

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 12-0347

**Date:** July 19, 2012

**Prime Sponsor(s):** Rep. Gerou  
Sen. Roberts

**Bill Status:** Signed into Law

**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING ON-SITE WASTEWATER TREATMENT SYSTEMS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

<b>Fiscal Impact Summary</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b>		
<b>State Expenditures</b>		
Cash Funds		
Water Quality Control Fund*	\$8,530	
<b>FTE Position Change</b>	0.1 FTE	
<b>Effective Date:</b> The bill was signed into law by the Governor on April 26, 2012, and takes effect August 8, 2012, assuming no referendum petition is filed.		
<b>Appropriation Summary for FY 2012-2013:</b> See State Appropriations section.		
<b>Local Government Impact:</b> 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.

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. 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 only 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 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 bill may accelerate the submittal of new local rules for review by the WQCC, particularly regarding variance standards. The department's costs, detailed in Table 1, will be paid from the Water Quality Control Fund.

<b>Cost Components</b>	<b>FY 2012-13</b>
Personal Services	\$8,530
FTE	0.1
Operating Expenses and Capital Outlay	0
<b>TOTAL</b>	<b>\$8,530</b>

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.

<b>Table 2. Expenditures Not Included Under HB 12-1126*</b>	
<b>Cost Components</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$619
Supplemental Employee Retirement Payments	455
Indirect Costs	1,587
<b>TOTAL</b>	<b>\$2,661</b>

\*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. 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 enacted bill contained a cash funds appropriation for FY 2012-13 of \$8,530 from the Water Quality Control Fund and 0.1 FTE to the Department of Public Health and Environment.

### **Departments Contacted**

Public Health and Environment  
Natural Resources

Law  
Agriculture

Local Affairs  
Corrections