

Legislative Analysis



DISASTER AND EMERGENCY CONTINGENCY FUND & STATE HAZARD MITIGATION FUND

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6027 (H-2)
Sponsor: Rep. Christine Morse
Committee: Appropriations
Complete to 12-10-24

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

SUMMARY:

House Bill 6027 (H-2) is a budget implementation bill that would amend the Emergency Management Act to do all of the following:

- Increase the statutory requirements for the amount of funds that may be held in the Disaster and Emergency Contingency Fund (DECF). Currently, the act requires the legislature to appropriate funds to maintain the DECF balance at a level between \$2.5 million and \$10.0 million. The bill would increase the minimum required balance to \$10.0 million and increase the maximum allowed balance to \$25.0 million.
- Modify the DECF grant structure as follows:¹
 - Set the grant cap for eligible counties or municipalities with a population under 75,000 at \$1.0 million.
 - Set the grant cap for eligible counties or municipalities with a population of 75,000 or more at \$2.0 million.
- Create the State Hazard Mitigation Fund (SHMF) and allow, but not require, the state treasurer to deposit money and other assets from the DECF or any other source into the fund. The MSP director would be required to promulgate administrative rules governing assistance applications, award determinations, eligible expenditures, and program administration related to the SHMF. Funds in the SHMF would be disbursed by MSP as grants to support *hazard mitigation programs*, which would include the rebuilding of any damaged infrastructure in a manner that would reduce the exposure of the public to future hazards and mitigate against further loss. Unexpended and unencumbered funds remaining in the SHMF at the end of the fiscal year would not lapse into the general fund and would be carried forward for expenditure in subsequent fiscal years.

MCL 30.418 (amended); MCL 30.418a (proposed); MCL 30.419 (amended)

FISCAL IMPACT:

The bill would increase the minimum required balance for the DECF, which could result in increased costs for the state if the total cost of providing grant assistance and matching funds for federal assistance brings the available balance below the proposed \$10.0 million requirement. The total cost of DECF grants awarded by MSP and the amount of required federal matching funds vary from year to year. Depending on these costs, additional GF/GP

¹ The current DECF grant structure sets the following caps on assistance: \$250,000 for local units with a population under 25,000; \$500,000 for local units with a population between 25,000 and 75,000; and \$1.0 million for local units with a population of 75,000 or more.

may be required in future fiscal years to maintain the proposed balance requirements. The projected DECF balance for December 6, 2024, is \$14.9 million (including the \$10.0 million GF/GP appropriation in the FY 2024-25 budget).

The provisions of the bill modifying the DECF grant structure would have a positive fiscal impact on eligible local units of government by increasing the amount of grant assistance available to these entities. The bill would not change the current requirement that DECF grants must not exceed either the proposed caps (\$1.0 million for “small” local units and \$2.0 million for “large” local units) **or** 10% of the applying county’s or municipality’s total annual operating budget for the previous fiscal year, whichever is less.

The provisions of the bill that would create the SHMF would have an indeterminate fiscal impact on the state. Because the bill does not provide for an initial deposit into the fund or require a minimum balance, the state would only incur additional costs if deposits from the DECF into the SHMF bring the balance of the DECF below the proposed \$10.0 million minimum balance requirement. These provisions would have a positive fiscal impact on eligible local units of government by offering access to state hazard mitigation assistance.

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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.