

CHAPTER 7 USER FEES

The Federal Government provides numerous services that directly benefit narrow, clearly identifiable groups of business and private users. However, because these services evolved over time — the first navigation aids for ships began in 1789; permanent disposal sites for radioactive waste from nuclear power plants will begin operating nearly two centuries later — the Federal agencies providing these services recover widely varying proportions of their costs through fees on the users.

Last September, President Reagan announced that the Administration would apply uniform principles of cost recovery to the current patchwork of user fees for Federal services. The President directed all Federal agencies to:

- review their activities to determine the extent to which benefits accrue to clearly identifiable users; and
- seek to recover the cost of providing those benefits through the use of specific fees instead of placing the burden on the general taxpayer.

In the 1983 Budget, President Reagan has proposed to increase or institute 15 categories of user fees. Such fees are expected to reduce the revenue required from general taxes to support subsidized services by \$2.5 billion in 1983 and \$3.5 billion in 1984.

Inconsistency in Past Federal Policy

Past Federal policy toward the recovery of cost from clearly identifiable groups receiving program benefits has been inconsistent. In some cases, few if any costs are recovered; in others close to 100% of program costs are obtained. Without the changes the President has proposed, there will be continued subsidization of particular businesses and individuals who receive Federal services. Examples of inconsistencies include:

- The nation-wide system of barge canals and waterways is a service that the Federal Government provides without recovering more than a small fraction of its costs. In 1981, the Corps of Engineers spent \$700 million to build and maintain inland waterways. The barge operators and other users of the system paid only \$20 million in fees to offset these costs, approximately 3%.

By contrast, the users of the Federal Highway system have been supporting its construction through a dedication of the Federal gasoline tax, diesel taxes, and other excise taxes on highway users since the Highway Trust Fund was established in 1956. Unlike the inland waterway users, highway users paid 100% of the cost of the Federal highway program in 1981.

- Another example of the inconsistency in current Federal user fee policy under current law concerns the services the Federal Government provides to the electric utility industry. Work on the disposal of waste from nuclear plants is currently funded entirely by the general taxpayer. In 1981 the Federal Government spent \$174 million on developing commercial nuclear waste disposal facilities and brought in no offsetting receipts from the electric utility industry.

Yet, at present, Federal agencies supply utilities with enriched uranium fuels for nuclear generating plants under arrangements that recover all of the costs of production over time. In 1981, the uranium enrichment program spent \$1.59 billion and collected \$1.25 billion in fees.

- In 1981 \$7 million was collected from general aviation users for aeronautical charts purchased from the National Oceanic and Atmospheric Administration. Although they paid an average of \$1.15 for each of these charts, it cost the Federal Government \$4.00 per chart to prepare and distribute the charts. The general taxpayer thus picked up more than

two-thirds of the cost of providing this service to the aviation industry. The general taxpayer also subsidizes in a higher proportion the sale of nautical charts to yacht owners and commercial shippers.

By contrast, the Federal Government collects 100% of the cost of providing consular services to U.S. citizens in foreign countries through user fees. Such consular services include notarization and authorization, copying and recording of documents, and preparing and sending of messages.

Advantages of User Fees

User fees have several important advantages over the use of general revenue financing for the provision of government services. The advantages include:

- enhanced equity;
- increased economic efficiency; and
- alleviation of Government's competitive advantage over the private sector.

Enhanced Equity. Those identifiable groups who directly benefit from the existence of a service should pay that portion of the cost of providing the service rather than the general taxpayer. The beneficiaries of the services for which the Administration is instituting new or increased fees consist in general of corporations or the relatively affluent. By charging these groups directly, we can avoid the necessity of imposing additional taxes on lower- and middle-income citizens. Examples of user fees which promote enhanced equity include:

- ***Fees for NOAA Aeronautical and Nautical Maps and Charts.*** Currently, the National Oceanic and Atmospheric Administration provides commercial and private owners and operators of all types of aircraft and vessels with maps and charts at a price that is less than one-third the cost of production and distribution. This proposal would gradually increase prices for maps and charts to achieve full cost recovery by 1985. Additional revenues generated by this policy amount to \$14 million in 1983 and \$44 million by 1985.
- ***Coast Guard User Fees for Operating Expenses.*** At present, nearly all services rendered by the Coast Guard for the general public are provided without charge, including issuing licenses, inspecting facilities, certifying vessel construction, maintaining aids to navigation, providing rescue assistance service, and other services. Boat and yacht owners and the maritime community are well defined groups benefitting directly from these services. Legislation will be proposed in early 1982 that would authorize the Secretary of Transportation to initiate fees for certain Coast Guard services. Fees for direct services involving a transaction (e.g., licenses and inspections) would be set according to the cost of providing the service. Other services (e.g., maintaining navigation aids and providing search and rescue services) would be financed by an annual fee or other type of charge. Revenues generated by this proposal amount to \$200 million in 1983 and full cost recovery of \$800 million in 1984.
- ***Corps of Engineers Navigation User Fees.*** Locks, dams, and channels are constructed and maintained by the Corps of Engineers and TVA for barge traffic on inland waterways. The Corps also dredges harbor channels and constructs and maintains other facilities for ocean-going and Great Lakes traffic. Construction and upkeep of both inland and deep draft waterways have traditionally been provided at near zero cost to commercial users. Such a benefit is a subsidy to the multi-billion dollar waterborne transportation industry. In the 1982 Budget, the Administration proposed legislation for user fees to recover new construction and maintenance expenses for commercial projects. Congress has thus far failed to enact such fees. Such fees would bring in \$448 million in additional revenues in 1983.
- ***Fees for Commercial Nuclear Waste Disposal.*** The Federal Government is responsible for assuring permanent disposal facilities for high level radioactive waste resulting from the generation of electricity by nuclear power plants. The development of these facilities is currently being financed by the taxpayer. Legislation is now pending in Congress that will mandate a fee (one mill per kilowatt hour) on electric utilities that are generating nuclear

waste. The income generated will be used to establish a fund for developing underground geologic repositories. Such a fund will support a business-like, self-sustaining operation for waste disposal. Revenues from the fee are expected to be \$300 million in 1983.

