

State of Nebraska Water Management and Funding Needs Assessment and Report

Draft White Paper—January 4, 2007

The State of Nebraska is currently facing increasing pressure to address water quantity needs as a result of state statutes, interstate compacts and agreements, continuing drought and other factors. The Governor, Legislature, DNR and NRDs have difficult choices in terms of how to address these issues and how to fund necessary actions. The Water Policy Task Force recommends that the State engage in a Water Management and Funding Needs Assessment (WMFNA) to gather information across the State concerning the current state of the system and expected needs to meet statutory requirements, compacts and agreements and local water supply needs. The process is designed to build an understanding of water management alternatives in each basin while allowing for a well informed discussion about funding strategies to meet the identified needs.

WMFNA Overview

1. Beginning in 2007, a systematic assessment of water management issues, alternative solutions and funding needs related to water quantity will be conducted within each river basin (basin, sub-basin and NRD level).
2. The overall goals of the assessment process will be to build an understanding of the water supply issues and management alternatives in each basin, the associated costs, anticipated benefits, and identify funding needs.
3. The assessment would be conducted in phases. In 2007, initial assessments of the Platte River upstream of Chapman and of the Republican River basin will be conducted and a report for these two basins presented to the Governor and Legislature before the 2008 legislative session.
4. In 2008, assessments of the remaining basins will be conducted and the finalized statewide report presented before the 2009 session.
5. The WMFNA would produce basin based reports, compiled at the state level, presented to the Governor and Legislature, that would in each basin: identify water management issues; outline ongoing water management and data/science-related activities; inventory potential management and data/science-related activities in each basin; identify costs associated with the alternative management and data/science-related activities; develop 2-year and 10-year prioritized inventory of activities within each basin along with funding needs; and make recommendations of water management and funding priorities on a statewide basis.
6. Prioritization of management activities and funding needs at the state level would involve executive and legislative leadership.
7. After the 2007 and 2008 reports are presented to the Governor and Legislature, progress updates of the report would be provided every 2 years to correspond with the state's 2-year budget cycle. The statewide assessment and report would be repeated at least once every 10 years but procedures would be established to repeat the process more often if needed.
8. To complete the assessments in a timely manner, it is anticipated that a consultant(s) under the direction of DNR will gather information and develop reports both at the basin and statewide levels. Consultants should have expertise in water supply planning, economic and cost/benefit analysis, and facilitation.
9. The WMFNA will gather information and compile it in a systematic and standard way. While an assessment will be performed in each basin, the assessment

process, terminology and framework would be standardized across the state to facilitate understanding and discussion.

WMFNA Process

I. Phase I (June – September, 2007)

Phase I will include the following general tasks:

1. Project Initiation
2. Initial Basin Assessments – Platte River Above Chapman
-- Republican River basin

1.0 Project Initiation (June, 2007)

DNR will develop a draft request-for-proposals (RFP) for a consultant consistent with this document. For the purposes of the WMFNA, the consultant will be a technical team organized to conduct the WMFNA with expertise in water supply planning and economic and cost/benefit analysis. DNR will consult with NRDs in developing the draft RFP. The draft RFP will be submitted to the Water Policy Task Force for comment. After receiving comments, DNR will finalize and issue the RFP, select a consultant and enter into a contractual agreement with the consultant.

A meeting with the consultant, DNR and NRDs will be held to review consultant designated tasks, discuss future deliverables and target dates, and outline how interaction between participants will occur over the project period. Consultants will provide DNR with periodic progress updates which will be shared with executive and legislative leadership and the Water Policy Task Force.

2.0 Initial Basin Assessments – Platte River Above Chapman/Republican River Basin (July-Nov, 2007)

The WMFNA will initially focus on the Platte River basin above Chapman and the Republican River basin. These basins are further along in the IMP process and given the pressing needs that exist within these basins, they are good areas to concentrate initial efforts. While this effort will be conducted on a basin-wide level, activities will be identified by NRD to enable evaluation on an NRD level as well. The WMFNA is not meant to replace or in any way disturb the IMP process in each basin. Rather it is meant to compile information from the IMP process.

