

United States  
Environmental Protection  
Agency

Office of Water  
(WH-550)

EPA 812/R-92-002  
January 1992

---



# **OBTAINING DRINKING WATER FUNDING: A REVIEW OF EIGHT STATE CAPACITY EFFORTS**

## Introduction

Many State governments are currently facing serious fiscal problems. Preliminary budget estimates predicted a total state-revenue shortfall of nearly ten billion dollars for Fiscal Year (FY) 1991.<sup>1</sup> A total of 33 States were forced to cut previously passed budgets in order to balance the books for FY '91.<sup>2</sup> State drinking water programs have not been immune to the effects of the recession. Consequently, drinking water administrators must now face the burden of meeting heightened regulatory demands with a diminishing supply of General Fund Revenues.<sup>3</sup>

The implementation of the Safe Drinking Water Act (SDWA) Amendments of 1986 is placing an increasing funding burden on State drinking water programs. A 1988 survey by the Association of State Drinking Water Administrators (ASDWA) found that the Amendments would cost States an additional \$150 million per year after 1992. Many States have addressed their funding needs by appropriating additional general revenues or by enacting user fees. In other States, attempts to secure additional resources have failed as a result of budget deficits and opposition to new taxes and user fees. More problematic is the fact that a few States have lost funding, sometimes after making initial gains.

This report examines eight States' efforts to obtain additional revenue to fund their drinking water programs, activity that the U.S. Environmental Protection Agency refers to as State capacity building. EPA's State Capacity Initiative bolsters the State efforts to increase funding. EPA contractors have assisted a number of states in generating support for funding proposals.

The experiences of the States profiled in this report suggest the following lessons for building a successful State capacity effort (these lessons are also outlined in Exhibit A):

- **Educate Constituency / Public Outreach.** Conduct an education campaign directed toward utilities, legislators, interested public interest groups to highlight the need for additional resources. Education of the general public should also be undertaken to increase the visibility of drinking water issues and increase broad based support.
- **Consensus Building.** Develop broad consensus within State government and among interest groups, or set-up an advisory committee. An advisory committee should be composed of representatives from the water industry, as well as other key interest groups in the state, to build consensus on key funding issues.

---

<sup>1</sup> Susan Hansen, "State Fiscal Strategies for the 1990s: Balancing Budgets in a Recession," *Publius*, 21:155-168 (summer 1991).

<sup>2</sup> Estimate by National Conference of State Legislatures, July, 1991.

<sup>3</sup> For more information on the current State fiscal crunch see Larry Tye, "Less than Great Expectations," *Boston Globe*, June 12, 1991.

## Exhibit A: Keys to Successful State Capacity Building

<b>Successful State</b>	<b>Educating Constituency Public Outreach</b>	<b>Consensus Building</b>	<b>Understanding Political Process</b>	<b>Outcome</b>
<b>Montana</b>	<b>Well argued report and presentation quality executive summary</b>	<b>Task Force Endorsement</b>	<b>Elicited support of Senate President and Speaker of House</b>	<b>Gained revenue from user fees</b>
<b>Florida</b>	<b>Position paper prepared for Legislature</b>	<b>Not emphasized</b>	<b>Drinking water fees overshadowed by other DER fee proposals  Introduced in non-election year, less constituent backlash</b>	<b>Gained revenue from user fees</b>
<b>Kentucky</b>	<b>Citizen participation in biennial planning process</b>	<b>Fostered support of utilities through programs that help systems stay in compliance</b>	<b>Biennial plans increased program's accountability to Legislature and Governor</b>	<b>Gained revenue from General Funds</b>
<b>Louisiana</b>	<b>Informal meetings with interest groups</b>	<b>Plans for State to stop providing water sampling prompted owner / operators to lobby Governor and Legislature  New drinking water coalition formed in 1991</b>	<b>Not emphasized</b>	<b>Gained revenue from legislative authorization</b>

- **Understand the Political Process.** Recognize the pressures influencing key actors, such as agency heads, the governor, and legislative leaders. It is critical that proposed solutions be politically palatable, especially in an election year.

