

## **The Austrian Disaster Fund**

### **Historic Overview**

The Austrian Constitution assigns the removal of incurred losses of natural and legal persons caused by disasters to the Länder. Nevertheless, following disastrous avalanches in 1951 the assistance of the Federal level was required. The Federal Parliament issued a special law providing financial means to help and assist those affected by the avalanches in Tyrol, Salzburg, Carinthia, Styria and Vorarlberg. Several following disasters required again special Acts of Parliament, until – as a result of the flood waters in 1965 and 1966 – a permanent disaster fund was established.

The so-called “Disaster Fund Act 1966” (Katastrophenfondsgesetz 1966, BGBl. Nr. 207/1966) provides financial means in order to

- finance preventive measures against avalanches and floods
- support the Länder in covering incurred losses

The Fund was financed by earmarked surcharges on the income tax, wage tax, tax on capital yields and corporation tax.

1970

The functions of the Disaster Fund were expanded: a certain share of the financial means was dedicated to buy fire department equipment.

1972

The surcharges were abolished, instead the Disaster Fund was financed by a certain percentage of the revenue of the above mentioned taxes (then 2,29%).

1985

The Disaster Fund Act 1966 having become too complex a new Disaster Fund Act (Katastrophenfondsgesetz 1985, BGBl. Nr. 539/1984) was issued.

1986

Due to the nuclear disaster in Tchernobyl adaptations to the Disaster Fund Act were made, allowing the fund to cover losses caused by the nuclear disaster. In addition, financing of warning and alarm systems was included in the earmarking of the fund.

1990

Water quality surveys were included in the earmarking of the fund.

During the following years no major disasters occurred and a significant reserve piled up in the fund (at this time the reserve was not limited). Special provisions repeatedly allowed this surplus to be used for other purposes. Recommendations of the Court of Audit led to a major amendment of the Disaster Fund Act in 1996.

1996

The present Disaster Fund Act (Katastrophenfondsgesetz 1996, BGBl. 201/1996) became effective in 1996. The fund is financed by a certain percentage (currently 1,1 %) of the revenue of the following taxes: income tax, wage tax, tax on capital yields and corporation tax, deducted from the federal share in those taxes. Financial means which are not spent in a respective year are subject to a reserve. This reserve is limited to € 29 m.

2002 and 2005

In case of extreme disasters such as the 2002 and 2005 floodings the Federal government provides additional means (in 2002 € 500 m., in 2005 € 251 m.).

In 2002 Austria initiated the European Union Solidarity Fund enabling the EU to respond in a rapid, efficient and flexible manner to come to the aid of any Member State in the event of a major natural disaster. Austria received from the EU € 134 m. for the 2002 flood and € 14,8 m. for the 2005 flood.

## **The Fund's purpose of use**

### **damage to private property**

The Fund assists in making up for a loss of a private household or private companies. Private households and companies are usually granted 20-30 % indemnity for the incurred loss by the Länder. The Fund then reimburses 60 % of the financial aids spent by the Länder.

### **damage to public property**

The Fund also provides assistance to any level of government: The local and Länder level often suffer damages of infrastructure, on the Federal level waterways and motorways can be affected. The Fund compensates 50 % of the damage to Länder and municipal property.

### **fire department equipment**

The most recent amendment to the Disaster Fund Act guarantees that from 2006 until 2008 a minimum of € 90 m. per year – regardless of the tax revenue or the endowment of the Fund – has to be spent on fire department equipment, providing longterm and manageable financing in this field. The guaranteed sum is financed by the Fund and the revenue of the fire protection tax (a Länder tax).

### **preventive measures**

Preventive measures against disasters are a top priority. There is broad consensus on all levels of government that preventive measures are absolutely necessary to protect citizens from being affected by natural disasters. 75 % of the Fund's revenues are spent on torrent and avalanche control which are coordinated throughout Austria according to certain priority criteria.

Integrated flood control management is not accomplished by providing sufficient funding, but must also be attained by useful interaction of regional planning including the identification of hazard zones, building technology and organization.

In June 2006 the Federal Ministry of Agriculture, Forestry, Environment and Water Management in corporation with the insurance sector published data about zones with a high

risk of being affected by floods or earthquakes (“Hochwasserrisikozone Austria – HORA”), focussing on the individual responsibility for taking preventive flood control safeguards.

HORA provides a basis for a raised awareness and a better evaluation of possible risks in connection with natural disasters. Besides, HORA already fulfils part of the requirements presently discussed on the European Level.

## **Monitoring / Execution**

As mentioned above, the competence of compensating incurred losses of natural and legal persons in connection with natural disasters is allocated at Länder level. Therefore, the Länder are responsible not only for assessing damages but also for the loss payment. The Länder also exercise control of the lawful use of the financial means. The Federal level reimburses 60 % of the financial aids spent by the Länder and spot-checks.

Each federal province has their own provisions for damage compensation, administrative details may differ in each province.

In general, the compensations are handled as follows:

Compensations for private damages are paid out by the respective federal province (Land) directly to the person affected after damage has been surveyed by a commission (in corporation with an expert) set up in the affected municipality. Usually, applicants are granted 20-30 % indemnity for the incurred loss by the Länder, in case of hardship up to 80 %. As a general rule, the applicant must begin rebuilding within a year and submit receipts for evidence. Receipts have to be retained for 7 years.

Involvement of all levels of government – commissions, Länder and Federal government – guarantees that on the one hand each damage is examined and evaluated individually, and on the other hand that help can be provided promptly and in an unbureaucratic way. As a result of the participation of the Federal level the extent of compensation is largely unitary.

Compensation is limited to the re-establishment of the damaged good in its former state, i.e. the replacement value (e.g. compensation for a damaged gravel road is limited to the costs of reconstructing the gravel and not an asphaltic road). This provision inhibits misuse of the Fund's financial means.

## Expenditures 2006 (m. Euros)

damage to private property	36,59
damage to Federal property	59,11
damage to Länder property	34,64
fire department equipment	29,45
damage to municipal property	40,01
preventive measures	176,31
hail insurance promotion	12,14
warning and alarm systems	3,63
solidarity funds	9,87
extra allowance "Raufutter"	1,50
<b>total</b>	<b>403,23</b>
(included HWG 2005:	136,04)