

# Water Funding Task Force Meeting

## December 5, 2013 | Ramada Inn, Kearney, Nebraska

### CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:00 a.m. at the Ramada Inn, 301 2<sup>nd</sup> Street, Kearney, NE. Roll call was taken.

### Task Force members in attendance were:

#### ***Voting Members:***

Clint Johannes, **Chairman**, *NRC*  
Garry Anderson, *NRC*  
Joel Christensen, *MUD*  
Kevin Fornoff, *NRC*  
Richard Hadenfeldt, *NRC*  
Thomas Knutson, *NRC*  
Dick Mercer, *NRC*  
Darrell Rains, *NRC*  
Gerry Dale Sheets, *Public Power & Irrigation Districts*  
Jeff Steffen, *NRC*  
Steven Sugden, *NRC*  
Joseph Hergott, *NRC*

Roric Paulman, **Co-Chairman**, *Agriculture*  
Brian Barels, *Public Power*  
Stan Clouse, *NRC*  
Lennie Adams, *Manufacturing*  
John Heaston, *Wildlife Conservation*  
David Kadlecek, *NRC*  
Tim Luchsinger, *Municipalities*  
Rex Peterson, *Livestock Producers*  
Michael Reynolds, *NRC*  
Dennis Strauch, *Irrigation Districts*  
Keith Rexroth, *NRC*

#### ***Non-Voting Members:***

Senator Tom Carlson  
Senator Al Davis  
Senator Dan Watermeier  
Senator Mark Christensen

Senator Ken Schilz  
Senator Rick Kolowski  
Brian Dunnigan

The following members were absent: Dave Deines, Beverly Donaldson, Chandler Mazour, and Scott Smathers.

### NOTICE OF THE MEETING

Notice of the meeting was published on the Department of Natural Resources web site ([www.dnr.ne.gov/lb517](http://www.dnr.ne.gov/lb517)).

### INFORMATIONAL MATERIALS

The following informational materials were distributed for the Thursday, December 5th session:

- Agenda
- Draft minutes for November 14 meeting.
- Project Ranking Handout
- Legislative Bill
- Standards of Evaluation
- Public Comment Handouts from Loran Schmit, Rodney Gangwish, Dwayne Braun, and Steve Dewald.

### WELCOME AND INTRODUCTION

Clint Johannes stated that notice of the meeting was published on the Department of Natural Resources web site ([www.dnr.ne.gov/lb517](http://www.dnr.ne.gov/lb517)). A copy of Nebraska's public meeting statutes was available in the room.

Mr. Johannes requested that anyone wishing to provide public comment at today's meeting please sign the "Speaker" sign-in sheet at the sign-in table.

## **MEETING MINUTES**

The minutes of the November 14, 2013 meeting were presented.

Tom Knutson commented regarding “rule making or procedural decision of the new Commission would take 75% approval of those in attendance to be enacted” should read “any decision of the new Commission would take 75% approval of those in attendance to be enacted”.

Keith Rexroth moved and Kevin Fornoff seconded the motion to approve the November 14, 2013 Task Force meeting minutes as amended above. The motion passed unanimously by roll call vote.

## **TASK FORCE WORKING SESSION: Criteria Weighting**

**Karen Griffin, Project Manager with Olsson Associates**, presented information on alternative methods of weighting the criteria. Discussion followed.

### **Break**

**The Task Force reached consensus** on the following:

- Revisions to the criteria to emphasize sustainability
- The approach to criteria weighting
- Additions to the project criteria scoring on geographic distribution points insuring that funded projects represent all areas of the state over time

## **TASK FORCE WORKING SESSION: Draft Report Review**

**Karen Griffin, Project Manager with Olsson Associates**, led a discussion on comments related to the draft report. Discussion followed.

**The Task Force reached consensus** on the following:

- There will be no change to the existing process of NRC elections
- That any decision of the new Commission would take 75% approval of those in attendance to be enacted.

## **PUBLIC COMMENT (see attached written comments)**

- Steve Dewald, *ANEEP/ADM*
- Dwayne Braun, *Ethanol Producers*
- Rod Gagwish, *Farmer, Investor in Ethanol Plant*
- Loran Schmit, *Association of Ethanol Producers*

### **Lunch**

**The Task Force continued discussion and reached consensus** on the following:

- The addition of sales tax on soft drinks to the potential funding sources
- The need to include further public education as part of the program
- The Task Force concurred on moving forward with the recommendations report as reviewed and revised

## **PUBLIC COMMENT**

There was no public comment in the afternoon session, although a letter was read into the record by Joe Hergott from a constituent, a grocer in his community.

