



LEGISLATIVE BUDGET BOARD

Hurricane Harvey's Fiscal Impact on State Agencies

PRESENTED TO SENATE FINANCE COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

OCTOBER 2017

Hurricane Harvey Disaster Declaration Timeline

August 23: Governor Abbott issued a **State Disaster Declaration** for 30 Texas counties in anticipation of Tropical Depression Harvey making landfall in the Gulf Coast region.

August 25: In response to Governor Abbott's Request for a **Presidential Disaster Declaration** due to Hurricane Harvey, FEMA granted a Major Disaster Declaration.

- The Incident Period began on August 23, 2017, which is the date when FEMA eligible costs should be tracked for reimbursement. Federal funding was made available for Public Assistance, Hazard Mitigation, and Other Needs Assistance Programs at 75 percent federal funding of total eligible costs.
- FEMA later authorized a 90 percent Federal cost share for debris removal and a 100 percent Federal cost share for emergency protective measures, including direct Federal assistance, for 30 days from the start of the incident period, and then a 90 percent Federal cost share thereafter.

September 8: The federal **Continuing Resolution** was enacted, containing \$15.3 billion in federal fiscal year 2017 emergency supplemental funding, including:

- \$7.4 billion in Community Development Block Grant Disaster Relief funding;
- \$7.4 billion for the Federal Emergency Management Agency Disaster Relief Fund; and
- \$450 million for the Small Business Administration Disaster Loans Program.

September 20: The Governor **extended the State Disaster Declaration** for 60 Texas counties affected by Hurricane Harvey. State Disaster Declarations must be renewed every 30 days for assistance to remain available. The disaster proclamation had previously been amended on August 26, August 27, August 28, and September 14 to add affected counties.

October 12: The U.S. House of Representatives approved \$36 billion in supplemental disaster aid. The bill includes \$18.7 billion for the FEMA's Disaster Relief Fund, and cancels \$16 billion in debt owed by the National Flood Insurance Program. The aid package would need to be passed by the U.S. Senate to take effect.

Appropriated Funds for Disaster Response, 2018-19 GAA

AGENCY	METHOD OF FINANCE				PURPOSE
	GENERAL REVENUE FUNDS	GR-DEDICATED FUNDS	OTHER FUNDS	TOTAL FUNDS	
Trusted Programs within the Office of the Governor			\$100,000,000	\$100,000,000	Disaster grants to state and local entities <i>(Note: Excludes \$10 million transferred to Tarleton State for flood recovery per Rider 2)</i>
Trusted Programs within the Office of the Governor	\$2,335,156			\$2,335,156	Deficiency grants to state agencies
Texas A&M Engineering Extension Service	\$5,012,750		\$2,228,706	\$7,241,456	Texas Task Force 1 and 2 capability
Texas A&M Forest Service	\$47,853,245	\$46,691,999	\$240,000	\$94,785,244	Wildfire preparation and response
Texas Department of Public Safety	\$10,396,064		\$1,016,098	\$11,412,162	Texas Division of Emergency Management operations
Texas Military Department	\$592,458			\$592,458	Respond to disasters and emergency relief
General Land Office	\$3,187,160			\$3,187,160	Oversee long-term disaster infrastructure recovery
DIRECT FUNDS AVAILABLE	\$69,376,833	\$46,691,999	\$103,484,804	\$219,553,636	Note: Totals do not include the potential for transferred funds.

GAA: Disaster Related Transfer Authority

The 2018-19 General Appropriations Act (GAA), Article IX, Section 14.04: Disaster Related Transfer Authority:

In the event of a disaster proclamation by the Governor, state agencies directly responding to Hurricane Harvey and its aftermath are granted broad appropriation transfer authority, and exemption from certain GAA requirements, with prior notification to the LBB and Governor. This provision is intended to allow for expedited use of funds.

- The Commissioner of Health and Human Services is authorized to transfer funds between health and human services agencies (listed in Chapter 531, Government Code), and between strategies within agencies for disaster response.
- All other agencies may transfer funds between strategies.
- Agencies may transfer funds appropriated for FY 2019 to FY 2018. Unexpended balances at the end of FY 2018 are transferred to FY 2019.
- Appropriations may be transferred between agencies, subject to the approval of the LBB and Governor.

To date, the LBB has received notification of Disaster Related Transfers for Article II agencies and the General Land Office. The Commissioner of Education has stated a possible need to transfer appropriations from FY 2019 to FY 2018 for school district relief.

