

## AGENDA – May 8, 2007

The Middle Republican NRD Board of Directors will hold their regular meeting at the Weeth Theater in Tipton Hall McCook Community College, McCook, Nebraska on May 8, 2007 at 7:00 P.M.

### Regular Meeting:

1. Meeting called to order.
  - a. Verify quorum
  - b. Excused absences
2. Circulate agenda and roster
  - a. Items added since mailing
3. OFFICIAL NOTICE OF THIS MEETING WAS PUBLISHED IN THE NORTH PLATTE TELEGRAPH AND THE MCCOOK DAILY GAZETTE AND WAS POSTED IN THE NRD OFFICE AND ON THE DISTRICT WEBSITE AT WWW.MRNRD.ORG. AS A COURTESY IT WAS ALSO PROVIDED TO LOCAL RADIO STATIONS.
4. Approve minutes for the April regular board meeting and hearing.
5. Open Hearing for Variance Request – NONE
6. Close Hearing
7. Consider Variance Requests
8. Legal Matters
  - a. Case status -
9. Financial Actions
  - a. Approve Financial Report for April 2007
10. Open Forum – The public may comment on agenda items or items not listed on the agenda. For concerns expressed that are not relative to an item on the agenda, you are informed that no action can be taken on your comments. Guests should also note the location of a current copy of the statutes dealing with public meetings.
11. Reports – Agencies, Associations, Others
  - a. NRCS – 1) Dist. Cons. Report 2) FSA and NRCS closures
  - b. NARD – 1) Report-Anderjaska 2) Action on Insurance in June
  - c. NACD – Newsletters
  - d. NNRC –

- e. Information & Education – Lawson
    - 1) Status of Grants 2) Camp Scholarships 3) Stewardship Week
    - 4) Envirothon 5) State Attorney Education Fund 6) I&E Meeting
  - f. NE Republican River Management Districts Association
    - 1) Report on April 20 Meeting
  - g. Other Agencies or Associations
    - 1) RC&D - Roger Stockton 2) Ron Friehe 3) Al Eveland, Ameritis
  - h. Legislation – 1) LB 701 passed final reading
12. Ground Water Management
- a. Ground Water Management Area
    - 1) Well permits (2) Surface water reports (3) Meter report (4) Incentive Programs (5) Transfer requests – Hauxwell, Olson (6) Economic study Report (7) Consider using percentage depletion formula for funding issues (8) Consider Frenchman Valley & Riverside Agreements (9) Consider Interlocal Agreement and Frenchman Cambridge Agreement (10) Consider moving ahead with Bond process (11) Consider recommendation on allocations (12) Spring Measurements
  - b. Ground Water Quality Management Area
  - c. Other Ground Water Activity
13. Programs
- a. WILD
  - b. Buffer Strips
  - c. Livestock Waste Control Applications 1) Oppliger Feeders 2) Southwest Feeders
  - d. Conservation Management Funds- LCP/NSWCP
    - Approve Applications
  - e. Watersheds
  - f. Complaints
  - g. Chemigation
  - h. Tree Planting
14. General Operations
- a. Personnel - Consider Personnel Committee Salary recommendations
  - b. Sales and Rental Equipment

Adjourn

Next regular meeting date – June 12, 2007 at 7 P. M. Curtis, Nebraska.

IMPORTANT DATES:

|            |                 |
|------------|-----------------|
| May 28     | HOLIDAY         |
| June 12    | Board meeting   |
| June 18-19 | NARD Basin Tour |

**MIDDLE REPUBLICAN NRD**

**PUBLIC HEARING ROSTER**

8 MAY 20 07

| NAME   | ADDRESS                           |
|--|-----------------------------------|
| Bob Merrigan<br>Bud Randel ✓<br>Dan Nelson ✓ | Curtis<br>Indianola<br>Moorefield |
| Ben Loomis ✓                                 | Maywood                           |
| Marty Schurr ✓                               | Maywood                           |
| Josh Jensen ✓                                | Wallace                           |
| Dan Smith                                    | Maywood                           |
| Stan Moore ✓                                 | Bartley                           |
| Jerry Mustion ✓                              | Culbertson                        |
| Joe Andujaska ✓                              | Hayes Center                      |
| Rick Spencer ✓                               | Culbertson                        |
| Dwayne Haag ✓                                | Bartley                           |
| DEAN EDSON                                   | LINCOLN                           |
| Brad Edgerton                                | Cambridge                         |
| Ben Hardin                                   | McCook                            |
| Ralph Scott                                  | McCook                            |
| Ron Fricke                                   | McCook                            |
| Larry Durnen                                 | Bartley                           |
| William M. Barger                            | Culbertson,                       |
| Raymond Durnen                               | Bartley                           |
| Conne Goodson / M <sup>c</sup> Cook          | Bartley - M <sup>c</sup> Cook     |
| Kurt Fritsch<br>Stoo W Hippke                | City of McCook<br>Cambridge       |

| Name           | Address                 |
|----------------|-------------------------|
| Dennis Berry   | 812 W 13 McCook         |
| D. FELKER      | 58849 Highway 6 McCook  |
| Kirche Martin  | 39247 Rd 721 Indiantola |
| Robert Martin  | PO Box 8 Herndon, KS    |
| Deans Egle     | Stratton Ave            |
| Scott McDonald | Stratton                |
| Lee Carter     | McCook                  |

**MINUTES**  
**Middle Republican Natural Resources District**  
**Board of Directors Meeting**  
**April 10, 2007**  
**Curtis, Nebraska**

**Board Members Present:** Joe Anderjaska, Kevin Fornoff, Josh Friesen, Gayle Haag, Benjie Loomis, Stan Moore, Jerry Mustion, Dan Nelsen, Brad Randel, Marty Schurr, Rick Spencer

**Board Members Absent:** None  
**NRD Staff:** Bob Merrigan, Roger Lawson  
**NRCS Staff:** Doug Whisenhunt  
**Others:** Roger Stockton

**Information Mailed to Directors:**

|   |                                |
|---|--------------------------------|
| Agenda                                      | March Minutes                  |
| April Special Meeting Minutes               | Operation & Personnel Minutes  |
| March Financial Report                      | Budget Comparison              |
| E-notes April 3, 2007                       | E-notes March 27, 2007         |
| I & E Report                                | Scholarship Applicants         |
| Scholarship Guidelines                      | Summer Camp Scholarship Letter |
| February Reservoir Report                   | Updated Director List          |
| March 16 NARD Update                        | March 23 NARD Update           |
| March 30 NARD Update                        | April 5 NARD Update            |
| Oppliger Variance Request                   | Transfer Requests              |
| LB 701 Amendment                            | Personnel & Operation Packet   |
| Personnel & Operation Salary Recommendation |                                |

**Information Distributed at Meeting:**

|                              |                            |
|------------------------------|----------------------------|
| Cost Share Summary           | Hearing Agenda             |
| Transfer Request             | "WaterClaim on 701"        |
| April 5 NARD Update          | Omaha World Herald Article |
| Lincoln Journal Star Article | Economic Impact Charts     |
| MRNRD LCP Worksheet          | March Reservoir Reports    |
| Usage Report                 | LB 701                     |
| Directors List               |                            |

**REGULAR MEETING**

The regular monthly board meeting was called to order by Chairman Friesen at 7:02 PM. The agenda and roster were circulated to those present.

Notice of the regular monthly meeting was published in the **North Platte Telegraph** and the **McCook Daily Gazette** and was posted at the **MRNRD Office** and on the **District Website** at [www.mrnrd.org](http://www.mrnrd.org). As a courtesy it was also provided to local radio stations.

The minutes for the regular board meeting on March 13, 2007 were mailed to Directors. The minutes for the special meeting held on April 2 were also mailed.

- ◆ A motion was made by Fornoff and second by Spencer to approve the minutes for the March Regular board meeting and Special Meeting minutes as amended: Schurr, not Haag, made the motion to approve the excused absence of board member Mustion and Moore, not Haag, made the motion to approve the minutes for the February Regular board meeting, Special Meeting minutes and the Public Hearing minutes.  
Ayes- 9                      Nays- 0                      Abstain- Moore & Schurr      Motion Carried

Meeting was recessed at 7:06 PM for the public hearing.  
Meeting was reconvened at 7:10 PM

**VARIANCE REQUEST**

- ◆ A motion was made by Fornoff and second by Schurr to approve the variance request submitted by Donald and Joi M. Oppliger to move a pivot from NE1/4 of 12-10-33 (136 certified acres) to NW1/4 of 11-10-33 (115 certified acres).  
Ayes- 11      Nays- 0      Abstain-0      Motion Carried

**LEGAL MATTERS -**

Bob Merrigan reported that the settlement papers have been forwarded onto Attorney McDermotts' Office, however, the MRNRD office has not yet received a reply.

