

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 31, 2009**

**TO:** Honorable David Dewhurst , Lieutenant Governor, Senate  
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.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4409, Conference Committee Report: 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 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	0.0
2011	\$0	\$0	0.0
2012	\$0	\$0	0.0
2013	\$0	\$0	0.0
2014	\$198,569	(\$198,569)	3.0

**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.

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 amend the Insurance Code relating to the operations of the Texas Windstorm Insurance Association (TWIA). 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 Catastrophe Reserve Trust Fund, which is held outside the Treasury and therefore was not included in this analysis. The bill would authorize the Texas Public Finance Authority to issue Class 1, Class 2, and Class 3 public securities on behalf of TWIA. The bill would state that the public securities are not a debt of the State and therefore are not included in this analysis. The bill would eliminate premium tax credits resulting from certain assessments on insurers after a disaster which would no longer result in a negative fiscal impact to the General Revenue Fund.

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 create the windstorm insurance legislative oversight board to monitor TWIA and review proposed legislation. The bill would require the board to produce a biennial report on the board's recommendations.

If the bill receives a two thirds vote from each house, the bill would take effect immediately. If the necessary vote does not occur, then 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 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.

The elimination of the premium tax credits would result in a potential positive fiscal impact to General Revenue. Due to the nature of the current assessments and the unpredictability of hurricanes and hailstorms, the specific impact cannot be determined.

### **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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