

Nebraska Water Funding Task Force



Strategic Plan and
Recommendations Report

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**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

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

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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 percent¹ (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 aquifer².

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.*

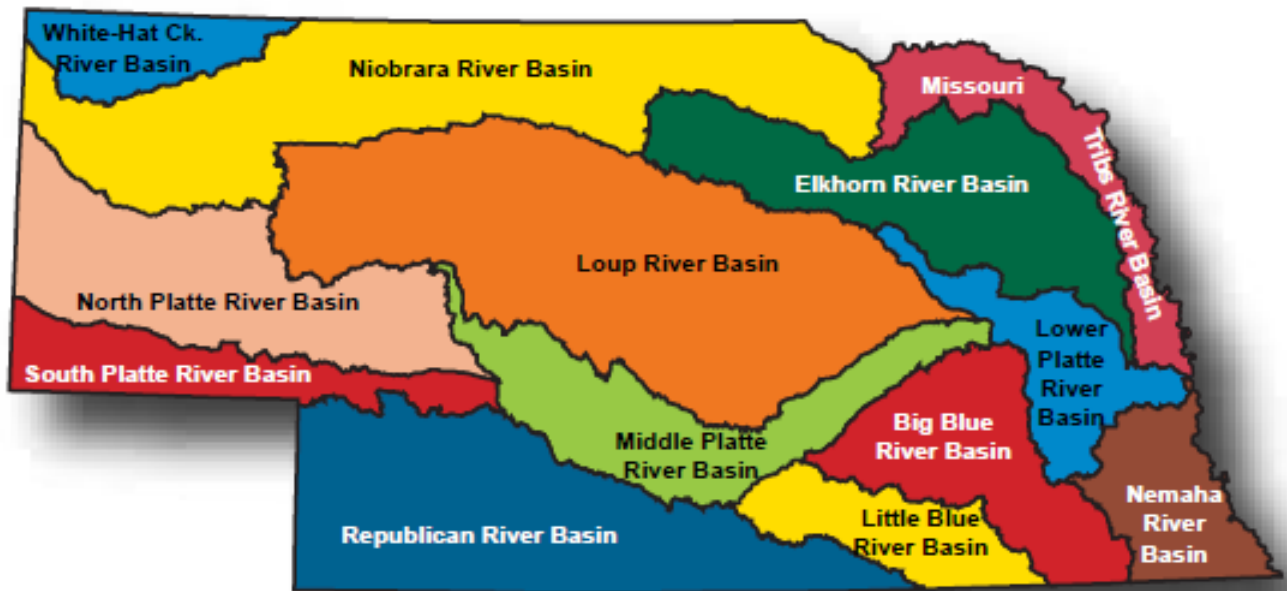
- ✓ The Task Force recommends that the permanent governing board structure and membership be as follows:
 - The board structure shall include 13 elected and 14 appointed members.
 - The membership shall include 13 elected members that represent the 13 watersheds currently defined by the Nebraska Department 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	8. Municipalities (1 st class or smaller)
2. Agriculture	9. Outdoor Recreation Users
3. Groundwater	10. Public Power
4. Irrigation Districts	11. Public power and Irrigation Districts
5. Manufacturing	12. Range
6. Metropolitan Utilities District	13. Surface Water
7. Municipalities(Primary class)	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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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

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
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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 percent³ (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 aquifer⁴.

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:
<ul style="list-style-type: none"> • 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:
<ul style="list-style-type: none"> • 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 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 Sustainability 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

