OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

# Helping Communities Recover from Natural Disasters

MARCH 2012

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

March 2012

Members of the Legislative Audit Commission:

You asked the Office of the Legislative Auditor to evaluate Minnesota's approach to helping communities recover from natural disasters such as floods, tornadoes, and strong windstorms. Our findings and recommendations are contained in this report.

We found that Minnesota has a legal framework for helping communities recover from natural disasters, but the framework does not apply to all disasters and needs some improvements. State agencies that offer recovery assistance do not consistently measure the effectiveness of their programs. We also found that local governments, residents, and businesses dealing with a disaster's aftermath need more help with some of the complex procedures used to apply for and receive recovery assistance.

We recommend that the Legislature set criteria for when state funding should be made available for natural disasters that do not receive presidential declarations of disaster. If it does so, the Legislature should consider a dedicated account to fund initial recovery activities for such disasters. We also recommend that the Homeland Security and Emergency Management Division in the Department of Public Safety take the lead in measuring the effectiveness of recovery efforts.

Our evaluation was conducted by evaluation manager Jody Hauer, David Kirchner, and Kate Lang Yang, with assistance from Matt Schroeder. Minnesota's state agencies involved with disaster recovery cooperated fully with our evaluation, as did the emergency-management directors in counties and cities around the state.

Sincerely,

Jim Nobles

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- Over the last 15 years, Minnesota has had 32 severe natural disasters and appropriated more than $488 million for recovery efforts. (p. 11)
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- State agencies that offer recovery help do not consistently measure the timeliness or cost-effectiveness of their aid or assess the degree to which recipients are satisfied. (p. 61)
- Local governments, residents, and businesses need more help with the complex processes used to apply for and receive recovery assistance. (p. 74)
- HSEM's help in establishing long-term recovery committees has been inconsistent. (p. 79)

## Key Recommendations:

- The Legislature should determine under what circumstances state recovery funding should be made available for disasters that do not receive FEMA aid via presidential declarations. If it does so, it should consider a dedicated account to fund initial recovery for such disasters. (pp. 45, 56)
- The Legislature should set explicit criteria for when the state should pay the (1) full share of matching funds required for FEMA aid and (2) local shares of projects funded by Minnesota's Flood Hazard Mitigation Grants program. (p. 45)
- HSEM should use mechanisms now in place to lead in evaluating and improving recovery activities. It and other pertinent state agencies should assess perceptions of aid recipients about recovery services. (p. 67)
- HSEM should improve its coordination with nonprofits and develop plans to use the expanded coordinating role that the 2011 Legislature approved. (p. 81)

# Report Summary

Recovery from natural disasters means returning damaged communities to their status prior to the disaster, to the extent possible. Our evaluation focused on recovery efforts after tornadoes, floods, and severe storms.

In Minnesota, Homeland Security and Emergency Management (HSEM) has statutory authority for the state's emergency-management program including prevention and repair of disaster damage. When disasters overwhelm local governments' capacities, HSEM assists and transmits requests for help to the Governor, who decides whether to declare an emergency.

If, at the Governor's request, the President declares a "major disaster," the Federal Emergency Management Agency (FEMA) provides disaster relief, most often for damaged public infrastructure. In general, FEMA pays 75 percent of recovery costs, and the state and local governments pay 25 percent. Since 1997, 22 of Minnesota's 32 natural disasters had presidential declarations; those without declarations received no FEMA aid for recovery.

*Minnesota Statutes,* Chapter 12A, identify a set of programs that may be invoked when a disaster receives a presidential declaration. Numerous state agencies, including the Housing Finance Agency and departments of Natural Resources (DNR) and Employment and Economic Development, activate recovery programs following presidential declarations. Although some of the programs are part of agencies' day-to-day operations, others are activated only with presidential declarations. For the latter programs, the Legislature makes one-time appropriations. Other programs also receive biennial funding.

State law requires counties and cities to appoint directors of emergency management. Only mayors or county board chairs have authority to declare local emergencies. Such a declaration is necessary to receive certain disaster relief from the state.

**Minnesota has insufficient criteria for determining what state recovery programs to activate for certain disasters or what share of costs the state will pay.**

Some communities with disasters that did not receive presidential declarations have received state recovery aid for activities not reimbursed for other disasters. For example, state money helped pay to clean up debris from private lands in one such disaster even though it was not approved for similar clean up in a different disaster.

For disasters that receive FEMA aid, the state and local governments must pay a 25 percent match, but no statute prescribes how much of the match is the state's responsibility. Since 2007, the state has paid the full 25 percent match in all but one of eight major disasters. Prior to that time, local governments most often paid 10 percent with the state picking up the balance. Similarly, in the state's Flood Hazard Mitigation Grants program, the state has increasingly paid for what was previously required as a local share. It has not done so consistently, however. No criterion exists to guide when DNR should pay the local shares of these projects.

**The Legislature should set criteria on state disaster-recovery funding so that it is clear in what situations the state bears responsibility.**

The Legislature should set clear criteria on state disaster-recovery funding. This is needed for disasters without presidential declarations and when setting local shares of matching funds for FEMA aid or Flood Hazard Mitigation Grants projects. Such criteria would offer local governments greater predictability on how much state funding to expect. If the Legislature defines such criteria for disasters lacking presidential declarations, it should consider establishing a dedicated account to fund the initial recovery costs of these disasters. One funding source for the account could be a portion of unused state appropriations from prior disasters.

**State agencies have authority to transfer recovery money to other state agencies when appropriations come from the General Fund but not when they come from bond proceeds.**

Interagency transfers offer flexibility to use recovery money when one state agency has more recovery needs than can be met, while another has fewer needs than originally expected. However, money appropriated from bond proceeds for capital recovery projects cannot be transferred, even when potentially eligible capital projects remain unfunded. The Legislature should authorize the transfer of appropriated but unused bond proceeds to other agencies with identified unmet recovery needs of a capital nature.

**HSEM should lead efforts to evaluate the effectiveness of recovery activities across all of the state's recovery programs.**

**No state agency routinely assesses effectiveness of the state's recovery efforts across programs.**

HSEM conducts important follow-up work after its recovery activities. But it does not routinely lead efforts to assess effectiveness across all recovery programs. Following the spring 2009 Red River Valley flood, HSEM attempted to assess effectiveness by having state agencies complete a "disaster-in-review" to identify items needing improvement. Changes were made, but the review did not result in a systematic plan for determining whether the changes met agencies' identified needs. HSEM said no other disaster-in-review has been produced because of the high number of subsequent disasters and reluctance of some state agencies to participate in the review. HSEM should routinely use mechanisms in place to help evaluate effectiveness of recovery across programs and make or encourage improvements.

**State agencies do not fully measure the effectiveness of their recovery programs.**

State agencies that offer recovery assistance tend to collect program data such as the number of people or governments helped and amounts spent. These data are important but do not measure actual effectiveness of the agencies' programs. Few agencies we interviewed collected performance data to measure effectiveness, such as whether services reached disaster survivors in a timely way or the extent to which a community returned to its predisaster status. HSEM and state agencies involved in recovery efforts should identify performance indicators for their recovery programs and measure their effectiveness. They should also assess the satisfaction of their programs' users. To understand what needs are not being met, this assessment should also include those who were denied services or who dropped from the application process.

**State agencies should assess whether their recovery programs offer sufficient opportunities for survivors and communities to receive understandable program information.**

**Recovery programs for communities and individuals can have complex and confusing eligibility requirements, applications, and procedures.**

As part of the evaluation, we interviewed officials in 14 cities and counties where natural disasters had struck since 2007. Although the case studies were too few to represent the state as a whole, many of those we interviewed discussed confusion and difficulties with recovery programs' eligibility requirements, application processes, and payment procedures.

Officials in about half of the jurisdictions we visited reported that they were initially told one thing about which recovery projects were reimbursable but were later told something different. There was also confusion over whether certain costs, such as administrative expenses, were eligible for reimbursement. Officials in some communities said they would have liked additional guidance when applying for reimbursements. Several officials said the reimbursements they received did not indicate for which of the dozens of their recovery projects the payments were intended.

Although city and county officials were less familiar with recovery programs for residents or businesses than programs for public infrastructure, they also described confusion they heard from individuals or companies. For example, people were confused when they had to apply for a federal loan, wait for approval or denial, and then apply for a state loan and wait for a second approval.

To better help disaster survivors who are already under the stress of dealing with the devastation of a tornado or flood, state agencies involved with recovery should assess whether their programs offer sufficient opportunity for applicants to receive information and answers to questions. As an example, HSEM should do more to help local governments understand FEMA eligibility rules.

**HSEM has coordinated nonprofit organizations involved with recovery, but it has not consistently helped establish long-term recovery committees.**

Nonprofit organizations, such as the American Red Cross and Salvation Army, offer immediate help to disaster survivors, supplying food, clothing, or temporary shelter. Some, such as Lutheran Social Services, also assist with longer term recovery. These organizations do not typically receive state money for their services.

Statutes require HSEM to coordinate volunteer resources to ensure smooth coordination of donations and volunteerism during major disasters. HSEM has worked with nonprofit organizations in several ways, such as having their members in the emergency operations center following a disaster. HSEM helped establish long-term recovery committees in some but not all of the communities we visited. A leader of one recovery committee said ongoing communications with the main state agencies would have been useful. Residents brought to the committee questions about state programs, which the committee could not answer. HSEM should continue to improve its coordination with nonprofits and make plans for an expanded role in long-term recovery, as approved by the 2011 Legislature.

# Introduction

In 2008, the Minnesota Legislature passed a law detailing the state agencies and programs that can be activated to help communities recover when certain natural disasters strike. Many of the state's recovery activities emanate from that statutory framework, but some state agencies also provide recovery assistance as part of their day-to-day programs.

Legislators in 2011 voiced concerns about how well Minnesota's recovery approach was working and wanted more comprehensive data on the effectiveness of state recovery efforts. In May 2011, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate how the state helps communities recover from natural disasters. We focused the evaluation on answering these questions:

- **What is the state's approach to disaster recovery? How is it funded?**
- **Is the state's approach cost-effective? Does it result in timely aid?**
- **How well are the state's recovery efforts integrated with insurance and nonprofit agencies involved in disaster recovery?**

The targets of the evaluation were the natural disasters that damage communities and make them eligible for state recovery assistance detailed in the statutory framework. This included major floods, tornadoes, and severe windstorms. We did not evaluate other events, such as wildfires, droughts, or manmade tragedies, even though some might define them as disasters. Although the research required us to understand the immediate emergency response that public-safety officials provide right after a natural disaster, we did not evaluate those activities.

To answer the research questions listed above, we reviewed pertinent state and federal laws. We searched Minnesota laws to collect information on legislative appropriations for disasters over the last two decades. We also reviewed state documents related to disasters, including the *State of Minnesota Emergency Operations Plan* and the *Minnesota Disaster Recovery Assistance Framework*, as well as national literature on the structure of disaster recovery.[1]

We interviewed representatives of state agencies that assist communities in recovery after natural disasters. Although the Division of Homeland Security and Emergency Management (HSEM) in the Department of Public Safety is the primary agency, many others are also involved. We focused on the agencies that customarily play the largest roles in offering financial assistance to either local

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[1] Minnesota Department of Public Safety, Division of Homeland Security and Emergency Management, *State of Minnesota Emergency Operations Plan* (St. Paul, 2010); and Minnesota Department of Public Safety, Division of Homeland Security and Emergency Management, *Minnesota Disaster Recovery Assistance Framework* (St. Paul, 2011).

units of government or individual residents and businesses, including the departments of Employment and Economic Development (DEED) and Natural Resources (DNR), as well as the Minnesota Housing Finance Agency. Because we began the evaluation around the same time that the May 22, 2011, tornado struck north Minneapolis and parts of Anoka County, the timing allowed us to accompany HSEM staff and observe some of their work in the field.

Recovery efforts are not confined to those of state agencies. Consequently, we interviewed some of the nonprofit volunteer organizations that help following disasters. Many such organizations are members of a group known as Voluntary Organizations Active in Disasters, and we attended a meeting of that group and interviewed its president. We also interviewed representatives of the insurance industry.

To better understand the role local governments play in disaster recovery, we conducted a survey of the emergency-management directors required by law in each county and city in the state. We sent requests to complete a survey to 820 emergency directors, which included those in all 87 counties, 306 cities that had experienced a natural disaster in the last five years, all cities with a population of at least 5,000, a sample of smaller cities, and 11 tribal nations. Of those, we received 498 responses for a 61-percent response rate.[2]

We collected data from relevant state agencies for information on their disaster recovery programs and expenditures. To the extent data were available, we analyzed agency data on the timeliness of recovery activities. Particularly for agencies, such as DEED and DNR, that provide funding directly to disaster-damaged local governments or businesses, we also reviewed grant agreements, program procedures, and other case-level details. We collected additional data on expenditures and transfers of recovery money from Minnesota's statewide accounting and procurement system. We also analyzed data on federal assistance relevant to Minnesota disasters. Such data came from the Federal Emergency Management Agency, the Small Business Administration, and the U.S. Department of Agriculture.

We conducted in-depth research on six disasters that occurred in 2007 through 2010.[3] Our six disaster case studies were: the September 2010 floods in southern Minnesota, the June 2010 tornadoes around the state but specifically in Wadena, the March 2009 Red River Valley floods, the May 2008 tornado in Hugo, the August 2007 floods in Rushford and other southeastern parts of the state, and the March 2007 flood in the city of Browns Valley. For each disaster that struck more than a single jurisdiction, we identified cities and counties that sustained the greatest damage.

After identifying the case studies, we obtained background information on the disasters, including documents from HSEM on its activities, and visited one or

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[2] A breakdown of the response rates for each of the subgroups we surveyed and other survey results are available in an online appendix at http://www.auditor.leg.state.mn.us/ped/2012/disaster.htm.

[3] To review a mix of natural disasters, we identified eight selection criteria, such as the type of disaster, whether federal assistance had been made available, and the size and location of the communities.

more of the local jurisdictions that had been damaged. During the visits, we interviewed emergency-management directors, local elected officials, and others who had been involved in recovery efforts, including certain nongovernmental organizations. In follow-up to the visits, we also conducted telephone interviews with other agencies and organizations.

In addition to this report, we have supplementary material available on our Web site at http://www.auditor.leg.state.mn.us/ped/2012/disaster.htm.

# 1 Background

Recovery from natural disasters means returning damaged communities back to their status prior to the disaster, to the extent possible. This may include rehabilitating or replacing homes, buildings, properties, and infrastructure and restoring health and safety conditions. It may also include certain mitigation efforts, such as building water-diversion channels, to lessen damage in disaster areas from potential future disasters, as explained further below.

In this evaluation, natural disasters include major storms, tornadoes, and floods that present an "imminent serious threat" to health and safety or are likely to result in "catastrophic loss to property or the environment."[1] We excluded events such as wildfires, droughts, nuclear accidents, or manmade tragedies.

## MINNESOTA'S APPROACH TO DISASTER RECOVERY

Minnesota has adopted a multifaceted approach to disaster recovery that involves public- and private-sector agencies and programs. In simple terms:

- **The state's approach to helping communities recover from disasters involves multiple levels of government, numerous public programs, and nongovernmental organizations, and it varies depending upon the disaster's scope.**

**For large disasters, Minnesota laws designate more than a dozen state agencies to activate certain programs to help communities recover.**

Figure 1.1 illustrates basic components in the state's recovery approach. The approach is based in a legal framework and expressed in state-prepared plans and policy documents.[2] Generally, state policies require that Minnesota cities and counties first exhaust their own resources before requesting recovery assistance from the state. When natural disasters are of a large magnitude, the state's approach is predicated on federal aid offered largely through the Federal Emergency Management Agency (FEMA). For these disasters, state statutes designate 13 state agencies that are authorized to activate certain programs, many of which receive one-time state appropriations after the disaster occurs.[3] Some of these agencies provide grants or loans, such as fix-up loans to damaged businesses, while others offer technical assistance, such as assessments of drinking-water contamination. Not all programs are strictly for disaster recovery,

[1] *Minnesota Statutes* 2011, 12.03, subd. 2.

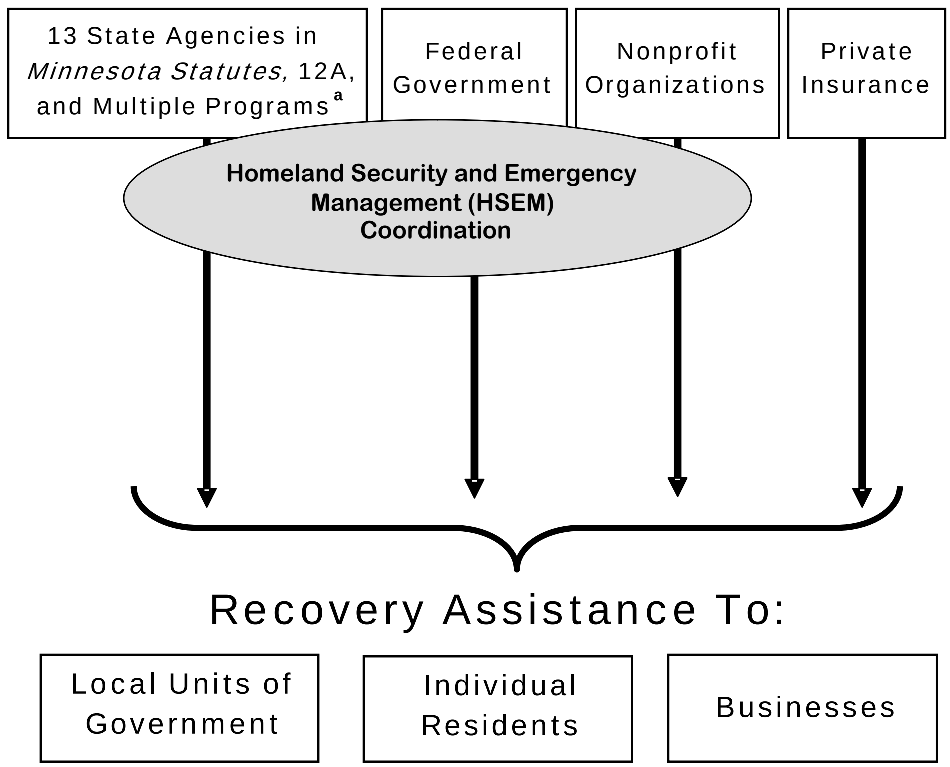
[2] *Minnesota Statutes* 2011, 12A, provides the legal framework. Examples of relevant policy documents are: Minnesota Department of Public Safety, *Minnesota Disaster Recovery Assistance Framework* (St. Paul, 2011); and Minnesota Department of Public Safety, *State of Minnesota Emergency Operations Plan* (St. Paul, 2010).

[3] *Minnesota Statutes* 2011, 12A.04-12A.16. Certain other state aid may also be available, such as tax relief through the Department of Revenue for properties damaged by natural disasters. See *Minnesota Statutes* 2011, 273.1231-273.1234.

as some also help communities mitigate the threat of future disasters. The Homeland Security and Emergency Management (HSEM) Division of the Department of Public Safety has a coordination role, even though each state agency operates its own programs independent of one another.

**The Department of Public Safety's Division of Homeland Security and Emergency Management (HSEM) has a coordination role in Minnesota's approach to disaster recovery.**

## Figure 1.1: Basic Components of Minnesota's Approach to Recovery from Major Disasters, 2011




NOTE: The approach applies only to major disasters. Disasters on a smaller scale may receive some or no state aid and are not eligible for funding from the Federal Emergency Management Agency.

[a] Some programs are strictly to help communities recover following a disaster, while others help communities mitigate the threat of future disasters.

SOURCE: Office of the Legislative Auditor.

For disasters of less magnitude, the state's approach to disaster recovery relies far less on federal involvement. State dollars may or may not be appropriated for recovery following such natural disasters. State agencies may and do provide assistance, though, through their day-to-day operations.

The state's recovery approach also relies on nonprofit organizations for relief to survivors in the aftermath of natural disasters. Depending on the disaster, relief from nonprofits could include shelter, meals, counseling, and help with other emergency needs. In addition, the state's approach to major disasters recognizes the role played by insurance, as state aid may not be used to duplicate assistance through private insurance or flood insurance.

The rest of this chapter details the state's approach to disaster recovery. We first define recovery and then describe the number of natural disasters in Minnesota's recent past. Then we explain the roles of the different entities that make up the state's approach. A final section describes key differences and similarities among the recovery approaches of Minnesota and other states.

# DEFINING NATURAL-DISASTER RECOVERY

Disaster recovery is one of four interdependent components of disaster relief; the other components are preparation, response, and mitigation. Figure 1.2 illustrates their interdependence.[4]

**Recovery is one of four interdependent components of disaster relief.**

## Figure 1.2: Four Components of Disaster Relief


SOURCE: Office of the Legislative Auditor, analysis of the Division of Homeland Security of Emergency Management, *Minnesota Disaster Management Handbook* (St. Paul, March 2010), 4.

[4] Definitions of these terms may vary. For example, recovery and mitigation are addressed as one integrated component in certain state documents. See Governor Mark Dayton, *Executive Order 11-03 Assigning Emergency Responsibilities to State Agencies* (St. Paul, January 14, 2011), 3; and Department of Public Safety, *State of Minnesota Emergency Operations Plan* (St. Paul, 2010), BP-18.

**Recovery means helping communities return to their status prior to the disaster, to the extent possible.**

**Preparation** means minimizing the effects of an anticipated disaster and tackling immediate emergency conditions that a disaster creates.[5] Planning and training are two aspects of preparation. As one example of their importance, to receive FEMA assistance for a major disaster, a state must develop and execute an emergency plan.

**Response**, as defined by FEMA, is using resources to save lives, protect property and the environment, and preserve social, economic, and political structures.[6] Common types of response activities are search and rescue, emergency medical services, and removal of hazardous debris.

**Recovery** is assisting individuals, businesses, and communities to overcome the impact of disasters and return to normal, to the degree that is possible. It begins in the late stages of response operations and may last months or even years. Recovery activities range from unemployment assistance to wildlife habitat protection; Table 1.1 lists common recovery functions.

## Table 1.1: Common Recovery Functions, 2011

| Function | Sample Activities |
|---|---|
| Economic Development | Unemployment assistance, business physical loss assistance, tax relief for destroyed properties |
| Health and Social Services | Behavioral health consultation, support for people with special needs, mass-care activities |
| Housing | Temporary and permanent housing identification, assistance for repair and reconstruction of damaged houses |
| Infrastructure | Repair and reconstruction of critical public utilities and public works, including electricity, gas, water, sanitation treatment, roads, and bridges |
| Natural and Cultural Resources | Restoration of fish and wildlife habitat, preservation of historical properties |
| Debris Removal | Debris and wreckage removal and disposal |
| Agriculture | Dairy and food inspection, lost feed and livestock assistance, repair of agricultural buildings |

NOTE: This table describes common recovery functions but does not give an exhaustive list.

SOURCE: Office of the Legislative Auditor, analysis of the Division of Homeland Security and Emergency Management, *Minnesota Disaster Recovery Assistance Framework* (St. Paul, 2011).

**Mitigation projects are designed to prevent or lessen the impact of future disasters.**

**Mitigation** is the ongoing effort to prevent or lessen the impact of disasters. It can happen in anticipation of future disasters or following a disaster and includes keeping structures out of floodplains, enforcing building codes, and building safe rooms for protection from tornadoes and levees for protection from floods.

Preparation, response, recovery, and mitigation are interdependent. For instance, evacuating residents in anticipation of a disaster can be considered as both preparation and response efforts.

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[5] *Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S. Code,* Title VI, sec. 602 (2007).

[6] Federal Emergency Management Agency, *National Response Framework* (Washington, DC: FEMA, January 2008), 32.

A clear boundary does not exist between response and recovery, although generally, response focuses on saving lives and protecting property from imminent threat of disasters while recovery happens after safety and stability are restored. For example, temporary housing serves as an immediate safety measure to prevent homelessness and restore basic living conditions, but it can also continue for several months into the recovery phase until victims find permanent housing.