**FINANCIAL ACTIONS**

The financial report for March was presented and reviewed by Merrigan. The County Treasurer's Balance was reported at \$26,565.50. Robert Merrigan indicated that there was a correction to be made on the financial report for the BANK ACCT Balance : \$58,299.88 should be \$39,124.64.

- ◆ A motion was made by Anderjaska and seconded by Loomis to approve the March financial report as corrected.

Ayes- 11      Nays- 0                      Abstain- 0                      Motion carried  
A copy of this report is on file with the minutes.  
The monthly budget comparison was presented and reviewed.

**OPEN FORUM**

There was discussion among several guests about the surface water purchase. Phillip Johnson of the Lower Republican NRD recommended to the Board that they negotiate for surface water purchase price rather than spending 3.2 millions.

**NRCS REPORT**

Whisenhunt reported that staffing changes will occur with the closing of Hayes Center Office. EQIP 2000 is mostly done. \$177,000.00 more money for surface waters. NRCS office staff have been willing to take on additional work loads each year to meet the needs of area farmers. 2007-2008 CRP burns taking place in Lincoln. Burn task force took place in March in McCook with the help of Chuck Bernstein. 2007 Budget looking very slim.

## **NARD**

Anderjaska reported that many insurance plan changes for NRD employees were discussed at the NARD meeting.

## **NACD**

E-notes were mailed to the Directors.

## **NNRC – No report**

## **INFORMATION AND EDUCATION**

Lawson provided a summary of I & E activities for March.

He reviewed the college scholarship applications that were received by deadline and recommended to the Board that Kay M. Kaczor of Curtis and Katherine Friesen of Wallace should receive the scholarships.

- ◆ A motion was made by Anderjaska and second by Moore to award Kaczor and Friesen the MRNRD College Scholarships for 2007

Ayes- 10      Nays- 0      Abstain- Friesen      Motion Carried

## **NRRMDA**

The next Association meeting is scheduled for April 20.

## **RC&D**

Roger Stockton reported that site selection is in the process for tree removal project in Franklin County. The Southwest RC&D is sponsoring the Women's Wilderness Weekend in Harlan County, August 10<sup>th</sup>.

## **LEGISLATION**

NARD legislative updates were mailed to directors. LB 701 changes were discussed.

## **GROUND WATER MANAGEMENT AREA**

No well reports. Reservoir reports for March were handed out to the Directors.

## **METER PROGRAM**

A current usage report was circulated. 10.11 average inches applied. Robert Merrigan reported that meter repair is nearly done. He stated that there is a misconception among some farmers that they will lose any carry over from their 3 year allocation if they don't use it. This isn't true at all. Carryover can be a maximum of 13 inches.

## **INCENTIVE PROGRAMS**

LB701 was discussed. Legislation is moving forward on funding.

## **TRANSFER REQUEST**

Merrigan reviewed the transfer requests. Copies of the requests were circulated.

Donald L & Joi M. Oppliger of Farwell, TX request permanent transfer of ground water use from NE ¼ 12-10-33 in Lincoln County to NW ¼ 11-10-33 in Lincoln County.

Discussion:

- ◆ A motion was made by Fornoff and seconded by Spencer to approve the transfer request.  
Ayes-11      Nays- 0      Motion carried

Five B. Farms, Inc. transfer 2548 Acre inches to Jerry Mustion

- ◆ A motion was made by Fornoff and seconded by Loomis to approve the transfer request.  
Ayes-10      Nays- 0      Abstain- Mustion      Motion carried

Triple B. Farms of Culbertson to transfer 1363 Acre Inches to Roland Miller.

- ◆ A motion was made by Fornoff and seconded by Schurr to approve the transfer request.  
Ayes- 10      Nays- 0      Abstain- Randel      Motion carried

Olsen Livestock & Seed, Inc. of Haigler to transfer 1500 Acre inches to Frank Stehno Pool of Stratton.

- ◆ A motion was made by Anderjaska and seconded by Haag to table this item for lack of knowledge of irrigation history.  
Ayes- 11      Nays- 0      Abstain- 0      Motion carried

Bruce Hampton of McCook to requests to transfer 370 Acre Inches to Bryan Hauxwell of McCook.

- ◆ A motion was made by Moore and seconded by Anderjaska to deny this transfer request.  
Ayes- 11      Nays- 0      Abstain- 0      Motion carried

Triple B Farms of Culbertson requests transfer of 2600 Acre inches to Roger Gottl of McCook.

- ◆ A motion was made by Loomis and seconded by Anderjaska to approve this transfer request.  
Ayes- 11      Nays- 0      Abstain- 0      Motion carried

**ECONOMIC STUDY PROPOSAL – No Report**

**BASIN FUNDING – No Report**

**SURFACE WATER BUYOUTS – No Report**

**FUNDING OPTIONS AND ALTERNATIVES – No Report**



## REPORT ON DNR MEETINGS

Anne Bleed of Nebraska DNR has agreed to rerun the water usage model using different variables including using average rainfall.

Merrigan reported that he thought the DNR meeting in Lincoln went well.

### GROUND WATER QUALITY MANAGEMENT AREA

At the request of the Nebraska DEQ, the MRNRD will be conducting weekly sampling of 6 sites along the Republican River between Wellfleet and Strunk Lake every Monday May through September. The DEQ will provide the necessary equipment for water testing and will reimburse the district for mileage and staff hours.

The water will be tested for toxic algae, bacteria and toxins.

- ◆ A motion was made by Anderjaska and seconded by Fornoff to cooperate with the Nebraska Department of Environmental Quality and conduct the water monitoring project.  
Ayes – 11      Nays – 0      Motion carried.

### OTHER GROUND WATER ACTIVITY- No Report

**WILD – No Report**

**BUFFERSTRIPS – No Report**

**LIVESTOCK WASTE CONTROL – No Report**

### SOIL AND WATER CONSERVATION MANAGEMENT FUNDS

Merrigan reviewed the cost-share summary report.

- ◆ Fornoff moved and Loomis second to accept the report and to approve the applications as presented.  
Ayes – 11      Nays – 0      Abstain- 0      Motion carried

**WATERSHEDS – No Report**

**COMPLAINTS - No Report**

### CHEMIGATION –

Merrigan reported that permits have been coming into the office regularly.

**TREE PLANTING –**

Merrigan reported that trees have been bundled and delivered to the field offices.

**PERSONNEL - No Report**

**PERSONNEL AND OPERATIONS COMMITTEE**

The minutes for the Personnel & Operations Committee meeting was mailed to directors. A recommendation on salaries was also mailed.

Discussion:

Board members discussed the concerns raised by staff of this year's difficulties in getting meter readings completed earlier. Members also discussed employee's benefits, particularly insurance coverage and co-payments. They also discussed modifying employee raises to keep pace with inflation.

- ◆ A motion was made by Anderjaska and seconded by Spencer to table the acceptance of the committee's recommendations

Ayes-11      Nays-0      Abstain- 0      Motion carried

**SALES AND RENTAL EQUIPMENT – No Report**

The meeting was adjourned at 10:13 PM

The next meeting will be Tuesday, May 8, 2007 at MPCC in McCook, Nebraska starting at 7:00 PM.



Roger Lawson

Recorder

**MINUTES**  
**Middle Republican Natural Resources District**  
**Public Hearing**  
**April 10, 2007**  
**Curtis, Nebraska**

**Board Members Present:** Joe Anderjaska, Kevin Fornoff, Josh Friesen, Gayle Haag, Benjie Loomis, Stan Moore, Jerry Mustion, Dan Nelsen, Brad Randel, Marty Schurr, Rick Spencer

**Board Members Absent:** None

**NRD Staff:** Robert Merrigan, Roger Lawson

**NRCS Staff:** Doug Whisenhunt

**Those presenting testimony:**

None.

**PUBLIC HEARING**

Chairman Friesen called the public hearing to order at 7:06 PM. The agenda and roster were circulated to those present.

OFFICIAL NOTICE OF THIS MEETING WAS PUBLISHED IN THE **NORTH PLATTE TELEGRAPH** AND THE **MCCOOK DAILY GAZETTE** AND WAS POSTED AT THE **MRNRD OFFICE** AND ON THE **DISTRICT WEBSITE AT WWW.MRNRD.ORG**. AS A COURTESY IT WAS ALSO PROVIDED TO LOCAL RADIO STATIONS.

**STATEMENT OF PURPOSE**

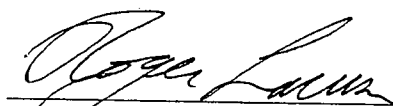
The purpose of this hearing is to receive testimony for a variance from the District's Ground Water Management Area Rules and Regulations.

