

Water Infrastructure Modifications

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Casey Snider

Senate Sponsor: Scott D. Sandall

LONG TITLE

General Description:

This bill addresses funding and planning for water infrastructure.

Highlighted Provisions:

This bill:

- repeals the Water Resources Cities Water Loan Fund and provides that loan repayments go into the Water Infrastructure Fund;
- authorizes transfers of money in water funds and accounts to and from the Water Infrastructure Fund;
- requires capital asset management plans and reserve funding under certain circumstances;
- modifies definitions, including the definition of "relevant agency";
- addresses the water infrastructure prioritization process, including exemptions from the process;
- repeals outdated language; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

63A-3-205, as last amended by Laws of Utah 2022, Chapters 100, 451

63B-1b-102, as last amended by Laws of Utah 2022, Chapters 100, 451

63C-25-101, as last amended by Laws of Utah 2024, Chapter 419

73-10-23, as last amended by Laws of Utah 2007, Chapter 306

28 **73-10-25**, as last amended by Laws of Utah 2023, Chapter 261

29 **73-10-25.1**, as last amended by Laws of Utah 1996, Chapter 199

30 **73-10c-4**, as last amended by Laws of Utah 2007, Chapter 142

31 **73-10c-5**, as last amended by Laws of Utah 2011, Chapter 342

32 **73-10g-107**, as enacted by Laws of Utah 2024, Chapter 335

33 **73-10g-502**, as enacted by Laws of Utah 2022, Chapter 66

34 **73-10g-601**, as enacted by Laws of Utah 2024, Chapter 335

35 **73-10g-602**, as enacted by Laws of Utah 2024, Chapter 335

36 **73-10g-603**, as enacted by Laws of Utah 2024, Chapter 335

37 **73-10g-604**, as enacted by Laws of Utah 2024, Chapter 335

38 **73-10g-605**, as enacted by Laws of Utah 2024, Chapter 335

39 ENACTS:

40 **73-10g-502.5**, Utah Code Annotated 1953

41 **73-10g-606**, Utah Code Annotated 1953

42 REPEALS:

43 **73-10-22**, as last amended by Laws of Utah 1995, Chapter 183

44 **73-10g-504**, as enacted by Laws of Utah 2022, Chapter 66

46 *Be it enacted by the Legislature of the state of Utah:*

47 Section 1. Section **63A-3-205** is amended to read:

48 **63A-3-205 . Revolving loan funds -- Standards and procedures.**

49 (1) As used in this section, "revolving loan fund" means:

50 (a) the Water Resources Conservation and Development Fund, created in Section

51 73-10-24;

52 (b) the Water Resources Construction Fund, created in Section 73-10-8;

53 [~~(c) the Water Resources Cities Water Loan Fund, created in Section 73-10-22;~~]

54 [~~(d)~~] (c) the Clean Fuel Conversion Funds, created in Title 19, Chapter 1, Part 4, Clean

55 Fuels and Emission Reduction Technology Program Act;

56 [~~(e)~~] (d) the Water Development Security Fund and its subaccounts, created in Section

57 73-10c-5;

58 [~~(f)~~] (e) the Agriculture Resource Development Fund, created in Section 4-18-106;

59 [~~(g)~~] (f) the Utah Rural Rehabilitation Fund, created in Section 4-19-105;

60 [~~(h)~~] (g) the Permanent Community Impact Fund, created in Section 35A-8-303;

61 [~~(i)~~] (h) the Petroleum Storage Tank Fund, created in Section 19-6-409;

[~~(j)~~] (i) the Uintah Basin Revitalization Fund, created in Section 35A-8-1602;
[~~(k)~~] (j) the Navajo Revitalization Fund, created in Section 35A-8-1704; and
[~~(l)~~] (k) the Energy Efficiency Fund, created in Section 11-45-201.

(2) The division shall for each revolving loan fund make rules establishing standards and procedures governing:

- (a) payment schedules and due dates;
- (b) interest rate effective dates;
- (c) loan documentation requirements; and
- (d) interest rate calculation requirements.

Section 2. Section **63B-1b-102** is amended to read:

63B-1b-102 . Definitions.

As used in this chapter:

- (1) "Agency bonds" means any bond, note, contract, or other evidence of indebtedness representing loans or grants made by an authorizing agency.
- (2) "Authorized official" means the state treasurer or other person authorized by a bond document to perform the required action.
- (3) "Authorizing agency" means the board, person, or unit with legal responsibility for administering and managing revolving loan funds.
- (4) "Bond document" means:
 - (a) a resolution of the commission; or
 - (b) an indenture or other similar document authorized by the commission that authorizes and secures outstanding revenue bonds from time to time.
- (5) "Commission" means the State Bonding Commission, created in Section 63B-1-201.
- (6) "Revenue bonds" means any special fund revenue bonds issued under this chapter.
- (7) "Revolving Loan Funds" means:
 - (a) the Water Resources Conservation and Development Fund, created in Section 73-10-24;
 - (b) the Water Resources Construction Fund, created in Section 73-10-8;
 - [~~(c)~~] the Water Resources Cities Water Loan Fund, created in Section 73-10-22;
 - [~~(d)~~] (c) the Clean Fuel Conversion Funds, created in Title 19, Chapter 1, Part 4, Clean Fuels and Emission Reduction Technology Program Act;
 - [~~(e)~~] (d) the Water Development Security Fund and its subaccounts, created in Section 73-10c-5;
 - [~~(f)~~] (e) the Agriculture Resource Development Fund, created in Section 4-18-106;

96 ~~[(g)]~~ (f) the Utah Rural Rehabilitation Fund, created in Section 4-19-105;
97 ~~[(h)]~~ (g) the Permanent Community Impact Fund, created in Section 35A-8-303;
98 ~~[(i)]~~ (h) the Petroleum Storage Tank Fund, created in Section 19-6-409; and
99 ~~[(j)]~~ (i) the State Infrastructure Bank Fund, created in Section 72-2-202.

