

The Rising Cost of Clean: A University Researcher's Perspective

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Why is the Cost of Clean Rising?

- ◆ Higher standards
- ◆ Old technology in need of R & R
- ◆ Past neglect of systems
- ◆ Increased (global) competition for labor & materials

What Should We Pay For?

- ◆ Non-degradation
 - Some Level of ...
- ◆ Elimination of overflows
- ◆ Reduction in pollution
- ◆ Protection of public health
- ◆ Impact on habitat (human, other)

These are inter-connected, but not identical.

What Should We Pay For?

There are competing demands:

- ◆ Other environmental goods
- ◆ Other community goods
 - Safety
 - Education
 - Economic development

We can't under-invest in other areas.

How & How Much To Pay?

Affordability Issues

(insights from working with Ohio communities)

Problems with ...

- ◆ 2% of Service Area MHI
- ◆ Too Much
- ◆ Too Fast
- ◆ Rate Structure

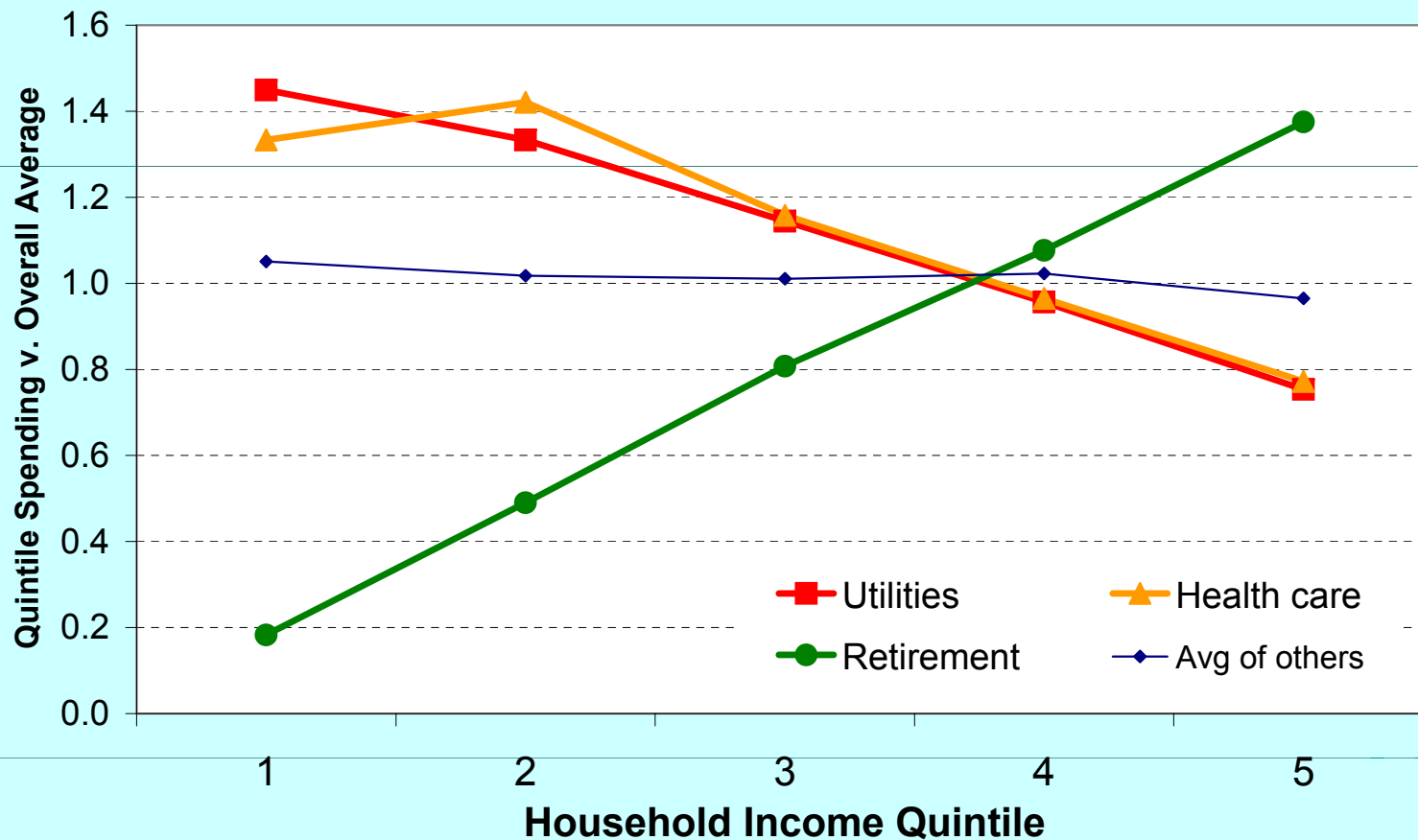
The Problem with 2% of MHI: Burden on Low Income Households

	<i>Average spent by all households</i>	<i>Ratio to all households</i>		<i>low/ high</i>
		<i>Lowest income quintile</i>	<i>Highest income quintile</i>	
Utilities	6.9%	1.45	0.75	192%
Health care	5.7%	1.33	0.77	173%
Retirement	10.4%	0.18	1.38	13%
Shelter	19.0%	1.23	0.96	129%
Food	12.8%	1.25	0.87	144%
Transportation	18.0%	0.79	0.96	83%
Entertainment	5.4%	0.93	1.07	86%
Avg. spending	\$46,409	\$19,120	\$90,469	

Source: 2005 Consumer Spending Patterns, Bureau of Labor Statistics

The Problem with 2% of MHI

"Utilities" Burden for Low-Income Households is Double that for High-Income Households



Problems with 2% of Service Area

- ◆ Fails to account for disparity between communities
- ◆ Discourages regional integration
- ◆ Contradicts a history of community-level assessment
- ◆ May be a good standard for financial capability, but not for household affordability

Problems with “Too Much”

- ◆ Residential:

- Delinquencies & shut-offs



more costs & less revenue; dislocation

- ◆ Industrial:

- Large users build own treatment or leave



substantial loss of revenue & local jobs

Problems with “Too Fast”

- ◆ Adjustment difficulties result in political opposition
- ◆ Rapid increases also lead to:
 - Residential delinquencies
 - Job losses resulting from businesses leaving or cutting back in response to higher costs

Problems with Rate Structure

- ◆ What is appropriate?
- ◆ Charges related to:
 - Costs
 - Benefits
 - Neither

Wet Weather Program

- Impervious area
- Property value
- Metered W/S use

- For wet weather flow, charges based on metered W/S use are more of a tax than a user fee.

In summary, paying for rising costs will require a balancing act that considers:

- ◆ Current and projected local economic conditions,
- ◆ Competing demands for community resources,
- ◆ Affordability limitations for lower income households and communities,
- ◆ The setting of appropriate standards and schedules, and
- ◆ Appropriate rate structure alternatives.