



Legislative Council Staff
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Fiscal Note

Drafting Number:	LLS 24-0943	Date:	April 29, 2024
Prime Sponsors:	Rep. deGruy Kennedy; Hartsook Sen. Hansen; Kirkmeyer	Bill Status:	House Trans., Hous. & Local Govt.
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Bill Topic: **RESTRICTIONS ON TAP FEES**

Summary of	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
Fiscal Impact:	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill modifies how special districts can implement tap fees and system development fees for water and sanitation services. It minimally increases state revenue and state and local expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, a special district may set and modify fees for water and sanitary services. The bill specifies that a special district may only impose tap fees or system development fees:

- to assign to developers a portion of the costs associated with new development or redevelopment;
- to refrain from imposing costs that solely benefit new development or redevelopment on existing customers;
- to ensure that special districts have sufficient funding and capacity to continue to manage and operate their water and sanitation systems;
- at a level reasonably related to development costs; and,
- so current customers are not required to subsidize growth related to new development or redevelopment.

The bill permits applicants for water or sanitation services to file a declaratory judgment action to determine whether tap fees or system development fees are reasonably related to the anticipated costs of development and allowable purposes. Within 30 days of receiving a written request from any local government within its boundaries, a special district must provide the rate schedule and justification for tap fees, system development fees, and other fees and charges related to future water or sanitation system use.

State Revenue and Expenditures

The bill may increase filings in district courts by increasing declaratory judgment and Rule 106 actions, which would increase workload and fee revenue for the Judicial Department. However, this fiscal note assumes most special districts will comply with the law, and any impact is minimal and absorbable within existing resources.

Local Government

The bill may increase workload for special districts that need to review tap fees or system development fees to ensure compliance with the bill. To the extent that any special districts charge or plan to charge fees that are no longer allowed under the bill, revenue may decrease or fee schedules may be adjusted and fees reallocated among different payers.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	Judicial	Law
Local Affairs	Municipalities	Special District Association

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).