Individuals from the community present during the meeting included:

- Mike Delka, *Bostwick Irrigation District*
- Jeff Buettner, *CNPPID*
- Rachael Herpel, *University of Nebraska*
- Dustin Wilcox, *NARD*
- Dean Edson, *NARD*
- Dennis Schueth, *UENRD*
- Thomas Riley, *Upper Elkhorn NRD*
- Rod Gangwish, *Rod Gangwish Farms*
- Loran Schmit, *Association of NE Ethanol Producers*
- John Thorburn, *Tri-Basin NRD*
- Jay Rempe, *Farm Bureau*
- Kent Miller, *Twin Platt NRD*
- Don Wesely, *NE Beverage Association*
- Terry Julesgard
- Mel Brozel, *Irrigation Districts*
- Greg Wingfield, *Audubon*
- Russell Callen, *LLNRD*
- Lori Potter, *Kearney Hub*
- Mike Clements, *LRNRD*
- Clifford Mepuwsen, *Nebraska Corn Processing*
- Ralph Scott, *Trenton Agricultural Products*
- Dwayne Braun, *ANEEP/GPRE*
- Jim Bendfeldt, *CPNRD*
- Ray Wenz, *Tri-Basin NRD*
- Pat O'Brien, *UNWRRD*
- Steve Dewald, *ANEEP/ADM*
- Mick Mines, *Mines Government Relations*
- Carl Wolfe, *Citizen*
- RaeEllen Syverson, *Citizen*

**Meeting adjourned at 3:00 PM**

**Attached are written public comments presented at the December 5, 2013 and previous meetings.**

Joseph Hergott  
324 N 13<sup>th</sup> St.  
Hebron, Ne. 68370

Joe,

As we talked yesterday, currently, grocery stores apply for approval from USDA to accept SNAP (formerly food stamp) payments. Guidelines are established by USDA. Grocers are not allowed to tax any food products purchased by SNAP recipients. As a result, water would be taxed, or not taxed, based on the type of transaction. This change would require new programming of software in each grocery store. In addition, the label of each type of "water" would have to be read, and that specific item coded as "water" in the system. As the products are reformulated, the grocer would be required to "catch" any changes and identify the "water" as taxable or not taxable. At this time I do not believe there is such a program available to identify products that have been reformulated. New product introductions would also have to be reviewed as the new products come into the store. Failure to tax items properly would result in fines and penalties from the Dept. of Revenue if errors are made. In addition, if a store taxes a SNAP purchase, the store runs the risk of losing its license to accept SNAP payments.

In a small community where stores that do not currently scan, the cash register may have two sub-departments or categories. At the end of the business day – the system will provide information on the total sales of taxable and non-taxable items. There really is no way to determine how much of the total sales is water, tomato soup, or rump roast.

Regarding the Bottle Deposit Tax that has been discussed, the Litter Reduction and Recycling Grant Program that is run through DEQ provides funds to support programs to reduce litter, provide education, and promote recycling in Nebraska. Approximately \$1.5 million is available annually through this fund.

The Litter Reduction and Recycling Grant Program has been in existence since 1979. Its purpose is to provide funds to support programs to reduce litter, provide education, and promote recycling in Nebraska. Grants may be awarded to both public and private entities. Funds from this program are provided from an annual fee assessed to companies who contribute to litter like myself. Establishing a "Bottle Deposit" would require the return of the "Deposit" to consumers when they return the container. Nebraska does not have a recycling center in every community. Setting up recycling centers across the State would be very expensive. The duty of accepting returned bottles and both collecting the bottle deposit and paying it back to the consumer would fall to existing retailers in the community. Grocery stores, I feel do not want to collect, remit, or pay the deposit and we certainly are not interested in accepting filthy, contaminated return bottles in our sanitary stores.

I believe you would not want to store bottles that have bugs, tobacco spit, and a host of other things, in your garage, for storage, or next to your kitchen at home. But this is what you will be asking myself and others to do, if you pass this suggestion on.

So in conclusion, I hope you would take a closer look at what you are asking Grocery Stores and a host of others to do and the task involved, in this "Bottle Deposit Tax" and pull the plug on this idea, although it sounds simple. This is a goliath task to perform and govern. And, I for one, do not want to see this become a Law in the great state of Nebraska.



Steven Anderson  
Hebron Central Market Inc.  
Hebron Nebraska

**Testimony before the Water Funding Task Force at Kearney, NE, on December 5, 2013**

**Senator Tom Carlson, Chairman and Members of the Water Funding Task Force, my name is Loran Schmit testifying here today on behalf of the Association of Nebraska Ethanol Producers. We appreciate very much the work of the Committee these past months.**

**The Committee has identified many projects which, if funded, will require fifty million dollars of additional annual revenue. That is an especially sobering number when we concede that the Nebraska Legislature must meet many financial responsibilities in a state which is already considered to be a high tax state. The Committee has correctly recognized the responsibility of state government to provide twenty million dollars of funding by a diversion of revenue from the state Sales Taxes.**

