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TO: NARD Board, NRD Managers and Conservation Partners
FROM: Dean E. Edson, NARD Executive Director
RE: January 18 NARD Update

Governor Ricketts State of the State Address -- Gov. Pete Ricketts delivered his State of the State address on January 15th focusing on his four pillars for growth. 1) Develop people and connect with good jobs, 2) cut red tape, 3) provide tax relief, and 4) promote Nebraska.

During his address, Governor Ricketts outlined his budget recommendations for the 2019-2021 biennium. The bill provides for two-year average growth in state appropriations of 3.1 percent, two-thirds of that growth comes from increases to state aid for K-12 schools and Medicaid expansion. Some of the main highlights of the budget include:

- \$103.8 million increase in state funding of K-12 education bringing total to \$1.1 billion.
- Increasing the state's Property Tax Credit Relief Fund by \$51 million.
- Proposal to add an additional 2,100 college scholarships, geared toward students studying in high-demand fields, and adding \$1.25 million to the Developing Youth Talent Initiative.

Governor Ricketts also asked lawmakers to back proposals to establish a \$275 million minimum balance in the Property Tax Credit Relief Fund. He also outlined and encourage support for a proposal to impose a three-percent cap on property taxes levied by municipalities and political subdivisions.

The Governor stressed that any proposal to reduce property taxes should not be offset by increases in other taxes.

Hearings Begin Next Week -- The legislature is off on Monday, January 21st for observation of Martin Luther King Day. On Tuesday, hearings on bills begin.

The Legislature has enacted the following written position letter policy for public hearings:

- If you are not testifying in person on a bill and would like to submit a written position letter to be included in the official hearing record as an exhibit, the letter must be delivered to the office of the committee chair (or emailed to the committee chair) of the committee conducting the hearing on the bill by 5:00 p.m. on the last work day prior to the public hearing.
- Additionally, the letter must include your name and address, state a position of for, against, or neutral on the bill in question and include a request for the letter to be included as part of the public hearing record.

The following bills have been scheduled for hearing next week.

Thursday January 24, 2019

Government, Military and Veterans Affairs – Room 1507 - 1:30 PM

LB 204 - Require approval of voters for bonds under the Interlocal Cooperation Act. Briese.

The bill would require that bonds issued by any joint entity on or after the effective date would have to be approved by the majority of the qualified electors of each public agency which is part of the joint entity.

Revenue -- Room 1524 - 1:30 PM

LB 103 - Change provisions relating to property tax requests. Linehan.

The bill proposes that when the annual assessment of property would result in an increase in the total property taxes levied by a political subdivision as determined using the previous year's rate of levy, such political subdivision shall reduce its levy for the current tax year so that the taxes collected are equal to or less than the previous year.

If the political subdivision would need to exceed that amount, the bill would require notice of a public hearing at least thirty days prior in at least one newspaper of general circulation. The notice must be at least the size of one-eighth page of a standard size or tabloid size newspaper, and the headline no smaller than eighteen-point font. The bill would require standard form for the notice and require the following information to be included:

- The total percentage increase in assessed property valuation of the subdivision.
- The lowered tax rate needed to offset the increased valuation.
- The tax rate increase (Difference between to lowered rate and requested levy rate).
- Proposed total budget increase.
- Location of the public hearing.

After the hearing, the governing body would be required to pass a resolution or ordinance if it deems it necessary to increase the levy rate.

LB 158 - Change provisions relating to the assessed value of real property. Brewer.

The bill would limit the growth in valuation for tax purposes to the same value as the previous year plus the cost of any improvements made to the real property during the year, minus the assessed of any improvements to the real property that have been destroyed or removed. The bill would require this valuation procedure to be in place for years 2019 through 2023.

New Bills – The following are bills of interest that were introduced this week.

LR8CA - Constitutional amendment to limit the total amount of property tax revenue that may be raised by political subdivisions. Senator Linehan at the request of the Governor.

The Constitutional amendment proposes to limit the increase in property tax revenue raised by a political subdivision to no more than three percent the amount raised in the prior fiscal year.

