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### Water Conservancy Subdistrict and Your Tax Dollar

Fray Kerr

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# Water Conservancy Subdistrict and Your Tax Dollar

Any feasible water resource development project must give benefits to the people of the area. Certain costs are associated with these benefits. A water conservancy subdistrict plan of development involves many single-purpose or individual projects, each of which makes up a part of the subdistrict's over-all plan; therefore the relationship of benefits to costs becomes more complex.

This fact sheet attempts to point out the relationship of benefits to costs as it would apply under the conservancy subdistrict approach to multiple-purpose development and use of water.

## THE SUBDISTRICT'S JOB

A water conservancy subdistrict is a legal subdivision of state government and has two broad goals:

1. To do multiple-purpose planning.
2. To assist in coordinating, constructing, financing, operating, and maintaining the various single-purpose (individual) projects within its boundary.

Multiple-purpose planning means combining the benefits of a group of single-purpose projects so each individual project will be designed to complement and assist every other individual project, thereby putting the water to a fuller use and minimizing conflict between individual projects.

Examples of single-purpose projects are small watershed projects, irrigation projects, city water supply projects, wildlife projects, flood control projects, and drainage projects.

## CATEGORIES OF COSTS

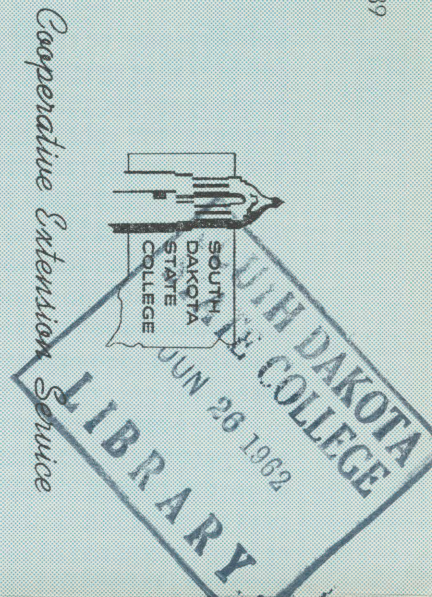
The cost of water resource development projects (multiple or single purpose) fall into three broad divisions—(1) planning costs, (2) construction costs, and (3) operation and maintenance costs.

**Planning Costs.** Planning a project involves two jobs—(1) making necessary engineering studies and surveys to determine the amount of construction required to accomplish the job of physically handling the water in the desired manner, and (2) economic and social studies to determine whether the benefits to the people of the subdistrict would be greater than the total costs, including operation and maintenance.

The cost of multiple-purpose planning in the subdistrict is, in part, an obligation of the people. Federal assistance may be obtained in some cases. Funds for the subdistrict's share in planning come from a tax of

By Fay Kerr, Extension Water Resource Specialist

# Water Conservancy Subdistrict AND YOUR TAX DOLLAR



1/10 of 1 mill (10 cents on each \$1,000 of assessed valuation) against all taxable property within the subdistrict. The 1/10 of 1 mill tax also pays expenses of locally elected directors while they are on subdistrict business.

Drawing up a multiple-purpose plan for a subdistrict usually takes several years.

**Cost of Construction.** Construction of individual projects included within the approved multiple-purpose plan may be borne by several groups. For example, approximately 85% of the costs for an irrigation project within the subdistrict would be paid from the sale of power at Missouri River generating plants. The remaining 15% would be absorbed in the price the irrigators pay for the water service and by the subdistrict jointly.

Where small watershed projects are a part of the subdistrict's overall plan, the federal government will pay for that portion of construction cost that is necessary to control floods. Costs for easements, rights of way, some land treatment, certain administrative costs, and operation and maintenance necessary for flood control are normally paid by the people directly benefited by the flood control. If storage over and above that needed for flood control is desired, the extra cost of such storage must be paid by those desiring such storage of water. This is called conservation storage and might be used for such things as city water supply, small irrigation projects, wildlife, and recreation. The cost of constructing conservation storage would be paid for jointly by the users of the water, the subdistrict, and in some cases the wildlife services.

