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Report: Greater Dependence on Water Rates Can Drive Conservation
Conservation Can Save Public Money by Delaying More Costly Conversion or New Infrastructure
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Today, Utah Foundation releases *Drop by Drop: Water Costs and Conservation in Utah*. In this second installment of Utah Foundation's new *Paying for Water Series*, the property tax versus water rate debate is examined from the standpoint of conservation.

Specifically, the report outlines how water pricing can encourage conservation. It details the current effects of water rates and property taxes on water use. It then explores conservation in terms of fixed fees and variable rates. Lastly, the report examines incentives for water providers to encourage conservation.

Key findings of the study include:

- Conservation from an increase in water rates might be limited in the short term, but it would increase over the longer term.
- Comparing Utah's water providers shows that, on average, providers with 10% higher rates have 6.5% lower water use.
- A greater dependence on use-based water rates would generally tend to raise those rates and encourage conservation; however, there is currently no clear indication that water providers that depend upon a higher share of property tax revenues have customers with higher water use.
- Some water providers encouraging conservation could find themselves in a position where water use drops so much that they cannot continue to cover costs without raising rates.
- Policymakers could decouple revenues from the quantity of water sold, so conservation does not negatively affect water providers' budgets.
- Generally speaking, conservation is the cheapest way to meet demand for water, followed by agricultural conversion. Building new infrastructure is far more expensive.

Utah Foundation President Peter Reichard pointed out that using property taxes to support water "by no means precludes conservation," but water rates do offer more leverage.

"A greater dependence on water rates would put upward pressure on those rates, potentially encouraging conservation," Reichard said. "That could pay off in the long run by delaying the need for agricultural conversion and new water infrastructure."

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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