

Reduction in U.S. water utility revenue may result in \$32.7 billion economic hit

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Revenue shortfalls at U.S. drinking water utilities from the coronavirus pandemic may reduce economic activity by \$32.7 billion and cost 75,000 to 90,000 private sector jobs, according to a new analysis (https://www.amwa.net/sites/default/files/AWWA-AMWA-COVID-19_Report_2020-04.pdf) prepared by Raftelis for the American Water Works Association (AWWA) and the Association of Metropolitan Water Agencies (AMWA).

The report (https://www.amwa.net/sites/default/files/AWWA-AMWA-COVID-19_Report_2020-04.pdf) estimates drinking water utilities in the United States will see revenues from customer payments drop by nearly \$14 billion. The impacts result from the elimination of water shutoffs for non-payment, increased late payments due to high unemployment, reductions in non-residential water demands and fewer new customers.

“Water utilities are laser-focused on protecting public health to prevent the spread of COVID-19,” said AWWA CEO David LaFrance. “That means assuring safe water is always available for hand-washing and other purposes -- especially to households that are struggling financially.

“AWWA is working with our elected leaders in U.S. Congress to assist both lower-income customers and water utilities facing significant financial hardships due to the pandemic,” he added. “We urge Congress to support new investments in our critical water infrastructure to help put Americans back to work.”

The drop in revenue will require utilities to scale back projects by as much as \$5 billion (annualized) to help manage cash flows due to the crisis. These reductions will have a cascade effect on economic activity in communities across the United States.

“The economic fallout of the COVID-19 pandemic is being felt by every community in the nation, and water systems are not immune from the impacts,” said AWWA CEO Diane

VanDe Hei. “This analysis makes clear that community water systems have been dealt a severe economic blow, and emergency federal assistance for water systems and their ratepayers must be a central component of future COVID-19 response legislation.”

The anticipated financial impacts were estimated by (1) obtaining recent and relevant data regarding observed or anticipated financial and operational water utility impacts, (2) monetizing the impacts, and (3) scaling up or aggregating available data to estimate the impacts on a national level.

Drinking water utilities may also experience additional future revenue losses estimated at approximately \$1.6 billion in aggregate as a result of deferrals of planned water rate increases, bringing the total combined impact of the crisis on drinking water utilities to more than \$15 billion. These deferrals will further exacerbate community economic impacts by further reducing capital spending and will put the water sector further behind in addressing its capital infrastructure needs.

The financial impact of the COVID-19 crisis on drinking water and wastewater utilities combined is estimated to exceed \$27 billion.

The report, titled Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities, was prepared with funding from the AWWA Water Industry Technical Action Fund (WITAF). The fund, which is supported by organizational member dues, allows AWWA to provide analyses that help inform important public policy decisions.

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Established in 1881, the American Water Works Association is the largest nonprofit, scientific and educational association dedicated to managing and treating water, the world’s most important resource. With approximately 51,000 members, AWWA provides solutions to improve public health, protect the environment, strengthen the economy and enhance our quality of life.

The Association of Metropolitan Water Agencies is an organization of the largest publicly owned water utilities in the United States. AMWA is the voice of metropolitan water systems on federal water policy issues, and its programs foster sustainable, innovative utility management.

Raftelis is the trusted advisor to utilities and the public sector. With 120 consultants across the country, Raftelis helps utilities and public-sector organizations solve their financial, management, technology, and communication challenges, achieve their objectives, and ultimately, make their communities better places to live, work, and play.

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