The Water Conservancy District Act provides that after a proposed contract with the United States, the state of South Dakota, or a private concern has been approved by a 60% favorable vote, the

mill levy may be raised to a maximum of 1 mill (\$1 per \$1,000 of assessed valuation) against all taxable property in the subdistrict. The increase in the levy is to give the subdistrict sufficient funds to meet its share of the contract covering construction cost.

Construction costs are usually set up to be paid off over a 40- to 50-year period.

**Cost of Maintenance.** After construction is completed, maintaining the works of improvement is the responsibility of the subdistrict, the water users, and the single-purpose districts within the subdistrict.

The water users pay their share of maintenance as a part of the purchase price of the water service, as in the case of construction costs. The subdistrict pays its share out of the 1 mill levy or whatever lesser levy is required to meet the cost. The Water Conservancy District Act provides that the levy may not exceed 1 mill for the subdistrict's share of both maintenance and construction costs.

#### BENEFITS AND COSTS RELATING TO THEM

People's decisions to develop water resources usually hinge on their determination that the antici-

pated benefits will exceed the costs. The relationship between benefits and costs is referred to as the benefit-cost ratio.

A project may have a favorable benefit-cost ratio, on an area basis but within the area individual situations differ. People receive benefits in different ways because some live in towns, some in rural areas, some near where the project will be built, and some quite a distance away.

A person may wish to make his own benefit-cost analysis based on what benefits he could expect to receive and what costs he would bear. To make such an analysis, he needs to have an understanding of the kinds of benefits involved and the costs associated with each.

Benefits from water resource development fall into three commonly used categories:

1. Direct (or primary)
2. Indirect (or secondary)
3. Intangible (or unmeasurable in dollar values)

Tables 1, 2, and 3 show, on the left, some examples of each of the types of benefits and on the right, a summary of the distribution of costs that are associated with the different categories of benefits.

**Table 1. Direct Benefits and Distribution of Associated Costs**

DIRECT BENEFITS	COST DISTRIBUTION
<p><b>Definition</b>—Benefits that are a direct result of the project having been built.</p> <p style="text-align: center;"><i>Examples</i></p> <ol style="list-style-type: none"> <li>1. Higher yields on land that can be irrigated from the project.</li> <li>2. Savings resulting from flood control.</li> <li>3. New industry made possible by adequate water supplies.</li> <li>4. Lake front real estate which increases in value because of a stable water level that makes the sale of lots possible.</li> <li>5. Cheaper or more abundant electrical power. (The law prohibits the production and sale of electrical energy by subdistricts; however, they could contract with a private power producer to deliver water for his use in power production.)</li> </ol>	<p>Direct benefit costs that are chargeable to local interests are borne by the water users, taxpayers, or those directly benefiting from the improved water management.</p> <p style="text-align: center;"><i>Examples</i></p> <ol style="list-style-type: none"> <li>1. Irrigation development costs are charged directly to irrigators by way of a charge per unit of water used.</li> <li>2. Local flood control costs are absorbed by direct assessment against those benefiting from the flood control in proportion to the degree of protection received.</li> <li>3. New industry creates new wealth in the form of new job opportunities, new taxable property, and generally stimulated business. Thus, benefits are widely diffused and the general tax levy of 1 mill or less serves as a means to collect from those beneficiaries.</li> <li>4. The assessed valuation of this property would increase, thereby reducing the tax load on nonbenefited property and allocating a greater load to the beneficiary who owned the lake front property.</li> <li>5. Power, like water, is salable, so again costs are absorbed when consumers in the area buy the electrical energy.</li> </ol>

**Table 2. Indirect Benefits and Distribution of Associated Costs**

INDIRECT BENEFITS	DISTRIBUTION OF COSTS
<p><b>Definition</b>—Benefits received besides those resulting from the physical control or use of the water. They are represented by increased income to those who sell to and buy from the direct beneficiaries.</p>	<p>Benefits obtained in examples given in this table are very widely diffused. For this reason it is not practical to allot costs on an individual benefit basis, since a large segment of the population will receive some benefit as the new wealth changes hands in the process of buying and selling goods and services.</p>
<p><i>Examples</i></p>	<p>Therefore, if these indirect beneficiaries are to share in the costs of the development project, they must do so though the general tax levy of 1 mill or less previously mentioned.</p>
<ol style="list-style-type: none"> <li>1. Dealers who sell added equipment to, or buy added products from, irrigators.</li> <li>2. Added job opportunities (labor sales) brought about by more intensive cultural practices that come with irrigation.</li> <li>3. Added sales of food, lodging, gasoline, and recreational equipment to tourists and vacationers in the area.</li> <li>4. Greater revenue to county and city governments resulting from expanded processing and service facilities, all of which are taxable. This is usually referred to as "broadening the tax base."</li> </ol>	

