HB 1393

Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

House Bill 1393 (Delegate Taylor, *et al.*)
Appropriations

Flood Management Grants - Local and State Contributions

This bill reduces the required local government matching contribution from 50% to 25% under the Comprehensive Flood Management Grant Program for a flood control and watershed management capital project involving only State and local funds.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Potential indeterminate increase in State capital spending for flood control projects.

Local Effect: Potential 50% reduction in local government expenditures for flood control projects.

Small Business Effect: None.

Fiscal Analysis

Background: Approximately 141,000 structures are prone to flooding damage, and an estimated 352,000 people live or work in flood prone areas of the State. The Maryland Department of the Environment's (MDE) Comprehensive Flood Management Grant Program (CFMGP) provides grants to local governments for flood mitigation projects, such as the acquisition of flood prone property for demolition or relocation, installation of flood warning systems, and construction of flood control projects, including engineering studies required to support the design of these projects. In order to receive CFMGP funds, certain eligibility requirements must be met.

In October 1996, the Governor appointed the Task Force for Western Maryland Flooding to develop recommendations on measures needed to reduce risk of future losses in the region as a result of severe flooding.

It is anticipated that $8,781,551 in funding will be required from federal, State, and local sources in fiscal 1999 to support the flood control acquisitions identified by the task force in January 1997. These funds consist of $968,375 in State capital funds, which is included in MDE's fiscal 1999 capital budget request; $4,762,551 from the Federal Emergency Management Agency (FEMA) and $1,948,750 from the Department of Housing and Urban Development (HUD); $169,000 from the Department of Natural Resources Program Open Space funds; and $932,875 from local governments.

State Effect: The bill creates two different funding schemes for flood control projects based on where the funding comes from - those that consist of federal, State, and local funds and those that consist of only State and local funds. Federal funding is contingent upon the area being declared a federal disaster area. All projects currently budgeted are in areas of the State that were declared federal disaster areas in 1996.

The current funding formula for flood control projects that involve federal funding is 75% federal, 12.5% State and 12.5% local. This formula would remain the same under the bill. For projects that do not involve federal funding, the State and appropriate local government each contribute 50%. The bill reduces the level of the local contribution for projects that do not involve federal funding to 25% with the State contributing the remaining 75%.

In future years, if flooding occurs in the State but federal funds are not allocated as a result of an area of the State not being declared a disaster area, State expenditures could increase because the State would be required to fund 75% of the costs of the projects. Any such increase cannot be reliably estimated at this time.

Local Effect: The bill reduces from 50% to 25% the amount of funds that local governments would be required to contribute to non-federally funded flood control projects. Local governments could therefore realize a 50% reduction in expenditures for flood control projects that do not involve federal funding. For example, Allegany County reports that the Upper Potomac Industrial Park (UPIP) project will cost approximately $500,000. (It is assumed that federal funding will be made available.) If federal funds were not realized, the county would have to spend $250,000 for the project based on having to contribute 50% of the cost of capital flood control projects. The bill reduces the county contribution to 25%, which would result in a savings of $125,000 for the county. Also, Prince George's County budgeted $1.3 million in fiscal 1998 for projects jointly funded with the State. Under the bill the county would only have had to budget $650,000 for these projects while the State would have had to increase its share of the funding to $1,950,000.

Information Source(s): Maryland Department of the Environment; Baltimore City; Allegany, Montgomery, Prince George's and Wicomico counties; Department of Legislative Services

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