

# Children's Initiatives Fund

## Trust Fund

All proceeds from the national settlement with tobacco companies will be deposited in a trust fund, which has been named the Kansas Endowment for Youth (KEY) Fund. Money in this fund will be invested and managed by KPERS to provide ongoing earnings.

During FY 2000 the state received \$68.2 million in tobacco settlement payments. Payments in FY 2001 totaled \$52.1 million. The current estimate for payments in FY 2002 is \$56.9 million. However, the amount and timing of the estimated payments could change depending on the profitability of the companies, the legal actions pursued by individual states and the federal government, and interest accrued on delayed payments. On July 1, 2000, \$20.3 million repaid the State General Fund for children's programs begun in FY 2000. The next \$70.7 million was transferred directly from the KEY Fund to the State General Fund. The next \$30.0 million was transferred to the Children's Initiatives Fund. In FY 2002, \$10.0 million will be transferred to the State General Fund and \$40.0 million to the Children's Initiatives Fund. Money deposited in the Children's Initiatives Fund will be available to benefit the physical and mental health, welfare, and safety of children in Kansas.

## Fund Summary

The table below summarizes the Children's Initiatives Fund for FY 2001 through FY 2003 and its predecessor, the Children's Health Care Programs Fund, for FY 2000. For FY 2002, the Governor recommends no changes to the \$38.65 million in expenditures for children's programs that the 2001

Legislature approved. For FY 2003, the Governor recommends spending \$45.0 million from the Children's Initiatives Fund.

## FY 2003 Recommendations

Each of the programs recommended for FY 2003 is listed in the table on the next page and described in detail in this section. In addition, Schedule 4 at the back of this volume provides data by program, by agency, for FY 2001 through FY 2003.

### Social & Rehabilitation Services

**Children's Mental Health Initiative.** The Governor recommends \$2.5 million from the Children's Initiatives Fund for the Children's Mental Health Waiver Program. The program expands community-based mental health services for children with severe emotional disturbances.

**Family Centered System of Care.** The Governor recommends \$5.0 million from the Children's Initiatives Fund for the statewide Family Centered System of Care Program in FY 2003. The program provides mental health and prevention services for children with severe emotional disturbances.

**Therapeutic Preschool.** The Governor continues funding of therapeutic preschool programs with \$1.0 million from the Children's Initiatives Fund in FY 2003. The program serves infants and young children who are at risk for abuse, neglect, and future emotional, social, or behavioral disorders. Services

	Actual FY 2000	Actual FY 2001	Gov. Rec. FY 2002	Gov. Rec. FY 2003
Beginning Balance	\$ --	\$ --	\$ 1,775,242	\$ 3,125,242
Revenues	20,338,133	30,000,000	40,000,000	45,000,000
Total Available	\$ 20,338,133	\$ 30,000,000	\$ 41,775,242	\$ 48,125,242
Expenditures	20,338,133	28,224,758	38,650,000	45,000,000
Ending Balance	\$ --	\$ 1,775,242	\$ 3,125,242	\$ 3,125,242

### Children's Initiatives Fund

Program or Project	FY 2003
<b>Health &amp; Environment--Health</b>	
Healthy Start/Home Visitor	250,000
Infants & Toddlers Program	1,000,000
Smoking Prevention Grants	1,500,000
Total--KDHE	\$ 2,750,000
<b>Juvenile Justice Authority</b>	
Juvenile Prevention Program Grants	6,500,000
Juvenile Graduated Sanctions Grants	2,000,000
Total--JJA	\$ 8,500,000
<b>Social &amp; Rehabilitation Services</b>	
Children's Mental Health Initiative	2,500,000
Family Centered System of Care	5,000,000
Therapeutic Preschool	1,000,000
Child Care Services	1,400,000
Community Services for Child Welfare	2,600,000
Health Wave	2,000,000
Medical Assistance	3,000,000
Smart Start Kansas	4,000,000
Children's Cabinet Accountability Fund	600,000
Total--SRS	\$22,100,000
<b>Department of Education</b>	
Parent Education	3,000,000
Four-Year-Old At-Risk Programs	6,000,000
School Violence Prevention	500,000
Reading and Vision Research	400,000
Reading Recovery	500,000
Total--Education	\$10,400,000
<b>University of Kansas Medical Center</b>	
TeleKid Health Care Link	250,000
Pediatric Biomedical Research	1,000,000
Total--KUMC	\$ 1,250,000
Total	\$45,000,000

are targeted to two-and-a-half to five-year-old special needs children who have a severe emotional disturbance and who are unable to attend other preschools because of their behavior. The Therapeutic Preschool Program also extends care to kindergarten children who attend public school special education services for half of the day and the therapeutic preschool for the remainder.

**Child Care Services.** The Governor recommends \$1.4 million from the Children's Initiatives Fund for child care services. Child care services are available to parents participating in SRS job preparation programs or family preservation services, children with disabilities, and parents in the first year of

employment after leaving welfare. Recommended expenditures for childcare assistance total \$59.4 million from all funding sources.

**Community Services for Child Welfare.** An amount of \$2.6 million from the Children's Initiatives Fund is recommended for community services for child welfare. This program will provide funding on a competitive bid basis to local collaborative groups committed to keeping children in non-abuse or non-neglect cases in their homes and schools using community intervention programs and supports, rather than out-of-home placements. The program continues an appropriation made by the 2000 Legislature.

**HealthWave.** The Governor recommends \$2.0 million from the Children's Initiatives Fund for HealthWave. This program provides insurance coverage for children whose family income is less than 200.0 percent of the federal poverty level. Cost sharing enables some families whose income is at or above 200.0 percent of the poverty level to participate in the program for a fee. The Governor recommends a total of \$47.3 million for HealthWave, including \$11.2 million from the State General Fund and \$34.0 million in federal funds.

