

## Department of Planning and Budget 2007 Fiscal Impact Statement

**1. Bill Number:** HB 1949

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

**2. Patron:** Harvey B. Morgan

**3. Committee:** Health, Welfare and Institutions

**4. Title:** Onsite Sewage Indemnification Fund; increases indemnification claim time

**5. Summary/Purpose:** Increases the period in which claims for indemnification from the Fund can be brought from three to eight years after construction of the onsite sewage system. This bill eliminates the provision that dollars from the Fund may be used to support a program for the training and recognition of authorized onsite soil evaluators.

**6. Fiscal Impacts are Preliminary:** See item #8.

**Expenditure Impact:**

	<i>Dollars</i>		
<i>Fiscal Year</i>	<i>GF</i>	<i>NGF</i>	<i>Positions</i>
2007-08	\$0	-	0.0
2008-09	\$356,235	-	2.0
2009-10	\$356,235	-	2.0
2010-11	\$356,235	-	2.0
2011-12	\$356,235	-	2.0

**7. Budget amendment necessary:** Yes. Item #295 – State Office of Environmental Health Services (56501)

**8. Fiscal implications:** The Virginia Department of Health currently deposits \$10 of each fee collected pursuant to subsections C and E of § 32.1-164 of the Code of Virginia, into the Onsite Sewage Indemnification Fund. The Fund currently generates \$350,000 to \$400,000 in revenues per year while paying approximately \$70,000 annually on an average of 30 claims. VDH estimates that the legislation will result in approximately 60 to 90 more claims each year at an estimated annual cost of \$135,000 to \$175,000. The agency believes that the Fund can absorb the cost of the additional claim awards resulting from the expansion in the filing period.

The longer window of liability will make evaluating each claim more difficult because owner abuse and neglect are much more likely to be factors as systems age. Adding to the timeframe will result in some fraction of claims involving systems that fail from owner neglect or cause and not negligence in the site selection, design, or installation of the system. This will increase the difficulty of evaluating some claims and will increase the number of time that owners will choose to file appeals to challenge VDH's decision in individual cases.

VDH would need an additional \$141,800 and two positions to process the additional claims resulting from this legislation. The costs would include \$124,800 for salaries and benefits,

\$5,000 for computer equipment, \$11,500 for office equipment, training, telecommunications, travel and lodging, and \$2000 for supplies and materials including equipment rentals. The total estimated annual cost of processing Fund claims and supporting AOSE programs is \$356,235 (\$141,800 for anticipated costs plus \$214,435 for current expenses).

The bill eliminates the department's use of Fund revenues to support the Authorized Onsite Soil Evaluators (AOSE) program, which will no longer provide VDH with sufficient resources to train, test, certify, perform quality assurance checks, or take disciplinary action in the AOSE program (i.e., provide its current level of services). In FY2006, VDH spent \$214,435 operating the AOSE and indemnification fund programs and will need this amount appropriated from the general fund to continue these services.

**9. Specific agency or political subdivisions affected:** Virginia Department of Health

**10. Technical amendment necessary:** None.

**11. Other comments:** None.

**Date:** 1/25/07

**Document:** HB1949.doc

cc: Secretary of Health and Human Resources