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House Agriculture and Natural Resources Committee
Testimony on the Central Kansas Water Bank Evaluation
Susan Stover, Kansas Water Office
February 1, 2011

Chairman Powell and members of the Committee, I am Susan Stover with the Kansas Water Office. I served as chairperson of the team that evaluated the Central Kansas Water Bank. As directed by Statute (K.S.A. 82a-767), after five years of operation, the Water Bank was evaluated on its operations and policies, whether the bank is achieving its goals and objectives, and the bank's impact on the hydrologic units within the bank boundaries. We are to recommend to the Chief Engineer, Kansas Department of Agriculture, Division of Water Resources, whether the Bank's charter should be renewed, and make any other recommendations relevant to water banking in Kansas. The Report is to be delivered to, among others, the House Committee on Natural Resources. This is an update on that report and our recommendations.

The evaluation team recommends the Central Kansas Water Bank's charter be renewed. We also make recommendations to improve the Bank's operations, to encourage more participation. There is one recommendation that would require legislative action. On the attached sheets in 10 slides is a summary of this Water Bank, our findings and our recommendations. The full report is posted at: www.kwo.org.

Water Bank Evaluation Team

Susan Stover, KWO - Chairperson
*Bill Golden, KSU – water resource economist
*Jim Koelliker, KSU- water resource engineer
*Dan Rogers, KSU – water resource engineer
*Byron Warta, L. Ark BAC Chair – outside knowledgeable person
*Kent Askren, Ks Farm Bureau- knowledgeable public interest
*John Peck, KU – water law professor
Marios Sophocleous, KU –Ks Geological Survey rep
John Janssen, Kinsley producer – GMD 5 Board member
Richard Wenstrom, Kinsley – Bank User
Justin Vosburgh, Macksville – Bank User
Chris Gnau, KWO

Also: Wes Essmiller, Sharon Falk, Orrin Ferel

* Appointed by Chief Engineer

Slide 1.

Water Banking In Kansas

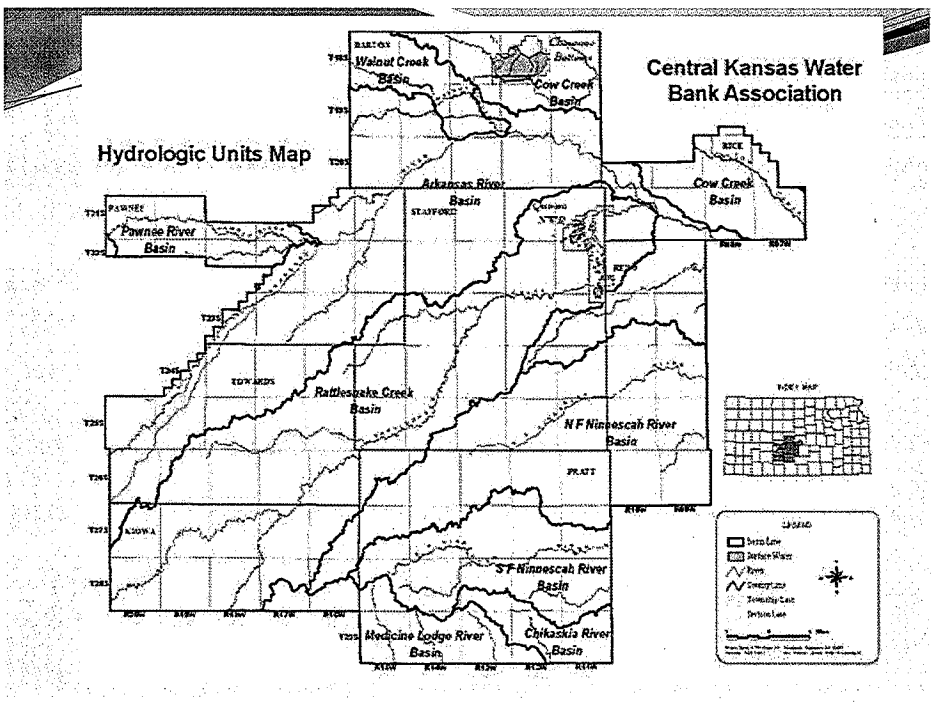
1. ***Statutes allow two banks to be formed.***