100 Section 3. Section **63C-25-101** is amended to read:

101 **63C-25-101 . Definitions.**

102 As used in this chapter:

- 103 (1) "Authority" means the same as that term is defined in Section 63B-1-303.
- 104 (2) "Bond" means the same as that term is defined in Section 63B-1-101.
- 105 (3)(a) "Bonding government entity" means the state or any entity that is authorized to
106 issue bonds under any provision of state law.
- 107 (b) "Bonding government entity" includes:
- 108 (i) a bonding political subdivision; and
- 109 (ii) a public infrastructure district that is authorized to issue bonds either directly, or
110 through the authority of a bonding political subdivision or other governmental
111 entity.
- 112 (4) "Bonding political subdivision" means:
- 113 (a) the Utah Inland Port Authority, created in Section 11-58-201;
- 114 (b) the Military Installation Development Authority, created in Section 63H-1-201;
- 115 (c) the Point of the Mountain State Land Authority, created in Section 11-59-201;
- 116 (d) the Utah Lake Authority, created in Section 11-65-201;
- 117 (e) the State Fair Park Authority, created in Section 11-68-201; or
- 118 (f) the Utah Fairpark Area Investment and Restoration District, created in Section
119 11-70-201.
- 120 (5) "Commission" means the State Finance Review Commission created in Section
121 63C-25-201.
- 122 (6) "Concessionaire" means a person who:
- 123 (a) operates, finances, maintains, or constructs a government facility under a contract
124 with a bonding political subdivision; and
- 125 (b) is not a bonding government entity.
- 126 (7) "Concessionaire contract" means a contract:
- 127 (a) between a bonding government entity and a concessionaire for the operation, finance,
128 maintenance, or construction of a government facility;
- 129 (b) that authorizes the concessionaire to operate the government facility for a term of

- 130 five years or longer, including any extension of the contract; and
- 131 (c) in which all or some of the annual source of payment to the concessionaire comes
- 132 from state funds provided to the bonding government entity.
- 133 (8) "Creating entity" means the same as that term is defined in Section 17D-4-102.
- 134 (9) "Government facility" means infrastructure, improvements, or a building that:
- 135 (a) costs more than \$5,000,000 to construct; and
- 136 (b) has a useful life greater than five years.
- 137 (10) "Large public transit district" means the same as that term is defined in Section
- 138 17B-2a-802.
- 139 (11) "Loan entity" means the board, person, unit, or agency with legal responsibility for
- 140 making a loan from a revolving loan fund.
- 141 (12) "Obligation" means the same as that term is defined in Section 63B-1-303.
- 142 (13) "Parameters resolution" means a resolution of a bonding government entity that sets
- 143 forth for proposed bonds:
- 144 (a) the maximum:
- 145 (i) amount of bonds;
- 146 (ii) term; and
- 147 (iii) interest rate; and
- 148 (b) the expected security for the bonds.
- 149 (14) "Public infrastructure district" means a public infrastructure district created under Title
- 150 17D, Chapter 4, Public Infrastructure District Act.
- 151 (15) "Revolving loan fund" means:
- 152 (a) the Water Resources Conservation and Development Fund, created in Section
- 153 73-10-24;
- 154 (b) the Water Resources Construction Fund, created in Section 73-10-8;
- 155 [~~(c)~~] ~~the Water Resources Cities Water Loan Fund, created in Section 73-10-22;~~
- 156 [~~(d)~~] (c) the Clean Fuel Conversion Funds, created in Title 19, Chapter 1, Part 4, Clean
- 157 Fuels and Emission Reduction Technology Program Act;
- 158 [~~(e)~~] (d) the Water Development Security Fund and its subaccounts, created in Section
- 159 73-10c-5;
- 160 [~~(f)~~] (e) the Agriculture Resource Development Fund, created in Section 4-18-106;
- 161 [~~(g)~~] (f) the Utah Rural Rehabilitation Fund, created in Section 4-19-105;
- 162 [~~(h)~~] (g) the Permanent Community Impact Fund, created in Section 35A-8-303;
- 163 [~~(i)~~] (h) the Petroleum Storage Tank Fund, created in Section 19-6-409;

164 ~~[(j)]~~ (i) the School Building Revolving Account, created in Section 53F-9-206;
 165 ~~[(k)]~~ (j) the State Infrastructure Bank Fund, created in Section 72-2-202;
 166 ~~[(l)]~~ (k) the Uintah Basin Revitalization Fund, created in Section 35A-8-1602;
 167 ~~[(m)]~~ (l) the Navajo Revitalization Fund, created in Section 35A-8-1704;
 168 ~~[(n)]~~ (m) the Energy Efficiency Fund, created in Section 11-45-201;
 169 ~~[(o)]~~ (n) the Brownfields Fund, created in Section 19-8-120;
 170 ~~[(p)]~~ (o) any of the enterprise revolving loan funds created in Section 63A-3-402: and
 171 ~~[(q)]~~ (p) any other revolving loan fund created in statute where the borrower from the
 172 revolving loan fund is a public non-profit entity or political subdivision, including a
 173 fund listed in Section 63A-3-205, from which a loan entity is authorized to make a
 174 loan.

175 (16)(a) "State funds" means an appropriation by the Legislature identified as coming
 176 from the General Fund or Education Fund.

177 (b) "State funds" does not include:

178 (i) a revolving loan fund; or

179 (ii) revenues received by a bonding political subdivision from:

180 (A) a tax levied by the bonding political subdivision;

181 (B) a fee assessed by the bonding political subdivision; or

182 (C) operation of the bonding political subdivision's government facility.

183 Section 4. Section **73-10-23** is amended to read:

184 **73-10-23 . Loans for water systems -- Board of Water Resources authority --**

185 **Procedure.**

186 (1) The Board of Water Resources ~~[is authorized to]~~ may make loans to cities, towns,
 187 metropolitan water districts, water conservancy districts, improvement districts, special
 188 improvement districts, or special service districts within the state for the acquisition or
 189 construction of new or existing water systems or the improvement or extension of those
 190 systems from ~~[funds]~~ money appropriated for the purpose of this chapter.