If the political subdivision would need to exceed three percent, it would require a vote of the people in the subdivision. All costs of the election would be paid by the political subdivision seeking to exceed the limitation.

The limitation would not apply to the amount of property tax revenue needed to pay the principal and interest on bonded indebtedness that has been approved according to law.

LB 243 - Create the Healthy Soils Task Force. Gragert.

The bill establishes a Healthy Soils Task Force within the Ag Department.

The task force would be made up of the following representatives appointed by the Governor: Two from NRDs, two ag and natural resources academic experts, five from production ag, two from agribusiness, one from an environmental organization, along with the Ag Director or his designee. The chairs of the Ag and Natural Resources Committees are added as nonvoting representatives.

The Healthy Soils Task Force would be required to do the following:

- (1) Develop a comprehensive healthy soils initiative for the State of Nebraska;
- (2) Develop a comprehensive action plan to coordinate efforts to carry out such healthy soils initiative using standards for organic matter, biological activity, biological diversity, and soil structure as measures to assess improved soil health.

The action plan would have to set goals, formulate timelines for task completion, and determine resources required and resource availability. In developing the action plan, the task force would be required to draw upon the resources of the USDA Natural Resources Conservation Service, the Soil Health Institute, and the Soil Health Partnership.

The action plan would include:

- (a) Issues related to providing farmers and ranchers with research, education, technical assistance, and demonstration projects;
- (b) Options for financial incentives to improve soil health;
- (c) The contribution of livestock to soil health;
- (d) A timeline to improve soil health in Nebraska within five years after completion of the action plan.

The Task Force would be required to file a report to the Governor and Natural Resources Committee by January 1, 2021.

LB 261 - Require use of redistricting maps drawn using state-issued computer software. DeBoer

The bill requires using state-issued computer software for mapping all district boundaries.

LB 283 - Provide for a climate change study. Pansing Brooks.

The bill requires the University of Nebraska to develop a strategic action plan to provide methods for adapting to and mitigating the impacts of climate change. The plan would include:

- (a) A baseline measurement of greenhouse gas emissions, also called a carbon footprint, of the state;
- (b) Measurable benchmarks and goals, including actions needed to meet the goals and benchmarks;
- (c) Assessment of risks and vulnerabilities from negative impacts of climate change;

- (d) Opportunities presented by strategies for adaptation and mitigation of the impacts of climate change; (e) Opportunities to improve and increase resilience to the impacts of climate change;
- (f) Potential economic impacts of climate change, both positive and negative;
- (g) Examination of impacts of climate change upon the following sectors:
 - (i) Agriculture; (ii) Water resources; (iii) Health care and public health; (iv) Energy generation and use; (v) Ecosystems and forestry; (vi) Rural and urban communities; (vii) Transportation; and (viii) Commerce and industry

The action plan would have to include recommendations for new policies and changes to policies and programs that support the goals based on the information and data collected and generated, including funding needs and recommendations for legislation.

The process to be used to develop the plan would require opportunities for public comment and engagement, including, but not limited to, online input, public hearings, and public and private sector engagement. It would also require input from entomological, climate, water, agricultural, and natural resource experts in Nebraska. Comparable strategic action plans from other states would also be considered.

The plan would be funded from a transfer of up to \$250,000 from the Waste Reduction and Recycling Incentive Fund to the University of Nebraska. The plan would have to be submitted to the Governor and Legislature on or before December 15, 2020.

LB 293 - Provide, change, and eliminate provisions relating to appropriations. Speaker Scheer at the request of the Governor.

The bill adjusts the budget for the current fiscal year. No changes are proposed for natural resources programs.

LB 294 - Appropriate funds for the expenses of Nebraska State Government for the biennium ending June 30, 2021. Speaker Scheer at the request of the Governor.

The bill provides appropriations for operation of state government over the next two fiscal years. Highlights include:

1. The budget keeps the rate of growth to 3.1 percent over two years.
2. Provides an additional \$51 million each year in property tax relief to the Property Tax Credit Relief Fund bringing the total to \$275 million per year.
3. Recommends \$49 million in funding for two new high security housing units with an additional 384 prison beds at the Lincoln Correctional Center.
4. The budget contains \$69 million in state funding to match an estimated \$520 million in federal funding for the voter-approved Initiative 427, which expands Medicaid coverage.