**TESTIMONY**

Merrigan reviewed the variance request. A copy of the request was mailed to directors.

Donald and Joi M: Oppliger have requested that approval for moving a pivot from NE1/4 of 12-10-33 (136 certified acres) to NW1/4 of 11-10-33 (115 certified acres). Irrigation well in NE1/4 will be hooked up to a commercial well as backup well for the feedlot. Existing backup well in NW1/4 of 12-10-33 will be decommissioned.

Hearing closed at 7:10 PM



Roger Lawson  
Recorder



A Bureau of Business Research Report  
From the University of Nebraska—Lincoln

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## Draft Final Report

# The Economic Impact of Reduced Irrigation in the Republican River Basin

Prepared for the Lower, Middle, and Upper Republican  
and Tri-Basin Natural Resource Districts

Prepared by  
Dr. Eric Thompson

April 4, 2007  
Bureau of Business Research  
Department of Economics  
College of Business Administration  
University of Nebraska—Lincoln  
Dr. Eric Thompson, Director

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UNIVERSITY OF  
**Nebraska**  
Lincoln

## **I. Introduction**

The State of Nebraska is in the process of introducing regulations to limit the consumptive use of irrigation water in the Republican River Basin. These regulations are under development because the state previously had been ruled to be in violation of its agreements under the Republican River Compact. The state is under court order to develop a plan to limit water use.

Four Nebraska natural resource districts contacted the UNL Bureau of Business Research in the winter of 2007 to conduct an economic analysis of proposed regulations on the local economies of the Republican River Basin. The following report summarizes the Bureau's findings.

The report focuses on the economic impact of the proposed regulations, that is, the change in economic activity anticipated in the Lower, Middle, and Upper Republican Natural Resource Districts as a result of the new regulations. However, given the time frame available to conduct the study, the report does not provide a full benefit cost analysis of regulation. Such an analysis would consider the relative costs of alternative plans to meet the state's obligations including lost income, recreation opportunities, or inconvenience costs for all participants. A benefit cost analysis also would need to consider the costs from a statewide perspective (since a state regulation is under consideration), and any local benefits from improved stream flow, though it is likely that many of these benefits would accrue to individuals and businesses outside of the Republican River Basin, and outside the State of Nebraska.

Our focus on economic impacts is consistent with many of the recent studies on irrigation in Nebraska such as past efforts to assess the economic impact of reduced consumptive use of irrigation water in the Republican River Basin (Supalla and Nedved, 2004; or Supalla, Buell, and McMullen, 2006). In addition, Lamphear (2006) estimated the impact of irrigated agriculture on the overall state economy, though that report was a general consideration of irrigated agriculture statewide.

Several years have passed since these earlier reports, however, and there is a need to consider the local economic impact estimates based on current conditions. In particular, current commodity prices are at a high level, and there is also more recent information available about the required reduction in irrigation water use.

This study provides a current economic impact estimate. The study also examines several impacts that were not emphasized in the previous studies. First, we estimate the magnitude of economic impacts due to forward linkages in economy. These are estimates of the losses in selected business that handle grain. There will be less local production of grain so there may be less need for these processing services. Second, we estimate the economic impact from lost tax revenue for local government due to declines in agricultural property value.

Finally, for at least two reasons, the local economic impact estimates produced in this report should provide valuable information to citizens, businesses, and policy-makers considering proposed regulation of irrigation in the Republican River Basin. First, even if some action is required due to the Republican River Compact and the subsequent court order, an understanding of local economic impacts may influence how the state of Nebraska chooses to pursue regulation of consumptive water use. Second, information about local economic impacts may be critical in making decisions about mitigating the impacts of regulation. Mitigation at the state or federal level can reduce the local economic impacts and also allow the costs of the regulation to be shared more evenly among regions of the state or nation, rather than concentrated in particular local and county economies.

The latter point is important when understanding the influence of regulation on local economies. Regulation of a key local industry can have sustained, long-term effects on local economies and communities. While there is always “churning” in a market economy – where jobs and income lost in one set of businesses and industries are replaced by growth in other businesses and industries – this is not an appropriate way to view the impact of government regulation on the economy. Government regulatory action introduced into a local economic system, unless it generates substantial local economic benefits as well as costs, will lead to a long-term loss in local economic activity. There will be a smaller economy than would have existed without the regulation, with less employment and population. To be sure, the economy may eventually recover from any economic dislocation that occurs as the key industry reacts to regulation, such as an initial spike in unemployment. And, there is reason to be optimistic about the potential for private sector job growth in non-metropolitan Nebraska (Goss et. al., 2007). But, the

economy will be smaller than it would have been over the long-run with fewer people and less employment. This could be a source for concern in a growing area, since there are many advantages to having a larger economy and population (Thompson, 2005). But, the concern might be greater in an area, such as the Republican River Basin, which is losing population. Contraction of a key local industry would likely lead to further population loss.

In the next section of the report, we estimate the reduction in farm yields, sales, and income from the proposed regulation, and estimate the overall economic impact in the Upper, Middle, and Lower Republican Natural Resource Districts. In the third section, we discuss the implications of our findings for economic development in the region.

## **II. Economic Impact**

Previous studies such as Supolla and Nedved (2004) utilized a profit-maximizing model to examine the relationship between limits on consumptive use of irrigation water and agricultural production in the Republican River Basin. Their model was used to predict how producers would react to lower allocations either through reduced irrigation of existing crops, a change in the mix of crops grown, or a switch to dry-land agriculture. The authors' also developed specific information about which wells in each area of the Republican River Basin would be effected by lower allocations, and which wells were already pumping less groundwater than would be allowed under the irrigation limits.

We utilize the estimates of Supalla and Nedved (2004) on the number of certified irrigated acres and the average allocation in the Upper, Middle, and Lower Republican Natural Resource districts.<sup>1</sup> That study also provides a good summary of the potential uncertainties regarding estimates of the number of irrigated acres and of historic data regarding pumping of water for irrigation. Either source of uncertainty could affect

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<sup>1</sup> The Upper Republican NRD is comprised of Chase, Dundy, and Perkins County. The Middle Republican NRD is comprised of Hayes, Hitchcock, Red Willow, most of Frontier, and portion of Lincoln County. The Lower Republican NRD is comprised of Furnas, Harlan, Franklin, and portions of Nuckolls and Webster Counties.

economic impact estimates. Finally, following that study, we focus on five crops: corn, wheat, soybeans, grain sorghum, and alfalfa.

Given the timeframe for the current study, we did not conduct a complete analysis of profit-maximizing response to limits on irrigation in the Republican River Basin. Our baseline estimate assumed reduced irrigation of existing crops (based on 2006 production data from the National Agricultural Statistical Service) rather than crop switching or a switch to dry-land production. We did utilize the Water Optimizer software developed by faculty in the UNL Department of Agricultural Economics (Martin, Supalla, and Nedved, 2005) to estimate how much production would fall in response to reduced irrigation. This also was our source for data on the costs of irrigation, and the additional costs associated with handling each additional bushel of yield.

Our regulatory scenario was a 15% reduction in the average allocation in upland acres, and a 40% reduction in quick response acres in each of the three natural resource districts. Our price assumptions were based on current prices and forecasts for the next few years from the University of Missouri and Iowa State University.<sup>2</sup> Estimates of lost farm sales, and economic impact would fall, by about 20%-25%, if prices do not remain at current (and forecast) levels, and fall back to prices that prevailed throughout most of 2005 and 2006.

Lost production and sales of corn and other crops are what drive the estimate of lost local economic activity as a result of the proposed (further) limits on irrigation. The impact of lost sales is manifest in two ways. First, reduced irrigation and lost production are accompanied by lower irrigation costs, less use of nitrogen, and lower costs for handling and transporting crops. Lower spending on irrigation, transportation, and nitrogen imply lost activity on the farm but also less activity at local businesses or individuals that provide these products and services. Second, lost sales imply lower farm proprietor income. Less proprietor income implies less spending in the community.

As described above, lost farm production leads to less farm income, but also to less demand for the services of local businesses. This relationship between lower crop yields and less employment, income, and output throughout the community is captured

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<sup>2</sup> The model utilized a corn price of \$3.17 a bushel, a wheat price of \$4.28 a bushel, a grain sorghum price of \$3.09, soybeans of \$6.10 a bushel, and alfalfa at \$66 a ton.



through “economic multipliers.” The IMPLAN software developed by the Minnesota Implan Group, Inc. was used to estimate relevant economic multipliers for corn, wheat, grain sorghum, soybeans, and alfalfa in the Upper, Middle, and Lower Republican Natural Resource Districts. This was possible because the IMPLAN model can be used to examine the economic impact of lost activity in over 500 industry sectors in every county, or combination of counties, in the United States. Economic multipliers from IMPLAN are applied to estimates of lost crop sales due to the irrigation restrictions to estimate the total loss in economic activity.

