

Draft Report to the  
Water Policy Task Force Executive Committee  
on the  
October 5, 2005 Meeting of the Funding Subcommittee

Subcommittee Members attending:

Gene Glock  
Ron Bishop  
Dave Sands

Jay Rempe  
Don Kraus  
John Turnbull

Ann Bleed  
Patrick Heath

Others attending:

Tom Schwarz  
Dean Edson  
Mike Clements

Jasper Fanning  
Ann Diers  
Jim Cannia

Jonathan Bartsch  
Steve Gaul

- Gene Glock called the meeting to order at 7:30 p.m. at the Kearney Ramada Inn. He indicated that at this meeting the group needed to develop funding recommendations for the Executive Committee. The Executive Committee would then pass them along to the full task force. The goal is to provide Task Force recommendations to the Department of Natural Resources. Glock pointed out that the group had discussed preliminary recommendations in its September 8 meeting and that Committee members had since received explanatory material on NRD budgets.
- Don Kraus indicated that he had heard loud and clear from the Governor's office about the difficulty of any new funding. The Governor had indicated that if it was needed, the problem was where to cut from: schools, Medicare or elsewhere. Kraus said the governor felt that was not an option. However, Kraus also indicated that there was an option to make a sales pitch and that a sales tax option would be put to a vote of the people and would not reflect on office holders.
- Several members reported on the number of comments they had received on the proposed authorization of a \$10 per acre fee.

Discussion of Incentives

Ann Bleed indicated that options in the Republican basin include meeting compact requirements through either regulation or use of incentives. One idea on incentives would be to use as much Federal funding as possible with other state and local match as possibilities. Glock later pointed out that if there aren't sufficient funds for incentives areas will need to go to regulation. Bleed pointed out that administrative funds need to be kept separate from potential incentives because there needs to be funding to implement the law even if there are limited or no incentives.

Attending NRD managers pointed out the difficulty of determining the level of incentives needed. One said that in the Republican they don't know how many areas they will have to retire. He said they simply had to guess for the budget sheets they provided the subcommittee. Another indicated they had looked at retirement of 10% of their irrigated acres because it looked to be as good a number as any. Another member said it would be a problem if they put out a half-baked number and had to come back for more later.

One subcommittee member indicated that there may be sticker shock when the Task Force's original figures were 5 million annually and the same group now says \$15 million for the state portion alone. Another indicated that 100,000 acres went into irrigation in the COHYST area between 1997 and 2001 and something would need to be done about those acres. Others indicated that some of those acres were outside the overappropriated area and would not be subject to those requirements.

There was a discussion of how many acres need to be retired in the Republican Basin. One Republican Basin NRD manager indicated that retiring acres would offset the lag, but in a drought other things will need to be done as well. Another NRD manager asked whether DNR had calculated how many acres would need to be retired to offset the lag. Bleed indicated that DNR hadn't yet done the calculations, but could work on it. One Republican Basin manager indicated that in his basin action would probably need to be taken before incentive funds could be made available. He indicated that FY 07 is a reality and if they go another year it is decided they have to come down in acreage. It was indicated that the Platte Basin has 10 years to get back in compliance whereas the Republican Basin currently has 2 years.

The suggestion was made and generally agreed upon that for purposes of the following day's executive committee meeting the group should only provide operational budget suggestions and not suggest incentive needs.

#### Operational Budget/General Budget/Sales Tax Discussion

The operational cost component for responding to LB 962 needs was discussed with particular reference to the budgetary responses provided in a survey of NRD. After some discussion it was decided the needed funds would total about \$7.5 million per year. Of that amount \$4 million would be NRD supplied funds for their operations, \$2 million would be state money supplied for NRD operations and \$1.5 million would be state monies for DNR operations and studies. The NRD contribution would be contingent upon restoring mill levy authority in overappropriated and compact areas by raising the levy limit by 1¢.

Dave Sands distributed a draft proposal for a  $\frac{1}{8}$  of 1% or  $\frac{1}{4}$  of 1% dedicated sales tax to subcommittee members. He noted that the tax could go to the voters and in the long run it could provide funding for both the administrative function and incentives as well as a variety of other potential partners/funding needs identified in the handout. Bleed noted that this type of proposal could not come from the Department and, if made, would need to come from the committee. Another subcommittee member indicated that if a vote were to occur on the dedicated sales tax idea, it wouldn't come for some time and funding from the general fund would be needed until

then. It was suggested that when presenting the subcommittee report Glock only mention the need for a sales tax, not the amount.

#### Discussion of Principles for Incentive Distribution

Bleed indicated that at the previous meeting she had asked subcommittee members about the principles DNR should use in providing incentive funding to natural resources districts. This had come about in part because of an irrigated land buyout proposal for the Pumpkin Creek area that could utilize state funds to help match federal monies. She distributed revised principles and asked for subcommittee input. She noted the new criteria would look at whether the activity to be funded is a component of a joint implementation plan and the extent to which it is a commitment to meet the goal as opposed to waiting for funding. The principles would apply in overappropriated and compact areas.

One NRD manager cautioned about making criteria too subjective by using words such as "committed". It was finally suggested that the principles be revised to suggest that a component of the principles be that the applicant have an integrated management plan that includes controls to achieve the goals of the plan. There was a suggestion that one of the criteria could also be the ratio of state versus local dollars considering the entity's ability to fund.

#### Conclusions

It was suggested that when Glock reported to the Executive Committee the next day he mention the need to restore the mill levy by allowing a 1¢ increase in NRDs with overappropriated and compact areas. It was also suggested that he report on the need for \$7.5 million with the NRDs supplying \$4 million for their operations to be supplemented with \$2 million in state funds. A need was also identified for \$1.5 million in state funds for DNR operations and studies. It was also suggested that the potential for sales tax be mentioned with subcommittee support but that there be an indication that the amount that needs to be raised is not yet known.

The subcommittee asked that by the next meeting DNR supply them with information on the number of acres that may need to be retired or removed from overappropriated and compact areas. This was identified as the number of acres that would need to be retired to deal with lag effect based upon a normalized precipitation curve. One subcommittee member asked that, for the Platte, figures be developed for both returning to 1997 irrigated acreage levels and for returning to the fully appropriated status.

#### Next Meeting

The next meeting of the Funding Subcommittee was set for 10:00 a.m., Wednesday, October 26, 2005 in Grand Island.