MODEL STATE RESILIENCE REVOLVING LOAN PROGRAM LEGISLATION

MULTI NATURAL HAZARD MITIGATION FINANCING
Natural and human caused disasters are causing mounting damages and repair costs for the 3-4 million older high flood-risk pre-flood map buildings in FEMA flood zones. A changing climate is increasing risk and that risk is now resulting in much higher rates for insurance. Very high insurance rates combined with the very real chances of damages from natural disasters are going to combine to negatively impact our property values, and therefore our vital property taxes will be reduced. Property taxes fund our schools and government operations and help re-pay our debt obligations.

Mitigating the hazard risk is critical to preserving property values and property tax revenues. Mitigating flood risk by structural elevation and structural dry flood proofing are proven methods of hazard risk reduction. Flood mitigation projects preserve property values and create good jobs in all of the professional trades and the design professions.

The financing of mitigation projects has always been the major limiting element of hazard mitigation. Federal, State and local funding of grants for mitigation have been proven to work but have always fallen far short of need and demand for the funds. We have always needed a financing solution.

Now we have the new Federal Resilience Revolving Loan program for multiple natural and human-caused disaster mitigation. The Federal law is called the STORM Act – PL116/284, signed into law January 1, 2021 and FEMA received a $500 million appropriation from the 2021 Infrastructure Bill. FEMA will now begin the writing of program administration rules, with program deployment in 2023.

In order for states to access the loan funds they will need to create their own Resilience Revolving Loan Program. The attached legislation is a model intended to assist them with the creation of their new revolving loan program. The model legislation has a foundation in the 2020 Maryland revolving loan program and the National Conference of Insurance Legislators – NCOIL model legislation adopted in November 2021. The model legislation has a few features of note:

• Section A funds are the tax revenues appropriated from Federal, State and local governments.
• Section B is a restricted fund to provide a conduit to property owners for the hazard mitigation of their properties
• A “forgivable provision” for income disadvantaged property owners
RESILIENCE REVOLVING LOAN PROGRAM - STATE

Since 1980, the United States has experienced 265 weather and climate related events that have each cost $1 billion dollars or more in damages. Further, recent data shows that natural disasters are increasing in both frequency and strength. This puts increased burden on insurance markets, can make certain risks increasingly difficult to insure, and can increase the cost of insurance for consumers. According to the Natural Institute of Building Sciences, every dollar spent on natural disaster mitigation saves $6. It is therefore in the best interest of states to support resilience and mitigation projects to reduce this burden, reduce the cost of natural disasters, and to save lives and property.

Recent federal law, the “Safeguarding Tomorrow through Ongoing Risk Management Act” or the “STORM Act”, authorizes the Federal Emergency Management Agency (FEMA) to enter into agreements with certain state agencies to provide capitalization grants for hazard-mitigation revolving loan funds to provide low interest loans to fund local mitigation projects, including mitigation projects on buildings that reduce damage risk, reduce insurance rates and bring buildings into FEMA minimum NFIP requirements. This model legislation aims to provide states with a framework to be able to access this funding and help fund local natural hazard mitigation projects.

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Section 1. Title
This Act shall be known and cited as the “Resilient Revolving Loan Fund Model Act.”

Section 2. Definitions
For the purpose of this Act:
(a) “Fund” refers to the Resilient [Local] Revolving Loan Fund.
(b) “Emergency Management Department” refers to the state agency responsible for emergency management in the state passing the “Resilient Revolving Loan Fund Act.”
(c) “Finance Authority” refers to a government authorized finance authority with lending experience for private property
(d) “STORM Act” refers to the “Safeguarding Tomorrow through Ongoing Risk Management Act” (Public Law 116-284).
Section 3. Purpose
For the purpose of establishing a special, non-lapsing loan fund, the Resilient Revolving Loan Fund, to provide loans for local resilience projects that address mitigation of all natural hazards and additional projects related to man-made threats and hazards. Currently, Federal mitigation grant programs are set up in a way to allow for co-benefit related to man-made threats and hazards, but the primary focus of the project must be to reduce or eliminate risks from natural hazards.

