



# *South Dakota Legislative Research Council*

## *Issue Memorandum 95-01*

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### **SPECIAL EMERGENCY & DISASTER SPECIAL REVENUE FUND**

The division of emergency management within the Department of Military & Veterans' Affairs is charged with ensuring there is adequate preparation to deal with an emergency or disaster throughout the state. Different levels of government, including local, county, state, and often federal, are frequently drawn into disaster situations. Beyond special appropriations and the division's regular operating budget, the Emergency and Disaster Fund is used to pay the state's financial responsibility for disaster assistance.

Within the Division of Emergency Management is the Special Emergency and Disaster Special Revenue Fund. This fund consists of general funds that are used to meet "special emergency requirements of the division of emergency management, not included in the general and special appropriations which provide for the ordinary operation and maintenance of functions of this department." While consisting of general funds, "no part of this fund may revert to the general fund" (SDCL 33-15-23).

Based on SDCL 33-15-23, the Emergency and Disaster Fund can be utilized by the Governor to pay for disasters outside the division's routine operations. The Governor can declare such an emergency to employ the fund directly, or use the fund to provide the state's share of a federally-declared disaster. This latter scenario is almost always the manner in which the fund is utilized. When a disaster situation occurs,

the state conducts an investigation and files a report. Typically, this report is then used to file an application for federal assistance.

Local organizations comprise the bulk of emergency relief activities, and when the National Guard is called to assist, locals must pay the state for the time and effort of the Guard. The state's financial responsibility for emergency situations can vary, depending on whether or not there has been a federal disaster declaration.

The Federal Emergency Management Agency (FEMA) is the federal agency that addresses these areas. In order to receive assistance from FEMA, the state must submit a detailed report to obtain a federal disaster declaration. After receiving the state's report, FEMA will conduct an investigation to determine if there is enough damage to warrant federal assistance. If a disaster declaration is granted, the path to federal funding is cleared. Usually, if the situation is bad enough for the state to apply for federal assistance, FEMA has concurred and provided funding. Therefore, the state is rarely held accountable for the entire balance of the relief effort. In fact, personnel within the Department of Military & Veterans' Affairs were unable to find an example of an instance in the past twenty years where the state was completely financially responsible.

In cases where FEMA determines federal assistance is appropriate, the federal government pays 75 percent of the

damages. The local units of government that are receiving the assistance must pay 15 percent of the necessary funding. The state then pays the remaining 10 percent of the cost, and it is this 10 percent state match that is paid from the Emergency and Disaster Fund.

There are extremely rare instances where the federal government will pay up to 90 percent of the damages. In these situations, the FEMA program "Individual Family Assistance" is implemented, with part of the federal assistance targeted for specific individuals and/or families and their property, rather than for more public property, like roads, streets, and other infrastructure. In the past fifteen years, this occurred only once in South Dakota, in response to the 1993 flooding problems in eastern South Dakota.

Again, the Governor is free to utilize the fund for any situation that might be deemed necessary. If the Governor determines

there is an imminent threat to life and property, operations that draw from the Emergency and Disaster Fund can be ordered. One unusual instance where this fund was utilized was for added security during the 50th anniversary of the Black Hills Motorcycle Rally in Sturgis.

Instances where usage of this fund is more common include: fire, flood, snowstorm, windstorm, tornadoes, cyclone, drought, earthquake, or "other man-made or natural incidents."

It stands to reason, then, that the need to draw from this fund will vary, depending on how many incidents fitting the previous description occur within a given fiscal year. Following are reports of the Emergency and Disaster Fund's balance for fiscal years 1990-94, in addition to the fund's projected balance through the end of the current fiscal year.

	<b>FY 1990</b>	
Beginning balance		\$340,282
Less payments		<u>(\$170,188)</u>
Disaster Fund Balance 6/30/90		\$170,094
	<b>FY 1991</b>	
Beginning balance		\$170,094
Less payments		(\$83,574)
Plus legislative appropriations		<u>\$250,000</u>
Disaster Fund Balance 6/30/91		\$336,520
	<b>FY 1992</b>	
Beginning balance		\$336,520.10
Less payments		(\$30,466.03)
Plus local reimbursements		<u>\$30,246.71</u>
Disaster Fund Balance 6/30/92		\$336,300.78
	<b>FY 1993</b>	
Beginning balance		\$336,300.78
Less payments		(\$214,159.76)
Plus local reimbursements		<u>\$17,665.69</u>
Disaster Fund Balance 6/30/93		\$139,806.71

<b>FY 1994</b>	
Beginning balance	\$139,806.71
Less payments	(\$1,186,919.87)
Plus legislative appropriations	<u>\$1,452,238.00</u>
Disaster Fund Balance 6/30/94	\$405,124.74

<b>FY 1995 (projected)</b>	
Beginning balance	\$405,124.74
Less payments	(\$630,778.83)
Plus legislative appropriations	<u>\$227,000.00</u>
Disaster Fund Balance 6/30/96 (projected)	\$1,345.91

As the numbers indicate, it is uncommon for the Emergency and Disaster Fund to carry a negative balance. The fund can carry a negative balance for up to six months with permission of the Board of Finance. If the fund's balance reaches a negative balance, the Department of Military and Veterans' Affairs then requests funding to pay off all existing obligations. This can be done during the interim or regular legislative session. Whichever approach meets the six-month deadline is usually the method chosen.

As expenses are paid and reimbursements are collected, the cash balance of the fund can fluctuate considerably from month to month. One point of note is that payments for administrative costs associated with disasters commonly run three to four years behind. This is due in part to auditing that is done by both the state and federal government to monitor how funds have been handled. Another reason for the delay

is that expenses are paid out as vouchers for work are received. Therefore, if the local units of government being assisted are slow in filing for reimbursement, payments will be similarly delayed.

In short, the Emergency and Disaster Fund is used in a variety of situations and the amounts expended depend largely on factors that are out of the control of those providing the assistance. There is the apprehension of what natural disasters might require assistance, and there is also uncertainty with FEMA. While FEMA has been supportive of past needs, the federal government could change its level of support at any time. Should the extent of federal support change, the state could be confronted with greater demand for disaster assistance through the Emergency and Disaster Fund.

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**This issue memorandum was written by Chris Eitemiller, Fiscal Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.**

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