue every 5 years thereafter. The motion was seconded by Brad Loveless. The motion passed, with Karma Mason abstaining.

Terry Holdren moved to fully support funding the State General Fund & EDIF Fund obligation by the legislature during the 2017 session for the FY2018 and 2019 budget, or until the proposed sales tax revenue is successfully collected. The motion was seconded by Dennis Schwartz. The motion passed.

### **Oversight of Funding**

The Task Force agreed that the KWA should continue to act as they do now as the body that budgets the SWPF money. Senator Denning stated that he would support the membership of the KWA to be evaluated. KWO staff provided a breakdown of the current membership appointment process of the KWA. The Task Force agreed that the legislature could offer some additional guidance on membership, such as geographic representation, fees paid, demographics, etc.

Terry Holdren moved to recommend to the Legislature and the KWA to look at the statute relative to the makeup of the KWA, and seek to include demographic and user fee participation as guidelines for representation and appointments. The motion was seconded by Aaron Popelka. The motion carried.

### **Regional Spending**

Senator Powell moved to make a note in the Task Force report that the KWA should seek to establish a geographic expenditure of fees paid by each region, and should use the information provided by Wichita State University to make that happen. The motion was seconded by Gary Harshberger. The motion carried.

### **Report**

The report of the Task Force will be drafted by KWO staff and distributed to members for review. There will be a presentation at the Governor's Conference on the Future of Water in Kansas on November 14<sup>th</sup> highlighting the work and the proposal of the Task Force.

### **Future Meetings**

Future meetings of the Task Force will be decided on at a later date, pending completion of the report.

# MEMO



DATE: October 26<sup>th</sup>, 2016  
TO: Blue Ribbon Funding Task Force  
FROM: Gary Harshberger and Karma Mason  
RE: BRTF Funding and Vision Implementation

900 SW Jackson Suite 404  
Topeka, KS 66612  
Phone: (785) 296-3185  
Fax: (785) 296-0878  
www.kwo.org

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The Kansas Water Authority (KWA) met on October 19<sup>th</sup> and discussed the KWA leadership and decision making on the Vision Implementation Funding. Primary topics of the discussed included:

1. Kansas Water Authority and Blue Ribbon Funding Task Force roles
2. Funding target for use in Task Force Discussions
3. Dedicating a portion of future funding to regional areas
4. Information needed to support future requests

The consensus of the members was that since the KWA is the standing statutory body, the board should retain budget recommendation responsibility for water plan and vision implementation funding. This would include recommendations associated with any additional funding developed through the Blue Ribbon Funding Task Force.

Also discussed was the target funding for the Vision implementation. The KWA reviewed and discussed the Vision implementation spreadsheet provided to the Task Force at their last meeting. The KWA approved the overall funding target of approximately \$55 million as the level that would be required on an annual basis to implement the Vision and associated regional goal action plans. It is recognized that the projects that will be funded will vary from year to year, but the overall need will remain the same. Focusing funding to the highest priority projects and reprogramming funding once projects are completed will be key in maintaining credibility of the Vision process and the KWA's role in budgeting.