- ***Fees for Energy Regulatory Licenses and Services.*** The Federal Energy Regulatory Commission (FERC) issues permits and licenses and sets rates for producer sales of natural gas, operation of oil and natural gas pipelines, development of hydroelectric power, and interstate wholesale sales of electric power. Fees are now charged for pipeline and hydropower activities. Under this proposal new fees will be charged to companies making license and other applications to the FERC. Fees will be extended to services such as electric and natural gas rate determinations not now under fees. For services such as pipeline approvals and hydropower licenses, existing fees will increase substantially. It is expected that these proposed changes will bring in an additional \$35 million in offsetting receipts in 1983 if enacted.

Increased Economic Efficiency. Since government services are subsidized, the price paid by the consumer of those services is below the cost of providing the service. Subsidized prices promote over-consumption leading to increased government costs and burdened government resources. Further, subsidized benefits can lead to an inefficient allocation of available Federal Government resources. By providing direct benefits to one type of business (or group of individuals) at no cost, the government is in effect putting competing businesses at a disadvantage. Such a distortion leads to an over-allocation of resources to the subsidized business and an under-allocation of resources to the non-subsidized business. Examples of proposed user fees that can lead to increased economic efficiency include:

- ***Patent and Trademark Fees.*** The Patent and Trademark Office (PTO) assists and encourages the development of business and industry by providing protection to individuals for inventions and registering trademarks. PTO receives over 100,000 patent applications and over 50,000 trademark applications annually. A growing backlog of applications has resulted in ever-increasing turnaround time for the issuance of patents. This proposed change would increase fees charged from the current 50% to 100% of application processing costs in order to have those individuals who benefit from patent/trademark protection pay the cost of the service. Increased revenue from fees will result in a more prudent use of resources and permit enhanced program operations to reduce application processing time. Increased revenues resulting from this proposal are estimated to be \$39 million in 1983.
- ***User Fee for Grievance Arbitration.*** Currently, the Federal Mediation and Conciliation Service (FMCS) provides lists of qualified arbitrators to parties in dispute over terms of a collective bargaining agreement. In 1981 FMCS issued about 33,200 lists of arbitrators. The National Mediation Board (NMB), in connection with railroad industry grievances under collective bargaining agreements, compensates and pays expenses of neutral referees, appoints neutral referees when parties do not agree to one, and maintains offices for the National Railroad Adjustment Board. Under this proposal, a general provision would be added to the Labor-HHS appropriation bill enabling and requiring both agencies, beginning in 1983, to charge users of these services a fee equal to the total costs of Federal services. Requiring parties to pay for these services is expected to slow the rate of increase in arbitration caseloads and lead parties to find less costly and more productive ways of handling grievances. Such a proposal is expected to bring in \$1 million in 1983 to completely offset these program costs.
- ***Veterans Housing Loan Guarantee User Fee.*** The Veterans Administration's Loan Guarantee Program provides guarantees to lending institutions for residential housing loans made to veterans. An average of 330,000 loans are guaranteed each year. This proposal would require payment of a 0.5% funding fee at the time of settlement on each loan guaranteed. Such a fee would help decrease the cost of this program to the government. It is expected that this proposal will bring in an additional \$95 million in offsetting receipts in 1983 if enacted.
- ***Commodity Futures Trading Commission User Fees.*** The CFTC is an independent regulatory agency whose purpose is to encourage the efficiency of the futures market, to assure their integrity and to protect participants against abusive trade practices, fraud, and

deceit. The CFTC plans to initiate actions to recover the full cost of regulatory operations. Recovery of the cost of CFTC regulation (some \$23 million in 1983) through transaction fees and licenses transfers the regulatory cost from the general taxpayer to the identifiable beneficiaries. Growth in the markets to be regulated increases demands on available resources for regulation.

Alleviation of Government's Competitive Advantage Over the Private Sector. When the Federal Government subsidizes services that are provided in the private sector it can lead to an unfair competitive advantage which can cause the private sector to under-supply such services. Examples of user fees that can lead to an alleviation of government's competitive advantage over the private sector include:

- **Recreation User Fees.** Several Federal Government agencies provide recreational facilities for the public at a fraction of the cost of providing them. Under this proposal existing entrance fees at Federal recreation areas will be increased, and the number of areas where fees are charged will be expanded. Increased recreational user fees for public facilities will lessen unfair competition with private recreation developments which have to recover all of their costs without direct subsidies. It is expected that increased fees will bring in more than \$60 million in additional offsetting revenues in 1983.
- **GNMA Mortgage-Backed Securities-Fees.** The Government National Mortgage Association (GNMA) Mortgage-Backed Securities program provides Federal guarantees on securities backed by FHA, VA, and FmHA mortgages. GNMA now charges a commitment authority application fee of \$500 per pool package of commitments. This fee has not increased since it was established in early 1971. Increased fees will bring in an additional \$4 million annually in offsetting receipts in 1983 and help offset the competitive disadvantage of private sector mortgage-backed securities programs.

Additional Benefits Provided by User Fees

User fees can provide additional program benefits in that they generate revenues which can be used to enhance funding resulting in increased program development, operation, and efficiency. Examples include:

- **Aviation User Fees.** The Administration is proposing legislation that would increase the ticket tax on scheduled air carrier flights and general aviation fuel taxes and reinstitute other aviation taxes to their pre-1981 levels. Receipts from these taxes would be deposited into the Airport and Airway Trust Fund. Historically, the trust fund has paid for about 40% of FAA expenses including all FAA capital programs plus certain field maintenance costs. The increased user fees are coupled with an administration proposal to increase capital funding levels and finance 85% of total FAA costs from the trust fund — i.e., all FAA costs attributable to air carriers and general aviation. This proposal reflects the Administration's commitment to modernizing the National Airspace System if the users pay all allocable costs of development, acquisition, operation and maintenance. The proposal is expected to bring in almost \$1.2 billion in additional offsetting receipts in 1983.
- **Patent and Trademark Fees.** The Patent and Trademark Office (PTO), which provides patent protection to individuals for inventions and registering trademarks, has experienced a growing backlog of applications resulting in ever-increasing turnaround time for the issuance of patents. Increased fees will be used to offset the costs of improved PTO service. Program expansion will permit a reduction of application processing time. Fee-derived revenue will also permit development of a fully-automated application processing system in subsequent years to further improve service and maintain or reduce costs.