Results are presented in Table 1 in terms of lost output, value-added, income, and jobs. Value-added is a more inclusive measure than income, because it includes labor income but also property income and indirect business taxes. The first column of Table 1 shows our estimate of lost crop sales from farms in each of the three districts. Remaining columns of the table show the economic impact from lost crop production due to limits on irrigation. The largest loss in crop sales is expected in the Upper Republican NRD but the total impact is similar or higher, depending on the measure, in the Middle Republican NRD. The larger, more diversified economy in the Middle Republican NRD has higher economic multipliers. The economic impact in the Lower Republican NRD is also substantial, from between 60% to 80% as large as in the other two districts.

**Table 1**  
**Total Economic Impact from Lost Crop Sales**  
**with 15%/40% Regulation of Irrigation**

| Natural Resource Districts | Loss in Crop Sales | Total Economic Impact |                 |                 |             |
|----------------------------|--------------------|-----------------------|-----------------|-----------------|-------------|
|                            |                    | Output                | Value Added     | Labor Income    | Jobs        |
| Lower Republican           | -\$15.6M           | -\$19.9M              | -\$13.7M        | -\$11.0M        | -97         |
| Middle Republican          | -\$18.6M           | -\$26.1M              | -\$18.0M        | -\$14.9M        | -135        |
| Upper Republican           | -\$23.4M           | -\$26.9M              | -\$17.8M        | -\$15.0M        | -104        |
| <b>Overall Total</b>       | <b>-\$57.6M</b>    | <b>-\$72.9M</b>       | <b>-\$49.5M</b> | <b>-\$40.9M</b> | <b>-336</b> |

Source: BBR calculations

### *Forward Linkages*

Economic impact analysis of the kind reported in Table 1 accounts for the purchases of agricultural producers. These purchases represent the “backward” linkages in agricultural production. The model, however, does not calculate any “forward” linkages. In particular, there is a substantial supply of grain in the Republican River Basin which is the basis of a number of grain processing businesses such as grain elevators and wholesalers. These businesses also would be affected if there is a reduction in the local supply of grain, and these impacts are not captured in the multiplier analysis of Table 1. Cattle feed lots and ethanol plants are other examples of forward linked businesses.

It is more difficult to develop an estimate of the magnitude of any job losses in such forward linked industries. For illustration, we do estimate the potential lost employment among grain elevators and wholesalers due to a reduced local supply of grain. Reductions in irrigation would lead to a 10% decline in grain production in the natural resource districts. We assume a proportional decline in employment in the grain wholesaling and elevator business. This would mean a decline of 8 to 16 jobs in each of the natural resource districts in this forward linked industry. These grain industry impacts are included in the impact estimates in Table 2

### *Lost Property Value*

When regulation causes a long-term reduction in farm incomes this loss is eventually manifest as a reduction (relative to an unregulated scenario) in property values. This long-run impact on property values is estimated based on annual losses in farm income. Lost farm proprietor income, assuming it is not compensated by reduced hours worked by farm proprietors, should ultimately lead to reduced cash rents for farmland. To estimate lost property value, 90% of lost farm income was multiplied by the 2006 ratio of land values to cash rents in Southwest Nebraska. Table 2 reports estimates of lost agricultural property value using this approach. There is \$82.1 million less in

property value in the Lower Republican Natural Resource District, \$93.1 million less in the Middle Republican District, and \$102.3M in the Upper Republican.<sup>3</sup>

This relative loss in agricultural property values has important implications for local economies. One implication is lost tax revenue for local governments and school districts. This lost revenue is not available for funding government jobs and government services. Losses in government employment and activity results<sup>4</sup>, and there is also a multiplier effect from the lost local government activity.<sup>5</sup> The IMPLAN model, despite all of its advantages, does not directly estimate tax revenue impacts. As a result, losses due to reduced property values were not represented in Table 1, and must be estimated separately.<sup>6</sup> In Table 2 below we estimate the economic impact of lost property values in each of the natural resource districts. For simplicity, we focus on county property taxes and school district taxes, and ignore the impact of other types of taxes. Note that the impact figures in Table 2 also reflect the lost employment for grain wholesalers due to forward linkages.

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<sup>3</sup> Proprietor income and property values estimates are heavily influenced by crop prices. The estimates in Table 2 would fall by 40% to 45%, depending on the district, if prices fail to remain at current levels and fall to average 2005 and 2006 prices.

<sup>4</sup> If it is assumed that tax rates would be higher to compensate for lost property value, then this also would cause a negative economic impact due to lower after-tax incomes.

<sup>5</sup> To see this, note that agricultural property values are based on income earned from exporting agricultural products around the nation and the world. The ultimate source for government employment supported by agricultural property is from outside of the local region.

<sup>6</sup> This was confirmed in an email with IMPLAN staff.

**Table 2**  
**Total Economic Impact from Lost Property Tax Revenue and Forward Linkages**  
**with 15%/40% Regulation of Irrigation**

| Natural<br>Resource<br>Districts | Lost<br>Property<br>Value | Annual <sup>1</sup><br>Loss of Tax |                | Total Economic Impact |                |             |
|----------------------------------|---------------------------|------------------------------------|----------------|-----------------------|----------------|-------------|
|                                  |                           | Revenue                            | Output         | Value Added           | Labor Income   | Jobs        |
| Lower<br>Republican              | -\$82.1M                  | -\$1.1M                            | -\$2.9M        | -\$2.3M               | -\$1.6M        | -57         |
| Middle<br>Republican             | -\$93.1M                  | -\$1.2M                            | -\$3.2M        | -\$2.5M               | -\$1.8M        | -53         |
| Upper<br>Republican              | -\$102.3M                 | -\$1.3M                            | -\$2.5M        | -\$2.1M               | -\$1.6M        | -57         |
| <u>Overall Total</u>             | <u>-\$277.5M</u>          | <u>-\$3.6M</u>                     | <u>-\$8.6M</u> | <u>-\$6.9M</u>        | <u>-\$5.0M</u> | <u>-167</u> |

Source: BBR calculations

<sup>1</sup> Lost tax revenue based on county and school district taxes only.

### III. Summary and Discussion

The overall economic impact is the sum of the two economic impact estimates in Tables 1 and 2. These overall impacts are summarized in Table 3 below for each of the effected natural resource districts. The total annual economic impact (output) is \$29.4 million in the Upper Republican Natural Resource District, \$29.3 million in the Middle Republican Natural Resource District, and \$22.9 million in the Lower Republican natural resource district. The overall impact across all 3 districts in the Republican Basin is \$81.6 million, including \$45.8 million in labor income (proprietor and worker) and 503 full or part-time jobs.

The overall economic impact is approximately equal in the Upper Republican and the Middle Republican Natural Resource Districts. The impact in the Lower Republican Natural Resource District is about 75% to 80% as large as in the other two.

These impact estimates in Table 3 are interesting by themselves, but it is always helpful to consider impacts in the context of the overall economy. What share of the local

economy would be lost if the regulation is implemented? What would be the implications for other factors, such as demographic change?

**Table 3**  
**Overall Economic Impact with 15%/40% Regulation of Irrigation**

| Natural Resource Districts | Output          | Overall Economic Impact |                 |             |
|----------------------------|-----------------|-------------------------|-----------------|-------------|
|                            |                 | Value Added             | Labor Income    | Jobs        |
| Lower Republican           | -\$22.9M        | -\$16.0M                | -\$12.6M        | -154        |
| Middle Republican          | -\$29.3M        | -\$20.5M                | -\$16.6M        | -188        |
| Upper Republican           | -\$29.4M        | -\$19.9M                | -\$16.6M        | -161        |
| <b>Overall Total</b>       | <b>-\$81.6M</b> | <b>-\$56.4M</b>         | <b>-\$45.8M</b> | <b>-503</b> |

Source: BBR calculations

The natural approach to answer these questions is to look at the impacts in Table 3 relative to the overall economy of a district to examine what share of employment, output, and income is lost due to the proposed limits on irrigation. Results for the Upper Republican Natural Resource District provide the starkest example, and are presented in Table 4.<sup>7</sup> The expected economic losses would account for between 3.5% and 7.5% of 2004 regional output, value-added, and income.<sup>8</sup> There would be a 2.5% loss in employment. There is a smaller percentage loss in employment since our estimates assume there is a reduction in the number of hours worked by farm proprietors and their employees rather than a reduction in the number of jobs in response to limits on irrigation. There is a larger percentage for labor income since much of the loss in crop sales is reflected in lower farm income. Only a modest portion is reflected in lost farm

<sup>7</sup> In the Middle Republican Natural Resource District, the expected economic losses would account for 0.9% of district output, 1.2% of value-added, 1.6% of labor income, and 0.6% of employment. In the Lower Republican Natural Resource District, the expected economic losses would account for 2.1% of district output, 3.1% of value-added, 4.4% of labor income, and 1.4% of employment.

