

NATURAL RESOURCES COMMISSION

TITLE 261, RULES GOVERNING ADMINISTRATION OF THE WATER SUSTAINABILITY FUND

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TITLE 261 - NEBRASKA NATURAL RESOURCES COMMISSION

RULES GOVERNING ADMINISTRATION OF THE WATER SUSTAINABILITY FUND

Chapter 1 - GENERAL PROVISIONS

001. PURPOSE AND EFFECT OF RULES. These rules are adopted for the purpose of meeting the goals of the Nebraska Water Sustainability Fund. The Water Sustainability Fund is administered by the Natural Resources Commission (Commission) to provide financial assistance to eligible projects, programs or activities that lead to sustainability of Nebraska's water resources that promotes healthy watersheds, improves water quality and protects the ability of future generations to meet their water needs. In a manner consistent with these rules and regulations and the governing Statutes, the Commission will administer the Water Sustainability Fund to assist projects, programs or activities that meet the goals and are of the types of projects provided for Neb. Rev. Stat. § 2-1506(1) and 2-1506(2).

001.01. Under no circumstances are these rules and regulations to be construed as a limitation or restriction upon the exercise of any proper discretion that is vested in either the Director or the Commission, nor are they in any event to be construed to deprive the Director or the Commission of any exercise of powers, duties and jurisdiction conferred by law, nor to limit or restrict the amount or character of data or information which may be required for the proper administration of the Fund.

002. DEFINITIONS. As used in these rules, the terms listed below will have the meanings noted:

002.01. Accrued Revenues. "Accrued revenues" means income from sales, rents and other sources of revenue returned to the Fund;

002.02. Allocation. "Allocation" means the overall financial limit authorized by the Commission for a project;

002.03. Applicant. "Applicant" means any state agency or person or entity eligible to apply for financial assistance from the Fund;

002.04. Appropriation. "Appropriation" means the amount of funding approved by the Legislature and authorized by the Governor for the Fund;

002.05. Cap. "Cap" is set legislatively for the Fund and means the amount of allocation that can be awarded by the Commission in excess of obligation;

002.06. Combined Sewer Overflow Project. "Combined sewer overflow project" means a municipal project to reduce overflows from a combined sewer system pursuant to a long-term control plan approved by the Department of Environment and Energy;

002.07. Commission. "Commission" means the Nebraska Natural Resources Commission created pursuant to Section 2-1504;

002.08. Cost Effectiveness. “Cost effectiveness” means a systematic quantitative method for comparing the costs of alternative means of achieving the same stream of benefits or a given objective;

002.09. Current Year Appropriations. “Current Year Appropriations” means appropriations from the legislature for the current fiscal year which may include accrued revenues;

002.10. Department. “Department” means the Nebraska Department of Natural Resources created pursuant to Sections 61-205 and 81-101;

002.11. Director. “Director” means the Director of the Department Natural Resources as provided in Section 81-102;

002.12. Costs & Cost Share.

002.12(A). Eligible Costs.

“Eligible Costs” means project expenses the sponsor would have to pay which are directly required to complete the project and which are incurred after approval of the project by the Commission. Such costs may not be paid by other funding sources nor be used as local match required by State appropriated funding requirements. Matching contribution requirements provided by the applicant or applicant partners to Federal grants, excluding those sources identified in 002.12(b) (2), are acceptable as Eligible Costs (e.g., - Natural Resources Conservation Service (NRCS) or US Army Corps of Engineers (USACOE)).

002.12(B). Ineligible Costs.

“Ineligible Costs” include, but are not limited to:

1. Project related activities and expenditures incurred prior to approval of the project by the Commission.
2. Expenditures accounted for as a contribution towards a match requirement of grants from federal pass-through sources such as Pitman-Roberson, Dingel-Johnson or any other state appropriated funds.
3. Expenditures paid with funds supplied by the USACOE, Farm Service Agency (FSA), NRCS or any other federal funding sources.
4. Any expenditures for which State of Nebraska appropriated dollars (e.g., Nebraska Environmental Trust, Department of Environment and Energy grants) are being used, including any required match, may not be included in Eligible Costs.
5. Expenditures paid by any other party or entity other than those partners listed on the application.
6. Expenditures used for project operation and maintenance, debt interest, applicant project administration and management, lobbying, entertainment or any other similar purpose;

002.13. Fund. "Fund" means the Nebraska Water Sustainability Fund created by Section § 61-222;

002.14. Governing Body. "Governing Body" means the individual or group of individuals which are empowered by law to govern the business of an applicant;

002.15. Intangible Benefits. "Intangible Benefits" means benefits, either primary or secondary, that cannot be expressed in monetary terms;

002.16. Large Project. A project with a funding request of greater than \$250,000;

002.17. Obligation. "Obligation" means actual dollars made available by the Commission to a project for reimbursement;

002.18. Political Subdivision. "Political Subdivision" means any political subdivision of the State of Nebraska to which has been granted the authority to develop water and related land resources, including, but not limited to, a metropolitan utilities district, natural resources district, irrigation district, public power and irrigation district, reclamation district, county, and any municipal corporation, village, or city, whether operating under home rule charter or under the general laws of the State of Nebraska;

002.19. Primary Benefits. "Primary Benefits" means net values attributable to a project of increases in products and services and of reductions in costs, damages, or losses of primary beneficiaries;

002.20. Program, Project and/or Activities. "Program, Project and/or Activities" or "project" means any structural or non-structural undertaking for which assistance from the Fund is requested. Unless the context otherwise requires, no distinction is intended between such terms and they may be used interchangeably for purposes of administration of these rules;

002.21. Program, Project and/or Activity Proposal. "Program, Project and/or Activity proposal" or "proposal" or "application" means a proposal which is submitted seeking financial assistance from the Fund;

