

**DRAFT Proposed Annual Fees  
Additional Background Information**

Pennsylvania is ranked fourth in the nation in terms of the number of public water systems, with 8,600 water systems across the Commonwealth. The Department is responsible for regulating all public water systems and ensuring that safe and potable drinking water is continuously supplied to the 10.7 million customers they serve. In order to carry out these responsibilities, the Department must ensure adequate funding for the Drinking Water Program.

The proposed rulemaking is necessary in order to fulfill the Department's fiscal responsibility to cover most, if not all, of its state program costs. Program costs are directly tied to the resources needed to meet federal and state mandates for minimum program elements and for the administration of an effective State Drinking Water Program. Failure to meet minimum program elements may result in the loss of primacy for the Drinking Water Program and associated funding.

The Environmental Quality Board (EQB) has the authority to establish fees for permit applications, laboratory certification and other services. By law, such fees are to bear a reasonable relationship to the cost of a program element or providing a service. The services or minimum program elements of the Drinking Water Program include, but are not limited to, the following:

- Conducting surveillance activities, such as sanitary surveys and other inspections.
- Collecting and analyzing drinking water samples.
- Determining compliance with the regulations, a permit or order.
- Taking appropriate enforcement actions to compel compliance.
- Reviewing applications, plans, reports, feasibility studies and special studies.
- Issuing permits.
- Conducting evaluations, such as filter plant performance evaluations and other site surveys.
- Tracking, updating and maintaining water supply inventory, sample file, and enforcement data in various data management systems.
- Meeting all state and federal recordkeeping and reporting requirements.
- Conducting training.
- Providing technical assistance.
- Responding to water supply emergencies.

The proposed rulemaking is intended to supplement state costs for administering the Drinking Water Program by filling the funding gap. The proposed fees will total nearly \$7.5 million annually and account for nearly 50% of our state funding. The fees will augment the program funding currently coming from the General Fund (\$7.7 million). The proposed annual fees apply to all public water systems. The fees will most likely be passed on to the 10.7 million customers of these public water systems as a user fee. Per person costs are expected to range from \$0.35 to \$10 per year, depending on the water system size.

As provided in Section 14 of the Safe Drinking Water Act (35 P.S. § 721.14), all fees will be paid into the State Treasury into a special restricted revenue account in the General Fund known as the Safe Drinking Water Account administered by the Department. The funds may only be used for such purposes as are authorized under the Act.

**Proposed Annual Fees**

The proposed annual fees for CWSs are based on population, and range from \$250 to \$40,000. The per-person costs range from \$0.35 - \$10.00/person/year.

<b>Proposed Community Water System Annual Fees (Based on Population)</b>		
<b>Population Served</b>	<b>Annual Fee</b>	<b>Cost/Person/Year</b>
25 - 100	\$250	\$2.50 - \$10.00
101 – 500	\$500	\$1.00 - \$4.95
501 – 1,000	\$1,000	\$1.00 - \$2.00
1,001 – 2,000	\$2,000	\$1.00 - \$2.00
2,001 – 3,300	\$4,000	\$1.21 - \$2.00
3,301 – 5,000	\$6,500	\$1.30 - \$1.97
5,001 – 10,000	\$10,000	\$1.00 - \$2.00
10,001 – 25,000	\$20,000	\$0.80 - \$2.00
25,001 – 50,000	\$25,000	\$0.50 - \$1.00
50,001 – 75,000	\$30,000	\$0.40 - \$0.60
75,001 – 100,000	\$35,000	\$0.35 - \$0.47
100,001 or more	\$40,000	≤ \$0.40

The annual fees are intended to bear a reasonable relationship to the actual cost of providing services. Based on a workload analysis, the Department estimates the minimum costs for providing services to various sizes of CWSs are as follows:

