



Legislative Fiscal Bureau

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January 16, 2020

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Military Affairs: Section 13.10 Request to Provide Additional Funding to the Wisconsin Disaster Fund -- Agenda Item I

REQUEST

The Department of Military Affairs (DMA) requests a one-time transfer of \$2,698,400 SEG in expenditure authority (\$2,409,600 in 2019-20 and \$288,800 in 2020-21) from the Joint Committee on Finance's SEG sum sufficient general program supplementation appropriation [s. 20.865(4)(u)] to DMA's SEG continuing state disaster assistance appropriation [s. 20.465(3)(s)] to provide additional funding for the state disaster assistance program. Funding would be provided from the petroleum inspection fund (PIF).

BACKGROUND

State Disaster Assistance Program. The state disaster assistance program, created in 2005 Act 269, makes payments to local units of government and retail electric cooperatives for governmental costs, such as debris clearance, protective measures, and damage to roads and bridges, incurred as the result of a "major catastrophe." A major catastrophe is defined as a disaster, including a drought, flood, high wind, hurricane, landslide, mudslide, snowstorm, or tornado that resulted in the Governor requesting a presidential declaration of a major disaster under federal law. In 2018-19, for example, DMA provided assistance relating to a tornado in Northwestern Wisconsin, floods in Southeastern Wisconsin, and an ice storm in Iron County.

Under administrative rule, local governmental units may be reimbursed if 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 event; (c) the damages suffered and eligible costs incurred are the direct result of the event; (d) federal disaster assistance is not available because the Governor's request that the President declare the catastrophe a major disaster has been denied or no federal assistance is requested because the

event does not meet the per capita impact indicator issued by the Federal Emergency Management Agency (FEMA); (e) at least one local governmental unit or a tribal governmental unit within the county has incurred public assistance costs that exceed the per capita impact indicator under the public assistance program guidelines issued by FEMA; and (f) the local governmental unit will contribute at least 30% of the total amount of eligible costs incurred from other funding sources.

Two appropriations authorize DMA to provide disaster assistance. A state disaster assistance GPR appropriation is funded at \$0 annually during the 2019-21 biennium. Since its creation in Act 269, the Legislature has not used this appropriation to provide funds. Further, DMA has a SEG continuing state disaster assistance appropriation supported by PIF. As a continuing appropriation, any amounts appropriated do not lapse back to PIF at the end of a fiscal year, but remain in the DMA appropriation until expended. Table 1 below shows expenditure authority under the SEG disaster assistance fund appropriation since 2010-11.

TABLE 1

State Disaster Assistance Program Expenditure Authority

<u>Fiscal Year</u>	<u>Expenditure Authority</u>
2010-11	\$1,000,000
2011-12*	2,000,000
2012-13*	1,000,000
2013-14	257,900
2014-15	711,200
2015-16	711,200
2016-17	711,200
2017-18	711,200
2018-19*	2,711,200
2019-20**	1,711,200
2020-21**	1,711,200

*In addition to amounts appropriated during the biennial budget process, expenditure authority includes amounts authorized by the Joint Committee on Finance under s. 13.10 of the statutes (\$1.0 million in 2011-12, \$1.0 million in 2012-13, and \$2.0 million in 2018-19).

**Under 2019 Act 9, the appropriation was provided one-time expenditure authority of \$2.0 million SEG (\$1.0 million annually) during the 2019-21 biennium to replace the underwater cable that brings electricity to Washington Island. Therefore, expenditure authority includes \$2.0 million that may not be utilized for other projects.

Table 2 identifies amounts that have been expended under the state disaster assistance program for the last 10 fiscal years. Annual expenditures have ranged from a low of \$364,900 in 2016-17 to a high of \$2,765,700 in 2018-19.

TABLE 2

State Disaster Assistance Program Expenditure History

<u>Fiscal Year</u>	<u>Expenditures</u>
2010-11	\$517,500
2011-12	2,559,400
2012-13	618,000
2013-14	517,600
2014-15	705,400
2015-16	424,100
2016-17	364,900
2017-18	1,405,100
2018-19	2,765,700
2019-20*	698,600

*As of January 1, 2020

For 2019-20, the SEG continuing state disaster assistance appropriation has an available balance of \$1,745,200 SEG (\$1,711,200 plus a balance of \$34,000 carried over from 2018-19). The Department indicates that it has expended \$698,600 since July, 2019, resulting in a current balance of \$1,046,600. Note that, under 2019 Act 9, \$1,000,000 of the available balance is earmarked for assistance to Washington Island in each year of the 2019-21 biennium. Therefore, \$46,600 is available to assist with other catastrophes in 2019-20. The Department indicates that Washington Island intended to complete the project by October, 2019, but has not yet submitted a reimbursement request to DMA. As of January 1, 2020, approved and pending claims from other projects submitted in 2019-20 total \$1,656,400, as shown in Table 3.

