

## Department of Planning and Budget

### 2006 Fiscal Impact Statement

**1. Bill Number:** HB596

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Sherwood

**3. Committee:** Appropriations

**4. Title:** Dam and flood assistance fund

**5. Summary/Purpose:** The bill reconstitutes the current Flood Prevention and Protection Assistance Fund into the new Dam Safety, Flood Prevention and Protection Assistance Fund. The new fund will be used to make loans and grants to local governments and loans to private entities to finance the cost of implementing projects to prevent, reduce, or mitigate damages caused by flooding, to upgrade dams or impounding structures, and to fund flood prevention studies. One source of revenue for the fund would be tax revenue generated as a result of flood insurance premiums associated with the National Flood Insurance Program's flood insurance sales. The Virginia Resources Authority would administer and manage the fund, determining the interest rate and terms and conditions of any loan from the Fund. The Director of the Department of Conservation and Recreation would make the decision on how the moneys in the fund would be disbursed. The language establishing the fund is modeled after language creating the Virginia Resources Authority, the Virginia Water Facilities Revolving Fund, and the Virginia Water Supply Revolving Fund.

**6. Fiscal Impact Estimates are:** Preliminary. See item 8.

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	N/A
2006-07	(\$900,000)	General
2007-08	(\$900,000)	General
2008-09	(\$900,000)	General
2009-10	(\$900,000)	General
2010-11	(\$900,000)	General
2011-12	(\$900,000)	General

**7. Budget amendment necessary:** Yes, the bill will result in a transfer of approximately \$900,000 annually from the general fund to the Dam Safety, Flood Prevention and Protection Assistance Fund. The general fund resources (transfers) listed on page one in HB 30 should be adjusted accordingly.

**8. Fiscal implications:** The Flood Prevention and Protection Assistance Fund was created as a funding source for the Department of Conservation and Recreation (DCR) to make loans and

grants to local governments for flooding-related projects. In 2002, use of the fund was expanded to include grants and loans to local governments and loans to private dam owners for dam repairs. However, funding has not been sufficient to make such loans. If adopted, the bill will provide additional monies to the fund and allow the Virginia Resources Authority (VRA) to administer the fund for DCR. The VRA has managed several similar funds and has the demonstrated capability to leverage the fund through investments in order to increase the amount of funds available for loans and grants.

Under §38.2-401.1, Code of Virginia, flood insurance premiums not associated with the National Flood Insurance Program are currently assessed at a one percent rate and deposited in the state Flood Prevention and Protection Assistance Fund. The revenue comes from insurance companies that are licensed to sell flood insurance in Virginia. According to the State Corporation Commission's Bureau of Insurance, most of the insurance companies (684 companies) pay a \$100 minimum annual contribution; a few insurance companies (43 companies) pay significantly more due to the premiums collected for related insurance policies they underwrite. In FY 2005, deposits to the fund were \$253,435 (27 percent from \$100 dollar deposits and 73 percent from the other contributors). The largest firm contributed almost \$48,000. The fund currently has a balance of about \$1.2 million. Historically, the fund has been occasionally utilized for assisting localities with restoration of certain storm and flooding repairs.

The bill will continue the existing funding from the non-National Flood Insurance Program and add to it revenue generated from an existing fee on insurance premiums associated with the National Flood Insurance Program that is currently deposited to the general fund. The result is a transfer of approximately \$900,000 annually from the general fund to the Dam Safety, Flood Prevention and Protection Assistance Fund. The bill does not impose any new taxes or fees on insurance companies.

Expenditures related to administration of the fund will be absorbed in the Department of Conservation and Recreation's existing appropriation. The VRA's cost will be recuperated through a fee structure, likely to be set at .10 percent, as is used for the other revolving loan programs that the authority administers.

**9. Specific agency or political subdivisions affected:** Department of Conservation and Recreation, Virginia Resources Authority.

**10. Technical amendment necessary:** No.

**11. Other comments:** The bill is identical to SB 624.

**Date:** 1/31/06 kbs

**Document:** G:\06 Fis\DCr\Hb596.Doc

cc: Secretary of Natural Resources