002.22. Project Engineer or Project Director. "Project Engineer or Project Director" means any engineer, engineering firm, or other person, persons or firm retained or employed by the applicant to provide professional engineering or other professional or technical services during the planning, design, and construction of the proposal;

002.23. Secondary Benefits. "Secondary Benefits" means net values to persons other than primary beneficiaries as a result of economic activity induced by or stemming from a program, project and/or activity;

002.24. Sewer Separation Project. "Sewer separation project" means funding to combined sewer overflow projects.

002.25. Small Project. "Small Project" means a project with a total funding request of \$250,000 or less.

002.26. State Agency. "State Agency" means any agency, board, commission or other office of state government to which has been granted the authority to develop the state's water and related land resources;

002.27. Tangible Benefits. "Tangible Benefits" means benefits, either primary or secondary, that can be expressed in monetary terms;

002.28. Total Net Allocations. "Total net allocations" means unspent appropriations from prior years and Current Year Appropriations minus Sewer Separation Project Allocations;

002.29. Water Productivity. "Water productivity" means water use to increase water sustainability;

002.30. Water Sustainability. "Water Sustainability" means water use is sustainable when current use promotes healthy watersheds, improves water quality, and protects the ability of future generations to meet their needs;

002.31. Water Sustainability Fund Cap. "Water Sustainability Fund Cap" means a financial cap that may be established by the legislature on limiting the approval of any project which would cause the funding from the Fund to exceed the cap.

003. TYPES OF ASSISTANCE. Eligible applicants for financial assistance from the Fund may receive such assistance in the form of grants, loans, or any combination thereof, or through the direct acquisition by the state of interests in eligible programs, projects and/or activities. The form of assistance which may be allocated to a program, project and/or activity will be determined utilizing the following criteria:

003.01. Grants. Funding may be made as grants to applicants when it is determined that such an allocation leads to a program, project and/or activity, or separable portion thereof, that provides for the goals of the Water Sustainability Fund.

003.02. Loans. Funding in the form of loans may be made to applicants for any program, project and/or activity or any part thereof consistent with the purposes of the Fund which will directly generate revenue or receipts or which can be anticipated to culminate in a program, project and/or activity which will generate revenue or receipts, or which would not generate revenue or receipts but would be of general public benefit to the applicant making repayment appropriate.

003.03. Acquisition of State Interests. Interests in water and related land resources projects may be acquired by the Department, upon approval by the Commission, in the name of the state with moneys from the Fund when the public benefits obtained from the project or a part thereof are statewide in nature and when associated costs are determined to be more

appropriately financed by other than a local organization. The Department, upon approval by the Commission, may also acquire interests in water resources projects in the name of the state to meet future demands for usable water.

004. INTEREST RATE. The rate of interest payable on loans from the Fund will be determined annually prior to October 1 of each fiscal year. Such rate of interest is computed by averaging the yields, as determined by a readily available state and local bond index, such as the state and local bond rates available from the Federal Reserve System, Board of Governors issued nationally for the three previous fiscal years and by rounding off such average to the nearest one-eighth percent. The rate of interest payable on a loan for a specific program, project and/or activity is the rate in effect for the fiscal year in which the Commission approves the program, project and/or activity for a loan allocation. Such rate will remain in effect throughout the repayment period determined to be appropriate for such program, project and/or activity.

005 PERIODIC CONSULTATION. Periodically the Commission will request that the following entities submit suggestions to the Commission on funding and planning for water programs, projects or activities: the Department of Natural Resources, the University of Nebraska, the Department of Environment and Energy, the Nebraska Environmental Trust Board and the Game and Parks Commission.

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Chapter 2 - APPLICATION PROCEDURES AND REQUIREMENTS

001. FILING FEES. No filing fee is required to accompany any program, project and/or activity proposal or any application for assistance from the Fund.

002. FILING LOCATION. All proposals, applications or other documents or instruments supplied by an applicant in connection with a request for financial assistance from the Fund are to be filed with the Director.

003. APPLICATION PROCEDURE. If the applicant decides to submit an application, the number and format of the application may be specified by the Director.

004. ENGINEERING AND TECHNICAL FEASIBILITY.

004.01. A structural proposal is considered feasible when it can and will be designed, constructed, and operated to accomplish the purpose(s) for which it was planned utilizing accepted engineering, geohydrologic and other technical principles and concepts. Engineering and technical data and information to be provided in the feasibility report should include, but is not limited to, the following:

004.01(A). A detailed discussion of the plan of development selected for the proposal;

004.01(B). A description of all field investigations made to substantiate the feasibility report;

004.01(C). Maps, drawings, charts, tables, etc., used as a basis for the feasibility report;

004.01(D). A description of the water and land rights associated with the proposal and pertinent water supply and water quality information, if appropriate;

004.01(E). A detailed discussion of each component of the final plan preparation including, when applicable:

004.01(E)(i). Required geologic investigation;

004.01(E)(ii). Required hydrologic data;

004.01(E)(iii). Design criteria for final design including, but not limited to, soil mechanics, hydraulic, hydrologic, structural, embankments and foundation criteria.

004.02. A non-structural proposal is considered to be technically feasible when it can and will be designed and carried out to accomplish the purpose(s) for which it was planned. Data necessary to establish the technical feasibility should include, but is not limited to the following:

004.02(A). A detailed discussion of the plan of development designed for the proposal, including techniques to be utilized in all aspects of the proposal;

004.02(B). A description of field or research investigations utilized to substantiate the project conception;

004.02(C). A description of the water and/or land rights necessary for proposal continuation, if applicable;

004.02(D). A discussion of the anticipated effects, if any, of the proposal upon the development and/or operation of existing or envisioned structural measures including a brief description of any such measure.

