

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: Senate Bill 482
SHORT TITLE: Permit Fees
SPONSOR(S): Senator Lucas, et al.

FISCAL IMPACT ESTIMATE					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES	\$532,500	\$532,500	\$532,500	\$532,500	\$532,500
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Dept. of Environment, Health, and Natural Resources Division of Environmental Health				
EFFECTIVE DATE:	When it becomes law.				

BILL SUMMARY:

The Department of Environment, Health, and Natural Resources permits food and lodging establishments that prepare food for human consumption and provides regulatory oversight and technical assistance to local health departments to ensure the sanitation of food and lodging establishments. Inspections of restaurants and other food handling establishments are performed by environmental health specialists employed by the counties.

In accordance with G.S. 130A-248 each food and lodging establishment in the state, providing food and drink to the public, pays an annual permit fee of \$25.00. The fee is considered late if it is not paid within 45 days after billing by the Department, and the establishment is charged an additional \$25.00 late fee. Under current law the Department has the right to suspend or revoke an establishment's permit if the establishment does not pay the permit fee and, if applicable, the late fee.

House Bill 469 proposes to eliminate the Department's authority to revoke a permit for late payment. The Department retains the authority to suspend a facility's permit. The bill also proposes to increase the late fee penalty from \$25.00 to \$250.00, and establishes a reinstatement fee for suspended permits. The reinstatement fee is \$50.00 if the establishment ceases operation and pays all overdue fees within 10 days of the permit suspension notification. The reinstatement fee is \$900.00 if the establishment fails to cease operation and pay the overdue fees within 10 days. The additional revenue is to be used by the Department to recoup the cost of collecting the late fees and suspending permits.

ASSUMPTIONS AND METHODOLOGY:

Revenues

The Department reports that approximately 10% of the 23,000 permittees pay late. The additional revenue from the increased fee is expected to be a maximum \$517,500. { 2300 times \$225.00 = \$517,500 } Three hundred of the 23,000 have to be taken to court each year by the Department for operating without a permit. The Director of the Division of Environmental Health assumes that the 300 permittees will be deterred from court actions by the \$900.00 fee and will pay the \$50.00 fee instead. If this is the case the revenue from the reinstatement fee will be \$15,000.

The additional revenue, for the Department, is estimated to be \$532,500 annually if violators are not deterred from the new penalties. According to the Department the number of permittees that pay late and those that are taken to court for operating without a permit has been relatively constant from year to year.

Expenditures

The State Auditor found in a performance audit of the Food Sanitation Inspection Program that the state's cost to suspend a permit for failure to pay the required permit fee and to initiate court action against an establishment operating with a suspended permit is approximately \$866.00. For cases settled in court, the establishment is required only to pay the \$25.00 permit fee and the \$25.00 late fee plus court costs to have its permit reinstated. Because the state does not recover the \$866.00 in this process, the State Auditor found the current fee structure fails to deter late payment and recommended increasing the late fee and requiring a reinstatement fee to provide an incentive for prompt payment.¹

In accordance with G.S. 130A-248(d) no more than one third of the permit and late fees collected from food establishments may be used to support state public health programs and administration. The remaining two thirds is distributed to the counties to support local food sanitation inspection programs. Permit fees totaling \$623,097 were collected by the state for the 1995-96 fiscal year. Each county receives a minimum of \$750.00 plus an additional allocation based on the number of food establishments in the county and the county's compliance rate with mandatory inspection requirements.

¹ Office of the State Auditor, *Performance Audit of the Food Sanitation Inspection Program within the Department of Environment, Health, and Natural Resources*, pp. 20-21.

As written, the bill does not propose to change the allocation of fees collected for permits, late payment or the newly established reinstatement penalty. Although the bill establishes the reinstatement charge to help recover the costs associated with suspending permits, any fees collected would be subject to the one third cap placed on state program expenditures, and two thirds would be allocated to local health departments.

TECHNICAL CONSIDERATIONS:

Although the number of late paying permittees and the number of permittees taken to court has been relatively constant the past several years, the increased late fee and the new reinstatement fee schedule are intended to encourage establishments to pay the annual \$25.00 permit fee on time to avoid the late payment charge, permit suspension and court action. The projected revenues assume the number of establishments required to pay the late fee and taken to court does not decline, and therefore reflect the maximum amount likely to be collected.

The department finds the same establishments fail to pay their permit fees on time each year and believes the increased late fee will encourage timely payment. Therefore, the department expects actual revenues to be considerably lower than the maximum projected.

FISCAL RESEARCH DIVISION

733-4910

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