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DATE PREPARED: March 01, 2011
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LB 595

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 595 would establish the Water Resources Revolving Loan Fund Act. The Natural Resources Commission would be authorized to approve interest-free loans from the fund, which would be administered by the Department of Natural Resources. Loans could be used for no more than 40% of a project cost; eligible projects would include the acquisition or lease of water rights, vegetation management, augmentation of river flows and development, storage or transportation of water. Loans would be available to natural resources districts (NRDs) or joint public entities. The fiscal impact of LB 595 includes:

Water Resources Revolving Loan Fund – One-half of the funding deposited in the Water Contingency Cash Fund would be transferred to the Water Resources Revolving Loan Fund and the remaining 50% would be deposited in the Cash Reserve Fund. Existing law provides that all funds deposited in the Water Contingency Cash Fund would be transferred to the Cash Reserve Fund. It is not known when funds will be deposited in the Water Contingency Cash Fund, but the deadline for repayment is June 20, 2013. Under LB 595, approximately \$4,275,500 would be deposited in the Water Resources Revolving Loan Fund and \$4,275,500 in the Cash Reserve Fund. As a result of the lower transfer to the Cash Reserve Fund, there would be an annual General Fund revenue loss of \$130,000 to \$170,000 because interest earned on the Cash Reserve Fund is transferred to the General Fund. The timing of the expenditures from the fund would depend upon when funds are transferred in and the Department of Natural Resources initiates a loan application process for NRDs and joint public entities. It is estimated that the loan process would not begin until FY13-14 or later.

Department of Natural Resources expenses – The Department of Natural Resources would be required to devote staff time to administer the fund and the related loan application, approval and monitoring process. The timing of the costs would depend upon when funds became available in the Water Resources Revolving Loan Fund, but it is anticipated that administrative functions could be initially absorbed by existing staff. Long-term staffing costs would be impacted by the number of loans approved and the level of administration required for those loans.

NRD and joint public entity impact – NRDs and joint public entities receiving loans would receive additional revenue and would also incur additional expenses, because loans would cover up to 40% of project costs. The actual costs will depend upon the size of the project and can not be estimated at this time.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Cindy Miserez	DATE	2/2/11	PHONE	471-2526
COMMENTS					
DEPARTMENT OF NATURAL RESOURCES: I have no basis to disagree with DNR's statements.					

FISCAL NOTE LB595

Department of Natural Resources

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LEGISLATIVE BLDG

Prepared By	Theis, Ronald
Date Prepared	1/26/2011
Prepared Phone	402-471-0577

Estimate Provided By State Agency or Political Subdivision

	FY 2011-2012		FY 2012-2013	
	Expenditures	Revenue	Expenditures	Revenue
General Funds	0	0	0	0
Cash Funds	0	0	0	0
Federal Funds	0	0	0	0
Other Funds	0	0	0	0
Total Funds	0	0	0	0

Explanation of Estimate:

The bill creates the Water Resources Revolving Fund (Fund), to operate as a revolving loan fund for the benefit of natural resources districts and administered by the department but directed by the Natural Resources Commission. The bill provides that repayments of loans made to the three Republican Basin natural resources districts under the Water Contingency Cash Fund (WCCF) in 2008, \$8.551 million, are transferred by the Treasurer, with half retransferred to the WRRF and half to the State Cash Reserve Fund. The department also administers WCCF. Under WCCF loan provisions, all loan repayments went to the Cash Reserve Fund; the bill thus creates a reduction in cash reserve funds by the State.

The scope of the bill's potential impact is difficult to determine. The bill ostensibly restricts eligibility for loans to those NRDs which have an approved Integrated Management Plan with NDNR which specifically states intentions to "utilize section 2-2336.04 revenue sources", essentially levy occupation taxes on irrigated lands for specific purposes related to IMP. The bill, however, also amends the possible uses of occupation taxes to include any uses that may be eligible under the Fund. Although all 23 NRDs may theoretically qualify for use of the Fund through developing a voluntary IMP or modifying an existing IMP to provide the necessary funding intent language, only two NRDs (Upper and Middle Republican) currently meet these requirements and one more NRD (Lower Republican) is working on modifications for DNR review. Aside from eligibility to apply for a loan being tied to an IMP, potential uses of resources loaned from the Fund to a NRD are not tied to any IMP, nor are 2-2336.04 occupation taxes after enactment. The purpose only must be somehow relevant to any beneficial use of water.

Administration activities include support for development of rules and regulations to govern Fund use as well as administration of the loan process. We do not expect that other NRDs will develop or modify IMPs in the near future in order to be eligible for loans from this fund. We further assume that loan requests will be few (3 - 4 per year or less), for relatively large sums, and three or more years in duration. This will require effort by existing administrative, legal, and accounting personnel. The number of accounting transactions associated with each loan is expected to be minimal. On this basis, the Department expects to be able to absorb the related workload in the current biennium with current resources. Should these assumptions prove to be incorrect, the Department would likely provide analyses of added workloads and request fiscal relief in the future.

Major Objects of Expenditure

Position Title	Number of Positions		FY 2011-2012	FY 2012-2013
	FY 2011-2012	FY 2012-2013	Expenditures	Expenditures
		Benefits		
		Operating		
		Travel		
		Capital outlay		
		Aid		
		Capital improvements		
		Total	0	0