



ENVIRONMENTAL POLICY
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CENTER

Overview of the Water Affordability Challenge

Denise Schmidt
Director, Funding Navigator
denise@policyinnovation.org

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

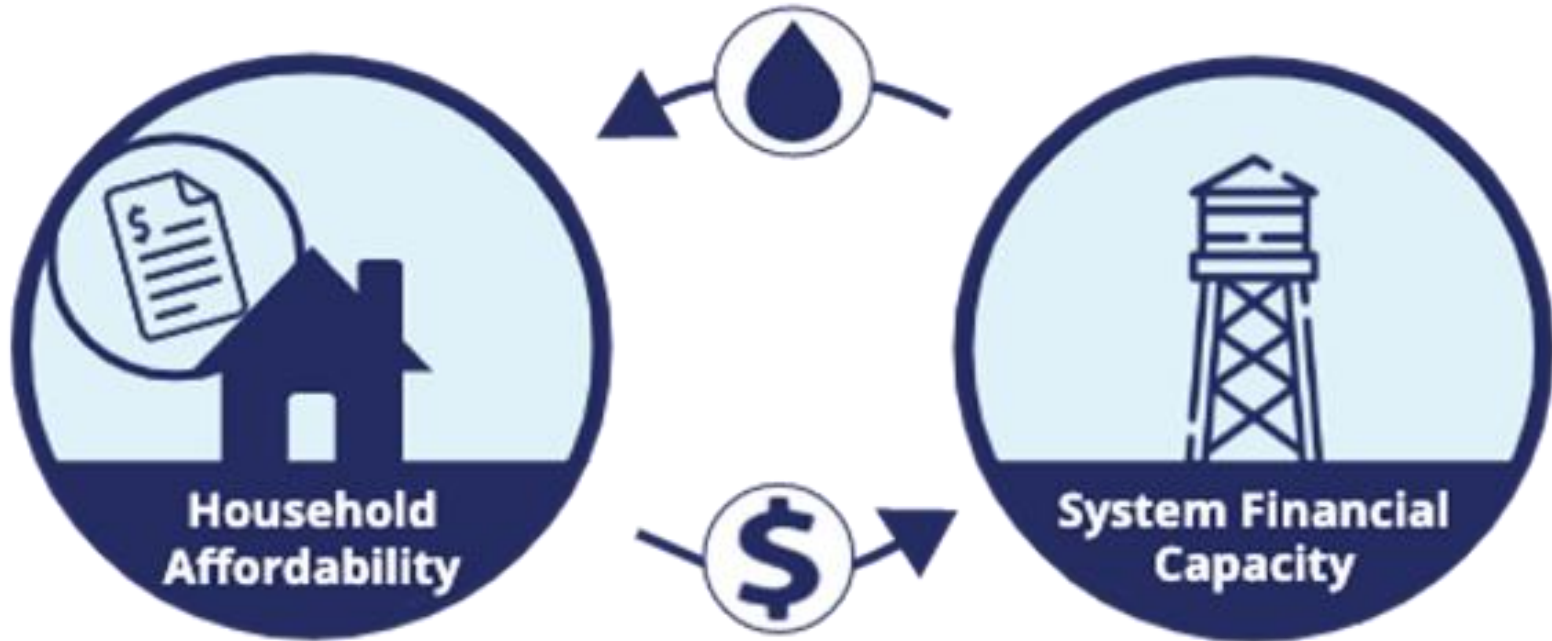


System financial capacity

