



Integration of Existing Funds Study



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Utah's water infrastructure needs

Looking into the future, Utah water providers not only have a significant need to repair and replace aging water infrastructure but also to construct new water infrastructure to meet the needs of our growing population. The 2020 American Society of Civil Engineers Report Card for America's Infrastructure graded Utah's water infrastructures from a B- to D- (2020, 8), as seen in Figure 1.

Figure 1: American Society of Civil Engineers 2020 Report Card for Utah's Water

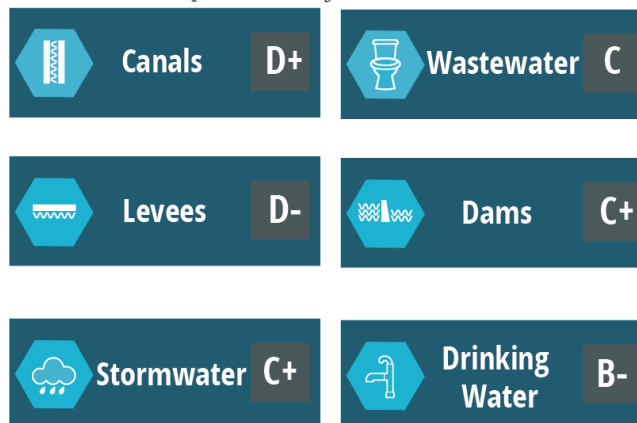
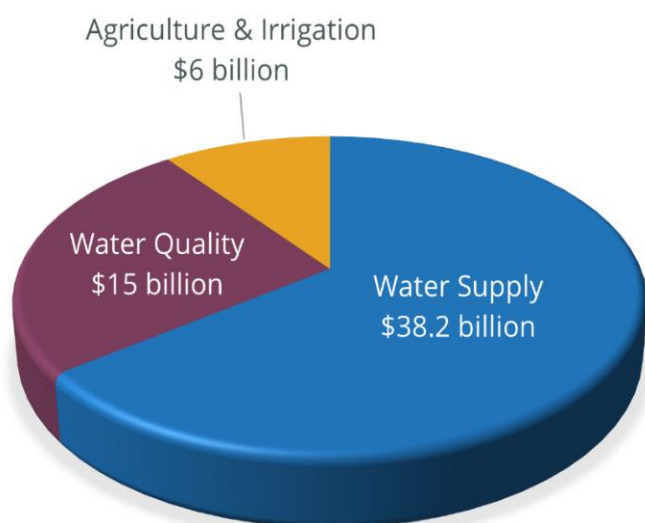


Figure 2 shows the estimated need for water infrastructure in Utah. An estimated \$38.2 billion (Prepare 60 et al. 2020) in water supply infrastructure projects and another \$15 billion (Forsgren Associates Inc. et al. 2019) in water quality infrastructure projects will be needed by 2060. This staggering price tag is one of the many challenges we face regarding our water needs for the future. The water providers themselves will cover many of these expenses and a portion will come from federal and state funding sources. The Agricultural Water Optimization Task Force estimated that agricultural and irrigation projects to address canal improvements, quantification, metering and on-farm irrigation conversions (2021) will cost over \$6 billion.

Figure 2: \$60 billion needed for water infrastructure projects

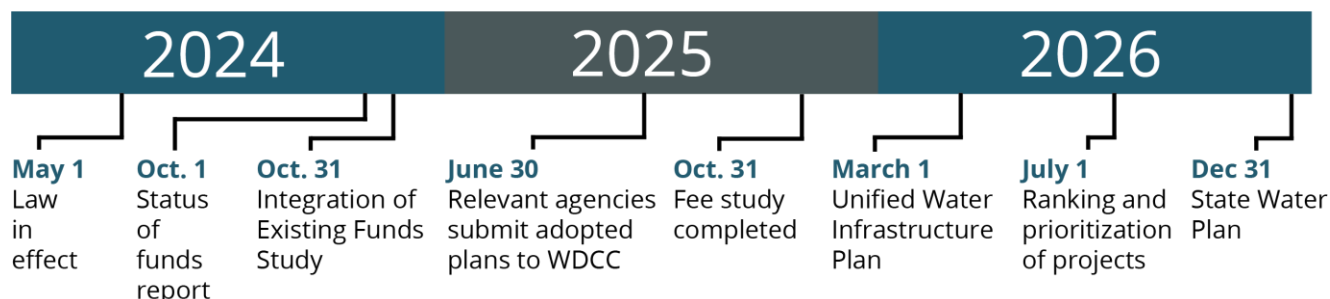


Water infrastructure can mean a lot of different things. It can include pipes to get drinking water into our homes and businesses, treatment plants to clean our drinking water and wastewater, large and small dams, canals and stormwater collection and retention systems.

