

# Reflections on the past year; Looking forward to the next administration

Nov 16, 2020 Zoom Call

## Introduction

The 2020 Aspen-Nicholas Water Forum virtual sessions explored what constitutes good water governance through the lenses of water affordability and equity. Water affordability and equity challenges existed prior to the outbreak of COVID-19. The pandemic has further revealed and exacerbated health and financial disparities across racial, gender, and geographic lines. The [first virtual session](#) focused on exploring the financial impact of the COVID-19 pandemic on urban water utilities. The [second session](#) focused on the unique water affordability and equity challenges in rural communities, colonias, and tribal nations. The [third session](#) explored federal assistance programs in food, energy, and taxes that have been developed to support low-income Americans struggling with poverty. The [fourth session](#) explored the roles and responsibility of local governments to address household affordability. The [fifth session](#) articulated the role of state governments to address challenges for (a) communities to afford their water utilities and (b) household to afford water services. This final session took place following the presidential election. Here, we reflect on past conversations and look forward to how water affordability can be strategically positioned within the upcoming presidential priorities to address the COVID-19 pandemic, economic recovery, racial equity, and climate change.

## Reflections from the year

The new decade has begun with a staggering number of major events. In March, a global pandemic was declared, and emergency measures to ease the public health crisis brought widespread unemployment and suffering. In May, a national conversation around race erupted after the police killing of George Floyd that created reverberations felt around the globe. In the fall, the western U.S. struggled to control immense fires while the Gulf Coast repeatedly braced themselves against tropical storms. The pandemic, unemployment, racial inequity, and climate change have all highlighted inequities that exist within our social, economic, health, infrastructure, and environmental systems. These systems were shaped by political agendas and resources tailored to the majority in power. Today, the chronic underinvestment of resources in minority communities and growing income inequalities have left many communities struggling to afford their water systems and households across the U.S. struggling to afford basic water services.

Investments from the federal government financed much of the United States current water and wastewater infrastructure. Over time, the amount of federal investment has decreased and transitioned to loans. Consequently, as infrastructure reaches the end of its usable life, many utilities that cannot afford to make significant upgrades, defer necessary infrastructure investments. Decades of deferring infrastructure investments, whether to keep rates affordable or maintain good debt, has brought many

systems to the point of crisis. The infrastructure required by regulations passed decades ago to ensure public health is simply too expensive for many utilities to finance while keeping rates affordable for their customers and maintaining good debt (which is important to acquire good interest rates). The current trilemma is untenable.

There are no easy solutions, and many of these challenges are exacerbated by a legacy of systemic racism baked into the fabric of our infrastructure through redlining policies, white flight to suburbs, and unequal opportunities to access federal subsidies. These problems are much bigger than water affordability, and if we want to treat the illness, rather than address the chronic symptoms, then we need to expand our conversations and collaborations beyond the water community.

Participants offered a short-term and long-term strategy for approaching water affordability. In the short-term, the water community should expand to collaborate with other programs providing food, energy, housing, and other assistance to under-served communities. Streamlining these programs and lowering transaction costs may maximize the distribution and use of funds set aside in existing customer assistance programs (CAPs). Some utilities already have CAPs but are chronically under-enrolled because they were designed without community involvement or the end user's experience and needs in mind, their communications fail to reach customers, and there is limited trust between the community and the utility. It may be possible to build from innovative strategies, however, to avoid these pitfalls. For example, Philadelphia, a large city with extreme poverty, created a Tiered Assistance Program (TAP) to reduce the water bills of its customers based on income. The TAP program provides affordable rates, stable bills, and rewards customers for managing finances by reducing arrearages. In a rural context, the EJ Water Cooperative partnered with Wabash Communications to bring Fiber Optic services to rural communities to improve economic vitality within the region (and efficiently bundle services and create a new revenue stream for the utility), and ideally increase household incomes and capacities to afford water services. Participants also explored whether there are basic building blocks from these innovative approaches that can be standardized, scaled, and tailored to other communities.

