

**HOW TO**

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**BREAK**

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**UTAH'S**

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**WATER**

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**WASTE**

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**CYCLE**



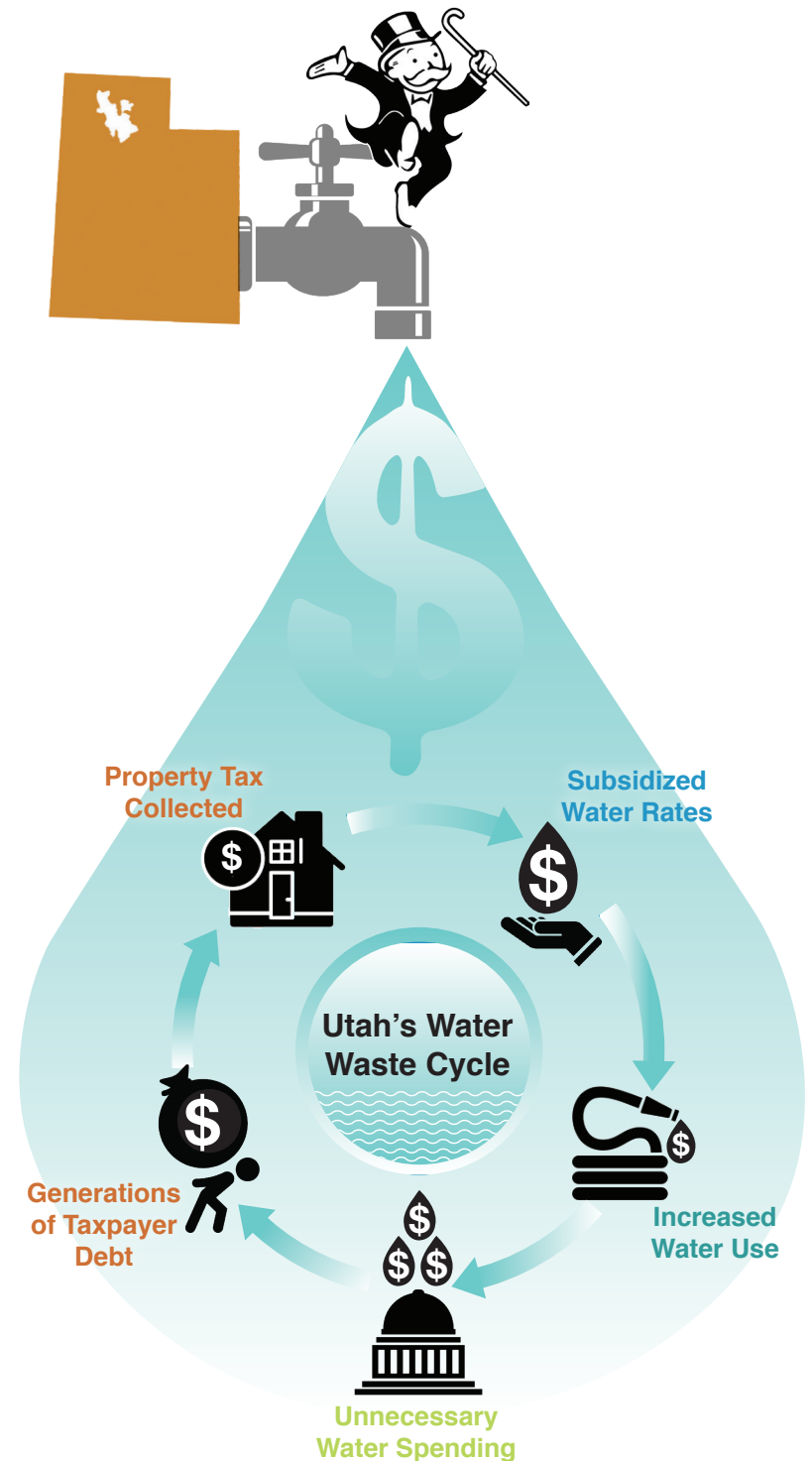
## Utah is caught in a water waste cycle that leads to runaway government spending.

For decades, Utah water conservancy districts have been collecting property taxes from homes and businesses that reduce the price of water consumers pay in their monthly water bills. As basic market economics dictate, cheap water prices lead to the overuse and wasting of water by residents, businesses and especially large institutional users who pay no property taxes whatsoever.

This water waste is more than just a theoretical impact since Utah's very high municipal water use is driving over \$5 billion in new proposed taxpayer spending. If Utah phased out property taxes for water, it would eliminate or defer the need for this spending. Although uneducated audiences point to population growth as the cause of these water spending proposals, Utah's toxic water economics are the real force driving the runaway government spending on these unnecessary endeavors.

## Phasing out property taxes for water is a win-win solution for Utah's water future.

Ending Utah's water waste cycle requires only a simple policy shift that would eliminate billions in unnecessary government spending, provide tax relief for Utah families and save billions of gallons of water. Allowing the free-market to set water prices incentivizes conscientious water use and discourages water waste, thereby extending our water supplies further into the future. This would create an equitable system where large water users would have to pay the entire cost of their water use and low-income water users would not be forced to subsidize the water use of their wealthier neighbors. It's time to End the Water Waste Cycle in Utah.