The eight States profiled have been divided into groups of States that have:

1. Gained resources (4);
2. Failed in capacity-building efforts (1);
3. Lost all or part of initial gains (2); and
4. Lost resources overall (1).

The profiles highlight key elements to each State's success or failure in obtaining additional revenues. Since every State's situation is different, an approach that works in one State may not necessarily work in another. Each State must devise an approach tailored to its specific needs.

## 1. States That Have Gained Resources

### Montana -- User Fee Increase

**Overview.** Montana has recently enacted S.B. 407, which establishes a fee of \$2 per service connection. The fees are expected to generate over \$600,000 per year for the drinking water program.

**History.** In the spring of 1990, at the request of the Water Quality Bureau (WQB), the Governor appointed a Task Force to review and make recommendations on options for the Montana drinking water program. The Task Force was composed of representatives from the utilities, State agencies, local health departments, interested groups, and the general public.

At the time of the Task Force's creation, the drinking water program was severely underfunded and faced the prospect of losing primacy. Six options for the drinking water program were evaluated:

- Fully-funded State program with retention of Primacy;
- Minimal State program with retention of Primacy;
- Fully-funded State program with return of Primacy;
- Minimal State program with return of Primacy;
- No State program and return of Primacy; and
- Repeal of all drinking water programs.

The Task Force concluded that the expansion of the drinking water program and the retention of Primacy would best protect public health. It recommended that an additional 34.5 full-time equivalents be added to the drinking water program, to be funded through connection and plan review fees.

In addition to addressing the funding issue, the Task Force recommended two other ways to strengthen the State program, both of which were enacted. The first provision helps ensure the viability of water systems by expanding DHES's oversight authority. DHES now has the ability to review the financial viability of new or expanding public water systems, in the hope that DHES can prevent nonviable systems from becoming established in the first place. The second provision strengthens program enforcement activities via the granting of administrative penalty authority to DHES.

**Keys to Success.** Clearly, the endorsement of the Public Water Supply Program Task Force was the most important factor in getting fee legislation passed. The presence of all of the key players on the Task Force carried a lot of weight in the Legislature. In addition, the panel produced a well-argued report and a presentation-quality executive summary for the Legislature.

The WQB showed political acumen in working with the legislature. For example, it persuaded the Senate President and Speaker of the House to co-sponsor the legislation. Their presence carried a lot of influence among rank-and-file legislators.

## **Florida -- User Fee Increase**

**Overview.** The Florida Legislature enacted Senate Bill 1120, which gives the Florida Department of Environmental Regulation (DER) the authority to assess both construction and operating permit fees up to \$7,500.

### **History.**

- **1990.** In 1990, DER proposed legislation to institute annual license fees for public water systems. The fees would have ranged from \$100 to \$2,000 per annum, based on system size and compliance status. A system that maintained compliance during the year would have received a reduction in its fee of 10 percent or \$50, whichever was greater. The license fees would have generated \$2.1 million per year for the DER and approved county public health units.

In addition, the legislation contained a provision assessing non-compliance fees against systems failing to comply with monitoring, reporting, and licensing requirements. The proposed fees ranged from \$50 to \$500 per violation, depending on the type.

DER also proposed that collections from both fees be deposited into a newly-created Drinking Water Trust Fund within the Department. Revenue from this Fund would have been used to create new Drinking Water Program compliance positions and to provide other necessary resources to manage the Drinking Water Program.

The bill ran into considerable opposition, especially from municipally-owned systems, which were generally reluctant to pay new fees but also felt that the proposed fees were too high. As a result, the legislation was amended, deleting the annual license fee and replacing the non-compliance fee provision with a weaker one. Non-compliance fees were capped at \$1,000 per compliance period for bacteriological monitoring and \$2,000 for monitoring of other contaminants.

The Legislature recognized that the non-compliance fees were inadequate to meet DER's expanded workload, so it appropriated \$1 million from a general water quality trust fund to establish 18 new drinking water positions. Because several programs are dependent on the trust fund's revenue, however, it may not provide sufficient resources for future appropriations.

