

March 1, 2012

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 435 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 435 is respectfully submitted to your committee.

SB 435 would establish in statute the Conservation Reserve Enhancement Program (CREP) through the Kansas Department of Agriculture. For the past five years, authorization and funding for the program have been made through a budget proviso in the annual appropriations bill. In 2007, the State of Kansas and the United States Department of Agriculture Farm Service Agency (FSA) entered into a cooperative agreement to provide water conservation benefits in the Arkansas River Corridor area of Western Kansas. The program would conserve and extend the life of the Ogallala Aquifer, improve water quality, protect public water supplies, and enhance wildlife habitat. Through the CREP, the State of Kansas provides incentive payments to irrigators who voluntarily agree to dismiss their water rights on land that is enrolled in the FSA's Conservation Reserve Program. Through the agreement, direct state payments to producers are matched by federal payments. SB 435 would not make any changes to the program as it is currently administered through the appropriations bill and the Department of Agriculture.

The Department of Agriculture indicates that the CREP has approved expenditures of \$907,457 from the State Water Plan Fund in FY 2012. The approved funding was also recommended by the Governor. Currently, no funding for the program has been recommended for FY 2013. The Department would like to spend a similar amount from the State Water Plan Fund in FY 2013; however, any expenditures for the program would be subject to appropriation and would require taking the funds from other programs supported by the Water Plan Fund.

The bill would also affect local tax revenues. Because the CREP requires that qualifying producers agree to voluntarily retire their irrigation water rights on farm land, local property tax revenue would decrease because the land would transition from the irrigated land appraised

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value to the lower-valued dryland appraised value. The Department is not able to estimate this effect without knowing the number of applicants there would be for the CREP program.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Mark Heim, Agriculture