191 (2)(a) Cities, towns, or districts which participate in this program shall submit an
 192 application for ~~[funds]~~ money to the Board of Water Resources.

193 (b) The application may request a loan to cover all or part of the cost of an eligible
 194 project.

195 (c) Requests for loans shall be submitted in a form and shall include information as the [
 196 ~~board]~~ Board of Water Resources prescribes.

197 (3)(a) The ~~[board]~~ Board of Water Resources shall establish criteria for determining

eligibility for loans and shall determine appropriate priorities among projects.

(b) ~~[Funds]~~ Money received from the repayment of loans shall be ~~[added to this special fund]~~ deposited into the Water Resources Conservation and Development Fund created in Section 73-10-24 and be available for additional loans under the administration of the ~~[board]~~ Board of Water Resources.

(c) In determining priorities for eligible projects, the ~~[board]~~ Board of Water Resources shall consider:

- (i) probable growth of population due to actual or prospective economic development in an area;
- (ii) possible additional sources of state and local revenue;
- (iii) opportunities for expanded employment;
- (iv) present or potential health hazards;
- (v) water systems which do not meet minimum state standards;
- (vi) cities, towns, or districts which have insufficient water to meet current demands;
- (vii) feasibility and practicality of the project;
- (viii) per capita cost of the project;
- (ix) per capita income of the residents in the area;
- (x) the borrowing capacity of the city, town, or district and its ability to sell bonds in the open market; and
- (xi) the availability of federal ~~[funds]~~ money for the project.

(4)(a) The ~~[board]~~ Board of Water Resources shall consult with the Governor's Advisory Council on Community Affairs in the establishment of priorities but that advice is not binding upon the ~~[board]~~ Board of Water Resources.

(b) If an application is rejected, the ~~[board]~~ Board of Water Resources shall notify the applicant stating the reasons for the rejection.

(5) The Board of Water Resources shall review the plans and specifications for the project prior to approval and may condition approval and the availability of ~~[funds]~~ money on assurances the ~~[board]~~ Board of Water Resources considers necessary to ensure that the proceeds of the loan will be used to pay the cost of the project and that the project will be completed.

(6) Any loan shall specify the terms for repayment and may be evidenced by general obligation bonds, revenue bonds, special assessment bonds, or other bonds or obligations legally issued by the appropriate city, town, metropolitan water district, water conservancy district, improvement district, special improvement district, or special

service district and purchased by the ~~[board]~~ Board of Water Resources pursuant to the authority for the issuance that exists at the time of the loan.

- (7)(a) Upon approval of an application, the ~~[board]~~ Board of Water Resources shall advise the applicant and may provide ~~[funds]~~ money as a loan to cover all or part of the costs of eligible projects.
- (b) Costs of an eligible project may include all costs of acquisition and construction as well as costs incurred for preliminary planning to determine the economic and engineering feasibility of a proposed project, the engineering, architectural, legal, fiscal, and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures, and other action necessary to the project and its financing; the cost of erection, building, acquisition, modification, improvement, or extension of water system facilities and the inspection and supervision of the construction of such facilities.
- (8) ~~[No loan shall]~~ A loan may not include any project costs for which the applicant receives federal financial assistance, other than federal loans ~~[which]~~ that must be repaid by the applicant.

Section 5. Section **73-10-25** is amended to read:

73-10-25 . Contents of fund -- Investment -- Contributions -- Transfers.

- (1) The Water Resources Conservation and Development Fund consists of:
- (a) money appropriated to it by the Legislature;
 - (b) money received from the sale of project water and power, less operating and maintenance costs;
 - (c) annual payments on contracts for projects constructed under Section 73-10-24 or the State Water Conservation Program;~~[-and]~~
 - (d) other money or tax revenues designated by the Legislature to be credited to the Water Resources Conservation and Development Fund~~[-]~~ ; and
 - (e) money transferred from the Water Infrastructure Fund in accordance with Subsection 73-10g-603(1)(f).
- (2) Money deposited into the Water Resources Conservation and Development Fund shall be invested by the state treasurer with interest accruing to the Water Resources Conservation and Development Fund, except for payments, if any, necessary to comply with Section 148(f), Internal Revenue Code of 1986.
- (3) A contribution of money, property, or equipment may be received from a political subdivision of the state, federal agency, water users' association, or person for use in

carrying out the purposes of Section 73-10-24.

- (4) Notwithstanding Subsection (1), the division shall transfer a payment on a loan to the Water Infrastructure Restricted Account, created in Section 73-10g-103, if the loan:
- (a) is issued from the Water Resources Conservation and Development Fund on or after July 1, 2023; and
- (b) relates to a project described in Subsection 73-10g-104(4).

- (5) The Board of Water Resources may direct the transfer of money out of the Water Resources Conservation and Development Fund to the Water Infrastructure Fund in accordance with Section 73-10g-107.

Section 6. Section **73-10-25.1** is amended to read:

73-10-25.1 . Credit enhancement and interest buy-down agreements.

- (1) The Board of Water Resources may enter into credit enhancement agreements with political subdivisions containing terms and provisions that the board determines will reasonably improve the security for or marketability of water project obligations financed using the [~~Water Resources Cities Water Loan Fund created in Section 73-10-22 or the~~] Water Resources Conservation and Development Fund created in Section 73-10-24. Credit enhancement agreements may include provisions for loans to political subdivisions to pay the costs of obtaining letters of credit or other forms of insurance or security to provide security for water project obligations.
- (2) The Board of Water Resources may make loans or grants from [~~the Water Resources Cities Water Loan Fund or~~] the Water Resources Conservation and Development Fund to political subdivisions for interest buy-down agreements for water development projects.

Section 7. Section **73-10c-4** is amended to read:

73-10c-4 . Credit enhancement and interest buy-down agreements -- Loans or grants -- Hardship grants -- Transfer of money.