005. ECONOMIC FEASIBILITY. Except as otherwise specified by subsection 005.04 of this section, a proposal is economically feasible if primary tangible benefits exceed project costs. All costs and benefit data reported by the applicant will be based upon current data and sources for all data must be documented. Certain commodity prices, recreation benefit prices, and wildlife prices will be prescribed by the Director. The Director may also prescribe other cost and benefit information necessary for completion of the report. The period of analysis for economic feasibility studies will be the life of the proposal.

005.01. Cost Information. The application must include all relevant cost information including, but not limited to the engineering and inspection costs, capital construction costs, annual operation and maintenance costs, and replacement costs. Cost information must also include the estimated construction period as well as the estimated proposal life.

005.02. Benefit Information. Only primary tangible benefits may be counted in providing the monetary benefit information. In a multi-purpose proposal, the benefits will be estimated for each purpose and displayed by year for the proposal life. The application must not include benefits derived from a previously constructed project or portion of a project. Intangible and secondary benefits of the proposal should be described for consideration and evaluation by the Director and the Commission. Benefit measurement techniques and criteria must be provided to the applicant by the Director.

005.03. Cash Flow Stream. All benefit and cost data will also be presented in a table form to indicate the annual cash flow for the life of the proposal. A form for so indicating the annual cash flow must be supplied by the Director.

005.04. Other Methods. In the case of proposals for which there is no generally accepted method for calculation of primary tangible benefits and if the proposal will increase water sustainability, the economic feasibility of such proposal must be demonstrated by such method as the Director and

the Commission deem appropriate.

006. FINANCIAL FEASIBILITY. A proposal is financially feasible if sufficient funds can be made available to complete the proposal, and if sufficient annual revenues can be obtained to repay the reimbursable costs and to operate, maintain, and replace the proposal. When an applicant has partners or co-sponsors on a project, a signed letter of commitment, or an agreement from each such partner or co-sponsor must be submitted with the application in order to demonstrate capability to complete a project. The proposal will identify the amount and source of federal, state, local and/or other funding from the applicant and each partner or cosponsor, if any, so that eligibility for funding can be determined. When a loan is involved, financial feasibility requires assurance that the proposals can be adequately operated, maintained, and replaced and that the loan can be repaid during the repayment life of the proposal.

If a loan is requested, applicant must also supply a complete year-by-year repayment schedule in such detail as directed by the Director.

007. COMBINED SEWER OVERFLOW PROJECT APPLICATION. If an application is from a municipality for assistance with the cost of constructing, upgrading, developing and replacing sewer infrastructure facilities as a part of a combined sewer overflow project, as defined in this Title, it must contain in its application a demonstration of need for financial assistance from the Fund and the population of the municipality.

008. INELIGIBLE NATURAL RESOURCES DISTRICTS. See Neb. Rev. Stat. § 2-1507(5).

009. INELIGIBLE APPLICATIONS OR COMPONENTS OF APPLICATIONS.

009.01. Interest owed on borrowed money is not a cost which may be included in an application nor will such costs be reimbursed.

009.02. Costs incurred by and/or services provided to an applicant prior to approval of an application by the Commission may not be included in project costs and will not be paid or reimbursed.

009.03. Operation and/or maintenance expenses will not be costs of a project which can be reimbursed and may not be included in an application.

009.04. A rate of inflation may not be used as a component of project costs which are subject to reimbursement and may not be included in an application.

009.05. Grant Provisions.

009.05(A). For applicants other than the Department of Natural Resources, after deducting all other sources of funding contributed to offset costs of the project (such as federal, state, Nebraska Environmental Trust and/or other sources regardless of the method(s) of recording and receiving such funds), financial assistance from the Fund

will be 60%, or a lesser percentage if requested by the applicant, of the remaining costs which otherwise would have to be paid from local sources. The following project costs may not be included as a share of the applicant costs:

- (1) Costs paid or reimbursed by a. non-state entities having as a source federal money or b. federal entities;
- (2) Costs for operation and maintenance, debt interest, applicant administration and management costs;
- (3) Discretionary costs.

009.05(B). For the Nebraska Department of Natural resources, after deducting federal and Nebraska Environmental Trust funds, financial assistance from the Fund will be 60%, or a lesser percentage if requested by the Department, of the remaining project costs. The Department may meet the match requirement with other sources of state funding and may include preapproved in-kind services. The following project costs may not be included as a share of the Department costs:

- (1) Costs paid or reimbursed by a. non-state entities having as a source federal money or b. federal entities;
- (2) Costs for operation and maintenance, debt interest, applicant administration and management costs;
- (3) Discretionary costs.

009.06. An applicant may use in-kind services for a portion of its local cost share but only if such use is preapproved by the Commission in writing and only upon the applicant showing how the use of in-kind services will result in lower project costs (For example a contractor's bid for the identical services is higher than the proposed value of the in-kind services).

010. APPLICATION FILING DATES. Each year, applications shall be submitted to the Director beginning on March 16, and must be received by March 31.

011. INFORMATION REQUIRED IN AN APPLICATION. In addition to other information that may be required to be included in an application, applications must specify:

- (1) the amount requested as a loan, if any, and the amount requested as a grant, if any;
- (2) if the amount requested is for \$250,000 or less;
- (3) if the amount requested is more than \$250,000;
- (4). if the project will not be completed in one year or less, the amount of funding requested in each year for which the project is requesting funding.

012. RETURNED APPLICATIONS. Applications found by the Director to be satisfactory and reviewed by the Commission but not approved for funding will be denied and the applicant informed. Such applications may be resubmitted to

the Director in the next application cycle and if the applicant chooses to do so, then the applicant must either certify that there are no changes in the application or include a narrative page describing any changes in the application compared to the prior application.

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Chapter 3 - COMMISSION ACTION AND REQUIREMENTS

001. ACTION ON THE REPORT OF THE DIRECTOR. Following receipt of a report and determination prepared by the Director that an application has been determined to be satisfactory, the Commission may request additional information from the Applicant.

