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To: Members of the California Legislature
From: Elizabeth G. Hill
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Subject: Disaster Assistance

With the recent Southern California wildfires, there has been significant interest in the programs that are available to help disaster victims. The purpose of this memorandum is to provide information on the programs and funds available to deal with state disasters. We provide Internet links to more specific information, such as program eligibility and rules.

GOVERNMENTAL RESPONSE

Generally, government responds in two ways to natural disasters. First, the state and federal governments have established ongoing programs that are triggered automatically by presidential or gubernatorial proclamations. Most of these programs, discussed below, do not have income or credit tests for eligibility.

Second, the state decides what special assistance to provide for a particular disaster. For instance, in the past, it has:

- Waived the local match for the cost of repairing local public facilities, such as buildings, roads, bridges, utilities, and recreational areas.
- Authorized the state General Fund to reimburse counties for lost property taxes.
- Provided transitional housing to disaster victims by developing mobile home parks on state or other public lands.
- Provided funds to support emergency shelter operations and rehabilitation.

In recent years, the Legislature has passed legislation waiving local match requirements and reimbursing counties for lost property taxes resulting from a disaster.

PROGRAMS TO ASSIST INDIVIDUALS AND BUSINESSES

To provide assistance to individuals and businesses affected by disasters, the state operates a number of local assistance centers. For example, in the case of the Southern

California wildfires, these centers acted as a one-stop location for many of the services described below.

Assistance Provided to Individuals

Federal Grants to Individuals and Families. The Federal Emergency Management Agency (FEMA), pursuant to a memorandum of understanding with the State of California, administers the Individuals and Household Program (IHP). This program provides grants (costs are shared 75 percent federal and 25 percent state) for disaster-related losses and expenses of up to \$28,800 to individuals and households. This program is activated by certain presidential declarations of emergency (including the one issued for the Southern California wildfires).

- *State Supplemental Program.* The Department of Social Services (DSS) operates the State Supplemental Grant Program (SSGP) to provide additional funds to individuals who meet the federal IHP requirements and have received the maximum amount allowed, but whose losses exceed \$28,800. The cost of this program is entirely funded by the state. The maximum grant under this state-funded program is \$10,000, though the grants typically range from \$200 to \$2,000. Although there is no income eligibility threshold for SSGP grants, it is the disaster program of last resort. That is, a grant may only be provided when resources from all other sources—including government programs and private insurance—are unavailable or inadequate to cover necessary expenses directly caused by the disaster.

For more information on both the IHP and SSGP, see the DSS disaster services web page: <http://www.dss.cahwnet.gov/dis/PG238.htm>.

Federal Home and Personal Property Loss Loans. The Small Business Administration (SBA) provides two types of loans to individuals.

- A *personal property loan* is available for homeowners and renters. This loan provides up to \$40,000 to help repair or replace personal property (such as clothing, furniture, and automobiles) lost in a disaster.
- A *real property loan* is also available to homeowners. This loan provides up to \$200,000 to repair or restore a primary residence to its pre-disaster condition.

For more information on federal SBA assistance programs, visit <http://www.sba.gov/services/disasterassistance/index.html>.

FEMA Disaster Assistance. The FEMA coordinates a grant program that provides for housing and other needs.

- *Housing Needs.* Funds are available to meet temporary housing costs as well as to repair or replace damaged homes.

- ***Other Than Housing Needs.*** Assistance is available for necessary, nonhousing related expenses and serious needs caused by a disaster—including medical, dental, funeral, heating, clothing, vehicle, legal, and moving costs. In addition, FEMA’s Disaster Unemployment Assistance Program provides financial assistance and employment services to jobless workers and the self-employed when they are unemployed as a direct result of a major natural disaster.

For more information on and to apply for any of the FEMA assistance programs outlined above, visit <http://www.fema.gov/assistance/index.shtm>.