- **1991.** In its 1991 session, the Florida Legislature enacted Senate Bill 1120, which authorizes DER to establish operating permit fees up to \$7,500. The legislation also increases the maximum fee authorization for construction permits from \$1,000 to \$7,500. Thus far, DER has only assessed fees for construction permits, not for operating permits.

Depending on the exact fee schedule adopted by DER, the permit fees could generate over \$1 million per year. However, under current law all Department permit fees must be deposited into a permit fee trust fund which benefits all DER programs. Due to the growing number of programs that are dependent on the revenue from the water quality and permit fee trust funds, and the shortfall in State general revenues, the Drinking Water program is still in need of a reliable, dedicated source of funding for future program needs.

#### **Keys to Success.**

- Drinking water fees packaged with other larger DER fees.
- Position paper prepared for the legislature.

The successful 1991 legislation was a comprehensive environmental bill, whereas the 1990 bill was limited in scope to just drinking water. A major factor that enabled passage of drinking water fees in 1991, was that they were packaged with other proposed DER fees.

The drinking water fees seemed relatively minor compared to much larger assessments in the area of hazardous waste management.

The most important component of DER's outreach program was a position paper prepared for the Legislature in support of its 1990 license fee legislation. The paper argued that staff levels were not keeping up with the DER's expanded workload. As a result, compliance rates in Florida were below EPA goals and the lowest of the States in EPA Region IV. Despite the rejection of the license fee, DER feels that this paper put considerable pressure on the Legislature to act and increased the chances for success the following year.

Another reason for the relative success of S.B. 1120 compared to the 1990 legislation was that it was introduced in a non-election year. Legislators feared a constituent backlash in the

1990 election if they supported the license fee package. It was more politically palatable to pass a short-term solution that did not involve new fees and re-visit the issue after the election.

DER did not use an advisory committee to help formulate either fee package. It is difficult to predict whether the Florida legislature would have enacted fee legislation in 1990 if it had the endorsement of an advisory committee.

## **Kentucky -- General Fund Appropriation Increase**

**Overview.** The Kentucky drinking water program is administered by the Division of Water in the Kentucky Department of Environmental Protection. During the 1990 budget cycle, the General Assembly appropriated an additional \$1.4 million for the Drinking Water Branch (DWB) and authorized the creation of 26 additional positions. The Division of Water's general fund appropriation has increased from \$2.7 million in FY 1986 to \$8.7 million in FY 1992, with a large part of the additional resources having been allocated to the drinking water program.

**History.** The 1986 General Assembly mandated that the Division institute biennial planning as part of the budget process. The planning process used by the Division of Water has five phases, each described briefly below:

- **Present Situation.** The Division establishes its objectives by interpreting State and Federal statutes. It then compares the current activity level to the estimated activity level required to achieve the defined objectives. The result is a percentage score that indicates the extent to which its objectives are being met.
- **Projected Future.** This stage involves making general budget assumptions and identifying any changes in emphasis in federal and State programs. The Present Situation's budget figures and effectiveness scores are adjusted to account for the changes. The Division identifies activities that will change during the next planning period.
- **Issue Development.** Through public meetings and staff involvement, the Division identifies program deficiencies. Proposed changes in activities and resource needs are incorporated into a plan to remedy each deficiency.
- **Alternative Future.** This stage reconciles proposed changes in activities identified by the Issue Development stage with the Projected Future. The result is an alternative scenario which addresses the deficiencies at a realistic funding level.
- **Implementation.** During Implementation, the Division works to achieve consensus among the executive and legislative branches and the public so that the plan's objectives will be met.

The planning process has now been adopted by the entire Department of Environmental Protection.

