

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 1019 Sixth Edition (SCS)

SHORT TITLE: Septage Management/On-Site Wastewater System Approval

SPONSOR(S):

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES:					
Div. of Waste Mgt.					
Septage Management Acct.*					
Septage Fees	\$109,600	\$109,600	\$109,600	\$109,600	\$109,600
Div. of Env. Health					
On-Site Wastewater System Acct.*					
On-Site WW Fees	\$41,800	\$44,800	\$47,800	\$50,800	\$53,800
EXPENDITURES:					
Div. of Waste Mgt.					
Septage Mgt. Program	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
Septage Management Acct.					
Increase Cash Balance*	\$39,600	\$39,600	\$39,600	\$39,600	\$39,600
Div. of Env. Health					
On-Site WW Program	\$41,800	\$44,800	\$47,800	\$50,800	\$53,800
POSITIONS:	1.0	1.0	1.0	1.0	1.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Divisions of Waste Management and Environmental Health					
EFFECTIVE DATE: Changes to the Septage Management Program and permit fees (sections 1.1 & 1.2) become effective January 1, 2002. All other sections become effective when the bill becomes law.					
<i>* Note: The bill creates two special nonreverting funds within the Department: the Septage Management Account and the On-Site Wastewater System Account. Fees collected in excess of actual expenditures will be credited to their respective cash balances for future expenses of the programs.</i>					

BILL SUMMARY: The bill amends the solid waste statutes and the wastewater system statutes. Sections 1.1 and 1.2 of the bill amend the septage management program by 1) raising the annual fees for a septage management firm, 2) establishing a new annual fee for septage management facilities, 3) creating a new inspection requirement for septage land application sites, 4) establishing a septage operator training requirement, and 5) creating a special nonreverting fund, the Septage Management Account, to keep fees remaining at the end of the fiscal year from reverting to the General Fund.

Sections 2.1 through 2.5, amend the wastewater systems statutes by modifying the process used to evaluate wastewater systems and components of wastewater systems for use in North Carolina. Wastewater systems would fall under one of the following five categories that are defined in the bill: accepted wastewater systems, controlled demonstration wastewater systems, conventional wastewater systems, experimental wastewater systems, and innovative wastewater systems. The bill establishes a fee schedule for the review of wastewater systems, research, and technologies and creates the On-Site Wastewater System Account, a special, nonreverting fund to collect these fees. The bill also establishes the following two timeframes: 1) before accepting new applications for evaluation, the Department of Environment and Natural Resources (DENR) must complete the review of current wastewater system applications within 120 days of the date on which the bill becomes effective, and 2) DENR must approve or deny innovative wastewater system applications within 180 days receiving a complete application from the manufacturer.

ASSUMPTIONS AND METHODOLOGY:

Background on the Septage Management Program: The Department of Environment and Natural Resources’ Division of Waste Management administers the septage management program. Of the five FTEs employed in the septage management program, three are supported from the existing septage management fees and two are supported from a General Fund appropriation.

Septage Management Program Revenues: HB 1019 increases the annual fee paid by septage management firms from \$300 to \$550 for a company that operates one pumper truck and from \$400 to \$800 for a company that operates two or more pumper trucks. The Department anticipates receiving \$148,900 from 421 firms in FY 2000-01. Under the proposed bill, the Department expects the number of regulated firms to decrease to 400 due to normal attrition, the fee increase, and the educational requirements. The industry and the Department expect little or no growth in the number of septage management firms over the next five years. Using the current ratio of small and large firms, the chart below shows the anticipated revenue from the increased fees paid by 400 companies. The chart also shows the revenue from a new \$200 fee imposed on the five septage management facilities in the state. (These firms do not own pumper trucks.)

	<u># of firms</u>	<u>Proposed Fee</u>	<u>Total Revenue</u>
Septage management firm			
One pumper truck	250	\$550	\$137,500
Two or more pumper trucks	150	\$800	\$120,000
Septage management facility	5	\$200	<u>\$1,000</u>
			\$258,500

The difference in the proposed revenue and the FY 2000-01 estimated revenue is \$109,600. All revenues from septage fees are to be applied to the septage management program. The bill imposes a new requirement that funds remaining in the program at the end of the fiscal year shall not revert to the General Fund.

Septage Management Program Expenditures: In addition to raising fees, the bill places additional responsibilities on the Division's septage management program. These new responsibilities include: 1) mailing an annual fee notice to all septage management firms and facilities two months prior to the date the fees are due, 2) providing technical and regulatory assistance to site operators and permit applicants, 3) taking soil samples on permitted septage land application sites, 4) providing the required training to the septage management firm operator and to the septage land application site operator, and 5) inspecting septage land application sites at least twice a year, reviewing septage land application site records at least annually and inspecting pump trucks used for septage management at least once every two years.

