FISCAL BRIEF

DISASTER AND EMERGENCY CONTINGENCY FUND

Aaron A. Meek, Fiscal Analyst
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FAST FACTS

- The DECF was created by 1976 PA 390 to serve as the state's main disaster relief fund.
- The legislature must maintain the DECF balance between $2.5 and $10.0 million and typically does so via annual and supplemental general fund deposits.
- DECF revenues can be distributed as grants to impacted areas, as well as used to fulfill state matching fund obligations for federal disaster relief.
- In FY 2024-25, nearly $10.4 million was expended from the DECF in response to disasters and emergencies across the state.

INTRODUCTION

The Disaster and Emergency Contingency Fund (DECF) was created by the Emergency Management Act (EMA), 1976 PA 390, MCL 30.401, to function as the state's primary relief fund during a declared state disaster or emergency. The legislature is required to appropriate funds to maintain the DECF balance between $2.5 million and $10.0 million. Funds are available for use as state matching funds for federal emergency grants and are also distributed through state disaster assistance grants administered by the Michigan State Police (MSP). This brief describes the disaster and emergency declaration process, provides background on the EMA and the DECF, and gives details on recent DECF grants and expenditures.

STATE DISASTERS AND EMERGENCIES

Enacted in 1976, the EMA tasks the governor with "coping with dangers to this state or the people of this state presented by a disaster or emergency," which are defined by section 2 of the act as follows:

- A *disaster* is an occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from a natural or human-made cause. This includes, but is not limited to, fire floor, snowstorm, ice storm, tornado, windstorm, wave action, oil spill, water contamination, utility failure, hazardous peacetime radiological incident, major transportation accident, hazardous materials incident, epidemic, air contamination, blight, drought, infestation, explosion, or hostile military action, or similar occurrences resulting from terrorist activities, riots, or civil disorders.
- An *emergency* is any occasion or instance in which the governor determines state assistance is needed to supplement local efforts and capabilities to save lives, protect property and the public health and safety, or to lessen or avert the threat of a catastrophe in any part of the state.

If the governor determines that current circumstances meet either of the above definitions, sections 3, 4, and 5 of the EMA authorize the governor to issue an executive order or proclamation declaring a state of disaster or a state of emergency. A declaration to this effect allows the governor, through the state director of emergency management and MSP's Emergency Management and Homeland Security Division (EMHSD), to utilize all available state, federal, and local resources to respond to the disaster or emergency, including funds from the DECF.

REVENUE AND BALANCE REQUIREMENTS

The EMA requires the legislature to maintain the DECF balance between $2.5 million and $10.0 million. **Table 1** shows changes to these required minimum and maximum balance requirements since the enactment of the original EMA, which did not include a minimum balance provision.

Table 1: DECF Balance Requirements

Public Act	Minimum	Maximum
1976 PA 390	N/A	$500,000
1990 PA 50	$30,000	$750,000
2013 PA 109	$1,000,000	$4,500,000
2016 PA 220	$1,000,000	$10,000,000
2018 PA 263	$2,500,000	$10,000,000

The DECF balance fluctuates significantly from year to year due to the unpredictability of events that result in a disaster or emergency declaration, the amount of assistance sought by impacted counties and municipalities, and the amount deposited into the fund by the legislature. While supplemental general fund appropriations are typically made throughout the fiscal year to maintain the DECF balance, funds may also be appropriated through the legislative transfer process if necessary. In FY 2024-25, the legislature appropriated a total of $20.0 million from the general fund to replenish the DECF.

DISTRIBUTION OF DECF FUNDS

Under section 19 of the EMA, the governor may authorize expenditures from the DECF to areas experiencing a declared state of disaster or state of emergency only if federal public assistance, such as grant funding provided by the Federal Emergency Management Agency (FEMA), is unavailable. EMHSD coordinates and administers DECF spending primarily through the state disaster assistance grant program, which awards funds on a reimbursement basis for eligible expenses incurred by applicants during the period stipulated in the governor's disaster or emergency declaration, including costs for repairs to damaged facilities (such as buildings or road systems, but excluding capital outlay expenditures), certain overtime pay for local government employees, contracts, and supplies.

