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COMMITTEE ON APPROPRIATIONS
February 1, 2006
LB 1077

The Committee on Appropriations met at 1:30 p.m. on Wednesday, February 1, 2006, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 1077. Senators present: Don Pederson, Chairman; Lowen Kruse, Vice Chairman; Chris Beutler; Pat Engel; Lavon Heidemann; Marian Price; and Nancy Thompson. Senators absent: Jim Cudaback; and John Synowiecki.

SENATOR D. PEDERSON: I will now open the hearing on LB 1099...or LB 1077, I'm sorry, and we'll tie it in, in connection with the agency, since it's all the same testimony. Senator Schrock.

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SENATOR SCHROCK: (Exhibit 1) I'm a little hesitant to read all this, but I'll start anyway.

SENATOR D. PEDERSON: Would you introduce yourself?

SENATOR SCHROCK: Certainly. For the record, my name is Ed Schrock; I serve the Legislature's 38th District, S-c-h-r-o-c-k. We have enabling legislation for the program which is the subject of the appropriation which is now before the Natural Resources Committee. It's a new program which we believe is necessary in order to facilitate providing ancillary funding to the natural resource districts needed to carry out additional duties that are acquired under LB 962. LB 962, probably the most important water legislation of this decade, probably the most important legislation of last decade was LB 108, was passed but insufficiently funded. It allowed us to show good faith for complying with the Republican River lawsuit settlement, but requires adequate funding not only to avoid noncompliance, but also to conserve our limited water resources all over the state. The one message I heard from the task force is LB 962 doesn't work if we don't have some money. And as you know, they recommended more than once, even though I told them it probably wasn't politically possible, that we have a dedicated sales tax. They feel that, and of course there's a lot of farmers on the task force, but even the municipalities in the environmental

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community agreed that there should be a dedicated source of funding from the sales tax revenue. I don't think that's politically doable, so we are here today. So briefly, program designation was needed to cleanly...to deliberate these fiscal needs through clear and ongoing incorporation in the appropriations process. And that's why we're here today. My intent was to provide a mechanism for channeling General Fund dollars we believe necessary for our resource districts to carry their LB 962 duties out. The scope of the appropriation needed is generally dictated by the scope of our water situation or problems. An interrelated water management plan is required only after a basin has been declared fully or over appropriated. At this stage we have nine basins, and of course they consist mainly of the Republican River Basin, the Platte River Basin, and we also I believe have the Upper Niobrara and the White which is not a big geographic area up there. But I think the main needs, as you know the immediate needs are in the Republican, the Platte is coming along. The initial studies we probably will have both...could possibly be both the Loups...and possibly...not the Loups, the Blues; and the Loups and the Niobrara Basin certainly could follow, too. So that's where we're at. Second page, two examples of natural resource districts oriented research stand out, both for illustrating the expense, time and value of the needed research. The Central Platte Natural Resource District spent 7 million dollars to 8 million dollars over seven years developing a research model on the Platte River. This is the Cohyst Model. It's proved extremely useful to the NRDs and the department in arriving at accurate, scientific conclusions about the availability and the interrelatedness of groundwater and surface water. So it's indicated that a lot of our NRDs are going to need money to study the interrelationship between groundwater and surface water. I would assume that Ann Bleed talked to you about those hydrologic studies we'll need. Obviously we had to set an amount when we brought this in front of you; 10 million dollars, I don't know if that's doable, probably 5 million dollars a year for the next two years might be a more realistic number, but it would be nice to...if the state comes in agreement with the Bostwick Irrigation District, it would be nice to include that amount also. You only know better than I do how to fit all this together. For the record, I did serve two years on the Appropriations Committee. I don't absorb information the best, but I think

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I came out smarter than when I came in.

SENATOR D. PEDERSON: You must be smarter, you're no longer on the committee. (Laughter)

SENATOR SCHROCK: I would also tell you that I proposed shifting personal property tax on irrigation machinery, on irrigation equipment to the NRDs. But that seemed to prove kind of unworkable; it affects the counties, it's maybe a little difficult to split out. But I would still entertain that idea and that would be a direct source of money for NRDs. I think you would have to limit it to NRDs that are just effective. But, Senator Beutler, I appreciate what you say about the conservation fee and so on and so forth. As I look at the states around us, nobody compares with the property tax burden that the farmers have in this state, and you don't like to hear farmers whine, I don't like to whine. But I could reduce my property tax bill by 30- to 50 percent moving to any one of the neighboring states. We pay a lot of property tax in this state, and we are the only state that pays personal property. If you would only help me shift that personal property tax revenue over to water issues, I'd be glad to do it; I don't think it's very workable. That's why we're coming to your committee and that's why we're asking for some General Fund money. Certainly if you could convince the Revenue Committee to do away with the 27 million dollars that farmers pay in personal property taxes then I would be very willing to look at a fee. I just...I'm not ready to go there. I can't sell it back home politically. I do think the problem in the Republican River Basin is real; I think the numbers that you've heard in the past are way out of proportion to what the reality is; I think that...

SENATOR D. PEDERSON: You're talking there about the total responsibility dollar-wise?

SENATOR SCHROCK: Yeah, yeah. I do think that Ann Bleed and the Attorney General's Office, specifically Dave Cookson, have done an excellent job in guiding the task force and getting us these numbers today. And so with that, I won't take anymore of your time. I hope I'm not...I hope it's clear what we're trying to do here. I don't like asking for money for this issue, but I think if we can get our house in order we'll be very lucky. And as I said, there's not a

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state around us, or certainly west, or south, or north of us that wouldn't die for all those resources. And I think it's just prudent that the state help us out on some of these issues considering what the irrigation does to our ag economy. And you'll note, Senator Kruse, I also have a bill you'll hear later on that provides 20 million dollars for storm water situations in our cities.

SENATOR KRUSE: Ooohh.

SENATOR SCHROCK: You know we have responsibilities there, too.

SENATOR KRUSE: Yes we do.

SENATOR SCHROCK: And I think we can do some trade off with rural and urban Nebraska. That probably won't happen, I don't know. But one of the reasons I'm bringing that to you is because I think it's a real issue that people want to sweep under the rug, and we need to get started on it. And hey, if we can... I'll take the 20 million dollars, I'll take 10 million dollars, but I think we need to start helping our cities out because this issue is real and it's going to be on top of us before we know it, and then it may be too late. So we have rural issues on water, we have urban issues on water. I'm carrying a bill for municipalities on water that may be another committee priority bill, I don't know. Questions? By the way, Mike Clements is in the back of the room, raise your hand, and he's the manager of the Lower Republican NRD and he's not real new on the job, but he hasn't been there a long time, about like Ron Bishop and John Turnbull, but he'd be glad to answer any questions. And not only have I been under fire on the Lower Republican, he has too. So we're... we've both been under fire from time-to-time. But things are getting better; people are starting to understand and I do appreciate that. There was a misunderstanding of the state's intent down there for quite some time, and that's probably my fault that I didn't disseminate that information out to my constituents better.