001.01. Following receipt of the Director's report and recommendations, the Commission will forward all such applications to the Application Review Committee(s) which will examine each application and rank and score each application based upon the criteria in Neb Rev. Stat. § 2-1508(1)-(9). The criteria will be given a score of 0 to 6 points.

The criteria in § 2-1508(10) to (15) will be awarded 0 to 3 points.

If the application is designed to meet the requirements of a federal mandate which furthers the goals of the Water Sustainability Fund (for example, improve water quality, mitigate threats to drinking water, or address flood control impacts), then that application will receive two additional points.

An application which contains either N/A or has a blank in an answer to a question in the scoring question section of an application will receive no points for each such answer.

No points will be awarded for any projects or portions of a project built or developed prior to the date of an application.

Applications for a component of a larger project may only list the benefits of and receive points for the component for which funding is being requested.

001.02. The Application Review Committee or Committees will be comprised of members of the Commission and will be appointed to such committee(s) by the Chairman and/or members of the Executive Committee.

001.03. The Application Review Committee(s) will make a preliminary scoring for each application based upon the scoring criteria specified in this chapter. The scoring recommendation will be reviewed by the Commission, which may either adopt the recommendation of the committee or only upon an affirmative vote of at least 14 members of the Commission, revise the recommendation.

001.04. An application as defined in Chapter 2 007, which is recommended for further consideration by the Director, will be reviewed by the Commission for a determination of an adequate demonstration of need by the applicant, a determination of the form of the allocation made by the Director and the percentage of the population served by the applicant compared to the total population served by all of the approved for funding

applications, as defined in Chapter 2 007. All of the applications reviewed and approved by the Commission pursuant to this subsection will be awarded their respective proportion of the amount of funds appropriated to the Fund pursuant to Neb. Rev. Stat. §2-1507 (2).

001.04(A). Subsequent to the initial year in which approval for funding of applications as defined in Chapter 2 007 is made, renewed applications in subsequent years must state that the applicant is still qualified to apply because its plan is still approved by the Department of Environment and Energy. The renewed application must state whether the applicant still has need for financial assistance and it must state the applicant's current estimated population. Funding to all then approved applications that are made pursuant to Chapter 2 007 will be based upon then current funds and populations served.

001.04(B). Applications filed pursuant to Chapter 2 007 will not be scored.

001.04(C). Applications filed pursuant to Chapter 2 007 are not considered to be part of any cap.

001.05. Commission action on recommendations made by the Director, as to the form of grant, loan or combination thereof, must be in accordance with such recommendations.

001.06. A Commission member is ineligible to participate in the action of the Commission concerning an application for a grant or a loan if such member is a member of the governing body, or represents the applicant for financial assistance or otherwise has a conflict of interest. All Commission members are eligible to vote on proposals involving state acquisition of interests in proposals.

002. FUNDING. After scoring and ranking applications that the Director finds to be satisfactory, the Commission will make the following determinations to establish the amount of money available to utilize in funding new projects and to fund a previously approved project.

002.01. Current Year Appropriations. The Commission will set aside:

- (1) If approved for funding pursuant to Chapter 3 001.04, 10% of the funds appropriated as specified in Nebraska Rev. Stat. §2-1507(2);
- (2) 10% of the Current Year Appropriation for Small Projects;
- (3) The remainder for Large Projects. The Commission is not authorized to approve an allocation for a project that would cause the Cap to be exceeded.

002.02. Small Project Funding. The Commission will fund current year Small Projects by starting with the highest scored project. The Commission will proceed in rank order until funds which have been set aside for Small Projects, including any carryover from the prior year, have been committed or the Commission may limit funding for Small Projects based upon the scoring of the projects and other considerations. Any remaining amount may

be carried over or be made available to Large Projects subject to Commission approval.

002.03. Large Project Funding Allocation/Obligation. The Commission will first provide funds for a Large Project which has been previously approved but not fully funded. The Commission will next fund current year projects starting with the highest scored project and proceeding until legislatively authorized funds, including any carryover from the prior year, are committed by fully funding projects or until the Commission limits funding based upon the scoring or other considerations. After funding has been completed as described herein, and if funds remain, the Commission may approve and partially fund (obligate) one additional project. In doing so, the Commission must be able to fully allocate this project utilizing the "cap". In no event may the Commission approve an allocation for more than one project, nor exceed the Cap. Funds may also be carried over or be made available to Small Projects subject to Commission approval.

003. AVAILABILITY OF FUNDS. The extent, if any, to which financial assistance will be provided to any project in any one fiscal year will be in accordance with and contingent upon the availability of funds and Commission action obligating funds for such project in such fiscal year.

004. REDUCTIONS IN ALLOCATIONS. When appropriate, the Commission shall review the annual project reports as set forth in Section 010, and if appropriate and consistent with the funding preferences established in state statute, make reductions in the amount allocated and obligated for any approved application. No amount previously allocated and obligated in accordance with section 002 of this chapter will be decreased unless:

004.01. The Water Sustainability Fund is reduced by subsequent legislative act, or;

004.02. The Commission determines the project no longer meets the criteria for funding eligibility contained in the Water Sustainability Fund or the Commission's rules.

In case of any such findings, the Commission may modify, suspend or revoke any previous action to allocate and obligate funds for the project. Provided, however, any action to modify, suspend, or revoke any previous allocation will not affect the applicant's right to reimbursement for costs which it has incurred or for which the Fund has become legally obligated prior to such Commission action. In addition, such action will not affect the applicant's right to reimbursement for the cost of land or interests in land acquired through condemnation actions commenced prior to the Commission action to modify, suspend, or revoke an allocation.

