# Nebraska Water Funding Task Force

## Strategic Plan and Recommendations Report

**This page intentionally left blank.**

# STRATEGIC PLAN
# AND
# RECOMMENDATIONS REPORT

**PREPARED BY THE:**

## NEBRASKA WATER FUNDING TASK FORCE

**PREPARED FOR THE:**
**NEBRASKA STATE LEGISLATURE**
**IN ACCORDANCE WITH 2013 LEGISLATIVE BILL 517**

**DECEMBER 20, 2013**

**FACILITATION AND CONSULTATION PROVIDED BY:**
**OLSSON ASSOCIATES**
**1111 Lincoln Mall, Suite 111**
**Lincoln, NE 68508**

**In association with Vireo,**
**FYRA Engineering, and LakeTech Inc.**

**This page intentionally left blank.**

## TABLE OF CONTENTS

## LIST OF FIGURES



## LIST OF TABLES



## LIST OF APPENDICES

## EXECUTIVE SUMMARY

With Legislative Bill (LB) 517, the 2013 Nebraska State Legislature created a Water Funding Task Force to make five recommendations to use in developing water funding legislation for the 2014 session. The following summarizes the Task Force's principal recommendations. The recommendations were created by the group using a consensus model, which means that all 27 voting members of the Task Force, named individually in Table ES-1, support these suggestions.

### *1. Recommendations for a strategic plan that prioritizes programs, projects, and activities PPAs) in need of funding.*

Nebraska stands at a critical juncture with water issues. The state is endowed with extraordinary water resources that fuel a thriving agricultural economy. And, although, according to national studies, on average only 1 percent of groundwater storage has been depleted in Nebraska, modeling shows that groundwater pumping has reduced base flow in the Platte and other rivers by up to 15 percent [1] (Scanlon et al, 2012). These studies continue to illustrate the interconnection between groundwater and surface water. Withdrawing groundwater can have long-term impacts on surface water by reducing discharge to streams, as well as lasting effects on groundwater-dependent users, ecosystems, and surface water and groundwater quality. Nebraskans recognize the fact that, if their water use is not sustainable, their future in agricultural production will be seriously affected, especially in localized areas.

Nebraskans have acted responsibly to meet the requirements agreed to with surrounding states; however, the state continues to face uncertainty and vulnerability. This is most readily characterized by portions of Nebraska with diminishing aquifers, the unmet need for increased recharge and water storage, compact compliance issues, continued urban growth, potential threats to urban and rural drinking water supplies, and changing economics and climatic fluctuations.

The importance of finding solutions for sustainable water use can be summed up by the market value of agricultural production. Fully 10 percent of the nation's crop and food production is based on agriculture from the High Plains aquifer[2].

[1] Scanlon, Bridget R.; Faunt, Claudia C.; Longuevergne, Laurent; Reedy, Robert C.; Alley, William M.; McGuire, Virginia L.; and McMahon, Peter B., "Groundwater depletion and sustainability of irrigation in the US High Plains and Central Valley" (2012). USGS Staff -- Published Research. Paper 497.
[2] National Agricultural Statistics Services (2011) National Agricultural Statistics Services database. Available at http://www.nass.usda.gov/index.asp.

**Table ES-1 LB517 Water Funding Task Force Members**

| Name | Representing | Position |
|---|---|---|
| **Mr. Lennie Adams** | Manufacturing | Appointed to LB517 by Governor |
| **Mr. Garry Anderson** | Elkhorn River Basin | Natural Resources Commission Member |
| **Mr. Brian Barels** | Public Power | Appointed to LB517 by Governor |
| **Senator Tom Carlson*** | District #38 | Legislature - Chair of the Natural Resources Committee |
| **Mr. Joel Christensen** | Metropolitan Utilities District | Appointed to LB517 by Governor |
| **Senator Mark Christensen*** | District #44 | Legislature |
| **Mr. Stan Clouse** | Municipal Water Users | Natural Resources Commission Member |
| **Senator Al Davis*** | District #43 | Legislature |
| **Mr. Dave Deines** | North Platte River Basin | Natural Resources Commission Member |
| **Ms. Beverly Donaldson** | Missouri Tributaries River Basin | Natural Resources Commission Member |
| **Director Brian Dunnigan*** | Department of Natural Resources | Director |
| **Mr. Kevin Fornoff** | Republican River Basin | Natural Resources Commission Member |
| **Mr. N. Richard Hadenfeldt** | Loup River Basin | Natural Resources Commission Member |
| **Mr. John T. Heaston** | Wildlife Conservation | Appointed to LB517 by Governor |
| **Mr. Joseph Hergott** | Little Blue River Basin | Natural Resources Commission Member |
| **Mr. Clint Johannes** | Lower Platte River Basin | Natural Resources Commission Member |
| **Mr. David Kadlecek** | Niobrara-White-Hat River Basin | Natural Resources Commission Member |
| **Mr. Thomas Knutson** | Surface Water Irrigators | Natural Resources Commission Member |
| **Senator Rick Kolowski*** | District #31 | Legislature |
| **Mr. Tim Luchsinger** | Municipalities | Appointed to LB517 by Governor |
| **Mr. D. Chandler Mazour** | Agribusiness | Appointed to LB517 by Governor |
| **Mr. Dick Mercer** | Groundwater Irrigators | Natural Resources Commission Member |
| **Mr. Roric Paulman** | Agriculture | Appointed to LB517 by Governor |
| **Mr. Rex Peterson** | Livestock Producers | Appointed to LB517 by Governor |
| **Mr. Darrell Rains** | Big Blue River Basin | Natural Resources Commission Member |
| **Mr. Keith Rexroth** | South Platte River Basin | Natural Resources Commission Member |
| **Mr. Michael Reynolds** | Middle Platte River Basin | Natural Resources Commission Member |
| **Mr. Gerry Dale Sheets** | Public Power and Irrigation Districts | Appointed to LB517 by Governor |
| **Mr. Scott Smathers** | Outdoor Recreation Users | Appointed to LB517 by Governor |
| **Mr. Jeff Steffen** | Missouri Tributaries River Basin | Natural Resources Commission Member |
| **Mr. Walter Dennis Strauch** | Irrigation Districts | Appointed to LB517 by Governor |
| **Senator Ken Schilz*** | District #47 | Legislature |
| **Mr. Steven Sugden** | Nemaha River Basin | Natural Resources Commission Member |
| **Senator Dan Watermeier*** | District #1 | Legislature |

*Non-voting members provided significant advice and counsel to the Task Force Members

For these reasons, the Water Funding Task Force has developed the following strategic plan for the future of sustainable water management in Nebraska. This plan shapes the desired future for funding water sustainability and identifies measures needed for that future to be achieved in accordance with the directives of LB517.

This Strategic Plan…

- Expresses a shared vision for funding priorities and financing mechanisms.
- Identifies several options for a significant, stable source of funding to be deposited in the newly created Water Sustainability Fund. This fund will be used to help pay for water (Program, Project, or Activity) PPAs.
- Identifies a system to distribute funds across the state for projects that rank high using a new set of evaluation criteria that emphasize sustainability.
- Provides equal consideration for new construction and rehabilitation of existing water infrastructure, integrated management, compact compliance, monitoring, and research projects.
- Addresses the need for funding to manage aquifer depletion, maintain compact compliance, and develop and fund solutions for both urban and rural water issues, including flood control and water quality.
- Supports regional water management efforts.
- Recommends retaining local control that integrates basin planning and statewide projects.
- Provides for water users to pay a share of the cost.
- Promotes continued measurement of water use coupled with monitoring and research of Nebraska's water resources.
- Encourages the development of Integrated Management Plans (IMPs) for all Natural Resources Districts (NRDs) and relies on IMPs and Groundwater Management Plans (GWMPs) to guide Nebraska to water sustainability within a specified time frame.
- Provides for meaningful roles in decision-making and representation for water users across Nebraska.

Recommendations provided in this plan meet the following high priority goals:

1. Protecting the ability of future generations to meet their needs through increasing aquifer recharge, reducing aquifer depletion, increasing stream flow, remediating threats to drinking water, and forwarding the goals and objectives of approved integrated management plans

2. Contributing to multiple water supply management goals such as flood control, agricultural use, municipal and industrial uses, recreational benefits, wildlife habitat, conservation, and preservation of water resources
3. Providing increased water productivity, and enhancing water quality
4. Using the most cost-effective solutions available
5. Complying with compacts, decrees, and other state contracts and agreements

Specific recommendations to meet these goals take the form of preparing project ranking criteria, identifying funding needs, handling water fund administration, and determining legislative initiatives to enable implementation. These goals can only be accomplished if the identified prospective funding sources are achieved.

***2. Recommendations for ranking criteria.***

- ✓ The Task Force recommends that project sponsors applying to the Water Sustainability Fund have their projects evaluated and ranked based on their ability to meet the criteria listed in Table ES-2.

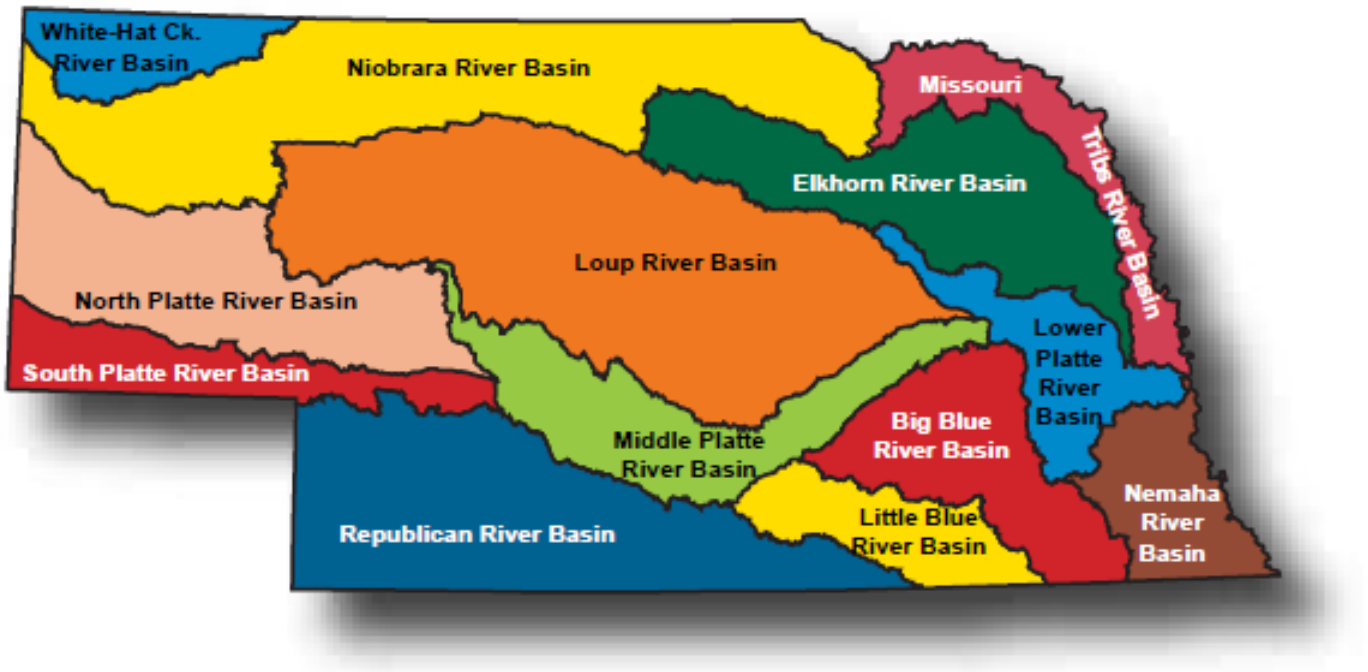
***3. Recommendations for legislation on a permanent structure and process through which the programs, projects, or activities will be provided with funding.***

- ✓ The Task Force recommends that the permanent governing board structure and membership be as follows:
  - The board structure shall include 13 elected and 14 appointed members.
  - The membership shall include 13 elected members that represent the 13 watersheds currently defined by the Nebraska Department of Natural Resources (NDNR) as illustrated in Figure ES-1, with one clarification. As currently defined by the NDNR, the White-Hat Creek River Basins are included in the Niobrara River Basin, and the Missouri River Tributaries Basin has two representatives with one representing the metropolitan class city of Omaha.
  - Membership shall include the three appointed members to the Natural Resources Commission (NRC) and the eleven appointed members as written in LB517, with one modification: the "livestock production" representative is changed to "range" representative.
  - The Governor appointed membership list (in alphabetical order) is as follows:
    1. Agribusiness
    2. Agriculture
    3. Groundwater
    4. Irrigation Districts
    5. Manufacturing
    6. Metropolitan Utilities District
    7. Municipalities(Primary class)
    8. Municipalities (1st class or smaller)
    9. Outdoor Recreation Users
    10. Public Power
    11. Public power and Irrigation Districts
    12. Range
    13. Surface Water
    14. Wildlife Conservation

**Table ES-2 Criteria Developed by the Task Force for Program, Project, and Activity Ranking**

| High Priority |
|---|
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following:<br>• Remediating or mitigating threats to drinking water<br>• Meeting the goals and objectives of an approved IMP or GWMP |
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following:<br>• Increasing aquifer recharge<br>• Reducing aquifer depletion<br>• Increasing stream flow |
| The extent to which the PPA contributes to multiple water supply management goals, including but not limited to flood control, agricultural use, municipal and industrial uses, recreational benefits, wildlife habitat, conservation of water resources, and preservation of water resources |
| The extent to which the PPA provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents |
| The cost-effectiveness of the PPA relative to achieving the state's water management goals |
| The extent to which the PPA helps the state meet its obligations under interstate compacts or decrees or other formal state contracts or agreements |
| The extent to which the PPA reduces threat to property damage |
| The extent to which the PPA improves water quality |
| **Medium Priority** |
| The extent to which the local jurisdiction has used all available funding resources to support the PPA |
| The extent to which the local jurisdiction has plans in place that support sustainable water use |
| The extent to which the PPA addresses a statewide problem or issue |
| The extent to which the PPA contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of its resources |
| The extent to which the PPA has been approved for, but has not received funding through, an established state program |
| The extent to which the PPA contributes to watershed health and function |
| The extent to which the PPA uses objectives described in the Annual Report and the Plan of Work for the Nebraska State Water Planning and Review Process issued by NDNR |

**Figure ES-1 Nebraska River Basin Map**




- ✓ Project application process
  - The Task Force recommends a two-step application process where the first phase of the application process includes submitting a proposal for initial evaluation of the project and the second phase of the application includes establishing funding recommendations.
- ✓ A statewide project distribution mechanism
  - The Task Force recommends instituting a way to document and ensure that funds are distributed across the state using bonus points for projects in areas that are under-represented by the fund.
  - The project funding distribution mechanism shall be consistent with the current NDNR Nebraska Resources Development Fund (NRDF) rules and regulations .
- ✓ A time frame for implementing funding allocations based on the list of programs, projects, and activities
  - **2013 - Task Force Makes Recommendations**
    - Criteria to identify and prioritize PPAs
    - Funding amount and sources for a permanent Water Sustainability Fund
    - PPA application and planning process
    - Water Sustainability Fund oversight representation and administration

- **2014 - Legislature Adopts Task Force Recommendations**
  - Appointments for new NRC members and elections for members whose terms expire in January 2015
  - Stable significant sources of funding established
  - NDNR staff members & NRC develop application evaluation process
  - NDNR staff members and NRC revise administration rules and regulations, as appropriate.
  - PPA Proposal Applications (Phase I) accepted in Fall 2014
  - PPAs ranked, lists compiled, and projects mapped for geographic distribution
  - PPAs categorized and funding needs evaluated
- **2015 - Funds Become Available for Water Sustainability Fund Distribution through NDNR**
  - PPA Funding Applications (Phase II) accepted
  - NDNR staff members/technical advisors review technical and cost analysis in funding phase applications and make recommendations for funding to the NRC
  - Fund allocation begins for approved PPAs

***4. Recommendations for the annual funding amount and the start date for distribution.***

- ✓ The Task Force recommends an annual funding amount of $50 million with the start date in early 2015.
- ✓ Additionally, the Task Force recommended a mix of revenue sources that could include the following:
  - Removing the sales tax exemption from bottled water and/or soft drinks
  - Introducing or revising Severance Taxes (sand and gravel, oil and gas, uranium, and trace elements)
  - Introducing an Excise Tax on Ethanol and/or similar products
  - Introducing a Fertilizer Tax (both commercial and residential use)
  - Dedicating a portion of the existing Sales Tax (1/8¢) to water projects
  - Establishing a Revolving Fund for water sustainability projects
- ✓ The Task Force suggested that the current process and requirements for the local match required for PPA planning and implementation be evaluated by the newly elected/appointed NRC.

***5. Recommendations for statutory changes relating to regulatory authorities and to funds and programs administered by, and boards and commissions under the direction of, the department, based on the Task Force's evaluation of the efficiency of such funds, programs, boards, and commissions.***

- Statutory changes to accomplish the changes to the NRC membership as described above
- Statutory and/or rule and regulatory changes that would allow NDNR to cost share preliminary engineering feasibility studies through the Water Sustainability Fund for sponsors that justify the need
- Statutory changes to implement and administer the various recommended revenue sources

***6. Other Recommendations.***

The Task Force acknowledged the importance of public education regarding Nebraska's water issues. The Task Force recommends that a public education campaign be initiated across the state that emphasizes the importance of sustainable water use.

The Task Force recognized the importance of maintaining a stable funding source for water projects that contribute to the goals of water sustainability for the State of Nebraska. To ensure that funding is authorized by the legislature, the Task Force recommends that a select legislative committee be formed that includes the committee chair or his or her representative for the Revenue, Appropriations, Natural Resources, Executive, and Agricultural committees. The select legislative committee would be a part of the discussion on the projects seeking funding through the Water Sustainability Fund and would thereby become informed advocates for water funding during legislative sessions.