**The Committee then identifies five new sources of revenue. We have reviewed those sources of revenue and we do not find any specific reason why those five sources should be identified as contributors to the Water Development Fund rather than dozens of other businesses, industries, or services that could also logically be taxed. This is not to suggest that any of those other entities should be taxed. I will address specifically the suggestion that the Legislature should levy an Excise Tax of one-quarter cent per gallon of ethanol produced in the state. I can understand the reasoning that reaches the conclusion, who can object to such a small tax? My answer to that is: Why Ethanol? Many of the Members of this Committee are familiar with the history of the Ethanol Industry. The Nebraska Legislature in 1971 took the first step in the development of the Nebraska Ethanol Industry.**

**Succeeding Legislatures enacted additional legislation to encourage expansion of existing businesses and to bring new businesses to the state. Ethanol is one of those new businesses which represents more than a five billion dollar investment in the state, an investment which was also encouraged by the premise, if not the promise, of a stable Tax Policy. Any new tax however small must be viewed as a negative factor in the development of the Ethanol Industry. The Ethanol Industry has been blamed and may take the credit for the dramatic improvement in the price of commodities in this state and nation. The improved price of commodities has enabled Nebraska to virtually bypass the devastating effects of the economic recession that has prevailed in most of the non-agricultural areas in the country. The State of Nebraska has already collected tens of millions of dollars of tax revenue as a result of improved commodity prices created in part by the need for corn for ethanol production.**

**It is in the interest of all Nebraskans to properly utilize, maintain, and protect the quality and quantity of the state's water. We are not going to run out of water in the state. This does not mean that we will not experience local shortages. A problem**

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which is now and will be addressed by the Natural Resource Districts. More than ninety million acre feet of water fall on this state annually during an average year. Experts tell us that approximately two million acre feet flow into the state annually and that eight to ten million acre feet leave the state each year. That means that the majority of the water that falls on the state is utilized within the state for public use, crop and livestock production. Much of the water that falls on the state, eventually recharges our abundant underground water supply.

This Committee is called "The Water Funding Task Force" which means to me that the principal focus of the Committee should be to protect the quality and quantity of Nebraska's water. The Natural Resource Districts have functioned well to carry out that responsibility. The Districts have also encouraged the construction of terraces, the use of minimum tillage, and the construction of dams to retain water within the state and to protect lives and property. If the Property Tax Resources within the Districts are not sufficient to carry out those responsibilities, then the Association of Nebraska Ethanol Producers believes it is the responsibility of all Nebraskans to share those costs. We believe the Water Development Fund should be financed from the General Fund of the State of Nebraska.

Thank you for allowing me to testify and I would be glad to answer any questions.

**Testimony of  
Steve Dewald, Archer Daniels Midland Company  
Before the Nebraska Water Funding Task Force  
December 5, 2013**

Thank you for allowing me to speak to you on these important issues.

Columbus is home to ADM's second largest ethanol complex. We source the majority of our corn from a 100-mile radius, helping many Nebraska farmers grow and succeed. When the nation's economy was going through a recession, ADM was here, investing in a new dry mill with a capacity of 300 million gallons per year.

As all businesses do, we must look at the present, and to the future. ADM looks for the greatest return on investment with the assets we are currently operating, as well as where to invest for future growth. As the Renewable Fuels Standard comes under pressure in Washington, and many ethanol facilities determine their production volumes, we must also consider our options.

A tax on ethanol here in Nebraska would certainly factor into our decision as we consider production levels going forward. Some may argue that this tax would be passed on to purchasers in other states with no impact to Nebraska. But the ethanol market doesn't work like that. Ethanol is a commodity, one in which price is the driver in sales. We are competing with ethanol produced in Iowa and Minnesota—states that do not have taxes on their ethanol.

Thus this proposed tax would be a cost that cannot be passed downstream. We cannot add on a quarter of a penny to each gallon we sell, so in the end ADM would need to absorb that tax. For our Columbus dry mill alone, this could equate to \$750,000 every year. In times of low ethanol demand, ADM may decide to reduce production rates, and this additional manufacturing cost may be the difference in slowing the Columbus facility rather than one in another state. That would impact many people in Nebraska: employees and contractors, truckers, and farmers.

We would also, of course, need to take such a tax into consideration the next time we look at increasing our domestic ethanol capacity. To maximize return on investment, the cost of production would need to be analyzed, and a tax in Nebraska that other states do not impose could be a key driver in our decision. The Columbus dry mill has a sister plant in Cedar Rapids, Iowa. They're essentially the same—but production costs won't be the same if this tax is imposed here in Nebraska.

I am not sure of the reasons behind considering a tax on the ethanol industry, but if it is due to the misconceptions of water use, please consider that water is required to produce most of the energy we consume. Water required to produce a gallon of gasoline varies, but it can go as high as 8 gallons of water for one gallon of gasoline from crude produced from by the fracking process; even light crude

requires 2.5 gallons of water for a gallon of gas. The typical dry mill ethanol bio-refinery uses 2.7 gallons of water per gallon of production, which is 47 percent less than in 2001.<sup>1</sup>

One final point, to those who may say ‘but this is only a quarter of a penny.’ Ethanol margins, as you may know, are extremely volatile. In fact, they fluctuate daily. In 2012, the industry operated with negative ethanol margins. For the first eight months of this year, industry margins ranged from 0 to 10 cents per gallon. So on a good day earlier this year, this proposal would have represented a 2.5 percent tax. And on a bad day, it might have represented a tax of 25 percent ... 50 percent ... or more.

