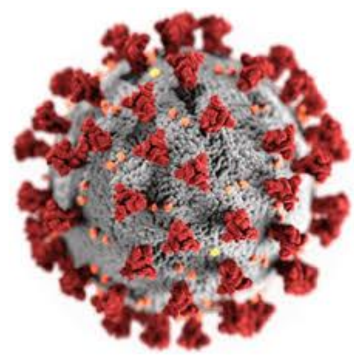
Issue Brief

Water and the COVID-19 Pandemic

Ensuring Access to Water as Shutoff Moratoriums Lift

MORGAN SHIMABUKU, SARAH DIRINGER, LAURA FEINSTEIN, PETER GLEICK, LILLIAN HOLMES, GREG PIERCE (UCLA), GREGG BRILL, HANNAH BALETA



The 2020 COVID-19 pandemic has sparked a nationwide discussion around the practice of utilities disconnecting water service to households that are unable or fail to pay their bills. Because water is essential for hygiene, households that have been disconnected from water and wastewater services are at greater risk of disease transmission, placing affected households and their communities at greater risk of transmitting COVID-19. Racial inequities are exacerbating these risks for communities of color, which disproportionately lack access to clean drinking water and sanitation and are more significantly impacted by the pandemic (U.S. Water Alliance and DigDeep 2019, Ford Reber and Reeves 2020).

In response to the pandemic, many water utilities, governors, and state legislatures in the U.S. have placed temporary moratoriums on water service disconnections. A small number of utilities reconnected households that were disconnected prior to the pandemic (Campbell-Ferrari and Wilson 2020).

By mid-2020, at least two-thirds of the U.S. population lived in a community with a current or past pandemic-related moratorium on water service disconnections (Food & Water Action 2020). For those with economic insecurity or who are recently jobless, ill, or forced to stay home to care for their family, these moratoriums have provided a temporary lifeline to water. In addition, the moratoriums have provided temporary relief for the approximately 18.4 million U.S. households that face utility disconnections every quarter (U.S. HUD and U.S. Census Bureau 2017). However, the financial hardships exacerbated or caused by the COVID-19 pandemic will not end when stay-at-home orders and shutoff moratoriums are lifted.

At the same time water utilities are experiencing significant [loss of revenue due to decreased demand and other factors](), and therefore need assurance that they will be able to recover their costs. Maintaining moratoriums is not likely to be a financially feasible strategy for most water utilities. As moratoriums lift, solutions are needed to ensure the most vulnerable members of communities are not disconnected from essential water services for lack of ability to pay, while allowing utilities to regain or maintain financial stability. This Issue Brief identifies novel and practical approaches that water utilities and the state and federal government can take to maximize water access while preserving utility revenue and preventing excessive debt accumulation.[1]

APPROACHES TO LIFTING DISCONNECTION MORATORIUMS

More than 42 million people in the U.S. lost their jobs in the first half of 2020, and unemployment is projected to remain high at least through the end of 2022 (Lambert 2020; U.S. Federal Reserve 2020). People who lost their jobs may be unable to pay for essential needs, including water. As state and local moratoriums are lifted, utilities, along with state legislatures and governors, and the federal government should take immediate action to ensure that water remains accessible and reduce the economic burden for those experiencing financial hardship.

Reconnecting Previously Disconnected Households

As the coronavirus pandemic continues, it is essential to public health that households are connected to running water. As part of their emergency response, some utilities are reconnecting previously disconnected households, including DC Water and the City of Detroit. By April 2020, the City of Detroit restored water to more than 1,000 customers, though this is not all currently disconnected customers nor all of the customers who requested reconnection (City of Detroit 2020; Cwiek 2020). In addition, Detroit is automatically enrolling these customers into one of two customer assistance programs, based on income. Automatic or facilitated enrollment can help increase participation and reduce the risk that water will be shut off following the moratorium on disconnections.