Summary of House Bill 280

In 2024, the Legislature passed HB 280, which updated the State Water Plan statute ([Utah Code 73-10-15](#)), modified the Water Development Coordinating Council (WDCC), created a new Water Infrastructure Fund (WIF), required the creation of a Unified Water Infrastructure Plan (UWIP) that ranks and prioritizes water infrastructure projects in the state and requires the Division of Water Resources to undertake two studies. One is on the integration of existing funds, and the other is concerning potential new revenue sources to fund the projects identified in the UWIP. Figure 3 shows the milestones that are set out in HB 280. This is a new process that we are building the foundation of today. Over the next several years, the process of funding water infrastructure will be improved with proactive planning and more collaboration between funding agencies.

Figure 3: HB 280 Actions Timeline



Council makeup

In 1983, the WDCC was created to coordinate the use and application of state funds for water infrastructure projects and to promote the conservation, development, treatment, restoration and protection of the waters of this state.

The council is made up ([73-10c-3](#)) of the executive secretaries of the Board of Water Resources, Water Quality Board and Drinking Water Board; the director of the Housing and Community Development Division; the commissioner of Utah Department of Agricultural and Food; and the state treasurer. A large water conservancy district representative (appointed by the governor with the advice and consent of the Senate) was added to the council in 2024.

No additional changes are recommended for the council makeup at this time.

Overview of existing water boards and funds

Five agencies, defined as “relevant agencies” in HB 280, provide funds for water infrastructure in the state. They include:

- Division of Water Resources through the Board of Water Resources
- Division of Drinking Water through the Drinking Water Board
- Division of Water Quality through the Water Quality Board
- Department of Agriculture and Food through the Utah Conservation Commission
- Housing and Community Development Division through the Permanent Community Impact Fund, Community Development Block Grant Policy, Navajo Revitalization Fund and Uintah Basin Revitalization Fund boards

These agencies are each represented on the WDCC.

