BANK OF AMERICA INSTITUTE

BANK OF AMERICA

Sustainability

Hard water bills

08 April 2025

Key takeaways

- The cost of water has increased significantly across the US in recent decades. In fact, water, sewer, and trash collection services charges have risen at nearly twice the rate of overall consumer prices. And in March, median monthly water utility payments were up 7.1% year-over-year (YoY), according to Bank of America data.
- Since 2022, water bills increased across the country, but only in the Midwest were bills higher than the national average in each of the past two years, according to Bank of America data. Yet the Mid-Atlantic region actually saw the greatest increase at 9.5% YoY in 2024.
- Higher-income households saw the biggest quarterly increase in water in 2024, according to Bank of America payments data. But lower-income households typically pay more as a percentage of their income. And with local utilities contending with rising operational costs caused in part by climate change-induced shifts, more households could fall into "water debt."

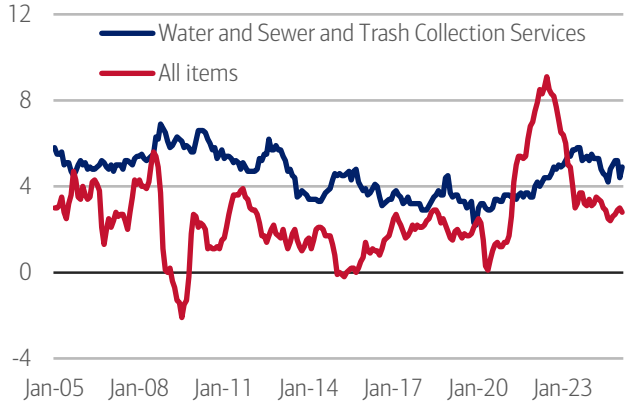
Consumers face increasing water pressure

According to the Environmental Protection Agency (EPA), the average American uses 82 gallons of water a day in their home – that's almost 30,000 gallons a year. Amid all that demand, utilities face rising capital and operating costs including changing treatment standards, deferred maintenance, and delayed rate increases.

This largely explains a harsh reality: water and sewer services (which includes trash collection) costs have increased at more than twice the rate of overall consumer prices over the past year (Exhibit 1). That's largely because water companies often pass the sizeable investments they make onto customers through increased water bills.[1] And, according to Bank of America internal data, median monthly water utility payments rose 7.1% YoY in March (Exhibit 2).

Exhibit 1: The cost of water, sewer, and trash collection services has increased nearly twice the rate of overall consumer prices in February

Consumer price index (monthly, YoY%)

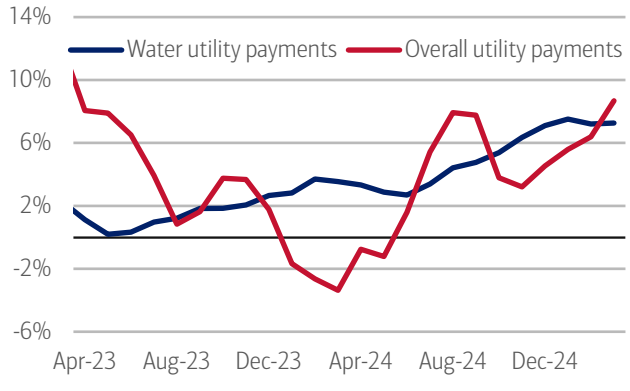


Source: Bureau of Labor Statistics

BANK OF AMERICA INSTITUTE

Exhibit 2: In March, median overall utility payments were up 8.7% YoY, and median water bills were up 7.1% YoY

Median monthly overall utility payments per customer and water utility payments, based on Bank of America deposit data (three-month moving average, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

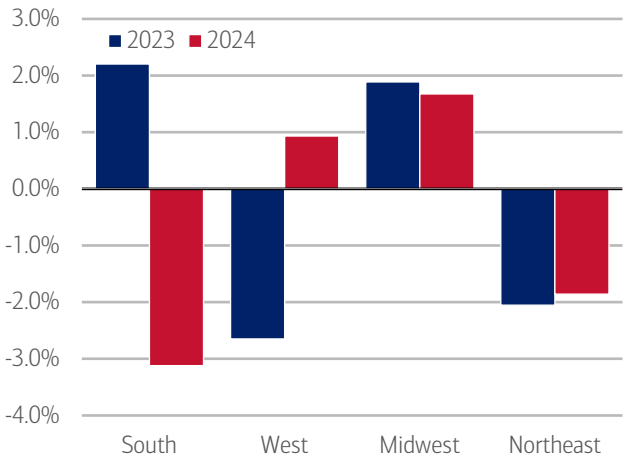
[1] Water Affordability Needs Assessment: Report to Congress

Bills begin to boil over in the Midwest and the West

Although there are roughly 50,000 community water systems nationwide, approximately 83% of US households are served by the 9% of utilities (approximately 4,300) that provide water to 10,000 people or more, according to the EPA. Those water systems are under stress from growing populations, aging infrastructure, and extreme weather patterns (read more on this in our piece, Feeling the heat, from April 2024).