It is understood the NRDs in the Republican River basin and DNR are engaged in discussions to identify actions to address issues in the Republican basin. These discussions will likely involve a timetable different than the one specified below, likely engage different consultants to analyze various actions for that basin, and involve different steps than those outlined below. It is not the intent of WMFNA to delay or disrupt these discussions. Rather the information generated in the NRD/DNR discussions in the Republican River basin will form the basis of the Republican River basin component of the WMFNA, and if further analysis is warranted through the WMFNA, the consultant for the WMFNA will work closely with the DNR and the Republican River NRDs. It would still be the intent of the WMFNA to present a single report to the Governor/Legislature in the fall of 2007 containing water management and funding recommendations for the Republican and Platte river basins.

1. **Basin water issues identification.** Consultant will develop a standard list of questions to submit to NRDs, DNR, irrigation districts and other stakeholders to identify current water issues within the Platte River basin above Chapman and the Republican River basin. Issues will include commitments required as part of the Platte Program's first increment, requirements to comply with the Republican River compact, as well as issues identified through NRD-level and basin-wide Integrated Management Plan (IMP) processes under LB 962. Consultant will compile responses.

2. **Inventory management activities¹ and data/science needs.** NRDs, DNR, irrigation districts, and other stakeholders will provide consultant a list of ongoing and potential management activities and data/science needs to address issues identified in 2.1. Consultant will provide entities with a list of the information needed for each management activity or data/science need in order to assess funding needs. Consultant will develop a preliminary inventory of management activities and data/science needs, costs and funding alternatives. For each ongoing or potential management activity and data/science need, the actions will be defined and the associated costs (including implementation costs), benefits, and potential impacts of a water management activity on water quality, and beneficiaries will be described and (where possible) estimated. Uncertainty regarding key estimates will be identified, along with an indication of the level of agreement about those estimates among relevant stakeholder groups. Quantitative information will be used whenever available, with qualitative information used to complete the analyses. If information on management activities and science needs is available as a result of IMP efforts, this information will be used. Anticipated management activity time periods will be noted, both in terms of the estimated time prior to implementation and the projected implementation duration. Consultants will consult with NRDs, DNR, irrigation districts, and other stakeholders as needed to compile relevant information.
3. **Inventory and issue refinement.** The consultant will develop a preliminary listing of issues, inventory management activities and data/science needs, and identify costs and funding alternatives. The preliminary draft will be shared with agencies and stakeholders involved in 2.1 and 2.2 for comment. The consultants will conduct meetings with the agencies and stakeholders to refine the list and properly categorize individual management activities if needed. During this step, potential management activities will be prioritized into short-term (2-year) and long-term (10-year) time horizons based on input and comments received. The advantages and disadvantages of using various finance mechanisms (bonds, tax credits, local property taxes, etc.) will be considered and the ability-to-pay for prospective funding participants, including local NRDs, will be examined. Basic information on potential beneficiaries may also be developed, but no formal cost allocation will be attempted.
1. **Initial Basin Reports.** The consultants will use the refined inventories to prepare reports outlining the results of the initial evaluations for the Platte River basin above Chapman and the Republican River basin. The reports will include identified issues; ongoing and potential management and data/science activities; costs, benefits, and potential beneficiaries for those actions; and advantages and disadvantages of finance mechanisms to recover costs associated with individual actions or groups of actions. Potential management activities and data/science needs will be prioritized into 2-year and 10-year time horizons. More detailed inventories will be available in an appendix, but the main summary will be in a format structured for the general public, stakeholders, and legislators. Information will be presented on a basin-level, as well as an NRD-level. Where opportunities exist for interbasin or inter-NRD activities, and where members of the basins and/or NRDs have expressed an interest in these activities, the reports will identify and describe these possibilities. The Republican Basin report will be completed by July 2007; the Platte Basin report by September 2007. The basin reports will be combined into one report and presented to DNR in September 2007. Consultant should be prepared to present findings at public meetings as requested.
2. **DNR Submits Report to the Water Policy Task Force for Review and Recommendations**

¹ Might include additions to water supply, reservoirs, water use efficiencies, allocations, acreage reductions, evaporation management, evapotranspiration management among other things.