While some of these activities, such as technical assistance, are currently taking place within the Division's septage program, the new inspection and training requirements add to the Division's current workload and will take additional resources to complete. The bill requires the Division staff to provide a minimum of four hours of training per year to each septage management firm operator, of which there are currently 421. Each septage land application site operator, of which there are approximately 130, will also be required to complete a minimum of three hours of training per year provided by the Division. The new twice a year inspection requirement of septage land application sites will require approximately 315 on-site inspections annually by Division staff.

To complete these new responsibilities, the Division will need one additional staff person. A Soil Scientist II position with benefits and operating support will require additional expenditures of approximately \$60,000. The Division estimates that it will cost approximately \$10,000 a year to cover the required septage operator training for approximately 530 operators. The total additional expense to the Division to fulfill its the new responsibilities required by the bill is \$70,000.

While the bill prohibits the reversion of fee revenue to the General Fund, a surplus in fee revenue might be used to reduce the annual General Fund subsidy for the septage management program. This action might be taken by a future General Assembly or by the Office of State Budget and Management.

Background on the On-Site Wastewater System Program: The sanitary control of on-site wastewater treatment and disposal is a joint effort between the local health departments and the Division of Environment of Health's On-Site Wastewater Section. The Division's main responsibilities include: 1) training local environmental health specialists in the inspection of engineered systems, 2) reviewing plans and specifications for all large (>3,000 gallons per day) subsurface wastewater systems and all subsurface systems which handle industrial process wastewater, regardless of size, and 3) providing technical assistance to local health departments and others concerning soil suitability and other site considerations for on-site wastewater systems. In addition to these responsibilities, the Division also

reviews and approves the types of on-site subsurface wastewater systems used in North Carolina and specifies the conditions under which each type of system can be used.

On-Site Wastewater System Program Revenue: *[Note: This fiscal note refers to the following four wastewater systems as “alternative” systems: experimental, controlled demonstration, innovative and accepted on-site wastewater treatment systems.]*

HB 1019 creates the following eight new fees related to the review of on-site subsurface wastewater systems:

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| 1. Review of alternative protocol used for evaluation | \$1,000 |
| 2. Review of an experimental system | \$3,000 |
| 3. Review of a controlled demonstration system | \$3,000 |
| 4. Review of an innovative system | \$3,000 |
| 5. Review of an accepted system | \$3,000 |
| 6. Review of a residential wastewater treatment system | \$1,500 |
| 7. Review of a component of a system | \$ 100 |
| 8. Modification to an approved innovative system | \$1,000 |

The Division currently performs the reviews covered by the proposed fees, so there is actual experience on which to base the revenue projections. Since January 1, 2000, the Division has received a total of 18 applications for experimental and innovative systems, six applications to modify existing innovative wastewater systems, five applications for review of a component of a system and ten applications for review of a residential wastewater treatment system. With the development of smaller lots or lots with soil conditions unfavorable to conventional wastewater systems, the Division believes it will receive more applications in the future for alternative systems (experimental, controlled demonstration, innovative or accepted) and modifications. To account for this potential growth, this fiscal note assumes an increase of one application for alternative systems on an annual basis.

The following chart estimates the amount of revenue to be raised in 2001-02 based on the average number of reviews completed during the past two years.

Type of Review	Average Number of Reviews	Fee	Total Revenue
Alternative protocol used for evaluation	4	\$1,000	\$4,000
Alternative System Reviews (Experimental, Controlled Demonstration, Innovative or Accepted)	9	\$3,000	\$27,000
Residential wastewater treatment system	5	\$1,500	\$7,500
Component of a system	3	\$100	\$300
Modification to approved innovative system	3	\$1,000	\$3,000
Total			\$41,800

On-Site Wastewater System Program Expenditures: *[Note: This fiscal note refers to the following four wastewater systems as “alternative” systems: experimental, controlled demonstration, innovative and accepted on-site wastewater treatment systems.]*

HB1019 does not create any new review requirements for the Division of Environmental Health (DEH); it simply modifies the process used to evaluate alternative wastewater systems and components of wastewater systems for use in North Carolina. The review of alternative wastewater systems and residential wastewater systems is currently conducted by existing staff in the Division of Environmental Health. Even though the Division receives relatively few applications on an annual basis (see chart on page 4), the time it takes to review an application can be lengthy due to the complexity of the review for alternative systems and existing staff time constraints. According to the Division, the average review time for an alternative system is approximately six months, and the average review time for a residential wastewater system is between two and four months. Although the bill does not require the Division to take on additional responsibilities, without additional manpower the review periods will continue to be prolonged.

If the fees proposed in HB1019 go into effect, the Division plans to use resulting revenue to contract for a part-time program coordinator to speed up the review process for alternative and residential wastewater systems. The cost of a part-time contract program coordinator is approximately \$25,000 (half the salary of an Environmental Engineer II). Operating support for the contract position is approximately \$16,800, which includes office rent, telephone, postage, printing and travel.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION 733-4910

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