



Water Service Issues and COVID-19: Recent Congressional Funding

April 2, 2021

Several water service issues have garnered increased congressional attention during the Coronavirus Disease (COVID-19) Pandemic. Among these, some are long-standing concerns over household water-rate affordability and the condition of municipal water infrastructure. Other issues have emerged as water systems and/or local governments have experienced COVID-19-related revenue shortages, which may affect water systems' operations, maintenance, and/or financial sustainability.

During the pandemic, Congress has enacted a number of proposals to address these and other issues. To address water-rate affordability, the Consolidated Appropriations Act, 2021 (P.L. 116-260) provided \$638 million for water or wastewater rate assistance on behalf of low-income households. The American Rescue Plan Act (ARPA; P.L. 117-2) included another \$500 million for such assistance, and provided \$350 billion for state and local governments for COVID-19-related purposes, among them water or sewer infrastructure investments.

This Insight briefly reviews water system financial practices, and identifies some challenges for water service providers and their customers raised by the pandemic. It also discusses recent congressional actions to address these issues.

Water System Financial Sustainability

For drinking water and wastewater services, customers' bills typically support [the costs to capture, treat, and convey water](#). The U.S. Environmental Protection Agency (EPA) [states](#) that full cost pricing for water systems includes "past and future operations, maintenance, and capital costs." Water pricing structures vary (e.g., tiered rates or flat rates). Some publicly owned water systems may use other sources of local revenue to offset operation costs or use some water-rate revenue for other municipal purposes. While systems generally have flexibility in determining a pricing structure, certain privately owned systems (and, in some states, publicly owned systems) are subject to state and local requirements that control rate changes.

Several factors may influence the cost of providing water service, including investments needed to repair infrastructure, expand service, or comply with regulatory requirements. Some systems offer programs to assist low-income customers with water bill payments, such as individualized payment plans or customer

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IN11642

assistance programs (CAPs). However, some states prohibit the use of rate revenues to fund CAPs. Other states face potential [legal challenges](#) in doing so. Some water systems have previously disconnected service to certain delinquent accounts.

COVID-19-Related Impacts on Water Systems

The public and private sector and individuals have taken actions to control the spread of COVID-19 (e.g., school and business closures). The decline in economic activity has constrained municipal budgets, which may affect publicly owned [water systems](#). Further, many more households are facing financial hardship due to economic losses, and may have difficulty paying water bills. During the pandemic, [numerous water systems](#) have committed to continuing service to nonpaying customers or have restored connections to delinquent accounts. Water systems may have made social distancing accommodations by changing work schedules, had to manage unexpected absences, and contracted with operators when other personnel were ill. These [operational](#) changes would increase [costs](#).

State and local actions requiring water service continuity (shut-off bans) and closures of non-essential businesses may reduce revenues. Non-residential users, including businesses, typically account for [roughly 40%](#) of water supplied by systems. Lower demand from commercial and industrial high-volume users may cause substantial revenue losses. Together, these revenue losses ([estimated at \\$13.9 billion annually](#)) may challenge water service providers' ability to operate and maintain systems without increasing water rates. Though, through summer 2020, [several water systems](#) reported changes in water use consumption (from non-residential to household water use) that resulted in higher-than-average billed revenues.

Reduced water-rate revenues may affect a system's financial capacity to repair water infrastructure. During the pandemic, concerns over the disruption of the supply of safe and reliable drinking water have heightened due to the importance of water to handwashing and other public health measures. Repairs needed to restore water services in Texas and Mississippi that were disrupted by winter storms have increased attention on the pandemic's impact on water systems' capacity to quickly fund such capital investments.

Recent Congressional Funding

To address such issues, Congress has taken two approaches: (1) providing temporary assistance to pay for or offset water rates on behalf of households, and (2) supporting water and sewer infrastructure investments as an eligible use of funding provided to state and local governments.

P.L. 116-260 provided \$638 million for a new Low-Income Household Drinking Water and Wastewater Emergency Assistance Program ([Division H, Title V, §533](#)) to be administered by the Department of Health and Human Services (HHS). Congress appropriated an additional \$500 million for low-income water assistance in ARPA ([§2912](#)).

Funds will be made available to states and tribes to assist low-income households with their water and wastewater services bills. The HHS Secretary is to calculate state ([defined in ARPA](#) to include the territories) and tribal grants based on the percentage of households at or below 150% of the federal poverty line and the percentage of households spending more than 30% of their income on housing ([a measure of cost-burden](#)). Payments are to be made to water providers, and, per P.L. 116-260, HHS may use procedures from other low-income assistance programs to administer funds. This may mean that [HHS will use processes similar to those it uses in administering the Low Income Home Energy Assistance Program](#). As of the date of this Insight, HHS had not yet announced grants or processes for low-income water assistance.

Both P.L. 116-260 ([Division N, Title V, §501](#)) and [ARPA](#) included funds (nearly \$47 billion total) for an [Emergency Rental Assistance Program](#). Funds are available for utility bills as well as rental assistance, [including water bills](#). A separate [Homeowner Assistance Fund](#) in ARPA (funded at \$9.961 billion) is also available to pay [water bills](#), in addition to its availability for mortgage payments, insurance, and other utility bills.

[ARPA Section 9901](#) included \$350 billion for state (including tribes and territories) and local governments for a broad range of COVID-19 response activities, including for “necessary investments in water, sewer, or broadband infrastructure.” The extent to which this funding would be used to make such investments is unknown, given the range of eligible activities.

Author Information

Elena H. Humphreys
Analyst in Environmental Policy

Libby Perl
Specialist in Housing Policy

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