- **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



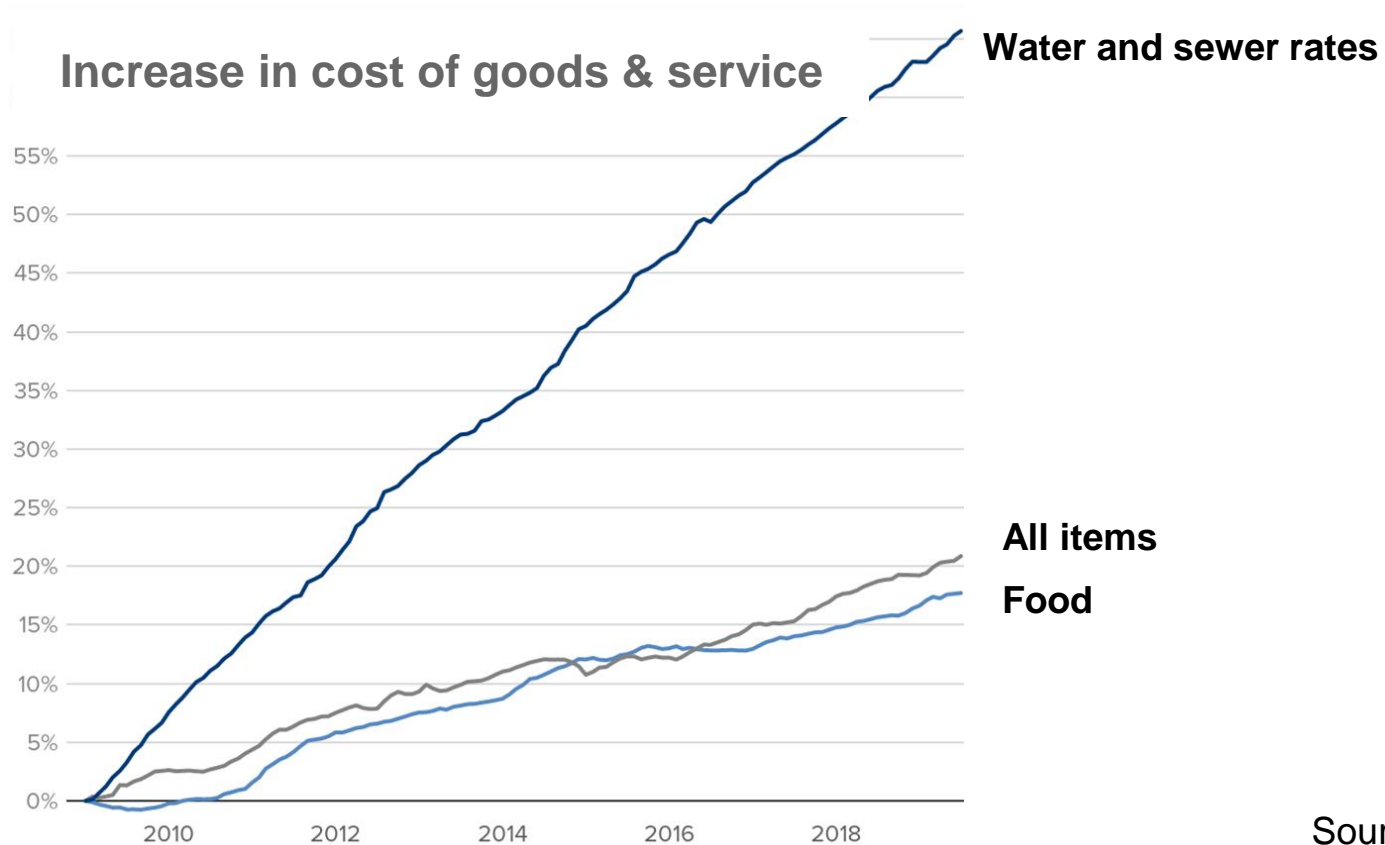


Source: EcoClean

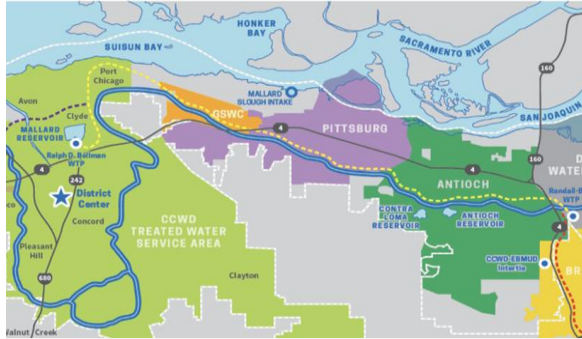
3 Underlying Causes of the Affordability Challenge



1. High cost of providing water services



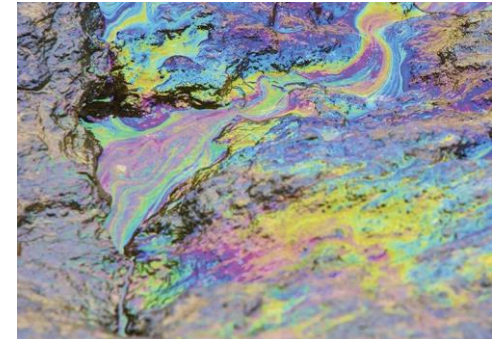
The costs of water services are increasing



