

Baltimore Must Stop Household Water Shutoffs: An Analysis of Key Facts, Figures and Trends

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Baltimore City has threatened to shut off water service to thousands of customers who are behind on their water bills. Many residents could lose access to running water in their homes because they simply cannot afford to pay the city's ever-growing water rates. To avoid violating basic human rights and creating a public health crisis, the city must stop residential shutoffs, restore service to disconnected households and implement a broad and accessible affordability program.

Water shutoffs

At the end of March 2015, Baltimore announced plans to disconnect water service to as many as 25,000 customers — an estimated 60,000 people¹ — who owed more than \$250 and were more than six months late on their water bills.² About one in ten city customers would receive a water shutoff notice.³

While shutoffs are not new in Baltimore, the scale of the current plan is alarming. In previous years, Baltimore disconnected about 3,000 customers annually.⁴ With this aggressive new campaign, the city could see an eightfold increase in shutoffs. The city said that it planned to disconnect about 600 households a week.⁵

Businesses owe a disproportionate amount. Just a few hundred businesses collectively owed millions of dollars on their water bills. It would be more cost effective and equitable for the city to prioritize collecting overdue bills from those commercial accounts. However, during the first two weeks of the shutoffs, the city disconnected as many as 150 customers a day, none of which was a business.⁶

Just 369 commercial customers owed \$15 million — more than a third of the \$40 million that the city was due.⁷ One corporation, the bankrupt RG Steel, owed \$7 million of that amount.⁸ The other 368 businesses owed an average of about \$22,000 each. To date, the city has not released the list of delinquent businesses.⁹

In comparison, residential accounts owed a total of about \$15 million,¹⁰ with the typical household owing \$500 to \$600.¹¹ Nonprofit and government accounts owed the remaining \$10 million.¹² About \$8 million was due from the Housing Authority of Baltimore City.¹³

Unaffordable water bills

Water service is unaffordable for one-third of Baltimore households. Many Baltimore households are behind on their water bills simply because they lack the means to pay them.

The United Nations Development Programme set a threshold for affordable water and sanitation service at 3 percent of household income.¹⁴ In Baltimore City, one-third of households make less than \$25,000 a year,¹⁵ while the typical household paid about \$804 a year on water and sewer service as of April 2015.¹⁶ That means 33 percent of households are paying more than 3 percent of their income on water and sewer service. Water service is unaffordable for more than 80,000 Baltimore City households.

| Household Income | Baltimore City Households | Typical water bill as a portion of household income | |
|---------------------------------|---------------------------|---|------------------------|
| | | July 2014 to July 2015 | July 2015 to July 2016 |
| Less than \$10,000 | 13.6% (32,720) | 8.0% or more | 8.9% or more |
| \$10,000 to \$14,999 | 7.6% (18,465) | 5.4% or more | 5.9% or more |
| \$15,000 to \$24,999 | 12.0% (28,943) | 3.2% or more | 3.6% or more |
| Total less than \$25,000 | 33.2% (80,128) | 3.2% or more | 3.6% or more |

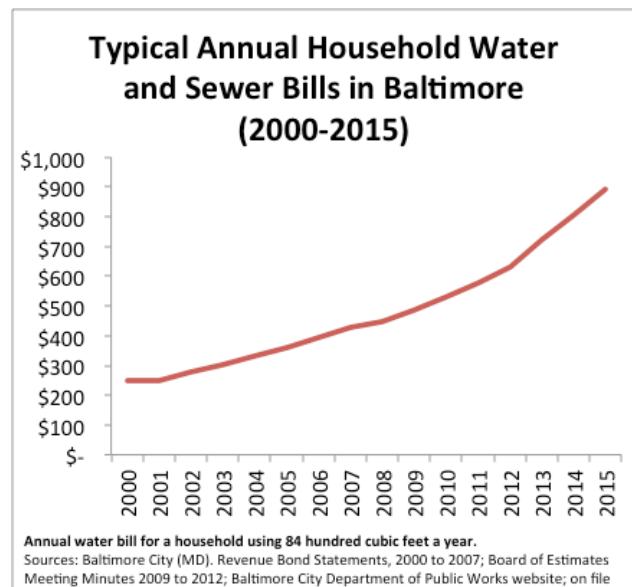
Source: U.S. Census. 2009-2013 American Community Survey 5-Year Estimates. Table DP03 Selected Economic Characteristics. March 31, 2015.

The shutoffs occurred in the context of a low-wage economy with high rates of unemployment and underemployment:

- Nearly a quarter of residents and more than a third of children in Baltimore are living in poverty.¹⁷
- As of January 2015, the city’s unemployment rate was 8.7 percent¹⁸ — 1.5 times the national average.¹⁹

Water rates have more than tripled over the last 15 years and continue to increase.

