



Dave Heineman
Governor

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

January 15, 2010

IN REPLY TO:

Senator Lavon Heidemann
Chairperson, Appropriations Committee
District #1, State Capitol
P.O. Box 94604
Lincoln, NE 68509-4604

Dear Senator Heidemann:

In compliance with legislative intent language included in Legislative Bill 1 passed during the recent Special Session, the Department of Natural Resources submits this letter as its report to the Appropriations Committee of the Nebraska State Legislature. The remainder of this letter describes the Department's specific actions and plans to implement budget actions pursuant to Legislative Bills 1, 2, and 3 enacted by The One Hundred First Legislature, First Special Session, 2009.

Responsibilities of the Department of Natural Resources are separated into two major categories, the Operating Program and the Aid Programs. Actions taken to implement reductions in each of these categories are described below.

Operating Program (Program 334)

The Department's Operating Program encompasses all Department staffing and related expenditures involved in meeting statutory functions of statewide water and natural resources management. It also includes several aid funds such as the Conservation Reserve Enhancement Program and the Water Resources Cash Fund. Budget reductions by type and fiscal year are listed below along with descriptions of projected impacts.

Reappropriated Funds:

The \$516,624 reduction in General Funds reappropriated to the Operating Program will not currently impact Department operations. Program activities and related costs, including work associated with the administration of interstate compacts and decrees and any preparatory work associated with possible arbitration and/or lawsuits, have not been incurred or were put on hold.

The \$5,569,445 reduction in Cash Fund reappropriation will have no impact as spending authority was in excess of the cash available.

FY 2010 Appropriations:

The \$242,903 General Fund appropriation reduction for FY 2010 will be accomplished by using savings realized and/or expected from Department actions during the fiscal year to restrain spending, including the following:

Savings	Source	Impact
\$202,903	Savings from delayed hiring for new and vacant positions until the 3 rd or 4 th quarter of FY 2010	Increased backlogs in some areas; reduced progress in organization restructuring
\$ 25,000	Savings from discontinuing temporary staffing for digital records processes	Delays in realizing efficiencies
\$ 15,000	Savings from restraints placed on training, travel, and various other areas	Diminished ability to implement emerging techniques / science

The \$12,456 reduction in the Cash Fund appropriation for the Department cash fund and the related cash transfer will have a minor impact on planned survey and stream gaging equipment upgrades. The \$75,000 reduction in Cash Fund appropriation for the Water Resources Cash Fund and the related cash transfer will have no immediate impact on aid for water resources management activities, but will slightly reduce funds held in reserve by the Department for use as needed to achieve compliance with interstate compacts and decrees or to help natural resources districts to achieve a sustainable consumptive water use balance.

FY 2011 Appropriations:

The \$499,700 General Fund appropriation reduction for FY 2011 will be accomplished by further reductions in budgeted spending as follows:

Savings	Source	Impact
\$ 85,000	Further reduction in contracted services in support of river basin water use assessment	Assignment of highest priority study work to internal staff; more reliance on existing data
\$250,000	Reduced contracted services related to studies and data gathering in support of interstate compact and decree administration	Assignment of highest priority study work to internal staff; more reliance on existing data

\$140,700	Savings from discontinuing most temporary staffing	Reduced emphasis on records management; no summer help for field offices for water administration and dam inspections
\$ 24,000	Savings from reduced consulting services serving as liaison to federal/local entities on conservation programs	Diminished ability to monitor and leverage federal agriculture programs and potential grants

The \$24,913 reduction in Cash Fund appropriation for the Department operations cash fund will further reduce funds available for planned survey and stream gaging equipment upgrades. The \$150,000 reduction in Cash Fund appropriation for the Water Resources Cash Fund will not affect commitments for aid related to ongoing water resources management activities, but will reduce funds that the Department is accumulating for use as needed to achieve compliance with interstate compacts and decrees or to help natural resources districts to achieve a sustainable consumptive water use balance.

Aid Programs (Programs 303, 304, 306, 307, 309 & 311)

Aid Programs supporting natural resources conservation activities which are administered by the Department consist of three programs that are cash funded programs and three others that are almost exclusively funded through general fund appropriations. Implementation actions and impacts of budget reductions related to cash funded and general funded aid programs are identified below.

Cash Fund Programs:

Reappropriation and FY 2010 and FY 2011 appropriation reductions for each cash funded aid program are as follows:

	<u>Reductions</u>		
	<u>Reapprop</u>	<u>FY 2010</u>	<u>FY 2011</u>
Program 303 - Small Watershed Flood Control	\$500,000	\$12,500	\$25,000
Program 306 - Water Well Decommissioning	\$361,845	\$ 6,021	\$12,042
Program 309 - Water Quality Fund	\$ 0	\$31,250	\$62,500

Cash transfers reduced actual funds available for distribution in FY 2010 and FY 2011. Spending authorities granted through reappropriations and fiscal year appropriations significantly exceeded actual cash balances available for distribution and thus are not expected to impact current or future distribution plans.

General Fund Programs:

Specific actions and plans to implement budget reductions for the three aid programs funded by General Funds are listed on the table below. As identified on the table, these actions included rescinding a portion of commitments made in July 2009 and prior years. Natural resources district projects and studies affected by these reductions will likely either be delayed, or continued using borrowed funds, until future appropriations are distributed.

Program Number / Name	Fund Source	Funding Commitments Rescinded		Reduction in Funding Available to Commit	
		Reappropriated Funds	FY2010 Appropriation	FY2010	FY2011
304 Soil & Water Conservation Fund	General	\$632,564	\$62,246	--	\$124,492
	Cash ¹	\$0	\$0	\$10,125	\$20,250
307 Resources Development Fund	General	\$2,101,455	\$84,327	--	\$168,653
	Cash ²	\$0	\$0	\$1,250	\$2,500
311 Interrelated Water Mgt Planning	General	\$943,409	\$57,821	--	\$115,643

Notes: 1) No committed funding was impacted by the Cash Fund reappropriation reduction of \$390,994. Since receipts to this cash fund accrue from forfeitures, the balance will be closely monitored to help assure the balance is sufficient for the FY 2011 transfer.

2) No committed funding was impacted by the Cash Fund reappropriation reduction of \$24,061.

To accomplish reductions for FY 2011, commitments to natural resources districts will be reduced. The beneficiaries of these programs will have to adjust plans, scope, and/or financing options for projects and studies to address the lower appropriation and available cash fund balances. Two of these programs, the Resources Development Fund and the Interrelated Water Management Planning Program, support longer-term projects. The FY 2011 appropriation reductions will extend the timeframe over which State commitments to these projects will be fully met.

Senator Lavon Heidemann
January 15, 2010
Page 5

If you or members of the Appropriations Committee have questions or would like additional information regarding anything in this report, please contact me.

Sincerely,

Brian P. Dunnigan, P.E.
Director

cc: Senator John Harms, Vice-Chairman
Senator Danielle Conrad
Senator Tony Fulton
Senator Tom Hansen
Senator Heath Mello
Senator John Nelson
Senator Jeremy Nordquist
Senator John Wightman
Jeanne Glenn, Legislative Fiscal Office
Cindy Miserez, DAS Budget Division