SB 814

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 814 (Senator Hester)

Budget and Taxation Environment and Transportation

Public Safety - Resilient Maryland Revolving Loan Fund - Alterations

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This bill authorizes the Resilient Maryland Revolving Loan Fund within the Maryland Department of Emergency Management (MDEM) to issue low- and no-interest loans to local governments for the purpose of offering loan funds to private property owners for hazard mitigation projects. Money in the fund may be used to administer and manage the fund. Local governments providing loans to private property owners are authorized to establish a specified graduated loan forgiveness program. In addition to established funding sources, the fund may include money received from the Federal Emergency Management Agency (FEMA).

Fiscal Summary

State Effect: Special fund revenues and expenditures increase to the extent MDEM issues loans to local governments and those loans are repaid. MDEM advises the department can handle the bill's requirements with existing resources.

Local Effect: Local revenues and expenditures increase to the extent local governments apply for and receive loans for private property mitigation projects. Local expenditures further increase to the extent local governments choose to forgive loans, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Resilient Maryland Revolving Loan Fund – Alterations

On application by a local governing body, loans from the fund may be made directly to local governments, at least in part, to (1) meet federal matching requirements for federal resilience grant programs, including Building Resilient Infrastructures and Communities, Flood Mitigation Assistance, and U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Mitigation Program (CDBG-MIT) and (2) work with the U.S. Army Corps of Engineers Flood Risk Management Program.

Hazard mitigation projects for private property owners that receive loans from local governments may include wind retrofits, flood mitigation elevation, floodproofing, wildland fire retrofit mitigation, and earthquake retrofit mitigation.

Repayment of a loan by a local government to a private property owner may be collected in the same manner as property taxes. A property owner may sell a property after receiving a loan if the property owner repays the loan or the new owner agrees in writing to assume the obligation for repayment of the loan. Private funds received by the fund for the purpose of hazard mitigation projects for a building must be used only for hazard mitigation projects for a building.

The bill repeals authorization for loans from the fund to be used to satisfy the nonfederal match for federal mitigation grants.

When establishing application procedures and eligibility criteria for loans from the fund, as required under current law, MDEM must take into consideration requirements from the STORM Act. "STORM Act" means the federal Safeguarding Tomorrow through Ongoing Risk Mitigation Act.

Local Governments – Issuance of Loans to Private Property Owners

Local governments that provide loans to private property owners may establish a graduated loan forgiveness program for private property owners. A graduated loan forgiveness program must, at a minimum, (1) provide full loan forgiveness for households with between 50% and 80% of the median income for the area in which the relevant property is located; (2) provide 50% loan forgiveness for households with 80% to 100% of the median income for the area in which the relevant property is located; and (3) provide additional loan forgiveness percentages for households with incomes not within 50% to 100% of the median income for the area in which the loan applies based on the number of private property owners with outstanding loans, the availability of funding, and any other facts the local government finds reasonable and necessary.

Current Law:

Resilient Maryland Revolving Loan Fund

Chapter 644 of 2021 established the Resilient Maryland Revolving Loan Fund within MDEM. The revolving loan fund is a special, nonlapsing fund with the stated purpose of providing loans for local resilience projects that address mitigation of all hazards, including natural disasters. MDEM, which administers the fund, must prioritize making loans to projects it determines to have the greatest impact on eliminating hazards. The fund may be used only to provide low- or no-interest loans to local governments and nonprofit organizations for local resilience projects. The fiscal 2022 capital budget included $25.0 million in general obligation (GO) bonds for the fund; the Governor's proposed fiscal 2023 capital budget, as submitted, includes $25.0 million in general funds to supplant last year's GO bond allocation, which is being deauthorized.

Safeguarding Tomorrow through Ongoing Risk Mitigation Act

The STORM Act authorizes FEMA to provide grants to the states to establish revolving funds for hazard mitigation assistance and reduce risks from disasters and other natural hazards. Generally, FEMA may enter into agreements with eligible entities to make capitalization grants for establishing hazard mitigation revolving loan funds for the purposes of reducing disaster risks. An entity that receives a capitalization grant must establish an entity loan fund meeting specified criteria. In addition, entity loan funds must (1) be administered by the agency responsible for emergency management and (2) include only funds provided by a capitalization grant, repayments of loans to the entity loan fund, and interest earned on the entity loan fund. Generally, loans must be low-interest and be for a fixed term. Funds may be used to provide financial assistance for projects or activities that mitigate the impacts of specified natural disasters. Funds may also be used for reasonable costs of administering the fund, as specified.

Federal Hazard Mitigation Assistance Grant Programs

FEMA administers several grant programs that relate to hazard mitigation. The general purpose of these federal grant programs is to reduce the vulnerability of communities to disasters and their effects and to lessen the response and recovery resources required after a disaster.

The Hazard Mitigation Grant Program (HMGP) provides funding to state and local governments to rebuild that reduces, or mitigates, future disaster losses in their communities. Grant funding is available after a presidentially declared disaster. The HMGP Post Fire Grant provides assistance to help implement hazard mitigation measures after wildfire disasters. The Flood Mitigation Assistance Grant provides funding to state and local governments for projects that reduce or eliminate the risk of repetitive flood damage to buildings insured by the National Flood Insurance Program. The Building Resilient Infrastructure and Communities Grant Program (previously called the Pre-Disaster Mitigation Grant Program) supports state and local governments by developing proactive investment in community resilience.

FEMA requires state and local governments to develop and adopt hazard mitigation plans as a condition for receiving specified nonemergency disaster assistance, including funding for hazard mitigation assistance projects.

Maryland Hazard Mitigation Plan

As previously stated, FEMA requires each state to create, and have approved by FEMA, a Standard State Mitigation Plan. Each plan must (1) identify natural hazards, risks, and vulnerabilities of areas in the state; (2) support development of local mitigation plans; (3) provide technical assistance to local and tribal governments for mitigation planning; and (4) identify and prioritize mitigation actions that states will support as resources become available. MDEM published the Maryland Hazard Mitigation Plan in August 2021, and the plan has been approved by FEMA. Section III of the plan outlines hazard identification and risk assessment in the State. The natural hazards specified in the plan include coastal hazards, floods, winter storms, tornadoes, and wind.

Community Development Block Grant Mitigation Program

CDBG-MIT, administered by HUD, offers assistance to areas impacted by disasters to carry out activities to mitigate disaster risks and reduce future losses. The program defines "mitigation" as activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters. Prior to expending grant funds, grantees must include a Mitigation Needs Assessment that identifies and analyzes all significant current and future disaster risks which provides a substantive basis for the activities proposed.

Local Fiscal Effect: Local revenues increase to the extent local governments apply for and receive low- or no-interest loans from the fund for hazard mitigation projects for private property owners; local expenditures and revenues increase commensurately as local governments issue the loans to private property owners and loans are repaid. However, to the extent local governments choose to forgive loans to private property owners, local revenues are less and expenditures further increase for the local governments to repay the loans to MDEM in their place.

Loans provided to local jurisdictions by MDEM under the bill may be used to meet federal matching requirements for federal resilience grants and programs. Accordingly, the bill may help local jurisdictions leverage additional federal funds for such projects.

Small Business Effect: Any small businesses involved in the development, construction, and retrofitting of hazard mitigation projects (*e.g.*, construction and building redevelopment contractors) may benefit from increased business activity as a result of the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1312 (Delegate Watson) - Environment and Transportation.

Information Source(s): Baltimore and Garrett counties; Maryland Department of Emergency Management; City of Laurel; Department of Housing and Community Development; U.S. Department of Housing and Urban Development; Department of Legislative Services

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