Utah League of Cities and Towns  
Legislative Policy Committee Agenda – December 16, 2019, 12:00 p.m.  
Utah Local Governments Trust, 55 US-89, North Salt Lake, UT 84054 (and Zoom webcast)

1. Welcome, introductions, logistics, appreciation for elected officials leaving office, and adoption of October 16, 2019 minutes (ULCT 1st Vice Pres. Mike Caldwell)

2. Upcoming events, updated LPC process for 2020 Legislative Session, and updated ULCT policy prism (Cameron Diehl)

3. Legislative items:
   a. UPDATE: Tax reform (Roger Tew)  
      i. Special session scheduled on December 12
   b. UPDATE: Upcoming water legislation (Wayne Bradshaw)  
      i. Note: this is a continuation from October LPC
   c. UPDATE: Land Use Task Force  
      i. Note: this may include subdivisions, gravel pits, and/or land use damages (Cameron Diehl)
   d. UPDATE: Public safety retirement (Wayne Bradshaw and Cameron Diehl)  
      i. Note: this will update you on potential legislation and dialogue among all stakeholders

4. Other legislative issues from membership (ULCT 1st Vice Pres. Mike Caldwell)

5. Adjourn

To join via Zoom webcast:
Join from PC, Mac, Linux, iOS or Android: [https://zoom.us/j/5595487556](https://zoom.us/j/5595487556)
Or iPhone one-tap: +16699006833,,5595487556# US (San Jose)
Or Telephone: Dial: +1 669 900 6833 or +1 929 205 6099 Meeting ID: 559 548 7556

Important Dates:
Saturday, January 4 – Elected Officials Essentials training  
2020 Session begins on January 27  
Local Officials Day is January 29, 2020  
LPC will meet on the following days at the capitol in Senate Room 210 from 12:00 pm - 1:40 pm:
   • February 3, 2020
   • February 10, 2020
   • February 24, 2020
   • March 2, 2020
   • March 9, 2020  
2020 Session ends on March 12, 2020
1. Welcome, introductions, logistics, and adoption of September 9, 2019 minutes
   a. ULCT 2nd Vice Pres. Dawn Ramsey welcomed the LPC. The committee adopted the draft minutes from September 9th, 2019. ULCT Director of Government relations Rachel Otto reviewed important upcoming dates.

2. Legislative items:
   a. UPDATE: Tax reform
      i. ULCT Senior Advisor Roger Tew briefed the LPC on the current status of the Tax Restructuring and Equalization Task Force. He stated that members of the task force were given a list of the policy options presented throughout the summer hearings and were told to select their priorities. The revenue forecast predicted a $140 million surplus in the Uniform School Fund (income tax revenue) and a $40 million deficit in the state’s General Fund (sales tax and other revenue sources). Roger said he does not expect an HB441-like approach that applies sales tax to everything. Though, there are some services that may be taxed, they’re likely not large revenue sources. The reapplication of sales tax on food is still in discussion. Another sales tax on gasoline is still in discussion as well. Roger stated that legislators have told him they’re not committed to anything at this point but would like to see legislation passed. Everything is still on the table but there are no politically easy options.
      ii. ULCT Executive Director Cameron Diehl explained that the organization’s approach this far has been “strategic patience” and informing discussion, but ULCT may be asked to take a position soon. He suggested waiting to see what final legislation is been made available. Roger Tew emphasized that the “ripple effect” message (that any state changes to the tax structure will affect local governments) has been heard on the hill.
      iii. Roger Tew was asked whether the policy question of removing the constitutional income tax earmark was an ongoing discussion. Roger said that the discussion is still moving and there are mechanisms to implement similar changes as well. Cameron Diehl added that the legislature has been identifying General Fund
revenue sources that are being spent on education. Roger was asked how much money could be freed up that way. He responded that it depends on how aggressively the legislature wants to pursue the policy and they’ll ultimately confront the same policy question as the income tax earmark. Cameron Diehl wrapped up the tax discussion saying that ULCT scheduled a board meeting after the next task force hearing in case the league needed to take a position on pending legislation.

b. UPDATE: Water Audit Software

i. ULCT Director of Policy, Wayne Bradshaw, spoke to the LPC about two water bills. The first is The Water Loss Control Program, which will likely be sponsored by Representative Ballard. Draft legislation was adopted as a committee bill for the Legislative Water Development Commission and will likely be a high priority in the Governor’s budget as well. The bill is centered around a software tool developed by the American Water Works Association which allows water providers to audit their systems and make corrections accordingly. The legislation would most likely require water providers that supply more than 3,000 residents to utilize this software, which is currently free, and report findings of the software to the state. Wayne continued to explain that the software allows providers to identify non-revenue water supply (leakages, excess water on parks, etc.) and provides a recommendation for the most cost-effective solution to the specific type and location of water loss. There have been two pilot programs conducted in Utah using examining 12 utilities in total. The bill would carry a $1.5 million appropriation to train participating providers on how to use the software. It would also build and fund a program to streamline reporting to DNR and provide ongoing training. Wayne added that the software training took an average of 70 hours of staff time to complete in the pilot programs.

ii. Wayne Bradshaw was asked if the participating cities in the pilot programs saw any benefits. He responded that cities were able to easily identify water loss at a very low cost. He was also asked what water systems use now. Wayne stated that no systems are required to perform audits now, but they are required to report water consumption data to the state. Because of a lack of uniformity there is some concern about the consistency of state-wide data. Some concerns were expressed about the impact state requirements might impose on small communities. Cameron Diehl
asked the LPC members to discuss the idea with their water staff and provide feedback to ULCT.

c. UPDATE: Water Banking
   i. Wayne Bradshaw presented on upcoming legislation that authorizes water banks to be created within the state. It applies some parameters on how they are established. He explained that ULCT has been part of the discussion and has provided feedback. The banks are entirely optional and don’t adversely affect municipalities. The agricultural community was concerned about the possibility of a municipality condemning their water. To date, no municipalities in Utah has condemned a user’s water rights. But legislators have said unless that concern is alleviated, they will run legislation to strip municipalities of their ability to condemn water altogether. The compromise language being discussed states that if a municipality uses a water bank, they cannot condemn a water right leased to the bank until five years after the lease has expired. The goal was to curtail a larger conversation about municipalities’ abilities to condemn water. Wayne clarified that the rights must be perfected to be leased and that this is just a pilot program that will sunset after 10 years.

