

## WATER USER FEES

905  
995  
6.7  
7080

**WHY A WATER USER FEE ?** The State of Alaska is considering a water user fee for a number of reasons, not the least being a method for the state to recover the cost of managing Alaska's water resources from the users of that resource. A water user fee has a few other benefits that the Department feels make the overall user fee proposal a complete management package.

**WHO PAYS ?** Through a series of meeting and workshops conducted in 1996 where this topic was discussed a majority of the public felt that if a water user fee was assessed it should be assessed to all water users, not just the large water users.

**Category A)** water use between 1 gallon per day (gpd) and 5000 gpd pay an annual user fee of \$25.00 per year.

**Category B)** Water use between 5001 gpd and 44,600 gpd pay an annual fee of \$50.00 per year.

The homeowner using an individual water system (well, stream, or lake), most small businesses, community water systems (serving less than 90 homes), and most placer miners using a suction dredge or sluice box system would be subject to a user fee in A or B .

**Category C)** The larger water users (over 50 acre feet per year) would be subject to the user fee set at \$1.00 af/y.

These would include commercial and industrial businesses, seafood processors, public water supply, large agriculture, medium to large mining projects, pulp mills, oil and gas development, oil and gas processing and other large water users.

**WHAT WILL THE FEES BE USED FOR ?** Our State Constitution does not allow the revenue generated from the management fee to be dedicated for a specific purpose. The Department of Natural Resources would account for these revenues under a separate accounting system and would request the legislature to appropriate these some of these revenues each year to the Department for the purpose of managing the state's water resources. The yearly revenues would be used to collect, analyze and distribute water resource data, administer the water rights program, water resource planning, enforcement and compliance, public education and administer the Dam Safety program. Any revenues generated in excess of those necessary for management purposes would be deposited to the State's general fund.

### HOW MUCH REVENUE CAN BE GENERATED ?

**Category A** is estimated to have 12,500 water right holders and would generate about \$303,750.00 per year in revenues.

**Category B** is estimated to have 1100 water right holders and would generate about \$55,000 per year in revenues.

**Category C** is estimated to have 1100 water right holders. The quantity of water associated with these 1,100 water right files is about 16,830,000 acre feet per year. The largest single category of water user, if you include pending water right applications, is for fish and wildlife conservation. This category makes up about 58% of the total quantity associated with the 1,100 water right files. The water in this category is proposed for use, or is used, for instream flow reservations, fish ladders, and habitat enhancement projects. Of the 57 water rights in this category, 53 belong to the Alaska Department of Fish and Game. It has been the policy of the department to exempt state agencies from

all DNR fees. If the water used by these exempted agencies are subtracted from the total quantity of water (16,830,000 acre feet), the quantity subject to management fees could total as much as 6,700,000 acre feet. Assuming the user fee was set at \$1.00 per acre foot per year, the revenues generated could total as much as 6.7 million dollars a year.

There are two major water users in the category, hydroelectric power generation ,and placer mining. The total use of water in these two catagorize is about 5.7 million acre feet per year. If the annual user fee for these two categories were reduced to \$.25 per acre foot due to the non-consumptive nature of the use. The estimated revenues would be \$1,425,000 per year.

If all other water right holders in this category paid \$1.00 per acre foot it would generate about a \$1,000,000 per year.

**The estimated total revenues generated through a water users fee would be \$2,783,750 per year.**

The FY97 budget for The Water Resources Section (water management, Alaska Hydrologic Survey, and Dam Safety and Construction) is \$1,232,800.00. If the legislature authorized the collection of the above described user fee, and allowed DNR the funds to continue the management of the States water resources at the FY97 level, an additional 1,550,950.00 would be deposited into the general fund.

**NOTE:** These revenue figures are subject to the review and updating of the estimated 15,344 water right files.

| <b>PROS</b>   | <b>CONS</b>  |
|---|--|
| <b>All revenues to manage the water resources of the State would be generated from the user of the resource (\$1.2 million).</b>  | <b>This will be a hard political sale. Current water users will not want to pay for services they have in the past received for free. Mandatory fees are most objectionable.</b> |
| <b>All the CONS identified in the option to abolish the Water Use Act are avoided</b>   | <b>Needs legislative approval.</b>   |
| <b>The user fee concept has been demonstrated to be a tool that promotes water conservation.</b>                                  | <b>Added burden on lower income water users.</b>   |
| <b>The user fee is a great management tool, that promotes efficient resource allocation.</b>                                      |  |
| <b>Promotes the idea that water is a valuable natural resource that is required by all Alaskans to fulfill their basic needs.</b> |  |
| <b>Provides additional revenue to the General Fund (\$1.5 million)</b>  |  |

CUT GENERAL FUNDS (\$800,000), AS IN SCENARIO 1, EXCEPT CREATE A WATER RIGHT REGISTRY SYSTEM, RETAIN DAM SAFETY AND WATER EXPORT PROGRAMS, AND LIMITED TECHNICAL SUPPORT FOR LITIGATION.

The Water Resource Section has authority to collect \$437,700 in funds other than General funds. If all general funds were cut and the only funds available were those that could be collected for GF/PR, IA, and Federal funds it is estimated that only about \$130,000 could actually be collected. These funds would be collected within the Dam Safety program. This would require that all fees for new construction be raised and that current dam owners pay not only the cost of inspections of their dams, but pay for our engineer's administration of the program, coordination with consultants, and the technical review of the consultants dam inspection reports. The water conservation fees associated with the export of water will continue to be collected, and those funds used (if approved by the legislature) to maintain in-house technical support for the export program and litigation.

| PROS  | CONS   |
|---|--|
| The Dam Safety program continues to provide technical expertise to 80 dam owners.   | The 80 dam owners will have to pay for all program costs. Mandatory fees are most objectionable. |
| All other Pros identified in the "abolish the water use act" option would still be appropriate.   | All other Cons identified in the "abolish the water use act" option would still be appropriate.  |
| Programs funded by dam owners or water exporters through existing or new fees.  | Adequate funds from water exports are still years away.  |
| Water exports will continue, with limited technical support available. All requirements under AS 45.15.035 will to be abolished, or required of the exporter. | Public interest determinations as it relates to water exports will cease.                        |