Fragmentation



Climate change



Contamination



4198 Federal Register / Vol. 86, No. 10 / Friday

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Parts 141 and 142

IEPA-HQ-OW-2017-0300; FRI-10018-23

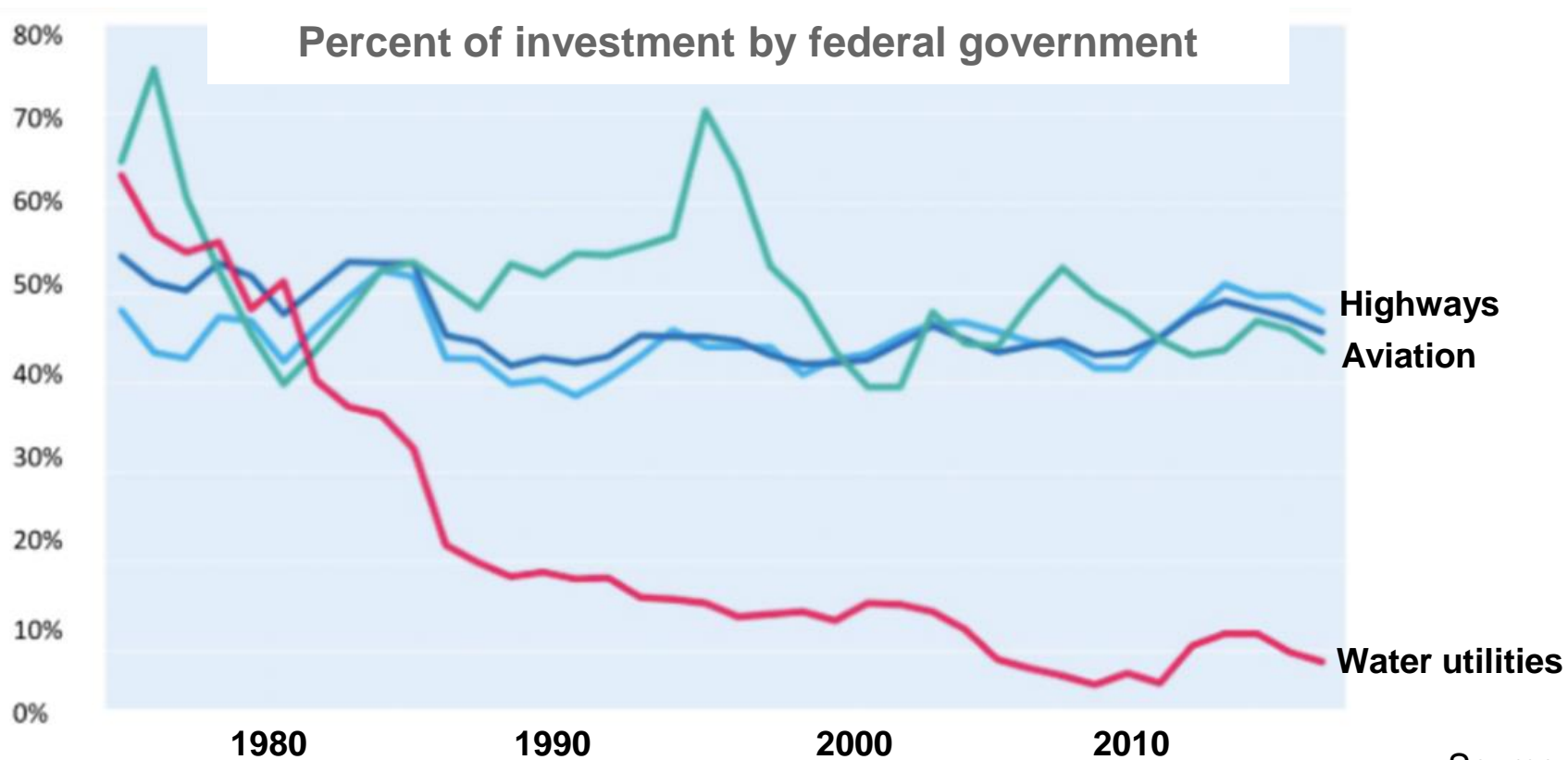
e.g., Confidential B or other information restricted by statute material, such as confidential information is not placed on the public docket.

