

Senator Daniel McCay proposes the following substitute bill:

WATER INFRASTRUCTURE FUNDING STUDY

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

House Sponsor: Walt Brooks

LONG TITLE

General Description:

This bill addresses the use of property tax revenue for water.

Highlighted Provisions:

This bill:

- ▶ directs the Department of Natural Resources (department) to:
 - study the use of property tax revenue to fund water infrastructure, treatment, and delivery; and
 - make recommendations for future funding; and
- ▶ requires the department to submit a written report to the Natural Resources, Agriculture, and Environment Interim Committee and the Revenue and Taxation Interim Committee.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

63I-2-279, as last amended by Laws of Utah 2022, Chapter 68



26 ENACTS:

27 79-2-407, Utah Code Annotated 1953

28

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

30 Section 1. Section **63I-2-279** is amended to read:

31 **63I-2-279. Repeal dates: Title 79.**

32 (1) Section 79-2-206, Transition, is repealed July 1, 2024.

33 (2) Section 79-2-407, which directs the Department of Natural Resources to study
34 funding for water infrastructure costs, is repealed July 1, 2025.

35 [~~(2) Title 79, Chapter 6, Part 8, Voluntary Home Energy Information Pilot Program~~
36 ~~Act, is repealed January 1, 2022.~~]

37 Section 2. Section **79-2-407** is enacted to read:

38 **79-2-407. Study of funding for water infrastructure costs.**

39 (1) The department shall:

40 (a) study the use of property tax revenue for payment of costs related to supplying
41 drinking and irrigation water, including infrastructure, treatment, and delivery; and

42 (b) make recommendations for funding of the costs described in Subsection (1)(a).

43 (2) As part of the study and to prepare the recommendations described in Subsection
44 (1), the department shall:

45 (a) analyze the use of tax revenue for water infrastructure in other states with similar
46 climate and water supply challenges as the state of Utah;

47 (b) review the use of property tax revenue for construction, operation, maintenance,
48 repair, and replacement of water facilities, including facilities related to:

49 (i) diversion, treatment, and storage of drinking and irrigation water; and

50 (ii) the delivery of drinking and irrigation water to end users;

51 (c) investigate policies that would address tax exempt entities' lack of contribution to
52 the cost of water infrastructure paid for with property tax revenue;

53 (d) identify methods of developing tiered water rate structures that promote water
54 conservation and ensure reasonable revenue stability;

55 (e) analyze the effect of eliminating or reducing property tax revenue as a funding
56 source for costs related to water infrastructure, treatment, or delivery, including:

- 57 (i) the effect on retail water rates and retail customer water use and demand;
58 (ii) wholesale water suppliers' ability to prepare for anticipated local and regional water
59 demand; and
60 (iii) water development costs associated with new growth; and
61 (f) identify and study any water conservancy district or special service district that
62 levies a property tax for a purpose described in Subsection (1)(a) but does not provide water
63 service.
- 64 (3) The department shall convene a working group consisting of a wide range of
65 stakeholders with diverse interests, including those with expertise in water development and
66 delivery, tax policy, and water funding, to help the department conduct the study and develop
67 the recommendations described in this section.
- 68 (4) On or before October 30, 2024, the department shall provide a written report of the
69 department's findings, including any recommended legislative action, to the Natural Resources,
70 Agriculture, and Environment Interim Committee and the Revenue and Taxation Interim
71 Committee.