Lake Powell Pipeline: Financial Issues

STATE WATER FINANCES

OPERATIONS AND MAINTENANCE

- Long-term contracted per GMB
- $10 million average annual costs

Although the Lake Powell Pipeline Act calls for a “reasonable interest rate,” a recent financing summary submitted by the Washington County Water Conservancy District would create a large state taxpayer subsidy (range of $1 billion). The proposed taxpayer subsidy comes primarily from repaying the loan over a long time period with devalued future dollars.

STATE SALES TAX

The state pays for most general government services with sales tax.

The sales tax base has failed to keep pace with the economy, declining from about 70% of personal income in the 1980s to a little over 40% in recent years.

 Utah’s Narrowing Sales Tax Base

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Tax Base % of Personal Income</th>
<th>Sales Tax Base % of GDP</th>
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</thead>
<tbody>
<tr>
<td>1965</td>
<td>70%</td>
<td>60%</td>
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<tr>
<td>1970</td>
<td>60%</td>
<td>50%</td>
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<tr>
<td>1975</td>
<td>50%</td>
<td>40%</td>
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<tr>
<td>1980</td>
<td>40%</td>
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<td>1985</td>
<td>30%</td>
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<td>1990</td>
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<td>1995</td>
<td>10%</td>
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Options to Close the Gap

- Increase local participation
- Increase federal participation
- Take money from education or transportation
- Increase state taxes

Governor’s Recommended

- Better water data and data reporting
- New, meaningful water efficiency targets, including for government water use
- Independent validation of financial information, water use, and costs
- Local funding effort and increased emphasis on user fees
- Transparency and local voter engagement through public processes
- Appropriate financing and repayment terms

$80-120 Million

Additional revenue to pay annual debt service on $1.3 - $1.8 billion bond.

$40 Million

FY 2022 full phase-in
Ongoing state revenue shifted from transportation for water development.