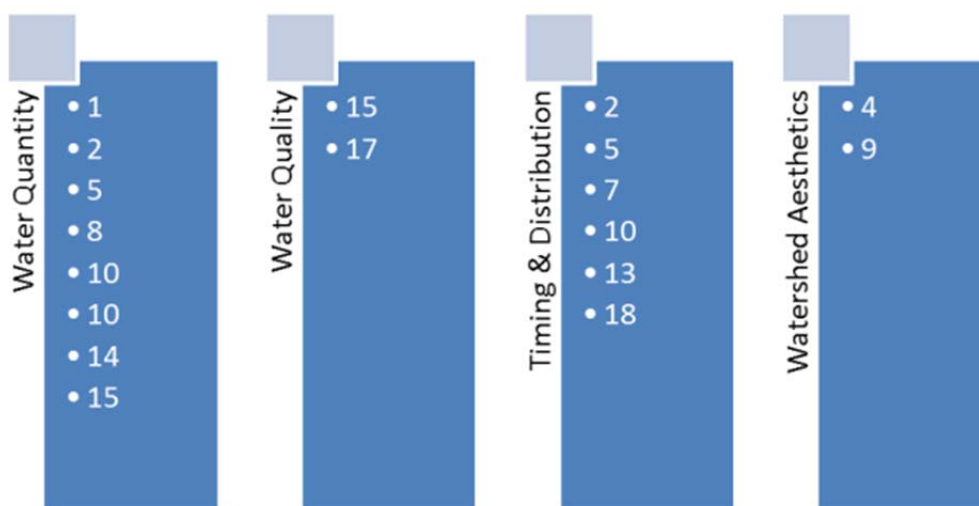
As defined in LB517, the four categories for PPA classification include infrastructure, integrated management, research, and compliance. Early in the planning process, the idea that four more readily identifiable categories might be easier for project sponsors to work with was discussed. Four alternative 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:

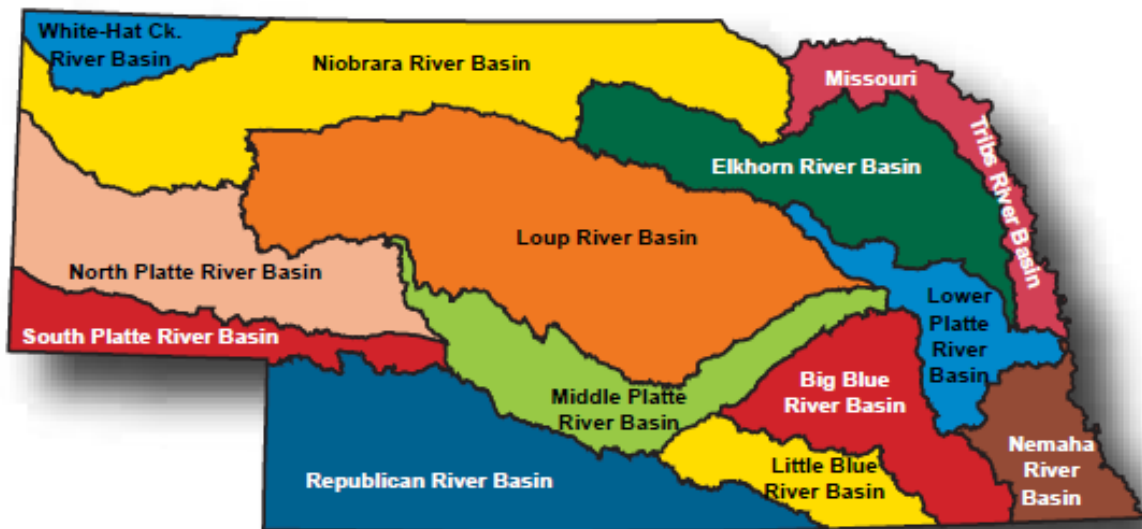
- Nebraska Resources Development Fund
- Soil & Water Conservation Fund
- Water Well Decommissioning Fund
- Small Watershed Fund
- Interrelated Water Management Plan Program
- Water Quality Fund

