

Department of Planning and Budget

2018 Fiscal Impact Statement

1. Bill Number: SB985

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

2. Patron: Wagner

3. Committee: Finance

4. Title: Hurricane and Flooding Risk Reduction and Bond Rating Protection Act of 2018; report.

5. Summary: Establishes the Hurricane and Flooding Risk Reduction and Bond Rating Protection Act of 2018. Under the provisions of the bill, it establishes the Commonwealth as a nonfederal sponsor of hurricane and flooding risk reduction projects in partnership with the U.S. Army Corps of Engineers (USACE) Civil Works program. The goals of the partnership are to support hazard mitigation actions through (i) mitigation of risk through structural, nonstructural, and natural and nature-based solutions; (ii) improvement of life safety through increased flood risk awareness, support of economic and environmental resilience, reduction of flood insurance premiums through the implementation of higher standards, and promotion of higher building standards to reduce flood risk; and (iii) enablement of Virginia communities currently threatened by flooding to wage more successful campaigns to attract economic investment and to retain and support the economic drivers they already possess.

In order to meet these goals, the bill creates the Virginia Hurricane and Flood Risk Reduction Authority (the Authority) and a board of directors for the Authority (the Board). It sets out the duties and powers of the Board, and requires the composition of the Board to include one representative designated by the Speaker of the House of Delegates, one representative designated by the majority leader of the Senate, and nine representatives appointed by the Governor. A chairman and a vice-chairman are to be chosen by the Board. The Secretary of Transportation, the Secretary of Natural Resources, and the Secretary of Public Safety and Homeland Security shall serve as ex officio members of the Board.

The also requires the Governor to ensure that Board appointees include residents of each of the major geographic areas of Virginia. Members, who must serve without compensation, shall serve terms of four years and are eligible for reappointment. The Board is to exercise for the Governor executive authority over all phases of hurricane and flood risk reduction programs, including investigations, construction, and operations and maintenance. The Board shall be established and meet within 60 days of the effective date of this act.

The bill does not restrict local governments or state agencies from acting as nonfederal sponsors of projects entirely within their jurisdiction. Additionally, the current authorities for Virginia local governments and state agencies to act in such capacity are retained, but must be in collaboration with the Board to promote and encourage watershed solutions and ensure

that Virginia speaks with one voice to the federal government on USACE Civil Works program flooding and storm risk reduction projects.

The Authority would be established to fulfill the directives of the Board. It must employ professional, technical, secretarial, and clerical employees necessary for the performance of its functions. The Authority is required to be composed of a Director, a Deputy Director, three staff civil engineers, two staff economists, a staff chief scientist, and five direct administrative support personnel.

Finally, the proposed legislation requires the Governor to assess and report to the General Assembly no later than November 1, 2018, his findings on the most efficient and effective future distribution of such responsibilities within the executive branch and recommend any changes in law required to execute that determination, including the designation of a department assigned to host the Authority. The bill requires the Joint Legislative Audit and Review Commission (JLARC) to consult with Louisiana's Legislative Fiscal Office to assess the increased state and local tax flows in Louisiana that resulted from post-Katrina federal spending, including spending related to the storm and flooding risk reduction project. JLARC must submit its report to the General Assembly no later than November 1, 2018, on the results of its initial assessment.

6. **Budget Amendment Necessary:** Yes. Item will need to be created.
7. **Fiscal Impact Estimates:** Preliminary. See Item 8 below.
8. **Fiscal Implications:** The Authority created by this legislation is required to employ the professional, technical, secretarial, and clerical employees necessary for the performance of its functions. The bill sets a minimum staffing level for the Authority including a Director, a Deputy Director, three staff civil engineers, two staff economists, a staff chief scientist, and five direct administrative support personnel. The total for salaries and benefits for these positions is estimated at \$1.2 million per year. This estimate is based on the midpoint salaries and benefits for one pay band 7 position (Director), two pay band 6 positions (Deputy Director, Chief Scientist), five pay band 5 positions (two economists, three civil engineers) and five pay band 2 positions (five administrative support personnel). In addition to salary and benefits costs for Authority staff, additional funding for travel and other expenses incurred by Board members and staff will be required but cannot be estimated at this time.

The proposed legislation requires the Secretary of Transportation, the Secretary of Natural Resources, and the State Corporation Commission to each designate a senior official to serve as coordinator for agencies under their leadership to provide professional assistance to the Authority. Agencies that provide professional assistance to the Authority are to do so using their existing budgets. It is not clear at this time the extent to which this would impact their agency operations. Therefore, the potential impact of this provision on agency operations cannot be determined at this time.

The bill also requires that the Authority be hosted by a department of the Commonwealth as designated by the Governor. The host department would provide support for the Authority, including budgeting, work facilities, administrative management, logistics, human resources,

legal, contracts, and information resources. The fiscal impact on an agency's operations resulting from supporting the Authority cannot be estimated at this time; however, it is expected to have fiscal impact on the agency hosting the Authority.

This bill requires the Joint Legislative Audit and Review Commission (JLARC) to consult with Louisiana's Legislative Fiscal Office to assess the increased state and local tax flows in Louisiana that resulted from post-Katrina federal spending, including spending related to the storm and flooding risk reduction project. The bill also requires JLARC to report the results of its initial assessment to the General Assembly by November 1, 2018. According to JLARC, the agency does not expect any fiscal impact on agency operations resulting from these requirements.

According to the Department of the Treasury, this bill does not create or authorize and debt, nor is it expected to impact agency operations. To the extent that the proposal has a fiscal impact on the State Corporation Commission it cannot be determined at this time.

- 9. Specific Agency or Political Subdivisions Affected:** Secretariats of Public Safety and Homeland Security, Transportation, Natural Resources, Localities, JLARC, and State Corporation Commission.

- 10. Technical Amendment Necessary:** None

- 11. Other Comments:** This bill is similar to HB 229. Senate Amendments provides that the provisions of this act shall not become effective unless an appropriation effectuating the purposes of this act is included in a general appropriation act passed in 2018 by the General Assembly that becomes law.