SENATOR D. PEDERSON: We're not trying to play the blame game in...

SENATOR SCHROCK: No, I know.

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SENATOR D. PEDERSON: ...this particular thing; we're trying to resolve a...

SENATOR SCHROCK: And I appreciate that.

SENATOR D. PEDERSON: ...problem. This...I think it's been incrementally realized that we have a problem. I think it started out with the confusion that was probably self-inflicted, to a large extent, about the corelationship between surface and groundwater. I think that was perpetuated over a period of time. I think it slowed up a lot of the realization of what the problem is, but I think we're realistic that we have to resolve some of these problems. And appreciate your bringing something to us that we can start with. Senator Engel, you had a question.

SENATOR KRUSE: Ed, do you know if these NRDs have any more taxing authority that they haven't used yet or...

SENATOR SCHROCK: I believe that the lower and the middle Republican do. The upper is to its max. But they...we have some NRD managers who could probably answer that better and so I talked to Senator Beutler about this. Maybe with the new levy authority that I hope the Revenue Committee and the body will grant them that we could request that they keep some kind of reserve that will be available before matching funds in the future should this problem not solve itself. I think the \$64,000 question, some of you are old enough to remember that, is that we don't know what the weather is going to do to us. We we get some normal rain fall, and they haven't had normal rain fall in the Republican for at least four or five years, and '03 was cruel, really cruel. If we get some normal or even above average precipitation, we get some water in those reservoirs out there, granted the irrigation wells have intercepted a lot of that water. But if we get some water in those reservoirs out there, we're probably in compliance, and we don't have to buy water, and so we don't know how long the situation is going to persist.

SENATOR KRUSE: Another thing, this is kind of a super priority for those NRDs because we're over recreation areas and so forth.

SENATOR SCHROCK: I think it's a super priority for everybody in this state.

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SENATOR ENGEL: Yeah, but I was just...

SENATOR SCHROCK: Yeah, I think so. And...

SENATOR ENGEL: You want a hug? (Laughter)

SENATOR SCHROCK: Well...(inaudible) just not in a dark closet. (Laughter)

SENATOR D. PEDERSON: There's a movie I could recommend to you. Other questions? Senator Beutler.

SENATOR BEUTLER: Senator Schrock, I think you passed out to us this LB 962...

SENATOR SCHROCK: Correct, um-hum.

SENATOR BEUTLER: ...sheet. Earlier Ann Bleed, I think she indicated that items one and two were basically the items that she was requesting General Funds for in Program 18, with the Department of Natural Resources. And then your money applies to what, to kind of the rest of the program?

SENATOR SCHROCK: Senator Beutler, I'm not sure I've got that all sorted out as to how much she is acting directly and how much would go to the...one of the things we want to do is right now we really don't have a good funding mechanism for funding our NRDs. And if we go through the Natural Resources Commission, and that's what I think we'll do the bill I'm carrying (inaudible), that's where the money would be funneled, through the Natural Resources Commission. Does anybody want a review of who the Natural Resources Commission is? Do you know? Do you know what the Natural Resource Commission is, so you know how it's selected and serves.

SENATOR BEUTLER: The NRD assistance, number two, is 2 million dollars, and then I assume number three is additional NRD assistance?

SENATOR SCHROCK: Um-hum, um-hum.

SENATOR BEUTLER: Okay. And that's 4 million dollars. There are a whole number of items listed,...

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SENATOR SCHROCK: Right.

SENATOR BEUTLER: ...many of which I understood to be covered by number two also. Is...and then over on the back side, a lot of B, is this an annual appropriation that you're talking about in this bill? Or are you looking at something you think would be an annual appropriation of 10 million dollars?

SENATOR SCHROCK: That's a good question. I don't...I can't give you a definite answer. I think they could probably use 10 million dollars a year for a few years, until they start getting a handle on this. But I can also tell you they can probably get along with less.

SENATOR D. PEDERSON: Senator Schrock, don't we have kind of a short-range problem and a long-range problem that we have to deal with?

SENATOR SCHROCK: Yes, yes.

SENATOR D. PEDERSON: You have to almost deal with those separately, don't you, in order to get to a result?

SENATOR SCHROCK: It's kind of hard to separate them out to some extent. But, yeah...

SENATOR D. PEDERSON: But immediately we have to look at the short-range,...

SENATOR SCHROCK: Yeah, right, right.

SENATOR D. PEDERSON: ...our concern with compliance, our concern w th...

SENATOR SCHROCK: But I think it's short-sighted if we don't take...start working on the long-range issues.

SENATOR D. PEDERSON: No, I understand that. But I think we have to focus on both issues, but it's hard to separate the two, I understand that. But the immediacy is right now, early compliance.

SENATOR SCHROCK: Yeah. I don't know what Ann would say

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about, Ann Bleed would say about what our immediate needs are and what our long-term needs are and what it all adds up to be. I know that she was here and she's still here probably.

ANN BLEED: I'm here.

SENATOR SCHROCK: I don't know if she'd care to comment on that or not.

SENATOR D. PEDERSON: Ann, do you want to comment on that?

ANN BLEED: Sure. I think what you have in the Governor's budget...thank you, Senator.

SENATOR D. PEDERSON: Identify yourself again.

ANN BLEED: I'm Ann Bleed, acting Director of the Department of Natural Resources. What you have in the Governor's proposed budget will address the basics of our immediate needs. There are certainly many other technical activities that we could and probably should be doing. I could...I have a list here--stream bed conductance studies, conservation effect investigations, groundwater-surface water studies. One thing that we're looking into big time is trying to find some money to look at repair and vegetation removal; we're trying to work on some grant proposals to get some money to investigate that; as you know, plants use a lot of water in the river. A lot of studies are forestalled because we don't have good stream gauging and we would need to put in more stream gauges, and that's...the wish list goes on and on. If I let my technical experts tell me what they want I'd get a list that's really big. So what you see in the 1.2 million dollars that we as for is what we think we need this year for the technical studies. And as far as the Republican, the 2 million dollars that is in the other part of the budget request when combined with some funds we have held over from last year, I think it would satisfy our immediate need on the Republican, but not the long-term. I think you're absolutely right, Senator. We have two issues, one is the immediate need of next year, and then the long-term issues that we still need to address.

SENATOR SCHROCK: If I might add, and if Ann can comment on

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this, if we're successful in getting the extra three cent levy in the Folley and (inaudible) Basins, I think it would be appropriate to request that they cost-share on these issues. Would you agree with that, Ann?

ANN BLEED: I think in the long-term, yes, the problem is the short-term.