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

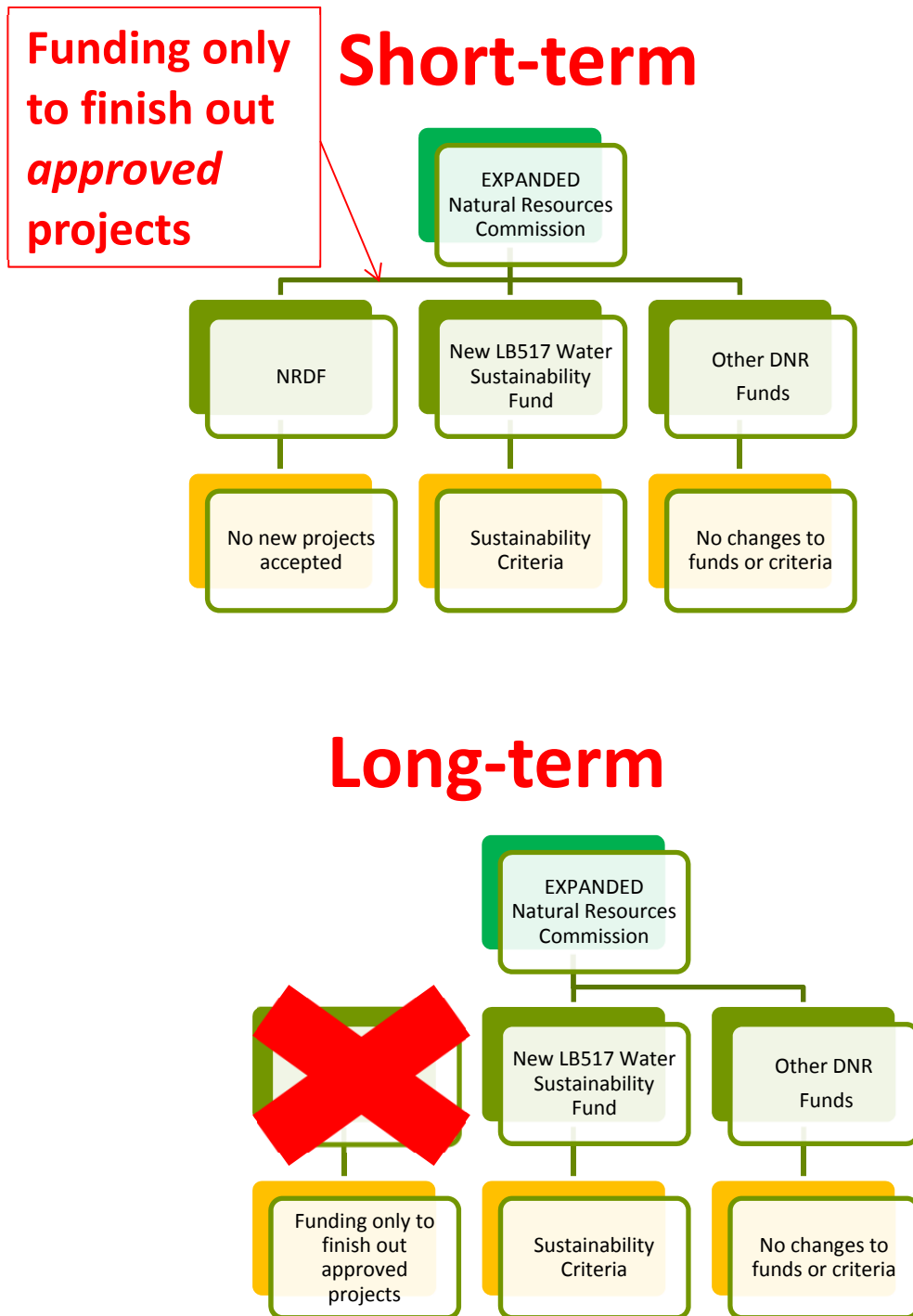


The Director of the Wyoming Water Development Commission (WWDC) came to the Task Force meeting in Alliance and presented information on how the Wyoming state water funding program was structured and administered. After hearing from the Director of the WWDC, the Task Force discussed whether a new state 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 (1 st 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 | 14. Excise tax |
| 2. Portion of existing tax | 15. Energy tax |
| 3. Lottery money | 16. Fuel tax or toll on I-80 |
| 4. Cigarette tax | 17. Bottle drink tax |
| 5. User tax on water | 18. Fertilizer tax |
| 6. Statewide occupation tax | 19. Recycling fund |
| 7. Industrial and municipal water use tax | 20. Pitman-Roberts fund |
| 8. Funding formula based on beneficiaries | 21. Private industry sustainability initiatives |
| 9. Wellhead tax | 22. Commodities tax/donation |
| 10. Irrigated acre tax – gw and/or sw | 23. Commodity check off tax |
| 11. Voluntary donation | 24. Tax on trash |
| 12. Bonding and loans | 25. Tax credits |
| 13. Tax on every acre of state | |

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
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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
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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
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Harry LaBonde, Wyoming Water Development Program
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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:**

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Paul Brakhage, LakeTech Inc



Image 9 Dam rehabilitation, Nemaha NRD

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APPENDIX A

2013 Legislative Bill 517

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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.

