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Report: Water Revenue Mix Creates ‘Winners’ and ‘Losers’ *Fairness of Water Rates Versus Property Taxes Depends on Perspective, Approach* - September 18, 2019 -

Today, Utah Foundation releases *Who Gets the Bill? Water Finance and Fairness in Utah*. In this third installment of Utah Foundation’s new *Paying for Water Series*, the property tax versus water rate debate is examined from the standpoint of fairness.

Specifically, the report specifically looks at fairness issues pertaining to the use of property tax revenues and water rates to pay water providers’ bills. It finds that, depending upon the revenue approach, certain water users may pay more or less than others. It also finds that, in some cases, there are alternatives to changing the revenue mix that can be deployed to address fairness concerns.

Key findings of the study include:

- Depending on their water providers’ reliance on property taxes, nonprofit institutions and other exempt and partially exempt property owners may pay less than their share of the water they use.
- A shift away from property taxes could result in steep rate increases for some users – including school districts and universities. In some cases, those costs may end up being passed on to the public in other ways.
- Based on who uses the most water, a move to greater reliance on water rates would generally provide for a fairer distribution of the cost.
- Using property taxes ensures that a broader base of those who benefit from water systems share in the cost.
- There are ways to address certain fairness issues without changing the revenue mix, such as by charging differential rates based upon user type.
- To the extent that property taxes lower water rates, they can make water more affordable to lower income Utahns. However, there are ways to adjust water rates to address basic affordability without using property taxes.
- From a broad perspective, a mix of property taxes and water rates allows water providers a means of counterbalancing core fairness characteristics attributable to each funding source.

Utah Foundation President Peter Reichard said that determining whether using property taxes to support water is fairer than leaning more heavily on water rates is “a matter of perspective.”

“At first glance, a user-based payment approach in the form of water rates appears to be the fairest approach. But property taxes do ensure a broader support base for a basic need of civilization,” Reichard said. “One way or another, we have to pay our water providers’ bills, and determining fairness may come down to local circumstances and the details of local approaches.”

The report *Drop by Drop: Water Costs and Conservation in Utah* is available on the Utah Foundation website at www.utahfoundation.org, along with the first installment in the series. Thanks to **the George S. and Dolores Doré Eccles Foundation** for providing grant support for the *Paying for Water Series*.

Founded in 1945, Utah Foundation's mission is to produce objective, thorough and well-reasoned research and analysis that promotes the effective use of public resources, a thriving economy, a well-prepared workforce and a high quality of life for Utahns. Utah Foundation seeks to help decision-makers and citizens understand and address complex issues. Utah Foundation also offers constructive guidance to improve governmental policies, programs and structures.

Utah Foundation is an independent, nonpartisan, nonprofit research organization.

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