

An Analysis of Natural Resources District Revenue Base, Board Sizes, and Potential for Boundary Changes or Consolidation

Nebraska Natural Resources Commission
September 1, 1997

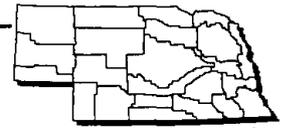


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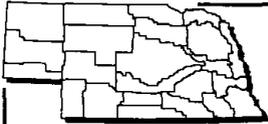
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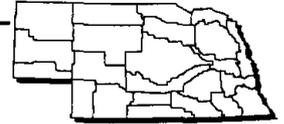
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I. INTRODUCTION



The Nebraska Legislature through LB1085 (1996) directed the Nebraska Natural Resources Commission to issue a report by September 1, 1997 analyzing natural resources district revenue base, board of director size, boundary changes, and consolidation of districts. This report is being issued in fulfillment of that directive. Our conclusion, after careful examination of each of these issues, is that changes generally are not necessary. The natural resources districts have authority to make these types of changes and have done so in a number of instances.

In providing direction for this report LB1085 directed "the Commission shall outline the five possible changes which, in its best judgement, represent the opportunities most likely to stabilize and enhance the natural resources district system through restructuring and cost efficiencies." This is a difficult task because it is our firm belief that the natural resources district system as currently structured is highly successful. In the final analysis we believe that most potential changes of state policy regarding NRD revenue base, board size, boundaries or consolidation would detract from the system and its stability rather than help.

Early in the review process, the Commission conducted a survey of natural resources district directors and managers. In response to the survey, NRD directors overwhelmingly indicated that changes in board size, revenue base, boundaries and consolidation are not needed in their NRDs at this time. We generally concur with that option. Therefore, the five potential changes provided later in this report do not provide for the type of major organizational changes that could damage the system.

The Unicameral has also directed that a second report be issued by September 1, 1998. That report is to include an analysis of district cost effectiveness, program effectiveness, duplication of responsibilities and authorities, and other services or areas that could provide property tax relief. The comments and recommendations provided in this report should not be viewed as precluding options in that report. It is also possible that the second study may result in suggested changes related to issues in this study.

The Commission considered the issues in this report in a deliberate manner. At its December 11, 1996 meeting the Natural Resources Commission established a seven member committee to facilitate the study. The committee was to be composed of three Commission members, three representatives of the Nebraska Association of Resources Districts (NARD) and one Commission staff member. Commission Chairman Bob Bell appointed: Commission members Vince Kramper (chair), Don

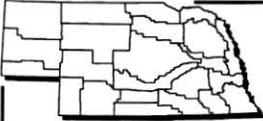
Roberts and Wayne Davis; NARD members Mike Mosel (President), Richard Beran and John Turnbull; and Commission staff member Gayle Starr. Also at the December 11, 1996 meeting Bell and Kramper presented a report entitled "LB 1085 Considerations and Suggestions" and the Commission held a brainstorming session which generated 34 initial ideas for the study process.

The committee first met in January of 1997 and concluded its work that summer. To assist in compiling this report, as mentioned earlier, the Committee directed that a questionnaire be sent to each natural resources district board member and manager.

A wide range of alternatives were discussed in compilation of this report. Some of those alternatives are mentioned in the list of "brainstorming" ideas included as Appendix A. On January 28, 1997 the Commission committee compiling this report held a lengthy heavily attended meeting in conjunction with a state conference of the Nebraska Association of Resources Districts. Many of the ideas included in Appendix A were discussed at that time. Comment letters were also sent by twenty of the twenty-three NRD managers and those letters usually reflected board discussion. The survey responses of many of those directors are included in Appendix B. Although the appendices contain discussion of the specific alternatives, that type of discussion is not included in the body of the report. Both the sheer number of alternatives and the general lack of support for changes, contributed to the decision to place that discussion in appendices.

In addition to this Introduction, this report contains Survey Results, and sections on Natural Resources District Responsibilities, Financial Capabilities, and Issues and Recommendations (with separate subsections dealing with Revenue Base, Board of Director Size, Boundary Changes and Consolidation of Natural Resources Districts). The report also contains a section identifying five possible changes to the system. In addition, the report includes an Appendix of "brainstorming" ideas developed at the Commission's December 11, 1996 meeting, an Appendix detailing the survey of Natural Resources District directors and managers comment letters from districts, and an Appendix containing Section 8 of LB 1085.

It is worthy of note that this is not the first Commission report to deal with potential natural resources district boundary changes or mergers. In August 1989 the Commission issued a "Report on the Composition of Natural Resources Districts". That report also involved a survey and addressed some of the same issues as this one.



II. NATURAL RESOURCES DISTRICT RESPONSIBILITIES AND FINANCIAL CAPABILITIES

Responsibilities

Creation and Purposes of NRDs

Prior to 1969 Nebraska created a large number of special purpose districts in an attempt to solve local water problems as they arose. Those districts often had weak authorities, overlapping responsibilities and boundaries and often lacked a stable source of funding. In 1969 the Unicameral passed LB 1357 in part to address those concerns and on July 1, 1972 some 154 special purpose districts were consolidated into 24 multi-purpose natural resources districts (NRDs). The new consolidated districts were based primarily on river basin boundaries, utilized a property tax revenue base, and eventually substantially reduced the total number of directors/board members that had been required for the 154 previous districts.

The range of duties for the NRDs is far more comprehensive than those of any of the predecessor districts. Those predecessors included: 86 Soil and Water Conservation Districts, 62 Watershed Conservancy Districts, 2 Watershed Planning Boards, 3 Advisory Watershed Improvement Boards and 1 Watershed District. The Soil and Water Conservation Districts had no overall dedicated source of funding and all of the predecessor districts had limited duties.

Nebraska's 23 NRDs (there has been one merger since 1972) currently have powers and authorities related to plans, facilities, works and programs dealing with a dozen purposes. These include:

The NRD concept is a substantial departure from the approach of other states. To date, no other state has adopted the NRD approach and most use a combination of county soil and water conservation districts and other governmental units. At the time of their creation NRDs were envisioned especially as a mechanism to help water development projects. However, the new districts' wide range of authorities, stable property tax base, and grassroots local election of directors have made them a natural vehicle for providing local management for emerging natural resources issues. In the 25 years since their creation the Unicameral has significantly expanded NRD duties.

Additions to NRD Authorities and Responsibilities Since 1972

Table 1 provides a chronology of major legislation increasing district responsibilities or providing funding for district activities. Groundwater protection has been the focus of much of the major legislative activity since 1972.