2. ***The Water Bank provides a market for voluntary, temporary movement of water rights away from stressed areas to other areas of need, and provides 10% conservation.***

3. ***Central Kansas Water Bank is a not-for-profit corporation that allows:***
   a. ***Water right deposits*** *(restricted to historically consumed amount)*
   b. ***Leases of deposited water***
   c. ***Safe Deposit Accounts*** *(25% of unused allocated amount for owner's future use)*

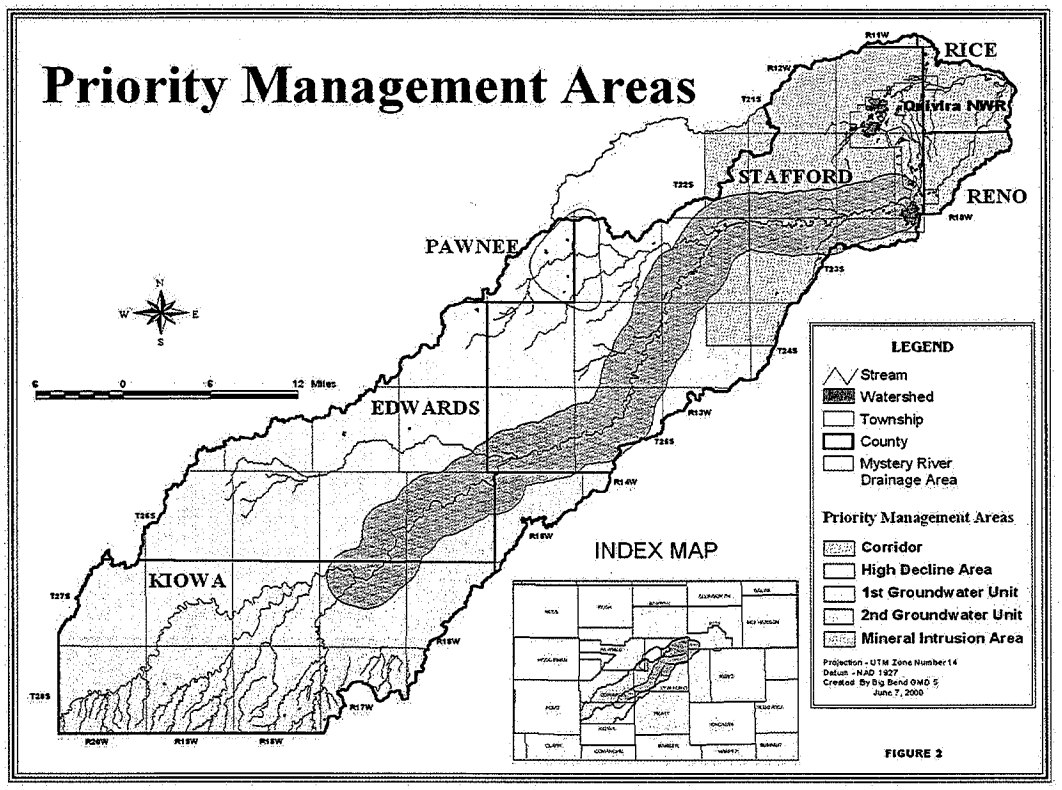
The Central Kansas Water Bank is the only one formed in Kansas, and it only allows groundwater deposits. This Bank formed as a mechanism to encourage water use to move away from stressed areas. There are three types of deposits that can occur. The water right depositor sets the price he would accept for leasing.

Slide 2.