**Keys to Success.** The biennial plans have been instrumental in securing additional funding for the drinking water program. Specifically, they have increased its:

- **Credibility with utilities, industry representatives, environmental advocates, and other agencies;**
- **Accountability to the Legislature and the Governor's office; and**
- **Efficiency in monitoring, permitting, inspection, and enforcement activities.**

**Because the planning process relies on citizen participation, another outgrowth has been public support for additional spending on the drinking water program.**

**Another major reason for the Division's success in implementing the planning process, and in securing additional revenues, has been the vocal support of the utilities. DWB has fostered this support by putting a lot of effort into helping systems stay in compliance. For example, DWB has implemented a comprehensive program to notify utilities of their monitoring requirements prior to testing deadlines and assisting utilities with some of the new monitoring and analytical requirements.**

**Although the planning process has been very successful in Kentucky, transferring it to other States would require considerable effort. A high level of commitment by all levels of management is required. The process is time-consuming and requires a great deal of effort, especially the first time it is attempted. The payoff in increased resources, staff morale and productivity, public awareness and involvement has been well worth the effort in Kentucky.**

## **Louisiana -- Legislative Authorization Increase**

**Overview.** The Louisiana Legislature authorized an additional \$2.8 million for the drinking water program in its 1990 session.

### **History.**

- **1988.** In response to cuts in its annual appropriation, the Office of Public Health (OPH) in the Louisiana Department of Health and Hospitals (DHH) implemented management fees for the Safe Drinking Water Program in 1988. The fees for community water systems were based on the number of service connections. Non-community systems paid a flat fee of \$25. The fees had been expected to generate \$680,000 in revenue, but because the Department did not have adequate collection authority, only 60 percent of the assessed fees were obtained. Recognizing that its revenues were not adequate to meet the expanded requirements of the SDWA Amendments, OPH proposed shifting most of the responsibility for collecting and testing water samples to Public Water Systems. It instituted a program to train treatment plant operators in sampling and began certifying private laboratories.
- **1990.** In opposition to OPH's cost-shifting plan, system operators, especially from municipalities, lobbied the Governor and the Legislature for an increased appropriation for the drinking water program. The Legislature responded by authorizing an additional \$2.8 million for the program in its 1990 session. The management fees were repealed because they were no longer necessary.



- **1991.** In January 1991, OPH formed a Safe Drinking Water Coalition composed of the Louisiana Municipal Association, the Police Jurors Association (a group comparable to county commissioners in other States), the Louisiana Rural Water Association, as well as Federal/State agencies, grass roots organizations, regulated water utility organizations, funding agencies, training organizations, and environmental groups.

The Coalition has been instrumental in the passage of two sets of new State regulations (the promulgation of the Total Coliform Rule and the Surface Water Treatment Rule). Additional resources will be needed in FY 1993 to implement these new statutes as well as other new requirements (i.e. mandatory disinfection and corrosion control). The Coalition will be a major factor in OPH attaining the needed resources.

**Keys to Success.** According to an OPH official, its plans to change the longstanding practice of providing water sampling and testing for system operators was instrumental in prompting operator groups to lobby the Governor and Legislature for additional funding. OPH's role in obtaining additional revenues was minor compared to that of the regulated community. OPH had been conducting an internal review of funding options for its new Director when the climate toward additional funding changed in the Governor's office due to pressure from municipalities.

At the time, OPH did not have a formal advisory committee to consider funding options and did not emphasize consensus-building activities. OPH did meet informally with interested groups, including the Louisiana Municipal Association, the Police Jurors Association, and the Louisiana Rural Water Association to coordinate their activities. As noted previously, the Safe Drinking Water Coalition was formed in 1991.

Louisiana's initial success in obtaining additional funding for its drinking water program is unusual because it came largely through the utilities' efforts. The State's experience demonstrates the importance of the drinking water industry in state capacity building. In Louisiana's case, system operators were unified in their opposition to assuming the cost of water testing. In other States, utility support is likely to require an outreach campaign and/or the creation of an advisory committee.