The evolution of what is today called the Groundwater Management and Protection Act began with LB577 (1975) authorizing Groundwater Control Areas and requiring NRD regulation of groundwater irrigation runoff. That original act was concerned mostly with groundwater quantity. However, since that time the Unicameral has added major provisions authorizing NRD educational and regulatory efforts for water quality as well as quantity. Other provisions have required groundwater management plans for quantity (LB 1106 - 1984) and plan amendments to

Natural Resources District Responsibilities

- 1 - Erosion Prevention and Control
- 2 - Prevention of Damages From Flood Water and Sediment
- 3 - Flood Prevention and Control
- 4 - Soil Conservation
- 5 - Water Supply for Any Beneficial Uses
- 6 - Development, Management, Utilization and Conservation of Ground Water and Surface Water
- 7 - Pollution Control
- 8 - Solid Waste Disposal and Sanitary Drainage
- 9 - Drainage Improvement and Channel Rectification
- 10 - Development and Management of Fish and Wildlife Habitat
- 11 - Development and Management of Recreational and Park Facilities
- 12 - Forestry and Range Management

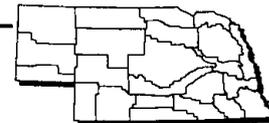
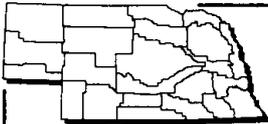


TABLE 1

A Chronology Of Major Legislation Increasing NRD Responsibilities And/Or Providing Major Funding Sources For NRD Activities

1969	LB 1357 -	Creation of Natural Resources Districts (Effective July 1, 1972)
1972	LB 540 -	Restricted taxing authority of NRDs to one mill (3.5 cents per \$100 valuation), down from two mills of original legislation
1972	LB 537 -	Calls for Districts to Prepare Comprehensive Long-Range Six Year Plans to be Updated Annually Along with One Year Certain Plans
1974	LB 975 -	Creation of Nebraska Resources Development Fund, NRDs Sponsor or Cosponsor Most of Projects Funded
1975	LB 577 -	Authorizes NRD Groundwater Control Areas; Allow Extra 1.8¢ Levy in Control Areas; Also Requires Regulation of Groundwater Irrigation Runoff
1977	LB 450 -	Creation of Nebraska Soil and Water Conservation Fund; Administered by NRDs at Local Level
1978	LB 783 -	Requires NRD Master Plans and Long Range Implementation Plans
1982	LB 375 -	Allows Creation and Implementation of Groundwater Management Areas After Preparation and Approval of a Groundwater Management Plan, Expand Control Area Mill Levy Ability to Groundwater Management Areas
1984	LB 1106 -	Requires All NRDs to Prepare a Groundwater Management Plan Regardless of Intent to Designate a Management Area.
1984	LB 1106 -	Authorizes Instream Flow Rights and Allows NRDs to Apply
1986	LB 474 -	Erosion and Sediment Control Act; Requires NRDs to Adopt and Implement a Local Erosion and Sediment Control Program, Also Requires Investigation of Complaints and Enforcement of Rules Against Violators.
1986	LB 894 -	Special Protection Area Legislation; Allowed or Could Require Non-Point Pollution Control. Also Allowed Water Quality as Part of Water Management Area Process.
1986	LB 284 -	Chemigation Legislation, Requires NRD Local Administration, Including: a) Inspect Equipment and Issue Permits, b) Conduct Random Inspections for Compliance, and c) Enforce Act When Violations Detected.
1987	LB 148 -	Raises NRD Mill Levy from 3.5¢ to 4.5¢ per \$100 valuation
1991	LB 51 -	Requires NRDs to Address Groundwater Quality in Their Groundwater Management Plans
1992	LB 957 -	Establishes the Nebraska Environmental Trust
1994	LB 961 -	Authorizes Natural Resources Enhancement Fund
1995	LB 981 -	Establishes the Water Well Decommissioning Fund; Allocates Funds to NRDs for Water Well Decommissioning Cost Share Programs
1995	LB 251 -	Requires NRDs to Receive and Investigate Complaints About Water Transferred Off the Overlying Land for Agricultural Purposes
1996	LB 108 -	Allows or Can Require Management of Surface Water - Groundwater Relationships and Consolidated Groundwater Management Authorities



address water quality concerns (LB 51 - 1991). In 1996 LB 108 authorized NRDs to address difficulties arising from use of hydrologically connected groundwater and surface water.

Provisions of the Groundwater Management and Protection Act don't specifically require monitoring, education, regulatory or incentive programs from the NRDs. However, in order to address local needs and help meet the intent of the legislature each district has at least conducted significant planning, monitoring and educational activity. Regulatory activity has also occurred in some districts and each NRD has at least indicated the type of groundwater monitoring results that would trigger specific actions. In addition to provisions of the Groundwater Management and Protection Act the Unicameral has added chemigation inspections and enforcement to the list of NRD duties (LB 284 - 1986). Groundwater related activities have consumed an increasing share of most districts' budget and staff time over the last 25 years.

Other legal changes that have resulted in increases in NRD responsibilities include: requirements for NRD master plans and long range implementation plans (LB 783 - 1978), the Erosion and Sediment Control Act (LB 474 - 1986), and the authority to apply for instream flow rights (LB 1106 - 1984). In addition, since 1974 the Unicameral has authorized a number of natural resources related funding mechanisms which are heavily used by the NRDs. These include the Nebraska Resources Development Fund, the Nebraska Soil and Water Conservation Fund, the Nebraska Environmental Trust, the Natural Resources Enhancement Fund, and the Water Well Decommissioning Fund. Applying for and administering grants from these funds can require a considerable amount of NRD staff time.

In combination these legislative changes have sometimes resulted in levels of NRD expense and staff time expenditure that may not have been anticipated when the districts were formed. The other major changes have come from increased local demands for the types of services that can be provided as part of one of the 12 NRD purposes.

Finances

Natural Resources Districts currently utilize only slightly more than 1% of the property tax statewide. Property tax accounts for about 46% (FY 95-96) of the combined revenues for the districts. The average tax levy for the 23 NRDs in FY 96-97 was 3.09 cents per hundred dollars valuation

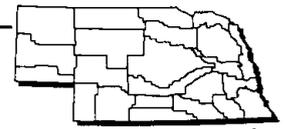
compared to a current maximum NRD taxing authority of 4.5 cents. A comparison of levies (see Table 2) in the 11 lowest valuation versus the 11 highest valuation districts reveals almost no difference in the average levy (3.135 in the low valuation districts versus 3.032 in the high valuation districts). However, the table does reveal a marked variation in the total tax valuation of districts. Out of 23 districts, the eight districts with the smallest valuation account for 8.4% of the total tax valuation of districts. On the other hand the eight districts with the highest valuations account for 76.38% of the total valuation of districts

The original 1969 legislation to establish NRDs contained provisions providing for a maximum taxing levy of 2 mills (7 cents). In a 1972 compromise before NRDs went into operation it was changed to 1 mill (3.5 cents). Some of the state senators indicated at that time that state funds might help make up some of the difference. That has apparently been partially the case. In FY 95-96 State Government sources provided over \$6.1 million to NRDs or about 13.4% of their funding. That does not include the nearly \$3.5 million in the Nebraska Soil and Water Conservation Fund, which the districts participate in administering.

Over the 25 years of NRD operation there has been a significant increase in both overall budgets and local tax requirements of the average district. However, in a major sense there is no "average" district. As a result some districts, after accounting for inflation, today have relatively smaller tax requirements than they initially did 24 years ago, while others are well ahead of that mark.

Table 3 presents combined NRD total local tax requirements and total NRD budgetary requirements since 1973. It also presents cents levied per \$100 of valuation since 1981-82. The local tax requirements were levied and spent by NRDs, although not always in the same fiscal year. However, the total requirements in the budget include monies budgeted, but not necessarily spent or received.

It must be strongly emphasized that these figures **are not expenditure figures**. Combined total requirements appear to be higher than actual expenditures. A full period of record for actual expenditures was not gathered for this report. Analysis of the three fiscal years ending in FY 95-96 shows that combined overall NRD actual expenditures were about 72%, 76% and 92% of the budgeted total requirements in those three fiscal years. The FY 95-96 expenditures were actually greater than income for that year.

