

Environmental Finance Advisory Board

Addressing Affordability Challenges to Equitable Water Service Delivery

As water service rates have risen faster than inflation and income growth, addressing water affordability has become a central policy issue. This focus has prompted a number of studies and research efforts that offer alternative measures of household burdens, delineate geographical distributions of water service cost burdens, and outline potential revisions to methods for assessing community financial capabilities (including EPA's ongoing review of its 1997 methodology guidance).

In the last two decades, EFAB has developed two related charges that addressed: (1) potential rate design (and complimentary customer account management) options to address water affordability,¹ and (2) how the EPA's Water Infrastructure and Resiliency Center could assist local governments with affordability challenges.² In subsequent years, particularly after the Flint Water Crisis and various reports on water access challenges in the United States,³ the water service sector is redefining its services in terms that challenge historical pricing through measures of billable volumes and customer account management practices. This more explicit recognition of the importance of water affordability to fulfill the water sector's public health protection responsibilities has complementary implications for regulatory, financial, and technical support initiatives. Selected State agencies and local utilities are evolving practices to address affordability and environmental justice to prioritize project funding and implement infrastructure investments.⁴ The importance of these measures is amplified by the COVID-19 pandemic and future public health protection imperatives.

Problem/Question Statement

This proposed EFAB charge is to develop recommendations for how EPA's enforcement practices and financial and technical assistance programs may be modified to enhance and amplify the ongoing refinement of water service definitions that highlight the importance of assuring water affordability and access. These refinements recognize that water services are more than management of drops measured through water meters and impervious area measures. They more explicitly recognize the public health protection value conveyed, and the attendant imperatives to assure access and affordability. The charge is to address how EPA can help ensure that the costs of compliance with environmental regulations do not impose inequitable burdens on economically disadvantaged households while also advancing water quality improvement and utility system reinvestment. The charge is to gauge the extent to which EPA-sponsored financial and technical assistance programs may be modified to address community access and affordability challenges to render more equitable outcomes. The charge may also address how EPA may reinforce initiatives to reconsider and/or reconfigure water systems' cost structures to recognize public health benefits as a shared community responsibility and benefit.

EFAB Mission Fit

The charge is oriented toward providing recommendations related to EPA's approaches to enforcement of environmental regulations that may have acute impacts on community financial capabilities and household affordability, and on how EPA could modify its financial and technical assistance programs to enhance support to communities with affordability and access challenges.

Type of EFAB Engagement

- EFAB workgroup written report
- EFAB-sponsored workshop

¹ *Affordable Rate Design for Households*, EFAB report dated February 2006.

² *Household Affordability Challenges in the Water Sector*, EFAB report submitted February 26, 2016.

³ *Closing the Water Access Gap in the United States: A National Action Plan*, Dig Deep and US Water Alliance, 2019.

⁴ See, for example, <https://www.wateronline.com/doc/governor-cuomo-proposes-state-s-water-infrastructure-loan-programs-0001>