In the long-term, the reality is that poverty will continue to be an issue at the household and community scales. What does long-term affordability look like for the chronically poor, a demographic which is becoming an increasing majority in America? In many instances, systemic racism has been a driving force for water insecurity and service shut-offs have been used disproportionately against communities of color; undermining trust in both the services and assistance from utilities (see box Cultivating Trust). One long-term approach may be to rethink our relationship to water as a public good, which affects how water infrastructure is prioritized and financed. If there is a human right to water, then water becomes a high priority. If water is a public good, then water might be paid for as part of the tax base (similar to roads), rather than as a commodity (similar to buying a bottle of water).

## Cultivating Trust

Firefighters represent a trusted institution in many communities. They are visible, provide an important service, and regularly engage with and benefit the community outside of fire protection. Water utilities provide safe, reliable water services, including the water to fight fires, but they are rarely seen as an anchor to communities. Utilities are often located outside the community, pipes are hidden out of sight,

and most customer interaction is through their water bills (firefighters are covered by taxes). The days of operating successfully unnoticed, however, are coming to an end as managing water – whether due to fire, flooding, algal blooms, or aging infrastructure – is becoming more challenging and expensive. Given their limited interaction mostly through bills, the relationship between customers and utilities has become increasingly adversarial when utilities are forced to increase rates and conduct shut-offs, further eroding trust between the two.

The reality is that water utility workers are essential and should be similarly seen as anchors for the community. Many utilities are learning to cultivate relationships and trust with customers outside of billing interactions by engaging in more frequent communication and touchpoints outside of bills and with different parts of the community. For example, some newly created stormwater utilities have mascots that go to schools to engage and educate children about stormwater and some are creating stakeholder groups, while others hold public meetings that allow the community to ask questions. Utilities can move towards increasing transparency and building trust as they engage with the community and communicate their (1) performance: what you do and how well; (2) values: what are their values and how do they align with the community; (3) integrity: does the utility stick to their values when it is hard; and (4) reliability: is the utility consistent even when circumstances change. Outside organizations can also play a role in helping to translate information into digestible and transparent material for the public. The Environmental Policy Innovation Center, for example, has developed a prize competition to redesign consumer confidence reports, which are essentially annual water quality reports that are often complicated and difficult to understand. Clear communication is important to begin and maintain a dialogue with the community.

## Advancing Water Priorities with New Administration

In addition to the myriad disruptions that have occurred in 2020, it has also been an election year. The Biden-Harris administration will start 2021 with a focus on four priority areas: the COVID-19 pandemic, economic recovery, racial equity, and climate change. Water affordability has a place in all four key areas and the water sector must consider how to position water affordability within the new administration's priorities.

### Water in the Context of COVID-19 and Economic Recovery

The number of COVID-19 cases have been rising sharply, spurring conversations around more extensive measures to limit exposures, many of which will likely slow the economy. Large-scale unemployment from COVID-19 has led to increased delinquencies, which have a negative impact on utility revenues and financing. This deficit cannot be erased through rate increases or loans that must be repaid by ratepayers. Future COVID-19 relief packages must include grants earmarked directly for water and wastewater utilities, and not just for local governments. Many local governments have an immense need for funding and it is unclear how much of that funding will be delivered to water utilities unless it is clearly specified. The federal government may also provide leadership to incentivize regionalization of functions (e.g. administrative tasks, data services) and infrastructure to help reach economies of scale. The federal government could also provide flexibility for State Revolving Fund (SRF) loans and grants to be used to forgive debts and/or incentivize collaborations. Any relief package must provide guidance on how to distribute money, particularly grant dollars, to ensure it is reaching communities that need it most. Many

under-resourced and marginalized communities will need assistance to apply for and access stimulus money.