**Successful mitigation projects lessen the effects of potential disasters and, thereby, reduce the need for recovery.**

Recovery and mitigation are closely connected. Successful mitigation efforts lessen the effects of potential disasters and, thus, reduce the need for recovery. A national report concluded that one dollar spent on mitigation saved society an average of four dollars on recovery.[7] Federal and state recovery assistance to local communities sometimes contains a mitigation component. For example, following a major disaster, the Minnesota Department of Transportation (MnDOT) is authorized to make grants to local governments to mitigate damage from future disasters as part of repairing or replacing current damages.[8] Plus, good mitigation practices may increase the likelihood of federal recovery funding. Typically FEMA provides assistance for public infrastructure only after disaster damages meet certain thresholds, but if state and local mitigation measures reduce damages, FEMA may provide assistance even when damages do not meet the threshold.[9]

# NATURAL DISASTERS IN MINNESOTA

Natural disasters vary in scope and severity. Those of great magnitude may qualify for presidential declarations of disasters, which trigger certain types of aid, as explained below.

**For large disasters, the Governor may request the President to issue a declaration of major disaster and activate federal assistance.**

## Disasters with Presidential Declarations

Communities recover from small-scale disasters using their own resources. If the severity and magnitude of a disaster are beyond the capabilities of local and state governments, the Governor may, through FEMA, request the President to issue a declaration to activate federal assistance. FEMA sends representatives, joined by state and local officials (and by Small Business Administration (SBA) representatives when housing has been damaged), to conduct a preliminary damage assessment. Results of this assessment provide support for the Governor's request.[10] Figure 1.3 illustrates the steps for obtaining a presidential declaration.

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[7] Multihazard Mitigation Council, *The Multihazard Mitigation Council, Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities* (Washington, DC: National Institute of Building Sciences, 2005), 5.

[8] *Minnesota Statutes* 2011, 12A.16, subds. 1 and 3.

[9] *44 CFR* sec. 206.48(a)(4) (2010).

[10] The requirement for a joint preliminary damage assessment may be waived for disasters of unusual severity or as determined by FEMA.

## Figure 1.3: Steps Required Prior to a Presidential Declaration of a Major Disaster, 2011

| Level of Government | Steps |
|---|---|
| Local | • Initial damage assessment<br>• Mayor or chair of county board declares emergency<br>• Local recovery resources activated |
| | ↓ |
| State | • State declaration of emergency<br>• Certain state resources and programs are activated |
| | ↓ |
| | Preliminary damage assessment conducted jointly by federal, state, and local agencies |
| | ↓ |
| | Governor's request for a presidential disaster declaration[a] |
| | ↓ |
| Federal | Review of state request by Federal Emergency Management Agency and recommendation to the President |
| | ↓ |
| | Presidential declaration decisions |

[a] The Governor must submit a request within 30 days of a disaster.

SOURCES: Office of the Legislative Auditor, analysis of *44 CFR* 206.36 (2010) and Division of Homeland Security and Emergency Management, *Minnesota Disaster Management Handbook* (St. Paul, March 2010), 65-71.

**When recommending a disaster declaration, the Federal Emergency Management Agency (FEMA) considers factors such as the amount of damages and extent of insurance.**

FEMA considers a number of factors, such as the amount of damages and the extent of insurance in effect, when recommending a declaration of a major disaster to the President. Table 1.2 lists the factors. When the President declares a major disaster, FEMA provides assistance to affected communities.

From 1990 through 2011, Minnesota had 29 natural disasters with presidential declarations. Figure 1.4 shows the frequency of such disasters for counties across the state. For 12 of those 22 years, Minnesota had one presidential declaration of a major disaster each year. In 1990, 1994, and 2003, no disasters received presidential declarations, but in four other years, including 2010 and 2011, Minnesota had three declarations of major disasters each year.

## Table 1.2: Factors Considered for Granting Presidential Declarations of Major Disasters, 2011

- Amount and type of damages
- Impact on affected individuals and state and local governments
- Available resources of state and local governments and other disaster relief organizations
- Extent and type of insurance in effect to cover losses
- Assistance available from other federal programs
- Imminent threats to public health and safety
- Recent disaster history in the state
- Hazard mitigation measures taken by state or local governments
- Other factors pertinent to a given incident

SOURCE: *44 CFR* 206.37(c)(1) (2010).

### Disasters without Presidential Declarations

Geographically concentrated disasters may cause excessive local damage but fail to trigger a presidential declaration and the FEMA funding attached to it. Disasters that do not receive presidential declarations may still receive federal assistance from agencies other than FEMA. The state may also provide assistance to communities affected by such disasters.

**Minnesota had ten disasters since 1990 that did not meet the threshold for a presidential declaration, and seven of them received state funding.**

Minnesota had ten disasters from 1990 to 2011 that did not meet the presidential declaration threshold, seven of which received state funding. Floods and tornadoes are the main hazards causing significant damages in Minnesota. Compared with floods, tornadoes are typically more geographically concentrated and usually affect a smaller number of counties. Tornadoes only infrequently receive presidential declarations: of the ten disasters without presidential declarations, eight were tornadoes, one was a high-wind event, and one was a flood.

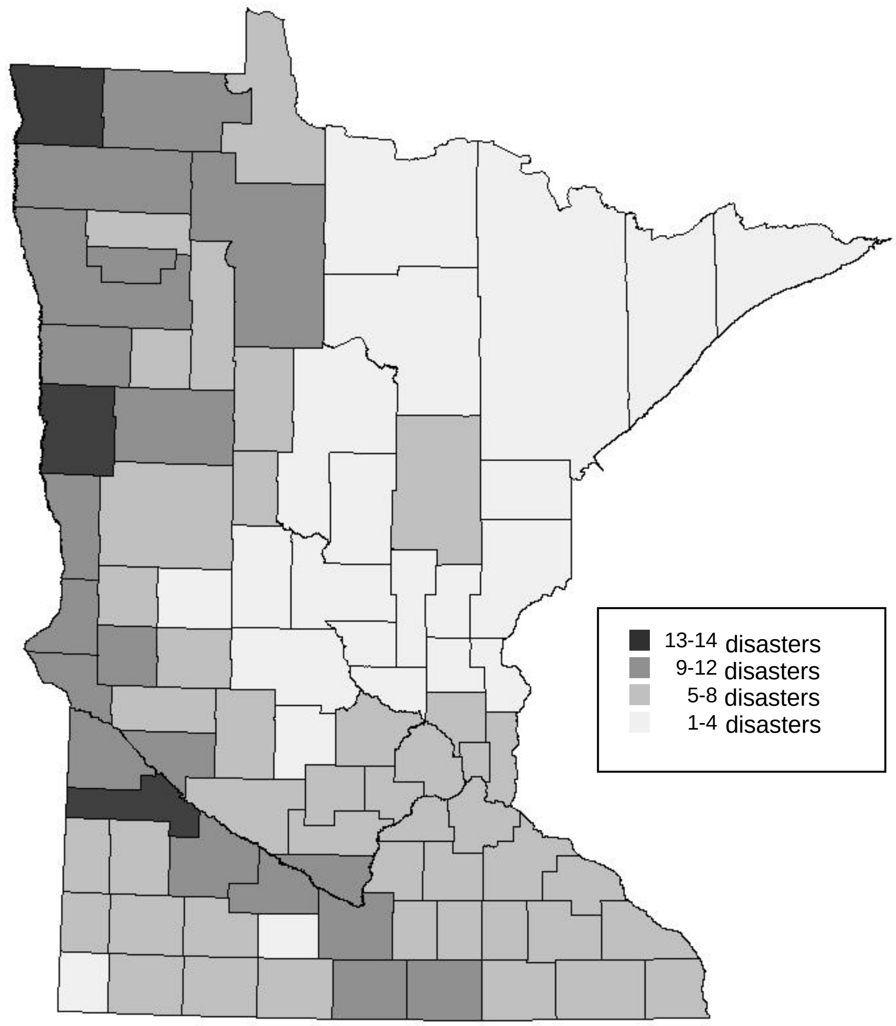
### Recent Natural Disasters

In recent decades, most of Minnesota's severe natural disasters have resulted in recovery assistance to the affected jurisdictions. Overall:

- **Over the last 15 years, Minnesota has had 32 natural disasters, leading to more than $488 million in state appropriations.**

Table 1.3 lists the natural disasters and amounts of funding provided by the federal and state governments since 1997. Customarily, federal assistance amounts to the largest share of recovery resources for a major disaster. However, some disasters did not qualify for federal assistance and, in a few cases, state resources exceeded those provided by the federal government. For the August 2007 Rushford, southeast flood, for instance, state appropriations were nearly half again as much as the amount of federal aid (although recovery projects for

**Figure 1.4: Number of Disasters with Presidential Declarations by County, 1990-2011**




SOURCE: Office of the Legislative Auditor, analysis of Federal Emergency Management Agency data.

that disaster remain open as of this date). One disaster in each of 2001, 2004, and 2009 received no federal or state recovery funding; however, they may still have received other forms of assistance from some state agencies, as will be described later in this chapter.

## Table 1.3: Spending on Minnesota Natural Disasters, 1997-2011

| Disaster<br>*Presidential Disaster Declarations | Counties Affected | Federal Expenditures (in $1,000s) | State Appropriations (in $1,000s) |
|---|---|---|---|
| July 2011 midstate high winds* | 16 | $ 248 | Unspecified[a] |
| May 2011 Minneapolis tornado* | 2 | 5,173 | Unspecified[a] |
| Spring 2011 west central flood* | 34 | 9,538 | At least $5,000[a] |
| Fall 2010 southern flood* | 29 | 33,436 | $ 73,963 |
| June 2010 Wadena tornado, other tornadoes and flooding* | 13 | 15,330 | 6,643 |
| Spring 2010 southern and northwest flood* | 28 | 13,736 | 3,891 |
| August 2009 Minneapolis tornado | 1 | — | — |
| Spring 2009 Red River flood* | 30 | 42,572 | 17,356 |
| June 2008 southeast flood* | 6 | 7,140 | 1,060 |
| May 2008 Hugo tornado | 1 | — | 350 |
| August 2007 Rushford, southeast flood* | 8 | 102,290 | 148,513[b] |
| March 2007 Browns Valley flood | 1 | — | 6,100 |
| September 2006 Rogers tornado | 1 | — | 400 |
| August 2006 Nicollet/Le Sueur Counties tornado | 2 | — | 75 |
| August 2006 Warroad tornado | 1 | — | 75 |
| Spring 2006 Red River flood* | 8 | 7,226 | 1,391[c] |
| November 2005 Red River Valley ice storm* | 9 | 8,805 | No identifiable appropriation[d] |
| June 2005 Otter Tail County high winds | 1 | — | 500 |
| September 2004 southern flood* | 7 | 13,115 | 4,710[c] |
| June 2004 Mower County tornado | 1 | — | — |
| June 2003 Buffalo Lake tornado | 1 | — | 690 |
| June 2002 northwest flood, tornadoes* | 19 | 72,554 | 61,825 |
| June 2001 Parkers Prairie tornado | 1 | — | — |
| Spring-summer 2001 statewide flood* | 72 | 52,754 | 8,600[c] |
| Spring-summer 2000 scattered floods, tornado* | 18 | 45,630 | 11,140[d] |
| Summer 1999 northeast and north central flood* | 9 | 17,562[e] | No identifiable appropriation[d] |
| Spring 1999 northwest ice storm, flood* | 6 | 8,416 | 4,696[d] |
| May 1998 southern and metropolitan tornadoes* | 19 | 30,496 | No identifiable appropriation[d] |
| March 1998 St. Peter tornado, other tornadoes* | 7 | 34,590[e] | 28,945 |
| Summer 1997 metropolitan flood* | 7 | 13,233[e] | 2,500[d] |
| Spring 1997 statewide floods* | 59 | 212,815[e] | 90,110 |
| January 1997 statewide winter storms* | 55 | 23,056 | 6,180 |

NOTES: Data are from fall 2011, but funding may continue for years after a disaster, and these data are subject to change. Counts of counties affected also include tribal nations. Federal expenditures are from only the Federal Emergency Management Agency (FEMA) and Small Business Administration (SBA), although other federal agencies may also provide recovery funding. For the last three disasters listed, data on SBA spending were unavailable. State appropriations are from the General Fund, bond proceeds, and specific funds such as the Trunk Highway Fund. We did not use state expenditures because of the difficulty of identifying disaster-specific expenditures in the state's accounting system. A $400,000 appropriation to the Department of Revenue for recovery in Crookston was excluded. We excluded federal funding for Hurricane Katrina survivors and presidential emergencies that were not later declared presidential disasters. Amounts are not adjusted for inflation.

[a] The 2011 Legislature made a single appropriation of $9 million to match FEMA funds for all three 2011 disasters and specified at least $5 million for the west central floods.

[b] This includes $3.7 million appropriated to the Department of Agriculture to assist agricultural producers affected by either the Rushford flood or drought conditions elsewhere in the state and $360,000 appropriated in 2008 to match federal funds for an unspecified disaster.

[c] Some or all of these amounts consist of appropriations the Legislature made to match federal disaster-recovery funds without identifying specific disasters. For this table, we have assigned these appropriations to specific disasters based on the laws' dates.

[d] Although federal funding required a 25-percent Minnesota match, we did not find any specific state appropriations to meet the matching requirement for these disasters. Matching funds may have come from funds left over from previous disasters or additions to later appropriations to the Department of Public Safety.

[e] These include FEMA's individual assistance for nonhousing needs; housing assistance data were unavailable for these disasters.

SOURCES: Office of the Legislative Auditor, analysis of data from the Department of Public Safety and disaster-recovery legislation.

# ROLES IN RECOVERY

Different levels of government as well as nongovernmental organizations are active in recovery from disasters. This section describes the roles and programs of federal agencies, state agencies, and local governments, as well as nonprofit organizations and private insurance.

## Federal Government

Among federal agencies, FEMA often plays the largest role in disaster recovery.

- **As the main federal disaster relief agency, FEMA provides recovery and mitigation assistance following a presidential declaration of disaster.**

In addition, the U.S. Small Business Administration and U.S. Department of Agriculture each has its own definitions of disasters for which the agency offers recovery assistance. Other federal agencies also have recovery-related programs, some of which provide assistance upon presidential declarations, while others are available under other circumstances.

### FEMA Recovery Assistance

**FEMA's recovery assistance consists of aid for public infrastructure, assistance to individuals, and hazard-mitigation programs, but not every disaster qualifies for each type of aid.**

FEMA can offer recovery assistance to state and local governments, eligible private nonprofit organizations, tribal nations, and individual victims of disasters following a presidential declaration.[11] It administers two main disaster recovery programs, Public Assistance and Individual Assistance, as well as a set of five hazard-mitigation programs.[12] For Minnesota disasters in the past two decades, FEMA has more often granted Public Assistance than Individual Assistance. FEMA offered Public Assistance for 29 declared disasters since 1990, but it offered assistance to individuals for only 12 of them. Some of the disasters with presidential declarations covered far more Minnesota counties than others, and Figure 1.5 shows how many counties received Public Assistance and Individual Assistance for major disasters over the past two decades.

*Public Assistance*

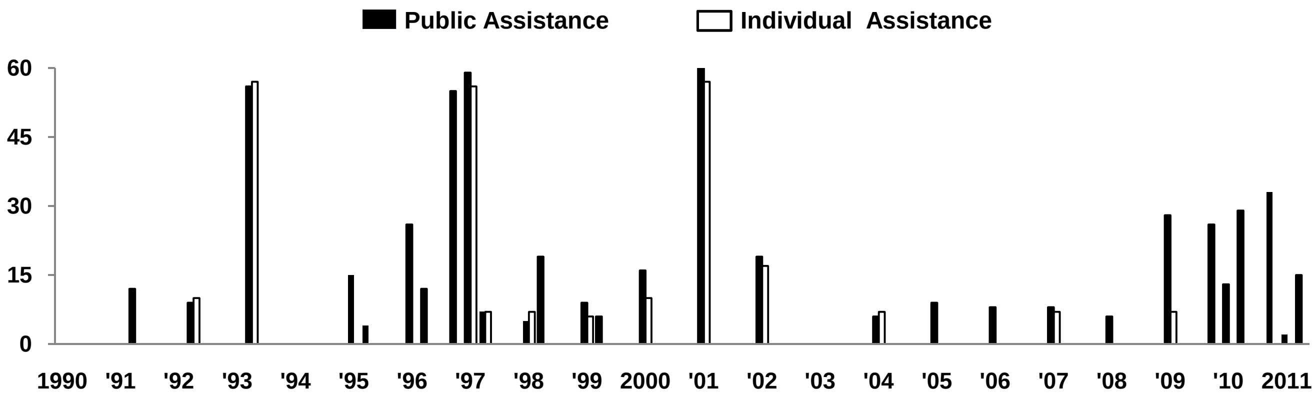
Public Assistance consists of grants to state and local governments and certain private nonprofit entities for disaster recovery.[13] Whether Public Assistance is granted depends on both quantitative and qualitative factors. For example, minimal damages of $1.35 statewide per capita or $3.39 countywide per capita are required as of federal fiscal year 2012. Table 1.4 lists the factors considered.

[11] *Stafford Disaster Relief and Emergency Assistance Act, 42 U.S. Code,* Title IV, secs. 406(a) and 408(a), and Title I, sec. 102(7) (2007).

[12] FEMA funds other recovery-assistance programs for major disasters, including the Crisis Counseling program, Community Disaster Loan program, and Disaster Unemployment Assistance program. Each program has its own purposes and eligibility requirements.

[13] Eligible nonprofit organizations are those providing essential services of a governmental nature to the general public, including but not limited to museums, libraries, homeless shelters, and senior citizen centers.

## Figure 1.5: Number of Counties Eligible for Federal Emergency Management Agency Public Assistance and Individual Assistance Programs by Disaster, 1990-2011




SOURCE: Office of the Legislative Auditor, analysis of Federal Emergency Management Agency data.

## Table 1.4: Factors Considered for Granting Public Assistance and Individual Assistance, 2011

**Public Assistance**

- Estimated cost of federal assistance reaches $1.35 per capita statewide[a]
- Extraordinary concentration of damages ($3.39 per capita countywide damage)[a,b]
- Amount of insurance coverage in force[c]
- Mitigation efforts contributing to damage reduction[d]
- Disasters in the last 12 months for which the state has spent its own funds
- Assistance provided by other federal agencies

**Individual Assistance**

- High concentration of damages
- Degree of trauma, such as injuries or deaths
- Effect on special populations, such as the elderly or low income
- Abilities of voluntary agencies and state or local programs to meet recovery needs
- Amount of insurance coverage

[a] The amount is the threshold for federal fiscal year 2012. It is adjusted annually based on the Consumer Price Index for all Urban Consumers.

[b] Regardless of whether the $1.35 statewide per capita damage threshold is met, Public Assistance can be granted if a $3.39 countywide per capita damage has occurred.

[c] FEMA will reduce its estimated assistance costs by the amount of insurance coverage that is in force or should have been in force by law at the time of the disaster.

[d] This could be an important factor for disasters where, because of mitigation, the estimated per capita damages fall below $1.35 statewide and $3.39 countywide.

SOURCE: *44 CFR* sec. 206.48 (2010).

**FEMA's consideration of offering individual assistance includes factors such as the concentration of damages and the disaster's effects on the elderly or low-income populations.**

**When FEMA provides assistance for disaster-damaged public infrastructure, it pays 75 percent, with the remainder paid by state or local sources.**

The Public Assistance program typically pays 75 percent of eligible recovery costs, with the remainder paid by state or local sources.[14] FEMA does not regulate how much of the remaining 25 percent comes from the state, local governments, or nonprofits that receive assistance.

FEMA divides recovery projects using Public Assistance funding into two types, emergency work and permanent work, as illustrated in Table 1.5. Emergency work reduces or eliminates an immediate threat to life, public health and safety, and property.[15] Permanent work is defined as repairing, reconstructing, or replacing a damaged facility to its predisaster design, function, and capacity in conformity with codes and standards applicable at the time the disaster occurred.[16]

## Table 1.5: Categories of Work for Federal Emergency Management Agency's Public Assistance Grants, 2011

| Category | Subcategory | Sample Activities |
|---|---|---|
| Emergency work[a] | A – Debris removal | Remove disaster-related wreckage from public property[b] |
| | B – Emergency protective measures | Sandbag or construct temporary levees and dikes |
| Permanent work | C – Roads and bridges | Repair surfaces, bases, and ditches of roads, and decking and pavement of bridges |
| | D – Water control facilities | Repair dams, levees, drainage channels, and irrigation and pumping facilities[c] |
| | E – Buildings and equipment | Restore buildings, interior systems, equipment, and contents including furnishings |
| | F – Utilities | Repair water treatment plants, power generation and distribution facilities, and sewage collection systems |
| | G – Parks, recreational facilities, and other items | Restore mass transit facilities, playground equipment, and facilities that do not fit categories C-F |

[a] The following types of emergency work are also reimbursable by the Public Assistance program if they meet specific eligibility criteria: emergency communications, public transportation, building inspection, and snow removal.

[b] Debris removal from private property is also eligible if the community at large benefits.

[c] Permanent repairs to flood control works are not eligible through the Public Assistance program but may be funded through programs of the U.S. Army Corps of Engineers and U.S. Department of Agriculture's Natural Resources Conservation Services.

SOURCE: Federal Emergency Management Agency, *Public Assistance Guide* (Washington DC: FEMA, 2007), 67-86.

[14] FEMA may recommend an increase of the federal share to no more than 90 percent whenever a disaster is so extraordinary that actual federal obligations, excluding administrative costs, meet or exceed a statewide threshold of $131 per capita, as of calendar year 2012.

[15] Federal Emergency Management Agency, *Public Assistance Guide* (Washington DC: FEMA, 2007), 66.

[16] *Stafford Disaster Relief and Emergency Assistance Act, 42 U.S. Code*, sec. 406(e1) (2007).

Applicants for Public Assistance divide their recovery work into separate "projects." Upon obtaining a presidential declaration, the state conducts applicant briefings to inform local governments affected by the disaster of available FEMA assistance. FEMA representatives then hold kickoff meetings in damaged communities to provide a more detailed review of the Public Assistance program and discuss the community's specific needs. Eligible applicants typically develop "project worksheets" to document the scope of work and estimated cost of each project. FEMA reviews and approves projects and makes the federal share available to the state. The state administers Public Assistance in conjunction with FEMA and is responsible for (1) ensuring that all incurred costs are associated with the approved project, (2) certifying that the work has been completed, and (3) notifying applicants that funds are available and providing both the federal and state shares to the applicants.[17]

*Individual Assistance*

**FEMA's individual assistance may provide help for damaged housing or other personal needs when losses are not covered by insurance or other resources.**

FEMA's Individuals and Households program, usually referred to as Individual Assistance, provides money and services to people with damaged or destroyed property in declared disaster areas when losses are not covered by insurance or other resources. FEMA determines whether to grant Individual Assistance after considering qualitative factors, including whether the disaster resulted in a high concentration of damage. Table 1.4 lists the factors. The program consists of (1) housing assistance and (2) direct financial assistance to address other needs. The federal share is 100 percent for the former and 75 percent for the latter, with the remaining share paid by the state. The maximum amount of individual assistance is capped at $31,400 as of federal fiscal year 2012, and the period of assistance is usually limited to 18 months from the date of the disaster declaration.[18]

FEMA administers the Individual Assistance program and works directly with applicants. When Individual Assistance is available, individuals and households are eligible for FEMA assistance if no insurance or other available assistance covers the property damage, the damaged property is in a declared area, and if the damage was caused by the disaster. Individual Assistance is intended to restore safe, sanitary, and functional living conditions; it may not be adequate to return properties back to their conditions before the disaster. Table 1.6 illustrates the program's services and additional requirements.