The Task Force recommends a two-step application and funding process with agency interaction and planning as an integral part of the process. The NRC and the NDNR will report to the Legislature on a biennial basis on the progress made toward the goals of the Water Sustainability Fund.

**Image 1 Lower Platte River between Omaha and Lincoln, August 1, 2012.**

## 1.0 INTRODUCTION

***"Nebraska's water resources are finite and must be wisely managed to ensure their continued availability for beneficial use."***

*Nebraska Legislative Bill (LB) 517*

In 2004, the Governor's Water Policy Task Force conclusions led to the passage of LB 962, which set the stage for a water management policy based on sustainability. The legislation has been a success, with one exception: it fell short due to lack of funding. LB517 was developed to fill that gap. It is critical that a permanent, stable source of funding be established to ensure that Nebraska's water resources are managed effectively and efficiently. LB517 was approved by Governor Heineman in June of 2013 and is included in Appendix A for reference. Introduced and shepherded through the legislative process by Senator Tom Carlson, the bill authorized creating a broad-based Task Force that included the Natural Resources Commission (NRC) representing the diverse geographic regions of the state plus others representing water users and stakeholders appointed by the Governor. The appointed members were selected to represent:

- Public Power
- Power and Irrigation Districts
- Irrigation Districts
- Metropolitan Utilities District
- Municipalities
- Agriculture
- Wildlife Conservation
- Livestock Producers
- Agribusiness
- Manufacturing
- Outdoor Recreation Groups

The Task Force also included the Director of the Nebraska Department of Natural Resources (NDNR), the Chairman of the Natural Resources Committee, and five state senators appointed by the Executive Committee as non-voting members. The Task Force membership is listed in Table 1, and a map of the areas of representation is in Appendix B.

The Nebraska Water Funding Task Force's first order of business was to hire a consultant (Olsson Associates as the lead firm, with Vireo, FYRA Engineering, and LakeTech) to facilitate the Task Force's work and to help meet the Task Force objectives. In July of 2013, the entire group began work on a strategic plan to recommend project priorities, funding strategies, and administrative processes to secure the state's continued investment in implementing projects, activities, and programs that promote sustainable water use.

**Table 1 Nebraska Water Funding Task Force Member List**

| Name | Representing | Position |
|---|---|---|
| **Mr. Lennie Adams** | Manufacturing | Appointed to LB517 by Governor |
| **Mr. Garry Anderson** | Elkhorn River Basin | Natural Resources Commission Member |
| **Mr. Brian Barels** | Public Power | Appointed to LB517 by Governor |
| **Senator Tom Carlson*** | District #38 | Legislature - Chair of the Natural Resources Committee |
| **Mr. Joel Christensen** | Metropolitan Utilities District | Appointed to LB517 by Governor |
| **Senator Mark Christensen*** | District #44 | Legislature |
| **Mr. Stan Clouse** | Municipal Water Users | Natural Resources Commission Member |
| **Senator Al Davis*** | District #43 | Legislature |
| **Mr. Dave Deines** | North Platte River Basin | Natural Resources Commission Member |
| **Ms. Beverly Donaldson** | Missouri Tributaries River Basin | Natural Resources Commission Member |
| **Director Brian Dunnigan*** | Department of Natural Resources | Director |
| **Mr. Kevin Fornoff** | Republican River Basin | Natural Resources Commission Member |
| **Mr. N. Richard Hadenfeldt** | Loup River Basin | Natural Resources Commission Member |
| **Mr. John T. Heaston** | Wildlife Conservation | Appointed to LB517 by Governor |
| **Mr. Joseph Hergott** | Little Blue River Basin | Natural Resources Commission Member |
| **Mr. Clint Johannes** | Lower Platte River Basin | Natural Resources Commission Member |
| **Mr. David Kadlecek** | Niobrara-White-Hat River Basin | Natural Resources Commission Member |
| **Mr. Thomas Knutson** | Surface Water Irrigators | Natural Resources Commission Member |
| **Senator Rick Kolowski*** | District #31 | Legislature |
| **Mr. Tim Luchsinger** | Municipalities | Appointed to LB517 by Governor |
| **Mr. D. Chandler Mazour** | Agribusiness | Appointed to LB517 by Governor |
| **Mr. Dick Mercer** | Groundwater Irrigators | Natural Resources Commission Member |
| **Mr. Roric Paulman** | Agriculture | Appointed to LB517 by Governor |
| **Mr. Rex Peterson** | Livestock Producers | Appointed to LB517 by Governor |
| **Mr. Darrell Rains** | Big Blue River Basin | Natural Resources Commission Member |
| **Mr. Keith Rexroth** | South Platte River Basin | Natural Resources Commission Member |
| **Mr. Michael Reynolds** | Middle Platte River Basin | Natural Resources Commission Member |
| **Mr. Gerry Dale Sheets** | Public Power and Irrigation Districts | Appointed to LB517 by Governor |
| **Mr. Scott Smathers** | Outdoor Recreation Users | Appointed to LB517 by Governor |
| **Mr. Jeff Steffen** | Missouri Tributaries River Basin | Natural Resources Commission Member |
| **Mr. Walter Dennis Strauch** | Irrigation Districts | Appointed to LB517 by Governor |
| **Senator Ken Schilz*** | District #47 | Legislature |
| **Mr. Steven Sugden** | Nemaha River Basin | Natural Resources Commission Member |
| **Senator Dan Watermeier*** | District #1 | Legislature |

*Non-voting members provided significant advice and counsel to the Task Force Members

The Task Force was to make recommendations in five distinct areas as paraphrased from LB517:

1. ***Recommendations for a strategic plan that prioritizes programs, projects, and activities (PPAs) in need of funding. The recommendations shall give equal consideration to and be classified into the following categories:***
    - *Research, data, and modeling needed to help the state meet its water management goals*
    - *Rehabilitation or restoration of water supply infrastructure, new water supply infrastructure, or water supply infrastructure or water supply infrastructure maintenance*
    - *Conjunctive management, storage, and integrated management of groundwater and surface water*
    - *Compliance with interstate compacts or agreements or other formal state contracts or agreements*
2. ***Recommendations for ranking criteria to identify funding priorities based on, but not limited to, the following:***
    - *The extent to which the program, project, or activity (PPA) provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents*
    - *The extent to which the PPA helps the state meet its obligations under interstate compacts or decrees or other formal state contracts or agreements*
    - *The extent to which the program, project, or activity uses objectives described in the Annual Report and Plan of Work for the Nebraska State Water Planning and Review Process issued by the Department of Natural Resources*
    - *The extent to which the PPA has been approved for, but has not received, funding through an established state program*
    - *The cost-effectiveness of the PPA relative to achieving the state's water management goals*
    - *The extent to which the PPA contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of it's resources*
    - *The extent to which the PPA contributes to multiple water supply management goals, including, but not limited to, flood control, industrial uses, municipal uses, agricultural uses, recreational benefits, wildlife habitat, conservation of water resources, and preservation of water resources for future generations*

3. ***Recommendations for legislation on a permanent structure and process through which the programs, projects, or activities will be provided with funding, including the following:***
    - *A permanent governing board structure and membership*
    - *An application process*
    - *A statewide project distribution mechanism and*
    - *A time frame for funding allocations based on the list of PPAs*
4. ***Recommendations for the annual funding amount and the start date for distributing funds:***
    - *The Task Force also recommended potential funding sources for the new legislation.*
5. ***Recommendations for statutory changes relating to regulatory authorities and to funds and programs administered by, and boards and commissions under the direction of, the department, based on the Task Force's evaluation of the efficiency of such funds, programs, boards, and commissions.***

To aid in its work, the Task Force began by developing the following working definition of sustainability:

> **"Water use is sustainable when current use promotes healthy watersheds, improves water quality, and protects the ability of future generations to meet their needs."**

The following sections of this report describes the process used to develop the final recommendations. Specifically, the Task Force conducted meetings that included educational sessions, field tours, and plan development sessions. The meetings were scheduled across the State of Nebraska as listed in Table 2 to facilitate public involvement in the work undertaken by the Task Force.

**Table 2 Task Force Meeting Schedule**

| Meeting Date | Meeting Location | Meeting Purpose |
|---|---|---|
| July 19 | Lincoln | Task Force Consultant Selection |
| July 26 | Lincoln | Kickoff Meeting |
| August 8 & 9 | Franklin and Holdrege | Republican and Blue River Basins Meeting/Tour |
| August 22 & 23 | Gothenburg | Platte Basin Meeting/Tour |
| August 29 & 30 | Omaha | Lower Platte Basin and MUD Meeting/Tour |
| September 5 & 6 | Grand Island | Educational and Working Sessions |
| October 10 & 11 | Alliance | Upper Niobrara White River Basin Meeting/Tour |
| October 24 & 25 | Sidney | Plan Development/Working Sessions |
| October 31 | Kearney | Plan Development/Working Sessions |
| November 7 & 8 | Norfolk | Plan Development/Working Sessions |
| November 14 & 15 | Lincoln | Plan Development/Working Sessions |
| December 5 | Kearney | Draft Report Review/Approval |

## 2.0 RECOMMENDATIONS AND THE NEED FOR A STRATEGIC PLAN

Nebraska stands at a critical juncture with water issues. The state is endowed with extraordinary water resources that fuel a thriving agricultural economy. And, although, according to national studies, on average only 1 percent of groundwater storage has been depleted in Nebraska, modeling shows that groundwater pumping has reduced base flow in the Platte and other rivers by up to 15 percent [3] (Scanlon et al, 2012). These studies continue to illustrate the interconnection between groundwater and surface water. Withdrawing groundwater can have long-term impacts on surface water by reducing discharge to streams, as well as lasting effects on groundwater-dependent users, ecosystems, and surface water and groundwater water quality. Nebraskans recognize the fact that, if their water use is not sustainable, their future in agricultural production will be seriously affected, especially in local areas.

Nebraskans have acted responsibly to meet the requirements agreed to with surrounding states; however, the state continues to face uncertainty and vulnerability. This is most readily characterized by portions of Nebraska with diminishing aquifers, the unmet need for increased recharge and water storage, compact compliance issues, continued urban growth, potential threats to urban and rural drinking water supplies, and changing economics and climatic fluctuations.

The importance of finding solutions for sustainable water use can be summed up by the market value of agricultural production. Fully 10 percent of the nation's crop and food production is based on agriculture from the High Plains aquifer[4].

For these reasons, the Water Funding Task Force has developed the following strategic plan for the future of sustainable water management in Nebraska. This plan shapes the desired future for funding water sustainability and identifies measures needed for that future to be achieved in accordance with the directives of LB517.

This Strategic Plan…

- Expresses a shared vision for funding priorities and financing mechanisms.
- Identifies several options for a significant, stable source of funding to be deposited in the newly created Water Sustainability Fund. This fund will be used to help pay for water PPAs.

[3] Scanlon, Bridget R.; Faunt, Claudia C.; Longuevergne, Laurent; Reedy, Robert C.; Alley, William M.; McGuire, Virginia L.; and McMahon, Peter B., "Groundwater depletion and sustainability of irrigation in the US High Plains and Central Valley" (2012). USGS Staff -- Published Research. Paper 497.
[4] National Agricultural Statistics Services (2011) National Agricultural Statistics Services database. Available at http://www.nass.usda.gov/index.asp.

- Identifies a system to distribute funds across the state for projects that rank high using a new set of evaluation criteria that emphasize sustainability.
- Provides equal consideration for new construction and rehabilitation of existing water infrastructure, integrated management, compact compliance, monitoring, and research projects.
- Addresses the need for funding to manage aquifer depletion, maintain compact compliance, and develop and fund solutions for both urban and rural water issues, including flood control and water quality.
- Supports regional water management efforts.
- Recommends retaining local control that integrates basin planning and statewide projects.
- Provides for water users to pay a share of the cost.
- Promotes continued measurement of water use coupled with monitoring and research of Nebraska's water resources.
- Encourages the development of IMPs for all Natural Resources Districts (NRDs) and relies on Integrated Management Plans (IMPs) and Groundwater Management Plans (GWMPs) to guide Nebraska to water sustainability within a specified time frame.
- Provides for meaningful roles in decision-making and representation for water users across Nebraska.

Recommendations provided in this plan meet the following high priority goals:

1. Protecting the ability of future generations to meet their needs through increasing aquifer recharge, reducing aquifer depletion, increasing stream flow, remediating threats to drinking water, and forwarding the goals and objectives of approved integrated management plans
2. Contributing to multiple water supply management goals such as flood control, agricultural use, municipal and industrial uses, recreational benefits, wildlife habitat, conservation, and preservation of water resources
3. Providing increased water productivity, and enhancing water quality
4. Using the most cost-effective solutions available
5. Complying with compacts, decrees, and other state contracts and agreements

Specific recommendations to meet these goals take the form of preparing project ranking criteria, identifying funding needs, handling water fund administration, and determining legislative initiatives to enable implementation. These goals can only be accomplished if the identified prospective funding sources are achieved.

# 3.0 RECOMMENDATIONS ON RANKING CRITERIA

## 3.1 CRITERIA DEVELOPMENT

The Task Force began developing the ranking criteria by which water PPAs would be evaluated with the seven criteria outlined in LB517 (listed in Appendix A). Several criteria were added based on the working definition of sustainability as developed by the Task Force. Specifically, the following criteria related to sustainability were added:

- *The extent to which the PPA protects the ability of future generations to meet their needs, including the following:*
    - *Remediating or mitigating threats to drinking water*
    - *Meeting the goals and objectives of an approved IMP or GWMP*
- *The extent to which the PPA protects the ability of future generations to meet their needs, including the following:*
    - *Increasing aquifer recharge*
    - *Reducing aquifer depletion*
    - *Increasing streamflow*
- *The extent to which the PPA improves water quality*
- *The extent to which the PPA contributes to watershed health and function*

Four other criteria were added to cover issues raised during Task Force deliberations:

- *The extent to which the local jurisdiction has used all available funding resources to support the PPA*
- *The extent to which the PPA reduces threat to property damage*
- *The extent to which the PPA addresses a statewide problem or issue*
- *The extent to which the local jurisdiction has plans in place that support sustainable water use*

After the proposed criteria were developed, an exercise was conducted to prioritize the criteria so that, later, the highest priority criteria could be weighted more heavily. The criteria were grouped into two categories, high priority and medium priority, as listed in Table 3, below. In Table 3, the criteria added by the Task Force to the original list included in LB517 are in bold print. Additionally, the criteria were compared against the existing Nebraska Resources Development Fund (NRDF) criteria used to evaluate projects. A table comparing the initial proposed LB517 criteria and the current NRDF criteria is included in Appendix C.

**Table 3 Criteria Developed by Task Force for Program, Project, and Activity Ranking***

| **High Priority** |
|---|
| **The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following:**<br>• **Remediating or mitigating threats to drinking water**<br>• **Meeting the goals and objectives of an approved IMP or GWMP** |
| **The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following:**<br>• **Increasing aquifer recharge**<br>• **Reducing aquifer depletion**<br>• **Increasing stream flow** |
| The extent to which the PPA contributes to multiple water supply management goals, including but not limited to flood control, agricultural use, **municipal and** industrial uses, recreational benefits, wildlife habitat, conservation of water resources, and preservation of water resources |
| The extent to which the PPA provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents |
| The cost-effectiveness of the PPA relative to achieving the state's water management goals |
| The extent to which the PPA helps the state meet its obligations under interstate compacts or decrees or other formal state contracts or agreements |
| The extent to which the PPA reduces threat to property damage |
| **The extent to which the PPA improves water quality** |
| **Medium Priority** |
| **The extent to which the local jurisdiction has used all available funding resources to support the PPA** |
| **The extent to which the local jurisdiction has plans in place that support sustainable water use** |
| **The extent to which the PPA addresses a statewide problem or issue** |
| The extent to which the PPA contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of its resources |
| The extent to which the PPA has been approved for, but has not received funding through, an established state program |
| **The extent to which the PPA contributes to watershed health and function** |
| The extent to which the PPA uses objectives described in the Annual Report and Plan of Work for the Nebraska State Water Planning and Review Process issued by NDNR |

**** The criteria listed in bold were added by the Task Force.***

## 3.2 PROPOSED CRITERIA EVALUATIONS

The criteria were evaluated twice by a small working group of Task Force members and representatives of the consultant support team. Initially, the criteria were tested using the seven projects currently approved for funding by the NRDF.

The initial evaluation produced two outcomes. The criteria listed as H2 was expanded to explicitly include elements of sustainability in the evaluation criteria. Additionally, it was determined that the seven PPAs were too similar to adequately evaluate the proposed criteria's effectiveness ranking the different types of projects that could potentially be funded through the program. For that reason, it was decided that a more diverse set of projects be evaluated using the proposed criteria.

For the second round of criteria evaluations, PPAs were assembled primarily from those suggested by Task Force members at the Grand Island meeting. Some additional PPAs were added by the consultant support team to provide project diversity and highlight some potential items to consider when analyzing the ranking process.

PPA descriptions were prepared by the consultant support team from readily available information. The criteria evaluation team members were asked to consider the PPA type and purpose and to focus on the evaluation process. Individual project rankings were not as important. The exercise was designed to test the viability of the criteria in evaluating a variety of PPA types.

Scoring sheets for the PPAs were received from eight evaluators. The results of the rankings are included in Appendix D. The criteria evaluators were asked to offer any insight into the criteria, and some valuable feedback was obtained. The feedback followed three themes:

- Clarification is needed regarding what is intended by the criteria.
- Some guidance as to the scale of the outputs listed would be helpful.
- Guidance on how the outputs should be scored would be beneficial.