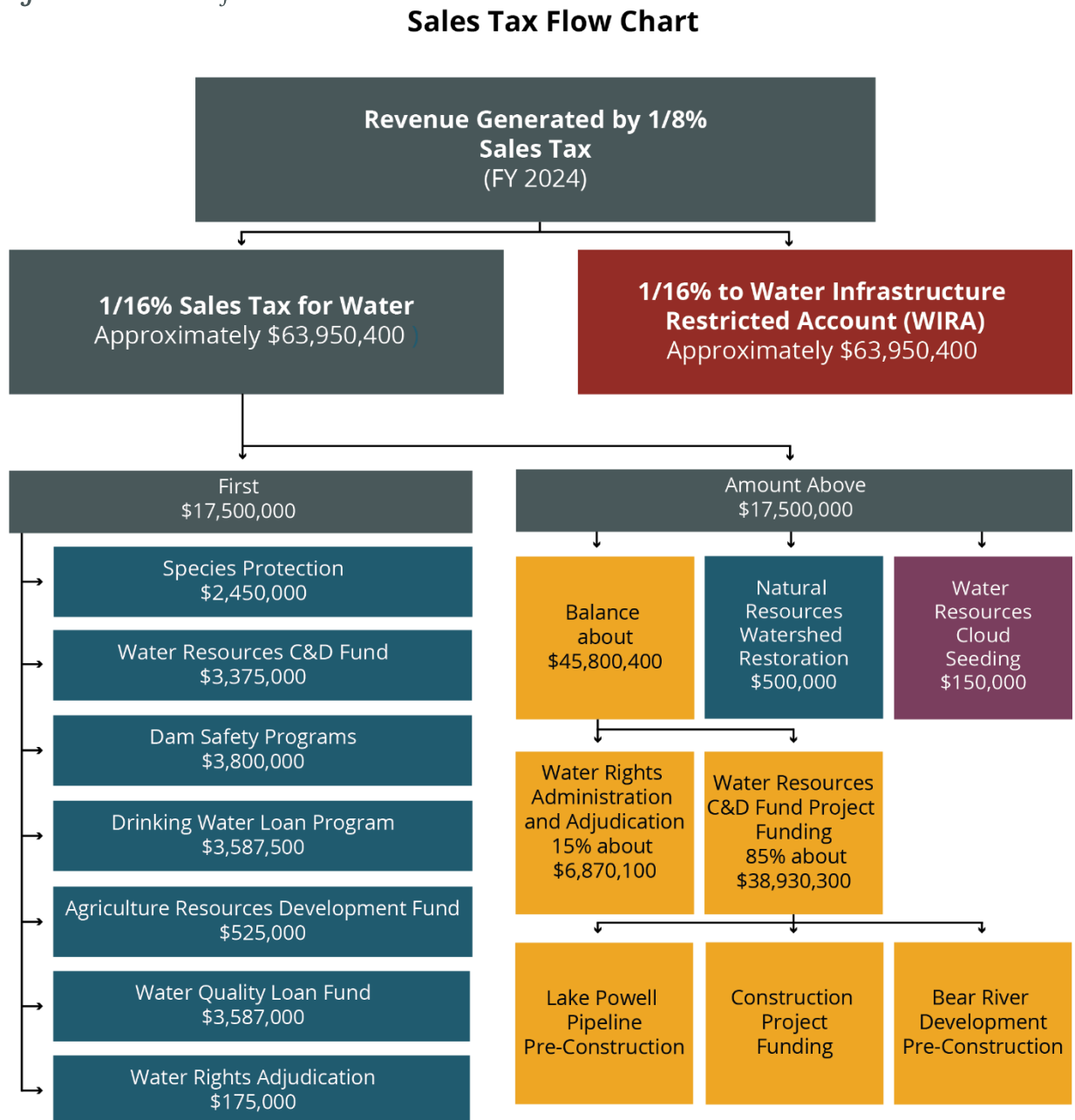


Diversion structure in Weber Basin

Sales tax for water

On July 1, 2003, the Legislature started earmarking sales tax for water. Currently, 1/8% of sales tax subsidizes a variety of water-related programs and funds ([59-12-103](#)). Figure 4 shows the distribution of the first 1/16% sales tax for water. The second 1/16% sales tax is directed to the Water Infrastructure Restricted Account ([73-10g-103](#)) to develop the state's undeveloped share of the Bear and Colorado rivers; repair, replace or improve federal water projects for local sponsors and for water reuse, desalinization, building of dams or conservation projects in the Colorado River Basin.

Figure 4: Sales Tax for Water



Board of Water Resources funds and purpose

The Board of Water Resources’ revolving funds provide low-interest project funding to incorporated groups such as mutual irrigation and water companies, municipalities and other entities. This funding is for many types of projects, including agriculture, drinking water and flood control. Interest rates and repayment terms are based on the board’s affordability guidelines and the project area’s Median Adjusted Gross Income. Funding is not available for regular operation and maintenance, or where fewer than 50% of the residents live in the project area year-round, or for projects sponsored by developers, individuals or families.



Millsite spillway

[Board Funding | Utah Department of Natural Resources](#)

Table 1 shows the status of funds for the Board of Water Resources programs.

Table 1: Board of Water Resources Funds

	Revolving Construction Fund (RCF) 5270*	Cities Water Loans Fund (CWL) 5280	Conservation and Development Fund (C&D) 5275	Water Infrastructure Restricted Account (WIRA) 1180	Total Water Resources
FY24 Actual Funds					
Beginning Balance	\$20,467,485	\$7,147,719	\$145,596,107	\$224,633,064	\$397,844,374
Total Revenue All Sources	\$32,152,978	\$13,878,107	\$286,120,543	\$76,753,701	\$408,905,330
Ending Balance	\$36,915,096	\$18,771,596	\$275,386,443	\$251,765,505	\$582,838,639
FY25 Projected Funds					
Total Revenue - All Sources	\$7,797,726	\$1,413,962	\$119,648,195	\$74,000,000	\$202,859,884
Total Expenses	\$12,500,000	\$13,000,000	\$93,800,000	\$50,000,000	\$169,300,000

*Revolving Construction Fund includes dam safety grant funds, which cannot be used for other projects.

Drinking Water Board funds and purpose

The Drinking Water Board oversees the Drinking Water State Revolving Fund (DWSRF). It provides low-interest loans and grants for drinking water infrastructure and associated engineering and planning to Utah's public and non-profit water systems. Disadvantaged communities that meet hardship criteria can apply for a grant or principal forgiveness.

[Federal State Revolving Fund Program: Drinking Water | Utah Department of Environmental Quality](#)

[State Revolving Fund: Drinking Water | Utah Department of Environmental Quality](#)

Table 2 shows the status of funds for the Drinking Water Board programs.

