Funding of Local Public Health Services in Massachusetts

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Typical Funding Sources
• The local property tax funds most municipal services - largest single source of revenue for local governments
• Generates over 50% of income
• Proposition 2 ½ limited this
• Other sources of revenues are personal property taxes and state aid.

Sources of Revenue for LBOH
• Municipal Budget
  • subject to budgetary cuts
  • downturn in economy
  • increase in nondiscretionary costs
• Governmental and Private Grants
• Fees
• Fines.

What Is The Maximum Amount Of Revenue A Board Of Health Can Realize From Fees, Permits, Fines And Licenses?
• 20%
• 50%
• 75%
• 100%

Types of Expenses
There are several types of expenses related to LBOH operations:
• Direct
• Indirect
• Variable
• Fixed

Direct Costs
• Time staff works on inspection(s)
• Time for staff to write reports
• Mailing and filing charges
• Follow-up time
• Keeping of records
Indirect Costs
- Utilities, Building Maintenance and Cleaning
- Equipment and Vehicles
- Training
- Office Supplies
- Insurance

Variable Costs
- Some flu clinics will serve more residents than others - the more doses of flu vaccine administered the higher cost of flu clinic.
- Time for inspection of property

Fixed Costs
- Cost of Phone Service
- Salaries
- Fringe Benefits
- Insurance

Income from LBOH services
- Issuance of Permits
- Inspections, Compliance Letters
- Review of plans
- Witnessing fee for Title 5
  - Fee to BOH
  - Board pays Witness
- Grants
  - RFP Tobacco
  - Regionalization
- Fines & Non-Compliance Agreements

Typical BOH Expenses?
- STAFF TIME (i.e. agents, inspectors, nurses, clerks, and directors)
- Office, heat, cooling, lights, cleaning, communications, supplies
- Inspection equipment & training
- Office equipment
- Vehicle expenses
- Court Time

Fees
- Fees can only be imposed to cover costs associated with the service being provided
- Not a tax - charged in exchange for government service
- Fees compensate municipalities for expenses.
- Authorized under M.G.L. Ch. 40 Sec. 22F
- BE AWARE!!! This is a local acceptance statute - City or Town must have voted to accept.
Permit Fees
• Covers reasonable expense incident to the enforcement of the rules
• Usually charged to engage in, operate or conduct activity
• M.G.L. Ch. 40 Sec. 22F - if accepted by city/town may increase fees over state limits subject to exceptions.

Issues to be addressed when establishing Fees
• Is Fee Annual, Temporary or Seasonal
• Provide Expiration Date if not provided by statute
• Date Application Needs to be Filed
• Will late fee be assessed or application refused
• Whether new license will be prorated
• Will selectmen or mayor support implementation of fees.

Whether Or Not To Impose Users Fees
• Covering all cost is a policy decision
• Set fees to cover direct & indirect cost
• Can you realistically estimate revenues from fees?

Advantages and Disadvantages of User Fees
• Advantages
  • Revenue Source
  • Equity
  • Measuring demand and allocating resources
  • Revenues from non-taxable property
• Disadvantages
  • Political resistance
  • Inequities
  • Administrative difficulties
  • Federal and state constraints

Approval for fees from selectman/mayor finance committee
• Give an overview of the BOH responsibility in the area of concern
• Explain the projected cost
• Propose a strategy to pay for this service without additional property tax dollars.

Estimating Costs
• Important to prepare a cost estimate in order to determine amount of fee
• Massachusetts Department of Revenue has handout on how to do a cost study.
Mass. Dept. of Revenue: Division of Local Services
- A Guide to Costing Municipal Services
  - http://www.mass.gov/dor/docs/dls/publ/misc/costing.pdf
- Case Study (contained within)
- Masstown Ambulance Service
- Steps in Costing Process – TA provided!
- www.mass.gov/dls
- (617) 626-2300

Putting A Cost Estimate Together
- SERVICE PROVIDED:
  - EXAMPLE:
  - FOOD-SERVICE INSPECTION
  - CAMP INSPECTION OR PERC TEST.
- TIME TO CONDUCT INSPECTION:
  - $20.00 PER HOUR X 2 - $40.00
- TIME TO WRITE REPORT:
  - $20.00 PER HOUR X 1/5 = $10.00
- TIME TO FOLLOW UP:
  - $20.00 PER HOUR X 2 = $40.00

Example Of A Fee Structure
Williamstown Board Of Health - Schedule Of Fees

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fee Assumed (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Establishments</td>
<td></td>
</tr>
<tr>
<td>Retail Food</td>
<td>$200</td>
</tr>
<tr>
<td>Retail Food/Foodservice/Exper.</td>
<td>$300</td>
</tr>
<tr>
<td>Mobile Vendor</td>
<td>$200</td>
</tr>
<tr>
<td>Residential Elevator</td>
<td>$300</td>
</tr>
<tr>
<td>Bird &amp; Rodent Control</td>
<td>$60</td>
</tr>
<tr>
<td>Septic System &amp; Testing - Non-located Systems</td>
<td>$150</td>
</tr>
<tr>
<td>TITLE 5 Septic Disposal Systems</td>
<td></td>
</tr>
<tr>
<td>- Construction Permit</td>
<td>$200</td>
</tr>
<tr>
<td>- Inspections of Systems</td>
<td>$25</td>
</tr>
<tr>
<td>- Registration of Personnel</td>
<td>$10</td>
</tr>
<tr>
<td>- License to Use Septic System (per unit)</td>
<td>$10</td>
</tr>
<tr>
<td>- Department of Conservation</td>
<td>$25</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Tipping Facility</td>
<td>$50</td>
</tr>
<tr>
<td>Refuse For Hauling (Rec.)</td>
<td>$25</td>
</tr>
<tr>
<td>Transport (including transportation)</td>
<td>$25</td>
</tr>
<tr>
<td>Permit Fee for Refuse Collected</td>
<td>$25</td>
</tr>
<tr>
<td>Body GIR Technician</td>
<td>$200</td>
</tr>
<tr>
<td>Body GIR Establishment</td>
<td>$200</td>
</tr>
<tr>
<td>Refuse Hauler</td>
<td>$75</td>
</tr>
</tbody>
</table>