# Utah is unique in letting water districts over-collect property taxes on homes and businesses.

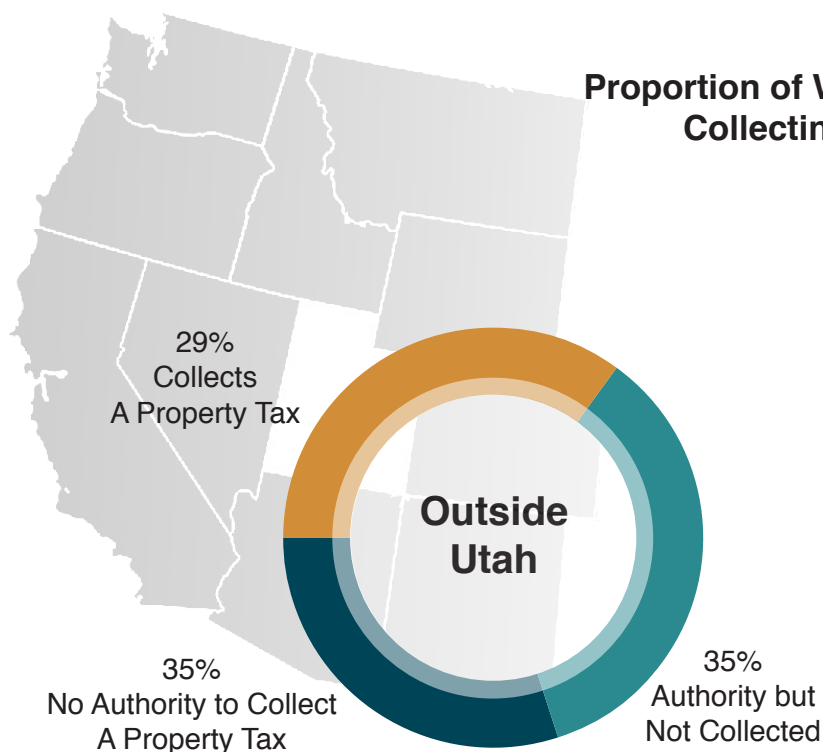
Utah water conservancy districts collect a large percentage of their revenues from property tax collections. These property taxes lower the price of water for neighboring homes, businesses and especially government institutions. Conscientious water users are not rewarded for using less water because they still pay the property tax for water, even if they curtail outdoor water use, where the majority of municipal water is used.

Outside Utah, only 29% of water districts surveyed collect property taxes for water, instead using water rate revenues to cover their

expenses. If a property tax is collected it is used for bond payments. Once the bond debt is paid, the property tax is retired.

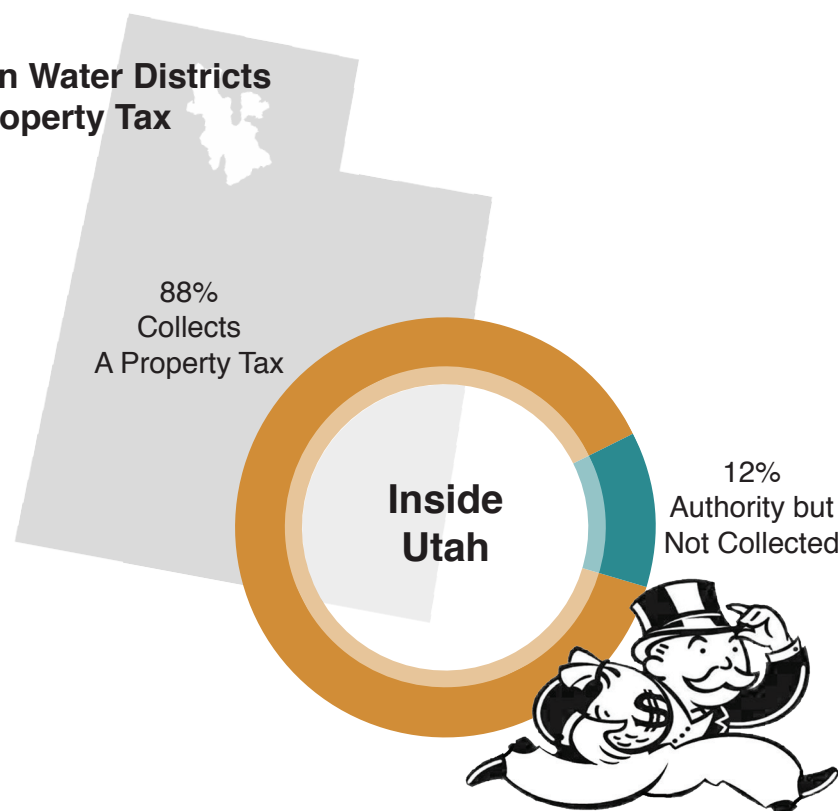
Inside Utah, some 88% of water districts collect property taxes and these taxes are collected permanently, whether the districts are using the tax to pay debt or not. The other 12% of Utah water districts did not file state financial audits and may no longer exist.