Table 2: Drinking Water Board Funds

	DW SRF Fund 5210	DW State Fund 5235	Federal Hardship Fund 5215	State Hardship Fund 5240	State Origination Fees Fund 5245	Fed Origination Fees Fund 5246	Total Drinking Water
FY24 Actual Funds							
Beginning Balance	\$74,560,611	\$21,926,603	\$2,226,458	\$2,737,676	\$77,725	\$456,899	\$101,451,348
Total Revenue All Sources	\$28,792,379	\$18,996,382	\$20,225,38	\$4,623,515	\$12,900	\$61,400	\$72,711,960
Ending Balance	\$61,497,689	\$32,042,126	\$3,027,570	\$3,881,077	\$35,075	\$238,299	\$100,448,462
FY25 Projected Funds							
Total Revenue All Sources	\$70,990,120	\$6,587,500	\$17,556,200	\$1,444,000	\$80,000		\$96,657,82
Total Expenses	\$53,589,320	\$5,000,000	\$15,500,000				\$74,089,320

Water Quality Board funds and purpose

The Water Quality Board oversees the Clean Water State Revolving Fund (CWSRF). It provides low-interest loans and grants to any municipality or intermunicipal, interstate or state agency for the construction of publicly owned treatment works and associated engineering and planning. Disadvantaged communities that meet state affordability criteria can apply for a grant or principal forgiveness.

[Financial Assistance Programs: Water Quality | Utah Department of Environmental Quality](#)

Table 3 shows the status of funds for the Water Quality programs.

Table 3: Water Quality Board Funds

	Federal WQ SRF Fund 5255	WQ State Fund 5260	Federal Hardship Fund 5250	State Hardship Fund 5265	State Origination Fees Fund 5266	Fed Origination Fees Fund 5267	Total Water Quality
FY24 Actual Funds							
Beginning Balance	\$50,967,941	\$29,587,357	\$3,694,533	\$17,254,692	\$770,154	\$1,962,567	\$104,237,244
Total Revenue All Sources	\$18,719,838	\$11,833,395	\$965,691	\$3,175,597	\$336,700		\$35,031,221
Ending Balance	\$42,087,556	\$39,968,389	\$2,678,215	\$20,430,289	\$1,042,354	\$1,899,867	\$108,106,670
FY25 Projected Funds							
Total Revenue All Sources	\$ 39,199,841	\$6,184,279	\$1,149,706	\$3,155,658	\$14,700	\$438,290	\$50,170,974
Total Expenses	\$75,074,121	\$24,793,310	\$2,236,800	\$17,608,923	\$66,300	\$66,300	\$119,845,754

Utah Conservation Commission funds and purpose

The Utah Conservation Commission oversees the Agricultural Resources Development Loan (ARDL) and the Agricultural Optimization Grant Program. The ARDL program provides low-interest rate loans to agricultural producers, irrigation companies and water conservancy districts for various conservation projects. Loan applications for on-farm equipment projects and irrigation improvement projects are commonly received for this program. ARDL Loans can be used to match Water Optimization Grants.

[Agriculture Loan Programs | Utah Department of Agriculture and Food](#)

The Agriculture Water Optimization Grant Program provides grant funding to agricultural producers, irrigation companies and water conservancy districts for projects focusing on optimizing irrigation water management through the implementation of more efficient practices on agricultural fields and improvements to conveyance structures to minimize water loss.



Farm near Capitol Reef

[Water Optimization Program | Utah Department of Agriculture and Food](#)

Table 4 shows the status of funds for the Utah Conservation Commission programs.

Table 4: Utah Conservation Commission Funds

	Agriculture Resource Development Loan Fund 5460	Water Optimization Funds*	Total UDAF
FY24 Actual Funds			
Beginning Balance	\$12,510,7164	\$65,185,203	\$77,695,919
Total Revenue - All Sources	\$27,291,202	\$200,000,000	\$227,291,202
Total Expenses	\$9,979,519	\$22,076,496	\$32,056,015
Ending Balance	\$29,822,399	\$265,185,229	\$304,987,121
FY25 Projected Funds			
Total Revenue - All Sources	\$2,291,201		\$2,291,201
Total Expenses	\$10,062,855	\$36,007,000	\$46,069,855

*Includes account 1135, SLFRF ARPA appropriations and Resource Conservation Division appropriations.

Housing and Community Development Division boards and funds

The Housing and Community Development Division oversees four funds with respective boards that can finance water infrastructure development.

Permanent Community Impact Fund Board funds and purpose

The Permanent Community Impact Fund Board (CIB) works to maximize the long-term benefit of funds from mineral lease revenues and bonus payments, with priority given to those communities designated as impacted by the development of natural resources covered by the Mineral Leasing Act. Political Subdivisions, as defined in state statute, may apply for this funding.

