

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1612

SPONSOR: Banking and Insurance Committee and Senators Latvala and King

SUBJECT: Hurricane Loss Mitigation Program

DATE: March 27, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Deffenbaugh</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>ED</u>	_____
3.	_____	_____	<u>AGG</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Legislation in 1999 created the Hurricane Loss Mitigation Program in s. 215.559, F.S., requiring that the \$10 million required to be appropriated from the Florida Hurricane Catastrophe Fund in s. 215.555(7)(c), be appropriated to the Department of Community Affairs (DCA) for specified purposes. This section is scheduled for repeal on June 30, 2002. The statute currently requires that \$7 million of the \$10 million be annually appropriated to DCA for programs to improve the wind resistance of residences and mobile homes. The remaining \$3 million must be used to retrofit existing facilities used as public hurricane shelters. The law directs that a certain percentage of the \$7 million appropriation used for mobile homes, including programs to inspect and improve tie-downs, and that a specified percentage be used by a state university dedicated to hurricane research to support programs of research and development regarding hurricane loss reduction. DCA must develop these programs in consultation with an advisory council appointed by the Secretary of DCA.

The bill would make the following changes to the Hurricane Loss Mitigation Program:

- Deletes the June 30, 2002, scheduled repeal of the section and provides for future repeal on June 30, 2006.
- Requires that for fiscal year 2001-2002, \$500,000 of the \$3 million used for retrofitting facilities to be used as hurricane shelters, be allocated to the school district with the largest school population, highest hurricane strike probability, and which is currently guided by the standard building code for use in a demonstration project. These funds (the \$3 million) may provide no more than 25 percent of the cost of a factory-built school shelter and no more than 10 percent may be used for the development of a feasibility study for the future use of these structures for providing shelter space at existing school sites.

- Requires that 40 percent of the \$7 million appropriation for programs to improve the wind resistance of homes must be used to inspect and improve tie-downs for manufactured/mobile homes. The department would be required to contract with a public higher educational institution which has previous experience administering such programs.
- For the \$700,000 (10 percent of \$7 million) that must currently be allocated to a state university dedicated to hurricane research, the bill requires that the university develop a preliminary work plan, as approved by the advisory council, to eliminate state and local barriers to upgrading existing manufactured/mobile homes and to research and develop a program for the recycling of existing homes.
- Deletes the authority for the DCA to appoint the advisory committee and, instead, provides that the designated agencies and associations currently on the advisory committee select their own representatives.
- Requires DCA to annually provide to the Legislature a full report and accounting of the activities under this program and an evaluation of such activities.

This bill substantially amends section 215.559, Florida Statutes.

II. Present Situation:

Florida Hurricane Catastrophe Fund

In 1993, the Legislature created the Florida Hurricane Catastrophe Fund (FHCF) to provide a mandatory form of reinsurance for residential property insurers in the state (s. 215.555, F.S.). The FHCF placed within the State Board of Administration and is a tax-exempt source of reimbursement to property insurers for excess losses due to hurricanes.

Section 215.555(7)(c), F.S., directs the Legislature each fiscal year, beginning in fiscal year 1997-1998, to appropriate from the investment income of the Cat Fund at least \$10 million, but no more than 35 percent of the investment income from the prior fiscal year for the purpose of funding local governments, state agencies, public and private educational institutions, and nonprofit organizations to support programs intended to do the following:

- improve hurricane preparedness;
- reduce potential losses in the event of a hurricane;
- provide research into the means to reduce such losses;
- educate or inform the public as to the 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.

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.

In 1995, legislative changes were made to the s. 215.555, F.S. (Ch. 95-1, L.O.F.) which secured a ruling from the Internal Revenue Service (IRS) that the FHCF is an integral part of state

government and is non-taxable by the federal government. These changes were: (1) an expansion of the moneys available from the FHCF for a wider range of hurricane loss mitigation projects, (2) an initial state capital contribution of \$50 million from a broad-based revenue source, and (3) an increase from 2 percent to 4 percent in the emergency assessment on property and casualty insurance policies (a broad-based funding source).

Hurricane Loss Mitigation Program

Legislation in 1999 created the Hurricane Loss Mitigation Program in s. 215.559, F.S., requiring that the \$10 million required to be appropriated from the FHCF in s. 215.555(7)(c), be appropriated to the Department of Community Affairs (DCA) for the purposes set forth in this section. This section is scheduled for repeal on June 30, 2002. The statute requires that \$7 million of the \$10 million be annually appropriated to DCA for programs to improve the wind resistance of residences and mobile homes, including loans, subsidies, grants, demonstration projects, and direct assistance; cooperative programs with local governments and the Federal Government; and other efforts to prevent or reduce losses or reduce the cost of rebuilding after a disaster. The remaining \$3 million must be used to retrofit existing facilities used as public hurricane shelters, prioritized in accordance with the Shelter Retrofit Report prepared in accordance with s. 252.385(3), F.S.

The law (which became effective July 1, 2000), directs that in the first year of the program (fiscal year 2000-01), at least 40 percent of the \$7 million appropriation described above (\$2.8 million) must 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. In the second year of the program (fiscal year 2001-02), at least 30 percent, and thereafter at least 20 percent, must be used for such purposes (but, as noted, the section is repealed on June 30, 2002).