TABLE 3

Disaster Assistance Program Payments 2019-20

<u>County</u>	<u>Claim Status</u>			<u>Total</u>
	<u>Paid</u>	<u>Approved</u>	<u>Pending Review</u>	
Adams	\$63,400	\$92,000	\$0	\$155,400
Brown	33,400	0	0	33,400
Calumet	1,900	0	0	1,900
Chippewa	35,700	0	147,200	182,900
Clark	17,100	16,800	0	33,900
Columbia	61,400	0	178,800	240,200
Crawford	0	0	257,300	257,300
Dodge	22,100	0	0	22,100
Dunn	153,500	0	5,600	159,100
Fond du Lac	12,000	0	4,600	16,600
Grant	16,500	191,800	184,500	392,800
Green	9,600	6,900	0	16,500
Lafayette	84,300	9,100	14,600	108,000
Marathon	69,800	0	138,200	208,000
Marinette	7,500	0	0	7,500
Oconto	0	0	47,400	47,400
Ozaukee/Washington	0	0	108,500	108,500
Portage	16,000	2,900	0	18,900
Racine	12,100	0	0	12,100
Richland	0	14,300	0	14,300
Rock	0	0	60,800	60,800
Sawyer	15,000	3,100	119,700	137,800
Vilas	0	29,400	0	29,400
Walworth	0	0	22,900	22,900
Waupaca	48,000	0	0	48,000
Wood	19,400	0	0	19,400
Total	\$698,700	\$366,300	\$1,290,100	\$2,355,100

Funding for the SEG disaster assistance appropriation is provided from PIF. Petroleum inspection fund revenue is primarily generated from a 2¢ per gallon (including gasoline, diesel, and heating oil) petroleum inspection fee, which generated \$77.2 million in 2018-19. Programs supported by PIF include the petroleum environmental cleanup fund award program, petroleum tank and inspection programs, and contaminated land cleanup and air management programs. Under 2017 Act 59, beginning on June 30, 2020, the unencumbered balance of PIF is required to be transferred to the transportation fund, except for an amount equal to not less than 5% of the gross revenues received during the fiscal year in which the transfer is made. In addition, under 2019 Act 9, beginning on July 1, 2020, 1¢ of the 2¢ fee will be deposited in the transportation fund instead of PIF.

Additional Sources of Disaster Assistance. In addition to the DMA disaster assistance program, communities may be eligible to receive assistance from the Department of Transportation

(DOT) or FEMA. Applications are reviewed by DMA to determine if they qualify for DOT's disaster damage aid program or FEMA assistance before they receive funds through DMA. To the extent other funds become available, they could reduce the cost to DMA of 2019-20 claims currently pending review (\$1,290,100). Note that DMA funds are awarded on a project-basis, and counties cannot apply for multiple fund sources to cover costs associated with a single project.

The DOT disaster damage aid program, which aids local governments for road-related disaster costs, receives funding through two sum-sufficient appropriations: a transportation fund-supported (SEG) appropriation and a general fund-supported (GPR) appropriation. The SEG-supported appropriation is estimated at \$1.0 million each year. Expenditures from the SEG-supported appropriation may not exceed \$1.0 million for a single disaster without the Governor's approval. Each year, individual disasters with road damages below this \$1.0 million threshold are also paid with SEG. If the expenditures for smaller disasters collectively exceed the estimated amount, the program's sum-sufficient appropriation draws on the transportation fund to cover costs. For individual disasters exceeding \$1.0 million, the Governor may approve the transfer of GPR to the transportation fund for the costs exceeding the \$1.0 million threshold. These GPR transfers may only be made in the second fiscal year of each biennium. In 2018-19, the disaster damage-related, GPR transfer to the transportation fund was \$3.2 million.

According to DMA, 37% of damages reported in 2018-19 and 67% of damages reported in 2019-20 were attributable to road damage. Military Affairs staff indicate that it is not clear at this time how much of this road damage may be compensated under the DOT disaster damage aids program and how much may be reimbursed by DMA.

Additionally, funding from FEMA may reduce the amount of repairs funded by DMA. FEMA's public assistance program provides reimbursement for projects submitted by counties, cities, townships, and not-for-profit organizations for events that receive a federal disaster declaration. Eligible projects include repairs to roads and bridges and costs for debris removal. Under the program, FEMA provides 75 percent reimbursement of eligible costs, while the state and local agencies share the remaining 25 percent equally.

In 2018-19, two events in Wisconsin resulted in federal disaster assistance. In October, 2018, the President approved a declaration for severe storms in August and September, 2018, which resulted in estimated damage to public infrastructure of \$50.2 million. In August, 2019, the President approved a declaration for straight-line winds, severe storms, and flooding in July, 2019, which resulted in estimated damage to public infrastructure of \$21.7 million.