d. UPDATE: Commission on Housing Affordability
   i. ULCT Director of Government Relations Rachel Otto updated the LPC on the Commission on Housing Affordability. The discussion this year has focused around funding but there is still potential for other land use policies to be added to the legislation. Rachel acknowledged Dave and Ashley Spatafore’s policy work over the summer to craft recommendations that meaningfully help low- and moderate-income individuals and families with housing costs. She reminded the LPC that the deadline for updating plans to be compliant with SB 34 is December 1, 2019 and the reporting requirement would begin the subsequent year. Earlier, Rachel mentioned, that she and other local government partners (including WFRC and several cities) presented to the Political Subdivisions Interim Committee on SB 34 implementation progress. She recognized Taylorsville for their excellent work on crafting their Moderate-Income Housing Plan.

e. UPDATE: Land Use Task Force
   i. Rachel presented the LUTF project list to the LPC, which includes boundary line process clarifications, gravel pit operations, and stormwater permits and LID. She explained that there are still a few
non-consensus items like changing the standard of review for land use appeals.

3. Legislative outreach
   a. Rachel Otto explained current ULCT outreach and early bill monitoring efforts. The legislature has already opened 800 bill files, which is a record for this time of year. She explained that the official bill tracking software can’t start tracking legislation until the state’s website starts publishing bill files. Until then, ULCT has created a Google Form for ULCT members to either report new information from their legislative meetings or request assistance on legislation they’re working on. Rachel encouraged the LPC to either use the form or reach out to ULCT staff and let us know what your municipality’s priorities are.
   b. Cameron Diehl added that ULCT staff presented the trend of increasing legislation to the Board of Directors. Cameron explained that the organization is working hard to address the issue of increasing bills and finite political capital. The goal is to effectively prioritize legislation so the LPC and the Board can budget political capital accordingly.

4. Other legislative issues from membership
   a. An LPC member asked for an update on Tier 2 retirement changes. Wayne Bradshaw explained that there would be a meeting the following morning to discuss the issue. Senator Harper is expected to instruct staff to look into potential revenue sources for the state to fund an expansion of the program.
   b. Cameron added that over the interim ULCT has been working on towing, vexatious GRAMA requests, transient room taxes, impact fees, and other local issues.
   c. The question was asked if there was any appetite for assessing impact fees for schools. Rachel Otto stated that Alpine School District brought the issue to the LUTF previously. Layton City Attorney Gary Crane explained that in 1997 the legislature deauthorized the fee because a city had an “astronomically” high fees in the views of some legislators. The school impact fees created financial inequities depending on where new schools were constructed. When the subject was broached in an interim committee this summer, the development community was adamantly opposed.

5. Adjourn
   a. The LPC adjourned
Task Force Tax Restructuring Policy Proposal

Budgetary Impact
- Results in an overall net tax reduction of approximately $160 million.
  - A single filer would see an estimated average total tax reduction of more than:
    - $20 per year if their income was $25,000
    - $0 per year if their income was $60,000
    - $40 per year if their income was $85,000
  - A family of two would see an estimated average total tax reduction of more than:
    - $50 per year if their income was $25,000
    - $300 per year if their income was $60,000
    - $325 per year if their income was $85,000
  - A family of four would see an estimated average total tax reduction of more than:
    - $300 per year if their income was $25,000
    - $525 per year if their income was $60,000
    - $120 per year if their income was $85,000
  - A family of seven would see an estimated average total tax reduction of more than:
    - $470 per year if their income was $25,000
    - $1,000 per year if their income was $60,000
    - $725 per year if their income was $85,000

Incidence of Tax
Policy Summary

This proposal includes the following policy modifications:

**Reductions**

**Income Tax**
- Reducing individual and corporate income tax rates (Lines 927, 935, 1173)
- Expanding the “Utah Dependent Exemption” provision of the taxpayer tax credit (Line 1412)
- Creating an income tax credit for certain Social Security retirement income (Line 1832)
- Establishing a state earned income tax credit (Line 1978)
- Creating a “Grocery Tax Credit” for low-to-middle-income residents (Line 1926)

**Sales Tax**
- Exempting menstrual products and consumables used in the repair, cleaning, and maintenance of tangible personal property from sales tax (Lines 2789 & 4346, 5081)

**Expansions**

**Sales Tax**
- Restoring the full sales tax rate on unprepared food (Line 3878)
- Expanding the sales tax base by repealing certain sales tax exemptions (Lines 4270-5355)
- Expanding the sales tax base by repealing the sales tax exemption for motor and some special fuels (Line 4254)
- Creating new excise tax on diesel rather than repealing sales tax exemption (Line 5321)
- Transitioning to direct user fees for transportation costs (Line 5434)
- Expanding the sales tax base by charging sales tax on certain services (Lines 2635-3853)

**Other**
- Increasing the state Motor Vehicle Rental Tax (Line 5182)

**Budget Shifts**
- Restore funding of Higher Education to the sales tax-backed General Fund, holding Public Education harmless (Lines 6001-6060)
- Funding school lunch program and underage drinking prevention program from Education Fund and depositing the portion of the liquor mark-up that currently funds the programs in the General Fund (Lines 451-453, 899-903, 5978, 5982-6000)
- Reducing sales tax earmarks for transportation (Lines 4173-4194)

**Policy Descriptions**

**Reduce Individual and Corporate Income Tax Rates**
- Reduce the state income tax rate from 4.95% to 4.66% (Lines 927, 935, 1173)

**Expand the Utah Dependent Exemption**
- Increase the exemption amount per dependent from $565 to $2,500 (Line 1412)
- Joint filers with no dependents will be able to claim one exemption (Line 1414)
- Credit remains 6% of exemption amount
Phaseout rate of credit remains $0.013 per dollar over:
- $14,879 for single filers
- $22,318 for head of household filers
- $29,758 for joint filers
- Phaseout thresholds adjust for inflation