National Emergency Grant (NEG) Program. The NEG grants are discretionary awards by the federal Department of Labor (DOL) that temporarily expand services for the unemployed through time-limited funding assistance in response to significant dislocation events, such as earthquakes, floods, freezes, or fires. For the Southern California wildfires, for instance, DOL awarded the Employment Development Department (EDD) a \$50 million NEG. The funds will be used to create temporary employment on projects related to cleanup, repair, renovation, and reconstruction of public structures, facilities, and lands within wildfire-affected communities. Funds will also be used for projects that provide food, clothing, shelter, and other types of humanitarian assistance for disaster victims. Local Workforce Investment Boards will administer these NEG funds. More information on emergency and disaster assistance from the EDD can be found at: <http://www.edd.cahwnet.gov/eddemerdisaster.htm>.

Other Disaster Assistance. A number of state departments have offered payment deferrals or fee waivers for victims of disasters. For instance, in the case of the Southern California wildfires, the Department of Veterans Affairs has implemented mortgage relief assistance for veterans with CalVet loans. The CalVet program will work with homeowners affected by the wildfires either by delaying or reducing their mortgage payments in the case of hardship. In addition, the California Department of Motor Vehicles has announced fee waivers for records replacement in the seven affected counties, and will assist survivors to replace copies of lost records due to fire damage.

Eligibility for Non-Disaster Programs. A disaster can affect a household’s overall level of income. A drop in income could make a household eligible for the state’s ongoing non-disaster assistance programs. For instance, eligible low-income families may apply for Food Stamps and/or California Work Opportunity and Responsibility to Kids cash assistance at their county welfare department.

Assistance Provided to Businesses

Federal SBA Disaster Loans. Loans from SBA of up to \$1.5 million each may be available for small and large businesses and certain nonprofit organizations that have suffered physical damage as the result of a disaster. Minimum creditworthiness requirements exist for this program. In addition, loans of up to \$1.5 million each may be available to small businesses that have suffered substantial economic injury such as loss

of business, regardless of physical damage. This program is open only to small businesses that are unable to obtain credit elsewhere. There is a cap of \$1.5 million on total assistance to a business available from the two programs combined. For more information on federal SBA assistance programs outlined above, visit <http://www.sba.gov/services/disasterassistance/index.html>.

California Small Business Disaster Assistance "Bridge" Loan Guarantees. This program, administered by the Business, Transportation and Housing (BTH) Agency, provides loan guarantees for small businesses affected by natural and other disasters. The program provides bridge loan guarantees for small businesses that have applications pending for federal SBA loans. Similarly, BTH provides loan guarantees of up to \$500,000 to California farm enterprises that have suffered physical damage or economic losses as the result of a disaster. For example, in response to the Southern California wildfires, BTH will provide up to \$7 million in loan guarantees.

Other Programs

Programs for State Employees. State employees who live or work in a county where the Governor has issued an emergency declaration are eligible for a paid leave of absence of up to five work days in specified circumstances. Departments may extend paid time off for up to 30 calendar days. Paid leaves of absence also may be available for state employees conducting volunteer service related to a disaster. (Local governments may provide similar benefits for their employees.) For more information on state employee benefits, see the Department of Personnel Administration Web site at <http://www.dpa.ca.gov/news/news/2007/20071022-01.htm>.

State Department Response. Many other state departments are involved in the response and recovery of disasters depending on the circumstances. For example, due to the agricultural lands affected by the wildfires, California Department of Food and Agriculture opened fairgrounds and other facilities to provide urgent shelter for displaced residents as well as horses and other animals threatened.

K-12 Schools. There are several state and federal laws that will help school districts that are affected by emergencies. First, districts will not lose funds that are based on Average Daily Attendance if they are forced to close due to an emergency. This also applies to schools that are open but have below normal attendance due to an emergency that has occurred. Second, schools can apply for reimbursement to offset fixed expenses that continue to accrue even when schools are closed (such as salaries). Third, schools who participate in the National School Lunch Program can serve meals at no charge to students who have been rendered homeless. Schools also do not need to meet federal meal pattern requirements during the disaster period. All meals are reimbursable whether or not they meet the federal guidelines. A number of schools in San Diego and San Bernardino Counties offered this assistance during the wildfires.

