

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB1505

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

2. Patron: Lingamfelter

3. Committee: Health, Welfare and Institutions

4. Title: Sewage systems; betterment loans

5. Summary: Clarifies that betterment loans may be used for conventional onsite, alternative onsite, and alternative discharging sewage systems; authorizes the Board of Health to use up to 25 percent of the Onsite Sewage Indemnity Fund to provide or guarantee betterment loans; increases the amount of each fee collected by the Department of Health pursuant to subsections C and E of § 32.1-164 that is contributed to the Onsite Sewage Indemnity Fund from \$10 to \$25; and removes the use of the Onsite Sewage Indemnity Fund for training and recognition of authorized onsite soil evaluators. This bill was recommended by the Virginia Housing Commission.

6. Budget Amendment Necessary: Yes. Item 299, State Office of Environmental Health Services (56501)

7. Fiscal Impact Estimates: Preliminary. See item #8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	\$0	0.00	-
2014	\$114,400	1.00	GF
2015	\$180,440	2.00	GF
2016	\$180,440	2.00	GF
2017	\$180,440	2.00	GF
2018	\$180,440	2.00	GF
2019	\$180,440	2.00	GF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2013	\$0	-
2014	(\$115,000)	NGF
2015	(\$115,000)	NGF
2016	(\$115,000)	NGF
2017	(\$115,000)	NGF
2018	(\$115,000)	NGF
2019	(\$115,000)	NGF

- 8. Fiscal Implications:** The Virginia Department of Health (VDH) expects this legislation to have a significant fiscal impact. According to VDH, the agency does not have experience in developing and implementing betterment loans. There remains significant uncertainties regarding the scope of the agency's authority to establish and manage the program (interest, defaults, etc.), the amount of interest in the Commonwealth for the program, and subsequently the number of applications and loans. Therefore, VDH's estimates are based upon certain assumptions that are outlined below.

First, the agency expects there will be a loss of onsite sewage permit fee revenue, which currently supports environmental health services in the health districts. The loss in revenue is due to the proposed increase in the amount deposited into the Onsite Sewage Indemnification Fund from \$10 to \$15 per application. Based on the amount of applications received and revenue collected in FY 2012, VDH estimates environmental health services will lose approximately \$115,000 in revenue annually. While the impact of the lost funds will be spread across the health districts that accept and process applications, the \$115,000 is approximately the cost of two environmental health specialists performing work in onsite sewage, wells, marina, food, campgrounds, hotels, rabies, etc.

Second, there is an administrative cost to implement and manage a betterment loan program. VDH's Office of Environmental Health Services (OEHS) does not have existing staff with the professional knowledge and skills necessary to develop and implement a loan program. Therefore, one professional level (pay band 5) full-time employee (FTE) would be required in FY 2014. After discussing the position needs with staff at the Virginia Resource Authority, VDH estimates that such a position will cost approximately \$114,400 annually. The estimate assumes salary and benefit costs of \$110,000 combined with approximately \$4,400 annually for support costs, such as VITA, equipment, travel, supplies, etc. Initially, this staff member would be required to work with stakeholders and the Office of Attorney General to establish an actuarially sound program, including drafting any necessary regulations and policies, develop application protocols and forms, contracts, and other materials needed to administer a betterment loan program as efficiently as possible. Ultimately, VDH expects this position will manage the program.

As indicated above, VDH has no experience to base workload, management and oversight cost estimates. However, based on data from FY 2012, VDH could receive as many as 1,000 to 2,500 betterment loan applications per year. That estimate is based on the fact that there are presently 1,000 owners with repair permits who have not repaired them in a timely manner, with the assumption being that the cause is the inability to obtain financing. Additionally, VDH receives about 2,500 applications annually to repair failing or non-compliant onsite sewage systems, each of whom might also be interested in a betterment loan. If these numbers are indicative of the potential workload, at least one additional position, but possibly more, may be needed in FY 2015 to handle loan processing, general questions, billings, receipts, and withdrawals from the Fund. All of the costs are dependent upon the number of loan applications received. This position would assist in the annual review process, service existing loans and initiate collections efforts should any become

delinquent. VDH estimates that the annual salary, including benefits, of one FTE to be approximately \$63,500 with approximately \$2,540 annually in support costs.

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

10. Technical Amendment Necessary: No.

11. Other Comments: No.

Date: 1/18/2013

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c: Secretary of Health and Human Resources