More stringent regulations



Deteriorating infrastructure

2. Reliance on local ratepayers



Source: CBO

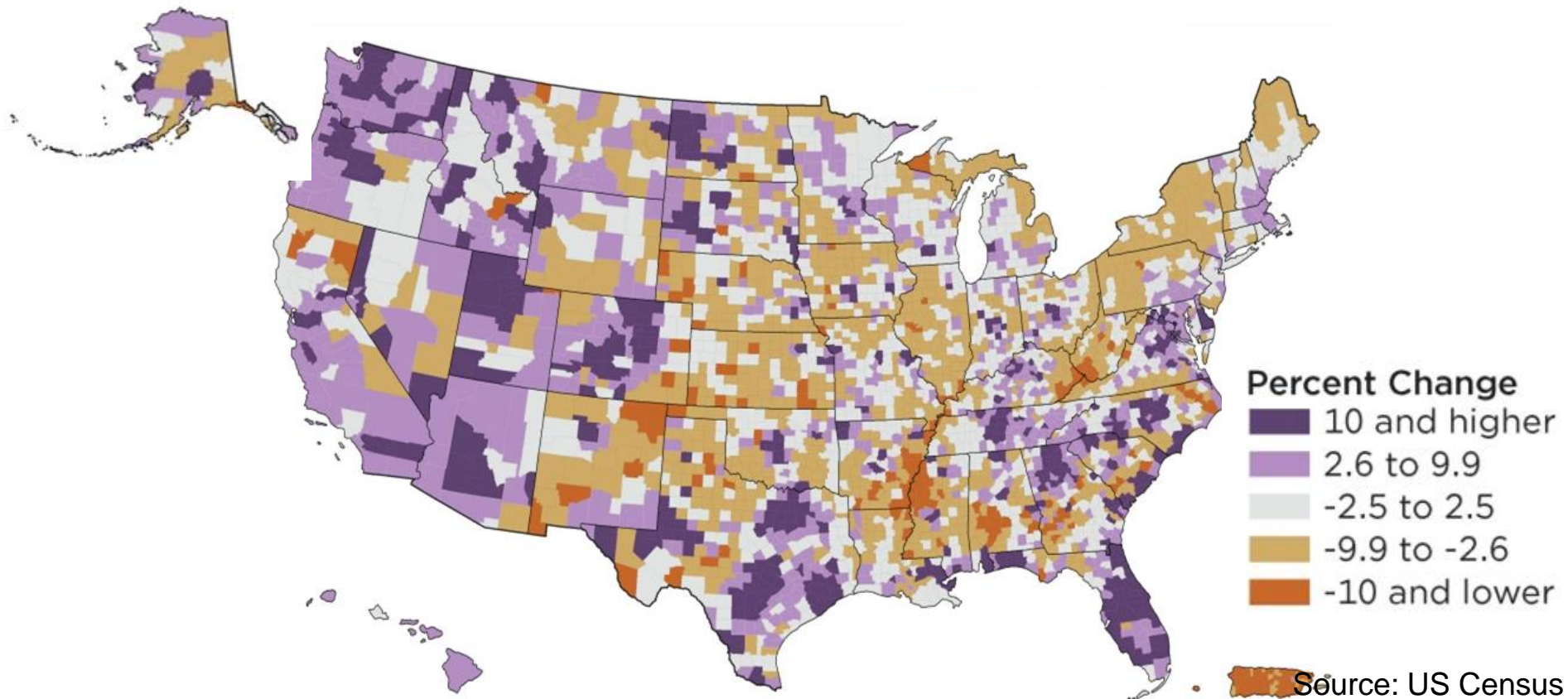


3. Limited resources to pay

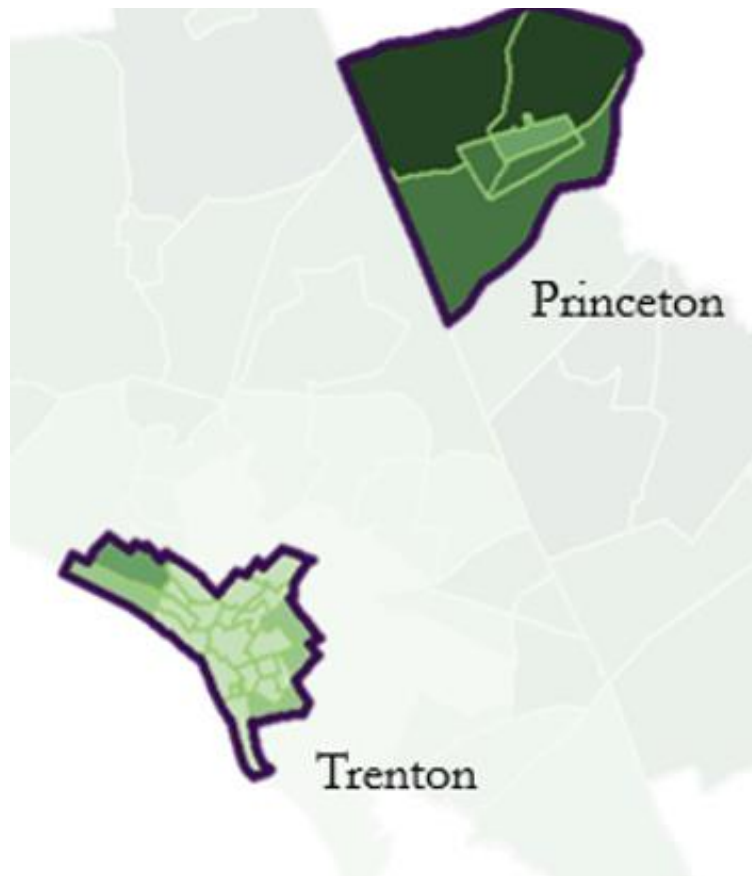
- People who work minimum wage jobs
- Live on fixed income
- Unemployed
- Seniors
- People with disabilities



