

Potential Hurricane Issues: State-Funded Revenue & Expenditures

October 25, 2017

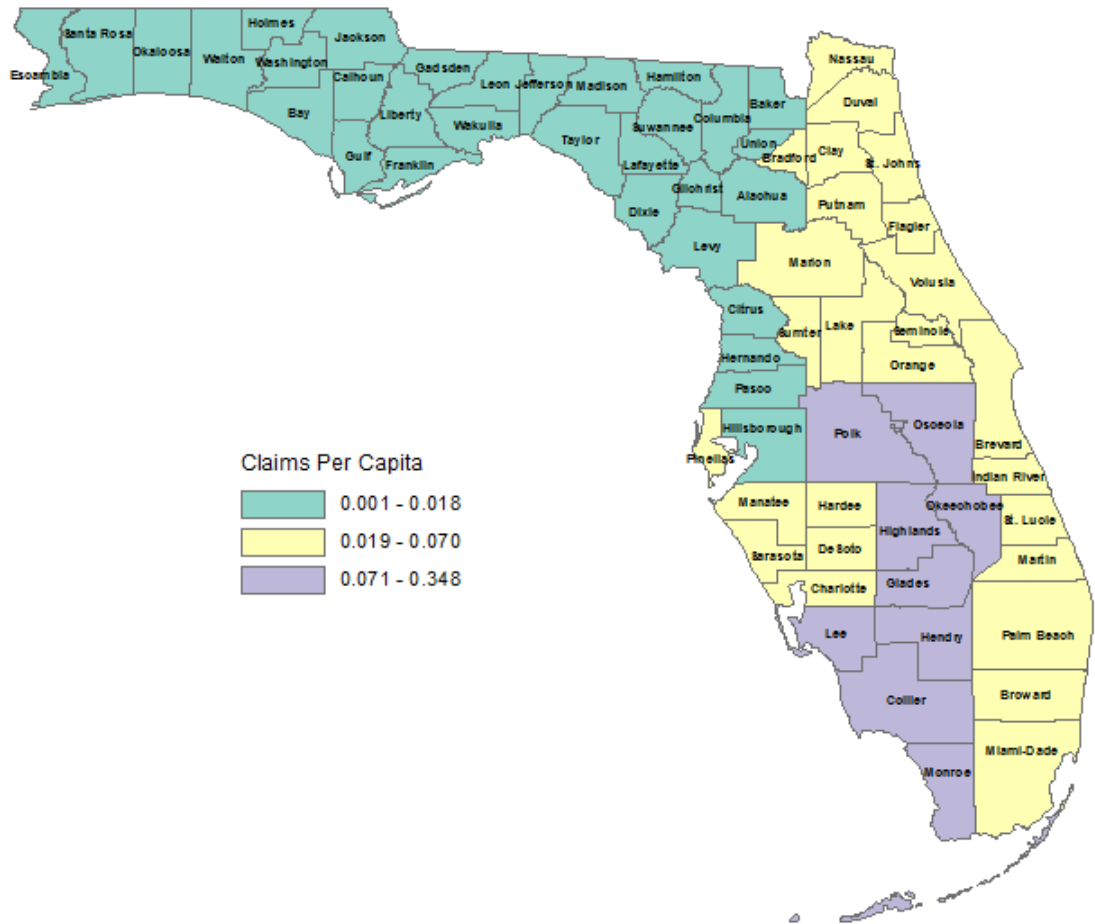
Presented by:



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Hurricane Irma: Indexed Insured Claims (YTD)

- On a per capita basis, the largest number of claims is in Monroe County
- In absolute number, Miami-Dade has the largest number of claims



Counties with Over 20,000 Claims

COUNTY	CLAIMS
MIAMI-DADE	98,883
BROWARD	63,288
ORANGE	62,917
LEE	57,432
COLLIER	52,959
POLK	46,494
BREVARD	35,531
DUVAL	31,800
PALM BEACH	31,703
MONROE	26,721
OSCEOLA	24,663
VOLUSIA	21,826
PINELLAS	21,250
SEMINOLE	21,043
LAKE	20,649

