



LATEST STUDY ANALYZING PUBLIC VS. PRIVATE DRINKING WATER COSTS IS DEEPLY FLAWED

A new analysis comparing customer rates for the 500 largest drinking water systems in the United States¹ is based in a faulty dataset, ignores crucial cost elements and disregards how low-cost systems often provide low-quality water that is unsafe to drink.

Here are the top seven reasons why you shouldn't trust the findings of this so-called study:

- 1) IGNORES WATER UTILITY PERFORMANCE:** EPA data shows private water systems are significantly less likely to violate federal drinking water standards than government systems. Systems that keep rates artificially low often have failing infrastructure that provides low-quality water. The authors completely disregard this critical context. Cheap service is worthless if it delivers unsafe water.
- 2) IGNORES AFFORDABILITY PROGRAMS:** Many private systems offer lower rates and eliminate costs for low-income customers. These programs are also mandated by state rate regulators, which have no oversight of government systems. The study authors ignore these programs in their analysis.
- 3) UNREPRESENTATIVE DATASET:** The study examines the 500 largest water systems in the United States – just 1% of the nearly 50,000 water systems that exist across the country. The sample is extremely limited and does not represent the whole. The findings therefore cannot be applied to all customers of all U.S. water systems.
- 4) UNBALANCED DATASET:** The 500 largest U.S. water systems include 442 that are government-owned and just 58 that are privately-owned. The study authors make no attempt to create equal or comparable public and private datasets.
- 5) OLD RATE DATA:** The study uses water rate data from January 2015. This old rate data does not provide an accurate assessment of current customer costs, especially as water systems have increased investments in infrastructure in recent years.
- 6) IGNORES NON-RATE REVENUES:** Unlike private systems, government-run water systems are often subsidized by public revenues like general fund transfers or property taxes. These 'non-rate revenues' can be substantial and artificially reduce drinking water costs for customers of government-run systems. Any comparative rate analysis that does not account for non-rate revenues is therefore invalid.
- 7) IGNORES DIFFERENCES IN TAXES:** The analysis fails to account for property and income taxes paid by private water system owners. Local governments are exempt from paying these taxes. The study authors ignore this key cost difference in their comparisons.

Sources

1. X. Zhang, M. Gonzalez Rivas, M. Grant, and M.E. Warner, "Water Pricing and Affordability in the U.S.: Public vs. Private Ownership" March 2022.