- (1) On behalf of the state, the Water Quality Board and the Drinking Water Board may each enter into credit enhancement agreements with political subdivisions containing terms and provisions that the acting board determines will reasonably improve the security for or marketability of drinking water and wastewater project obligations, including any of the following:
- (a) a term providing security for drinking water and wastewater project obligations, as provided in Subsection 73-10c-6(2)(b), by agreeing to purchase the drinking water or wastewater project obligations of, or to make loans to, political subdivisions from a

- subaccount of the security fund for the purpose of preventing defaults in the payment of principal and interest on drinking water and wastewater project obligations;
- (b) a term making loans to political subdivisions to pay the cost of obtaining:
- (i) letters of credit from banks, savings and loan institutions, insurance companies, or other financial institutions;
- (ii) municipal bond insurance; or
- (iii) other forms of insurance or security to provide security for drinking water and wastewater project obligations; and
- (c) a term providing other methods and assistance to political subdivisions that are reasonable and proper to enhance the marketability of or security for drinking water and wastewater project obligations.

(2)(a) The Drinking Water Board and the Water Quality Board may each make loans from a security fund subaccount to political subdivisions to finance all or part of drinking water and wastewater project costs by following the procedures and requirements of Sections 73-10c-4.1 and 73-10c-4.2.

(b) These loans may only be made after credit enhancement agreements, interest buy-down agreements, and all other financing alternatives have been evaluated by the acting board and the board determines those options are unavailable or unreasonably expensive for the subdivision requesting assistance.

(c) Loans may be made from the security fund subaccount at interest rates determined by the board.

(3)(a) The Drinking Water Board and the Water Quality Board may each make loans or grants from the security fund to political subdivisions for interest buy-down agreements for drinking water or wastewater project obligations.

(b) The Drinking Water Board may make loans or grants from the security account to political subdivisions for planning for drinking water projects.

(4)(a) Of the total amount of money annually available to the Drinking Water Board and Water Quality Board for financial assistance to political subdivisions, at least 10% shall be allocated by each board for credit enhancement and interest buy-down agreements.

(b) The requirement specified in Subsection (4)(a) shall apply only so long as sales and use tax is transferred to the Utah Wastewater Loan Program Subaccount and Drinking Water Loan Program Subaccount as provided in Section 59-12-103.

(5) To the extent money is available in the hardship grant subaccounts of the security fund,

the Drinking Water Board and the Water Quality Board may each make grants to political subdivisions that meet the drinking water or wastewater project loan considerations respectively, but whose projects are determined by the granting board to not be economically feasible unless grant assistance is provided.

(6) The Drinking Water and Water Quality Boards may at any time transfer money out of their respective hardship grant subaccounts of the security fund to their respective loan program subaccounts.

(7) The Water Quality Board may make a grant from the Hardship Grant Program for Wastewater Projects Subaccount created in Subsection 73-10c-5(2)(c) for a nonpoint source project as provided by Section 73-10c-4.5 if:

(a) money is available in the subaccount; and

(b) the Water Quality Board determines that the project would not be economically feasible unless a grant were made.

(8)(a) The Water Quality Board may direct the transfer of money out of the Water Quality Security - Utah Wastewater Loan Program Subaccount created by Subsection 73-10c-5(2)(a) to the Water Infrastructure Fund in accordance with Section 73-10g-107.

(b) The Drinking Water Board may direct the transfer of money out of the Drinking Water Security - Drinking Water Loan Program Subaccount created by Subsection 73-10c-5(3)(a) to the Water Infrastructure Fund in accordance with Section 73-10g-107.

Section 8. Section **73-10c-5** is amended to read:

73-10c-5 . Water Development Security Fund created -- Water Quality Security and Drinking Water Security Subaccounts created -- Use -- Revolving loan funds -- Hardship grants.

(1) There is established an enterprise fund known as the Water Development Security Fund which includes the Water Quality Security Subaccount and the Drinking Water Security Subaccount.

(2) The Water Quality Security Subaccount consists of four subaccounts:

(a) the Utah Wastewater Loan Program Subaccount, which consists of:

(i) money appropriated to the subaccount by the Legislature;

(ii) money received from the repayment of the principal of loans made by the Water Quality Board under Sections 73-10c-4 and 73-10c-6 from the Utah Wastewater Loan Program Subaccount;[~~and~~]

- 368 (iii) money deposited in the subaccount under any other law; and
369 (iv) money transferred from the Water Infrastructure Fund in accordance with
370 Subsection 73-10g-603(1)(f);
- 371 (b) the Utah State Revolving Fund for Wastewater Projects Subaccount, which consists
372 of:
- 373 (i) money appropriated to the subaccount by the Legislature;
374 (ii) money received from the Utah Wastewater Loan Program Subaccount applied to
375 meet match requirements for federal funds under 33 [~~U.S.C.A.~~] U.S.C. 1251 et
376 seq., federal Clean Water Act;
377 (iii) money received from the repayment of loans made by the Water Quality Board
378 under Section 73-10c-4 from the Utah State Revolving Fund for Wastewater
379 Projects Subaccount;
380 (iv) money received from the repayment of loans made by the Water Quality Board
381 under Section 73-10c-4.5;
382 (v) money deposited in the subaccount under any other law;
383 (vi) money received under and subject to the restrictions of 33 [~~U.S.C.A.~~] U.S.C.
384 1251 et seq., federal Clean Water Act, and which is eligible for use in state
385 revolving loan funds established to meet the requirements of the act; and
386 (vii) all investment income derived from money in the Utah State Revolving Fund for
387 Wastewater Projects Subaccount;
- 388 (c) the Hardship Grant Program for Wastewater Projects Subaccount, which consists of:
- 389 (i) money appropriated to the subaccount by the Legislature;
390 (ii) money received as interest payments on loans made by the Water Quality Board
391 under Sections 73-10c-4 and 73-10c-6, from the Utah Wastewater Loan Program
392 Subaccount;
393 (iii) money deposited in the subaccount under any other law;
394 (iv) the Hardship Grant Assessment charged to State Revolving Fund loan recipients;
395 and
396 (v) all investment income derived from money in the Utah Wastewater Loan Program
397 Subaccount or the Hardship Grant Program for Wastewater Projects Subaccount;
398 and
- 399 (d) the Water Quality Origination Fee Subaccount, which consists of the origination fee
400 paid under Section 73-10c-10.
- 401 (3) The Drinking Water Security Subaccount consists of four subaccounts:

- 402 (a) the Drinking Water Loan Program Subaccount, which consists of:
- 403 (i) money appropriated to the subaccount by the Legislature;
- 404 (ii) money received from the repayment of the principal of loans made by the
- 405 Drinking Water Board under Sections 73-10c-4 and 73-10c-6, from the Drinking
- 406 Water Loan Program Subaccount;~~[-and]~~
- 407 (iii) money deposited in the subaccount under any other law; and
- 408 (iv) money transferred from the Water Infrastructure Fund in accordance with
- 409 Subsection 73-10g-603(1)(f);
- 410 (b) the State Revolving Fund for Drinking Water Projects Subaccount, which consists of:
- 411 (i) money appropriated to the subaccount by the Legislature;
- 412 (ii) money received from the Utah Drinking Water Loan Program Subaccount and
- 413 applied to meet match requirements for federal funds under 42 [~~U.S.C.A.~~] U.S.C.
- 414 300f et seq., federal Safe Drinking Water Act;
- 415 (iii) money received from the repayment of loans made by the Drinking Water Board
- 416 under Section 73-10c-4 from the State Revolving Fund for Drinking Water
- 417 Projects Subaccount;
- 418 (iv) money deposited in the subaccount under any other law;
- 419 (v) money received under and subject to the restrictions of 42 [~~U.S.C.A.~~] U.S.C. 300f
- 420 et seq., federal Safe Drinking Water Act, and which is eligible for use in state
- 421 revolving loan funds established to meet the requirements of the act; and
- 422 (vi) all investment income derived from money in the State Revolving Fund for
- 423 Drinking Water Projects Subaccount;
- 424 (c) the Hardship Grant Program for Drinking Water Projects Subaccount, which consists
- 425 of:
- 426 (i) money appropriated to the subaccount by the Legislature;
- 427 (ii) money received from interest payments on loans made by the Drinking Water
- 428 Board under Sections 73-10c-4 and 73-10c-6, from the Drinking Water Loan
- 429 Program Subaccount;
- 430 (iii) money deposited in the subaccount under any other law;
- 431 (iv) the Hardship Grant Assessment charged to State Revolving Fund loan recipients;
- 432 and
- 433 (v) all investment income derived from money in the Drinking Water Loan Program
- 434 Subaccount or the Hardship Grant Program for Drinking Water Projects
- 435 Subaccount; and

(d) the Drinking Water Origination Fee Subaccount, which consists of the origination fee paid under Section 73-10c-10.

(4) State money in the Water Quality Security Subaccount and the Drinking Water Security Subaccount may be applied to meet match requirements for federal funds under the Clean Water Act, 33 U.S.C. Sec. 1251 et seq. and the Safe Drinking Water Act, 42 U.S.C. Sec. 300f et seq.

(5) If the money in the security fund is insufficient for the purposes for which the security fund is established, the council shall ask the governor to request the Legislature to appropriate additional money to the account.

(6)(a) The Drinking Water Board and Water Quality Board may use the money in the appropriate security fund subaccount only to the extent of the money available in the account, for the support of drinking water projects and wastewater projects in accordance with the terms of credit enhancement agreements, grant agreements, and loan agreements.

(b) Repayments to the security fund from loans made by the acting board, money allocated by the Legislature, and interest accrued on the money shall remain available for use by that board for further project funding.

(c) The Drinking Water Board and Water Quality Board may use the money in the origination fee subaccount to administer this chapter.

(7) Funds received under the Safe Drinking Water Act, 42 U.S.C. Sec. 300f et seq. may be used for providing financial assistance to community water systems and nonprofit noncommunity water systems as defined and within the limits of that act.

Section 9. Section **73-10g-107** is amended to read:

73-10g-107 . Water Infrastructure Fund.

(1) There is created an enterprise fund known as the "Water Infrastructure Fund," which is referred to in this section as the "fund."

(2) The fund shall consist of:

(a) appropriations from the Legislature;

(b) money from the federal government;

(c) grants or donations from a person;

(d) money made available to the state for purposes of water infrastructure projects from any source;

(e) money received for the repayment of loans made from ~~[the fund; and]~~ the Water Resources Cities Water Loan Fund that were issued before May 7, 2025;

(f) money transferred to the fund under Subsection (5); and

~~[(f)]~~ (g) interest and earnings on the fund.

(3) The state treasurer shall invest the money in the fund according to Title 51, Chapter 7, State Money Management Act, except that interest or other earnings derived from those investments shall be deposited into the fund.

(4)(a) The Water Development Coordinating Council may use money in the fund to pay for the costs of administering Part 6, Planning and Prioritization, including staff directly related to the activities of the Water Development Coordinating Council under Part 6, Planning and Prioritization.

(b) The division may use money in the fund to pay for the costs of the study required by Section 73-10-39.

(c) Fund money may be used~~[to issue loans or grants prioritized]~~ , in accordance with Section 73-10g-603[-] , to provide money to a relevant agency, as defined in Section 73-10g-601.

(5)(a) Each fiscal year beginning with fiscal year 2027, the Division of Finance shall transfer the money described in this Subsection (5) to the fund at the close of the fiscal year.

(b) The Water Quality Board shall at the close of a fiscal year beginning with fiscal year 2027:

(i) determine the amount of money in the Water Quality Security - Utah Wastewater Loan Program Subaccount, created in Section 73-10c-5, that is in excess of the money needed to fund loans authorized in the previous fiscal year under the Utah Wastewater Loan Program;

(ii) determine the amount of the money described in Subsection (5)(b)(i) that should be transferred under this Subsection (5)(b); and

(iii) direct the Division of Finance to transfer the amount of money described in Subsection (5)(b)(ii) to the fund.