**Table 3. Intangible Benefits and Nonmonetary Costs**

INTANGIBLE BENEFITS	NONMONETARY COSTS
<p>No monetary value can be placed on these benefits. They are so general and widely diffused that they are even difficult to clearly identify. They are sometimes described in such general terms as:</p>	<p>Since costs associated with intangible benefits are equally intangible, no attempt is made to make a monetary distribution of these costs as in the case of tables 1 and 2.</p>
<ol style="list-style-type: none"> <li>1. Improving a community's will to prosper.</li> <li>2. More community pride.</li> <li>3. Stability.</li> </ol>	<p>There are, however, some nonmonetary costs. For example, space (elbow room) is important to some people. An increased population would reduce the space each person would have to live in. A canal might divide a community, causing some inconvenience. Irrigators would need to learn new farming techniques. Old landmarks, having a sentimental value, might need to be removed.</p>
<p>Stability is perhaps the most important since people are reluctant to "sink their roots" in an economically unstable area. Stability often brings with it an improved social and mental attitude which stimulates growth and expansion. Young people, growing up in a stable community, are more likely to remain in it and thereby contribute to its future economic growth.</p>	<p>These kinds of costs, then, would be measured in terms of inconvenience, sentiment, and necessity for a change in the way of doing things, rather than in dollars.</p>

**LOCAL PLANNING AND COORDINATION**

The preceding discussion is concerned with benefits you and your community might expect from water resource development and the distribution of costs involved. You should also consider local planning and coordination of projects that will produce the benefits desired.

Technical assistance may be obtained from the federal agencies for planning and construction on various **single purpose** projects, but the federal gov-

ernment does not act as a coordinator of these projects. Coordination is a responsibility of the states. In South Dakota, the conservancy subdistrict serves as the coordinator for its area.

Federal agencies that give technical assistance in planning water resource developments are:

1. **The Corps of Army Engineers** is charged with planning assistance for flood control on major rivers.
2. **The Bureau of Reclamation** furnishes planning as-

sistance in reclaiming arid and semiarid lands and developing and distributing power.

3. **The Soil Conservation Service** is responsible for assisting in the control of soil erosion and flood prevention on smaller streams.
4. **The Bureau of Sport Fisheries and Wildlife** plans developments for fish and wildlife on a land acquisition basis and also assists in planning projects that do not involve land acquisition.

Each of these agencies has the primary responsibility of planning for a **single purpose** project—flood control, reclaiming land, power development, flood prevention, soil erosion, or fish and wildlife development.

The water conservancy subdistrict is the local organization that serves as the coordinator, bringing together the planning services available from the federal agencies. This makes possible coordinated local multiple-purpose planning. Multiple-purpose planning simply means planning a group of single-purpose projects together so that each will assist the other and water may be used and reused many times before it leaves the area.

#### YOUR DECISION AS A TAXPAYER

The taxpayer has two decisions to make. The first comes at the time he votes for or against the formation of a subdistrict. He should ask himself, "Is it worth 10 cents on each \$1,000 of my property's assessed valuation to support local planning for **full multiple-purpose** water resource development?"

The second decision must be made several years later when a contract for a development plan is presented. The taxpayer must then ask himself, "Is this particular plan the one I want? Is it worth \$1 each year to me for each \$1,000 of my property's assessed valuation? Have I included in my calculations the total benefits to me from a more prosperous and stable community with improved services?"

After carefully considering the known and possible benefits from full water resource development planning, each voter should balance these values against the cost to him based on a 1/10 of a 1 mill tax against his property.

Several years later, when a proposed contract is presented for approval, he should again go through this type of benefit-cost analysis, considering all the direct, indirect, and intangible benefits and costs before he casts his vote.