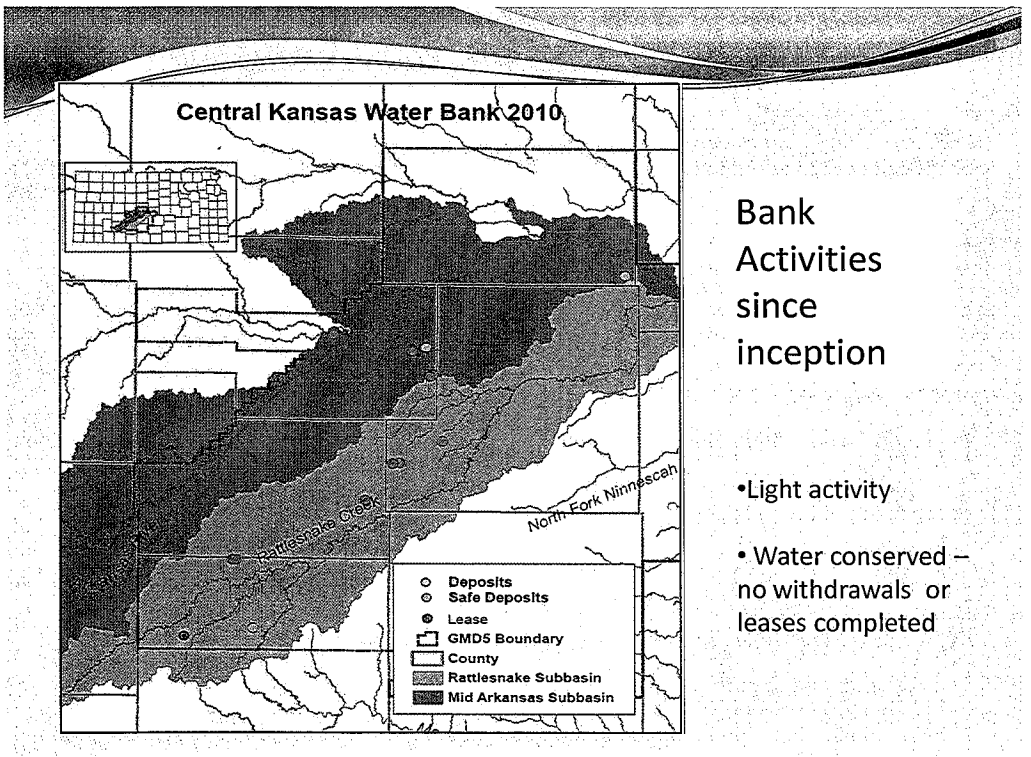
The Bank boundary extends over the entire Big Bend Groundwater Management District #5. A deposit can occur anywhere in the bank. A lease can occur in many areas of the bank, within the same hydrologic unit as the deposit. The hydrologic units are shown on this map. Areas restricted from leasing shown on slide 10.

Slide 3.



The Water Bank is a key conservation program in the Rattlesnake Creek Management Program. When proposed, it was estimated that 15% of the water rights in the region would participate in Bank.

Slide 4.



The Central Kansas Water Bank has been open for business since November, 2005. The activity has been minimal. The evaluation team sees some changes to the bank that could help it be more attractive to participation.

Slide 5.

Evaluation Team Recommendation

- Renew the Water Bank Charter

  Potentially important water management program

  Have it in place for when the demand/need increases

  Several recommendations to improve its operation

The Team strongly recommends the Bank's Charter be renewed. There are some changes recommended that may help participation.

Slide 6.

Potential Deterrent to Bank Use

Uncertainty of Bank's Permanency

Irrigators unwilling to invest in a potentially short term arrangement.

Statutes unclear: (K.S.A. 82a-765(d); 82a-767(a) and 767(d))

- First charter for a 7-Year period
- Five year review with renewal recommendation
- Chief Engineer may renew charter for another 7 year period, in consideration of Evaluation Team's recommendation
- After 2nd 7-year period, then what?

Bank's Charter indicates intent to be permanent after first 7-year period

Slide 7.

Recommendation

- Clarify in statute that a water bank shall be chartered for an initial period of not more than seven years.
- If the five year review recommends the charter be renewed, and the Chief Engineer agrees ...
- Then charter the bank as a permanent corporation.
- Continue periodic external reviews after it is a permanent bank.

