

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number: SB624

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Bell

3. Committee: Agriculture, Conservation, and Natural Resources

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. 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.

7. Budget amendment necessary: The substitute bill includes an enactment clause that states that the bill does not become effective unless an appropriation from the general fund is included in the Appropriation Act passed by the 2006 Session of the General Assembly.

8. Fiscal implications: Under the provisions of §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 amount of 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 allow the Virginia Resources Authority (VRA) to administer the fund for the Department of Conservation and Recreation. The VRA has managed several similar funds

and has the demonstrated capability to leverage investments in order to increase the amount of funds available for loans and grants.

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, as is used for the other revolving loan programs that the authority administers. The bill limits such a fee to one-eighth of one percent of any bond par, loan, or grant amount.

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

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/31/06 kbs

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cc: Secretary of Natural Resources