



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 109 (Substitute S-1 as reported)

Sponsor: Senator Sean McCann

Committee: Appropriations

CONTENT

The bill would amend the Emergency Management Act, which created the Disaster and Emergency Contingency Fund (DECF) within the Department of State Police (MSP), to modify various provisions governing the DECF, create the State Hazard Mitigation Fund (HMF), and require annual reports to the Legislature for both funds.

Disaster and Emergency Contingency Fund

The bill would do the following regarding the DECF:

- Remove the requirement that the balance in the DECF not exceed \$10.0 million and not fall below a minimum level of \$2.5 million with a requirement that should the balance in the DECF fall below \$75.0 million, the Legislature would have to appropriate sufficient funds to maintain a DECF balance of \$75.0 million, except as provided under the HMF.
- Amend the limits on assistance grants from the DECF for a county or municipality as follows: for a county or municipality with a population under 75,000, \$2.5 million (or 10% of the total preceding fiscal year total annual operating budget, whichever is less, as currently specified); for a county or municipality with a population of 75,000 or more but less than 500,000, \$5.0 million (or 10% of the total preceding fiscal year total annual operating budget, whichever is less, as currently specified); for a county or municipality with a population of 500,000 or more, \$10.0 million (or 10% of the total preceding fiscal year total annual operating budget, whichever is less, as currently specified); current law prescribes limits of \$250,000 for a population of less than 25,000, \$500,000 for a population of 25,000 to less than 75,000, and \$1.0 million for a population of 75,000 or more.
- Require the MSP Director to recommend to the Legislature an amendment to the Act for use of DECF funds for an initiative to aid preemptive disaster resiliency programs designed to avoid the worst types of disasters.
- Allow 20% of the DECF funds remaining at the end of each fiscal year to be transferred into the proposed HMF, provided that DECF met the proposed \$10.0 million minimum balance after the transfer.

The State Hazard Mitigation Fund

The bill would do the following regarding the HMF:

- Create the HMF in the State Treasury.
- For every \$10.0 million that remained in the DECF at the end of a fiscal year, \$500,000 would have to be deposited into the HMF.
- The State Treasurer would have to deposit money and other assets received from the DECF and other sources and would have to direct investment of money in the Fund and credit interest and earnings from the investments to the HMF; the unspent and unencumbered funds remaining in the HMF at the end of a fiscal year would not lapse to

- the General Fund and would be carried forward and available for expenditure in subsequent fiscal years.
- The MSP would have to administer the HMF and spend money from the HMF on appropriation only for HMF programs; the MSP could spend HMF monies for reasonable administrative expenses.
- The MSP would have to promulgate rules governing grant applications, award determinations, eligible expenditures, and program administration, which would have to meet the following criteria: 1) that eligibility be limited to entities eligible to apply as sub-applicants for Federal Emergency Management Agency's (FEMA) hazard mitigation assistance programs which includes state agencies, local governments, and Federally recognized tribal governments; 2) each applicant be required to show evidence that it had adopted and maintained an adequate local hazard mitigation plan that had been approved by FEMA (those without one could apply to develop or update a plan); 3) reimbursements from expenditures from the HMF be limited to eligible activities that align with FEMA hazard mitigation programs; 4) the Governor-appointed Michigan Citizen-Community Emergency Response Coordinating Council be consulted regarding funding decisions.

Reporting Requirements

The bill would require that not later than 90 days after the end of each fiscal year, the director of MSP would have to prepare a report regarding information concerning the DECF and the HMF for the preceding fiscal year. That report would have to include the following:

- An accounting of each fund, including a description of each deposit made into the fund and expenditures made from the fund and the disaster or emergency for which expenditures were made.
- The administrative costs associated with each fund.
- The beginning and end balances of each fund.
- An accounting of all Federal money that the State applied for regarding a disaster or emergency and all Federal funds received.
- A list of all Federal reimbursements received by the State related to a disaster or emergency, delineated by purpose.
- The amount of money in each fund that had been obligated but not spent.
- A list of every person that the State contracted with to administer each fund.

MCL 30.418 & 30.419

FISCAL IMPACT

The bill could give the DECF greater fiscal flexibility in meeting its objective to provide State assistance to counties and municipalities for disaster or emergency assistance related to public damage when the Governor declares a state of disaster or a state of emergency. The DECF also is used to provide matching funds required when Federal support becomes available if the President declares a major disaster.

The proposed HMF also could support local governments by helping to fund mitigation projects, which could result in fewer or less damaging disasters and emergencies in the future.

Despite the fund level requirements proposed for the DECF and the HMF, those levels—and any amounts in those funds—wholly depend upon appropriations (aside from potential FEMA reimbursements). The demand for these matching funds has increased in recent years and, if not for a fiscal year (FY) 2023-24 supplemental appropriation of \$10.0 million General Fund/General Purpose (GF/GP) to the DECF under Public Act 121 of 2024, the DECF balance would have been insufficient to meet disaster contribution requirements for FY 2023-24. Within that same Act, \$10.0 million GF/GP was appropriated to the DECF for FY 2024-25. The

Department reports that the current DECF balance is \$6.3 million and that current commitments from that Fund total \$9.9 million. No appropriations have yet been made to an HMF. Maintaining a \$75.0 million balance in the DECF would depend entirely on the Legislature to appropriate the funds necessary to achieve that balance.

Date Completed: 9-25-25

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.