

STATE OF KANSAS

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LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 21, 2018

REVISED

The Honorable Tom Sloan, Chairperson
House Committee on Water and Environment
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Sloan:

SUBJECT: Revised Fiscal Note for HB 2726 by House Committee on Water and Environment

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2726 is respectfully submitted to your committee.

HB 2726 would authorize the Kansas Water Office to issue and sell revenue bonds in an amount not to exceed \$50.0 million. From the sale of the bonds, \$40.0 million would be deposited into the Non-corn Irrigation Grant Fund, created by the bill, and the remaining \$10.0 million would be deposited into the Low-water-use Crop Grant Fund, also created by the bill. The Kansas Department of Agriculture, in cooperation with the Kansas Water Office, would provide grants from these two funds to encourage the cultivation of crops other than corn and the development of low-water-use crops. Repayment of the bonds would be accomplished primarily by use of revenue from fees and charges from the Non-corn Irrigation Grant Program and the Low-water-use Crop Grant Program, and proceeds from any grant-in-aid, gift, donation, bequest or other such fund, or the income from any of those sources to the Kansas Water Office. If those sources were insufficient, repayment would be accomplished by using, in priority order, monies appropriated from the State Water Plan Fund (SWPF), the Economic Development Initiatives Fund or the State General Fund. Repayment of bonds would be completed over a period not to exceed 40 years.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$2,989,000
FTE Pos.	--	--	--	1.00

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The Kansas Water Office assumes that bonds issued upon enactment of HB 2726 would be for the full \$50.0 million and repaid over a period of 40 years, with an estimated interest rate of 5.0 percent. The agency estimates an annual expenditure from the first primary repayment source of \$2.9 million, which is shown in the table above. Alternative annual payments based on differing bond lengths would amount to \$3.3 million over 30 years, \$4.0 million over 20 years, \$4.8 million over 15 years, and \$6.5 million over ten years.

Since the original fiscal effect statement was issued, the Kansas Department of Agriculture (KDA) has provided information on the fiscal effect of this bill. According to the agency, enactment of HB 2726 would result in additional expenditures of \$75,000 for the hiring of 1.00 FTE position to administer the grant. Among the duties of this staff member would be developing grant criteria, reviewing applications, and monitoring successful applicants. The KDA would charge fees to applicants in order to offset the costs of the program, but cannot estimate what the per applicant cost would be at this time. The agency indicates that an alternative to filling an additional position would be to utilize K-State Research and Extension staff. However, the agency estimates that the cost of this contractual agreement would be approximately the same as hiring an additional person to administer the grant program in-house. Any fiscal effect associated with HB 2726 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Katie Mitchell, Kansas Water Office