



Low Income Household Water Assistance Program

Potential Program Dimensions and Costs

November 2016

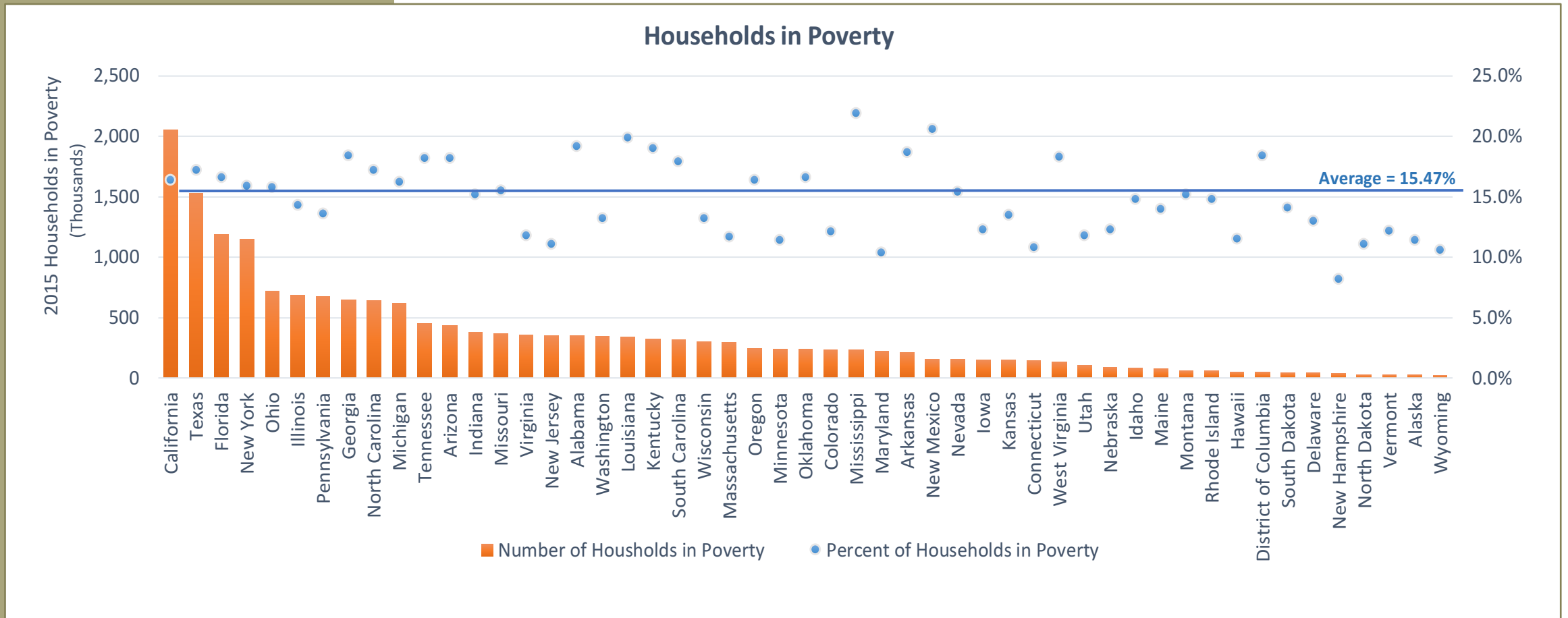
Introduction

- Affordability is one of the most important issues facing water and wastewater utilities today.
- As a practical matter, the key to delivering “affordable” water and wastewater services to households and businesses across America is recovery of the full cost of all services delivered.
- This requires utilities to allocate service costs to customers in proportion to their use, but the burden of such an allocation in many jurisdictions exceeds some customers’ ability to pay.
- Without relief for low-income customers, water and wastewater utilities face real barriers to rate increases needed to recover full costs of service.
- Broad-based capital assistance programs help, but in many jurisdictions, they are not sufficient.
- Accordingly, this analysis examines the potential for, and costs of, a targeted low-income household support program modeled roughly after a similar program in the energy sector.

