

Legislative Analysis



DISASTER CONTINGENCY FUND

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House Bill 4670

Public Act 109 of 2013

Sponsor: Rep. Michael D. McCready

Senate Bill 330

Public Act 110 of 2013

Sponsor: Sen. Tom Casperson

House Committee: Appropriations

Senate Committee: Appropriations

Complete to 7-21-14

A SUMMARY OF HOUSE BILL 4670 & SENATE BILL 330 AS ENACTED 9-24-13

House Bill 4670 (S-2) and Senate Bill 330 (S-4) amended provisions of the Emergency Management Act (1976 PA 390) concerning the Disaster Contingency Fund.

Section 18 (MCL 30.418) of the act created the Disaster Contingency Fund, a fund that 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) of the act also provided 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 were limited to the lesser of (1) \$30,000 or (2) 10% of the prior year total annual operating budget for the county or municipality.

House Bill 4670

The bill amended Section 18 of the Emergency Management Act to rename the Disaster Contingency Fund as the Disaster and Emergency Contingency Fund (DECF). The bill also requires that the fund maintain a balance of between \$1.0 million and \$8.5 million, and clarifies that any unexpended and unencumbered funds remaining in the fund as the close of the fiscal year will remain in the fund and not lapse to the General Fund. The bill also requires the state treasurer to direct investment of the fund and credit any investment earnings to the fund.

Senate Bill 330

The bill increased the amount of assistance provided to counties and other municipalities from the Disaster Contingency Fund to the lesser of (1) \$100,000 or (2) 10% of the prior year total annual operating budget for the county or municipality.

FISCAL IMPACT:

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.

According to Department of State Police data, over the 20-year period from 1994-2013, there have been 14 presidential declarations and 39 gubernatorial declarations of emergency or disaster in Michigan. Over the last several years, state funds (either the Disaster Contingency Fund or the General Fund) have also been expended to provide assistance to communities affected by tornadoes, wind storms, and flooding, including communities in Monroe County (2010), Calhoun County (2011), and Genesee County (2012), as noted in the table below. Of the three disasters, however, only assistance to Calhoun County communities was made from the Disaster Contingency Fund itself.

Fiscal Year	Affected County	Type of Disaster	# of Local Grants	# Receiving \$30,000 max.	Total Paid	Public Act	Fund Source
2009-10	Monroe	Tornado	6	4	\$134,627	2010 PA 142	GF/GP
2010-11	Calhoun	Windstorm	5	3	\$123,768	2011 PA 83	DCF
2011-12	Genesee	Flooding	3	3	\$90,000	2011 PA 63	GF/GP
			14	10	\$348,395		

In FY 2009-10, the Legislature enacted a supplemental appropriation bill that appropriated \$134,600 GF/GP to provide financial assistance to communities in Monroe County as specified in Section 19 of the Emergency Management Act. 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.

Disaster contingency assistance was also made available within the existing (enacted) budgetary resources for the MSP Emergency Management and Homeland Security Division (EMHSD) in response to May 2012 flooding that affected several communities within Genesee County. The FY 2013-14 budget for the Department of State Police (2013 PA 49, Article XVI) appropriates \$2.0 million GF/GP to the Disaster and Emergency Contingency Fund. Following this appropriation, the fund has a balance of just over \$2.5 million.

The effect of increasing the maximum amount of assistance available to municipalities from \$30,000 to \$100,000 isn't immediately known. It isn't necessarily the case that larger municipalities that would likely be eligible for the maximum \$30,000 under the act would automatically be eligible for the \$100,000 maximum provided under SB 330. (In other words, it isn't the case that the \$300,000 paid to the 10 municipalities in Monroe, Calhoun, and Genesee counties would have been \$1.0 million had the cap been \$100,000 at the time.) For instance, Calhoun County's eligible expenditures related to the May 2011 windstorm totaled \$48,645.

One of the limiting factors in the amount of assistance provided is a requirement in the MSP administrative rules that provides that a municipality must experience an extraordinary financial burden "demonstrated by the [municipality's] incurring expenses, over a consecutive 5-day period, for the allowable expenditures... in an amount that is not less than \$30,000.00 or 1% of the applicant's affected agencies' annual general fund operating budget, whichever is less."¹ Many smaller municipalities would likely be unaffected by the increase.

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 over a consecutive 5-day period, (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 must 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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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ R 30.53, http://www7.dleg.state.mi.us/orr/Files/AdminCode/1000_42_AdminCode.pdf.