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Drought Related Overpricing Prevention (DROP) Act

Rep. Ruben Gallego

The Problem:

Hedge funds are coming to Arizona and other Western states and making speculative purchases of land for the water rights – hoping to profit off the decades-long drought plaguing the West.

New York investors snapping up Colorado River water rights, betting big on an increasingly scarce resource.
By Ben Tracy, CBS News

Wall Street is thirsty for its next big investment opportunity: The West's vanishing water.
By Lucy Kafanov, CNN

As the Colorado River basin continues to see historic drought and tough decisions have to be made around water allocations, the last thing we need is outside competition hoping to divert limited resources for their own profit- at the cost of western residents.

The Solution: The Drought Related Overpricing Prevention (DROP) Act

The DROP Act would require the Federal Trade Commission (FTC) to make regulations that prohibit entities from selling or leasing water rights at an excessive price during a drought.

It includes exemptions for state, local, and tribal governments as well as entities with less than $100 million in gross revenues the year before. This will ensure that the bill targets the bad actors taking advantage of drought- not Arizona residents and tribes.

What is considered an "excessive price" will be determined by the FTC based on whether they find that an entity is using drought as a pretext to increase prices compared to average prices of similar water rights. There is an optional exception if an entity can prove that a price increase is due to costs outside of their control.

Drought is defined as:

- A weather pattern and precipitation deficit lasting over 6 months, according to the United States Geological Survey, OR
- A Colorado River shortage of Tier 1 or more severe, according to the Bureau of Reclamation.