Proportion of Western Water Districts Collecting A Property Tax



Sample Size: 17

*Most western water districts outside Utah don't collect property taxes.*



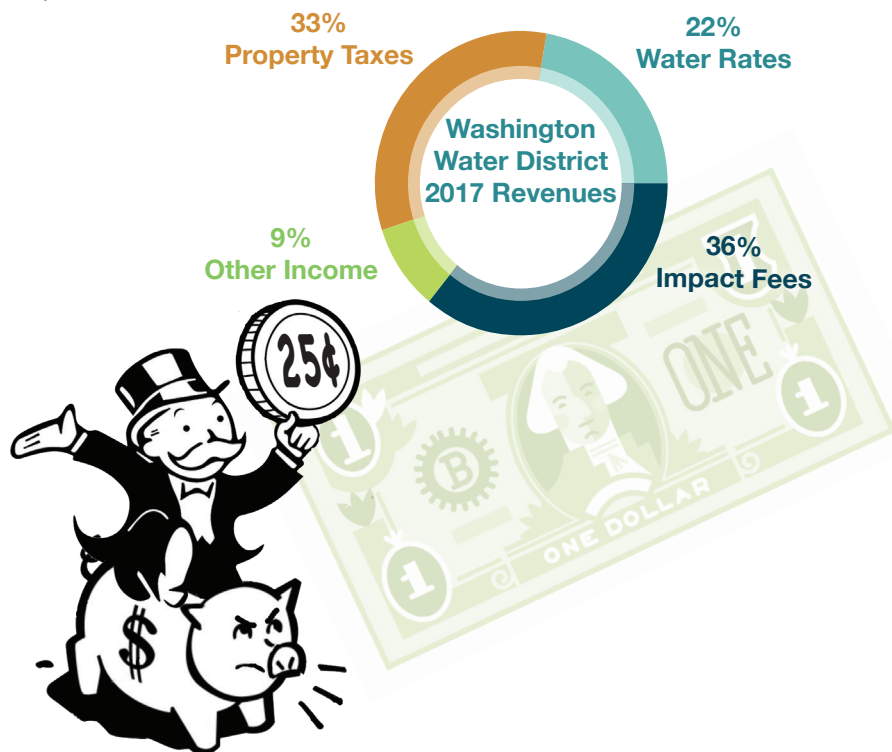
Sample Size: 24

*Nearly every water district in Utah collects property taxes.*

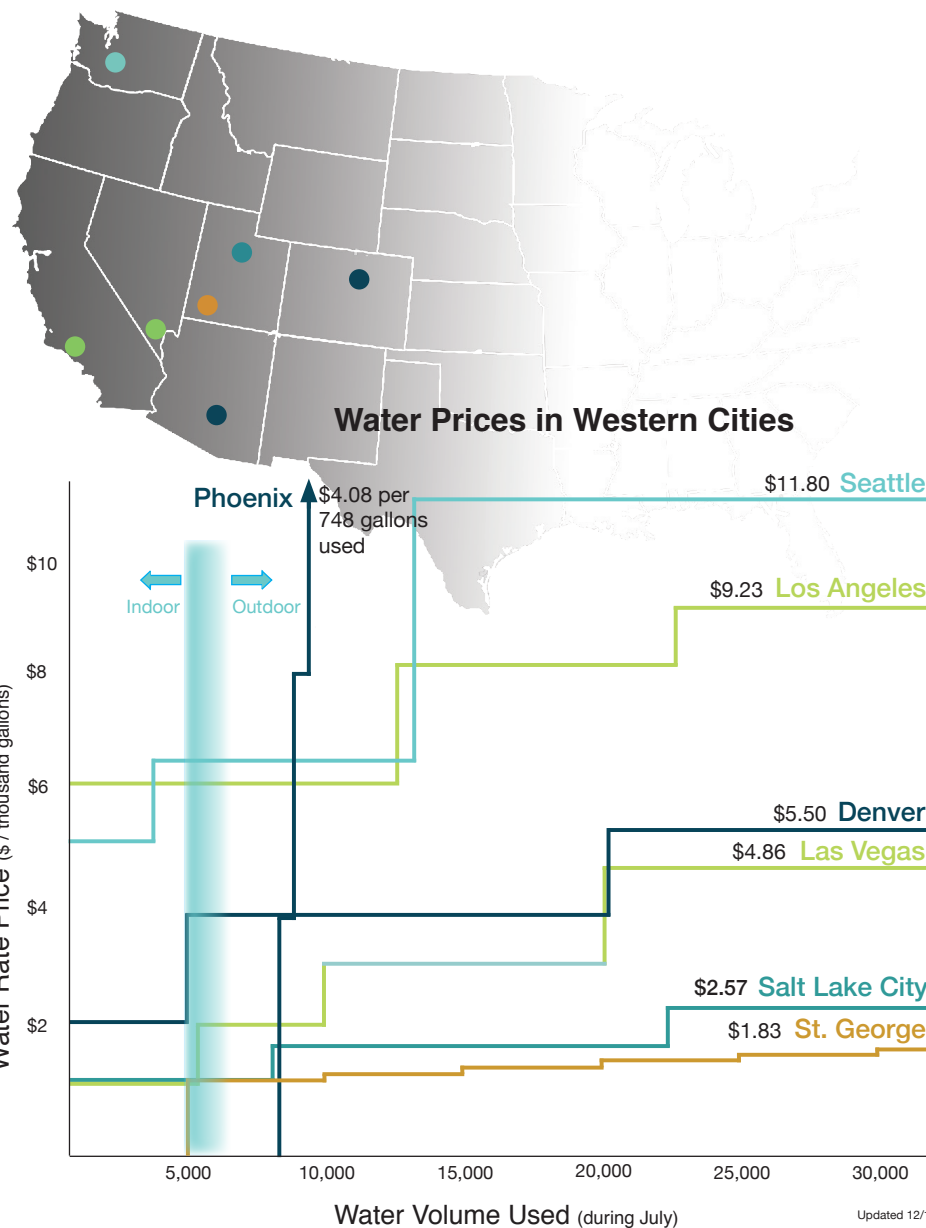
## Water Districts use property taxes to lower the price of water below its true market value.

The collection of property taxes by Utah water conservancy districts leads to greatly lowered water prices. This explains why Utah's municipal water rates are among the cheapest in the entire U.S.

For example the Washington County Water District receives more money from property tax collections than it does from water sales. That's why water users in St. George, the largest city in Washington County, have extremely cheap water rates.