Create an Income Tax Credit for Social Security Income (Line 1832)
- Non-refundable tax credit equal to total Social Security income included in Adjusted Gross Income (AGI) x State Income Tax Rate (Line 1855)
- Amount of credit reduced by $0.025 per dollar that modified AGI (including Social Security and all other income) exceeds: (Line 1865)
  - $24,000 for married filers filing separately
  - $30,000 for single filers
  - $48,000 for head of household or joint filers

Create a State Earned Income Tax Credit (Line 1978)
- Refundable income tax credit to individuals identified by the Department of Workforce Services as experiencing intergenerational poverty and who claim the federal earned income tax credit (Line 1984)
- Credit amount equals 10% of the federal credit amount an individual is entitled to claim (Line 1988)
- DWS will conduct outreach to inform eligible individuals about credit

Create a “Grocery Tax Credit” for Low-to-Middle-Income Residents (Line 1926)
- $125 refundable income tax credit for the first four household members (Line 1953)
  - $50 refundable income tax credit for each additional household member (Line 1954)
- Phaseout rate of credit is 0.0035% of the credit per dollar above 175% of the federal poverty limit (Line 1968)
  - For households with more than five members, the phaseout begins at 175% of the federal poverty limit for five member households
- For example, a family of four with a household income of up to $45,062 per year would qualify for the full grocery credit amount (4x$125 = $500). That amount would be reduced for each dollar the family makes over $45,062, with the credit phasing out entirely at $78,633.
- In addition to the income parameters, to qualify, a claimant must:
  - Be considered a resident for income tax purposes
  - Not be claimed as a dependent on another federal tax return
  - Not have been incarcerated in the state for the portion of the year for which the claimant claims the credit (Line 1955)
  - File a completed form with the Tax Commission
- A separate form will be created for claimants who do not file income taxes (Line 1974)
Exempt Menstrual Products and Consumables Used in Repair, Cleaning, and Maintenance of Tangible Personal Property from Sales Tax

- The current 4.85% sales tax on menstrual products and items consumed in the repair, cleaning, and maintenance of tangible personal property would no longer be charged (Lines 2789 & 4346, 5081)

Restore Full State Sales Tax Rate on Food (Line 3878)

- The sales tax rate on unprepared food and food ingredients (e.g. groceries) would return to the full state sales tax rate of 4.85% from the currently reduced rate of 1.75%

Repeal Certain Exemptions

- Remove certain existing sales tax exemptions to make the sales tax a broader consumption tax

  The following exemptions would be repealed:
  - Electricity to ski resorts for lifts (Line 4605)
  - Vehicles used for temporary sporting events (Line 4653)
  - Admissions to college athletic events (Line 4638)
  - Textbooks purchased by a student (not including a college bookstore; seller sales primarily textbooks) (Line 4943)
  - Primarily unassisted cleaning of tangible personal property (Line 4317)
    - Unless payment is exclusively through machines that only accept cash or coin (Line 5070)
  - Use of unassisted amusement device (Line 4617)
    - Unless payment is exclusively through machines that only accept cash or coin (Line 5079)
  - Vending machine food sold for $1 or less under certain circumstances (Line 4270)
    - Unless payment is exclusively through machines that only accept cash or coin (Line 5075)
  - Certain car washes (Line 5035)
    - Unless payment is exclusively through machines that only accept cash or coin (Line 5070)
  - Sales to a public transit district (includes construction materials converted to real property) (Line 4897)
  - Fuel sold to a common carrier railroad and used in a locomotive engine (Line 4930)
  - Newspapers or newspaper subscriptions (Line 4468)

- The following exemption would be repealed in 2027: (Line 5355)
  - Construction materials for life science research facility (material converted to real property only)

- The following exemption would be modified to include occupants of certain data centers:
  - Machinery, equipment, or parts purchased by owners of certain data centers (one-year economic life) (Line 5027)
Repeal the Sales Tax Exemption on Motor and Special Fuel (Line 4254)

- Remove existing sales tax exemption on motor and some special fuels (does not include diesel or aviation fuel) to make the sales tax a broader consumption tax
- Tax would be imposed at the distributor level on the average daily rack price of gasoline (calculated annually) at the existing state sales tax rate (4.85%) (Line 5119)
- Tax would be used to fund transportation in the medium term as a user fee until future user fee options that rely on more advanced technology become viable
  - UDOT will begin studying transition immediately (Line 5434)
  - UDOT will be required to report on current status of user fees annually
- General sales tax earmarks for transportation would be reduced due to new transportation revenue from motor and special fuel sales tax
  - Because the transportation earmark that funds the Transit Transportation Investment Fund (TTIF) is repealed, an equivalent earmark is enacted to fund the TTIF beginning in FY 2022 with 50% of the growth in new revenue from the sales tax on food above the $250M of estimated initial revenue from the increased rate (Line 4195)
- Use of HOV lane by vehicles with “clean vehicle” decal will be repealed in 2025
- Use of HOV lane will require 3+ vehicles beginning in 2025 (Line 5702)

Create New Excise Tax on Diesel (Line 5321)

- Rather than repeal existing sales tax exemption on diesel, create a new excise tax on diesel of:
  - $0.06 per gallon starting in 2020 (April 1st) (Line 5324)
  - $0.10 per gallon starting in 2022 (Line 5326)
- General sales tax earmarks for transportation would be reduced due to new transportation revenue from diesel excise tax

Broaden the Sales Tax Base by Charging Sales Tax on Certain Additional Services

- Include certain services in the tax base to make the sales tax a broader consumption tax and providing more similar treatment to goods and services
- Newly taxed services would be those primarily consumed by the end user to minimizing tax pyramiding
- The following services would be included in the tax base:
  - Installation of tangible personal property when part of a taxable sale (Lines 2635-2643, 3179)
  - Pet boarding, pet grooming, and pet daycare services (Lines 2937-2951, 3850-3851)
  - Personal transportation service (Lines 2926-2936, 3844)
    - Includes all intrastate motor vehicle transportation services except for:
      - services provided by governmental entities (Line 2932)
      - ambulance services (Line 2933)
      - transportation that is part of a funeral service (Line 2934)
      - low speed vehicles in a county of the first class (Line 2931)
Includes:

- peer to peer ride sharing (peer to peer car sharing is already subject to sales tax) (Lines 2928-2930)
- scenic and sightseeing transportation in a motor vehicle (Lines 2928-2930)
  - Motor vehicle towing (Line 3849)
  - Parking lots and garages (Lines 3845-3848)
  - Dating referral services (Line 3852)
  - Identity theft protection (Line 3853)
  - Streaming media (Lines 3828-3838)
  - Shipping and handling when part of a taxable sale (Line 3178)
  - Electronic security monitoring of real property (Lines 3383-3385, 3843)
- Include clarifying language to codify existing practice regarding software as a service (Lines 3391-3394, 3839-3841)
- Sales or use tax would be due from the end user of these services if the end user is in Utah
- Businesses (whether in-state or out-of-state) providing the services would collect and remit the tax

Increase the State Motor Vehicle Rental Tax (Line 5182)

- Increase the state motor vehicle rental tax from 2.5% to 4.0%
  - Under current state law, this tax applies to peer to peer car sharing services
  - Does not apply to peer to peer ride sharing services

Fund Public Education School Lunch Program and Underage Drinking Prevention Program from Education Fund (Lines 451-453, 899-903, 5978, 5982-6000)

- Deposit the current funding source for school lunch and underage drinking prevention, a portion of liquor markup profits, into the General Fund

Restore funding of Higher Education to the sales tax-backed General Fund, holding Public Education harmless (Lines 6001-6060)

- Reduce Education Fund appropriations to Higher Education by the amount of sales tax increases, school lunch program funding, and underage drinking prevention program funding proposed in this bill and replace those Education Fund appropriations with a like amount of General Fund appropriations
## 12/9/19 Update - Fiscal Impact:

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Income Tax</strong></td>
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<tr>
<td>Reduce income tax rate (4.66%)</td>
<td>($344,500,000)</td>
<td>($306,500,000)</td>
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<td>Expand Utah Dependent Personal Exemption</td>
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<td>Create Social Security credit</td>
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<td>Create Earned Income Tax Credit</td>
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<tr>
<td>Create Grocery credit</td>
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<td><strong>Total</strong></td>
<td>($635,500,000)</td>
<td>($597,500,000)</td>
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<td><strong>Sales/Other Tax</strong></td>
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<tr>
<td>Exempt additional products from sales tax</td>
<td>($5,000,000)</td>
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<td>Restore full sales tax on food</td>
<td>$250,000,000</td>
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<td>Repeal certain exemptions</td>
<td>$13,000,000</td>
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<tr>
<td>Sales tax on motor fuel/excise tax on diesel</td>
<td>$170,000,000</td>
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<td>Tax certain services</td>
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<td>Increase motor vehicle rental tax</td>
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<td>$475,500,000</td>
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<td><strong>Budget Shifts</strong></td>
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<tr>
<td>Fund school lunch and underage drinking prevention from Education Fund ($58M shift)</td>
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<td>Fund higher education from General Fund ($534M shift)</td>
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<td>Direct a portion of new sales tax on fuel to transportation projects ($34M shift)</td>
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<td>Replace gas tax earmark for transit with sales tax earmark for transit (future $6M shift)</td>
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<td><strong>Net fiscal impact</strong></td>
<td>($160,000,000)</td>
<td>($188,000,000)</td>
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WATER LOSS ACCOUNTING ACT
The Water Loss Accounting Act

- Annual Water Loss Accounting and Reports by Water Utilities
- Technical Assistance to Train Water Utilities
- Division to Submit Summary Reports of Validated Data

- Utility Data be Validated Prior to Submission to State
- Program developed to Certify Water Accounting Validators

- Grants Rulemaking Authority to Division of Water Resources
- Technical Advisory Committee to Help Develop Rules
Why it is Needed

Utilities

Process to gather Reliable and Accurate Water Use Data through the Water Balance

Targets the Economic Optimum loss and intervention

May Increase Revenue

Saves Water (Supply Side Conservation) by Reducing Losses

Allows Utilities to identify water loss improvement plan and Track Actual Improvements.
Why it is Needed - State of Utah

Method to collect Accurate Water Use Data

Data Validation Process to assess the credibility of data

Identifies Specific Areas of Water Loss so that Programs can address Precise Improvement Measures

Means to track actual water use improvements

Stretches existing supplies by reducing losses

Identifies the Economic Optimum loss and intervention
Accurate and Valid Data for the State
Supply Side Conservation

• AWWA Method is The industry standard tool for water system accounting
• Water Balance model where all water is accounted for
• Has a data validation component
• Provides guidance on when and how to engage in water loss control
• Supply Side Conservation ~ 26,000 AcFt
## Central Feature: The Water Balance

<table>
<thead>
<tr>
<th>System Input Volume</th>
<th>Authorized Consumption</th>
<th>Billed Authorized Consumption</th>
<th>Billed Metered Exports</th>
<th>Revenue Water</th>
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<tbody>
<tr>
<td>Water Losses</td>
<td>Authorized Consumption</td>
<td>Unbilled Authorized Consumption</td>
<td>Billed Metered Consumption</td>
<td>Non-Revenue Water</td>
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<td>Billed Metered Consumption</td>
<td>Billed Unmetered Consumption</td>
<td>Unauthorized Consumption</td>
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<td>Unbilled Metered Consumption</td>
<td>Unbilled Unmetered Consumption</td>
<td>Main Line Leakage</td>
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<td>Unauthorized Consumption</td>
<td>Customer Meter Inaccuracies</td>
<td>Service Line Leakage</td>
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<td>Systematic Data Handling Errors</td>
<td>Storage Tank Leaks &amp; Overflows</td>
<td>Storage Tank Leaks &amp; Overflows</td>
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</tbody>
</table>
Targeted Program