Reducing Water Rates and Bills

To reduce the financial burden of water utility bills, several utilities and cities across the U.S. are temporarily reducing water rates for either all customers or for a subset of customers. For example, the City of Austin's water and energy departments are providing approximately $46 million in utility bill relief for their customers. All Austin residents will receive a 10 percent reduction in water rates for the first tier of consumption through September 2020 (Austin Water 2020). The San Francisco Public Utilities Commission (SFPUC) is temporarily reducing rates for moderate- and low-income customers experiencing financial hardship due to coronavirus or the stay-at-home orders. This includes a 35 percent reduction on sewer bills and 15 percent reduction on water bills for qualifying,

[1] In the context of unpaid utility bills, a customer's debt is commonly referred to as an "arrearage."

low- and moderate-income residential customers through at least early September 2020 (Bay City News 2020). These programs are likely temporary.

Expanding Repayment Options and Eliminating Late Fees

During the coronavirus pandemic, a small number of utilities are eliminating late fees and expanding repayment options for customers impacted by the pandemic.[2] This is essential for ensuring that impacted customers don't receive large, unaffordable bills just following the end of the disconnection moratorium. The City of Buffalo has developed a water bill amnesty program, which forgives penalties and interest on delinquent water payments with a 10 percent down payment of the remaining principal balance and 12-month repayment plan (Besecker 2020). However, programs like these are relatively rare. As of April 2020, only 13 percent of surveyed utilities reported waiving late fees associated with missed payments for families experiencing job loss or coronavirus-related challenges (AWWA and AMWA 2020). In addition, arrearage management plans expand on repayment plans by providing debt forgiveness in exchange for on-time utility bills. Developing or expanding repayment and arrearage plans and removing late fees can help to reduce the risk of compounding debt, as well as the immediate burden of deferred utility payments following the pandemic.

Increasing Funding for Customer Assistance Programs

Due to the staggering rate of job loss across the country, the need for customer assistance will likely increase during the pandemic. Utilities may need to identify additional short-term funding to address the growing customer need. In response to this need, the City of Spokane in Washington developed a partnership between the local energy and water utilities and non-profits to provide emergency assistance for low-income customers. The two utilities contributed matching funds, up to $50,000 each, to motivate donations from the community, and the two non-profits, The Salvation Army and Spokane Neighborhood Action Partners, serve as program administrators, qualifying citizens in need for the newly available funding (City of Spokane 2020). Other utilities are watching to see if federal funds become available through additional COVID-19 relief (e.g., Coronavirus Aid, Relief, and Economic Security Act, 2020). Crowdfunding and other community support models also exist, such as the non-profit The Human Utility in Detroit, Baltimore, and other cities. Relief in the form of forgivable loans, grants, or donations can help utilities aid eligible customers.

Overcoming Legal Barriers

In many states, there is legal ambiguity in how water utilities can use their revenue from ratepayers, which has inhibited creation or expansion of customer assistance programs (Berahzer et al. 2017). In some states, laws explicitly prohibit water utility ratepayer revenues from cross-subsidizing other

[2] For example, see the City of Detroit Coronavirus COVID-19 Water Restart Plan: https://detroitmi.gov/departments/customer-care/water-and-sewerage-department/coronavirus-covid-19-water-restart-plan.

customers. In these situations, governors or utility commissions that regulate these utilities can issue temporary suspensions, or even seek to amend these policies, to allow utilities to develop more robust customer assistance programs. In Washington State, Governor Jay Inslee issued a proclamation that suspended the Washington Utility and Transportation Commission's rate restrictions, opening the door for investor-owned utilities to use ratepayer dollars to provide customer assistance to other ratepayers that may be impacted by COVID-19 (State of Washington 2020). Widespread, permanent legal reforms are still needed to allow both public and investor-owned utilities to fund customer assistance programs, including in states such as Arkansas, California, Colorado, Maryland, and Mississippi.

RECOMMENDATIONS

These recommendations are intended to address the critical need to ensure water access during and just following the COVID-19 pandemic. Water utilities and those with executive or legislative power must take immediate steps to prevent further disconnections, reconnect those who have been previously disconnected, and put protections in place for people experiencing hardships. Legal barriers and ambiguity for water utilities seeking to create or expand customer assistance programs need to be addressed. Additionally, current resources will be inadequate to address increasing need, and both utilities and the federal government should take immediate steps to expand funding for these programs. While these actions can give some people relief from the immediate impacts of the COVID-19 pandemic, longer-term, systematic solutions are needed to address the true scope of the water access and affordability crisis in the U.S.