<sup>8</sup> 2004 is the most current year that output and value-added figures are available from IMPLAN.

expenditure. The only costs that fall with reduced irrigation are irrigation costs and costs related to yield such as nitrogen use and costs for transporting the harvested crop.

There also is a demographic component associated with these income losses. Research by Bartik (1991) in the context of manufacturing employment, shows that when new factories enter a community, approximately 80% of new jobs in the community are filled by new residents and only the remaining 20% are filled by existing residents as they enter the labor force, or by formerly unemployed workers. This is a different context than we are considering in current study but if the same principal applies, there would be a significant population loss in response to the limits on irrigation, roughly of the same magnitude as the job loss. And, as is typically the case, losses would likely be concentrated among younger workers.

**Table 4**  
**Percentage Loss in the Upper Republican NRD Economy with 15%/40% Regulation and a Hypothetical Example from the Omaha Economy**

| <u>Economic Measure</u> | <u>Percent Loss in Upper Republican Economy with 15%/40% Regulation</u> | <u>Percent Loss in Douglas County Economy 50% Loss in Insurance Carriers</u> |
|-------------------------|---|--|
| Output                  | 3.5%  | 5.5%   |
| Value-Added             | 4.8%  | 4.8%   |
| Labor Income            | 7.4%  | 4.6%   |
| <u>Employment</u>       | <u>2.5%</u>   | <u>4.3%</u>  |

Source: BBR Calculations

For further context we present an analogous set of the results in Table 4 for a scenario involving the insurance carrier industry in Omaha. The insurance carrier industry is an important part of both the Lincoln and Omaha economies. Insurance carriers, like agricultural producers, primarily generate products (services in the case of insurance carriers) for export around the nation or world. Therefore, the example of the insurance carrier industry presents an urban analogy to the impacts on the farm sector which have been the subject of this report.

We develop a scenario where a change in state regulation of the insurance carrier industry has a negative impact on industry activity in the Omaha area. The eventual loss

is 50% of activity among insurance carriers. Table 4 shows this loss relative to the Douglas County economy using our 4 economic measures. The percentage loss is higher or lower in some cases but on average is roughly the same percentage loss as was estimated for the Upper Republican Natural Resource District.

There is another point worth making about this analogy. It has been pointed out in this study that it may be possible for the Upper Republican Natural Resource District, and the other resource districts, to absorb the blow to their economy from the proposed limits on irrigation. The economies and the population of the districts will be smaller due to the regulation than each would have been without it, but the innovative and hardworking residents of Southwest Nebraska would likely find a way to bounce back, so that aggregate economic measures of economic well-being such as per capita income and unemployment recover. However, a major new regulation on a region's key industry is costly because transitions are difficult and there are many advantages to having a larger economy, particularly in areas that have been losing population. One would have to wonder how residents and business leaders of Douglas County would react to a hypothetical regulation on the insurance carrier industry like we have simulated in Table 4.

Finally the impact estimates in Tables 1 through 4 do not consider efforts to compensate agricultural producers for their lost income. Compensation is under consideration, and could mitigate some of the economic impacts discussed above. In particular, annual compensation payments would tend to support property values which would mitigate the impacts from lost government revenue included in Table 2, as well as mitigate some of the impacts of reduced crop production in Table 1. Results in Table 1, however, reflect more than just the impact from a decline in farm proprietor income. They also represent the reduction in operating costs that occur as farm operators reduce irrigation and have smaller yields. Compensation would represent a way to mitigate negative local economics impacts. However, some negative economic impacts would remain.

The surest way to reduce the local economic impact, if this is a priority, is to implement fewer limits on irrigation in the Republican River Basin. In particular, it would be critical to ensure that the proposed limits on irrigation are the minimum that are

required to help Nebraska meet its obligations with neighboring states. It is beyond the scope of this report, however, to evaluate whether this has been done.



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Southwest Coalition on Water

\*\*\*\* Stop Water Table Declines \*\*\*\*

\*\*\*\*Everyone Treated Fairly\*\*\*\*

The MRNRD should set an allotment that will be sustainable while meeting the compact requirements—Sustainable means no additional water table declines

The MRNRD must stand on its own and do what is best for its farmers, ranchers, irrigators, residents, tax payers, and voters. We can not allow ourselves to be harmed by the actions and unwillingness of other NRD's to come up with long term sustainable plans of action.

Allocations must be the same for everyone in the district. New users such as Ethanol and other new Industries that come in after this date should be required to purchase an existing allotment from someone else. An allocation that will give the MRNRD a long term plan for water table sustainability while meeting compact requirements should be started in 2008---maybe nine or ten inches. The MRNRD must show tax payers and VOTERS they are serious about a long term solution.

A permanent buyout or lease of surface water rights should begin immediately  
-land owners with surface rights should be compensated equally weather the lake they are under has water in it or not  
-they should be given a choice to accept a buyout or not—if they accept then they can not continue to irrigate with a well-any surface acre bought out becomes dry land  
-they may decline to take the buyout if they wish to continue to irrigate with their wells—wells that were drilled to supplement or offset a surface water loss prior to December 16, 2002 will be exempted from any drilling date regulations-

Once the surface buyout is complete, if additional alluvial acres irrigated by ground water need to be bought out, a proportional amount of upland acres must be retired. Example-if MRNRD has 300,000 irrigated acres and one third or 100,000 are alluvial, then for every irrigated acre of alluvial that is bought out we must buy out two upland irrigated acres. This will help us soften the “lag effect”.

Wells drilled after January 1<sup>st</sup>, 2001 should be retired without any compensation. If they want to continue pumping those wells,give them the option to buy someone else's allotments. Wells drilled to supplement or replace the loss of surface water before December 16, 2002 will be exempted.

## MEMORANDUM OF AGREEMENT

**THIS AGREEMENT** entered into on this \_\_\_\_ day of \_\_\_\_\_ in the year of 2007 by and between; The **UPPER REPUBLICAN NATURAL RESOURCES DISTRICT, MIDDLE REPUBLICAN NATURAL RESOURCES DISTRICT AND THE LOWER REPUBLICAN NATURAL RESOURCES DISTRICT** hereinafter referred to as the “NRDs”, and **FRENCHMAN VALLEY IRRIGATION DISTRICT** hereinafter referred to as the “DISTRICT”.

### WITNESSETH:

**WHEREAS**, the District has the rights to natural flow for an identified Water Supply as hereinafter defined in Paragraph II for the year 2007; and

**WHEREAS**, the NRDs desire to “purchase” and/or “lease” the use of the District’s Water Supply for the calendar year 2007; and

**WHEREAS**, the District is willing to “sell” and/or “lease” the use of its Water Supply for the calendar year 2007 to the MRNRD.

**NOW THEREFORE**, in consideration of these facts, the parties agree as follows:

### I. DURATION OF AGREEMENT

This agreement is for the period from the execution of this Memorandum of Agreement (hereinafter “Agreement”) to the end of the 2007 calendar year. There will be no extension or renewal of this Agreement unless further agreed to in writing by the parties.

### II. DEFINITIONS

For purposes of the Agreement, the following term(s) are defined as follows:

“Water Supply” or “2007 Water Supply” shall mean the total amount of natural flow that would be available to the District for beneficial use at the Headgate of the Culbertson Canal during the 2007 calendar year. Based on the average of natural flow diversions, as reflected in the State’s records for the years 2001 to 2005, the expected water supply from natural flow is approximately 8000 Acre-Feet per year. Both parties agree that the actual amount of natural flow could be more or less than the five-year average.

### III. THE DISTRICT AGREES TO PERFORM AS FOLLOWS:

A. The District agrees to relinquish the rights to the use of its Water Supply for the period from the date of the execution of this Agreement to the end of the 2007 calendar year.

B. By execution of this Agreement, the District represents and affirms that, in accordance with all relevant state statutes and District procedures, the District has received the requisite affirmative vote of its qualified electors, at a duly authorized meeting of the District, authorizing it to enter into this Agreement.

MOA RRNRDs – FVID May 2007

C. The District agrees to consult and collaborate with the State, the Natural Resources Districts and other basin water resource interests during the modification of the Integrated Management Plans and associated Rules and Regulations now in effect with the several Natural Resources Districts for the Republican River Basin.