LBB Hurricane Cost Survey

The LBB is surveying **state agencies** and **institutions of higher education** to report costs and lost revenues associated with their response to Hurricane Harvey. The survey is not intended to capture costs to individuals or local governments, similar to LBB surveys from previous hurricanes. The first report was due September 26. Going forward, agencies shall report monthly to the LBB.

The survey is designed to capture the following:

- Actual and estimated expenses for FY 2017 and FY 2018, and lost revenue for the biennium, separated into Objects of Expense;
- Actual reimbursements agencies have received, and separately, estimates they expect to receive from the federal government or other entities;
- Funds passed through to local entities;
- Each Method of Finance for all expenditures and revenues; and
- Narrative summary information on response efforts, reimbursement assumptions, FTE activity, and anticipated projects or expenditures beyond FY 2018.

Reported costs should be considered preliminary, as of September 26. As new information is submitted and reviewed, LBB staff will provide updates with that new information.

Impact to State Agencies: August-September 2017

Trusted Programs within the Office of the Governor

- Chapter 418 of the Texas Government Code authorizes the Governor to provide grant-in-aid in response to disasters to state and local governments. These awards are made from funds in Strategy A.1.1., Disaster Funds.
- Expenses must be related to the purpose for which they were awarded, and agreements stipulate that recipients must repay the Office of the Governor any funds for which they receive federal reimbursement.
- To date, the following funds have been awarded from fiscal year 2017 (General Revenue Funds) for Hurricane Harvey:
 - \$13 million to the Texas Military Department to reimburse the agency for costs from activating the National Guard.
 - \$10 million to the Texas Department of Public Safety to reimburse the agency for response costs incurred by Texas Department of Emergency Management.
- To date, the following funds have been awarded from fiscal year 2018 (Economic Stabilization Funds) for Hurricane Harvey:
 - \$50 million was granted to the City of Houston to assist with response and recovery from Hurricane Harvey
 - \$30 million to the Texas Military Department to reimburse the agency for costs from activating the National Guard.

Impact to State Agencies: August-September 2017

Health and Human Services Commission (HHSC)

- HHSC efforts during and after Hurricane Harvey are primarily focused on providing assistance to individuals impacted by the storm. The agency coordinates state and federal resources, and provides financial and other assistance directly to those affected.
- The agency has processed and approved over 280,000 applications for FEMA Other Needs Assistance totaling approximately \$300 million, with FEMA providing 75% of the funding.
- The agency has provided nearly \$760 million in disaster food stamps, early food, and replacement food benefits for SNAP recipients.

Department of State Health Services (DSHS)

- DSHS response to Hurricane Harvey focuses on the public health and well-being of those impacted by the storm.
- The agency assesses the public health and medical needs, ensuring the safety and security of foods, coordinating patient care, medical personnel and equipment.
- The agency also assesses the health and medical infrastructure of the impacted area(s) and provides necessary resources including staff, supplies, and equipment to speed recovery.
- To date the agency has expended approximately \$13 million, most of which is expected to be reimbursed by the federal government.

Impact to State Agencies: August-September 2017

Texas Education Agency (TEA)

- The agency has granted several waivers to affected districts, including for missed school days and minimum days of service; extended reporting deadlines; worked with Regional Education Service Centers to help coordinate district recovery (estimated cost of \$1 million in FY 2018); and established resource webpages and helplines for districts and parents.
- TEA is continuing to collect data and analyze options for school district relief through the school finance system, including issues of: loss of local property tax revenue, remediation costs for damaged facilities, additional compensatory education costs, etc.
- The TEA Commissioner announced state aid to assist Harvey-affected districts/chapters which may lose formula funding due to student enrollment decline. TEA has estimated this cost to be as high as \$300-400 million in FY 2019.

Institutions of Higher Education

- University of Houston System institutions reported costs related to water and wind damage at multiple campuses.
- The Marine Science Institute, part of The University of Texas at Austin, sustained major damage.
- The University of Texas M.D. Anderson Cancer Center reported costs in salaries, overtime, and stipends, including costs for employees who remained on-site during Harvey.
- Several institutions reported tuition and other revenue losses.

