STORAGE NAME: h1393.in.doc
DATE: March 26, 2001

HOUSE OF REPRESENTATIVES
COMMITTEE ON
INSURANCE
ANALYSIS

BILL #: HB 1393

RELATING TO: Hurricane Loss Mitigation Program

SPONSOR(S): Representative(s) Spratt and Alexander

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) INSURANCE
(2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(3) COUNCIL FOR SMARTER GOVERNMENT
(4)
(5)

I. SUMMARY:

The Legislature created the "Bill Williams Residential Safety and Preparedness Act," effective fiscal year 2000-2001. Under this act, the Legislature allocated $10 million to the Department of Community Affairs. Of the $10 million, 70 percent, $7 million, is allocated to fund the Hurricane Loss Mitigation Program. This program supports efforts to improve the wind resistance of residences and mobile homes, and provides loans, subsidies, or grants, funds demonstration projects and cooperative programs with local governments and the federal government, and other efforts to reduce losses or the cost of rebuilding after a hurricane. The Department of Community Affairs must use the remaining 30 percent, $3 million, to retrofit existing public hurricane shelters.

Under the provisions of HB 1393, the $10 million annual appropriation would be allocated to the Department of Insurance, rather than the Department of Community Affairs. The Department of Insurance would be required to contract with a public higher education institution in the state that has previous experience administering these programs to serve as the administrative entity and fiscal agent to administer the Hurricane Loss Mitigation Program. Additionally, the funds would be used to work with local governments to eliminate barriers to upgrading homes and communities and to develop programs to recycle older homes.

At least 40 percent of the appropriation, $4 million, would be earmarked for inspecting and improving tie-downs for manufactured homes and mobile homes. This is an increase over the $2.8 million allocated for mobile homes in fiscal year 2000-2001. Additionally, $3 million would no longer be earmarked to retrofit existing public hurricane shelters.

The Hurricane Loss Mitigation Program Advisory Council also would be eliminated, and the repeal of the Hurricane Loss Mitigation Program, scheduled for June 30, 2002 would be removed.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

Funding for Hurricane Loss Mitigation through the Florida Hurricane Catastrophe Fund

In 1993, the Legislature created the Florida Hurricane Catastrophe Fund (Cat Fund) in the aftermath of Hurricane Andrew to provide a form of reinsurance for residential property insurers in the state.[1] The Cat Fund executes reimbursement contracts with insurers in exchange for payment of a premium. Premiums paid by insurers are calculated based on their catastrophic exposure. Insurers may in turn recoup these Cat Fund premiums paid through premiums charged to their policyholders or as a premium surcharge.

The Legislature must appropriate at least $10 million, but no more than 35 percent of the investment income from the Cat Fund for mitigation purposes:

> “to support programs intended to improve hurricane preparedness, reduce potential losses in the event of a hurricane, provide research into means to reduce such losses, educate or inform the public as to means to reduce hurricane losses, assist the public in determining the appropriateness of particular upgrades to structures or in the financing of such upgrades, or protect local infrastructure from potential damage from a hurricane.”[2]

Moneys in excess of $10 million are not available for appropriation if the State Board of Administration finds that such an appropriation would jeopardize the actuarial soundness of the fund.

The Internal Revenue Service has declared the Cat Fund immune from federal taxation because it serves a public purpose with only an incidental benefit to the private sector. The mandatory use of some portion of Cat Fund moneys for the public purpose of mitigation was one factor relied upon by the Internal Revenue Service in granting tax-exempt status to the Cat Fund.

Allocation of Cat Fund Mitigation Dollars

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[1] Section 215.555, F.S.
[2] Section 215.555(7)(c), F.S.