Fee Structure, Pit Falls!
M.G.L. Ch. 94 Sec. 32B
- All nonprofit corporations that distributes or serves food to be inspected and be in compliance
- However, no fee shall be charged for any such permit issued to such corporation.

M.G.L. Ch. 140 Sec. 32B
- Recreational Camps, Overnight Camps or Cabins, Motels and Manufactured Housing Communities
- Fee for each original or renewal license shall be ten dollars, but in no event shall any such fee be greater than fifty dollars.

Collection Of Fees
- Collection of permit and license fees is usually not burdensome
- Applicant requires permit or license to operate and must pay upon issuance.
- Ex. To install septic system must pay for inspection to get approval which is needed for certificate of occupancy.

Collection of Fees and Assessments By Municipalities Under Cross Jurisdictional Sharing Agreement
- IMA’s provide for a lead agency who must be appointed as a local health agent for each respective member community in which they provide services in order to conduct inspections, etc. (See, M.G.L. Ch. 115 Sec. 30)
- IMA’s usually provide that the lead agency acts as the fiscal agent for the regionalized groups
  - can collect fees and fines on behalf of the respective municipalities for services rendered
- IMA’s may also provide that each member municipality be assessed a yearly fee for being a member of the regionalization group, subject to appropriation.
Fines
- Fines imposed for non-compliance with rules and regulations and orders of LBOH and state and local statutes, bylaws and ordinances
- Imposing fines is a method by which costs of enforcement, i.e. inspector's time, legal fees, and court costs can be recovered
- **Statutory Authority for Fines**
  - M.G.L. Ch. 111 Sec. 31 (Authority to Regulate) Fine up to $1,000.
  - M.G.L. Ch. 111 Sec. 122 (Nuisance) Fine up to $1,000.
  - M.G.L. Ch. 40 Sec. 21D (Noncriminal Disposition) Fine up to $300.

However...
- Fees and Fines collected must be deposited into General Fund
  - M.G.L. Ch. 44 Sec. 53 requires that all monies received by a municipality must be deposited into the treasury and cannot be used without further appropriation
  - M.G.L. Ch. 40 Sec. 22F that the “entire proceeds of the fee shall remain with the issuing city or town.”

Surcharges
- Some municipalities impose surcharges on food establishments which require frequent inspections.
- In Brookline 3 inspections per year are covered by annual permit fee
  - For establishments where 3 are insufficient a surcharge to cover additional work is assessed.

Accounts
- Massachusetts General Laws provides methods to establish “special accounts”
- Special accounts allow fees etc. generated by certain departments or activities to be segregated from the general fund
- Exception to rule that all revenue received by municipality must be deposited into general fund.

Which Special Accounts is Useful
- Revolving Account?
- Enterprise Account?
- Special Account?

  - Does Account Need Approval Of Selectmen And Town Meeting Or Mayor And Council?
  - Obtain Recommendation Of Finance Committee Or Budget Office?

Revolving Fund Accounts
- Established under M.G.L. Ch. 44 Sec. 53E ½
- Needs City/ town approval, must specify program and purpose
- Requires department receipts that may be credited to the fund and department authorized to expend from the fund
- Limit on the amount that department may spend
- Expenditures made w/o appropriation
Brimfield’s Tobacco Revolving Fund approved in 2001

- Board of Health RF shall be used for the use of the Board of Health to provide for the receipt of all permit fees for the sale of tobacco products and for the payment of costs associated with state required store compliance checks and to ensure enforcement of Town bylaws prohibiting smoking in public places and Board of Health regulations affecting smoking in certain places and youth access to tobacco.
- The Board of Health shall report the income and expenditures from this fund in the Annual Town Report.

Account for Employment of Outside Consultants

- Impose reasonable fees for the employment of outside consultants to review permit applications
- Created through regulations of the board of health
- M.G.L. Ch. 44 Sec. 53G (see appendix A of the MAHB legal handbook)

Enterprise Fund

- Established under M.G.L. Ch. 44 Sec. 53F ½
- Separate account for revenue & expenses of a particular service
- Established only for a utility, health care, recreational or transportation facility & its operation, such as landfill and/or recycling.
- Requires town meeting or city approval.

Which fund option works best?

- How is the fund implemented?
- Specific adoption, budgeting, accounting and reporting requirements
- What is the scope of the service or program
- Program require capital expenditures
- What is revenue source
- Annual level of receipts predictable or does it vary based on demand
- Sufficient annual revenues to pay expenses?

Steps every LBOH Should Take to Increase Revenue

- Review fee schedules periodically and adjust accordingly
- Conduct a costing study to determine costs of various services provided
- Review fee schedules and add fees that are not being charged but that LBOH have authority to assess
- Increase fees where appropriate
- Establish revolving funds
- Collect outstanding fines and fees and deny and/or suspend licenses or permits.