A spreadsheet summarizing budget bills follows on the last page:

For natural resources programs, the proposal recommends the following:

- **Nebraska Soil and Water Conservation Fund** – Maintains current levels of funding at \$1,806,112 for both FY 19-20 and FY 20-21.
- **Nebraska Resources Development Fund** – The bill includes no additional appropriations, however unexpended balances existing on June 30, 2019 would be re-appropriated.

- **Nebraska Water Sustainability Fund** – The bill includes an appropriation of \$10,865,033 for both FY 19-20 and FY 20-21. This is a \$555,513 increase over FY 18-19. Unexpended balances existing on June 30, 2019 would be re-appropriated
- **Department of Natural Resources operations**—The bill proposes a 22.9% increase in FY 19-20 which includes a 1 year \$4 million appropriation resulting from a settlement with the State of Colorado over the Republican River Compact. A 2% increase to FY 18-19 baseline is proposed for FY 20-21.
- **Environmental Trust** – The bill includes a 2.5% increase in appropriations for FY 19-20 and FY 20-21, bringing the total to \$20.6 million per fiscal year.

LB 298 - Repeal funds and authorize, provide, change, and eliminate fund transfer provisions. Speaker Scheer at the request of the Governor.

The bill provides for various transfers of funds to match the mainline budget proposals. Adds intent of the Legislature that \$3,300,000 be transferred each fiscal year from the General Fund to the Water Resources Cash Fund through FY2022-23.

LB 299 - Change Cash Reserve Fund provisions. Speaker Scheer at the request of the Governor.

The bill proposes to transfer Fifty-four million seven hundred thousand dollars on or after July 1, 2019, but before June 15, 2021 to the Nebraska Capital Construction Fund.

LB 302 - Merge the State Energy Office with and rename the Department of Environmental Quality. Senator Hughes at the request of the Governor.

The bill proposes to merge the State Energy Office and the Department of Environmental Quality to create the Department of Environment and Energy. The Director of the Department of Environmental Quality would become the Director of Environment and Energy.

The bill also authorizes the state of Nebraska to assume the 404-permitting process. This would be pending upon agreement between the federal agencies and the state of Nebraska.

LB 307 - Change provisions relating to certain Department of Environmental Quality Funds. Albrecht.

The bill proposes to make several changes to the Safe Drinking Water Act.

First, the bill proposes to update statute to define the Safe Drinking Water Act as the act existed on October 23, 2018. Second, the bill extends the loan term for systems from twenty years to thirty years. The loan term would be extended from thirty years to forty years for disadvantaged communities.

The bill also makes minor changes to transfers and reserves from the Wastewater Treatment Facilities Construction Loan Fund to the Drinking Water Facilities Loan. It allows the Director to move dollars between the funds to match demand while also maintaining a minimum balance in each fund. The Director would be required to identify any such transfer in the intended use plan presented to the council for annual review and adoption.

LB 319 - Change provisions relating to notices, rules, and regulations of Department of Natural Resources. Moser.

The bill proposes to eliminate mail as the only method of providing notification of any hearing to consider the adoption, amendment, or repeal of minimum standards for local flood plain management regulation to clerks of all cities, villages, and counties which might be affected.

The bill also proposes to eliminate the requirement for the Department to adopt and promulgate rules and regulations governing matters coming before it and makes it permissive to do such

LB 336 - Change the vote required to exceed certain budget limitations. M. Hansen.

The bill proposes to change the vote of a political subdivision for exceeding the restricted fund budget by up to one percent with a majority vote rather than seventy-five percent.

LB 367 - Eliminate provisions relating to fund transfers and change a termination date under the Nebraska Litter Reduction and Recycling Act. Hughes.

The bill proposes to extend the sunset of the Nebraska Litter Reduction and Recycling Act from October 30, 2020 to September 30, 2025. The bill also strikes language that allows the legislature to transfer from the fund to the General Fund.

LB 368 - Eliminate overappropriated river basins, subbasins, and reaches. Hughes.