[Permanent Community Impact Fund Board | Utah Department of Workforce Services](#)

Community Development Block Grant Policy Board funds and purpose

The Community Development Block Grant (CDBG) program is a federally funded national program that grants federal funds to assist with community development in primarily



Colorado River

moderate to low-income areas. The funds are allocated formulaically to eligible entities, including the state of Utah, based entirely on the spending authorized in the federal budget. The state, through the Housing and Community Development Division, and the CDBG Policy Committee, in turn, grants the funds to eligible entities that are primarily in rural areas of the state.

[Community Development Block Grant Policy Board | Utah Department of Workforce Services](#)

Navajo Revitalization Fund Board funds and purpose

The Navajo Revitalization Fund Board provides financial assistance within the Navajo lands in the form of loans or grants (historically only grants). At each board meeting, the division provides regular fund balance status reports that include the amount each Utah Navajo Chapter has available to allocate for projects. The board regularly coordinates with the Utah Navajo Trust Fund Board and jointly funds most projects.

[Navajo Revitalization Fund Board | Utah Department of Workforce Services](#)

Uintah Basin Revitalization Fund Board funds and purpose

The Uintah Basin Revitalization Fund (UBRF) Board provides financial assistance in the form of loans or grants (historically only grants) to the Ute Tribe as well as Uintah and Duchesne Counties. At each board meeting, the division provides regular fund balance status reports that include the amount each entity has available to allocate for projects.

[Uintah Basin Revitalization Fund Board | Utah Department of Workforce Services](#)

Table 5 shows the status of funds for the Housing and Community Development boards.

Table 5: Housing and Community Development Division Funds

	CIB Mineral Lease Funds Fund 5285*	CIB Bonus Funds Fund 5290	CDBG	NRF Fund 2115	UBRF Fund 2135
FY24 Actual Funds					
Beginning Balance Available Funds	\$29,835,441	\$19,268,311	\$4,670,829	\$3,533,301	\$15,465,921
Revenues	\$58,295,816	\$37,919,246	\$6,807,147	\$1,161,083	\$9,294,209
Obligated Funds	\$(73,121,979)	\$(42,013,000)	\$(10,077,679)	\$(1,159,795)	\$(7,651,114)
Administrative Expenses	\$(469,088)		\$(335,565)	\$(66,813)	\$(51,520)
Ending Balance	\$14,540,190	\$15,174,557	\$1,064,732	\$3,467,777	\$17,057,496
FY25 Projected Funds					
Beginning Balance Available Funds	\$14,540,190	\$15,174,557	\$1,064,732	\$3,467,777	\$17,057,496
Revenues	\$64,014,350	\$39,597,771	\$5,501,208	\$1,370,721	\$8,936,999
Obligated Funds	\$(78,000,000)	\$(54,000,000)	\$(5,236,172)	\$(1,500,000)	\$(8,000,000)
Administrative Expenses	\$(550,000)	\$(400,000)	\$(350,000)	\$(74,000)	\$(52,400)
Ending Balance	\$4,539	\$372,328	\$979,769	\$3,264,498	\$17,942,095

*Mineral Lease Deposits are monthly; amount varies.

Discussion on consolidation of funds

The five relevant agencies compiled all information on their current boards and funding sources. It was determined that federal funds cannot be consolidated or tied to the prioritization process.

Table 6 summarizes each board and funding that could be tied to the process as well as recommended consolidations.

Table 6: Consolidation of Funds Discussion

Entity overseeing funds	Federal or state funds	Type of water infrastructure funded	Loan, grant or both	Recommended accounts/funds to be tied to the prioritization and planning process and any consolidation
Water Development Coordinating Council	State	All types	Both	The new Water Infrastructure Fund is tied to the prioritization and planning process.
Board of Water Resources	State	Irrigation, drinking water, dams, flood control and large regional projects	Mainly loans	The Cities Water Loan Fund should be consolidated and tied to the process. A portion of the Conservation and Development Fund could be tied to the statewide process and consolidated, based on a yearly analysis by the board.
Drinking Water Board	Federal and state	Drinking water: publicly or privately owned systems	Both	A portion of the State Drinking Water State Revolving Fund could be tied to the statewide process and consolidated based on a yearly analysis by the board.
Water Quality Board	Federal and state	Water quality, wastewater and stormwater	Both	A portion of the State Wastewater Loan Fund could be tied to the statewide process and consolidated, based on a yearly analysis by the board.
Utah Conservation Commission	State	On-farm water conservation and conveyance; irrigation system improvements	Both	No funds should be consolidated or included in the prioritization process.
Housing and Development Division boards	Federal and state	Wide variety of public and community projects.	Both	No funds should be consolidated or included in the prioritization process.

