



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #436

### State Disaster Assistance Program (Military Affairs)

[LFB 2013-15 Budget Summary: Page 303, #3]

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#### CURRENT LAW

The state disaster assistance program makes payments to local units of government and to federally recognized American Indian tribes or bands for the damages and costs incurred as the result of a disaster if federal disaster assistance is not available. Eligible costs of local units of government and American Indian tribes or bands under the state program include: (a) debris removal, to include woody debris, building wreckage, dirt, gravel, vehicles, and other disaster-related materials; (b) emergency protective measures to eliminate or reduce immediate threats to life, public health, or safety or a hazard that threatens significant damage to improved public or private property; and (c) damages to roads and bridges. To be eligible for a payment under the program, the local unit of government or American Indian tribe or band must pay 30% of the amount of the eligible costs resulting from the disaster. No base funding is provided for the program.

#### GOVERNOR

Provide \$1,500,000 annually to the state disaster assistance SEG continuing appropriation to provide additional funding for the state disaster assistance program. Funding would be provided from the petroleum inspection fund. Any funds not expended in a fiscal year would be available to the program in subsequent years.

#### DISCUSSION POINTS

1. Under 2005 Wisconsin Act 269, the state created the state disaster assistance program to make payments to local units of government for governmental damages and costs incurred as the result of a "major catastrophe." A "major catastrophe" was defined as a disaster,

including a drought, earthquake, flood, high water, high wind, hurricane, landslide, mudslide, snowstorm, or tornado, *that resulted in the Governor requesting a presidential declaration of a major disaster under federal law.* [Emphasis Added]

2. Under Act 269, the program made payments to local units of government for their damages and costs incurred as the result of a "major catastrophe" if federal assistance was not available for that catastrophe because: (a) the Governor's request that the President declare the catastrophe a major disaster under federal law was denied; or (b) the disaster did not meet the statewide or countywide per capita minimum threshold for damage under the public assistance program that is administered by the Federal Emergency Management Agency (FEMA).

3. Under administrative rules issued by DMA, payments may be made under the program to local governmental units if all of the following eligibility criteria are satisfied: (a) the local governmental unit has suffered a "major catastrophe"; (b) a disaster or emergency declaration was issued by the local governmental unit or the state during the incident period of the "major catastrophe"; (c) the damages suffered and eligible costs incurred are the direct result of a "major catastrophe"; (d) federal disaster assistance is not available for that "major catastrophe" because the Governor's request that the President declare the catastrophe a major disaster has been denied or where no federal assistance is requested because the "major catastrophe" does not meet the statewide or countywide per capita impact indicator under the public assistance program guidelines issued by FEMA; (e) at least one local governmental unit within the county or a tribal governmental unit has incurred public assistance costs that equal or exceed the countywide per capita impact indicator under the public assistance program guidelines issued by FEMA (only local units of government that reach this threshold will be eligible for assistance); and (f) the local governmental unit will contribute at least 30% of the total amount of eligible costs incurred from the "major catastrophe" from other funding sources.

4. Under 2009 Act 42, a local governmental unit or federally recognized American Indian tribe or band is eligible to receive payments under the state disaster assistance program for the damages and costs incurred as the result of a "disaster," instead of a "major catastrophe". A "disaster" is defined as a severe or prolonged, natural or human-caused, occurrence that threatens or negatively impacts life, health, property, infrastructure, the environment, the security of this state or a portion of this state, or critical systems, including computer, telecommunications, or agricultural systems.

5. Military Affairs administrative rules for the program provide for proration of payments under the program if expenses under the program exceed available revenues. However, the Department has never utilized these proration provisions. Instead, the state has always fully funded all claims under the state disaster assistance program.

6. Act 269 created two appropriations to make disaster payments under the program to local units of government. A state disaster assistance GPR annual appropriation was created under DMA funded at \$0 annually during the 2005-07 biennium. Since its creation, the Legislature has not used this appropriation to provide funding for the program.