104 Utilities in Utah
Serving Populations >3,300

104 Utilities Represent 92% of the Service Population in Utah

Utah Utilities Serving >3,300 Population

- 3300-5000: 13
- 5001-7500: 17
- 7501-10,000: 18
- 10,001-15,000: 9
- 15,001-20,000: 13
- 20,001-30,000: 11
- 30,001-50,000: 11
- 50,001-100,000: 8
- >100,000: 4
Program that Works!
Pilot Program with 12 Utilities

12 Unique Outcomes—2 Examples

**Volume**

- **Total Volume of NRW = 1,055 Acre-ft/Yr**

**Value**

- **Total Cost of NRW = $294,963**

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**Volume**

- **Total Volume of NRW = 878 Acre-feet/Yr**

**Value**

- **Total Cost of NRW = $171,540**

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- Unbilled Metered
- Unbilled Unmetered
- Unauthorized Consumption
- Customer Metering Inaccuracies
- System Data Handling Errors
- Real Losses

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**Taylorsville-Bennion**

- I.D.
- 67,000 Population
- 15,871 Connections

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**Lehi City**

- 47,400 Population
- 13,015 Connections
Validity

Level 1 validated DVS score of 46/100 for Water Audit Reporting Calendar Year 2015. The Data Validity Score suggests that priorities should be made to improve the validity before moving to targeted water loss control efforts. Priority areas for attention are:

- Water imported
- Unbilled metered
- Customer metering inaccuracies

Volume

Total Volume of NRW = 1150 AcFt/Yr

Value

Total Cost of NRW = $705,304

<table>
<thead>
<tr>
<th>Calendar Year 2015</th>
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<tbody>
<tr>
<td>Data Validity Score: 46</td>
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<tr>
<td>Service Connections: 13,770</td>
</tr>
<tr>
<td>Miles of Main: 171.2</td>
</tr>
<tr>
<td>Average Operating Pressure: 79.0 psi</td>
</tr>
<tr>
<td>Apparent Losses per service connection per day: 16.99</td>
</tr>
<tr>
<td>Real Losses per service connection per day: 44.83</td>
</tr>
<tr>
<td>Infrastructure Leakage Index: 2.61</td>
</tr>
</tbody>
</table>
Validity

Level 1 validated DVS score of 55/100. Represents mid-grade reliability, efforts should focus on both data improvement and loss reduction. Priority areas for attention are:

- Water Imported
- Volume from Own Sources
- Billed Metered

Volume

Total Volume of NRW = 3,545 AcFt/Yr

Value

Fiscal Year 2015/16

Water Audit Reporting Year:
Data Validity Score: 55
Service Connections: 22,770
Miles of Main: 360.0
Average Operating Pressure: 87.1 psi
Apparent Losses per service connection per day: 26.11
Real Losses per service connection per day: 66.85
Infrastructure Leakage Index: 3.26

Total Cost $895,300
Water Use Data Submittal

Current Process

Water Use Online Data Entry
Submission to the State - Data
Contact water providers

Water Accounting Act

Input Module for Data Entry to Water Audit Software
Water Balance and Self Evaluation
Level 1 Validation
Output File for Data Submission to State Water Use Online Data Entry

Due Date ~ March 1
Water Use Data Reporting
Checked Data

Due Date = April 1
Reliable Water Use Data
Water Audit
Data Validity Score
Reporting
Validation

Division to Submit Annual Summary Reports of Validated Data to Legislative Interim Committee & Commission
WATER LOSS ACCOUNTING

ACT

QUESTIONS

Be SMART! Cut Water Loss!
WATER LOSS ACCOUNTING ACT

2020 GENERAL SESSION
STATE OF UTAH

LONG TITLE

General Description:
This bill addresses data related to water including water losses.

Highlighted Provisions:
This bill:

- addresses sunset provisions;
- enacts the Water Loss Accounting Act, including:
  - defining terms;
  - granting rulemaking authority;
  - providing for a technical advisory committee;
  - requiring water loss accounting reports; and
  - providing for technical assistance; and
- makes technical amendments.

Money Appropriated in this Bill:
This bill appropriates in fiscal year 2021:
- to Department of Natural Resources - Division of Water Resources, as a one-time appropriation:
  - from General Fund, $1,350,000
- to DNR Pass-through, as a one-time appropriation:
  - from General Fund, $150,000
- to Department of Natural Resources - Division of Water Resources:
  - from General Fund, as an ongoing appropriation $300,000
  - from General Fund, one-time ($300,000)

Other Special Clauses:
None

Utah Code Sections Affected:
AMENDS:
631-1-273, as last amended by Laws of Utah 2019, Chapters 96 and 246
ENACTS:

73-10h-101, Utah Code Annotated 1953
73-10h-102, Utah Code Annotated 1953
73-10h-103, Utah Code Annotated 1953
73-10h-104, Utah Code Annotated 1953
73-10h-201, Utah Code Annotated 1953
73-10h-202, Utah Code Annotated 1953

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

Section 1. Section 63I-1-273 is amended to read:

63I-1-273. Repeal dates, Title 73.
In relation to the Legislative Water Development Commission, on January 1, 2021:
(1) in Subsection 73-10g-105(3), the language that states "and in consultation with the
State Water Development Commission created in Section 73-27-102" is repealed;
(2) Subsection 73-10g-203(4)(a) is repealed; [and]
(3) Subsection 73-10h-201(2)(b)(ii) is repealed;
(4) in Subsection 73-10h-201(2)(c) the language that states "and the Legislative Water
Development Commission" is repealed; and
[(3)] (5) Title 73, Chapter 27, State Water Development Commission, is repealed.

Section 2. Section 73-10h-101 is enacted to read:

CHAPTER 10h. WATER LOSS ACCOUNTING ACT


73-10h-101. Title.
This chapter is known as the "Water Loss Accounting Act."