005. TERMINATION OF PROJECT FUNDING. The contract end date for project funding for Large Projects will not exceed ten (10) years and for Small Projects will not exceed five (5) years, unless initially approved for a longer period. If a project will not be completed prior to the end of ten (10) years for Large Projects and five (5) years for Small Projects, the sponsor may request an extension of time to complete the project, provided the request is brought

before the Commission and placed on the Commission's agenda during a regularly scheduled meeting no later than twelve (12) months prior to the project end date. The Commission shall consider the amount of work remaining, reasons for the project's failure to be timely completed, and the likelihood that the project will be completed given the additional time requested. If the sponsor is not granted an extension of time, the contract will be terminated and no further reimbursements for work done after the termination date will be made.

006. CONTRACTUAL ARRANGEMENTS. State funds will not be advanced to any applicant pursuant to an approved loan or grant until a contract between the applicant and the Department setting forth terms and conditions of such loan or grant has been executed.

007. DISBURSEMENTS. From the annual appropriations by the Legislature to the Fund and subsequent quarterly limitations that may be imposed by the Department of Administrative Service's Budget Office, the Director will disburse no more often than once each month, such funds as are necessary to reimburse or pay, in the proper proportion, all eligible costs incurred by the applicant, if any. All such costs must be documented by the applicant in the manner as is directed by the Director prior to the disbursement of any funds. In the event that a proposal has been approved for combination grant and loan, each disbursement will, unless otherwise specified by the Commission, constitute a disbursement of loan and grant funds in the same proportion as the approved allocations.

008. INSPECTION DURING AND AFTER CONSTRUCTION. The Director or his or her designated representative(s) must have the privilege of inspecting the construction of any project at any time in order to ensure that plans and specifications are being followed, and that the works are being constructed in accordance with sound engineering and technical principles and practices, but such inspection may never subject the State of Nebraska to any action for damages. The Director may bring to the attention of the applicant and the project engineer any variances from the approved plans and specifications. The applicant and the project engineer or project director must initiate necessary corrective action whenever notified by the Director of any such variances. If corrective action is not completed as directed, then the project will no longer be eligible for funding. Subsequent to the completion of construction, project investigation and inspection may be conducted by the Department during the life of the project and may be prescribed pursuant to the contract between the applicant and the Department.

009. CHANGES IN SCOPE OF APPROVED PROPOSALS. The Applicant will promptly report all increases in the cost of a project and any proposed additions, deletions, or modifications or any change in the purpose or purposes of the project by submitting to the Commission and to the Director an amendment to the formal application and feasibility report, if any.

Any proposed change in the scope, purpose, or plan of development for the project will be reviewed by the Director for his or her recommendation to the Commission regarding whether the project still meets the criteria for funding eligibility contained in the Fund or the Commission's rules. Except in the case of a project for which the Department is the applicant, the Director has the

discretion to approve or refer to the Commission minor changes. Additionally for those changes which the Director determines to be more than minor and changes to a project for which the Department is the Applicant, will be referred to the Commission for consideration. The Director is requested to notify the Commission of any minor changes approved by the Director.

The Commission will review all such referrals and information which have been submitted and may, if appropriate and consistent with the purposes for Funding established in the Commission rules, approve the change in scope, purpose or plan of development.

If the Commission finds that the change results in the project being inconsistent with the Commission rules for the Fund, or the change would reduce the benefits from the project, the Commission may notify the Applicant that the project as a result of the change no longer qualifies for funding and the contract between the Applicant and the Department will be terminated. The Applicant may submit an application for the revised project during a subsequent application period.

Increases in cost of approved projects are the responsibility of the Applicant. The Applicant may choose to withdraw its approved project and the contract between the applicant and the Department may be terminated. For any approved project that the Applicant withdraws, abandons or otherwise does not complete, the Commission may require total or partial repayment of any funds expended by the Commission. The applicant may submit a new application to the Commission during a subsequent application period.

010. PROJECT REPORTING. Projects which are granted financial assistance from the Fund must submit on or before April 1st, an annual report containing information detailing past project progress and anticipated progress for the remaining calendar year. The annual report shall also contain an update of the estimated time schedule for beginning and completing the approved project and any anticipated delays to implementing the project or obtaining sufficient funds to meet the applicant's financial obligations for the project.

At the time the Applicant completes a project, a Close Out Report will be submitted to the Commission and the Director identifying what the project accomplished and what benefits were achieved. Quantifying and/or explicitly describing the water sustainability benefits, as described in the application, that were or will be achieved by the funding supplied by the Fund is preferred. After project completion/close out, annual reports are no longer required, unless real estate that was acquired as a part of the project is rented or otherwise generates revenue exclusive of park entry fees, city fees or revenue not resulting from the project.

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Chapter 4 - LAND RIGHTS: PURCHASES, SALES AND RENTS/REVENUES

001. ELIGIBILITY FOR FUNDS. To be eligible for land rights assistance from the Water Sustainability Fund, the local organization, defined as public districts, cities, counties, political subdivisions and agencies of the State or of the Federal government, must first enter into an agreement with the Department. Such agreement, which shall be on a form supplied by the Department, shall provide that the local organization will abide by the law and rules and regulations governing administration of the Water Sustainability Fund. In addition, the following conditions must have been met:

001.01. The Department has either participated in the planning or reviewed the plans and has approved the program of work;

001.02. The local organization has identified to the Department the location and purpose of purchasing lands, easements, and rights-of-way;

001.03. The local organization and the Department have entered into an agreement on the administration and expenditure of these state funds, rental and income generation requirements and limitations, as well as specific limitations against disposal of said property;

001.04. The purchase price of the land, easement, or right-of-way has been established either by a court or by at least one registered, licensed, certified residential, or certified general real estate appraiser approved by the Department; and

001.05. The local organization has given assurance to the Department that it has obtained any water rights or other permits required under state or federal law and complied with all other applicable state laws.