3. Limited resources to pay



3. Limited resources to pay



Median household income



<\$40k

>\$100k

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

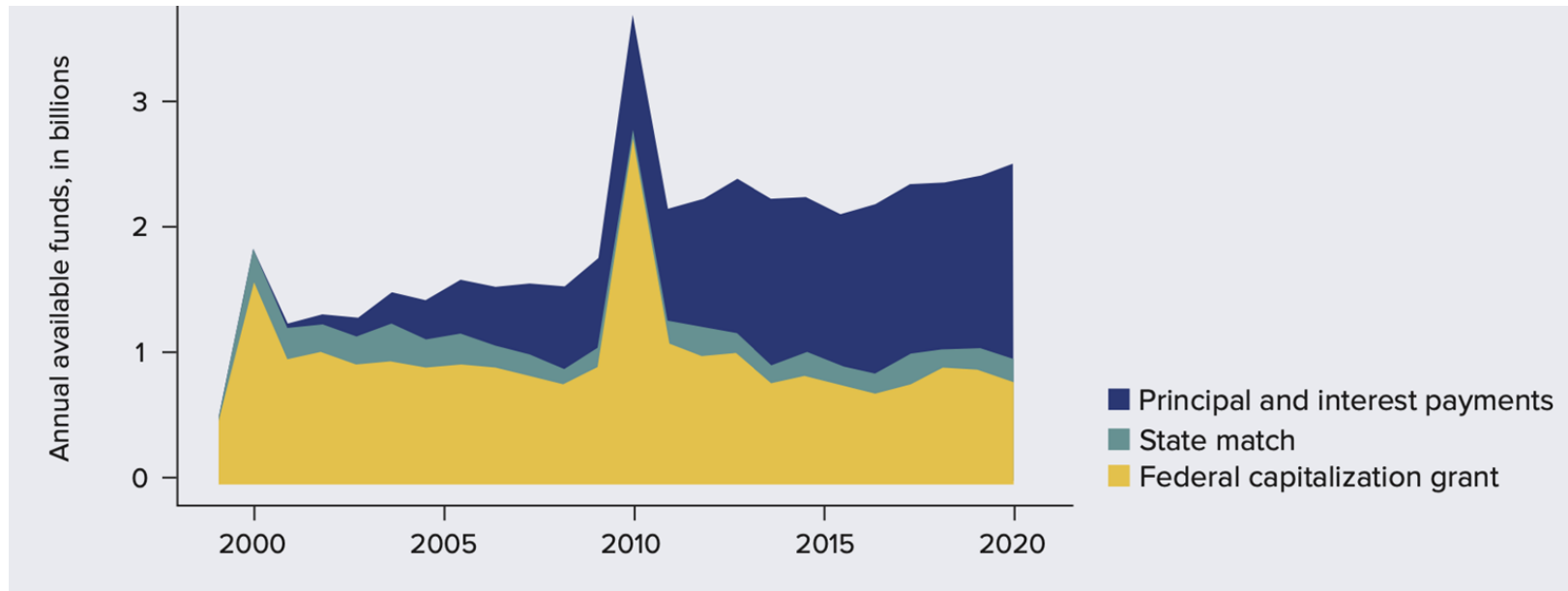


- Funding and financing water infrastructure
- Supporting customer assistance programs

State Revolving Funds (SRFs)



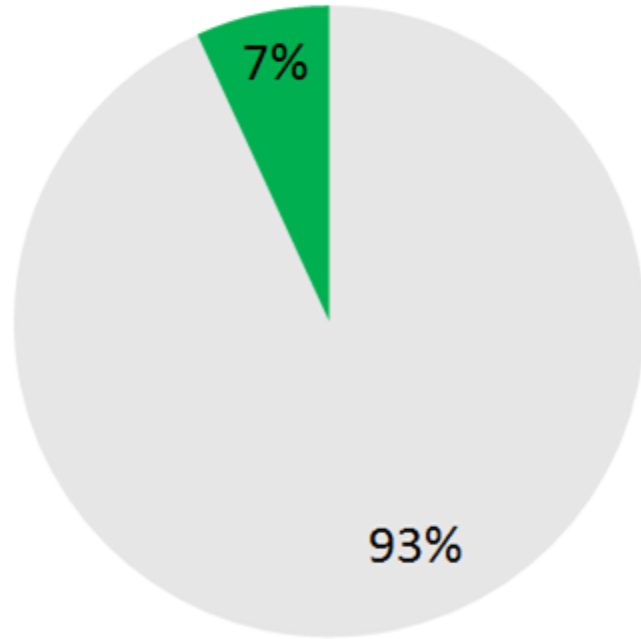
- Provide low-interest loans and some grants to communities