Counties and municipalities (defined as cities, villages, and townships) are the only entities eligible to receive DECF grants. School districts, nonprofit agencies, businesses, and individuals are not eligible; however, county road commissions and state universities may apply for reimbursement as a sub-applicant on a county application at the county's discretion. In the event that an entire county is declared by the governor to be in a state of disaster or state of emergency, the county itself *and* each municipality within the county may apply for DECF assistance. Pursuant to the eligibility requirements codified in the EMA and Rules 30.51 through 30.61 of the Michigan Administrative Code, counties and municipalities that apply for grant funding must do the following:

- Maintain an emergency management program, or be incorporated into a county emergency management program, that was established before an emergency or disaster is declared and was implemented in a timely manner at the beginning of the disaster or emergency.
- Certify the exhaustion of local effort to respond to the disaster or emergency, including the timely declaration of a local state of emergency.[1]
- Demonstrate an extraordinary financial burden due to disaster or emergency response efforts.[2]
- Conduct and submit an assessment of damages incurred in a disaster or emergency to EMHSD.

[1] Rule 30.53(1)(c) defines the "exhaustion of local effort" as utilizing all available and applicable disaster relief forces as identified in the emergency operations plan and applicable support emergency operations plan.

[2] Rule 30.53(1)(d) stipulates that an "extraordinary financial burden" is demonstrated by an applicant if, over a consecutive five-day period, the applicant incurs allowable expenditures (as defined by Rule 30.56) in excess of $30,000 or 1% of the applicant's annual general fund operating budget, whichever is less.

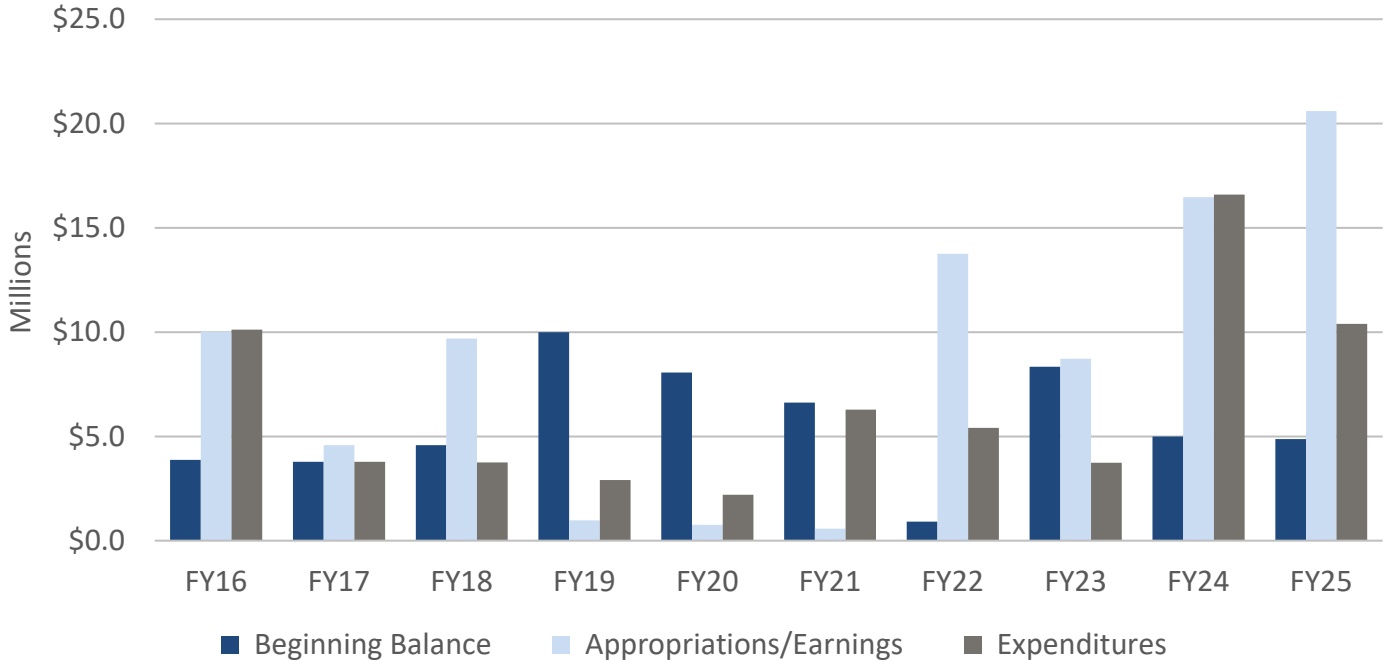
Grant distributions from the DECF are not required by the EMA and are allocated on a case-by-case basis at the discretion of the governor and the state director of emergency management. Because DECF grants are distributed as reimbursements, counties and municipalities must complete all work and pay all expenses claimed on their assistance application prior to receiving DECF assistance. As a result, there is typically at least a several month delay between the date of the incident (or the date that the disaster or emergency was declared) and the point in time at which the applicant receives DECF funds, which can result in distributions occurring across two or more fiscal years.