Cases Where User Fees Will Not Be Applied

In cases where the general public is the recipient of the benefits of a Federal program rather than a clearly identifiable group, user fees will not be imposed. Further, in instances where collection of user fees is infeasible or not cost-beneficial, user fees will not be implemented. Some examples include:

- ***The Patent and Trademark Office.*** Patent protection serves the public by providing an incentive to disclose new technology. Disclosure of this information is a key to increased productivity and economic growth. Since the details of the invention are made public in the files of the PTO public search room, the cost of this and similar activities will be borne by general tax revenues.
- ***Coast Guard Services.*** User fees will not be proposed for those services that benefit the public in general. Such services include military readiness, enforcement of laws and treaties, and marine science.
- ***Recreational Services.*** Appropriate fees will be raised and/or charged at those areas and facilities where they can be administered economically. It is not feasible to collect fees at every recreational area as many of the areas are too small, remote, or sporadically used. Many of the areas may have access through a large number of entry points and staffing the entrances would be uneconomic.

Summary of the 1983 Proposals

By instituting the fees described above, the Administration will:

- Reduce the revenues required from general taxes to support subsidized services to clearly identifiable groups by over \$3 billion.
- Apply consistent principles of cost recovery to all agencies supplying services.
- Reduce subsidies to business and other private users of Federal services.
- Encourage a prudent utilization of Federal Government resources.
- Alleviate Government's competitive advantage over some private sector businesses.
- Enhance program efficiency and quality of service.

Patent and Trademark Fees

AGENCY: Department of Commerce

FUNCTIONAL CODE: 376

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	116	121	155	167	176	182	182
<i>Outlays</i>	112	120	152	163	172	178	178
OFFSETTING RECEIPTS:	—	—	87	96	105	113	117
<i>Current Law</i>	—	—	48	53	57	62	64
<i>Policy Increase</i>	—	—	39	43	48	51	53
PERCENT RECOVERED (BA):	—	—	56	57	60	62	64
<i>Current Law</i>	—	—	31	32	32	34	35
<i>Policy Increase</i>	—	—	25	25	28	28	29

Program Description

The Patent and Trademark Office (PTO) assists and encourages the development of business and industry by providing patent protection to individuals for inventions and registering trademarks. PTO receives more than 100,000 patent applications and more than 50,000 trademark applications annually.

A growing backlog of applications has resulted in ever-increasing turnaround time for the issuance of patents. Without the changes described below, it will continue to take more than two years to process a patent application, with an average increase of two months per year for 1983 and beyond.

Proposed Change

The proposed change would increase fees charged from the current 50% to 100% of application processing costs. The purpose of the change is to have those individuals who benefit from patent/trademark protection pay the cost of the service. In the case of patents, 50% of the processing cost would be recovered prior to issuance of the patent and 50% would be recovered through maintenance payments over the 17-year life of the patent. Approximately 15 years after the fees are instituted, full cost recovery for patent processing would be achieved. Increased fee revenues would be invested in program operations to reduce processing time. The Federal Government would continue to fund the public search room and other nonprocessing functions such as U.S. representation at international patent meetings and the expenses of the commissioner's office.

Rationale

- These changes are proposed as part of the Administration's effort to impose or increase user fees where a service provides special benefits to an identifiable recipient above and beyond those that accrue to the general public.
- The 17-year monopoly provided by patent protection enables the patent holder to obtain exclusive and substantial returns from commercial application of the invention. Therefore, 100% of the costs of processing the patent is a fair charge for the benefits received. In addition, since 50% of cost recovery occurs through maintenance payments, the patent holder has the option of allowing the patent to lapse (by stopping payment) if the invention is not profitable.
- Patent protection also serves the public by providing an incentive to disclose new technology. Disclosure of this information is a key to increased productivity and economic growth. Since the details of the invention are made public in the files of the PTO public search room, the cost of that and similar activities should be borne by general tax revenues.

- By increasing fees and initiating maintenance payments, the U.S. system of fees would generally be in line with the systems in other industrialized countries. Therefore, no relative disincentive to using the U.S. system should result, especially in light of the size of the U.S. market.
- In the context of severe fiscal constraint, the goal of efficient and effective patent and trademark systems is not attainable without the increased fees proposed.

Effects of the Proposed Change

- In most areas, the user fees proposed will not even keep pace with past inflation. The average patent filing fee established by the Congress in 1965 was \$85. Simply escalated by the growth in the average salary of a patent examiner, that \$85 in 1965 is equivalent to about \$400 in 1984. The average filing fee projected under the Administration's proposal is \$330. The average \$145 patent issue fee in 1965, when similarly escalated, would be about \$700 in 1984, or roughly 42% more than the proposed \$500 issue fee. The proposed fees for other PTO services follow a similar pattern.
- Increased fees will be used to offset the costs of improved PTO service. Program expansion will permit a reduction of processing time to 18 months by 1987 for patents and 13 months by 1985 for trademarks. These are considered to be the optimum processing times for patent and trademark applications. Fee-derived revenue will also permit development of a fully-automated application processing system in future years to further improve service and maintain or reduce costs.

Fees For Commercial Nuclear Waste Disposal

AGENCY: Department of Commerce

FUNCTIONAL CODE: 271

<i>Funding</i>	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority/Obligations</i>	173	188	235	315	339	387	531
<i>Outlays</i>	174	192	235	315	339	364	458
OFFSETTING RECEIPTS:							
<i>Current Law</i>	—	—	—	—	—	—	—
<i>Policy Increase</i>	—	—	300	501	549	627	659
PERCENT RECOVERED (BA):							
<i>Current Law</i>	—	—	—	—	—	—	—
<i>Policy Increase*</i>	—	—	128	159	162	162	124

*Fees exceed obligations in early years because major construction and operating costs for the geologic repository are not incurred until the 1990's.