The statute allocates 10 percent of the \$7 million appropriation (\$700,000) to be used by a Type I Center within the State University System dedicated to hurricane research (i.e., Florida International University), to support programs of research and development regarding hurricane loss reduction devices and techniques for residences and mobile homes and relating to the development of credible data on potential loss reductions.

The Department of Community Affairs must develop these programs in consultation with an advisory council appointed by the Secretary of DCA. The council membership must consist of a representative from each of the following: the Department of Insurance, home builders, insurance companies, Federation of Mobile Home Owners, Florida Association of Counties, and a representative of the Florida Manufactured Housing Association who is a mobile home manufacturer or supplier.

The statute also requires DCA to report to the Legislature by January 1, 2001, and 2002 on the activities under this section and an evaluation of such activities.

In its February 1, 2001, report to the Legislature, DCA reported that \$2.8 million of funds were allocated to support an education and inspection pilot program to mitigate losses in Florida's mobile home parks. These funds were used to support tie-down projects in at least one mobile home park in each of nine communities: the City of Jacksonville and Manatee, Marion, Martin,

Okaloosa, Pasco, Pinellas, Polk and Volusia Counties. In addition, Florida International University, the state's only Type I Center within the State University System dedicated to hurricane research, received \$700,000 to support five research initiatives associated with a range of mitigation issues. Also, with the advice of the advisory council, the department allocated the remaining \$3.5 million (of the \$7 million) to a wide range of itemized projects "following up on a number of the successes that emerged in the previous fiscal years from the use of Florida Hurricane Catastrophe Fund resources." In addition to these projects, "the Department is implementing an aggressive statewide public shelter retrofitting program ...[which]...relies, in part on \$3 million of ongoing funding from the Hurricane Catastrophe Fund."

III. Effect of Proposed Changes:

The bill maintains the current requirement that the Legislature appropriate \$10 million from the Florida Hurricane Catastrophe Fund to the Department of Community Affairs (department) and the current requirement that \$7 million be provided for programs to improve the wind resistance of residences and \$3 million be used for retrofitting existing facilities used as public hurricane shelters.

The bill would make the following changes to current law regarding this program:

- Deletes the June 30, 2002, scheduled repeal of the section and provides for future repeal on June 30, 2006.
- Requires that for fiscal year 2001-2002, \$500,000 of the \$3 million used for retrofitting facilities to be used as hurricane shelters, be allocated to the school district with the largest school population, highest hurricane strike probability, and which is currently guided by the standard building code for use in a demonstration project. These funds (the \$3 million) may provide no more than 25 percent of the cost of a factory-built school shelter and no more than 10 percent may be used for the development of a feasibility study for the future use of these structures for providing shelter space at existing school sites. The study must be forwarded to the department no later than February 1, 2002.
- Requires that 40 percent of the \$7 million appropriation for programs to improve the wind resistance of homes must be used to inspect and improve tie-downs for manufactured/mobile homes. Within 30 days after the effective date of the appropriation, the department would be required to contract with a public higher educational institution which has previous experience administering such programs to serve as the administrative entity and fiscal agent under s. 216.346, F.S. (The referenced statute provides that in any contract between state agencies, including the State University System or the Florida Community College System, the agency receiving the contract shall charge not more than 5 percent of the total cost for overhead or indirect costs.)
- Regarding the \$700,000 (10 percent of \$7 million) that must currently be allocated to a Type I Center within the State University System dedicated to hurricane research, the bill requires that the center develop a preliminary work plan, as approved by the advisory council, to eliminate state and local barriers to upgrading existing manufactured/mobile homes, to research and develop a program for the recycling of existing, older homes, and support programs of research and development relating to hurricane loss reduction devices and techniques for site-built residences.

- Deletes the authority for the Department of Community Affairs to appoint the advisory committee and, instead, provides that the designated agencies and associations currently on the advisory committee select their own representatives.
- Requires the department to annually provide to the Legislature, on January 1, a full report and accounting of the activities under this program and an evaluation of such activities.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Unknown.

C. Government Sector Impact:

The bill would continue to require an appropriation of \$10 million from the Florida Hurricane Catastrophe Trust Fund, to the Department of Community Affairs, to be used as directed for administering the Florida Hurricane Loss Mitigation Program. The bill maintains the current requirement that \$7 million be provided for programs to improve the wind resistance of residences and \$3 million be used for retrofitting existing facilities used as public hurricane shelters.

For fiscal year 2001-2002, \$500,000 of the \$3 million required to be used for retrofitting facilities to be used as hurricane shelters, must be allocated to the school district with the largest school population, highest hurricane strike probability, and which is currently guided by the standard building code for use in a demonstration project. These funds (the \$3 million) may provide no more than 25 percent of the cost of a factory-built school shelter and no more than 10 percent may be used for the development of a feasibility study for the future use of these structures for providing shelter space at existing school sites.

The bill requires that 40 percent of the \$7 million appropriation for programs to improve the wind resistance of homes must be used to inspect and improve tie-downs for

manufactured/mobile homes. Within 30 days after the effective date of the appropriation, the Department of Community Affairs would be required to contract with a public higher educational institution to serve as the administrative entity and fiscal agent under s. 216.346, F.S.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