The total amount of DECF assistance that may be provided to eligible counties and municipalities is capped at 10% of the applicant's total annual operating budget for the preceding fiscal year or one of the following amounts based on population at the time of the last federal decennial census, whichever is less:

- $250,000 for applicants with a population less than 25,000.
- $500,000 for applicants with a population equal to or greater than 25,000 and less than 75,000.
- $1.0 million for applicants with a population equal to or greater than 75,000.

In the event that a state of major disaster or emergency is declared by the president of the United States, section 18 of the EMA also authorizes the governor to make additional expenditures from the fund in order to pay the state's matching share of funds provided by FEMA under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. **Figure 1** shows annual DECF appropriations from FY 2015-16 to FY 2024-25 (deposits, mid-year adjustments, and interest earnings), which totaled $86.2 million, as well as expenditures totaling $65.2 million (grants, state share and match spending, and fees). During this period, the median annual expenditure from the fund was approximately $4.6 million. Notable spikes in expenditures in FY 2015-16 and FY 2023-24 are associated with the Flint water emergency and widespread severe storm and flood damage, respectively.

Figure 1: 10-Year DECF Balances, Appropriations, and Expenditures



APPENDIX A: FIVE-YEAR DECF EXPENDITURE DETAIL (FY 2020-21 TO FY 2024-25)

Data in the table represents five-year rolling totals and does not include DECF expenditures made prior to FY 2020-21. In addition to the totals below, $95,292 was used to support the Emergency Management Assistance Compact and $6,734 was used to cover miscellaneous costs and fees.

Date of Incident	Type of Incident	Location	State Resp. Costs / State Share Pmts.	Matching Funds / Mutual Aid Reimb.	Section 19 Grants	5-Year Total DECF Funds
3/28/2025 to 3/30/2025	Ice storm	Alcona, Alpena, Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Kalkaska, Mackinac, Montmorency, Oscoda, Otsego, and Presque Isle Counties; Little Traverse Bay Bands of Odawa Indians	$5,218,183	–	–	**$5,218,183**
5/7/2024	Severe storms, tornadoes	Cass, Branch, Kalamazoo (primarily City of Portage), and St. Joseph Counties	33,015	–	1,338,422	**1,371,437**
8/24/2023 to 8/26/2023	Severe storms, tornadoes, flooding	Eaton, Ingham, Ionia, Kent, Livingston, Macomb, Monroe, Oakland, Wayne	200,798	11,540,895	3,578,605	**15,320,298**
4/11/2023	Flooding	Alger, Baraga, Dickinson, Gogebic, Houghton, Iron, Marquette, and Ontonagon Counties	64,547	–	1,835,767	**1,900,314**
12/22/2022 to 12/25/2022	Severe winter weather	*Statewide*	18,592	–	–	**18,592**
10/6/2022	Fire	Monominee County	26,592	359,707	537,624	**923,922**
8/13/2022	Water main break	Lapeer, Macomb, Oakland, St. Clair Counties	418,150	–	274,505	**692,655**
5/20/2022	Tornadoes	Otsego County (primarily City of Gaylord)	–	22,921	643,313	**666,234**
5/11/2022 to 5/12/2022	Severe storms, flooding	Marquette and Mecosta Counties	–	–	694,143	**694,143**
8/11/2021	Severe weather	Branch, Hillsdale, and St. Joseph Counties	–	–	907,992	**907,992**

Date of Incident	Type of Incident	Location	State Resp. Costs / State Share Pmts.	Matching Funds / Mutual Aid Reimb.	Section 19 Grants	5-Year Total DECF Funds
7/7/2021 and 7/24/2021	Severe storms	Armada Twp. and Village of Armada (Macomb County); City of Farmington, City of Farmington Hills, and City of Southfield, White Lake Twp. (Oakland County)	–	–	1,326,219	**1,326,219**
6/25/2021	Flooding, tornadoes	Ionia, Macomb, Ionia, Washtenaw, and Wayne Counties	772,217	8,465,107	–	**9,237,324**
7/20/2020	Flooding	Lake County	–	–	424,285	**424,285**
5/19/2020	Flooding	Arenac, Gladwin, Iosco, Midland, and Saginaw Counties	–	202,551	–	**202,551**
N/A	Water contamination	City of Flint	163,140	–	–	**163,140**
6/18/2018	Flooding	Gogebic, Houghton, and Menominee Counties	3,241,201	–	–	**3,241,201**
5-YEAR TOTALS *Totals may not sum due to rounding.*			**$10,156,435**	**$20,591,181**	**$11,560,875**	**$42,308,490**

Source: Michigan State Police Emergency Management and Homeland Security Division