**Smart Start Kansas.** The Governor recommends \$4.0 million from the Children's Initiatives Fund for Smart Start Kansas, a program of the Children's Cabinet. Grants will be awarded to early childhood programs that are research driven and outcome based. The programs must also be compatible with the Communities That Care model.

**Children's Cabinet Accountability Fund.** The Governor recommends \$600,000 from the Children's Initiatives Fund for the Children's Cabinet Accountability Fund. This fund will be used to ensure that tobacco settlement monies are being targeted effectively and to assess programs and services that are being funded.

**Medical Assistance.** The Governor recommends \$3.0 million for FY 2003 to offset the cost of providing Medicaid services to low income children. The 2001 Legislature approved \$3.0 million for FY 2002 and reduced the State General Fund contribution by the same amount. The Children's Initiatives Fund dollars are part of the state's matching funds for federal Medicaid reimbursement.

## **Health & Environment—Health**

**Healthy Start/Home Visitor.** The Governor seeks to maintain the number of families that receive assistance through prenatal care and follow-up visits by recommending \$250,000 from the Children's Initiatives Fund. This recommendation continues funding at the level of the approved FY 2002 amount. The Governor's FY 2003 recommendation will provide a total of nearly \$1.1 million from all funding sources for the program.

**Infants & Toddlers Program.** The Governor recommends increased funding by \$500,000 from the Children's Initiatives Fund to enhance this program. It provides leadership in the planning, development, and promotion of policies and procedures to identify infants and toddlers with developmental delay and to provide early intervention services to eligible children and their families. In total for FY 2002, recommended expenditures for the program are \$6.2 million from state and federal funds. The Governor's recommendation continues the approved current year funding from the Children's Initiatives Fund.

**Smoking Prevention Grants.** The negative effects of smoking pose serious health risks to members of the community. The Governor recommends \$500,000 from the Children's Initiatives Fund in FY 2002 to be targeted for tobacco use prevention programs, the same as the approved amount for FY 2001. Administered by the Department, these funds could be distributed as grants to non-profit organizations or be used to implement new prevention programs within the Department.

## **Department of Education**

**Four-Year-Old At-Risk Programs.** The Governor recommends \$1.5 million in additional funding to expand services to approximately 595 more at-risk children. Under the recommendation, a total of 4,351 children will benefit from this early childhood educational opportunity. It is estimated there are approximately 5,500 at-risk children not served by head start or early head start in the state, who would benefit from this program. The \$6.0 million necessary to provide services is financed by the Children's Initiatives Fund.

**Parent Education.** The Governor recommends an additional \$500,000 from the Children's Initiatives Fund to expand the program to another 900 families. Total funding of \$7.6 million is financed by \$4.6 million from the State General Fund and \$3.0 million from the Children's Initiatives Fund. The Parent Education Program provides expectant parents and parents of infants and toddlers with information related to parenting skills, positive approaches to discipline, and development of self-esteem.

**School Violence Prevention Grants.** Since FY 2000, \$500,000 from this fund has been appropriated to address school violence prevention. The Governor recommends that \$500,000 be continued from the Children's Initiatives Fund to provide children with mental health and support services in the school setting. The program is competitive and is designed to reduce school violence, substance abuse, and the number of dropouts and delinquency. Schools must provide a 25.0 percent match to participate.

**Vision Research & Services.** Monies from the Children's Initiatives Fund were added in FY 2001 to expand services to 160 students. Vision therapy is provided to students by participating optometrists. Most of the \$400,000 cost included in the FY 2003 budget is for students' vision treatment and examinations. Students who if needed received treatment under the program increased their ability to converge their eyes on near objects, greatly improving their reading skills.

**Reading Recovery.** The Governor recommends \$500,000 for reading recovery grants. The reading recovery program model is directed at the lowest achieving children in reading and writing, and utilizes specific reading instructional techniques and strategies in daily one-on-one sessions with a program-trained teacher over an average period of 12 to 20 weeks. Since 1993, the program has successfully brought 82.0 percent of participating students to grade level in their reading in the Winfield school district.

## **University of Kansas Medical Center**

**Tele-Kid Health Care Link.** In continued support of expanding the Tele-Kid Health Care Link, the Governor recommends \$250,000 from the Children's Initiatives Fund. The University of Kansas Medical Center was the first hospital in the country to deliver

medical services to local schools. The project uses personal computer based telemedicine technology that links physicians and children for clinical visits from the school nurse's office to the doctor's office. The funding will assist the Medical Center in expanding the program to Wichita and in rural areas.

**Pediatric Biomedical Research.** The Governor recommends \$1.0 million from the Children's Initiative Fund. This will allow the Medical Center to expand pediatric medical research in epilepsy and other childhood diseases.

### **Juvenile Justice Authority**

**Prevention Program Grants.** The Governor recommends \$6.5 million for FY 2003 to address the

importance of prevention programs in reducing juvenile crime. The Governor's recommendation allows for the establishment and maintenance of community-based delinquency prevention programs. Programs include truancy prevention, mentoring, after school recreation, and family support services. The additional \$500,000 will provide technical assistance and professional services to support community data collection efforts.

**Graduated Sanctions Grants.** The Governor recommends \$2.0 million for community services for juvenile offenders who are not at risk. These funds, in addition to other funding, enable communities to provide supervision and structure for juvenile offenders through intake and assessment, intensive supervision, case management, and community support services.

