

Disaster Relief Fund (DRF) FY19 Supplemental Information Paper

In response to questions received from Legislative Finance on March 5, 2019, please see consolidated response below from DMVA.

1. **How was the \$21.9M request derived?** The original figure of \$21,901,714.90 was based on the Governor's Request for Federal Assistance (RFA). The results of the Preliminary Damage Assessment were included in the request. The cost estimates included in the RFA were based on a sampling of the most severely damaged homes and public infrastructure rather than actual costs at the time or projected costs. These figures were used solely for the purpose of requesting federal assistance. The \$21,901,714.90 reflected state match required for the federal declaration (enclosure A and B to Major Disaster Request). The intent was to provide the figures that were available, which would be used as a "placeholder" amount while DMVA waited for a federal declaration and accompanying Federal Emergency Management Agency (FEMA) cost estimates.

The \$21,901,714.90 figure was revised later to remove \$9,689,505.96 from Enclosure A. These estimates were for state only IA (Individual Assistance), not associated with a federal declaration. A supplemental request of \$21.9M will allow DMVA to maintain a sufficient balance for the department to assist in responding to future, upcoming disasters, such as spring floods, while DMVA is working to gather more accurate projections for the 2018 Cook Inlet Earthquake (CIE).

2. **How much is in the DRF and how much is available for earthquake response?**
 - a. As of March 5, 2019, the unallocated balance of the DRF is \$362,932.33 (this balance does reflect a \$1M pending increase in funding for DR4094 12 September Severe Storm, which will require Legislative approval).
 - b. \$6.5M from the DRF has been allocated to the 2018 CIE, and as of March 5, 2019, total encumbrances/expenditures equal \$4.2M leaving an unobligated balance in the allocation of \$2.3M.
3. **How fast is cash leaving the fund, and when will the cash run out?** Based on the current rate of expenditures, anticipated billings from contractors, and state personnel costs, Homeland Security and Emergency Management (HS&EM) expects the unobligated balance of the 2018 CIE to be fully expended by March 30, 2019. The unallocated balance of the DRF fund is projected to hit zero by April 1, 2019.
4. **When/how much do the feds pay and when are state funds needed as match or otherwise?** Most federal funding for FEMA's Individuals and Households Program (similar to the State Individual and Family Grant Program) is granted directly to survivors and is 100% federal costs. FEMA's Other Needs Assistance (personal property loss, transportation, medical, dental, funeral expenses) includes a 75% federal, 25% state cost share. State-only

costs (not eligible for federal reimbursement) include the State's Individual and Family Grant Program, Temporary Housing Program, and State Management Costs (HS&EM personnel costs).

1. State Individual and Family Grants: Applicants are eligible for up to \$17,450/claim. The application period is closed and HS&EM has received 14,673 applications. Of those applications, a total of 24 applicants have received grant payments, totaling \$314,310.02. This is an average of \$13,096.25 per claim. HS&EM has suspended further Individual Assistance (IA) payments, pending the federal IA payments. However, once federal programs have run their course the state program will determine if an unmet critical or serious need remains for survivors and may still make further payments up to the statutory maximum of \$17,450.
2. Temporary Housing: HS&EM has paid \$272,686.40. Temporary housing payments have also been suspended, pending the federal Temporary Housing Program. We do not anticipate further payments in the State Temporary Housing Program.
3. State Management Costs: The average cost per disaster is 20% of the Public Assistance Project Worksheets, which will be substantial for the 2018 CIE, considering the amount of unknown damage.
4. State Public Assistance Program: We have currently received 67 requests for public assistance from government agencies, infrastructure owners and operations, and private non-profit organizations. In order to estimate the costs to repair or rebuild infrastructure to pre-disaster condition, each applicant must be determined to be eligible under federal regulations. Additionally, the work performed, the facilities themselves, and the costs must be eligible. Scope of work development and detailed cost estimating for Public Assistance costs will take months to be determined. As the disaster was a seismic event, a significant amount of work will be required to obtain engineering, design, and other criteria prior to repairs being made. Once those costs are determined, the costs are shared at 75% Federal, 25% State.

Based on these three major categories (State-only costs) listed above, as well as the required match for Federal programs, HS&EM is estimating \$60M or more will be required to cover the State's costs for the 2018 CIE.

As stated above, the initial estimates for funding required for individuals and public infrastructure were based on preliminary assessments performed in December 2018. The estimates will continue to increase into State Fiscal Year (SFY) 2021 as State and Federal programs are implemented.