002. APPRAISALS. An appraisal with an "as of" date within six months prior to the purchase date of the tract must accompany each reimbursement request for funds. The cost of such appraisal may be eligible for cost share reimbursement. In the event the Commission or the Department is of the opinion that any appraisal is subject to question, the Department may hire an appraiser at state expense, to aid the Commission in making its decision whether or not to approve such appraisal.

003. DAMAGE TO CROPS. The local organization shall have the option: (1) of giving the landowner the option of retaining his or her interest in the crops, in which event he or she shall be given a reasonable period of time in which to harvest the same; or (2) of delaying the purchase until after the growing/harvesting season; or (3) of the landowner receiving a damage payment for the crops destroyed based upon the appraisal; or (4) in the event that the crop is purchased by the local organization, the purchase price, harvest expenses and management decisions and ultimate sales revenue shall be the

sole responsibility of the local organization and neither related expenses nor revenues shall be applied to the project. When applicable (3 above), the local organization shall also cause an appraisal to be made of all crops which are growing on the land to be purchased. The cost of such appraisal may be eligible for cost share reimbursement.

004. PURCHASE PRICE AND TOTAL COST OF ACQUISITION. For all purposes of the administration of the Water Sustainability Fund, the terms "purchase price" and "total cost of acquisition" shall, in the absence of a condemnation proceeding, mean the amount actually paid by the local organization or the amount established by an appraisal whichever is the lesser amount. In the event of a condemnation proceeding, such terms shall mean the amount of damages awarded by a court of competent jurisdiction. Payments by a local organization in excess of any purchase price so established shall be the sole responsibility of the local organization and shall have no effect upon the distribution of any proceeds subsequently realized from the sale of the land or right-of-way.

005. TITLE INSURANCE AND OTHER RELEVANT DOCUMENTS. Before any funds are paid out to the local organization, such organization must furnish to the Department a copy of a title insurance policy on the property or interest to be acquired, whether through purchase or condemnation. The title insurance policy must be from an insurance company authorized to provide such insurance in Nebraska. The local organization shall also furnish the Department with a copy of any completed purchase agreement (signed by both parties), a deed or easement with seal or filing stamp, the closing statement signed by both parties, all cancelled checks and any other written document demonstrating the terms and conditions of the proposed purchase. All reimbursement requests shall be itemized and packaged in the order of the itemized listing.

006. EMINENT DOMAIN AWARDS. If a local organization is unable to acquire an interest in real property for which an appraisal has been approved except through the power of eminent domain, approval by the Commission of any court award exceeding in amount such appraised value shall be required prior to the disbursement of any funds in excess of such appraised value. The Commission reserves the right to require that the local sponsor appeal such award if such award is deemed excessive or to allocate a percentage of the court award as provided in Chapter 4 Section 007.

007. AMOUNT PAID.

007.01. The Commission reserves the right to approve or reject payment for any cost share reimbursement for purchases of any lands, easements, or rights-of-way if based on reports from the local organization or other information available to it, the Commission has reasonable grounds for concern that a project, or any portion of it, may not be completed. It may withhold or limit assistance to the organization for the acquisition of any lands, easements or rights-of-way needed for that project. Provided, however, any Commission action to refuse to assist an organization in paying the costs of acquisition of any interest in land shall not affect the organization's right to reimbursement for costs for which it has become

legally obligated prior to such Commission action. In addition, such action shall not affect the organization's right to reimbursement for the cost share of land, or interests in land, acquired through condemnation actions commenced prior to the Commission action. Reasonable grounds for concern shall include, but not be limited to, opposition to completion of the project including current or anticipated lawsuits or the unavailability or loss of local, other state, federal or other sources of funding.

007.02. The amount which will be approved by the Commission for reimbursement from the Water Sustainability Fund shall not exceed the purchase price as defined in Chapter 4 Section 004.

007.03. If for any reason the local organization desires to sell any of its interest in real property, the local organization shall first make such request to and obtain approval of the Commission. If for any reason the local organization desires to rent any of its real property, the local organization shall first make such request to and obtain approval of the Director of the Department. The local organization must remit to the Department a pro rata share of the proceeds of any rental income or of any subsequent sale of such property. The pro rata share shall be equal to the percentage of the total cost of acquisition of such property made from any state allocation from the Water Sustainability Fund.

008. DOCUMENTATION OF PURCHASE. The local organization shall forward to the Department a copy of the deed, easement, court decree (in the case of a condemnation proceeding) or any other document or material deemed by the Department to be necessary for each transaction. Such deed, easement, court decree, etc. shall be verified by the clerk of the court or the register of deeds.

009. STATE LIEN. In instances where the WSF is used to acquire fee title interest in real property, the Department shall file a lien against the property, in the local courthouse, for the purpose of preventing the sale of the property without the prior approval of the Commission, as well as the funds interest in any rental or other income generated by the property.

010. ANNUAL INSPECTION. At least once each year during construction and once every five years after project close-out, a Department staff member and a representative of the appropriate local organization shall inspect each parcel of land for which fee title has been acquired. A report of the staff member's findings along with any suggestions or recommendations will be submitted to the local organization for follow-up action.

011. ANNUAL FINANCIAL STATEMENT. Each local organization holding fee title to lands purchased with Water Sustainability Funds shall submit a complete financial statement to the Department by August 1 of each year. Such required statement shall set forth the income received from such lands and also the expenses incurred in the maintenance, improvement, management, etc. of such lands. This financial statement is required in addition to any other statement or accounting required to be submitted by the local organization by law or otherwise.

012. ANNUAL LEASE. When appropriate, a Department staff member shall work with a local organization in preparing the annual lease for such property as was acquired, in whole or in part, with Water Sustainability Funds. Unless otherwise approved by the Director, leases shall commence on the first day of March and terminate on the last day of February of the year next ensuing. No lease shall be deemed effective unless and until it has been approved in writing by the Director.

