

NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR



January 13, 2010

Senator Lavon Heidemann
Chairperson, Appropriations Committee
State Capitol
PO Box 64604
Lincoln, NE 68509-4604

C. ENAY

Dear Senator Heidemann:

Along with much of state government, the Nebraska Ethanol Board was greatly impacted by LB's 1 and 2 (2009 Special Session). LB1 reduced NEB appropriations by \$14,008 in FY09-10 and \$37,016 in FY10-11. It also reduced unexpended authority from FY08-09 by \$95,753. Of greater concern are cash transfers from the NEB's Agricultural Alcohol Fuel Tax fund as ordered in LB2. \$214,008 was transferred to the EPIC Fund in December, 2009. \$28,016 more is scheduled for FY10-11.

Combined, the transfers total 60% of uncommitted cash reserves and the NEB is unable to operate anywhere near the LB1 appropriation levels. Projections indicate a deficit of (\$173,070) on 6/30/11. This equals one-third of the FY11 reduced appropriation. The size of the cash transfers are exacerbated by the rapidly diminishing revenues we projected during our Appropriations hearing.

After the NEB submitted its budget request in 2008, Congress passed the Farm Bill which contained a provision reducing maximum allowable denaturant levels from 5% to 2%. Eighty-nine percent of AAFTF revenues come directly from denaturant purchased by Nebraska ethanol producers. This act reduced FYs10 and 11 revenue projections by 55%, as forecast during our hearing presentation.

As a result, the NEB faces difficult times in FY's 10 and 11. Unlike other commodity programs exempted from cash transfers, more than half of the NEB's uncommitted cash funds are or will be transferred. Given current cash reserves, spending must be cut well below the authority provided in LB 1. The NEB has identified internal budget cuts that are judged to be the least damaging to Agency goals, activities and statutory directives.

The largest cuts are planned in the area of basic research. For nearly forty years, the NEB has directed groundbreaking research and development projects instrumental in the development of Nebraska's ethanol industry. Typically, the NEB provides "seed money" along with project oversight services and uses these contributions to leverage additional funding from industry and often, federal sources. Currently, there are two such projects underway for which funding was previously committed. No new projects will be initiated during the current biennium. Additional cuts from personnel, travel and meeting expense are planned. The NEB will eliminate one or more regularly scheduled Board meetings along with all budgeted costs associated with sponsoring a booth and activities at the Nebraska State Fair. In addition, The Board will seek travel reimbursements for certain out-of-state travel. The combination of planned cuts for the biennium is projected at \$237,912.

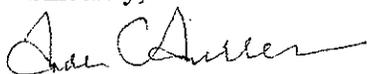
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

	<u>FY09-10</u>	<u>FY10/11</u>
Basic Research	131,407	73,248
Staff Overtime / Per Diems	9,248	9,248
Travel Expense	<u>8,261</u>	<u>6,500</u>
Total	\$148,916	\$88,996

Obviously, internal spending cuts by the NEB must go well beyond those required in LB1. The NEB cannot increase fees or revenues. For many years, the NEB has applied for and received federal funding for basic ethanol and co-product research. Much of this funding requires a match. The lack of available cash reserves precludes the NEB from acquiring federal or other grants requiring a match in FY09-10 and FY10-11.

We respectfully request the Appropriations Committee consider eliminating the \$28,016 transfer scheduled for FY11 and reversing one-half (\$107,004) of the transfer made in December 2009. The loss of sixty percent of cash reserves seriously impairs the NEB's ability to operate. The country appears on the cusp of a new generation of biofuels development. Nebraska is ideally suited to take advantage of federal fuel requirements and funding that may encourage a significant period of development during the next several years. The Ethanol Board has a national reputation that continues to highlight opportunities for companies interested in biofuel investment and technology. It is important the Board be equipped with the resources to respond to this opportunity

Sincerely,



Todd C. Sneller
Administrator

Cc:

Senator Danielle Conrad
 Senator Tony Fulton
 Senator Tom Hansen
 Senator John Harms
 Senator Heath Mello
 Senator Jeremy Nordquist
 Senator John Wightman
 Cindy Miserez, State Budget Division
 Jeanne Glenn, Legislative Fiscal Office