ADM believes Nebraska is a great state for business and a great state for agriculture. A tax on ethanol would run contrary to those beliefs ... and would make the state less competitive going forward.

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<sup>1</sup> Source: “Detailed Report: 2008 National Dry Mill Corn Ethanol Survey,” Dr. Steffen Mueller, University of Illinois-Chicago, May 4, 2010.

TESTIMONY  
RODNEY K. GANGWISH  
WATER TASK FORCE HEARING  
DECEMBER 5, 2013  
RAMADA INN, KEARNEY, NE

My name is Rod Gangwish. I am a farmer from Shelton, and an Investor in the KAAPA Ethanol Plant at Minden, NE. We have just celebrated the Tenth Anniversary of the operation of our plant. The Ethanol Industry has been a major contributor to the improved economy of the State of Nebraska. The State of Nebraska has collected many millions of dollars of Sales and Income Taxes as a result of the investment made by the Ethanol Industry. The Ethanol Industry is a new and developing industry and as such we have experienced not only profitable margins but also negative margins during our development. Any new unexpected tax becomes a factor in determining our success. As a lifelong farmer, I appreciate the work of the Natural Resource Districts and I recognize the contribution of the Nebraska Water Development Fund to the successful work of the Nebraska Natural Resource Districts.

I agree with the Committee's decision to fund a large portion of the Water Development Fund from the Sales Taxes paid by all Nebraskans. I do not agree with the decision of the Committee to choose five additional sources of revenue to supplement the Water Development Fund which have no common responsibility to contribute to the Water Development Fund. I do not understand why the Committee has chosen ethanol as the only manufacturing entity in the state to be taxed for a contribution to the Water Development Fund.

The Natural Resource Districts have a basic funding source with the local Property Tax which should fund projects of the local interests and local benefits. If the Natural Resource Districts must spend money which benefits the entire State, then that revenue I believe should come from the General Fund of the State of Nebraska, which would include not only Sales Taxes but also State Income Taxes.

The Legislature has chosen to mandate new responsibilities to the Natural Resource Districts since their inception forty years ago. Since those added responsibilities were determined by the Legislature, I believe that if the Natural Resource Districts find it necessary to accept those responsibilities and those responsibilities are beyond the funding capacity of the Property Tax, that the state should provide the funding.

I appreciate this opportunity to testify and I am willing to answer any questions.

Thank you.

Good morning members of the Water Funding Task Force, thank you chairman Carlson for the opportunity to share my testimony today.

My name is Dwayne Braun, I grew up on a family farm near Hampton NE, and I spent more than 15 years actively engaged in farming and livestock production. I started a career in ethanol production in 1995, 18 years ago. I am also very proud of my participation in the Nebraska LEAD program class 26. The reason I mention these things are simply I understand, appreciate and applaud efforts as we manage one of our greatest resources in Nebraska – our water.

Although I am not at full understanding of the uses intended for the \$50M fund, I would like to address the importance to me of where the funds are derived from. I believe the Natural Resource District across the state have all collected data and information in their district making them the best subject matter experts in their local areas. A good example is the Upper Big Blue NRD and the Pioneer Trails project northeast of Aurora, originally built in 1986 for flood control and recharge purpose recently evolved with improved farming practices and addition of center pivots it left the lake with very little water, this past summer the bottom was sealed and is being filled with a new well to meet a new need recreation. I believe the local NRD's are best suited and the most informed to make decisions as they apply to the taxpayers of their respective district. The current property tax structure has worked well to serve the needs of those NRD's. If additional funds are needed it would only make sense collect additional taxes from the district which benefits from the use of those projects. Improved farming practices and technology reduces runoff, new hybrids require less water to produce more, it is imperative we understand the needs for and benefits of the proposed projects.

Placing a \$0.0025 tax on ethanol places an unfair burden on an industry that has contributed significantly to the economy of Nebraska over the last 15 years. Frankly I am unclear how the correlation was made between the ethanol industry and the need to be singled out for supporting the \$50M fund. If the perception is that ethanol plant use a large amount of water let me put it in perspective, a typical 100 M /gal/year plant will use water at the same rate a one center pivot used in agriculture irrigation. Our ethanol industry has migrated from its infancy away from subsidies and inefficiencies to an industry competing in the free market despite the constant negative attacks from big oil and other organizations. Ethanol has grown to a point where new technologies will continue development creating additional new jobs and markets etc. We have worked with government regulatory agencies, legislatures and others to identify and resolve the unknowns evolving into a credible industry. I would first ask the question what is the right amount of funds needed, are the projects requiring these funds clearly defined? Once we clearly know the need we ask everyone to contribute a small share.

