

**Department of Legislative Services**  
 Maryland General Assembly  
 2001 Session

**FISCAL NOTE**

Senate Bill 157           (Senator Hafer)  
 Economic and Environmental Affairs and Budget and Taxation

**Environment - Flood Damage Restoration Fund**

The bill establishes a Flood Damage Restoration Fund within the Maryland Department of the Environment (MDE) to assist subdivisions in the repair of public property damaged by flood. The fund is a continuing, nonlapsing special fund and consists of moneys in the State budget and investment income. The bill directs the Governor, beginning in fiscal 2003, to include in the State budget sufficient funds to bring the fund balance to \$1 million at the start of each fiscal year. MDE, in consultation with the Maryland Emergency Management Agency (MEMA), must award grants from the fund. A subdivision that receives a grant must provide and expend a matching fund equal to 25% of the amount of the grant. The bill requires MDE, in consultation with MEMA, to establish application procedures for the grant program.

**Fiscal Summary**

**State Effect:** General fund expenditure increase of \$40,200 in FY 2002 related to the establishment of the new grants program within MDE. Potential additional minimal general fund expenditure increase for MEMA to assist MDE. Future year estimates are annualized, adjusted for inflation, and reflect the award of an estimated \$1 million in grants annually. Special fund revenues and expenditures will increase correspondingly beginning in FY 2003 for the award of grants. Potential additional special fund revenue increase related to investment income

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
GF Expenditure	40,200	1,049,100	1,051,700	1,054,500	1,057,500
SF Expenditure	0	1,000,000	1,000,000	1,000,000	1,000,000
Net Effect	(\$40,200)	(\$1,049,100)	(\$1,051,700)	(\$1,054,500)	(\$1,057,500)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local jurisdictions that apply for and receive grants would benefit from an increase in revenues. Applying for grants would be voluntary and could be handled with existing resources. In order to receive a grant, however, a local jurisdiction would be required to provide matching funds equal to 25% of the grant.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** There is a Comprehensive Flood Management Grant Program within MDE. Subject to the approval of the Board of Public Works, MDE may provide grants to subdivisions for flood control and watershed management capital projects and for capital costs related to the design, purchase, and installation of automated flood warning projects, subject to specified conditions. Each project must be undertaken as part of a comprehensive flood management plan prepared and adopted by the subdivisions and must be consistent with any State or inter-jurisdictional flood management plan. To receive grants for automated flood warnings projects, affected local governing bodies must: (1) adopt a specific and compatible response plan which has been coordinated with local emergency management authorities and reviewed and approved by MDE and MEMA; and (2) provide for financial and other commitments to properly operate and maintain the project. Subject to the approval of the Board of Public Works, MDE may provide grants to subdivisions immediately after a flood for acquisition of any flood damaged owner-occupied dwelling.

The amount of any grant made by MDE for a flood control and watershed management capital project which involves only nonfederal funds must be matched by a minimum amount of 25% of project costs in local government or private funds. For projects which involve federal funding, MDE may provide up to 50% of the nonfederal share of the project funding and local government or private funds must provide not less than 50% of the nonfederal share of the project funding. To receive a grant, the subdivision must participate in the National Flood Insurance Program (NFIP). Before making a grant, MDE, in cooperation with the Department of Planning, must review the flood control and watershed management operations of the applicant subdivision to assure that the operations are in compliance with current law. Each application must be submitted to and reviewed by the State clearinghouse of the Department of Planning.

**Background:** According to MDE, assistance in dealing with the damage associated with flooding currently comes in two forms: (1) disaster relief; and (2) mitigation (removal of the threats). The Federal Emergency Management Agency (FEMA) may provide

emergency financial assistance to individuals and communities following a flood if the damage threshold defining a federal disaster is exceeded in the area, or if federal flood insurance is in force. Flood insurance is offered by FEMA through participating commercial agents. For uninsured persons, the amount of the relief for a first-time flood event is reduced by the amount of the premium that would have been required to insure the building and its contents. Relief for second and subsequent events may not be provided unless insurance has been purchased.

Maryland has 114 communities that participate in the NFIP. By joining the NFIP, communities agree to establish restrictive ordinances in their 100-year floodplains, which makes federal flood insurance available to all residents. More than 45,000 policies are in effect in Maryland with a total property insurance value of \$4 billion. MDE provides technical assistance and training to local communities to assist in establishing and maintaining eligibility in the NFIP.

FEMA's Hazard Mitigation Grant Program (HMGP) provides states with financial assistance in an amount equal to 15% of the emergency financial assistance rendered immediately following a declared disaster. HMGP funds are matched with State and local funds on a 75/25 basis. Projects such as property purchases, house relocations, or house elevations are undertaken to reduce the risk of future damage to those properties within the 100-year floodplain.

The General Assembly established the State's current capital grant program in 1976 following hurricanes Agnes and Eloise.

**State Expenditures:** General fund expenditures could increase by an estimated \$40,200 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. This estimate reflects the cost of hiring one environmental specialist in MDE to develop application procedures and manage the new grants program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate assumes that grants would not be awarded until fiscal 2003.

Salary and Fringe Benefits	\$34,400
Equipment	4,800
Operating Expenses	<u>1,000</u>
<b>Total FY 2002 State Expenditures</b>	<b>\$40,200</b>

Legislative Services advises that general fund expenditures could increase depending on the extent to which MDE relies on MEMA for assistance with the development of application procedures and the award of grants. It is assumed that MEMA could handle

the bill's requirements with existing budgeted resources; however, if MEMA's involvement becomes more significant than what is currently expected, general fund expenditures could increase for overtime for non-exempt employees and operating costs. Any increase is expected to be minimal, however.

Future year expenditures reflect: (1) an appropriation to the fund of approximately \$1 million annually for grant awards; (2) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses. The estimates assume that approximately fifteen grants will be awarded each year.

The bill directs the Governor, beginning in fiscal 2003, to include in the State budget sufficient funds to bring the fund balance to \$1 million at the start of each fiscal year. Although the actual amount of grants awarded from the fund each year will depend largely on the occurrence of floods, which cannot be predicted, for purposes of this estimate, it is assumed that the fund balance will be exhausted each year. Accordingly, special fund revenues and expenditures will increase by an estimated \$1 million annually beginning in fiscal 2003. This estimate does not include any increase in special fund revenues from investments of the fund. Any such increase cannot be predicted at this time.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 124 (Delegate Edwards, *et al.*) – Environmental Matters.

**Information Source(s):** Maryland Department of the Environment; Maryland Emergency Management Agency; Kent, Montgomery, Prince George's, and Washington counties; Department of Legislative Services

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Analysis by: Lesley Frymier

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510