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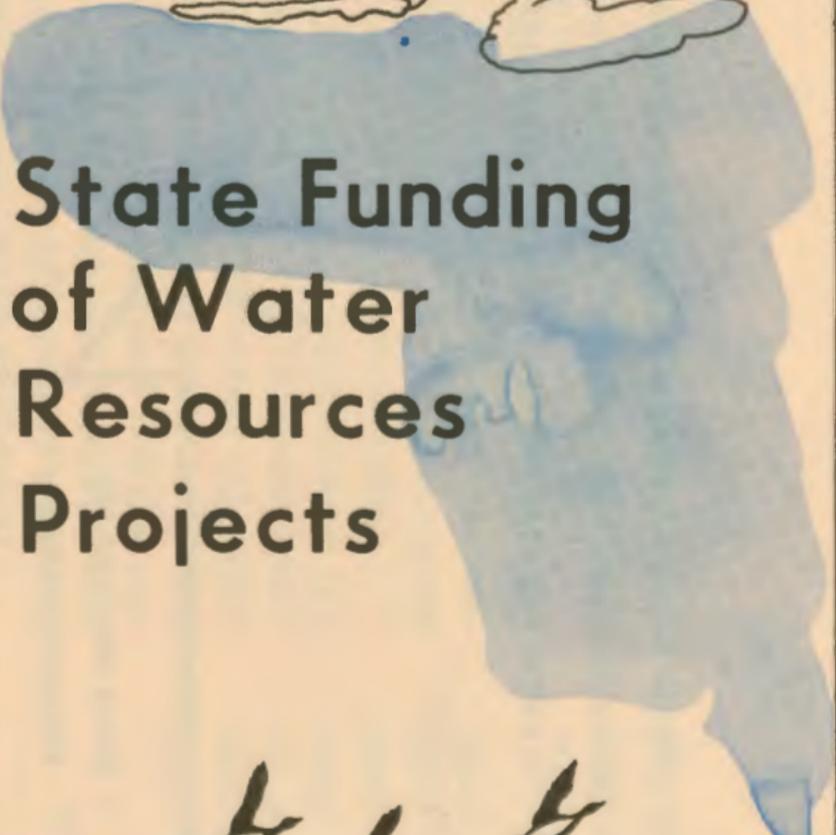
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State Funding of Water Resources Projects



**COOPERATIVE EXTENSION SERVICE
SOUTH DAKOTA STATE UNIVERSITY
U. S. DEPARTMENT OF AGRICULTURE**

State Funding of Water Resources Projects

(Under the Water Resources Management Act)

By: F. F. Kerr, Extension Water Resources Specialist
Vern W. Butler, Secretary Department Natural Resource Development

The 1972 legislature provided South Dakota people with a new mechanism for accomplishing orderly planning and development of the state's water resources. It is called the South Dakota Water Resources Management Act.

The scope of the Act is broad including planning, funding, construction and administration of the state water resources program. This publication pertains only to the funding authority. Its purpose is to explain methods and procedures to be followed to move a development "idea" to final construction.

Pertinent Provisions of the Act

Provisions of the act that relate to only the funding function are:

1. Applications for funding are processed by the Secretary of the Department of Natural Resource Development (DNRD). Approval or disapproval is given by the seven member Department of Natural Resource Development Board. The Board meets with and is advised by a six-member committee composed of one Director from each Conservancy Sub-District. Both the Board and the Secretary are appointees of the Governor.

2. The Board is responsible for setting priorities on project proposals, determining benefit and cost relationships and allocating costs among governmental and private interests.

3. After approval by the Board, authorization of the project as part of the state's water management system and funding must come from the legislature.

4. Funds may be requested in the form of a grant or a loan or both.

5. Funds may be appropriated by the legislature from the general fund of the state, or the Board may be authorized to borrow money from the Federal government or to issue revenue bonds.

6. A revolving fund, known as the Water Facilities Construction Fund, is the depository of appropriated and other funds. Project cost payments are made from the fund and repayments are deposited therein. The fund is administered by the Board.

Practical Application of Legal Provisions

Many questions arise when a new piece of enabling legislation is implemented. Normally these questions are answered in policies and procedures that are outlined in regulations adopted by the administering agency of state government, in this case the Department of Natural Resource Development. Stated simply, the enabling legislation dictates **what** may be done and regulations state **how** it is to be done.