**TABLE 2****Fiscal Year 1997 Tax Valuations and Levies
by Natural Resources District (Lowest to Highest)**

	Tax Valuation	FY 97 Levy Cents per \$100 Valuation
Middle Niobrara NRD	523,182,370	3.42
Lower Niobrara NRD	530,757,429	2.58
Upper Loup NRD	548,680,962	2.28
Lewis and Clark NRD	713,808,030	4.19
Upper Republican NRD	761,083,701 *	2.80/1.80 ^{1/}
South Platte NRD	924,207,410	3.68
Upper Elkhorn NRD	947,810,592	3.18
Lower Republican NRD	969,133,810	4.03
Middle Republican NRD	1,091,914,663	3.36
Upper Niobrara White NRD	1,161,382,298	2.38
Tri-Basin NRD	1,372,316,526	2.59
Lower Big Blue NRD	1,578,071,138	3.46
North Platte NRD	1,816,723,654	3.63
Twin Platte NRD	1,853,303,459	1.38
Nemaha NRD	1,855,577,834	4.13
Little Blue NRD	2,166,736,032	2.55
Lower Platte North NRD	2,598,441,423	4.17
Upper Big Blue NRD	3,552,324,116	2.64
Lower Loup NRD	3,675,074,168	1.95
Lower Elkhorn NRD	4,147,786,113	3.49
Central Platte NRD	5,308,143,347 *	2.70/0.93 ^{1/}
Lower Platte South NRD	10,475,453,521	3.46
Papio-Missouri River NRD	21,871,372,476	3.25
TOTAL	70,443,285,072	3.09

* Not including separate valuation for Groundwater Management Areas for the Central Platte and the Upper Republican.

^{1/} Separate levy for Groundwater Management Area

Average Levy of 11 Lowest Valuation Districts = 3.135 (not including groundwater management area)

Average Levy of 11 Highest Valuation Districts = 3.032 (not including groundwater management area)

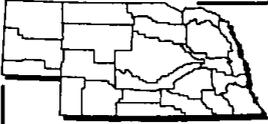


TABLE 3

**NRD Budgeted Tax Requirements and
Total Requirements 1973 - FY 96-97**

Year	Tax Requirements	% Change in Tax Requirements from Previous Year	Total Requirements	Valuation	Cents per \$100 Actual Valuation
96-97	22,736,506	4.14	55,106,558	70,443,285,072	3.09
95-96	21,833,371	6.13	56,018,382	66,502,169,473	3.17
94-95	20,571,369	6.30	50,755,084	62,949,141,858	3.14
93-94	19,352,787	-1.48	44,713,821	57,767,463,395	3.20
92-93	19,643,855	13.10	44,243,579	55,867,017,205	3.24
91-92	17,369,308	6.97	41,817,268	53,959,952,539	3.07
90-91	16,237,962	5.42	35,328,965	52,280,409,871	2.92
89-90	15,403,457	6.84	34,090,401	49,755,432,215	2.90
88-89	14,417,805	4.27	30,472,775	44,595,075,676	3.06
87-88	13,827,575	22.78	30,198,822	44,133,173,478	2.97
86-87	11,261,896	5.84	27,815,409	43,800,420,753	2.76
85-86	10,640,722	11.47	27,076,534	44,421,212,697	2.58
84-85	9,546,056	4.66	27,082,218	40,694,329,991	2.39
83-84	9,121,400	10.00	26,579,645	40,492,412,865	2.35
82-83	8,291,938	2.06	33,150,473	38,417,589,343	2.12
81-82	8,124,890	8.14	32,866,767	37,206,259,143	2.18 ^{1/}
80-81	7,513,313	7.39	32,328,386	12,453,615,129	
79-80	6,996,235	11.71	31,805,142	11,662,420,389	
78-79	6,263,060	2.66	29,390,027	7,716,063,779	
77-78	6,100,546	8.92	24,410,857	7,641,298,512	
76-77	5,600,877	6.79	20,722,600	6,940,432,697	
75-76	5,244,734		16,548,511	6,624,788,000	
75	4,525,470		14,028,208	6,322,271,723	
74	4,276,326	7.65	10,240,818	5,987,346,431	
73	3,972,484		8,287,636	5,707,699,347	

1973 to 1996

Change in Tax Requirements +472.35%

Change in Total Requirements +564.92%

^{1/} *Nebraska's tax valuation system was changed at this point and therefore valuation comparisons are difficult.*

Inflation adjustments make the budgetary data more meaningful. Table 4 provides NRD tax requirements and total requirements in inflation adjusted dollars. Those figures indicate that since 1973 NRD local tax requirements have risen almost 62% after adjustment for inflation and their total budgetary requirements have risen about 88%. However, in their initial year one would not expect the new districts to have become active in pursuing outside funds, so it is perhaps not surprising that

figure rose more. For the FY 77-78 to FY 96-97 time period inflation adjusted tax requirements rose 41.8% while inflation adjusted total requirements actually fell 15.5%. The figures were obtained by using the consumer price index and adjusting to 1996 dollars. Figure 1 depicts annual changes in NRD local tax requirements versus annual changes in the consumer price index. Between 1973 and 1996 the state's population rose about 6.7%.

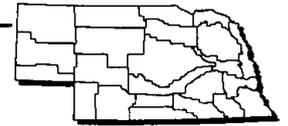


TABLE 4

**NRD Tax Requirements and Total Requirements
in Inflation Adjusted Dollars
1973 Through FY 96-97**

Year	Annual % Change in Consumer Price Index	Difference Between Increase in Tax Requirements and Increase in Consumer Price Index in %	Tax Requirements in 1996 Dollars	Total Requirements in 1996 Dollars
96-97	2.95	1.18	22,736,506	55,106,558
95-96	2.83	3.30	22,478,057	57,672,468
94-95	2.56	3.74	21,779,000	53,734,633
93-94	2.99	-4.48	21,013,511	48,550,855
92-93	3.01	10.08	21,968,074	49,478,386
91-92	4.21	2.76	20,009,137	48,172,756
90-91	5.40	0.01	19,493,009	42,410,976
89-90	4.82	2.02	19,490,342	43,135,354
88-89	4.14	0.13	19,122,178	40,415,709
87-88	3.65	19.13	19,098,121	41,709,465
86-87	1.86	3.98	16,122,185	39,819,687
85-86	3.56	7.91	15,516,071	39,482,418
84-85	4.32	0.34	14,415,555	40,897,016
83-84	3.21	6.79	14,368,952	41,870,947
82-83	6.16	-4.10	13,481,918	53,899,577
81-82	10.32	-2.18	14,024,150	56,730,426
80-81	13.50	-6.11	14,306,296	61,557,327
79-80	11.35	0.36	15,119,962	68,735,906
78-79	7.59	-4.93	15,071,689	70,725,387
77-78	6.50	2.42	15,794,978	63,202,367
76-77	5.76	1.03	15,444,246	57,141,932
75-76 ^{1/}	53.80	10.13	15,295,516	48,261,364
75 ^{1/}	53.80	-3.30	13,197,886	40,911,261
74	49.30	-3.39	13,609,646	32,591,975
73	44.40		14,037,900	29,286,714

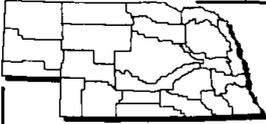
Inflation Adjusted Change in % 1973 - FY 96-97

Tax Requirements	61.97%
Total Requirements	88.16%

Inflation Adjusted Change in % FY 77-78 to FY 96-97

Tax Requirements	41.8%
Total Requirements	(-15.5%)

^{1/} The change from calendar year to fiscal year record keeping means statistics for these years should not be used for comparison.