I thank you for your time and would be glad to answer any questions

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2013 Dec. 04

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**Re: Public Comments:  
Waster Funding Task Force Meeting  
(14<sup>th</sup> November 2013)**

Isn't asking members on the Water Funding Task Force (WFTF) to decide whether they and the Task Force format are the most appropriate bureaucratic mechanism for evaluating and managing Task Force projects and funding proposals analogous to asking a prospective groom whether his wife-to-be is beautiful, or, as another astute observer noted, asking Charlie Manson whether he deserves parole? What other answer should be expected other than "yes, we are the one and only one"? Personal pride and ego are inherently difficult barriers to overcome.

Furthermore, I do not recall nor am I aware of any time during the proceedings of the WFTF wherein the professional and technical qualifications for anyone being appointed to any governing water conservation and management committee were discussed. The unspoken assumption is that knowing how to pump and use water provides sufficient qualifications for being an acknowledged authority on any water management committee, irregardless that the underlying purpose of the committee is to develop management plans and projects for pumping and using water in a long-term sustainable manner and restoring the integral quality and integrity of the free-flowing streams and subsurface aquifers. Pumping and use is what needs to be controlled to affect recharging and prevent further overdrawing of the subsurface ground waters and bring life back to the surface water springs and flows. To date, the emphasis has been primarily on water extraction rather than replenishing the water that has been extracted. Expertise on one does not imply expertise on the other, just like knowing how to spend money does not imply knowing how to save money.

Missing in this whole exercise are the professional and technical explanations for how to most effectively and efficiently preserve, protect, conserve and restore the integrity of the subsurface and surface water resources in terms of both quality and quantity. Perhaps, the best rule, as in medical practice, is to "first, do no harm", i.e. first, do not

act to aggravate problem or make the problem worse. First “stop the bleeding” and, “once the ‘bleeding’ has been staunched”, then ask now how to best correct the problems that have been created? The question was recently presented to a University of Nebraska-Lincoln water research staff scientist, who replied that unfortunately the research necessary for engineering solutions for uniformly improving the restoration of subsurface aquifers has not been a high priority. I do not believe the issue was ever discussed in the proceedings of the Water Funding Task Force committee; and, scientific research and development are conspicuously absent in the composition of the proposed water funding administrative authority.

Again, as repeatedly explained in the past, neither I, or anyone else, should be prepared to pay one extra cent in property taxes, have property tax mil levies increased or directly or indirectly pay any extra costs to fund sustainable water conservation and management projects or the Natural Resources District’s proposals for sustainable water development projects until a greater proportion, if not the majority, of the extra property tax moneys that are already being paid and generated as direct result of property being assessed as irrigated as opposed to dry land being sequestered for projects that can most objectively fulfill unambiguous criteria and pass the test for preserving and/or improving the quantity and quality of surface water flows and sub-surface water aquifers. Irrigation is already using over 90 % of the water in the State, and, in the process, annually adding ~ \$ 200 M to property tax revenues as opposed to the same land being assessed as dry land. Not using a substantial proportion of that money to ensure sustainable water supplies, in terms of both quantity and quality, in perpetuity, and, in the process, sustain irrigation in perpetuity, is both irrational and unpardonable. Requiring 25-33 % (~ \$ 50 - \$ 67 M) of these ~ \$ 200 M to be specifically used for developing sustainable water conservation and management projects should not be seen as too unreasonable to ask.

Finally, those who are being most expected to provide most of the funds for any water conservation and management agency should be entitled to having a “chair at the table” in governing the administration and management of those funds. Those who tasked with paying the bills should have a right in deciding how their moneys are being used. If sand and gravel, and, ethanol production are being expected to help pay the bill, then sand and gravel and ethanol have purchased a “chair at the table”. If irrigation and irrigation agriculture is providing a disproportionate amount of the funds, than only fair, that irrigation and irrigation agriculture have a role in managing and administering the water sustainability program. However, current indications are that irrigation agricultural interests are not prepared to provide most of the funds either through paying a fee or tax for water use or acres irrigated, despite their accounting for the overwhelming proportion of the water being used in the State. However, they still want the right to command an overwhelming presence in how other sources of funds for the water conservation and management agency are being managed and administered. Apparently, agriculture interests want the power and the money but do not want pay the bill for the power they want.

As Senator Tom Carlson was quick to note at an earlier Task Force Committee meeting, “the best tax is the tax that someone else has to pay”; and, this rather sage observation tends run counter to the more conservative policy of being responsible for paying one’s own bills. It is always nice to have someone else paying your bills; but,

someone else paying the bills does not encourage carefulness, thrift and prudence in how moneys are being spent. Irregardless of the level of governance, people are seemingly inherently predisposed toward not spending other people's money in same manner as they would spend their own. And, so it is with this Water Funding Task Force. To the extent that other sources of money that are being spent, the Task Force is only too anxious to take it, but, does not want to relinquish the role in deciding how the moneys are eventually used and for what purpose. However, as Task Force member Joe Hergott mentioned, perhaps, if irrigators were having to pay for the water they pumped maybe they would be more careful and prudent with the water they did pump, and, more observant with how the moneys they paid were being used to protect their interests for future pumping. The desire for the "free lunch" or the "free ride" runs dear to the heart of greed and self-interest. We want it all; but, want to pay for none! We perceive ourselves as a free and independent people; but, we are no more free or independent then our ability to pay the bill for the same.