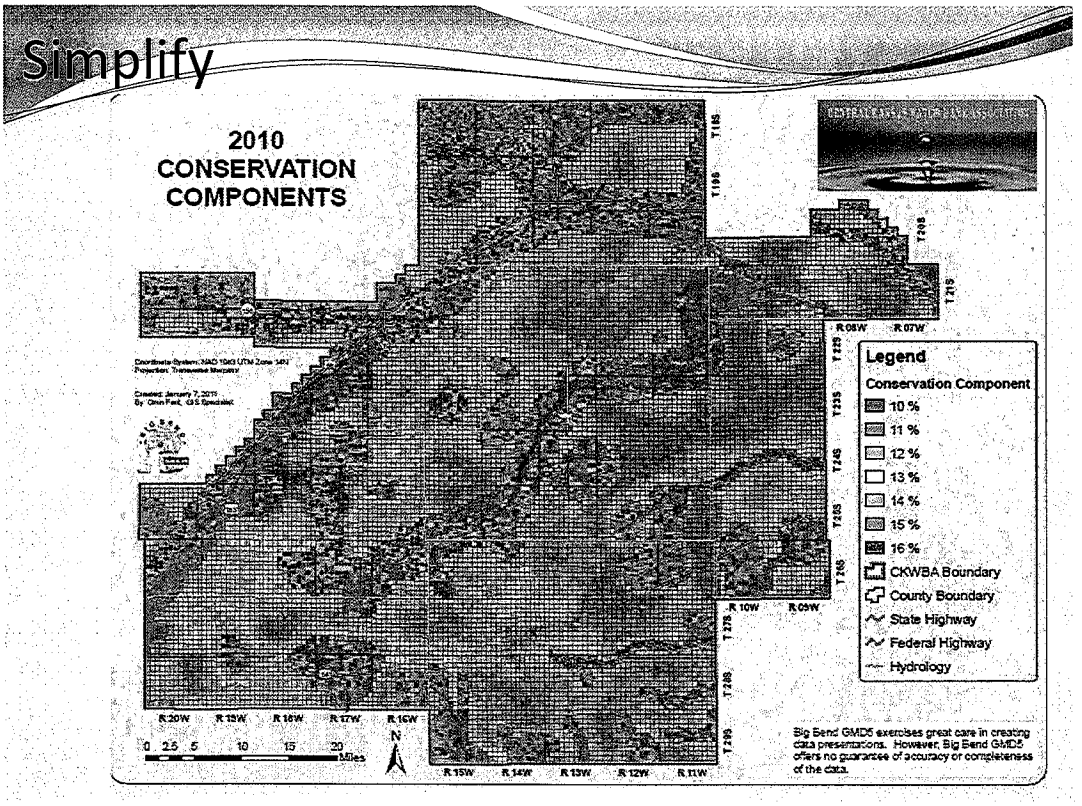
Slide 8.

Other Potential Deterrents to Bank Use

- **Complexity of Program**
- **Heavy Reductions Taken on Quantity**
  - Only historically used quantity (1987-1996) can be deposited
  - A "Consumptive Use Factor" reduces the water deposit 15%
  - A "Conservation Component" further reduces the water deposit by 5% to 12%
  - A "Conservation Component" applied to leases further reduces by another 5% to 12%
  - Uses 3 tables to determine how much water quantity reduction would be taken between a deposit and lease (tables 3, 4 and 5 in report, pg 8 & 9)

Evaluation team recommended simplifying system so easier for potential user to see if fits into his/her water use needs, and reduce the heavy quantity reductions required on bank deposits and leases.

Slide 9.



Put the entire conservation component on the lease side of the transaction; don't take any on the deposit side. Build in the criteria for determining where can lease and how much conservation required, so can be viewed as a map. Reduce the top level of conservation to 16%, down from the current 24%.

Slide 10.

Simplify

Remove the Consumptive Use Factor (CUF) on irrigation deposits that are leased for irrigation use.

Encourage partial irrigation water right deposits that are leased for irrigation use.

Deposits must occur for the Bank benefits to be realized. Simplify the regulations; let the bank be responsible to meet requirements and goals.