

Legislative Analysis



DISASTER CONTINGENCY FUND

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House Bill 4670 (Substitute H-2)
Sponsor: Rep. Michael D. McCready
Committee: Appropriations

Complete to 6-11-13

A SUMMARY OF HOUSE BILL 4670 AS PASSED BY THE HOUSE 6-5-13

House Bill 4670 (H-2) would amend provisions of the Emergency Management Act (1976 PA 390) concerning the Disaster Contingency Fund.

Section 18 (MCL 30.418) creates the Disaster Contingency Fund which provides support, upon appropriation, for paying costs incurred by state employees and state agencies when responding to a disaster or emergency. The fund may be expended to provide the state's matching share for federal disaster assistance following a presidential declaration of a state of emergency or disaster.

Section 19 (MCL 30.419) the act also provides that the fund may be expended to provide assistance to counties and municipalities (cities, villages, and townships) responding to an emergency or disaster when federal assistance is not available, following the declaration by the governor of a state of emergency or a state of disaster. Assistance grants made to counties and other municipalities from the fund are limited to the lesser of (1) \$30,000 or (2) 10% of the prior year total annual operating budget for the county or municipality.

The act provides that the Legislature shall annually appropriate sufficient funds to maintain a fund balance in the Disaster Contingency Fund between \$30,000 and \$750,000.

House Bill 4670 (H-1) would require that the fund balance be between \$1.0 million and \$8.5 million, and would clarify that the any unexpended and unencumbered funds remaining in the fund as the close of the fiscal year would remain in the fund and not lapse to the General Fund. The bill would also require the state treasurer to direct investment of the fund and credit any investment earnings to the fund. The bill would also rename the fund as the Disaster and Emergency Contingency Fund.

FISCAL IMPACT:

The bill is a companion measure to the FY 2013-14 Conference Report for the Department of State Police, which appropriates \$2.0 million GF/GP to the Disaster and Emergency Contingency Fund. The FYs 2013 and 2014 Executive Budget Recommendation had recommended that \$8.0 million GF/GP be appropriated to the fund over the course of the fiscal years, which would potentially increase the fund balance to around \$8.5 million.

Historically, the Disaster Contingency Fund has not been utilized to any great degree. Rather than maintaining a fund balance and making appropriations from the fund to support state and local efforts in responding to disasters and emergencies, the Legislature has opted to make supplemental appropriations (typically from the General Fund) as the need arose. The State Budget Office has noted that since 2005, the state has expended more than \$12.0 million in responding to the Duck Lake Fire in 2012 (\$3.1 million) and the Sleeper Lake Fire in 2007 (\$7.9 million). Funds have also been expended in response to tornadoes, wind storms, and flooding. According to Department of State Police data, from January 1977 through July 2012, there have been 21 presidential declarations and 63 gubernatorial declarations of emergency or disaster in Michigan. Nearly a quarter of the gubernatorial declarations were made in June or July.

In July 2011 the Legislature appropriated \$750,000 GF/GP to the Disaster Contingency Fund, allocating \$250,000 to provide assistance to state agencies and local communities following severe storms in Calhoun County in May 2011. The fund has a balance of about \$508,550 currently.

In addition to the appropriation to the Disaster Contingency Fund, FY 2013-14 General Omnibus Budget Conference Report provides for boilerplate authority for the Departments of State Police (MSP) and Natural Resources (DNR) to each expend up to \$800,000 from the fund. This authority would permit the departments to expend up to the amount specified in boilerplate from the fund as situations arise, negating the need to subsequent mid-year supplemental appropriations.

BACKGROUND INFORMATION:

Under Department of State Police administrative rules, to be eligible for assistance from the fund, counties and municipalities must (1) maintain or be part of an emergency management program, (2) implement its emergency operations plan at the onset of the disaster or emergency, (3) utilize all available and applicable disaster relief forces, (4) experience an extraordinary financial burden evidenced by expenditures of at least \$30,000 or 1% of its operating budget, (5) conduct an assessment of damages incurred during the disaster or emergency, and (6) declare a local state of emergency.

Rules further provide that grant applications must be submitted after a governor's declaration of emergency or disaster, and within 20 days after notice that grant assistance is available. The department has 15 days to review applications and verify the damage assessment.

Grant assistance shall be used to reimburse counties and municipalities for resources that are used to mitigate the effects of, or in response to, a disaster or emergency, including (1) overtime for police, fire, public works, or road commission employees; (2) shelter supplies; (3) gasoline and fuel for equipment; (4) equipment repair costs; (5) costs to support volunteer disaster relief workers; and (6) costs to repair public buildings, roads, and other facilities.

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