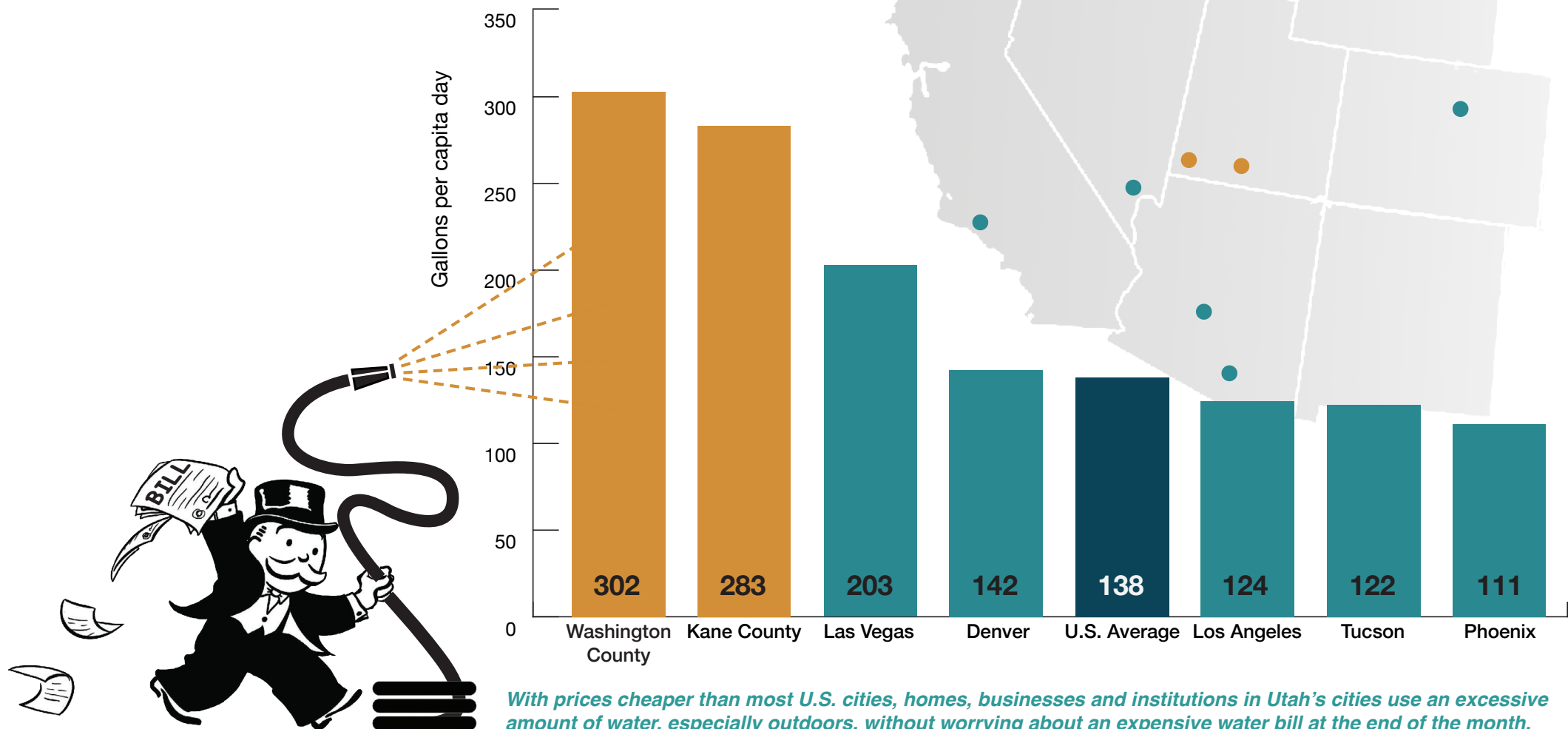
*The Washington County Water District makes more money collecting property taxes than it does from selling water. Less than 25 cents of every dollar in revenue to this agency comes from selling water.*



*Most Utah cities have significantly cheaper water rates than other western US cities because Utah water conservancy districts collect property taxes that lower the price of water for homes, businesses and government institutions.*