Ultimately, the comments related to scale and criteria subjectivity. The evaluators had comments on how to ensure that the rankings were consistently applied. As an example, take a flood control or an aquifer recharge project for evaluation. A small farm pond or a group of small farm ponds in a watershed may not offer near the quantity of downstream flood protection as a much larger reservoir, but they may offer more flood protection per dollar spent than the larger reservoir. Similarly, for aquifer recharge, one project may not offer the same volume as another, but, if it offers half the volume for one-sixth the cost, it is a more cost-efficient project and, therefore, offers more "bang for the buck." Some projects may follow the economic principle of

scales of magnitude where, for larger projects, costs are reduced on a unit comparison basis. But, then again, in today's environment, permitting is having the reverse effect on larger projects. Larger projects are having to do more than smaller projects (even on a unit comparison basis) to address permitting issues, so having access to these PPA outputs would be necessary to consistently compare one to another.

While refining the criteria to evaluate each against similar outputs is one option, dividing some of the criteria into a "screening" step in the funding application process might also alleviate some difficulties in trying to generate (or estimate) this information at an early stage in the funding application process. The subject of a two-tiered PPA application process will be discussed in a later section of this report.

One final consideration regarding the ranking criteria evaluation revolved around the concern that certain types of projects may not rank well against other types of projects. For example, the Task Force members were concerned that research projects may not rank well against a dam or infrastructure project. One outcome of the exercise was to illustrate that, using the diverse set of 18 PPAs that included both research and infrastructure, both types of projects had high rankings.

## 3.3 CRITERIA WEIGHTING EVALUATIONS

Another aspect of the second criteria evaluation exercise was to assess the need for weighting criteria. The criteria were weighted three different ways, and the scores were compared. Initially, the criteria evaluation team was asked to rank the projects using a scale of 1-10 for each of the thirteen criteria. Despite the High (H), Medium (M), and Low (L) designation of the criteria (which were later changed to 2 categories High and Medium), the scores were not weighted, and the raw scores are included in Appendix D listed as column O. The first weighting scenario, listed as column A, weighted the high priority criteria by a factor of three and the medium priority criteria by a factor of one and a half. The second weighting scenario, listed as column B in Appendix D, weighted the high priority criteria by a factor of five and the medium priority criteria by a factor of two. The lower priority criteria were not weighted in either scenario.

Analyzing the results showed that not many projects changed their ranking position significantly when the two different weighting scenarios were applied. This means that the majority of their points were in the high priority criteria. Although the changes in ranking were not significant in this analysis, there could be a much bigger swing from year to year. In any given year, the pool of PPAs applying for funds may be very diverse, and, thus, this weighting process may have a much different or more exaggerated effect. At a minimum, the criteria weighting states to potential applicants what is important to the program.

Another option the Task Force evaluated for project weighting is the one currently used by the Nebraska Environmental Trust (NET). The NET weighting system is three-tiered and is shown below in Appendix E. Section 1 is a list of criteria that is very similar to the list of criteria developed by the Task Force. The criteria define the general nature of the project, highlighting the project components that meet the interest of the NET grant program. Varying point ranges are available for scoring from 5-25 points. Section 2 offers "Feature Program Bonus Points" for the projects that meet all 5 of the criteria listed. Overlap exists with Section 1 criteria in all five Section 2 criteria but not with only the highest ranking (scoring) criteria. Section 2 criteria that appear unique from Section 1 include the basis of approach and the intended sustainability of the project but, as a whole, is identified to award "large-scale, collaborative projects with significant environmental impact." It is unclear how project rankings would be affected with and without Section 2 bonus points since they constitute only 14 percent of the total points available, and projects that would earn these additional 35 points would seemingly do well in Section 1 alone, compared to projects that did not score as well in Section 1. Section 3 is a variable point system awarded each year to ensure that projects are spread across the entire state from year to year. The NET defines seven districts to determine geographic distribution and usually assigns points based on the districts in which a project will be accomplished. This factor is not used every year. Many projects do not receive any points in this category.

Ultimately, the Task Force proposed a weighting scenario that is a combination of the current NRDF and NET application formats (Appendix E). To emphasize that all criteria are important, the criteria were subdivided into two categories (high and medium) instead of three categories (high, medium, and low).

An example of the proposed ranking sheet is included in Table 4. The system includes a maximum score of 30 points for the highest priority criteria and a maximum score of 15 points for the medium priority criteria. The points are to be applied based on a suggested range for low ranking (0-10), average ranking (11-20), and high ranking (21-30) for the highest priority criteria. For the medium priority criteria, the suggested range for ranking was low (0-5), average (6-10), and high (11-15). This provides some direction to the NRC and NDNR PPA review team to ensure consistency with scoring.

**Table 4 Example Water Sustainbility Fund Scoring Sheet**

| Criteria | Low | Ave | High | Score |
|---|---|---|---|---|
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following: • Remediating or mitigating threats to drinking water • Meeting the goals and objectives of an approved IMP | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following: • Increasing aquifer recharge • Reducing aquifer depletion • Increasing stream flow | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA contributes to multiple water supply management goals including but not limited to flood control, agricultural use, municipal and industrial uses, recreational benefits, wildlife habitat, conservation of water resources, and preservation of water resources | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents | 0-10 | 11-20 | 21-30 | |
| The cost effectiveness of the PPA relative to achieving the state's water management goals | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA helps the state meet its obligations under interstate compacts or decrees or other formal state contracts or agreements | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA reduces threat to property damage | 0-10 | 11-20 | 21-30 | |
| The extent to which the PPA improves water quality | 0-5 | 6-10 | 11-15 | |
| The extent to which the local jurisdiction has used all available funding resources to support PPA | 0-5 | 6-10 | 11-15 | |
| The extent to which the local jurisdiction has plans in place that support the sustainable water use | 0-5 | 6-10 | 11-15 | |
| The extent to which the PPA addresses a statewide problem or issue | 0-5 | 6-10 | 11-15 | |
| The extent to which the PPA contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of its resources | 0-5 | 6-10 | 11-15 | |
| The extent to which the PPA has been approved for, but has not received funding through an established state program | 0-5 | 6-10 | 11-15 | |
| The extent to which the PPA contributes to watershed health and function | 0-5 | 6-10 | 11-15 | |
| The extent to which the PPA uses objectives described in the Annual Report and the Plan of Work for the Nebraska State Water Planning and review process issued by NDNR | 0-5 | 6-10 | 11-15 | |
| | | | **Total** | |

The Task Force also recommends that an optional rating factor, similar to one used in the NET ranking system, be applied to the Water Sustainability Fund scoring sheet. To ensure equitable distribution of funds across the entire state over time, the NRC may assign points to a project benefiting an area deemed previously under-served by Water Sustainability Fund projects. Similar to the NRC elected membership river basin designations, the NRC will plot the funded project locations to determine geographic distribution. Each year, the NRC will determine whether the Water Sustainability Fund equitably distributes project funds. Points will be assigned based on the districts in which a project will be completed. As with the NET system, this factor may not be used every year.

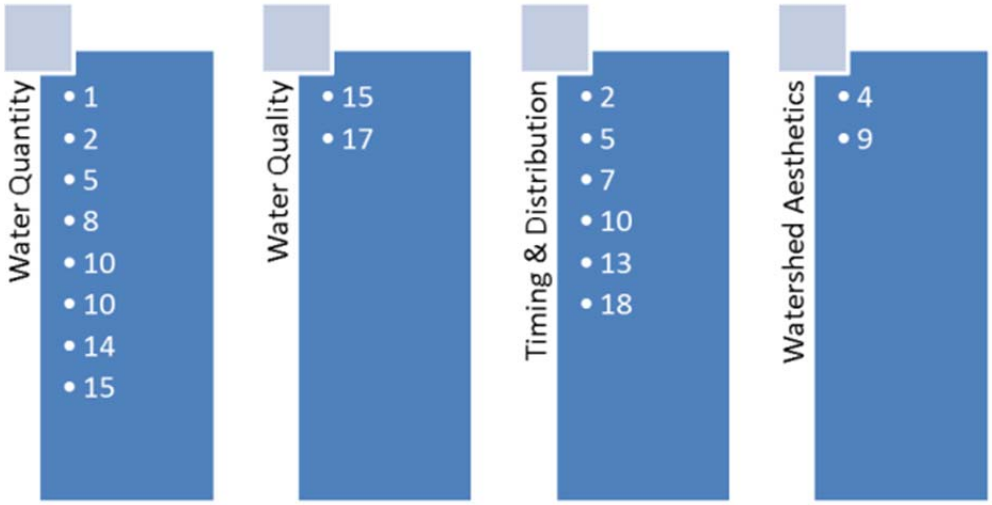
## 3.4 CRITERIA AND PPA CATEGORIES

As defined in LB517, the four categories for PPA classification include infrastructure, integrated management, research, and compliance. Early in the planning process, the idea that four more readily identifiable categories might be easier for project sponsors to work with was discussed. Four alternative categories were proposed: water quality, water quantity, compliance, and watershed aesthetic and function. As part of the criteria evaluation, the projects were categorized using both groupings or "silos." Figure 1 illustrates the distribution of project rankings using the original four silos defined in LB517. Note that the numbers do not indicate the project number; they represent the rank the project received by the evaluators. For example, #1 indicates it was the highest ranked project, and a duplicate means that the two projects ranked the same on the evaluation score sheet.

**Figure 1 Ranking Results Using the LB517 Categories**

For the second grouping illustrated in Figure 2, the project rankings were grouped by the categories proposed by the Task Force.

**Figure 2 Ranking Results for the Task Force Proposed Categories**




At least one important point can be made based on this evaluation of project categorization. The four categories defined in LB517 distributed PPAs well since no single category dominated the rankings. The distribution of this group of PPAs may or may not be reason enough alone to decide between one system of categorization over another. It does demonstrate that the original structure is viable and should be used moving forward.

Furthermore, it is through PPAs that include research, modeling, and monitoring that we will better understand the water cycle inputs and outputs and that water users across the state will be able to make wise water use decisions. Research, monitoring, and modeling PPAs will ensure that water use does not adversely deplete the aquifer or over stress the river systems such that downstream users are jeopardized. The research, modeling, and monitoring projects evaluated as part of the criteria evaluations illustrated that the projects ranked high when evaluated against all types of infrastructure, conjunctive management, and compliance projects. This was an important result of the analysis that further indicated that the four PPA categories as defined in LB517 were adequate for project evaluations.

## 3.5 CRITERIA RECOMMENDATIONS

The Task Force recommends that the criteria written in LB517 as prioritized and amended in Table 3 be used to evaluate water PPAs to advance water use in Nebraska to long-term sustainability. To ensure that PPAs that best achieve the water management goals listed in the highest priority criteria receive the highest ratings, the Task Force recommends that the high priority criteria be scored to a maximum value of 30 points and that the medium criteria be scored to a maximum value of 15 points. Additionally, the Task Force recommends that an optional rating factor for geographic distribution, similar to one used in the NET ranking system, be applied to the Water Sustainability Fund scoring sheet. Each year, the NRC will determine whether the Water Sustainability Fund equitably distributes project funds. Points will be assigned based on the districts in which a project will be completed.

**Images 2 and 3 Flooding in the Lower Elkhorn Natural Resources District.**

# 4.0 RECOMMENDATIONS ON A PERMANENT STRUCTURE

The term "structure" as it relates to LB517 pertains to the organization and process by which water planning, funding, and implementation is facilitated. The recommendations for changes to the current structure were based on evaluations of the current processes in place for project sponsors to acquire state funding assistance for various types of water projects. The following section describes the current structure and process for funding water projects, primarily through state agencies and organizations. This is followed by a synopsis of the options discussed by the Task Force and the recommendations on a permanent structure by which water projects can be evaluated, prioritized, funded, and ultimately measured against the water sustainability goals.

## 4.1 CURRENT GOVERNING BOARD STRUCTURE AND MEMBERSHIP

At this time, a majority of water project planning occurs at the local level, reflecting local or regional priorities. Sponsors of these local projects submit funding requests or applications to individual state programs or organizations for assistance. The distribution of state and in some cases federal funding to project sponsors comes via water programs administered by state agencies/entities. These programs can provide funding assistance for water projects/activities in the form of low interest loans, competitive grants, and direct lines of funding.

Currently, the majority of the state programs that fund water projects fall in the purview of the NRC through the NDNR, the Nebraska Department of Environmental Quality (NDEQ), and the Nebraska Game and Parks Commission (NGPC). Additionally, NET provides competitive grant funds for water related projects to a variety of project sponsors. Each of these agencies/organizations has a board or organization that oversees administration of the program funds. For example, NET is administered by a board as defined in Title 137 of Nebraska's Administrative Code, while state funded programs offered by NDNR are administered by the NRC under Nebraska Revised Statute 2-1504.

The NET Board comprises 14 members, nine of which are general public and five that represent state government. The nine citizen members comprise three from each of the state's congressional districts and are appointed by the Governor with approval from the Legislature. Two of the citizen appointees must also have experience with private financing of public-purpose projects. Appointees serve six-year terms. The government members are the directors of NDEQ, Natural Resources, Agriculture, and the NGPC and the chief executive officer of the Department of Health and Human Services (DHHS) or his or her designee. The government members have full voting privileges but cannot serve as chair of the trust board.

The 16 member NRC's primary responsibilities include managing six state funding programs administered by the NDNR:

- Nebraska Resources Development Fund
- Soil & Water Conservation Fund
- Water Well Decommissioning Fund
- Small Watershed Fund
- Interrelated Water Management Plan Program
- Water Quality Fund

The 16 member NRC is comprised of 13 elected and 3 appointed members. Three members are appointed by the Governor, with approval of the Legislature, to represent the specific interests of municipal water users, surface water irrigators, and groundwater irrigators. Their terms are determined by the Governor. Twelve of the thirteen of the elected members represent the river basins as currently defined by the NRC (see Figure 3): (i) The Niobrara River, White River, and Hat Creek basin, (ii) the North Platte River basin, (iii) the South Platte River basin, (iv) the middle Platte River basin, (v) the lower Platte River basin, (vi) the Loup River basin, (vii) the Elkhorn River basin, (viii) the Missouri tributaries basin, (ix) the Republican River basin, (x) the Little Blue River basin, (xi) the Big Blue River basin, and (xii) the Nemaha River basin. The thirteenth elected member currently represents the City of Omaha since any river basin that encompasses a metropolitan class city has an additional representative. The members must reside in the river basin (or metropolitan city) to be considered as a representative. NRC members are elected at caucuses of the NRD directors from each river basin. The thirteen members are elected to serve four-year terms.

## 4.2 DISCUSSIONS ON LB517 BOARD STRUCTURE AND MEMBERSHIP

Initially, the Task Force began discussing recommendations on a permanent structure, membership, and process by which PPAs are evaluated through some organizational structures proposed by the consultant support team. The discussions included brainstorming sessions that incorporated general concepts on what is working well with the current NRC and what is not. Discussions on the best approach for fund representation and structure continued to evolve at each Task Force meeting, and it was clear that any decision on the structure of Water Sustainability Fund administration would affect how the group overseeing the fund would need to be represented. For this reason, it was important to evaluate the best approach for water fund administration for Nebraska.

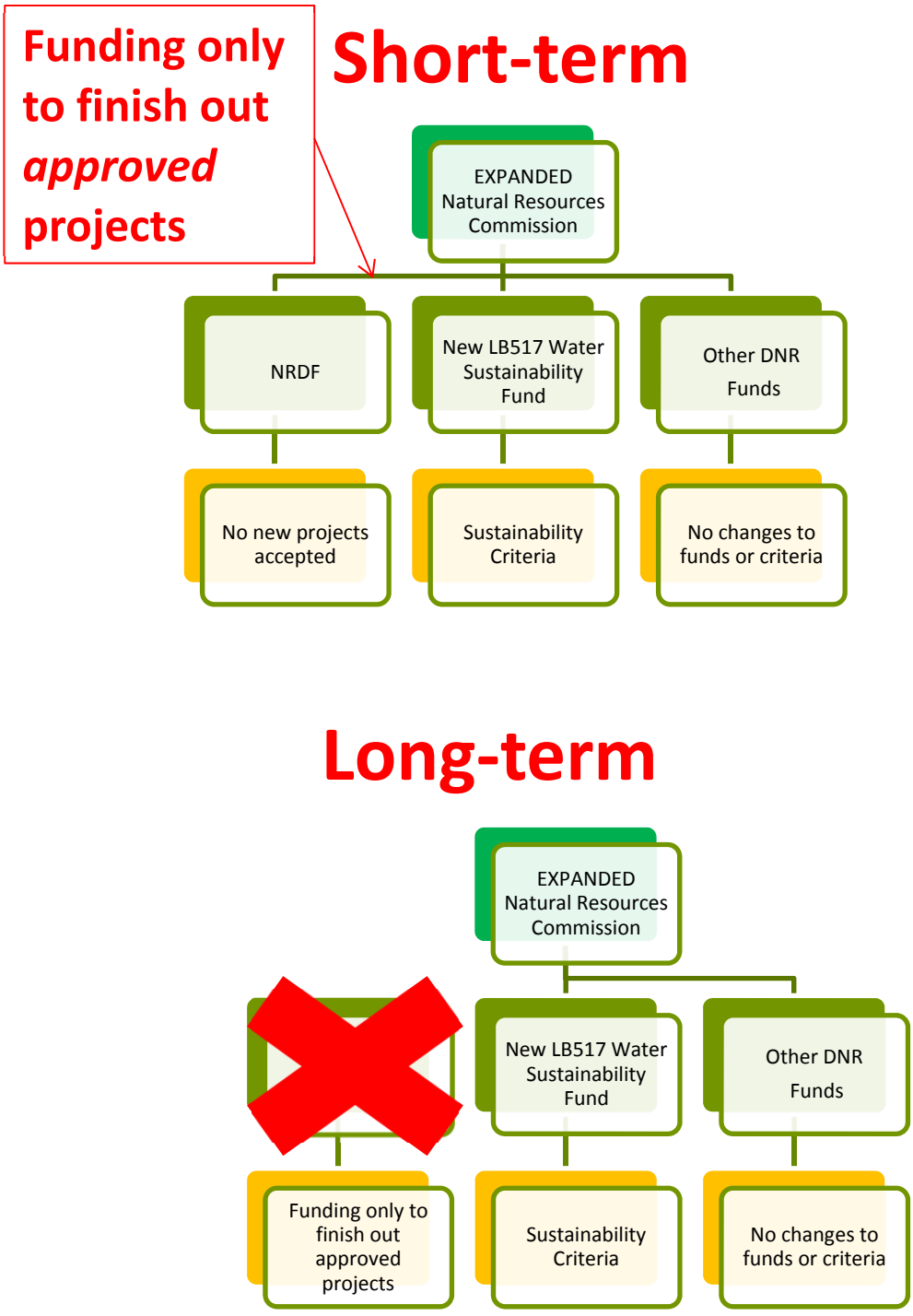
**Figure 3 Nebraska River Basins Map**


The Director of the Wyoming Water Development Commission (WWDC) came to the Task Force meeting in Alliance and presented information on how the Wyoming state water funding program was structured and administered. After hearing from the Director of the WWDC, the Task Force discussed whether a new state agency should be created similar to the one in Wyoming. After discussion, the Task Force agreed that the current system of fund administration through the NDNR would be the best and most cost-effective way to administer the new funds for Nebraska. There would be no need to create a new administrative structure since it would only add to program cost.