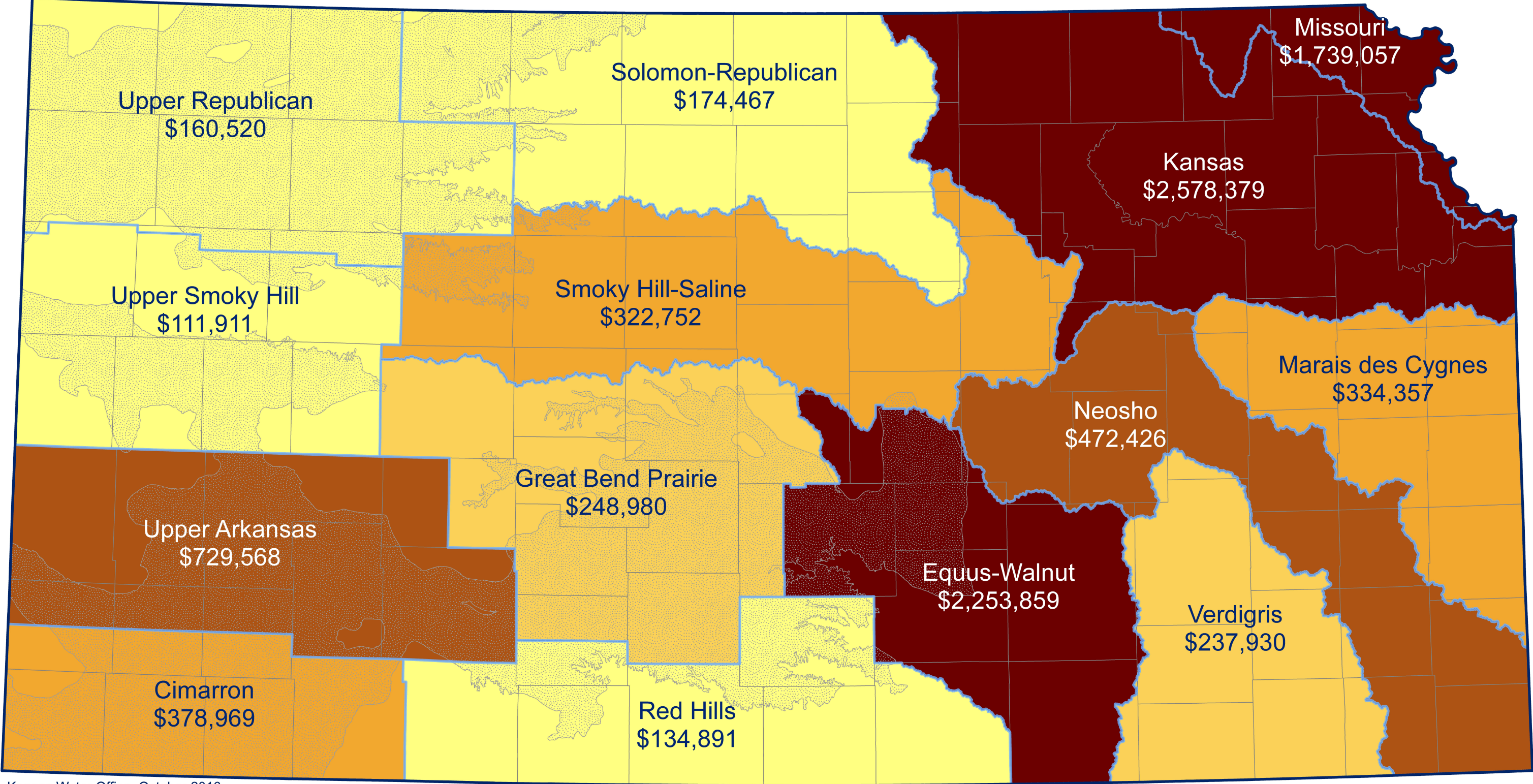
While there was not complete consensus, the general discussion by the KWA members was in support of some funding being targeted to regions. In any case, if funding is dedicated to regional activities, it should be guidance provided by the Regional Advisory Committees (RACs) to the KWA rather than be defined in statute. Further, the funding dedicated to a particular region would best be that which is associated with the fees that were derived in that region.

The KWA Budget Committee tasked the Kansas Water Office, in coordination with other agencies, with the goal of developing Project Sheets with detail to be included along with the Annual Report. The Kansas Water Office along with the other agencies will provided a comprehensive program analysis including program objectives, proposed activities, additional funding sources and consequences of not funding. Included in the detail would be RAC action plans, success stories and best management practice. The Program Analysis and associated 5 year Vision implementation budget proposal will be presented at the December KWA meeting and submitted in the Annual Report to the Governor.



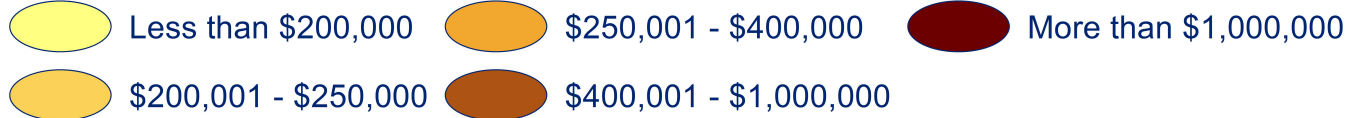
# Kansas Water Plan Fund Revenue by Regional Planning Area

