

Making Water a Public Good: The Bigger Picture of Water Affordability

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For every community in our country, the availability of safe drinking water and wastewater services is a precondition for public health and prosperity. It is in our collective national interest that everyone has access to clean water and sanitation. Yet, the reality is that maintaining and operating water systems is incredibly costly, and both people who cannot pay water bills and utilities who cannot cover costs can face severe consequences. Many people struggle to afford their utility and other essential bills, especially since the onset of the pandemic in early 2020. In this same two-year period, many utilities watched revenues plummet. The realities and trends driving up utility costs and customer bills are layered, as are the reasons some people are left without the economic and social conditions they need to afford the basics.

The truth is, historical funding approaches used to cover water utility costs and traditional approaches used to help with customers burdened by their bills do not reflect important cost drivers such as source water pollution, aging infrastructure, lack of federal investment, climate impacts, and demographic and demand shifts. **It is time to talk about these drivers, the bigger picture of water affordability, and what it means to treat water as a public good.**

Paying to secure our collective water future is only possible by dreaming big. We cannot rely solely on past practices: we need to re-envision the balance between local funding sources and new sources that reflect water as a public good. Viewing water as a public good will require us to acknowledge that we all benefit when local communities across the country have access to safe, reliable, and affordable water. Realizing water as a public good will require co-investment and financial and funding innovation. It will also require a commitment that no one be unable to afford life's most essential resource.

The US Water Alliance recognizes that prioritizing water as a public good represents a major shift from the status quo—a shift that would expand opportunities to address water stresses, challenges, and inequities in ways that can fundamentally transform our water systems and make safe and reliable water services affordable for all.

Water managers understand that costs are high for many compounding reasons. For one, polluters typically are not held accountable for preventing or paying for how their products and activities affect water quality. Removing PFAS and phosphorous from water supplies and wastewater will be paid for by utility customers rather than manufacturers of PFAS or those making or using phosphorous-rich fertilizers. Another factor driving service costs is the age of pumps, pipes, and plants in our country—many of which are reaching the end of their intended lifespans. The cost of replacements is often higher than they would have been had they been fully maintained; often maintenance has been deferred because of pressure to keep rates artificially low. Despite the new influx of water funding in the 2021 Infrastructure Investment and Jobs Act, a significant funding gap persists after decades of federal funding decline.¹ Severe storms, droughts, and floods are revealing the urgent need to build resilient water systems that can adapt to or mitigate climate change. As demographics and populations shift, demand for water services will also change. New infrastructure may be needed in areas experiencing population growth while infrastructure in declining population centers will go underutilized despite needing the same level of maintenance.

A blunt instrument: local revenue reliance

The burdens of rising water, wastewater, and stormwater costs are borne at the local level. Service providers use a mix of customer rates, modest state and federal grants, and public and private loan and bond financing. Since most utility revenue comes from user rates and loan financing covered by rates, the greatest responsibility for paying for water and wastewater services lies with local customers.

As water and wastewater service costs increase and customers' bills rise, more and more people become unable to afford their bills. Customers face penalties and sometimes broader consequences when they cannot pay, such as losing access to water service, acquiring liens, receiving threats to family unity, or losing their ability to afford the cost of living in their own community. Water systems themselves also face consequences from mounting unaffordability. Systems whose customer bases cannot collectively afford the costs of service, such as those with small or majority low-income populations over which to spread costs, may struggle to continue providing safe, reliable services, or they may do so in ways that exacerbate future costs on customers. Creating undue future costs leads to intergenerational inequity and can lock communities into unaffordable water services for years to come.

The standard locally reliant utility revenue model is a precarious way to fund essential public goods that are in our national interest, and it all but guarantees some communities will be left behind and all communities will struggle to make proactive, efficient investments they need to meet current and future challenges.

A collective roadmap to deliver on water as a public good

Any solution to water affordability needs to speak to the bigger picture of interconnected cost drivers, sectors beyond water, multiple levels of government, and a social safety net to ensure the basic needs of all are met. Surfacing those affordability solutions *and* acting on them also means we need to employ a One Water mindset and find integrated solutions across the whole of these considerations as opposed to the traditional narrow silos.²

From 2021 to 2022, the US Water Alliance was pleased to serve as a participant and thought partner to the Aspen-Nicholas Water Forum in their endeavor to surface [common-ground ideas to address water and wastewater affordability](#). The COVID-19 pandemic brought a sense of urgency to water affordability. Over the course of heightened attention on affordability in the industry and at the Alliance, and thanks to various partnerships with our network of hundreds of water leaders across the country, we have observed and learned a lot about what is needed from federal, state, and local leaders. Below, we share some highlights of what we have learned and actions that can propel us on the path toward viewing and treating water as a public good.

We need bold federal action

Some categories of infrastructure, like highways and inland waterways, benefit from stable and predictable long-term funding sources such as the highway trust fund, inland waterways trust fund, and the harbor maintenance trust fund. Other obvious public goods, like social security and public education systems, are funded in ways that aim to accrue and distribute the benefits of those goods to all people in the United States. Water systems have no such equivalents, and the loan programs and limited grant programs that do exist remain subject to the whims of the annual Congressional appropriations process.

