

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB4409 by Taylor (Relating to emergency preparation and management.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4409, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2011.

Due to the unknown nature of any future disaster, the bill could have an indeterminate fiscal impact to the state.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue (Loss) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Savings from <i>Insurance Maint Tax</i> <i>Fees</i> 8042	Probable Revenue (Loss) from <i>Insurance Maint Tax</i> <i>Fees</i> 8042
2010	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2011	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2012	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2013	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2014	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	\$0	\$0	(28.0)
2011	\$0	\$0	(28.0)
2012	\$0	\$0	(28.0)
2013	\$0	\$0	(28.0)
2014	\$198,569	(\$198,569)	(25.0)

Fiscal Analysis

The bill would amend Chapter 418 of the Government Code by adding section 418.126, which directs the General Land Office (GLO), the Texas Department of Transportation (TxDOT), and the Texas Department of Housing and Community Affairs (TDHCA) to solicit and enter into pre-event contracts for weather-related disaster response activities after a disaster. GLO shall solicit and contract for debris removal from beaches, TxDOT shall solicit and contract for debris removal from the state highway system, and TDHCA shall solicit and contract to provide temporary or emergency shelter or housing. The bill further directs that funds from the Disaster Contingency Fund (0453) may be used to pay for these contract services. The Department of Emergency Management reports that the bill would expand the scope of activities that can be paid for with the Disaster Contingency Fund and therefore could potentially increase the number of requests for funding from the fund. Currently, the Comptroller reports that the Disaster Contingency Fund has no available balance and no existing funding mechanism that would appropriate funds to the account in the future.

The bill would amend the Government Code relating to the establishment of the emergency housing and disaster division within the Texas Department of Housing and Community Affairs (TDHCA).

Additionally, the bill would amend the Government Code to require state and local governmental entities, when constructing or renovating a critical governmental facility (CGF) or replacing major heating, ventilation, and air-conditioning equipment for a CGF, to evaluate whether equipping the CGF with a combined heating and power system would result in expected energy savings that would exceed the expected costs of purchasing, operating, and maintaining the system over a 20-year period. The entity may equip the facility with a combined heating and power system if the expected energy savings would exceed the expected costs.

The bill would also amend Government Code, Chapter 418, to require the Governor's Division of Emergency Management, in cooperation with the Department of Public Safety, to create a task force to study and develop uniform reentry procedures for essential personnel entering an area evacuated during a disaster or other emergency.

The bill would amend the Insurance Code relating to the operations of the Texas Windstorm Insurance Association (TWIA) and the Texas FAIR Plan Association.

The bill would transfer the windstorm inspection program from TDI to the TWIA, which would result in a reduction of \$1,610,740, due to staffing reductions of 28 FTEs and the elimination of the windstorm field offices. This program is partially funded from approximately \$1 million deposited in Fund 36 annually in investment income from the Catastrophe Reserve Trust Fund (CRTF) to subsidize inspections. The bill would eliminate the transfer, leaving the funding in the CRTF. The bill would require TDI to adopt rules relating to the implementation of the bill.

The bill would restructure the revenues collected and deposited into the CRTF, which is held outside the Treasury and therefore was not included in this analysis.

This bill would require the Sunset Advisory Commission (SAC) to review TWIA, but does not subject the entity to abolishment. The bill would require that the review be conducted as if the association were scheduled to be abolished September 1, 2015. The bill would require TWIA to pay the costs incurred by the SAC upon receipt of a statement from the SAC.

The bill would take effect on September 1, 2009.

Methodology

The negative fiscal impact to the General Revenue Fund relating to emergency preparation and management would depend on the timing, magnitude, location, and number of natural disasters that might occur, which cannot be determined. For the purpose of this analysis, Hurricane Ike, the state's most recent weather-related disaster, was used as a source of comparison and reference.

The fiscal impact of Hurricane Ike to state agencies is an estimated \$2.0 billion. Of that amount, GLO and TxDOT report that debris removal costs for their agencies totaled an estimated \$39.0 and \$18.4 million respectively. Some of these costs could potentially be offset by federal assistance from the Federal Emergency Management Agency (FEMA). While debris removal for Hurricane Ike is currently being reimbursed at 100 percent, the federal Stafford Act sets federal assistance for this type of work at 75 percent for a presidentially-declared disaster. Similar assistance would not be available for a state disaster that is not presidentially-declared or for costs associated with debris removal from private property.

According to the analysis provided by TDHCA, the agency estimates that following Hurricane Ike, approximately 35,000 individuals sought emergency shelter solutions. TDHCA estimates that in the event of a similar disaster, the agency's costs to provide temporary shelter and housing to an estimated 5,000 households could be as much as \$441 million for fiscal years 2010-2014. The majority of those costs, an estimated \$315 million, would be one-time expenditures in the first year associated with purchasing and furnishing 5,000 manufactured homes. The remaining costs would be for delivery and set up, utilities, removal costs, and associated FTE costs. If all or part of the housing solutions were contracted out, TDHCA's costs could be significantly lower due to not having to purchase temporary housing units. These amounts are for comparison and reference purposes only and as such are not included in the table above.

It is assumed that the requirements of the bill would have a minimal cost to perform the energy savings evaluation, and that this cost would be absorbed by TDHCA as part of the cost of a planned CGF construction or renovation project. If it is determined that it would be cost effective to utilize a combined heating and power system, then there would be initial costs that would be offset by future savings.

Based on the analysis of the TDHCA, duties and responsibilities associated with implementing the establishment of the emergency housing and disaster division could be accomplished by utilizing existing resources.

Based on information provided by DPS, the costs to create a task force to study and develop uniform reentry procedures could be absorbed within existing agency resources.

Based on analysis from TDI, the reduction of 28 full-time-equivalent positions (FTEs) in fiscal years (FY) 2010 through 2014 would decrease costs to TDI in the amount of \$1,297,573 for salaries and associated costs. Additionally, the reduction in FTEs would decrease benefits costs to the state by \$313,167 in FY 2010 through 2014.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that any savings realized would remain in the fund or the maintenance tax would be set to recover a lower level of revenue the following year.

Based on the analysis from the SAC, implementation of this legislation would require 3 new FTEs for FY 2014 and 2015 at a cost to General Revenue of \$194,319 each year for salaries and benefits and additional travel costs of \$4,000 in FY 2014. TWIA would reimburse the SAC for these costs.

Based on the analysis from the Comptroller of Public Accounts, the premium tax credits would result in a potential negative fiscal impact to General Revenue for up to 5 years subsequent to a natural disaster that would result in claims requiring an assessment. Due to the nature of the current assessments and the unpredictability of hurricanes and hailstorms, the specific negative impact is indeterminate.

Local Government Impact

The costs to local governmental entities to obtain an evaluation of a CGF's system could be significant depending on the number of critical governmental facilities that require an evaluation. One local entity reported the cost for a consultant to perform the evaluation of a system is an estimated \$10,000 per facility.

Source Agencies: 116 Sunset Advisory Commission, 301 Office of the Governor, 303 Facilities Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 332 Department of Housing and Community Affairs, 401 Adjutant General's Department, 405 Department of Public Safety, 454 Department of Insurance, 529 Health and Human Services Commission, 601 Department of Transportation, 694 Youth Commission, 696 Department of Criminal Justice, 771 School for the Blind and Visually Impaired, 772 School for the Deaf

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