Using the current system of administration, the Task Force further refined and streamlined how the new water sustainability funding will be administered in conjunction with the six existing funds administered through NDNR. Specifically, in the short-term, the currently approved NRDF projects will be funded through appropriations to the NRDF but that no new projects will be reviewed or approved for funding through the program. In the long-term, funding will be appropriated to the new LB517 or Water Sustainability Fund, and PPAs will be evaluated for funding using the criteria presented in Section 3. This concept for short-term and long-term fund administration is illustrated in Figure 4. No recommendations for changes were made to the other five funds administered by the NDNR. For example, the Interrelated Water Management Plan Program Fund is projected to sunset in 2015. No change to this plan is proposed since, in 2015, planning projects will be eligible for funding through the Water Sustainability Fund application process. Furthermore, no recommendations for changes in

administration were made to other agencies or organizations that fund water projects such as NDEQ, NET, or NGPC.

**Figure 4 Short-term and Long-term Fund Administration Diagram**



With an understanding that the NRC through the NDNR would administer the new funds for water projects, the Task Force agreed that the overarching principles for the expanded NRC are as follows:

- The organization needs to focus on the principles of water sustainability incorporated in the new evaluation criteria.
- Any changes to the organization need to ensure representation of water user groups in a balanced way.
- Any changes to the organization need to ensure geographic distribution of representation to all parts of the state.

The recommendation for expanded NRC structure and membership is as follows:

The NRC structure shall include 13 elected and 14 appointed members. The membership shall include 13 elected members that represent the watersheds currently defined by the NDNR with the combined White-Hat and Niobrara River Basins and the additional representative for basins with metropolitan class cities. The river basin watershed subdivisions are illustrated in Figure 3.

The 14 appointed members include the three appointed members to the NRC and the eleven appointed members as written in LB517, with one modification: the "livestock production" representative is changed to "range" representative. The representative for large municipalities is further defined as a primary class city like Lincoln, and small municipalities include a representative from either a Class 1 or Class 2 city or a village.

| | |
|---|---|
| Agribusiness | Municipalities (1st Class or smaller) |
| Agriculture | Outdoor Recreation users |
| Groundwater | Public power |
| Irrigation districts | Public power and irrigation districts |
| Manufacturing | Range |
| Metropolitan Utilities District | Surface Water |
| Municipalities (Primary class) | Wildlife Conservation |

It should be noted that the recommended NRC representation mirrors that of the Task Force. One primary reason that this recommendation was made was that each member of the group concurred that they collectively represent the water users of the state, in a balanced way. An important point was made by one Task Force member. By a show of hands, the Task Force members recognized that surface water and groundwater irrigators really were reasonably represented. The group concurred that groundwater and surface water are connected and that they were all looking out for the best, long-term interests of the entire state.

The Task Force also discussed the current election process for the elected NRC members. The Task Force recommended that the current system of election through caucuses of the NRD

Board of Directors continue, with one modification. It was recommended that additional notification such as press releases and public notices be made regarding upcoming caucuses to ensure that all interested candidates are made aware of the upcoming elections.

## 4.3 APPLICATION PROCESS AND PROJECT DISTRIBUTION

The Task Force recommends a two-step application process where the first phase of the application process includes submitting a PPA proposal for initial evaluation and water funding program planning. The second phase of the application is to further define project details and to establish funding recommendations. In many ways, this is similar to the current NRDF application process. Currently, the NRDF project proposal applications are ranked by the NDNR staff members, and a project ranking recommendation is made to the director. Under the new system, the Task Force recommends that the NRC, along with the NDNR staff members, rank projects in the initial proposal phase of the application. Furthermore, it was recommended that the other state agencies such as NDEQ, NG&P, and NET be involved in the initial project proposal evaluation meeting so that they are aware of the breadth of projects that are seeking funds.

This initial phase of the project application will be accomplished at one of the NRC meetings where NDNR and agency staff members are present. With other agency and NDNR staff members available at the table, the group will be able to identify funding needs based on the four categories (infrastructure, integrated management, compliance, and research). Additionally, the group can collectively discuss what project funding mixes are appropriate for specific projects since, as is currently the case, many projects look for funding opportunities from a variety of state, federal, and local sources. The PPAs that rank highest against the ranking criteria can then be mapped to evaluate the geographic distribution of the projects requesting funding, and recommendations can be made regarding the need for better representation across the state. With this system, if a PPA does not rank high in the first phase of the application, the project sponsors can make changes or evaluate other avenues for funding before a significant amount of engineering is done for the funding application.

In the second phase of the application process, the NDNR staff members alone would rank the projects for funding based on the ranking criteria but also considering the PPA's cost-benefit ratio, rate of return, environmental benefits, the sponsor's ability to pay, and the proposed cost share. The director of the NDNR would then make a recommendation to the NRC for a specific list of PPAs for funding allocations. The NRC can vote to overturn the director's recommendation with a 75 percent majority vote. As with all votes of the NRC, the 75 percent majority vote would be counted based on the NRC members present and voting at the meeting.

Under the current system of project funding, while local sponsors plan and implement projects that cover a wide range of water issues, it is generally unknown if the projects will collectively achieve water sustainability for the state because no integrated method exists for evaluating how projects are assessed, prioritized, or funded across the different state programs. The Task Force recommends a two-step application and funding process with agency interaction and planning as an integral part of the process. The NRC and the NDNR will report to the Legislature on a biennial basis on the progress made toward the goals of the Water Sustainability Fund.

## 4.4 TIME FRAME FOR FUNDING ALLOCATIONS

A time frame for implementing the new water funding program was discussed, and the following was recommended:

- **2013 - Task Force Makes Recommendations**
  - Criteria to identify and prioritize PPAs
  - Funding amount and sources for a permanent Water Sustainability Fund
  - PPA application and planning process
  - Water Sustainability Fund Oversight Representation and Administration
- **2014 - Legislature Adopts Task Force Recommendations**
  - Appointments for new NRC members and elections for members whose terms expire in January 2015
  - Stable significant sources of funding established
  - NDNR staff members & NRC develop application evaluation process
  - NDNR staff members and NRC revise fund administration rules and regulations, as appropriate.
  - PPA Proposal Applications (Phase I) accepted in Fall 2014
  - PPAs ranked, lists compiled, projects mapped for geographic distribution
  - PPAs categorized and funding needs evaluated
- **2015 - Funds Become Available for Water Sustainability Fund Distribution through NDNR**
  - PPA Funding Applications (Phase II) accepted
  - NDNR staff members/technical advisors review technical and cost analysis in funding phase applications and make recommendations for funding to the NRC
  - Funds allocated for approved PPAs

## 4.5 STRUCTURE AND PROCESS RECOMMENDATIONS

The Task Force recommends that the NRC be expanded to represent all water users in a fair and balanced way that includes 13 river basin representatives and 14 members appointed by the Governor. The Task Force further recommends that the new Water Sustainability Fund be

administered through the NDNR and the reinvented Natural Resources Commission. The seven approved NRDF projects will be funded through the current NRDF program, but no new projects will be evaluated for funding through NRDF. All new PPAs will apply for and be evaluated for funding using a two-step application process that includes a proposal phase and a funding phase. It should be noted that the seven current NRDF projects are eligible to apply to the new Water Sustainability Fund for evaluation using the proposed ranking criteria along with new PPAs.

**Image 4 Frenchman Cambridge Irrigation District near Cambridge, Nebraska.**

**Image 5 Nebraska Public Power District, North Platte, Nebraska.**

# 5.0 RECOMMENDATIONS ON A FUNDING AMOUNT AND START DATE

The first step in the process of recommending a funding amount for water PPAs was to evaluate current funding levels for water PPAs in Nebraska. Once current funding levels were defined, an estimation of future funding needs was developed from funding projections prepared by Nebraska municipalities, irrigation districts, and NRDs. This information was also compared to the annual funding for water projects in surrounding states as a reference. The final step involved developing a proposed funding amount based on these two tabulations, an estimation of a reasonable time frame in which to achieve water sustainability, and a corresponding funding level that was deemed implementable by the Task Force and legislative representatives.

## 5.1 CURRENT FUNDING

A majority of the state and federal funding provided to project sponsors is delivered through state programs. Hence, FY2012 state water program expenditures were used to establish a current water project/activity funding level.

FY2012 water program expenditures, including state and federal funds, were prepared by the NRC, NDEQ, and NGPC. These agencies reported FY2012 expenditures from more than 40 programs totaling slightly more than $63M (See Appendix F for Tabulation of Funding by Agency). Of this amount, approximately $43M were state funds, while approximately $20M were federal funds administered through state programs such as the Clean Water Act.

The State Revolving Fund (SRF), administered by NDEQ, is the state's largest water-related loan program, accounting for more than 32 percent of the $20M total federal funding in FY2012. The Petroleum Release and Remedial Action Program constituted approximately 28 percent of $43M state funding in FY2012. The NET and NRDF provide the largest amount of grant funds to sponsors of water projects. In comparison, in FY2012, the NET accounted for 8.5 percent of the total water expenditures (state and federal), and the NRDF only accounted for 4.2 percent of the total water expenditures.

## 5.2 FUNDING RECOMMENDATIONS

Projections of future water project/activity funding needs were prepared by a process that was similar to what was used for Legislative Resolution 314. A list of project funding needs was consolidated from municipalities, irrigation districts, and Nebraska's NRDs. Projections were based on Fiscal Years 2014-2016, even though the larger scale projects identified to begin in that time frame would probably take several more years to complete. The project lists were compiled to provide a scale of magnitude of what water-related challenges lay ahead for these water users in Nebraska. The type of PPAs identified and funding needs were divided up by

water user group below and then combined to assess a reasonable funding amount and time frame in which to implement the efforts necessary to achieve sustainability.

### 5.2.1 Project Needs

Assistance in gathering the information on the project needs was provided to the Task Force by the DHHS, the NDEQ, the Nebraska Association of Resources Districts, and Matt Lukasiewicz of the Loup Basin Reclamation and Farwell Irrigation Districts. Project needs were provided by 21 of the 23 NRDs and 18 of Nebraska's irrigation districts. Information for Nebraska municipalities was taken from the Drinking Water portion of the Intended Use Plan compiled by NDEQ and DHHS since the project types listed there appeared to align themselves more closely with the sustainability criteria for projects developed by the Task Force and identified above. It is likely that additional types of PPAs and PPAs not currently identified would surface in the future for consideration for funding under this program. The types of PPAs that were identified as a result of this effort are listed below by the source and PPA type as they correspond to the PPA types listed in the current LB517 language. The potential project lists are included in Appendix G.

Project needs from the Nebraska municipalities came from the FY2014 NDEQ Drinking Water Intended Use Plan as described above. In that plan, 307 projects are identified by the communities across Nebraska, totaling approximately $550M. Projects that were related to sustainability issues and projects related to water quality issues and (non-growth related) water quantity issues were selected to include on the list. Maintenance was generally not considered a sustainability issue. Eighty-one (81) water quality projects totaling $144M were discovered, with 48 of them addressing nitrate problems and 27 of them addressing arsenic problems. No projects were identified as dealing specifically with water quantity issues; however, given declining groundwater levels in many areas of the state, a large requirement will exist for water quantity funding in the future. While the methodology may not be perfect, it helped to identify a scale of magnitude of projects related to water sustainability issues.

From the irrigation districts, the majority of the projects listed were infrastructure-related projects (repairing/refurbishing canals, burying pipes, and installing automation of systems). Irrigation district research and integrated management projects were mostly listed under the NRD projects as they would likely be projects run through an inter-local agreement, led by the participating NRDs. The natural resources districts provided a diverse list of projects as was expected. The list was populated by the following types of projects from the four PPA categories;

- Research – Hydrogeologic and hydrologic studies, water quality studies and modeling, various imagery

- Infrastructure – Levees, Dams, and Canals….new construction and rehabilitation of existing infrastructure
- Integrated Management – Groundwater management & integrated management planning, watershed planning and management, infrastructure construction and improvements related to conjunctive management approaches
- Compliance – Water storage and timing

### 5.2.2 Projected Funding Needs

In total, just over $900M in proposed projects related to achieving a sustainable state in Nebraska were identified. While that number is likely to change in the coming years as we continue to educate ourselves, develop new technologies, and continuously assess how to maximize the use of our existing and desired water delivery infrastructure, it does provide a useful magnitude of scale number for planning purposes that is in the range of what we have seen in other states and what has been identified in past efforts here in Nebraska.

Several factors must be considered in translating the identified need to an annual funding amount. Some of those factors are listed below:

- Projects take time to plan, when done properly.
- Project permitting for large infrastructure projects takes a LONG time.
- The ability of local sponsors to pay must be considered.

In summary, sustainability will not happen overnight. It will take years to properly plan and execute a program to identify, implement, and achieve sustainability in the state. Nine-hundred million dollars ($900M) in projects identified today becomes $1.22B in ten years and $1.64B in twenty years, using modest 3 percent inflation of project costs. Given the time frame to plan, design, permit, and implement large, complex projects, ten to twenty years seems like a reasonable time frame to expect to carry out the majority of the goals of the program as listed herein.

Two significant factors that directly affect the funding level needed are how much funding can be brought in from out of state (federal) and what level of cost-share will be expected from local project sponsors. Based on current trends in federal funding, levels available for water projects will continue to decline. Regarding an appropriate cost-share, municipal rates related to drinking water, irrigation assessments, and NRD property tax levies are all highly variable and are affected by many outside influences, including politics and state-mandated regulations. For local sponsors to share the cost on projects at appropriate levels (currently 25 percent to 50 percent provided by local sponsors), the Task Force recommends that, as currently is the case for the

NRDF, an appropriate mix of state and local funding be determined on a project by project basis and by analyzing the local sponsor's justification of need. Additionally, in order to assist with the needed to ensure that the projects are viable, cost-effective and well-designed, the Task Force recommends that statutory and/or rule and regulatory changes be made that would allow the NDNR to cost share preliminary engineering/feasibility studies through the Water Sustainability Fund for sponsors that justify the need.

### 5.2.3 Funding Gaps for Current Water Programs

The local project sponsors currently use a mix of state and federal programs to help fund their current project workload. The NRDF administered by NRC has been the primary source of funding for water infrastructure projects. Funded at just over $3M per year and currently over six years behind on projects, NRDF looks to have little potential for influencing funding cycles for the projects identified by this effort. The LB71 Small Watershed Cash Fund is a possibility on some smaller projects, but, again, with a current balance of less than $700k and funded at $475k per year, will have little impact. The Water Resources Cash Fund helps to fund major projects and initiatives that aren't perfect fits for the six other water funds administered by NDNR. The program is currently funded at $3.3M per year. The current fund balance ($10.17M) plus anticipated appropriations and grant funding through FY2015 have been contractually committed to numerous major projects/initiatives, most of which have been identified by project sponsors listed above.

The NET fund receives an allocation from the Nebraska lottery. The NGPC administers several programs using state funding as well, but most of them have very specific criteria that will allow them to continue to participate in some of the projects identified as part of this effort but that are unlikely to significantly affect funding levels or implementation times. Many of these state programs are likely to claim to be underfunded themselves; therefore, funding any portion of the effort toward sustainability through these programs should be considered negligible in terms of significant impact on funding needed.

Collectively, considering the needs of the water users; the time frame to plan, implement, and achieve a sustainable use of our water resources; gaps in available funding; and the potential to create additional program funding through revenue sources identified below, the $50M program (state portion) scale appears to work well with each consideration given.

## 5.3 FUNDING START DATE

The Task Force recommends that funding for the PPAs approved using the new criteria by the newly expanded NRC begin as soon as administratively possible but no later than 2015. This is

predicated on the assumption that any new sources of revenue would need to be implemented by the legislature in 2014 with the revenue becoming available beginning in 2015. The timeline for this process was outlined in Section 4.4.