- Each state has a program for Clean Water and Drinking Water



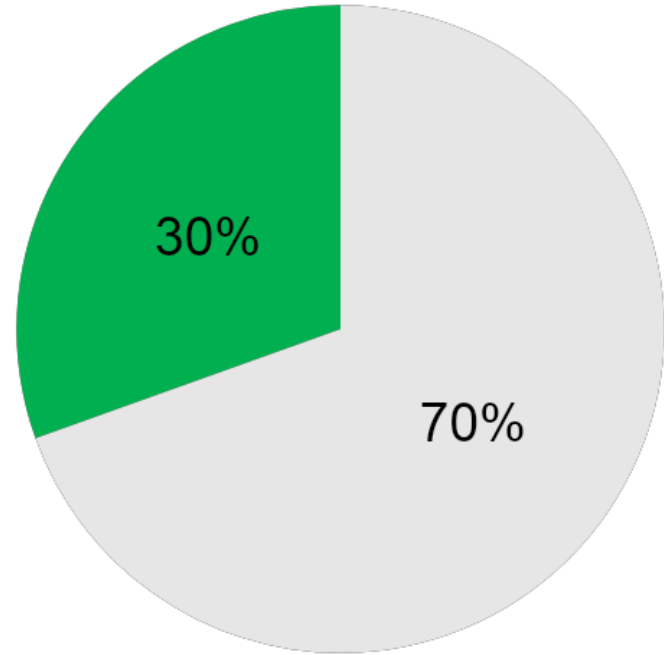


Most systems do not receive DWSRFs

Number of systems



Population of systems



■ Did not receive SRF assistance

■ Received SRF assistance



Thank you!

Denise Schmidt
denise@policyinnovation.org

For more information, please visit
policyinnovation.org/water