*Mitigation Assistance*

FEMA offers five hazard-mitigation programs: Hazard Mitigation Grants, Pre-Disaster Mitigation, Flood Mitigation Assistance, Repetitive Flood Claims, and

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[17] For accountability purposes, initially the state sends only 90 percent of the combined federal and state funding. After the applicant satisfactorily completes the project, the state releases the remaining 10 percent.

[18] Because housing assistance is awarded first and the total amount of assistance to an individual is capped, if the applicant had major home damage, most of the FEMA grant would be for house repair. For example, after the August 2007 Rushford flood, 92 percent of the $19.8 million of individual assistance (including both federal and state shares) was housing assistance and 8 percent was assistance for other needs.

## Table 1.6: Summary of Federal Emergency Management Agency's Individual Assistance Program, 2011

| Category of Assistance | Specific Eligibility Requirements[a] | Sample Services |
|---|---|---|
| **Housing Assistance** | The damaged home is the applicant's primary residence, and no rent-free housing alternative is available. | |
| Financial assistance for alternate housing or direct temporary housing | Occupants receiving direct housing must comply with the lease/rental agreement and work towards a permanent housing plan. | FEMA trailer, rental assistance |
| Repair of residences | The damaged property must be repairable. | Repair and mitigation of the damaged property |
| Replacement of residences | The level of damage justifies replacement. | Replacement and mitigation of the damaged property |
| Permanent housing construction | Alternative housing resources or assistance is not feasible or cost-effective. | Construction and mitigation |
| **Other Needs Assistance** | Recipients have first been declined by Small Business Administration's (SBA) Disaster Home Loan Program, or demonstrated that the SBA assistance received is not sufficient. | Financial assistance to cover medical, dental, funeral, personal property, transportation, and other expenses |

[a] Requirements for a specific category of assistance in addition to the general requirements of the Individual Assistance program.

SOURCES: Office of the Legislative Auditor, analysis of *44 CFR*, secs. 206.117 and 206.119 (2010); and Federal Emergency Management Agency (FEMA), *Help After a Disaster: Applicant's Guide to the Individuals and Households Program* (Washington DC: FEMA, July 2008).

Severe Repetitive Loss.[19] Table 1.7 lists information on the five programs and total federal funding received by Minnesota since 2003 for each program.

For all five programs, FEMA generally pays up to 75 percent of eligible activity costs. This share can be increased under different conditions for different programs. In Minnesota, local governments are responsible for the nonfederal share for all programs; however, they may seek state funding to pay for part of their shares.

### Agriculture Secretarial Designations and Recovery Assistance

The U.S. Department of Agriculture provides assistance to agricultural producers adversely impacted by presidentially declared major disasters or disasters designated by the Secretary of Agriculture.[20] To obtain a secretarial designation, the Governor makes a request within three months of the end of a disaster and must demonstrate that a county experienced a minimum 30-percent production loss of at least one crop due to events such as droughts, flooding, or epidemics.

[19] Regardless of the counties in which the disaster occurred, the Governor may request that Hazard Mitigation Grant funding be available in any jurisdiction in the state.

[20] In some circumstances, U.S. Department of Agriculture aid may also be activated unilaterally by the Farm Service Agency administrator.

## Table 1.7: Federal Emergency Management Agency's Hazard Mitigation Programs, 2003-11

| Program | Purpose | Eligibility Requirements[a] | Funding to Minnesota (x $1,000) |
|---|---|---|---|
| Hazard Mitigation Grant Program | Fund critical mitigation measures during the reconstruction process following a major disaster to reduce the risk of future disasters | For a presidential major disaster declaration and in areas requested by the state | $14,199 |
| Pre-Disaster Mitigation Program | Assist state and local communities to implement a pre-disaster mitigation program to reduce overall risk from future hazards | None | 8,956 |
| Flood Mitigation Assistance Program | Reduce or eliminate claims under the National Flood Insurance Program (NFIP) | Properties that are NFIP-insured at the time of the application submittal | 16 |
| Repetitive Flood Claim Program | Reduce flood damages to individual properties for which one or more claim payments have been made by the NFIP | NFIP-insured properties that have one or more claim payments | NA[b] |
| Severe Repetitive Loss Program | Reduce flood damages to residential properties that are covered by NFIP and have severe repetitive losses[c] | NFIP-insured residential properties that have multiple claim payments | NA[d] |

[a] All five mitigation programs have the same general requirements, including that projects funded must be feasible and effective, consistent with objectives identified in the state mitigation plan, and compliant with environmental planning and historic preservation requirements.

[b] The program has not been used in Minnesota due to the availability of other funding.

[c] Severe repetitive loss is defined as (a) at least four NFIP claim payments over $5,000 each or (b) two separate claim payments with a cumulative amount of the building portion exceeding the market value of the building.

[d] As of October 18, 2011, Minnesota had six properties eligible for the Severe Repetitive Loss Program, but none had obtained funding. The program has not been used in Minnesota due to the availability of other funding.

SOURCES: Office of the Legislative Auditor, analysis of Federal Emergency Management Agency (FEMA), *Hazard Mitigation Assistance Unified Guidance* (Washington DC: FEMA, June 2009); and data from Minnesota's State Hazard Mitigation Officer.

Secretarial designations trigger the availability of low-interest Farm Service Agency emergency loans to eligible producers in counties primarily affected by the disaster and contiguous counties.[21] Since 1990, Minnesota has had 52 secretarial designations with primary counties in Minnesota, and 62 designations with only contiguous counties in Minnesota but primary counties in neighboring states.[22]

[21] Producers applying must have an acceptable credit history, but be unable to receive credit from commercial sources, and they need to provide collateral to secure the loan. Applicants may borrow up to 100 percent of actual production or physical losses, not to exceed a total amount of $500,000.

[22] Secretarial designations are separate from presidential declarations of disaster, and the former do not trigger the same state assistance in Minnesota as the latter.

## Small Business Administration Declarations and Recovery Assistance

**Regardless of whether FEMA offers individual assistance, the U.S. Small Business Administration may offer loans to residents or businesses.**

SBA's low-interest loans are the primary form of federal assistance for nonfarm, private-sector disaster losses and are available to homeowners, renters, businesses of all sizes, and nonprofit organizations. Applicants need to demonstrate their abilities to repay the loans and other obligations by providing information on income and debt, among other things.

SBA provides three types of loans. First, disaster home loans are for permanent repair and replacement of damaged houses or personal properties (renters are only eligible for assistance to cover personal property losses). Second, business physical disaster loans are to repair and replace damaged business properties, including real estate, machinery, inventory and supplies. Third, economic-injury disaster loans provide businesses with necessary working capital until their normal operations resume. Small businesses, small agricultural cooperatives, and certain nonprofit organizations are eligible. SBA activates all or only some of its loan programs, depending on the type of disaster declaration or designation, as shown in Table 1.8.

## Table 1.8: Small Business Administration Loans and Declarations in Minnesota, 1999-2011

| Declaration or Designation | Small Business Administration (SBA) Loan Types Made Available | Number of Declarations[a] | Number of Loans | Amount of Loans (x $1,000) |
|---|---|---|---|---|
| Federal Emergency Management Agency (FEMA) Individual Assistance[a] | All | 7 | 4,091 | $134,342 |
| FEMA Public Assistance[a] | Loans to eligible private, nonprofit organizations | 17 | 0 | 0 |
| U.S. Agriculture Secretarial Designation | Loans to small businesses for economic injuries[b] | 24 | 130 | 16,555 |
| SBA Physical Disaster Declaration or SBA Economic Injury Disaster Declaration[a] | • Loans to home owners and small business owners for physical losses<br>• Loans to small businesses for economic injuries | 8[c] | 275 | 15,121 |

NOTE: The first three types of declarations and designations trigger SBA loan programs but are made by other federal agencies. SBA may make its own declarations of physical disaster and/or economic injury disaster for the same disaster.

[a] FEMA granted the Public Assistance program for 17 presidentially declared disasters from 1999 to 2011, seven of which also invoked the Individual Assistance program. For three disasters receiving FEMA Public Assistance but not Individual Assistance, SBA made its own declarations.

[b] Small businesses exclude agricultural enterprises but include small agricultural cooperatives and producer cooperatives.

[c] The eight events include two fires and the I-35W bridge collapse (which are not natural disasters).

SOURCE: Office of the Legislative Auditor, analysis of SBA disaster declaration and loan data.

### Other Federal Assistance

Other federal agencies also have programs available for disaster recovery, although they do not make disaster declarations or designations. For instance, the U.S. Department of Labor's National Emergency Grant program funds temporary employment to demolish, clean, and repair public facilities damaged from disasters. The Minnesota Department of Employment and Economic Development (DEED) applies for and administers the grant. While some federal programs that fund disaster recovery are triggered only when disasters occur, others are ongoing programs that serve multiple purposes, including recovery, as Table 1.9 shows.

## Table 1.9: Examples of Federal Programs that Fund Disaster Recovery, 2011

| Agency | Program Name | Program Type | Assistance Provided |
|---|---|---|---|
| Natural Resources Conservation Service | Emergency Watershed Program | Disaster-triggered | Funding for emergency measures to retard runoff and prevent soil erosion in watersheds |
| Natural Resources Conservation Service | Environmental Quality Incentive Program | Ongoing | Technical and financial assistance to producers to treat natural resource concerns on eligible lands |
| U.S. Department of Health and Human Services | Energy Assistance Program | Ongoing | Home heating assistance, including repair and replacement of emergency heating systems |
| U.S. Department of Labor | National Emergency Grant Program Disaster Grants | Disaster-triggered | Temporary employment to perform demolition, cleaning, and repair of damaged public structures and lands |
| Federal Highway Administration | Federal-Aid Highway Emergency Relief Program | Disaster-triggered | Assistance to states whose federal highways have been seriously damaged by a natural disaster |
| Department of Housing and Urban Development | Block Grant Disaster Recovery | Disaster-triggered | Noncompetitive, nonrecurring grants to state and local governments for housing and economic development |

NOTE: These examples of recovery programs are from federal agencies other than the Federal Emergency Management Agency, Small Business Administration, or US Department of Agriculture's Farm Service Agency. It is not an exhaustive list.

SOURCE: Office of the Legislative Auditor, analysis of federal agency programs.

# State Government

### Homeland Security and Emergency Management

Multiple Minnesota state agencies are involved in disaster recovery. However:

- **In Minnesota, state responsibilities for coordinating emergency management lie with the Homeland Security and Emergency Management (HSEM) Division of the Department of Public Safety.**

Statutes specify some of HSEM's responsibilities, and the Governor delegates others. HSEM's statutory duties include preparing and maintaining a

**Minnesota laws require HSEM to train local governments on requesting state and federal assistance for disaster recovery.**

comprehensive state emergency-operations plan and emergency-management program, of which preventing and repairing disaster-related damages are a part.[23] HSEM is also responsible for coordinating all state agencies' preparedness and, in response to a major disaster or emergency, coordinating response and certain recovery activities among the multiple state agencies involved.[24]

Statutes give HSEM specific duties related to local governments and disasters.[25] HSEM must guide and train local governments to request state and federal assistance. It ensures that local governments maintain emergency operations plans and programs and coordinates the preparation of local hazard mitigation plans, so that such plans are integrated with the state's plan.[26] HSEM is also required to coordinate state and local government agencies with private organizations for smooth coordination of donations and volunteers during disasters.

The state director of HSEM, appointed by the commissioner of the Department of Public Safety, serves as the Governor's authorized representative for natural disaster assistance. This means the director enters into agreements with federal agencies and receives and administers assistance that the federal government may make available once a disaster is declared.

**A Governor's executive order lays out recovery responsibilities for HSEM and other state agencies.**

By statute, the Governor has general authority for emergency management in Minnesota but may delegate administrative authority, and such authority has been delegated to HSEM.[27] A Governor's Executive Order lays out responsibilities for not only HSEM but also other state agencies.[28] The Governor's authority includes declaring a peacetime emergency.[29] It also includes entering into mutual aid arrangements with other states, ensuring that an emergency-operations plan is maintained, and transferring the direction of state agencies' staff and functions to perform response and recovery following disasters.

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[23] *Minnesota Statutes* 2011, 12.09, subd. 2, and 12.03, subd. 4.

[24] *Minnesota Statutes* 2011, 12.09, subd. 1; and Governor Mark Dayton, *Executive Order 11-03 Assigning Emergency Responsibilities to State Agencies* (St. Paul, January 14, 2011), 2.II.A, and 2.III.C.-E. Although the scope of HSEM's duties is broader than just natural disasters (for instance, it includes nuclear power safety), our evaluation focuses on its duties related to natural disasters.

[25] *Minnesota Statutes* 2011, 12.09, subds. 5, 6, 7, and 9.

[26] *Minnesota Statutes* 2011, 12.09, subds. 1, 6, and 7.

[27] *Minnesota Statutes* 2011, 12.21. subds. 1 and 3(6).

[28] Governor Mark Dayton, *Executive Order 11-03 Assigning Emergency Responsibilities to State Agencies* (St. Paul, January 14, 2011).

[29] *Minnesota Statutes* 2011, 12.31, subd. 2. A natural-disaster emergency declaration may occur when (1) an act of nature endangers life and property and (2) local government resources are inadequate to handle the situation. Besides an act of nature, other events that may lead to an emergency declaration are: a terrorist incident, an industrial or hazardous-materials accident, a civil disturbance, or a technological failure.

*HSEM Staffing and Funding*

HSEM employed 70.6 full-time equivalent (FTE) staff in fiscal year 2011, but only a small share of them worked on recovery activities.[30] Focusing on recovery, HSEM staff told us the division employed about 15 employees including 1 supervisor, 9 FTEs working on the Public Assistance program, 5 on the Hazard Mitigation Assistance program, 0.2 on volunteer coordination, and 0.1 on the Individual Assistance program.

HSEM expenditures specifically for recovery activities in fiscal year 2011 totaled $31.1 million, according to data from Minnesota's Department of Management and Budget. Most of that amount ($29.2 million) was for work on the Public Assistance program, and just under $2 million was for work on the Hazard Mitigation Assistance program.

## State Recovery Structure

Many other Minnesota state agencies have a role in disaster response, recovery, and mitigation. For example, the Minnesota Housing Finance Agency is directed following a disaster to inventory the availability of rental property to house disaster victims and administer grant and loan programs to qualified homeowners with disaster damage. Overall:

- **State law delineates 13 state agencies that may receive state appropriations to help communities recover from disasters with presidential declarations.[31]**

Statutes also specify the programs and activities that each agency may make available for such disasters. Table 1.10 lists the state agencies and a synopsis of their recovery activities following a presidential declaration of a major disaster.

**Minnesota's Legislature typically makes one-time appropriations to specific state agencies for helping communities recover following presidentially declared disasters.**

Chapter 12A of *Minnesota Statutes* provides a framework for the Legislature to make one-time appropriations to state agencies for assisting communities recover from a presidentially declared disaster. Such appropriations, made on a disaster-by-disaster basis, are available only for costs not covered by the federal government or insurance.[32] Funds may be drawn from the state's General Fund, specialized funds such as the Trunk Highway Fund, or bond proceeds. When a disaster occurs after the Legislature adjourns for a year, communities must wait for the next legislative session for any one-time appropriations unless a special session is called.

When disasters do not qualify for a presidential declaration of a major disaster, state agencies may still respond, but they carry out their duties largely independent of other state agencies. For instance, the May 2007 Hugo tornado

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[30] State of Minnesota, *2012-13 Biennial Budget* (St. Paul, November 29, 2010).

[31] *Minnesota Statutes* 2011, 12A.04-12A.16. In addition, the Department of Revenue may provide property tax relief to buildings damaged by natural disasters, but such relief is not limited to disasters with presidential declarations. See *Minnesota Statutes* 2011, 273.1231, subd. 2 (1)-(4).

[32] *Minnesota Statutes* 2011, 12A.03, subd. 2.

## Table 1.10: State Agencies and Authorized Activities to Assist Communities Recover from Disasters, 2011

| Agency | Recovery Activity |
|---|---|
| Agriculture | Provide assistance, including grants, offsets for forage loss, no-interest loans, and mental health counseling, to affected agricultural producers based on need |
| Board of Water and Soil Resources | Acquire easements from landowners for flood attenuation and other purposes; and install or repair projects for controlling erosion, sediment, and water quality |
| Education | Pay disaster enrollment impact aid and offer grants for disaster-related: (1) facility cleanup and repair, (2) additional school operating costs, or (3) increased pupil-transportation costs |
| Employment and Economic Development | Offer grants to local governments to help businesses and other organizations address physical damage to buildings, machinery, equipment, and furniture; use National Emergency Grant (when available) to hire certain unemployed workers |
| Health | Assess access to health care; assess concerns on infectious disease, food safety, and drinking water systems, among others; maintain public health after a disaster; offer grants to assist community health boards |
| Housing Finance | Offer forgivable loans to homeowners and rental owners for capital improvements to damaged housing; offer grants to local governments and nonprofits to assess housing needs and develop and implement recovery plans |
| Human Services | Pay providers to evacuate, transport, and care for vulnerable residents in medical assistance programs |
| Minnesota Historical Society | Pay for the cost of cleanup, renovation, and replacement of historic structures or other historic resources damaged by the disaster |
| Natural Resources | Rehabilitate and replace state facilities and restore natural resources; pay for capital improvements to prevent or alleviate flood damage; remove flood debris from public waters and install flood warning gauges; renovate or remove publicly owned dams |
| Pollution Control | Make grants to buy out properties or rehabilitate buildings if the cost is attributable to petroleum contamination from a disaster |
| Public Facilities Authority | Make grants to local governments for: rehabilitating or replacing storm sewers, wastewater systems, municipal utility services and drinking water systems; assessing damage to underground wastewater and storm water collection systems; and studying the feasibility of extending municipal services to septic-system areas |
| Public Safety | Pay state match for federal assistance to state agencies and local governments; offer grants to counties for removing and burying residential and farm disaster debris; provide technical assistance or grants to assist in coordinating long-term recovery activities |
| Transportation | For disaster-damaged roads and bridges, use trunk highway funds and emergency relief account for transportation infrastructure maintenance; reconstruct and repair trunk highways and bridges; offer grants to local governments for capital costs of local roads and bridges |

NOTES: Activities are those authorized in *Minnesota Statutes* 2011, 12A, specifically for areas included in a presidential declaration of major disaster. Recipients must first apply for and accept available federal assistance and insurance. Other state recovery activities, such as the Department of Revenue's tax relief for damaged properties, are not part of *Minnesota Statutes* 2011, 12A, and are not included here.

SOURCE: *Minnesota Statutes* 2011, 12A.01-12A.16.

did not receive a presidential declaration, but the Governor declared a state of emergency, which made state resources available. Among recovery work by other state agencies, HSEM collected information on damages and state resources that might be made available, and the Department of Natural Resources (DNR) helped clear debris from Oneka Lake.

Some disasters without presidential declarations have received one-time appropriations of state funding. Although *Minnesota Statutes* 2011, Chapter 12A, applies only to presidentially declared major disasters, the Legislature made one-time appropriations for seven of the ten disasters without presidential declarations from 1990 to 2011, as shown earlier in Table 1.3.

## State Programs Used for Recovery

**State programs for recovering from disasters include housing assistance and business recovery loans, and the nature of the disaster determines which specific programs are activated.**

Programs offered by state agencies for recovering from disasters may be grouped into several general types based on the assistance offered, as shown in Table 1.11. Depending on the specific damages resulting from a given disaster, agencies may activate only particular programs targeted to those damages. Among housing programs for example, the Minnesota Housing Finance Agency offers the Quick Start Disaster Recovery program, which is triggered specifically following disasters when needed to help homeowners repair damaged homes. As Table 1.11 shows, for the Fall 2010 southern flood, the state appropriated $4 million to that program; as of June 2011, the Housing Finance Agency had used $2.3 million of that for 121 forgivable loans to households in 13 flooded counties. Another example is the Small Cities Development Grant program, which DEED administers to help local governments fund certain low- and moderate-income housing rehabilitation and construction. This program is part of DEED's day-to-day programs but may be used following disasters as well; it did not receive an appropriation following the Fall 2010 southern flood.

Most of the programs authorized by *Minnesota Statutes*, 12A, are recovery oriented, but these statutes also authorize both DNR and MnDOT to fund projects intended to mitigate damage from future disasters.[33] Because state recovery programs emanate from different laws and are administered by different agencies, each program has its own set of eligibility requirements.

## Minnesota Recovers Task Force

The Minnesota Recovers Task Force, formed in 1993 following a major flood, brings together representatives from state agencies and some federal agencies involved in providing recovery and mitigation assistance. On the whole:

- **The primary objective of the Minnesota Recovers Task Force is coordinating government resources to accomplish long-term recovery projects after natural disasters occur.**

While not established in statute, the task force is recognized in the Governor's executive order on emergency responsibilities, and state agencies named in that order are required to serve on the task force.[34] Table 1.12 lists the member agencies and task force subcommittees. HSEM's disaster-recovery coordinator has chaired the task force since 2008. Purposes of the task force include coordinating public resources for long-term recovery, identifying hazard-mitigation opportunities, and serving as an advisory committee to local officials responsible for recovery. Chapter 3 provides more information on these purposes.[35]

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[33] *Minnesota Statutes* 2011, 12A.12, subd. 2, and 12A.16, subd. 3.

[34] Governor Mark Dayton, *Executive Order 11-03 Assigning Emergency Responsibilities to State Agencies* (St. Paul, January 14, 2011), 2.III.D.

[35] Following a natural disaster, the task force's Web site offers information specific to that disaster. See http://www.minnesotarecovers.org.

## Table 1.11: Examples of State Programs and Appropriations Used for Disaster Recovery, 2010

| Type and Agency | Program Examples and Purpose | 2010 Flood Funding[a] (x $1,000) |
|---|---|---|
| **Agricultural** | | |
| Department of Agriculture | *Disaster Assistance:* Grants to agricultural producers affected by the disaster for items such as livestock investment and organic certification assistance | $ 4,000 |
| | *Minnesota Farmers Assistance:* Referral service for agricultural producers needing expertise in legal, financial, behavioral health, and other matters | 100[b] |
| **Business Recovery and Employment** | | |
| Employment and Economic Development (DEED) | *Minnesota Investment Fund:* Grants to local governments for offering loans to expanding businesses for retaining or adding jobs | 10,000 |
| | *Additional Unemployment Benefits:* Benefits to those in disaster areas who were laid off from facilities that (1) reduced operations by at least 50 percent due in part to major disasters and (2) had previously employed 100 or more employees | 0 |
| **Educational** | | |
| Department of Education | *Disaster Relief Facilities Grant:* Aid for facility cleanup, repair, or replacement not covered by other sources | 486 |
| | *Disaster Enrollment Impact Aid:* Aid to school districts to compensate for the number of adjusted pupil units lost as a result of the disaster | 30 |
| | *Pupil Transportation Aid:* Aid to school districts for increased costs associated with transporting students as a result of the disaster | 5 |
| | *Disaster Relief Operating Grant:* Aid to offset added school operating costs | 2 |
| **Hazard Mitigation** | | |
| Natural Resources Department | *Flood Hazard Mitigation Grants Program:* Grants to local governments to plan and implement flood mitigation projects and study floodplain-damage reduction | 10,000 |
| Board of Water and Soil Resources | *Re-invest In Minnesota:* Funds to purchase easements from landowners to mitigate future flood damage, protect soil and water, and support critical habitat | 10,000 |
| | *State Conservation Cost Share:* Aid to Soil and Water Conservation Districts to assist landowners to install or repair projects in disaster areas to control erosion and sediment and protect water quality | 3,000 |
| **Housing** | | |
| Housing Finance Agency | *Quick Start:* Funding to the Housing Challenge program for forgivable loans to rehab or replace owner-occupied residences or rehab one- to four-unit rentals | 4,000 |
| DEED | *Small Cities Development:* Grants to local governments for loans to rehabilitate or purchase housing, usually for people with low and moderate incomes | 0 |
| **Mass Care** | | |
| Health Department | *Public Health Concerns:* Funds to assess, evaluate, and remediate public health concerns arising from disaster effects | 250 |
| Human Services Department | *Crisis Counseling Assistance and Training*: Federal aid distributed through the Human Services Department to county mental-health service providers for immediate screening, counseling, and referrals up to 60 days after declarations | 0 |
| **Public Infrastructure** | | |
| Department of Transportation | *Local Road and Bridge:* Aid to repair, reconstruct, or replace county and city roads and bridges damaged by disasters | 10,000 |
| | *State Road Infrastructure:* Funds for transportation infrastructure operation and maintenance related to a disaster | 5,000 |
| Public Facilities Authority | *Public Infrastructure:* Grants to rehab or replace publicly owned infrastructure such as storm sewers and wastewater systems | 500 |

[a] October 2010 legislative appropriations to programs following the September 2010 southern floods. Some agencies received additional appropriations for this disaster but for purposes other than the examples listed. Not all appropriated amounts were fully spent, and some were transferred to other state agencies.