Program Description

The Federal Government has assumed responsibility for assuring permanent disposal facilities for high level radioactive waste resulting from the generation of electricity by nuclear power plants. Lack of progress in this area is one of the main public concerns with continued use of nuclear power.

The objective of the current program (in the existing Department of Energy) is to plan, develop and implement the technology necessary to provide for such disposal. Potential sites in several States are currently being evaluated. Beginning in 1983, exploratory shafts will be sunk underground at three different sites.

Proposed Change

- In his policy statement (October 8, 1981) on nuclear power, the President stated that the Government had failed to meet its responsibility for nuclear waste disposal. He therefore directed that the Government work closely with industry and State governments to swiftly deploy means for storing and disposing of commercial nuclear waste.
- To provide sufficient resources for the identification and evaluation of several potential sites, for subsurface shafts and tests, and for construction and operation of underground geologic repositories, funding would be obtained through a user fee on electric utilities that are generating nuclear waste.
 - It is assumed that pending legislation which the Administration supports will mandate this fee (now estimated at one mill per kilowatt hour) and that the income will be used to establish a fund to support a business-like, self-sustaining operation for waste disposal.
 - A commitment to an accelerated fixed schedule for developing an operating repository would be made to enable industry to plan better for its short-term waste management needs.
 - Ultimately, an independent single-purpose organization would be formed to reflect better the business-like nature of the program. This will ensure the availability of adequate management resources over the long time period required for development and operation of repositories.
- Direct Federal funding would be limited to generic R&D on alternative waste management concepts, continued investigations on the materials in which to solidify and encapsulate the waste, and development of models necessary to assess the safety of potential repository sites.

Rationale

- Commercial nuclear waste disposal is a service that will be provided to nuclear utilities. Those who benefit from the electricity should also pay for disposing of the waste that is being generated at the same time.
- The Nuclear Regulatory Commission has concluded that reactors cannot continue to be licensed unless the means for safe disposal will exist when required. A Commission rulemaking currently underway will determine whether there is sufficient confidence that repositories will be available so that this issue can be precluded from individual licensing cases. Without an aggressive waste program and the resources to provide a repository on a fixed schedule, the licensing of new reactors could be in jeopardy.

Effects of the Proposed Change

- The cost of nuclear-generated electricity will be increased by about two percent. The full cost of waste disposal will no longer be subsidized by the taxpayer.
- The program will be accelerated and sufficiently funded to cover contingencies.
- With firm commitment on permanent disposal capability from the Federal Government, utilities can plan interim storage needs accordingly.
- The lack of waste disposal capability will no longer be an issue in licensing new reactors.

Fees for NOAA Aeronautical and Nautical Maps and Charts

AGENCY: Department of Commerce

FUNCTIONAL CODE: 306

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	58	62	67	71	71	71	71
<i>Outlays</i>	58	62	67	71	71	71	71
RECEIPTS:	20	22	40	56	71	71	71
<i>Current</i>	20	22	26	27	27	27	27
<i>Policy Increase</i>	—	—	14	29	44	44	44
% OF COSTS RECOVERED (BA):	34	36	60	79	100	100	100
<i>Current</i>	34	36	39	38	38	38	38
<i>Policy Increase</i>	—	—	21	41	62	62	62

Program Description

The National Oceanic and Atmospheric Administration (NOAA) provides the aviation and marine community (civil and military, commercial and private owners, and operators of all types of aircraft and vessels) with maps and charts.

This activity is funded by: (1) reimbursements from other Federal agencies; (2) direct sales to Federal agencies and the public (cost recovery is limited by Public Law 88-441 to printing and distribution); and (3) appropriated funds.

Proposed Change

Beginning in 1983, prices for maps and charts would be increased gradually to achieve full cost recovery by 1985. (In 1981, only 34% of the mapping and charting program costs were recovered.) Legislation to provide copyright protection and amend P.L. 88-441 will be proposed.

Rationale

- These proposals are part of the Administration's effort to impose or increase user fees where a service provides special benefits to identifiable recipients above and beyond those that accrue to the general public.
- The general taxpayer will be relieved of the burden of subsidizing the cost of these maps and charts to the aviation and marine community.
- Paying the full costs for such services would encourage their economical use.

Effects of the Proposed Change

- The present average charge for aeronautical charts is about \$2 and for nautical maps is \$5. By 1985, the average charge is projected to increase to \$9 and \$37 respectively.
- When compared to the overall costs of operating aircraft or marine vessels, the additional costs to the operators from this proposal should be accommodated easily.

GNMA Mortgage-Backed Securities — Fees

AGENCY: Department of Housing
and Urban Development

FUNCTIONAL CODE: 371

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Outlays</i>	-92	-118	-149	-175	-203	-228	-252
OFFSETTING RECEIPTS:							
<i>Current Law</i>	4	5	5	5	5	5	5
<i>Policy Increase</i>	0	0	4	4	4	4	4

Program Description

The Government National Mortgage Association (GNMA) Mortgage-Backed Securities program provides Federal guarantees on securities backed by FHA, VA and FmHA mortgages. GNMA, as authorized by the Housing and Urban Development Act of 1968, guarantees the timely payment of principal and interest of the securities.

Two major types of fees are currently charged to securities issuers by GNMA. These are a commitment authority application fee of \$500 per pool package of commitments and an annual guarantee fee for actual guarantees issued of six basis points based on the aggregate principal balance of outstanding securities. The application fee amount has not changed since it was first established in early 1971. The proposed change in this budget focuses only on the application fee.

Proposed Change

In the 1983 Budget, the Administration proposes to raise the fee for a GNMA commitment to be, on average, equal to \$1,000 per pool package commitment. This is approximately equivalent to application fees charged by private sector conventional mortgage-backed securities programs for similar services. In addition, a new fee of \$250 will be charged to new GNMA securities issuers, of which there are about 150 per year.