SENATOR SCHROCK: We're two years away from that. So I guess in your budgeting it would be better to have more money up front for the first year than the second year, but I don't have a handle on what that should be. We're kind of shooting at a moving target.

ANN BLEED: Yeah. Well what I...what we have in our deficit request, I think, will get us through the next year, but not the long-term.

SENATOR D. PEDERSON: Nobody can predict the weather...

SENATOR SCHROCK: And that's the...

SENATOR D. PEDERSON: ...and that's part of the problem.

SENATOR SCHROCK: ...that's part of the problem.

SENATOR D. PEDERSON: In a sense maybe it's also, in a sense, good that we became aware early on of the nature of this problem, because it would just be swept under if we had a lot of rains and we said we don't have a problem, do we. It's like repairing the roof, it doesn't leak when it's not raining, correct?

SENATOR SCHROCK: If come June 1 Harlan County Reservoir and McConaughy are full, we don't have any short-term needs. But I think we should...

SENATOR D. PEDERSON: I've seen both of them, I think that's highly unlikely. (Laughter)

SENATOR SCHROCK: You know it would surprise you. I heard them say in '92 Harlan County would never fill again. They spilled more water in '93 than would probably...they could have...

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ANN BLEED: That's true.

SENATOR SCHROCK: They probably dumped two Harlan County Reservoirs into the river that year.

ANN BLEED: Yeah.

SENATOR SCHROCK: You just don't know. And Mother Nature has not been kind the last few years. Snowpack in Colorado, and the Upper North Platte Basin is pretty good right now, but...

SENATOR D. PEDERSON: It's about 120 percent, isn't it, average?

SENATOR SCHROCK: But it's April and May when it really counts, and we don't know where we're at.

ANN BLEED: Yeah, that's too early. One of the things that concerns me as a hydrologist is that the decade of the eighties and the nineties are some of the wettest decades we've had not only in this century, but in the last number of centuries. And to some extent that may have lulled us to sleep a little bit. And what we're seeing as an extreme drought could be a little bit closer to normal than what we've learned to expect from the eighties and the nineties, and that is a concern to me.

SENATOR SCHROCK: Although I've never seen a year like '03.

ANN BLEED: Yeah, '02 was even worse I think, but...at least in most parts of the state. But yeah, those years were very tough and they really created problems for both the Platte and Republican.

SENATOR SCHROCK: So in a sense we've got the perfect storm where we agreed to comply with the compact and then all of a sudden we got hit with a couple of real tough years.

ANN BLEED: Well we didn't agree...we agreed to comply with the compact in 1943.

SENATOR SCHROCK: I understand, but we reagreed or maybe (inaudible).

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ANN BLEED: We didn't have a choice of agreeing. (Laugh)
Supreme Court did that for us, Senator.

SENATOR SCHROCK: I understand.

SENATOR D. PEDERSON: Well historically we entered into a compact in '43, and then when lawsuits came about we entered into an agreement with Kansas to settle the differences at that time. And using 1943 as the road map to get there, we then ran into a problem, however, when we settled that, that we now have a drought.

ANN BLEED: I would really like to correct the record, because I hear this all the time. The Supreme Court is the one that said groundwater is in the compact to the extent it depletes stream flow. The settlement, basically, looked at how we do the accounting.

SENATOR D. PEDERSON: Thank you for that clarification. More questions? Chris.

SENATOR BEUTLER: Remind me of the way the compact works. If there's a drought then Kansas gets less water, right?

ANN BLEED: The way the compact works is that we calculate a virgin water supply based on the actual supply of water that year. So if we have lots of water, we get a lot of water; if there's a little, small amount of water, as in a drought, then we have a smaller supply, and we split that on a percentage basis among the three states. So the allocations go up and down with the supply of the water in a drought. The problem is that in a drought the allocations are smaller, but of course our needs are greater because you need to use that much water to irrigate. And so that's where we run into problems.

SENATOR SCHROCK: And I think two years from now it would be very appropriate for this committee, if they're still appropriating funds, to expect the local NRDs to cost-share, but that's not really very practical now.

SENATOR D. PEDERSON: As of next year, only four of the current members of the Appropriations Committee will be here.

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SENATOR SCHROCK: I understand that. Well we lose half of our Committee on Natural Resources, too.

SENATOR D. PEDERSON: A lot.

SENATOR HEIDEMANN: You talk about, somewhat what he was talking about, local funds helping, you know, down the road. And you keep talking about eventually, and I think we, maybe at least I as someone on the committee, gets a little bit frustrated that we keep hearing eventually. When is eventually?

SENATOR SCHROCK: Well if the three cents...if the Revenue Committee will grant the other three cents of additional levy authority, I think you'll see that money available two years from now. And I believe that's about 1.2 million dollars annually in the Republican River Basin, depending on what the valuation of land does between now and then.

SENATOR HEIDEMANN: What will we do with all three cents? I mean I heard today that there are two of them not even dumping their levy yet.

SENATOR SCHROCK: I think they'll request cost-share money. I think they need it for hydrologic study. There would be nothing preventing them from using some of that money for cost-share for retiring acres; there are federal programs out there that take some money, and they could use it to buy out some irrigated acres if they wanted to, although it's not a big amount of money. They couldn't buy out a lot, they could buy out some.

SENATOR D. PEDERSON: Go ahead, Lavon.

SENATOR HEIDEMANN: The one more concern that I have, and I was on that water quality task force this summer and there was talk about, I know it's been dry, but maybe we was used to 20 years of wetter weather like Ann had talked about. What do you think we are going to have to do if this isn't below but it's actually average weather?

SENATOR SCHROCK: I think they have, Ann, help me out here. They have another two years of allocation. And if we stay dry, I think that allocation is going to be ratcheted down more. As a matter of fact, I would even say if we have one

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more year of real bad dry weather, they might have to ratchet that down before the three years is up. I don't know if that's fair or not. Certainly irrigators in the basin wouldn't like to hear me say that. And I have to think we're getting there, and I'm an optimist. We're going to have at least 50,000 acres, due to the CREP Program, that's going to be taken out of production. And Ann can help me here, but I think a lot of that is going to be alluvial water that will be available. Certainly Congressman Osborne is now trying to get funding and Jerry Moran is trying to help him, the Congressman from Kansas, to go into an extensive spring program and kill out the invasive vegetation on the river, that takes a lot of water. And I hear different numbers on that, they don't mean much to me, but obviously there are trees, and salt cedar and whatever else is down there, that interrupts the flow of the river. So we're putting a lot of things in place that we didn't have two or three years ago.

SENATOR HEIDEMANN: Is there an estimate on acre feet we'd be gaining if we kill the salt cedar and various other things?