## **2. States that Have Failed in Capacity Building Efforts**

### **Idaho**

**Overview.** The Idaho drinking water program has been unsuccessful in repeated attempts to secure additional funding.

**History.** The Idaho Department of Health and Welfare's (IDHW) Water Quality Bureau (WQB) is responsible for administering the State's Drinking Water Program. In 1986, an internal study by the WQB estimated its staff would have to be increased from 16 to 32 positions to implement the SDWA Amendments. Since then, the WQB has attempted to secure additional funding during each budget cycle. Unfortunately the drinking water program has

not consistently been a high-priority program within the IDHW, and has not always received the Director's support for additional funding. This year, the WQB was successful in getting the Director's approval, and its request was forwarded to the Governor's office.

According to a WQB official, the argument for additional resources was strengthened by:

- an increased emphasis on outreach;
- the support of the Idaho Drinking Water Advisory Committee; and
- a 1990 ASDWA report which examined the program and documented the need for additional funding.

The WQB devised an educational campaign for system operators, the Legislature, and the general public. More than 40 public meetings were held around the State, including an informational meeting for legislators in Boise at the beginning of the legislative session.

The Drinking Water Advisory Committee produced two reports which summarize the expanded requirements of the SDWA Amendments, the additional resources required to implement them, and funding options for the program. The Committee was created by the IDHW Director in 1989 to advise the Department on drinking water policy and funding issues. It is composed of individuals from the Legislature, utilities, local health departments, groups that work with water systems, and professional engineers.

The Governor, facing a tight budget situation, recommended funding only 4 of the 16 additional positions that the WQB had requested. The Legislature, as part of an overall budget reduction, declined to fund any additional positions for the program.

**Reasons for Failure.** A problem for Idaho has been that system operators have not been outspoken in their support for additional program resources. Although the program conducted an outreach campaign during the most recent budget cycle, it might have been more successful if it had begun these efforts earlier. It is very important that State drinking water programs educate key interest groups, especially when they compete against high priority programs in large agencies.

The WQB's early outreach efforts emphasized the negative aspects of losing primacy. It argued that the EPA would have an enforcement-based program centered around the issuance of notices of violations, administrative orders, and fines. System operators would have to work with a "centralized" program based in Boise or Seattle. Its recent outreach efforts have stressed the public health consequences of maintaining an inadequate drinking water program. WQB has found that the new approach has been more effective in getting the public's attention.

Despite the WQB's outreach efforts in 1990, some observers feel that it did not adequately justify the need for doubling the program's staff to the Governor or the Legislature. In a tight budgetary situation, a weak case for additional funding became a prime target for budget cutting.

**Future Action.** Idaho debated returning the program to EPA, but has decided to keep it one more year while they garner support for increased funding next year. The Advisory Committee has identified returning primacy as an option for the program in light of the

Legislature's rejection of additional funding. A Task Force within the WQB has determined that Idaho could keep primacy at current funding levels if the program changed its priorities, stressing enforcement and ceasing activities such as technical assistance. The program Administrator has stated a preference for funding the program with appropriations from the General Fund, with the exception that technical assistance could be financed through user fees. It is generally thought that system operators prefer to have an enforcement-oriented State drinking water program over Direct Implementation by EPA. Operators have shown some willingness to explore the use of fees for technical assistance.

### **3. States That Have Lost All or Part of Initial Gains**

#### **New Hampshire**

**Overview.** In 1990, New Hampshire enacted legislation which established Permit-to-Operate fees for its public drinking water program, which is administered by the Water Supply Engineering Bureau (WSEB) of the Department of Environmental Services. Amendments to the Permit to Operate law were adopted by the New Hampshire Legislature in the last session. The net effect of these amendments is a reduction in fee revenue of approximately \$135,000. Three or four of the seven positions that New Hampshire planned to create with revenue from the Permit-to-Operate fee will remain vacant under the amended legislation.

**History.** As originally enacted, the annual fee was \$10 per household unit for community water systems serving more than 40 units and 100 persons with a cap of \$600. Non-transient non-community systems paid a flat fee of \$200. It was initially estimated that the fee would generate approximately \$375,000 per year.

