

# **EXECUTIVE SUMMARY**

## **STRATEGIC PLAN AND RECOMMENDATIONS REPORT**

**PREPARED BY THE:**

**NEBRASKA WATER FUNDING TASK FORCE**

**PREPARED FOR THE:**

**NEBRASKA STATE LEGISLATURE  
IN ACCORDANCE WITH 2013 LEGISLATIVE BILL 517**

**DECEMBER 20, 2013**

**FACILITATION AND CONSULTATION PROVIDED BY:**

**OLSSON ASSOCIATES  
1111 Lincoln Mall, Suite 111  
Lincoln, NE 68508**

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

## **EXECUTIVE SUMMARY**

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

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

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

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

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

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<sup>1</sup> 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.

<sup>2</sup> 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**

<b>Name</b>	<b>Representing</b>	<b>Position</b>
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.**

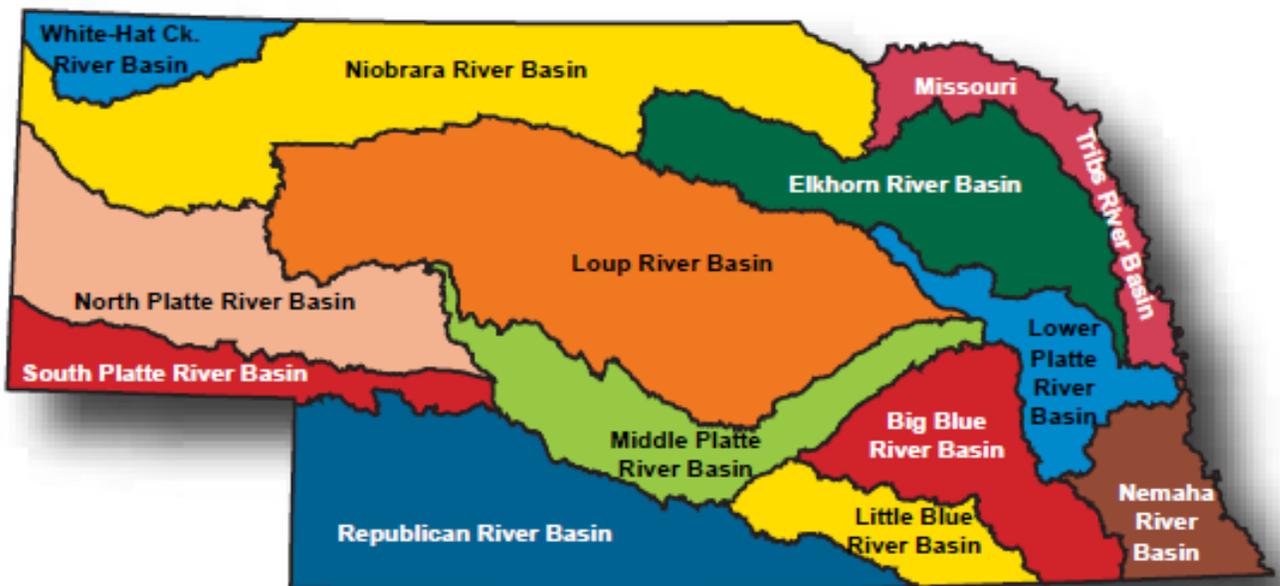
- ✓ The Task Force recommends that the permanent governing board structure and membership be as follows:
  - The board structure shall include 13 elected and 14 appointed members.
  - The membership shall include 13 elected members that represent the 13 watersheds currently defined by the Nebraska Department 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 <sup>st</sup> 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**

<b>High Priority</b>
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"> <li>• Remediating or mitigating threats to drinking water</li> <li>• Meeting the goals and objectives of an approved IMP or GWMP</li> </ul>
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"> <li>• Increasing aquifer recharge</li> <li>• Reducing aquifer depletion</li> <li>• Increasing stream flow</li> </ul>
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
<b>Medium Priority</b>
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.



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

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

*Nebraska Legislative Bill (LB) 517*

The entire Strategic Plan and Recommendations report is available for download on the Nebraska Department of Natural Resources website:

[www.dnr.ne.gov/LB517](http://www.dnr.ne.gov/LB517)