Impact to State Agencies: August-September 2017

Texas Department of Public Safety (DPS)

- Texas Division of Emergency Management within DPS is the designated state agency to coordinate the state's response efforts with local and federal agencies in preparation for, during, and after a major disaster.
- Over 3,000 FTEs assisted and continue to assist with life safety, search and rescue, security, and other activities.
- The agency reported approximately \$250 million in expenditures related to Hurricane Harvey. Of that amount, an estimated \$208 million (\$164 million in federal funds) has been passed through to local entities.

Texas Military Department (TMD)

- TMD mobilized over 17,000 Air and Army National Guard and State Guard Service Members in coordination with Texas Task Force 1, supported evacuations in flooded areas, conducted air and land search and rescue operations, and provided security as directed by TDEM.
- Of the \$69 million agency reported estimated expenses, the majority of the expenses were salary related.

Impact to State Agencies: August-September 2017

Texas Department of Criminal Justice (TDCJ)

- In preparation for, and response to Hurricane Harvey, TDCJ responded to requests from TDEM to assist with operations for the public and first responders. Approximately 3,000 employees were involved relief efforts.
- Costs were incurred evacuating over 5,000 offenders and 900 parolees and probationers from facilities located in Beaumont, Houston, Richmond, and Rosharon, and receiving offenders from Harris County. All units have since been repopulated.
- The agency reported \$14 million in estimated expenses, mainly due to salaries and overtime.

Texas Parks and Wildlife (TPWD)

- Approximately 500 TPWD officers provided more than 10,000 water related rescues to those impacted by the flooding. Strike teams from across the state shuttled equipment, cleared debris, gutted buildings, restored facilities, and performed other tasks. State parks waived fees for more than 8,000 refugees.
- Out of \$53 million estimated expenses and lost revenue, state park infrastructure damages are estimated at \$32 million.

Impact to State Agencies: August-September 2017

General Land Office (GLO)

- GLO signed agreements with FEMA for programs and funding for immediate disaster assistance housing needs.
- GLO is using Section 14.04 Authority to transfer \$58 million from FY 2019 to FY 2018 for a variety of disaster responses, including procuring manufactured housing for the Rockport area.

Texas Workforce Commission (TWC)

- TWC has processed over 141,000 disaster-related Unemployment Insurance claims. These include approximately \$21 million in federal Disaster Unemployment Assistance benefit payments, and an estimated \$175 million in Unemployment Insurance benefit payments related to Harvey, paid through the Unemployment Insurance Trust Fund.
- TWC will leverage a \$30 million National Dislocated Worker Grant from the U.S. Department of Labor to support employment recovery and rebuilding efforts. The funds will be distributed to areas in Texas that were impacted by extensive damage and flooding to assist with cleanup, demolition, repair, renovation and reconstruction activities.

Major Federal Funding Sources for Disaster Aid

The Continuing Resolution contained \$15.3 billion in emergency supplemental appropriations for the following:

Federal Emergency Management Agency (FEMA)
(\$7.4 billion to FEMA Disaster Relief Fund)

- Public Assistance Grants
- Hazard Mitigation Grants
- Fire Management Assistance Grants
- Individual and Households Program
 - Other Needs Assistance
- Disaster Unemployment Assistance

U.S. Department of Housing and Urban Development

- Community Development Block Grant-Disaster Recovery (\$7.4 billion)

U.S. Small Business Administration

- Disaster Relief Loan Program (\$450 million)

Additional Federal Disaster Aid Programs:

U.S. Department of Health and Human Services

- Medicaid
- Children's Health Insurance Program (CHIP)
- Temporary Assistance for Needy Families (TANF)

U.S. Department of Agriculture

- Special Nutrition Assistance Program (SNAP)
- Disaster Supplemental Assistance Program

U.S. Department of Education

- Disaster Assistance for Students

U.S. Department of Labor

- Disaster Unemployment Assistance Program
- National Dislocated Worker Grants

U.S. Department of Transportation; Federal Highway Administration

- Emergency Relief funds

Major Federal Funding Sources for State and Local Governments

FEMA Public Assistance Program

The **Public Assistance** program assists state and local governments and certain private nonprofit entities with the response to and recovery from disasters.

Agencies are eligible to receive reimbursement for costs related to activities such as search and rescue, debris removal, emergency protection measures, building repair, and other similar activities. Unless FEMA determines that the magnitude of a disaster warrants higher federal participation, recipients are generally required to provide a 25% match. FEMA is providing a higher rate of reimbursement for Emergency Work due to Hurricane Harvey.