## Gaming Revenues

The State Gaming Revenues Fund is capitalized through monthly transfers from the Kansas Lottery and the Kansas Racing and Gaming Commission. Transfers are then made from the Gaming Revenues Fund to funds specifically dedicated to economic development initiatives, prison construction and maintenance projects, local juvenile detention facilities, treatment of pathological gamblers, and the State General Fund.

The amounts transferred to the State Gaming Revenues Fund reflect gaming revenues from the Kansas Lottery and the Racing and Gaming Commission less the cost of financing the two agencies' operations. Remaining balances are transferred to the State Gaming Revenues Fund. All receipts to the Gaming Revenues Fund are subsequently transferred to various funds in accordance with a statutory formula. These transfers cannot exceed \$50.0 million each year. The current formula first transfers \$80,000 to the Problem Gambling Grant Fund. Then 85.0 percent of the balance is transferred to the Economic Development Initiatives Fund (EDIF), 10.0 percent to the Correctional Institutions Building Fund (CIBF), and 5.0 percent to the Juvenile Detention Facilities Fund (JDFF). Any receipts to the SGRF in excess of \$50.0 million must be transferred to the State General Fund in the fiscal year in which the revenues are received.

The monthly transfers from the Kansas Lottery are designated to be any money in excess of what is needed for operation of the Lottery, or 30.0 percent of net sales, whichever is greater. The transfer rate has never been less than 30.0 percent, but in past years the Legislature has approved higher transfer rates to increase receipts to the State General Fund.

For FY 2002 and FY 2003, the Governor recommends a 30.0 percent transfer rate. Lottery sales have been down during FY 2002 as compared to previous years. Consequently, the agency is decreasing its FY 2002 revenue estimates slightly from \$200.0 million to \$199.0 million. Transfers to the State Gaming Revenues Fund will also decrease correspondingly from \$60.0 million to \$59.25 million. Assuming total Lottery sales of \$193.5 million in FY 2003, a further

reduction in receipts, the recommended transfer rate will result in almost \$57.5 million in transfers to the State Gaming Revenues Fund.

<b>Gaming Revenues Fund</b>			
<i>(Dollars in Thousands)</i>			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<b>Transfers In:</b>			
Lottery	\$56,535	\$59,250	\$57,450
Racing & Gaming	427	272	85
Total	\$56,962	\$59,522	\$57,535
<b>Transfers Out:</b>			
PGGF	80	80	80
EDIF	42,432	42,432	42,432
JDFF	2,496	2,496	2,496
CIBF	4,992	4,992	4,992
Transfer to SGF	\$ 6,962	\$ 9,522	\$ 7,535
Total	\$56,882	\$59,442	\$57,455

Each month receipts from racing activities throughout the state are transferred to the State Racing Fund for agency operations. Any excess receipts, as determined by the Executive Director and the Director of Accounts and Reports, are transferred to the State Gaming Revenues Fund. This process takes into consideration such factors as adequate fund balances, encumbrances, anticipated revenues, and actual revenues and expenditures to date. The Governor's recommendations assume the agency will transfer approximately \$260,000 in FY 2002 and \$86,000 in FY 2003 to the State Gaming Revenues Fund. Racetracks throughout the state are currently experiencing a decrease in racing activities, thus reducing revenues to the state even further.

In the Gaming Revenues Fund table above, the \$9.52 million and \$7.54 million State General Fund transfers projected for FY 2002 and FY 2003, respectively, reflect the amount of revenues deposited in the Gaming Revenues Fund in each year, minus \$50.0 million in combined transfers to the PGGF, EDIF, CIBF, and JDFF.

# Economic Development Initiatives Fund

The Governor targets the limited resources of the EDIF to priority areas for economic development that affect the business community, technological development, and the capabilities of the state workforce.

## Fund Summary

The primary recipients of funds from the Economic Development Initiatives Fund in FY 2003 are the Department of Commerce and Housing (\$19.4 million) and the Kansas Technology Enterprise Corporation (\$12.2 million). These agencies, as well as Kansas, Inc., have the primary responsibilities of business and community development, stimulation of new technologies and related private-public technologies, and strategic planning. The recommendation also includes approximately \$10.0 million for the Board of Regents and the statutory transfer of \$2.0 million to the State Water Plan Fund.

A summary of the status of the EDIF Fund is presented in the table below. The Governor's recommendations in FY 2002 and FY 2003 represent

net reductions of more than \$1.6 million in EDIF expenditures. The reductions were the result of limited resources available to the EDIF coupled with an increase in demand for expenditures. If the reductions were not made, the fund would have a negative balance in FY 2003. Although the fund's current status indicates a negative balance in FY 2002, it is expected that this will not have an adverse effect on FY 2003 and, by the end of FY 2003, sufficient resources will be available to cover expenditures.

## EDIF Revenue

The Economic Development Initiatives Fund is capitalized through transfers from the State Gaming Revenues Fund. Currently, 85.0 percent of the receipts deposited in the State Gaming Revenues Fund, after the statutory transfer of \$80,000 is made to the Problem Gambling Grant Fund, are transferred to the EDIF. The Gaming Revenues Fund is limited to \$50.0 million each year, and transfers to the EDIF can reach a maximum of \$42.4 million in a given fiscal year. The Governor's budget recommendations are based on available resources in the EDIF of \$43.4 million in FY

### Economic Development Initiatives Fund Summary

	Actual FY 2000	Actual FY 2001	Gov. Rec. FY 2002	Gov. Rec. FY 2003
Beginning Balance	\$ 3,946,773	\$ 1,296,256	\$ 1,868,021	\$ (221,399)
Released Encumbrances	2,956,301	6,669,290	--	--
Adjusted Balance	\$ 6,903,074	\$ 7,965,546	\$ 1,868,022	\$ (221,399)
Revenues				
Gaming Revenues	42,500,000	42,432,000	42,432,000	42,432,000
Other Revenues	1,698,246	1,774,093	1,108,253	1,032,300
Water Plan Transfer Out	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Death & Dis. Transfers Out	--	--	(10,308)	--
Total Available	\$ 49,101,320	\$ 50,171,639	\$ 43,397,967	\$ 41,242,901
Expenditures	47,805,064	48,303,618	43,619,366	41,241,388
Ending Balance	\$ 1,296,256	\$ 1,868,021	\$ (221,399)	\$ 1,513

2002 and \$41.2 million in FY 2003. The table on the previous page details the actual and estimated revenues to the fund.