D. The District agrees to defend and uphold the provisions of this Agreement to ensure the purchase and/or lease of the use of the Districts 2007 Water Supply to the NRDs.

**IV. THE NRDs AGREE TO PERFORM AS FOLLOWS:**

A. The NRDs will each pay the sum of six hundred and forty thousand dollars (\$640,000.00) to the District, as payment in full to purchase and/or lease the use of the Company's 2007 Water Supply, {{{within one hundred and eighty (180) days of the execution of this Agreement.}}} **OR** [[[ This payment shall be made in two parts with not less than two hundred thousand dollars (\$200,000) by June 30, 2007 and the remainder not later than January 31, 2008.]]] These payments compensate the District for relinquishing the use of its Water Supply for the calendar year 2007 to the NRDs for the term of this Agreement.

B. The Natural Resources Districts and surface water irrigation districts will continue to work together to meet Nebraska's obligations under the Republican River Compact and Settlement Agreements.

C. By execution of this Agreement, NRDs represent and affirm that they have appropriated and secured the funds necessary to meet their obligations under this Agreement.

D. The NRDs agree to defend and uphold the provisions of this Agreement to ensure the purchase and/or lease of the use of the Company's 2007 Water Supply to the NRDs.

**FRENCHMAN VALLEY IRRIGATION DISTRICT**

\_\_\_\_\_  
President  
Frenchman Valley Irrigation District

\_\_\_\_\_  
Date

**UPPER REPUBLICAN NATURAL RESOURCES DISTRICT**

\_\_\_\_\_  
Board President  
Upper Republican Natural Resources District

\_\_\_\_\_  
Date

## MEMORANDUM OF AGREEMENT

THIS AGREEMENT entered into on this \_\_\_\_ day of \_\_\_\_\_ in the year of 2007 by and between; The **UPPER REPUBLICAN NATURAL RESOURCES DISTRICT**, the **MIDDLE REPUBLICAN NATURAL RESOURCES DISTRICT** and the **LOWER REPUBLICAN NATURAL RESOURCES DISTRICT** hereinafter referred to as the “**DISTRICTS**”, and **RIVERSIDE IRRIGATION COMPANY, INC.** hereinafter referred to as the “**COMPANY**.”

### WITNESSETH:

**WHEREAS**, the Company has the rights to natural flow for an identified Water Supply as hereinafter defined in Paragraph II for the year 2007; and

**WHEREAS**, the Districts desire to “purchase” and/or “lease” the use of the Company’s Water Supply for the calendar year 2007; and

**WHEREAS**, the Company is willing to “sell” and/or “lease” the use of its Water Supply for the calendar year 2006 to the Districts.

**NOW THEREFORE**, in consideration of these facts, the parties agree as follows:

### I. DURATION OF AGREEMENT

This agreement is for the period from the execution of this Memorandum of Agreement (hereinafter “Agreement”) to the end of the 2007 calendar year. There will be no extension or renewal of this Agreement unless further agreed to in writing by the parties.

### II. DEFINITIONS

For purposes of the Agreement, the following term(s) are defined as follows:

“Water Supply” or “2007 Water Supply” shall mean the total amount of natural flow that would be available to the Company for beneficial use at the Headgate of Riverside Canal during the 2006 calendar year. Based on the average of natural flow diversions, as reflected in the State’s records for the years 2001 to 2005, the expected water supply from natural flow is approximately 2000 Acre-Feet per year. Both parties agree that the actual amount of natural flow could be more or less than the five-year average.

### III. THE COMPANY AGREES TO PERFORM AS FOLLOWS:

A. The Company agrees to relinquish the rights to the use of its Water Supply for the period from the date of the execution of this Agreement to the end of the 2007 calendar year.

B. By execution of this Agreement, the Company represents and affirms that, in accordance with all relevant state statutes and Company procedures, the Company has received the requisite affirmative vote of its qualified electors, at a duly authorized meeting of the Company, authorizing it to enter into this Agreement.

MOA RRNRDs - RIVERSIDE IRRIGATION COMPANY, INC. May 2007

C. The Company agrees to consult and collaborate with the State, the Natural Resources Districts and other basin water resource interests during the modification of the Integrated Management Plans and associated Rules and Regulations now in effect with the several Natural Resources Districts for the Republican River Basin.

D. The Company agrees to defend and uphold the provisions of this Agreement to ensure the purchase and/or lease of the use of the Company's 2007 Water Supply to the Districts.

**IV. THE DISTRICTS AGREE TO PERFORM AS FOLLOWS:**

A. The District will each pay the sum of one hundred twenty six thousand dollars (\$126,000.00) to the Company as payment in full to purchase and/or lease the use of the Company's 2007 Water Supply, {{{within one hundred eighty (180) days of the execution of this Agreement.}}} OR [[[ This payments shall be made in two parts with not less than fifty thousand dollars (\$50,000) by June 30, 2007 and the remainder not later than January 31, 2008.]]] These payments compensate the Company for relinquishing the use of its Water Supply for the calendar year 2007 the District for the term of this Agreement.

B. The Natural Resources Districts and surface water irrigation districts to meet Nebraska's obligations under the Republican River Compact and Settlement Agreements.

C. By execution of this Agreement the District represent and affirm that they have appropriated and secured the funds necessary to meet their obligations under this Agreement.

D. The Districts agree to defend and uphold the provisions of this Agreement to ensure the purchase and/or lease of the use of the Company's 2007 Water Supply to the Districts.

**RIVERSIDE IRRIGATION COMPANY, INC.**

\_\_\_\_\_  
Roger Kolbet, Company President  
Riverside Irrigation Company, Inc.

\_\_\_\_\_  
Date

**UPPER REPUBLICAN NATURAL RESOURCES DISTRICT**

\_\_\_\_\_  
Board President  
Upper Republican Natural Resources District

\_\_\_\_\_  
Date

## INTERLOCAL COOPERATION AGREEMENT

This Agreement is entered into by and between the following natural resources districts (“NRDs” or “Parties”):

Upper Republican Natural Resources District  
Middle Republican Natural Resources District  
Lower Republican Natural Resources District

Each of these NRDs is a political subdivision of, and is situated in, the State of Nebraska.

IT IS AGREED by and between the Parties hereto, each acknowledging the receipt of good, adequate, and valuable consideration, as follows:

1. AUTHORITY: This Agreement is made and entered into by the Parties pursuant to the authority conferred upon each under the Interlocal Cooperation Act, NEB. REV. STAT. §§ 13-801 through 13-827.
2. REPUBLICAN RIVER BASIN COALITION: The Parties hereby create the Republican River Basin Coalition (hereinafter referred to as the “RRBC”). The RRBC shall be governed by the terms of this Agreement and shall be the instrument through which and by which the Parties pursue the purposes described herein. The RRBC shall be an entity separate and distinct from the respective Parties hereto, and no Party hereto is the agent, employee or representative of the RRBC or any other Party. The Parties hereto agree that contracts entered into, obligations undertaken, and liabilities incurred by the RRBC shall be the separate contracts, obligations and liabilities of the RRBC, and not the contracts, obligations or liabilities of the respective Parties.
3. PURPOSE: The RRBC shall provide the authority, resources, services, studies, and facilities needed for the representation of the interests of the Parties in proceedings before all agencies, tribunals, courts, and any administrative, legislative, executive, or judicial bodies concerning or affecting the NRDs’ actions, decisions, and policies to regulate/manage water to ensure the State of Nebraska remains in compliance with the Republican River Compact, 2A NEB. REV. STAT. APP. § 1-106 (1995). The RRBC shall specifically act within the authorities granted by LB 701, One Hundredth Legislature, First Session, and other authority so conveyed by the Nebraska Unicameral and laws of Nebraska. This Agreement shall provide the organizational and administrative structure, and enumeration of the powers, privileges and authority of the financial cooperative effort and the RRBC. The powers, privileges and authorities of the RRBC shall not exceed those powers, privileges or authorities exercised, or capable of being exercised, by each of the Parties, nor shall they be used in a manner that is in violation of any of the Parties’ public purposes.
4. BOARD OF DIRECTORS: The affairs, actions and conduct of the business of the RRBC shall be by a Board of Directors (“Board”). Each member of the Board shall be entitled to one vote, and the majority of the votes cast on any issue shall determine the issue, except where a unanimous vote shall be specifically required by this Agreement or by-laws adopted by the Board. A unanimous vote shall be required before the issuance of any bond/s for the acquisition of water rights. The Board shall be composed of three (3) members (“Director”),

one each representing each Party. Each Director and any designated alternate shall be duly and properly appointed by the respective governing bodies of each of the separate and individual Parties, but it shall not be required that any Director of the RRBC so appointed, be a publicly elected member of the governing body of any Party. Each Director shall serve at the pleasure of his or her respective organization. Any vacancy which occurs in the Board shall be filled within 60 days through the appointment of a replacement by the represented Party. The Board shall select from their membership a Chairman, Vice Chairman, and Secretary/Treasurer. The Board shall exercise authority over the RRBC in accordance with applicable laws and shall set the policy, delegating executive, supervisory and organizational authority to its officers and committees. Meetings of the Board shall be conducted at least annually and at such other frequent times as may be required by the business of the RRBC. A majority, *i.e.*, two (2) Directors shall constitute a quorum for the transaction of business.

