

# **CWAG POSITION ON SUBSIDIES OR UNDERPRICING OF WATER**



## **Position:**

CWAG opposes local and regional subsidies or underpricing of all water, including, but not limited to, potable water and wastewater, by both public and private entities.

## **Rationale:**

In the Prescott region, the demand for water exceeds the sustainable supply. As a result, our local and inexpensive supplies are diminishing, and we are witnessing legal battles over water rights. The subsidization or underpricing of water can greatly exacerbate this problem.

Conservation can be a key element in reducing the demand for water. Where water is subsidized, however, a user will tend to be wasteful and not conserve as much water as he or she otherwise would. Nationally, the price charged for water has been found to be the greatest factor by far in encouraging water conservation.

Subsidies also raise the issue of fairness. For many communities, the income and expenses for water and wastewater operations are segregated from other city operations, and these enterprise funds are structured to break even. Where water or wastewater is underpriced for one user, other users will have to unfairly pay more. This issue is dramatically visible where the City of Prescott has apparently unintentionally underpriced its wastewater relative to potable water. Because treated wastewater can be substituted for water for some uses and for groundwater supplies, it should be priced at close to the same price that is charged for groundwater or potable water.

Subsidies can also result in misallocation of resources; i.e., without such subsidies the water may have been used in a more beneficial manner.

For the reasons cited above, CWAG opposes any local or regional subsidies or underpricing of all water. CWAG recognizes that economic incentives for an activity may be beneficial for a community. Such incentives, however, should be structured to avoid underpricing or misallocating water, a resource that is in short supply.

Related CWAG policies include “CWAG Position on Fees for New Growth” and “CWAG Policy on Water/Wastewater Impact Fees.”

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