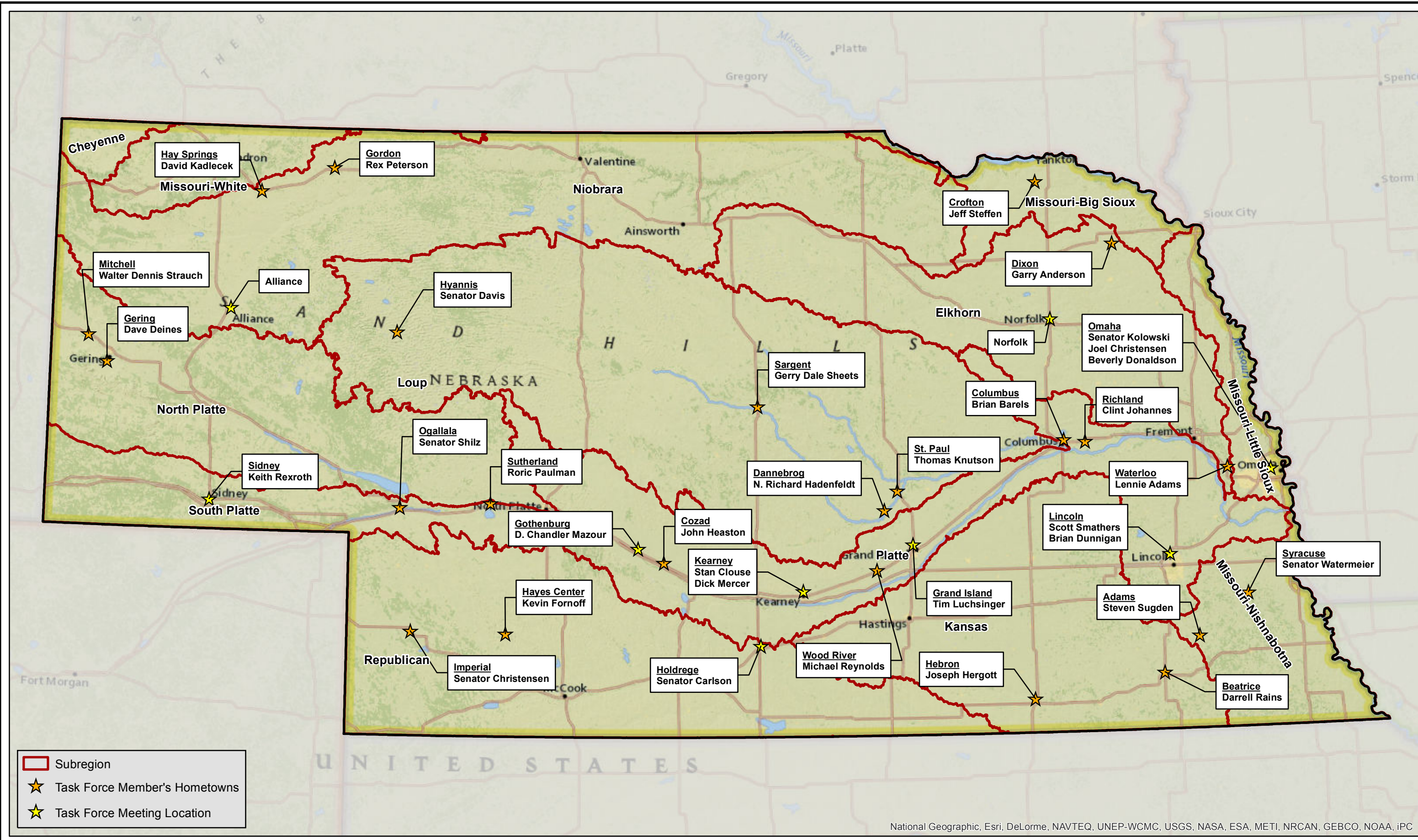
Sec. 6. Since an emergency exists, this act takes effect when passed and approved according to law.

