

Dave Heineman
Governor

STATE OF NEBRASKA
DEPARTMENT OF NATURAL RESOURCES
Brian P. Dunnigan, P.E.
Director

October 1, 2011

IN REPLY TO:

Patrick J. O'Donnell
Clerk of the Legislature
Room 1218, State Capitol
Lincoln, NE 68509

Dear Mr. O'Donnell:

Pursuant to Neb. Rev. Stat. § 61-218(6), I am submitting to the Legislature this report of the Water Resources Cash Fund (Fund) uses for the previous fiscal year, FY 2010-11.

In order to be as informative as possible on the meaning of this year's report, it is useful to review the Fund's recent historical context as well. As noted in the last three annual reports, the Department has reserved maximum flexibility for direct use of the Fund and has tentatively committed to utilizing up to \$2 million from the Fund annually over the period for reimbursement of costs associated with the Platte River Recovery Implementation Program (PRRIP) and the Platte Basin Habitat Enhancement Program (PBHEP). PBHEP is a consortium of five natural resources districts organized under interlocal cooperative agreement. The Department expended directly from the Fund in prior fiscal years to pay the Central Platte NRD, South Platte NRD, and multiple Platte Basin irrigation districts under PBHEP, for partial costs associated with management actions taken to reduce consumptive uses of water or to enhance stream flows in the overappropriated area of the Platte River Basin. The funds were used by the NRDs for purchasing easements on water rights. The funds were paid to irrigation districts for ground water recharge activities.

The Department has also obtained funds that are not State General Fund Cash Fund resources for purposes associated with the Fund's statutory uses through grants from the Nebraska Environmental Trust (NET), as anticipated under the Fund's 2007 enabling legislation. Three such grants for studies have been obtained to date for a total of \$1,313,120 with actual grant expenditures spanning four fiscal years. In consideration of obtaining funds from NET under provisions of LB 229, 2011, further NET grants for such studies by the Fund are not anticipated.

Cash Fund Expenditures and Transfers in FY2009-10

Central Platte NRD	\$ 304,452
South Platte NRD	15,327
LB 1 Transfers to General Fund	75,000
	<u>\$ 394,779</u>

NET Grant Expenditures in FY2009-10

University of Nebraska, School of Natural Resources	<u>\$ 591,901</u>
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Cash Fund Expenditures and Transfers in FY2010-11

Central Platte NRD	\$424,314
South Platte NRD	38,915
PBHEP Recharge Project – Irrigation District Payments	103,067
LB1 Transfers to General Fund	<u>150,000</u>
	<u>\$716,296</u>

NET Grant Expenditures in FY2010-11

University of Nebraska, School of Natural Resources	<u>\$375,240</u>
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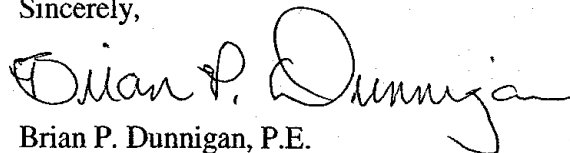
Expenditures to date in FY2012

8/12/2011 University of Nebraska, School of Natural Resources	44,022
8/31/2011 Central Platte	<u>\$179,520</u>
	<u>\$223,542</u>

The Department anticipates a significant increase in expenditures from the Fund during FY2012 to help fund two major projects recently approved, Central Platte PBHEP projects for Cozad Canal and Thirty Mile Canal Conjunctive Management, at \$ 3.1 million and \$1.1 million in Fund cost shares, respectively, over the project duration. Also nearing approval, the J-2 Reregulating Reservoir Project with multiple NRDs has a total cost to the Fund of approximately \$11.5 million over the next five years. Over the next three years, increased Fund expenditures for other phase two PRRIP measures are expected to be approximately \$10 million. These will be possible as a result of additional resources available under LB 229, 2011. Pursuant to LB 229 requirements, the Department applied for expanded NET grant funding in September 2011 for expenditure under the Fund's rules. LB 229 potentially doubles the available Fund resources up to FY2013-14 for planned uses under the Fund, conditionally with a similar potential through FY2016-17. Anticipated State cost share of the currently expected water resource remediation projects for the period up to FY2017-18 is approximately \$70 million.

The balance of the Fund as of June 30, 2011, was \$5,618,422 and as of September 30, 2011, was \$5,457,150. This is comprised of the remainder of the FY2008-09 and FY 2009-10 transfers from the General Fund plus accrued interest. Note that this also reflects transfers back to the General Fund during those two years totaling \$225,000 in accordance with LB 1, 2009. There were no expenditures from the Fund to a natural resources district pursuant to § 61-218(5)(a) during the reporting period. Transfer of the \$3.3 million appropriated for FY11-12 will be requested when needed or near the end of FY2012. The NET will not act on the Department's LB 229 grant application for \$3.3 million in the current fiscal year and each of the following two fiscal years until April 2012.

Sincerely,



Brian P. Dunnigan, P.E.
Director

cc: Senator Chris Langemeier, Chairman, Natural Resources Committee
bcc: Mark Matulka, PRO