Sincerely,

Stu Luttich

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2013 Nov. 06 (15:30 hrs.)

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**Re: Public Comments –  
Water Funding Task Force Proceedings  
(31 Oct. 2013)**

The following is being prepared in the absence of having access to the minutes from the 31 October 2013 meeting; and, will attempt to keep the comments short and to the point:

**First**, conservation applies to more than just fish and wildlife. Fish and wildlife are only one aspect of the broader conservation spectrum; and, in that spectrum, conservation is only "wise use and management" (Dr. Durwood L. Allen, 1954), with wise referring to the use of the best science available. This quite definitely does not imply excluding fish and wildlife; but, good and wise conservation, like a rising tide, lifts all boats.

**Secondly**, am troubled by the fact that while water sustainability provided the underlying foundation for creating the Water Funding Task Force, few, if any of the projects being considered for potential funding were conceived and prepared on that foundation. As a result, most of the projects are in varying degrees either irrelevant, inappropriate or would fail to comply.

**Thirdly**, the qualifying and quantifying standards for achieving sustainability appear to have been less than objectively defined; and, much of this is due to an apparent conspicuous absence of unbiased scientific credibility in creating the standards and qualifications. Research that needs to be done has not been done; and, those with credentials for using the best science and knowledge to construct the best projects to achieve the highest standards for sustainability have not had a critical role in the Water Funding Task Force team. For example, the most efficient and effective mean to improve the restoration of high quality water to the subsurface aquifer(s) remains as nebulous today as before when the Committee was created. It would seem obvious that a reliably unbiased university scientific and research based aspect would constitute a critical component in any project assessment and evaluation committee.

**Finally**, for reasons that remain unexplained, the most consistently logical source of funding for water sustainability projects appears to remain unrecognized, despite the fact that the source alone has the potential for dependably annually providing far more than \$ 50-75 million being regularly mentioned in the discussions. The money is there; the justification and rational is there; but, the preference is to identify more irrelevant and disconnected sources, and, avoid laying the bill on the table of those who are using most of the water and who stand to most benefit from having a sustainable water supply. This is not about creating new taxes; but, only using tax moneys that more by default than design are already being generated to assure those tax moneys will continue to be generated in an equally sustainable fashion.

Thanking you for your time and attention, I remain....

Sincerely,

Stu Luttich  
Ag-Property Owner and Irrigator

September 27, 2013

Dear Water Funding Task Force Member,

Thank you for your service to the State of Nebraska under LB-517. As you know, it seeks to facilitate wise management of water resources to achieve the goals of water sustainability, productivity and to maximize beneficial use of water resources to benefit Nebraska's citizens.

To support that end, I respectfully submit the following commentary for your consideration as a potential model to achieve sustainability, productivity and to maximize beneficial use to benefit Nebraska's citizens as outlined in the Act. I am currently employed by the University of Nebraska – Lincoln and was previously employed by the Nebraska Department of Natural Resources. I am a Nebraska licensed professional geologist with a specialization in hydrogeology and experience designing and applying water management models and integrated water management plans over much of Nebraska. The information provided herein is my own professional opinion as a citizen of Nebraska.

DEFINITION of SUSTAINABILITY: Maintaining a level of water use and stream flow capable to realize financial, environmental and societal benefits indefinitely at levels approximating those realized to date.

I believe that sustainability in Nebraska is possible only if we accept that groundwater withdrawals can be mitigated by augmenting groundwater recharge in a like amount to pumping. Agriculture producers in Nebraska intuitively understand that they cannot grow successive crops on a parcel until the soil moisture reservoir is replenished. In a sustainable system, the same is true for groundwater.

While water management in Nebraska in recent decades is among the best in the world, addressing Nebraska's problems using the limited approaches so far considered and implemented cannot meet the stated goals of this Act.

To meet funding needs of research, technology, innovation, modeling and accounting, we currently have many existing paths to build funding streams; whether agency-specific budgets, university programs, the Nebraska Environmental Trust, individual contributions among private citizens, funding pool arrangements through regulatory bodies, or some combination of these, there are many mechanisms to fund projects and evaluate their merits. Replacing and/or replicating these sources of funds are not needed and may be counter-productive.