Since 2000, water and sewer rates have more than tripled in Baltimore City.²⁰ The city approved another 11 percent rate increase for July 2015. The increases are to fund major capital improvement projects,²¹ not changes in operating costs. The city, in fact, budgeted to cut about 50 positions from the water and wastewater management and customer service workforce in fiscal year 2015.²² Without an increase in federal and state support, rates will continue to increase to pay for necessary repairs and upgrades to the water and sewer systems.



It is a violation of human rights to shut off water service to households that cannot afford to pay their water bills. The United Nations has officially recognized the human right to water and sanitation.²³ This human right does not obligate governments to provide

free water service to everyone, but it does require that the service be affordable for all. According to UN officials, it is a violation of human rights to disconnect the water service to households that lack the financial capacity to pay their water bills.²⁴

In 2014, an aggressive water shutoff program in Detroit, Mich., prompted widespread protest, international media scrutiny and condemnation by the United Nations. In October 2014, following a three-day tour of Detroit and extensive interviews with residents, Catarina de Albuquerque, the UN Special Rapporteur on the Human Right to Water and Sanitation, concluded, "It is contrary to human rights to disconnect water from people who simply do not have the means to pay their bills."²⁵ The Special Rapporteur urged Detroit to restore water service to residents unable to pay their bills, households with small children and other vulnerable populations.²⁶

Baltimore's existing low-income assistance program is inadequate and inaccessible.

Baltimore does not offer sufficient water bill assistance to low-income residents, and low-income residents may have difficulty applying for the assistance that is available.

The city currently offers an annual grant of \$161 to certain low-income residents who are behind on their bills to help pay their past-due amounts. Qualifying residents who work out a payment plan with the city receive a credit of \$161 on their outstanding balance. Residents who fall behind on an existing payment plan are ineligible for additional aid.²⁷ This level of assistance is inadequate. As of April 2015, a typical annual household water bill after accounting for the grant was \$643, an amount that is unaffordable for the more than one in five Baltimore households who make less than \$15,000 a year.²⁸

In addition, there are barriers to applying for the grant. According to a 2010 city audit, the program requires residents to make two separate in-person trips before receiving assistance. They must apply in person at one of the city's six Community Action Centers, and then at a later date, applicants must go to the Water Turn-Off Desk in the Bureau of Revenue Collections to sign a payment agreement.²⁹ These procedural requirements along with the documentation requirements may be too onerous for many low-income residents. From spring 2008 to March 2010, the city provided fewer than 4,000 low-income grants.³⁰

Aside from a senior citizen discount, the city provides no ongoing support to low-income residents and offers no support to low-income residents before they fall behind on their bills. The city needs to take a more preventative and proactive approach to assisting low-income residents with their water bills. It also needs to increase the amount of assistance to ensure that bills are affordable. Residents should not pay more than 3 percent of their annual income on water and sewer service.

Inequitable Billing Practices

The water rate structure forces households to subsidize big businesses. Unlike most cities,³¹ Baltimore has a declining block rate structure, so customers pay less for higher volumes of water of used. As of April 2015, a typical household paid \$4.082 per unit of

water (a unit is 100 cubic feet of water or about 748 gallons). A business using 1,500 units a quarter would pay half that rate — \$2.04 per unit. The more water a business uses, the lower the average rate it pays.³² Big corporations should not receive a bulk discount on the backs of residents and small businesses. The city can help finance an expanded low-income assistance program by addressing inequities in its rate design.

Customer bills may be inaccurate and inflated. The city has a history of overbilling households because it estimated many water bills instead of actually reading water meters. In 2012, following numerous billing complaints, the Comptroller’s office audited a sample of 70,000 accounts (out of more than 400,000 total accounts in the city and county) and found that the Department of Public Works had overbilled about 20,000 customers from 2008 to 2011. Following the audit and a consultant’s review, the city planned to credit customers a total of \$10.5 million for errors identified in the audit.³³

Since then, the city has reduced its reliance on estimated billings. In 2013 and 2014, about 5 percent of accounts had estimated billings.³⁴ Although this is a major improvement over previous years, it indicates that some households, including those receiving shutoff notices, may still have inaccurate bills. Some residents have also reported that they carry past-due amounts related to historical overbillings and have struggled to get the city to adjust their bills.³⁵

Informal conferences are an inappropriate way to address billing errors and complaints. The city uses informal conferences to address customer concerns about the accuracy of their bills.³⁶ The city should standardize its bill adjustment procedures and make the process more open and transparent.

Long-Term Solutions

All levels of government have a responsibility to protect the human right to water and to ensure that every resident has access to safe and *affordable* water service.

Baltimore needs a water safety net and more-effective assistance programs. The city must provide greater assistance to low-income residents, and it must make that assistance easy to access. Baltimore needs a comprehensive, accessible water affordability plan to ensure that all low-income residents have access to safe and affordable water service. An income-based approach to water billing is the most equitable option.

