

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: SB523-E

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

2. Patron: Norment

3. Committee: Not yet assigned.

4. Title: **Virginia Disaster Response Fund; hazardous materials in dwellings.**

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

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

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The Department of Emergency Management has determined that, although the cost of this proposal cannot be determined at this time, the proposal could have a significant fiscal impact on the Virginia Disaster Response Fund since the fund does not have a revenue stream supporting it. The proposal seeks to authorize payment from the Fund for the removal of Chinese drywall hazardous materials and any subsequent repairs of dwelling units.

Currently, the fund is supported by a \$150,000 line of credit (Chapter 781, § 3-2.03), which is repaid when payment is received from responsible parties of a hazardous material spill. Not surprisingly, not all responsible parties make payment as required under § 44-146.18:1 and the agency is unable to repay the line of credit. When this occurs the agency is forced to seek general fund support from the General Assembly to restore the line of credit.

According to the Department, it has been reported that it might cost from \$100,000 to \$150,000 per house to remedy the Chinese drywall problem. Since the number of dwellings is not known, the magnitude of the impact cannot be determined. For every ten dwelling addressed, the Commonwealth could be responsible for over a million dollars in costs.

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.

Similar to HB 46.

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