FEMA processes Public Assistance funding according to the type of work the applicant undertakes. To be eligible, work must be required as a result of the declared incident, be located in the designated area, be the legal responsibility of the applicant, and be undertaken at a reasonable cost. These determinations are made by FEMA.

Special Considerations that may affect funding levels include:

- Floodplain management
- Insurance
- Hazard Mitigation
- Other federal laws and regulations

Major Federal Funding Sources for State and Local Governments (continued)

FEMA Public Assistance Grants (continued)

Hurricane Harvey FEMA Reimbursement Rates for eligible work categories as of September 2017:

Emergency Work

Category A: Debris removal (90%)

Category B: Emergency protective measures (100% for first 30 days, 90% thereafter)

Permanent Work (75%)

Category C: Roads and bridges

Category D: Water control facilities

Category E: Public buildings and contents

Category F: Public utilities

Category G: Parks, recreational, and other facilities

As of October 16, FEMA had obligated \$400 million in Public Assistance Grants for Texas state and local governments for Emergency Work. Additional Public Assistance Grants are anticipated.

Major Federal Funding Sources for State and Local Governments (continued)

FEMA Community Disaster Loans

- FEMA granted the Governor's request for **Community Disaster Loan** assistance for Texas localities impacted by Hurricane Harvey. This program provides direct loans to local governments that have suffered substantial loss of tax and other revenue in areas included in a major disaster declaration. Typically, the loan may not exceed 25% of the local government's annual operating budget for the fiscal year of the disaster. The limit is 50% if the local government lost 75% or more of its annual operating budget. A loan may not exceed \$5 million. There is no matching requirement.

U.S. Department of Labor Dislocated Worker Grant

- The Texas Workforce Commission was awarded a \$30 million **National Dislocated Worker Grant** from the U.S. Department of Labor, to create temporary jobs and assist with cleanup, recovery and humanitarian efforts in areas impacted by Hurricane Harvey. These grants will be administered in partnership with FEMA and local officials in affected communities, in order to supplement state and local response and recovery efforts.

U.S. Department of Transportation / Federal Highway Administration Emergency Relief

- The **Emergency Relief** program provides funding for highways and bridges damaged by natural disasters or catastrophic events. The \$25 million granted to Texas Department of Transportation in Emergency Relief funding will be used to restore emergency access and to initiate the most critical repairs to damaged roadways and bridges.

Major Federal Funding Sources for State and Local Governments (continued)

U.S. Department of Housing and Urban Development Community Development Block Grant

The Community Development Block Grant –Disaster Recovery (CDBG-DR) Program: Congress may appropriate funds to HUD when there are significant unmet needs for long-term recovery for housing and infrastructure following a Presidentially declared disaster. HUD then publishes a notice in the Federal Register allocating funds to cities, counties, and states. The General Land Office administers these funds for Texas. A State Action Plan must be submitted to HUD for approval.

FEMA Hazard Mitigation Grants

Hazard Mitigation Grants involve long-term efforts to reduce the impact of future events. Grant recipients have the primary responsibility for prioritizing, selecting, and administering state and local hazard mitigation projects. Individuals, businesses and private nonprofits via local governments, can apply for HMGP funding. Applications are submitted to the state, eligible tribe, or territory, which receives HMGP funds from FEMA.

Major Federal Funding Sources for Individuals and Businesses

FEMA Individuals and Households Program

Provides funds and services to people in the disaster area when losses are not covered by insurance and property has been damaged or destroyed. Includes Financial and Direct Housing Assistance, and Other Needs Assistance.

Financial Housing Assistance - Temporary Housing, Repair, and Replacement: provides funds for housing rentals or government housing units when rentals are not available Provides funds to homeowners to repair or replace homes damaged by the disaster that is not covered by insurance.

Direct Housing Assistance: State or local government must request this assistance, and FEMA must approve prior to implementation. Housing may include FEMA manufactured housing units, lease agreements, and permanent or semi-permanent housing construction when other housing assistance is not feasible.

Other Needs Assistance Program: Individuals and households may receive financial assistance for other disaster-caused expenses and serious needs.

- Eligibility for some types of Other Needs Assistance are dependent on eligibility with **the U.S. Small Business Administration's (SBA) disaster loan program.**
- **Critical Needs Assistance** provides an initial one-time \$500 payment per household. FEMA must determine the applicant's home is both inaccessible and uninhabitable. Payments are available for 60 days after the Presidential disaster declaration. A 25% state match is required.



LEGISLATIVE BUDGET BOARD

Contact the LBB

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