

**MINUTES OF THE
GUBERNATORIAL AND LEGISLATIVE TASK FORCE ON
ALTERNATIVE REVENUE SOURCES FOR WATER FUNDING**

Friday, November 15, 2002 – 9:00 a.m. – Room 405 State Capitol

Members Present:

Sen. Leonard M. Blackham, Senate Chair
Rep. David Ure, House Chair
Sen. Mike Dmitrich
Rep. James R. Gowans
Mr. Tage Flint
Ms. Natalie Gochnour
Mr. Joe Melling
Mr. Bob Morgan
Ms. Dianne Nielson
Mr. Dave Ovard
Mr. Warren Peterson
Mr. Ron Thompson

Staff Present:

Mr. Brian Allred, Research Analyst
Ms. Jeanenne B. Larson, Associate General Counsel
Ms. Glenda Whitney, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary, Joy Miller, at 538-1032.

1. Committee Business

Chair Blackham called the meeting to order at 9:10 a.m. Sen. Blackham and Mr. Morgan were excused from the meeting.

MOTION: Sen. Dmitrich moved to approve the minutes of the October 21, 2002 meeting. The motion passed unanimously.

2. Water Funding Alternatives - Subcommittee Report

Mr. Dave Ovard distributed a handout "Water Funding Alternatives Task Force Subcommittee Draft Report." He pointed out that there is a projected need of approximately \$5 billion for water and wastewater over the next 20 years. He noted that the report will be an important source of reference for years to come.

Mr. Warren Peterson explained that the report includes repair, replacement, and maintenance needs as well as future infrastructure needs. Current funding for water, wastewater, and storm drainage is inadequate to meet projected needs. Water development appropriation represents a small but very effective part of the state budget. Given the significant growth projected by the Governor's Office of Planning and Budget and the increasing complexity and lead time in water development, Utah cannot afford to neglect water development. Such development must be conducted in a consistent, planned, and efficient manner to get the most benefit from water development funds. He pointed out that rural economic growth depends heavily on water funding, yet costs for water supply and treatment to rural households usually exceeds both national averages and average cost for urban households. Mr. Peterson stated that the 1/16 sales tax should be kept in place because it is an equitable form of funding. He stated that much of the support documentation would be added as an appendix to the final report.

Minutes of the Gubernatorial and Legislative Task Force on
Alternative Revenue Sources for Water Funding
October 21, 2002
Page 2

Mr. Brian Allred distributed handouts "Estimated Annual Revenue From Water Development Alternatives" and "Sales and Use Tax Authorities Under Title 59." He reviewed the documents with the task force.

The task force discussed each of the alternatives as outlined in the report. The following action was taken:

- Alternative No. 1, Present 1/16 sales tax - No action was taken.
- Alternative No. 2, Present property tax authorization, with local decision whether to implement - No action was taken.
- Alternative No. 3, Sales tax on water and sewer utility bills - Not approved.

MOTION: Mr. Morgan moved that any discussion of the proposed alternatives exclude agricultural water. The motion passed unanimously.

- Alternative No. 4, Surcharge per water and sewer connection - Not approved.
- Alternative No. 5, Surcharge on metered water sales - The task force may seriously consider the item if the 1/16 sales tax is repealed.
- Alternative No. 6, Statewide property tax levy for water development - Not approved.
- Alternative No. 7, Statewide impact fee on all new development - Not approved.
- Alternative No. 8, Registration fee surcharge on all watercraft - The task force may seriously consider the item if the 1/16 sales tax is repealed.
- Alternative No. 9, Water fowl hunting license and fishing license surcharge - The task force may seriously consider the item if the 1/16 sales tax is repealed.
- Alternative No. 10, Surcharge admission fees at state parks - The task force may seriously consider the item if the 1/16 sales tax is repealed.
- Alternative No. 11, Excess usage/water conservation surcharge - The task force will further consider the item in its January, 2003 meeting for potential draft legislation.

MOTION: Sen. Dmitrich moved to approve "Alternative No. 11, Excess Usage/water conservation surcharge" not as an alternative funding source but as an effort to encourage conservation. It is recommended that the concept be incorporated into increasing block rate fee structures by local water providers with surcharge imposed by the state on retail sellers that fail to implement the surcharge. The motion passed unanimously.

Mr. Thompson indicated that if Alternative No. 11 is determined to be a potential funding source, it should be used to promote public education and conservation.

- Alternative No. 12, Reinvesting or restructuring of loan funds and boards - The task force will consider the item in its January, 2003 meeting.
- Alternative No. 13, Tourism taxes - The task force may seriously consider the item if the 1/16 sales tax is repealed.

- Alternative No. 14, Green fees surcharge at golf courses - The task force may seriously consider the item if the 1/16 sales tax is repealed.

The subcommittee report, as amended, along with the handouts from Mr. Allred, will be presented to the Natural Resources, Agriculture, and Environment Interim Committee on November 20.

3. Water Conservation - Task Force Discussion

Mr. Ron Thompson explained that a great deal of water savings occur naturally. Economies are being built into remodeled and new homes with updated codes that require more water conservative fixtures. He hoped to see the continued development of a conservation ethic among all water users. Educating the public is a critical component. Mr. Thompson suggested that the consequences of conservation be further studied and understood. Conservation is primarily a local issue and the local citizens need to take responsibility for it. He recommended that landscape maintainers and landscape architects be educated on how to develop and maintain a water conservative system. He suggested the possibility of requiring water purveyors to have a conservation rate structure.

Mr. Ovard said the Legislature should send a message to the citizens of Utah of the importance of water conservation. Cities and counties should be encouraged to adopt water-efficient landscaping ordinances.

4. Review of Water Loan Funds

Mr. Kevin Brown, Division of Drinking Water, distributed a handout "Utah's Water Funding Programs: The Last 30 Years." The information was compiled in response to a request from the task force to consider whether or not the water loan boards should be consolidated and what other alternative financing mechanisms are available to the different boards. He noted that in 1993 the Utah Foundation created a report on the water loan programs. The report recommended a legislative audit of the water loan programs to determine their efficiency and how and what entities the loans help. The legislative audit, completed in 1995, concluded that greater efficiency would probably not result from consolidating the water boards. The water loan programs are using the funding mechanisms available when possible. They make sure interest rates are at a level that will not sink the revolving loan funds but still provide a subsidy to those who are in need of it.

Mr. Kent Michie, Zions Bank Public Finance, distributed a memorandum "Proposed Amendments to the State Financing Consolidation Act." He stated it is possible for the state to issue a water revenue bond to help with the funding of the water loan programs. The State Financing Consolidation Act was passed in 1986 and is not as user friendly as it should be and as a result, there has been reluctance on the part of some state agencies to use it. He recommended amending the act to allow the water loan committees to do some recapitalization.

The task force decided to continue discussion of the issue in its January meeting.

5. Other Items / Adjourn

Minutes of the Gubernatorial and Legislative Task Force on
Alternative Revenue Sources for Water Funding
October 21, 2002
Page 4

MOTION: Rep. Ure moved to adjourn the meeting. The motion passed unanimously. Chair Blackham adjourned the meeting at 12:10 p.m.