Overview of the Water Affordability Challenge

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Household affordability

- **Household affordability** = the ability of residents to pay for adequate water services without undue hardship

- 10-30% of households spend more than one day of labor/month to pay their water bills

- Unaffordable bills can lead to
  - late fees
  - service disconnections
  - financial strain
  - adverse health outcomes
System financial capacity

- **Financial capacity** = ability of a utility to pay to deliver water in compliance with regulations.
- 64% of water utilities do not generate sufficient revenue to cover their costs.
- Limited financial capacity can lead to:
  - unaffordable water rates
  - reduced investment in infrastructure
  - lower quality service
  - lack of compliance
  - large amount of debt
Ability of customers within a service area to pay determines financial capacity
3 Underlying Causes of the Affordability Challenge

Source: EcoClean
1. High cost of providing water services

Source: CBS News

Increase in cost of goods & service

Water and sewer rates

All items
Food

Source: CBS News
The costs of water services are increasing

- Fragmentation
- Climate change
- Contamination
- More stringent regulations
- Deteriorating infrastructure
2. Reliance on local ratepayers

Percent of investment by federal government

Source: CBO
3. Limited resources to pay

- People who work minimum wage jobs
- Live on fixed income
- Unemployed
- Seniors
- People with disabilities
3. Limited resources to pay

Source: US Census
3. Limited resources to pay

Source: Hansen, US Census
Local, state, and federal solutions to challenge
Utilities help address challenge

- Reducing provision costs
  - regionalization
  - adopting new technologies
  - encouraging conservation

- Changing the amount customers are charged
  - innovative rate-setting
  - customer assistance programs
Customer Assistance Programs (CAPs)

- CAPs provide recurring bill assistance to help low-income households maintain access to water services

- Some examples include:
  - Bill discounts
  - Special rate structures
Federal and state governments help address challenge

- Funding and financing water infrastructure
- Supporting customer assistance programs
State Revolving Funds (SRFs)

- Provide low-interest loans and some grants to communities
- Each state has a program for Clean Water and Drinking Water
Most systems do not receive DWSRFs

Number of systems

- 7% Did not receive SRF assistance
- 93% Received SRF assistance

Population of systems

- 30% Did not receive SRF assistance
- 70% Received SRF assistance
Thank you!

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For more information, please visit
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