The Alliance continues to push for federal action on water affordability—including the ideas in our [Federal Policy Blueprint for Recovering Stronger](#). The recommendations in this piece describe the bold and necessary measures the federal government can take in the short- and long-term, including ways to:

- **Establish national ambition for universal affordable access.** The federal government has explicit, clear ambitions and standards for water quality but not for the provision of water services, affordable or not, to all people. The federal government must see the provision of water as a public good as part of its mandate and role in society and help state and utility actors do the same. This may include establishing standards for universal daily quantity for residents regardless of ability to pay—an important signal to help utilities make the case for more equitable policies. This policy step must be paired with sufficient federal funding to support implementation.
- **Explore models to provide sustainable, equitable federal funding for safe and reliable water access.** Congress and EPA should explore options and seek to create a predictable, long-term, and centralized financing structure that eliminates disparities in infrastructure and service access and quality. These options should significantly reduce the cost of these public goods for individual ratepayers.

- **Reduce pollution hazards and other cost drivers.** Unless industries and manufacturers are to be held financially responsible for the full lifecycle of their products and the impacts of their activities, the federal government needs to further restrict the manufacture and sale of products that threaten water quality and increase cost burdens on water and wastewater treatment. The federal government should require proof that no point in a products' lifecycle creates costly and dangerous water pollution prior to permitting those products for manufacture and sale. Changing the FDA approval paradigm this way would be a considerable lift but would result in significant and lasting gains for water and other essential environmental and health outcomes for the nation.

- **Build in backstops and fund a national water assistance program.** Many utilities lack bill assistance programs for customers struggling to pay their bills. Funding a permanent, national water assistance program—through easily accessible mechanisms proven to work for the eligible population, like [SNAP's EBT card system](#)—would alleviate the financial stress water bills place on low-income and struggling customers throughout the country.

Details in state policies and programs matter

States' policies and programs can make a big difference in realizing water as a public good. Several specific tactics states are taking can be found in the Alliance's [State Policymakers Toolkit](#) and the [Recovering Stronger Knowledge Map](#), like the statewide bill assistance program in Ohio or Virginia's legislation to codify equitable water access as a human right.

The suite of state interventions to deliver water as a public good may include actions to:

- **Establish affordability criteria to better target state funding.** States have broad authority to decide how federally provided sources of capital funding and financing for water are spent, including through the State Revolving Fund programs. Given the limited amount of state and federal funding for water and wastewater, it is imperative to prioritize funding equitably. With expanded and accepted affordability criteria, states could prioritize areas with the highest need, regardless of community size. Using current tools for gauging the highest need, North Carolina's Department of Environmental Quality defines affordability in statute and prioritizes communities with smaller populations that are comparatively lower than state benchmarks for five economic indicators yet have water rates higher than the state average.
- **Remove legal barriers to affordability solutions.** Many states either have explicit prohibitions or ambiguous laws around implementing progressive rate structures, offering debt forgiveness, and sometimes against publicly funded assistance programs. States should seek to affirm water as a public good and authorize equity-based rate adjustments.

- **Create and lean into incentives for community-driven utility cooperation and partnerships.** Many utilities can achieve greater economies of scale through regional partnerships. Doing so means utilities are better able to pass savings to their ratepayers. States should incentivize voluntary, locally led, and determined utility partnerships or consolidation where there are clear benefits and community desire. Other roles states can play can be found in the Alliance's report, [Catalyzing Community-Driven Utility Consolidations and Partnerships](#).
- **Create a statewide program for water bill assistance for low-income residents.** States can help take some of the onus for affordability and assistance off local utilities by institutionalizing state bill assistance programs. California has been a leader on this front, passing a program in 2015 that provides people under 200% of the poverty line with bill credits, tax credits, or further support through existing programs.

Local leaders can continue to step up

To date, most innovations on affordability and cost controls come from local leaders—and more is needed. Whether through policies and programs under their direct control or advocacy and partnership with others, the undercurrent of what utility and municipal leaders can do is about helping people thrive in place—especially low-income and underserved people.

Utilities and local leaders have several levers at their disposal:

- **Cultivate anchor institution- and community-based identity and culture.** Culture sustains movements and requires intention, work, and resources. The Value of Water Campaign is led by innovative utilities modeling how to break silent service, “no-news-is-good-news” utility culture in service of building public will for infrastructure investment. The Water Equity Network, a growing community of practice for those seeking to use water management to promote social equity and thriving communities, also represents the shift the water sector is making in how to think about what it means to provide water, wastewater, and stormwater services. The push for affordable access to water services will accelerate the trend of water professionals feeling empowered and supported to align their values and mission with the well-being of their communities. Cultivating change-leadership at utilities in particular is key to this shift.
- **Prioritize service access alongside full-cost pricing in rate design and cost recovery.** Full-cost accounting and pricing are important to meeting water management costs and intergenerational affordability. How customer rates are designed to cover costs can have a huge impact on affordability. Each community needs to tailor rate design to local needs and realities but should consider how usage is charged (e.g., inclining block rates), and how rate structures affect residential, commercial, industrial, wholesale, and low-income customers. The most defensible rate designs will cover costs and prioritize safeguarding residents’ affordable access to services. Some utilities are also using other fees and tax models in addition to usage-based rates to cover costs, and more revenue models are being explored.³
- **Remove unrelated costs from customer bills.** Local governments often bill households for city services (snow removal, for example) by adding those costs to water bills or by applying taxes to water bills instead of sourcing them through property, sales, and other taxes. Adding these exactions into a water bill can contribute to putting essential services out of reach for low-income customers and should not be allowed. Just like food isn’t taxed in many states, water service is an essential public good and should not be taxed in this manner either.
- **Provide modern and compassionate assistance programs.** While not a panacea, working on assistance programs helps alleviate immediate needs. Some utilities provide discounts, payment plans, emergency assistance, debt amnesty, lifeline rates, facilitate third-party charities in paying customer bills, support houseless populations’ access to water and sanitation, and help incentivize or directly help customers fix leaks that contribute to higher bills. An effective suite of programs is characterized by high participation rates among eligible populations, low barriers to entry, design characteristics that are flexible and reflect community input and needs matching, and the extent to which programs help customers maintain service access without contributing to cycles of poverty. These success metrics require utilities to use data to create and assess programs rather than declare victory once a program is instituted.
- **Innovate and invest to build efficiency and smart water management.** Utilities must reduce operating costs, make smarter investments, and innovate around revenue and scale. Understanding the best ways to maximize local utility financial health is an evolving conversation. Strategies might include tactics like instilling best internal management practices, alternative revenue generation through resource recycling or consulting, minimizing non-revenue water, regional utility cooperation and partnership agreements, and investing in technology or new kinds of infrastructure that build resilience and avoid future costs.

- **Seek subsidies and reduce financing costs as much as possible.** Municipal bonds, state and federal loan programs, and private capital all require some degree of repayment with interest. True grant programs are limited. Exploring financing options including newer and innovative options to get the best repayment terms (timeframes, principal forgiveness options, and interest rates) can save utilities, and thereby their customers, significant resources. Working to achieve a high bond rating is also an important part of reducing financing costs. Bringing a broad mix of financing streams together and structuring program delivery to support multi-benefit projects can also be an important strategy in helping shift the broader economic, health, and environmental conditions in a community in a more cost-effective way.
- **Cultivate the analytical capacities and political support to invest and serve equitably, prioritizing by need over complaints and political priorities.** Using available system and environmental data to identify areas of highest probable system and customer needs, along with building support for addressing those areas of need among policymakers and their constituents, requires time and resources that not all service providers can easily commit to and may need assistance to achieve.
- **Partner and advocate for leverage and transformation.** Take a principled approach to investment.⁴ Set and pursue goals with residents and community-serving organizations and institutions. For example, the Alliance is supporting utilities and community partners in cities seeking to prevent and perhaps even eliminate service disconnections.⁵ Be on the lookout for a strategies document from this project later this year!

Two game-changing themes for local action that we observed over the past two years are reaching for solutions that recognize the centrality of the water/housing nexus (like helping households with premise plumbing or partnering with housing coalitions and wrap-around service providers) and centering trust, compassion, and [usability](#) throughout customer service and engagement processes.

Understanding and delivering water as a public good is in our collective national interest. It is time for us to embrace a systems mindset about the bigger picture and a bolder complementary suite of proposals. So, let's get to work!

Notes

- 1 Value of Water Campaign, *The Economic Benefits of Investing in Water Infrastructure* (Value of Water Campaign, 2017), http://www.uswateralliance.org/sites/uswateralliance.org/files/publications/The%20Economic%20Benefits%20of%20Investing%20in%20Water%20Infrastructure_final.pdf.
- 2 US Water Alliance, *One Water Roadmap: The Sustainable Management of Life's Most Essential Resource* (US Water Alliance, 2016), <http://uswateralliance.org/sites/uswateralliance.org/files/publications/Roadmap%20FINAL.pdf>.
- 3 US Water Alliance, "Pricing Water for Public Health and Financial Resilience: An Applied Modeling Pilot" (US Water Alliance, 2020), http://www.uswateralliance.org/sites/uswateralliance.org/files/Pricing%20Water_Project%20Description_2021.pdf.
- 4 US Water Alliance, "Introducing Principles for Equitable Infrastructure Implementation," (US Water Alliance, 2022), <http://uswateralliance.org/resources/blog/introducing-principles-equitable-infrastructure-implementation>.
- 5 US Water Alliance, "Preventing Water Shutoffs for Low-Income Households" (US Water Alliance, 2020), http://uswateralliance.org/sites/uswateralliance.org/files/uswa_rs_prevent-shutoff_des_061621_a.pdf.

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