



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**12 VAC 5-590 – Chronically Noncompliant Waterworks**  
**Virginia Department of Health**  
September 11, 2009

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### **Summary of the Proposed Amendments to Regulation**

Pursuant to chapters 648 and 774 of the 2007 General Assembly, the State Board of Health proposes to establish mechanisms and enforcement options to eliminate chronically noncompliant waterworks and adopt the statutory definition provided in the same legislation.

### **Result of Analysis**

There is insufficient data to accurately compare the magnitude of the benefits versus the costs.

### **Estimated Economic Impact**

Pursuant to chapters 648 and 774 of the 2007 General Assembly, the State Board of Health proposes to establish mechanisms and enforcement options to eliminate chronically noncompliant waterworks and adopt the statutory definition provided in the same legislation.

Waterworks that provide water for drinking or domestic use are required to maintain clean and reliable supply of water. This goal is accomplished by requiring the owner of such systems to monitor the water quality periodically, to report the results to the Virginia Department of Health (VDH), and to provide pertinent information to the customers. Once a problem identified with a waterworks, VDH starts to remedy the problem. While majority of problems have been resolved successfully, VDH reports that there have been about eight cases where the owner have failed to successfully remediate the problem for a long time despite repeated efforts. In response to the citizen concerns, legislation enacted in 2007 directed the board to establish a program to improve compliance.

The board proposes to require the owner of a chronically noncompliant waterworks to submit a compliance schedule and a comprehensive business plan to return the system to compliance. If the owner does not have the financial resources, he or she will be required to make good faith applications to financial institutions to fund needed improvements. The owner will also be required to send the copy of the commissioner's order and a copy of the compliance schedule to the customers. The commissioner will also send a copy of the order to the local government where the waterworks is located.

While there is likely to be some additional administrative costs associated with issuing an order, reviewing the compliance plan, and notifying the locality, VDH expects those costs to be minimal. Similarly, owners are expected to incur some administrative costs associated with drafting a compliance plan, distributing notices to customers, and making good faith applications to financial institutions if needed.

On the other hand, to the extent, the proposed new requirements improve compliance, an economic benefit in terms of reduced risks to health and safety may be expected from improved water quality. However, the ability of the proposed requirements to improve compliance may be somewhat limited as the owners can abandon the waterworks if the expected administrative or remediation costs associated with required compliance are too high.

### **Businesses and Entities Affected**

Approximately 2,880 waterworks are currently permitted in Virginia. Of those, only eight are estimated to be chronically noncompliant waterworks.

### **Localities Particularly Affected**

The proposed regulations apply throughout the Commonwealth.

### **Projected Impact on Employment**

No significant effect on employment is expected.

### **Effects on the Use and Value of Private Property**

No significant effect on the use and value of private property expected. However, small administrative costs and potential remediation costs that may result from the proposed requirements would be expected to have a negative effect on the asset value of affected waterworks.

## **Small Businesses: Costs and Other Effects**

Of the 2,880 water works approximately 1,806 are privately owned and all of them are believed to be small businesses. Thus, the potential administrative and remediation costs discussed above, would apply to small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

There is no known alternative method that would minimize the adverse effect for the same level of enforcement improvement.

## **Real Estate Development Costs**

No significant effect on real estate development costs is expected.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.