Funds are needed to build the infrastructure necessary to take management actions that address issues we understand well. For example, we know that areas of groundwater development in semi-arid areas of the state experience declining groundwater levels and eventually limited supply. State dollars could be well spent to build infrastructure to deliver excess surface water supplies to those areas to replenish groundwater. These could be new canals, extensions of existing canals, and/or pipelines. We also know that in semi-arid areas with commingled water supply, the popular use of technology to ensure "water use efficiency" at the field scale has significantly reduced surface water return flows at a regional scale, which are needed to support re-use of water in downstream areas and the efficient use of water regionally. By effectively limiting downstream supplies in this way, Nebraska's ability to maximize

beneficial uses across the state is impaired. Funds may also be well spent to reverse this trend by increasing surface water storage uses to provide not only enough water for crop transpiration, but also groundwater storage supporting return flows, which will help maximize the water use productivity regionally.

Finally, in order to create a sustainable water use system which maximizes beneficial consumptive use, we need to increase the usable water supply. The most readily available sustainable supplies are excesses to state protected flows as outlined in recent reports contracted by the Department of Natural Resources. New supplies could include those secured from other watersheds, such as the Missouri River, or from projects like the North American Water and Power Alliance, which was conceived by the US Army Corps of Engineers several decades ago. The principle challenge with utilizing these supplies is that we would need to develop conveyance and delivery capacity significantly higher and more extensive than the present canal system, since most of the unprotected flows happen in high volumes over short timeframes when we would likely be diverting flows already. This creates a primary need to improve and expand infrastructure with capacities many times what is possible now and which serve much broader areas than presently served.

Thank you for your time and consideration. If you would like more information on the concepts supporting my ideas documented here, please attend my breakout sessions at UNL's *Hydrologically Connected... Changes: Climate, Water and Life on the Great Plains* conference on October 15, 2013 in Lincoln.

Best regards,

A handwritten signature in black ink, appearing to read 'Doug Hallum', with a long horizontal flourish extending to the right.

Douglas R. Hallum P.G.  
North Platte, Nebraska

# Water Funding Task Force

Embassy Suites Conference Center,  
12520 Westport Parkway,  
La Vista NE

29-30 August 2013

## Observations, Questions and Concerns

1. Am questioning why the Water Funding Task Force (WFTF) appears to be encountering difficulty in crafting a commonly understood definition for the simple concept of sustainability! From a personal perspective, while many members on the WFTF committee have their respective personal definitions, they often apparently do not want their respective definitions to challenge how they respectively use and manage water resources, even if their respective management practices are not sustainable. Therefore, sustainability would be inherently not sustainable. Common sense alone should be sufficient to understand, even if not appreciate, that more cannot continually be extracted from a system than is being returned, and, still expect the system to be sustainable.
  - With respect to water resources, why is sustainability not simply defined as meaning “the use and management of the water resources does not result in permanently changing the quantity and quality of the water resources, whereby the prevailing use and management of the water resources will ultimately become increasingly more difficult, if not impossible”?
  - For example, one can use a bank account to withdraw funds to serve wants and needs; but, the withdrawing from the account will not be sustainable, if the amounts being withdrawn perpetually exceed deposits into that account. Sustainability only means conservation without diminishing the quantity and quality of the resource.
  - Although, objectively defined fluctuations in values can exist, the trend in the running-average must be either be in at least a neutral if not positive direction; otherwise, how the resource is being used is not, and, will not, be sustainable.
2. The first step in solving a problem is acknowledging that a problem exists and defining the characteristics of that problem. The first step in developing a common solution to a problem is developing a majority consensus on the nature of the problem. Would appear a problem does exist, and, the problem is how to define the problem and find common agreement on what the problem actually is.
3. Municipal water use appears to be primarily passive water use. Water is not permanently extracted but only transferred from one source into another. For example, ~ 95% of the water pumped from the Ashland well fields into Lincoln metropolitan area is eventually treated, purified and returned into Salt Creek drainage system after being used.

- Therefore, since passive water uses that do not physically remove water from the system but only depends upon or diverts the water flow, should passive flow users be afforded greater rights to water than active water users who physically remove the water from the system?
4. Precision agriculture tends to improve per unit productivity from per unit input of water. This relationship presents another question:
- If maximizing productivity per unit of water input best serves the collective interests of the State, should a producer who acts to maximize productive return per unit water invested have a greater right to the access and use of water than another who for whatever reason does not?
5. Finally, without knowing whether the suggestion has been previously considered, but, would seem an important funding source for the development and implementation of a comprehensive water conservation and management program already exists in the form of how agriculture property is taxed.
- Cultivated row-crop agriculture is sub-divided into two categories: dryland versus irrigated, with irrigated land having a greater evaluation; and, therefore, higher tax assessment rate than dryland.
  - ❖ **Since, the availability of water of sufficient quality and in sufficient amounts allows the enhancement of the ag-land evaluation; and, therefore, allows increasing the property tax assessment rate and the amount of property taxes being raised, it would only seem logically prudent that a major proportion, if not all, of the property tax moneys being raised as a result of increasing the evaluation of irrigated ag-land be unendingly deposited into a permanent account to provide a sustainable means to assist in the funding of any “Nebraska Water Conservation and Management Program”.**
  - The rationality of this suggestion is further supported by two addition critical facts:
    - Irrigated agriculture accounts for over 90% of the water use in the State of Nebraska;
    - secondly, prevailing land values and the state of agriculture economy are only sustainable through having an equally sustainable supply of good quality water.
  - No new taxes need to be created. The only change needed is how the property tax moneys are used.