Tax Relief

Income Tax Relief. Under both federal and state law, disaster losses may be used by both businesses and personal income taxpayers to reduce taxable income. Only losses not reimbursed by insurance are deductible. Disaster losses may be claimed in the tax year the disaster occurred or in the tax year before the disaster occurred. (One benefit to claiming your disaster loss in the prior year is that refunds can be issued more quickly.) Both the federal and state tax administrators may also grant disaster-related extensions for various tax filing deadlines. For more information about disaster losses, refer to FTB publication 1034, Disaster Loss, at www.ftb.ca.gov/forms/misc/1034.pdf or various Internal Revenue Service publications (numbers 2194, 547, 584, and 584B) at www.irs.gov.

Property Tax Relief. The assessed value of property damaged in a disaster may be reduced to reflect the damage. The reduced value remains until the property is fully repaired, restored, or reconstructed. The repair, restoration, or reconstruction will not be considered new construction (which would trigger a higher assessment) as long as it is substantially equivalent to the property prior to the damage or destruction. In addition, the State Constitution allows the owner of a damaged home to transfer the base-year value of his/her home to another dwelling within the same county. The law also provides, under certain conditions, a base-year transfer between counties. Qualified properties severely damaged by a disaster may also be eligible to have their property tax payments deferred until 30 days after the property has been reassessed. More information on disaster property tax relief is available at <http://www.boe.ca.gov/proptaxes/faqs/disaster.htm>

Other Tax Relief. Other taxes—including the sales and use, fuel, alcoholic beverage, cigarette, and tobacco taxes—normally impose penalties and interest on late payments. The Board of Equalization may grant administrative relief from these penalties and interest payments, as it did for the recent wildfires. The form for requesting this relief is available at <http://www.boe.ca.gov/pdf/boe27.pdf>.

BUDGETING AND PAYING FOR DISASTERS

Federal Government Provides Bulk of Funding

As noted above, the federal government operates (and pays for) many of the programs available to provide disaster assistance to affected individuals and businesses. In addition, under current law the federal government pays at least 75 percent of many state and local government costs in responding to a disaster and repairing public facilities after a disaster. (For example, with regard to repairing public facilities damaged in the recent Southern California wildfires, state parks incurred over \$1 million in damages and state and local roads incurred roughly \$50 million in damages.) In the case of state facilities, the state pays the remaining 25 percent. In the case of local government

facilities, the remaining costs are shared between the state (19 percent) and the local government (6 percent). The Legislature, however, may waive the local match requirement and has done so in many recent disasters. In addition, at times, the federal government has covered an even greater share of expenses. With the wildfires, the Department of Finance indicates that the administration is pursuing a 90 percent federal commitment.

State Funding Mechanisms

The state budgets and pays for state emergencies through a variety of methods. The major funding mechanisms are described below.

Item 9840. The state budgets only a minimal amount each year for unanticipated disasters and emergencies. Item 9840 of the annual budget appropriates \$49 million from the General Fund for contingencies and emergencies. These funds, however, are generally insufficient to cover unanticipated departmental operating expenses (which may rise due to caseload increases, litigation, or other unexpected events)—typically leaving only minimal amounts to cover disaster expenses. For instance, the administration recently submitted a \$2 million request under this item for the Office of Emergency Services (OES) costs related to the wildfires.

Access to Reserve. Within 120 days of a gubernatorial declaration of an emergency, state law (Government Code Section 8690.6) provides the administration the authority to take funds from the state's General Fund reserve to cover disaster costs. The administration recently notified the Legislature that OES incurred \$67 million in such costs for the wildfires. State law also gives the Governor broad authority to access existing departmental appropriations if needed for responding to a disaster.

Firefighting Costs. The state annually budgets some funds to cover emergency firefighting costs. For instance, the 2007-08 budget includes \$82 million for statewide emergency firefighting costs. The Southern California wildfires, however, cost more than \$140 million alone. The federal government will reimburse the state for a substantial portion of these costs over the next few years.

OES Disaster Assistance. The state also budgets disaster assistance funds within OES. These funds are used to cover the state's share of costs for *past* disasters and, therefore, are not available to pay for new disasters. For instance, the 2007-08 budget includes \$56 million from the General Fund to pay for the state's share of costs for past disasters. We would anticipate that the 2008-09 budget will request funding for costs associated with the recent wildfires.