



Highlights of [GAO-08-386SP](#), a report to congressional requesters

Why GAO Did This Study

The federal government will need to make the most of its resources to meet the emerging challenges of the 21st century. As new priorities emerge, policymakers have demonstrated interest in user fees as a means of financing new and existing services. User fees can be designed to reduce the burden on taxpayers to finance the portions of activities that provide benefits to identifiable users above and beyond what is normally provided to the public. By charging the costs of those programs or activities to beneficiaries, user fees can also promote economic efficiency and equity. However, to achieve these goals, user fees must be well designed.

GAO was asked to study how user fee design characteristics may influence the effectiveness of user fees. Specifically, GAO examined how the four key design and implementation characteristics of user fees—how fees are set, collected, used, and reviewed—may affect the economic efficiency, equity, revenue adequacy, and administrative burden of cost-based fees. GAO reviewed economic and policy literature on federal and nonfederal user fees, including prior GAO work, and used relevant case examples to illustrate different types of design elements and the impacts they may have.

To view the full product, including the scope and methodology, click on [GAO-08-386SP](#). For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.

FEDERAL USER FEES

A Design Guide

What GAO Found

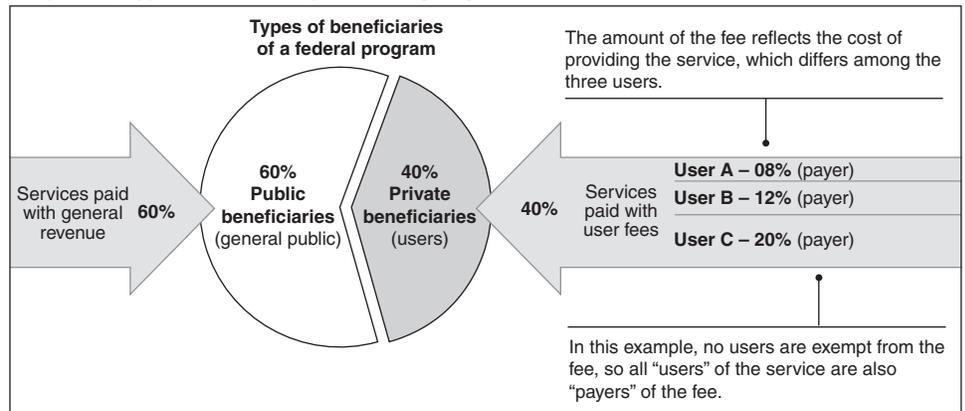
Setting user fees: Setting user fees according to the beneficiary-pays principle can promote equity and economic efficiency. For cost-based fees, the extent to which a program provides benefits to the general public versus users and the cost of providing those benefits should, theoretically, guide how much of total program costs are paid for by user fees and the amount each user pays (see figure). Although this principle provides a useful guideline for setting fees, strictly following the principle is not always desirable or practical.

Collecting user fees: The primary challenge of determining when and how to collect a fee is striking a balance between ensuring compliance and minimizing administrative costs. In some cases, the collection systems of another agency or a nonfederal entity, such as a private sector enterprise, may be leveraged, as when the airlines collect passenger inspection fees.

Using user fees: Determining how fees will be used is a balancing act between Congressional oversight and agency flexibility. Congress gives agencies various degrees of access to collected fees. For example, fees may be dedicated to the related program or may instead be deposited to the general fund of the U.S. Treasury and not used specifically for the related program or agency. In addition, fee collections may be subject to appropriation or obligation limits, which increase opportunity for oversight but may limit agencies' ability to quickly respond to changing conditions.

Reviewing user fees: Agencies must substantively review their fees on a regular basis to ensure that they, Congress, and stakeholders have complete information. Reviews provide information on whether the fee rates and authorized activities are aligned with actual program costs and activities, may provide opportunities for stakeholder input, and can help promote understanding and acceptance of the fee.

Simplified, Hypothetical Example of Assigning Costs to Beneficiaries



Source: GAO.