The bill would eliminate all overappropriated references in statute. The bill would declare all basins previously deemed overappropriated as fully appropriated following the effective date of the act.

The bill would require that surface water controls be included in an integrated management plan and be adopted by the Department to maintain compliance with any interstate compact or decree or other formal state contract or agreement.

The bill would also require that on-stream reservoirs in fully appropriated river basins, subbasins, or reaches be managed by the Department of Natural Resources as flood control structures to protect lives and property below the structures. Such structures shall not exceed eighty percent capacity prior to March 1 of any year so that such structures are capable of capturing spring snow melt and runoff. The department shall develop a management plan for such structures as part of the integrated management plan.

LB 386 - Change provisions relating to cash reserves under the Nebraska Budget Act. Erdman.

The bill proposes to require that political subdivisions cash reserve not exceed fifty percent of the total amount received from personal and real property taxation budget adopted. Current law limits the cash reserve to fifty percent of the adopted budget.

LB 412 - Require an election regarding creation of a joint public agency. Geist.

The bill would require a vote of the registered voters of political subdivisions before a joint public agency could be created.

The vote would have to be at the primary or general election. The political subdivisions would be prohibited from entering into an agreement until after the voters of each political subdivision have approved the creation of the joint public agency.

		Legislature LB's 294 & 298		Change From FY 18-19 Baseline	Change From FY 18-19 Baseline
		FY 19-20	FY 20-21	FY 19-20	FY 20-21
Agency 84 - Department Environmental Quality					
Program 513, 586, 587, 588 - NDEQ	General Fund	\$ 3,707,285	\$ 3,756,966	\$ 55,068	\$ 104,749
	Cash Fund	\$ 33,869,563	\$ 34,007,452	\$ 167,659	\$ 305,548
	Federal Fund est.	\$ 19,435,508	\$ 19,564,557	\$ 2,632,827	\$ 2,761,876
	Program Total	\$ 57,012,356	\$ 57,328,975	\$ 2,855,554	\$ 3,172,173
	Salary Limit	\$ 13,110,128	\$ 13,334,498	\$ 161,556	\$ 385,926
Program 523 - Wastewater Loan Fund	Cash Fund	\$ 600,000	\$ 600,000	\$ (600,000)	\$ (600,000)
	Federal Fund est.	\$ 6,940,000	\$ 6,940,000	\$ -	\$ -
	Program Total	\$ 7,540,000	\$ 7,540,000	\$ (600,000)	\$ (600,000)
Program 528 - Drinking Water Facilities Loan Fund	Cash Fund	\$ -	\$ -	\$ (1,732,000)	\$ (1,732,000)
	Federal Fund est.	\$ 8,500,000	\$ 8,500,000	\$ -	\$ -
	Program Total	\$ 8,500,000	\$ 8,500,000	\$ (1,732,000)	\$ (1,732,000)
Agency 33 - Game & Parks Commission					
Program 162 - Environmental Trust	Cash Fund	\$ 20,658,333	\$ 20,665,566	\$ 509,206	\$ 516,439
	Program Total	\$ 20,658,333	\$ 20,665,566	\$ 509,206	\$ 516,439
	Salary Limit	\$ 279,737	\$ 284,835	\$ 6,845	\$ 11,943
Program 330 - Habitat Development	Cash Fund	\$ 7,568,591	\$ 7,651,449	\$ 442,050	\$ 524,908