## Tax-subsidized water rates drastically drive up Utahns water use.

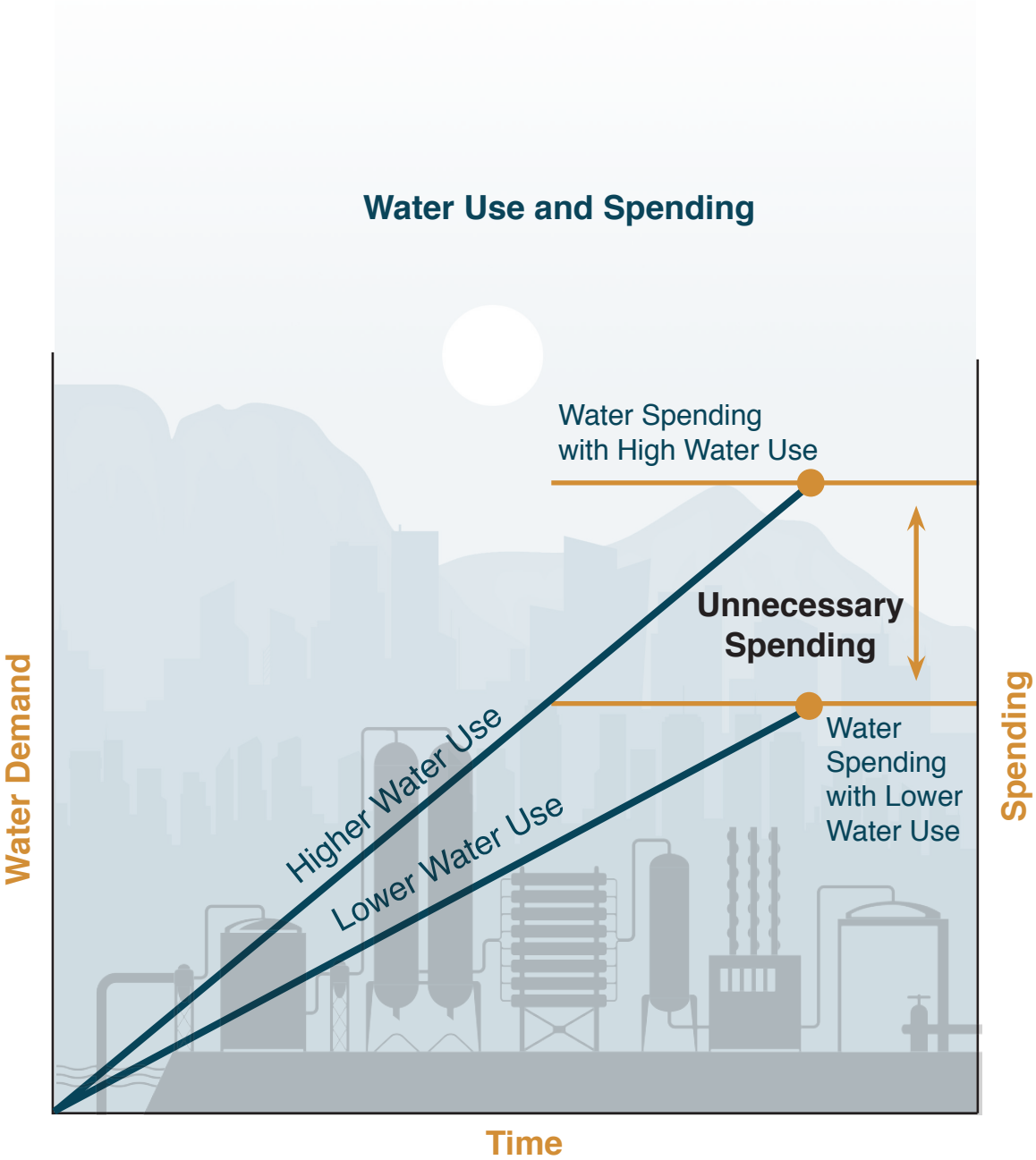
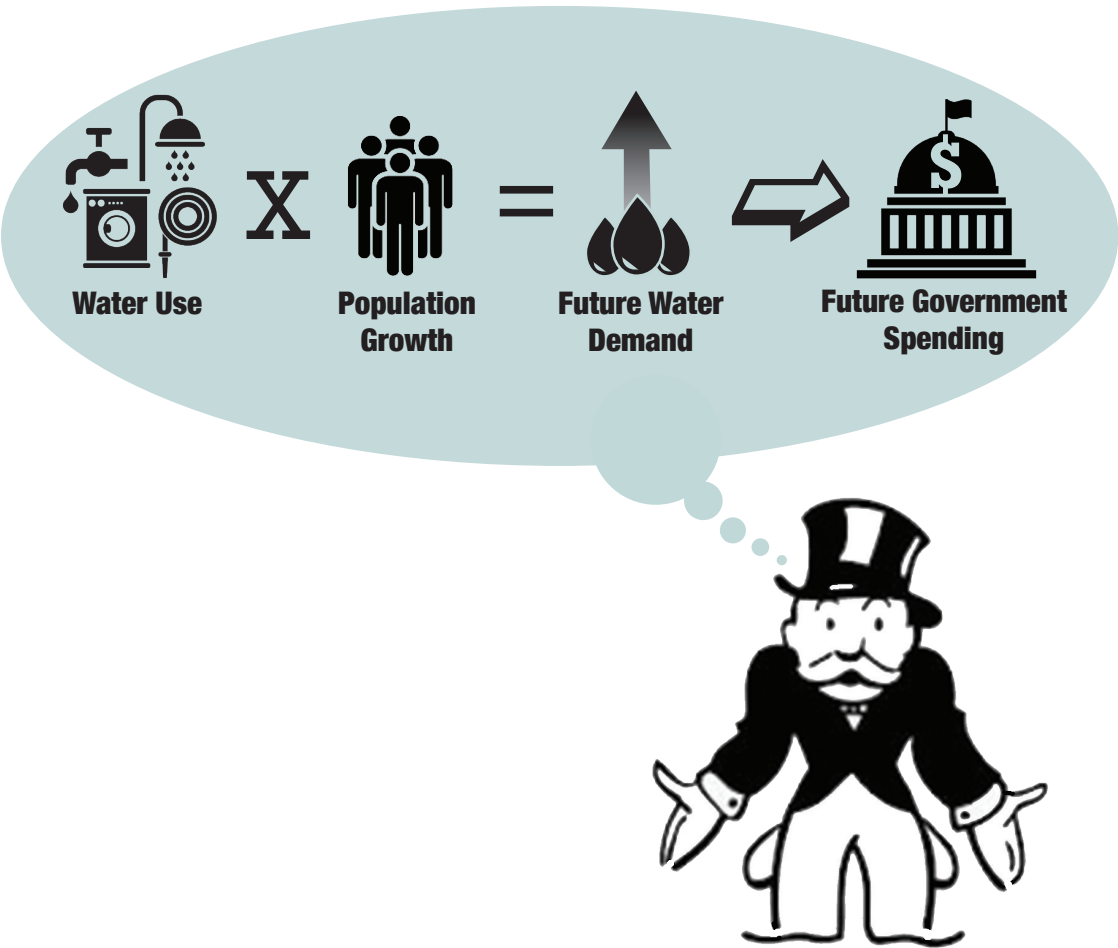
Property taxes collected by Utah water districts explain why Utah has America's cheapest water rates and some of the highest municipal water use, per person. Countless peer-reviewed studies demonstrate that the economic principle of supply and demand applies to water just as it does to other commodities in the marketplace. When the price of water goes up consumers use less water. Conversely, when water prices decrease consumers use more water.



# Utah's wasteful water use is driving billions of dollars in unnecessary water spending.

The amount of water that residents, businesses, and government institutions purchase every year is used to predict water-related government spending needed in the future. Such spending may include new treatment plants, sewage facilities, pipelines, increased operation and maintenance costs and new water source acquisition costs.

This level of future government spending on water is calculated by multiplying current water use by population growth. That's why the higher the water use, the more money local and state governments have to spend on water. That's also why lowering water demand helps defer or eliminate the need for new infrastructure spending.