There is broad support for these measures in the U.S., with 76 percent of voters supporting stopping water shutoffs for people unable to pay their bills. Similarly, 77 percent of voters support providing federal assistance to low-income households to help pay water bills (Climate Nexus et al. 2020). This level of public support should serve as a strong catalyst for immediate local, state, and national action towards these recommendations.

Reconnect customers disconnected prior to shutoff moratoriums. Many state moratoriums temporarily halted disconnections while communities were under stay-at-home orders, but few required previously disconnected households to be reconnected to water service. State executives and legislatures should require reconnection for all households disconnected from utility service, in order to protect public health. Upon reconnection, utilities should screen for and enroll all eligible customers in assistance programs.

Allow individuals and families experiencing short-term financial hardship to enroll in affordability programs. Some utilities have existing customer assistance programs for low-income customers, but the eligibility criteria typically consider annual income rather than recent or short-term financial crises. During and immediately following the current pandemic, utilities should expand eligibility for existing customer assistance programs to include households that attest to a loss of income that prevents them from paying their bill in full.

State legislatures should require utilities to implement arrearage management programs before disconnection moratoriums are lifted. State legislatures should act immediately to require that, if and when moratoriums on disconnections are lifted, utilities must offer at least 12-month, but preferably 18-month, arrearage management programs to eligible customers that allow customers to receive debt forgiveness in exchange for on-time bill payments. For example, when customers make regular on-time payments of their current monthly bill, one-eighteenth of their overdue bills and fees should be forgiven. These programs, also known as arrearage management programs, are common among energy and gas utilities, and are increasingly included in best practice recommendations for water utilities.

State legislatures and governors should clarify that ratepayer funds can be used for customer assistance programs. While most states do not have laws that explicitly prohibit use of water utility ratepayer funds for assistance programs, a majority have legally ambiguous laws that leave many water utilities hesitant to pursue them. As the State of Washington has demonstrated, temporary injunctions can address this ambiguity. In the longer-term, state legislatures must work to remove barriers in states where cross-subsidizing is explicitly prohibited, as well as in states where it is legally ambiguous.

Water utilities should consider partnerships with local organizations to increase their emergency funding for customer assistance programs. For many utilities, the need for assistance on water bills has skyrocketed since the beginning of the COVID-19 pandemic. Utilities should pursue new and innovative ways to increase funding for customer assistance and identify households in need, instead of turning to disconnections. Partnering with local organizations that have the capacity to fundraise and administer funds can help customers pay water bills and expand the reach of customer assistance programs. These partnerships should be done in concert with sustained efforts from the utility to address water affordability, especially for low-income customers.

Congress should appropriate stimulus funds to offset customer assistance expenses for utilities. Federal funds should offset expenses for utilities that delay disconnections and bill collection, as well as for those that provide arrearage management plans to their customers. This has already been proposed by The United States House of Representatives in The Heroes Act (H.R. 6800 Sec. 190703). The Low-Income Household Drinking Water and Wastewater Assistance Program would allocate $1.5 billion to states and tribes to, in turn, provide funding to water and wastewater utilities to offer bill discount programs. Based on comparison to the Low-Income Home Energy Assistance Program, which received $3 billion in 2017, the amount allocated to water seems too small to address the need. In addition, we recommend three additional changes to improve the bill. First, it should be expanded to offset the cost of arrearage management plans. Second, the income cutoff of 150 percent of the Federal Poverty Line (FPL) is extremely low and should be raised to 200 percent of the FPL.

Third, states and tribes should be required to prioritize small water and wastewater systems serving low-income communities, since these utilities are the least capable of operating their own customer assistance programs.

NEXT STEPS

The COVID-19 pandemic has highlighted long-standing equity issues to water access and affordability in the U.S. As the coronavirus pandemic continues, water utilities need an equitable way to collect payments while preventing disconnections for vulnerable communities. To ensure access, low-income customers will need financial assistance. At the same time, utilities need a sustainable revenue stream to pay for affordability programs. Current efforts are underway in several states to develop more robust affordability programs, such as the California Water Board's proposal for a statewide Low-Income Water Rate Assistance Program. More work is needed to further develop financially sustainable models that expand water affordability and water access in the U.S.

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