3. **Identify Priorities and Make Recommendations to Governor/Legislature. (Nov. 2007)** DNR will forward the report and the recommendations of the WPTF to a 5-member committee responsible for making recommendations to the Legislature on funding potential management activities and data/science needs based on the report. The committee will consist of:

Governor (or his/her designee)
Chairs of the Natural Resources and Appropriations Committee
Director of DNR
Representative of the NRDs.

Opportunity for public to comment on report and priorities should be provided.

4. **Governor/Legislature Act on Recommendations.** Governor and Legislature decide the amounts and types of funding to provide DNR, NRDs and/or other agencies to address the issues identified in the report.

II. Phase II (October 2007 – October 2008): Other Basins

Phase II will include the following general tasks:

1. Basin Assessments for Remainder of State
2. Historical Funding Review

3.0 Basin Assessments (October 2007—October 2008)

Using the same overall approach as the initial assessments outlined above, the consultant will develop reports for each basin across the state. The basin reports will then be combined into a statewide report containing identified issues; ongoing and potential management and data/science activities; costs, benefits, and potential beneficiaries for those actions; and advantages and disadvantages of finance mechanisms to recover costs associated with individual actions or groups of actions. Potential management activities and data/science needs will be prioritized into 2-year and 10-year time horizons. The report will also include any revisions needed to the initial reports developed for the Platte River and Republican River basins due to changing conditions or circumstances in those basins or additional information learned. The report will also include an historical funding review performed by DNR. Consultants will use the experience gained from the initial assessments in 2007 to improve the efficiency and productivity of the subsequent basin inventory efforts. The statewide report will be provided to DNR and recommendations made to the Legislature and Governor in October 2008.

The basins identified for this effort are listed below:

- Platte Between Chapman and Columbus
- Platte Downstream of Columbus
- Niobrara
- White-Hat
- Loup
- Little Blue
- Big Blue
- Nemaha
- Elkhorn
- Missouri Tributaries

4.0 Historical Funding Review (May-June 2008)

DNR will conduct a review of historical funding for water-quantity projects and integrated management. While not comprehensive, this review will include an overview of major state funds, such as the Nebraska Resources Development Fund (NRDF) and the Interrelated Water Management Plan Program Fund, with analysis of past expenditures, associated activities and project eligibility criteria. A summary of past expenditures by DNR and the NRDs (possibly with

additional state agencies) will be included in the statewide report.

4.1 State fund analysis. Several state funds currently exist for funding water quantity and integrated management efforts, many under the oversight of DNR. Some of these funds have not been active recently, and a few appear to have similar funding objectives. As part of the historical review for activities over the last decade (since 1997), a list would be developed of current state funds, focusing on those funds under the direction of DNR, and a summary provided of historical fund revenues and expenses, along with a discussion on the role of the fund and the types of projects that may be eligible.

4.2 State agency funding analysis. Another part of the historical analysis would include considering past levels of funding provided by DNR, the NRDs, and possibly additional state agencies. Information obtained on appropriations and outlays by the agencies would be summarized and included in the historical funding report. In addition, existing cost share arrangements, whether in statute or by other arrangement, will be identified.

III. Phase III (2009 & beyond)

Consultants will develop a framework and/or procedures for DNR/NRDs to update and compile progress reports on progress made with funding provided. Update would also note any new issues or changes since the last reports developed. Reports would be compiled by DNR into a statewide progress report every 2 years. Funding should be flexible to recognize changes in legislative authorities or new issues/concepts that might arise.

Complete statewide assessment and report process would be repeated at least once every ten years using the same process established in the development of the initial reports. Each basin would report on progress made, updating needs, adjusting plans, etc. Consultants would not be involved in subsequent assessments, rather consultants would provide framework for subsequent years so DNR can take lead in the process.

Statewide assessment process could be initiated more often than once in ten years if the committee organized to develop the final state report determines a need exists for assessments and a statewide report. NRDs/DNR could also request the group to initiate subsequent assessments.