Rationale

- The change is proposed as part of the Administration's effort to increase user fees where a service or program provides special benefits to an identifiable recipient.
- GNMA's guarantee provides securities issuers (primarily mortgage bankers) with a subsidy not available to other financial market intermediaries.
- To encourage and accelerate the development of private sector mortgage-backed securities programs, the Federal Government advantage should be removed. Raising fees will help increase competition between GNMA and private market alternatives.

Effects of the Proposed Change

- Increased fees will help offset the competitive disadvantage of private sector mortgage-backed securities programs.
- Additional application fee revenue, which will total \$4 million in 1983, will be generated from the proposed changes.

Recreation User Fees

AGENCY: Department of the Interior
 Department of Agriculture
 Department of the Army
 Tennessee Valley Authority

FUNCTIONAL CODE: 303

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	916	1,016	1,089	1,096	1,100	1,105	1,125
<i>Outlays</i>	916	1,016	1,089	1,096	1,100	1,105	1,125
OFFSETTING RECEIPTS:	34	41	104	109	111	112	113
<i>Current Law</i>	34	41	41	41	41	41	41
<i>Policy Increase*</i>	—	—	63	68	70	71	72
PERCENT RECOVERED (BA):	4	4	10	10	10	10	10
<i>Current Law</i>	4	4	4	4	4	4	4
<i>Policy Increase</i>	—	—	6	6	6	6	6

*Figures shown reflect minimum amounts to be collected; exact amounts will depend upon the legislative proposal sent to Congress.

Program Description

Seven Federal agencies in four departments provide recreational facilities for the public, including picnic areas, trails, campsites, visitor centers, exhibits, roads, boat ramps and lake and river access areas, swimming, marinas, concession operations, skiing sites, and wilderness areas.

At present the law imposes major restrictions on the collection of recreation user fees, such as:

- limiting National Park Service entrance fees to \$3;
- prohibiting any fees at 82 percent of the recreation areas managed by the Army's Corps of Engineers, which provides more than 400 million visitor-days of recreation annually; and
- preventing collection of any user fees at 41 percent of the Forest Service's campsites.

Proposed Change

The Administration proposes to increase existing entrance fees at Federal recreation areas and expand the number of areas where fees are charged. Legislation will be proposed to adjust fees for inflation and set comparable fees for comparable areas and facilities. The fees collected by each agency will be used to finance recreational projects of that agency.

Rationale

This Administration believes that specific identifiable beneficiaries of Federal services should pay more of the costs associated with the provision of the benefit.

The cost of a Golden Eagle passport, which admits the car owner and all passengers to all National Parks and recreation areas for an entire year, has been \$10/year since its inception in 1965. Just keeping up with inflation would require a \$30 charge for the passport in 1983. Many other entrance fees have not been raised since the 1960's.

Broad-based support for increasing Park Service entrance fees has been expressed in editorials in Western newspapers and letters from private citizens to the National Park Service. The entrance fees are a small part of the cost of visiting the parks. Moderate increases is not expected to affect the annual 6% to 9% increase in attendance.

Effects of the Proposed Change

- The proposed increase in fees would more than double revenues from Federal recreation areas, lessening the subsidy from the general taxpayer to the user of public recreation sites.
- Fees will remain low even where increased, so that citizens will not be prevented from access to public recreation sites.
- Fees will be raised and/or charged only at those areas and facilities where the costs of collecting fees are not unreasonable compared to the resulting revenues.
- Increased fees for public facilities will lessen unfair competition with private recreation developments, which have to recover all of their costs without direct subsidies.

Aviation User Fees

AGENCY: Department of Transportation

FUNCTIONAL CODE: 402

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	3,412	3,063	3,903	3,889	4,165	4,365	4,610
<i>Outlays</i>	3,158	3,073	3,375	3,653	4,195	4,202	4,295
RECEIPTS:							
<i>Current Law</i>	1,194	1,268	1,474	1,670	1,878	2,108	2,344
<i>Policy Increase</i>	—	131*	1,187	1,350	1,548	1,742	1,946

NOTE: During 1982-1985, user fee receipts coupled with a drawdown of the uncommitted Trust Fund balance would result in 85% cost recovery. In 1986-1987, user fee receipts alone would finance all allocable costs.

- Assumes July 1, 1982 effective date.

Program Description

Because of the expiration of statutory authority at the end of 1980, no revenues are currently being deposited into the Airport and Airway Trust Fund, and many aviation taxes have expired. Currently, a 5% passenger ticket tax on scheduled air carrier flights is being deposited into the general fund of the Treasury, while a 4 cents/gallon tax on general aviation gasoline and a tire and tube tax are being deposited into the highway trust fund.

Although the Congress has historically restricted use of aviation tax revenues, all FAA capital programs (grants-in-aid to airports, facilities and equipment, and research, engineering and development) plus certain field maintenance costs have been trust fund financed. The total annual trust fund share of FAA programs typically has been about 40%.

Proposed Change

In March 1981, the Administration proposed aviation user fee legislation that would reauthorize revenue deposits to the Airport and Airway Trust Fund and institute the following user fees: 6.5% passenger ticket tax; general aviation taxes during 1981-1986 of 12 cents/gallon increasing to 36 cents/gallon on aviation gasoline and 20 cents/gallon increasing to 65 cents/gallon on jet fuel; 5% freight waybill tax; \$3.00 international departure tax; and a tire and tube tax.

The March 1981 user fee structure was coupled with a proposal to finance 85% of FAA programs from the Airport and Airway Trust Fund. This percentage represents the portion of FAA capital, operating and maintenance costs clearly allocable to air carriers and general aviation.

The Administration is proposing legislation that would revise the March 1981 proposal for the passenger ticket tax and general aviation fuel taxes to the following:

	1982	1983	1984	1985	1986	1987
<i>Passenger Ticket Tax</i>	8%	8%	8%	8%	8%	8%
<i>General Aviation Gasoline Tax (Cents/gallon)</i>	12	12	14	16	18	20
<i>General Aviation Jet Fuel Tax (Cents/gallon)</i>	14	14	16	18	20	22

Other tax rates proposed last March would remain unchanged. In addition to recovering 85% of FAA expenses from the Trust Fund, the Administration is proposing to use an additional \$27 million of Trust Fund receipts, beginning in 1983, to finance the Aviation Weather Services Program administered by the National Oceanic and Atmospheric Administration.