[b] Represents one year of a biennial appropriation, which was separate from the October 2010 appropriation.

SOURCES: Office of the Legislative Auditor, analysis of state disaster-recovery statutes and program materials.

## Table 1.12: Subcommittees and Member Agencies of the Minnesota Recovers Task Force, 2011

**Agriculture**
- Agriculture Department
- U.S. Department of Agriculture

**Business and Community Recovery**
- Commerce Department
- Corrections Department
- Department of Employment and Economic Development (DEED)
- Labor and Industry Department
- Minnesota Historical Society
- Pollution Control Agency
- Public Safety Department
- Revenue Department
- U.S. Army Corps of Engineers
- U.S. Department of Agriculture

**Health and Human Services**
- Health Department
- Human Services Department
- Homeland Security and Emergency
- Management (HSEM) of the Public Safety Department

**Housing**
- DEED
- Greater Minnesota Housing Fund
- Housing Finance Agency
- Human Services Department
- Labor and Industry Department
- Natural Resources Department (DNR)
- HSEM
- U.S. Housing and Urban Development
- U.S. Department of Agriculture

**Natural Resources**
- Board of Water and Soil Resources
- Agriculture Department
- DNR
- HSEM
- Housing Finance Agency
- U.S. Army Corps of Engineers
- U.S. Department of Agriculture

**Public Infrastructure**
- HSEM
- Minnesota Historical Society
- Public Facilities Authority
- Transportation Department
- U.S. Army Corps of Engineers
- U.S. Department of Agriculture
- U.S. Federal Highway Administration

**Other Task Force Participants[a]**
- Administration Department
- Education Department
- Governor's Office
- Military Affairs Department
- Minnesota State Council on Disability
- Minnesota Voluntary Organizations Active in Disasters
- Office of Enterprise Technology
- U.S. Congressional and Senate offices

NOTE: Shaded titles indicate subcommittees.

[a] These participants were not assigned to a subcommittee.

SOURCES: Department of Public Safety, Homeland Security and Emergency Management, *Minnesota Recovers Task Force Sub-Committees* (St. Paul, undated) and *Minnesota Recovers* Contact List (St. Paul, undated).

Task force participation allows agencies administering the multiplicity of disaster-related programs in Minnesota to share information, including information on legislative appropriations for recovery. Members also jointly consider funding arrangements for recovery and mitigation projects. The task force's six subcommittees work on requests for assistance from local governments that fall under their areas of recovery expertise.[36] They also determine whether unused funds appropriated for one disaster-recovery program might be available to fund a recovery project under a different recovery program. For instance, money left over after funding recovery needs of flooded businesses could be transferred to a different program, such as removing flooded structures from a floodplain. As we discuss in Chapter 2, statutes allow such transfers between disaster programs funded with state General Fund appropriations.[37]

# Local Governments

Minnesota's local governments are the starting point for disaster recovery. Generally speaking:

- **Not all natural disasters involve state assistance for recovery, but when they do, it is because the affected local jurisdictions have declared the disaster exceeds their capacity to recover.**

Only the mayors of cities or chairs of county boards (or their successors) can declare an emergency.[38] When a county officially requests state assistance, HSEM transmits the request to the Governor, who can declare the county to be in a state of emergency. This declaration, in turn, invokes response and recovery activities laid out in the state's emergency-operations plan.[39]

Local governments must pay for all governmental disaster recovery activities not funded by federal or state sources. Even when federal or state funding is available, local governments pay for certain recovery costs themselves, such as overtime costs for city managers and police and fire chiefs.[40]

**By law, each county is required to have an emergency-management organization with a director and at least one deputy appointed by the county board.**

## Local Emergency-Management Directors

By law, each county is required to have an emergency-management organization with a director and at least one deputy appointed by the county board.[41] This emergency organization has jurisdiction throughout the county except in those cities or towns with their own local emergency-management organization. Cities are also required to establish such an organization and have a director appointed by the mayor.[42]

Duties for the county emergency director include: planning emergency operations at the county level, coordinating other local emergency directors

[36] Local governments are encouraged, but not required, to apply for state recovery funding through the task force following disasters.

[37] *Minnesota Statutes* 2011, 12A.03, subd. 5.

[38] *Minnesota Statutes* 2011, 12.29, subd. 1.

[39] *Minnesota Statutes* 2011, 12.31, subd. 3.

[40] Overtime costs are generally not covered if an employee is exempt from the overtime provisions of the federal Fair Labor Standards Act.

[41] *Minnesota Statutes* 2011, 12.25, subd. 2(a).

[42] *Minnesota Statutes* 2011, 12.25, subd. 1.

within the county, and preparing plans for local emergency operations and local hazard mitigation, as coordinated by HSEM. Statutes grant authority to any county or city to levy a property tax (beyond any levy limits that may exist) for emergency-management purposes or to pay their share of emergency-organization equipment.[43] However, few actually levy such a tax. As part of this evaluation, we surveyed a large sample of the emergency-management directors around the state. Only about 8 percent indicated that their jurisdiction had levied special taxes for these purposes in the last five years.

Many emergency-management directors have responsibilities beyond emergency management, as shown in Table 1.13. From our survey responses, we learned that most counties have emergency directors who work at least half time on emergency management but, by contrast, most city emergency directors spend less than 10 percent of their time on emergency management.

**Most counties have emergency directors who work at least half time on emergency management, but most city emergency directors spend less than 10 percent of their time on it.**

## Table 1.13: Emergency-Management Directors' Time Spent on Emergency Management, 2011

| | Counties *N*=74 | Cities *N*=372 | Tribal Nations *N*=4 |
|---|---|---|---|
| Full time | 34% | 2% | 0% |
| More than half time but less than full time | 30 | 2 | 25 |
| Between 10 percent and half time | 32 | 12 | 50 |
| Less than 10 percent | 4 | 84 | 25 |
| Total | 100% | 100% | 100% |

NOTE: The survey question read: "About how much of your time at work is spent on emergency management responsibilities? Mark 'full time' if you spend all of your work hours on emergency management—preparation, response, recovery, and mitigation—even if you are employed for fewer than 40 hours per week."

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency Management Directors, September 2011.

A large share of county emergency directors also serve in that role for cities within their counties. Among the county emergency directors responding to a question about their responsibilities, 48 percent said they also serve as the official emergency director for at least one of the cities in the county. About 8 percent of them indicated they do so for all such cities.

While most of the cities responding to the survey indicated they have designated a person to serve as emergency director, 11 percent (mostly small cities with populations under 5,000) said no one has been appointed to that role. Among small cities that have not experienced a disaster, 22 percent have not appointed an emergency director. The overwhelming majority of cities that have experienced a disaster have appointed an emergency director.

In Minnesota, local emergency-management directors have formed a professional association called the Association of Minnesota Emergency Managers. The

[43] *Minnesota Statutes* 2011, 12.26, subds. 2-3.

association was established in 1955 to provide networking, training, advocacy, and professional development for its members. Among other activities, the association holds an annual training conference, lobbies at the Legislature, and has published a handbook on emergency management for local officials.

### Other Units of Local Government

In addition to cities and counties, other units of local government sometimes have a role in disaster recovery. Following presidential declarations of disaster, if FEMA or other federal agencies offer assistance, then townships, school districts, and other jurisdictions, such as watershed districts and soil and water conservation districts, may apply for disaster aid. For example, following the May 2011 Minneapolis tornado, applicants for disaster aid included two school districts, a charter school, the Metropolitan Transit Commission, the Minneapolis Parks and Recreation Board, and three private nonprofit organizations. In disasters without presidential declarations, units of local government have less interaction with the state but may receive certain assistance, such as reimbursements from the Department of Revenue for tax relief granted for damaged properties.

## Private Nonprofit Organizations

Private nonprofit organizations are also involved in disaster recovery. In general:

- **Following natural disasters, numerous nonprofit organizations in Minnesota offer help directly to disaster survivors.**

**The American Red Cross has a memorandum of understanding with the state outlining services, such as meals, that it will provide following disasters.**

A few of the organizations active in Minnesota include the American Red Cross, Salvation Army, Lutheran Disaster Response, NECHAMA Jewish Response to Disaster, and United Methodist Committee on Relief.[44]

One organization has a formal relationship with the State of Minnesota for assisting disaster victims. The American Red Cross has a memorandum of understanding with the state that outlines the services it will provide in the event of disasters. Services focus on residents of disaster areas. For instance, the Red Cross offers mass shelter facilities, registration points where survivors can register for assistance, personnel to provide meals for disaster survivors and emergency workers, nursing care, counseling, and other assistance with families' emergency needs.

The Minnesota Association of Voluntary Organizations Active in Disasters organized around 2003 as a forum for nonprofit organizations to communicate and collaborate on disaster relief. Like similar associations in other states, Minnesota's association of about 35 members does not itself provide direct services to disaster survivors (although individual members may organize to assist with food and other basic needs). The array of services that member organizations provide following disasters ranges from amateur radio operators to search and rescue to collecting and distributing donated goods. When a disaster occurs, the association conducts

[44] NECHAMA is a Hebrew word meaning "to comfort."

conference calls among its members to provide a more productive and timely response to aid disaster victims and reduce duplicative services.

**Some nonprofit organizations offer immediate help to disaster survivors, and some offer longer term assistance.**

Another purpose of certain nonprofit organizations active in disasters is to assist with long-term recovery of a community. Although long-term recovery can mean different things from disaster to disaster, it often includes a mechanism to manage donations and contributions coming into a disaster area. It may also include identifying emotional and spiritual needs of community members and referring residents to appropriate help. In Minnesota, Lutheran Social Services has been on the forefront of providing longer term recovery assistance. It has experience helping to manage volunteers during the early weeks of recovery, but it also has expertise in arranging long-term recovery committees and hiring local case managers to assess disaster survivors' needs, including those for financial and mental health counseling. The committees typically comprise members from faith-based groups, civic organizations, and other trusted community-based organizations. Committees usually set up their own operating guidelines, arrange for a fiscal agent, review applications for aid, and disburse payments from money contributed to disaster relief.

Foundations and other nonprofit organizations in Minnesota have also participated in disaster relief. For instance, following the Fall 2010 floods in southern Minnesota, the Southern Minnesota Initiative Fund offered grants to help damaged businesses recover, and United Way of Steele County organized the distribution of grants to assist individuals and businesses.

## Insurance

Private insurance helps many property owners recover from unexpected losses. Applicants for many disaster-relief programs are required to provide information about amounts received from insurance companies. In general:

- **Property owners cannot receive federal or state assistance for disaster-related expenses when private insurance payments cover the cost.**

For homeowners and renters, standard policies generally insure losses from natural disasters with the exception of flooding and earthquakes. For business owners, there is no "standard" policy because properties can vary dramatically depending on the type of business. For example, a gas station, jewelry store, law firm, manufacturing plant, and feedlot have very different risk profiles and insurance needs. At the same time, business insurance policies often cover the cost of damaged or destroyed property and costs related to staying in business or reopening after a natural disaster. Like standard homeowner policies, business insurance policies rarely cover damage from floods or earthquakes. For farmers, crops can usually be insured through federally subsidized crop insurance.[45] Unlike other forms of insurance, crop insurance generally covers damages from

[45] Crop insurance is only available for crops appropriate to the region. Livestock cannot be insured against catastrophic loss through the federal crop insurance program; livestock farmers may, however, purchase insurance in the private market.

flooding, however, it is limited to the crop itself and does not cover other expenses, such as removing debris or repairing fences.

**Most property insurance does not cover flood damages, and the National Flood Insurance Program is a means for insuring against flood losses and encouraging responsible management of floodplains.**

Because most property insurance does not cover flood damages, Congress created the National Flood Insurance Program in 1968 to provide a government-sponsored means of insuring against flood losses and encourage responsible development in floodplain areas.[46] In order for property owners to purchase flood insurance, cities, townships, or Native American communities where the properties are located must first become program participants by passing floodplain management ordinances that limit development in floodplain areas. Most, but not all, Minnesota cities and townships with areas at high risk for flooding participate in the program.

Local governments may also use insurance to pay for costs in the event of a disaster. For example, many Minnesota cities insure their properties through the League of Minnesota Cities Insurance Trust, a self-insurance pool set up as a cooperative joint-powers organization. The trust provides flood insurance coverage to buildings that are outside the 500-year flood plain and supplements National Flood Insurance Program coverage within the 500-year flood plain.

# DISASTER RECOVERY IN OTHER STATES

This section presents a basic comparison of Minnesota with other states. Additional information about select other states' arrangements for funding disaster recovery is available in Chapter 2. In general:

- **Emergency management in Minnesota shares traits in common with many other states.**

Below we offer a brief comparison of states looking at the organizational structure of emergency management, state training requirements for emergency-management staff, and arrangements for paying the 25-percent share of FEMA funding for disaster relief.[47]

## Organizational Structure

Like Minnesota, 13 other states and territories have an emergency-management office in their department of public safety; others have it in a military department or governor's office. The state emergency-management director is an appointed position in 47 states and territories, including Minnesota. Minnesota is also one of the 27 states and territories where the emergency-management director assumes responsibility for receiving and administering FEMA funding.

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[46] *The National Flood Insurance Act of 1968,* as amended*, 42 U.S. Code,* sec. 4001.

[47] We base our analysis on the National Emergency Management Association's *2010 Biennial Report,* which used data from two surveys of emergency management offices in states, territories, and the District of Columbia.

## Training

HSEM is required by law to administer an emergency-management training curriculum and, in comparison with other states, Minnesota has strict requirements for such training.[48] Only 23 states and territories have certification programs for either state or local emergency-management staff; Minnesota has programs for both, and each state agency with a disaster recovery role must ensure it has trained staff.[49] While 11 states and territories have established specific professional requirements for the state emergency-management director, Minnesota is the only state requiring eight hours of continuing education yearly and program certification within three years of assuming the job.

## State Recovery Resources

Regarding the nonfederal share required to match FEMA Public Assistance, 41 states pay a portion of the share. Of those, 4 states pay for the entire 25-percent match, 8 split the cost equally with local governments, and the remaining 29, including Minnesota, have other cost-sharing arrangements. Unlike Minnesota, 13 states pay a portion of the share required to match FEMA's Hazard Mitigation Grant Program funding.

**Four states pay the entire 25-percent match required for FEMA funding and 8 split the cost equally with local governments. Minnesota and 28 other states have other cost-sharing arrangements.**

To provide assistance when the damage does not meet the presidential declaration threshold, 28 states reported that they have established state-funded programs for relief from such disasters. Of those 28, 22 have programs similar to FEMA Public Assistance, 9 have programs similar to FEMA Individual Assistance, and 6 have other programs such as unemployment assistance and local government loans. Minnesota does not currently have a program similar to FEMA Public Assistance or Individual Assistance, but it does have other programs, including loans to businesses and homeowners, for disasters with and without presidential declarations.

States have different ways to pay for the state share needed to match federal assistance and for their disaster programs. In addition to operating budgets of state emergency-management agencies, 13 states depend solely on legislative appropriations for a specific disaster after it occurs, while 27 have a disaster fund or disaster trust fund available.[50]

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[48] *Minnesota Statutes* 2011, 12.09, subd. 10(a), also requires HSEM to make training courses available to state employees with emergency-management duties.

[49] *Minnesota Statutes* 2011, 12.09, subd. 10(b).

[50] The remaining eight states reported other types of funding arrangements.

# 2 Funding Arrangements for Disaster Recovery

Natural disasters require state agencies and local governments to spend money they would not otherwise spend. In this chapter, we examine the funding arrangements the Legislature and state agencies have developed to pay for disaster recovery. We address four elements of these arrangements: (1) one-time state appropriations targeted for disaster recovery, (2) the division of responsibility between the state and local governments for funding disaster recovery and mitigation, (3) transfers of funding among state agencies involved in disaster recovery, and (4) dedicated funding for disaster recovery.

## ONE-TIME APPROPRIATIONS

As described in Chapter 1, state law lays out a framework of programs that state agencies may use to address recovery needs following presidentially declared disasters.[1] Only disasters trigger some of these programs, such as the Quick Start program offered by the Minnesota Housing Finance Agency (MHFA) to assist disaster victims with home rebuilding and repairs. Other programs are ongoing, biennially funded agency activities that can be intensified in disaster areas. One example is the Department of Employment and Economic Development's Minnesota Investment Fund, through which eligible local governments offer loans to businesses for disaster-related damages.

**Many disaster-related programs are activated for recovery purposes only when the Legislature makes a one-time appropriation to fund them.**

To provide assistance in disaster areas, both types of programs rely on the Legislature to make one-time appropriations in response to a disaster. Programs triggered by disasters generally have no biennial funding available; ongoing programs have biennial funding, but that funding may be insufficient or budgeted for other purposes. Among the six state agencies we interviewed on prioritization of their ongoing programs, only two have programs with funding priority for disaster relief activities.[2]

In a few instances, funding can be distributed to disaster-stricken communities without a one-time appropriation. State law authorizes counties to grant property tax abatements and credits to property owners affected by a disaster and directs the Department of Revenue to reimburse local jurisdictions for lost tax revenue.[3] Unlike other state disaster funding, a local declaration of emergency is all that is required to trigger these tax relief provisions; neither a presidential declaration

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[1] *Minnesota Statutes* 2011, 12A.01-12A.16.

[2] The Department of Natural Resources' Flood Hazard Mitigation Grants program prioritizes the purchase of flood-damaged buildings over other mitigation projects. MHFA's Economic Development and Housing Challenge program sets disaster relief as one of its priorities.

[3] *Minnesota Statutes* 2011, 273.1231-1235.

**Certain tax relief for disaster-damaged property can be provided regardless of whether a disaster generated a presidential declaration.**

nor a gubernatorial declaration is needed.[4] In some instances, the Legislature has provided the Department of Revenue with one-time appropriations to provide further property tax relief.

In addition, MHFA and the Minnesota Department of Transportation (MnDOT) have contingency funds for disaster-related activities that can be used at the discretion of each agency.[5] MHFA's Disaster Relief Contingency Fund consists mainly of money from repayments of loans made after previous disasters. MnDOT's disaster accounts set aside 1 percent of County State-Aid Highway Fund and 2 percent of Municipal State-Aid Street Fund appropriations for disaster relief. MnDOT has used its disaster accounts for disasters without presidential declarations. Both agencies have received one-time appropriations to provide assistance beyond their contingency funds for larger-scale disasters. Overall, we found that:

- **Minnesota's approach of funding recovery programs through one-time legislative appropriations leads to uncertainty about the availability of funding, but provides flexibility to address differing needs based on the scope of the disaster.**

Local governments begin to immediately address recovery needs following disasters. However, they must do so without clear guidance on the funding that may be available to them, particularly when a disaster does not receive a presidential declaration. Legislative decisions about funding often occur after many local governments have made decisions on spending. For disasters with presidential declarations, obtaining the declaration also takes time; among the 29 disasters since 1990, the number of days between the start of a disaster and the declaration date was as few as 3 to 5 days but averaged about 39 days.

Local governments have expressed uncertainties about the state's funding approach. We studied six of Minnesota's recent disasters, which are listed in Table 2.1, and made site visits to interview local officials and others involved in disaster recovery.[6] Some local officials we interviewed said that state assistance to communities is subject to timing issues beyond their control. For instance, officials in Browns Valley believed that state assistance could vary based on circumstances: they said if Browns Valley were not the only city that experienced a flood in March 2007, they would have expected less state help. In response to a question on a survey we conducted of Minnesota's emergency-management directors, one director wrote "the major problem is to…get the State Legislature to approve bonding [for mitigation projects]. About the time it gets approved, another flooding incident occurs somewhere else in the State and funding gets diverted."

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[4] Minnesota's Executive Council must approve a local application for property tax relief; total damage must meet a statutorily defined minimum threshold. *Minnesota Statutes* 2011, 273.1231, subds. 3(a)(2) and 3(b). If a disaster received a presidential declaration, no local declaration of emergency is necessary.

[5] By law, MHFA's Disaster Contingency Relief fund can be used only if a disaster received a presidential declaration. *Minnesota Statutes* 2011, 462A, subd. 29. However, the Legislature has occasionally waived this requirement.

[6] Background information on the six disasters is in the appendix to this report.

## Table 2.1: Jurisdictions Visited During Evaluation, 2011

Disasters and Jurisdictions

| | |
|---|---|
| **Fall 2010 southern floods**<br>• Hammond<br>• Owatonna<br>• Steele County<br>• Wabasha County<br>• Zumbro Falls | **May 2008 Hugo tornado**<br>• Hugo |
| | **August 2007 Rushford, southeast flooding**<br>• Fillmore County<br>• Rushford |
| **June 2010 Wadena tornado, other tornadoes and flooding**<br>• Wadena | **March 2007 Browns Valley flooding**<br>• Browns Valley |
| **Spring 2009 Red River flooding**<br>• Breckenridge<br>• Clay County<br>• Moorhead<br>• Wilkin County | |

NOTE: The appendix contains additional information on each natural disaster that was part of our case studies.

SOURCE: Office of the Legislative Auditor.

**Disasters that occurred while the Legislature was still in session tended to receive state appropriations more quickly than those that occurred at other times of the year.**

At the same time, one-time appropriations increase the Legislature's flexibility to address each disaster's unique recovery needs. For example, for the Spring 2010 Red River floods, the Legislature decided that federal programs would mostly provide sufficient assistance and made only a single appropriation to a local community beyond the state's match of federal funds.[7] But for the Fall 2010 southern floods that affected 29 counties, the Legislature appropriated funding to 13 state agencies assisting in the recovery effort.[8] Our analysis of recent legislative funding decisions showed that:

- **Communities affected by disasters without presidential declarations wait longer for state funding than those that receive declarations.**

We analyzed the time between disasters and legislative appropriations for disasters occurring since 1997, as shown in Table 2.2. Although the amount of time the Legislature took to act varied from one disaster to another, a few patterns can be seen. Disasters that occurred early in the year, before the end of the legislative session, tended to receive state appropriations more quickly. For example, the Legislature appropriated funds for the Spring 2010 southern flood and the Spring 2006 and 2009 Red River floods within a month of each disaster's end date.

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[7] *Laws of Minnesota* 2010, chapter 377, secs. 1-2; *Laws of Minnesota* 2010, chapter 389, art. 10, sec. 6.

[8] *Laws of Minnesota* 2010, Second Special Session, chapter 1, art. 1.