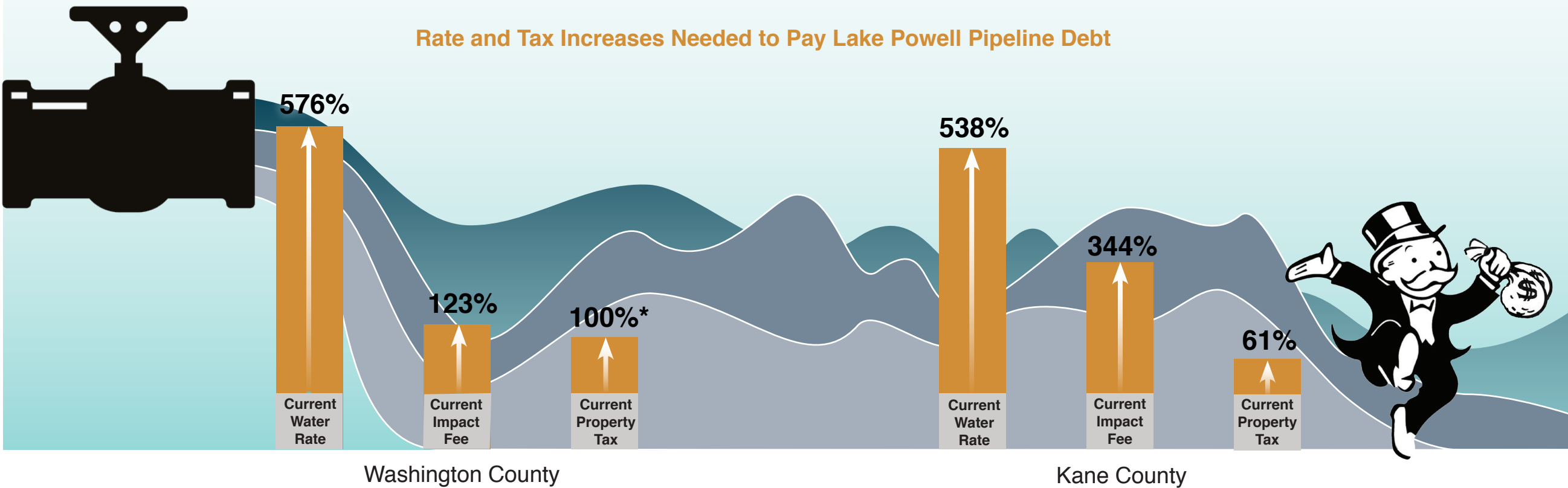
Reducing water demand not only saves water, it defers or eliminates the need for new government spending on infrastructure, saving taxpayers money.

# Wasteful government spending unnecessarily burdens generations of ratepayers and taxpayers.

Unnecessary government spending on water results in excessive levels of debt that can have serious repercussions for Utah residents and businesses. Debt issued by state and local governments burdens taxpayers and may impair a community’s ability to invest in other needs such as education, transportation, health care, law enforcement and other priorities.

The Lake Powell Pipeline is a good example of this problem. An economic analysis performed by a group of 20 university economists between 2011- 2013 examined the debt burden of the proposed Lake Powell Pipeline. They found that even with the highly underestimated 2012 construction cost

estimate of just \$1.4 billion, water rates, impact fees and property taxes must increase dramatically in the communities slated to receive Pipeline water. These increases are likely only the beginning of increases to come because a 2019 analysis of a similar water project built recently in Colorado indicates the Lake Powell Pipeline will cost at least \$3.2 billion.



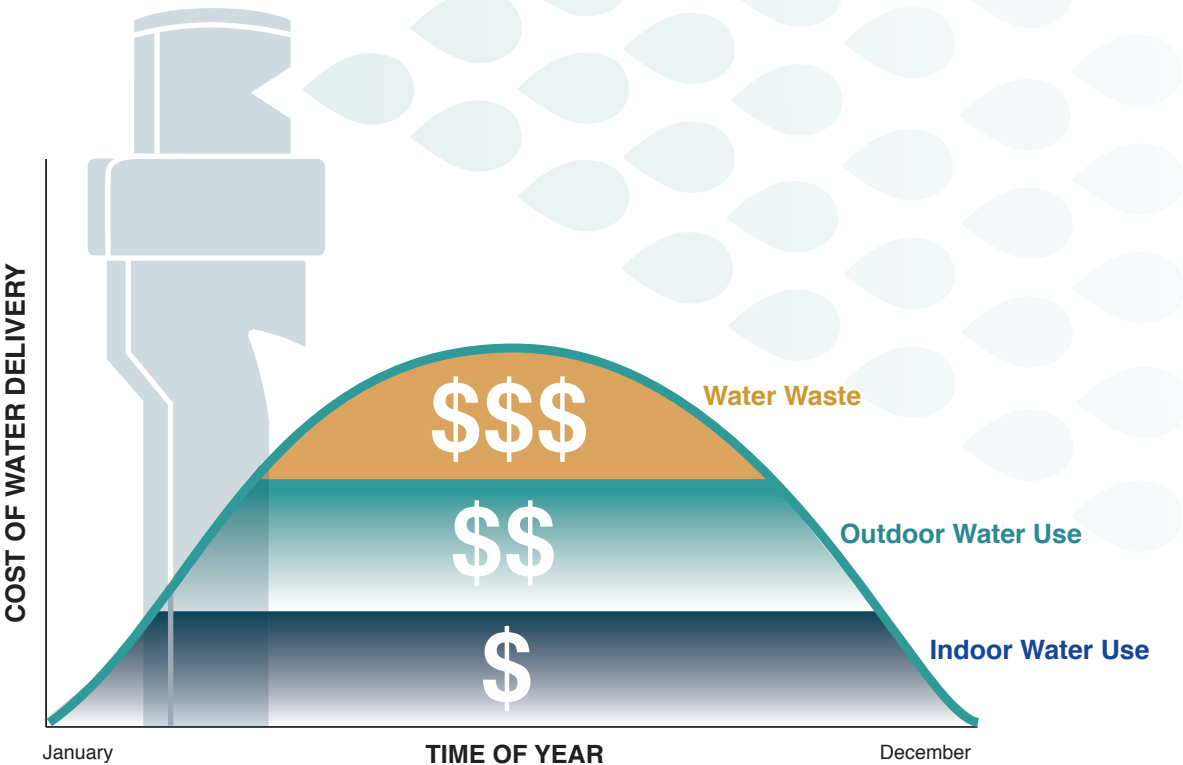
Even at an underestimated price tag of just \$1.4 billion, repaying Lake Powell Pipeline costs would require massive increases to water rates, impact fees and property taxes in Washington and Kane Counties. \*The Washington County Water District stated in 2018 that they plan to raise property taxes 100% by 2030.



