

October 1, 2018

Patrick J. O'Donnell
 Clerk of the Legislature
 Rm. 2018, State Capitol
 Lincoln, NE 68509



Pete Ricketts, Governor

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 2017-18.

The Fund currently receives equal resources from both General Fund appropriations and from a grant with the Nebraska Environmental Trust (NET). LB331, 2017, provided for the latest three-year \$9.9M grant opportunity to the Fund. The current NET three-year grant award period matches General Fund sources but overlaps the last of the original (LB701, 2007) enabling legislation's expressed intent for a General Fund appropriation to FY 2018-19. Table 1 provides an annual summary of the resources that have been made available to the Fund since FY 2011-12.

Table 1. Summary of resources made available to the Fund since FY 2011-12¹.

WATER RESOURCES CASH FUND Funding Amounts and Sources			
Authority	Fiscal Year	General Fund	Nebraska Environmental Trust Grant
LB 229, 2011; LB 950, 2012	2011-12	\$4.7 M	\$3.3 M (Grant #1)
LB 229, 2011	2012-13	\$3.3 M	\$3.3 M (Grant #1)
LB 229, 2011	2013-14	\$3.3 M	\$3.3 M (Grant #1)
LB 229, 2011	2014-15	\$3.3 M	\$3.3 M (Grant #2)
LB 229, 2011	2015-16	\$3.3 M	\$3.3 M (Grant #2)
LB 229, 2011	2016-17	\$3.3 M	\$3.3 M (Grant #2)
LB 331, 2017	2017-18	\$3.3 M	\$3.3 M (Grant #3)
LB 331, 2017	2018-19	\$3.3 M	\$3.3 M (Grant #3)

Uses of Fund resources have evolved since its inception, consistent with incremental and long-range planning for conserving the state's water resources. As noted in earlier reports, the Department has reserved maximum flexibility for direct use of the Fund but also committed, beginning in 2010, to expend directly from the Fund in this and prior fiscal years for reimbursement of costs associated with achieving compliance under an interstate agreement for use of waters of the Platte River, the Platte River Recovery Implementation Program (PRRIP), and

¹ This chart is corrected from the chart submitted in the 2014-15 Report to the Legislature.

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the associated integrated management plans (IMPs). A consortium of five natural resources districts (Central Platte, South Platte, Twin Platte, North Platte, and Tri-Basin) and the Department are organized under an interlocal cooperative agreement, the Platte Basin Water Project Coalition (Coalition), to implement the IMPs affected by the PRRIP and to collaboratively determine the best use of the financial resources available. Coalition funding is composed of \$23.1M dollars from the LB229 (seven years of NET grant transfers to the Fund) and \$9,028,737.16 dollars of the anticipated \$21.2M in General Fund appropriation available over the same time period. The Coalition's total budget for fiscal years 2012-2018 is \$47,568,737.16 including cost share resources from local natural resource district expenditures. Altogether, Fund contributions to Coalition projects will leverage \$16,540,000.00 in local match with potential for further leveraging of federal funds through PRRIP. The funds were used by the districts for purchasing easements on water rights, diversions of excess flows for the purpose of groundwater recharge, conjunctive management, and augmentation well projects to further meet the terms of PRRIP and the requirements of the IMPs. Remaining Coalition dollars committed to other projects total \$660,597.09. Senators may wish to re-read the Department's July 1, 2014, Report to the Natural Resources Committee, on file at the Legislature's electronic portal, for a comprehensive review of demonstrated benefits from Fund expenditures to the Coalition projects through that publication date.

In addition to Platte River Basin activities, the Department has worked with local natural resources districts in the Republican River basin to implement various management actions in support of Republican River Compact (Compact) compliance since 2013. During FY 2014, FY 2015, FY 2016, and FY 2017, \$3,465,600 from the Fund was paid on a 40% cost share basis to the Upper, Middle, and Lower Republican natural resources districts in order to enhance Compact compliance measures. The Department also provided additional assistance to Republican Basin natural resources districts during FY 2016 to support Compact compliance management actions. Since the last report to the Legislature, the Department made \$12.6M total long-term contractual agreements with these natural resources districts for the same purpose.

Expenditures from the Fund in FY 2017-18 and commitments for future expenditures are identified in the lists below.

Cash Fund Expenditures in FY 2017-18

N-CORPE	\$ 2,417,852.71
Oliver Reservoir Streamflow Enhancement Project	\$ 47,968.90
NPNRD Excess Flows, Groundwater Recharge	\$ 71,050.50
NPNRD Lease/Recharge Cow Camp	\$ 34,193.25
Phelps Canal	\$ 50,362.11
NPNRD-Retirement Projects	\$ 330,185.57
TBNRD Excess Flows	\$ 174,957.28
Western ID Recharge	\$ 17,744.94
Total	\$ 3,144,315.26

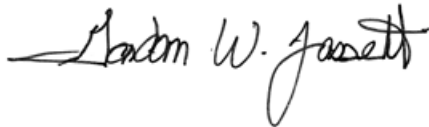


Summary of Cash Fund Commitments through June 2019

N-CORPE	\$ 1,465,009.65
Oliver Reservoir Streamflow Enhancement Project	\$ 214,352.77
NPNRD Excess Flows, Groundwater Recharge	\$ 58,238.70
NPNRD EPIC Allocation Buy Down Projects	\$ 171,829.32
NPNRD Retirement Projects	\$ 183,397.78
TBNRD/CNPPID Rainwater Basin Joint Venture	\$ 781,065.00
TBNRD Excess Flows	\$ 42,811.72
SPNRD Western ID Recharge Pit Construction and Rehab	\$ 108,000.00
CPNRD Recharge Pits/Detention Ponds	\$ 685,000.00
CPNRD Easement Packages	\$ 534,780.00
TPNRD Western ID MOA	\$ 90,000.00
TPNRD Platte Valley ID MOA	\$ 30,000.00
TPNRD Suburban ID MOA	\$ 30,000.00
TPNRD Keith-Lincoln	\$ 30,000.00
TPNRD Paxton-Hershey	\$ 30,000.00
URNRD Reduce Consumptive Use, CREP and Acre Retirements	\$ 6,000,000.00
MRNRD Consumptive Use and Other Projects	\$ 3,300,000.00
LRNRD Consumptive Use and Other Projects	\$ 3,300,000.00
UNWNRD Groundwater Recharge Potential	\$ 150,000.00
Decision Support System Design, Sprint and Scope of Work	\$ 1,188,070.00
Total	\$ 18,392,554.94

The June 30, 2018 balance of the Fund was \$11,326,921.45, reflecting the inherent lag between planning and expenditures for long-term projects. This amount is comprised of the remainder of the unexpended transfers from the General Fund since Fund inception plus accrued interest; and deposit of LB229 NET grants to date, less interest on the unexpended balance of funds from that grant which was returned to the NET. There were no expenditures from the Fund to a natural resources district pursuant to *Neb. Rev. Stat. § 61-218(5) (a)* during the reporting period. Transfer of the \$3.3M of General Funds appropriated for FY 2018-19 will be requested when needed for expenditure.

Respectfully,



Gordon W. Fassett, P.E., Director

CC: Senator Dan Hughes, District 44