The Governor estimates gaming revenues to the EDIF to be \$42.4 million in each of FY 2002 and FY 2003. "Other revenue" includes interest, transfers from other funds, reimbursement of loans, and recoveries from prior years. In FY 2002 and FY 2003, interest earnings are estimated at \$1.0 million. The statutory transfer to the State Water Plan Fund remains at \$2.0 million.

## FY 2003 Recommendations

By law, EDIF expenditures must conform to certain restrictions with respect to distribution. One concerns geographic distribution and the other economic development foundations.

**Geographic Distribution.** By statute, half of all expenditures from the EDIF must be distributed equally among the state's four congressional districts. Thus, each district is to receive a minimum of 12.5 percent. The EDIF geographic distribution table below shows that each district received a considerable amount more than that required by statute. The third congressional district had the majority of EDIF expenditures in FY 2001 because a large portion of EDIF dollars is spent for the Centers of Excellence, MAMTC, and EPSCoR programs in Kansas Technology Enterprise Corporation's budget.

EDIF Geographic Distribution	
	Percent
Congressional District 1	23.2
Congressional District 2	24.3
Congressional District 3	30.5
Congressional District 4	22.1
Total	100.0 %

**Investment in Economic Development.** For FY 2002 and FY 2003, the Governor recommends that the majority of Economic Development Initiatives Fund financing continue programs operated by the Department of Commerce and Housing, Kansas Technology Enterprise Corporation, and Board of

Regents. The recommendation maximizes the use of EDIF for clearly identified economic development programs, especially those relating to research capability, investment in job training, and business expansion. The table below highlights the percentage of EDIF expenditures used to finance the seven foundations of economic development. All state operations contribute to business capacity.

Economic Development Initiatives Fund			
<i>(Percent of Expenditures by Foundation)</i>			
	FY 2001	FY 2002	FY 2003
Human Capital	47.8	52.3	52.1
Technological	17.0	18.9	18.4
Business Capacity	13.5	14.6	14.5
Business Environment	2.3	1.1	1.2
Financial Capital	--	--	--
Quality of Life	4.0	1.2	1.2
Infrastructure Assist.	15.4	12.1	12.7
	100.0 %	100.0 %	100.0 %

*Totals may not add because of rounding.*

The Governor's recommendations for FY 2003 are summarized in the table on the next page and described below in detail by agency and by program. They are also listed in Schedule 5 at the back of this report for FY 2001 through FY 2003.

## Department of Commerce & Housing

The Governor recommends \$19.4 million from the EDIF for the Department of Commerce and Housing, \$15.3 million in the form of an operating grant, \$3.5 million for the Economic Opportunity Initiatives Program, and \$500,000 for the Existing Industry Expansion Program. During the 2001 interim, the Legislative Budget Committee recommended that the Department of Commerce and Housing's FY 2003 appropriation be prepared as an operating grant. The grant allows the agency the flexibility to focus on activities that produce measurable outcomes, rather than funding individual programs at a fixed amount. With the recommended operating grant in FY 2003, the agency expects to achieve the outcome measures presented in the table on page 41. If the operating grant is adjusted, the outcome measures will need to be adjusted accordingly.

## Economic Development Initiatives Fund

Program or Project	FY 2003
Department of Commerce & Housing	
Economic Opportunity Initiatives Fund	3,500,000
Existing Industry Expansion	500,000
Operating Grant	15,353,185
Total--Commerce & Housing	\$ 19,353,185
Kansas Technology Enterprise Corporation	
Research Matching Grants	1,260,000
Innovative Research Grants	396,000
Centers of Excellence	3,925,000
EPSCoR	3,000,000
Special Projects	79,303
Commercialization Grants	1,350,000
Mid-America Mfg. Technical Center	905,399
Operations	1,291,549
Total--KTEC	\$ 12,207,251
Kansas, Inc.	313,292
Board of Regents	
Matching Grants--AVTS	200,000
Postsecondary Aid--AVTS	6,467,660
Capital Outlay--AVTS	2,700,000
Total--Board of Regents	\$ 9,367,660
<b>Total</b>	<b>\$ 41,241,388</b>

### Kansas Technology Enterprise Corp.

The Kansas Technology Enterprise Corporation (KTEC) provides research support, direct company investments, and business assistance. KTEC's philosophy targets sustainable economic leadership through technological innovation. The Governor recommends an amount of \$12,207,251 for FY 2003.

**Research Matching Grants.** Grants are provided to small Kansas companies conducting applied research on new products that have commercial potential. In turn, KTEC receives a royalty percentage on commercial sales. The Governor recommends \$1,260,000 for this program in FY 2003.

**Innovative Research Grants.** This program provides mentoring and financial support for Kansas businesses seeking federal technology funds primarily through its Small Business Innovation Research Subprogram. The Governor recommends an allocation of \$396,000.