Rationale

- This proposal is part of the Administration's effort to impose user fees where a service provides special benefits to identifiable recipients above and beyond those which accrue to the general public.
- Subsidizing users leads to economic inefficiencies and encourages over-use of the aviation system, thus resulting in continual pressure to expand the system's capacity. To help break this cycle, users should be held responsible for their fair share of the cost of operating as well as maintaining and improving the airways system. In the past, only small amounts of user tax revenues have been applied toward operating costs. But, clearly passengers and pilots are the beneficiaries of services provided by FAA employees such as those who man the air traffic control system and flight service stations.
- The proposed user fees are also necessary to finance increased funding for FAA-owned facilities and equipment and associated research and development. This increased funding will be used to modernize the National Airspace System and will benefit all aviation users by increasing safety while reducing fuel and delay costs.
- The gradual increase in the fuel taxes should prevent severe disruptions to general aviation activity. The 8% ticket tax restores the tax to the rate in effect during 1970-1980.
- Using the Administration's estimate of allocable costs, the 4 cents/gallon tax on aviation gasoline paid by general aviation users in 1981 covered only about 5% of their allocable costs. With the revised fuel taxes, general aviation users would pay about 15% of their allocable costs in 1983, increasing to about 30% in 1987. Even using an alternative cost allocation based on minimum services required rather than actual costs incurred by the FAA, general aviation would be paying less than 60% of its allocable costs in 1987.
- The higher tax levels on general aviation jet fuel reflect the fact that these aircraft place greater demands on the National Airspace System than do less sophisticated planes utilizing aviation gasoline.
- With only about 25% of general aviation activity and 45% of travel on air carriers classified as personal, the majority of the burden of the increased user fees will fall on the business sector where such expenses are tax deductible. Thus, the increased user fees reduce taxes payable, and the cost to most users is significantly less than the increased receipts into the Airport and Airway Trust Fund.

Effects of the Proposed Change

- The revised tax proposal coupled with the increased capital funding, including reauthorization of airport grants at \$450 million annually, reflects the Administration's commitment to modernizing the National Airspace System if the users are willing to pay the allocable costs of development, acquisition, operation and maintenance.
- If the revised tax proposal is enacted, the Administration would support an increase of nearly \$535 million above the 1982 enacted level for facilities, equipment and associated development. In 1987, about \$1.4 billion would be authorized for the development and procurement of FAA facilities and equipment.
- The higher capital funding levels coupled with the revised tax proposal would result in an uncommitted trust fund balance in the range of \$.8 to \$2.3 billion during 1983-1987 compared to the \$3.0 billion uncommitted balance at the end of 1981.

Coast Guard User Fees

AGENCY: Department of Transportation

FUNCTIONAL CODE: 403

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
TOTAL COSTS							
<i>Budget Authority</i>	2,035	2,517	1,998	2,411	2,506	2,585	2,666
<i>Outlays</i>	1,854	2,136	2,253	2,338	2,432	2,536	2,632
ALLOCABLE PROGRAM COSTS*							
<i>Budget Authority</i>	800	800	800	800	800	800	800
<i>Outlays</i>	800	800	800	800	800	800	800
RECEIPTS							
<i>Current</i>	—	—	—	—	—	—	—
<i>Policy Increase**</i>	—	—	200	800	800	800	800
% OF ALLOCABLE COSTS RECOVERED							
<i>Current</i>	—	—	—	—	—	—	—
<i>Policy Increase</i>	—	—	25	100	100	100	100

* Funds shown represent the Operating Expenses portion allocable to services which benefit the Maritime industry and recreational boaters.

** Level in 1983 reflects program start-up; for 1984 and out years, legislation calls for collection of 100% of allocable costs, estimated to be \$800 in 1982 dollars.

Program Description

Currently, most services rendered by the Coast Guard for the public are provided without charge: issuing licenses; inspecting facilities; certifying vessel construction; maintaining aids to navigation; providing rescue and assistance service, and other services.

Proposed Change

- Legislation will be proposed in early 1982 that would authorize the Secretary of Transportation to initiate fees for certain Coast Guard services.
- Fees for direct services involving a transaction (e.g., licenses and inspections) would be set according to the cost of providing the service. Other services (e.g., maintaining navigation aids and providing search and rescue services) would be financed by an annual fee or other type of charge. Fees would be adjusted periodically to reflect changes in the levels of service provided and their associated costs.

Rationale

- Commercial and recreational boating users are well-defined groups benefitting directly from the services offered by the Coast Guard. Charging these users for the services they receive allows the tax burden to be shifted away from the general taxpayer.
- There are about 14 million recreational boats in the U.S. Commercial users include inland, domestic coastal, and international trade carriers, as well as domestic and foreign fishing vessels. Federal fees will recover the costs of special services provided for their benefit by the Coast Guard.

Effects of the Proposed Change

- Fees initially will be set at less than full recovery allowing a period of adjustment for the correction of errors, public review of schedules, and a review of appeals and protests. Proposed legislation will call for 100% of certain allocable Coast Guard operating costs to be recovered by the end of 1983.

- Legislation will reflect the concern of many private and commercial groups that those Coast Guard services subject to user fees will be made more cost effective. Coast Guard activities that can be more economically done in the private sector will be reduced or terminated, if and when commercial services are offered.
- Fees will be collected under arrangements to be made by the Department of Transportation. Revenues from user fees will be deposited into the general fund of the Treasury, and treated as proprietary receipts of the Department of Transportation.
- To avoid "double payment" by boat owners on inland waterways, Coast Guard costs will not be included in the base costs used to calculate inland waterway user fees proposed to be collected by the Corps of Engineers.
- User fees will not be proposed for those programs that serve the general public (e.g., military readiness, enforcement of laws and treaties, and marine science).

