

## Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** HB46-E

House of Origin     Introduced     Substitute     Engrossed  
Second House       In Committee     Substitute     Enrolled

2. **Patron:**      Oder

3. **Committee:** **General Laws and Technology**

4. **Title:**            **Disaster Response Fund; funds to be disbursed for removal of hazardous materials in dwellings.**

5. **Summary:** Authorizes funds from the Virginia Disaster Response Fund to be disbursed to political subdivisions for the removal of hazardous materials from, and subsequent repair of, dwelling units.

6. **Fiscal Impact Estimates:** Preliminary; See Item 8 below.

7. **Budget Amendment Necessary:** Yes. Item 389.

8. **Fiscal Implications:** The Department of Emergency Management has determined that the proposal could have a significant negative impact on the Virginia Disaster Response Fund since the proposal seeks to authorize payment from the Fund for the removal of hazardous materials and any subsequent repairs of dwelling units when the fund does not have a revenue stream supporting it.

Currently, the fund is supported by a \$150,000 line of credit (Chapter 781, § 3-2.03), which is repaid by Emergency Management when payment is received from responsible parties. Because not all responsible parties make payment as required under § 44-146.18:1, the agency is at times unable to repay the line of credit. When this occurs the agency is forced to seek funding from the General Assembly to restore the line of credit.

The Department of Emergency Management states that while the bill lacks specificity on which projects or source materials may be defined as hazardous materials, they are aware of one recent issue that involves residential properties (Chinese drywall). According to the Consumer Product Safety Commission (CPSC) Web site ([www.cpsc.gov/info/drywall/index.html](http://www.cpsc.gov/info/drywall/index.html)), "As of January 25, 2010, the U.S. Consumer Product Safety Commission ("Commission" or "CPSC") had received 2,833 incident reports related to drywall from 37 states, the District of Columbia, and Puerto Rico. More than 90% of reports are from Florida (59%), Louisiana (21%), Mississippi (6%), Alabama (5%) and Virginia (4%)." The Department of Emergency Management states that the Consumer Products Safety Commission has received 115 claims/complaints thus far from property owners in Virginia relative to Chinese drywall. The agency also notes that it has been reported that it might cost from \$100,000 to \$150,000 per house to remedy the Chinese drywall problem (gutting the entire house and replacing major systems). Using the low end

of the range (\$100,000), the cost to the Virginia Disaster Response Fund to address the Chinese drywall problem could reach \$11.5 million (115 houses X \$100,000 per house) for the problems identified to date. This amount does not account for any additional dwellings that might be identified with Chinese drywall, or other hazardous housing issues (e.g., asbestos, mold, etc.) that might be included in this language.

The Department of Emergency Management does not have the necessary expertise to determine what is required to fully remediate a house with Chinese drywall or other hazardous issue and would either need to hire staff with such expertise or contract with the private sector for this service. The estimated cost for either of these is estimated at \$100,000 per year.

**9. Specific Agency or Political Subdivisions Affected:** Department of Emergency Management, Department of Accounts

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** According to the Department of Emergency Management, this issue has become a national concern and some funding assistance may be forthcoming from the U.S. Department of Housing and Urban Development (HUD). In a news release, dated December 22, 2009, HUD announced that FHA-insured families experiencing problems associated with problem drywall may be eligible for assistance to help them rehabilitate their properties. In addition, HUD's Community Development Block Grant (CDBG) Program may also be a resource to help local communities combat the problem. Also, homeowners are being cautioned not to rush into remediation because remediation protocols have not been established, and cross-contamination could occur.

Similar to SB 523.

**Date:** 2/23/2010 dpb/John Crooks

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