**Centers of Excellence.** There are five centers in Kansas universities statewide. Each center has its own technology specialization, including pharmaceutical research, aviation, information technology, business productivity, and manufacturing. The centers invest in Kansas university-based research and provide technical assistance to new and existing companies in Kansas. The centers of excellence are one of KTEC's largest programs, with an estimated \$3.9 million from the EDIF and \$3.0 million from federal funds.

**EPSCoR.** KTEC and federal agencies co-fund basic research in science and engineering at Kansas state universities. Kansas is considered an EPSCoR state by virtue of its universities historically receiving a disproportionately low per capita average of federal research dollars. The Governor recommends \$3.0 million in FY 2003 for EPSCoR.

**Special Projects.** This program supports recurring partnerships, and allows program experimentation. It has served as a catalyst for programs such as Innovation and Commercialization Corporations and Graduate Intern Program. The Governor continues this program at \$79,303 for FY 2003.

**Commercialization Grants.** Commercialization entails the development of technology research into a product concurrently with steps required to develop the business, such as marketing, sales, production, and negotiations. The agency formed innovation and commercialization corporations, which are structured as not-for-profit, tax-exempt 501(c)(3) companies. They provide business development services and limited financing to start-up technology-based business, facilitate technology transfer and commercialization from their regional universities, and develop entrepreneurial supportive networks and infrastructure in their regions. The Governor recommends \$1,350,000 in commercialization grants for FY 2003.

**Mid-America Manufacturing Technology Center.** With regional offices at four of the five centers of excellence, this program provides business assistance in improving a manufacturer's technical capabilities. Companies are assisted to be more competitive through the adoption of known technologies and processes. For FY 2003, the program will be allocated an estimated \$3.9 million, including \$905,399 from the EDIF and the balance from federal funds.

## Kansas, Inc.

The Governor recommends \$313,292 for Kansas, Inc. in FY 2003 to continue strategic analysis of, and planning for, economic development of the state. The agency conducts economic development planning, policy research, and program evaluation to accomplish its mission.

## Board of Regents

The Governor recommends \$9,367,660 for postsecondary education at primarily area vocational-technical schools in addition to approximately \$20.0 million in State General Fund dollars. The funding will be used for instruction, technical innovations, and capital outlay by the schools.

### EDIF Operating Grant Outcome Measures Department of Commerce & Housing

	<u>FY 2001 Actual</u>	<u>FY 2002 Gov. Estimate</u>	<u>FY 2003 Gov. Rec.</u>
Jobs created or retained by projects utilizing KDOC&H assistance	13,709	13,258	12,693
Payroll generated by projects utilizing KDOC&H assistance	\$418,438,934	\$402,963,127	\$386,675,162
Capital investment in Kansas resulting from projects utilizing KDOC&H assistance	\$1,111,764,518	\$1,016,609,783	\$976,281,392
Funds leveraged through match in projects utilizing KDOC&H assistance	\$28,213,467	\$38,878,900	\$38,630,900
Individuals trained through workforce development programs	11,800	11,100	10,600
Sales generated by projects utilizing KDOC&H assistance	\$83,742,680	\$67,145,000	\$66,780,000
Increase in visitation resulting from KDOC&H tourism promotion efforts	398,916	299,250	319,463
Tourism revenue generated as a result of KDOC&H tourism promotion	\$39,248,968	\$35,577,285	\$28,461,828
Kansans served with counseling, technical assistance, or business services	5,067	5,627	5,362
Number of communities receiving community assistance services	238	349	334
Number of Kansans with improved housing situations resulting from KDOC&H assistance	347	425	417

# State Water Plan Fund

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## Water Plan Objectives

In a report to the Governor and the 2002 Legislature, the Kansas Water Authority outlined its FY 2003 recommendations for implementing the Kansas Water Plan. Highlights include plan objectives developed by the Authority after extensive public input. Included in the plan are measurable objectives for each basin, review of the plan to identify priority issues, evaluation of the condition of the state's water resources, and evaluation of the effectiveness of water programs. Sub-objectives to be achieved by calendar year 2010, described below by major category, can be found in the Kansas Water Authority's *Report to the Governor and 2002 Legislature on Recommendations to Implement the Kansas Water Plan for FY 2003*.

**Public Water Supply.** This objective is designed to ensure sufficient surface water storage will be available to meet projected year 2040 public water supply needs. Further, this objective will ensure that less than 5.0 percent of public water suppliers will be drought vulnerable. Finally, all public water suppliers will have adequate water treatment, storage, and distribution systems as well as the managerial and financial capability to meet federal Safe Drinking Water Act regulations.

**Water Conservation.** The number of public water suppliers with excessive "unaccounted for" water will be reduced by targeting those with unaccounted water of 30.0 percent or more. Also to be reduced are the number of irrigation points of diversion for which the acre feet per acre (AF/A) of water use exceeds the respective regional 1.0 AF/A standard in eastern Kansas, 1.5 AF/A in central Kansas, 2.0 AF/A in western Kansas will be reduced, and those who overpump the amount authorized by their water rights.

**Water Right Administration.** Water level decline rates in the Ogallala Aquifer will be reduced, and enhanced water management in targeted areas will be implemented.

**Water Quality Protection.** The average concentration of bacteria, biochemical oxygen demand, dissolved solids, nutrients, metals, and

pesticides which have an adverse effect on the water quality of Kansas lakes and streams will be reduced.

**Flood Management.** Reduce the vulnerability to flood damage within identified communities and areas. This is achieved by preventing inappropriate development in flood prone areas, improved forecasting and warning systems, flood proofing and evacuation, and riparian and wetland protection and restoration.