7. In addition, DMA has its SEG continuing state disaster assistance appropriation,

which is funded by amounts provided from the petroleum inspection fund. This appropriation carried over \$630,700 in balances from 2010-11, into the current biennium. Under 2011 Act 32, an additional \$1,000,000 SEG in expenditure authority was provided to the appropriation in 2011-12. On December 7, 2011, under s. 13.10 of the statutes, the Joint Committee on Finance provided an additional \$1,000,000 SEG in one-time expenditure authority to this appropriation in 2011-12. Finally, on August 10, 2012, again under s. 13.10 of the statutes, the Joint Committee on Finance provided an additional \$1,000,000 SEG in one-time expenditure authority to this appropriation in 2012-13. As a continuing appropriation, any amounts appropriated will not lapse back to the petroleum inspection fund at the end of a fiscal year, but instead will remain in the appropriation until expended.

8. Table 1 identifies the state disaster assistance program fund condition for 2011-13. After the payment of two approved but currently unpaid claims totaling \$12,500, the Department will have no claims for any disaster that it is processing under the program. As a result, it is estimated that if there are no additional disasters through the end of the fiscal year, that the state disaster assistance program will begin the 2013-15 biennium with an available balance of \$453,300 SEG.

**TABLE 1**

**2011-13 State Disaster Assistance Program Fund Condition**

<u>Item</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Revenue</b>		
Opening Balance	\$630,700	\$71,300
2011 Act 32	1,000,000	
December, 2011, s. 13.10	1,000,000	
August, 2012, s. 13.10		<u>1,000,000</u>
Total	<u>\$2,630,700</u>	<u>\$1,071,300</u>
<b>Expenditures</b>		
Disaster Assistance Payments	2,559,400	605,500
Approved Claims Not Paid		<u>12,500</u>
Total	<u>\$2,559,400</u>	<u>\$618,000</u>
Closing Balance	\$71,300	\$453,300

9. In order to provide a reserve for unexpected expenditures in 2013-15, and to leave a balance for disasters that could arise through the end of the current fiscal year, the Committee could elect to ignore this balance when providing funding for the state disaster assistance program for 2013-15. Alternatively, the Committee could choose to reduce funding under Alternatives 1, 2, or 3 (discussed below) by \$453,300 SEG in 2013-14 to account for this projected positive balance on June 30, 2013. [Alternative 4]

10. Table 2 identifies amounts that have been expended under the state disaster assistance program for each of the first eight completed state fiscal years for which it has existed

(the amount for 2012-13 is an estimate). Annual expenditures have ranged from a low of \$204,500 in 2008-09, to a high of \$2,559,400 in 2011-12. Expenditures for the first eight completed state fiscal years have totaled \$5,689,300, with average annual expenditures of \$711,200.

**TABLE 2**

**State Disaster Assistance Program Expenditure History**

<u>Fiscal Year</u>	<u>Expenditures</u>
2005-06	\$321,200
2006-07	821,500
2007-08	268,900
2008-09	204,500
2009-10	378,300
2010-11	517,500
2011-12	2,559,400
2012-13 (Est.)	<u>618,000</u>
Total	\$5,689,300
8-Year Average (2005-13)	\$711,200
4-Year Average (2009-13)	1,018,300
2-Year Average (2011-13)	1,588,700

11. It may be worth noting that of the \$2,559,400 in payments made under the state disaster assistance program in 2011-12, \$1,469,500 in payments related to storms that occurred during 2009-11, including: (a) \$44,200 related to storms that occurred in the 2009-10 state fiscal year; and (b) \$1,425,300 related to storms that occurred in the 2010-11 state fiscal year. In addition, of the \$1,425,300 in payments made in 2011-12, for storms that occurred in the 2010-11 state fiscal year, \$625,400 was attributable to a wind storm that occurred on June 30, 2011 (the last day of the prior biennium). While 2011-12, stands out as the fiscal year in which the most payments were made to local units of government under the state disaster assistance program, approximately \$1.5 million in these payments relate back to storms that occurred during 2009-11.

