



## REPORT

# The Growing U.S. Water Affordability Challenge and the Need for Federal Low-Income Water Customer Assistance Funding

Increasing costs of providing clean water services and decades of federal disinvestment in water infrastructure are exacerbating water affordability concerns in the U.S., but in areas with high rates of poverty and income inequality increasing water utility bills already represent an insurmountable challenge for millions of Americans. Gaining access to clean water is putting a strain on the budgets of low-income families, and in turn increasing risks to the financial solvency and physical resiliency of local public clean water utilities.

This phenomenon played out in real time this year in Jackson, Mississippi, a city with a poverty rate over two times the national average,<sup>1</sup> when infrastructure failures caused by chronic underfunding and triggered by extreme weather left a majority of the city's 180,000 residents without reliable water service for weeks. The situation in Jackson was not an anomaly and many other communities across the U.S. have similar infrastructure vulnerabilities, as well as disproportionately high levels of poverty among ratepayers left to foot the bill for addressing them.

The following report provides more background information on the water affordability challenge and the opportunity Congress has to address it by providing more federal investment in clean water infrastructure and targeted relief to low-income families.

### The cost of delivering water services is increasing.

The affordability of U.S. water infrastructure is reaching a critical juncture. Over the past several decades the cost of providing public clean water and drinking water services has risen – communities need to maintain and upgrade aging infrastructure, comply with ever-more-strict regulatory mandates, address increasingly complex water quality challenges related to nutrients and emerging

contaminants, and improve system resilience to climate change and extreme weather. While these investments are necessary, the costs have become too great for many households to bear.

### Federal investment in water infrastructure has decreased in recent decades, and major gaps remain.

Today, virtually all federal funding for clean and drinking water infrastructure reaches communities through low-interest loan financing, repaid through customers' water rates. In sum, adjusted for inflation, the federal cost-share of water utility capital investment has fallen from 62.77% in 1977 to less than 10% in recent years.<sup>2</sup> Another way to think of this is that in 1977 the federal government spent \$76 per person in 2014 dollars on water utility capital investment. By 2014 that support fell to just \$10.74 per person.<sup>3</sup>

### Decreasing Federal Investment

Individual utilities have largely navigated these financial challenges alone, maintaining complex infrastructure systems and financing the costs to comply with federal statutes despite having a diminished federal funding partner. As public utilities, the overwhelming majority of the financing for capital investment projects and operation and maintenance activities comes from individual households through bill payments.

Passage of the Infrastructure Investment and Jobs Act (IIJA) represents a strong step in the right direction in terms of the federal government reinvesting in water infrastructure.

However, massive funding gaps between what was authorized and appropriated still exist, totaling roughly \$4 billion per year over the five years covered by the legislation.

### IIJA Funding Gap

Congress has left a gap of roughly \$4 billion per year between water programs that are merely authorized by the Infrastructure Investment and Jobs Act (IIJA) and programs that received funding.

Annual appropriations bills, including the Fiscal Year 2023 appropriations bill currently under consideration by Congress, must fill in these gaps with increased funding levels to key programs at EPA.

### Increasing income inequality is leading to heightened affordability challenges for low-income households.

At the same time that the federal share of water utility investment was decreasing, U.S. income inequality has also skyrocketed. For the top 1%, household income has more than tripled since 1979.<sup>4</sup> However, for 90% of households, income has only increased by about 1% per year over the past 40 years.<sup>5</sup> This means that these earners' income barely outpaced inflation while over 90% of the financial burden of keeping our water safe and clean was being transferred from the federal government to their pocketbooks.

Data from NACWA's recent utility financial surveys tells a similar story. The average annual wastewater service charge for a single-family household (\$551) has risen at twice the rate of inflation as measured by the Consumer Price Index (CPI) between 2000 and 2021.

### Rising Costs and Federal Disinvestment Lead to Higher Rates

This average charge of \$551 represents 2.1% of the 2021 federal poverty income threshold for a family of four (\$26,500), up from just 1.3% in 2000. Further, as agencies continue to respond to emerging challenges and make up for paused rate increases during the worst of the pandemic's economic impacts in 2020 and 2021, utility rates are projected to increase by approximately 4% per year from 2022 through 2026.<sup>6</sup>

### Congress can address this issue with federal low-income water customer assistance funding.

One solution in particular that has the support of NACWA and of a broad swath of stakeholders across the water sector is the creation of a permanent federal low-income water

customer assistance program. For decades, there have been federal programs to help low-income households afford other basic essential goods such as housing, groceries, and home energy bills, but there has not been a permanent program for water assistance. Allocating funding in this manner will provide targeted relief to the households and utilities with the greatest level of need, bolstering and expanding the existing customer assistance programs that many utilities already have in place, which currently lean on a patchwork of unstable sources of funding from philanthropy to fluctuating local budgets.

The capabilities and agency infrastructure for the federal government to carry out a program of this nature already exist. COVID-relief packages in 2020 and 2021 provided \$1.1 billion in low-income assistance funding to utilities via the Department of Health and Human Service's (HHS) Low-income Household Water Assistance Program (LIHWAP) program. The Infrastructure Investment and Jobs Act (IIJA) also authorized but did not appropriate funding for a low-income assistance pilot program carried out by the Environmental Protection Agency (EPA), which the agency has confirmed it has the capacity to carry out if funding is appropriated.

Regardless of the delivery mechanism, additional federal low-income assistance funding would provide relief to families struggling to afford bill payments. If Congress fails to act and address the water affordability challenge, our lowest-income communities will continue to be shortchanged.

### Sources

<sup>1</sup> [www.census.gov/quickfacts/jacksoncitymississippi](https://www.census.gov/quickfacts/jacksoncitymississippi)

<sup>2</sup> Public Spending on Transportation and Water Infrastructure, 1956 to 2014, Congressional Budget Office, March 2015: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49910-infrastructure.pdf>.

Underlying data (excel) linked on this page: <https://www.cbo.gov/publication/49910>

<sup>3</sup> Calculated from supplemental tables supporting: Public Spending on Transportation and Water Infrastructure, 1956 to 2014, Congressional Budget Office, March 2015: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49910-infrastructure.pdf>.

Underlying data (excel) linked on this page: <https://www.cbo.gov/publication/49910>

<sup>4</sup> Economic Policy Institute: <https://www.epi.org/publication/decades-of-rising-economic-inequality-in-the-u-s-testimony-before-the-u-s-house-of-representatives-ways-and-means-committee/>

<sup>5</sup> Economic Policy Institute: <https://www.epi.org/publication/decades-of-rising-economic-inequality-in-the-u-s-testimony-before-the-u-s-house-of-representatives-ways-and-means-committee/>

<sup>6</sup> [https://www.nacwa.org/docs/default-source/news-publications/21index.pdf?sfvrsn=2085c461\\_4](https://www.nacwa.org/docs/default-source/news-publications/21index.pdf?sfvrsn=2085c461_4)