Section 3. Section 73-10h-102 is enacted to read:

73-10h-102. Definitions.
As used in this section:
(1) "Covered entity" means the owner or operator of a public water system that serves a
population of more than 3,300 individuals.
(2) "Division" means the Division of Water Resources.
(3) "Public water system" means the same as that term is defined in Section 19-4-102.
(4) (a) "Water loss" means the difference between the annual volume of water entering a water distribution system and the annual volume of metered water, unmetered water, or both taken by registered customers, the covered entity, and others who are implicitly or explicitly authorized to take water.

(b) "Water loss" includes:

(i) the annual volumes lost through leaks, breaks, and overflows on mains, service reservoirs, and service connections, up to the point of customer metering;

(ii) unauthorized consumption;

(iii) metering inaccuracies; and

(iv) systemic data handling errors.

Section 4. Section 73-10h-103 is enacted to read:

73-10h-103. Rulemaking.

The division shall make the following rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, and after consultation with the technical advisory committee:

(1) the selection of the method of conducting a water loss audit under Subsection 73-10h-201(1)(a)(i);

(2) the standards and processes for validating a water loss audit; and

(3) the establishment of the standards and processes for submitting a water loss accounting report under Subsection 73-10h-201(1).

Section 5. Section 73-10h-104 is enacted to read:

73-10h-104. Technical advisory committee.

(1) The division shall establish a technical advisory committee that may include representatives of nonprofit civic entities, professional organizations, covered entities, and other state agencies.

(2) The technical advisory committee may assist or advise the division with implementing this chapter.

Section 6. Section 73-10h-201 is enacted to read:

Part 2. Water Loss Accounting Reporting

73-10h-201. Water loss accounting reports.

(1) By no later than a date specified in rule in calendar year 2022, and on or before the
date specified in rule of each subsequent year, a covered entity shall:

(a) prepare a water loss accounting report that contains the following:
   (i) a standardized water loss audit conducted in accordance with a method selected by
   the division by rule that meets industry standards; and
   (ii) a brief written summary of:
       (A) actions taken during the reporting year to reduce the volume of water losses in the
       system and to improve the data validity; and
       (B) the actions that are planned for the subsequent reporting year;
   (b) have the water loss audit validated in accordance with rule; and
   (c) submit the water loss accounting report in accordance with rule.

(2) (a) By no later than October 31, 2022, and by October 31 of each subsequent year,
   the division shall:
   (i) prepare an annual summary of the validated water loss accounting reports; and
   (ii) publish the annual summary prepared under this Subsection (2) on the division's
   website.

   (b) During the 2022 interim of the Legislature, the division shall report the annual
   summary and report on compliance with this chapter by covered entities to the:
   (i) Natural Resources, Agriculture, and Environment Interim Committee; and
   (ii) Legislative Water Development Commission.

   (c) During the 2024 interim of the Legislature, the division shall report to the Natural
   Resources, Agriculture, and Environment Interim Committee and the Legislative Water
   Development Commission about the following:
   (i) issues related to accurately metering water supply and use, including residential use
   of primary or secondary water;
   (ii) operational priorities of covered entities related to implementation of this chapter;
   (iii) an analysis of the annual summaries prepared by the division to date; and
   (iv) any other issue the division considers relevant to the implementation of this
   chapter.

(3) A covered entity may only receive money from the division if the covered entity
complies with this section.

Section 7. Section 73-10h-202 is enacted to read:
73-10h-202. Technical assistance -- Education programs and services.

(1) The division shall contract with a qualified entity that provides education programs and services including subject matter experts to provide the training described in Subsection (2).

(2) The training shall:

(a) instruct a covered entity on the method of conducting a water loss audit using the method adopted under Subsection 73-10h-201(1)(a)(i);

(b) guide a covered entity in the process to determine a plan for water loss control as required in the development of a summary report required under Subsection 73-10h-201(1)(a)(ii); and

(c) include the initial validation of a water loss audit required by Section 73-10h-201.

Section 8. Appropriation.

The following sums of money are appropriated for the fiscal year beginning July 1, 2020, and ending June 30, 2021. These are additions to amounts previously appropriated for fiscal year 2021. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, the Legislature appropriates the following sums of money from the funds or accounts indicated for the use and support of government of the state of Utah.

ITEM 1

To Department of Natural Resources - Division of Water Resources

<table>
<thead>
<tr>
<th>Schedule of Programs:</th>
<th>$1,350,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning program</td>
<td>$1,350,000</td>
</tr>
</tbody>
</table>

The Legislature intends that the $1,350,000 be used as follows under the Water Loss Accounting Act enacted by this bill:

(1) $900,000 to provide for technical assistance and education to covered entities; and

(2) $450,000 to develop a validation program for water loss audits including training of individuals to conduct validations.

ITEM 2

To DNR Pass Through

<table>
<thead>
<tr>
<th>Schedule of Programs:</th>
<th>$150,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>From General Fund, one-time</td>
<td>$150,000</td>
</tr>
</tbody>
</table>
The Legislature intends that the $150,000 be used to integrate information from water accounting reports with existing water related reporting requirements as recommended by the technical advisory committee under the Water Loss Accounting Act enacted by this bill.

ITEM 3

To Department of Natural Resources - Division of Water Resources

- From General Fund $300,000
- From General Fund, one-time ($300,000)

Schedule of Programs:

- Planning program $300,000
- ($300,000)

The Legislature intends that the $300,000 be used to pay the ongoing expenses of the Water Loss Accounting Act enacted by this bill.
LONG TITLE

General Description:
This bill modifies provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits.

Highlighted Provisions:
This bill:
- provides that a portion of the revenues collected from the tax on the admitted insurers shall annually be paid to the Utah State Retirement Office to fund certain benefit enhancements in the New Public Safety and Firefighter Tier II Retirement System;
- increases the percentage of compensation that a participating employer shall pay to the office on behalf of a member for the defined benefit portion of the New Public Safety and Firefighter Tier II Contributory Retirement System;
- increases the amount of the nonelective contribution made by a participating employer on behalf of each public safety service employee or fighter service employee who is a member of the New Public Safety and Firefighter Tier II Contributory Retirement System;
- amends the line-of-duty death benefits payable to the surviving spouse of an active member of the New Public Safety and Firefighter Tier II Contributory Retirement System; and
- makes technical changes.