Toward a Low Income Household Water Assistance Program (LIHWAP): Key Issues

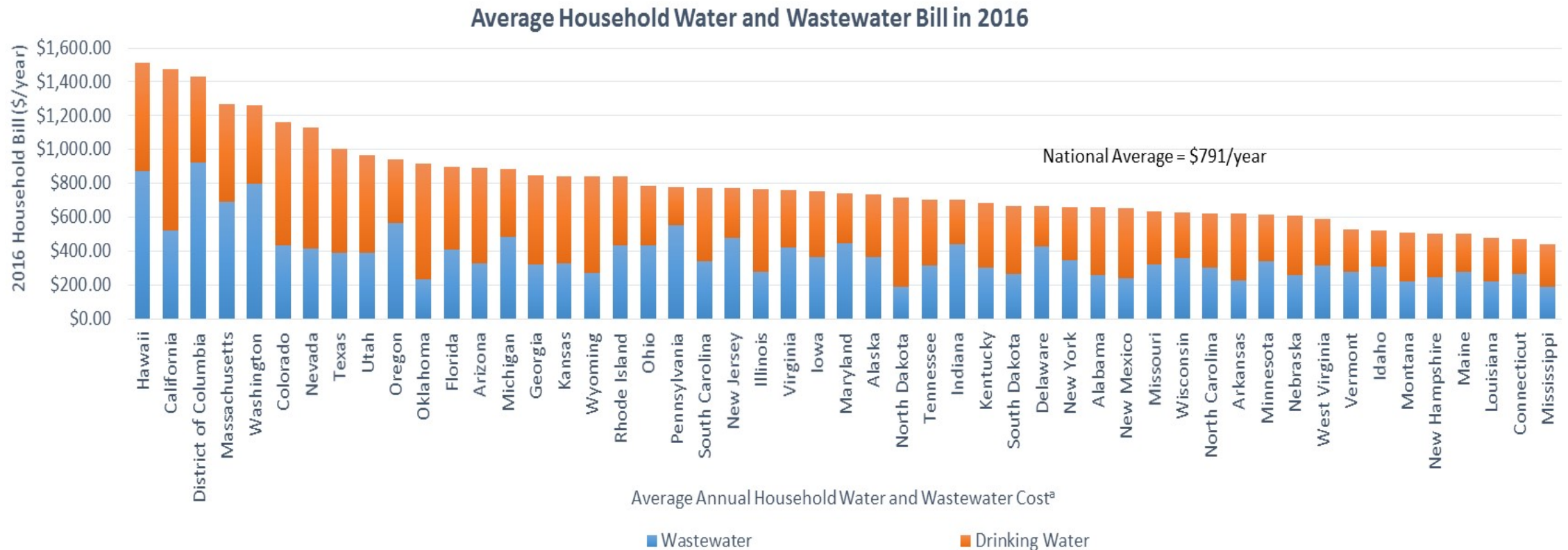
- How widespread is poverty in America?
- How have we addressed other assistance programs to deal with households in poverty?
- What level of funding would be needed to provide similar levels of assistance for water and wastewater services for Americans near or below the poverty line?
- How could a water/wastewater assistance program (LIHWAP) be structured?
- What are some of the key policy issues that must be addressed in the administration of a LIHWAP?
- How far would a LIHWAP program go in selected cities?

US Poverty is Widespread



The U.S. Census Bureau determines poverty status by comparing pre-tax cash income against a threshold that is set at three times the cost of a minimum food diet in 1963, updated annually for inflation using the Consumer Price Index. In 2014, the poverty threshold for a family of four was \$24,230.