The increases depicted in Tables 3 and 4 should be viewed with caution. In many cases it has been the lower valuation NRDs with the smaller revenue bases that have experienced the smallest increases in total budget (even though their mill levies in FY 97 were about the same). Table 5 depicts the inflation adjusted budgeted increases in tax requirements and total requirements between FY 77-78 and FY 96-97 by NRD. Despite the overall 41.8% increase in inflation adjusted tax requirements, ten NRDs actually decreased their inflation adjusted tax requirements over that period. Seventeen NRDs decreased their inflation adjusted total requirements over that period.

The larger increases have tended to be in urban areas and in areas with major groundwater management activities. For purposes of this comparison the separate groundwater management levies were added into the budgets of NRDs that utilized them. The larger budgets of urban areas tend to disproportionately increase the overall "average" for NRDs. The two largest valuation districts, the Papio-Missouri River NRD and the Lower Platte South NRD accounted for between 47 and 48% of both the tax requirements and total requirements in the NRDs FY 96-97 budgets. Those areas have had valuations increase at a higher rate due to greater population change and economic activity. In 1973 the Papio, Missouri Tributaries and Lower Platte South NRDs accounted for about 34.3% of total valuation for NRDs. In FY 97 the same area accounted for about 46% of total NRD valuation. Table 5 uses the 1977-78 fiscal year instead of 1973 to minimize any budgetary differences attributable to variations in inauguration of the NRD system.

Furthermore individual NRD total budgets can vary significantly between years - often depending on grant funds. For that reason comparison of total budgetary figures can be especially misleading. In that regard a three-year average of 1973, 1974 and 1975 vs. an average of FYs 94-95, 95-96 and 96-97 might be more appropriate. Therefore, Table 5 should be used as a general comparison of the types of budgetary changes between different types of NRDs not as a comparison between specific NRDs.

Natural Resources District budgets include funds from state and federal government sources, local property taxes, and a variety of other sources (which include local revenue generating activities such as tree planting etc.). Total revenue sources for all NRDs to FY 95-96 are included in Figure 2.

In addition to the sources noted above it is worth noting that the districts do much of the local administrative work for the Nebraska Soil and Water Conservation Fund. In recent years that fund has been providing in the vicinity of \$3.5 million annually for local conservation efforts. However, since the checks are mailed directly to local landowners, NRDs receive no funds despite their major role in the program. That role includes local NRD funding that goes to land treatment measures in addition to the state fund and federal funding. Changes in federal or state funding may play a role in future demand for local cost share funding for land treatment.

Other state funds mentioned in the previous section can also play a significant role in NRD budgets or in addressing concerns related to the NRD's purposes. Some of the more significant natural resources related state funds and their annual budgets are provided in Table 6.

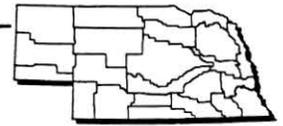
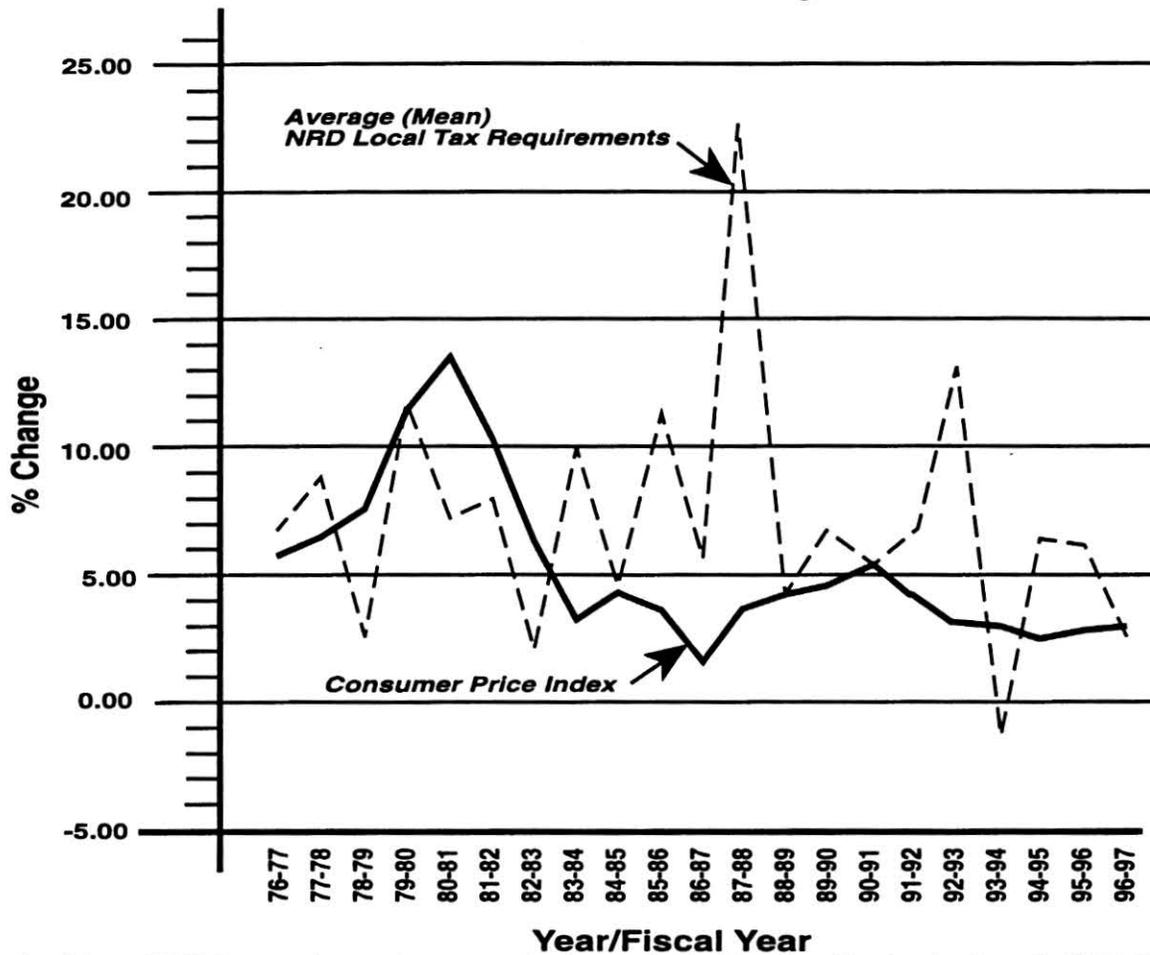


FIGURE 1
Average Annual Percentage Change In
NRD Local Tax Requirements
and Consumer Price Index FY 76-77 Through 96-97 ^{1/ 2/}