## Karen Griffin

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**From:** Stu Luttich <rangifer@windstream.net>  
**Sent:** Monday, July 29, 2013 8:32 AM  
**To:** Karen Griffin  
**Subject:** Comments - 26 July 2013 Water Task Force Meeting

In lieu of discovering a clearly defined path for posting comments for the meetings and to the Task Force, am simply addressing the comments to yourself on behalf of Olsson Associates and the Task Force:

- In assessing funding sources for water conservation and management projects and correcting or remedying water management problems and issues, those who are responsible for causing or creating most of the problems to develop, and/or have the most to gain from correcting the problem should be held equally responsible for defraying the costs to rectify, mitigate and correct the problems and provide solutions. Referencing existing funding sources in the early stages of developing the protocol for the Task Force without identifying, bringing attention to, or implying more appropriate new and different funding means and sources provides good reason for trepidation.
- Clearly defining and describing the mission, purposes and objectives and most immediate beneficiaries of the projects, as well as, solutions to the problems needs to be a high priority.
- Task Force members, Olsson Consultants and all concerned need to not only understand, but appreciate, how the importance and value in using models to explain and justify projects is directly correlated with Task Force members and all concerned understanding and having faith in how the models were developed, and, the models are no more accurate or reliable than the dependability and accuracy of the data being used develop the models. Unreliable and untrustworthy data generates equally unreliable and untrustworthy models as well as any resulting conclusions. Am familiar with models that only hastened the diminution of a resource only because of defects in how the data were acquired and models developed, and, other instances wherein projects failed to materialize only because of the modelers were not able to convey a clear and precise impression in the minds of the lay public. The models have to be conveyed to the people in manner that people understand or opposition will become a distinct possibility.
- What is the value of water (H<sub>2</sub>O)? Perhaps, the more appropriate question is whether water can or should be evaluated; since, water is invaluable in the context of life as we know it cannot, and, would not, exist in the absence of water. Therefore, water is invaluable, i.e. a priceless resource. Questioning the value of water in a World awash in water is similar questioning the value of gold in a World awash in gold. In either case, relative abundance and excess breeds disrespect and lack of appreciation. Value tends to be inversely correlated with abundance in satisfying want or need. Someone sitting in the midst of a rainstorm on the Amazon River flowing through the Brazilian rainforest will quite likely provide an absolutely contrary answer from another sitting parched and dehydrated under the burning sun in the middle of the Saharan Desert. In many instances, water, much like many other resources, is not important or has limited value until no longer being available in the amounts to which one has become accustomed. A correlated question is, if water is so valuable for agriculture, industry and society, why is it also so cheap, with the immediate or simplest answer found in the latter observation, i.e. because in Nebraska we seem to have so much of it. Maybe if we had to pay more for what we use, we would waste less of and be more careful with what we use, as well as, being more interested in restoring what we have used.

Thanks....

Stu Luttich  
824 "K" Street  
Geneva NE-USA 68361

Tele: 402-759-3597

NEBRASKA STATE IRRIGATION ASSOCIATION  
1233 Lincoln Mall, Suite 201  
Lincoln, Nebraska 68508

TO: Karen O'Connor

FROM: Lee Orton, Executive Director

The Nebraska State Irrigation Association has a great deal of admiration for the members of the Water Funding Task Force and the work it is tasked to accomplish within a very limited time schedule. We believe your initial steps of organizing and the selection of an excellent facilitator and technical information team have already demonstrated an excellent acceptance of the assigned tasks.

We have reviewed your initial schedule of task force work including a number of meetings and several possible suggested tours or other field learning activities. Each of those will challenge your necessary time lines and your opportunities to learn more about the details essential to your final report on the many projects, works and programs and the methods and means to fund those priority structures.

We believe it is essential during these learning activities to call upon local water resources expertise who can relate the project and program inventories described in the inventory developed by recent water investigators to regional issues.

Our Water Leaders Academy learning experiences have given us an awareness of what details and what local expertise is available to assist in this learning endeavor. And, we would be honored to assist the task force and your facilitators in identifying people who should be included in your activities. Sometimes a local perspective will be critical to your examination of project and program needs.

Your work will also require examination of funding options and fund resources to economically support the satisfaction of identified needs for water resource "sustainability."

We believe our organization and our members and staff background and experiences from past funding discussions can be of assistance to your task Force work and offer to share these details as you may deem appropriate.

Please let us know if we can be of assistance.

Good luck on your work and thank you for your consideration of whether we can be of some help to your work.