5. **Who is eligible for how much money, from what source, and for what purposes? (The issue here was that DMVA noted they were encouraging people to apply for assistance even if no damage (to foundations was the example they used) was apparent and may not be apparent until spring. There is a conflict here because others claimed that disaster assistance was limited to health and safety issues like power, water, and gas. We don't know if there is emergency assistance and then a later round of assistance that the state will pay. We don't know if payments are mandatory or discretionary. We were told by others that foundation cracks were a homeowners' insurance issue, not a disaster issue):** Eligibility for the State Individual

and Family Grant Program and the State Temporary Housing program is regulated by Alaska Administrative Code 6 AAC 94.200-380. DMVA encourages all survivors to register for both the State program and FEMA programs even if no damage is visible yet. The majority of homeowners in the declared jurisdictions have expressed serious concerns about damage that may be uncovered or discovered in Spring when the snow melts and the ground thaws. For the State programs, a homeowner must prove the damaged home was their primary residence at the time of the earthquake, that damage occurred to essential living areas of their home (i.e. kitchen, one bathroom, bedrooms that were in use, etc.), or that essential personal property was lost or damaged as a result of the original 7.0 earthquake. The Administrative Code (AC) also specifies that an applicant must apply to all applicable governmental disaster assistance programs and be determined “not qualified” for that assistance, or demonstrate that other government assistance provided does not satisfy the total necessary expense or serious need.

Upon receiving the Presidential Major Disaster Declaration, the AC requires all applicants with the state to register with FEMA, and if necessary, to apply for low-interest loans from the U.S. Small Business Administration (SBA). Further, the Code states that an applicant to the State program must not have previously received or refused assistance for all or part of the necessary expense or serious need. In essence, this means an applicant to the State Individual and Family Grant Program must now register with FEMA, apply for an SBA disaster loan, and either be denied or determined ineligible before they request reconsideration through the state program. If an applicant receives their final determination of assistance from FEMA and SBA, and still has a necessary expense or serious need that wasn't addressed, the State program may be able to provide grant funding.

FEMA's program is structured differently than the State program. In order to receive grant funding from FEMA, the applicant must demonstrate that there are damages to their home that have compromised the home's ability to provide a safe, sanitary, and functional living space. The State program does not use that restrictive criteria. The AC prevents the State from duplicating benefits already received from insurance or other governmental programs. In order to prepare to continue the State program, DMVA will send loss verification specialists to every home that has reported major damage or that has been destroyed. The assumption is those homes that have minor damage or have been minimally affected will receive funding from the Federal programs that are activated.

Both State and Federal programs are intended to supplement a homeowner's insurance, not to replace it. Specific to this disaster, it appears that only a fraction of homeowners had earthquake insurance at the time of the disaster. In many cases the deductible can be between 10-20% of the home's assessed value. While the State program may provide up to \$17,450, and the FEMA program may provide up to \$34,900, that may be insufficient to meet the high deductibles that come with earthquake insurance. The FEMA program cannot be utilized to offset high deductibles, but both the State program and SBA disaster loans may be used for that purpose. It's important to reiterate that governmental disaster assistance programs are not designed to make a homeowner whole again.

Specific to the example of foundation cracks, if a homeowner had earthquake insurance, their foundation may or may not be eligible under their policy. If there is no earthquake

insurance, or the policy does not cover foundations below grade, that is considered an “uninsured or uninsurable” component of the home. In that case, FEMA can provide housing repair assistance, as long as the cracks to the foundation prevent the home from being safe, sanitary, or functional. Under the state program, if those cracks comprise essential living areas of the home, they would be eligible for state assistance. Cosmetic cracks to drywall, foundations, etc., are generally not eligible for disaster assistance grant funding. SBA disaster loans can assist with general repairs.

Every individual case must be managed separately. As stated above, there are specific limitations to all programs, and they must be adjudicated on a case-by-case basis. Homeowners are eligible for up to \$17,450 from the state and \$34,900 from FEMA for housing repair or replacement. Both programs are regulated to ensure that insurance, state assistance, or federal assistance is not duplicated. In order to comply with these regulations, a survivor must exhaust their federal benefits prior to requesting reconsideration from the state.

Public Assistance works differently than Individual Assistance. In general, local, tribal, and state governments are eligible for funding. In addition, certain private non-profits who provide “essential government services” (i.e. education, utilities, social services) are also eligible. Public Assistance provides funding to restore disaster-damaged facilities to pre-disaster condition, form, and function. Additional costs may be considered including compliance with current building codes and standards, and any potential mitigation of the facility to prevent recurring damage from the same peril.