Average US Water and Wastewater Bill = \$791/year



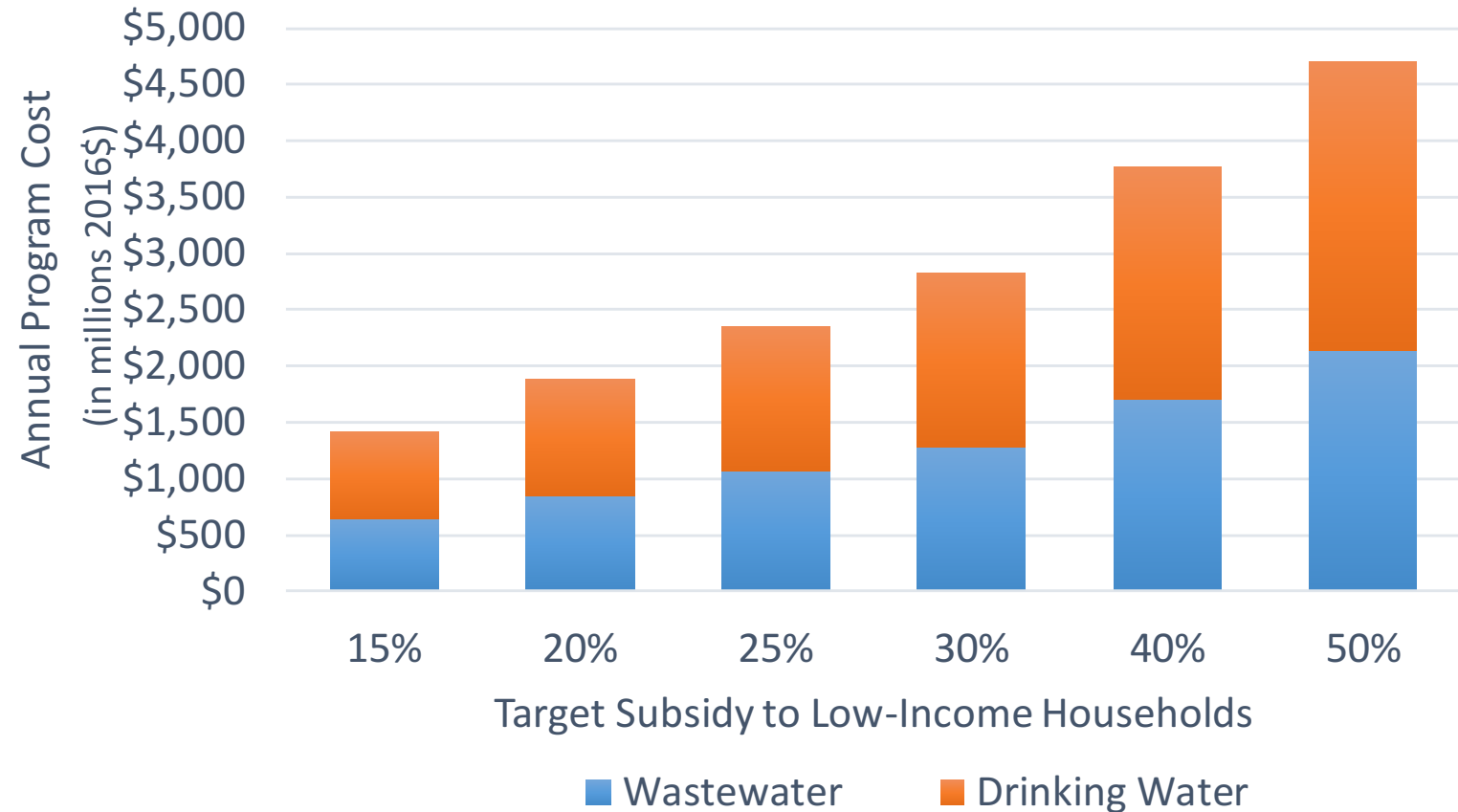
^aAssuming 20% of total utility revenue is from non-household customers (e.g. commercial and industrial)

Two Benchmark Programs for Assistance to Low Income Households: LIHEAP and Food Stamps (SNAP)

Program	Average Annual Cost Per Household	Cost as Percent of Household Income	Program Assistance Levels	Annual Program Funding
LIHEAP	\$779 ^a	3.2%	46%	\$3.5-\$4.5 billion
SNAP	\$11,028	46%	50%-100%	\$70-\$80 billion