The COVID-19 pandemic has certainly amplified affordability challenges and further limited access to water services. These problems, however, existed prior to the pandemic and the new administration should move towards long-term strategies after addressing the current crisis. The administration should (1) work to ensure local costs to provide water services are affordable to communities and (2) revisit how costs are distributed across customers. There are many communities where water services are rendered unaffordable by utilities charging customers for those services. If water is to be made more universally affordable and accessible, then there should be federal or state subsidies for both these communities and to individual households. Federal subsidies to utilities lower the costs that are passed on to customers through rates and federal subsidies to households ensure more rates are collected by utilities. The federal government has less of a role in setting rate structures, though, they can incentivize the use of increasing block rates or customer classes. The federal government could establish water as a human right, which would create common grounds for prioritizing water accessibility and affordability.

### Economic Recovery, Racial Equity, and Climate Change

Affordability challenges also vary within neighborhoods of communities. This exists because of a legacy of decisions and policies that were implemented in municipalities to make some neighborhoods prosperous while concentrating inequity and poverty in other neighborhoods, many of which have predominantly residents of color. Current infrastructure reflects and reinforces those inequities. For this reason, any proposed infrastructure packages should be earmarked for utilities and should consist primarily of grants that will improve infrastructure in areas that have been historically underserved. These packages should also include guidelines that ensure underserved areas can access and use the allocated funds.

There are also environmental justice issues that the new administration could address by implementing policy changes that redirect the flow of money following natural disasters. Many communities of color are in low-lying, flood prone areas, which puts them at disproportionate risk. FEMA, for example, currently requires utilities and households to rebuild back to conditions prior to a flood event, even if that same structure floods every year but policy changes might address environmental justice and mitigate these climate risks by allowing communities to use the money to rebuild elsewhere and rebuild to be more resilient to future flood events.

### Preparing the new administration

During the first 100 days, a new administration strives to set a strong precedent for accomplishing its priorities. Many of the proposed solutions in the forum today would require Congressional authorizations. There are currently a number of legislative avenues for passing water infrastructure bills and policies through Congress, such as the Water Resources Development ACT (WRDA), relief packages in the House or Senate, or normal appropriations to the Department of Agriculture and Environmental Protection Agency (EPA). Over the past six months, this group has convened to discuss water affordability. The ideas must now be distilled into action items that can be taken to Congress and the Senate for their consideration. The water community has an opportunity to draft language around these ideas to advance actionable policies. There are also opportunities to provide language and suggestions for federal agencies

to take a leadership role in stewarding how grants and loans are disseminated to ensure those funds reach under-served communities.

Water is vital for life, for ensuring public health in a global pandemic, for economic recovery, for improving racial equity, and for ensuring water security in the climate crisis. Something as vital as water should have a high priority and the water community must be prepared to actively engage with the new administration to help bring equity and affordability to water services.

## Key Takeaways from the Chat Box

- The water sector needs to fundamentally change how we provide federal resources to those communities that need it the most. The issues that confront vulnerable communities of all sizes start with capacity, and ensuring those communities get access to the precious grant resources is vital.
- NEJAC report: <https://www.epa.gov/environmentaljustice/epas-role-addressing-urgent-water-infrastructure-needs-environmental-justice>
- We have experienced firsthand for many years the impacts of it being “super easy to push down” affordability. CAPs don’t work because it’s only a short-term solution to a long-term problem of unaffordability among chronically poor residents. How do you see solutions that address water as a human right with long-term/life-long solutions?
- An effort to improve transparency of Consumer Confidence Reports: <https://www.waterdataprizet.com/> Submissions open till Dec 1. Everyone is welcome to participate and share this link
- There are organizations that routinely work with impacted communities like food security services, Looking to other organizations to engage community in CAP programs.
- Could the federal Clean Water and Drinking Water State Revolving Loan Programs be converted to a forgivable loan program(grant) for all loans?
- We need to provide incentives for regionalization and partnerships! In addition, I would suggest incentivizing right-sizing and right-design that addresses future needs versus those that simply replicate what we've built in the past.
- We also need to address the training and recognition for the workforce needed to operate, maintain, and support water utilities.