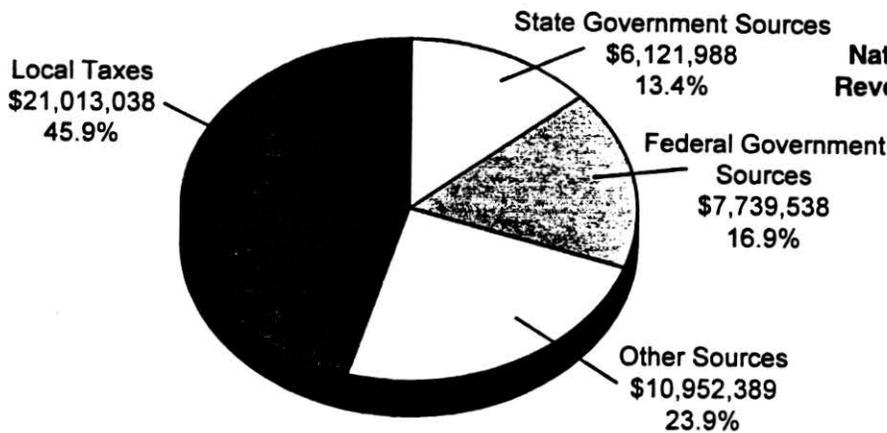


^{1/} Prior to FY 75-76 records were kept on a calendar year basis. Therefore this chart begins with FY 76-77

^{2/} Consumer Price Index is used for the earlier years of fiscal year combinations (i.e. FY 76-77 uses the 1976 CPI)

Nebraska Natural Resources Commission 5/97

FIGURE 2
Total
Natural Resources District
Revenue Sources (All NRDs)
Fiscal Year 95-96



Total Revenues \$45,826,954 (100%)
 Total Expenditures \$50,314,838

TABLE 5

Inflation Adjusted Changes in Budgeted Tax Requirements and Budgeted Total Requirements by NRD - Differences Between FY 77-78 Budget and FY 96-97 Budget^{1/}

NRD	FY 77-78	FY 77-78	FY 77-78	FY 77-78	FY 96-97	FY 96-97	Inflation	Inflation
	Budgeted	Budgeted	Budgeted	Budgeted			Adjusted %	Adjusted %
	Total	Local Tax	Total	Local Tax	Total	Local Tax	"Real" Change	"Real" Change
	Requirements	Requirements	Requirements	Requirements	Requirements	Requirements	in Budgeted	in Budgeted
	In	In	In	In	Total	Local Tax	Total	Local Tax
	1977 Dollars	1977 Dollars	1996 Dollars	1996 Dollars	FY 77-78	FY 77-78	Requirements	Requirements
					to FY 96-97	to FY 96-97		
Upper Big Blue	1,177,605	398,845	3,048,948	1,032,653	2,844,791	936,927	(-7%)	(-9%)
Lower Big Blue	828,366	216,580	2,144,730	560,749	1,491,942	545,810	(-30%)	(-3%)
Upper Elkhorn	254,647	94,655	659,309	245,072	794,185	301,509	20%	23%
Lower Elkhorn	1,205,732	524,037	3,121,771	1,356,789	2,835,800	1,446,367	(-9%)	7%
Little Blue	898,316	301,370	2,325,838	780,280	1,031,998	551,552	(-56%)	(-29%)
Upper Loup	153,648	69,893	397,811	180,961	392,750	125,095	(-1%)	(-31%)
Lower Loup	1,127,609	265,836	2,919,503	688,278	1,487,531	715,286	(-49%)	4%
Lewis & Clark	356,157	97,628	922,129	252,770	620,000	299,000	(-33%)	18%
Papio-Missouri River ^{2/}	4,565,721	956,716	11,821,149	2,477,042	17,795,796	7,110,325	51%	187%
Nemaha	1,207,817	281,135	3,127,170	727,889	3,104,295	767,201	(-1%)	5%
Upper Niobrara-White	274,679	139,559	711,174	361,333	477,581	277,038	(-33%)	(-23%)
Middle Niobrara	341,880	73,390	885,165	190,016	459,274	178,740	(-48%)	(-6%)
Lower Niobrara	132,840	57,758	343,937	149,542	406,021	137,099	18%	(-8%)
North Platte	1,269,988	83,047	3,288,137	215,018	1,210,915	659,009	(-63%)	206%
South Platte	1,391,130	117,804	3,601,787	305,007	686,966	340,406	(-81%)	12%
Twin Platte	300,346	148,719	777,629	385,050	611,031	255,803	(-21%)	(-34%)
Central Platte	2,634,159	593,004	6,820,125	1,535,352	6,027,246	1,926,996	(-12%)	26%
Lower Platte North	1,697,841	387,321	4,395,895	1,002,816	1,919,622	1,083,795	(-56%)	8%
Lower Platte South	2,662,735	800,324	6,894,111	2,072,126	7,613,577	3,620,000	10%	75%
Upper Republican	262,992	138,499	680,915	358,589	796,201	345,880	17%	(-4%)
Middle Republican	1,129,527	153,240	2,924,468	396,755	931,300	366,398	(-68%)	(-8%)
Lower Republican	302,507	103,891	783,224	268,985	685,861	390,708	(-12%)	45%
Tri-Basin	234,615	97,295	607,444	251,907	882,375	355,567	45%	41%
TOTAL	24,410,857	6,100,546	63,202,367	15,794,979	55,106,558	22,736,506		

Combined Inflation Adjusted Change in Requirements - FY 77-78 through FY 96-97

Tax Requirements	41.8%
Total Requirements	(-15.5%)

^{1/}Consumer Price Index used to calculate inflation adjusted changes.

^{2/}1977 Figures include combined budget for Missouri Tributaries NRD and Papio NRD.

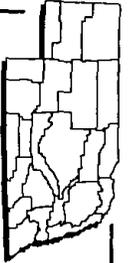


TABLE 6
General Fund Appropriations or Amounts Allocated -
Selected Natural Resources Related State Funds Utilized by NRDs
1974 to 1996

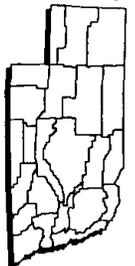
Fiscal Year	Natural Resources Development Fund ^{1/}	Soil & Water Conservation Fund ^{1/}	Small Watersheds Flood Control Fund ^{1/}	Water Well Decommissioning Fund	Nebraska Environmental Trust ^{2/}	Natural Resources Enhancement Fund ^{3/}
1975	1,000,000		180,000			
1976	1,000,000		73,000			
1977	1,000,000		75,000			
1978	1,000,000		75,000			
1979	1,000,000	500,000	75,000			
1980	1,650,000	850,000	75,000			
1981	1,700,000	1,100,000	75,000			
1982	2,910,000	1,067,000	75,000			
1983	2,851,800	1,045,660	0			
1984	2,751,800	1,395,660	0			
1985	2,851,800	1,445,660	0			
1986	1,226,764	1,906,748	400,000			
1987	101,597	1,906,748	200,000			
1988	700,000	1,906,748	200,000			
1989	700,000	3,506,748	200,000			
1990	2,000,000	4,006,748	100,000			
1991	2,000,000	3,506,748	100,000			
1992	2,000,000	3,506,748	0			
1993	2,000,000	3,506,748	0			
1994	1,970,000	3,454,147	0		2,732,953	
1995	1,970,000	3,454,147	0	99,000	4,827,042	
1996	2,170,000	3,454,147	0	99,000	5,121,576	
1997	2,170,000	3,454,147	0	99,000	^{2/}	

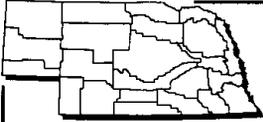
NOTES:

^{1/} The above stated funds provide dollars that are often matched almost always by local and federal dollars.

^{2/} The figures for the Environmental Trust are the amounts allocated by the Nebraska Lottery during that fiscal year. FY 97 was still in process as this report was being written. The amounts are total figures and Natural Resources Districts only apply for or receive a small portion of the full amount.