**Riparian & Wetland Management** Priority wetlands and riparian areas will be maintained, enhanced, or restored. Such activities will ensure that soil erosion is kept to a minimum.

**Water-Based Recreation.** Increased recreational opportunities at public lakes and streams.

**Data & Research.** Data collection, research projects, and information sharing activities will focus on specific water resource issues, as identified in the water planning process, and guide state water resource program operations.

**Public Information & Education.** Develop public information activities that ensure public awareness of the status of water resources in Kansas and educational activities that will increase public knowledge and understanding of Kansas water resources. Such activities will assist the public in making more effective water conservation and management decisions.

## Fund Summary

Water Plan projects are largely financed through the State Water Plan Fund. The table on the next page summarizes State Water Plan Fund actual revenues and expenditures for FY 2001 and estimates for FY 2002 and FY 2003 to illustrate the financial status of the fund. The adjusted balance is based on expected balances for each agency, released encumbrances, and monies transferred or returned to the fund. It also includes new revenues deposited in the State Water Plan Fund from fund transfers and the proceeds of

### State Water Plan Fund Summary

	Actual FY 2000	Actual FY 2001	Gov. Rec. FY 2002	Gov. Rec. FY 2003
Beginning Balance	\$2,816,958	\$ 2,431,325	\$ 2,550,678	\$ 494,477
Released Encumbrances	222,509	1,613,995	--	300,000
Transfers In	90	--	--	--
Transfer Out to State General Fund	--	--	(250,000)	--
Adjusted Balance	3,039,557	4,045,320	2,300,678	794,477
Revenues	17,311,753	16,493,994	17,834,896	17,528,000
Total Available	\$20,351,310	\$ 20,539,314	\$ 20,135,574	\$ 18,322,477
Expenditures	17,919,985	17,987,636	19,641,097	18,064,480
Ending Balance	\$ 2,431,325	\$ 2,551,678	\$ 494,477	\$ 257,997

various fees. Agency carryforward balances, which have constituted a relatively large portion of the State Water Plan Fund, are expected to be substantially less at the end of FY 2002 than in previous years. This can be attributed to a 9.2 percent increase in expenditures between FY 2001 and FY 2002.

Also included in the FY 2002 adjusted balance is a revenue transfer of \$250,000 from the State Water Plan Fund to the State General Fund. In the fall of calendar year 2001, an error was discovered in the State General Fund transfer to the State Water Plan Fund that occurred during FY 2001. In that fiscal year, the statutory amount of \$6.0 million had been reduced to \$4,500,000. However, \$4,750,000 was actually transferred. This \$250,000 transfer allows the State General Fund to re-coup its loss.

### State Water Plan Revenue

New FY 2003 revenue estimates are shown in the State Water Plan revenue table in the next column. Included in the FY 2003 estimate are transfers of \$6.0 million from the State General Fund and \$2.0 million from the Economic Development Initiatives Fund. Starting in FY 2003, the Governor recommends that these transfers be treated as revenue transfers instead of demand transfers. User fee revenues, which make up the rest of this fund's revenue, are expected to be

approximately \$200,000 less in FY 2003 than in FY 2002. This is due to an expected decrease in the amount of commercial fertilizer registered for sale in Kansas and a decline in stock water and municipal water use.

### State Water Plan Fund Revenue

New Receipts:	FY 2003
State General Fund Transfer	\$ 6,000,000
EDIF Transfer	2,000,000
Municipal Water Fees	3,550,000
Fertilizer Registration Fees	3,038,000
Industrial Water Fees	1,235,000
Pesticide Registration Fees	910,000
Sand Royalty Receipts	405,000
Stock Water Fees	315,000
Fines	75,000
Total Receipts	\$ 17,528,000

### FY 2003 Recommendations

Starting in FY 2002, the expenditures from this fund have been appropriated directly from the Water Plan Fund to simplify the appropriation process and to facilitate management of the fund for cashflow purposes. The Governor's recommendations for this

## State Water Plan Fund

Project or Program	FY 2003
Kansas Corporation Commission	
Oil & Gas Well Plugging	400,000
University of Kansas	
Geological Survey	50,000
Department of Agriculture	
Interstate Water Issues	242,552
Floodplain Management	143,042
Subbasin Water Resources Mgt.	548,342
Total--Dept. of Agriculture	\$ 933,936
State Conservation Commission	
Water Resources Cost-Share	4,329,744
Nonpoint Source Pollution Asst.	3,150,000
Conservation District Aid	1,042,500
Buffer Initiatives	386,634
Water Rights Purchase	69,433
Watershed Dam Construction	705,000
Riparian and Wetland Program	250,000
Total--Conservation Commission	\$ 9,933,311
Health & Environment--Environment	
Contamination Remediation	1,351,840
Local Environmental Protection	1,800,000
Nonpoint Source Technical Asst.	431,043
TMDL Initiatives	461,792
Total--Health & Environment	\$ 4,044,675
Kansas Water Office	
Assessment & Evaluation	230,000
Federal Cost-Share Programs	160,285
GIS Data Access & Support Center	76,824
GIS Data Base Development	225,000
MOU--Operations & Maintenance	390,715
Ogallala Aquifer Institute	40,000
PMIB Loan Payment for Storage	261,810
Public Information	35,000
Stream Gauging Program	392,448
Technical Assist. to Water Users	436,298
Water Planning	154,077
Water Resource Education	55,000
Weather Modification	173,000
Kansas Water Authority	22,101
Total--Kansas Water Office	\$ 2,652,558
Wildlife & Parks	
Stream Monitoring	50,000
<b>Total</b>	<b>\$18,064,480</b>

fund for FY 2003 are summarized in the table on this page and described below in greater detail. In addition, State Water Plan Fund projects are listed in Schedule 6 in the back of this report for FY 2001 through FY 2003.

