Water Affordability & Infrastructure Costs

The rising cost of water is directly linked to the need for funding for water infrastructure maintenance and repair, as a lack of investment has led to more costly and inefficient water systems. In an effort to maintain water affordability, many water utilities have foregone necessary water infrastructure investments since ratepayers would ultimately bear the costs. Water infrastructure that has not been properly maintained is in turn more expensive for water utilities, as aging infrastructure can suffer from leakage, corrosion, and other water treatment and delivery disruption. To address this issue and improve water affordability for both water utilities and ratepayers, SRF funds can be used to make cost-saving investments by updating their drinking water and wastewater systems to be more efficient, reduce water loss, reduce energy costs and/or, in some cases, consolidate services. Read more about the pros and cons of regionalization and consolidation on River Network's State Policy Hub.

In order to improve water affordability for customers struggling to pay high rates, utilities can both restructure water rates and reduce the overall costs of managing and maintaining the water system. SRFs can be an important tool for ensuring equitable access to clean, safe, and affordable water in many communities. By utilizing SRF funds, utilities can address important water infrastructure needs while limiting the costs to their ratepayers and minimizing rate increases and subsequent water affordability issues. States may flexibly target financial resources to specific community and environmental needs.

Since the federal government shifted from providing infrastructure grants to low-interest loans (with the exception of additional subsidization through SRFs), the cost of financing water infrastructure projects is ultimately passed on to ratepayers. Even with subsidized, lower interest rates, the total repayment cost of a project can be significantly higher than the initial loan amount. This means that future generations of ratepayers may be stuck with higher water bills as the utility attempts to pay off the debt from a project completed years ago. Unaffordable water bills can lead to service disconnections/water shutoffs as a result of nonpayment, financial stress, additional late fees due to late payment, and ultimately, negative impacts on health outcomes. Water advocates are helping address household water affordability systemically through more equitable rate structuring and securing federal investment in water infrastructure.

WATER AFFORDABILITY ADVOCACY RESOURCES

NRDC and NCLC's Water Affordability Advocacy Toolkit

American River's Drinking Water infrastructure: Who Pays and How (and for what?) an Advocate's Guide

River Network's Drinking Water Guide, Section 4, Considerations for Water Affordability

Affordability & SRFs

States can provide opportunities for water systems to address affordability by using SRF set-asides and by aligning definitions of disadvantaged communities (DAC) and affordability criteria with affordable rates. States can also promote water affordability as a priority through their goals outlined in IUPs. Ensuring water affordability at the household level is an appropriate goal for state SRFs because it enables more customers to stay current on their bills, which leads to greater financial stability for the water system. State SRF programs should encourage utilities to adopt more affordable rate structures as a means to secure long-term fiscal sustainability.

Through the CWSRF program, a municipality applying for funding that meets the state's affordability criteria can receive a higher level of additional subsidization, and the same is true for the DWSRF program for applicants that meet a state's disadvantaged community designation (i.e., through principal forgiveness, grant, or negative interest loan) and therefore take on less debt that ratepayers would then need to pay off. Lower interest rates and longer repayment options are also available for both DWSRF and

ADVOCACY EXAMPLES

Wisconsin's 2023 Draft CWSRF IUP includes a water affordability short-term goal: "Research methods to provide additional assistance to water systems with programs that assist low-income rate payers."

Set-aside funds could support water systems in researching, assessing, and adopting more affordable rate structures. States could encourage water systems to tap this set-aside money by awarding bonus points to applicants whose projects address affordability and could allocate additional principal forgiveness to systems that adopt affordable rate structures.

Ohio Environmental Council advocated that the Ohio EPA consider their water affordability report in determining affordability criteria, encouraged the inclusion of water affordability in the state's IUP goals, and suggested using set-asides to "provide direct grants to public water systems to help them design, vet, and adopt more affordable rate structures."

We the People of Detroit (WPD) urged the Michigan Department of Environmental, Great Lakes, and Energy (EGLE) to "add goals relating to achieving environmental and restorative justice, developing the local workforce, building resilience, and making water more affordable." WPD also encouraged EGLE to use set-asides "for local capacity development to support Michigan water systems' efforts to design and adopt more affordable rate structures." They articulated the following actions EGLE could take to make water infrastructure upgrades more affordable for overburdened communities:

- "Using set-aside funds to help PWSs design, implement, and assess affordable rate structures (as explained further section 10, below).
- Providing "bonus PF" or other additional subsidies to PWSs that implement an affordable rate structure.
- Providing "bonus points" in the PPL ranking formula for PWSs that implement an affordable rate structure."

CWSRF projects based on DAC/affordability criteria. A municipality that *does not* meet the state's affordability criteria can seek additional subsidization to alleviate the impact of a project's cost burden to individual ratepayers in a residential user rate class. Additional subsidization is provided to ratepayers through "a user charge rate system or other appropriate method."

Delaware, for example, tailored financial assistance to low-income wastewater and/or drinking water users within identified SRF project areas, providing municipalities with grants up to $200,000 over the course of five years. The amount of annual assistance per qualifying household was $200-400. A major downside of Delaware's program is that it was not available to utility users who have outstanding drinking water or wastewater service bills. While the use of SRF funds for water assistance programs can be a useful stop-gap to address larger water affordability issues, long-term solutions are still necessary. This includes utilities implementing more affordable rate structures for users and sustained federal funding for a permanent Low-Income Household Water Assistance Program (LIHWAP).

Watch: SRF Training Series: SRFS and Affordability