^{3/} Funds are to be available to the Natural Resources Enhancement Fund beginning in FY 97-98.





III. SUMMARY OF SURVEY RESULTS

To assist in compiling this report the committee directed that a questionnaire be sent to each natural resources district board member and manager. Responses were received from 116 of about 310 directors and 20 of the 23 managers. A copy of the questionnaire, summaries of some of the responses, and copies of the NRD manager's comment letters are included as Appendix B of this report.

Directors and managers were asked to respond to four questions about board size, boundary changes, mergers, and revenue base. In each case they were asked to respond to those questions as they would relate specifically to their NRD. There were also two non-NRD specific questions about efficient/effective NRD operation and revenues. A numerical summary of the NRD director's responses to the four NRD specific questions follows. In some cases more general answers have been classified into the "yes" or "no" categories. Not all NRD directors answered all questions.

Question: How would you feel about merger of your NRD with any other NRD? Do you feel a merger would make better use of tax dollars and still provide adequate service to your area? If you feel possibilities for a merger should be examined what merger would you suggest be considered?

Answers: YES 14 (12.6%)
NO 97 (87.4%)

Question: Do you feel any boundary change(s) involving your NRD would be beneficial? If so, what areas would you suggest be looked at?

Answers: YES 20 (18.9%)
NO 86 (81.1%)

Question: If your NRD has more than eleven board members, would you be willing to consider downsizing your board? No board member would lose their position until their term expired. Do you personally see merit in a smaller board and do you feel it would result in cost savings? If you would prefer a different

board size for your board, how many members would you suggest?

Answers: YES 29 (31.9%)
NO 86 (68.1%)

Question: Is your revenue base adequate to provide the natural resources services that you feel are needed in your NRD?

Answers: YES 96 (91.4%)
NO 9 (8.6%)

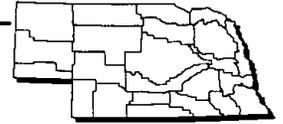
The above responses indicate that NRD directors were almost overwhelmingly satisfied with the existing revenue base, merger status, boundaries and board size of their districts. The question eliciting the most uniform response dealt with whether their district's revenue base was adequate. Despite the additional responsibilities assigned to Districts over the years an overwhelming 91% considered their revenue base adequate. The question that elicited the most willingness to consider change (although still a distinct minority of responses) concerned board size. Almost a third of respondents indicated there might be merit in considering a change of board size in their district.

In addition to the above four questions directors were asked to supply answers to two additional questions. Those included:

Question: Do you believe state government should make any changes in regard to potential NRD revenues? If so what would you suggest?

Question: Do you have any suggestions and/or comments on how we as NRDs could be more efficient and effective?

A synopsis of the director's answers to those questions and the full comment letters of the managers or NRDs are provided in Appendix B. The letters from the managers/NRDs provide in depth replies to the questions. In total the information in the Appendix provides thoughtful responses to each of the six questions and useful insights into the ideas and concerns of the individuals most familiar with operation of the NRD system at the local level.



IV. ISSUES AND RECOMMENDATIONS

General Comments

- 1) While it is important to respond to LB1085 with some substantial suggestions and possibilities, this report should also be viewed as a "fine tuning" of the NRD structure. NRDs are, in fact, the best example of consolidation of local governments in the State of Nebraska in recent history. We believe that the natural resources district system as currently structured is highly successful. We also believe that most potential changes in state policy regarding NRD revenue base, board size, boundaries or consolidation would detract from the system and its stability rather than help.
- 2) It needs to be recognized that property tax dollars utilized by NRD's programs and projects apply good stewardship practices back on the land which makes good justification for such expenditures. Further, the limited taxing authorities of NRDs provide an ability to obtain State and Federal funding for local programs and projects. Almost all State and Federal grant programs require matching dollars in today's world of "pass down" responsibilities.
- 3) In round numbers, natural resources programs and projects receive approximately one percent (1%) of property taxes and one percent (1%) of State budget dollars, which is a modest amount when considering the vastness of Nebraska soil and water management needs.
- 4) After 25 years, NRDs are providing a broad range of programs and projects to their local constituents pursuant to the twelve specific authorities granted in the original law (LB1357-1969) that created NRDs. It is important to remember that the revenue sources (tax revenue) within each NRD dictates to a large degree the work (programs and projects) and/or priorities of each District.
- 5) The following pages do not discuss each specific alternative change regarding NRD

revenue base, board size, boundary changes or consolidation. There are too many alternative changes for that and very few received significant support in the survey or NRD manager letters. However, some of those potential changes are mentioned in the brainstorming list in Appendix A and some receive discussion in Appendix B. All were discussed during compilation of the report.

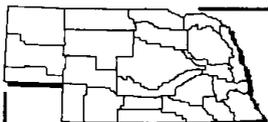
- 6) On September 1, 1998 the Commission will issue a report analyzing district cost effectiveness, duplication of responsibilities and authorities, and other services or areas that could facilitate property tax relief. The comments and recommendations provided in this report should not be viewed as precluding options in that report.

Revenue Base

Dramatic differences in revenue and personnel and an increase in legislatively assigned duties have led to some concern over whether all districts have an adequate revenue base. Revenue base was a major factor in the one NRD merger that has occurred since 1972. In that instance, the Middle Missouri Tributaries NRD which in FY 1988-89 had the 6th lowest assessed valuation of any district decided to work for merger with the Papio NRD which has the highest assessed valuation of any district. This was brought about in part by difficulties the Middle Missouri Tributaries NRD was having in providing desired service on its low budget.

On its face, it seems the revenue issue could be a significant one for the remaining districts. Currently the Papio-Missouri River NRD, one of the smaller districts in area, has about 57 times the local tax revenue of the Upper Loup NRD, one of the largest districts in area. However, the two districts perform different functions for different constituencies. Indeed one of the major advantages of the NRD system is that it is able to respond to local issues and local voter preferences.

Since their formation in 1972, NRDs have seen a consistent increase in legislatively assigned responsibilities (see Table 1). At the same time the very success of the district's local management effort has helped maintain or increase demand for the local



services an NRD can provide. To help keep up with that demand some districts have a significantly larger revenue base than they did at the time of their creation.

Since 1973 NRD budgeted tax requirements, when adjusted for inflation have risen over 50% and budgeted total requirements have risen over 75%. However, some of the lower valuation districts were among those experiencing the smallest rate of revenue increase over the period. When adjusted for inflation seven districts actually had lower tax requirements than in 1973 and seven districts had lower total budgetary requirements.

A public that has significant recreation time and is more environmentally aware may contribute to continued or increasing demand for the full spectrum of NRD programs. Much of the increase in legislatively assigned responsibility has involved groundwater management activities. In that regard, many districts are likely to have significant future costs for the groundwater quality monitoring necessary to carry out their groundwater management plans.

But constituent demands could key increased efforts even if there were few new legislative assignments. In any one NRD at any one time a different purpose may be most important. Water supply, water quality, information-education, recreation and habitat are all areas that may see increased NRD activity in some instances.

The Commission survey of NRD directors showed that over 91% of NRD directors believed they had an adequate revenue base in their district. Whether the districts would have adequate revenues if their revenue base was decreased or if they were given additional responsibilities with no new revenue is a separate question. Some directors expressed concerns in that regard and their comments can be read in the appendix to this report. Another concern expressed by some was that some districts may be using state funds to keep their taxing rate at an artificially low levy. For further discussion of that concern see the comment letter from the Lower Platte North NRD in the Appendix.

