

Recovering from Coronavirus

Mitigating the Economic Cost of Maintaining Water and Wastewater Service in the Midst of a Global Pandemic and National Economic Shut-Down

The COVID-19 pandemic underscores the critical importance of clean, safe water in ensuring proper sanitation and hygiene to protect public health. Families, businesses, hospitals and first responders around the country are counting on drinking water and clean water agencies to help save lives and keep people healthy. Utilities are working around the clock to ensure customers have safe and reliable water services while keeping their own essential workforce safe.

The drinking water and clean water sectors are facing major losses in revenue and significant costs for maintaining services to low income and financially vulnerable households during the pandemic. The sector is committed to providing service to all households during the pandemic regardless of ability to pay. But this does not come without cost—and as revenues fall, utilities may face hard decisions regarding how to address shortfalls including potentially delaying planned water infrastructure investments, impacts to staffing, and facing new pressures to raise rates at a time many households can ill-afford rate increases. *As Congress responds to the COVID-19 crisis, significant funding should be allocated to help offset revenue losses by water and wastewater utilities and to support the continuation of services to all users.*

Impacts to Drinking Water: Lost Utility Revenues & the Costs of Maintaining Water Access Are Estimated at \$13.9 Billionⁱ

AWWA and AMWA commissioned an assessment of the financial impact of COVID-19 on drinking water utilities. The results, released April 14, 2020, indicate an aggregate financial impact of COVID-19 on drinking water utilities of approximately \$13.9 billion, representing an overall 16.9 percent financial impact on the drinking water sector. These impacts are a result of drinking water utilities eliminating shut offs for non-payment, anticipated increased delinquencies as a result of high unemployment rates, reductions in non-residential water demands, and associated revenues offset by increases in residential consumption, and lower customer growth.

Included in the above \$13.9 billion total is the cost of maintaining household drinking water access, which includes \$.570 billion in marginal costs from suspending shut-offs and a \$4.92 billion in revenue losses due to increased bill delinquencies from COVID-19 related job losses. Maintaining services to households regardless of ability to pay has emerged as a key concern during the COVID-19 pandemic. Utilities are stepping up to address this concern – more than 90% of drinking water utilities surveyed have suspended water shut-offs – but this comes at significant cost to utilities and their ratepayers.

Impacts to Clean Water: Lost Utility Revenues & the Costs of Maintaining Sewer Access Are Estimated at \$16.8 Billionⁱⁱ

NACWA conservatively estimates the impact to clean water utilities nationwide of lost revenues due to COVID-19 at \$12.5 billion, reflecting a conservative 20% drop in sewer revenues. This solely reflects the

financial impact clean water utilities anticipate from the economic downturn as industrial and commercial water use declines. Revenue drops will vary across the country and over time; some communities with major commercial/industrial sectors are projecting reductions closer to 30-40%. If these revenue losses are not addressed, clean water utilities we have no choice but to make up for them in future rate increases, creating even more of an affordability challenge for low-income households.

Applying the same methodology for estimating the costs of maintaining household clean water access as done for drinking water, NACWA estimates \$3.8 billion in revenue losses due to increased bill delinquencies from COVID-19 related job losses, on top of a conservative estimate of \$.500 B in existing household debt on clean water utility books nationally, for a total estimated cost of \$4.3 B to clean water utilities to maintain service to households that were either delinquent in payment before the pandemic hit or are now financially vulnerable and at high risk of not paying bills due to COVID-19 related job lossesⁱⁱⁱ. This estimate for household access to clean water comes on top of the \$12.5 billion in declining water usage revenue losses noted above.

Revitalizing the Economy

Safe, secure and sustainable water is the foundation of a healthy environment, thriving communities, and a robust economy. Investing in water infrastructure will increase protection for the public health and the environment while creating high-wage jobs to help the economy rebound from the global coronavirus pandemic.

The Clean Water and Drinking Water State Revolving Funds (SRFs) – the nation’s premier programs for financing water infrastructure – have an established SRF Project Pipeline to effectively and efficiently deliver federal stimulus funding to thousands of communities across the nation. A national SRF Project Pipeline, recently released by the Council of Infrastructure Financing Authorities (CIFA), includes more than \$73 billion in current and prospective water infrastructure projects in various stages of development. Increasing the volume and velocity of the SRF Project Pipeline will create high-wage jobs across the country and across the economy, including jobs in planning, design, engineering, manufacturing and construction, which will help families rebuild their lives and livelihoods^{iv}.

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- i. All costs annualized. Report Available at: https://www.awwa.org/Portals/0/AWWA/Communications/AWWAAMWA-COVID-Report_2020-04.pdf
 - ii. All costs annualized. Information based on 2018 NACWA Financial Survey & utility surveys.
 - iii. NACWA Financial Survey Data finds that in recent years with strong economies, public clean water agencies had \$336 Million in arrears from unpaid bills on their books. Halting shut-offs as a tool for collecting unpaid bills is anticipated to significant increase that figure this year.
 - iv. More information available at: <https://www.cifanet.org/coronavirus>