The Department of Natural Resource Development requires that the "idea" for a project proposal go through a thorough analysis before being submitted to the Department for possible action. The work and costs associated with the analysis are the responsibility of the proponents of the proposal. However, the Department staff is available for consultation on the details of what needs to be included.

Figure 1 is a flow chart showing the main steps required to move the "idea" to construction.

Following is a list of tasks that local interests must perform or cause to be performed. Some may require services of consultants.

1. Determine a firm area of interest where identifiable individuals will be using the facility and repaying the loan. An example would be an irrigation project.

2. A preliminary engineering evaluation including cost estimates. **This could result in local interests dropping the proposal if repayment obligations appear excessively high.**

3. Prepare a feasibility study including:
 - a. A specific statement of objectives.
 - b. A statement of present and future social and economic needs.
 - c. Statements of local support or opposition.
 - d. Statement of conformation with regional and state plans.
 - e. General design features, concepts, and costs. (More detailed than 2 above.)
 - f. Analysis of direct and secondary benefits and costs.
 - g. Analysis of repayment capacity if a loan is involved. (May be a part of f. above).
 - *h. Anticipated adverse effects.
 - *i. Anticipated land use changes.
 - *j. Statement of alternative possibilities that would accomplish the same objectives.
 - *k. A listing of any irreversible and irretrievable commitments of resources.
 - *l. Mitigation measures proposed.
 - *m. A statement of the short term and long term environmental impact as seen by local interests.
 - n. A proposal of cost sharing arrangements.
 - o. A fiscal plan.
 - p. An administrative plan.
 - q. A proposed time sequence for design and construction.
 - r. A documented report covering preceding items.

*These items constitute local input to the Environmental Impact Statement required by law. The Department of Natural Resource Development is charged with preparing the formal statement. The Department needs local input however to do an acceptable job.

Role of Conservancy Sub-Districts and Other Supporting Agencies

The preceding list of tasks would be expensive if all of them had to be accomplished by hired consultants. A large percentage of them can be accomplished by existing agencies, local entities and local interests. Conservancy Sub-Districts should take the leadership since water is their primary area of concern.

The sources of help in addition to Conservancy Sub-Districts would include the Soil Conservation Service, the Cooperative Extension

Service, Regional Planning Districts, county governments, Soil Conservation Districts, Department of Game Fish and Parks and perhaps others.

Kinds of Funding

Projects that could be considered under the Water Resources Management Act would be classified as predominantly **revenue-producing** or predominantly **non-revenue producing**.

A revenue-producing project is one that generates some new wealth and beneficiaries of the new wealth **can be identified**. The beneficiaries therefore have a capability of using some of the new wealth to repay costs of the project and a loan is requested. Examples would be irrigation projects, community water projects and in some cases flood control projects.

Non-revenue producing projects may also create some new wealth in the area and state, but beneficiaries cannot be identified with any acceptable degree of accuracy. In this case grants are requested.

Examples of non-revenue producing projects would be recreational facilities and fish and wildlife facilities. Costs associated with grants are therefore paid by everyone who pays taxes. Grants are considered justifiable since everyone **has the opportunity** to use the facility although not everyone may do so.

A group could request both a loan and a grant. To qualify the group would have to convince the DNRD and the legislature that their project is in the state's best interest but that costs are beyond the repayment capacity of direct beneficiaries. High cost flood control projects or rural water systems are examples.

Joint Funding Arrangements

Funding of either revenue-producing or non-revenue producing projects by joint contributions from several sources is not only possible under the Act but preferable in many cases. Joint contributors could be some combination of (1) the state (2) direct beneficiaries (3) county or city governments (4) an agency of the United States (5) conservancy sub-districts.

Direct beneficiary payments may be collected through (1) a conservation district (2) a watershed district (3) an irrigation district (4) a water user district and (5) perhaps others.

The funds of the joint contributors would be paid into the Water Facilities Construction Fund for administration and disbursement.