APPENDIX B

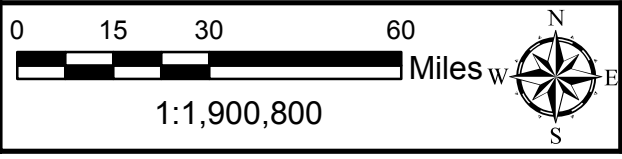
Map of Water Funding Task Force Members and Meeting Locations

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National Geographic, Esri, DeLorme, NAVTEQ, UNEP-WCMC, USGS, NASA, ESA, METI, NRCAN, GEBCO, NOAA, IPC



Water Funding Task Force Members LB 517 - Water Task Force



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APPENDIX C

Comparison between LB517 Criteria and NRDF Criteria

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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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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

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APPENDIX D

Criteria Evaluation Round 2 Results

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Appendix D

Criteria Evaluation Round 2 Results

Project Rankings - Round 2		Low/High		Total Scores			Average Scores			Overall Ranking			Project Type Grouping			
Project Type		Rankings											1		2	
		O		O	A	B	O	A	B	O	A	B				
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 Practices 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
Multit-purpose Reservoir		66	98	577	1076.5	1574	82	154	225	2	4	5	I			N
Multit-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

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APPENDIX E

NRDF and NET Project Scoring Sheets

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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 11 No 0	
2.	Does the project provide and/or preserve the waters of the state for beneficial uses and to what extent?	Yes 2-8 No 0	
3.	Does the project improve conjunctive management of hydrologically connected waters?	Yes 6 No 0	
4.	Does the project address a current statewide need or benefit (e.g. compliance with an interstate compact or agreement)?	Yes 5 No 0	
5.	Is the project multipurpose in nature?	Yes 5 No 0	
6.	Extent to which other non-federal sources of funding are being used	Great 3 Moderate 2 Not at all 0	
7.	Does the project leverage federal funds?	≥ 50% 3 20 - 49% 2 1 - 19 % 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% 3 75 - 94% 2 50 - 74% 1	
9.	Other aspects of the project that warrant NRDF funding <ul style="list-style-type: none"> Extent to which project would conserve land resources Extent to which project would provide public outdoor recreation lands and/or facilities Extent to which the project would preserve and/or develop fish and wildlife resources Extent to which project would result in abatement of pollution Extent to which project would have incidental benefits for which there is no accepted method for monetary quantification Extent to which project would protect and/or improve public lands 	0 - 6 No more than 1 point may be awarded for any individual "other aspect". 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% 11 >50-75% 10 >25-50% 8 >15-25% 6	
2.	Does the project provide and/or preserve the waters of the state for beneficial uses and to what extent?	Yes 2 – 8 No 0	
3.	Does the project improve conjunctive management of hydrologically connected waters?	Yes 6 No 0	
4.	Rate of return calculated for the project	> 6% 6 > 5 – 6% 4 4 – 5% 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 5 No 0	
7.	Is the project multipurpose in nature?	Yes 5 No 0	
8.	% of total project costs requested from NRDF	< 40% 3 40-54% 2 55-70% 1	
9.	Does the project leverage federal funds?	≥ 50% 3 20 – 49% 2 1 – 19 % 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% 3 75 - 94% 2 50 - 74% 1	
11.	Other aspects of the project that warrant NRDF funding <ul style="list-style-type: none"> • Extent to which project would conserve land resources • Extent to which project would provide public outdoor recreation lands and/or facilities • Extent to which the project would preserve and/or develop fish and wildlife resources • Extent to which project would result in abatement of pollution • Extent to which project would have incidental benefits for which there is no accepted method for monetary quantification • Extent to which project would protect and/or improve public lands 	0 – 6 No more than 1 point may be awarded for any individual "other aspect". 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							

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APPENDIX F

Tabulation of Funding by Agency

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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)

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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.

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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 Corrosion 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 Arsenic 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 for 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 & repair 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 Main due to Arsenic, Fluoridation, 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 Mains, 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 Co	200 Treatment to address Nitrate A.O.	51,000
Gretna, City of	4441 Provide Supply to PWS due to Nitrates, Replace, Loop & Transmission Mains	1,680,000
Haigler, Village of	158 POU Treatment to address 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 funded 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 address 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.

