

Legislative Analysis



DISASTER AND EMERGENCY CONTINGENCY FUND AND STATE HAZARD MITIGATION FUND

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Senate Bill 109 (S-1) as passed by the Senate

Sponsor: Sen. Sean McCann

House Committee: Appropriations

Senate Committee: Appropriations

Complete to 10-2-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 109 would amend the Emergency Management Act to create the State Hazard Mitigation Fund, create a grant program for state or local hazard mitigation activities, revise parameters for the current Disaster and Emergency Contingency Fund, and require an annual report to the legislature on both funds.

State Hazard Mitigation Fund

The bill would create the State Hazard Mitigation Fund in the state treasury. The state treasurer would have to deposit in the fund money and other assets received from any source, direct the investment of money in the fund, and credit to the fund interest and earnings from those investments. Unexpended and unencumbered funds remaining in the fund at the end of the fiscal year would not lapse to the general fund, but would be carried forward and available for expenditure in subsequent fiscal years. The Department of State Police (MSP) would be the administrator of the fund for audit purposes.

MSP could expend money from the State Hazard Mitigation Fund, upon appropriation, only for the use of hazard mitigation programs by MSP and for its reasonable administrative expenses related to the administration of the grant program described below.

Hazard mitigation grants and funding

The director of MSP would have to develop and issue rules governing grant applications, award determinations, eligible expenditures, and program administration related to the State Hazard Mitigation Fund. The rules would have to include all of the following requirements:

- Eligibility for funding would have to be limited to entities eligible to apply as sub-applicants for the hazard mitigation assistance programs of the Federal Emergency Management Agency (FEMA)¹ that are managed and administered by MSP's Emergency Management and Homeland Security Division.² State agencies, local governments, and federally recognized tribal governments would be eligible sub-applicants for purposes of these provisions.
- The application process for funds from the State Hazard Mitigation Fund would have to require evidence that each applicant has adopted and maintains an adequate local hazard mitigation plan approved by FEMA, except that an applicant without a FEMA-approved local hazard mitigation plan could apply for funding to develop a new plan or update an existing plan that has lapsed.³

¹ <https://www.fema.gov/grants/mitigation/learn>

² <https://www.michigan.gov/msp/divisions/emhsd>

³ https://www.fema.gov/sites/default/files/documents/fema_hmd_fact-sheet-local-plan-adoption.pdf

- Reimbursement from the State Hazard Mitigation Fund for expenditures would have to be limited to approved hazard mitigation activities that align with eligible activities under FEMA's hazard mitigation assistance programs⁴ or 42 USC 5172,⁵ for public assistance mitigation.
- The Michigan Citizen-Community Emergency Response Coordinating Council would have to be consulted on funding decisions related to the State Hazard Mitigation Fund.⁶

Disaster and Emergency Contingency Fund

Currently, the Disaster and Emergency Contingency Fund is administered by the MSP director, and the act states that the legislature shall annually appropriate enough money to keep the fund balance at between \$2.5 million and \$10.0 million.

The bill would allow the MSP director to deposit money and other assets from any source into the fund. The bill would state that the legislature shall appropriate enough money to keep the fund balance at (or bring it up to) \$75.0 million.⁷ At the end of each fiscal year, \$500,000 of the funds remaining in the Disaster and Emergency Contingency Fund could be transferred to the State Hazard Mitigation Fund, unless the transfer would leave the balance of the Disaster and Emergency Contingency Fund below \$75.0 million.

The governor can authorize an expenditure from the Disaster and Emergency Contingency Fund to provide state assistance to counties and municipalities when federal assistance is not available for a disaster or emergency that has exhausted local resources. Such a grant cannot exceed the lesser of *either* 10% of the total annual operating budget of the county or municipality for the preceding fiscal year *or* specified maximum amounts based on population, which the bill would revise as shown in the table below.

Current law	Under the bill
\$250,000 for a county or municipality with a population under 25,000	\$2.5 million for a county or municipality with a population under 75,000
\$500,000 for a county or municipality with a population of 25,000 or more but under 75,000	
\$1.0 million for a county or municipality with a population of 75,000 or more	\$5.0 million for a county or municipality with a population of 75,000 or more but under 500,000
	\$10.0 million for a county or municipality with a population of 500,000 or more

The MSP director would have to submit a recommendation to the legislature on an amendment to the act that would allow the use of money in the Disaster and Emergency Contingency Fund for an initiative to aid preemptive disaster resiliency programs. The recommendation would

⁴ <https://www.fema.gov/grants/mitigation/learn/hazard-mitigation>

⁵ <https://www.law.cornell.edu/uscode/text/42/5172>

⁶ <https://www.michigan.gov/msp/divisions/emhsd/programs-and-publications/michigan-citizen-community-emergency-response-coordinating-council-mccercc>

⁷ Because statute cannot mandate an appropriation, this and the similar provision in current law are expressions of legislative intent, and any future funding would be subject to legislative appropriations in a given fiscal year.

have to include information about how such an initiative is designed to avoid the worst types of disasters.

Report

By December 29 each year, the MSP director would have to submit a report to the legislature on the administration of the Emergency Management Act, the Disaster and Emergency Contingency Fund, and the State Hazard Mitigation Fund. The report would have to include all of the following information for each fund for the immediately preceding fiscal year:

- An accounting of the fund, including a description of each deposit and each expenditure and a statement of the disaster or emergency each expenditure was for.
- The fund's administrative costs.
- The fund's beginning and ending balances.
- An accounting of all federal money the state applied for, and all it received, regarding a disaster or emergency.
- A list of all federal reimbursements the state received related to a disaster or emergency, with the purpose of the reimbursement and the state department or agency that incurred the reimbursed cost.
- The amount of money in the fund that has been obligated but not expended.
- If applicable, a list of every person the state has contracted with to administer the fund.

MCL 30.418 and 30.419 and proposed MCL 30.418a and 30.418b

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on the state. While increasing the minimum required balance for the Disaster and Emergency Contingency Fund from \$2.5 million to \$75.0 million could result in increased costs, future deposits into the fund (if any) would be subject to legislative appropriation and likely vary across future fiscal years.

The provisions of the bill modifying the Disaster and Emergency Contingency Fund grant structure could increase the amount of grant assistance that would be available to eligible local units of government, provided that the fund has sufficient resources. Because the total cost of state disaster assistance grants (often referred to as "section 19 grants") varies from year to year, an estimate of the fiscal impact on the state of these changes cannot be made.

The provisions of the bill that would create the State Hazard Mitigation Fund would have an indeterminate fiscal impact on the state, as deposits into the fund (including from the Disaster and Emergency Contingency Fund) would be subject to legislative appropriation and likely vary across future fiscal years. These provisions could have a fiscal impact on eligible local units of government by offering access to state hazard mitigation assistance, provided that the fund has sufficient resources.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.