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## EDITORIAL

By Bill Swichtenberg



## Subsidy Battle

Utah, like every other state in the nation, continues to be impacted by the national economic downturn. Governor Mike Leavitt has implemented a 1,000-Day Economic Plan with the goal of positioning Utah for prosperity over the long term. He believes that Utah must align the state budget with its long-term economic strategy and apply wise fiscal practices.

Gov. Leavitt proposed five budget principles for addressing the FY 2003 budget shortfall and his FY 2004 budget recommendations. One of these guiding principles is to reduce water subsidies. He proposed to eliminate the earmarking of sales taxes for water development.

A task force on alternative revenue sources for water funding was set up this summer after the Utah Governor tried to shift about \$18.5 million from the state water development budget to education. This money is collected from a 0.0625 percent sales tax. In shifting the money to education, Gov. Leavitt argued that taxpayers should not be subsidizing water projects. He also called for increased water conservation.

The Utah Legislature, which has supported large water development projects in the past, compromised by cutting \$2 million in water subsidies and promising to find water-funding alternatives to introduce to the 2003 Legislature.

The task force (composed of four lawmakers and three representatives from the Governor's Cabinet) began looking at who should pay for water and what method to charge for it. Quickly eliminated from alternative funding proposals were a tax on toilets, a tax on soft drinks, a surcharge on water rights and a state-sponsored lot-

tery. The latter two plans actually have been implemented to help water funding in other states.

Still under consideration by the task force are a combination of taxes or surcharges on excessive water use during the summer; water and sewer bills; boats and personal water-craft; admissions to state water parks and golf courses; waterfowl hunting and fishing licenses; metered water sales; and a statewide property tax for water development. Environmentalists believe the task force should focus its efforts on revenue sources such as water-use taxes that encourage conservation. They feel property taxes do not advocate conservation.

Revenue from the new taxes and surcharges will be used to pay for an estimated \$5 billion in dams, pipelines, water treatment plants and sewage treatment plants needed during the next 20 years to meet the demands of Utah's growing population.

In FY02, \$41.3 million was provided in loans and grants from governmental agencies to water/wastewater suppliers in Utah. This was approximately 22 percent of the funds for drinking water projects in the state. About 12 percent of the \$41.3 million provided came from state sales tax supported loan funds.

While realizing water projects are vital to Utah's growth and prosperity, they are striving for greater efficiencies in their systems and self-generating funding sources. As in other states, the future is at stake.

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