## Table 2.2: Timing of Legislative Appropriations, 1997-2011

| Disaster | Approximate Disaster Dates | Legislative Appropriation Date | Days From End of Disaster to Appropriation |
|---|---|---|---|
| **Presidentially Declared Disasters** | | | |
| July 2011 midstate high winds | Jul 1-11 | Jul 20 | 9 |
| May 2011 Minneapolis tornado | May 22 | Jul 20 | 59 |
| Spring 2011 west central flood | Mar 16-May 25 | Jul 20 | 56 |
| Fall 2010 southern flood | Sep 22-Oct 14 | Oct 18 | 4 |
| June 2010 Wadena tornado, other tornadoes and flooding | Jun 17-26 | Oct 18 | 114 |
| Spring 2010 southern and northwest flood | Mar 1-Apr 26 | May 25 | 29 |
| Spring 2009 Red River flood | Mar 16-May 22 | May 16 | 0 |
| June 2008 southeast flood | Jun 6-12 | Apr 6, 2009 | 298 |
| August 2007 Rushford, southeast flood | Aug 18-31 | Sep 12 | 12 |
| Spring 2006 Red River flood | Mar 30-May 3 | Jun 2[a] | 30 |
| November 2005 Red River Valley ice storm | Nov 27-29 | —[b] | —[b] |
| September 2004 southern flood | Sep 14-27 | Feb 15, 2005[a] | 141 |
| June 2002 northwest flood, tornadoes | Jun 9-28 | Sep 20 | 84 |
| Spring-summer 2001 statewide flood | Mar 23-Jul 3 | Jun 30[a] | 0 |
| Spring-summer 2000 scattered floods, tornado | May 17-Jul 26 | Jun 30, 2001 | 339 |
| Summer 1999 northeast and north central flood | Jul 4-Aug 2 | —[b] | —[b] |
| Spring 1999 northwest ice storm, flood | Mar 1-May 30 | May 25 | 0 |
| May 1998 southern and metropolitan tornadoes | May 15-30 | —[b] | —[b] |
| March 1998 St. Peter tornado, other tornadoes | Mar 29 | Apr 9 | 11 |
| Summer 1997 metropolitan flood | Jun 28-Jul 27 | Apr 21, 1998 | 268 |
| Spring 1997 statewide floods | Mar 21-May 24 | Mar 19 | 0 |
| January 1997 statewide winter storms | Jan 3-Feb 3 | Mar 19 | 44 |
| **Disasters without Presidential Declarations** | | | |
| August 2009 Minneapolis tornado | Aug 19 | — | NA |
| May 2008 Hugo tornado | May 25 | May 16, 2009 | 356 |
| March 2007 Browns Valley flood | Mar 14 | May 23 | 70 |
| September 2006 Rogers tornado | Sep 16 | May 25, 2007 | 251 |
| August 2006 Nicollet/Le Sueur Counties tornado | Aug 24 | May 25, 2007 | 274 |
| August 2006 Warroad tornado | Aug 5 | May 25, 2007 | 293 |
| June 2005 Otter Tail County high winds | Jun 19 | Jul 13 | 24 |
| June 2004 Mower County tornado | Jun 11 | — | NA |
| June 2003 Buffalo Lake tornado | Jun 24 | Apr 11, 2005 | 657 |
| June 2001 Parkers Prairie tornado | Jun 13 | — | NA |

NOTES: Years listed here are the year of the disaster unless otherwise noted. Legislative appropriation dates are when the bills were signed by the Governor. We used the earliest appropriation date if there were multiple appropriations.

[a] The Legislature designated this appropriation to match federal disaster-recovery funds but did not identify a specific disaster. We assigned it based on the legislation's date.

[b] Although federal funding requires a 25-percent Minnesota match, we did not find any specific state appropriations to meet the requirement for these disasters. Matching funding may have come from funds left over from previous disasters or additions to later appropriations to the Department of Public Safety.

SOURCES: Office of the Legislative Auditor, analysis of legislation and data from the Homeland Security and Emergency Management Division and the Federal Emergency Management Agency.

For disasters without presidential declarations, the Legislature generally did not act until it next convened for other reasons. For example, Hugo waited until the 2009 session for an appropriation after suffering damage from a May 2008 tornado.[9] However, Hugo city officials told us that political leaders asked whether the city needed a special session, and the city responded that it would be able to wait until the following year's session.

In a few instances, the Legislature waited many months before providing matching funds for disasters receiving presidential declarations. However, the Division of Homeland Security and Emergency Management (HSEM) data suggest Public Assistance payments to local governments were not slow for two disasters with particularly long gaps between the disasters and legislative action. The median time for local governments to receive their final payments was 8.4 months after the June 2008 southeast floods and 4.8 months after the September 2004 southern floods. Both were less than the median 9 months for eight comparable disasters.

# DIVISION OF RESPONSIBILITY IN FUNDING DISASTER RECOVERY

Government funding for disaster recovery can come from federal, state, and local sources. In this section, we examine what proportions of disaster costs the different levels of government bear and how these proportions change due to federal and state policies and decisions.

## Funding Responsibilities for Recovery without Presidential Declarations

**For seven disasters since 1990, the Legislature appropriated recovery funding even though the disasters did not receive presidential declarations.**

The Legislature appropriated money in the past two decades for seven disasters without presidential declarations, as shown in Table 2.3. For example, the 2007 Legislature appropriated $2 million to the Department of Public Safety for relief from damage caused by the 2007 Browns Valley flood.[10] After a 2005 high wind event, the 2005 Legislature approved a $500,000 grant in a special legislative session, passed through the Department of Employment and Economic Development (DEED), to fund locally administered programs for assisting businesses and property owners in Otter Tail County.[11] However, some communities affected by natural disasters have not received legislative appropriations. For example, the Legislature did not appropriate recovery funds after the city of LeRoy and Mower County were hit by a 2004 tornado that severely damaged several homes, farms, and a grain company. Nor did the Legislature appropriate funds after a tornado struck near Parkers Prairie in 2001 causing an estimated $5 million in damages.

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[9] *Laws of Minnesota* 2009, chapter 93, art. 3, sec. 1.

[10] *Laws of Minnesota* 2007, chapter 122, sec. 1.

[11] *Laws of Minnesota* 2005, First Special Session, chapter 3, art. 11, sec. 11.

## Table 2.3: One-Time State Appropriations for Disasters without Presidential Declarations, 1990-2011

| Disaster | Amount (x $1,000) | Administering Agency | Legislative Purpose |
|---|---|---|---|
| May 2008 Hugo tornado | $ 350 | Employment and Economic Development (DEED) | Disaster-related costs |
| March 2007 Browns Valley flood | 2,000 | Public Safety[a] | Flood damage relief |
| | 200 | Revenue | Assistance with flood recovery |
| | 3,900 | Natural Resources | Diversion channel mitigation project |
| September 2006 Rogers tornado | 400 | DEED | Tornado damage relief |
| August 2006 Nicollet/Le Sueur Counties tornado | 75 | DEED | Debris removal from lakes |
| August 2006 Warroad tornado | 75 | DEED | Public facilities replacement |
| June 2005 Otter Tail County high winds | 500 | DEED | Recovery assistance to businesses and property owners |
| June 2003 Buffalo Lake tornado | 690 | DEED | Construction of municipal maintenance garage; reconstruction of city streets |

NOTE: The Legislature did not make one-time appropriations following three disasters: the August 2009 Minneapolis tornado, the June 2004 Mower County tornado, and the June 2001 Parkers Prairie tornado.

[a] The Department of Public Safety later transferred the money to DEED, and DEED then administered the grant.

SOURCES: Office of the Legislative Auditor, analysis of *Laws of Minnesota* 2009, chapter 93, sec. 1; *Laws of Minnesota* 2008, chapter 179, sec. 7, subd. 3; *Laws of Minnesota* 2007, chapter 122, secs. 1, 3, and 4; *Laws of Minnesota* 2007, First Special Session, chapter 2, art. 3, sec. 3; *Laws of Minnesota* 2007, chapter 135, art. 1, sec. 3, subd. 2(s)(r)(t); *Laws of Minnesota* 2005, First Special Session, chapter 3, art. 11, sec. 11; and *Laws of Minnesota* 2005, chapter 20, art. 1, sec. 23, subd. 13.

While we are not suggesting whether or not these disasters warranted state recovery aid, we found that:

- **Minnesota has insufficient criteria to determine whether state recovery assistance will be provided for disasters lacking presidential declarations, which can lead to inconsistent state funding for such disasters.**

Neither state law nor the state *State of Minnesota Emergency Operations Plan* specifies how much, if any, state recovery assistance will be provided for disasters without presidential declarations. In some instances, the lack of state criteria has led to inconsistencies in the amount of aid granted to different communities for similar activities. After the 2008 Hugo tornado, the city hired contractors to haul debris from both public and private lands, although removing debris from private land is rarely eligible for reimbursement under the Federal Emergency Management Agency's (FEMA) Public Assistance program. However, because the tornado did not receive a presidential declaration, Public Assistance was unavailable, and these rules did not apply. The city used a one-time Legislative appropriation to partially cover debris removal costs.[12] Two years after the Hugo tornado, when tornadoes in Wadena and Otter Tail counties received a presidential declaration, local governments were not reimbursed for the costs of removing debris from private land. State spending for debris removal was limited to matching FEMA Public Assistance funding, which paid only for debris removal from public property.[13]

**Most county emergency-management directors we surveyed reported that state funding for recovery was at least somewhat inadequate for disasters without presidential declarations.**

Some local government officials expressed concerns about the inadequacy of recovery funding for disasters with no presidential declarations. For instance, one county emergency-management director we visited contrasted the funding available after a presidentially declared disaster with the absence of funding after two other recent severe weather events that caused substantial damage but not enough to merit a declaration. In response to our survey, many emergency-management directors in jurisdictions that have had a disaster since 2006 indicated concern about funding for disasters without presidential declarations. As Table 2.4 shows, 26 percent of city respondents and 55 percent of county respondents felt that state recovery funding for such disasters was at least somewhat inadequate.

## Table 2.4: Opinions of Emergency-Management Directors on State Funding for Disasters, 2011

| | State Funding was Adequate or Somewhat Adequate | State Funding was Neither Adequate nor Inadequate | State Funding was Somewhat Inadequate or Inadequate | Not Applicable or Don't Know |
|---|---|---|---|---|
| **Disasters with Presidential Declarations** | | | | |
| County (*N*=67) | 72% | 6% | 13% | 9% |
| City (*N*=169) | 53 | 8 | 10 | 30 |
| **Disasters without Presidential Declarations** | | | | |
| County (*N*=66) | 9 | 17 | 55 | 20 |
| City (*N*=168) | 19 | 14 | 26 | 40 |

NOTES: The survey question read: "To what extent are Minnesota's state funding and other assistance for recovery adequate for disasters with declarations and those without?" Respondents were emergency managers who indicated their jurisdictions had experienced a flood, tornado, or severe windstorm since 2006. Percentages in a row may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

However, the lack of a presidential declaration does not necessarily mean that the community will receive no state assistance. Two communities we visited that

[12] Hugo received a lump sum payment of $350,000 for all of its disaster recovery costs. The payment was less than the total expenses the city calculated it paid out for disaster recovery (about $413,000 after deducting insurance payments), but the cost of debris removal was substantially more than the difference between the two amounts.

[13] In many instances, Public Assistance funding can be used to remove debris that has been moved from private land onto public property (for example, dragged from a private residential lot into a street or alley). This can be valuable assistance for homeowners on small lots; it may be less helpful for farmers with debris scattered across acres of farm fields.

had experienced disasters without presidential declarations were pleased with the state recovery assistance they had received. Browns Valley officials told us the city's public infrastructure had been returned to its condition prior to the 2007 flood. They were especially grateful for a diversion channel funded by the state, which they believed had protected the city from three potential floods since the project's completion. Officials from Hugo also said their city benefited from the state assistance it received after the 2008 tornado.

The Association of Minnesota Emergency Managers has sought legislation establishing a state dedicated disaster fund.[14] If established, the fund would enable the Division of Homeland Security and Emergency Management (HSEM) to make grants to local governments for recovery activities after disasters with no presidential declarations, provided that local governments match each grant by at least 10 percent. Several of the emergency managers responding to our survey described advantages of such a dedicated fund. One county emergency management director wrote:

> State recovery funding should aim at disasters smaller than the federal threshold. Having a funding pool immediately available would speed recovery and allow communities to begin to function normally much quicker than without such funds.

## Funding Responsibilities for Recovery with Presidential Declarations

As described in Chapter 1, the federal government pays 75 percent of eligible disaster-related costs when FEMA grants Public Assistance.[15] The remaining 25 percent must be provided by state or local sources. No federal requirement specifies how to divide the nonfederal share of Public Assistance costs among state and local sources. In examining how these costs have been funded between the state and local governments, we found that:

- **Recent legislative decisions to pay the entire amount required to match federal recovery aid for public infrastructure have increased state costs while lowering local costs and may be shifting expectations among local officials.**

**Minnesota does not have a statute or rule specifying that the state will cover any amount of the required 25-percent match for FEMA assistance.**

The share of the required match for federal assistance that local governments have paid has changed over time.[16] Although Minnesota has no statute or rule that the state cover any amount of the nonfederal share, in practice the state has increasingly paid the full 25 percent of matching funds for FEMA Public

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[14] See H.F. 120, 2011 Leg., 87th Sess. (MN).

[15] In unusual circumstances, the federal government may pay more than 75 percent of Public Assistance costs. FEMA's Individual Assistance program also requires a 25-percent state match for nonhousing expenses, and FEMA's Hazard Mitigation Grant Program requires a 25-percent state or local match.

[16] For tribal nations and nonprofit organizations, the state pays none of the 25-percent match required for federal assistance.

**For seven successive disasters since 2009, the state has paid the full amount of the required matching funds.**

Assistance.[17] Since 2009, the Legislature has appropriated enough money to cover the entire nonfederal share for seven successive federally declared disasters. As shown in Table 2.5, the state's assumption of the entire matching amount is a change in practice from previous years. Although there were exceptions for some events, such as the June 2002 northwest flood and the August 2007 Rushford flood, the state generally paid 15 percent of the total eligible costs for Public Assistance prior to 2009, leaving local jurisdictions to cover the remaining 10 percent.

## Table 2.5: Sources of Public Assistance Funding for Presidentially Declared Disasters, 1997-2011

| Disaster | Federal Share | State Share | Local Share |
|---|---|---|---|
| July 2011 midstate high winds | 75% | 25% | 0% |
| May 2011 Minneapolis tornado | 75 | 25 | 0 |
| Spring 2011 west central flood | 75 | 25 | 0 |
| Fall 2010 southern flood | 75 | 25 | 0 |
| June 2010 Wadena tornado, other tornadoes and flooding | 75 | 25 | 0 |
| Spring 2010 southern and northwest flood | 75 | 25 | 0 |
| Spring 2009 Red River flood | 75 | 25 | 0 |
| June 2008 southeast flood | 75 | 15 | 10 |
| August 2007 Rushford, southeast flood | 75 | 25 | 0 |
| Spring 2006 Red River flood | 75 | 15 | 10 |
| November 2005 Red River Valley ice storm | 75 | 15 | 10 |
| September 2004 southern flood | 75 | 15 | 10 |
| June 2002 northwest flood, tornadoes | 75 | 25 | 0 |
| Spring-summer 2001 statewide flood | 75 | 15 | 10 |
| Spring-summer 2000 scattered floods, tornado | 75 | 15 | 10 |
| Summer 1999 northeast and north central flood | 75 | 15 | 10 |
| Spring 1999 northwest ice storm, flood | 75 | 15 | 10 |
| May 1998 southern and metropolitan tornadoes | 75 | 15 | 10 |
| March 1998 St. Peter tornado, other tornadoes | 75 | 25 | 0 |
| Summer 1997 metropolitan flood | 75 | 15 | 10 |
| Spring 1997 statewide floods | 75 | 25 | 0 |
| Six counties with most severe damage | 90 | 10 | 0 |
| January 1997 winter storms[a] | 75 | unknown | unknown |

NOTE: The "local share" is borne by the applicant for disaster-assistance funding, which is most frequently a county, city, township, school district, watershed district, or other public entity. Tribal nations and nonpublic entities, such as utility cooperatives or nonprofit agencies, may also qualify for Public Assistance funding from the Federal Emergency Management Agency (FEMA). However, under Homeland Security and Emergency Management Division policy, tribal nations and nonpublic entities may not receive Public Assistance funding from state sources and must absorb the entire nonfederal share.

[a] We were unable to ascertain the state and local shares paid for this disaster.

SOURCE: Office of the Legislative Auditor, analysis of data from "Minnesota History of Disaster" (internal document, Department of Public Safety, Homeland Security and Emergency Management Division, St. Paul, September 28, 2011).

[17] State law says: "For eligible Public Assistance program costs, any state matching money made available for that assistance must be dispersed by the Department of Public Safety." *Minnesota Statutes* 2011, 12A.03, subd. 3.

The result of this shift is that the state has paid more, and local governments have paid less. For example, the 2009 Red River floods led to $33.1 million in claims for Public Assistance from local jurisdictions. The state paid 25 percent of this amount, or $8.3 million. Had the state paid only 15 percent of Public Assistance, it would have paid $3.3 million less, and local governments would have had to cover that amount.

The Legislature's previous approach of paying only 15 percent of the eligible costs created expectations among state and local officials that this distribution of costs would continue. After the 2010 Wadena tornado, HSEM advised city officials that they would likely be asked to pay 10 percent of eligible Public Assistance costs, and city officials told us they worried about how to pay for that expense. However, the state eventually paid the full 25-percent match. Similarly, if the state continues to fully fund the match in subsequent disasters, it may be creating a new expectation among state and local officials that the Legislature will, in the future, cover all eligible Public Assistance costs not paid by FEMA. However, the Legislature could revert to paying only 15 percent of the match at any time or reduce its contribution further, which would add unpredictability for local governments when funding disaster recovery.

## Funding Responsibilities for Flood Hazard Mitigation Grants

The Flood Hazard Mitigation Grants program administered by the Department of Natural Resources (DNR) funds activities that reduce the risk of damage from future floods. The program also assists communities to pay the required local match for federally funded mitigation projects. The program receives bonding bill appropriations during regular legislative sessions. The Legislature has also made one-time appropriations to this program following disasters to fund additional mitigation efforts in disaster areas.

**By law, the state typically pays half of the costs for Flood Hazard Mitigation Grants projects, and local governments pay the other half.**

By law, the Flood Hazard Mitigation Grants program ordinarily requires a 50-percent local match; that is, the local government and the state would contribute equal amounts to fund a mitigation project.[18] DNR staff told us prior to 2009, some other state agencies approved grants to local governments for local shares of their mitigation projects. Local governments we visited used different funding sources, such as private donations and utility fees, to pay for their local shares. Moorhead officials told us the city needed to increase its property tax levy to pay for its share of mitigation grants. We found that:

- **The Department of Natural Resources has increasingly paid the required local share of Flood Hazard Mitigation Grants, but no clear standard exists on when it should do so.**

Starting with a 1997 appropriation for mitigation projects in the Red River Basin, the Legislature began frequently authorizing a reduction in the required local match to 2 percent of a city's median household income multiplied by the city's number

[18] *Minnesota Statutes* 2011, 103F.161, subd. 2.

of households (the 2-percent income limit).[19] For example, the city of Crookston received bond funds in 2009 through the Flood Hazard Mitigation Grants program for a levee project that cost $10 million. Instead of paying half of the $10 million, Crookston paid $2.3 million based on the 2-percent income limit.

**For some disasters, the Legislature reduced the required local match for flood mitigation projects to 2 percent of a city's median household income multiplied by the number of its households.**

Comparing disasters that occurred after 2007 with earlier events, the Legislature has allowed DNR to apply the 2-percent income limit to more cities affected by disasters. Before 2007, the Legislature applied the limit only to cities specifically listed in appropriation bills. In the appropriation following the 2007 Rushford flood, the Legislature for the first time applied the 2-percent income limit to all cities with projects in declared disaster areas.[20] Legislation passed in 2008 authorized DNR to apply this limit to any city in a presidentially declared disaster area and to use one-time appropriations to pay for project costs not covered by the required local contribution.[21] For communities affected by the Spring 2009 Red River flood and September 2010 southern floods, the Legislature authorized an ad hoc application of the limit, and DNR applied the limit to cities that would pay less following the 2-percent limit than paying a local share of 50 percent of the proposed project cost.

For the 2007 Rushford flood and Fall 2010 southern flood, DNR paid the entire local share of certain Flood Hazard Mitigation Grants projects. Specifically, DNR used state funding to cover the entire local share in all 10 grant projects after the 2007 Rushford flood. It did so for only 7 out of 11 projects after the 2010 southern flood because, at the time the grant was awarded, DNR did not have sufficient funding to cover local shares of all projects. Comparing the shares of average costs for Flood Hazard Mitigation Grants projects for these two disasters, DNR paid 100 percent of the costs for projects related to the 2007 Rushford flood, and it paid 86 percent for projects related to the 2010 southern flood, while local governments paid the remaining 14 percent.

### RECOMMENDATION

***The Legislature should set clear criteria for determining the level of state funding provided to local jurisdictions in three situations: (1) when no federal aid to local jurisdictions is available, (2) when federal aid must be matched by state and local funding, and (3) when jurisdictions receive state Flood Hazard Mitigation Grants.***

Under current arrangements, local officials cannot confidently anticipate whether they will receive state funding or how much they will receive in the three situations listed. Consequently, local officials have been placed in the difficult

[19] *Laws of Minnesota* 1999, chapter 240, art. 1, sec. 4, subd. 3.

[20] As discussed later, because DNR used transferred disaster relief funding from other agencies to pay for the total costs of mitigation projects after the 2007 Rushford flood, regardless of the 2-percent income limit, local governments did not pay any local share.

[21] *Laws of Minnesota* 2008, chapter 247, sec. 12, subd. 2.

position of having to make decisions on spending when they do not know what portion of the costs their jurisdictions will pay.

Of the three situations listed, disasters with no presidential declaration may present the most complexity in creating criteria for state aid to local jurisdictions. We envision formula-based criteria that, like the federal criteria for FEMA assistance, take into account anticipated recovery costs and the affected community's ability to pay for those costs. One possible measure of costs would be per capita damage within the jurisdiction. Some geographically concentrated disasters would score higher on this measure than on FEMA thresholds, which measure damages on statewide and countywide scales. Thus, disasters ineligible for federal assistance could be eligible for state assistance. Local capacity to pay for disaster recovery might be measured using local property values per capita. Implementing this criterion would require HSEM staff to verify damage estimates, collect information on local property values, and calculate whether communities meet the threshold.

In addition, the Legislature would have to determine what recovery expenses are eligible for state funding or delegate that authority to relevant state agencies. One approach would be to use FEMA rules as a basis for determining which recovery activities are reimbursable by the state for disasters without declarations. Ideally, there should be consistency among disasters of similar magnitude, and smaller scale disasters should not receive funding for expenses that would not be funded in more catastrophic events.

The second situation referred to in our recommendation involves decisions over the division of responsibility between the state and local governments (and between the state and tribal nations) for paying the 25-percent match required for FEMA aid. The Legislature should set criteria in statute for determining the proportions of the required 25-percent match that the state will pay. The proportion would not necessarily have to be the same for all disasters; for instance, the Legislature may chose to recognize that some local governments have less ability to pay than others. The important point, however, is making explicit the criteria for setting those proportions. Establishing statutory criteria that determine the local share for the match would give a greater measure of predictability to local governments when they make spending choices.

**Setting clear criteria for determining the state's level of responsibility to pay required matching funds could include allowances for communities with less ability to pay.**

For the third situation, which involves local contributions to Flood Hazard Mitigation Grants projects, the Legislature should ensure that such contributions follow consistent and predictable criteria. It can set those criteria itself or direct DNR to set them. For example, criteria could be based on: (1) the urgency of the mitigation activity to protect a community from the imminent threat of a flood; (2) the number or value of the properties protected by the mitigation project; (3) the extent to which the project will leverage federal funding; and (4) the local capacity to pay for the share, as possibly measured by a formula based on local per capita property values. Such criteria would not only lessen uncertainty among local governments, but also encourage communities to plan mitigation projects that follow state priorities. Criteria would allow DNR to fund high-priority projects as funding became available.

