

**Department of Planning and Budget
2008 Fiscal Impact Statement**

1. Bill Number: HB 2646-H1

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Poindexter

3. Committee: Education and Health

4. Title: **Eligibility for betterment loans**

5. Summary: Requires the Board of Health to establish a betterment loan eligibility program to assist owners with the repair, replacement, or upgrade of failing or noncompliant onsite sewage systems and authorizes the Board to identify sources for betterment loans.

6. Fiscal Impact Estimates: Final.

Expenditure Impact:

	<i>Dollars</i>		
<i>Fiscal Year</i>	<i>GF</i>	<i>NGF</i>	<i>Positions</i>
2008-2009	\$0	\$0	0.0
2009-2010	\$124,172	\$0	1.0
2010-2011	\$329,690	\$0	3.0
2011-2012	\$329,690	\$0	3.0
2012-2013	\$329,690	\$0	3.0
2013-2014	\$329,690	\$0	3.0
2014-2015	\$329,690	\$0	3.0

7. Budget Amendment Necessary: Yes, Item 299.

8. Fiscal Implications:

Expenditure Impact

The legislation will increase the processing time of each repair application received by the Virginia Department of Health (VDH) by approximately two hours. The additional work will consist of the following tasks: (1) informing and educating owners of the additional program and its eligibility standards, (2) working with owners to obtain the necessary estimate, (3) identifying lenders of betterment loans, (4) developing a process to request eligibility, (5) drafting letters of approval or denial, (6) adjudicating refusals, (7) accepting and reviewing recordation of betterment loans, and (8) working with lenders and contractors to assure that betterment loans were less than the estimate provided to the agency. The decision on eligibility would be a case-by-case decision and could be challenged in accordance with the Administrative Process Act. Therefore, in certain situations, more than two hours of additional resource time would be necessary to implement the bill.

In 2008, VDH issued 3,028 permits to repair a failed onsite sewage system. As a result, the bill would cause VDH to expend at least 6,594 hours in additional resource time per year to implement the bill (3,297 applications times two hours per application). Since each FTE provides about 1,760 working hours to the agency, the bill's impact would be the equivalent of 4.0 FTEs (6,594 additional hours divided by 1,760 hours per FTE).

In FY 2010, VDH would expect to hire one professional level FTE (Pay Band 5C) to draft policy and procedures to implement the bill and to oversee the program's implementation thereafter. The position would develop the parameters of the program, collaborate with private lenders, assure implementation of the bill, and oversee repair enforcement. Using the midpoint of salary of \$66,660 plus 27 percent for benefits, the expected cost of this professional is \$84,658. VDH also would need to hire one additional part-time support level position (Pay Band 3C) in FY 2010. Using a midpoint salary of \$39,027, this position is estimated to cost \$19,514 in FY 2010. A part-time staff person would be needed to provide 20 hours per week of programmatic support (mailings, phone calls, filing, and other associated duties). The FTE and wage position would incur additional costs of \$20,000 for travel, equipment, supplies, mailings, meetings, and stakeholder collaboration. Total cost in FY 2010 is expected to be \$124,172.

In FY 2011, VDH would expect to hire two FTEs (Pay Band 4B) to assure adequate enforcement and field compliance with the eligibility standards required by the bill. The positions would assure that owners fixed their failed sewage systems as quickly as possible and would address the two hours of additional workload per application. Using the midpoint salary of \$45,460 plus 27 percent for benefits, the expected cost of the two positions would be \$115,468. VDH would also expect to convert the part-time position into a full-time position at an annual cost of \$49,564 (\$39,027 plus 27 percent for benefits) to support the three professional positions.

The four professional positions would monitor and implement the program, enforce requirements of the bill, develop a complete inventory of repair systems, and educate owners and other stakeholders about the eligibility standards and the need to promptly repair their systems. These positions would also perform data evaluation and manipulation to manage risks from failed sewage systems. The 4.0 FTEs would incur an additional charge of \$50,000 per year for travel, equipment, supplies, mailings, meetings, and stakeholder collaboration and \$30,000 per year for database management, for a total cost of \$329,690.

Year	Position(s)	#	Personal Services Cost
FY 2010	Manager	1	\$84,658
FY 2011	Inspector	2	\$115,468
FY 2011	Administrative Assistant	1	\$49,564

Revenue Impact

The bill allows VDH to charge \$50.00 to each owner who seeks eligibility for a betterment loan. Depending on the number of owners who seek eligibility, there could be nongeneral fund revenue impact. The amended bill proposes a brand new program with no information about how the public will use it; therefore, VDH does not know whether there will be

revenue from this potential source of income. As such, VDH cannot estimate what the potential revenue might be.

VDH estimates that about one million sewage systems are being operated in Virginia and all of these owners would have the option to seek voluntary upgrades that reduced the threat to public health and ground and surface waters, including the reduction of nitrogen discharges. VDH does not know how many owners might voluntarily seek eligibility for a betterment loan if they learn of its existence.

9. Specific Agency or Political Subdivisions Affected: Virginia Department of Health and Board of Health

10. Technical Amendment Necessary: No.

11. Other Comments: The amended legislation would still result in a fiscal impact for VDH, as identified in the fiscal impact for the introduced legislation. The previous fiscal impact statement had identified a fiscal impact for the Virginia Department of Environmental Quality (DEQ). The legislation eliminated DEQ's eligibility determination for underground storage tanks and contaminated dry cleaning stores and eliminates any fiscal impact for DEQ.

Date: 2/26/2009 lrlj

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cc: Secretary of Health and Human Resources
Secretary of Natural Resources