## Based on Three-Year Average Total Water Use\* and Current Fees, 2012 - 2014



Kansas Water Office, October 2016

Average Revenue 2012-2014

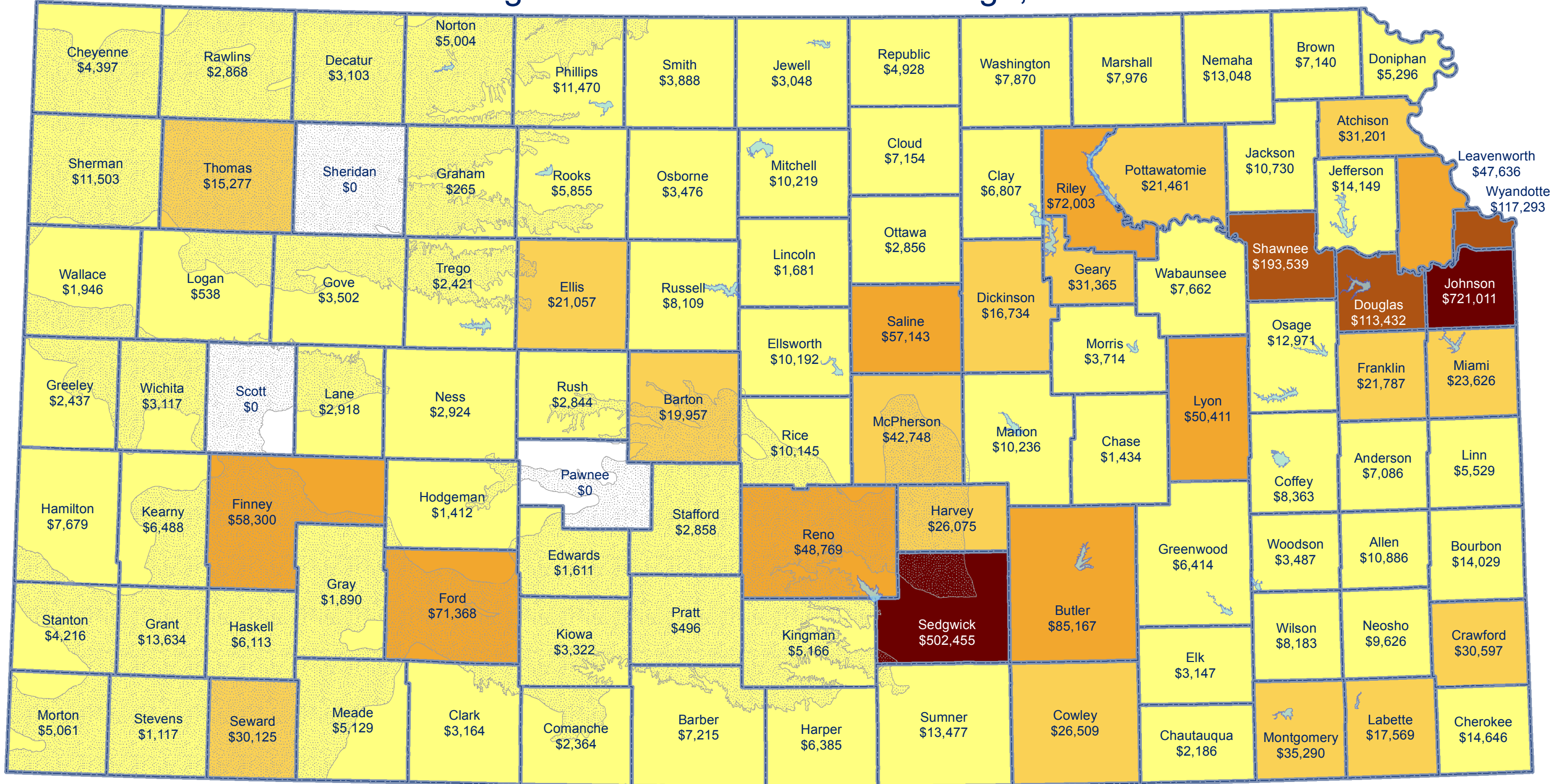


\*Industry, Municipal, Clean Drinking Water and Stock Water fee of 3 cents/1,000 gallons. Regional calculation based on point of diversion.