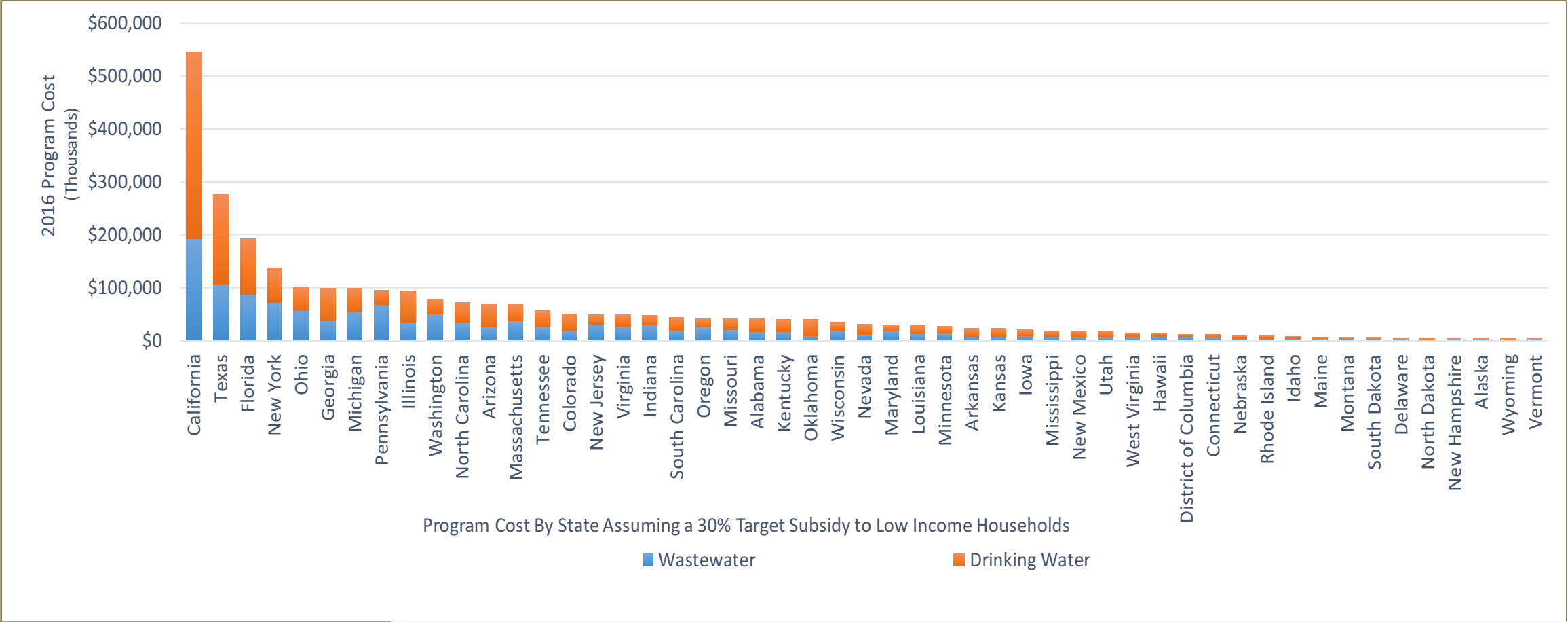
^aWinter Heating Costs Only

Cost of a LIHWAP Program at Different Assistance Targets

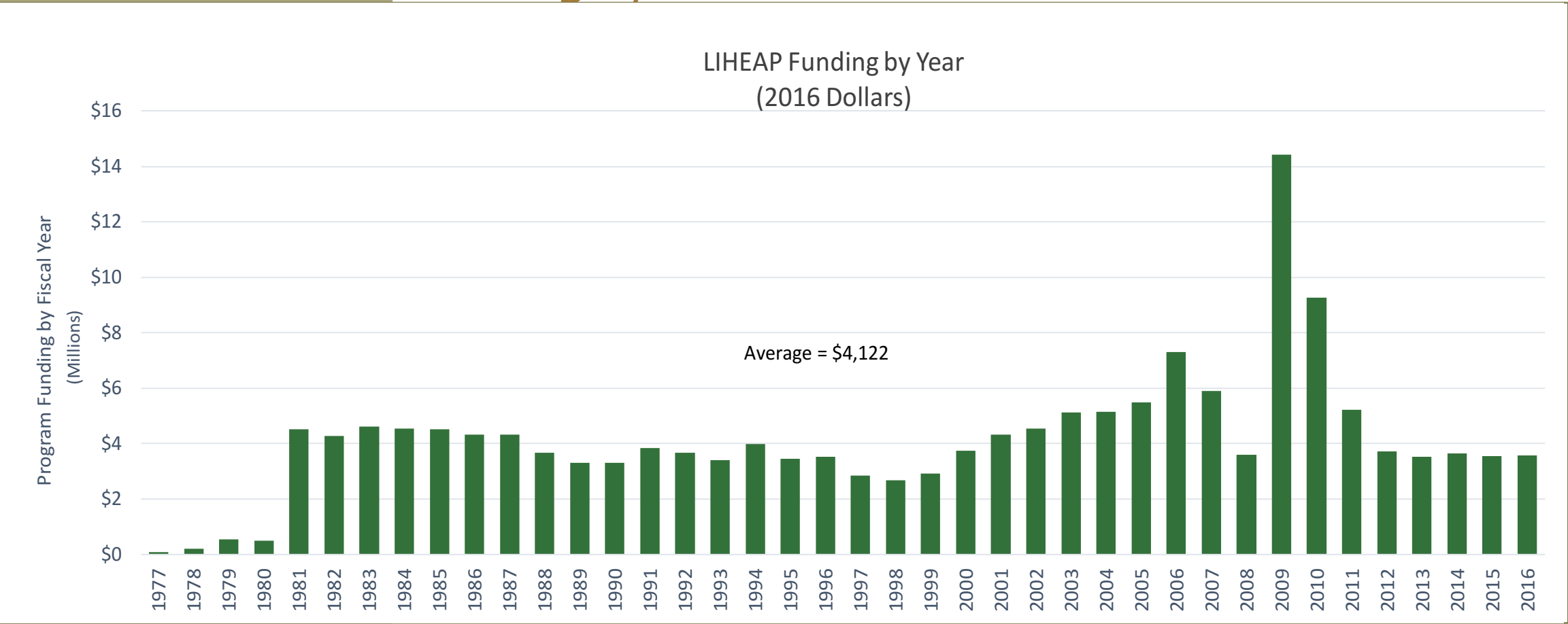


Note: Figures above assume: (a) 20% of water and wastewater revenue, on average, is from non-household