



Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number: LLS 12-0347**Date:** February 15, 2012**Prime Sponsor(s):** Rep. Gerou**Bill Status:** House Health & Environment**Fiscal Analyst:** Alex Schatz (303-866-4375)**TITLE:** CONCERNING ON-SITE WASTEWATER TREATMENT SYSTEMS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
Cash Funds		
Water Quality Control Fund	\$17,688	\$8,858
FTE Position Change	0.2 FTE	0.1 FTE
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* Implementation of the bill fits within the allowable uses of the Water Quality Control Fund (WQCF). The WQCF is supported by fixed fee revenue and may not be able to sustain additional appropriations due to projected insolvency.

Summary of Legislation

The bill updates statutes related to the regulation of on-site wastewater treatment systems (OWTS). The bill eliminates references to individual sewage disposal systems (ISDS) and sanitarians and defines OWTS, soil evaluation, and soil treatment area.

Under the bill, the Water Quality Control Division (WQCD) in the Colorado Department of Public Health and Environment (CDPHE) must periodically advise the Water Quality Control Commission (WQCC) of changes in technology and practice that could warrant revision of pertinent rules.

Local boards of health are authorized to adopt certain OWTS rules and practices appropriate to local conditions. The bill repeals uniform, statewide criteria regarding the presumed density of OWTS installation, deferring to local rules. The bill clarifies that a permit variance complies with regulations. Local boards of health are, however, required to adopt rules phasing out cesspools. The bill removes criteria for local OWTS permit variances from statute and requires the WQCC to adopt minimum variance criteria by rule.

The bill clarifies that owners are under a duty to continue repairs when authorized to make emergency use of an OWTS. Finally, the bill clarifies that the OWTS fee applies to new, repaired, and upgraded systems.

Background

Under current law, a sewage treatment system not connected to a larger system (e.g., a municipal or district sanitary sewer) is known as an individual sewage disposal system, or ISDS. These systems are regulated by the WQCC under administrative rules that have been revised only twice in over 20 years. The technology underlying ISDS/OWTS has advanced substantially from the time of pit toilets and cesspools, and continues to advance. For example, given appropriate design and maintenance, systems may presently be installed in locations deemed infeasible using prior technology.

State Revenue

An OWTS fee is presently assessed on newly authorized permits, while the bill assesses the OWTS fee on new, repaired, or upgraded systems. From each statutory OWTS fee of \$23, the state receives \$20 for deposit into the Water Quality Control Fund. The number of applicants paying the OWTS fee may increase under the bill, but the potential increase in state revenue is unknown because repair and upgrade caseload information is not currently collected.

State Expenditures

The bill increases costs to the WQCD in CDPHE by \$17,688 and 0.2 FTE in FY 2012-13. The promulgation of minimum variance standards by the WQCC will result in one-time costs to CDPHE of \$8,530 and 0.1 FTE in FY 2012-13. The department will incur new recurring costs to monitor OWTS technology and recommend periodic updates to OWTS regulations, with costs of \$8,858 and 0.1 FTE each fiscal year. Remaining current with OWTS technology will require the department to conduct research, attend conferences, and meet with stakeholders more frequently. Annual travel consist of an out-of-state conference and two local trips to assist Colorado's regulated population. The bill may also accelerate the submittal of new local rules for review by the WQCC. The department's costs, detailed in Table 1, will be paid from the Water Quality Control Fund.

Table 1. Expenditures Under HB 12-1126		
Cost Components	FY 2012-13	FY 2013-14
Personal Services	\$15,388	\$6,858
FTE	0.2	0.1
Operating Expenses and Capital Outlay	2,300	2,000
TOTAL	\$17,688	\$8,858

The bill has no retroactive effect on existing permits, and is not expected to result in costs to the various state agencies that own facilities served by OWTS systems.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under HB 12-1126*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,234	\$616
Supplemental Employee Retirement Payments	820	421
Indirect Costs	2,862	1,276
TOTAL	\$4,916	\$2,313

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

On-site wastewater treatment systems are predominantly located in unincorporated areas of the state. This bill, therefore, affects county government, particularly local health agencies (LHAs).

Fee revenue collected by LHAs will increase as result of the bill. Under the bill, LHAs are authorized to raise permit fees with the incorporation of indirect costs. The bill also potentially increases the total number of permits subject to fees for:

- permits for repairs and upgrades to existing systems; and
- OWTS systems permitted in areas previously prohibited.

The bill has a minimal effect on local expenditures. LHAs are required to develop a schedule for adoption of rules that phase out cesspools, and to adopt detailed local rules if default to WQCC's statewide rules is not desired. The bill generally provides flexibility for LHAs to adopt rules with greater local variation and to do so at a pace determined by the LHA.

State Appropriations

The Department of Public Health and Environment requires a cash funds appropriation of \$17,688 from the Water Quality Control Fund and 0.2 FTE for FY 2012-13.

Departments Contacted

Public Health and Environment
Natural Resources

Law
Agriculture

Local Affairs
Corrections