According to Bank of America internal data, median water bills increased across all regions in the past two years. But when compared to the national level, the Midwest was the only region to have two years of consecutively higher water bills (Exhibit 3).

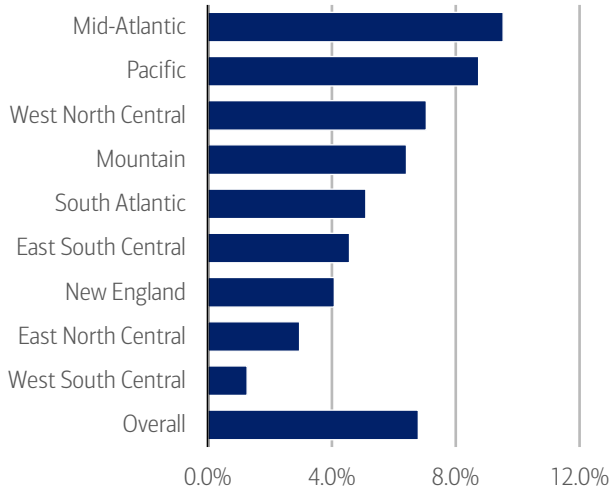
Exhibit 3: The Midwest was the only region with water bills higher than the overall US level for the past two years, and the Northeast was the only region to be consecutively lower
Difference in median water utility payment by region compared to national average (%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 4: Water bills in the Mid-Atlantic, Pacific, and West North Central regions rose faster than the national rate
Median quarterly water utility payment growth by region (2024 annual average, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Diving deeper, some areas within these regions are experiencing more acute pressure than others. For example, even though the greater Northeast region's median monthly payment was lower than the national average in 2024, the Mid-Atlantic (New Jersey, New York, and Pennsylvania) saw bills surge 9.5% YoY in 2024. That compares with the national increase of 6.8% YoY in 2024.

Why the difference? It's possible that labor-related inflation and seasonal charges due to weather in these states are more directly passed onto to customers, according to BofA Global Research. Various factors, such as infrastructure age, localized climate risks, and respective state policies, can influence regional water rate disparities.[2]

Not all water bills are created equally

According to Bank of America payments data, lower- and middle-income households' monthly water bills grew faster than the national average in 2023, but fell below the national average in 2024, with lower-income households' water bill growth turning negative (Exhibit 5).

On the other hand, higher-income households' water bill growth outpaced the national average in 2024. There was a jump in growth in Q3 and Q4 2024 for all income groups, but most significantly for higher-income households (Exhibit 6). In the first quarter of 2025, this cohort saw a 6% YoY increase in their water bill; lower-and middle-income households' bills increased 4.3% YoY and 4.9% YoY, respectively.

Why the jump for higher-income households? Higher-income households are likely to have larger properties and, as a result, greater water usage. Drought conditions were prevalent in the third quarter of 2024 throughout the country, and higher-income households' water usage is more sensitive to weather given larger lawns to water and less cost sensitivity, according to BofA Global Research.

Water affordability more pressing for lower-income households

Yet, according to the EPA, between 12.1 million and 19.2 million households throughout the US lack affordable access to water services. And for those at 75% of the federal poverty level, the average water burden – the percentage of income spent on water

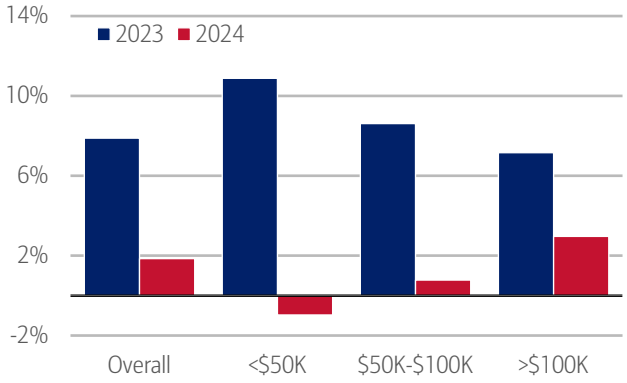
[2] U.S. Water and Sewer Bill Has Increased 24% in Five Years, Raising Affordability Concerns - Bluefield Research

and sewer services – was 7.3%[3]. And, as we noted in our February publication on utilities, while higher-income households typically pay more, it is far from a proportional rise, and as a result, lower-income households tend to pay more as a percentage of their income.

