

Fiscal Estimate - 2025 Session

 Original

Updated

 Corrected

Supplemental

LRB Number 25-2626/1		Introduction Number AB-0209	
Description creating a hazard mitigation revolving loan program, creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation			
Fiscal Effect State: ☐ No State Fiscal Effect ☒ Indeterminate ☒ Increase Existing Appropriations ☐ Decrease Existing Appropriations ☐ 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 ☒ Indeterminate 1. ☒ Increase Costs ☒ Permissive ☐ Mandatory 2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory 3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory 4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory 5. Types of Local Government Units Affected ☒ Towns ☒ Counties ☐ School Districts ☒ Village ☐ Others ☐ WTCS Districts ☒ Cities			
Fund Sources Affected ☒ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS		Affected Ch. 20 Appropriations 20.465(3)(a), 20.465(3)(v), (w), (x) and 20.505 (1)(a)	
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		Date 5/2/2025	

Fiscal Estimate Narratives

DMA 5/2/2025

LRB Number	25-2626/1	Introduction Number	AB-0209	Estimate Type	Original
Description creating a hazard mitigation revolving loan program, creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, 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 environmental and programmatic management, and DOA would be responsible for 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, track outstanding payments, initiate collections on outstanding balances, 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 collections and closeout procedures and 10. Periodically, review and update guidance materials and processes.

The recurring workload is dependent on several 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 GPR FTE for program management and compliance for an estimated cost of \$482,635 annually. Staffing for DOA would require an estimated 2.0 GPR FTE for financial management, estimated at \$296,916 annually. Personnel costs are dependent on the actual hire salary and an anticipated salary rate was used for the calculations. Total estimated personnel (salary and fringe) cost for 5.0 FTE is \$597,626. Supply and service costs are anticipated to be \$95,000 (\$50,000 one-time and \$60,000 ongoing). All grant administrative costs would need to be GPR unless an administrative appropriation for the grant was authorized. Total costs are specified below.

DMA DOA TOTAL

Personnel \$220,480.00 \$180,960.00 \$401,440.00
LTE \$ 71,925.00 \$ 0.00 \$ 71,925.00
Fringe \$110,230.26 \$ 85,956.00 \$196,186.26
S&S 1-Time \$ 30,000.00 \$ 20,000.00 \$ 50,000.00
S&S Ongoing\$ 50,000.00 \$ 10,000.00 \$ 60,000.00
\$ 482,635.26 \$296,916.00 \$779,551.26

FTE 3.0 2.0 5.0

Costs for the financial management system to manage the loans are unknown. There are other loan programs within the state, but it is uncertain whether the requirements for this program would fit without additional cost; so, no costs were identified for system impacts.

Any changes at the federal level may impact this program. Federal information can be found at <https://www.fema.gov/grants/mitigation/learn/storm-rlf>.

The FEMA program requires a 10% match for the capitalization grant. The minimum capitalization grant in prior years has been \$5 million. Therefore, the state would have to provide a minimum of \$500,000 match, which may not be used to manage the program. Additional federal capitalization grant funds would require additional match. The federal funds would provide management costs (100% federally funded) at 2% of the total loan amount awarded, which in this example would be \$100,000.

These management costs are a one-time amount and would not fully cover either the startup or the ongoing staffing costs of the program. Positions for this program are requested as General Purpose Revenue to ensure all programmatic needs are met. The management costs would go towards any financial management system costs and any miscellaneous costs, such as additional travel required to promote the program, necessary for the administration of the program.

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