



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

February 7, 2019

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 \$2,000,000 SEG in expenditure authority in 2018-19, 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.

BACKGROUND

State Disaster Assistance Program. The state disaster assistance program, created in 2005 Act 269, makes payments to local units of government for governmental damages and costs incurred as the result of a "major catastrophe." A "major catastrophe" is 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. In 2018-19, for example, DMA has provided assistance relating to a tornado in Northwestern Wisconsin, floods in Southeastern Wisconsin, and an ice storm in Iron County.

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 the Federal Emergency Management Agency (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.

Two appropriations authorize disaster payments under the program to local units of government. A state disaster assistance GPR annual appropriation is funded at \$0 annually during the 2017-19 biennium. Since its creation in Act 269, the Legislature has not used this appropriation to provide funding for the program. Further, DMA has a SEG continuing state disaster assistance appropriation funded by amounts provided from the petroleum inspection fund. Since the appropriation was converted from an annual to a continuing appropriation in 2007-08, appropriated amounts have been as follows: (a) \$0 in 2007-08 and 2008-09; (b) \$1 million in 2009-10; (c) \$1 million in 2011-12; (d) \$257,900 in 2013-14; and (e) \$711,200 annually since 2014-15. In addition, in December, 2011, under s. 13.10 of the statutes, the Joint Committee on Finance provided an additional \$1,000,000 SEG in expenditure authority to the appropriation in 2011-12. In August, 2012, the Committee provided an additional \$1,000,000 SEG. As a continuing appropriation, any amounts appropriated do not lapse back to the petroleum inspection fund at the end of a fiscal year, but instead remain in the appropriation until expended.

Petroleum inspection fund revenue is primarily generated from a 2¢ per gallon (including gasoline, diesel and heating oil) petroleum inspection fee. The fee generated \$79.7 million in 2017-18. The Department of Agriculture, Trade and Consumer Protection (DATCP) is responsible for inspecting petroleum products brought in to 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 administered by the Department of Natural Resources (DNR), which reimburses a portion of the cleanup costs of discharges from petroleum product storage systems and home heating oil systems. Funds also support DATCP's petroleum tank and inspection programs, DNR contaminated land cleanup and air management programs, transportation programs, and programs in several other agencies.

Under DMA administrative rules, in any quarter of a state fiscal year, DMA may not make payments to applicants under the disaster assistance program in excess of 25% of the total amounts allocated to the GPR and SEG disaster payment appropriations. If disaster assistance application payments requested during a quarter exceed 25% of the total amounts allocated to the two disaster payment appropriations, all accepted applications must be paid proportionately. During the last quarter of the state fiscal year, DMA must proportionately allocate and pay the balance of funds, if any, remaining in the two disaster payment appropriations among all the applications submitted during the fiscal year with unpaid eligible costs.

Table 1 identifies amounts that have been expended under the state disaster assistance program for the last twelve fiscal years. Annual expenditures have ranged from a low of \$204,500 in 2008-09 to a high of \$2,559,400 in 2011-12.

TABLE 1

State Disaster Assistance Program Expenditure History

<u>Fiscal Year</u>	<u>Expenditures</u>
2007-08	\$268,900
2008-09	204,500
2009-10	378,300
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*	799,100

*As of February 1, 2019

For 2018-19, the SEG continuing state disaster assistance appropriation had an available balance of \$799,700 SEG (\$711,200 appropriated plus a balance of \$88,500 carried over from 2017-18). The Department indicates that it has expended \$799,100 since July, 2018, resulting in a current balance of \$600, as of February 1, 2019. Currently, approved claims pending payment total \$869,600 for 2018-19, as shown in Table 2.

TABLE 2

Disaster Assistance Program Payments 2018-19

<u>County</u>	<u>Claim Status</u>			<u>Total</u>
	<u>Paid</u>	<u>Approved</u>	<u>Pending Review</u>	
Ashland	\$0	\$59,500	\$0	\$59,500
Barron	0	191,400	0	191,400
Buffalo	18,200	0	0	18,200
Calumet	22,500	49,900	0	72,400
Clark	15,700	11,200	0	26,900
Columbia	7,600	6,900	43,400	57,900
Dodge	0	64,000	85,700	149,700
Door	0	0	595,000	595,000
Douglas	9,200	0	0	9,200
Florence	16,100	0	0	16,100
Grant	0	138,800	2,100	140,900
Green	13,400	2,200	0	15,600
Iron	0	4,400	0	4,400
Juneau	6,500	0	0	6,500
Kenosha	73,000	0	0	73,000
Lincoln	12,900	0	0	12,900
Manitowoc	35,700	0	0	35,700
Marinette	19,900	0	0	19,900
Pepin	0	10,900	0	10,900
Portage	123,200	0	0	123,200
Price	20,600	24,800	4,900	50,300
Racine	149,600	0	0	149,600
Rusk	75,500	53,300	0	128,800
St. Croix	9,600	0	0	9,600
Shawano	24,500	0	0	24,500
Sheboygan	0	9,500	95,200	104,700
Walworth	53,300	0	0	53,300
Washburn	0	97,800	13,500	111,300
Waupaca	46,100	0	0	46,100
Waushara	46,000	142,900	0	188,900
Wood	0	2,100	0	2,100
Total	\$799,100	\$869,600	\$839,800	\$2,508,500