<b>Estimated Minimum Cost of Providing Select Services</b>							
<b>Activity</b>	<b>Hours/Activity/Year for CWSs Serving the Following Population</b>						
	<b>&lt;100</b>	<b>150</b>	<b>750</b>	<b>3,300</b>	<b>5,000</b>	<b>50,000</b>	<b>&gt;100,000</b>
Conduct sanitary surveys	7.5	7.5	7.5	10	10	25	37.5
Conduct other inspections	2.5	2.5	2.5	3.3	3.3	5	10
Determine compliance	12	12	12	12	12	15	15
Maintain PADWIS/eFACTS	7.5	7.5	7.5	7.5	7.5	10	10
Review plans/assessments/reports	7.5	7.5	7.5	10	10	15	15
Provide technical assistance/training	7.5	7.5	7.5	7.5	7.5	10	10
<b>Total Hours</b>	<b>44.5</b>	<b>44.5</b>	<b>44.5</b>	<b>50.3</b>	<b>50.3</b>	<b>80</b>	<b>97.5</b>
<b>@ \$49/hr =</b>	<b>\$2,180</b>	<b>\$2,180</b>	<b>\$2,180</b>	<b>\$2,465</b>	<b>\$2,465</b>	<b>\$3,920</b>	<b>\$4,778</b>

The following table shows the relationship between the proposed annual fees (based on population) and the cost of providing select services.

<b>Annual Fees (Based on Population) vs. Cost of Providing Select Services</b>			
<b>Population Served</b>	<b>Annual Fee</b>	<b>Cost of Services</b>	<b>Percent of Cost of Services</b>
25 - 100	\$250	\$2,180	11 %
101 – 500	\$500	\$2,180	23 %
501 – 1,000	\$1,000	\$2,180	46 %
1,001 – 2,000	\$2,000	\$2,180	92 %
2,001 – 3,300	\$4,000	\$2,465	162 %
3,301 – 5,000	\$6,500	\$2,465	264 %
5,001 – 10,000	\$10,000	\$2,465	406 %
10,001 – 25,000	\$20,000	\$3,920	510 %
25,001 – 50,000	\$25,000	\$3,920	638 %
50,001 – 75,000	\$30,000	\$4,778	628 %
75,001 – 100,000	\$35,000	\$4,778	732 %
100,001 or more	\$40,000	\$4,778	837 %

The Percent of Cost of Services column is intended to show where water systems are paying less than the Department’s cost to provide services, and where water systems are paying more for the Department’s services. Systems serving 2,000 or less people (above the bold line) are paying less than the Department’s costs. Systems serving 2,000 or more people (below the line) are paying more for the Department’s services.

The Department is seeking comment on whether the proposed annual fee structure (based on population) is the most appropriate method. There are several options available for assessing annual fees. Some states assess fees for services rendered. Other states assess fees based on the number of service connections. Some states set minimum and maximum fees, and others do not. There are advantages and disadvantages with each of these methods. As per the Safe Drinking Water Act, fees must bear a reasonable relationship to the actual cost of providing services. The Department also factored in affordability and equitability issues (i.e., ability to pay, or cost per person or household).

For comparison purposes, the Department is providing annual fee estimates using several other options. The Department is providing fee estimates for the following additional options:

1. Annual fee based on the number of service connections (estimating the number of service connections, using a flat rate per connection, and no minimum or maximum fees).
2. Annual fee based on the number of service connections (estimating the number of service connections, using a sliding scale rate per connection, and a minimum fee).

**Alternate Option #1: Annual Fees Based on Flat Rate Per Number of Connections**

Based on the revenue required and the total number of community water system connections, the estimated fee per connection would be ~ \$1.70.

<b>Option #1: Annual Fees Based on Flat Rate/Connection vs. Cost of Providing Services</b>				
<b>Population Served</b>	<b># Service Connections</b>	<b>Annual Fee</b>	<b>Cost of Services</b>	<b>% of Cost of Services</b>
25	9	\$15.30	\$2,180	<1 %
125	46	\$78.20	\$2,180	4 %
750	278	\$472.60	\$2,180	22 %
3,300	1,222	\$2,077.40	\$2,465	84 %
10,000	3,704	\$6,296.80	\$2,465	255 %
50,000	18,518	\$31,480.60	\$4,778	659 %
100,000	37,037	\$62,962.90	\$4,778	1,318 %
120,000	45,052	\$76,588.40	\$4,778	1,603 %
160,000	59,259	\$100,740.30	\$4,778	2,108 %
250,000	92,592	\$157,406.40	\$4,778	3,294 %
660,000	244,444	\$415,554.80	\$4,778	8,697 %
820,000	303,704	\$516,296.80	\$4,778	10,806 %
1,600,000	592,593	\$1,007,408.10	\$4,778	21,084 %