The recent amendment repealed the exemption for systems having less than 40 units or 100 people and reduced the maximum fee from \$600 to \$300. The repeal of the exemption closed an unintended loophole in the original legislation. The lower cap means that most community systems will now be charged the maximum fee. For those systems that have already paid fees in excess of the new \$300 cap, the WSEB must refund the difference. The fee for non-transient non-community systems was reduced from \$200 to \$150.

**Reasons for Failure.** The rollback of New Hampshire's Permit to Operate fee can be attributed largely to constituent pressure on individual legislators. This type of reaction is to be expected during poor economic times. Some of the pressure might have been avoided if the WSEB had provided more notification prior to issuing the fee bills. The first fee bills were issued in September 1990. Since most municipalities in New Hampshire use the calendar year as their fiscal year, many of them had not included the fees in their budgets.

Meanwhile, the New Hampshire Municipal Association had pledged to fight any legislation which shifted costs to the municipalities. The Association had argued that the fee was a new fiscal responsibility passed on to a local government, in contravention of Part I, Article 28-a of the New Hampshire Constitution. This issue will ultimately be decided in the courts.

**Future Action.** Since the fee rollback occurred very recently, the WSEB has not yet determined its next action to obtain additional resources.

## Virginia

**Overview.** The 1990 Virginia General Assembly authorized the addition of 64 new positions for the drinking water program. These positions were intended to be created in FY 1991 and FY 1992, but only 19 additional positions have been funded for those years. With the current budget crunch in the State, it is unlikely that additional general funds will be available for the foreseeable future.

Given the State's fiscal difficulties, the Virginia General Assembly has continues to explore alternative funding mechanisms for the drinking water program. However, legislative attempts to enact fees have failed during the last two sessions. The program continues to face a funding shortfall which if left unabated, will prevent the State from implementing the SDWA Amendments and places the Department of Health in danger of losing primacy.

### History.

House Bill 1115 was introduced in the 1990 Session and was carried over to the 1991 Session before being defeated when it was not acted upon in subcommittee. The legislation would have:

- Created a Drinking Water Protection Fund within the Virginia Water Supply Revolving Fund;
- Imposed a fee on community water systems at the rate of ten cents per 1,000 gallons of water produced; and
- Allocated 80 percent of the revenue for loans and grants to water systems for capital improvements and 20 percent to the Department of Health for enforcement and technical assistance activities required to maintain Primacy.

The chairman of the Virginia Water Commission, a legislatively-mandated panel charged with studying water supply problems and coordinating the legislative recommendations of agencies responsible for water supply, appointed a Task Force to review HB 1115 in the summer of 1990. The panel was composed of individuals from utilities, the Department of Health, groups that work with water systems, and county and local governments. The group's assignment was to develop recommendations for financing the drinking water program.

In its report, the Task Force recommended rejection of HB 1115, concluding that General Fund appropriations were the most appropriate source of revenue for funding loan/grant programs and the enforcement of the SDWA. They also concluded that technical assistance, a service that is "of particular benefit to the water systems as distinguished from the general public," should be funded, in whole or in part, by an annual operating fee on water systems.

The operating fee recommendations of the Task Force were incorporated into Senate Bill 873 in the 1991 Session. The bill proposed annual operating fees ranging from \$250 to \$160,000, based on population served. The revenue was to be used exclusively for technical assistance. With the backing of the Virginia Rural Water Association and many system operators, the legislation was reported out of committee to the full Senate, where it was defeated.

### **Reasons for Failure.**

- **Lack of support among system owner/operators.**
- **"No new taxes" sentiment.**
- **Original bill not endorsed by Virginia Water Commission.**

There are a number of reasons for the rejection of fee legislation in Virginia. HB 1115 did not have much support among system operators because they thought that the fee would primarily fund capital improvements for undeserving, ill-managed, non-viable systems. Comments received by the Task Force indicate that the fee would have meant as much as a 16 percent increase in wholesale water rates in some communities.

The importance of the "no new taxes" sentiment cannot be underestimated in analyzing the failure of these bills. Many legislators cited the regressive nature of a water usage fee as a reason for their opposition. Opponents of S.B. 873 in the Senate branded it as an increase in taxes. Because the entire General Assembly was up for re-election in 1991, the pressure on legislators appeared particularly acute.