# Large water users aren't paying their fair share of Utah water costs.

Property taxes for water benefit entities that pay no property taxes whatsoever. Municipal golf courses, schools, universities and government buildings may use ten or twenty times the amount of water that homeowners and businesses use in a month, particularly in hot summer months. Since these exempt users pay no property taxes they force taxpayers to absorb the cost of their excessive water use.

A review of the 20 biggest water users in Salt Lake City found that 11 of these water users were nonprofit or government institutions that were using large amounts of water but pay no property taxes whatsoever. The burden of these large water users on the rest of the population is amplified because of the economics of water delivery. It generally costs more money to deliver water at the peak of the summer when water demand is highest. That's why exempt water users effectively have their water use paid for by taxpayers.



In general, water costs more to deliver during the peak of the summer irrigation season than for indoor water use throughout the rest of the year.

## 20 Largest Water Users in Salt Lake City in 2015

Entity	Gallons Water Used
1. Tesoro	336,457,880
2. Chevron	253,412,676
3. U of U	133,221,044
4. Tesoro	113,681,040
5. Utah Power	113,082,640
6. Tesoro	112,293,500
7. Mt. Dell Golf Course	97,469,636
8. Dept of Veterans Affairs	93,843,332
9. Airport Golf Course	88,148,808
10. U of U	88,148,808
11. U of U	86,120,232
12. Glendale Golf Course	84,445,460
13. Grand America Hotel	75,619,808
14. Meadow Gold Dairies	65,320,596
15. Bonneville Golf Course	63,332,412
16. U of U	62,875,384
17. U of U	61,635,200
18. U of U	49,160,804
19. Pinnacle Highlands	38,440,468
20. 7 Peaks Water Park	34,746,096
Total	2,051,455,824

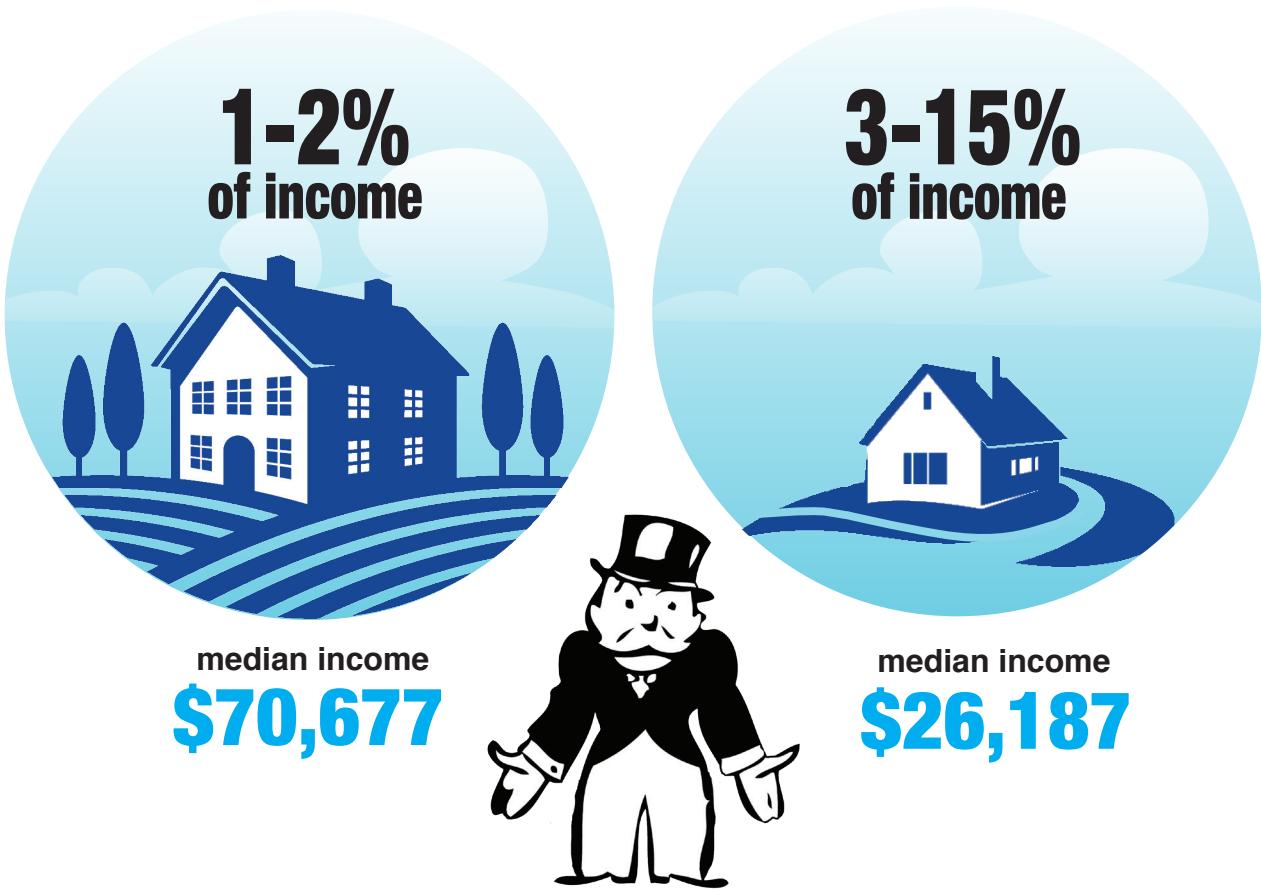
According to water use records, 11 of the 20 biggest water users in Salt Lake City are non-taxed institutions that do not pay the full cost of their water use, yet they collectively use billions of gallons of water each month.