## 5.4 SOURCES OF FUNDING

The Task Force spent a significant amount of time discussing the potential sources of funding for LB517 implementation and the new Water Sustainability Fund. The discussions began with a laundry list of any and all ideas for funding sources. Ultimately, the list of viable funding options was narrowed from a list of over 25 options to a mix of five that met the goals of the Task Force specifically by providing a mechanism by which beneficiaries of the projects funded through the program pay a share of the cost. The initial list of 25 is as follows:

1. Additional sales tax
2. Portion of existing tax
3. Lottery money
4. Cigarette tax
5. User tax on water
6. Statewide occupation tax
7. Industrial and municipal water use tax
8. Funding formula based on beneficiaries
9. Wellhead tax
10. Irrigated acre tax – gw and/or sw
11. Voluntary donation
12. Bonding and loans
13. Tax on every acre of state
14. Excise tax
15. Energy tax
16. Fuel tax or toll on I-80
17. Bottle drink tax
18. Fertilizer tax
19. Recycling fund
20. Pitman-Roberts fund
21. Private industry sustainability initiatives
22. Commodities tax/donation
23. Commodity check off tax
24. Tax on trash
25. Tax credits

Legal counsel for the Natural Resources Committee prepared a synopsis of the proposed funding options and their viability for evaluation by the Task Force members. The table is included in Appendix H for reference. Based on the discussions, a funding mix that includes the following options was recommended by the Task Force:

- Removing the sales tax exemption from bottled water and/or soft drinks
- Introducing or revising Severance Taxes (sand and gravel, oil and gas, uranium, and trace elements)
- Introducing an Excise Tax on Ethanol and/or similar products
- Introducing a Fertilizer Tax (both commercial and residential use)
- Dedicating a portion of the existing Sales Tax (1/8¢) to water projects

Although not specifically a source of funding for the Water Sustainability Fund, the Task Force further recommended establishing a revolving loan fund for water sustainability projects. The fund could be used for both short-term and long-term loans.

Image 6 Recharge and weather monitoring equipment near Fordyce, Nebraska.

Image 7 Recharge and recreation reservoir in the Little Blue Natural Resources District.

# 6.0 RECOMMENDATIONS ON STATUTORY CHANGES

The Task Force recommends the following statutory changes relating to regulatory authorities and to funds, programs, boards, and commissions under the direction of NDNR:

- Statutory changes to accomplish the changes to the NRC membership as described in Section 4
- Statutory and/or rule and regulatory changes that would allow the NDNR to cost share preliminary engineering feasibility studies through the Water Sustainability Fund for sponsors that justify the need
- Statutory changes to implement the various recommended revenue sources

## 6.1 OTHER RECOMMENDATIONS

The Task Force acknowledged the importance of public education regarding the water issues that face Nebraskans. The Task Force recommends that a public education campaign be initiated across the state that emphasizes the importance of sustainable water use. Important gains in water sustainability can be achieved through water conservation and practices that minimize impacts to both water quantity and water quality.

The Task Force recognized the importance of maintaining a stable funding source for water projects that contribute to the goals of water sustainability for the State of Nebraska. To ensure that funding is authorized by the legislature, the Task Force recommends that a select legislative committee or advisory group be formed and attend all the NRC meetings where PPAs are discussed. It is recommended that the select legislative committee include the committee chair or his or her representative for the Revenue, Appropriations, Natural Resources, Executive, and Agricultural committees. The select legislative committee or advisory group would be a part of the discussion on the PPAs seeking funding through the Water Sustainability Fund and would thereby become informed advocates for water funding for the approved PPAs. This is similar to the Select Legislative Committee in Wyoming that attends the WWDC meetings where projects are discussed for potential funding.

## 7.0 ACRONYM LIST

| | |
|---|---|
| LB | Legislative Bill |
| DHHS | Department of Health and Human Services |
| GWMP | Groundwater Management Plan |
| IMP | Integrated Management Plan |
| NDEQ | Nebraska Department of Environmental Quality |
| NDNR | Nebraska Department of Natural Resources |
| NET | Nebraska Environmental Trust |
| NGPC | Nebraska Game and Parks Commission |
| NRD | Natural Resources District |
| NRDF | Nebraska Resources Development Fund |
| PPA | Programs, Projects and Activities |
| SRF | State Revolving Fund |
| WWDC | Wyoming Water Development Commission |


Image 8 The Niobrara River at Rocky Ford near Valentine, Nebraska.

## 8.0 ACKNOWLEDGEMENTS

**The Task Force acknowledges the following personnel for their efforts providing data, discussion, and input that was invaluable in preparing this report to the Legislature:**
Mark Brohman, Nebraska Environmental Trust
Dean Edson and Dustin Wilcox, Nebraska Association of Resources Districts
Laurie Lage, Legal Counsel to the Nebraska Natural Resources Committee
Rachel Herpel, University of Nebraska, Water for Food Institute, Research and Outreach
Rex Gittins and Kent Zimmerman, Nebraska Department of Natural Resources
Laurie Lage, Legal Counsel to the Nebraska Natural Resources Committee
Mike Linder, Nebraska Department of Environmental Quality
Matt Lukasiewicz, Loup Basin Reclamation and Farwell Irrigation District
Jay Rempe, Nebraska Farm Bureau
Lee Orton, Nebraska State Irrigation and Nebraska Well Drillers Associations

**The Task Force acknowledges the following for their educational presentations that provided insight into the variety of water issues, water projects, and funding needs:**
Frank Albrecht, Nebraska Game and Parks Commission
Brad Edgerton, Frenchman-Cambridge Irrigation District
John Gates, University of Nebraska, Department of Earth and Atmospheric Science
Jane Griffin, The Groundwater Foundation
Jerry Kenny, Platte River Recovery Implementation Program
Jesse Korus, University of Nebraska, Conservation Survey Division
Rick Kubat, Metropolitan Utilities District
Don Krause, Central Nebraska Public Power and Irrigation District
Frank Kwapnioski, Water Balance Alliance and H2Options
Harry LaBonde, Wyoming Water Development Program
Sue Lackey, University of Nebraska, Conservation Survey Division
Joe Luck, University of Nebraska, Biological Systems Engineering
Derrell Martin, University of Nebraska Biological Systems Engineering
Jerry Obrist, Lincoln Water System
Marty Stange, Hastings Utilities
Steven Sibray, University of Nebraska, Conservation Survey Division
Gene Zuerlein, Nebraska Game and Parks Commission
The managers and assistant managers that spoke to represent Nebraska's 23 NRDs

**Photographs used on the cover and throughout this document were provided by:**
Frenchman-Cambridge Irrigation District, Nebraska Game and Parks, Lincoln Water System, Lower Elkhorn, Little Blue , and Nemaha Natural Resources Districts, National Parks Service, Nebraska Public Power District, the University of Nebraska: Water Center, Conservation Survey Division, Biological Systems Engineering, and Department of Earth and Atmospheric Sciences.

**The primary authors of this report include the following members of the Consultant Support team:**

Karen M. Griffin, PG, Olsson Associates

Patricia Banks, RLA, Vireo

Michael K. Sotak, PE, FYRA Engineering

Paul Brakhage, LakeTech Inc

Image 9 Dam rehabilitation, Nemaha NRD

**This page intentionally left blank.**

# APPENDIX A

# 2013 Legislative Bill 517

**This page intentionally left blank.**

# LEGISLATIVE BILL 517

Approved by the Governor June 4, 2013

Introduced by Carlson, 38.

FOR AN ACT relating to water management; to state findings; to create the Water Funding Task Force; to provide powers and duties for the task force and the Department of Natural Resources; to provide a termination date; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. The Legislature finds that:

(1) Nebraska's water resources are finite and must be wisely managed to ensure their continued availability for beneficial use;

(2) The state must invest in: (a) Research and data gathering; (b) further integrating the management of Nebraska's water supplies; (c) improving the state's aging and antiquated water supply infrastructure; (d) building new water supply infrastructure; (e) promoting coordination and collaboration among all water users; and (f) providing information to policymakers to justify a stable source of project funds;

(3) To determine the costs of effective conservation, sustainability, and management of Nebraska's water resources, the state's identified water needs must be compiled and organized and a process must be established in order to identify statewide projects and research recommendations; and

(4) To facilitate the creation of a funding process, a collaborative effort of experts representing all water interests and areas of the state is important to ensure fair and balanced water funding.

Sec. 2. (1) The Water Funding Task Force is created. The task force shall consist of the members of the Nebraska Natural Resources Commission and eleven additional members to be appointed by the Governor. The Director of Natural Resources or his or her designee, the chairperson of the Natural Resources Committee of the Legislature or his or her designee, and five additional members of the Legislature appointed by the Executive Board of the Legislative Council shall be nonvoting, ex officio members of the task force. In appointing members to the task force, the Governor:

(a) Shall seek to create a broad-based task force with knowledge of and experience with and representative of Nebraska's water use and economy;

(b) Shall give equal recognition to the importance of both water quantity and water quality;

(c) Shall appoint one member from each of the following categories: Public power; public power and irrigation districts; irrigation districts; a metropolitan utilities district; municipalities; agriculture; wildlife conservation; livestock producers; agribusiness; manufacturing; and outdoor recreation users; and

(d) May solicit and accept nominations for appointments to the task force from recognized water interest groups in Nebraska.

(2) The members of the task force appointed by the Governor shall represent diverse geographic regions of the state, including urban and rural areas. Such members shall be appointed within thirty days after the effective date of this act. Members shall begin serving immediately following notice of appointment. Members shall be reimbursed for their actual and necessary expenses incurred in carrying out their duties as members as provided in sections 81-1174 to 81-1177.

Sec. 3. (1) The Water Funding Task Force may consult with other groups in its work, including, but not limited to, the University of Nebraska, the Department of Environmental Quality, the Game and Parks Commission, the United States Army Corps of Engineers, the United States Geological Survey, the United States Fish and Wildlife Service, the United States Bureau of Reclamation, and the Natural Resources Conservation Service of the United States Department of Agriculture.

(2) For administrative and budgetary purposes, the task force shall be housed within the Department of Natural Resources. Additional advisory support may be requested from appropriate federal and state agencies.

(3) The task force may meet as necessary and may hire a consultant or consultants to facilitate the work and meetings of the task force and enter into agreements to achieve the objectives of the task force. The task force may create and use working groups or subcommittees as it deems necessary. Any contracts or agreements entered into under this subsection shall not be subject to the Nebraska Consultants' Competitive Negotiation Act or sections 73-301 to 73-306 or 73-501 to 73-510.

(4) The Water Funding Task Force terminates on December 31, 2013.

Sec. 4. (1) On or before December 31, 2013, the Water Funding Task Force shall develop and provide a report electronically to the Legislature which contains the following:

(a) Recommendations for a strategic plan which prioritizes programs, projects, and activities in need of funding. The recommendations shall give equal consideration to and be classified into the following categories:

(i) Research, data, and modeling needed to assist the state in meeting its water management goals;

(ii) Rehabilitation or restoration of water supply infrastructure, new water supply infrastructure, or water supply infrastructure maintenance;

(iii) Conjunctive management, storage, and integrated management of ground water and surface water; and

(iv) Compliance with interstate compacts or agreements or other formal state contracts or agreements;

(b) Recommendations for ranking criteria to identify funding priorities based on, but not limited to, the following factors:

(i) The extent to which the program, project, or activity provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents;

(ii) The extent to which the program, project, or activity assists the state in meeting its obligations under interstate compacts or decrees or other formal state contracts or agreements;

(iii) The extent to which the program, project, or activity utilizes objectives described in the Annual Report and Plan of Work for the Nebraska State Water Planning and Review Process issued by the Department of Natural Resources;

(iv) The extent to which the program, project, or activity has been approved for, but has not received, funding through an established state program;

(v) The cost-effectiveness of the program, project, or activity relative to achieving the state's water management goals;

(vi) The extent to which the program, project, or activity contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of its resources; and

(vii) The extent to which the program, project, or activity contributes to multiple water supply management goals, including, but not limited to, flood control, agricultural uses, recreation benefits, wildlife habitat, conservation of water resources, and preservation of water resources for future generations;

(c) Recommendations for legislation on a permanent structure and process through which the programs, projects, or activities described in this section will be provided with funding, including:

(i) A permanent governing board structure and membership;

(ii) An application process;

(iii) A statewide project distribution mechanism; and

(iv) A timeframe for funding allocations based on the list of programs, projects, and activities provided for in this section;

(d) Recommendations for the annual funding amount and the start date for distribution of funds; and

(e) Recommendations for statutory changes relating to regulatory authorities and to funds and programs administered by, and boards and commissions under the direction of, the department, based on the task force's evaluation of the efficiency of such funds, programs, boards, and commissions.

(2) The task force shall make every effort to identify and consult with all water-use stakeholder groups in Nebraska on the development of the recommendations required under sections 1 to 4 of this act.

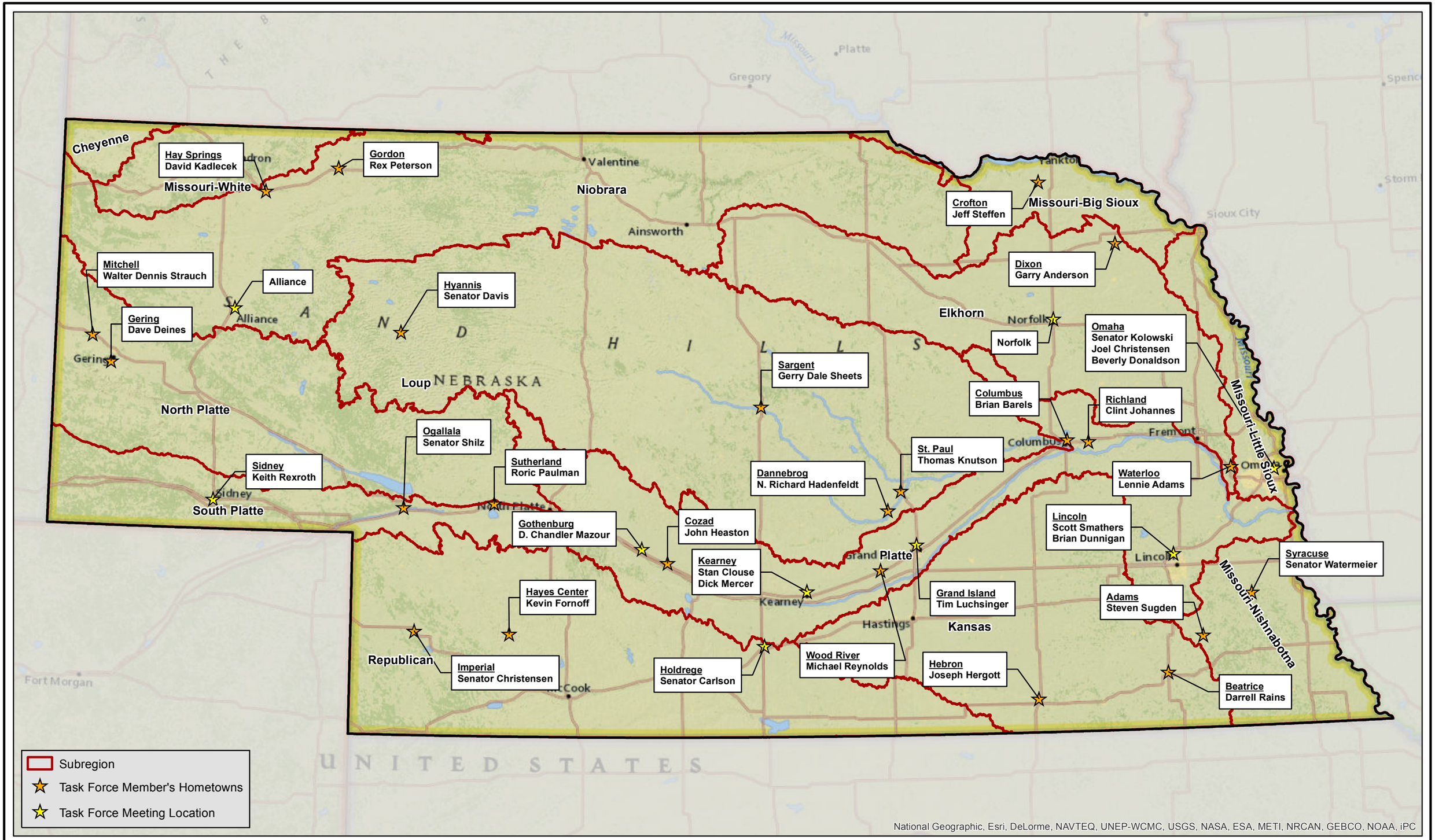
Sec. 5. The Department of Natural Resources shall establish a separate budget subprogram to account for funds appropriated to carry out sections 1 to 4 this act. No later than February 1, 2014, the department shall notify the Natural Resources Committee of the Legislature and the Appropriations Committee of the Legislature regarding the projected unexpended and uncommitted balance remaining in the separate budget subprogram.

Sec. 6. Since an emergency exists, this act takes effect when passed and approved according to law.

