

April 19, 1994

**Western States Water Council  
Water Use Fee Survey  
Findings and Conclusions**

**General Findings**

Few states have anything resembling an actual water use fee that is recurring and based on the quantity of water used.

Most state water use fees are one-time application or filing fees.

Most are flat fees, though some are graduated based on the amount of water to be used, or costs, or the complexity of the action.

Some fee revenue is earmarked for revolving funds or accounts, but much (or most?) of the revenue is returned to the general fund or a special fund and must be appropriated.

While the cost of state services is increasing, opportunities to increase general funding is limited leading to funding shortages and rationing of services [backlogs].

Fees now fund or offset only a small portion of the overall cost of state water management obligations, usually less than 10%, but may fund a substantial share of the cost of specific programs (25-40%).

Water users are more likely to support the imposition of fees for water use and related services if they are directly earmarked for providing increasing water user benefits and not diverted to the general fund.

Fee systems may use price differentials to increase efficiency and reduce inequities.

Mandatory fees are the most objectionable, while fees for voluntary actions initiated by applicants are more acceptable.

Federal immunity (agencies and tribes) from most or many fees may create inequities.

Federal agencies are more likely to pay application and permit fees, while claiming immunity from fees based on actual use.

Late fees and penalties increase compliance.

Fees finance most of the cost of regulating well drillers?

**Findings**

## **PRO**

User fees promote more efficient resource allocation.

User fee financing promotes the design of economically efficient water investment (programs and services).

Fees and revenues may be used to encourage conjunctive use and/or other objectives related to efficient resource use.

User fees may be used to redress inequities caused by negative externalities.

User fees may provide a more stable funding base than legislative appropriation, by eliminating competition for general funds.

Fees may supplement or replace general tax funds.

User fees may give administrators greater flexibility to design and implement effective programs.

User fees help determine project and program priorities.

User fees may be used to capitalize revolving development funds.

Fees are an incentive for water conservation.

Fees encourage the cancellation of unused rights.

Fees may help develop water marketing opportunities.

## CON

Statutory authorities and constitutional restrictions may limit an agency's ability to impose fees.

Fees may be viewed as just another tax, and taxpayers may believe that they are already paying for services rendered with existing taxes.

Fees may impose an inequitable burden on lower income "consumers."

Fees may discourage compliance with related laws and lead to increased illegal activity.

Fees may impede due process and discourage some users from seeking equal protection of their rights.

Fees may create a competitive disadvantage vis-a-vis water users in different states.

Collection and enforcement of fees may increase administrative costs.

Metering and monitoring costs may also be high.

Revenues tied to water use may vary widely from year to year, complicating program staffing (as revenues are undependable).

Start-up costs and early non-compliance may be high.

## Conclusions

Water rights administration and other costs incurred by government in managing the use of public resources for private gain, should be appropriately offset by targeted user fees.

State agencies need clear delegations of legislative authority and more flexibility to impose fees for their services.

User fees should be based on average costs and benefits [not profit?].

Fees should generally be in proportion to use, and collected in a manner that discourages cheating.

State agencies should rigorously review the nature of their work, the services they provide, related base-line and incremental costs, and set appropriate fees.

Fees should be sufficient to accomplish the intended purpose and cover administrative costs.

Fees proposals should be subjected to some type of public review if revenues are to be expended without prior legislative approval.

An User Advisory Council should be established to help direct the use of revenues in order to increase public acceptance and support.

Mandatory fees are most objectionable and may need to be set low initially, while higher fees are more acceptable for voluntary actions by applicants (such as for underground storage and recovery permits in AZ).

The interstate imposition of user fees is an issue that needs further consideration [where water is diverted in one state for use in another.]

Fees should be indexed for inflation.

Any fee system should probably be phased in over time, to allow for adjustment to be made by water users.

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