12. The Committee could consider approving the Governor's recommendation to provide \$1.5 million SEG annually in petroleum inspection funding to address expenses under the program for 2013-15. [Alternative 1] This funding recommendation is based on actual and estimated expenditures for 2011-13. Expenditures during 2011-13 under the program have been significantly higher than in other biennia. Expenditure under the program during 2011-13 also included approximately \$1.5 million in claims carried over from the prior biennium. As a result, it could be argued that this estimate may overfund the program for 2013-15, as expenditures during 2011-13 were for disaster claims covering four state fiscal years.

13. Alternatively, if funding were to be provided to the program based on actual and estimated expenditures over the last four state fiscal years (2009-13), it is estimated that \$1,018,300 SEG annually would be needed to cover program expenditures during 2013-15. [Alternative 2] Under this alternative, funding to the program could be reduced by \$481,700 SEG annually verses

what is provided under the bill.

14. If funding were to be provided to the program based on actual and estimated expenditures over the eight complete fiscal years that the program will have existed (2005-13), it is estimated that \$711,200 SEG annually would be needed to cover program expenditures during 2013-15. [Alternative 3] Under this alternative, funding to the program could be reduced by \$788,800 SEG annually versus what is provided under the bill.

15. Finally, the Committee could elect to delete the provision. [Alternative 5] Under this alternative, the state disaster assistance program would be limited to its positive 2011-13 closing balance of \$453,300 SEG to pay claims during 2013-15. While it is possible that this level of funding may be sufficient to pay claims for the upcoming biennium, based on the program's history DMA would likely have to seek supplementation for the program under s. 13.10 of the statutes at some point during the upcoming biennium.

16. Revenue to the segregated petroleum inspection fund is primarily generated from a 2¢ per gallon (including gasoline, diesel and heating oil) petroleum inspection fee. The fee generated approximately \$74 million in 2011-12. The Department of Safety and Professional Services is responsible for inspecting petroleum products brought into the state to assure that the product meets minimum product grade and environmental specifications. The fund also supports the petroleum environmental cleanup fund award (PECFA) program which reimburses a portion of the cleanup costs of discharges from petroleum product storage systems and home heating oil systems. Funds also support petroleum tank and inspection programs, transportation programs, and programs in several other agencies, including DMA's state disaster assistance program. Under the bill, as introduced, the petroleum inspection fund is projected to have a closing balance of \$8.3 million on June 30, 2015.

## ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,500,000 annually to the state disaster assistance SEG continuing appropriation to provide additional funding for the state disaster assistance program. Funding would be provided from the petroleum inspection fund. Any funds not expended in a fiscal year would be available to the program in subsequent years.

2. Reduce funding provided to the state disaster assistance SEG continuing appropriation by \$481,700 SEG annually. Under this alternative, \$1,018,300 SEG annually would remain in the state disaster assistance SEG continuing appropriation to provide additional funding for the state disaster assistance program. This reestimate of funding for the state disaster assistance program is based on actual and estimated expenditures over the last two biennia (2009-11 and 2011-13).

<b>ALT 2</b>	<b>Change to Bill Funding</b>
SEG	- \$963,400

3. Reduce funding provided to the state disaster assistance SEG continuing appropriation by \$788,800 SEG annually. Under this alternative, \$711,200 SEG annually would remain in the state disaster assistance SEG continuing appropriation to provide additional funding for the state disaster assistance program. This reestimate of funding for the state disaster assistance program is based on actual and estimated expenditures over the last four biennia.

<b>ALT 3</b>	<b>Change to Bill Funding</b>
SEG	- \$1,577,600

4. *This alternative may be selected in addition to Alternative 1, 2, or 3.* Reduce funding to the state disaster assistance SEG continuing appropriation by \$453,300 SEG in 2013-14. This alternative would reduce estimated funding for the program in 2013-15 by \$453,300 SEG to reflect the estimated positive closing balance for the program under this appropriation of \$453,300 SEG on June 30, 2013.

<b>ALT 4</b>	<b>Change to Bill Funding</b>
SEG	- \$453,300

5. Delete provision.

<b>ALT 5</b>	<b>Change to Bill Funding</b>
SEG	- \$3,000,000

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