

Testimony of Jim Nash, Oakland County Water Resources Commissioner  
Before the House Health and Human Services Appropriations Subcommittee  
Monday, April 8, 2024

Thank you, Chair Morse, and all members of the subcommittee for the opportunity to testify today regarding state funding to support water affordability.

For background, I was first elected as the Oakland County Water Resources Commissioner in 2012 and, for over a decade, I have been charged with the responsibility of protecting public health and safety by managing drinking water, sewer, and stormwater systems throughout Oakland County. My office employs over 350 people who perform operations and maintenance for 22 local water systems that collectively service more than 175,000 citizens. Our operational activities require a deep understanding and involvement in the budgets, rates, and revenue needs to operate and maintain water systems for municipalities throughout Oakland County. In addition, my office is responsible for capital replacement projects and major maintenance for most of the systems. In FY22, we managed 76 capital and major maintenance projects, with a combined investment of more than \$250 million.

I am here today to share, from a water utility management perspective, several critical factors this subcommittee should consider in its budget appropriations for FY25 to support affordable water services for Michigan residents.

First, for over a decade, public water providers have been asked to do more with less. My talented team is always seeking opportunities to provide the most value for each investment dollar- but there is only so far that good budgeting and limited funding can stretch. For example, the proposed Lead and Copper Rule Improvements will require water systems to replace lead service lines within 10 years. While this ambitious timeline is admirable, for many communities this unfunded mandate may be near impossible. For the City of Pontiac, the estimated costs will be over \$6 million per year for 10 years. For scale, the city currently collects about \$3.6 million each year for capital work. Water is already considered unaffordable for approximately 37% of Pontiac residents, who will soon face another significant financial burden for lead service line replacement.

The second critical factor to consider is that most public water utilities do not receive municipal general funds to support water system operations. In addition, federal funding and state revenue sharing has seen steady and dramatic decreases for decades. This means that public water utilities are almost exclusively reliant on rate revenue from customers to operate systems. In addition to the costs of increasing regulations, like most other goods and services, the costs to provide water services are continuing to increase. From the costs of chemicals to the costs of contractors- the water industry is not immune from inflation. In communities with smaller populations, like Charter Township of Royal Oak with less than 2,500 residents, there are fewer customers to defray these inevitable and increasing costs. In Royal Oak Township, approximately 57% of the customers already have water and sewer rates that are considered unaffordable. As costs continue to climb, the number of households unable to afford water services will too.

Finally, it's important to remember that elected officials around the state are charged with setting community water and sewer rates and often feel pressure to keep rates stagnant or limit increases. This means that rates are not usually based on needed revenue requirements for optimal operation- but rather on political will and public tolerance for increases. While ratepayers may feel temporary relief when rates are not raised, they end up paying more in the long run. When water system operations and maintenance are deferred or investments are delayed, it puts a strain on infrastructure that is reaching the end of its useful life often resulting in more costly emergency repairs and service interruptions.

Michigan is at a pivotal moment to decide how to address these factors contributing to the problem of water services becoming unaffordable for more and more Michigan residents. Water utilities cannot solve this problem through rate revenue alone. Michigan can be a leader in the nation, enacting legislation to take a proactive approach to ensure households keep their water on and water providers have sufficient revenue to operate, maintain, and properly invest in their systems. There are Water Affordability bill packages pending in the House and Senate that are aimed to do just that.

The bills codify key recommendations and solutions that, after extensive research and business analysis, my office determined could be reasonably implemented by the water utilities we operate. For a minimal per meter fee of just \$2 per month, there will be approximately \$65 million to support the water affordability program. The program is designed to: (1) eliminate existing water debt that will reduce household financial burdens and improve the fiscal stability of utilities; (2) provide income-based water bills that achieve a targeted affordability level for low-income customers and provide consistent rate recovery for utilities; and (3) support healthy, safe, and livable homes by offering household plumbing repairs that will mitigate water loss, reduce water bills, address inefficiencies, and protect public health.

However, until a statewide affordability program can be enacted and implemented, there are existing needs that must be met and critical water programs that can continue to support households now. In Oakland County, for qualifying households in communities serviced by the Great Lakes Water Authority, they can participate in the Water Residential Assistance Program (WRAP). This program was significantly reformed in late 2022 to cover more of the bills for qualified ratepayers, to limit them to approximately 2% of average household income, and to simplify the application process. This has supercharged the number of customers served. According to the most recent data, counties like Oakland and Macomb that traditionally underutilized this funding are on track to max out funding. This demonstrates the significant need to help households afford critical water services. Organizations administering WRAP, like the United Way for Southeastern Michigan in Oakland County, need funding to supplement water assistance programs until a permanent statewide water affordability program with a sustainable funding source is in place.

At a minimum, maintaining the same level of funding from FY23 of \$60 million is critical to ensure that progress in addressing water affordability through existing assistance programs is maintained. And, with the passage of a comprehensive Water Affordability bill package, the state appropriation will be replaced by a permanent and sustainable funding mechanism.

Thank you for your time and consideration of this incredibly important funding need. Please consider my office a resource for any questions regarding this topic.

Respectfully submitted,



Jim Nash  
Oakland County Water Resources Commissioner