# APPENDIX B

# Map of Water Funding Task Force Members and Meeting Locations

**This page intentionally left blank.**




0 15 30 60 Miles

1:1,900,800

# Water Funding Task Force Members
## LB 517 - Water Task Force

OLSSON ASSOCIATES

F:\Projects\013-1946_GOHY\GIS\Maps.mxd User: rdoty Date: 11/27/2013

**This page intentionally left blank.**

# APPENDIX C

# Comparison between LB517 Criteria and NRDF Criteria

**This page intentionally left blank.**

# Appendix C Comparison between LB517 and NRDF Criteria

| PROPOSED LB517 CRITERIA |
|---|
| **High Priority** |
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following: • Remediating or mitigating threats to drinking water • Meeting the goals and objectives of an approved IMP or GWMP |
| The extent to which the PPA contributes to the goals of water sustainability for the state of Nebraska by protecting the ability of future generations to meet their needs, including the following: • Increasing aquifer recharge • Reducing aquifer depletion • Increasing stream flow |
| The extent to which the PPA contributes to multiple water supply management goals, including but not limited to flood control, agricultural use, municipal and industrial uses, recreational benefits, wildlife habitat, conservation of water resources, and preservation of water resources |
| The extent to which the PPA provides increased water productivity and otherwise maximizes the beneficial use of Nebraska's water resources for the benefit of its residents |
| The cost-effectiveness of the PPA relative to achieving the state's water management goals |
| The extent to which the PPA helps the state meet its obligations under interstate compacts or decrees or other formal state contracts or agreements |
| The extent to which the PPA reduces threat to property damage |
| The extent to which the PPA improves water quality |
| **Medium Priority** |
| The extent to which the local jurisdiction has used all available funding resources to support the PPA |
| The extent to which the local jurisdiction has plans in place that support sustainable water use |
| The extent to which the PPA addresses a statewide problem or issue |
| The extent to which the PPA contributes to the state's ability to leverage state dollars with local or federal government partners or other partners to maximize the use of its resources |
| The extent to which the PPA has been approved for, but has not received funding through, an established state program |
| The extent to which the PPA contributes to watershed health and function |
| The extent to which the PPA uses objectives described in the Annual Report and the Plan of Work for the Nebraska State Water Planning and Review Process issued by NDNR |

| CURRENT NRDF CRITERIA |
|---|
| **High Priority** |
| Is the primary purpose of the project flood damage reduction? |
| Does the project provide and/or preserve the waters of the state for beneficial uses and to what extent? |
| **Medium Priority** |
| Does the project improve conjunctive management of hydrologically connected waters? |
| Does the project address a current statewide need or benefit (e.g. compliance with an interstate compact or agreement) |
| Is the project multipurpose in nature? |
| **Lower Priority** |
| Extent to which other non-federal sources of funding are being used. |
| Does the project leverage federal funds? |
| Extent to which the sponsor NRD other sponsoring public entity is already using its taxing authority and other potential revenue sources. |
| Other aspects of the project that warrant NRDF funding: a) Extent to which the project would conserve land resources; b) Extent to which the project would provide public outdoor recreation lands and/or facilities; c) Extent to which the project would preserve and/or develop fish and wildlife resources; d) Extent to which project would results in abatement of pollution; e) Extent to which project would have incidental benefits for which there is no accepted method for monetary quantification; f) Extent to which project would protect and/or improve public lands |

**This page intentionally left blank.**

# APPENDIX D

# Criteria Evaluation Round 2 Results

**This page intentionally left blank.**

# Appendix D
# Criteria Evaluation Round 2 Results

| Project Rankings - Round 2 | Low/High Rankings | | Total Scores | | | Average Scores | | | Overall Ranking | | | Project Type Grouping | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project Type** | **O** | | **O** | **A** | **B** | **O** | **A** | **B** | **O** | **A** | **B** | **1** | **2** |
| **Dam** | 42 | 88 | 446 | 891.5 | 1335 | 64 | 127 | 191 | 10 | 12 | 7 | I | N |
| **Dam** | 35 | 52 | 303 | 700 | 1094 | 43 | 100 | 156 | 18 | 18 | 16 | IM | T&D |
| **Lake Restoration** | 42 | 74 | 395 | 732 | 1068 | 56 | 105 | 153 | 15 | 16 | 14 | I | L |
| **Canal Conjunctive Management** | 46 | 87 | 451 | 959 | 1462 | 64 | 137 | 209 | 10 | 9 | 4 | IM | T&D |
| **Canal Rehabilitation** | 54 | 87 | 474 | 987 | 1497 | 68 | 141 | 214 | 7 | 6 | 8 | IM | T&D |
| **Dam** | 46 | 77 | 407 | 760 | 1121 | 58 | 109 | 160 | 14 | 15 | 17 | I | N |
| **Hydrogeologic Research** | 44 | 86 | 449 | 929 | 1406 | 64 | 133 | 201 | 10 | 11 | 11 | R | N |
| **Groundwater Model** | 51 | 91 | 472 | 968 | 1462 | 67 | 138 | 209 | 8 | 8 | 10 | R | N |
| **Retiming Reservoir** | 59 | 97 | 573 | 1140 | 1705 | 82 | 163 | 244 | 2 | 1 | 1 | C | T&D |
| **Farming Practicies Research** | 70 | 94 | 590 | 1121.5 | 1652 | 84 | 160 | 236 | 1 | 2 | 2 | IM | N |
| **Municipal Water Supply** | 26 | 90 | 340 | 717 | 1092 | 49 | 102 | 156 | 17 | 17 | 18 | I | L |
| **Invasive Species Project** | 50 | 88 | 458 | 929 | 1399 | 65 | 133 | 200 | 9 | 10 | 11 | C | A |
| **Mulit-purpose Reservoir** | 66 | 98 | 577 | 1076.5 | 1574 | 82 | 154 | 225 | 2 | 4 | 5 | I | N |
| **Mulit-purpose Reservoir** | 44 | 87 | 438 | 875.5 | 1310 | 63 | 125 | 187 | 13 | 13 | 13 | C | T&D |
| **Climate Research** | 39 | 71 | 395 | 811 | 1223 | 56 | 116 | 175 | 15 | 14 | 15 | R | N |
| **Compliance Project** | 59 | 99 | 503 | 1040 | 1575 | 72 | 149 | 225 | 5 | 5 | 6 | C | T&D |
| **Compliance Project** | 57 | 96 | 549 | 1094 | 1636 | 78 | 156 | 234 | 4 | 3 | 3 | C | A |
| **Groundwater Model** | 52 | 84 | 507 | 979.5 | 1449 | 72 | 140 | 207 | 5 | 7 | 9 | R | N |

Ranking Scenarios

| | |
|---|---|
| O | Original List |
| A | 3xH, 1.5xM |
| B | 5xH, 3xM |

Project Types

LB517

| | |
|---|---|
| I | Infrastructure |
| IM | Integrated Management |
| R | Research |
| C | Compliance |

Task Force Suggested Change

| | |
|---|---|
| N | Water Quantity |
| L | Water Quality |
| T&D | Timing & Distribution |
| A | Watershed Aesthetics |

**This page intentionally left blank.**

# APPENDIX E

# NRDF and NET Project Scoring Sheets

**This page intentionally left blank.**

# Natural Resources Development Fund

## Project Ranking Worksheet - Project Proposal

**Project Name** _____

| | Criteria | Possible Points | | Points Awarded |
|---|---|---|---|---|
| 1. | Is the primary purpose of the project flood damage reduction? | Yes<br>No | 11<br>0 | |
| 2. | Does the project provide and/or preserve the waters of the state for beneficial uses and to what extent? | Yes<br>No | 2–8<br>0 | |
| 3. | Does the project improve conjunctive management of hydrologically connected waters? | Yes<br>No | 6<br>0 | |
| 4. | Does the project address a current statewide need or benefit (e.g. compliance with an interstate compact or agreement)? | Yes<br>No | 5<br>0 | |
| 5. | Is the project multipurpose in nature? | Yes<br>No | 5<br>0 | |
| 6. | Extent to which other non-federal sources of funding are being used | Great<br>Moderate<br>Not at all | 3<br>2<br>0 | |
| 7. | Does the project leverage federal funds? | ≥ 50%<br>20 – 49%<br>1 – 19 % | 3<br>2<br>1 | |
| 8. | Extent to which the sponsor NRD or other sponsoring public entity is already using its taxing authority and other potential revenue sources | 95 - 100%<br>75 - 94%<br>50 - 74% | 3<br>2<br>1 | |
| 9. | Other aspects of the project that warrant NRDF funding<br>• Extent to which project would conserve land resources<br>• Extent to which project would provide public outdoor recreation lands and/or facilities<br>• Extent to which the project would preserve and/or develop fish and wildlife resources<br>• Extent to which project would result in abatement of pollution<br>• Extent to which project would have incidental benefits for which there is no accepted method for monetary quantification<br>• Extent to which project would protect and/or improve public lands | 0 – 6<br><br>**No more than 1 point may be awarded for any individual "other aspect".**<br><br>**Maximum of 6 points allowed in total for all "other aspects".** | | |

**Total** _____

# Natural Resources Development Fund

## Project Ranking Worksheet - Project Application

**Project Name** _____

| | Criteria | Possible Points | | Points Awarded |
|---|---|---|---|---|
| 1. | % flood damage reduction provided by the project | >75%<br>>50-75%<br>>25-50%<br>>15-25% | 11<br>10<br>8<br>6 | |
| 2. | Does the project provide and/or preserve the waters of the state for beneficial uses and to what extent? | Yes<br>No | 2 – 8<br>0 | |
| 3. | Does the project improve conjunctive management of hydrologically connected waters? | Yes<br>No | 6<br>0 | |
| 4. | Rate of return calculated for the project | > 6%<br>> 5 – 6%<br>4 – 5% | 6<br>4<br>2 | |
| 5. | Local support for the project | | 0 – 4 | |
| 6. | Does the project address a current statewide need or benefit (e.g. compliance with an interstate compact or agreement)? | Yes<br>No | 5<br>0 | |
| 7. | Is the project multipurpose in nature? | Yes<br>No | 5<br>0 | |
| 8. | % of total project costs requested from NRDF | < 40%<br>40-54%<br>55-70% | 3<br>2<br>1 | |
| 9. | Does the project leverage federal funds? | ≥ 50%<br>20 – 49%<br>1 – 19 % | 3<br>2<br>1 | |
| 10. | Extent to which the sponsor NRD or other sponsoring public entity is already using its taxing authority and other potential revenue sources. | 95 - 100%<br>75 - 94%<br>50 - 74% | 3<br>2<br>1 | |
| 11. | Other aspects of the project that warrant NRDF funding<br>• Extent to which project would conserve land resources<br>• Extent to which project would provide public outdoor recreation lands and/or facilities<br>• Extent to which the project would preserve and/or develop fish and wildlife resources<br>• Extent to which project would result in abatement of pollution<br>• Extent to which project would have incidental benefits for which there is no accepted method for monetary quantification<br>• Extent to which project would protect and/or improve public lands | 0 – 6<br><br>**No more than 1 point may be awarded for any individual "other aspect".**<br><br>**Maximum of 6 points allowed in total for all "other aspects".** | | |

**Total** _____

**Application Rating Scale - All projects that are judged eligible are scored using the following scale. For the complete text of the rules governing project rating, please see our Web site link to Title 137, Chapters 7 and 8.**

**Mandatory Rating Factors -** Every eligible project is rated on the following factors:

| **Ratings Statement** | | **Low** | | **Ave.** | | **High** | **Points Available** |
|---|---|---|---|---|---|---|---|
| Degree project advances categories of the Trust | 0 | 5 | 10 | 15 | 20 | 25 | 25 |
| Sound planning & design | 0 | 5 | 10 | 15 | 20 | 25 | 25 |
| Direct measurable environmental benefits | 0 | 4 | 8 | 12 | 16 | 20 | 20 |
| Cost-effective | 0 | 4 | 8 | 12 | 16 | 20 | 20 |
| Duration of benefits | 0 | 3 | 6 | 9 | 12 | 15 | 15 |
| Matching (non-state) resources (monetary & in-kind) | 0 | 3 | 6 | 9 | 12 | 15 | 15 |
| Prevents contamination or degradation of resources | 0 | 3 | 6 | 9 | 12 | 15 | 15 |
| Many people or communities served by project | 0 | 3 | 6 | 9 | 12 | 15 | 15 |
| General public benefit | 0 | 2 | 4 | 6 | 8 | 10 | 10 |
| Public/private partnerships | 0 | 2 | 4 | 6 | 8 | 10 | 10 |
| Economic impact | 0 | 2 | 4 | 6 | 8 | 10 | 10 |
| Evaluation plan | 0 | 2 | 4 | 6 | 8 | 10 | 10 |
| Unique Need | 0 | 1 | 2 | 3 | 4 | 5 | 5 |
| Public health | 0 | 1 | 2 | 3 | 4 | 5 | 5 |
| Innovation | 0 | 1 | 2 | 3 | 4 | 5 | 5 |
| Replication potential | 0 | 1 | 2 | 3 | 4 | 5 | 5 |
| Individual or local Initiative | 0 | 1 | 2 | 3 | 4 | 5 | 5 |
| Feature Program Bonus Points | | | | | | | 35 |
| **Total Points Available** | | | | | | | **250** |
| Geographic Points - vary each year and are announced in August | | | | | | | |

**This page intentionally left blank.**

# APPENDIX F

# Tabulation of Funding by Agency

**This page intentionally left blank.**

# Appendix F Tabulation of Water Funding by Agency

| FY2012 Expenditures | Funding Source Contribution | | Checked Boxes Indicate Eligible Activities for The Individual Program/Fund | | | | | |
|---|---|---|---|---|---|---|---|---|
| | State ($) | Federal ($) | (Physical, Chemical, Biological Monitoring) | Research | Compliance / Compacts | Surface & Groundwater Quality | Surface & Groundwater Quantity | Infrastructure Maintenance / Repair |
| **Department of Environmental Quality** | | | | | | | | |
| Agriculture | 1,435,745 | | | | | X | | |
| Action | 12,076,204 | | X | | | X | | |
| Leaking Tanks | 148,636 | 1,505,645 | X | | | X | | |
| Protection Not Broken Out--- Included in DWSRF 15% Set | | | | | | X | | |
| NDEQ-Clean Water SRF Loan | 643,223 | 2,274,148 | | | | X | | X |
| Administration | 743,279 | 135,902 | X | | | X | | X |
| Management Program | | 2,415,863 | X | | | X | | X |
| Loan | | 6,503,278 | X | | | X | | X |
| NDEQ-Section 106 SW | 582,582 | 1,897,174 | | | | X | | |
| NDEQ-Section 106 GW | 29,965 | 210,033 | | | | X | | |
| Stormwater Grants | 1,833,904 | | | | | X | | |
| Water Quality Management (604b) | | 79,073 | | | | X | | |
| Onsite Certification | 324,783 | | | | | X | | |
| Chemigation | 69,188 | | | | | X | | |
| Groundwater Management | 50,175 | | X | | | X | | |
| Onsite Permits | 30,587 | | | | | X | | |
| Operator Certification | 85,066 | | | | | X | | |
| Engineering Reviews | 220,061 | | | | | X | | |
| DWSRF Admin | 399,801 | | | | | X | | X |
| DWSRF 15% Set Asides | | 464,122 | | | | X | | |
| DWSRF 10% Set Aside | | 1,276,424 | | | | X | | |
| DWSRF 2% Set Aside | | 219,800 | | | | X | | |
| Water 106 Supplemental | | 190,270 | X | | | X | | |
| **Nebraska Department of Natural Resources** | | | | | | | | |
| Soil & Water Conservation Fund | 2,449,850 | | | | | X | X | X |
| Resource Development Fund | 2,678,684 | | | | | X | X | X |
| Management Plan Program | 1,683,471 | | X | X | X | | X | X |
| Fund | 52,895 | | | | | X | | |

# Appendix F Tabulation of Water Funding by Agency

| FY2012 Expenditures | Funding Source Contribution | | Checked Boxes Indicate Eligible Activities for The Individual Program/Fund | | | | | |
|---|---|---|---|---|---|---|---|---|
| | State ($) | Federal ($) | (Physical, Chemical, Biological Monitoring) | Research | Compliance / Compacts | Surface & Groundwater Quality | Surface & Groundwater Quantity | Infrastructure Maintenance / Repair |
| Water Quality Fund | 950,000 | | | | | X | X | |
| Small Watershed Fund | 0 | | | | | X | X | X |
| Enhancement Prog. | 66,191 | | | | X | | X | |
| Water Resources Cash Fund | 380,720 | | X | X | X | | X | X |
| Republican River Basin Water Sustain TF | 20,188 | | | X | X | | | |
| **Nebraska Environmental Trust** | | | | | | | | |
| NET | 5,366,472 | | X | X | X | X | X | |
| **Nebraska Game and Parks Commission** | | | | | | | | |
| Missouri River Program | 160,640 | 1,205,081 | X | X | | | | |
| Aquatic Habitat Program | 5,824,490 | | X | X | | X | X | |
| Fisheries Administration | 503,497 | | X | | | | | |
| Fisheries Management | 1,368,952 | | X | | | X | | X |
| Fish Production | 1,831,994 | | X | X | | X | X | X |
| Boating Access Program | 322,863 | 125,000 | | | | | | X |
| New Lake Construction | | 258,810 | | | | | | X |
| Fisheries Environmental Services | 199,536 | | X | X | X | X | X | |
| Aquatic Education | 364,888 | | | | | | | |
| Fisheries Research | 281,547 | 1,256,908 | X | X | | | | |
| Angler Access Program | 5,399 | | | | | | | X |

| | State | Federal | Grand |
|---|---|---|---|
| **Totals** | **$43,185,476** | **$20,017,531** | **$63,203,007** |