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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.

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APPENDIX H

Water Funding Options Table

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Appendix H Water Funding Task Force

Funding Source Discussion – October 31, 2013

Funding Idea	Description	\$ Potential	Issues
Bottle tax	<p>Depends on whether this is a bottle deposit idea or a tax on beverage sales.</p> <p>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.</p> <p>2) A pop tax would eliminate the sales tax exemption for soft drinks or impose an excise tax, and</p> <p>3) Sen. Christensen also considered eliminating the tax exemption for bottled water.¹</p>	<p>1) Bottle bill: states are able to take advantage of unclaimed or unredeemed deposits, which can amount to a few million dollars annually.</p> <p>2) Eliminating the sales tax exemption for pop would bring in several million² and an excise tax even more.</p> <p>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.</p>	<p>*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.</p> <p>*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.</p>
Commodities check off or tax	<p>A tax on the sales of named commodities.</p>	<p>Depends on the rate and bushels sold.</p> <p>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.</p>	<p>*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.</p> <p>*Commodities groups would be opposed to a new checkoff and would argue that checkoff revenue should only be used for promotion and education.</p>

¹Taxing 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.

²http://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.	<p>Ethanol used as a blending component is considered a motor fuel and taxed like gasoline.</p> <p>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.</p> <p>There is no excise tax on ethanol in Nebraska. A few states impose an excise tax on ethanol.</p> <p>In 2009 the legislative fiscal office estimated that revenue would range from \$35 to 46 million annually from a 2-cent excise tax.³</p> <p>Nebraska ethanol plants are producing near capacity (at about 1.9 billion gallons a year). Estimate is that <i>at least</i> 80% of the ethanol produced leaves the state, since around 341 million gallons are used in Nebraska per year.</p>	<p>*NOTE: Cannot take the value of land into consideration, otherwise it's a property tax.</p> <p>*NOTE: need to make sure an excise tax is crafted so it won't interfere with interstate commerce.</p>

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.	<p>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.</p> <p>Receipts annually between 1997 and 2000 were between \$2 and \$2.5 million. The amount collected in 1996 was over \$8 million.</p> <p>The purpose of the checkoff was for the Ethanol Production Incentive Cash Fund (EPIC).</p>	<p>*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.</p> <p>*Any kind of tax or checkoff would be opposed by the agriculture industry.</p>
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.	<p>*Imposing a brand new tax is generally difficult to do as there would have to be enough support to override a Governor's veto.</p> <p>*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.</p>
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	<p>*Would be looked at as imposing a new tax, and would likely generate opposition.</p> <p>*Even so, this new fee would be easy to administer.</p>

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	<p>*A reallocation of sales tax revenue would result in a General Fund loss.</p> <p>*Diversion of a portion of the sales tax would be controversial and have significant opposition.</p> <p>*Would need to consult with the Tax Modernization Committee before moving forward with this idea.</p>
Severance tax	<p>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.</p> <p>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</p> <p>Sand and Gravel</p>	<p>Current tax is 3% of the value of non-stripper oil and natural gas, and 2% of the value of stripper oil severed.⁷</p> <p>In 2012, as of November, nearly \$5 million had been collected on oil and gas.</p> <p>In 2012, the severance tax collected on uranium was \$277,068.</p> <p>The U.S. Energy Information Administration reports that the weighted average price of uranium concentrate was \$49.63 per pound in 2012.⁸</p> <p>Uranium production from the Crow Butte mine is said to be more than 800,000 pounds a year.⁹</p> <p>Quantities not available.</p>	<p>*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</p> <p>*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.</p> <p>Fracking sands were discussed due to potential tie with groundwater issues.</p>

