

## **Department of Planning and Budget**

### **2022 Fiscal Impact Statement**

**1. Bill Number:** HB5

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:** Morefield

**3. Committee:** Committee Referral Pending

**4. Title:** Flood Relief Fund; established.

**5. Summary:** This bill establishes the Flood Relief Fund, which would be administered by the Virginia Department of Emergency Management (VDEM). The non-reverting fund would be used to make payments to private owners of property damaged by a flood, landslide, or mudslide for which the President declares a major disaster under the federal Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5121 et seq). The bill defines the terms distressed locality and double distressed locality based on unemployment and poverty rate statistics. The bill specifies maximum claim payments for affected properties, depending on the locality's distress measure, and sets other guidelines for managing the Fund. The bill provides that payments received from the Flood Relief fund for residential properties are exempt from individual and corporate income tax.

The Flood Relief Fund would be supported by an allocation of five percent of Regional Greenhouse Gas Initiative (RGGI) funds, which will be achieved by reducing the allocation to the existing Community Flood Preparedness Fund from 45 percent to 40 percent. The bill provides that, if there are no flood disasters in a given year, VDEM will award grants for flood prevention efforts to applicants in double distressed localities.

**6. Budget Amendment Necessary:** Yes, Item 412

**7. Fiscal Impact Estimates:** Preliminary. See Item 8 below.

**8. Fiscal Implications:** This bill requires VDEM to establish a new program to manage the Flood Relief Fund, which must include procedures for filing and resolving claims, measures to prevent fraud, and any other criteria VDEM determines reasonable to carry out the provisions of the proposed section. According to VDEM, the one-time cost to set up the program is estimated at \$90,000: \$70,000 to purchase and customize grant application software and \$20,000 for advertising and other public outreach efforts. Total annual operating costs for managing the new Flood Relief Fund are estimated at \$304,000: one Program Manager position (at \$103,000 including salary and benefits), two Grant Administrator positions (at a total of \$136,000 including salary and benefits), and \$65,000 each year to cover overhead costs and grant application software costs.

The Regional Greenhouse Gas Initiative (RGGI) is a market-based, cooperative effort among several Eastern-seaboard states to reduce greenhouse gas emissions. The RGGI auctions carbon allowances, usually on a quarterly basis, and the proceeds are used by the participating states for emission-reduction programs. According to the Department of Environmental Quality (DEQ), Virginia's revenue for the first four quarters of RGGI auctions was \$227.0 million. Under current law, the existing Community Flood Preparedness Fund, which is managed by the Department of Conservation and Recreation (DCR), receives 45 percent of auction proceeds. Under the provisions of this bill, the percentage would be reduced from 45 to 40 and the five percent difference would be reallocated to the Flood Relief Fund. Based on data supplied by DEQ, this would mean that current proceeds allocated for the Flood Relief Fund would be \$11.4 million and the allocation for the Community Flood Preparedness Fund would be reduced from \$102.2 million to \$90.8 million. However, auction proceeds are expected to vary from year to year and it is not possible to estimate proceeds from future auctions.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Emergency Management, Department of Environmental Quality, Department of Conservation and Recreation, and the Department of Taxation

**10. Technical Amendment Necessary:** No

- 11. Other Comments:** Enactment clause #4 of the bill provides that if Virginia withdraws from the RGGI, \$50 million of any unobligated auction proceeds will be reallocated to the Flood Relief Fund from the Clean Energy and Community Flood Preparedness program (established in § 10.1-1329). According to DEQ, there are difficulties associated with specifying a dollar amount of unobligated funds that would be transferred to the Flood Relief Fund because the amount of future unobligated balances cannot be known. DEQ suggests, as an alternative, identifying a percentage of unobligated funds.