An additional area of concern may be limitations on the ability of NRDs to charge full costs for some assigned activities. Districts are currently effectively limited to chemigation fee revenues of \$20 for the initial application and \$8 for a renewal. This is insufficient to pay costs.

A synopsis of the arguments for and against changes related to NRD revenue base and the Commission's recommendations are as follows.

Reasons for considering change - 1) added NRD responsibilities over the last 25 years, 2) discrepancy in revenues between NRDs, 3) mill levy limits, 4) expiration of revenue sources, and 5) potential future responsibilities

Arguments against change - 1) survey of directors/managers indicates adequate revenue base, 2) inflation adjusted local tax requirements have increased over 50% since 1972 already, 3) different NRDs have different needs, 4) added state revenue might make local units of government too dependent on the state or be used to supplant local operating funds.

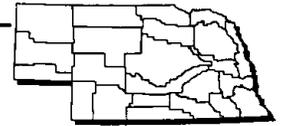
Commission comments and recommendations -

Comments

- 1) **NRD revenue base does not seem to be a problem at the present time (as indicated by the survey of NRD directors and managers).**
- 2) **Future revenues could become a problem due to the loss of existing sources and growth of responsibilities.**
- 3) **We do not consider use of state revenue to replace property taxes for NRD basic operation to have been a major problem in the past.**

Recommendations

- 1) **It is appropriate that the state continue to assign NRDs new responsibilities as resource needs arise. However, state government should also provide the funds to accomplish those newly mandated activities.**
- 2) **Remove the limitations to natural resources district's ability to charge for services. The limitation on chemigation fees is an example of the type of language that should be modified.**
- 3) **Change or remove the sunset date for the fertilizer fee.**
- 4) **Institute a fee similar to the fertilizer fee for wholesale chemicals.**



Board Of Director Size

There has been some question as to whether a change in Board size might provide for cost reductions and efficiencies in NRD operation. By statute an NRD board of directors must be comprised of an odd number of members with a minimum of five members and a maximum of twenty one. Board of director sizes vary between seven and twenty one members at present. The next largest local government boards in Nebraska include Nebraska Public Power District (11), Omaha Public Schools (12) and Central Nebraska Public Power and Irrigation District (15). Table 7 provides current NRD board sizes and their sizes in 1975 as well as election procedure information. The statutes do allow boards to change their size. As of April 1997 seven of the 23 existing boards had a different number of members than they did in 1975. Average Board size is currently 13.96. In 1973 average board size was 15.61. One board, the Papio-Missouri River NRD, has changed its size several times. In each instance where a board is currently of a different size, it is smaller than it was in 1975.

NRD election contests do account for a sizable portion of the ballot, in some cases over half the ballot. Districts must pay for their portion of the ballot. In instances where there is an at large director, the names must go on the ballot throughout the district. Directors in all districts receive mileage expenses and directors in all but one district receive per diem. Many districts with larger boards utilize the members in subcommittees, helping members to develop expertise in their specific areas of interest.

A synopsis of arguments for and against changes in board size and the Commission's recommendations follow.

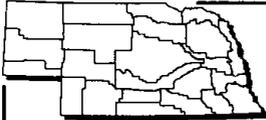
Reasons for considering change - 1) districts which elect at large have too many candidates for voters to be adequately informed about each, **2)** large board sizes may make general discussions more difficult, **3)** large board sizes might diminish the importance of any one member's contribution and occasionally a member's level of commitment, **4)** costs for printing of ballots and director expenses are both larger with larger numbers of directors, **5)** confusion or miscommunication among board members may be higher with larger numbers of members, **6)** the at large director position can be especially expensive in terms of electoral costs. **7)** Some NRDs currently have the largest boards in Nebraska local government.

Arguments against change - 1) NRDs already have the opportunity to change their board sizes and eight boards now have a different number of members than when they were created, **2)** larger board sizes allow for more diversity of opinion and new ideas, **3)** large board sizes allow for more localized representation for areas affected by board decisions (i.e. constituents are more likely to actually know a board member), **4)** large boards help keep any one member from becoming too powerful, **5)** the multi-purpose nature and growing responsibilities of NRDs may justify the larger board sizes, **6)** large boards allow members to play important roles on subcommittees and become fairly expert in one area of district operation, **7)** smaller boards would have less time to study issues, **8)** over two thirds of NRD directors surveyed for this study saw no need to consider downsizing their board.

Commission comments and recommendations -

Comments

- 1) There is nothing to keep districts from changing their board size under current law and in fact 8 of the 23 existing districts have done so at some point since their creation.**
- 2) The Commission believes the original legislation establishing board size requirements was well conceived.**
- 3) Individual boards know what number of directors works best for their board.**
- 4) The current statutes provide both local control and flexibility**
- 5) While there would be cost savings from reducing board sizes, those savings would be minimal. A one third reduction in the number of Board members would not result in a one third reduction in Board related expense. Furthermore those expenses are even now only a minor portion of the average NRD budget.**



Recommendations

- 1) **The current law and its inherent flexibility should be maintained.**
- 2) **Each NRD should examine its own board size, consider other possibilities and modify its board size if appropriate.**
- 3) **Districts which do reduce their board size should consider ending the at large director position.**

TABLE 7

NRD Board Size 1975 and 1996 and Election Procedure and Population Ratios 1996 Elections

NRDs Nominating by Subdistrict but Electing at Large

	Board Size 1975	Board Size 1996	Subdistrict Population Ratios (1990 Census)
Upper Niobrara White	11	11	2.45:1
Middle Niobrara	9	7	1.54:1
Lower Niobrara	17	17	2.87:1
Upper Loup	11	11	1.37:1
Upper Elkhorn	15	15	2.60:1
North Platte	13	9	1.75:1
Central Platte	21	21	2.66:1
Lower Platte North	21	19	2.5:1
Lower Platte South	21	21	1.84:1
Upper Republican ^{1/}	11	11	1.3:1
Tri-Basin	13	13	2.52:1
Lower Republican	11	11	1.61:1
Little Blue	17	17	2.9:1
Upper Big Blue	17	17	1.74:1

NRDS Nominating and Electing by Subdistrict

Lewis and Clark	17	11	1:1
Papio-Missouri River ^{1/2/3/}	21	11	1.26:1
Lower Elkhorn	19	15	1.08:1
South Platte ^{1/2/}	13	7	1:1
Twin Platte	15	11	1.04:1
Lower Loup	21	21	1.07:1
Lower Big Blue	13	13	1.01:1
Nemaha	21	21	1.1:1

NRDs Nominating and Electing at Large (No Subdistricts)

Middle Republican	11	11	
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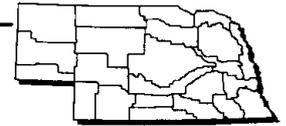
Former NRDs

(Middle Missouri Tributaries)	11	---	---
	370 ^{3/}	321	

^{1/} One director per subdistrict.

^{2/} No at-large director.

^{3/} In January 1989 the Papio NRD merged with the Missouri Tributaries NRD. The 370 figure presented for 1975 includes the 11 directors of the Middle Missouri Tributaries NRD.



Boundary Changes

Boundary changes are allowed by current statute provided both of the involved districts agree to the change and the Natural Resources Commission approves the change. There have been at least four instances of boundary changes in the 25 years since NRDs were created. For the most part these occurred early in the NRDs existence. The changes included the following.