013. USE OF LEASE REVENUES. Rental and lease revenues may be used for reasonable and necessary expenses incurred by the local organization in the management of such lands with prior Department approval. As the Department is responsible for overseeing the management of such lands, the local organization shall consult with the Department prior to such management action and shall keep the Department informed of all matters relevant to property management.

014. NOTIFYING PUBLIC BODIES OF PROPOSED SALES. The Department shall notify the Governor of the State and the appropriate public districts, cities, counties, political subdivisions and agencies of the State or of the Federal government of the land(s) scheduled to be sold. Such notification shall indicate the proposed date(s) of sale and shall summarize the process by which public entities may acquire such lands for public purposes.

015. NOTICE OF INTENT TO ACQUIRE OR RETAIN. Any public district, city, county, political subdivision, or agency of the State or of the Federal government which is interested in acquiring or retaining for public purposes land(s) purchased in whole or in part with Water Sustainability Funds shall notify the Department of such interest.

016. APPRAISAL AND NOTIFICATION TO PUBLIC BODIES OF APPRAISED FAIR MARKET VALUE. Whenever a public entity indicates in accordance with Chapter 4 Section 017 that it is interested in acquiring or retaining lands purchased in whole or in part with Water Sustainability Funds, the Department shall have an appraisal prepared for such lands in accordance with section 2-1502 R.S. Supp., 2000, as amended, and notify such public entity of the appraised fair market value. Such notification shall indicate the proposed date of sale, the appraised fair market value, and the requirements for purchase or retention by public bodies in accordance with Chapter 4 Section 020.

017. ACQUISITION BY PUBLIC BODIES. Any public district, city, county, political subdivision or agency of the State or of the Federal government which desires to acquire or retain for public purposes land(s) purchased in whole or in part with Water Sustainability Funds shall notify the Department of such desire by the date specified in the notification. A report explaining the public purpose to be made of such property shall be simultaneously submitted to the Department. Such report shall include a description of the public uses to be made of such property, a description of and timetable for improvements, if any, and a discussion of management techniques to be utilized to serve the proposed public purpose. The report shall also document the public entity's legal and financial abilities to acquire or retain such property and to implement the proposed public purpose. If acquisition of such lands for public use by a

public body is approved, the Department shall be reimbursed in the amount of the prorated share of the appraised fair market value that is equal to the percentage of the total cost of acquisition paid from the Fund and the local organization transferring the title to the acquiring public body shall be reimbursed in the amount of any remaining portion of the appraised fair market value, both reimbursements to occur within 90 days of such approval or approvals. All such proceeds to the Department shall be remitted to the State Treasurer for credit to the Fund. Proceeds from rents and other income shall be split in the same manor.

018. CRITERIA FOR ACQUISITION BY PUBLIC BODIES.

018.01. Whenever a public entity indicates in accordance with Chapter 4 Section 019 that it desires to acquire or retain lands purchased in whole or in part with Water Sustainability Funds, the Commission shall determine whether the property should be so acquired or retained or whether it should be offered for sale at public auction in accordance with Chapter 4

Sections 024 through 029. In making such determination, the Commission shall consider the following factors:

018.01(A). The nature of the public purpose for which acquisition or retention is requested and the demand for such purpose in the area to be served thereby.

018.01(B) The nature of probable alternative uses for such property and their relative importance in the community and the state.

018.01(C). The adequacy of the property to satisfy the proposed public purpose in comparison to its adequacy to satisfy probable alternative uses.

018.01(D). The relative economic impacts which could be anticipated in the community because of the proposed public purpose and probable alternative uses.

018.01(E). The legal and financial abilities of the public body to acquire or retain the property and to implement the proposed public purpose.

018.01(F). The compatibility of the proposed public purpose with operation and maintenance of the property for the purpose for which it was originally acquired and its consistency with accepted conservation principles.

018.02. Prior to determining whether the property should be acquired or retained by the public body or offered for sale at public auction, the Commission shall consult with the local organization holding title thereto and other interested organizations and individuals. If the amount invested in such property from the Water Sustainability Fund constituted the full purchase price, the decision of the Commission regarding the purchase or retention of such property by the public body shall be binding on the local organization. If, however, a portion of the original purchase price was

contributed by the local organization, such local organization shall have independent authority to disapprove the purchase of such property by another public body, and any such disapproval shall result in the property being offered for sale at public auction as scheduled.

019. DESIRE TO ACQUIRE BY TWO OR MORE PUBLIC ENTITIES. In the event that two or more public entities indicate a desire to purchase or retain the same land or right-of-way, the Commission shall evaluate each separately in accordance with Chapter 4 Section 020. If following such evaluation, more than one of the proposed purchases by public bodies is deemed preferable to offering the property for sale at public auction, the Commission shall evaluate such proposals on their relative merits to determine which proposal would best serve the public interest.

020. ACQUISITION OR RETENTION OF LESS THAN FULL PARCEL.

020.01. The acquisition or retention by public bodies of a parcel of land smaller in size than the parcel scheduled to be offered for sale will be approved only if such purchase or retention would satisfy the criteria of Chapter 4 Section 020 and if

020.01(A). It would have no anticipated adverse effect on the marketability of the remainder of the full parcel, and

020.01(B). No additional public purpose would be served by acquisition or retention by such public body of the remainder of the full parcel.

020.02. The local organization shall be responsible for any surveys which are deemed necessary because of such acquisition or retention or for providing proper identification of such parcel prior to the sale at auction of the remaining portion of the full parcel. The public body acquiring such parcel shall reimburse the local organization for all actual and necessary costs incurred as a result of such survey and identification.