ANN BLEED: There are a lot of estimates. But part of the problem with the riparian managed...vegetation management is that you can get a lot of water the first year when you kill the plants, but then something is going to come back. And you either...there are two ways of handling it, you either plant something where the old vegetation was and that vegetation is going to take some water, so the gain is really the difference there, or you have to keep coming in and removing vegetation, which can also be expensive; that's not to say it couldn't be done and there's discussions of trying to do that and harvest the wood for pallets or what have you, so you could have a funding source in the process. In my view, I think what we need to do is get some pilot programs going to see what works. You also have concerns if you remove all of the vegetation with potential erosion problems and water quality problems. So it...simply to come in and say we're going to remove the vegetation, it sounds good at first, but when you start getting into it, it's not quite that simple.

SENATOR HEIDEMANN: What do they spray that with, because that's not nonproductive, is it?

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ANN BLEED: It's...I'm not sure exactly what they spray it with, in fact what they are using in some parts of the western state, on salt cedar, is a beetle that eats it; and another experiment they're doing is using goats to graze the (inaudible). So there are a lot of efforts going on in this area. And I think that it would really be appropriate for the state, and that's what we're looking into getting some grant money to do, to explore how we could remove some of these water-loving plants. But it's not simply a matter of going and cutting them all down this year and then you're done.

SENATOR SCHROCK: One thing the extra levy could be used for is for a grant...could be used to apply for a grant or cost-share on grants, and the Environmental Trust is going to have some money, they might want to help. One thing that farmers don't necessarily like to hear, and I know Tom Osborne has suggested that there is a possibility that this could become a better destination for hunters, both pheasant and whitetail deer or mule deer. Of course right now all that vegetation on the river is probably good deer habitat, but there's plenty of deer habitat out there. And these acres that are taken out of production could help that part of it, but I don't know if that puts a lot of money into farmers' pockets. That's probably not what they want to hear, but I think the reality is it's...some farmers up in South Dakota make a good living off of leasing land and...so I think the pheasant population could jump and it could help the economy a little bit. But most of us in agriculture kind of down play that, it doesn't sit real well to try and replace farming with recreation like that. But the reality is it could make a lot of difference.

SENATOR KRUSE: Other questions? Looks like we're a happy tribe, Senator. (Laughter)

SENATOR SCHROCK: Well I think there's maybe at least one other person that would like to testify. Like I said, Mike Clements would be available for questions, if you have them.

SENATOR KRUSE: Further testimony on LB 1077? We won't take it as pro and con, you just identify yourself and say what you're about.

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JASPER FANNING: (Exhibit 2) I'm Jasper Fanning, that's F-a-n-n-i-n-g. I'm the General Manager of the Upper Republican Natural Resources District. I provided you with some handouts that show a little bit about what we've been able to accomplish through regulation throughout the basin for each the Upper Republican, Middle Republican, and Lower Republican, and also a letter that I'll try and highlight some of the main points of my testimony. I would like to begin by thanking the members of the Appropriations Committee, particularly Senator Pederson and Senator Heidemann and even Senator Beutler for their interest in the issue with water and funding of that. Both Senator Pederson and Senator Heidemann attended the Water Policy Task Force, too, and saw firsthand what we were dealing with in the basin. And I feel that their efforts in trying to learn some of the background information that we're dealing with is going to be paramount and then understanding the problem and some of the better ways of funding the issues that we face. I felt it was best to defer my testimony until Senator Schrock had presented his LB 1077 because I feel that what has been presented, both through the Governor's proposed budget that Ann testified, and Senator Schrock's proposal, to answer Senator Beutler's previous question as far as why a complete package hasn't been brought forward in one package essentially as the task force was instructed to do, and I observed the task force and worked with them a lot in that, and essentially all of the bills before your committee and the Legislature as a whole put that package together. Essentially the task force recommended a total of about 7.5 million dollars plus some unknown amount for some other activities. And the first two items would be 1.5 million dollars for the Department of Natural Resources and 2 million dollars in assistance to the natural resource districts. That was included in the Governor's budget bill. The three cent additional levy for fully and over appropriated areas was in the task force recommendation, and that's in LB 971. Senator Schrock's LB 1077 actually covers the 2 million dollars that the Water Policy Task Force recommended for technical studies and issues related to implementing LB 962. Those 2 million dollars, plus in the Republican River Compact the task force was uncomfortable with coming up with a dollar figure of what it was going to take to comply with the settlement, mostly because that depended a lot upon which alternatives ended up being the efficient alternatives that the state and the NRDs would

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ultimately choose to use to comply with the compact. The handouts that I provided...and so that's why I think altogether the package...it didn't come in one neat package, but the task force recommendation is completely before the Legislature at this time. Senator Schrock pointed out that the Central Platte Public Power...or Public...the Central Platte NRD, pardon me, spent approximately 1 million dollars a year for seven to eight years in putting together the Cohyst Model. And essentially every basin, if they want to determine where their status of groundwater is at with respect to quantity management, where they're at and how many of those effects from current development are going to be coming on-line over the years to assess in a basin that has not yet been full...designated as fully or over appropriated, they still need to assess the status that they're at, at the current time, to determine if regulations might need to be put in place now to prevent that basin from becoming over appropriated far in the future. For basins that have already been designated as fully or over appropriated, obviously we realize that there is already a need for regulation in the case of the Republic Basin, we have those regulations in place. In my particular district we've had them in place since 1978. But the question in those areas now is not, do we need regulation, it's to what extent do we need to regulate to either bring us into compliance long-term with the compact or other ground, you know, or other issues with respect to quantity that we're facing, such as to balance our supply and our uses or, you know, we...in those basins it's how much do we need to regulate in the basins that have yet to be declared fully appropriated or maybe they never will be. The question is, do they need regulation? But both of those require a significant amount of modeling, very precise modeling that is very expensive to do. The modeling process takes several years. And we have a groundwater model of our district done, and it's probably not as detailed as what we would like, but that's 25 years old at this point. What we have found is that in our district we attacked the regulation problem very early on, right after the formation of the natural resource district. And we exhaust our budget on doing a comprehensive regulation program. And that was just for our own needs to manage the quantity issues for our natural resources district. That did not allow us to...you know, that was not a significant enough or large enough piece of funding to allow us to do that comprehensive