The Legislature created the "Bill Williams Residential Safety and Preparedness Act," effective fiscal year 2000-2001. Under this act, the Legislature allocated $10 million to the Department of Community Affairs. Of the $10 million, 70 percent, $7 million, would be allocated to fund the Hurricane Loss Mitigation Program. This program supports efforts to improve the wind resistance of residences and mobile homes, and provides loans, subsidies, or grants, funds demonstration projects and cooperative programs with local governments and the federal government, and other efforts to reduce losses or the cost of rebuilding after a hurricane. Of the 70 percent, the Legislature earmarked:

- One-half, $3.5 million, for the Department of Community Affairs for a variety of mitigation projects developed by the Department of Community Affairs in consultation with the Hurricane Loss Mitigation Program Advisory Council.[3]
- At least 40 percent, $2.8 million, specifically for mobile home mitigation projects, including programs to inspect and improve tie-downs, construct and provide safety structures, and provide other means to reduce losses. Projects have been undertaken in Manatee, Marion, Martin, Okaloosa, Pasco, Pinellas, Polk, and Volusia counties and the city of Jacksonville. The percentage allocated is scheduled to decrease in fiscal year 2001-2002, to 30 percent, and then 20 percent the following year.[4]
- 10 percent of the $7 million, $700,000, must be allocated for use by a Type 1 Center within the State University System[5] to support programs of research and development of hurricane loss reduction devices and techniques for residences and mobile homes.

The Department of Community Affairs must use the remaining 30 percent, $3 million, to retrofit existing public hurricane shelters.

C. EFFECT OF PROPOSED CHANGES:

Under the provisions of HB 1393, the $10 million annual appropriation would be allocated to the Department of Insurance, rather than the Department of Community Affairs. The Department of Insurance would be required to contract with a public higher education institution in the state that has previous experience administering these programs to serve as the administrative entity and fiscal agent to administer the Hurricane Loss Mitigation Program.[6]

All $10 million of the appropriation, rather than $7 million as in current law, would be dedicated for programs to improve the wind resistance of residences and mobile homes. Additionally, the funds would be used to work with local governments to eliminate barriers to upgrading homes and communities and to develop programs to recycle older homes.

At least 40 percent of the appropriation, $4 million, would be earmarked for inspecting and improving tie-downs for manufactured homes and mobile homes, rather than 40 percent of $7

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[3] The Secretary of the Department of Community Affairs appoints council members, as follows: a representative of the Department of Insurance, home builders, insurers, Federation of Mobile Home Owners, Florida Association of Counties, and the Florida Manufactured Housing Association.
[4] The Hurricane Loss Mitigation Program is repealed, effective June 30, 2002 (s. 215.559(8), F.S.).
[5] According to the Department of Community Affairs, the Type I Center receiving these funds is Florida International University.
[6] One public higher education institution with previous experience administering these programs is Tallahassee Community College.

million, $2.8 million, for mobile homes.[7] Under the provisions of HB 1393, there would be no express allocation for retrofitting hurricane shelters.

The advisory council would be eliminated, and the repeal of the Hurricane Loss Mitigation Program, scheduled for June 30, 2002 would be removed.

	Current Law	**HB 1393**
Funds Administrator	Department of Community Affairs	Department of Insurance
Allocation of Funds	$3.5 million (mitigation projects developed by DCA) $2.8 million (mobile home tie-downs) $700,000 (Type 1 Hurricane Center) $3 million (retrofit hurricane shelters)	$6 million (mitigation projects administered by a public higher education institution) $4 million (mobile/manufactured home tie downs)
Total Appropriation	$10 million	$10 million

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues</u>:

Funds from the Florida Hurricane Catastrophe Fund would be reallocated as follows:

	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>
Department of Community Affairs	($10M)	($10M)
Department of Insurance	$10M	$10M

2. <u>Expenditures</u>:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. <u>Revenues</u>:

None

2. <u>Expenditures</u>:

None

[7] Current law provides that in fiscal year 2001-2002, at least 30 percent was to be used for mobile homes, including programs to inspect and improve tie-downs, construct and provide safety structures, and provide other means to reduce losses, and in fiscal year 2002-2003, at least 20 percent, would be used for such purposes.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Private entities manufacturing, installing, or inspecting tie-downs for manufactured housing or mobile homes could benefit from this bill, as there would be more funds allocated to the installation and inspection of tie-downs. Insurance companies could experience fewer wind losses as the result of greater wind resistance of insured residences, mobile homes, or manufactured houses.

D. FISCAL COMMENTS:

None

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

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