Source: Florida Office of Insurance Regulation, Claims filed as of October 20, 2017

Hurricanes: Economic Phases

Phase	Defining Characteristics	Statewide Economic Consequences
Preparatory Phase <i>(approximately 72 hours in advance of the hurricane to landfall)</i>	<ul style="list-style-type: none"> • Purchase of Emergency Supplies (canned food, batteries, radios, candles, flashlights, charcoal, gas, propane, water, ice, shutters, boards / plywood, etc.) • Evacuation Expenses <ul style="list-style-type: none"> ○ In-State...hotels and lodging, transportation costs like rental cars and gas ○ Out-of-State...leakage 	<p>Demand...Localized increase in demand for specific items, and potential non -affected a rea increase in lodging demand, but largely undetectable</p> <p>State Budget ...Shifting of costs from normally provided services to emergency management, as well as unanticipated overtime and shelter costs</p> <p>State Revenues ...Slight uptick, but largely undetectable</p>
Crisis Phase <i>(landfall to several weeks after landfall)</i>	<ul style="list-style-type: none"> • Rescue and relief efforts (largely public, charitable , or free) • Roads closed due to debris • Private structures and public infrastructure damaged • Utility disruptions • Businesses and non-essential parts of government closed • Temporary homelessness • Violence and looting 	<p>Demand...Localized decrease in overall demand; significance depends on the event</p> <p>State Budget ...Government agencies provide goods and services and incur new expenditures that may or may not be matched at a later time by the federal government</p> <p>State Revenues ...Detectable downtick; significance depends on the event</p>
Recovery Phase <i>(subsequent to the Crisis Phase and generally lasting up to two or three years)</i>	<ul style="list-style-type: none"> • Increased spending related to deductibles, repair , and replacement <ul style="list-style-type: none"> ○ Private Savings / Loans ○ State Spending ○ FEMA and Federal Spending ○ Insurance Payments • Competition for scarce resources (contractors, roofers, supplies, construction workers, building materials, debris removal, etc.) 	<p>Demand...Localized increase in overall demand, and prices likely increase for some items</p> <p>Employment ...Will temporarily see gains as relief and recovery workers move into the area</p> <p>State Budget ...Reallocation of state and local government spending to the affected area</p> <p>State Revenues ...Discernible and significant uptick</p>
Displacement Phase <i>(subsequent to the Recovery Phase and lasting from two to six years)</i>	<ul style="list-style-type: none"> • Reduction in normal purchasing behavior for items that were bought or replaced ahead of schedule • Demographic and labor shifts related to dislocated households and economic centers 	<p>Demand...Localized decrease in overall demand, but largely undetectable at the state level</p> <p>State Revenues ...Slight downtick, but largely undetectable</p>

Approaches Related to Property Tax

Property tax relief for specified taxpayers has been used as a disaster response in the past:

- Provide rebates of taxes paid on property damaged by hurricanes (expenditure issue).
 - Who pays: State or Local Government?
 - Who is covered: homesteads, residential, or all?
 - What is covered: Real and/or Tangible Personal Property?
 - **2005 Storms:** *No program.*
 - **2004 Storms:** *Homesteaded property tax reimbursement for properties uninhabitable for 60 or more days (\$20 million from General Revenue in 2004-474, of which \$7 million was reverted by 2005-70 and appropriated for another hurricane-related purpose).*
- Continue agricultural assessment for properties that no longer strictly qualify for a specified time after a hurricane.

Approaches Related to Sales Taxes

- Building / Construction Supplies
 - What form: Exemption or Refund?
 - What type of activity is covered: homesteads, residential, or all?