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regulation program for the purposes of meeting a compact or some of those other...that adds additional complexity and requires additional funding to deal with those issues that that didn't allow. For a long time our natural resources district actually made money planting trees, subsidizing our regulation program. And as the number of trees that has been planted has increased and we plant fewer and fewer trees, the one cent that we got with the implementation of LB 962 was very much needed in our district because we were at that crossroads where our...we weren't making enough money, planting trees, to continue to subsidize our regulation program. Regulation is very expensive. And I think it's important to point out that the NRDs have stepped up to the plate and regulated. And this funding is not necessarily something that replaces regulation. I feel that it's something that works hand-in-hand with regulation. Again, as I pointed out, it's...you have to have a good comprehensive analysis so that you know how much regulation you need to do and to ascertain whether or not that regulation is accomplishing its goals or will accomplish the goals that you're attempting to achieve. So I think this sort of funding and regulation go hand-in-hand as opposed to necessarily being a trade-off. The Republican Basin is a whole other issue with a lot of other complexities because of the settlement that make some creative solutions that are potentially attractive and, if they're cost-efficient, may be cheaper to achieve compliance with the compact through some creative solutions as opposed to strictly through regulation. But again that's a separate issue from the overall funding that's presented before you here. One little note, I was talking with Senator Schrock a while back, after the article came out that said irrigation is worth approximately 4.5 billion dollars to our state's economy annually. When you approach it from that standpoint, a 10 percent return says we have a 45 billion dollars asset that we're managing in the state. A smart money manager would not blink at spending 45 million dollars a year; they would find 45 million dollars a very frugal price to expend on managing that resource. We aren't talking about those kinds of dollars yet today. Potentially in the future we may have to spend that kind of money to manage our water resources as best we can for the state. I just want to provide that as food for thought, not necessarily a recommendation on a number that you should come out of here with. But those are kind of some general

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thoughts I have. And I'll cut my comments off there. I know your time is quite valuable. So thank you for the opportunity to testify. If you have any questions, I would attempt to answer those.

SENATOR KRUSE: Chris.

SENATOR BEUTLER: You're in the westernmost district...

JASPER FANNING: That's correct.

SENATOR BEUTLER: ...of the Republic Basin. And for years now you've, and because you're in the westernmost district, your rainfall is lightest, and in addition in some areas, as I understand it, you had kind of a groundwater mining problem. Is that fairly accurate?

JASPER FANNING: That is fairly accurate because of the disparity in rainfall between east to west, we pump more water in. And because of that disparity irrigation development was...it provided more economic benefit in our area than it did further east, so development occurred sooner and more rapidly in our area than it did further east.

SENATOR BEUTLER: Okay. And if there was a drought, or as somebody...some group of people simply mine too much water and it wasn't coming back, you never asked the state for any assistance for those reasons have you?

JASPER FANNING: We have received some state aid, but fairly insignificant amounts over the years. I don't know, we've...that's the...that type of problem is a problem that we've been dealing with on our own. That was the reason that our management area was set up in 1977, and we began allocating water in 1978. That, to me, is an internal issue that the natural resources district needs to deal with itself. It's the compact compliance that makes it more of a state issue.

SENATOR BEUTLER: Okay. And in 2001, the State Legislature indicated that wells drilled after that point in time could be treated differently from wells drilled before that point in time, right?

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JASPER FANNING: Correct.

SENATOR BEUTLER: And the whole discussion at that time was about the possibility that that water simply might now be there because we need to send it to Kansas. Did your NRD drill any more wells after that? Were there any more wells drilled in your NRD after that point in time?

JASPER FANNING: No, we had an official moratorium that was put in place in 1970...or excuse me, 1997, and there were essentially no new wells, outside of a couple of variances that were granted for good cause. So basically we stopped drilling new wells in 1997. And arguably our system that we had in place through regulations severely limited development from essentially 1980 on.

SENATOR BEUTLER: Okay. And what is the attitude of the people in your district, do you think, with regard to all those wells that are drilled after 2001 in the middle, and especially in the lower?

JASPER FANNING: I think we hear that...we hear that question a lot.

SENATOR BEUTLER: I'm not asking for your opinion, I'm asking you for what you think the opinion from your district is.

JASPER FANNING: Right, and I'll answer that by what I hear in the office. That's a question that we hear a lot, well why did they get to drill wells in the Middle and the Lower Republican after we could no longer drill wells? And yet we didn't seem to get any credit for that when we were setting our allocations for compact compliance reasons a year ago. That's a question we often get, so I think there is some question as to why they were able to continue developing wells. Now that's probably not the issue that determines whether or not we're in or out of compliance right now. But down the road that will...that's just that much more that those districts will have to deal with.

SENATOR BEUTLER: That is part of the long-term problem, I suppose, to the...

JASPER FANNING: ...to the immediate problem, that's

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correct.

SENATOR BEUTLER: Okay. And you mentioned that spending 45 million dollars to regulate a 4.5 billion dollars industry was not too much?

JASPER FANNING: That's simply looking at it from a money-management standpoint.

SENATOR BEUTLER: Right. And looking at that discrepancy, does a conservation fee even register on the scale?

JASPER FANNING: It...I don't know that it does not. I will say our natural resources district is the one that originally proposed a fee on water use, a per acre fee, because of our board has so much experience in regulating groundwater and could see kind of the road we were going down, we're forward-looking enough to realize that there could be a time when our district would need to, for compliance reasons, or for our own management reasons raise a significant number of dollars to tackle some of these issues. And a \$10 per acre fee in our district is what...that was kind of the maximum that we're taking about, and that would raise 4.5 million dollars in our district.

SENATOR BEUTLER: You were talking about a \$10 per acre fee?

JASPER FANNING: That was discussed by our board.

SENATOR BEUTLER: I was just run out of the Natural Resources Committee for suggesting \$2 per acre. (Laughter)

JASPER FANNING: Well we've been run out of more places than that, if it makes you feel any better. (Laughter)

SENATOR BEUTLER: I'm a miser, I should have been thinking more.... Let me see. You've been very helpful. Thank you, appreciate you coming down.

JASPER FANNING: Thank you.

SENATOR KRUSE: As a matter of curiosity, you said you haven't had modeling for quite a while. We remember, in this committee, spending a zillion dollars for modeling in the court case. Didn't any of that come your way?

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JASPER FANNING: We have seen the results of that; that was more for compact purposes and not as...that was not oriented to attempting to model the groundwater levels in our district in that...as specifically as what we would maybe need for our internal management. Those are...every model has its own purpose, and that was not necessarily the purpose of the compact model.

SENATOR KRUSE: We paid enough for it, I thought it probably covered all the states around us. (Laughter)

JASPER FANNING: Yeah, because of the amount you spent on it, it's quite complex, and a complex model requires an awful lot of work to get the answer out that you're looking for. And in some respects it may be too complex for the issues that we're looking at.

SENATOR KRUSE: (Laugh) Well, old-timers on the committee would appreciate that because we asked one time to explain all the details of why...how we spent the...all that money. And then we decided we didn't really want to hear that much. (Laughter) Thank you. Lavon.

SENATOR HEIDEMANN: I don't know if you'll be able to answer this, but maybe Ed or Ann, how much would a three cents levy on the fully and over appropriated districts raise? Do you know?

SENATOR SCHROCK: You want to answer that, Jasper?