# Kansas Water Plan Fund Revenue by County

## Clean Drinking Water Fee Three-Year Average, 2012 - 2014



Kansas Water Office, January 2016

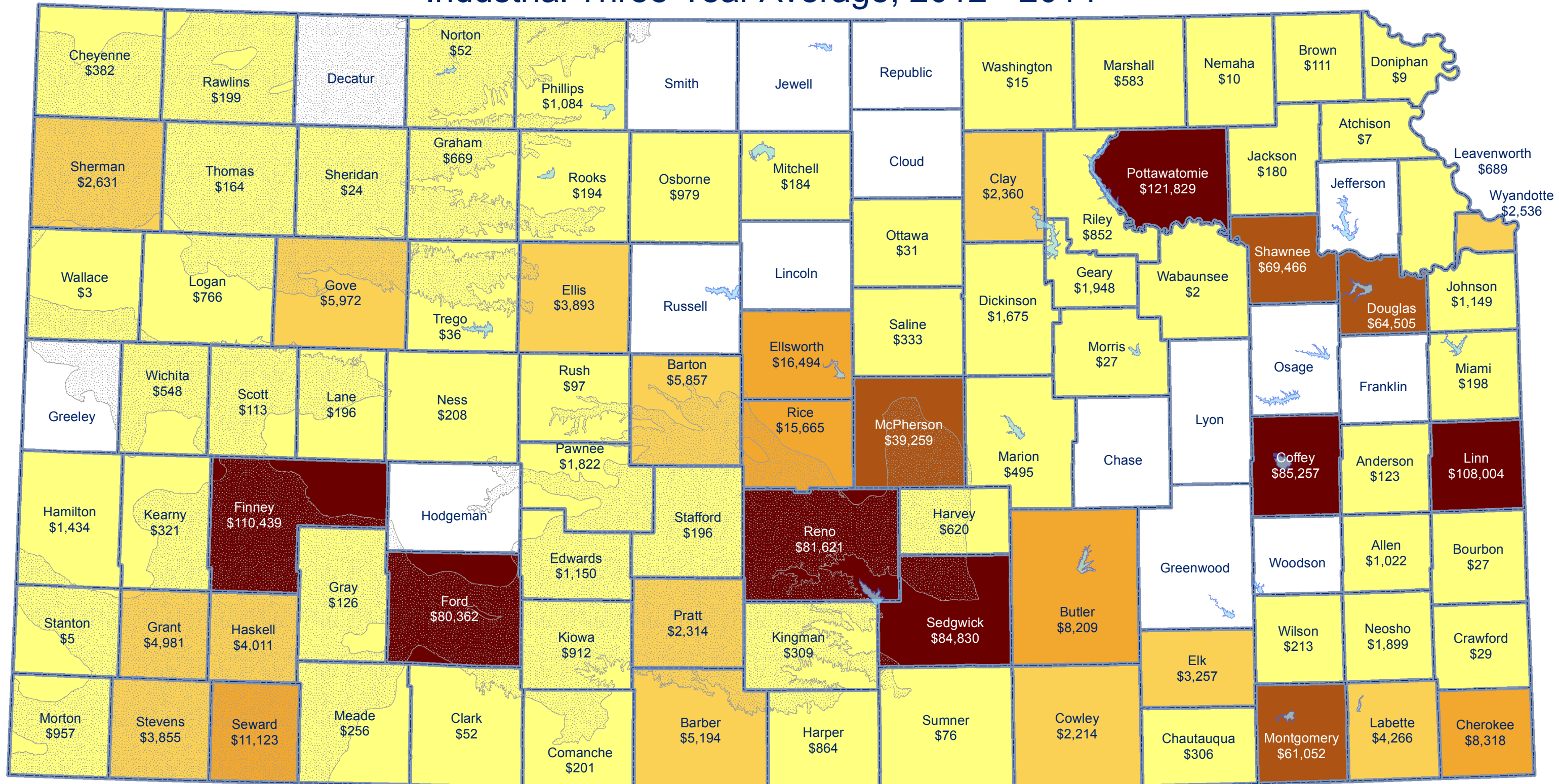
Average Revenue 2012-2014

Federal Lake
 County
 HighPlains

|                     |                      |                       |                     |
|---------------------|----------------------|-----------------------|---------------------|
| Less than \$15,000  | \$15,000 - \$45,000  | \$45,001 - \$100,000  | More than \$200,000 |
| \$15,000 - \$45,000 | \$45,001 - \$100,000 | \$100,001 - \$200,000 |                     |