Process framework

Utah has a long history of planning and funding transportation projects of all sizes. This has been accomplished through the Utah Unified Transportation Plan. While water infrastructure is different, the state can use the transportation model as a reference when creating a long-term plan for prioritizing the water infrastructure needs and determining the level of state funding necessary.

The five relevant agencies developed the following guiding principles and processes for the UWIP and the WIF. The guiding principles include:

- Promote growth of the Water Infrastructure Fund by providing revolving loan funds, except for those that are collected by a fee, which could be grants
- Proactively plan for water infrastructure needs
- Protect and provide funding for rural parts of the state
- Respond timely to emergencies
- Allow flexibility for award (ready to proceed, prioritization score)
- Maintain good relationships and remain a partner with state financial institutions
- Keep it simple

Unified Water Infrastructure Plan process

Every four years, the WDCC will update the UWIP. It will forecast the water infrastructure projects needed and help proactively plan for the state funding required. The five relevant agencies will each develop an annual agency plan. The WDCC will prioritize project lists based on those submitted by the five relevant funding agencies and organize them into 10-year phases, for up to at least a 20-year plan. Figure 5 shows the key points of the UWIP process.

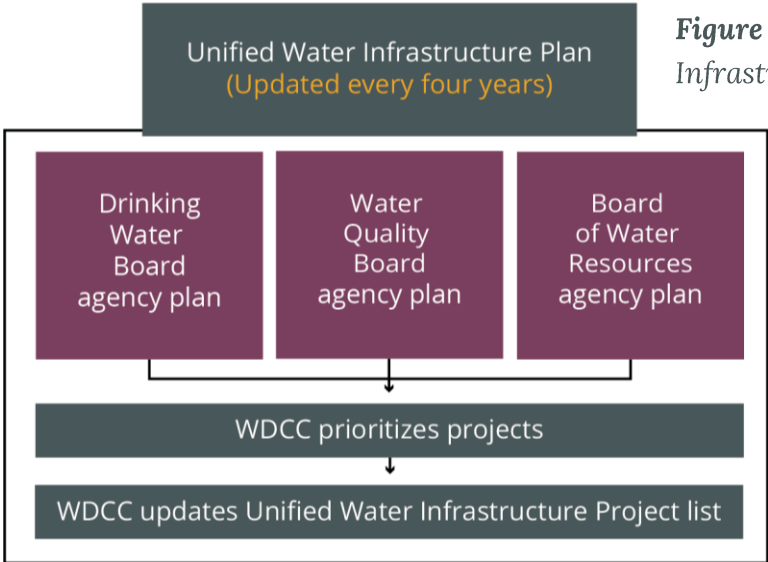


Figure 5: Four-Year Unified Water Infrastructure Plan Components

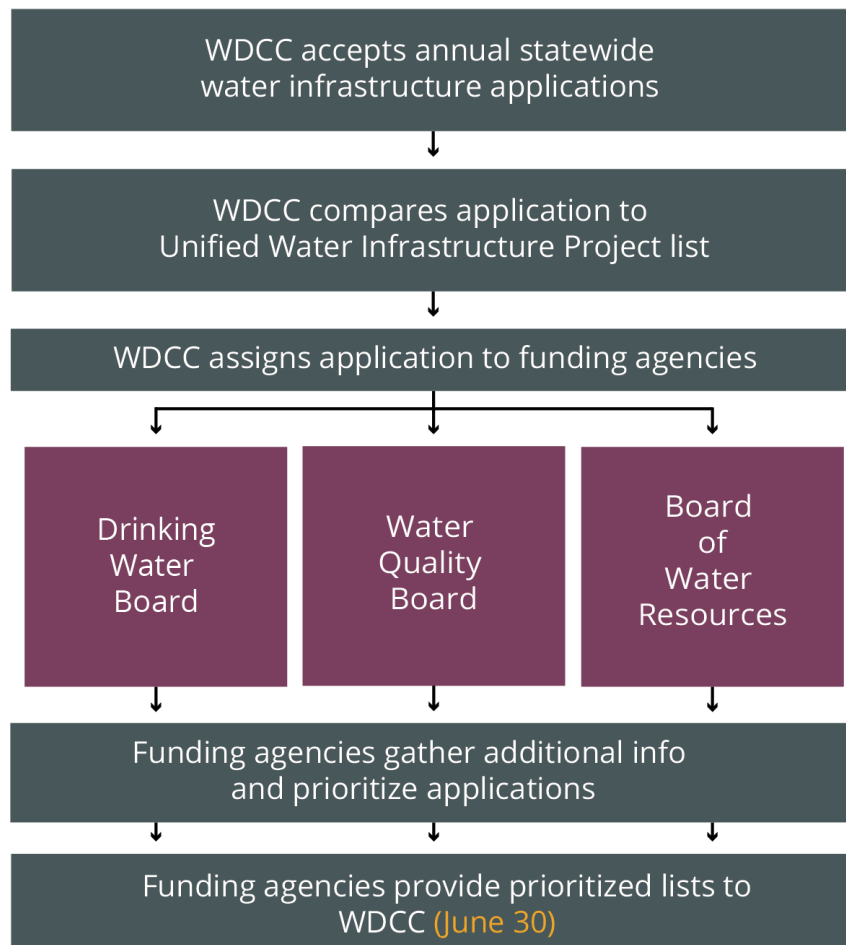
Annual application process

Each year, the WDCC will open an application period for applicants seeking state funding for water projects. Once the application period closes, the WDCC will review and distribute the applications to each funding board based on the following categories:

- Drinking water (Drinking Water Board)
- Wastewater (Water Quality Board)
- Stormwater (Water Quality Board)
- Secondary water (Board of Water Resources)
- Dams (Board of Water Resources)
- Agriculture off-farm (Board of Water Resources)

Each board will rank and prioritize the projects and include their prioritized lists in their annual plans that are submitted to the WDCC annually by June 30th. The WDCC will then utilize these lists when updating the UWIP. Figure 6 shows the annual application and prioritization process.

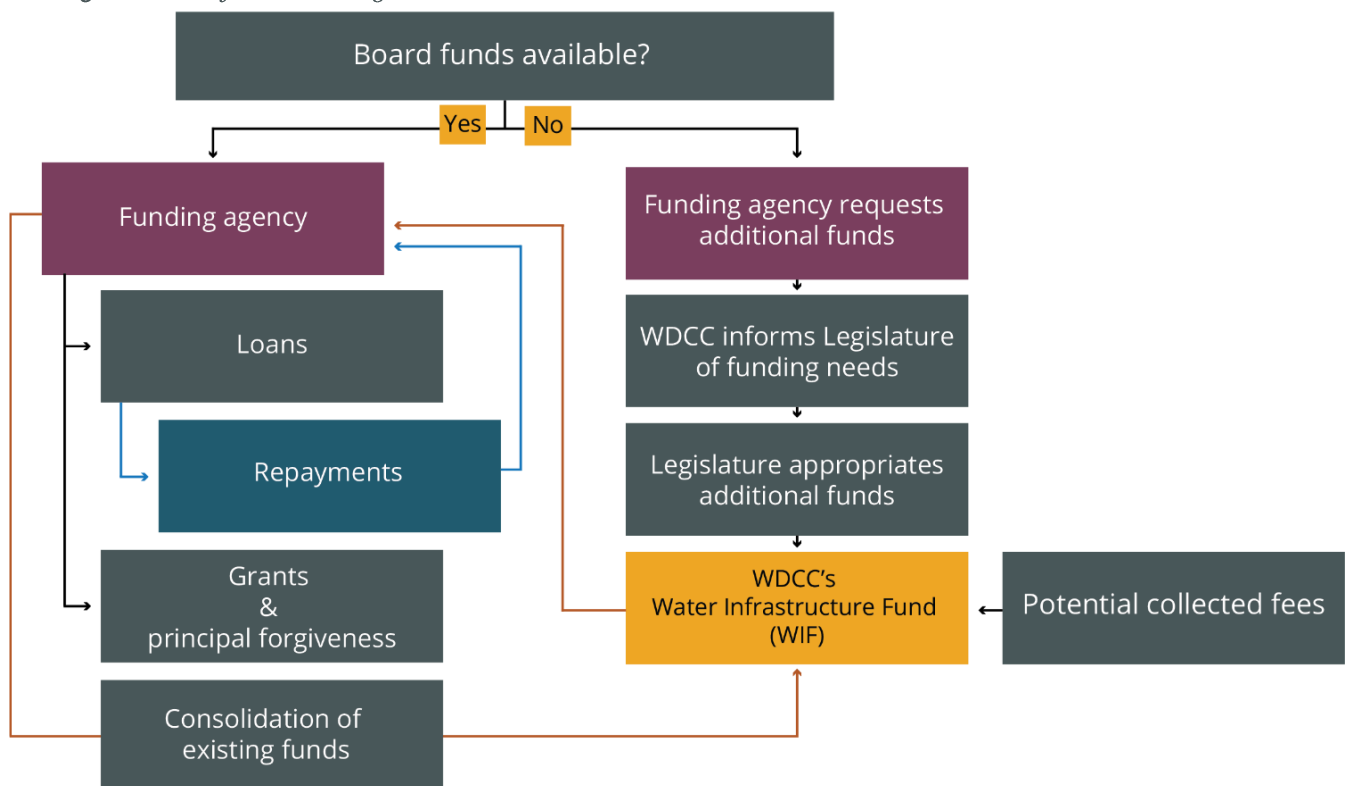
Figure 6: Annual Application and Prioritization Process



Project funding process

The gaps in funding will then be reported to the Legislature on an annual basis. If additional funding becomes available (either through an annual consolidation and/or additional appropriated funds), the remaining ranked and prioritized project applications will be used to determine which projects will receive funds. Figure 7 details a flow chart of the process.