Money Appropriated in this Bill:
None

Other Special Clauses:
This bill provides a special effective date.

Utah Code Sections Affected:
Be it enacted by the Legislature of the state of Utah:

Section 1. Section 49-11-904 is enacted to read:

49-11-904. Insurance premium tax revenues -- Distribution.

(1) (a) In accordance with this section and for a fiscal year beginning on or after July 1, 2020, there shall be paid to the office an amount equal to the growth in the amount of net revenue deposited in the General Fund in the current fiscal year from the annual tax levied, assessed, and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers required by state statute have been made, that exceeds the amount of net revenue deposited in the General Fund in the 2015-16 fiscal year from the annual tax levied, assessed, and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers required by state statute have been made.

(b) Payments to the office shall be made annually.

(2) The office shall deposit the amount described in Subsection (1) into the New Public Safety and Firefighter Tier II Contributory Retirement Trust Fund created in Section 49-23-104.

(3) The money deposited under this section shall be used to fund:

(a) an increase to the multiplier for the calculation of the retirement allowance provided to a member of the New Public Safety and Firefighter Tier II hybrid retirement system effective July 1, 2020; and

(b) an increase in the defined contribution amount provided to a member of the New Public Safety and Firefighter Tier II defined contribution retirement system effective July 1, 2020.

Section 2. Section 49-23-301 (Effective 07/01/20) is amended to read:
49-23-301 (Effective 07/01/20). Contributions.

(1) Participating employers and members shall pay the certified contribution rates to the office to maintain the defined benefit portion of this system on a financially and actuarially sound basis in accordance with Subsection (2).

(2) (a) A participating employer shall pay up to 14% of compensation toward the certified contribution rate to the office for the defined benefit portion of this system.

(b) A member shall only pay to the office the amount, if any, of the certified contribution rate for the defined benefit portion of this system that exceeds the percent of compensation paid by the participating employer under Subsection (2)(a).

(c) In addition to the percent specified under Subsection (2)(a), the participating employer shall pay the corresponding Tier I system amortization rate of the employee's compensation to the office to be applied to the employer's corresponding Tier I system liability.

(3) A participating employer may elect to pay all or part of the required member contributions under Subsection (2)(b), in addition to the required participating employer contributions.

(4) (a) A member contribution is credited by the office to the account of the individual member.

(b) This amount, together with refund interest, is held in trust for the payment of benefits to the member or the member's beneficiaries.

(c) A member contribution is vested and nonforfeitable.

(5) (a) Each member is considered to consent to payroll deductions of member contributions.

(b) The payment of compensation less these payroll deductions is considered full payment for services rendered by the member.

(6) Except as provided under Subsection (7), benefits provided under the defined benefit portion of the Tier II hybrid retirement system created under this part:

(a) may not be increased unless the actuarial funded ratios of all systems under this title reach 100%; and

(b) may be decreased only in accordance with the provisions of Section 49-23-309.

(7) (a) The Legislature authorizes [an increase] increases to the death benefit provided to a Tier II public safety service employee or firefighter member's surviving spouse effective on
May 12, 2015, and July 1, 2020, as provided in Section 49-23-503.

(b) (i) The Legislature authorizes an increase to the multiplier for the calculation of the retirement allowance provided to a member of the New Public Safety and Firefighter Tier II hybrid retirement system effective July 1, 2020, as provided in Section 49-23-304.

(ii) The requirements of Section 49-22-310 do not apply to the benefit adjustment described in this Subsection (7)(b).

Section 3. Section 49-23-302 (Effective 07/01/20) is amended to read:

49-23-302 (Effective 07/01/20). Defined contribution benefit established -- Contribution by employer and employee -- Vesting of contributions -- Plans to be separate -- Tax-qualified status of plans.

(1) (a) A participating employer shall make a nonelective contribution on behalf of each public safety service employee or firefighter service employee who is a member of this system in an amount equal to [14%] 16.5% minus the contribution rate paid by the employer under Subsection 49-23-301(2)(a) of the member's compensation to a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code which:

(i) is sponsored by the board; and

(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

(b) The member may make voluntary deferrals to:

(i) the qualified 401(k) plan which receives the employer contribution described in this Subsection (1); or

(ii) at the member's option, another defined contribution plan established by the participating employer.

(2) (a) The total amount contributed by the participating employer under Subsection (1)(a), including associated investment gains and losses, vests to the member upon accruing four years of service credit under this title.

(b) The total amount contributed by the member under Subsection (1)(b) vests to the member's benefit immediately and is nonforfeitable.

(c) (i) Years of service credit under Subsection (2)(a) includes any fraction of a year to which the member may be entitled.

(ii) At the time of vesting, if a member's years of service credit is within one-tenth of one year of the total years required for vesting, the member shall be considered to have the total
years of service credit required for vesting.

(3) (a) Contributions made by a participating employer under Subsection (1)(a) shall be invested in a default option selected by the board until the member is vested in accordance with Subsection (2)(a).

(b) A member may direct the investment of contributions made by a participating employer under Subsection (1)(a) only after the contributions have vested in accordance with Subsection (2)(a).

(c) A member may direct the investment of contributions made by the member under Subsection (1)(b).

(4) No loans shall be available from contributions made by a participating employer under Subsection (1)(a).

(5) No hardship distributions shall be available from contributions made by a participating employer under Subsection (1)(a).

(6) (a) Except as provided in Subsection (6)(b), if a member terminates employment with a participating employer prior to the vesting period described in Subsection (2)(a), all contributions, including associated investment gains and losses, made by a participating employer on behalf of the member under Subsection (1)(a) are subject to forfeiture.

