



NEBRASKA ASSOCIATION OF RESOURCES DISTRICTS

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TO: NARD Board, NRD Managers and Conservation Partners
FROM: Dean E. Edson, NARD Executive Director
RE: March 24 NARD UPDATE

Tax Package Advances -- Lawmakers advanced LB 968 this week which reduces state taxes by approximately \$275.5 million over the next three fiscal years. As proposed by the committee, the bill would:

- adjust income tax brackets with the intent of lowering overall individual income taxes;
- allow low-income tax filers an 8 percent earned income tax credit;
- eliminate existing law that phases out the personal exemption credit, standard deduction and itemized deductions for high-income earners;
- exempt residential property from the sales tax on construction and remodeling labor;
- decrease the assessment percentage for agricultural and horticultural land from 80 percent of actual value to 75 percent, beginning with the 2007 assessment year;
- increase exempt amounts and maximum values under the state's homestead exemption program;
- eliminate a scheduled decrease in the maximum school property tax levy from \$1.05 to \$1, leaving the maximum levy at \$1.05 indefinitely; and
- eliminate a requirement that Nebraska taxpayers "add back" 85 percent of any bonus depreciation or expensing of capital investment allowed under federal law.

Senators adopted an amendment to the bill that adds \$5 million/year for the next two fiscal years to the Ethanol Production Incentive Cash Fund, which is used to pay the tax incentives for producing ethanol in Nebraska.

Lawmakers Advance the Budget – Senators advanced LB 1060 to Final Reading this week, which provides the deficit appropriations for the state. There were no changes made to the recommendations of the Committee as they relate to water funding. Spending growth under the bill is estimated at 7.3 percent.

Nebraska Buys Water Compact Insurance – Some state senators and media can not let go of the term "paying farmers to not irrigate". The problem with that term is that Nebraska is not paying farmers "not to irrigate".

The controversy centers around purchasing surface water stored at Harlan County Reservoir owned by irrigators. In reality, the State of Nebraska has purchased water in the reservoir from the surface water right holders to deliver it to Kansas thus providing insurance in meeting the terms of the Republican River Compact settlement agreement. Some of these Nebraska surface water right holders also have groundwater wells that can be used to irrigate the parcels of ground they have certified by the NRD and approved by the State of Nebraska. The certification process takes into account surface water allocations. The Lower Republican Natural Resources District limits farmers in the Bostwick district to a total of 11 inches of water per acre, regardless whether it comes from surface or ground water.

By purchasing the surface water, Nebraska gains the net savings under the compact agreement. Further, any groundwater use is already accounted for under the certification and accounting process. According to Nebraska Attorney General's Office, the irrigators could have used the same amount of groundwater this year regardless of their deal with the state. That's because so little water is now stored in Harlan Lake, the irrigators didn't plan to use it this year. If the state didn't buy the water, the irrigation district was going to keep it in the reservoir. Nebraska could be responsible for some of the evaporation losses if the water was left in the

reservoir. By purchasing the surface water, the net savings to Nebraska could keep the state in compliance with the agreement and avoid a potential damage claim.

Thus, the claim "paying farmers not to irrigate" is not correct. Rather, Nebraska purchased water from water right holders as insurance to meet the terms of the compact settlement and save future legal and other related expenses. As the old adage goes, spending a dollar today could save two dollars tomorrow.

Agriculture and Jobs -- About one of every three private-sector jobs, or nearly 366,000 full- and part-time positions, were directly or indirectly tied to agriculture and agribusiness in 2002, the most recent year complete data were available, according to the study by Charles Lamphear, retired head of the University of Nebraska-Lincoln's Bureau of Business Research. Some findings of a study showing that in 2002 one of three Nebraska private-sector jobs was directly or indirectly related to agriculture:

- Agriculture and agribusiness in Nebraska produced nearly \$25.3 billion in goods and services, and directly employed 120,000 people who earned \$3 billion in income.
- Agriculture's total economic impact, including direct and indirect effects, was \$45.9 billion in gross output.
- Agriculture production provided 63,990 jobs.
- Agriculture processing provided 39,778 jobs.
- Other industries with jobs tied to agriculture: wholesale and retail trade, 62,035 jobs; non-agricultural manufacturing, 6,867; transportation and communications, 16,366; utilities, 1,392; finance, insurance and real estate, leasing and rentals, 32,709; services and education, 139,639; other, 3,084.

Source: Nebraska Policy Institute's "The Importance of Agriculture to Nebraska's Economy 2002"

ESA& Rodent Infestation -- In 1998, the Preble's meadow jumping mouse gained protective status under the 1973 Endangered Species Act (ESA). Since then, approximately 31,000 acres of local government and privately owned land in Colorado -- an area larger than the District of Columbia -- was essentially quarantined from all development so as not to disrupt the mouse's natural habitat. Last week, developers and farmers petitioned the Department of the Interior to have the mouse immediately de-listed as "endangered" because of reliance on faulty data.

Last year, a peer-reviewed Animal Conservation journal written by biologist and lifelong conservationist Rob Roy Ramey exposed the problems with the data used to declare the species endangered and concluded that the Preble's mouse "is not a valid subspecies based on physical features and genetics." The scientist who conducted the original research classifying Preble's as unique now agrees with Mr. Ramey's assessment. Even scientists who defend extending the mouse's "endangered" status admit that it is 99.5% genetically similar to other strains of mice.

But it does not end here. The mouse has now been found inhabiting twice as many distinct areas as once thought. These are rodents and the one thing rodents are proficient at is breeding. The full species of the meadow jumping mouse, far from being rare, can be found over half the land area of North America.

Further, the Preble's mouse continues to impose huge costs on local communities. One water district in Colorado was recently required to build two tunnels for the mice under a man-made pond to spare the critters the inconvenience of having to scurry around it. It cost more than a \$1 million to make the mouse tunnels.

And just when you thought it could not get worse, the Fish and Wildlife Service also has the authority to assess penalties on property owners if they even inadvertently spoil mouse habitat. Pet owners can even be fined if their cats do what cats do: chase and apprehend mice.

This is just another reason for ESA reform. House Resources Committee Chairman Richard Pombo has proposed reforms that allow landowners to get fair compensation from the government if their land is depressed in value due to a wetlands or endangered species designation.