The Governor's recommendations for expenditures from the State Water Plan Fund totals \$18,064,480 for FY 2003. Under the Governor's recommendations, six state agencies receive appropriations from the State Water Plan Fund. In addition, the Kansas Corporation Commission will continue to receive a revenue transfer of \$400,000. These recommendations largely mirror the recommendations made by the Kansas Water Authority in its *Report to the Governor and 2002 Legislature on Recommendations to Implement the Kansas Water Plan for FY 2003*. The Water Authority's recommendations are based on the expected shortfall in the State Water Plan Fund and those programs considered to be of the highest priority.

### Kansas Corporation Commission

**Abandoned Oil & Gas Well Plugging.** This program was established during the 1996 Legislative Session to investigate, remediate, and plug oil and gas wells abandoned prior to July 1, 1996. In addition to the State Water Plan Fund, this program also receives funding from the State General Fund, the Corporation Commission's Conservation Fee Fund, refunds, and federal funds. This program will continue to receive a revenue of \$400,000 transfer from the State Water Plan Fund through FY 2009.

### University of Kansas

**Geological Survey.** Included in the Governor's recommended State Water Plan budget is \$50,000 for the Geological Survey. The additional funding will be used to continue the analysis of water depletion in the Ogallala Aquifer. This study began in FY 2002 as one of the Governor's water resource priorities. Specifically, the Geological Survey will evaluate estimated water level declines in the aquifer by decade and area, precipitation in the area, and aquifer recharge rates. The Governor's budget recommendation is \$10,000 greater than the Water Authority's recommendation.

## Department of Agriculture

The Department of Agriculture administers three State Water Plan projects: Interstate Water Issues, Floodplain Management, and Subbasin Water Resources Management. To finance these projects the Governor recommends \$933,936 for FY 2003. This represents a \$90,997 reduction from the revised FY 2002 estimate.

**Interstate Water Issues.** Interstate water issues will continue to be a priority of the Governor in order to protect the state's interest and entitlement to the use and benefits of water in interstate river basins. The project provides legal and technical support to the Division of Water Resources and represents the state's interests when interstate river compacts and other water issues are involved. Further, litigation on the Republican River Compact between Kansas and Colorado is expected to continue through FY 2003. The Governor recommends \$242,552 to support these activities.

**Floodplain Management.** For FY 2003, the Governor recommends \$143,042 for the Floodplain Management Program. This program provides local governments with technical and financial assistance to address floodplain management and other flooding issues in priority areas.

**Subbasin Water Resources Management.** This program works in cooperation with water right holders and local, state, and federal agencies to address stream flow depletions and groundwater declines in specific river basins. The project is operated through a group of basin teams comprised of environmental scientists familiar with the geology and hydrology of an assigned basin. These scientists analyze the basins and develop strategies to address a basin's water issues. In FY 2003, the Governor recommends \$548,342, a decrease of \$101,191 from FY 2002.

## State Conservation Commission

Of the \$18.0 million in State Water Plan Fund expenditures recommended for FY 2003, the majority of expenditures are by the State Conservation Commission. The Governor recommends a total of \$9,933,311 in State Water Plan expenditures for this agency.

**Water Resources Cost-Share Program.** For this program the Governor recommends \$4,329,744 in FY 2003. This is a \$750,206 reduction from the FY 2002 approved budget. This program enhances and conserves the state's soil and water resources through the use of financial incentives in a voluntary partnership with farmers, ranchers, and other land managers. Over the past several years, emphasis has shifted toward water quality improvement. The program also helps implement techniques of terracing, grass waterways, and grass planting to slow the loss of sediment and nutrients from agricultural lands.

**Nonpoint Source Pollution Assistance.** For FY 2003, the Governor recommends \$3,150,000 for the Nonpoint Source Pollution Assistance Program. This is a \$21,715 reduction from the FY 2002 approved budget for this purpose. This program provides technical assistance to conservation districts in the development of nonpoint source pollution plans. Pollution Assistance has experienced a high demand for assistance in upgrading failing septic systems and livestock waste systems. The Commission's efforts will focus on targeted resources within each of the conservation districts.

**Conservation District Aid.** For FY 2003, the Governor recommends \$1,042,500 for Conservation District Aid. The objective for this program is to increase county conservation district operating funds enabling local governing boards and staff to implement natural resource programs, which is critical to the success of conservation district programs. Furthermore, the county level leadership and delivery system provides the agency with the structure of local program administration of Conservation Commission programs, which assists the Commission in achieving its mission.

**Buffer Initiatives.** This program encourages the use of buffer strips by landowners to protect the state's natural water resources from nonpoint source pollutants. Previously, the program was operated only in the Kansas-Lower Republican River Basin in watersheds with high priority total maximum daily load impairments. The program has since been expanded into the Lower and Upper Arkansas River Basins and the Cimarron River Basin. For FY 2003, the Governor recommends expenditures of \$386,634, an increase of \$50,000 from the Water Authority's recommendation.

**Water Rights Purchase.** The Water Rights Purchase Program provides cost-share assistance to local organizations to purchase water rights from willing sellers. When purchased, the water rights are returned to the custodial care of the state and will not be available for future appropriation. This program is one of several initiatives established by the Governor to address the issue of water depletion in the Ogallala Aquifer. For FY 2003, the Governor recommends \$69,433.

**Watershed Dam Construction.** For FY 2003, the Governor recommends \$705,000 for watershed dam construction projects. This program's goal is to reduce flood damages and sedimentation through the construction of detention or grade stabilization dams and non-structural measures.