JASPER FANNING: They may want to voice in there. I know in the Republican Basin alone, which would include the three Republican NRDs and Tri-Basin, it would raise about 1.7 million dollars. But that does not include the rest of the Platte. And maybe Senator Schrock has an answer.

SENATOR SCHROCK: I think the Platte, above Elm Creek, is somewhere around 4.5 million dollars. And the reason it's so much more than the Republican is because there is really no major cities in the Republican; McCook is the biggest, then you've got to drop down to Superior, Imperial, Alma, most towns are in that 1,200. But in the Platte you've got Scottsbluff, Gering, you've got North Platte, you've got Ogallala, you've got Lexington, Cozad and Gothenburg. And

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then I would also say, Jasper, tell me if I'm wrong, I think irrigated land is probably valued higher on the Platte than the Republican. And I'm not sure why, some of it lays awfully nice and flat, that's part of it. And then it's maybe been a little more affluent. And I can say that because you can back that up by letting (inaudible) income per household map in this state, and you'll see the Republican River is much lower, about \$10,000 per person per household lower than the state average. And I think if you go up on the Platte you'll see that number higher. So they've been under economic stress in the past few years, I don't think there's any question about that, partially because of the drought, and part of it because it's not as heavily concentrated irrigated agriculture, it's more diversified. Although it's pretty heavily concentrated out in Chase County.

JASPER FANNING: It is, Chase County is the most intensely developed county in our district. To give you an idea what three cents would do for your district, it would raise about 113,000 dollars to 114 thousand dollars, no excuse me, one cent raises 113,000 dollars, so we're looking at 340 thousand dollars.

SENATOR HEIDEMANN: So it will help, but it's not just a whole lot of money either in the bigger scope of things.

JASPER FANNING: No, the three cents, to me, seems that it would be more valuable, allowing us to cover the administrative costs that will...the increased administrative costs that we'll see in taking on these types of programs and provide some funding for those. But it's not going to be the majority of the funding for any of the programs that we have to take on.

SENATOR HEIDEMANN: When you talked about that \$10, how much money would that have raised?

JASPER FANNING: That would be...we have roughly 450,000 dollars irrigated acres, so that's 4.5 million dollars.

SENATOR SCHROCK: I think though you intended that for a specific reason, was that not to buy out irrigated acres?

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JASPER FANNING: When...at the time that was proposed the intent there was to buy out irrigated acres, which is a very expensive program to undertake, if you're going to pay the market value of irrigation.

SENATOR HEIDEMANN: And you just discussed this in...

JASPER FANNING: Our board actually took a legislative resolution to the Nebraska Association of Resource Districts legislative conference the past two years. And it was defeated soundly both times.

SENATOR HEIDEMANN: And do you get static in your district because of that stand?

JASPER FANNING: We do until they ask, what are you guys thinking? And when you put it out there on the table as a choice between, would you like to continue to irrigate the acres that you still irrigate at the level you irrigate today, or would you be willing to take some sort of allocation cut? Where our allocation is at currently, a professor from the university over here, forgive me, I can't think of his name, that did the economic...Ray Zappala (phonetic), when he did his economic analysis, the last acre inch of our allocation is worth about \$15 of net profit to the farmer. So if you...obviously you would rather pay \$10 to make \$15 then to see another inch in allocation cut, if we could come up with a program that would us to do that.

SENATOR HEIDEMANN: Then, as Senator Schrock said, and I wasn't able to sit in on the natural resource districts when Senator Beutler was there, and I think that was killed, is that correct?

SENATOR SCHROCK: That's right, it was indefinitely postponed, we don't like to use that other word.

SENATOR BEUTLER: They're equally brutal terms. (Laughter)

SENATOR HEIDEMANN: Why?

SENATOR SCHROCK: Because we feel like agriculture is paying a pretty heavy burden on tax now, also because I think the alternative and the recommendations of the task force was an

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additional three cents be allowed for these NRDs to levy, and I don't think we want to do both.

SENATOR HEIDEMANN: You look at the amount of money that they both could raise though, and one will raise it looks like considerably more than the other.

SENATOR SCHROCK: And we can also put farmers out of business by over taxing them.

SENATOR HEIDEMANN: I understand that because I'm in the business also.

JASPER FANNING: If I might add to that, the reason that we did not support Senator Beutler's bill is when we were proposing that it was to raise local dollars that we could use in local programs. And correct me if I'm wrong, but I believe your bill was...that was a way of raising money that the state could then appropriate back out for the state part of funding.

SENATOR BEUTLER: I would have handed it over to the NRDs, if you had mentioned it. (Laughter)

SENATOR SCHROCK: And, Senator Beutler, one of the problems I had with that is that it was not a...

SENATOR BEUTLER: Actually...excuse me, I'm sorry.

SENATOR SCHROCK: It went to the Department of Natural Resources, and to some extent it's not entirely fair to tax an irrigator up by Norfolk for problems that aren't site specific to his basin.

SENATOR BEUTLER: Well we can argue the general share of regulatory costs that should be paid, but that problem aside, let me put a more sophisticated idea upon you. What if...

SENATOR SCHROCK: I can't handle too much sophistication. (Laughter)

SENATOR BEUTLER: What if we had that conservation fee, what if it were just on the Republican, what if that money went into a fund that could be used by the NRDs and they could

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use it to do whatever they wanted to do but, if we had to pay Kansas, they would use it to pay Kansas? We need to create some incentives down there for where the state is not always the entity that comes in and bails out at the end of every five year period. Why not create a fund where they can pay Kansas or they can buy out land, or they could do whatever they want, whatever will be cheapest, but if there's not enough money in there to pay Kansas then in the ensuing years there will be a heavier tax to pay the state back for paying Kansas?

SENATOR SCHROCK: First, the objective in the basin is not to owe Kansas any money to get into compliance.

SENATOR BEUTLER: Good, then we could have this fund and they can do what they need to do not to pay Kansas.

SENATOR SCHROCK: And a fee was discussed by the task force, if I'm not incorrect. But they felt like even if you're a businessman on Main Street, even if you're a dryland farmer, the tax base, what irrigation does to the valuation, everybody benefits from that irrigated tax base, including the schools, including the state.

SENATOR HEIDEMANN: State of Nebraska does too, I will say that, because if you wouldn't have those irrigated acres, the state aid formula would absolutely...

SENATOR SCHROCK: ...for schools; yeah.

SENATOR HEIDEMANN: ...notice the need and they would cost a lot more.

SENATOR SCHROCK: There's no perfect solution here, Senator Beutler. But I'm still going to kind of sing the task forces song. I can't sing their song on...I'd like to, but it's not going to happen. I'd like to sing their song on a dedicated sales tax. I don't think that's going to happen. I do think we can do the three cent levy, and it's site specific to the basins that are fully and over appropriated.

SENATOR KRUSE: Senator Engel.