ANALYSIS

To provide funding for approved claims in excess of available balances and to assist with additional disasters during the 2019-21 biennium, DMA is requesting that the Committee transfer \$2,409,600 SEG in 2019-20 and \$288,800 SEG in 2020-21 from the petroleum inspection fund to the state disaster assistance appropriation.

Based on a review of PIF, a sufficient balance exists to support the request. It should be noted that approving the request would reduce the amount available for the scheduled transfer of the fund's balance to the transportation fund in June, 2020. The petroleum inspection fund's closing balance for 2019-20 is estimated to be \$4.0 million, after transfer of approximately \$47.5 million to the transportation fund. Approval of the request would decrease the transfer to the transportation fund by \$2,698,400 during the 2019-21 biennium.

The Department's request for 2019-20 is identified in Table 4. Through January 1, 2020, the disaster assistance program had expenditures of \$698,600, pending claims of \$2,656,400, and an available balance of \$1,046,600. Based on initial damage estimates from counties that have not yet submitted applications, the Department estimates that it will receive \$799,800 in additional claims this fiscal year. The supplemental funding need does not include an estimate of costs associated with future 2019-20 disasters, such as winter storms or spring floods.

TABLE 4

2019-20 Estimated Supplemental Funding Need*

Chapter 20 Appropriation	\$1,711,200
Opening Balance	<u>34,000</u>
Total Budget Authority	\$1,745,200
Expenditures	\$698,600
Estimated Balance Remaining	\$1,046,600
Earmarked for Washington Island	\$1,000,000
Approved Claims Pending Payment	366,300
Submitted Claims Pending Review	1,290,100
Estimated Future Applications (Based on Initial Damage Estimates)	<u>799,800</u>
Total Estimated Claims	\$3,456,200
Total s. 13.10 Request	\$2,409,600

*As of January 1, 2020

The Department's request for 2020-21 is identified in Table 5. Estimated expenditures (for earmarks, pending claims, and future disasters) total \$2,000,000, while budgetary authority totals \$1,711,200 in 2020-21.

TABLE 5

2020-21 Estimated Supplemental Funding Need*

Chapter 20 Appropriation	\$1,711,200
Opening Balance	<u>0</u>
Total Budget Authority	\$1,711,200
Earmarked for Washington Island	\$1,000,000
Approved Claims Pending Payment	0
Submitted Claims Pending Review	650,000
Estimate for Future Disasters	<u>350,000</u>
Total Estimated Claims	\$2,000,000
Total s. 13.10 Request	\$288,800

*As of January 1, 2020

The Committee could conclude that the SEG state disaster assistance appropriation is insufficient to accomplish the purpose for which made (the supplementation of local government disaster expenses). As a result, the Committee could provide \$2,409,600 SEG in 2019-20 and \$288,800 SEG in 2020-21 to the DMA SEG continuing disaster assistance appropriation from the petroleum inspection fund. If the entire amount is not expended during the 2019-21 biennium, residual amounts would remain in DMA's continuing appropriation and would be available for future disaster assistance. [Alternative 1]

Alternatively, the Committee could fund only claims submitted as of January 1, 2020. Under this alternative, a one-time increase of \$1,609,800 SEG in expenditure authority could be provided from petroleum inspection fund revenues (\$2,656,400 in submitted claims minus \$1,046,600 in available balances). The Department could return to the Committee with an additional supplementation request when information is available as to damages resulting from future disasters, such as winter storms and spring floods. [Alternative 2]

If the request is not approved, DMA administrative rules for the state disaster assistance program provide for the proration of damage claims if available balances are insufficient to fully fund all claims. Since administrative rules specifically address this eventuality, the Committee could deny the request. Under this alternative, DMA would prorate the available funding to eligible claimants. [Alternative 3]

ALTERNATIVES

1. Approve the DMA request to transfer \$2,409,600 SEG in 2019-20 and \$288,800 SEG in 2020-21 from the Joint Committee on Finance's SEG sum sufficient general program supplementation appropriation [s. 20.865(4)(u)] to DMA's SEG continuing state disaster assistance appropriation [s. 20.465(3)(s)] to provide increased expenditure authority for the state disaster assistance program. Funding would be provided from the petroleum inspection fund.

2. Provide \$1,609,800 SEG on a one-time basis in 2019-20 from the Joint Committee on Finance's SEG sum sufficient general program supplementation appropriation [s. 20.865(4)(u)] to DMA's SEG continuing state disaster assistance appropriation [s. 20.465(3)(s)] to provide increased expenditure authority for the state disaster assistance program. Funding would be provided from the petroleum inspection fund.

3. Deny the request.

Prepared by: Angela Miller