5. CHAIRMAN, VICE CHAIRMAN, AND SECRETARY/TREASURER: The Chairman shall preside at all the meetings of the Board, shall decide all questions of order, with advice of the Board appoint the members to all committees except the executive committee, be an ex-officio member of all committees, and have such general powers and duties of supervision and management as shall be necessary and germane or required for the execution and prosecution of the affairs of the RRBC. The Vice Chairman shall serve in the absence of the Chairman and in the Chairman's absence, shall have all of the powers and duties of the Chairman, and shall have such other powers and duties as the Chairman or Directors shall from time to time delegate to the Vice Chairman. The Secretary/Treasurer to the Board shall keep minutes of all meetings conducted by the RRBC, and shall be the keeper of the records of the RRBC. The Secretary/Treasurer shall prepare and submit in writing a monthly report of the state of the finances of the RRBC and pay RRBC money only upon authorization signed by the Chairman or, in the absence of the Chairman, by the Vice Chairman. Payment of all accounts after authorization shall be made on check signed by the Secretary/Treasurer. The Secretary/Treasurer shall serve without bond. In addition to the foregoing, the officers shall have such other and additional duties, powers, privileges and authority as the Board may, in by-laws or otherwise, determine appropriate or necessary, and by Board action delegate or direct.

6. COMMITTEES: The Board or the Chairman shall have the power to establish such committees as may be necessary, appropriate or beneficial to the conduct of the affairs of the RRBC. Such committees shall have such powers, duties and authorities as shall be delegated to it by the Board, which powers, duties, and authorities shall not be inconsistent with or exceed those powers and duties granted to the RRBC under this Agreement. The Board and the Chairman are authorized to designate from its members an executive committee which shall consist of the RRBC'S Chairman, Vice Chairman, Secretary/Treasurer and the Chairmen of the various committees established by the Board, which executive committee shall have and may exercise only such powers and authorities as are delegated to it by the Board. The designation of any committees and the delegation thereto of authority shall not operate to relieve the Board, or any member thereof, of any responsibility imposed by this Agreement, nor shall the Board delegate to any committee the authority to set policy or to make expenditures on behalf of the RRBC. Any committee established by the Chairman shall be approved by the Board at its next meeting.



7. POWERS: The RRBC shall have all the powers, privileges and authority exercised or capable of being exercised by each of the individual and separate Parties to achieve the purposes of the RRBC as set forth in this Agreement. Such powers, privileges and authority shall include, but not be limited to, the power, privilege and authority to:

(a) Receive and accept donations, gifts, grants, bequests, appropriations or other contributions or assistance in monies, services, materials or otherwise from the United States or any of its agencies, from the state or any of its agencies or political subdivisions, or from any persons, and to use or expend all such contributions in carrying out its operations.

(b) Establish advisory groups by appointing individuals from among the Parties and pay necessary and proper expenses of such groups as the Board shall determine, and dissolve such groups.

(c) Employ such persons as are necessary to carry out the purposes of the RRBC and this Agreement and to pay the necessary and proper expenses of said persons.

(d) Adopt and promulgate rules and regulations to carry out the purposes of the RRBC and this Agreement.

(e) Establish such committees as are necessary to carry out the purposes of the RRBC and this Agreement and to pay the necessary and proper expenses of such committees.

(f) Make and execute contracts, leases, easements and other instruments necessary or convenient to the exercise of its powers.

(g) Make, amend and repeal by-laws, rules and regulations to carry out and effectuate its powers and purposes, which by-laws, rules and regulations shall not be inconsistent with the Interlocal Cooperation Act or this Agreement.

8. FINANCES AND BUDGET: Annually or at such other frequent intervals as the Board may determine, each of the Parties hereto shall contribute such funds as are necessary to conduct the day-to-day operations of the RRBC. Each NRD shall make an initial contribution of \$3000.00. This initial contribution shall be deposited in an account in the name of the RRBC, at a bank certified by the FDIC, and selected by the Board.

If bonds are issued by the RRBC, each NRD shall collect such revenue as is necessary to ensure proper repayment of such bonds. Each NRD shall collect revenue on a proportional basis relative to the total amount required for bond repayment according to the following percentages: The Upper Republican Natural Resources District shall be responsible for 44% of the total revenue needs; Middle Republican Natural Resources District shall be responsible for 30% of the total revenue needs; and the Lower Republican Natural Resources District shall be responsible for 26% of the total revenue needs. Funds collected for bond repayment may be deposited in a trust account or such other account, different than that identified in the first paragraph of this section, as may be required or permitted by law.

Annually, beginning no more than 30 days after the formation of the RRBC and commencement of business, and continuing each year thereafter during the existence of the RRBC, the Board shall establish and adopt a budget for the prosecution and completion of the work undertaken by the RRBC.

Concurrent with the establishment of the budget each year, the Board of the RRBC shall consult with each Party regarding their ability to contribute toward such funds as are necessary to conduct the operations and to pursue the purposes of the RRBC. Upon completion of the budget, the Board shall determine the assessment to be submitted by each Party and shall thereafter assess each of such Parties for said amount. Upon receipt of the assessment, each Party shall have 60 days to contribute to all funds needed to service the assessment.

9. WITHDRAWAL: Any Party may withdraw from this Agreement and from representation on the RRBC upon written notification to the Chairman of the RRBC. Such withdrawal shall be effective upon receipt of the written notification. Any Party withdrawing from the Agreement and from representation shall be entitled to immediately secure their own representation. Following withdrawal, the withdrawn NRD shall no longer be a Party, and the withdrawn NRD shall not be bound by this Agreement, except that (a) the withdrawn NRD shall not be entitled to any refund of any contribution or assessment previously paid to the efforts of the RRBC, and (b) the withdrawn NRD shall remain liable for its share of any costs properly approved and incurred by the RRBC through the effective date and time of withdrawal. Such share shall be determined in accordance with the allocation for the assessment of Parties outlined in Section 8 above as of the date of the withdrawal notice. The Parties agree that a withdrawn NRD shall not be liable or responsible for any costs, obligations or liabilities incurred by the RRBC after such NRD's withdrawal. In the event of such withdrawal, the RRBC shall make such adjustments as are necessary to the composition of its Board, and its future budgets and finances as are necessary to accommodate and continue the operation of the RRBC in the absence of such withdrawing NRD.

10. PARTIAL AND COMPLETE TERMINATION: This Agreement and the RRBC created hereby, shall be terminated upon the earlier of the completion of its purposes and objects described herein or upon the vote of two-thirds of the then constituted Board for the complete or partial termination of the RRBC and this Agreement. At such time as two-thirds of the Board shall vote to terminate the RRBC and the Agreement, all outstanding debts and obligations of the RRBC shall be paid, all property acquired by the RRBC shall be disposed of by distribution of the same to the remaining Parties as represented by the Board and all unused funds and appropriations shall be returned to the then-remaining Parties as represented by the Board in such proportion as represented by the *pro rata* share paid by each NRD.

11. AMENDMENT AND MODIFICATION: For all matters other than membership, this Agreement may be amended or modified upon the approval of modifications by all Parties.

12. CHANGE IN MEMBERSHIP: This Agreement may be amended or modified to increase or decrease its membership upon approval by two-thirds vote of the members of the Board. Any new members shall be required to have the written approval of its governing body, and shall have admission to membership in the RRBC as a Party hereto, approved by a duly adopted resolution of its governing body.

13. APPROVAL: This Agreement shall be effective and the RRBC established hereby shall come into existence as soon as the governing bodies of the respective Parties hereto shall have adopted resolutions approving and authorizing the execution of this Agreement and the establishment of the RRBC described herein at a duly called public meeting.