Additional Sources of Disaster Assistance. In addition to the DMA disaster assistance program, some communities may be eligible to receive assistance from the Department of Transportation (DOT) or FEMA. Applications for assistance are reviewed by DMA to determine if they qualify for DOT's disaster damage aid program or FEMA assistance before they receive funds through the Wisconsin Disaster Fund, potentially reducing the amount to be funded under the program. Note that funds are awarded on a project-basis, and counties cannot apply for multiple fund sources to cover costs associated with a single project. To the extent these funds become available,

they could reduce the cost to DMA of claims currently pending review (\$839,800) or reduce the amount of future claims.

The DOT disaster damage aid program, which aids local governments for road-related disaster costs, receives funding through two sum-sufficient appropriations, one of which is transportation fund-supported (SEG) and the other of which is general fund-supported (GPR). The SEG-supported appropriation is estimated at \$1.0 million in 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 balance to cover the costs. For individual disasters exceeding \$1.0 million, the Governor may then 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, DOT estimates that the disaster damage-related, GPR transfer to the transportation fund will equal \$3,147,200.

According to DMA, as of October 1, 2018 (the latest data available), 47% of reported total damage reported to DMA in 2017-18 and 29% of the reported total damage in 2018-19 was 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 of it may be reimbursed under DMA's state disaster assistance program.

Additionally, funding from FEMA may reduce the amount of repairs funded by DMA. On August 11, 2018, the President approved a major disaster declaration for Wisconsin for areas affected by severe storms from June 15 to June 19, 2018, which resulted in estimated damage to public infrastructure of \$13.1 million. On October 18, 2018, the President approved another declaration for areas affected by severe storms from August 17 to September 14, 2018, which resulted in estimated damage to public infrastructure of \$37.1 million. Federal declarations are for the Public Assistance Program, which provides reimbursement for eligible projects submitted by counties, cities, townships and certain private, not-for-profit organizations. Some of the 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.

ANALYSIS

In order to provide funding for currently approved claims in excess of available balances under DMA's SEG continuing state disaster assistance appropriation, and in order to have additional balances to address additional disasters in 2018-19, DMA is requesting that the Committee transfer \$2,000,000 SEG on a one-time basis in 2018-19 to DMA's state disaster assistance appropriation. Revenue for the request would be provided from the petroleum inspection fund. Based on a review of the petroleum inspection fund, a sufficient balance exists to support the DMA disaster assistance request. Approval of the current request would reduce available fund balances to support the other activities supported by the fund. The petroleum inspection fund's estimated closing available balance

for 2018-19 is expected to be \$14.0 million. The \$14.0 million expected balance is before consideration of any transfer under DMA's request.

The Department's request is identified in Table 3. In 2018-19, through February 1, 2019, the Wisconsin Disaster Fund had expenditures of \$799,100, approved claims pending payment of \$869,600, and a balance of \$600. The Department estimates that additional disasters, such as winter weather or spring floods, could incur \$291,200 in eligible claims this fiscal year. Based on current petroleum inspection fund balances, revenue is available to support the request.

TABLE 3

**Department of Military Affairs
2018-19 Estimated Supplemental Funding Need***

Chapter 20 Appropriation	\$711,200
Opening Balance	<u>88,500</u>
Total Budget Authority, 2018-19	\$799,700
Expenditures*	\$799,100
Estimated Balance Remaining*	\$600
Approved Claims Pending Payment*	\$869,600
Submitted Claims Pending Review*	839,800
Estimate for Future Disasters (Winter Storms, Spring Floods)	<u>291,200</u>
Total s. 13.10 Request	\$2,000,000

*As of February 1, 2019

The Committee could conclude that the DMA 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 \$2,000,000 SEG to the DMA SEG continuing disaster assistance appropriation to fund currently approved claims as well as claims currently pending approval. [Alternative 1] Under this alternative, a one-time increase of \$2,000,000 SEG in expenditure authority would be provided from the petroleum inspection fund. If the entire \$2.0 million is not expended, any residual amounts would remain in DMA's continuing appropriation and would be available for future disaster assistance.

Alternatively, the Committee could fund only claims that have already been reviewed and approved by DMA that exceed the available balances in the appropriation. Under this alternative, a one-time increase of \$869,000 SEG in expenditure authority could be provided from petroleum inspection fund revenues (\$869,600 in approved claims pending minus \$600 in available balances). The Department could return to the Committee with an additional supplementation request when more detailed information is available as to the damages that may be reimbursed from the state

disaster assistance program after accounting for aid received under the DOT flood damage aid program and under FEMA. [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. [Alternative 3] Under this alternative, DMA would prorate the available funding to eligible claimants.

ALTERNATIVES

1. Approve the DMA request for a one-time transfer of \$2,000,000 SEG in expenditure authority in 2018-19, 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.

2. Provide \$869,000 SEG on a one-time basis in 2018-19, 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.

3. Deny the request.

Prepared by: Angela Miller