Baltimore needs renewed federal and state commitments to our water and sewer infrastructure. Both the Maryland legislature and Congress can take action to increase assistance to water and sewer systems. Dedicated sources of federal and state funding for the Drinking Water and Clean Water State Revolving Funds would provide financial aid to Baltimore and other communities struggling to update aging systems and meet increasingly stringent quality standards. Baltimore needs a renewed federal and state commitment to protect our water resources and to ensure that these essential services are affordable for all.

Sources

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- ³ More than 21,000 customers were in the city; the city has a total of 206,236 accounts. Broadwater, March 26, 2015; Baltimore City (MD). Updates to Certain Financial and Operating Data (Including the Audited Water Utility Financial Statements for Years Ended June 30, 2014 and 2013) at 9.
- ⁴ Wisely, John. "Detroit not alone in shutting off water to prod people to pay bills." *Detroit Free Press*. July 27, 2014.
- ⁵ Reutter, Mark and Danielle Sweeny. "Crackdown on unpaid water bills will involve 600 shutoffs a week." *Baltimore Brew*. April 8, 2015.
- ⁶ Broadwater, Luke. "Protesters call on mayor to stop water shut-offs over unpaid bills." *Baltimore Sun*. April 16, 2015.
- ⁷ Broadwater, March 26, 2015; Reutter and Sweeny, 2015.
- ⁸ Broadwater, April 16, 2015.
- ⁹ Broadwater, April 16, 2015. As of April 22, 2015, the city had also not responded to a Public Information Act request from Food & Water Watch for the names of delinquent businesses and amounts owed by each.
- ¹⁰ Reutter and Sweeny, 2015.
- ¹¹ *Ibid.*
- ¹² *Ibid.*
- ¹³ Baltimore City (MD). Updates to Certain Financial and Operating Data (Including the Audited Wastewater Utility Financial Statements for Years Ended June 30, 2014 and 2013) at 16.
- ¹⁴ United Nations Development Programme. (2006). *Human Development Report 2006*. UN Development Programme: New York, NY at 11 and 66.
- ¹⁵ U.S. Census Bureau. U.S. Census 2009-2013 American Community Survey 5-Year Estimates. Table DP03 Selected Economic Characteristics. March 31, 2015.
- ¹⁶ Baltimore City (MD). Department of Public Works (DPW). "City of Baltimore Water and Wastewater Rates." Available at <http://publicworks.baltimorecity.gov/Bureaus/WaterWastewater/CustomerSupportandServices/Rates.aspx>. Accessed April 14, 2015.
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- ²¹ Baltimore City (MD). "Fiscal Year 2015 Agency Detail: Board of Estimate Recommendations Volume II." April 2014 at 100.
- ²² *Ibid.* at 101.
- ²³ United Nations. General Assembly. Resolution 64/292. The human right to water and sanitation. July 28, 2010.
- ²⁴ UN Human Rights. [Press statement.] "Joint Press Statement by Special Rapporteur on adequate housing as a component of the right to an adequate standard of living and to right to non-discrimination in this context, and Special Rapporteur on the human right to safe drinking water and sanitation Visit to city of Detroit (United States of America) 18-20 October 2014." October 20, 2014.
- ²⁵ UN Human Rights. [Press release]. "Detroit's water shut-offs target the poor, vulnerable and African Americans." October 20, 2014.

²⁶ *Ibid.*

²⁷ Baltimore City (MD). DPW. [Brochure]. "Low Income Water Assistance Program." June 2014.

²⁸ U.S. Census Bureau, 2015.

²⁹ Baltimore City (MD). Department of Audits. "Audit of Low Income Water Assistance Program." April 2010 at 4 to 5.

³⁰ *Ibid.* at 18.

³¹ According to the American Water Works Association's 2012 survey, only 18 percent of cities still had a decreasing block rate structure. American Water Works Association and Raftelis Financial Consultants. "2012 Water and Wastewater Rate Survey." February 2013 at 8.

³² Baltimore City (MD). DPW. "City of Baltimore Water and Wastewater Rates." Available at <http://publicworks.baltimorecity.gov/Bureaus/WaterWastewater/CustomerSupportandServices/Rates.aspx>. Accessed April 14, 2015.

³³ Baltimore City (MD). Updates to Certain Financial and Operating Data (Including the Audited Wastewater Utility Financial Statements for Years Ended June 30, 2014 and 2013) at 20 to 21; Baltimore City (MD). Updates to Certain Financial and Operating Data (Including the Audited Water Utility Financial Statements for Years Ended June 30, 2014 and 2013) at 22.

³⁴ Baltimore City (MD). "Fiscal Year 2015 Agency Detail: Board of Estimate Recommendations Volume II." April 2014 at 124.

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