



# Stacked Incentives: Co-Funding Water Customer Incentive Programs

Sarah Diringer and Morgan Shimabuku



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## EXECUTIVE SUMMARY

**W**ater utilities throughout the United States offer customer incentives to motivate action and foster engagement. Incentive programs can take many forms, such as rebates for high-efficiency fixtures and appliances, technical assistance for installing cisterns and rain gardens, and educational programs about water reuse. In addition to providing water-related benefits, many of these programs generate additional co-benefits, including reductions in energy use for heating or treating water and wastewater, increased carbon sequestration in landscapes, enhancements to local biodiversity, and more. These co-benefits present water utilities with an opportunity to build collaborative partnerships and co-funding for customer incentive programs through “stacked incentives.”

Stacked incentives are customer incentive programs that are co-funded by two or more separate entities to motivate voluntary action on public or private property. In the water sector, these programs serve to advance water sustainability while providing additional co-benefits to the community and environment. Stacked incentives can include, for example, co-funded clothes washer rebates that save both water and energy. Similarly, sustainable landscape conversion programs can simultaneously reduce stormwater runoff and support local biodiversity.

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This report defines stacked incentives, highlights successful examples throughout the United States, and identifies best practices for water utilities and other organizations to collaborate on these programs. As a result of developing stacked incentives, water utilities have an opportunity to increase funding for customer incentive programs through collaborative partnerships, improve marketing and engagement with customers, increase access to incentives for low-income households, and more.

## OPPORTUNITIES FOR STACKED INCENTIVE PROGRAMS

Water utilities and other organizations can develop stacked incentive programs by building on traditional customer incentive program models. For example, co-funding a rebate or discount program can allow for a greater number of rebates or for larger discounts. Developing a stacked incentive program for technical assistance and audit programs can produce a more holistic evaluation of the property and potential improvements, and be more efficient for the property owner. Finally, stacked incentives developed



through education programs can increase customer participation and enthusiasm by connecting different local issues and motivating actions that provide multiple benefits. In addition to the benefits of increasing engagement with customers, these programs can reduce administrative burdens by sharing responsibilities among program collaborators.

## DEVELOPING AN EFFECTIVE STACKED INCENTIVE PROGRAM

While stacked incentives provide opportunities for scaling customer programs, there are challenges to successfully developing and implementing these programs. Perhaps most notably, funding for customer incentives is often siloed within utilities, departments, or agencies with different missions and regulatory requirements. In addition, identifying and valuing the multiple benefits of incentive programs remains a barrier for engaging with new partners. These challenges can discourage collaboration by leading to disconnected priorities, disparate timelines, and even diverse nomenclature across disciplines.

To help water utilities overcome these challenges, we interviewed water managers and experts throughout the United States to identify attributes of successful stacked incentive programs. In the report, we outline the enabling conditions through seven key components:

- Envisioning the stacked incentive program, including the multiple benefits;
- Building partnerships and delineating responsibilities;
- Quantifying benefits of stacked incentives;
- Streamlining funding and contract logistics;
- Engaging third-party coordinators;
- Building effective customer marketing and outreach; and
- Adapting and improving over time.

Additional tools and case studies are provided throughout the report to help water managers develop or enhance stacked incentives for their own context.

## KEY FINDINGS

Water managers throughout the United States have an opportunity to advance water sustainability through stacked incentive programs. From water efficiency rebates to educational programs, these collaborations can increase engagement with customers and achieve greater investment in water management. In this section, we highlight five key findings from this work with the hope that it can help scale these efforts to utilities and organizations throughout the country.

### **1. Water managers are implementing stacked incentives throughout the country, and there are opportunities for more.**

Water managers across the country are collaborating on stacked incentive programs. However, these programs remain relatively rare. There are opportunities for increasing collaboration among water utilities and beyond water, including with parks departments, transportation agencies, and more. Building on traditional incentive program models, stacked incentives can be effectively implemented as part of rebate and discount programs, technical assistance and audit programs, and education programs.

### **2. Stacked incentives help increase investments in water and leverage investments for multiple benefits.**

Stacked water incentives provide benefits to the collaborating entities, as well as to their customers. Collaborating entities can increase the total funding provided to a single program, reduce administrative burdens for coordinating the programs, and increase the overall program efficacy. At the same time, customers benefit from engaging with a single entity for the incentive, and they are therefore more likely to apply for the rebate, request an audit, or attend the educational program. While there are challenges to developing stacked incentives, in many cases, the benefits outweigh the costs of coordination.



### 3. Third-party coordinators help achieve successful program development, coordination, and outreach.

Third-party coordinators were a nearly ubiquitous part of successful programs. In some cases, these entities were non-profit organizations hired to engage with customers and facilitate the rebate process. In others they were consultants that help agencies connect as partners. These entities can help collaborators develop the program, coordinate logistics, and provide customer outreach and installation services. The benefits of these entities were particularly apparent for programs engaging often hard-to-reach customers, including low-income households and homeowners' associations. By engaging a third-party coordinator, many entities were better able to simplify engagement with customers and increase overall uptake of the program.

### 4. When implemented well, stacked incentive programs may deliver more equitable incentive programs.

Low-income households are often balancing many bills simultaneously (e.g., energy, sewer, internet, and water). While stacked water incentives primarily focus on water, they may provide an opportunity for offering additional services to community members most in need of assistance. When implemented thoughtfully, stacked incentive programs can help improve low-income assistance programs by increasing the total value provided by the incentive, reducing the number of applications necessary to apply for incentive programs, and engaging local community groups to administer the programs. In turn, this can increase uptake of programs and improve equitable access to incentive programs.

### 5. Stacked incentives may provide opportunities to build local water and climate resilience.

From extreme flooding to drought and hurricanes, climate change is manifesting in cities as severe water challenges. With increasing recognition of and focus on these challenges, stacked incentives can provide a

platform for breaking down silos and advancing local adaptation and resiliency efforts. As more cities develop offices or departments dedicated to sustainability and resilience, there are opportunities for stacked incentives to help scale voluntary efforts on public and private property. Similarly, the growing number of climate action plans at the local, state, and federal level in the United States can provide additional support for developing these collaborative programs and stacked customer incentives.

Building programs that improve climate resilience will require many of the same processes as developing stacked water incentives: examining program alternatives, determining benefits, connecting benefits with beneficiaries, and building partnerships to implement programs. As these avenues mature, it is essential that stacked customer incentive programs and other collaborative funding models are included.



For the full report, *Stacked Incentives: Co-Funding Water Customer Incentive Programs*, please visit [https://pacinst.org/publication/stacked\\_incentives](https://pacinst.org/publication/stacked_incentives).



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