SENATOR ENGEL: For the life of me, I never could figure out why irrigated land is taxed more than dry land; land is

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land. I think whatever is putting the water on there is where the tax should be rather than...

SENATOR SCHROCK: Yeah, if you want to tax irrigated land and dry land, I'll pay the irrigated fee, I'll pay the conservation fee.

SENATOR ENGEL: Well then you might have to adjust that, but land is land. (Laughter) I mean it's just (inaudible) because of, you know, so that's what...I've always thought that way.

SENATOR SCHROCK: You know one thing that most farmers will tell you, they'll tell you they're being double taxed. The minute they put the irrigation well down and the center pivot, the valuation of land goes high. And then they get to pay taxes on the machinery, the pivot, too. Most farmers will tell you they believe they're being taxed, double taxed on that.

SENATOR ENGEL: How do you feel?

SENATOR SCHROCK: I feel I'm being double taxed.

SENATOR ENGEL: Okay.

SENATOR SCHROCK: I always look forward to the year when my system is seven years old, then I can quit paying on it. About that time the wind comes along and blows one over and you start over again.

SENATOR ENGEL: Sure.

SENATOR SCHROCK: Yeah, but even if you are insured, if it's less than seven years old you got to go back to taxing it.

SENATOR KRUSE: Senator Beutler.

JASPER FANNING: Senator Beutler, if I may.

SENATOR BEUTLER: Go ahead.

JASPER FANNING: The reason that maybe our needs as...our district's needs for our own groundwater management and the compact funding, why maybe our district wouldn't support

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your idea of taking that money and the local people bearing all the burden as far as compliance with Kansas is because the rest of the state benefits through the taxes and everything else out of the things we produce with the irrigation in the good years. So...

SENATOR BEUTLER: Well we can make that argument both ways...

JASPER FANNING: Right, back and forth.

SENATOR BEUTLER: ...with every industry in the state, right?

JASPER FANNING: Yeah, but that's why that would not have support by our district.

SENATOR BEUTLER: Well you know one thing that still bothers me and we tried to do something about this a number of years ago too, there's really nothing short of the ultimate threat of being brought before the big board on some sort of reoccurring basis, I suppose, if people aren't cooperating, there's nothing that forces the four NRDs to cooperate particularly. Right?

JASPER FANNING: No, that would be the biggest threat. Obviously the Legislature put the NRDs in business, they could take them out of business and we're proponents of local control, so...

SENATOR BEUTLER: Part of my problem here, and I tried to address this many years ago, is that the state ends up with responsibility, but we don't control the NRDs. And when we try to control the NRDs, you say, local control, local control, local control. But then when you have local control, you say, state pay, state pay, state pay. Shouldn't accountability and funding kind of go hand-in-hand?

JASPER FANNING: You can make that argument. Our regulations have not been cost-free that we've put in place, as I pointed out earlier what a one acre inch is worth. And we have...we probably, you know, our one acre inch allocation reduction arguably is the equivalent of a 7 million dollars donation to the cause. So we have made a

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significant local contribution in all the districts by imposing allocations. And we just...I'd sure hate to see that go unrecognized.

SENATOR BEUTLER: I don't want to sound harsh, in particular with your district, because I think you guys have done an incredible job over the years, I really do.

JASPER FANNING: Thank you.

SENATOR KRUSE: Any further questions? All right, we thank you.

JASPER FANNING: Thank you.

SENATOR KRUSE: Are there other witnesses on LB 1077?

SENATOR BEUTLER: I'd like to hear from Mike, if I could.

SENATOR KRUSE: A special appeal for Mike. (Laughter) We'll need more than Mike on the record here.

MIKE CLEMENTS: Okay my name is Mike Clements; that's C-l-e-m-e-n-t-s and I am the General Manager of the Lower Republican NRD.

SENATOR KRUSE: Welcome.

MIKE CLEMENTS: Thank you.

SENATOR BEUTLER: Mike, if we took Senator Schrock's bill and said, you shall levy three or four cents for purposes of the solution to this problem, would that bother you any?

MIKE CLEMENTS: No. I believe that our board, although they haven't taken an official position on it, would be supportive of that.

SENATOR BEUTLER: Okay. And with respect to the 2001 wells, could you kind of explain the rationale of the board in treating those people exactly the same as somebody who invested their money a long time ago and they had the absolute right to expect that they would have water and a return on their investment.

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MIKE CLEMENTS: Yes, Senator. First of all, we did implement a moratorium in 2002, so we're talking about wells that were drilled in '01 and then up to the point in '02 in which we implemented the moratorium for the purposes of the settlement.

SENATOR BEUTLER: But the records show three years of well drilling.

MIKE CLEMENTS: Well there would be no new well drilling...

SENATOR BEUTLER: '01, '02 and '03.

MIKE CLEMENTS: Ah, that would be incorrect. Our moratorium went in place December 9 of 2002, so we didn't have any new irrigation well drilling after that point in time.

SENATOR BEUTLER: Did you have about 300 wells...

MIKE CLEMENTS: We probably...

SENATOR BEUTLER: ...after January 1, 2001?

MIKE CLEMENTS: We probably had that many wells that were drilled in that time frame.

SENATOR BEUTLER: Okay. Maybe it's just a record...just a question of...

MIKE CLEMENTS: That's correct.

SENATOR BEUTLER: ...what boxes they put them in.

MIKE CLEMENTS: There was replacement wells, you know, that we still allow for, but...

SENATOR BEUTLER: DWR had given me...the figures they gave me didn't...indicated that none of those were replacement wells.

MIKE CLEMENTS: No, there wouldn't...no new wells have been drilled in our district, no new irrigation wells greater than 50 gallons a minute after December 9, other than...

SENATOR ENGEL: Of what year?

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MIKE CLEMENTS: Of 2002, the only exception would be that portion of our district which was east of Guide Rock, which was outside of the moratorium boundary when we initially set that up. So there was...that would be an exception.

SENATOR BEUTLER: Okay. Do you think, if the Legislature made a law that said that those wells that were drilled after January 1, 2001, should receive no more than 50 percent of the allocation allocated to the next level of allocation in your district, do you think your people would have a problem with that?

MIKE CLEMENTS: Well actually, our board, when we were negotiating, working with the state on our integrated management plan, did consider and actually had that as an option at one of our hearings to where we would treat the newer wells differently with a lower allocation.

SENATOR BEUTLER: What lower allocation was suggested?

MIKE CLEMENTS: At that particular point in time we were going to give them a two-inch lower allocation than the...than our present one that we have right now, which is 11 on the eastern half of our district, and 12 inches on the west. So we were looking at nine and ten for those. As it turned out, the problem is you're looking at, in the overall scope of things where we've got like a little over 3,700 wells, if you're looking at 300 or 400 wells, many of which are upland wells, they're not quick response or alluvial wells that are close to the rivers and the streams and that have the most impact and a quicker effect, a lot of the later wells that were drilled were upland wells. And as far as really having a...we felt that, as far as really having a great or significant immediate effect, that it was probably very minuscule, if you will.

