Fiscal Estimate - 2023 Session

[X] Original   [ ] Updated   [ ] Corrected   [ ] Supplemental

LRB Number 23-0249/1	Introduction Number SB-0064

Description
creating a hazard mitigation revolving loan program and making an appropriation

Fiscal Effect

State:

[ ] No State Fiscal Effect
[X] Indeterminate
- [X] Increase Existing Appropriations
- [ ] Decrease Existing Appropriations
- [X] Create New Appropriations
- [ ] Increase Existing Revenues
- [ ] Decrease Existing Revenues
- [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
- [ ] Decrease Costs

Local:

[ ] No Local Government Costs
[X] Indeterminate

1. [X] Increase Costs — [X] Permissive [ ] Mandatory
2. [ ] Decrease Costs — [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
5. Types of Local Government Units Affected
   [X] Towns [X] Village [X] Cities
   [X] Counties [ ] Others
   [X] School Districts [X] WTCS Districts

Fund Sources Affected

[ ] GPR [ ] FED [ ] PRO [ ] PRS [X] SEG [ ] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DMA 2/23/2023

LRB Number **23-0249/1**	Introduction Number **SB-0064**	Estimate Type **Original**
Description creating a hazard mitigation revolving loan program and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

This bill authorizes the Department of Military Affairs (DMA), Division of Emergency Management to enter into an agreement with the Federal Emergency Management Agency (FEMA) to receive federal funding for the purpose of establishing a hazard mitigation revolving loan program. Additionally, this bill creates a separate, non-lapsable trust fund to accept money from FEMA under Public Law 116-284. If DMA enters into an agreement with FEMA, DMA must provide loans to local units of government for hazard mitigation projects in accordance with the requirements of the funding provided.

DMA does not currently have any revolving loan programs or separate trust funds managed directly by them. Other revolving loan programs within the State are used as a model for this fiscal estimate where management responsibilities for this Revolving Loan Program are shared between two State agencies. For this revolving loan program DMA and Department of Administration (DOA) would be the responsible parties. DMA would be responsible for the environmental and programmatic management, and DOA would be responsible for the financial and investment management. Preliminary discussions have occurred, and DMA and DOA have agreed upon the division of responsibilities and will need to join in a memorandum of understanding that details their respective roles. Joint responsibilities between DMA and DOA would include issuing notices of financial assistance commitment to Municipalities and entering into Financial Assistance Agreements with Municipalities to finance eligible projects. DOA and DMA would also jointly prepare biennial finance plans which include the estimated hazard mitigation needs of municipalities in the State, the amount of financial assistance projected to be provided, and the sources of the funding projected to be provided.

The creation of a new program would incur one-time and ongoing costs. One-time costs are needed to develop a new program. The new program requires: 1. Development of any loan applications and forms; 2. Development of program guidance materials; 3. Development of loan payment processing procedures and forms; 4. Establishment of the award process; 5. Establishment of the financial system to manage the funds, process repayments, etc.; 6.Preparation of outreach materials for the program; 7. Development of a memorandum of understanding between DOA and DMA; 8. Completion of legal review of all program and administrative materials.

A total one-time workload increase of approximately 1,500 hours is estimated to perform the above tasks. With an average salary and fringe cost of $48/hour, one-time costs are estimated to be $77,400 (1,500 x $48). These one-time tasks would be covered by two LTEs.
Ongoing tasks are required to administer the program and include: 1. Assistance to applicants; 2. Application review and plan review; 3. Award allocations; 4. Review of required loan documentation; 5. Processing financial assistance agreements; 6. Compliance reviews; 7. Expense eligibility reviews; 8. Fund disbursement and 9. Loan closeout procedures and 10: Periodically, review and update guidance materials and processes.
The recurring workload is dependent on a number of factors, most notably the volume of applications received on an annual basis. The programmatic tasks will be completed by DMA staff and the financial tasks will be completed by DOA Capital Finance.

The department is unable to estimate the volume of applications and the fiscal estimate effect of this bill; however, staffing will be required as the workload for this new program would exceed current staffing levels and cannot be absorbed within existing resources.

Staffing for DMA is estimated at 3.0 FTE and LTEs for program management and compliance for an estimated cost of $384,227 annually. Staffing for DOA would require an estimated 2.0 FTE for financial management estimated at $230,100 annually. Personnel costs are dependent on the actual hire salary and an anticipated hire rate was used for the calculations below. Total estimated personnel cost for 5.0 FTE and LTEs is $614,327. Supply and service costs are anticipated to be $110,000 ($50,000 one-time and $60,000 ongoing). Total costs, excluding loan amounts, are specified below.

Total Costs
PERSONNEL:$364,000
LTE:$ 71,925
FRINGE:$178,402
S&S One Time:$50,000
S&S Ongoing:$60,000
TOTAL:$724,327
FTE:5.0

FEMA has not yet provided any program guidance on this revolving loan program and fiscal and position needs may change based on that guidance.

While it is unknown what the loan program will provide financially, for budgetary purposes only, assume the program (all funds) provided $2,500,000 in loans annually to eligible applicants. The State would have to provide funds of $250,000 (10% of total loan amount) and the federal amount would be $2,250,000 (90% of total loan amount). The federal funds would provide management costs (100% federally funded) at an assumed 5% of the total loan amount awarded, which in this example would be $125,000. These management costs would not fully cover the staffing costs of the program and would need to be funded from General Purpose Revenue.

It is unknown how many local units of government would be interested in a revolving loan program so the department is unable to estimate the local effects of the bill.

Long-Range Fiscal Implications