Plus, for those households that exceed the EPA's water affordability threshold of 4.5% of median household income, minimum-wage earners in select cities must work as much as 20 hours per month to cover their water and sewer bills.[4]

Exhibit 5: Lower-income households' annual water bills grew 11% YoY in 2023 but fell 1% YoY in 2024. In comparison, the national average increased 8% YoY in 2023 and 2% YoY in 2024

Median water utility payment by income (annual average, YoY%)

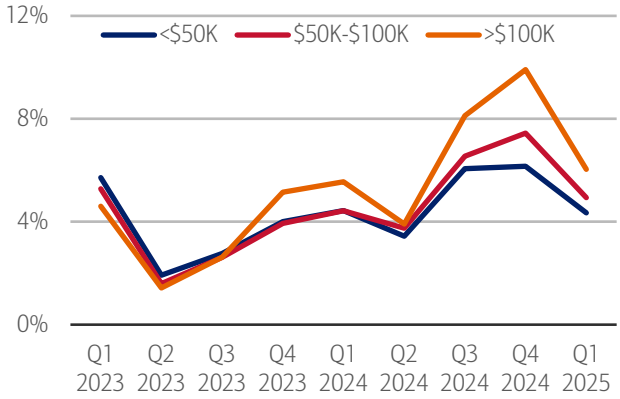


Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 6: Higher-income households saw a 6% YoY increase in their water bill in the first quarter of 2025

Median water utility payment by income (quarterly, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

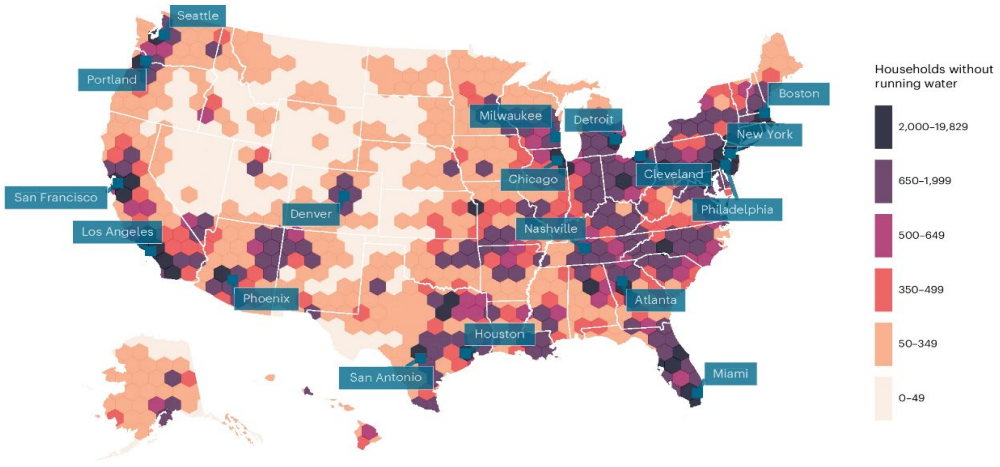
Water insecurity is more than a drop in the bucket

When households cannot keep up with their bills, they often accumulate debt to their local water company, exacerbated by late fees and disconnection charges.[5]

In fact, looking at Census Bureau data from 2017-2021, more than seven-in-ten US households without running water are in cities (71.7%), including major urban areas along the West Coast, Eastern Seaboard, and Sunbelt regions[6] (Exhibit 7). The pressure seen in these regions correlates with the rise in median water bill payments seen in Bank of America internal data.