Commodity Futures Trading Commission User Fees

AGENCY: Commodity Futures Trading Commission

FUNCTIONAL CODE: 376

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	19	20	23	23	23	23	24
<i>Outlays</i>	19	20	23	23	23	23	23
OFFSETTING RECEIPTS:							
<i>Current Law</i>	1	1	1	1	1	1	1
<i>Policy Increase</i>	—	—	22	22	22	22	23
PERCENT RECOVERED (BA):							
<i>Current Law</i>	5	5	4	4	4	4	4
<i>Policy Increase</i>	—	—	96	96	96	96	96

Program Description

The Commodity Futures Trading Commission (CFTC) is an independent regulatory agency that administers the Commodity Exchange Act of 1936 as amended. The purpose of the CFTC is to encourage the efficiency of the futures market, to assure their integrity and to protect participants against abusive trade practices, fraud, and deceit.

Proposed Change

The CFTC plans to initiate actions, including proposed legislation if necessary, to recover the full cost of CFTC regulatory operations. Costs would be recovered through fees for futures transactions traded in the exchanges as well as fees for classes of persons regulated under the Act who are not members of an exchange. Fees collected would be paid to the Treasury.

Rationale

Regulations to prevent abusive trade practices, fraud and deceit in futures markets convey benefits to market participants and to futures exchanges that go beyond those accruing to the general public. Recovery of the costs of CFTC regulation through transaction fees and licenses transfers the regulatory cost from the general taxpayer to the identifiable beneficiaries.

Growth in the markets to be regulated increases demands on available resources for regulation. Since there are identifiable benefits that accrue to market participants, user charges for recovering the costs of CFTC regulation are both appropriate and desirable.

Effects of the Proposed Change

- A nominal transaction charge averaging about \$.25 per contract on the current volume would generate adequate revenues to recover full CFTC costs.
- Such fees should not be a significant barrier to market participation.
- Since fees are related to transactions volumes, revenues will increase as volume increases.

Corps of Engineers Navigation User Fees

AGENCY: Corps of Engineers/Tennessee Valley Authority

FUNCTIONAL CODE: 301

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	1,135	1,145	935	980	1,025	1,075	1,120
<i>Outlays</i>	1,135	1,145	935	980	1,025	1,075	1,120
OFFSETTING RECEIPTS:							
<i>Current Law</i>	20	58	67	82	90	110	110
<i>Policy Increase</i>	—	—	448	458	475	480	510
PERCENT RECOVERED (BA):							
<i>Current Law</i>	2	5	7	8	9	10	10
<i>Policy Increase</i>	—	—	48	47	46	45	46

Program Description

Locks, dams, and channels are constructed and maintained by the Corps of Engineers and Tennessee Valley Authority for barge traffic on the inland waterways. The Corps also dredges harbor channels and constructs and maintains other facilities for ocean-going and Great Lakes traffic.

Construction and upkeep of both inland and deep draft waterways have traditionally been provided at almost no cost to commercial users.

Proposed Change

- In the 1982 Budget, the Administration proposed legislation to recover new construction and maintenance expenses for commercial projects. The 1983 Budget also proposes that these Federal expenditures be repaid by commercial users or project sponsors.
- While Congress has not yet enacted navigation user fees, some progress has been made. A deep draft Bill (S.1692) has cleared full Committee. S.1692 is generally sound in concept, but maintenance revenues are too low — only about 14 percent of current Federal costs.
- Hearings have not yet been held on the Administration's inland waterway user fee proposal.
- The Administration proposes a reduced funding level for some navigation projects — see the fact sheet on navigation maintenance in Chapter 4. Additional funding will be requested when adequate reimbursement for navigation project operation and maintenance is available through establishment of user fees.

Rationale

- These navigation user fee proposals are part of the Administration's effort to require payment for government services when the users are clearly identifiable and the costs allocable.
- Federal deep draft dredging and operation of the inland waterway system is a billion dollar a year subsidy to the multibillion dollar waterborne transportation industry.
- Ports in the U.S. are a big business. Foreign payments for U.S. port expenses (does not include Federal dredging) were \$4.6 billion in 1979, and the value of marine terminal facilities is currently in excess of \$40 billion.
- 15 percent of intercity tonnage travels on the inland waterway system, while rail, its principal competitor, carries 35 percent.

- User fees would assure a source of funding for commercially viable development.
- Corps of Engineers construction funding in constant dollars is now about half what it was 20 years ago, and declining.
- Reducing navigation subsidies will create a more efficient and equitable transportation system.
- The waterborne transportation industry will still be largely subsidized since it will not have to pay for the construction of navigation projects already in place, which cost the Federal Government billions.

Effects of the Proposed Change

- Traffic on the majority of waterways is projected to continue to grow about the same amount — more than 50 percent — in this century, with or without Federal user fees. Only a small number of high-cost/low-volume projects, such as the Kentucky Waterway, may be severely affected.
- For the inland system as a whole, user fees would initially amount to about \$1.10 per 1000 ton miles. This would be added to the current barge rate of about \$8 per 1000 ton miles. In contrast, the current rail rate is about \$25 per 1000 ton miles.
- The cost of shipping grain from river port to ocean port will increase less than 4 cents per bushel for most shippers. The increases will range from 1/2 cent to 10 cents per bushel.
- A 100 percent deep draft user charge would average only about one-half percent of existing port facility and service charges for break bulk cargoes, one and one-half percent for containers, and seven percent for coal.
- Deep draft harbor user fees would not appreciably affect the competitive relationships between ports, particularly if cost recovery on low tonnage/high cost ports were limited to 125 percent of the national average cost per ton of cargo (currently 23 cents), as the Administration suggested during Committee consideration of S.1692.
- With a 23 cent per ton maximum user fee payment in place, port maintenance user fees would add only 1/10 of one percent to the delivered cost of a ton of Montana grain to a customer in Japan.