Figure 7: Project Funding Process



Recommendations

To achieve the outlined framework (Figures 4–6), five recommendations would need to be pursued. These include legislative changes to allow for the following:

1. Additional state investment to fund water infrastructure projects
2. Technical assistance grants for small water suppliers and wastewater utilities
3. Statute changes to allow funds to be transferred between accounts
4. Statute modifications to relevant agencies
5. Alignment of implementation time

1. Additional state investment to fund water infrastructure projects

To renew, upgrade, replace and develop new water infrastructure, a new program of investment will be needed, including investments of state funds. A study will be completed next year to identify and evaluate alternatives and mechanisms for establishing new revenue sources needed to address the gaps in overall water infrastructure funding. The legislature could also use the WIF as a working, rainy day fund and appropriate additional money to the WIF.

2. Technical assistance for small water suppliers and wastewater entities

Many small, and particularly rural water suppliers and wastewater utilities do not have the capacity nor resources to develop the capital asset plans necessary to properly plan for their water infrastructure needs. This often leads to emergency water infrastructure projects. These water suppliers and wastewater utilities would benefit from technical assistance grants to help them proactively develop and impose these capital asset plans.

3. Statute changes to allow funds to be transferred between accounts

The Board of Water Resources will need changes to [Utah Code 73-10-22](#) through [73-10-30](#) to allow transfers from the Cities Water Loan Fund and Conservation and Development Fund or to consolidate funds from these two revolving funds into the WIF.

Modifications to [Utah Code 73-10c](#) and [73-10g](#) will be necessary in order to allow the Drinking Water Board and Water Quality Board to consolidate state funds to the WIF. The Drinking Water Board will require the authority to transfer funds from the Drinking Water Security – Drinking Water Loan Program Subaccount to the WIF. The Water Quality Board will require the authority to transfer funds from the Water Quality Security – Utah Wastewater Loan Program Subaccount to the WIF.

4. Statute modifications to relevant agencies

The commissioner (or designee) of the Department of Agriculture and Food is an important member of the WDC and should remain a member. However, the ARDL fund itself supports a variety of agriculturally focused projects that are not related to water infrastructure, and the Agricultural Water Optimization Grant Program does not currently have any ongoing funding source. Additionally, projecting long-term need for the on-farm

agricultural projects funded by both sources poses a challenge. It is recommended that the Department of Agriculture and Food be removed as a funding agency.

The director (or designee) of the Housing and Community Development Division is an important member of the council and should remain a member. However, the CIB Board funds a broad spectrum of projects. During FY24, project disbursements included health and public safety, sewer, water, transportation, buildings, plans and studies, recreation and communications. Water and sewer projects comprised only approximately 20% of the FY24 distributions. The other division funds mentioned above are similar: funding water infrastructure is not their primary purpose. The CDBG requires community input that has both federal regulations and state rules that would be difficult to reconcile with consolidation. The NRF and UBRF are both required to have independent boards for case-by-case evaluation. It is recommended that the Housing and Community Development Division also be removed as a funding agency.

5. Alignment of implementation time

To ensure a smooth transition, it is recommended that this process framework be aligned with the prioritization process beginning in fiscal year 2027. This will allow the WDCC and five relevant agencies to complete the necessary studies and implement changes to existing processes.

Conclusion

The state has effective mechanisms in place to assist water providers with funding necessary water infrastructure projects, but future needs far outweigh available funds. Increased coordination and improved processes directed by the WDCC will help ensure that state money is used for projects in alignment with state and local plans and priorities. Therefore, the WDCC makes the following recommendations:

- Make no changes to the council makeup
- Additional state investment to fund water infrastructure projects
- Grants for technical assistance for small water suppliers and wastewater utilities
- Modify specified statutes to allow either consolidation or transfers to and from the WIF from existing state board funds and subaccounts
- Remove the “relevant agency” designation for the Department of Agriculture and Food and Housing and Community Development Division
- Align process framework with prioritization process to begin in fiscal year 2027

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Prepare 60

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Aqueduct construction work in Weber Basin