customers (e.g. commercial and industrial), and (b) low-income household water/wastewater bills are 60% of average bills.



LIHWAP Funding Assuming a 30% Assistance Target



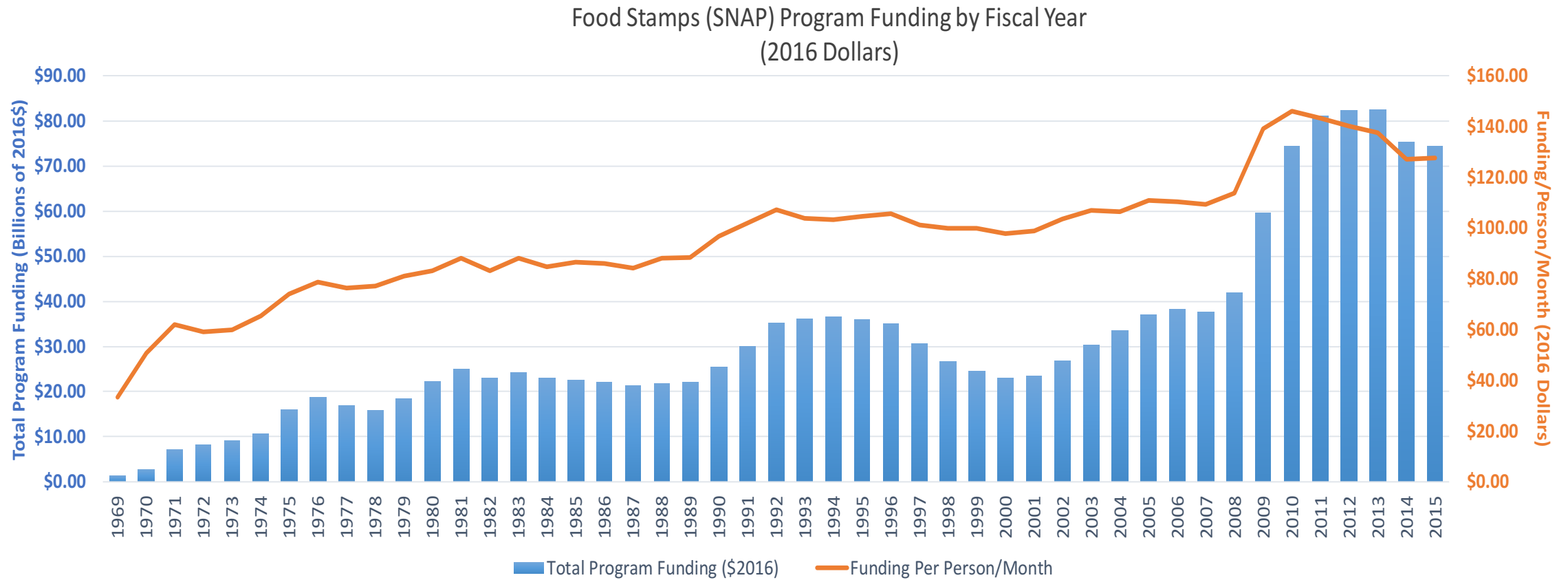
Federal LIHEAP Funding by Year in 2016 Dollars