SENATOR BEUTLER: Okay so it wouldn't be a good part of a short-term program, but it could be part of the long-term solution.

MIKE CLEMENTS: It certainly could, it certainly could. And I think that that is something, Senator, that our board would take a very, very hard look at going forward, simply because we did consider it, we did consider it in the past.

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SENATOR BEUTLER: Did your lawyers feel comfortable making two different kinds of allocations for irrigators within your district?

MIKE CLEMENTS: The split allocation, the 12 and the 11, we were very comfortable. Actually, when we were working with Roger and Ann, one of the proposals that we had early on, because our district is very long, so from Cambridge on the west end, to Superior on the east, you've got about a five to six inch difference in annual precipitation. And we had actually even toyed around with having a different allocation by county, because you can just kind of see, when you go from the west to the east, how much more rainfall there is. As you well know, Senator, drawing lines is not easy. So we felt that maybe putting one line towards the center of the district, as opposed to having four or five by county, would make it a little bit easier administratively.

SENATOR BEUTLER: Okay.

SENATOR KRUSE: Other questions for Mike?

SENATOR ENGEL: I just have a comment. I talked to a well digger, and he enjoyed those years. (Laughter)

MIKE CLEMENTS: I know. I would certainly encourage any of these districts that are on the bubble as far as being fully appropriated that they, if they are thinking of putting a moratorium in place, do it and don't talk about it for six months because hindsight is always 20-20, and that was a mistake that we made and we're paying for it, I mean we're paying for it right now. We've got the lowest allocation. Of course we have more rainfall than Jasper's got, too, so...

SENATOR BEUTLER: If you have to drop below the level of acre feet that allows corn to be grown in your area, which isn't much at this point, right?

MIKE CLEMENTS: That's correct.

SENATOR BEUTLER: You have to drop another two inches, aren't those people going to be terribly resentful of the 300 wells that went in and are sharing?

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MIKE CLEMENTS: Absolutely. There's...I guess it depends on which side of the fence that you're on. But there was...there was resentment about the new wells that went on...went in. There's no question about that, there is no question. As I said before, I think that our board and in talking with Ann and Roger in our negotiations felt that the impact of those newer wells primarily being upland wells was probably not a major piece of the puzzle that we were facing.

SENATOR BEUTLER: Okay. Thank you, you've come into a very...the most difficult of situations, and I hope you can get your balance and give us some leadership.

MIKE CLEMENTS: Well I appreciate it, Senator. And I guess I would like to just close and state that it's...this has been hard for our board and it's been uncharted territory. I...we, I guess, admire the...what the Upper has done for years. It wasn't easy for those folks. In our district, if you look on my handout on the back page, I think you'll see that we're in a little different situation in the lower Republican insomuch as if you go back to 1981, which was our base year, even through the drought years, through 2005, our groundwater levels have declined on average less than a foot across our district. So it's difficult to tell a young farmer that back in 1998, or whenever he started, that he couldn't go out and drill a well when there was plenty of water down there. Now as we look back, you know, maybe we should have. But if somebody would have tried that, they probably would have been run out of town on a rail. (Laugh)

SENATOR KRUSE: In the midst of all these hard questions and the tensions of water, it is good to observe that we are more blessed with our state's envy of the nation in terms of this resource. And it's also good to observe that we are so grateful for what you all are doing, we have high respect for it.

MIKE CLEMENTS: I appreciate that. And...

SENATOR KRUSE: It's part of the reason that we raise questions.

MIKE CLEMENTS: I think that the...all the districts, this

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last year, did a very, very good year in managing our groundwater. And I think if you look at our numbers, we came in at 7.74 inches on average for our district...

SENATOR KRUSE: That was impressive.

MIKE CLEMENTS: ...which was about 30...a little over 30 percent below. So guys are trying; they realize...they know, they're very, very worried about their future. And they're trying...they're really trying to conserve water.

SENATOR KRUSE: Well we would hope you'd communicate to them from us that we are grateful that they came in that low. Appreciate it.

MIKE CLEMENTS: Well thank you.

SENATOR KRUSE: It really helps. Are there other...is there more testimony on LB 1077? Last call. Senator Schrock, I think you can close.

SENATOR SCHROCK: I don't like long closings, but...

SENATOR KRUSE: Well we could vote on that. (Laughter)

SENATOR SCHROCK: ...in defense of some of my constituents down there, I think Mike hit the nail on the head, their water table is not declining or doesn't appear to be declining in the Lower Republican, and therefore they didn't see the damage. And they were misled about what the compact meant and what...groundwater being included, so...and I think they took the approach that let's do the least amount of economic damage possible, and I think that should be a goal in the whole basin. The task force feels like, yeah, we have some localized problems in the Republican and the Platte, but it's a statewide issue. Omaha and Lincoln are downstream on the Platte River, and if we don't get a handle on this upstream, your well fields, in the future, could be threatened, things like endangered species act come into question. So to some extent it is a statewide problem. I think we need to give them the resources so that they can cost-share on these issues. If we are blessed with a good rainfall, the need for money, I would be willing, Senator Beutler, to say that each NRD should have a certain amount of money available in cash reserve for emergency situations

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which would be maybe buying out an irrigation...buying some irrigation water out of a reservoir, if we need to send it down to Kansas. I'd be willing to look at this committee with that. I think it would be all right for them to develop a reserve with this three cent levy for issues that come up on us unexpectedly. So I think we can refine and define the three cent levy as we go along this year. And I hear what you're saying, you know. But we don't need to argue anymore.

SENATOR KRUSE: Well, Senator, I...

SENATOR SCHROCK: I'd rather hug than argue.

SENATOR KRUSE: All right, I'll give you a long distance hug here. You need to know that some of us, especially living in Omaha, have stood behind what...your statement just now in any way we can. When the local water authorities came to me and said, Senator, you aren't going to let them cut down what we're doing out here in this new well field, I said to them, are you ready to vote for shutting down an irrigator in Lexington so you can have enough well water in your well? And they got very quiet. So, you know, we are trying to send that message that this is a statewide thing. They can't act like they're...well, that was the whole point of the big bill,...

SENATOR SCHROCK: And if you're going to...

SENATOR KRUSE: ...that we're in this together.

SENATOR SCHROCK: ...if you're going to build the Brown Reservoir, then we're going to need some water to come downstream, too. (Laughter)

SENATOR KRUSE: Well that's a question that some people will talk about next week.

SENATOR SCHROCK: Thank you for your time.

SENATOR KRUSE: Thank you. Thank you all for coming. This completes our agenda. Am I missing anything from the agenda? I don't think so. We are adjourned.