# INTERAGENCY TRANSFERS OF FUNDING

Once the Governor signs one-time appropriations for disaster recovery into law, state agencies receive funding for the disaster-related needs they have identified. Sometimes the amounts appropriated do not match actual eligible costs (such as when initial damage estimates are higher or lower than actual damages), or project proposals do not meet eligibility criteria for the funded program. As another example of how actual costs might vary from estimates, loan program administrators may urge even those with minimal interest to apply for loans, which would signal a greater demand than is realized when only a subset of those initially interested actually follow through with a full application. State law allows agencies to transfer unused General Fund appropriations to other agencies with unmet disaster-related needs.[22]

## Interagency Transfers to Meet Program Needs

**State agencies can transfer unused General Fund appropriations for disaster recovery to other agencies that identified projects in communities with unmet disaster-related needs.**

Interagency transfers allow flexibility in distributing state funding to projects where needs are great. As an example, following the 2009 Red River Valley floods, the Department of Revenue transferred $250,000 (its total original appropriation for this disaster) to the Board of Water and Soil Resources to help pay for erosion- and sediment-control projects. The board did not have sufficient appropriations to pay for all such eligible projects, and the transfer allowed the board to fund more of them. Table 2.6 lists the transferred funds we could identify since 2000. We found that:

- **State agencies' authority to transfer state funds for disaster purposes to other state agencies does not extend to appropriations from bond proceeds, even though potentially eligible funding needs exist.**

In two recent years, disaster-related money appropriated from bond funds to the Public Facilities Authority for local public infrastructure went unused. In one instance, the authority received no eligible public infrastructure applications for a $500,000 appropriation following the Fall 2010 floods.[23] Consequently, it recommended cancelling the appropriation. We learned, however, from jurisdictions flooded by that disaster of outstanding public-infrastructure needs. We cannot know with certainty whether these communities' capital projects would have met eligibility criteria of other agencies' capital funding programs.

But some of the projects appeared potentially eligible for capital spending, such as Owatonna's $18,000 road repair project and two bridge slope-protection projects for about $52,000 that did not have funding sources identified as of mid-2011. Hammond officials reported they had been promised help to rebuild their city hall but received only part of the capital funding they had identified as necessary.

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[22] *Minnesota Statutes* 2011, 12A.03, subd. 5. Prior to 2008, interagency transfers were allowed only when the Legislature approved them in the authorizing language of specific appropriations.

[23] *Laws of Minnesota* 2010, Second Special Session, chapter 1, art. 1, sec. 6.

## Table 2.6: Transfers between State Agencies for Disaster Recovery, 2000-11

| Disaster and Transferring Agency | Original Appropriation (x $1,000) | Amount Transferred (x $1,000) | Receiving Agency | Date Transfer was Accepted |
|---|---|---|---|---|
| **September 2010 southern floods–29 counties** | | | | |
| Education Department | $ 523 | $ 135 | Public Safety Department (DPS) | Feb. 2011 |
| Employment and Economic Development Department (DEED) | 10,000 | 3,000 | Natural Resources Department (DNR) | Apr. 2011 |
| Minnesota Historical Society (MHS) | 250 | 130 | DNR | Apr. 2011 |
| Housing Finance Agency (MHFA) | 4,000 | 1,000 | DNR | Aug. 2011 |
| **Spring 2009 Red River Valley flood–28 counties** | | | | |
| DEED | 200 | 200 | Board of Water and Soil Resources (BWSR) | Mar. 2010 |
| Human Services Department (DHS) | 200 | 185 | DPS | Apr. 2011 |
| MHFA | 2,700 | 1,200 | DPS | Dec. 2009 |
| Revenue Department | 250 | 250 | BWSR | Oct. 2009 |
| **March 2007 Browns Valley flood–1 city** | | | | |
| DPS | 2,000 | 2,000 | DEED | June 2007 |
| **August 2007 Rushford and southeast flood–8 counties** | | | | |
| DEED | 35,000[a] | 1,890 | BWSR | June 2008 |
| DEED | 35,000[a] | 4,356 | DNR | June 2008 |
| DHS | 200 | 170 | DNR | June 2008 |
| DPS | 6,500 | 442 | DNR | June 2008 |
| MHS | 250 | 89 | DNR | June 2008 |
| MHFA | 16,000 | 2,000 | DNR | Feb. 2008 |
| MHFA | 1,000[b] | 300 | Health | Nov. 2007 |
| MHFA | 1,000[b] | 135 | DPS | Dec. 2007 |
| **June 2002 Northwest flood and tornado–19 counties** | | | | |
| DEED | 3,000 | 107 | DPS | Jan. 2003 |
| MHFA | 3,500 | 107 | DPS | Jan. 2003 |
| Revenue | 1,000 | 800 | DPS | Jan. 2003 |

NOTES: Because users of the statewide accounting system do not consistently identify transfers specifically for the purpose of disaster recovery, this list may not include all disaster-related interagency transfers. Further, because statewide accounting data do not associate a funding transfer with a specific disaster in some cases, we made a few assumptions about the specific disaster based on proximity to the date of the transfer. Since 2008, interagency transfers have been authorized in *Minnesota Statutes*, 12A.03, subd. 5. Prior to that, each transfer required specific legislative approval.

[a] A single $35 million appropriation to DEED resulted in two transfers, one each to BWSR and DNR.

[b] A single $1 million appropriation to MHFA resulted in two transfers, one each to the Health Department and DPS.

SOURCES: Office of the Legislative Auditor, analysis of data from the Minnesota Accounting and Procurement System; Minnesota Housing Finance Agency, *Disaster Recovery Assistance to Local Units of Government, Non-Profits, and State Agencies 2007-2010*, September 30, 2011, 1-2; and Homeland Security and Emergency Management, *FEMA-1830-DR, Disaster Recovery Summary*, January 20, 2010.

In a second instance, the Public Facilities Authority received $10 million to help counties and cities rehabilitate and replace public infrastructure following the 2007 Rushford floods in southeastern Minnesota. About $318,400 of that amount was unobligated and became available for cancellation. Yet the city of Rushford, which was inundated during that disaster, told us four years after the flood that it still had capital projects, such as replacing its storm water mains, which the city was finding difficult to fund. Rushford's uncompleted capital projects did not qualify for the remaining Public Facilities Authority disaster funding; whether they could have qualified for other state capital funding is unknown because transfers of unused bond proceeds to other programs have not been allowed.

The Legislature has cancelled other appropriations of bond money when the actual needs for the purpose specified in law turns out to be less than originally anticipated. For instance, the 2010 Legislature cancelled nearly $2.3 million out of $4.2 million that had been appropriated from the Bond Proceeds Fund to DNR in 2007 for replacing state buildings and restoring natural resources in the disaster areas following the 2007 Rushford floods.[24]

## RECOMMENDATION

***The Legislature should authorize state agencies to transfer unused portions of bond proceeds appropriated for disaster recovery to other state agencies that have identified eligible recovery needs of a capital nature from the same disaster.***

**Before disaster-recovery bond proceeds could be transferred for other public recovery projects of a capital nature, Minnesota's constitutional requirements would have to be met.**

Minnesota's Constitution limits the purposes for which bond proceeds may be used.[25] General obligation bonds may be used only for a public purpose, and the purpose, as well as the maximum amount to be spent, must be specified in law. Among other requirements, bonds must be issued to acquire and better public land and buildings or make other public capital improvements, and passing a bill for general obligation bonds requires a three-fifths vote of the House and Senate. The change we recommend in the use of unspent bond proceeds must adhere to all constitutional requirements, and we expect bond counsel for the state would need to be consulted. In addition, general obligation bonds are usually tax-exempt, and uses for transferred bond proceeds would have to adhere to the federal tax laws that limit the use of tax-exempt proceeds. As is now required for transfers of disaster-related appropriations from the General Fund, the commissioner of Minnesota's Department of Management and Budget should be required to approve transfers of unused appropriations from bond proceeds.

The Legislature has included language in previous bonding bills to authorize the use of unspent appropriations. For instance, the bonding bill passed in 2011 includes a provision allowing DNR to take unspent appropriations for certain projects that the department completes and use the funding instead on asset preservation (which is a program specified in statute).[26]

Including similar language in disaster relief bills would offer the opportunity for state agencies to use bond appropriations on public disaster-recovery projects that are capital expenses but for which insufficient bond funding exists. Agencies

[24] *Laws of Minnesota* 2010, chapter 189, sec. 27, subd. 27.

[25] *Minnesota Constitution*, art. XI, sec. 5.

[26] *Laws of Minnesota* 2011, First Special Session, chapter 12, sec. 5, subd. 10.

could shift the unspent bond appropriations to other disaster-related capital needs without waiting for the next time the Legislature convened.

## Interagency Transfers to Pay Local Shares of Projects

State agencies have transferred money to other state agencies to lower the burden that communities themselves would otherwise pay. For instance, following the 2009 Red River Valley floods, MHFA transferred $1.2 million to HSEM so that the state could continue to pay the 25-percent nonfederal share of FEMA's Public Assistance program. We found that:

- **The state lacks criteria for determining when to use money transferred from other state agencies to pay local shares of recovery projects, which raises equity questions about when local governments should pay the local share.**

**Following the Fall 2010 floods in southern Minnesota, some communities had to pay a share of the costs for mitigation projects while others did not.**

A law passed after the Fall 2010 southern floods specifically allowed state agencies to transfer money to pay for what otherwise would have been local communities' shares of required matching payments for Flood Hazard Mitigation Grants projects.[27] But the practice was not followed in all cases for the 2010 floods. For example, the city of Zumbro Falls was the beneficiary of $64,700 in funds transferred from DEED to DNR; the transfer allowed state funds to pay Zumbro Falls' share of acquiring properties in a flood-prone area. However, the cities of Ellendale, Owatonna, and Pipestone all had mitigation projects funded through DNR after the 2010 floods, but each was required to pay a share of the costs.[28] The projects that received full state funding for the local share did so due to fortunate timing. The law specifically authorizing DNR to use transferred funds to pay for local shares in all of its eligible projects from the 2010 flood passed in May 2011. Only projects with grant contracts signed after the May passage of the law, however, received DNR payments for the local share.[29] DNR staff told us that the department did not have sufficient funds transferred to it to pay for the local share of other projects connected to that flood.

Following the 2009 Red River Valley flood, legislation authorized the use of transferred funds to cover local shares for projects from that disaster.[30] However, DNR did not receive any transferred funds from other state agencies after that disaster. Consequently, it could not use state funds to cover the local share for

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[27] *Laws of Minnesota* 2011, chapter 67, sec. 13, allows state agencies to use funds transferred from other state agencies to pay for the local share of Flood Hazard Mitigation Grants awarded for the Fall 2010 floods.

[28] For Pipestone's share of the mitigation project's costs, the city successfully sought funding from one of DEED's ongoing programs. Grants to Ellendale and Owatonna did not cover the local shares due to the timing issue described later in this paragraph.

[29] One exception was the property acquisition project in the city of Kellogg. Although the project contract was executed before the May 2011 law, DNR, not Kellogg, paid the local share of the project.

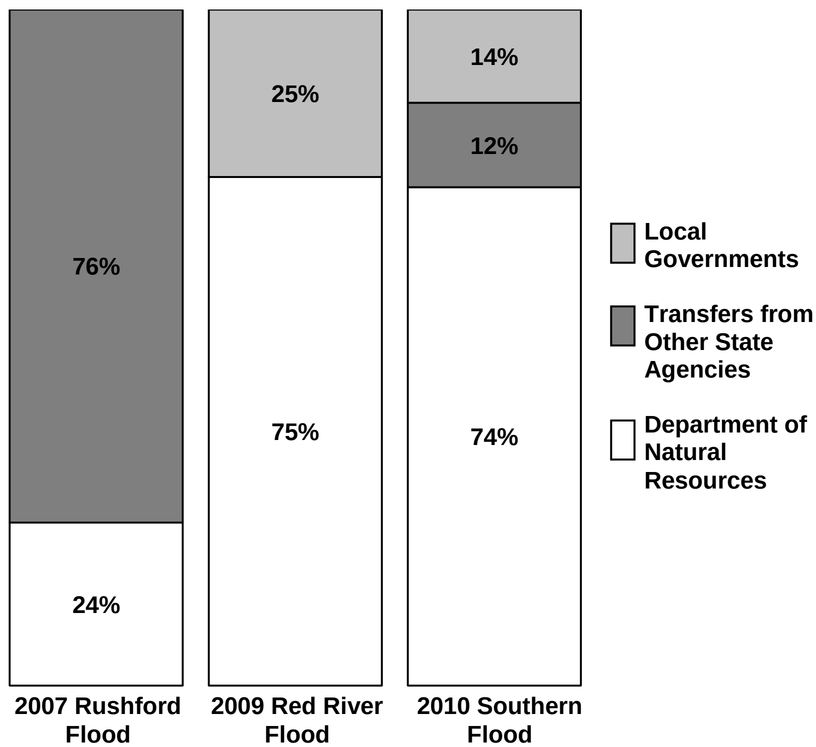
[30] *Laws of Minnesota* 2009, chapter 93, art. 2, sec. 2, subd. 2.

any of the Flood Hazard Mitigation Grants projects, and local jurisdictions bore that burden.

In comparing average costs for Flood Hazard Mitigation Grants projects across the 2007 Rushford flood, the 2009 Red River flood, and the 2010 southern flood, we saw variation in the shares paid by the state and local governments. For the 2007 Rushford flood mitigation projects, the local share was zero because DNR paid for the entire cost using its own appropriations and a significant amount of funds transferred by other agencies, as shown in Figure 2.1. The average local share for projects following the 2009 Red River Flood was about 25 percent; no money was transferred to DNR to pay for the local shares. After the Fall 2010 southern flood, local governments could have paid a similar 26 percent, but DNR received funds transferred from another state agency to lower the local shares to an average of 14 percent.

**The average local share paid for certain flood-mitigation projects varied from 0 to 25 percent across three recent natural disasters.**

## Figure 2.1: Average Funding Shares for Flood Hazard Mitigation Grants Projects after Three Disasters, 2007-11




SOURCE: Office of the Legislative Auditor, analysis of Department of Natural Resources' funding data.

**RECOMMENDATION**

***The Legislature should require state agencies to set clear criteria for when they may use transfers of disaster appropriations from other state agencies to pay the local share of recovery projects.***

Such criteria would bring consistency to decisions on using transferred state funds to pay for what would otherwise be local contributions for mitigation projects. It would make the state's funding arrangements more transparent, thereby helping communities know what local funding they will be expected to provide. At the same time, it would retain the flexibility that interagency transfers now offer in targeting state dollars where needs are greatest. Establishing criteria does not necessarily mean that all communities would be treated alike, because the criteria could recognize that some cities have greater means than others to pay their shares of projects.

Such a requirement would require modifying current statutes (*Minnesota Statutes* 2011, Chapter 12A.04, subd. 5) on interagency transfers. Because DNR requires local contributions for its Flood Hazard Mitigation Grants program, as described earlier, it is the most obvious agency to which a requirement would apply. In addition, the requirement would apply to HSEM when it receives transferred money to lower the burden for local governments' portion of the 25-percent match for FEMA funding. This recommendation would require DNR and HSEM to make explicit the basis on which they decide to cover the local shares of either disaster-related mitigation projects or the 25-percent match for FEMA aid.

# DEDICATED FUNDS FOR DISASTER RECOVERY

Because legislators have introduced bills to create a dedicated disaster-relief fund in Minnesota, we examined whether other states had similar funds and how they were used. Dedicated funds are separate accounts or funds in a state's general fund or treasury that may be used only for a limited purpose. Authority over expenditures from the funds may lie with a legislature, a state agency, a group of executive leaders, or a group of executive and legislative leaders.

## Dedicated Funds in Other States

**Among 12 Midwestern states, 3—including Minnesota—have not established a dedicated account to fund disaster recovery.**

We compared Minnesota with 11 other Midwestern states regarding dedicated funds for disaster recovery purposes.[31] Among our comparison group members, Kansas and Michigan are like Minnesota in that they do not have dedicated funds for disaster recovery. Table 2.7 summarizes how the other nine states use their dedicated disaster funds. All use the funds to help local governments recover from disasters. Five use the funds to pay portions of the nonfederal share required to match FEMA assistance. Three may use the funds to assist individuals.

[31] These states are Illinois, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The numbers of presidential declarations in these states ranged from 25 to 53 between 1974 and 2011, compared with 48 in Minnesota.

## Table 2.7: Uses for Dedicated Disaster Funds in Nine Midwestern States, 2011

| State | Fund | Pay State Match for Federal Aid | Assist Individuals | Loans or Grants to Political Subdivisions |
|---|---|---|---|---|
| Illinois | Disaster Relief Fund | Unk[a] | No | Yes |
| Indiana | State Disaster Relief Fund | Unk[a] | Yes | Yes |
| Iowa | Economic Emergency fund | Yes | Yes | Yes |
| Missouri | Missouri Disaster Fund | Yes | No | Yes |
| Nebraska | Governor's Emergency Cash Fund | Yes | Yes | Yes |
| North Dakota | State Disaster Relief Fund | Yes | No | Yes |
| Ohio | Controlling Board Emergency Purposes Fund | Unk[a] | Unk[a] | Yes |
| South Dakota | Special Emergency and Disaster Special Revenue Fund | Yes | No | Yes[b] |
| Wisconsin | Major Disaster Assistance Fund[c] | No | No | Yes |

NOTES: We included Kansas and Michigan in the analysis, but they do not have dedicated funds for disaster relief. All nine states' dedicated funds can be used for disasters without presidential declarations.

[a] Unk (Unknown) indicates that we cannot draw a conclusion based solely on a statutes search.

[b] Grants provided through the fund cover only local governments' response and emergency repair costs. Some such repairs may be classified as "recovery."

[c] Wisconsin reserves the fund to make grants only for disasters without presidential declarations.

SOURCES: Office of the Legislative Auditor, analysis of *Illinois Compiled Statutes* 2011, chapter 15, art. 30; *Indiana Codes* 2011, title 10, art. 14, chapter 4; *Iowa Codes* 2011, title I, subtitle 12, chapters 29C.6, 29C.20, and 29C.20A and subtitle 4, chapter 7D.29; *Missouri Revised Statutes* 2011, chapter 44, sec. 44.032; *Nebraska Revised Statutes* 2011, chapter 81, secs. 829.33 and 829.42; *North Dakota Century Codes* 2011, title 37, chapter 17.1, secs. 22-27; *Ohio Revised Codes* 2011, title I, chapter 127, sec. 19; *South Dakota Codified Laws* 2011, title 33, chapter 15, secs. 23-24; *Wisconsin Statutes* 2011, chapter 323, secs. 30-31 and *Wisconsin Administrative Codes* 2011, chapter WEM 7; OLA's interviews with officials from Iowa, North Dakota, South Dakota, and Wisconsin on their dedicated recovery funds; National Emergency Management Association, *2010 Biennial Report* (Lexington, KY: NEMA, 2010); and 2011 survey data from National Emergency Management Association.

To further understand the advantages and disadvantages of a dedicated recovery fund, we interviewed state emergency-management officials from Minnesota's four neighboring states (Iowa, North Dakota, South Dakota and Wisconsin). All four states use their dedicated funds to fund some, but not all, aspects of disaster recovery, as detailed in Table 2.8. Although we did not independently analyze the effectiveness of their dedicated funds, emergency management officials from three states told us they were satisfied the funds were meeting their intended purposes.

Iowa's Economic Emergency Fund offers grants of up to $5,000 to low-income individual disaster victims when FEMA does not activate its Individual Assistance program but the Governor has declared a state of emergency. It also provides recovery loans to local governments, although use of the loans has been low. In some circumstances, the fund may be used for crises other than natural disasters. The source of funding is a portion of unspent General Fund revenues in a given year.

## Table 2.8: Dedicated Disaster-Recovery Funds in Minnesota's Neighboring States, 2011

| State | Dedicated Fund | Fund Purpose[a] | Entity Allowing Use of the Fund | Types of Recovery Assistance | Local Contribution |
|---|---|---|---|---|---|
| Iowa | Economic Emergency Fund[b] | Pay for disaster-relief activities not funded by regular appropriations | State Executive Council[c] | • Zero-interest loans to local governments<br>• Grants to low-income individuals when FEMA offers no Individual Assistance | • 25% of total costs<br>• Not applicable |
| North Dakota | State Disaster Relief Fund | Simplify the process for obtaining funds to match federal assistance | Emergency Commission and Legislative Budget Section[d] | For presidential declarations: state share and partial local share to match federal assistance | At least 7.5% local match for federal assistance |
| South Dakota | Special Emergency and Disaster Special Revenue Fund | Meet special emergency needs not covered by general appropriations | Department of Public Safety | Loans to local governments for emergency repair costs | 15% local match for federal assistance |
| Wisconsin | State Disaster Assistance Fund | Assure local governments that state assistance is available when aids from Federal Emergency Management Agency are not | Department of Military Affairs | For disasters with no presidential declarations: grants to local governments for limited types of recovery activities[e] | 30% local match for state grants |

NOTES: Iowa, North Dakota, and South Dakota can also use their funds for activities other than disaster recovery, such as emergency response. Except Wisconsin, all states fund their dedicated funds through general fund revenue. North Dakota's fund also receives money from the state's Oil Tax Trust Fund. Wisconsin uses money from its Petroleum Inspection Fund.

[a] Purposes were identified by state emergency-management officials we interviewed.

[b] The Iowa Economic Emergency Fund can be used for purposes broader than disaster relief, such as responding to economic crises. Disaster recovery is not a separately budgeted line item under this fund.

[c] The Executive Council of Iowa consists of the Governor, Secretary of State, State Treasurer, Secretary of Agriculture, and State Auditor.

[d] The Emergency Commission of North Dakota is a six-person group of executive and legislative leaders.

[e] Reimbursable recovery activities are debris removal, emergency protective measures, and roads and bridges damage.

SOURCES: Office of the Legislative Auditor, analysis of *Iowa Code* 2011, title I, subtitle 12, chapters 29C.6, 29C.20, and 29C.20A and subtitle 4, chapter 7D.29; *North Dakota Century Codes* 2011, title 37, chapter 17.1, secs. 22-27; *South Dakota Codified Laws* 2011, title 33, chapter 15, secs. 23-24; *Wisconsin Statutes* 2011, chapter 323, secs. 30-31 and *Wisconsin Administrative Codes* 2011, chapter WEM 7; and interviews with officials from four neighboring states on their dedicated recovery funds.

Both North and South Dakota use dedicated funds to pay the state share of FEMA Public Assistance (traditionally 10 percent in both states). North Dakota also uses its fund to pay part of the 15-percent local share. Both states use General Fund revenue for their dedicated funds, and North Dakota also uses money from the state's Oil Tax Trust Fund.

Wisconsin's Disaster Assistance Fund provides grants to local governments for recovery activities when a gubernatorial request for a presidential declaration is declined. A municipality affected by natural disasters must prove that it meets the FEMA threshold of per capita damage when calculated at the city level, even when the threshold is not met countywide. Assistance from the fund is limited; communities receive assistance with immediate recovery costs, but the level of funding is not intended to return all local public infrastructure back to predisaster conditions.[32] The fund receives revenues from the state's Petroleum Inspection Fund.

**Minnesota's four neighboring states have dedicated funds for certain disaster recovery expenses, but all require local jurisdictions to pay a share of project costs.**

All four neighboring states require local jurisdictions to pay a share of project costs funded by the dedicated funds. Iowa and North Dakota have supplemented dedicated funds with one-time appropriations when money from the funds and federal assistance has been insufficient to pay for all recovery activities. For example, in addition to Iowa's individual grant program, the Legislature appropriated money for a forgivable housing loan program following major flooding in Iowa in 2008. On the other hand, South Dakota and Wisconsin have traditionally limited disaster spending to money from the dedicated funds; their legislatures have not made additional one-time appropriations, even when a gap has existed between available resources and local recovery needs.