(b) If a member who terminates employment with a participating employer prior to the vesting period described in Subsection (2)(a) subsequently enters employment with the same or another participating employer within 10 years of the termination date of the previous employment:

(i) all contributions made by the previous participating employer on behalf of the member, including associated investment gains and losses, shall be reinstated upon the member's employment as a regular full-time employee; and

(ii) the length of time that the member worked with the previous employer shall be included in determining whether the member has completed the vesting period under Subsection (2)(a).

(c) The office shall establish a forfeiture account and shall specify the uses of the forfeiture account, which may include an offset against administrative costs or employer contributions made under this section.

(7) The office may request from any other qualified 401(k) plan under Subsection (1)
or (2) any relevant information pertaining to the maintenance of its tax qualification under the Internal Revenue Code.

(8) The office may take any action which in its judgment is necessary to maintain the tax-qualified status of its 401(k) defined contribution plan under federal law.

Section 4. Section 49-23-401 (Effective 07/01/20) is amended to read:

49-23-401 (Effective 07/01/20). Contributions -- Rates.

(1) Up to the amount allowed by federal law, the participating employer shall make a nonelective contribution of 16.5% of the participant's compensation to a defined contribution plan.

(2) (a) The participating employer shall contribute the 16.5% nonelective contribution described in Subsection (1) to a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code which:

(i) is sponsored by the board; and

(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

(b) The member may make voluntary deferrals to:

(i) the qualified 401(k) plan which receives the employer contribution described in this Subsection (2); or

(ii) at the member's option, another defined contribution plan established by the participating employer.

(c) In addition to the percent specified under Subsection (2)(a), the participating employer shall pay the corresponding Tier I system amortization rate of the employee's compensation to the office to be applied to the employer's corresponding Tier I system liability.

(3) (a) Except as provided under Subsection (3)(c), the total amount contributed by the participating employer under Subsection (2)(a) vests to the member upon accruing four years of service credit under this title.

(b) The total amount contributed by the member under Subsection (2)(b) vests to the member's benefit immediately and is nonforfeitable.

(c) Upon filing a written request for exemption with the office, an eligible employee is exempt from the vesting requirements of Subsection (3)(a) in accordance with Section 49-23-203.

(d) (i) Years of service credit under Subsection (3)(a) includes any fraction of a year to
which the member may be entitled.

(ii) At the time of vesting, if a member's years of service credit is within one-tenth of one year of the total years required for vesting, the member shall be considered to have the total years of service credit required for vesting.

(4) (a) Contributions made by a participating employer under Subsection (2)(a) shall be invested in a default option selected by the board until the member is vested in accordance with Subsection (3)(a).

(b) A member may direct the investment of contributions, including associated investment gains and losses, made by a participating employer under Subsection (2)(a) only after the contributions have vested in accordance with Subsection (3)(a).

(c) A member may direct the investment of contributions made by the member under Subsection (3)(b).

(5) No loans shall be available from contributions made by a participating employer under Subsection (2)(a).

(6) No hardship distributions shall be available from contributions made by a participating employer under Subsection (2)(a).

(7) (a) Except as provided in Subsection (7)(b), if a member terminates employment with a participating employer prior to the vesting period described in Subsection (3)(a), all contributions made by a participating employer on behalf of the member under Subsection (2)(a), including associated investment gains and losses are subject to forfeiture.

(b) If a member who terminates employment with a participating employer prior to the vesting period described in Subsection (3)(a) subsequently enters employment with the same or another participating employer within 10 years of the termination date of the previous employment:

(i) all contributions made by the previous participating employer on behalf of the member, including associated investment gains and losses, shall be reinstated upon the member's employment as a regular full-time employee; and

(ii) the length of time that the member worked with the previous employer shall be included in determining whether the member has completed the vesting period under Subsection (3)(a).

(c) The office shall establish a forfeiture account and shall specify the uses of the
forfeiture account, which may include an offset against administrative costs of employer contributions made under this section.

(8) The office may request from any other qualified 401(k) plan under Subsection (2) any relevant information pertaining to the maintenance of its tax qualification under the Internal Revenue Code.

(9) The office may take any action which in its judgment is necessary to maintain the tax-qualified status of its 401(k) defined contribution plan under federal law.

Section 5. Section 49-23-503 is amended to read:

49-23-503. Death of active member in line of duty -- Payment of benefits.

If an active member of this system dies, benefits are payable as follows:

(1) If the death is classified by the office as a line-of-duty death, benefits are payable as follows:

(a) If the member has accrued less than 20 years of public safety service or firefighter service credit, the surviving spouse shall receive:

(i) a lump sum equal to six months of the active member's final average salary; and

(ii) the greater of:

(A) an allowance equal to 30% of the member's final average monthly salary; or

(B) an allowance equal to 2% of the member's final average monthly salary multiplied by the years of service credit accrued by the member.

(b) If the member has accrued 20 or more years of public safety service or firefighter service credit, the member shall be considered to have retired with an Option One allowance calculated without an actuarial reduction under Section 49-23-304 and the surviving spouse shall receive the allowance that would have been payable to the member.

(2) (a) A volunteer firefighter is eligible for a line-of-duty death benefit under this section if the death results from external force, violence, or disease directly resulting from firefighter service.

(b) The lowest monthly compensation of firefighters of a city of the first class in this state at the time of death shall be considered to be the final average monthly salary of a volunteer firefighter for purposes of computing these benefits.

(c) Each volunteer fire department shall maintain a current roll of all volunteer firefighters which meet the requirements of Subsection 49-23-102(13) to determine the
eligibility for this benefit.

(3) (a) If the death is classified as a line-of-duty death by the office, death benefits are payable under this section and the surviving spouse is not eligible for benefits under Section 49-23-502.

(b) If the death is not classified as a line-of-duty death by the office, benefits are payable in accordance with Section 49-23-502.

(4) (a) A surviving spouse who qualifies for a monthly benefit under this section shall apply in writing to the office.

(b) The allowance shall begin on the first day of the month following the month in which the:

(i) member or participant died, if the application is received by the office within 90 days of the date of death of the member or participant; or

(ii) application is received by the office, if the application is received by the office more than 90 days after the date of death of the member or participant.

Section 6. Effective date.

This bill takes effect on July 1, 2020.