# APPENDIX G

# Water Funding Needs Tables

# (Irrigation Districts, Municipalities, NRDs)

**This page intentionally left blank.**

## Appendix G Irrigation Districts Water Funding Needs

| Irrigation District | Research | | Infrastructure | | Integrated | | Compliance | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Existing | Proposed | Existing | Proposed | Existing | Proposed | Existing | Proposed | |
| Ainsworth Irrigation District - Buried Pipe | | | | 500,000 | | | | | **$500,000** |
| Blue Creek Irrigation District Equipment | | | 60,000 | | | | | | **$60,000** |
| Boswick Irrigation District Automation | | | | 600,000 | | | | | **$600,000** |
| Central Public Power & Irrigation District New Reservoirs | | | | 60,000,000 | | | | | **$60,000,000** |
| Chimney Rock Irrigation District New Structures | | | | 500,000 | | | | | **$500,000** |
| Farmers Irrigation District Automation | | | 25,000 | 150,000 | | | | | **$175,000** |
| Farmers Irrigation District Structures | | | 110,000 | 200,000 | | | | | **$310,000** |
| Farwell Irrigation District Automation | | | | 4,254,666 | | | | | **$4,254,666** |
| Farwell Irrigation District Buried Pipe | | | | 3,620,172 | | | | | **$3,620,172** |
| Farwell Irrigation District Lining | | | | 3,522,957 | | | | | **$3,522,957** |
| Farwell Irrigation District Structures | | | | 5,000,000 | | | | | **$5,000,000** |
| Frenchman Cambridge Automation | | | 150,000 | | | | | | **$150,000** |
| Frenchman Cambridge Structure | | | 15,000,000 | | | | | | **$15,000,000** |
| Mirage Flats Irrigation District Buried Pipe | | | 6,900,000 | | | | | | **$6,900,000** |
| Mirage Flats Irrigation District Maintenance | | | 6,000 | 30,000 | | | | | **$36,000** |
| Mirage Flats Irrigation District Structures | | | 795,000 | | | | | | **$795,000** |
| Nebraska Public Power District | 135,000 | | | | | | | | **$135,000** |
| Nebraska Public Power District Equipment | | | 55,000 | 1,000,000 | | | | | **$1,055,000** |
| Nebraska Public Power District Equipment | | | | 75,000 | | | | | **$75,000** |
| Nebraska Public Power District Lining | | | 400,000 | 250,000 | | | | | **$650,000** |
| Nebraska Public Power District Structure | | | | 15,500,000 | | | | | **$15,500,000** |
| North Loup Public Power & Irrigation Automation | | | 100,000 | 11,000,000 | | | | | **$11,100,000** |
| North Loup Public Power & Irrigation Automation | | | 100,000 | 20,000,000 | | | | | **$20,100,000** |
| Pathfinder Irrigation District Buried Pipe | | | | 35,000,000 | | | | | **$35,000,000** |
| Pathfinder Irrigation District Equipment | | | | 500,000 | | | | | **$500,000** |
| Pathfinder Irrigation District Lining | | | | 5,750,000 | | | | | **$5,750,000** |
| Pathfinder Irrigation District Structure | | | 975,000 | 2,500,000 | | | | | **$3,475,000** |
| Platte Valley Irrigation District Long Term | | | | 2,000,000 | | | | | **$2,000,000** |
| Sargent Irrigation District Automation | | | | 1,317,000 | | | | | **$1,317,000** |
| Sargent Irrigation District Buried Pipe | | | | 5,267,277 | | | | | **$5,267,277** |
| Sargent Irrigation District Lining | | | | 2,189,880 | | | | | **$2,189,880** |
| Twin Loup Irrigation District Automation | | | 200,000 | 500,000 | | | | | **$700,000** |
| Twin Loup Irrigation District Equipment | | | 100,000 | 200,000 | | | | | **$300,000** |
| Western Irrigation District Maintenance | | | 200,000 | | | | | | **$200,000** |

This table is a list of potential funding needs and does not imply that these projects will be funding through the Water Sustainability Fund. Any project would need to apply and be accepted for funding.

**This page intentionally left blank.**

## Appendix G Municipalities Water Funding Needs

| Public Water System | 2010 POP. | Project Description | Estimated Project Cost |
|---|---|---|---|
| Aurora, City of | 4479 | Provide Supply to Philips due to Nitrates and Uranium | 4,000,000 |
| Battle Creek, City of | 1207 | Replace Well(s) due to Nitrates | 912,000 |
| Baynard, City of | 1209 | Treatment to address Nitrates, New Tower, Replace Wells & Mains | 6,383,000 |
| Bee, Village of | 191 | Corrison Control to Permit Blending for Nitrates, Replace Mains/Meters & Repaint Tank | 309,139 |
| Beemer, Village of | 678 | RO Treatment for Uranium & Selenium w/ Transmission Mains | 2,350,000 |
| Bellwood, Village of | 435 | Replace Well & Treatment to address Aresenic A.O., Upgrade Tower & Replace Mains | 1,637,600 |
| Benedict, Village of | 234 | New Well due to Nitrates, Tower Repaint & Replace Mains | 1,110,000 |
| Benkelman, City of | 953 | Treatment to address Uranium, A.O., Arsenic, Gross Alpha & GWUDI | 1,425,000 |
| Bennet, Village of | 719 | Treatment fo Iron/Mg | 650,000 |
| Bladen, Village of | 237 | Replace Wells due to Nitrates, Replace Tower & Mains, New Meters | 2,595,000 |
| Brainard, Village of | 330 | Replace Well due to Selenium | 250,000 |
| Bruning, Village of | 279 | Replace Well due to Nitrates | 150,000 |
| Brunswick, Village of | 138 | Replace& Reline Wells due to Nitrates, Replace Mains & Meters | 468,500 |
| Campbell, Village of | 347 | New Well due to Nitrates w/ Transmission Main & Meters, Repaint Tank | 1,030,000 |
| Cario, Village of | 785 | Replace Wells due to Iron/Mg w Transmission Main & repain Tower | 625,500 |
| Coleridge, Village of | 473 | New Well w/ Transmission Main due to Nitrates | 425,000 |
| Creighton, City of | 1154 | Rehab RO Plant due to Nitrates, Repaint Tower & Distribution System Improvements | 225,000 |
| Davey, Village of | 154 | Replace Well due to Nitrates, Replace & Loop Mains | 1,070,000 |
| Denton, Village of | 190 | New Wells or Treatment due to Radium A.O. | 835,000 |
| Dodge, Village of | 612 | New Well(s) or Treatment to address Nitrates, Replace Tower & Mains | 4,585,000 |
| Dorchester, Village of | 586 | New Well due to Uranium, Replace Tower & New Meters | 1,814,893 |
| Dwight, Village of | 204 | Replace Well in part due to Arsenic, Rehab Tower & Replace Meters (GPR) | 895,000 |
| Edgar, City of | 498 | New Well or Treatment to address Nitrate A.O., Replace Mains & New Meters | 1,450,000 |
| Elgin, City of | 661 | New Well due to Arsenic, Replace Tower, Mains & Replace Meters (GPR) | 2,369,000 |
| Gibbon, City of | 1833 | New Well w/Transmission Mian due to Arsenic, Fuoridation, Replace & Loop Mains | 960,000 |
| Glenvil, Village of | 310 | New Well due to Nitrates & New Meters | 625,000 |
| Gothenburg, City of | 3574 | New Wellfield due to Arsenic, Replace & Loop Mians, Rehab Well & New Meters | 11,000,000 |
| Grafton, Village of | 126 | Replace Well due to Nitrates, Replace Pressure Tank Building & New Meters (GPR) | 1,687,775 |
| Green Acres Mobile Home C | 200 | Treatment fo address Nitrate A.O. | 51,000 |
| Gretna, City of | 4441 | Provide Supply to PWS due to Nitrates, Replace, Loop & Transimisson Mains | 1,680,000 |
| Haigler, Village of | 158 | POU Treatment to addrss Arsenic Exemption, Reline Well, Replace Mains & Repaint Tank | 200,000 |
| Harrison, Village of | 251 | Replace Well due to Nitrates, Replace Standpipe, Replace Mains & Meters | 3,766,399 |

This table is a list of potential funding needs and does not imply that these projects will be funding through the Water Sustainability Fund. Any project would need to apply and be accepted for funding.

## Appendix G Municipalities Water Funding Needs

| Public Water System | 2010 POP. | Project Description | Estimated Project Cost |
|---|---|---|---|
| Hartington, City of | 1554 | Replace Well due to Nitrates, Repaint Tank, Replace Mains & Meters (GPR) | 825,000 |
| Hebron, City of | 1579 | New Well due to Nitrates & Replace Mains | 800,000 |
| Hildreth, Village of | 378 | Replace Well to address Nitrate A.O. & Mains | 600,000 |
| Holdredge, City of | 5495 | New Wellfield due to Nitrates, Loop & Replace Mains | 2,000,000 |
| Hubbell, Village of | 68 | Replace Well due to Nitrates, Replace & Loop Mains, New Meters (GPR) | 905,000 |
| Humboldt, City of | 877 | New Wellfield w/ Transmission to address Nitrate A.O. | 2,570,500 |
| Humphrey, City of | 760 | New Well to address Selenium A.O. & Aresenic | 536,000 |
| Imperial, City of | 2071 | New Wellfield due to Arsenic, Rehab Well, Replace Mains | 5,340,000 |
| Kearney, City of | 30787 | UV Disinfection to LT2 Compliance, Replace & Loop Mains, add VFDs to 4 wells | 19,984,000 |
| Laurel, City of | 964 | Replace Well due to Selenium, Transmission Main & Replace Meters (GPR) | 575,000 |
| Lexington, City of | 10230 | New Well due to Nitrates & Aresenic & Mains | 1,400,000 |
| Lindsay, Village of | 255 | New Well for Blending due to Nitrate A.O. w/ Transmission Mains, Replace Meters (GPR) | 882,860 |
| Lodgepole, Village of | 318 | New Well w/ Treatment due to Arsenic & Loop Mains | 860,000 |
| Loomis, Village of | 382 | Replace Well due to Nitrates & Replace Mains | 485,000 |
| Madison, City of | 2438 | New Wells to supply RWD, in part to address Arsenic & Selenium, New Tower, Booster Station & Loop Mains | 2,574,000 |
| Madrid, Village of | 231 | Replace Well due to Nitrates & Repaint Tank | 175,000 |
| Mead, Village of | 569 | New Well(s) or Treatment to address Arsenic, Replace Water Tower & Mains | 3,230,000 |
| Milford, City of | 2090 | Treatment due to Nitrates, Replace Well(s) & Mains, Loop Mains & Rehab Tower | 3,400,000 |
| Minature, City of | 816 | Interconnect w/ Scottsbluff to address Uranium A.O., Replace Tower & Mains, New Meters | 2,230,000 |
| Naponee, Village of | 106 | New Well due Arsenic, Replace Mains, Rehab Tower & New Meters | 1,595,000 |
| Nemaha, Village of | 149 | Interconnect w/ RWD due to Nitrates, Replace Pressure Tanks & Meters (GPR) | 3,665,000 |
| North Loup, Village of | 297 | Treatment to address Arsenic A.O., Replace Tower & Mains | 1,849,700 |
| Ogallala, City of | 4737 | Replace Well due to Nitrates, Tank Modification, Replace Meters & Replace/Loop Mains | 2,195,195 |
| Osceola, City of | 880 | Replace Well to address Arsenic Exemption, Rehab Well & Replace Mains | 100,000 |
| Oshkosh, City of | 884 | New Wellfield due to Aresenic & Uranium, Replace Tower & Mains | 3,000,000 |
| Osmond, City of | 783 | Replace Well(s) due to Nitrates, Replace Mains & Tower, New Meters | 1,325,000 |
| Oxford, Village of | 779 | New Well due to Nitrates, Replace & Loop Main, Replace Meters (GPR) | 1,000,000 |
| Painview, City of | 1246 | Replacement Well due to Nitrates & Replace Mains | 1,000,000 |
| Phillips, Village of | 287 | New Well due to Nitrates & Uranium, Replace Mains and Backup Power | 670,000 |
| Polk, Village of | 322 | Replace Well due to Nitrates & Arsenic, Replace & Loop Mains, new Meters (GPR) | 810,000 |
| Prosser, Village | 66 | Treatment due to Nitrates | 100,000 |
| Rosalie, Village of | 160 | New Well due to Nitrates, Repaint Tank & Replace Mains | 661,300 |
| Schuyler, City of | 6211 | New Well due to Arsenic & Nitrates, Replace & Loop Mains | 1,222,000 |
| Scottsbluff CO SID 10 | 150 | Replace Well due to Gross Alpha, Replace Tank & Mains | 144,000 |

This table is a list of potential funding needs and does not imply that these projects will be funding through the Water Sustainability Fund. Any project would need to apply and be accepted for funding.

## Appendix G Municipalities Water Funding Needs

| Public Water System | 2010 POP. | Project Description | Estimated Project Cost |
|---|---|---|---|
| Shelby, Village of | 714 | Treatment to address Arsenic Exemption, Replace Tower & Loop Mains | 1,540,000 |
| Shelton, Village of | 1059 | New Well due to Arsenic, Mains & Meters (GPR) | 150,000 |
| Spalding, Village of | 487 | Replace Well due to Arsenic, Replace Mains & Meters | 875,630 |
| Sprague, Village of | 142 | Pump Controls & Piping Modifications due to Nitrates | 5,250 |
| Springfield, City of | 1529 | Replace Well due to Nitrates & replace Meters | 575,000 |
| Steele City, Village of | 61 | Replace Well of Treatment due to Nitrate A.O. | 365,000 |
| Stromsburg, City of | 1171 | Treatment to adress Arsenic Exemption & Copper Advisory, Loop & Replace Mains, Rehab Tower & Replace Well | 375,000 |
| Superior, City of | 1957 | New Wellfield due to Nitrates, Rehab Chlorination Building & Replace Mains | 550,000 |
| Tekamah, City of | 1736 | Replace Well due to Nitrates & Replace Mains | 470,000 |
| Terrytown, City of | 1198 | New Source due to Arsenic, Replace Tower, Loop Mains & New Meters (GPR) | 4,600,000 |
| UNL AG R & D Center | 83 | Treatment or Replace Well w/Transmission Main due to Nitrate A.O., Repaint Tanks & Meters | 520,000 |
| Valentine, City of | 2737 | New Well(s) due to Nitrates w/Transmission Main & Replace Meters (GPR) | 800,000 |
| Wauenta, Village of | 577 | Replace & Loop Mains, Upgrade Wells due to Arsenic | 466,000 |
| Wauenta, Village of | 577 | New Well(s) or Treatment to address Arsenic Exemption | 4,509,000 |
| Weeping Water, City of | 1050 | New Wellfield or Treatment due to Nitrates, Replace Mains | 1,860,000 |
| Weeping Water, City of | 1050 | New Wellfield or Treatment due to Nitrates, Replace Mains | 1,860,000 |

This table is a list of potential funding needs and does not imply that these projects will be funding through the Water Sustainability Fund. Any project would need to apply and be accepted for funding.

**This page intentionally left blank.**

# Appendix G Summary of Water Project Funding Needs from Nebraska Natural Resources Districts

| NRD | Research | | Infrastructure | | Integrated Management | | Compliance | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Existing | Proposed | Existing | Proposed | Existing | Proposed | Existing | Proposed | |
| **Central Platte** | $2,300,000 | $1,700,000 | $16,900,000 | $900,000 | $34,200,000 | $52,200,000 | $0 | $0 | **$108,200,000** |
| **Lewis & Clark** | $3,500,000 | $2,100,000 | $400,000 | $300,000 | $0 | $0 | $0 | $0 | **$6,300,000** |
| **Little Blue** | $700,000 | $0 | $900,000 | $0 | $350,000 | $350,000 | $0 | $0 | **$2,300,000** |
| **Lower Big Blue** | | | | | | | | | |
| **Lower Elkhorn** | $0 | $0 | $0 | $62,000,000 | $0 | $0 | $0 | $0 | **$62,000,000** |
| **Lower Loup** | $1,500,000 | $45,000 | $1,900,000 | $0 | $80,000 | $150,000 | $0 | $0 | **$3,675,000** |
| **Lower Niobrara** | $95,000 | $210,000 | $700,000 | $1,400,000 | $0 | $0 | $0 | $0 | **$2,405,000** |
| **Lower Platte North** | $1,500,000 | $3,800,000 | $89,900,000 | $39,400,000 | $0 | $25,000,000 | $0 | $0 | **$159,600,000** |
| **Lower Platte South** | $2,800,000 | $3,400,000 | $8,400,000 | $50,800,000 | $0 | $700,000 | $0 | $0 | **$66,100,000** |
| **Lower Republican** | | | | | | | | | |
| **Middle Niobrara** | | | | | | | | | |
| **Middle Republican** | $0 | $0 | $0 | $0 | $0 | $0 | $10,000,000 | $129,000,000 | **$139,000,000** |
| **Nemaha** | $2,400,000 | $250,000 | $6,100,000 | $2,700,000 | $0 | $0 | $0 | $0 | **$11,450,000** |
| **North Platte** | $4,600,000 | $2,700,000 | $300,000 | $0 | $3,000,000 | $3,100,000 | $0 | $0 | **$13,700,000** |
| **Papio-Missouri River** | $4,300,000 | $100,000 | $125,700,000 | $21,100,000 | $400,000 | $0 | $0 | $0 | **$151,600,000** |
| **South Platte** | $2,000,000 | $1,600,000 | $0 | $0 | $700,000 | $6,600,000 | $0 | $0 | **$10,900,000** |
| **Tri-Basin** | $106,000 | $14,000 | $340,000 | $160,000 | $8,000 | $1,500,000 | $500,000 | $2,500,000 | **$5,128,000** |
| **Twin Platte** | | | | | | | | | |
| **Upper Big Blue** | $200,000 | $90,000 | $8,800,000 | $6,300,000 | $3,700,000 | $0 | $0 | $0 | **$19,090,000** |
| **Upper Elkhorn** | $1,800,000 | $8,100,000 | $0 | $0 | $80,000 | $0 | $0 | $0 | **$9,980,000** |
| **Upper Loup** | | | | | | | | | |
| **Upper Niobrara White** | $1,400,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | **$1,400,000** |
| **Upper Republican** | $600,000 | $0 | $0 | $0 | $148,000,000 | $34,000,000 | $0 | $0 | |

This table is a list of potential funding needs and does not imply that these projects will be funding through the Water Sustainability Fund. Any project would need to apply and be accepted for funding.

