User fees offer an attractive option to decrease water consumption and reduce property taxes. Optimizing water pricing could conserve significant amounts of water and allow for water-neutral municipal and industrial (M&I) growth.

**WATER-NEUTRAL MUNICIPAL AND INDUSTRIAL GROWTH IS POSSIBLE**

Between 1990 and 2022, M&I water usage in the Great Salt Lake Basin increased by only 8.2% while the population increased by 189% (from 1.73 million to 3.27 million).

Looking to the future, the state is projected to add 2.2 million new residents between 2020 and 2060. Many “low-hanging fruit” options for conserving M&I water have already been implemented. Nevertheless, water-neutral growth can be achieved with the right economic and policy incentives. Shifting water financing away from property taxes and towards water usage fees could be part of a suite of solutions to directly incentivize limiting future depletions in M&I growth and simultaneously provide property tax relief.

**IMPORTANT CONSIDERATIONS**

- **Utahn’s willingness to pay more for water** – The Future of the Great Salt Lake Survey reveals Utahns are, on average, willing to pay over $200 more per year in taxes, water rate fees, and direct donations if the money secured additional water for Great Salt Lake¹.

- **High property taxes, lower water prices, higher water consumption** – In FY 2022, Utahns paid nearly $160 million in local property taxes for water and increased property tax rates. These property tax revenues for water result in lower rates charged to consumers. Lower water prices lead to higher consumption through the law of demand.²

- **High outdoor water use** – Approximately 65% of residential water use in Utah goes to outdoor uses, like watering lawns. Along the Wasatch Front, the average household uses 60% more water on their lawns than what is recommended for healthy turf³. Programs like Flip Your Strip and incentives for xeriscaping and reducing non-functional turf grass could result in significant municipal water savings.

- **Price elasticity of demand** – Price elasticity for water demand in the residential water sector changes depending on many factors but ranges between -0.10 and -0.76, with a mean of -0.41. This means that for every 10% increase in price, consumption decreases by 4.1%. Notably, demand is more inelastic in the short term but more elastic in the long term⁴.

**IMPLEMENTATION NOTES**

- **Equitable price tiers** – Designing optimal price tiers will significantly impact water conservation. Pricing structures could be structured to consider low-income users by setting a low rate for basic indoor water usage.

- **Transparent pricing** – Many water consumers are unaware of the price they pay for water. Water retailers could be more transparent with pricing, showing average, marginal, and total price directly tied to water consumption. Being aware of the price and consumption level can reduce water use.

- **Conservation messaging** – Conservation and stewardship messaging on water bills, particularly in times of drought, can lead to decreased water consumption.

¹ “The Future of the Great Salt Lake Survey,” Endter-Wada, 2023
³ Utah Division of Water Resources, 2023