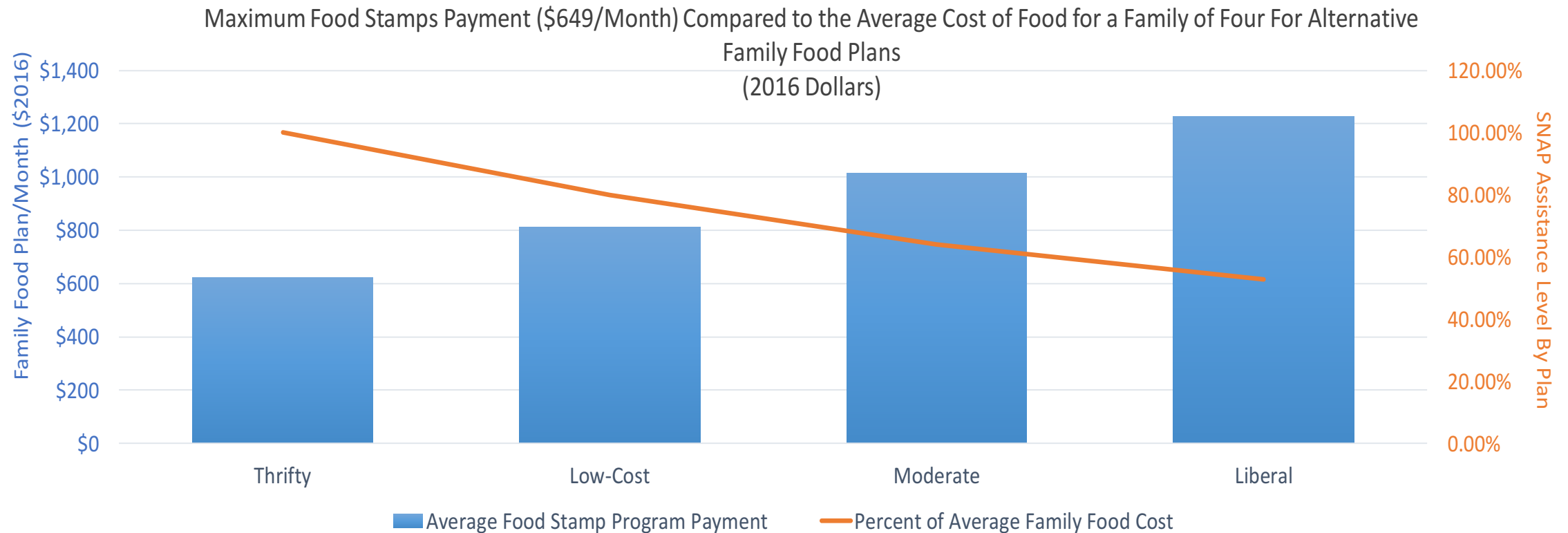
Funding Objectives: LIHEAP vs LIHWAP

Program	Based on Average Funding 1981-2016	Based on LIHEAP Funding at Target Percent Assistance
If Mimicking this Characteristic of the LIHEAP Program is the Target: 	\$4.5 billion (actual in 2016 dollars)	17% of energy cost of all households below the poverty line in 2014
This Row Shows the Comparable LIHWAP Program Funding Level: 	\$4-\$5 billion , which is 50%-60% of nationwide cost of water and wastewater for all households below the poverty line	\$1.3 - \$1.7 billion which is 15%-20% of nationwide cost of water and wastewater for all households below the poverty line



Food Stamps (SNAP) Program Funding (2016\$)