Exhibit 7: For those who pay for water systems, more urban than rural households are without running water

Map of US households without access to running water during 2017-2021



Source: Urban inequality, the housing crisis and deteriorating water access in US cities Meehan et. al. Census Bureau

BANK OF AMERICA INSTITUTE

[3] LIHWAP Water Utility Affordability Survey Report – Administration for Children and Families
[4] U.S. Water and Sewer Bill Has Increased 24% in Five Years, Raising Affordability Concerns - Bluefield Research
[5] Millions of Americans lack affordable water access. Here's how local utilities can help. – Brookings Institute
[6] Urban inequality, the housing crisis and deteriorating water access in US cities | Nature Cities, Meehan et. al 2024

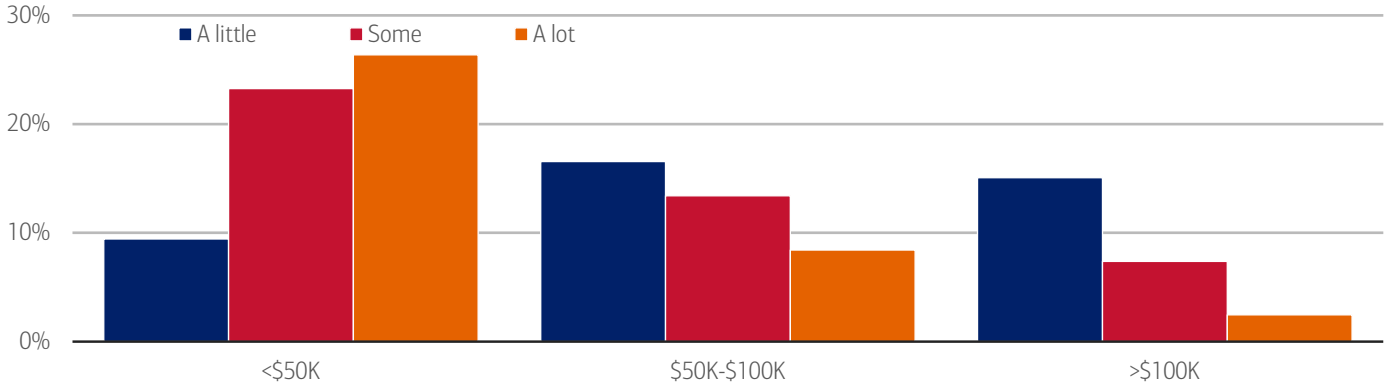
Natural disasters and policy changes add to the torrent

Plus, climate change-induced shifts and natural disasters pose an extra burden for lower-income consumers. In fact, according to Census Bureau data in 2024, 26% of lower-income households (<$50K) reported a major shortage of drinkable water one month after a natural disaster (Exhibit 8).

And if the federal Low Income Household Water Assistance Program (LIHWAP) is not funded at previous levels, more households could fall into "water debt" – in the program's four years, it served 1.7 million households.[7]

The challenge isn't just acute for customers. An estimated $744 billion is needed for drinking water and wastewater infrastructure improvements over the next two decades.[8] At the same time, local utilities are contending with rising operational costs driven in part by chemical treatment facility inputs and various capital challenges. Taken together, it might be some time before the rising tide of water bills eases.

Exhibit 8: Lower-income households were significantly more likely to experience a shortage of drinkable water following a natural disaster
Respondents who experienced shortage of drinkable water one month after disaster by income (%)



Source: US Census Bureau Household Pulse Survey.
Note: Data collected from August 20 – September 16, 2024.

BANK OF AMERICA INSTITUTE

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

[7] LIHWAP quarterly snapshot
[8] Case Studies: How Partnerships Can Help Fix America's Water Infrastructure | Bipartisan Policy Center

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988

4. Gen Xers: born between 1965-1977

5. Baby Boomer: 1946-1964

6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

Taylor Bowley

Economist, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Analytics, Modeling & Insights

Disclosures

These materials have been prepared by Bank of America Institute and are provided to you for general information purposes only. To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America. Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of Bank of America Institute and any individual authors listed, and are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries (collectively Bank of America). The views in these materials may differ from the views and opinions expressed by the BofA Global Research department or other departments or divisions of Bank of America. Information has been obtained from sources believed to be reliable, but Bank of America does not warrant its completeness or accuracy. These materials do not make any claim regarding the sustainability of any product or service. Any discussion of sustainability is limited as set out herein. Views and estimates constitute our judgment as of the date of these materials and are subject to change without notice. The views expressed herein should not be construed as individual investment advice for any particular person and are not intended as recommendations of particular securities, financial instruments, strategies or banking services for a particular person. This material does not constitute an offer or an invitation by or on behalf of Bank of America to any person to buy or sell any security or financial instrument or engage in any banking service. Nothing in these materials constitutes investment, legal, accounting or tax advice.