S.B. 873 had comparatively more support among the larger, more vocal systems because their fees would have been lower than those under a water usage fee. The bill was not endorsed by the Virginia Water Commission, however. It stated that the bill did not address the larger issue of funding implementation of the SDWA Amendments.

**Future Action.** The Water Commission will be meeting in December, 1991 to undertake a comprehensive review of the State water policy. A major focus on the review will be to identify options for funding the expanded requirements of the SDWA Amendments. The Commission will make recommendations to the 1992 General Assembly.

## **4. States That Have Lost Resources**

### **Michigan**

**Overview.** The Michigan Division of Water Supply (DWS) has had a five percent reduction in the State-match portion of its drinking water budget this year. The State's continuing budget problems may necessitate additional cuts in the drinking water program.

**History.** In 1990, the Michigan Legislature enacted an across-the-board budget cut of 9.2 percent in each line-item. The legislation permitted each agency to implement an alternative budget reduction plan of its own choosing which would still achieve a 9.2 percent reduction in its total budget. As part of its alternative plan, the DWS eliminated \$120,000 from its Wellhead Protection Program, which had not yet been staffed.

**Reasons for Failure.** Drinking Water Program was not isolated from across-the-board cut.

**Future Action.** Given a need for additional revenue to implement the requirements of the 1986 SDWA Amendments, DWS is undertaking a two-phased approach to securing additional resources. It has compiled enough information on the cost of implementing the new non-community system requirements to introduce fee legislation during the current session of the Legislature.

DWS has drafted legislation establishing fees for non-community systems which would raise approximately \$1 million. The proposed annual fees would range from \$50 to \$125, depending on whether the system is transient or non-transient, and whether it is currently licensed by a local health department. The fee revenue would be placed in a dedicated fund for appropriation by the Legislature. The fee amounts would be indexed to the inflation rate so that DWS would not have to pursue new legislation to adjust them for inflation. In case of non-payment, the legislation contains penalty authority.

DWS has retained a consultant to analyze the cost of implementing an expanded community water system program before developing fee legislation for community systems. The consultant will perform a comprehensive analysis of program resource needs and funding alternatives available to the program. The consultant's final report should be available in January, 1992.

There is some support for fees among utilities. The Michigan chapter of the American Water Works Association has endorsed the creation of fees to help the drinking water program maintain Primacy. Recognizing that constituent group outreach is important in building consensus for fees, the DWS has conducted a number of meetings for operators of community systems and for trade associations representing non-community systems. An advisory committee is being formed to evaluate fee alternatives and to develop recommendations for the program.

## **Conclusion**

As the experiences of these States show, drinking water programs must make a strong case for additional funding with both small and large utilities, legislators, and the general public. During the current period of tight fiscal constraints, it is becoming exceedingly difficult for State agencies to secure increased general funds. In many cases, user fees may provide a viable alternative revenue source. However, winning legislative approval of new fee structures can often be a daunting task.

States that have been successful at gaining resources, have followed thoughtfully constructed strategies. For example, Florida's approach was to make the connection between funding shortfalls and compliance programs. Kentucky's planning process provided it with accountability to the Legislature and credibility with the water supply industry.

Other successful States, such as Montana, have established Advisory Committees to build consensus among industry related groups that a drinking water program funding shortfall is a major public health concern. These committees have the ability to address the funding issue before it becomes a crisis, providing enough time for its members to fully present their case to

the governor and legislature. In the case of Montana, the advisory committee process produced other dividends in addition to increased funding, specifically enhanced system viability and administrative penalty authority.

In addition, drinking water administrators need to consider the political consequences of funding proposals, especially on issues as volatile as user fees. Input from all affected parties will likely be necessary to develop solutions that are perceived as equitable, politically acceptable, and economically feasible. Although most drinking water administrators are not permitted to engage in lobbying, they do need to elicit the support of legislative leaders as well as other legislators who understand the importance of drinking water issues.