(c) The Drinking Water Board shall at the close of a fiscal year beginning with fiscal year 2027:

(i) determine the amount of money in the Drinking Water Security - Drinking Water Loan Program Subaccount, created in Section 73-10c-5, that is in excess of the money needed to fund loans authorized in the previous fiscal year under the Drinking Water Loan Program;

(ii) determine the amount of the money described in Subsection (5)(c)(i) that should

- 504 be transferred under this Subsection (5)(c); and
505 (iii) direct the Division of Finance to transfer the amount of money described in
506 Subsection (5)(c)(ii) to the fund.
507 (d) The Board of Water Resources shall at the close of a fiscal year beginning with fiscal
508 year 2027:
509 (i) determine the amount of money in the Water Resources Conservation and
510 Development Fund, created in Section 73-10-24, that is in excess of the sum of the
511 money:
512 (A) specified in Subsection 59-12-103(5)(d) for the purposes described in
513 Subsection 59-12-103(5)(d); and
514 (B) needed to fund loans or grants authorized in the previous fiscal year under
515 Chapter 10, Board of Water Resources - Division of Water Resources;
516 (ii) determine the amount of the money described in Subsection (5)(d)(i) that should
517 be transferred under this Subsection (5)(d); and
518 (iii) direct the Division of Finance to transfer the amount of money described in
519 Subsection (5)(d)(ii) to the fund.

520 Section 10. Section **73-10g-502** is amended to read:

521 **73-10g-502 . Capital asset management for a water conservancy district.**

- 522 (1) As a condition of receiving state or federal financing or grants to be used for an
523 improvement to a capital asset related to water infrastructure, the governing body of a
524 water [provider] conservancy district shall commit to adopt a capital asset management
525 plan.
526 ~~[(2)(a) The Drinking Water Board shall make rules, in accordance with Title 63G,~~
527 ~~Chapter 3, Utah Administrative Rulemaking Act, to establish the elements of a~~
528 ~~capital asset management plan required under Subsection (1) for a water provider that~~
529 ~~is a retail water supplier.]~~
530 ~~[(b)]~~ (2) The Board of Water Resources shall make rules, in accordance with Title 63G,
531 Chapter 3, Utah Administrative Rulemaking Act, to establish the elements of a capital
532 asset management plan required under Subsection (1) for a water provider that is a water
533 conservancy district.
534 (3) A qualified water conservancy district, as defined in Section 17B-2a-1010, is not subject
535 to this section but shall comply with Section 17B-2a-1010.

536 Section 11. Section **73-10g-502.5** is enacted to read:

537 **73-10g-502.5 . Capital asset management and reserve funding analysis for public**

water systems.

(1) As used in this section:

- (a) "Board" means the Drinking Water Board appointed under Section 19-4-103.
- (b) "Public water system" means the same as that term is defined in Section 19-4-102.
- (c) "Reserve analysis" means a detailed evaluation of a public water system's reserves, assessing fund balances and projected future needs to ensure sufficient money is set aside to cover repairs, replacements, or restoration of water infrastructure capital assets and operational needs to determine:
 - (i) the need for a reserve fund to accumulate reserve money; and
 - (ii) the appropriate amount of money in a reserve fund, as determined by the public water system through recognized financial practices for public water systems, such as updated rate studies, budgeting, asset management, and financing resources.

(2) By no later than July 1, 2028, as a condition of receiving state or federal financing or grants, the governing body of a public water system that is not a water conservancy district shall adopt a capital asset management plan.

(3) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Drinking Water Board shall make rules that establish the elements of a capital asset management plan for a public water system that is not a water conservancy district.

(4) By no later than July 1, 2028, as a condition of receiving state or federal financing or grants, the governing body of a public water system shall adopt a capital asset reserve funding plan that includes:

- (a) an inventory of the major capital assets identified in a reserve analysis that reasonably require reserve money;
- (b) a statement of the condition and probable remaining useful life, as of the date of the reserve analysis, of each capital asset identified under Subsection (4)(a);
- (c) an estimate of the cost to renew, replace, or upgrade each capital asset identified under Subsection (4)(a);
- (d) an estimate of the total annual contribution to a reserve fund necessary to meet the costs identified in Subsection (4)(c) during a capital asset's useful life and at the end of a capital asset's useful life;
- (e) an analysis of a reserve fund's relationship to the setting of water rates, including the setting of rates pursuant to recognized affordability metrics for nondiscretionary indoor water use for health and sanitation; and

(f) a reserve funding plan that:

- (i) recommends how the public water system may fund the costs described in Subsection (4)(c), which may include long term financing strategies in addition to cash reserves such as municipal bonding when authorized; and
- (ii) does not rely on obtaining grants to fund the reserve fund.

(5) The governing body of a public water system required to adopt a capital asset reserve funding plan under this section shall update the public water system's capital asset reserve funding plan every five years.

(6) The governing body of a public water system required to adopt a capital asset reserve funding plan under this section shall collect money in accordance with the capital asset reserve funding plan recommendations described in Subsection (4)(f).

(7) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Drinking Water Board shall make rules that:

- (a) provide a process under which the division may monitor a public water system's compliance with this section; and
- (b) impose administrative penalties similar to the penalties imposed under Section 19-4-109 for failure to comply with this section.

Section 12. Section **73-10g-601** is amended to read:

73-10g-601 . Definitions.