**This page intentionally left blank.**

# APPENDIX H

# Water Funding Options Table

**This page intentionally left blank.**

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Bottle tax** | Depends on whether this is a bottle deposit idea or a tax on beverage sales.<br><br>1) Beverage container laws, also called "bottle bills" are generally to encourage recycling by offering a monetary refund on bottles recycled. 10 states have bottle deposit laws.<br><br>2) A pop tax would eliminate the sales tax exemption for soft drinks or impose an excise tax, and<br><br>3) Sen. Christensen also considered eliminating the tax exemption for bottled water. [1] | 1) Bottle bill: states are able to take advantage of unclaimed or unredeemed deposits, which can amount to a few million dollars annually.<br><br>2) Eliminating the sales tax exemption for pop would bring in several million[2] and an excise tax even more.<br><br>3) According to Sen. Christensen's research, the best estimate is that Nebraska consumes 256.1 million bottles of water annually. 5.5% multiplied by the cost of bottled water. | *Both a pop tax and a bottle bill have been proposed in Nebraska and have been defeated. The beverage industries are aggressive in their opposition to targeting their products for raising revenue.<br><br>*The pop tax revenue proposed in recent legislation would go to programs to address public health and safety. If the legislature is hesitant to allow increased taxes for these purposes it would be more difficult to justify using the revenue for water. |
| **Commodities check off or tax** | A tax on the sales of named commodities. | Depends on the rate and bushels sold.<br><br>A 3/5 cent checkoff on sales of corn and sorghum would have generated $7.5 million annually for the Water Resources Cash Fund for seven years beginning in 2012, but the statute was repealed. | *Other state checkoffs are in place for corn, wheat, sorghum, and dry beans and vary in amounts. Also, beef, pork and soybeans have checkoffs levied at the national level with a portion returning to the relevant state commodities boards for demand promotion, research and educational use.<br><br>*Commodities groups would be opposed to a new checkoff and would argue that checkoff revenue should only be used for promotion and education. |

[1] Taxing bottled water would put the state at risk of violating the Streamlined Sales and Use Tax Agreement (SSUTA), a multistate agreement to which Nebraska is a party. Not following the agreement would confuse sales tax administration for the state and sellers.

[2] http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB447_20130314-144049.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Donations** | Presumably, anyone can voluntarily contribute funding for water. | No way of knowing how much this would generate. | *This would generate no reliable or predictable source of revenue. |
| **Excise Tax (Ethanol)** | An excise tax is on the manufacture, sale or use of goods or on the carrying on of an occupation or activity, or a tax on the transfer of property. | Ethanol used as a blending component is considered a motor fuel and taxed like gasoline.<br><br>There is a per gallon excise tax on compressed natural gas, liquefied natural gas and liquefied petroleum gas (propane) sold for use in motor vehicles.<br><br>There is no excise tax on ethanol in Nebraska. A few states impose an excise tax on ethanol.<br><br>In 2009 the legislative fiscal office estimated that revenue would range from $35 to 46 million annually from a 2-cent excise tax.[3]<br><br>Nebraska ethanol plants are producing near capacity (at about 1.9 billion gallons a year). Estimate is that *at least* 80% of the ethanol produced leaves the state, since around 341 million gallons are used in Nebraska per year. | *NOTE: Cannot take the value of land into consideration, otherwise it's a property tax.<br><br>*NOTE: need to make sure an excise tax is crafted so it won't interfere with interstate commerce. |

[3]http://www.legislature.ne.gov/FloorDocs/100/PDF/FN/LB946.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Fertilizer Tax** | A tax per ton of fertilizer. | There was a fertilizer tax or checkoff in Nebraska of $1 per ton on all sales of commercial fertilizers sold in Nebraska for use in agriculture and applied to land or crops. Collection of the tax ended in 2000.<br><br>Receipts annually between 1997 and 2000 were between $2 and $2.5 million. The amount collected in 1996 was over $8 million.<br><br>The purpose of the checkoff was for the Ethanol Production Incentive Cash Fund (EPIC). | *The Governor's recent tax relief package, which was heavily opposed by interest groups and members of the legislature, would have removed the tax exemption for fertilizer.<br><br>*Any kind of tax or checkoff would be opposed by the agriculture industry. |
| **New Sales Tax** | Enact a sales tax on goods or services presently exempted. | Depends on the good or service and the amount of taxable sales. | *Imposing a brand new tax is generally difficult to do as there would have to be enough support to override a Governor's veto.<br><br>*Taxes on goods and services are a crucial part of the legislature's Tax Modernization Committee's work. The Task Force would need to communicate with that committee before proposing a new sales tax. |
| **Property Records Fee** | An extra fee on real property records on file with county officials. Could be collected through property tax statements. | Depends on the fee amount. There are 1.04 million taxable real property records in NE (residential/recreation – 667,216; commercial, industrial, mineral – 74,208; agricultural -299,007)[4] | *Would be looked at as imposing a new tax, and would likely generate opposition.<br><br>*Even so, this new fee would be easy to administer. |

[4] http://www.revenue.ne.gov/PAD/research/annual_reports/2012/annrpt2012_table_19_StateCounties1-93.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Sales Tax Portion** | Divert a portion of the state sales tax for water funding. | A ¼ of 1 cent allocation of the proceeds of the sales and use taxes would total approximately $60 to $75 million a year.[5] | *A reallocation of sales tax revenue would result in a General Fund loss.<br><br>*Diversion of a portion of the sales tax would be controversial and have significant opposition.<br><br>*Would need to consult with the Tax Modernization Committee before moving forward with this idea. |
| **Severance tax** | An increased tax on the value of oil or natural gas severed from the soil of Nebraska, paid by the first purchaser if the oil or gas is sold in Nebraska, or by the person doing the severing if the oil or gas is sold outside Nebraska.<br><br>There is also a severance tax on uranium, levied on the value of the uranium severed in Nebraska, after a $5 million exemption. Tax rate is 2% of the value of the uranium produced annually. Distribution is to the General Fund.[6]<br><br>Sand and Gravel | Current tax is 3% of the value of non-stripper oil and natural gas, and 2% of the value of stripper oil severed.[7]<br><br>In 2012, as of November, nearly $5 million had been collected on oil and gas.<br><br>In 2012, the severance tax collected on uranium was $277,068.<br><br>The U.S. Energy Information Administration reports that the weighted average price of uranium concentrate was $49.63 per pound in 2012.[8]<br><br>Uranium production from the Crow Butte mine is said to be more than 800,000 pounds a year.[9]<br><br>Quantities not available. | *States tax on the extraction, production, or sale of what is severed, or a combination of methods. The different approaches to assessing the tax makes it difficult to compare rates among the states.[10]<br><br>*Currently, the Severance Tax Administration Fund receives 1% of the gross severance taxes, unless severed from school lands. The tax goes to the Permanent School fund, unless the legislature decides to transfer a certain amount to the State Energy Office Cash Fund and the Public Service Commission for administration of the Municipal Rate Negotiations Revolving Loan Fund.<br><br>Fracking sands were discussed due to potential tie with groundwater issues. |

[5]http://nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB516_20130314-140648.pdf

[6]Uranium severance tax rates are higher in other states, ranging from 2.5% to 5%.

[7]Stripper oil or natural gas wells are generally described as wells that produce at very low rates, less than 10 barrels per day of oil or less than 60 thousand cubic feet per day of gas. www.Stripperwells.com.

[8]http://www.eia.gov/uranium/production/annual/

[9]http://www.cameco.com/usa/crow_butte/

[10]See "State Revenues and the Natural Gas Boom – An Assessment of State Oil and Gas Production Taxes," National Conference of State Legislatures, June 2013. http://www.ncsl.org/documents/energy/pdf_version_final.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| ***Conservation Tax (collected with the severance tax)** | Levied and assessed in the same manner as the severance tax. It is imposed on the value at the well of all oil and gas produced, saved, sold or transported from the premises in Nebraska. First purchaser pays if sold in Nebraska, the producer pays if sold out of Nebraska.<br><br>Currently tax is deposited in the Oil and Gas Conservation Fund. | Conservation tax rate is 0.4% (a 2013 change.)<br><br>In 2012, as of November, just over $405,000 had been collected. | *That the severance and conservation tax goes primarily to the Permanent School Fund will likely be a problem. |
| **Trash Tax** | A tax on the collection or disposal of garbage. | Household fees for garbage collection are exempt from sales tax.<br><br>There are "tipping" fees imposed however, on a per ton basis of waste dumped at landfills. The statutory tipping fee is $1.25/ton of solid waste.<br><br>The legislature's fiscal office reported in a fiscal note in 2011[11] that a sales tax on waste hauling and related services would bring in between $17 and $18 million. | *There is no uniformity among Nebraska's cities on trash collection fees, so it could be difficult to assess a tax.<br><br>*In fact, Omaha is prohibited under state law from imposing a trash fee, and collection is paid for by the city out of its general fund. The city also pays for landfill disposal fees. However, garbage collection in Lincoln is privatized, and the garbage collectors pay an occupation tax of $7 per ton of refuse deposited in the landfill.<br><br>*The collection or diversion of a fee collected on garbage for water purposes could be difficult to sell. |

[11] http://www.legislature.ne.gov/FloorDocs/102/PDF/FN/LB560-1.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Water user tax** | Fees based on amount of water used or on water diversions. In agriculture could be based on irrigated acres.<br><br>There has been talk about paying for what you pump or use, to encourage conservation, using a tiered approach.<br><br>Currently, water used for irrigation of agricultural lands, manufacturing purposes, or for the care of or consumption by animal life, the products of which ordinarily constitute food for human consumption or the pelts of which are ordinarily used for human apparel, is not taxable.[12] | | *Not all uses are metered or measured, but there is support for the thought that use can be estimated.<br><br>*All water uses would need to be metered, and we aren't there yet.<br><br>*Again, must ensure that all uses are charged to be equitable, otherwise there will be stronger opposition. |
| **Beer Tax** | A beer tax would add to the excise tax collected. | Adding a 5 cent per gallon tax on beer would result in $2.3 million in additional revenue.[13] | *A beer tax increase would be heavily opposed, as Nebraska's tax per gallon is said to be higher than surrounding states.<br><br>*The beer tax revenue proposed in recent legislation would go to programs to address public health and safety. If the legislature is hesitant to allow increased taxes for these purposes it would be more difficult to justify using the revenue for water. |

[12] http://www.revenue.ne.gov/legal/regs/salestax/1-066.html
[13] http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB653_20130301-134516.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Cigarette tax** | An additional excise tax on cigarettes, currently 64 cents per pack of 20 cigarettes and 80 cents per pack of 25. | LB 439 introduced last sessions would raise the tax from 64 cents to $1.36 per pack (it would also increase the tobacco products tax from 20% to 31% of the wholesale price.)<br><br>Over the past ten years, cigarette tax receipts have ranged anywhere between $60 million and close to $70 million annually. The increase proposed in LB 439 would raise receipts close to $60 million.[14] | *There is a long political history of the cigarette tax in Nebraska, and the same arguments apply about singling out one product for tax revenue.<br><br>*LB 439 failed to advance from the Revenue Committee in 2013. It proposes that revenues go towards health programs.<br><br>*If it's difficult to justify raising the tax for health programs, it would be even more difficult to justify the tax for water.<br><br>*However, there is some precedence for using tobacco settlement money for public health, including clean drinking water programs. Also, cigarette tax was used in the late 80s/early 90s for the Municipal Infrastructure Redevelopment Fund (MIRF). |

[14] http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB439_20130312-152342.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Documentary Stamp tax (or Real Estate Transfer Tax)** | Increase of the tax on real estate transfers based on the value of property transferred. | Depends on the rate charged and on what value increments.<br><br>Current rate is $2.25 per $1000 value (not changed since 2005.)<br><br>2009: total collection $12.97 million; $10 million to state after counties' fees.<br>2010: total collection $13. 18 million; $10.256 million to state after counties' fees.<br>2011: total collection $14.5 million; $11.28 million to state after counties' fees.<br><br>In 2012, nearly $20 million was collected, $15.5 million to the state after counties' fees. | *Counties keep a portion of the tax and the rest is distributed to the Affordable Housing Trust Fund, Site and Building Development Fund, Homeless Shelter Assistance Trust Fund, and the Behavioral Health Services Fund.<br><br>*Housing advocacy groups are protective of the funds and would fight any changes. It would be difficult to go after these beneficiaries |

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Energy Tax**[15] | Remove tax exemption on energy used for irrigation.<br><br>Currently a sales and use tax exemption applies if more than 50% of purchase of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, coke, nuclear fuel, butane, propane, or compressed natural gas is used or directly consumed in manufacturing and processing, irrigation, farming, refining or generation of electricity.<br><br>Otherwise, state and local option sales taxes apply to all retail sales of electricity. | The utilities do not keep track of how much of the energy they sell is exempt from the sales tax.<br><br>The Nebraska Rural Electric Association has 34 member systems with grand total irrigation revenue of $226,677,258, which is 2,085,978,514 KWH for irrigation. We can assume that most of that is exempt, but we don't know for sure. Also, these numbers represent only electricity, not natural gas or diesel, etc.<br><br>NPPD's irrigation income was $4,722,265.03 for 2012. $2,896,248.95 of that income was from tax exempt accounts. | *There are no other mandated charges on the electric bill for things not directly related to providing electricity.<br><br>*The Nebraska Power Association opposes any new taxes or fees on the generation, infrastructure or use of electricity. They say that elimination of this exemption (for agriculture) is bad because it would result in a double taxation on fuel, and make Nebraska's electricity tax policy regressive as compared to many other states.<br><br>*The NPA also says that taxing inputs for agriculture and manufacturing, including major purchases of electricity, would place Nebraska among the small minority of states that tax these inputs.<br><br>*Agriculture would likely look at removing the tax exemption for irrigation energy as unfair and not equitable and that everyone should have to pay some sort of extra charge for their energy. (i.e. hookup fees?).<br><br>*At least there is a nexus between the tax and its proposed use. |

[15]Public power and irrigation districts pay 5% tax on gross retail sales. Public utilities pay millions of dollars back to local communities in the form of in-lieu-of (property) tax payments, franchise fees, lease payments, gross revenue tax, and sales tax on other purchases/inputs. http://www.nrea.org/sites/default/files/NPA%202013%20White%20Paper%20for%20Tax%20Modernizaton%20Committee.pdf

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Fuel Tax** | Currently there is a fixed tax rate of 10.3 cents per gallon of motor fuels, a variable tax rate of 1.6 cents per gallon, and a wholesale tax of 14.4 cents per gallon. | One cent of motor fuels tax results in approximately $12 million of annual revenue. In FY 2011-12, motor fuel tax receipts totaled over $326 million. | *Roads funding lobby is protective of the use of fuel taxes for roads. A proposal to raise fuel taxes for water would be very controversial and strongly opposed. |
| **Lottery** | Divert funds from the state lottery which currently goes to education, the environmental trust, state fair, and gamblers' assistance | In the first quarter of 2013, the lottery transferred $9,214,207 to the NET.<br><br>In 2012, NET received $17,314,418. | *Any change to the distribution of funding would require a constitutional amendment, meaning it would have to pass through the legislature and then a vote of the people.<br><br>*The NET is considered by some to be off limits because of attacks in recent years on its funding for water. |
| **Statewide Occupation Tax** | Assuming this suggestion means allowing all NRDs to use the occupation tax on irrigated acres, since currently, only cities, villages and NRDs are authorized to impose an occupation tax, and only on businesses or occupations within their districts.<br><br>The occupation tax can be assessed on irrigated acres up to $10/acre. | In 2011, the LRNRD had 353,550 irrigated acres and assessed $10 per acre for $3,525,500.<br><br>The MRNRD had 300,000 irrigated acres and assessed $8.50 per acre for $2,550,000.<br><br>The LRNRD had 451,804.45 irrigated acres and assessed $10 per acre for $4,518,044.50. | *Keep in mind that an occupation tax is not, by its nature, intended or applicable to statewide use.<br>It is assessed locally, based on local business or occupations. The tax would be on the activity of irrigation, not on property values, otherwise it would be a property tax, which cannot be used for a statewide purpose.<br><br>*There is some confusion regarding what exactly an occupation tax is.<br><br>*The current rules for using the occupation tax are limited: the NRD has to be fully or overappropriated, there must be an IMP, and use of the tax can only be for certain purposes. TF would need to justify this significant policy change. |

# Appendix H Water Funding Task Force
# Funding Source Discussion – October 31, 2013

| Funding Idea | Description | $ Potential | Issues |
|---|---|---|---|
| **Tax per irrigated acre** | A tax on all irrigated acres. A fee could be assessed to each well based on the number of irrigated acres per well, then assess a per acre fee. | Estimated 8.5 million irrigated acres. A $1 fee on all irrigated acres would make $8.5 million.<br><br>Actual irrigated acre numbers could be sought from the NRDs and the assessors. | *There are already NRDs that impose a levy on irrigated acres.<br><br>*Need to make sure that surface water irrigators are also paying, otherwise there will be equity arguments. |
| **Wellhead Tax** | New fee on all registered wells. | Depends on which wells are targeted. There are 151 aquaculture, 1788 commercial/industrial, 97,012 irrigation, 29,382 domestic, 1,728 injection and 19,299 livestock wells. An annual flat $50 fee on all of these wells would amount to $7,468,000. | *Which wells are fair to include? What about surface water users? Some believe a flat fee per well would not be equitable.<br><br>*There are different statuses of wells , i.e. some are inactive.<br><br>*Could be a huge administrative problem because the governing bodies don't necessarily know where all of the wells are. Many wells are not accounted for. |