

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1127 (First Edition)

SHORT TITLE: Certify On-Site Wastewater Contractors

SPONSOR(S): Representatives Culp, Gibson, Hill, and Hackney

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund					
DENR		No Fiscal Impact			
Dept. of Correction		No Estimate Available			
Admin. Office of Courts		No Estimate Available			
On-Site Wastewater Certification Fund	\$240,000	\$162,000	\$170,100	\$178,700	\$187,600
EXPENDITURES					
On-Site Wastewater Certification Fund		See Assumptions and Methodology			
POSITIONS: (cumulative)		See Assumptions and Methodology			
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources (DENR); Administrative Office of the Courts					
EFFECTIVE DATE: The bill is effective when it becomes law except that G.S. 90A-72, G.S. 90A-79, and G.S. 90A-82 enacted by Section 1 of this act, become effective 1 July 2005.					

BILL SUMMARY: The bill creates a nine-member North Carolina On-Site Wastewater Contractors and Inspectors Certification Board to regulate the personnel involved in the construction, installation, repair, and inspection of on-site wastewater systems.

ASSUMPTIONS AND METHODOLOGY:

On-Site Wastewater Certification Fund

The On-Site Wastewater Contractors and Inspectors Certification Board created by this act will be entirely funded by fees and contributions as set forth in G.S. 90A-75. All fees and

contributions will be deposited into the On-Site Wastewater Certification Fund to be established in DENR. Until fee revenue becomes available, the North Carolina Septic Tank Association has pledged to solicit Board start-up funds from industry related groups.

While it may take months for the Board to be appointed and for temporary rules to be drafted, a representative of the NC Septic Tank Association believes new certification fees will be assessed in FY 2003-04. The Association estimates the number of installers ranges from 1,500 to 2,000, of which 300 to 400 will request certification as on-site wastewater system inspectors. Septic tank manufacturers and DENR's Division of Environmental Health estimates that 1,500 installers and inspectors will apply for the application for basic certification. This fiscal note assumes 1,500 applicants in FY 2003-04, with 1,200 applying for a basic certification (\$150) and 300 applying for on-site wastewater system operator (\$200). In the first year of the program, the application fees will generate \$240,000. The Septic Tank Association believes that the number of new applications each year will be minimal. This fiscal note assumes a five percent growth rate in new applications and 100% renewal in subsequent years (see chart below). A revenue estimate cannot be given on the number of applications for step grades or revoked/suspended certificates.

		<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
New applications						
-basic		1,200	60	63	66	70
-on-site		300	15	16	17	17
Applications						
-basic	\$150	\$180,000	\$9,000	\$9,450	\$9,900	\$10,500
-on-site	\$200	\$60,000	\$3,000	\$3,150	\$3,400	\$3,400
Renewals	\$100		\$150,000	\$157,500	\$165,400	\$173,700
		\$240,000	\$162,000	\$170,100	\$178,700	\$187,600

The estimated fee revenue shown above should be sufficient to cover all administrative costs of the new Board. DENR staff estimate the Board's operating costs will average \$160,000 a year for a staff of three (includes salaries and fringe benefits, travel for Board and staff, rental, postage, supplies, etc.). This estimate is based on the staff DENR employs for its Water Certification Board. Additional start-up costs in the first year are estimated to be \$17,000 for furniture, computers, printers, and software.

Class 2 Misdemeanor

HB 1127 creates new Class 2 misdemeanor offenses for persons who commit any one or more of the following offenses: (1) engages in or offers to engage in the construction, installation, repair, or inspection of an on-site wastewater system without the appropriate certificate for the specific grade of on-site wastewater system; (2) gives false or forged evidence of any kind in obtaining a certificate; or (3) falsely impersonates a certificate holder.

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This House Bill 1127 (First Edition)

increased court time is also expected to result in greater expenditures for jury fees and indigent defense. The AOC notes that data is unavailable concerning the number of charges that may arise as a result of this bill. For offenses that are brought to trial as Class 2 misdemeanors, the estimated court cost per trial is \$2,264. For Class 2 misdemeanor offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at \$266.

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Since the proposed bill creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced under this bill. The Sentencing Commission notes that in FY 2001-2002, 12.6 percent of Class 2 misdemeanor convictions resulted in active sentences. The average estimated time served was 15.1 days. Active sentences between 1-90 days are served in local jails; the Department of Correction (DOC) reimburses counties for active sentences between 30-90 days at a cost to the state of \$18/day. Most Class 2 misdemeanants receive community or intermediate sanctions. In 2001-2002, costs for these non-active sentences ranged from \$1.83 to \$11.47 per offender per day.

SOURCES OF DATA: North Carolina Septic Tank Association; Administrative Office of the Courts; Sentencing and Policy Advisory Commission; DENR

TECHNICAL CONSIDERATIONS: DENR provided the following technical notes for HB 1127:

1. Change bill from "certification" to license.
2. Clarify definition of "inspector" to make clear that the certification is required of those conducting inspecting on-site wastewater systems for hire and not agents of DENR. If the intent of the bill is to require public employees to become certified, there will be additional costs to the State and to the counties for these employees.
3. The Board's fees should not be deposited in a DENR account. In keeping with other Licensing Boards, these fees should remain with that Board and not the Department. Change to read; "The Secretary-Treasurer or some other person designated by the Board shall deposit all funds payable to the Board in financial institutions designated by the Board as official depositories. Funds shall be deposited in the name of the Board and shall be used to pay all expenses incurred by the Board in carrying out the provisions of this Article. The Board is subject to the oversight of the State Auditor under Article 5A of Chapter 147 of the General Statutes."

4. Add a new paragraph to read as follows; "Except as provided in GS 90A-72(b), no on-site wastewater system shall be approved by the Department or any agent of the Department unless the on-site wastewater system is constructed, installed, or repaired under the responsible charge of a licensed on-site wastewater system contractor with appropriate grade."

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DATE: June 2, 2003



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