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

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

⁷Stripper 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/>

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

¹⁰See "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)	<p>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.</p> <p>Currently tax is deposited in the Oil and Gas Conservation Fund.</p>	<p>Conservation tax rate is 0.4% (a 2013 change.)</p> <p>In 2012, as of November, just over \$405,000 had been collected.</p>	<p>*That the severance and conservation tax goes primarily to the Permanent School Fund will likely be a problem.</p>
Trash Tax	<p>A tax on the collection or disposal of garbage.</p>	<p>Household fees for garbage collection are exempt from sales tax.</p> <p>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.</p> <p>The legislature's fiscal office reported in a fiscal note in 2011¹¹ that a sales tax on waste hauling and related services would bring in between \$17 and \$18 million.</p>	<p>*There is no uniformity among Nebraska’s cities on trash collection fees, so it could be difficult to assess a tax.</p> <p>*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.</p> <p>*The collection or diversion of a fee collected on garbage for water purposes could be difficult to sell.</p>

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

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Funding Idea	Description	\$ Potential	Issues
Water user tax	<p>Fees based on amount of water used or on water diversions. In agriculture could be based on irrigated acres.</p> <p>There has been talk about paying for what you pump or use, to encourage conservation, using a tiered approach.</p> <p>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</p>		<p>*Not all uses are metered or measured, but there is support for the thought that use can be estimated.</p> <p>*All water uses would need to be metered, and we aren't there yet.</p> <p>*Again, must ensure that all uses are charged to be equitable, otherwise there will be stronger opposition.</p>
Beer Tax	<p>A beer tax would add to the excise tax collected.</p>	<p>Adding a 5 cent per gallon tax on beer would result in \$2.3 million in additional revenue.¹³</p>	<p>*A beer tax increase would be heavily opposed, as Nebraska's tax per gallon is said to be higher than surrounding states.</p> <p>*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.</p>

¹²<http://www.revenue.ne.gov/legal/regs/salestax/1-o66.html>

¹³http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB653_20130301-134516.pdf

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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.	<p>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.)</p> <p>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</p>	<p>*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.</p> <p>*LB 439 failed to advance from the Revenue Committee in 2013. It proposes that revenues go towards health programs.</p> <p>*If it's difficult to justify raising the tax for health programs, it would be even more difficult to justify the tax for water.</p> <p>*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).</p>

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

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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.	<p>Depends on the rate charged and on what value increments.</p> <p>Current rate is \$2.25 per \$1000 value (not changed since 2005.)</p> <p>2009: total collection \$12.97 million; \$10 million to state after counties' fees.</p> <p>2010: total collection \$13.18 million; \$10.256 million to state after counties' fees.</p> <p>2011: total collection \$14.5 million; \$11.28 million to state after counties' fees.</p> <p>In 2012, nearly \$20 million was collected, \$15.5 million to the state after counties' fees.</p>	<p>*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.</p> <p>*Housing advocacy groups are protective of the funds and would fight any changes. It would be difficult to go after these beneficiaries</p>

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Funding Idea	Description	\$ Potential	Issues
Energy Tax ¹⁵	<p>Remove tax exemption on energy used for irrigation.</p> <p>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.</p> <p>Otherwise, state and local option sales taxes apply to all retail sales of electricity.</p>	<p>The utilities do not keep track of how much of the energy they sell is exempt from the sales tax.</p> <p>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.</p> <p>NPPD's irrigation income was \$4,722,265.03 for 2012. \$2,896,248.95 of that income was from tax exempt accounts.</p>	<p>*There are no other mandated charges on the electric bill for things not directly related to providing electricity.</p> <p>*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.</p> <p>*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.</p> <p>*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?).</p> <p>*At least there is a nexus between the tax and its proposed use.</p>

¹⁵Public 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%20Modernization%20Committee.pdf>

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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. 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. *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. 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. The MRNRD had 300,000 irrigated acres and assessed \$8.50 per acre for \$2,550,000. 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. 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. *There is some confusion regarding what exactly an occupation tax is. *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.

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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.	<p>Estimated 8.5 million irrigated acres. A \$1 fee on all irrigated acres would make \$8.5 million.</p> <p>Actual irrigated acre numbers could be sought from the NRDs and the assessors.</p>	<p>*There are already NRDs that impose a levy on irrigated acres.</p> <p>*Need to make sure that surface water irrigators are also paying, otherwise there will be equity arguments.</p>
Wellhead Tax	New fee on all registered wells.	<p>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.</p>	<p>*Which wells are fair to include? What about surface water users? Some believe a flat fee per well would not be equitable.</p> <p>*There are different statuses of wells , i.e. some are inactive.</p> <p>*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.</p>