	Federal Fund est.	\$ 3,902,376	\$ 3,904,116	\$ 1,703	\$ 3,443
	Program Total	\$ 11,470,967	\$ 11,555,565	\$ 443,753	\$ 528,351
	Salary Limit	\$ 1,530,867	\$ 1,555,737	\$ 162,448	\$ 187,318
Program 336 - Wildlife Conservation	General Fund	\$ 1,401,891	\$ 1,425,624	\$ 84,118	\$ 107,851
	Cash Fund	\$ 25,635,303	\$ 26,030,171	\$ 222,088	\$ 616,956
	Federal Fund est.	\$ 3,754,673	\$ 3,772,153	\$ 20,138	\$ 37,618
	Program Total	\$ 30,791,867	\$ 31,227,948	\$ 326,344	\$ 762,425
	Salary Limit	\$ 14,690,534	\$ 14,951,296	\$ 84,981	\$ 345,743
Program 338* - Niobrara Council	General Fund	\$ 42,011	\$ 42,011	\$ 1,680	\$ 1,680
	Cash Fund	\$ 1,000	\$ 1,000	\$ -	\$ -
	Federal Fund est.	\$ 125,000	\$ 125,000	\$ -	\$ -
	Program Total	\$ 168,011	\$ 168,011	\$ 1,680	\$ 1,680
Program 550 - Planning & Trails Coordination	General Fund	\$ 505,563	\$ 489,416	\$ 63,279	\$ 47,132
	Cash Fund	\$ 1,130,732	\$ 1,143,724	\$ 17,015	\$ 30,007
	Federal Fund est.	\$ 106,850	\$ 107,911	\$ 1,359	\$ 2,420
	Program Total	\$ 1,743,145	\$ 1,741,051	\$ 81,653	\$ 79,559
	Salary Limit	\$ 929,755	\$ 945,847	\$ 21,363	\$ 37,455
amount for development and maintenance of boundary fences along Cowboy Trail limited \$64,000 each FY.					
Agency 29 - Department of Natural Resources					
Program 303 - Small Watersheds	Cash Fund	\$ -	\$ -	\$ (475,000)	\$ (475,000)
	Program Total	\$ -	\$ -	\$ (475,000)	\$ (475,000)
*Program 304 - Nebraska Soil & Water Conservation Fund	General Fund	\$ 1,806,112	\$ 1,806,112	\$ -	\$ -
	Cash Fund	\$ 50,000	\$ 50,000	\$ -	\$ -
	Program Total	\$ 1,856,112	\$ 1,856,112	\$ -	\$ -
unexpended balances existing on June 30, 2019, are reappropriated					
*Program 306 - Water Well Decommissioning	Cash Fund	\$ 70,000	\$ 70,000	\$ (30,000)	\$ (30,000)
	Program Total	\$ 70,000	\$ 70,000	\$ (30,000)	\$ (30,000)
unexpended balances existing on June 30, 2019, are reappropriated					
*Program 307 - Nebraska Resources Development Fund	General Fund	\$ -	\$ -	\$ (3,014,712)	\$ (3,014,712)
	Cash Fund	\$ -	\$ -	\$ (47,500)	\$ (47,500)
	Program Total	\$ -	\$ -	\$ (3,062,212)	\$ (3,062,212)
unexpended balances existing on June 30, 2019, are reappropriated					
*Program 309 - Natural Resources Water Quality Fund	Cash Fund	\$ 1,187,500	\$ 1,187,500	\$ -	\$ -
	Program Total	\$ 1,187,500	\$ 1,187,500	\$ -	\$ -
*Program 313 - Water Sustainability Fund	Cash Fund	\$ 10,865,033	\$ 10,865,033	\$ 555,513	\$ 555,513
	LB 298 Transfer in	\$ 11,000,000	\$ 11,000,000	n/a	\$ 1,200,000
unexpended balances existing on June 30, 2019, are reappropriated					
*Program 314 - Critical Infrastructure Facilities -- unexpended Cash Fund appropriation balance existing on June 30, 2019 are reappropriated.					
Water Resources Cash Fund				\$ -	\$ -
	LB 298 Transfer in	\$ 3,300,000	\$ 3,300,000	\$ -	\$ -
**Program 334 - Soil & Water Conservation (General Operations)	General Fund	\$ 10,379,036	\$ 10,536,450	\$ 209,296	\$ 366,710
	Cash Fund	\$ 11,421,368	\$ 7,425,744	\$ 4,003,710	\$ 8,086
	Federal Fund est.	\$ 798,354	\$ 803,071	\$ 3,748	\$ 8,465
	Program Total	\$ 22,598,758	\$ 18,765,265	\$ 4,216,754	\$ 383,261
	Salary Limit	\$ 6,735,811	\$ 6,856,140	\$ (2,972)	\$ 117,357