As used in this part:

- (1) "Agency plan" means a water infrastructure plan adopted by a relevant agency.
- (2) "Executive director" means the executive director of the Department of Natural Resources.
- (3) "Relevant agency" means:
 - (a) the Division of Water Resources;
 - (b) the Division of Drinking Water; and
 - (c) the Division of Water Quality[;] .
 - ~~[(d) the Housing and Community Development Division; and]~~
 - ~~[(e) the Department of Agriculture and Food.]~~
- (4) "State council" means the Water Development Coordinating Council created in Sections 73-10c-3 and 79-2-201.
- (5) "Utah Watersheds Council" means the Utah Watersheds Council created in Section 73-10g-304.
- (6) "Water infrastructure fund money" means money in;

- 606 (a) [-]the Water Infrastructure Fund, created by Section 73-10g-107[-] ;
607 (b) the Water Quality Security - Utah Wastewater Loan Program Subaccount, created in
608 Section 73-10c-5;
609 (c) the Drinking Water Security - Drinking Water Loan Program Subaccount, created in
610 Section 73-10c-5;
611 (d) the Water Resources Conservation and Development Fund, created in Section
612 73-10-24; or
613 (e) another fund or account administered by a relevant agency:
614 (i) unless use of the money is restricted by federal law; or
615 (ii) except as provided in Section 73-10g-606.

616 Section 13. Section **73-10g-602** is amended to read:

617 **73-10g-602 . Unified water infrastructure plan -- Annual reporting.**

- 618 (1)(a) The state council shall adopt a unified water infrastructure plan in accordance with
619 this section by no later than March 1, 2026.
- 620 (b) The state council shall update the unified water infrastructure plan as needed, but at
621 least every four years.
- 622 (c) A relevant agency may request that the state council amend the unified water
623 infrastructure plan.
- 624 (2) A unified water infrastructure plan shall:
- 625 (a) describe water infrastructure projects:
- 626 (i) needed to maintain the reliable supply of safe and clean water within the state; and
627 (ii) organized in 10-year phases up to at least a 20-year plan;
- 628 (b) be consistent with the policies, goals, and recommendations of the state water plan;
629 and
- 630 (c) be based primarily on agency plans submitted by the relevant agencies.
- 631 (3) Beginning on June 30, 2025, a relevant agency shall:
- 632 (a) annually adopt a water infrastructure agency plan that describes and ranks needed
633 water infrastructure projects under the jurisdiction of the relevant agency;
- 634 (b) include in the agency plan ranking justifications and descriptions of whether a water
635 infrastructure project is:
- 636 (i) ready for construction;
637 (ii) planning for construction; or
638 (iii) a future project;
- 639 (c) organize an agency plan under this section in 10-year phases up to at least a 20-year

plan; and

(d) annually submit the agency plan to the state council by no later than June 30.

(4) Before adopting or amending a unified water infrastructure plan, the state council shall provide a draft of the proposed unified water infrastructure plan to the Utah Watersheds Council and the Utah Watersheds Council may advise the state council concerning the unified water infrastructure plan.

(5)(a) Beginning September 1, 2024, a relevant agency shall annually prepare a report and submit it to the state council concerning the funds or accounts that the relevant agency administers.

(b) The report required by this Subsection (5) shall provide for the fund or account:

(i) the balance at the beginning of the fiscal year of the report;

(ii) revenues received from any source during the fiscal year;

(iii) the ending balance after the close of the fiscal year; and

(iv) projected revenues and disbursements for the coming fiscal year.

(c) The state council shall compile the reports submitted pursuant to this Subsection (5) by no later than October 1 and distribute the compiled report to:

(i) the governor;

(ii) the Legislative Management Committee;

(iii) the Natural Resources, Agriculture, and Environment Interim Committee; ~~and~~

(iv) the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee ~~;~~ and

(v) the Legislative Water Development Commission.

Section 14. Section **73-10g-603** is amended to read:

73-10g-603 . Ranking and prioritizing water infrastructure projects.

(1) The state council, in consultation with the relevant agencies, shall develop a written prioritization process for ranking and prioritizing water infrastructure projects that are or will be funded by water infrastructure fund money beginning with fiscal year 2027. The written prioritization process shall:

(a) identify water infrastructure projects listed in the unified water infrastructure plan described in Section 73-10g-602; ~~and~~

(b) establish a process under which an applicant may apply for funding of a water infrastructure project listed in the unified water infrastructure plan;

(c) provide for the assignment by the state council of a water infrastructure project application to a relevant agency;

674 ~~[(b)]~~ (d) provide for a relevant agency to rank the water infrastructure projects [identified
675 under Subsection (1)(a).] assigned to the relevant agency under Subsection (1)(c);
676 (e) on the basis of the ranking of water infrastructure projects under Subsection (1)(d),
677 establish a process for the state council to prioritize water infrastructure projects; and
678 (f) establish a process for transferring money from the Water Infrastructure Fund,
679 created in Section 73-10g-107, into a fund or account described in Subsection
680 73-10g-601(6) to fund water infrastructure projects prioritized by the state council.

681 (2) The following shall be included in the written prioritization process under Subsection (1):

682 (a) subject to Subsection (3), categories of the types of water infrastructure projects
683 against which other water infrastructure projects are prioritized, including:

684 (i) drinking water projects;

685 (ii) wastewater projects;

686 (iii) stormwater projects;

687 (iv) secondary water projects;

688 (v) dam and reservoir projects;

689 (vi) off-farm agriculture projects; and

690 (vii) water reuse projects;

691 (b) exclusion of the following types of water infrastructure projects:

692 (i) an emergency water infrastructure project; or

693 (ii) a small water infrastructure project that receives less than an amount of water
694 infrastructure fund money established by rule made by the state council in
695 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;

696 (c) hardship criteria that at a minimum refer to the hardship criteria of the Division of
697 Drinking Water and the Division of Water Quality;

698 (d) criteria related to the public interest, including conservation and the protection of
699 public health and safety;

700 (e) criteria to ensure that the project is adequately designed based on sound engineering
701 and geologic considerations;

702 (f) criteria for ranking or prioritizing a local water infrastructure project based on:

703 (i) a local water infrastructure plan that is consistent with this section; and

704 (ii) consultation with local entities about local water infrastructure projects;

705 (g) criteria for ranking or prioritizing a water infrastructure project when water
706 infrastructure fund money will be used to match federal funding;

707 (h) a requirement that a person who receives water infrastructure fund money for a water

infrastructure project:

(i) engage in long-term planning consistent with Section 73-10g-602; and

(ii) comply with Section 73-10g-605; and

(i) any other provision the state council considers appropriate.