14. ADDITIONAL AND FURTHER CONTRACTS FOR SUPPORT AND MUTUAL ASSISTANCE: The RRBC is authorized and empowered to seek and obtain contracts, agreements and other arrangements whereby the RRBC shall receive support and assistance for the purpose of pursuing its objects and purposes from such other entities as RRBC from time to time shall determine necessary or appropriate, including, but not limited to, for-profit and non-profit organizations, and all other persons as defined by NEB. REV. STAT. § 49-801(16). Provided, however, such contract shall not exceed any authority or powers delegated to the RRBC by the Parties and such contract shall not give rise to, nor create any ability of any such third parties to participate in the management or operation of the RRBC. Provided further that upon a majority vote of the Board, any person or entity providing support and mutual assistance may be allowed to appoint, for such period of time as the Board shall determine, a representative to the Board, which representative shall be a non-voting, ex-officio member of the Board, but which representative shall be entitled to attend all meetings of the Board and to be appointed to such committees and attend such committee meetings as the Board shall determine.

15. INTEGRATION: This Agreement contains the entire agreement of the Parties. No representations were made or relied upon by any party other than those expressly set forth herein. All prior and contemporaneous negotiations, discussions, memos and other writing are merged and incorporated herein, it being the intention of the Parties that this be a final and full expression of their agreement. No agent, employee or other representative of any Party hereto is empowered to alter any of the terms herein unless such alteration is done in writing and signed by all Parties hereto.

16. ASSIGNMENT: No Party hereto may assign its rights under this Agreement.

IN WITNESS WHEREOF, the Parties have signed and executed this agreement on the dates shown next to their respective signatures as follows.

Upper Republican Natural Resources District

By \_\_\_\_\_ Date \_\_\_\_\_

Middle Republican Natural Resources District

By \_\_\_\_\_ Date \_\_\_\_\_

Lower Republican Natural Resources District

By \_\_\_\_\_ Date \_\_\_\_\_



# NEBRASKA ASSOCIATION OF RESOURCES DISTRICTS

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May 4, 2007

**TO: NARD Board, NRD Managers and Conservation Partners**  
**FROM: Dean E. Edson, NARD Executive Director**  
**RE: May 4 NARD UPDATE**

**Governor Heineman signs Republican River Basin Water Bill** –Governor Dave Heineman signed LB 701 into law on Tuesday this week. The bill provides new authorities to NRDs to manage water resources and also provides funding sources for water programs. The main components of the bill include:

- 1) Authorizing NRDs to purchase water rights and issue bonds to pay for such. The payment stream for the bonds includes a 10 cent property tax levy and/or a \$10 per acre irrigation occupation tax.
- 2) Extends the NRD Water Management 3-cent levy authority from 2008 to 2012.
- 3) Provides \$2.7 million in General Funds for water programs in fully and overappropriated areas until 2012. After 2012, a 3/5 cent check off on corn and grain sorghum will provide the state source of revenue.
- 4) Creates a 13-member Riparian Vegetation Task Force to analyze the cost effectiveness of available vegetation treatment in the Platte and Republican River Basins. The measure includes \$2 million/year for vegetation removal projects.
- 5) Requires DNR, in consultation with the effected natural resources district, to do an annual determination in fully and over-appropriated basins to estimate the maximum amount of water that may be available from stream flow for a beneficial purpose in the short and long-term.
- 6) Allows NRDs to impose a temporary well drilling moratorium without a notice or hearing, but requires a hearing within 180 days. Similar language is included allowing DNR to impose a temporary 180-day stay on new surface water natural-flow appropriations in areas where a natural resources district has imposed a temporary 180-day stay on new well construction and the addition of new irrigated acres. Water wells of public water suppliers are exempt from temporary moratoriums.

**Niobrara Water Right Found** -- On May 1, 2007, the Department of Natural Resources ("DNR") issued closing notices to all persons holding water rights junior to June 8, 1942, who divert water from the Niobrara River upstream of Spencer, Nebraska. This action came in response to a "call for water" from the Nebraska Public Power District ("NPPD"). NPPD claims to hold a 1942 water right for a hydropower at Spencer that effectively claims the entire flow of the Niobrara River. If NPPD and DNR are correct, the Niobrara River is, and has been, fully appropriated since 1942. This new finding appears to contradict earlier conclusions. Since passage of LB 962 and as required by that law, DNR has made determinations in each of the past two years in its determination of fully appropriated basins and concluded the Niobrara River had significant volumes of unappropriated water. It will be interesting to see how all of this unfolds as NPPD has mentioned they would be interested in selling the water right.

**Recreational Liability Bill Advanced to Final Reading** – On Wednesday, senators advanced a bill dealing with political subdivisions' liability for accidents on public and private lands to Final Reading. The bill, LB 564, was introduced in response to a 2006 Nebraska Supreme Court decision, *Bronsen v. Dawes County*. In that case, the court overruled more than 25 years of precedent declaring that state law does not provide governmental entities with the same limited immunity. The bill proposes to create three exemptions to the liability of state or local government for claims relating to recreational activities for which no fee is charged:

- 1) Claims resulting from the inherent risk of the activity;

- 2) Claims arising out of a spot or localized defect of the premises unless the defect is not corrected by the state or political subdivision within a reasonable time after actual or constructive notice of the defect; and
- 3) Claims arising out of the design of a skate park or bicycle motocross park that was constructed using generally recognized standards in existence at the time the facility was constructed.

Before advancing the bill to Final Reading, an amendment was added that would require political subdivisions to post and maintain a sign at each Skateboard Park and Bicycle Motocross Park sponsored by the political subdivision indicating that it is not liable for injury or death resulting from the inherent risks of the recreational activities. Under the amendment, the absence of a sign would not increase liability on the part of the political subdivision.

**Appropriations Committee Budget Advanced** – The mainline appropriations bill was advanced to Select File this week with no changes from the committee recommendations. Several amendments await for Select File debate next week. The proposed budget reflects a 4.5% average growth over the two year biennium, 3.7% in FY2007-08 and 5.3% in FY2008-09. The details of the budget for natural resources program are in the following chart.

### Funding for Natural Resources Programs

| Program                              | Governor Hieneman Proposed |           | Appropriations Committee Advanced |           | Percent Change |          |
|--------------------------------------|----------------------------|-----------|-----------------------------------|-----------|----------------|----------|
|                                      | FY 07-08                   | FY 08-09  | FY 07-08                          | FY 08-09  | FY 07-08       | FY 08-09 |
| State Aid to NRDs                    | 1,545,502                  | 1,545,502 | 1,545,502                         | 1,545,502 | 0.0%           | 0.0%     |
| Small Watersheds                     | 500,000                    | 500,000   | 500,000                           | 500,000   | 0.0%           | 0.0%     |
| Soil and Water Conservation Fund     | 3,193,454                  | 3,193,454 | 3,193,454                         | 3,193,454 | 0.0%           | 0.0%     |
| Water Well Decommissioning           | 240,840                    | 240,840   | 240,840                           | 240,840   | 0.0%           | 0.0%     |
| Resources Development Fund           | 3,638,368                  | 3,638,368 | 3,373,066                         | 3,373,066 | -7.3%          | -7.3%    |
| Soil Survey Fund                     | 143,051                    | 143,051   | 75,000                            | 0         | -47.6%         | 100.0%   |
| Natural Resources Water Quality Fund | 1,250,000                  | 1,250,000 | 1,250,000                         | 1,250,000 | 0.0%           | 0.0%     |
| *Water Resource Development          | 1,257,299                  | 1,264,348 | 0                                 | 0         | 100.0%         | 100.0%   |
| Interrelated Water Mgt Plan Program  | 2,500,877                  | 2,501,773 | 2,412,854                         | 2,412,854 | -3.5%          | -3.6%    |
| *Nebraska Water Rights               | 1,067,873                  | 1,084,140 | 0                                 | 0         | 100.0%         | 100.0%   |
| *DNR Agency Operations Fund          | 6,308,754                  | 6,457,355 | 8,789,160                         | 9,054,149 | 39.3%          | 40.2%    |

\* **Programs Merged. See narrative below.**

\* Eliminate Soil Survey program funding. This modification would reduce funding for the Soil Survey program to \$75,000 in FY07-08 and eliminates the program in FY08-09. This program is a cooperative venture between the department and the University of Nebraska, and soil surveys have been completed for all the counties of Nebraska. The FY07-08 funding would allow for completion of an existing project, and to close out the program.

\* Consolidation of staffing and operations into Program 334. Programs 310 (Water Resource Development) and 331(Water Rights) were consolidated into Program 334 (DNR Agency Operations Fund) in the Appropriations Committee recommendation. The transfer of staff into this program would give the agency greater flexibility in the management of work assignments. There is no net increase or decrease to the agency budget, and the changes are administrative in nature.

\* Reduce current base funding for the Resources Development Fund. (Prog 307 Resources Develop Fund) by \$215,302.

\* Reduce General Funds due to a one-time appropriation and decrease federal funds (Prog 310 Water planning process) by \$2,547,500. The reduction shown in this program is an adjustment due to a one-time appropriation in FY06-07. Reduced funding is based upon the agency request.