# Opinions of Minnesota Local Officials

In our survey, we asked Minnesota emergency-management directors to suggest advantages and disadvantages of establishing a dedicated fund for recovery. Of those who answered the question, 72 percent listed at least one advantage of such a fund—for example, that it would provide more timely state funding assistance. Only 19 percent listed a disadvantage.[33] Table 2.9 shows the advantages and disadvantages most frequently identified.

Respondents had different opinions regarding the fairness of a dedicated fund. Some respondents thought such a fund would lead to a fairer distribution of state funding. For example, one wrote:

> …because it becomes not a politically motivated funding stream…. It is neutral and dependent solely on need. It is streamlined and will have the necessary processes in place to prevent fraud and also ensure timely assistance.

However, others thought funding would be distributed less fairly with a dedicated fund. One wrote:

> …I am afraid there would be so much bureaucratic red tape and forms tied to it…. [And] nothing [for communities] outside of urban communities and the first one or two ring suburbs that can afford to have dedicated emergency managers.

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[32] Reimbursable activities funded must meet FEMA Public Assistance definitions of debris removal, emergency protective measures, and roads and bridges damage.

[33] A total of 127 people out of 498 total respondents provided responses to this question. Some respondents listed both advantages and disadvantages.

## Table 2.9: Summary of Emergency-Management Directors' Opinions on a Dedicated Recovery Fund, 2011

**Advantages**

- Improved timeliness of state assistance
- More funding for small areas and disaster-prone areas
- More funding for disasters without presidential declarations
- Predictability of recovery funding for local governments in disaster areas
- Legislature does not need to quickly convene to make one-time appropriations
- Simplified and standardized state recovery-funding process
- Fairer distribution of funding

**Disadvantages**

- Strain on state budget and need to identify revenue sources to capitalize the fund
- Possibility of unfair or inappropriate distribution of funds
- Local responsibility crowded out by state assistance from the fund
- Extra administrative efforts needed to obtain assistance from the fund
- Difficulty in predicting how much money would be needed in the fund

NOTE: The survey question read: "What do you see as advantages or disadvantages of establishing and funding a state dedicated fund for recovery expenses?" Respondents were emergency managers who indicated their jurisdiction had experienced a flood, tornado, or severe windstorm since 2006. Of the 498 survey respondents, 127 answered the question.

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

Earlier in this chapter, we recommended that the Legislature define the circumstances when the state would provide recovery assistance following natural disasters that do not receive presidential declarations. If the Legislature chooses to do this, and if it determines there are circumstances when the state should fund such disasters, a funding arrangement must be identified.

### RECOMMENDATION

***If the Legislature sets criteria defining when the state would provide recovery assistance to disasters lacking presidential declarations, it should consider a dedicated account to fund initial recovery costs.***

Our previous recommendations in this chapter highlight the need for greater funding predictability for local governments, particularly for disasters that exceed the capacity of local governments to manage on their own but do not qualify for federal assistance. If the Legislature follows our earlier recommendation to set clear criteria for state assistance, it would in essence be approving in advance the use of state funds for qualifying disasters. Consistent with that decision, some funding could be set aside in advance for immediate use following such disasters.

We do not anticipate the dedicated account would fully meet the recovery needs of all qualifying disasters. But it could immediately fund the initial recovery activities that are most certain to occur, such as debris removal. The account itself would not have to be large; as shown in Chapter 1, the Legislature's total appropriations for disasters without presidential declarations have often been less than $500,000 per disaster. We expect the Legislature would continue as it has in the past to debate and pass one-time appropriation bills to fund remaining recovery activities for qualifying disasters. As is now the case, such a bill would be based on preliminary damage estimates and state agencies' estimates of needs they see demonstrated for their programs.

**We envision use of a dedicated fund for only limited recovery expenditures and expect the Legislature would still have to pass one-time appropriations to help communities recover.**

A dedicated recovery account for recovery purposes would need a source of funding. Many options are possible, as the examples of Minnesota's neighboring states demonstrate. Although we have not systematically analyzed advantages and disadvantages of those alternatives, one option in Minnesota is to reserve for the dedicated account a portion of appropriations left over from earlier natural disasters. This could include a portion of the unused General Fund appropriations that, as we described earlier, state agencies have sometimes transferred to other agencies with outstanding recovery needs for the same disaster.

Before such a dedicated account could be used, the Legislature would have to set parameters for its operation. Again, many options are possible. Some of the questions to be answered include:

- Should the dedicated account be available for use by any community or only those that meet certain conditions, such as a low tax base per capita relative to others?
- Would assistance at the local level be limited to governments or also include nonprofit entities, individual residents, or businesses?
- Could the dedicated account be used to fund additional disaster recovery efforts by state agencies?
- What activities would be eligible for funding?
- Would applicants be required to match state assistance with local revenues? If so, in what proportion?
- What agency or other entity would approve expenditures from the dedicated account?

Given the current state of the economy and the state's budgetary pressures, our recommendation envisions a relatively small account that would provide aid to local governments to assist primarily with initial recovery activities. However, we do not recommend for or against a dedicated fund for more comprehensive disaster relief funding. Regardless of whether a more limited or more comprehensive fund is established, the same questions outlined above would need to be addressed.

# 3 Effectiveness of Disaster Recovery

Because large-scale disasters may involve multiple public and private organizations, it is important to look at the full network of organizations to understand the effectiveness of recovering from disasters in the state. This includes local, state, and federal programs; nonprofit organizations; and private insurance coverage.

This chapter discusses the effectiveness of Minnesota's approach to disaster recovery. While major elements of Minnesota's approach are in place, such as the legal framework that identifies each relevant state agency's responsibilities in the wake of a major natural disaster receiving a presidential disaster declaration, deficiencies exist in five areas: (1) measuring recovery activities' effectiveness, (2) coordinating among state and local agencies, (3) applying for and receiving recovery assistance, (4) state coordination of nonprofit organizations assisting with recovery, and (5) integrating state assistance with insurance.

## MEASURING EFFECTIVENESS

Assessing the overall effectiveness of state disaster recovery efforts requires clear definitions of success as well as information on program results. Because the objectives of state agencies' recovery programs differ, how success is defined may also vary. But to measure success, each program's goals should be linked to specific performance measures that have measurable targets and cover the activities an agency is expected to perform. In reviewing Minnesota state agencies' effectiveness in disaster recovery, we concluded that:

- **The overall effectiveness of the state's approach toward disaster recovery is unknown because no state agency routinely assesses effectiveness across programs, state agencies do not fully measure their programs' effectiveness, and funding information is incomplete.**

## Effectiveness across Recovery Programs

Although the Division of Homeland Security and Emergency Management (HSEM) has a coordinating role in disaster recovery, it does not make an overall assessment of how successful the state's recovery funding and activities have been. Although statutes do not require HSEM to make such an overall assessment, statutes do identify HSEM as coordinator of the state's comprehensive emergency-operations plan for all types of disasters, as Chapter 1 described.[1] Plus, in March 2010, HSEM published the *Minnesota Disaster Recovery Assistance Framework* to ensure coordination of disaster recovery efforts. The framework lays out the goal of recovery as returning "a sense of normalcy to the lives of those residents impacted" by a disaster.[2] It does not, however, include measures to help determine how well the goal has been met. We found that:

- **While HSEM has conducted important follow-up work following disasters, it has not fully assessed the overall performance of the state's recovery activities.**

After natural disasters, HSEM's follow-up work is primarily confined to (1) holding after-event meetings that focus largely on emergency response (not recovery) and (2) asking members of the Minnesota Recovers Task Force what can be improved about task force operations. While both are important, neither is broad enough to measure the full breadth of the state's disaster recovery efforts.

**Minnesota's Homeland Security and Emergency Management (HSEM) Division has compiled only one "disaster-in-review" to assess effectiveness across programs.**

HSEM also monitors natural disasters through assessments in situation reports and postdisaster documents; however, these documents have limitations. In HSEM situation reports, staff update the status of recovery activities for all agencies participating in recovery, but the reports detail interim activities and do not assess overall effectiveness of agency efforts following recovery. HSEM has attempted to assess effectiveness across all recovery programs by having state agencies complete a "disaster-in-review" and identify key areas for improvement following one disaster (the 2009 spring floods in the Red River Valley Basin). However, no other disaster-in-review was produced due to the high number of disasters that followed and the reluctance of some state agencies to participate. Several agencies used the disaster-in-review to suggest improvements to the disaster-recovery process, such as improving communications between emergency-operations centers at the state and local levels. While HSEM made changes, it did not address all relevant suggestions, and the review did not result in a systematic action plan for making improvements and following up to determine whether the improvements alleviated agencies' concerns.

# Effectiveness of Recovery Programs

Recovery data that state agencies tend to collect include the eligibility of applicants, information on conditions (such as job-creation or rent-affordability goals) for receiving the aid, and output measures (such as the number of entities helped and amounts spent). These data are important but insufficient. We found that:

[1] *Minnesota Statutes* 2011, 12.09, subd. 1.

[2] Homeland Security and Emergency Management, *Minnesota Disaster Recovery Assistance Framework* (St. Paul, 2011), 8.

- **In assessing their disaster-relief programs, state agencies providing direct recovery aid do not typically measure the programs' actual effectiveness using indicators such as timeliness or the extent to which communities return to their predisaster conditions.**

Agencies may use different measures of effectiveness, depending upon the goals of their recovery programs. For instance, measures of mitigation programs' success could be designed to determine how well projects prevent or lessen the impact of future disasters. One measure of recovery programs' effectiveness is how quickly state agencies provide recovery aid, but information on timeliness is incomplete. Not all state agencies collect information on timeliness.

**Local directors of emergency management expressed concerns about the timeliness of the state's assistance with disaster recovery.**

Timeliness is a concern for local governments while recovering from floods or tornadoes. As part of this evaluation, we surveyed emergency-management directors around the state. In answer to a survey question, directors in jurisdictions recently affected by natural disasters were less positive about the timeliness of recovery funding than about other aspects of the aid, such as its sufficiency. As Table 3.1 shows, just 38 percent agreed or partially agreed that recovery funding was provided in a timely way.[3] Among emergency managers who reported their jurisdictions had recently experienced disasters, those who rated their jurisdictions as inadequately prepared to manage recovery activities were less likely (26 percent) than those who considered their jurisdictions at least somewhat adequately prepared (41 percent) to agree that funding was timely.

In addition, in answer to an open-ended question about the state's approach for assisting with disaster recovery, several respondents said that timeliness was important and improvements were needed. A few specifically mentioned a lack of timeliness for reimbursements, such as one who wrote, "Reimbursement for 2008 disaster has taken overly long."

## State Agency Measures of Timeliness

HSEM measures one aspect of timeliness, but this addresses only a small portion of its activities that affect the timeliness of recovery aid. HSEM has one formal performance measure related to recovery; it measures the time the division takes to apply for federal disaster assistance. HSEM works to request federal assistance as soon as possible, but its target is to prepare such requests within 30 days of the disaster. HSEM met that target for seven of the nine Minnesota disasters for which presidential declarations were made from 2006 through 2011.[4]

HSEM does not have other performance measures to indicate how quickly recovery assistance reaches disaster areas, but it has tracked the time to process payments to local governments and others receiving public assistance from the Federal Emergency Management Agency (FEMA). This is a relevant measure of

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[3] It should be noted, though, that almost a third of respondents indicated they did not know about timeliness of funding or it was not applicable to their situations.

[4] The two disasters for which the target was not met were March 2006 flooding in the Red River Valley and March 2011 flooding in 20 west central counties. In both cases, HSEM said the rivers did not reach major flood stages until well after the incidents began.

## Table 3.1: Opinions of Emergency Managers on Aspects of Recovery Funding, 2011

| | *N* | Agree or Partially Agree | Neither Agree nor Disagree | Disagree or Partially Disagree | Not Applicable or Don't Know |
|---|---|---|---|---|---|
| Recovery funding was provided in a timely way. | 238 | 38% | 15% | 16% | 31% |
| The amount of recovery funding was sufficient to reimburse for public infrastructure's uninsured losses. | 239 | 45 | 12 | 11 | 32 |
| Coordination among the involved state agencies was adequate. | 238 | 52 | 13 | 12 | 23 |
| Sufficient information was available locally to track progress toward recovery for government damages. | 239 | 51 | 15 | 8 | 25 |
| Overall, the recovery funding substantially helped the community return to conditions prior to the disaster. | 237 | 56 | 11 | 8 | 25 |

NOTES: The survey question read: "In your jurisdiction's most recent natural disaster for which federal or state recovery funding or technical assistance was offered for damaged public infrastructure and equipment, to what extent would you agree or disagree with the following statements?" Respondents were emergency managers who indicated their jurisdiction had experienced a flood, tornado, or severe windstorm since 2006. Percentages in a row may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

HSEM performance because, although FEMA is involved, HSEM is the "grantee" in the payment process, meaning it is responsible for disbursing funds to local government applicants and providing technical assistance on the process.

HSEM tracks the time for processing cases as a way to monitor case status and answer applicants' queries about when they can expect payments, not as a method of measuring its performance. We analyzed the data because they were the only data available for this aspect of HSEM's work. Although HSEM has not maintained time-tracking records for all past disasters, we examined data available for 11 disasters from 2000 through 2010. The amount of time it took for jurisdictions to be paid or reimbursed for their recovery projects varied greatly from disaster to disaster, and factors outside HSEM's control can affect timeliness.[5] From the date the disaster was declared to the date jurisdictions received final payments or reimbursements ranged from a median of about

[5] For example, HSEM sends local applicants copies of a "subgrant agreement," which applicants must sign and return before the state finishes processing payments; time taken to return these documents is outside of HSEM's control. In addition, final payments may be delayed while the agency awaits legislative appropriations.

6 months for September 2004 flooding in seven southern counties to a median of nearly 21 months for November 2005 severe ice storms in the Red River Basin.[6]

Because some cases may not be submitted for reimbursement for a long time after the date of the disaster, we also looked at timeliness for only the period from when HSEM sent a file to its finance department to begin the payment process to the points when the first and final reimbursements were made to the jurisdiction.[7] We found that:

- **For eight disasters where data were available, HSEM processed first payments to applicants in under a median two months. Over time, HSEM generally lowered the percentage of cases that took more than six months to process.**

As shown in Table 3.2, for the eight disasters from 2000 through 2009, the time to receipt of the first payment ranged from just under a month to nearly two months. But in six out of these eight disasters, at least some cases took six or more months for the first payment. When comparing the more recent disasters with earlier ones, the percentage of cases where first payments exceeded six months generally went down.

The time to *final* reimbursement ranged from a median 4 to 20 months for the eight disasters. However, in seven of the disasters, the time to complete the reimbursement process took more than 18 months for at least some cases.

**The Department of Employment and Economic Development measured the time it took to approve loans made to flood-damaged businesses by local governments but not the time used locally to process the loans.**

The Department of Employment and Economic Development (DEED) retained information to show the time it took for the department to approve loans made by local governments to businesses damaged during the Fall 2010 flood, but the information reflects only a single part of the full loan process because local governments are also involved.[8] The department tracked the dates that it received and then approved applications sent to it by participating local governments. For the 20 business loans approved as of September 2011, the median time for the department to approve the applications was 27 days. From the perspective of an applicant, however, this measurement could be somewhat misleading because it represents only the days the department used to review the application, determine eligibility, and analyze the documentation of project costs. It does not measure the total number of days from the time applicants submitted applications to the point they received reimbursements, which involves work done at the county or city level and can be a far longer period. As an example, one application took the department just 18 days to approve, but a total of 97 days elapsed from the time the applicant submitted his application to the date of the loan agreement.

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[6] The median is the point at which half of the cases took a longer amount of time and half took a shorter amount.

[7] For this analysis, we excluded the three most recent disasters for which we had data because many final reimbursements had not yet been made.

[8] The department offered grants to local jurisdictions to provide business-recovery loans. The loans were available to businesses that were directly and adversely affected by the flood for the purpose of repairing buildings, fixtures, or equipment; replacing lost inventory; or cleaning up damage.

## Table 3.2: Months to Reimburse Local Governments for Recovery of Public Infrastructure Damages, 2001-09

| Disaster | Median Months to First Payment | Percentage of Cases At or Exceeding Six Months to First Payment | Median Months to Final Payment | Percentage of Cases At or Exceeding 18 Months to Final Payment |
|---|---|---|---|---|
| Spring 2009 Red River flood | 1.58 | 2% | 5.75 | 1% |
| June 2008 southeast flood | 0.92 | 0 | 8.38 | 14 |
| August 2007 Rushford, southeast flood | 1.55 | 7 | 9.67 | 17 |
| Spring 2006 Red River flood | 1.22 | 4 | 10.75 | 15 |
| November 2005 Red River Valley ice storm | 0.95 | 0 | 19.56 | 59 |
| September 2004 southern flood | 1.12 | 6 | 4.18 | 0[a] |
| June 2002 northwest flood, tornadoes | 1.61 | 14 | 5.98 | 2 |
| Spring-summer 2001 statewide flood | 1.84 | 13 | 9.96 | 19 |

NOTE: Analysis includes only disasters from 2000 through 2009 with presidential declarations and for which Homeland Security and Emergency Management (HSEM) maintained data on the timing of reimbursements to local governments. Reimbursement time was the period from when HSEM sent a file to its finance department to begin the reimbursement process to when the first and final payments were made.

[a] HSEM recorded data on final payments for only 15 of 157 cases in this disaster.

SOURCE: Office of the Legislative Auditor, analysis of time-tracking data from Department of Public Safety, Homeland Security and Emergency Management Division.

### Results from Users' Perspectives

Information that state agencies collect tells only part of the story about how well recovery programs have worked. State agencies tend to track projects underway to ensure that spending is aligned with their programs' requirements. While this is necessary and useful for monitoring projects, it is insufficient for determining effectiveness of the recovery programs or the extent to which users of the programs are satisfied. For instance, DEED monitored a project that included street and drainage repairs and landfill costs following a flood. The monitoring included assessing eligibility of project activities, grant management practices, and wage standards for the labor used during the project. It did not include assessing whether the work was done effectively or the infrastructure was restored to its status prior to the flood. In another example, the Minnesota Housing Finance Agency (MHFA) has routinely conducted surveys with local administrators of its loan programs to identify needed improvements in program implementation, but it has not directly assessed the satisfaction of loan recipients. At the same time, some state agencies have acknowledged the importance of considering program recipients' views. For instance, the Board of Water and

Soil Resources' (BWSR) strategic plan addresses the need to include citizen perspectives in evaluating its programs.[9]

## Assessing Participants and Nonparticipants

**In effect, the state says to disaster victims, "Here are the programs. Do they match your needs?" instead of "What do you need?"**

State agencies concentrate on the recovery needs that their programs address but tend to not make systematic efforts to identify other needs that are beyond the scope of existing programs. For example, DEED focuses on local economic recovery. MHFA focuses on primary residences, and BWSR focuses on natural resource recovery and protection on private land. After natural disasters, agencies identify local needs that qualify for their disaster-recovery programs; they do not look for unmet needs that are outside what their programs address.

In effect, the state does not ask individuals in a disaster area, "What do you need?" Instead, the state essentially says, "Here are the available programs. Do they match your needs?" If the needs do not match the available programs, no state assistance is available.

Following natural disasters, individuals have needs specific to their circumstances but that existing programs do not address. Low income families may be ineligible for loan-based aid programs because of poor credit. Parents may need day care for small children while they reorganize their lives. Employees may need reliable transportation to their workplaces. Existing state programs do not address these needs. When FEMA grants Individual Assistance, these expenses may be covered.[10] However, as we discussed in Chapter 1, only a few of Minnesota's presidentially declared disasters have offered Individual Assistance. Nonprofit organizations may address some of these needs. As described more fully later in this chapter, however, the state cannot ensure that individuals lacking assistance from state sources will receive nonprofits' help or that everyone with similar recovery needs will have access to roughly equivalent assistance.

Although the number of businesses and individuals applying for recovery assistance can exceed the number receiving assistance, agencies' monitoring activities tend to focus on the latter group. While it is desirable that agencies monitor the businesses and individuals that received public funding, there is little, if any, formal assessment of the needs of businesses or individuals that lost interest or were turned down. As an example, following the August 2007 Rushford and southeastern floods, MHFA reported on the number of households with damaged homes that received fix-up loans as well as the amount of the loans. (The agency maintains data over time to show both how much is repaid and how many loans are forgiven when disaster survivors stay in their homes for 10 years.) It reported that 735 applicants had been turned down for recovery loans from the federal government; not all of them applied for the state's Quick Start loans, but 391 applicants received Quick Start loans from the state. MHFA

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[9] Minnesota Board of Water and Soil Resources, *2007 Strategic Plan 2012 Update* (St. Paul, January 25, 2012), 18.

[10] Although not all of these examples fit under the standard categories of eligible expenses for Individual Assistance, FEMA may pay for other "necessary expenses and serious needs" as it sees fit. See *44 CFR* sec. 206.119(c)(6).

did not, however, report on people who applied but were not approved for Quick Start loans. Such information is potentially useful in identifying areas where programs need improvements.

**Anecdotal information suggests some disaster-area residents went without recovery help because available programs did not address their situations.**

No comprehensive data exist on the number of individuals affected by disasters who receive insufficient aid. However, as part of this evaluation, we interviewed local officials in a number of communities that had experienced disasters in recent years and heard from some about deficiencies in recovery assistance. Officials in some cities told us about residents who went without help because available government programs did not address their situations or they could not qualify, and aid from nonprofit organizations was insufficient. For instance, Owatonna officials described a family that had planned on moving to a larger home prior to the Fall 2010 floods. After the floods struck, the family was eligible for a loan from MHFA after being denied a loan by the U.S. Small Business Administration (SBA), but the state loan would have required the family to live in the repaired home for 10 years, which did not fit the family's growing size. We acknowledge that state agencies cannot be expected to change program rules to meet every household's needs. But without speaking to households that could not participate in a recovery program, program administrators may not know how well the program serves those in need.

# Gaps in Funding Information

Another reason that overall effectiveness is difficult to measure is due to missing information. We found that:

- **Gaps in funding information prevent measuring cost-effectiveness and fully accounting for state spending on each disaster.**

We encountered three information gaps in conducting this evaluation. One gap is from appropriation bills for funding disaster recovery that are not specific to a particular disaster. For example, the 2010 Legislature appropriated $1.6 million as a match for money from FEMA; the legislation added funding to HSEM's appropriations but did not specify a disaster event.[11] It was unclear whether the spending was for recovery from the spring flooding earlier that year, the 2009 flooding of the Red River Valley Basin, flooding in mid-2008, or other disasters. The Legislature made similar one-time appropriations in the millions of dollars for several other years without specifying the disasters for which the money was appropriated. While HSEM was aware of the specific disasters for which appropriations were requested at the time of the requests, it could not compile data needed to match past appropriations with specific disasters.

A second gap occurs because, as Chapter 2 described, state agencies may transfer disaster funding among themselves for disaster recovery. Although the state's accounting system shows records of most transferred funding, some transfers, such as payment vouchers (payments made directly from one agency into another agency's account) are not clearly identified as disaster-related within the accounting system. Through the Minnesota Recovers Task Force, HSEM has in

[11] *Laws of Minnesota* 2010, chapter 215, art. 11, sec. 10, subd. 2(a).

recent years tracked most but not all transfers. HSEM has not monitored how the transferred money is used.

**Not all appropriations for a disaster are spent in every case, and some are reduced by the Legislature years later, making it difficult to measure spending.**

A third gap results because not all dollars appropriated for a disaster are spent in every case, and some appropriations are reduced by the Legislature years later. As an example, the 2010 Legislature cancelled $2.3 million of a 2007 appropriation of $4.2 million to the Department of Natural Resources (DNR) for restoring natural resources in the area damaged by the August 2007 Rushford and southeastern flood.[12]

## RECOMMENDATIONS

- ***Homeland Security and Emergency Management should use mechanisms already in place to evaluate recovery following natural disasters, identify opportunities for improvement, and make changes when needed.***

- ***Homeland Security and Emergency Management should lead state agencies that offer recovery services in identifying measures of success, and each agency should supplement evaluations of its services with first-hand assessments of its program users' perceptions of recovery efforts.***

Setting priorities for disaster-recovery spending should start with an overall assessment of what communities and individuals facing disasters need and what needs are left unmet. As a matter of policy, the Legislature may decide that it is more appropriate to spend public funds on some forms of recovery relief and not others. Doing this requires full information on the effectiveness of past recovery efforts.