- Mobile Homes
 - **2004 Storms:** *Reimbursement of Sales Taxes paid on mobile homes purchased to replace damaged mobile homes used as permanent residences (\$15 million from General Revenue in 2004-474 of which \$8 million was reverted by 2005-70 and appropriated for a different hurricane-related purpose).*

The Legislature created the Hurricane Andrew Recovery and Rebuilding Trust Fund during a December 1992 special session. The Trust Fund was funded with anticipated Sales

Year	Initial Revenue Estimates	Final Revenue Transfers	Value in 2017 Dollars
FY 1992-93	\$198.5 million	\$228.8 million	\$396.0 million
FY 1993-94	\$290.4 million	\$190.0 million	\$320.8 million
FY 1994-95		\$159.0 million	\$261.1 million
Total	\$488.9 million	\$577.8 million	\$977.9 million

Tax revenues accruing to the

General Revenue Fund as a result of the Recovery / Rebuilding phase, as determined by the Revenue Estimating Conference. A total of \$577.8 million was transferred from the General Revenue Fund to the Trust Fund during Fiscal Years 1992-93, 1993-94, and 1994-95. Trust Fund Expenditures ran from FY 1992-93 through FY 2004-05, but ultimately came close to exhausting the entire amount. This approach is arguably inefficient and not the best response to a disaster with statewide impact.

Local Government Approaches

- Broad grants provided to local governments to offset revenue losses resulting from the hurricane.
 - **2004 Storms:** *Offset revenue losses for 12 identified counties (\$15 million from General Revenue in 2005-70, the GAA).*
 - **1992 Hurricane Andrew:** *Offset revenue losses for identified local governments, Dade School District and Miami Dade Community College for a two-year period (\$97.0 million from diverted General Revenue sales tax revenue transferred to the Hurricane Andrew Recovery and Rebuilding Trust Fund in 93-186).*
- Direct grants to local governments to address specific needs resulting from the hurricane.
 - **2004 Storms:** *Establish cash flow loan program to expedite the reconstruction of public educational facilities while insurance settlements and federal disaster assistance payments are being processed (\$100 million from General Revenue in 2004-481).*
 - **2004 Storms:** *Provide grants to broadly address recovery needs for school districts, community colleges and universities (\$12.7 million from General Revenue in 2005-70, the GAA).*

Known Irma Expenditures

- FEMA Match (known exceptions to general requirements):
 - Public Assistance for emergency work and the repair or replacement of disaster-damaged facilities: 75/25 except for a period of up to 30 days from the start of the incident period, FEMA is authorized to provide federal funding for emergency protective measures (Category B), including direct federal assistance, at 100 percent of the total eligible costs.
 - The Federal share for debris removal, including direct Federal assistance, has been increased to 90 percent of the total eligible costs for one period of 30 consecutive days established by the State of Florida, applicable to all eligible applicants.
 - The Payment and reimbursement process typically occurs over multiple years.
 - **2005 Storms:** *Final cost was \$401.3 million.*
 - **2004 Storms:** *Final cost was \$403.0 million.*
- Unreimbursed State Expenditures
 - State bears the full cost for items expected to be reimbursed but later denied.
- Infrastructure and Building Repairs
 - **2005 Storms:** *Repairs (\$35.1 million from General Revenue and state trust funds in 2006-25, the GAA).*

Potential Irma Expenditures

- Affordable Housing
 - Trust Fund Transfers to General Revenue are typically available from the housing-related trust funds. In FY 2017-18, the General Appropriations Act transferred \$154.4 million. In FY 2016-17, the General Appropriations Act transferred \$116.9 million.
 - **2005 Storms:** *Appropriated funds for affordable housing recovery in those areas of the state which sustained housing damage due to hurricanes (\$108 million from surplus nonrecurring balances in Housing Trust Funds that likely otherwise would have been swept to General Revenue in 2006-69).*
 - **2004 Storms:** *Appropriated funds for hurricane-related housing recovery, affordable rental housing recovery, farm worker housing recovery, special housing assistance and several other efforts with a focus on assisting citizens with low incomes. The funds were targeted primarily to the 28 counties most affected by the 2004 hurricanes, with emphasis on persons with low or extremely low incomes. (\$250 million from surplus nonrecurring balances in Housing Trust Funds that likely otherwise would have been swept to General Revenue in 2005-92).*
- Agricultural Programs
 - Florida's congressional delegation has asked for additional federal financial resources, but so far this has not been forthcoming.
 - **2004 Storms:** *Tree and plant disease and pest eradication and control (\$7.1 million from General Revenue and \$6 from DACS Contracts and Grants TF in 2004-476).*

Potential Expenditures Continued...