- 1) Transfer of a township from the Central Platte to the Middle Republican NRD due to local interest.
- 2) Transfer of land containing the Village of Tilden from the Upper Elkhorn to the Lower Elkhorn NRD (statutory guidelines indicate that reasons to deviate from hydrologic boundaries include instances where a boundary would divide a city or village).
- 3) Transfer of a small amount of land in Dodge County from the Lower Platte North NRD to the Papio NRD. This occurred in connection with merger of a drainage district into the Papio NRD and effectively merged the one small portion of that district that was not in the Papio NRD.
- 4) Transfer of a number of small parcels of land from the Lower Elkhorn NRD to the former Middle Missouri Tributaries NRD. This was largely due to a watershed project.

A wide range of potential boundary changes were mentioned in the planning process for this study. However, in the Commission survey less than 19% of directors indicated feeling that any boundary changes would be beneficial to their district. A number of potential boundary changes were considered in depth in the Commission's 1989 "Report on the Composition of Natural Resources Districts". Those included potential changes involving Platte County, Rock County, the Tri-Basin NRD and the Lower Elkhorn/Upper Niobrara NRDs. The Commission suggested no changes in Platte County although it indicated possible relocation of one section could be pursued further by the NRDs. It indicated there was no justification at that time for changing NRD boundaries in Rock County or for the Tri-Basin NRD. It expressed no final conclusion regarding boundary changes or merger between the Lower Niobrara and Upper Elkhorn NRDs.

Reasons for considering change - 1)

boundary changes can help districts better address problems that don't necessarily occur along surface water basin lines, such as groundwater quality, 2) boundary changes that help consolidate political boundaries may help with data collection, the voting process and voter identification of their NRD, 3) boundary changes could sometimes help make districts more compact and cut travel times.

Arguments against change - 1)

districts already have the ability to make boundary changes if they agree and the Natural Resources Commission approves, 2) changing NRD boundaries can change the surface basin concept, 3) changing an NRD's boundaries can cause information in its plans to become obsolete, 4) Changing an NRD's boundaries can diminish the usefulness of previous trend data and budgetary data for the district, 5) changing NRD boundaries can cause a director to become part of another district, 6) there would be some administrative expenses involved in a boundary change, 7) changing boundaries can confuse voters.

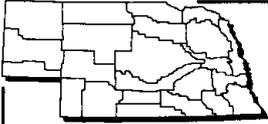
Commission comments and recommendations -

Comments

- 1) **There is nothing in the current statutes to prevent districts from agreeing to a boundary change with Natural Resources Commission approval. Districts have used this option on a number of occasions.**
- 2) **The Commission believes the original legislation establishing procedures for boundary changes was well conceived.**

Recommendations

- 1) **The current statutes regarding boundary changes are appropriate, provide needed flexibility, and should be retained.**
- 2) **Each district should examine its potential for boundary changes and work toward changes if appropriate.**



CONSOLIDATION OF NATURAL RESOURCES DISTRICTS

Since the creation of Natural Resources Districts in 1972 there has been one merger between districts. The Papio-Missouri River Natural Resources District became effective on January 5, 1989. It merged the former Middle Missouri Tributaries NRD with the Papio NRD. Revenue base was a major issue that helped lead the districts to agree to consolidation.

In the Commission survey for this study less than 13% of responding directors felt that a merger would provide better use of tax dollars and still provide adequate service to their area. The Commission's 1989 "Report on the Composition of Natural Resources Districts" included discussion on potential boundary changes or mergers involving the Lower Niobrara and Upper Elkhorn NRDs as well as the Tri-Basin NRD. The Commission expressed no opinion on boundary changes or mergers involving the Lower Niobrara NRD/Upper Elkhorn NRD and indicated that no boundary changes involving the Tri-Basin NRD were justified at that time.

Reasons for considering change - 1) could lessen valuation problems, if any, in low valuation districts, 2) could facilitate consolidation of some services, 3) rural lands might benefit from a funding infusion from urban properties, 4) some administrative cost savings may be possible.

Arguments against change - 1) mergers can already occur if districts agree and the Natural Resources Commission approves, 2) work/planning done by the merged NRDs would need to be consolidated and in some cases done over, 3) travel distances for directors and staff would be increased, 4) there could be transition costs from broken working relationships, job moves or losses and administrative confusion or morale problems, 5) the short term administrative/physical costs of the office move could be considerable, 6) it might become necessary to open a branch office in order to maintain the same level of service, 7) the basin/watershed rationale of the NRDs could be compromised, 8) Nebraska already has fewer "conservation districts" than other states.

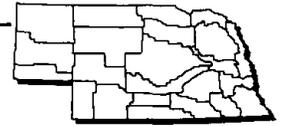
Commission comments and recommendations -

Comments

- 1) **Current statutes contain provisions that allow districts to merge if they agree and the Commission approves.**
- 2) **The Commission believes the original legislation regarding mergers was well conceived.**

Recommendations

- 1) **The current statutes regarding consolidation of districts are appropriate, provide needed flexibility, and should be retained.**
- 2) **Each district should examine its potential for consolidation and work towards merger where appropriate**



IV. FIVE CHANGES MOST LIKELY TO ENHANCE NRDS THROUGH RESTRUCTURING AND COST EFFICIENCIES

In providing direction for this report LB 1085 directed "the commission shall outline the five possible changes which, in its best judgement, represent the opportunities most likely to stabilize and enhance the natural resources district system through restructuring and cost efficiencies". **This is a difficult task because it is our firm belief that the Natural Resources District system as currently structured is highly successful. A list of potential changes developed at a December 11, 1996 "brainstorming" session of the commission is included as Appendix A. However, in the final analysis we believe that most potential changes in state policy regarding NRD revenue base, board size, boundaries or consolidation would detract from the system and its stability rather than help.**

In response to our survey, NRD directors overwhelmingly indicated that changes in board size, revenue base, boundaries and consolidation are not needed for their individual NRDs at this time. We generally concur with that opinion. We also believe that citizens at the local level generally know what works best for their area.

While we believe the district's existing revenue base is adequate, a number of the possible changes provided below are designed to address potential future changes in responsibilities or revenue base. The following potential changes are offered more in the hope of being prepared for future contingencies than in responding to the existing problems perceived by some observers. A second Commission report, due September 1, 1998 is to deal with district cost effectiveness, duplication of responsibilities and authorities, and other services or areas that could facilitate property tax relief. Those seem to be good topics for identifying additional changes.

Five Potential Changes

- 1) The current statutes allow natural resources districts the flexibility to make changes in board size and cooperatively changes boundaries or merge. That flexibility has resulted in one merger and a number of boundary changes. Districts should be encouraged to reexamine their potential for boundary changes and mergers.**
- 2) The current statutes allow natural resources districts the flexibility to make changes in board size. That flexibility has been used and should be retained. Each natural resources district should be encouraged to reexamine its board size. Districts which reduce their board size should consider ending the at large director position.**
- 3) It is appropriate that the state continue to assign the natural resources districts new responsibilities as resource needs arise. However, state government should also provide the funds to accomplish those newly mandated activities.**
- 4) Remove limitations to natural resources districts' abilities to charge for services. The limitation to chemigation charges is one example.**
- 5) Change or remove the sunset date for the fertilizer fee. Institute a fee similar to the fertilizer fee for wholesale chemicals.**

FIGURE 3
Nebraska Natural Resources Districts