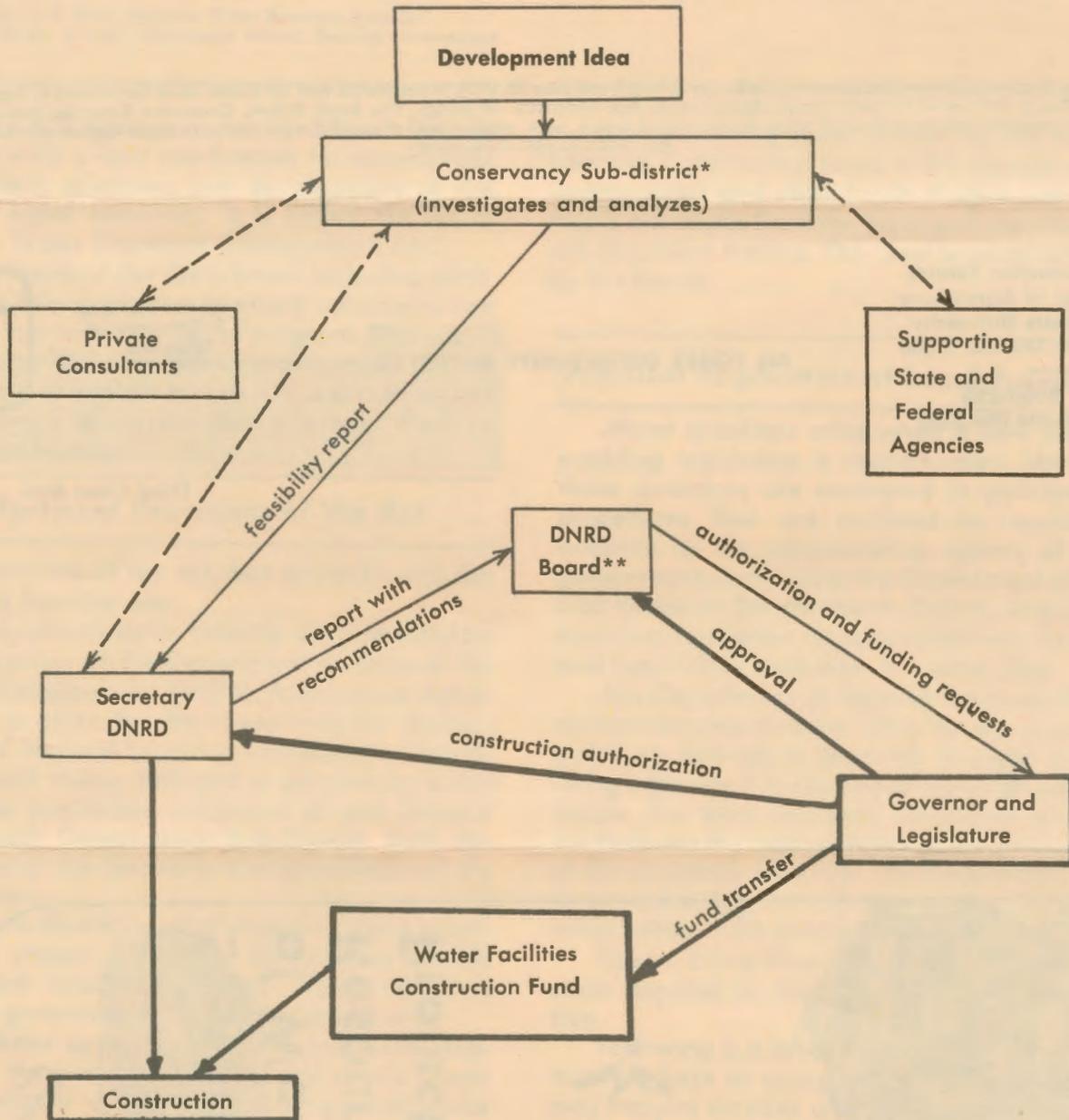
Institutional Arrangements Required

An entity legally constituted under state law is required to represent the local interests in project negotiations, especially if the project is revenue-producing and repayment is required.

The local legal body to serve an irrigation project would be an irrigation district; a water user district should serve a community water

system; and a watershed district should serve a flood control project. In a few cases a city or county might qualify as the legal body.

If the operation, maintenance and administration of the completed project were to be taken over by an agency of state government, a legal entity probably would not be necessary. An example would be a fish, wildlife or recreational facility that was to be taken over by the Department of Game Fish and Parks after completion.



pre-funding actions →

post-funding actions →

*Some other legal sub-division of state government could be used if desired or if no sub-district served the area. Two-way consultation based on prearranged and negotiated scopes of services. - - - - -

**DNRD is the Department of Natural Resource Development.

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