State Energy Plan Stall

By Paul Johnson

House Bill 2381 would establish a task force to write a State Energy Plan for Kansas. Kansas is one of a very few states that has not developed such an energy plan. HB 2381 had strong support by several groups except for the industrial lobby. It passed out of committee in an expedited fashion but was never brought up for a debate on the House floor. Since this bill was introduced in a ‘non-exempt’ committee, it had to move out of the House by March 5 to be kept alive for this session. Legislative leaders could have referred it to an ‘exempt’ committee such as the House Federal and State Affairs to keep it alive but alas that was not done.

The industrial customers want favorable utility rates paid for by the other ratepayers - an energy plan may well question that? Some lawmakers are worried this bill is just a ‘trojan horse’ for a ‘green new deal’ plan in Kansas. Kansas has become the first state in the country to generate a majority (41%) of its electricity from renewables (primarily wind) and as wind costs and solar costs continue to out compete fossil fuel power, the path to cheaper power is set.

Two years ago, the Kansas Legislature ordered the Kansas Corporation Commission (KCC) to initiate an outside study into the ‘higher cost’ electric rates in Kansas. Kansas utility ratepayers funded a $580,000 report by London Economics and AECOM that described electric rate challenges in Kansas. A first recommendation by London Economics was the development of an energy plan so there would be some guidance on future power investments. This report covered only electricity thus excluding the key role natural gas plays in Kansas. The Kansas Legislature has done nothing with the recommendation.

Last session, the Governor issued an executive order establishing an independent energy office that would develop a state energy plan but the Kansas Legislature voted that down. The funding for an energy office is in place since the KCC receives an annual Department of Energy State Energy Program grant in the amount of $750,000 (that now funds the KCC Energy Division). With a different DOE now in Washington and motivation towards energy planning, more federal funds are certainly possible.

The KCC should not wait on the Kansas Legislature to act. The task force created by HB 2381 is heavily weighted to various special interests that have not shown any leadership or creativity towards energy planning. There is only one environmental member and no true consumer advocate. With Evergy and Kansas Gas Service on this task force - they will orchestrate a slow-down approach. Forty some other states have energy plans that Kansas can research and choose the best options to understand how energy can be efficiently used in Kansas. By law – public utility monopolies must provide the most ‘reasonably efficient and sufficient service’ to be granted defined service areas and captive ratepayers. Without a detailed energy end-use analysis (energy plan or integrated resource plan (IRP) in utility jargon), the KCC is not fulfilling its statutory obligation.
BUDGETARY SCRAMBLE

Now that the federal $1.9 trillion COVID-19 Relief Act has passed, it will take some time to sort out the additional federal aid and how that will impact developing a Kansas Budget. The Kansas Legislature was already delaying key budgetary decisions to the final appropriations bill (Omnibus Reconciliation) that is developed in the May veto session.

What are the limitations on various federal funding sources in the Relief Act? State governments stand to gain $195 Billion which for Kansas would translate to roughly $195 million. These funds cannot be used to cover pension costs or finance new tax cuts. This will get tricky since some sort of a tax cut package in Kansas seems certain. Timing is important since these federal funds are mostly time limited that bolster the State budget temporarily but not for the long term.

Cities and counties gain $130 Billion in the Relief Act so will that impact any State funding to local units in the short term? One estimate has public schools in Kansas gaining close to a billion in Relief Act funding but how can Kansas use those additional revenues and what is its impact on the Kansas Budget?

Come April, the Consensus Revenue Estimating Group will meet to analyze revenue projections for 2021 and 2022. If there is a strong recovery the last half of 2021, how dependable will those revenues be in the next five years? Tax cuts would seem permanent if they are passed. The Kansas experiment with large income tax cuts in 2011/2013 through 2017 proved destructive to essential state programs from education to social services to public safety that are still with us (such as antiquated unemployment computers).

There has been significant turnover of lawmakers since 2018 with 25 new House members and 14 different Senators after the 2020 elections. There is less institutional memory in the Capitol today, and more lawmakers beholden to campaign funders so Kansas residents will watch for any past ‘tax cut’ lessons learned.

STATE WATER PLAN RECOMMENDATIONS

The House Appropriations committee and the Senate Ways & Means committee have finished their proposals on the State Water Plan (SWP) for 2021 and 2022. These versions will be put into a conference committee of three Senators and three House members to iron out the differences. There were no changes made to the Governor’s 2021 SWP recommendations. For 2022, the House’s SWP plan added $220,000 over the Governor’s recommendation for Aid to Conservation Districts to bring it back to the 2021 level of $1.973 million. The House added $725,000 for water injection dredging at Tuttle Creek Reservoir. The House also added $150,000 for the Arbuckle Study near Wichita.

To fund these increases, the House increased revenues from $500,000 to $1.719 million taken from lottery funds (EDIF). The Senate SWP proposal added $250,000 for Aid to Conservation Districts to equal 2021 funding. The Senate added $50,000 for Water Transition Assistance/CREP payments to buy water rights near Quivira National Refuge. The Senate added $50,000 for more Irrigation Technology. The Senate deleted $310,000 from the Governor’s $860,000 for Water Conservation Practices. The Senate deleted $100,000 from the Governor’s recommendation of $200,000 for Water Technology Farms. The Senate added $60,000 for the Arbuckle Study. These various changes balanced out and the Senate made no change to the revenue source. By statute, State revenues to the SWP should be $8 million but in 2022 State revenues to the SWP are just over $4.5 million.

See the two versions of the recommendations: Senate Ways and Means SWAM ADJUSTMENTS.
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