(3) When including categories of types of water infrastructure projects used in the written prioritization process, the state council shall consider:

(a) whether to apply percentages of water infrastructure fund money assigned to each category;

(b) the size and resources of recipients; and

(c) the potential purposes of the different types of water infrastructure projects, such as agricultural, municipal, or industrial uses.

(4) In developing the written prioritization process, the state council shall seek and consider public comment related to developing the written prioritization process by holding public meetings at locations throughout the state in accordance with Title 52, Chapter 4, Open and Public Meetings Act.

(5)(a) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the state council shall make rules establishing the written prioritization process under Subsection (1).

(b) The state council shall submit a proposed rule to ~~[a committee or commission designated by the Legislative Management Committee]~~ the Legislative Water Development Commission for review before taking final action on the proposed rule or a proposed amendment to the rule described in this Subsection (5).

(6) In determining priorities and funding levels of water infrastructure projects, the state council shall use the ranked list of water infrastructure projects based on the criteria adopted in the written prioritization process under Subsection (1).

(7) A relevant agency shall annually report to the state council on the status of new water infrastructure projects, including water infrastructure projects that are funded by the Legislature in an appropriation act.

(8) For a fiscal year before fiscal year 2027, a relevant agency shall prioritize water infrastructure projects within the jurisdiction of the relevant agency and not the state council.

Section 15. Section **73-10g-604** is amended to read:

73-10g-604 . State council's general duties related to prioritizing -- Reporting -- Relevant agency actions.

- (1) The state council shall:
- (a) beginning with fiscal year 2027, determine priorities and funding levels of water infrastructure projects for each fiscal year based on ~~[ranked]~~ the water infrastructure projects ranked by relevant agencies under Section 73-10g-603;
 - (b) hold public meetings in accordance with Title 52, Chapter 4, Open and Public Meetings Act, and otherwise provide for public input on funding of water infrastructure projects; and
 - (c) make rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, necessary to perform the state council's duties related to:
 - (i) adopting the unified water infrastructure plan;
 - (ii) adopting a written prioritization ~~[plan]~~ process; and
 - (iii) prioritizing and setting funding levels for water infrastructure projects.
- (2)(a) For water infrastructure projects prioritized with funding provided under this title, the state council shall annually report, by no later than the October interim meeting of the Legislature, to ~~[a committee or commission designated by the Legislative Management Committee]~~ the Legislative Water Development Commission:
- (i) a prioritized list of the water infrastructure projects and the funding levels available for those water infrastructure projects; and
 - (ii) the unfunded water infrastructure projects and maintenance needs within the state.
- (b) The ~~[committee or commission designated by the Legislative Management Committee under Subsection (2)(a)]~~ Legislative Water Development Commission shall:
- (i) review the prioritized list reported by the state council; and
 - (ii) recommend to the Legislature:
 - (A) the amount of additional funding to allocate to water infrastructure projects; and
 - (B) the source of revenue for the additional funding allocation under Subsection (2)(b)(ii)(A).
- (3) A relevant agency shall administer money prioritized under this part in a manner consistent with this part.
- Section 16. Section **73-10g-605** is amended to read:
- 73-10g-605 . Capital asset management and reserve analysis -- Assistance for person seeking state funds.**
- (1) As a condition of receiving water infrastructure fund money for a water infrastructure

project by a loan or grant, a recipient shall:

(a) conduct a reserve study showing how the recipient shall:

(i) repay the loan if the recipient receives a loan; and

(ii) collect money for repair and replacement of the water infrastructure project;

(b) if the recipient receives a loan, update the reserve study described in Subsection

(1)(a) every five years or until the loan is repaid; and

(c) comply with the relevant capital asset management requirements under:

(i) Section 19-5-202 for a water infrastructure project related to wastewater or sewage infrastructure; ~~[-or]~~

(ii) Section 73-10g-502 for a water ~~[provider's]~~ conservancy district's, as defined in Section 73-10g-501, water infrastructure project that is not described in Subsection (1)(c)(i) ~~[-]~~ ; or

(iii) Section 73-10g-502.5, for a public water system, as defined in Section 73-10g-502.5, that is not a water conservancy district.

(2) A reserve study required under this section shall include:

(a) a list of the components identified in the reserve analysis that will reasonably require reserve funds;

(b) a statement of the probable remaining useful life, as of the date of the reserve analysis, of each component identified in the reserve analysis;

(c) an estimate of the cost to repair, replace, or restore each component identified in the reserve analysis;

(d) an estimate of the total annual contribution to a reserve fund necessary to meet the cost to repair, replace, or restore each component identified in the reserve analysis during the component's useful life and at the end of the component's useful life; and

(e) a reserve funding plan that recommends how the system may fund the annual contribution described in Subsection (2)(d).

(3) If a person seeking ~~[water infrastructure fund money under this part]~~ state or federal financing or grants establishes a need to the satisfaction of a relevant agency, the relevant agency may provide the person:

(a) water infrastructure fund money to assist the recipient in complying with the planning, reserve analysis, and capital asset management requirements of this part or Part 5, Capital Assets for Water; or

(b) technical assistance with the planning, reserve analysis, or capital asset management requirements of this part or Part 5, Capital Assets for Water.

810 Section 17. Section **73-10g-606** is enacted to read:

811 **73-10g-606 . Scope of part.**

812 This part does not apply to:

813 (1) the Water Resources Construction Fund created in Section 73-10-8; and

814 (2) the Water Infrastructure Restricted Account created in Section 73-10g-103.

815 Section 18. **Repealer.**

816 This bill repeals:

817 Section **73-10-22, Water Resources Cities Water Loan Fund -- Annual appropriation --**

818 **Interest.**

819 Section **73-10g-504, Review and reporting by the Water Development Coordinating**

820 **Council.**

821 Section 19. **Effective Date.**

822 This bill takes effect on May 7, 2025.