WHY: The Need for Flexible Alternatives

Water is vital to agriculture, livable communities, economic growth, and a healthy environment. With limited resources, Utah must take water use and stewardship to a new level. Water management faces increasing uncertainty from steep population growth, erratic weather cycles and changing demands. To thrive, Utah water users must work together to develop dynamic management tools that benefit agricultural, municipal, and environmental needs.

The agricultural sector owns the majority of the water in Utah. In other states, the common practice of “buy-and-dry,” or the sale of water rights and permanent fallowing of agricultural lands in order to dedicate water to municipal use is common. Buy-and-dry can hurt rural communities near rapidly growing urban centers and limits access to water for other water users. To prevent these outcomes, Utah is exploring the creation of local alternatives. Developing additional management tools benefits water users by creating desired flexibility, greater access, and overall stability.

WHAT: The Utah Water Banking Concept

The goal of water banking is to bring local water users together, provide greater flexibility in water use, and maintain local control.

A water market transaction transfers the use of a water right from one user to another. For example, leases, rotational fallowing programs, rental pools, and conservation credits are all potential water market transactions. In Utah, the Water Banking Stakeholder Group (Stakeholder Group) has developed a concept in which local water users: 1) identify the specific type of water market transactions needed to suit local needs, and 2) organize a local water bank to facilitate those transactions. While water banks alone cannot solve all of Utah’s water issues, the Stakeholder Group believes it could prove to be a valuable strategy, a viable alternative to “buy-and-dry” transfers, and aid growing municipal and environmental needs. In 2019, the Utah Legislature voted to further explore this water banking concept.

### UTAH WATER BANKING CONCEPT

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<thead>
<tr>
<th>POTENTIAL BENEFITS</th>
<th>KEY FEATURES</th>
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<tbody>
<tr>
<td>Protect agricultural uses and communities</td>
<td>Use is temporary and does not impact ownership</td>
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<tr>
<td>Provide greater access to water markets</td>
<td>Participation is voluntary</td>
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<td>Promote transparency</td>
<td>Designed to meet local needs</td>
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<td>Enhance environmental and water quality needs</td>
<td>Uphold certainty of Prior Appropriation Doctrine</td>
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<td>Balance multiple uses of water supply</td>
<td>Ensure transactions are low cost and efficient</td>
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<td>Add flexibility to Utah water law</td>
<td>Promote equal access to banked water</td>
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HOW: Creating a Utah Water Banking Structure

The Stakeholder Group is exploring the feasibility of Utah’s water banking concept on three fronts:

1. **Water Banking Concept and Legislation**

   The Legislature asked for recommendations on water banking for the 2020 Legislative Session. In response, the Stakeholder Group has prepared draft legislation to address existing legal barriers to water market activity, incentivize the use of water banks, authorize existing market activities, and provide a governance structure for water banks to protect local water users. The legislation is intended to be a pilot project that will be tested through three demonstration projects in specific watersheds.

   Key elements of the local water banking concept include:

   a) **Pre-Application Stage:** Local water users meet to determine feasibility of water bank, potential transactions, and stakeholder engagement.

   b) **Water Bank Application:** Local water users submit an application to the Board of Water Resources detailing bank operations and policies. The Board approves complete applications.

   c) **Water Bank Operation:** Designated bank administrators facilitate bank transactions and distribute water in coordination with the State Engineer.

   d) **Annual Report:** Bank reports on key metrics of water bank operations.

   e) **Sunset:** The legislation has a 10-year sunset period that can be extended or repealed.

2. **Statewide Water Marketing Strategy & Demonstration Projects**

   The Stakeholder Group has pursued funding to work with local water users to develop a Utah water banking concept. To date, the legislature appropriated $400,000 to the Division of Water Resources who also has applied for an additional $400,000 federal grant to develop a statewide water marketing strategy. Demonstration projects are being proposed in three areas of the state: Snyderville Basin, Cache Valley, and Price. These demonstration projects will inform best practices for continuing to develop local water markets in Utah.

3. **Public Outreach/Feedback**

   The Stakeholder Group is committed to continuous public outreach and feedback to ensure the Utah water banking concept meets community needs. The Stakeholder Group is currently soliciting comments on the draft legislation and will continue to engage with the public on how the legislation can be revised and tailored as the project moves forward.

**WHO: Water Banking Stakeholder Group**

Active since 2017, the Stakeholder Group includes agricultural representatives, conservation districts, municipal interests, state legislators, environmental groups, and state partner agencies. The group is collaborating to develop flexible water management tools, including a the Utah water banking concept. For a full list of working group participants, visit: www.utahwaterbank.org.

**FOR MORE INFORMATION:**

For more information on the overall effort and to review the draft legislation, please visit https://utahwaterbank.org or contact the Stakeholder Group at info@utahwaterbank.org.

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