021. AGREEMENT TO RETAIN IN PUBLIC USE. As a condition to acquiring or retaining for public purposes any lands acquired in whole or in part with funds from the Water Sustainability Fund, the acquiring or retaining public body shall enter into an agreement with the Department. Such agreement, which shall remain in effect and be controlling as to the public body's utilization and disposition of the property for a period not to exceed the life of the project, shall specify the following terms and conditions:

021.01. The property shall, unless otherwise approved by the Commission, be retained by the public body for the public purposes specified in the report submitted pursuant to Chapter 4 Section 019.

021.02. No use shall be made of the property which is incompatible with the purposes for which it was originally acquired in whole or in part with funds from the Water Sustainability Fund without prior Commission approval.

021.03. Such public body shall not utilize the property or any part thereof for income production unless such income results from activities that benefit

the maintenance of the property or to serving the public purposes for which the property was acquired or retained.

021.04. Any other terms or conditions which the Commission deems appropriate. A copy of such agreement shall be filed by the Department in the register of deeds office of the county in which such land or right-of-way is located.

022. METHOD OF SALE. When any lands involving these funds are to be sold, whether those lands are to be sold with or without improvements, such sale, unless governed by Chapter 4 Sections 019 through 023 shall be by public auction, sealed bid or other acceptable method. Prior to such sale the Department shall through the local organization:

022.01. Cause an appraisal to be made of such land,

022.02. Retain the services of a public auctioneer,

022.03. Cause legal notice thereof to be published.

023. PUBLIC AUCTIONEERS. In retaining the services of a public auctioneer for the sale at auction of any lands purchased in whole or in part with these funds, the Department shall select a public auctioneer, for the services of such public auctioneer, and over-see the contracting of said auctioneer with the local organization. Selection of the auctioneer shall be the responsibility of the Director of the Department. Fees associated with the appraisal, auctioneer, advertising and notice, and any other fees associated with the sale, provided they are approved by the Department in advance, are eligible for reimbursement from the sale proceeds prior to the disbursement split between the Department and the local organization.

024. SALE OF IMPROVEMENTS. When any improvements on lands involving these funds are to be sold separately from the land, such sale may be conducted by sealed bids or by public auction. Prior to such sale of improvements, the Department shall cause legal notice thereof to be published pursuant to Chapter 4 Section 027.

025. NOTICE OF SALES. Notice of all sales governed by these rules shall be published in the county in which such land(s) and/or improvement(s) is (are) located and also in a legal newspaper with statewide circulation. Advertisement/notice shall also be distributed by flyer and/or posters posted in public view, on web sites and any other appropriate method for generating interest in the sale. Such notices shall list and describe the land(s) and/or improvement(s) to be sold and the easements and/or rights-of-way, if any, which will be retained by the local organization, and shall state the date, time and place for the opening of sealed bids. If appropriate, such notice shall state the address where sealed bids are to be mailed or delivered, and the deadline for receipt of the same. The terms of payment and any other information that in the particular case would be required to impart adequate notice to all interested parties shall also be provided.

026. SEALED BIDS. In order to be eligible for consideration, sealed bids for improvements shall state which improvement(s) the bid is for and shall be accompanied by a certified check or bank draft made out in the full amount of the bid. If any sealed bid is not accepted, the deposit shall be returned to the bidder within thirty days after the day on which the bids are opened. All sealed bids shall be mailed or delivered to the Department. Such bids must be received at least three days prior to the date set for their opening. All sealed bids shall remain sealed until the time set for their opening, at which time the two highest bids shall be read.

027. CONDUCT OF AUCTION. The public auction for each tract of land to be sold shall remain open for receipt of bids for a minimum of one hour, but may be closed at the end of such time period if there are no reasonable grounds to believe that a higher bid would be received were the auction held open for a longer period of time.

028. EARNEST MONEY DEPOSIT. The highest bid for a tract of land received at public auction shall, in order to be eligible for consideration by the Commission, be accompanied by a check, bank draft, or cash in an amount of not less than twenty percent of the bid.

029. PURCHASE AGREEMENT. The highest bidder for the purchase of any of the lands governed by these rules shall, after being designated the highest bidder, enter into a purchase agreement with the local organization stating that the balance due shall be paid within thirty days of notification by the local organization of the acceptance of the bid by the Commission. The purchase agreement shall describe all applicable terms for the sale, including all terms specified by the Commission. Failure to comply with this rule or with the conditions of the purchase agreement shall result in the forfeiture of said bidder's deposit.

030. APPROVAL OR REJECTION OF BIDS. The Commission reserves the right to refuse any and/or all bids. At the next regularly scheduled Commission meeting following the closing of all bidding, the Commission shall review the highest bid, considering, if applicable, such factors as the original purchase price, any increases or decreases in land valuation, the present appraised fair market value, and any other criteria which may reflect the adequacy of the bid. If a portion of the original purchase price was contributed by the local organization, such local organization shall be consulted regarding the adequacy of the bid prior to approving or rejecting the same. In the event the Commission approves a bid, it shall direct the local organization to proceed with the sale. Upon receiving full payment, the local organization shall convey title to the purchaser, reserving as applicable, and such interests in the land as are necessary for the local organization to carry out its ongoing responsibilities relative to management of the land or to any improvements constructed thereon or necessary to effect any terms for the sale specified by the Commission. In the event that the Commission determines that a bid is inadequate, the bidder's deposit shall be returned within ten days after such determination, the land shall be leased for an additional year, and the land shall be rescheduled for sale according to the rules hereinabove set forth.

031. SALE EXPENSES. Any expenses, that have been approved by the Director in advance, which are incurred by the Department or the local organization in conducting this sale shall be subtracted from the sale price prior to a pro rata distribution of such sale proceeds between the local sponsor and the Department in accordance with Chapter 4 Subsection 007.03.