Section 4. Intent

(a) It is the intent of the legislature that the Emergency Management Department or other appointed administrative or financing agency apply to the Federal Emergency Management Agency under the provisions of the STORM Act, when funding is available, to enter into an agreement to capitalize the revolving loan fund established under this Act with money appropriated to the Fund.

(b) The Emergency Management Department or other appointed administrative or financing agency may grant loans under this Act to local jurisdictions, at least in part, to meet federal matching requirements for federal resilience grants, including Building Resilient Infrastructures and Communities (BRIC), Flood Mitigation Assistance (FMA), Hazard Mitigation Grant Program (HMGP), Housing and Urban Development - HUD Community Development Block Grant (CDBG-DR/MIT) and US Army Corps of Engineer flood risk reduction projects such as levees, closures, pump stations and non-structural projects like elevation and wet/dry flood proofing.

(c) Loans can be granted to property owners to provide the financing for natural hazard mitigation projects such as wind retrofits, flood mitigation elevation and wet or dry flood-proofing projects, fire mitigation retrofit projects, and earthquake retrofit mitigation projects.

Section 4. Revolving Loan Fund

(a) This Act establishes the Resilient Revolving Loan Fund.

1. The Fund is a special, non-lapsing fund that shall be available in perpetuity for the purpose of providing loans in accordance with the provisions of this section.

2. The Fund is not subject to any article of state code which dictates that at the end of a fiscal year, the unspent balance of an appropriation to special funds or accounts reverts to the general fund of the state.

3. The State and or Treasurer shall hold the Fund separately, and the Comptroller or state equivalent shall account for the Fund.
4. The Fund consists of:
   
i. Money appropriated in the state budget to the Fund;

   ii. Investment and interest earnings of the Fund;

   iii. Repayments of principal and interest loans made from the Fund;

   iv. Any other money from any other source accepted for the benefit of the Fund and

   v. The loan program shall have a “restricted” fund that will hold private capital that allocated for the hazard mitigation of buildings only and not available for other uses.

5. The Fund is administered by the Emergency Management Department or financing authority.

6. The Fund may be used only to provide low – or no – interest loans to Finance authorities and non-profit organizations for hazard mitigation and resilience projects. These loan funds can be made to private property owners for the use in hazard mitigation project for the building.

7. The loans provided under the Fund shall be for a fixed loan period and can be attached to the property taxes, allowing the property to be sold as long as the new owner agrees to assume the debt obligation.

8. Any interest earnings of the Fund shall be credited to the Fund.

9. Money expended from the Fund is supplemental to and is not intended to take the place of funding that otherwise would be appropriated to local governments for natural hazard mitigation or resilience projects.

10. Loans from the Fund may be used to satisfy the nonfederal match for federal mitigation grants.

   i. The Emergency Management Department shall, taking into consideration requirements from the STORM Act, establish application procedures and eligibility criteria for loans from the Fund. The eligibility criteria shall require that a local government or non-profit organization demonstrate:

       a. Need for a loan to address hazard mitigation; and

       b. The ability to repay the loan, if required, at a later date.

11. The loan program will also be established with graduated forgivability available to eligible individual recipients that shall at minimum:

   i. Provide full loan forgiveness for eligible households with between 80 percent and 50 percent of the area median income incomes for the area in which the property to which the loan applies is located.
ii. Provide 50 percent loan forgiveness for eligible households with income equal to 80 percent to 100 percent of the area median income for the area in which the property to which the loan applies is located.

iii. Additional forgivability percentages for households with incomes not within those directly addressed in this subsection can be applied by the implementing Emergency Management Department or financing authority based on:

   a. The number of eligible individual recipients participating in the program authorized under this subsection.

   b. The availability of funding.

   c. Any other factor that the implementing agency finds reasonable and necessary.

Section 5. Effective Date

And be it further enacted that this Act shall take effect ________________.