Fees for Energy Regulatory Licenses and Services

AGENCY: Federal Energy Regulatory Commission

FUNCTIONAL CODE: 276

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Budget Authority</i>	75	76	93	92	89	87	88
<i>Outlays</i>	69	77	90	90	89	86	87
OFFSETTING RECEIPTS:							
<i>Current Law</i>	24	25	25	25	25	25	25
<i>Policy Increase</i>	—	—	35	35	35	33	34
PERCENT RECOVERED (BA):							
<i>Current Law</i>	32	33	27	27	28	29	28
<i>Policy Increase</i>	—	—	38	38	39	38	39

Program Description

The Federal Energy Regulatory Commission issues permits and licenses and sets rates for sales of natural gas, operation of oil and natural gas pipelines, development of hydroelectric power, and interstate sales of electric power.

Fees are now charged for pipeline and hydropower activities.

Proposed Change

- New or increased fees will be charged to companies making license and other applications to the Federal Energy Regulatory Commission.
- Fees will be extended to services such as electric and natural gas rate determinations, not now subject to fees.
- For services such as pipeline approvals and hydropower licenses, for which fees are now being collected, the fees will increase substantially.

Rationale

- Businesses should pay fees to cover the Commission's cost of processing license and other applications—just as motorists must pay fees to cover the costs of issuing and maintaining records for drivers' licenses.
- In the past, the fees charged have been too low to cover the Commission's cost of providing the regulatory service.

Effects of the Proposed Change

- Natural gas producers, pipeline operators and other developers and power companies will have to pay new or increased fees to cover the cost of Government services.
- Although some fees may increase substantially, they will be very small compared with the overall cost to these companies of developing, generating or transporting energy. To illustrate, the \$60 million level of fees estimated for 1983 represents only 0.1 percent of the \$44 billion of 1980 investment for the entire electric and gas utility industries combined.
- The \$60 million in fees will also be very small compared with the total economic value received by energy consumers. As a measure of that value, 1980 sales revenues in the electric utility industry were \$91 billion and those for gas utilities were \$48 billion.
- Proposed fees cover roughly two-thirds of the cost of the Commission's programs.

User Fee for Grievance Arbitration

AGENCIES: Federal Mediation and Conciliation Service (FMCS)
and National Mediation Board (NMB)

FUNCTIONAL CODE: 505

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL							
<i>Budget Authority</i>	31	29	25	24	24	24	24
<i>Outlays</i>	29	29	26	25	24	24	24
OFFSETTING RECEIPTS							
<i>Current Law</i>	*	*	*	*	*	*	*
<i>Policy Increase</i>	—	—	1	1	1	1	1
PERCENT RECOVERED (BA)							
<i>Current Law</i>	**	**	**	**	**	**	**
<i>Policy Increase</i>	—	—	5	5	5	5	5

* Less than \$500,000.

** Less than 1%.

Program Description

The Federal Mediation and Conciliation Service (FMCS) provides lists of qualified arbitrators to parties in dispute over interpretation or application of terms of a collective bargaining agreement. In 1981 FMCS issued about 33,200 lists of arbitrators.

The National Mediation Board (NMB), in connection with railroad industry grievances and minor disputes under collective bargaining agreements, compensates and pays expenses of neutral referees, appoints neutral referees when the parties do not agree on one, and maintains offices for the National Railroad Adjustment Board. In 1981 about 7,400 grievance cases were received and about 6,100 were settled or withdrawn.

Proposed Change

A general provision in the Labor-HHS appropriation bill will be proposed that would enable and require both FMCS and NMB to charge users of these services a fee equal to the total costs of Federal services and require parties to pay the costs of the arbitrator or neutral referee beginning in 1983. The FMCS fee will be about \$15 per list of arbitrators supplied to the parties. NMB fees for each party will depend on the volume of cases.

Rationale

- Since benefits of these services accrue directly and primarily to the parties, it is appropriate that they incur the costs as well.
- Except for the railroad industry, parties to these disputes now pay arbitrator or referee compensation themselves.
- Current free provision of this government service unfairly and unnecessarily undercuts private agencies which must charge a fee for similar services. The user fee will reduce this discrepancy in "prices" between the public and private sectors.

Effects of the Proposed Change

- This user fee is expected to have very little impact on the conduct of labor-management relations because of the relatively small charges involved.

- Increased costs of grievance arbitration may lead parties to find less costly and more productive ways of handling grievances.
- Requiring parties to pay for these Federal services is expected to slow the rate of increase in arbitration caseloads.

Veterans Housing Loan Guarantee User Fee

AGENCY: Veterans Administration (VA)

FUNCTIONAL CODE: 704

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL							
<i>Budget Authority</i>	176	190	357	507	254	248	246
<i>Outlays</i>	176	190	357	507	254	248	246
OFFSETTING RECEIPTS							
<i>Current Law</i>	—	—	—	—	—	—	—
<i>Policy Increase</i>	—	—	95	105	110	112	113
PERCENT RECOVERED (BA)							
<i>Current Law</i>	—	—	—	—	—	—	—
<i>Policy Increase</i>	—	—	27	21	43	45	46

Program Description

The Veterans Administration provides guarantees to lending institutions for residential housing loans made to veterans. The amount covered by the guarantee is 60% of the loan, up to a maximum guarantee of \$27,500. Guarantees are reusable, but the total of all guaranteed amounts may not exceed \$27,500 at any point in time. An average of 330,000 loans are guaranteed each fiscal year. About 635,000 veterans have used the program since 1944 to purchase successive or additional homes.

Proposed Change

Legislation will be proposed to require the payment of a 0.5% funding fee at the time of settlement on each loan guaranteed.

Rationale

The user fee will help defray administrative and operating costs of this program without affecting mortgage interest costs paid by veterans. Since this program provides a benefit to a select group, it is reasonable to expect that this group bear a portion of the cost of providing the benefit.

Effects of the Proposed Change

The average housing loan that is guaranteed by VA is about \$57,000. Each beneficiary would thus be required to pay a one-time funding fee of around \$285. As a result, the administrative and operating costs associated with the loan guarantee program would be reduced. Benefits would remain available to veterans seeking housing loan guarantees.