# Kansas Water Plan Fund Revenue by County Industrial Three-Year Average, 2012 - 2014



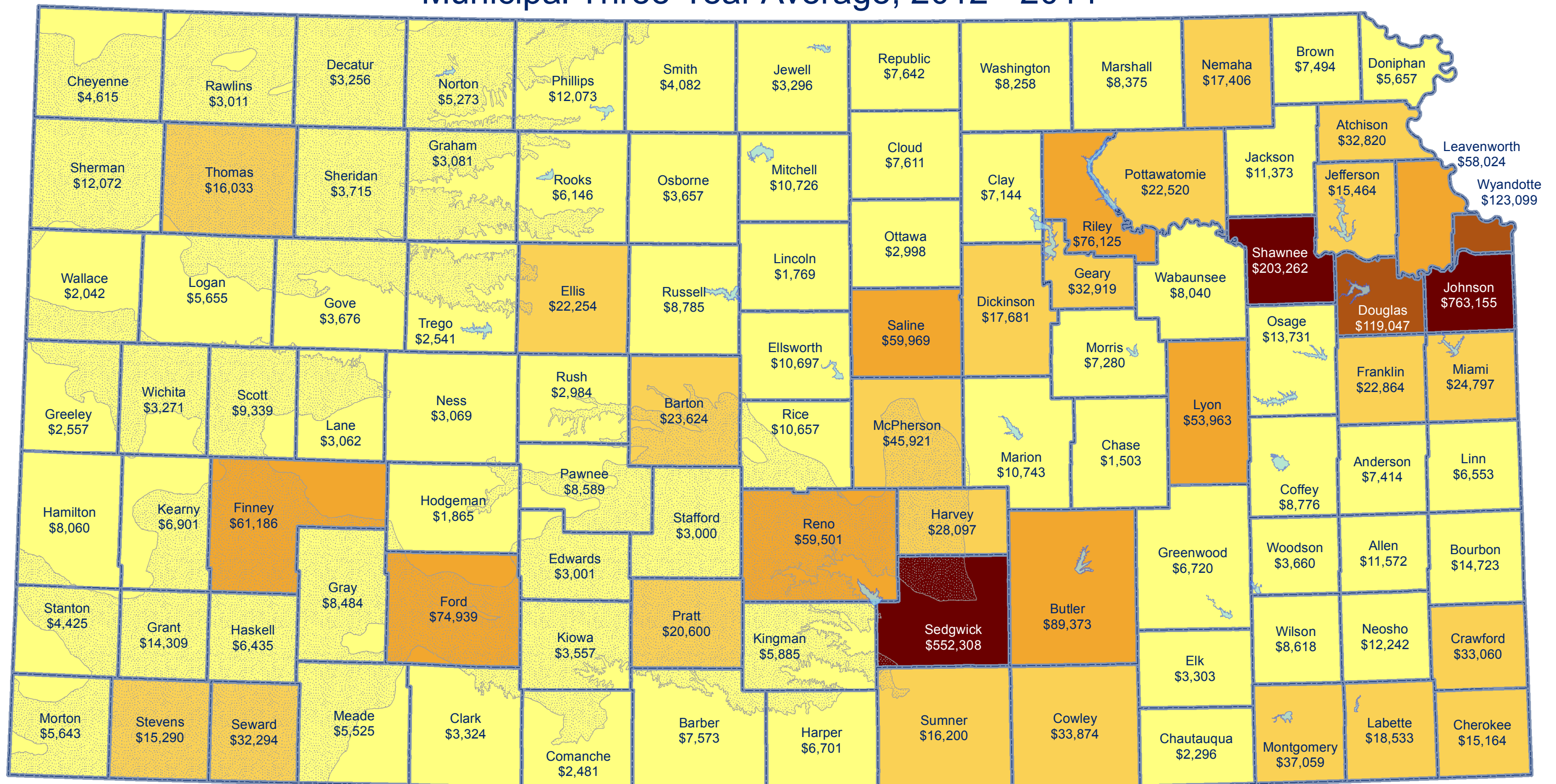
Kansas Water Office, January 2016

### Average Revenue 2012-2014





# Kansas Water Plan Fund Revenue by County Municipal Three-Year Average, 2012 - 2014

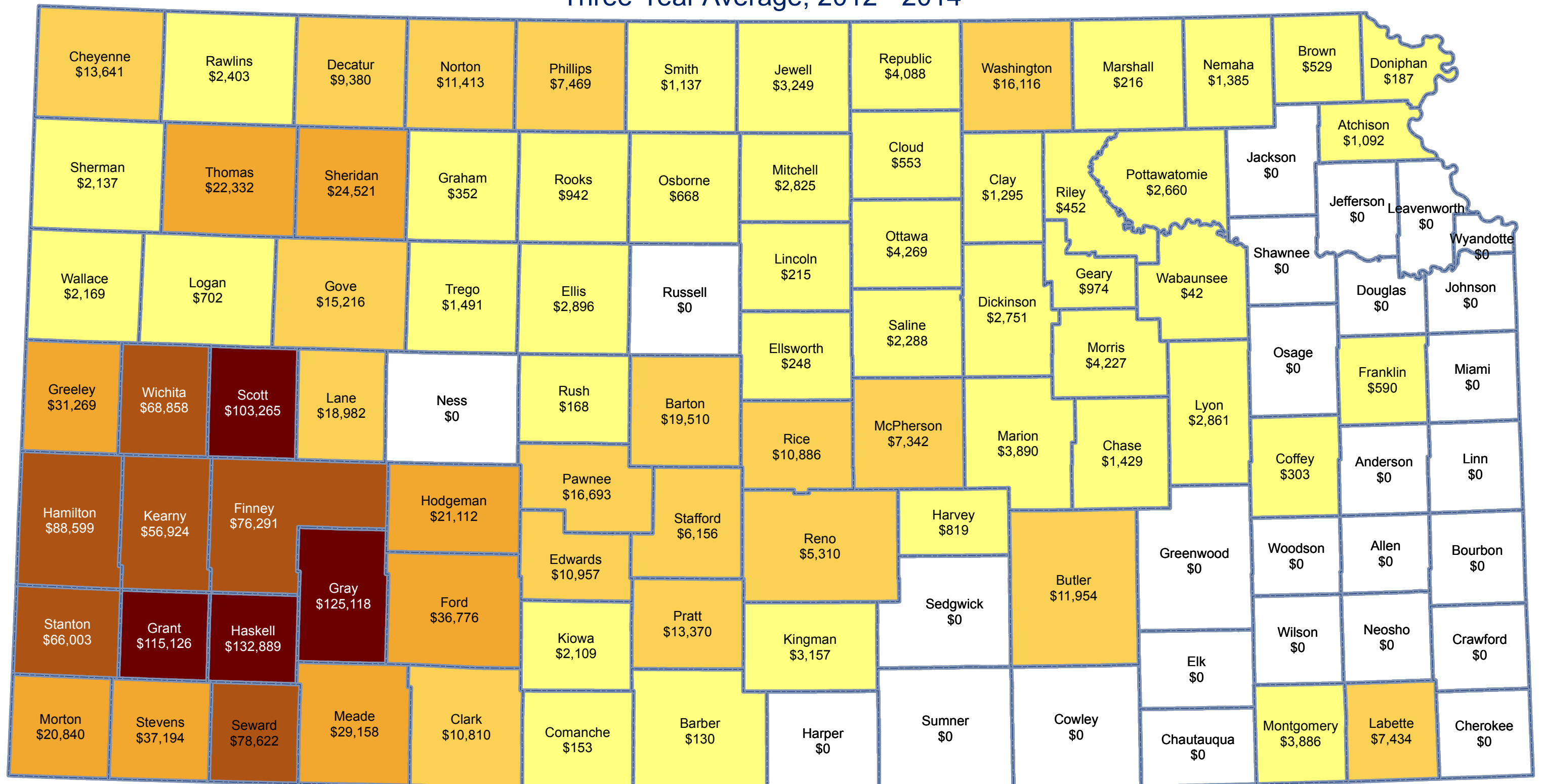


Kansas Water Office, January 2016

## Average Revenue 2012-2014



# Potential Stockwater Revenue for the Kansas Water Plan Fund At 10 Cents per 1,000 Gallons Water Use by County Three-Year Average, 2012 - 2014



Kansas Water Office, July 2016

Average Revenue 2012-2014 DWR gallons