**Riparian and Wetland Program.** For FY 2003, the Governor recommends \$250,000 for the Riparian and Wetland Program. This program's goal is to protect, enhance, and restore riparian areas, wetlands, and associated habitats. This is accomplished by providing technical, educational, and financial assistance to landowners and the public in general.

## **Health & Environment—Environment**

**Contamination Remediation.** The Governor provides \$1,351,840 in FY 2003 to address environmental contamination at sites where there is no responsible party identified or where the responsible party is unable or unwilling to take corrective action. Funds are used for site assessments, comprehensive investigation, corrective actions, and emergency responses. There were 77 sites in the program as of September 2001. The issue at most of the sites involves contamination of public water supplies or domestic water wells. The Governor's budget recommendation is \$48,160 less than the FY 2002 approved budget.

**Local Environmental Protection.** The Governor provides \$1.8 million in expenditures from the State Water Plan Fund for this program, which makes grants to counties to develop and implement local environmental protection plans. Primary emphasis has been on development, adoption, and enforcement of sanitary and environmental regulations. Currently,

102 counties are participating in Local Environmental Protection programs.

**Nonpoint Source Technical Assistance.** This program provides technical assistance and demonstration projects for nonpoint source pollution management at the local level. Planned FY 2003 activities include continuing pollution protection projects at Tuttle Creek, Perry, Clinton, Hillsdale, Melvern, Marion, Kanopolis, and El Dorado reservoirs. The Governor recommends \$431,043 for the program in FY 2003.

**Total Maximum Daily Loads (TMDL).** A TMDL is the maximum amount of pollution a specific river or lake can receive without violating the surface water quality standard. The water planning process and basin advisory committees are developing and implementing actions to meet the established TMDL levels. TMDLs were established for the Marais des Cygnes and Missouri basins during FY 2001. The Governor recommends \$461,792 to continue efforts to obtain flow and other supplemental data in other basins where TMDLs are not established and to provide follow-up monitoring where TMDLs have been set. Of this, \$255,000 will be used to conduct Use Attainability Analyses where necessary, especially where the designated uses may be closely reviewed upon the eventual establishment of TMDL levels. The Governor's recommendation reduces the program's budget \$42,355 from FY 2002.

## **Kansas Water Office**

The Governor recommends a total of \$2,652,558 from the State Water Plan Fund for the Kansas Water Office to implement various State Water Plan projects. The following highlights several projects included in the Governor's recommendations.

**Assessment & Evaluation.** The Kansas Water Office continually assesses the conditions of the state's water resources. These assessments are used to identify State Water Plan priorities. In addition, assessments serve as a base from which progress toward State Water Plan objectives are measured. For FY 2003, the Governor recommends \$230,000. This is an increase of \$30,000 from the FY 2002 revised estimate for this program.

**Federal Cost-Share Programs.** In FY 2003, the Governor recommends \$160,285 to continue federal cost-share programs. This is a decrease of \$89,715 from FY 2002. These programs include the evaluation of reservoirs and their potential to provide water storage for public water suppliers, riparian and wetland restoration projects, and other federal cost-share projects.

**GIS Database Development.** During FY 2001, the Kansas Water Office and the Division of Information Systems and Communications in the Department of Administration began development of a Geographical Information Systems database. This database includes a wide range of information, including aquifer locations, public land surveys, and identification of vulnerable natural resources. Information recorded in the GIS database is used to determine whether sufficient water storage will be available to meet projected calendar year 2040 public water supply needs. For FY 2003, the Governor recommends \$225,000 for the continued development of the GIS database. This recommendation is \$25,000 less than the FY 2002 revised estimate.

**MOU—Operations & Maintenance.** A portion of the water supply storage space purchased through a 1985 Memorandum of Understanding (MOU) with the Corps of Engineers is held in reserve. Operation and maintenance costs are not paid through the Water Marketing and Water Assurance programs as there are currently no users of these reservoirs. To maintain and operate this reserve storage space, the Governor recommends \$390,715 for FY 2003. This represents a decrease of \$47,118 from the FY 2002 revised estimate.

**PMIB Loan Payment for Storage.** During the 1994 Legislative Session, funding was provided to purchase

additional water storage space that was expected to still be available under the 1985 MOU with the Corps of Engineers. In addition to the \$13.6 million appropriated to the Kansas Water Office, the 1994 Legislature provided statutory authority to borrow from the Pooled Money Investment Board. A total of \$1,972,310 was borrowed. The term of the loan was for ten years with interest based on the average rate on investments during the previous fiscal year. The first payment to the PMIB was made in FY 1998. For FY 2003, the Governor recommends \$261,810. This is a \$2,181 decrease from FY 2002.

**Stream Gauging Program.** The state has contracted with the United States Geological Survey for more than 100 years to operate a stream gauging station network in Kansas. These stations provide real-time streamflow and reservoir level data throughout the state. For FY 2003, the Governor recommends \$392,448 for this program, a decrease of \$23,552 from FY 2002.

**Technical Assistance to Water Users.** The Governor recommends \$436,298 for FY 2003 to provide educational and technical assistance to irrigators and municipalities in the preparation of water conservation plans. A special emphasis is placed on public water suppliers with 30.0 percent or more of “unaccounted for” water.

## **Department of Wildlife and Parks**

**Stream Monitoring.** The Governor recommends \$50,000 from the State Water Plan Fund for FY 2003 to determine the potential adverse effects of pollution on fish and wildlife in Kansas streams. This project is undertaken in cooperation with the Kansas Department of Health and Environment.