- Beach Restoration
 - Requirement for local match?
 - EDR 2014 Study estimating expected beach restoration costs after a major storm or high-impact disaster (\$79 million). Overall Program ROI: 5.4 to 1
 - **2005 Storms:** *Recovery for damaged beach and dune systems (#1--\$20 million from General Revenue and \$30 million from the Ecosystem Management and Restoration Trust Fund in 2006-25, the GAA, and #2--the reversion and redirection of \$15 million in General Revenue provided for general beach restoration activities in the prior year to expedite hurricane-related beach restoration activities, also in the GAA).*
 - **2004 Storms:** *Recovery for damaged beach and dune systems (\$64.6 million from General Revenue and \$7.4 million from LATF in 2004-475).*
- Marinas
 - **2005 Storms:** *Grants to marinas that provide public access to waterways and suffered uninsured damages from named hurricanes (\$2.5 million from General Revenue in 2006-25, the GAA).*

Issues Related to Mitigation or Future Hurricanes

State Fee or Tax Breaks Related to:

- Generators (sales tax and/or property tax)
- Hurricane Supplies (sales tax)
 - Covered Items?
 - What form: One-time Holiday or Pre-Disaster triggered by Declaration, Watch or Warning?
- Transient Rentals or Hotels during hurricanes (sales and / or tourist development taxes)
 - Florida residents and/or recovery workers
- Motor Fuel for all emergency or recovery-related vehicles
- Building Permit & Other Fees related to recovery & rebuilding

State Expenditures Related to:

- Assistance with Mitigation Efforts and Hardening
- Petroleum Reserve
- Separately funding shelter construction and/or operational costs outside the Education budget for PreK-12 facilities.

Role of Budget Stabilization Fund?

Constitutional Provisions [Article III, Section 19(g)]

- The Legislature must provide criteria for withdrawing funds.
- Withdrawals may only be made to cover revenue shortfalls of the General Revenue Fund or to provide funding for an emergency.
- General law must provide for the restoration of the fund.

Statutory Provisions [Sections 216.222 and 215.32(2)(c)]

- BSF funds may be transferred to the General Revenue Fund for:
 - ❖ Offsetting a deficit in the GR Fund.
 - A deficit occurs when the official estimate of funds available in GR for a fiscal year falls below the amount appropriated from GR for that fiscal year.
 - ❖ Providing funding for an emergency.
 - ❖ Providing temporary transfers to GR to cover a deficiency.
- BSF funds may be transferred to the State Risk Management Trust Fund to provide funding for an emergency.
 - An emergency exists when uninsured losses to state property exceed \$2 million per occurrence or \$4 million annual aggregate.
- Expenditures from the BSF must be restored in five equal annual transfers beginning in the third fiscal year following the expenditure.
 - The Legislature may establish a different restoration schedule.

Potential Conference Impacts

Most conferences will see temporary effects from the Preparatory and Crisis Phases. Multi-year effects will likely be confined to a few areas as indicated below.

Conference	Event	Comment on Potential Impact
Demographic Estimating Conference	Irma and Maria	Temporary shifts out of most-damaged areas and increases related to evacuees.
Voluntary PreK Estimating Conference	Maria	Increases related to evacuees.
Education Estimating Conference	Maria	Increases related to evacuees, including Florida Virtual School.
Ad Valorem (Revenue Estimating Conference)	Irma	Impact on taxable value and growth rates.
Documentary Stamp & Intangibles Tax (REC)	Irma	To be determined; both upward and downward pressures.
Sales Tax (Revenue Estimating Conference)	Irma	Negative during Preparatory and Crisis Phases; positive during Recovery / Rebuilding Phase.
Medicaid Caseload & Expenditures (SSEC)	Irma and Maria	Potential increases.
TANF / Wages (SSEC)	Irma and Maria	Potential increases.
Kidcare (SSEC)	Irma and Maria	Potential Increases.