Property taxes for water distribute the costs of water unfairly among different classes of water users.

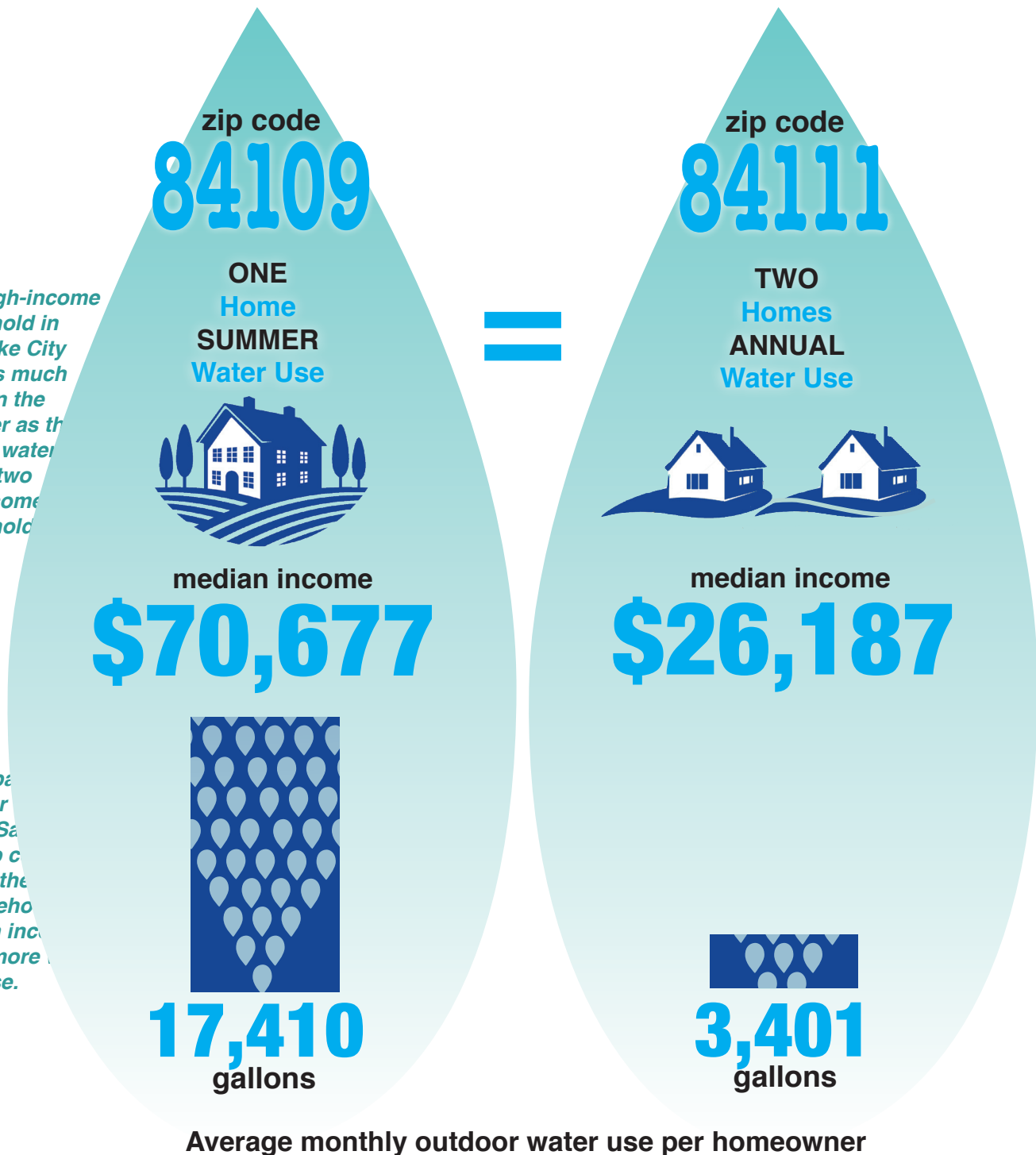
Property taxes for water unfairly burden low-income families because these taxes make up a much larger percentage of their total income than they do for higher income families. Low-income residents are also disproportionately burdened by property taxes for water because of how they use water. A 2014 University of Utah study found that low-income families use just a small fraction of the total water used by high-income households. That's because low-income residents use most of their water inside the home for needs like cooking and cleaning, whereas higher income families use most of their water on lawns or other outdoor landscapes.

Property Taxes as a Percentage of Income



One high-income household in Salt Lake City uses as much water in the summer as the annual water use of two low-income households.

A comparison of outdoor water use in Salt Lake City zip codes shows that a household with a median income of \$70,677 uses 17,410 gallons of water per month, while a household with a median income of \$26,187 uses 3,401 gallons of water per month.



Myth vs. Fact

Although some believe Utah’s growing population is running out of water, a basic understanding of how water works demonstrates otherwise.

Agriculture is Utah’s biggest water user, using 84% of all the water in the state each year. Industry uses another 8% of Utah’s water. The remaining 8% of water is used in Utah’s cities and known as Municipal use. Municipal use includes homes, businesses, government and other tax-exempt institutions.

Municipal Water Use Breakdown

**Outside.** Between 65-75% of the water in the Municipal sector is used outside on landscapes during summer months. Much of this use is considered waste because Utah’s cheap water rates result in the watering of sidewalks, driveways and streets; watering during rainstorms; watering in the heat of the day when much is lost to evaporation; watering too early in the spring or too late in the fall.

**Inside.** Between 25-35% of Municipal water is used indoors, a true water need. These indoor water needs account for just 3-4% of Utah’s total water use each year. Yet billions of dollars in new water spending are being driven by the myth that Utah is running out of municipal water.