Regarding Option #1:

- If the fees are passed on to consumers as a user fee, each service connection would pay the same amount = \$1.70.
- Smaller systems are paying considerably less than the Department’s cost to provide basic services.
- Larger systems are paying as much as 21,084 % more than the Department’s costs.
- As a ratio of the percentage of costs to provide services, larger systems would be paying  $21,084 / 0.70 = 30,120$  times as much as smaller systems.

**Alternate Option #2: Annual Fees Based on Sliding Rate with Minimum Fee**

Based on the revenue required and the total number of CWS connections, the estimated sliding scale fee per connection would be as follows:

<b>Sliding Scale Fee Per Connection</b>	
<b>Number of Service Connections</b>	<b>Fee Per Connection</b>
≤ 49	\$250 total fee
50 – 99	\$400 total fee
100 – 2,499	\$3.20
2,500 – 4,999	\$3.00
5,000 – 7,499	\$2.70
7,500 – 9,999	\$2.50
10,000 – 14,999	\$2.10
15,000 – 24,999	\$1.70
25,000 – 49,999	\$1.50
50,000 – 99,999	\$1.50
100,000 – 149,999	\$1.20
150,000 – 199,999	\$1.20
200,000 or more	\$1.00

The sliding scale fee per connection would result in the following annual fees:

<b>Option #2: Annual Fees Based on Sliding Scale/Connection vs. Cost of Providing Services</b>				
<b>Population Served</b>	<b># Service Connections</b>	<b>Annual Fee</b>	<b>Cost of Services</b>	<b>% of Cost of Services</b>
25	9	\$250.00	\$2,180	11 %
125	46	\$250.00	\$2,180	11 %
750	278	\$889.60	\$2,180	41 %
3,300	1,222	\$3,910.40	\$2,465	159 %
10,000	3,704	\$11,112.00	\$2,465	450 %
50,000	18,518	\$31,480.60	\$4,778	659 %
100,000	37,037	\$55,555.50	\$4,778	1,163 %
120,000	45,052	\$67,578.00	\$4,778	1,414 %
160,000	59,259	\$88,888.50	\$4,778	1,860 %
250,000	92,592	\$138,888.00	\$4,778	2,907 %
660,000	244,444	\$244,444.00	\$4,778	5,116 %
820,000	303,704	\$303,704.00	\$4,778	6,356 %
1,600,000	592,593	\$592,593.00	\$4,778	12,402 %

As a ratio of the percentage of costs to provide services, large systems would be paying 12,402 / 11 = 1,127 times as much as small systems.

Below is a table that compares all three methods of calculating fees.

<b>Comparison of Proposed Annual Fees and Options #1 and #2</b>				
<b>Population Served</b>	<b># Service Connections</b>	<b>Proposed Fees (Per Pop)</b>	<b>Option #1 (Flat Rate per Connection)</b>	<b>Option #2 (Sliding Rate per Connection)</b>
25	9	\$250	\$15.30	\$250.00
125	46	\$500	\$78.20	\$250.00
750	278	\$1,000	\$472.60	\$889.60
3,300	1,222	\$4,000	\$2,077.40	\$3,910.40
10,000	3,704	\$10,000	\$6,296.80	\$11,112.00
50,000	18,518	\$25,000	\$31,480.60	\$31,480.60
100,000	37,037	\$35,000	\$62,962.90	\$55,555.50
120,000	45,052	\$40,000	\$76,588.40	\$67,578.00
160,000	59,259	\$40,000	\$100,740.30	\$88,888.50
250,000	92,592	\$40,000	\$157,406.40	\$138,888.00
660,000	244,444	\$40,000	\$415,554.80	\$244,444.00
820,000	303,704	\$40,000	\$516,296.80	\$303,704.00
1,600,000	592,593	\$40,000	\$1,007,408.10	\$592,593.00