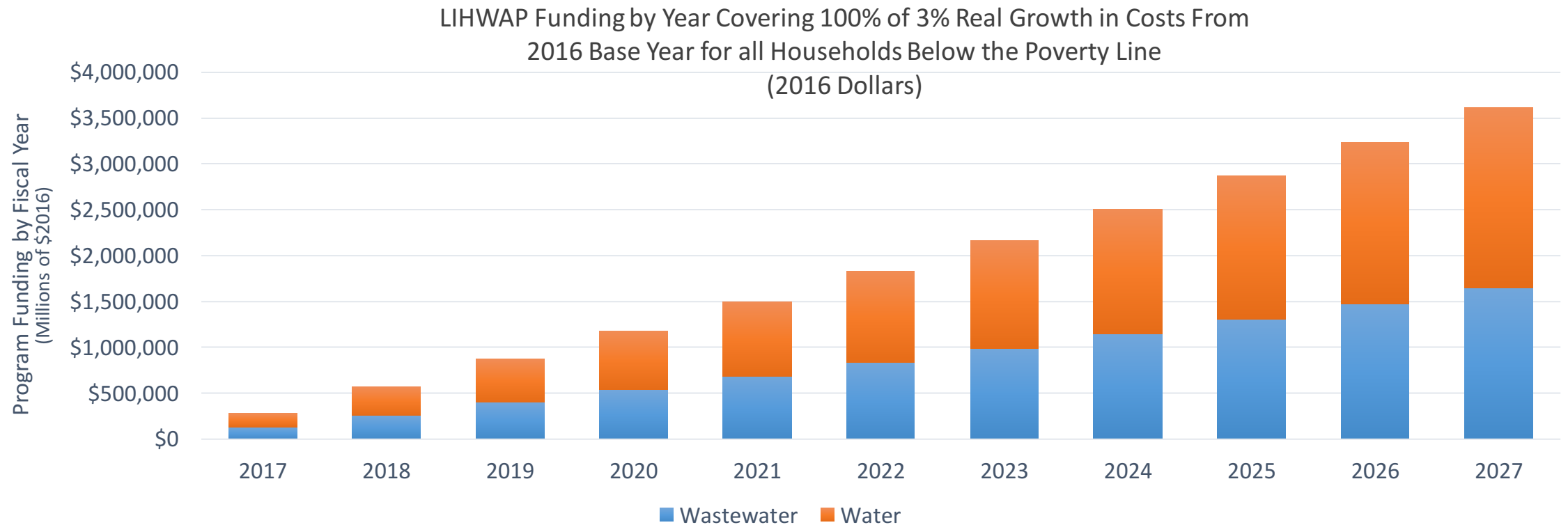
Food Stamps (SNAP) Program Funding (2016\$)



Funding Objectives: LIHWAP vs Entitlements

Program Design Variable	SNAP's Maximum Family Benefit of \$649/month Pays 50% to 85% of Family Food Costs for Families on a "Thrifty" and "Moderate" Food Plan, Respectively (\$2016)	
If Mimicking this Characteristic of the SNAP Program is the Target 	50 % of Average Commodity Cost "Thrifty" Family Food Plan	85% of Average Commodity Cost "Moderate" Family Food Plan
This Row Shows the Annual Funding Level of a LIHWAP Program 	\$4.7 billion (\$94/person/year) which is 50% of nationwide cost of water and wastewater for all people living below the poverty line	\$8.0 billion (\$161/person/year) which is 85% of nationwide cost of water and wastewater for all people living below the poverty line

An Alternative LIHWAP Proposal: Fund Real Growth in Rates for Those Living Below the Poverty Line



Key Issues in Structuring a LIHWAP Program

- **Program Scope** – cover both water and wastewater, given the relationship between their use, comparability of service costs, and anticipated administrative process.
- **Income Targeting** – LIHEAP (sectoral assistance) and SNAP (entitlement) programs set precedent somewhere around \$125/person or \$340/household below the poverty line, which will cover about half of the average combined water and wastewater bill nationwide. If structured to subsidize future rate increases, might consider a cap at this level, which would occur around 2032.
- **Program Delivery Method** – LIHEAP administered by the Department Housing and Human Services (HHS), SNAP administered by the Department of Agriculture, so intuitively since its more of a sectoral program than an entitlement, LIHWAP could be administered by HHS using block grants to states for distribution to utilities or households upon application, similar to LIHEAP.
- **State Match** – LIHEAP does not require states (including territories and tribes) to match federal grants, although there is a separate, intermittently funded incentive program that requires a match.
- **Administration** – Based on the success of LIHEAP, LIHWAP could take on similar administrative processes (see next slide)

LIHWAP Administration

Like LIHEAP:

- Federal LIHWAP rules should allow grantees to decide the mix and dollar range of benefits, choose how benefits are provided (e.g., to utilities or directly to households), and decide which agencies will administer the program.
- LIHWAP grantees should provide details to HHS about program operation via a state plan submitted each year and they are to provide a method for public participation in the state plan's development.
- The state agency administering LIHWAP should coordinate with other relevant low-income programs, including LIHEAP.
- LIHWAP grantees should be required to establish fiscal control and accounting procedures, including monitoring assistance.
- LIHWAP grantees should be required to evaluate the effectiveness and efficiency of their programs periodically.

Assistance Levels of a \$4 billion LIHWAP Program in 50 Cities