HSEM has already identified the value of reviewing recovery activities and making continuous improvements but has not fully implemented such reviews. HSEM should give higher priority to more consistently using the disaster-in-review template and following up on key areas of improvement that agencies identify. While HSEM does not have authority to compel other state agencies to make changes, it can track the extent to which needed changes are implemented, identify gaps, and encourage agencies to act. As the coordinator of Minnesota's disaster relief efforts and convener of the Minnesota Recovers Task Force, HSEM should take the lead in assessing how well recovery activities met communities' needs. But it will need the active participation of other agencies, and others outside of state government, to understand the full range of unmet community needs. If necessary, HSEM should request a change in the Governor's executive order to make explicit the need for agencies participating in recovery to also participate in continuous-improvement efforts.

[12] *Laws of Minnesota* 2010, chapter 189, sec. 27, subd. 27.

We acknowledge that giving a higher priority to evaluating disaster recovery may require HSEM to shift resources from other activities. But we agree with the *Minnesota Disaster Recovery Assistance Framework* on the imperative for recovery efforts to continuously evolve and believe that can happen only when someone gives priority to coordinating an evaluation of what works well and what needs to improve. As a participant among others providing recovery services, HSEM lacks the objectivity for evaluation that a third party could provide. But its coordination authority makes HSEM the best candidate to coordinate continuous improvements of recovery activities.

To achieve goals of disaster recovery, HSEM should lead an effort involving other agencies on the Minnesota Recovers Task Force to track actual expenditures and identify specific indicators to measure results of recovery. First, it is important to track money spent on disaster relief in the interests of accountability and measuring cost-effectiveness.

**HSEM and other state agencies involved with recovery should periodically assess the satisfaction of the people or organizations they directly serve.**

Second, although each state agency should be responsible for evaluating performance using measures it identifies as appropriate for its programs, some indicators may be useful across most agencies. Together, HSEM and the state agencies involved with recovery efforts should identify meaningful performance indicators that could be applied broadly. One possibility is the timeliness of providing services to disaster survivors. Measuring timeliness would require recognizing different phases of activities and the time they take. As an example, the time needed for determining eligibility will be far shorter than the time needed to conduct engineering studies and environmental reviews in advance of reconstructing a municipal drinking water treatment plant. Although HSEM already tracks dates as it processes reimbursements to local governments, HSEM should use those data to measure its performance. Doing so would require maintaining robust data on the timing of payments, setting targets for efficiently processing payments, analyzing how well those targets are met, and making changes as needed.

In addition, all state agencies that assist in recovery should periodically assess the satisfaction of the people or organizations they directly serve. This includes people who indicated early interest but dropped out of the process as well as applicants whose applications were turned down. Not all applicants' perspectives may be useful in identifying problems, and their satisfaction with a program should be just one element among others that an agency considers when reviewing its programs. But soliciting users' opinions and identifying unmet needs are important tools for an agency to evaluate its own performance and make progress in continuous improvement of its programs.

Measuring satisfaction and assessing unmet needs takes time and funding, but agencies can control these costs by surveying samples of populations and by focusing on subjects at highest risk of problems. In years when agencies are responding to multiple disasters, they may have to identify a key disaster on which to focus self-evaluation activities instead of trying to evaluate all of them.

# COORDINATING STATE AND LOCAL AGENCIES

**The Minnesota Recovers Task Force is a tool HSEM uses to coordinate disaster recovery efforts.**

A second area where we identified deficiencies is in coordination among public agencies. Because Minnesota's recovery process requires participation of and communication among numerous state agencies, coordination is important. The Minnesota Recovers Task Force, which is chaired by HSEM, is a tool HSEM uses for coordination, as described in Chapter 1.

According to the task force's official policy, its purpose is to coordinate government resources toward long-term recovery efforts, address certain unmet needs, and assist with identifying hazard mitigation opportunities and resources. In addition, it may serve as an advisory committee to local government officials responsible for recovery activities.[13] Using this policy as a general guideline for our evaluation, we found that:

- **Although the Minnesota Recovers Task Force has largely fulfilled most of its purposes, it has not fully served as an advisory committee on recovery to local government officials.**

## Coordinating State Recovery Resources

Based on our interviews with representatives of state agencies that were active members of the task force, we think the task force has performed its coordinating role well, although there is room for improvement. The coordination is exemplified in three ways.

First, on an ongoing basis, the task force keeps members informed of each other's programs. The task force chair keeps an internal contact list of all agencies and their representatives and maintains a list of recovery programs. When a major disaster occurs and the Legislature makes one-time appropriations, the task force can immediately convene the right people from each agency to coordinate state recovery assistance. Further, for disasters without presidential declarations, the chair facilitates an exchange of information on programs to help affected communities.

Second, as explained in Chapter 1, the task force provides a single channel for local governments to apply for state recovery assistance, even though the assistance comes through different agencies. Several state agencies we interviewed appreciated having such a "one-stop shop" to accommodate local government requests for state assistance made available through one-time appropriations. HSEM has standardized application forms and updates the task force Web site's information on recovery from recent disasters.

Third, task force subcommittees bring together agencies with programs addressing similar recovery needs. After receiving applications, the task force

[13] Division of Homeland Security and Emergency Management, *The Minnesota Recovers Task Force State Disaster Assistance Process* (St. Paul, October 2010), 1.

chair transmits them to the appropriate subcommittees. For example, applications for state assistance with purchasing damaged houses located in the floodplain go to the natural resources subcommittee. Subcommittees set priorities among applications, consider all available assistance programs, and decline the application or assign it to a program. The agency administering that program then decides how much funding it can provide.[14] Subcommittees offer flexibility when working on disasters of different scales. For instance, if reconstructing public infrastructure is the only need, the task force confines its work to the public infrastructure subcommittee.

**Members suggested some improvements to the task force, such as keeping all members updated on others' recovery programs.**

At the same time, some of the task force participants we interviewed suggested improvements for the task force's coordination role. As one example, continuing education of member agencies on disaster recovery has been incomplete. MHFA representatives identified a need for other state agencies and communities recovering from disasters to understand that some agencies are oriented toward addressing short-term recovery needs while others focus on long-term needs; they suggested the task force could communicate agencies' differing roles so as to avoid creating unrealistic expectations among community members. Personnel turnovers may prevent member agencies from staying familiar with the task force. One agency staff person relatively new to his position reported difficulty learning about all participants on the task force and expressed a wish to know more about their respective programs. In addition, a local nonprofit administering a loan program over two successive floods interacted with the task force but said turnover of task force members and inadequate communication made interactions somewhat frustrating.

Full coordination is also difficult because some agencies work more closely than others with the task force. This may result from differences in the setup of agencies' programs and relationships with communities. For example, some agencies, such as the Department of Human Services, have well-established relationships with local governments and may be more likely to work with them directly instead of funneling applications through the task force. As another example, a report for the Spring 2009 Red River flood showed that unlike other agencies, the Minnesota Department of Education did not update HSEM regarding its one-time appropriations obligated to school districts.

## Addressing Unmet Needs and Identifying Mitigation Opportunities

Two additional purposes of the Minnesota Recovers Task Force are addressing unmet recovery needs and identifying opportunities for mitigation projects, which the task force is able to do as a byproduct of its coordinating function. The task force brings agencies together to identify which of their programs are in the best position to fund recovery needs and enables a full consideration of all agencies' possible resources to meet local needs. Further, it facilitates the transfer of funding from agencies that have no additional recovery needs to others with identified unmet needs.

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[14] Other agencies may transfer money for the requested recovery project or provide funding to local governments to pay local contributions that might be required.

The Natural Resource Subcommittee has been one of the task force's most active, and it played an important role in identifying mitigation opportunities. DNR and BWSR have led the subcommittee, and federal agencies such as the Natural Resources Conservation Service may assist in leveraging federal mitigation funding. Out of 73 applications to the task force after the Fall 2010 southern floods, 59 were assigned to the Natural Resource Subcommittee.

## Advising Local Governments

**One purpose of the task force is to serve as an advisor to local officials on recovery, but we learned of city officials in disaster areas who had not heard of the task force.**

A fourth purpose of the task force is to serve as an advisor on recovery to local officials, but representatives of several communities we visited had not heard of the task force or were unfamiliar with its functions. We visited six cities affected by disasters for which the task force convened. In three instances, city officials did not know of the task force.[15] Most county officials we visited were more aware of the task force, but not all had an accurate understanding of its functions. For example, one county emergency-management director erroneously instructed individual homeowners and a private nonprofit organization to apply to the task force even though task force policy clearly states that local governments are the only eligible applicants.

Respondents to our survey of local emergency-management directors indicated a lack of familiarity with the task force. When asked whether applying for funding through the task force was straightforward, nearly half of respondents who reported their jurisdictions had had a disaster since 2006 said either they did not know or the situation was not applicable, as Table 3.3 shows.[16] While we cannot definitively conclude whether respondents had heard of the task force, these responses suggested a lack of widespread awareness. Further, a smaller proportion of respondents expressed satisfaction about applying to the task force in comparison with other aspects of applying for federal and state assistance. About 30 percent of respondents reporting a disaster in the past seven years agreed or partially agreed that applying for funding through the task force was straightforward. But the proportions agreeing on other aspects of applying for recovery assistance were twice as large.

We identified two difficulties local officials had in applying for state funding from the task force. First, information on available state recovery assistance was insufficient for at least some local governments. Some communities reported that they had difficulty understanding what the disaster relief bill had authorized for reimbursement. Each disaster has its own mix of state-funded programs and amounts of funding, but the instruction section of the task force's application form is standardized and does not explain what state assistance is available. For example, the Public Facilities Authority received a disaster-recovery appropriation after the Fall 2010 southern flood but not the Spring 2009 Red River flood; however, the same application form was used for both disasters without indicating whether state assistance was actually available for the types of projects the authority funds.

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[15] The six cities were affected by the August 2007 Rushford and southeast flood, Spring 2009 Red River flood, and Fall 2010 southern flood. Note that DEED, instead of HSEM, chaired the task force after the 2007 flood.

[16] The survey did not ask directly about local emergency managers' awareness of the task force.

## Table 3.3: Opinions of Emergency-Management Directors on Applying for Disaster Recovery Funding, 2011

| | *N* | Agree or Partially Agree | Neither Agree nor Disagree | Disagree or Partially Disagree | Not Applicable or Don't Know |
|---|---|---|---|---|---|
| Damages to public infrastructure and equipment were quickly determined by all those involved in assessing damages following the initial emergency response. | 239 | 67% | 6% | 5% | 21% |
| Information was readily available on possible funding and its requirements. | 238 | 63 | 8 | 9 | 19 |
| Applications for disaster assistance were coordinated, preventing the need to supply the same information multiple times. | 239 | 64 | 8 | 6 | 22 |
| Applying for funding through the Minnesota Recovers Task Force was straightforward. | 239 | 31 | 11 | 10 | 47 |

NOTES: The survey question read: "Considering your jurisdiction's most recent natural disaster for which federal or state recovery funding or technical assistance was offered for damaged public infrastructure and equipment, to what extent would you agree or disagree with the following statements?" The table shows statements related to applying for assistance. Respondents were emergency managers who indicated their jurisdiction had experienced a flood, tornado, or severe windstorm since 2006. Percentages may not sum to 100 due to rounding. The shaded row highlights respondents' opinions on one facet of working with the Minnesota Recovers Task Force.

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

In our survey of local emergency-management directors, several respondents expressed the need for more help to understand available recovery assistance. One of them wrote:

> It seemed that most involved at the state felt I should know what was available, but I didn't. It was confusing…. I admit, I was fairly overwhelmed at the time.

**Applicants for funding from the task force are unable to track the status of their applications.**

The second difficulty in applying for recovery aid from the task force is the lack of a coordinated information system to track the status of applications. The task force chair has made an effort to track applications but does so only as time allows. The tracking information is for the chair's reference but is not shared with applicants. The chair sends applicants letters simply acknowledging receipt of their applications or indicating the application is ineligible. When subcommittees make preliminary commitments of funding or decline applications and inform the chair about such decisions, the chair sends disposition letters to applicants. Between the receipt letter and disposition letter, local governments may not be provided with any information about their applications.

## RECOMMENDATION

***Homeland Security and Emergency Management should improve the Minnesota Recovers Task Force by increasing local governments' awareness of the task force and developing mechanisms to allow tracking the status of applications for state funding.***

As the agency now chairing the task force, HSEM should oversee improvements to fulfill the task force's advisory role to local governments. First, HSEM should evaluate ways to, on an ongoing basis, disseminate to local officials information on functions and policies of the task force. One possibility is to offer additional education about the task force in annual training and conferences for local emergency-management directors. Another is to communicate directly with communities affected by disasters. After disasters with presidential declarations, HSEM conducts applicant briefings and kick-off meetings with local officials for FEMA's Public Assistance program. HSEM could use these meetings to explain the state recovery task force's funding process. Additionally, HSEM could work with the Association of Minnesota Emergency Managers to communicate information on the task force to individual local officials.

**The task force should provide information to communities in disaster areas about the amount and types of funding the Legislature has appropriated following the disaster.**

A second improvement would be information to local governments on the state assistance available through one-time appropriations after a disaster occurs. Local governments could benefit from a straightforward description of which of the state's recovery programs have funding available as well as these programs' requirements. One possibility is to tailor the task force application form to include this description of state assistance following each disaster.

A third improvement would involve HSEM exploring ways to allow local governments to check the status of their applications. One option is to establish a regularly updated information portal, such as a Web site showing what state assistance the applicant requested, which subcommittee is considering the application, and funding decisions and reasons for them. Such a portal could be beneficial both to communities planning their recovery and to task force members.

Some of the improvements suggested here require significant financial and staff input. For instance, HSEM may have to invest in additional information technology if it were to establish an electronic application portal. Staff would need to collect information from task force subcommittees and update the portal regularly. With whatever improvements it begins, HSEM should evaluate its success in increasing local awareness of the task force, such as by collecting feedback from local governments affected by natural disasters.

# APPLYING FOR AND RECEIVING FUNDING FOR RECOVERY

Local governments, businesses, and individuals affected by disasters have to apply for assistance, often multiple times and to multiple programs. We found that:

- **Processes for determining eligibility and applying for and receiving government funding of disaster recovery can be complex and confusing to communities and individuals.**

Complexity affected local governments but also individual residents and businesses. We discuss below first the perspectives of local governments and second the experiences for affected residents and businesses.

## Local Governments

During our site visits, some communities said they were given conflicting information about projects' eligibility for reimbursements. For instance, half of the jurisdictions we visited said they were told initially that certain items, such as debris removal, would be reimbursable, only to learn later that their project would be reimbursed only partially or not at all. Although communities received information on requirements for public infrastructure reimbursements when disaster recovery began, the information came at times when local staff were consumed with the aftermath of the disaster and less able to comprehend and retain program rules. Although some of the complexity is related to FEMA programs, because HSEM serves as the "grantee" for FEMA funding, it is responsible for providing local government applicants with technical assistance on FEMA's process.

**When communities and individuals are dealing with devastating losses due to a recent disaster, the complexity of recovery programs can be especially burdensome.**

Certain jurisdictions were confused and had difficulties with the amount of time it took to receive reimbursements as well as over what was actually reimbursable.[17] For instance, the Zumbro Falls mayor said the city's remaining $20,000 of recovery projects were simply on hold because the Fall 2010 flood had exhausted city resources and, while the city did not understand why, it was still awaiting about $88,000 of reimbursements from the state as of late 2011. Rushford was also holding back on some recovery projects because it lacked the cash needed and was awaiting FEMA reimbursements that were inexplicably stopped toward the end of 2009, resumed for one payment in 2010, and stopped again. Because of substantial damage to Rushford's public infrastructure, coupled with other factors, such as reductions in local government aid, Rushford officials reported having to spend down the city's fund balance and seeing its credit rating lowered. In another example, Steele County's county engineer said recovery projects have been funded out of highway reserves, but doing so has reduced the county's resiliency for responding to future disasters. Steele County

[17] Some of the delays could have been attributable to insufficient documentation provided by the applicant or a determination that a project was ineligible for federal assistance, but regardless of the cause of the delay, local governments lacked information on the status of their applications.

has increased its levy $200,000 to cover lease costs in 2012 for temporary department facilities and is considering local bonding to replace the flood-damaged highway operations complex. The county has been paying for unanticipated expenses due to the flood, and county officials expressed substantial uncertainty over what will be reimbursed in the long run. Other communities we visited also suggested a need for better information on whether certain costs, such as administrative expenses, were eligible for reimbursement.

Some local governments encountered difficulties filling out program application forms or accounting for reimbursements that arrived for approved projects. For instance, officials in Moorhead and Owatonna said it would have been helpful to have additional guidance, beyond the kick-off meetings held at the start of the recovery process, to correctly complete the project worksheets required for damaged public infrastructure. Representatives from three cities we visited explained that they had to spend hours of extra time accounting for payments they received from the state because the payments contained no indication of the particular projects they were intended to reimburse. The difficulties affected certain staff, such as finance directors who received the incoming payments, but also emergency-management directors who wrote the project worksheets in the first place.

## Individual Residents and Businesses

For individuals, understanding eligibility rules and the process of applying for different assistance was especially burdensome because property owners were dealing with devastating losses at the time. In one city, officials told us homeowners found it confusing when they heard they would have to apply first to the federal government, wait to see whether they were approved, and then, if declined, apply to state programs and wait a second time for approval. This can occur because applicants to MHFA's Quick Start housing program must demonstrate they are not duplicating assistance for a home loan from the U.S. Small Business Administration. Plus, different government programs carry different application deadlines, and local officials reported that multiple programs and deadlines were confusing and frustrating for residents.

**Sometimes individuals and businesses in disaster areas are not even aware of recovery assistance that is available.**

Some businesses and property owners affected by disasters had difficulties with complex program procedures or were unaware of available programs. For example, Owatonna officials said some damaged businesses could not obtain loans made available through DEED because the program required third-party verification of damages, which the flooded businesses could not produce. Complex eligibility requirements for a business loan from the state resulted in an extra six-month wait for a flooded Wabasha County business that intended to use the state loan to pay off an existing SBA loan for the same disaster. A business representative in Owatonna described the experiences of businesses that could not get answers from federal agencies or waited long times for information about state recovery programs. Some state programs rely on local governments or contracted organizations to actually meet with potential applicants and administer the loans or other assistance to businesses, but that does not ensure adequate information. Even though a local administering agency in Wabasha County held informational meetings to describe loans available to businesses, a number of businesses there did not think any assistance was available.

Individual property owners also had difficulties with confusing procedures. Officials in Hammond and Owatonna said that many residents applied for SBA loans in vain not knowing they lacked the strong credit ratings the program required to qualify. In one case, city officials said that some homeowners reported confusion because the state set up a disaster-recovery center a few days after a local disaster-recovery center had concluded business, which required residents to return to the center if they were to apply for home-rehab loans. Another jurisdiction said certain residents did not apply for SBA loans because they could not understand why they had to apply through the SBA when they were not a business.

Local officials are not necessarily well positioned following disasters to assist residents in understanding the recovery programs that may be available. Local officials we interviewed tended to be familiar with FEMA's public assistance and how adequately it helped recover public infrastructure but were less involved with the individual assistance program because FEMA administers it directly to property owners. Following disasters, HSEM holds meetings and "applicant briefings" with counties and cities, but the focus is largely to familiarize them with the process for FEMA Public Assistance. When FEMA's Individual Assistance program is not available but the state has set up a disaster recovery center, information on aid for residents may be available in that center.

Furthermore, substantial shares of local emergency managers responding to our survey indicated they had little involvement in recovery funding for businesses or individuals. When we asked emergency managers who reported that natural disasters had occurred in their jurisdictions since 2006 whether recovery funding was sufficient and provided in a timely way for businesses or homeowners, at least 62 percent indicated they did not know or it was not applicable. Table 3.4 shows the results.

## RECOMMENDATION

***State agencies involved with recovery should assess whether the recovery programs they oversee offer sufficient opportunity for users to obtain needed information.***

**HSEM should do more to identify problems that local governments have understanding FEMA requirements and eligibility standards.**

Whether users are local governments, individuals, or businesses, program administrators should ensure that users have access to a contact person, digital information, and other resources to answer questions. In line with the recommendation earlier in this chapter on the need for continuous improvement in disaster recovery, each agency should review the information sources it offers following disasters, consult with users that have needed its services in the past, and identify gaps in information. For example, HSEM should do more to identify the problems that local governments have understanding FEMA requirements and eligibility standards pertaining to assistance for public infrastructure.

State agencies involved with disaster recovery should collect information from the point of view of program users.

## Table 3.4: Opinions of Emergency-Management Directors on Assistance to Businesses or Homeowners and Tenants, 2011

| | Agree or Partially Agree | Neither Agree nor Disagree | Disagree or Partially Disagree | Not Applicable or Don't Know |
|---|---|---|---|---|
| Sufficient recovery funding was available for those businesses most in need. | 15% | 11% | 10% | 63% |
| Recovery funding for businesses was provided in a timely way. | 15 | 14 | 9 | 62 |
| Sufficient recovery funding was available for those homeowners and tenants most in need. | 10 | 8 | 18 | 64 |
| Recovery funding for homeowners and tenants was provided in a timely way. | 10 | 10 | 15 | 64 |

NOTES: *N* = 239. The survey question read: "For your jurisdiction's most recent natural disaster in which businesses or homeowners and tenants received state or federal recovery funding, to what extent do you agree with the following?" Respondents were emergency managers who indicated their jurisdiction had experienced a flood, tornado, or severe windstorm since 2006. Percentages in a row may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

State agencies that rely on local governments or hire local administrators to administer programs should review the effectiveness of information resources for applicants. One part of their review should be making sure that policies clearly state the responsibilities for promoting the programs and educating applicants about them. For example, MHFA has a checklist of steps, including meeting with the local press, creating an advertising plan, and tailoring the agency's Web site with disaster-specific information, to inform residents about its disaster-related housing aid.[18] Another part of the review should include collecting information from applicants to identify pros and cons from users' points of view. Agencies should conduct such reviews periodically because they offer the opportunity to identify problems and make changes as part of the continuous improvement of recovery programs.

Past disasters offer models of how some have provided such information resources. For the Fall 2010 southern flood and the August 2007 Rushford and southeastern flood, MHFA contracted with a nonprofit organization to provide case workers who could assist affected residents through application processes, among other recovery activities. The Department of Agriculture's Minnesota Farmers Assistance Network provides a referral service especially directed to agricultural families. The network is a toll-free phone center and e-mail contact that refers farmers to resources with whatever expertise is needed, including disaster assistance.

[18] Minnesota Housing Finance Agency, *Disaster Response Policy Manual* (St. Paul, July 2008), 11-12.

# NONGOVERNMENTAL ASSISTANCE WITH RECOVERY

Following disasters, state and local governments play the central roles in organizing and conducting disaster relief activities. However, the state does not typically help disaster survivors meet their needs for food, clothing, or other personal items. Organizations such as the American Red Cross and Salvation Army offer immediate help to people affected by natural disasters, and some nongovernmental organizations, such as Lutheran Social Services, are involved with long-term recovery assistance. Part of long-term recovery may include establishing "long-term recovery committees," which typically allocate revenues from contributions to individual households. Although the state may offer technical assistance or maintain communications with such a committee, it does not administer the committee or oversee its work.

## State's Role with Nonprofit Organizations

The state has little direct control over nonprofit organizations and the services they offer. While federal money helps fund the Red Cross, Minnesota's disaster funding legislation has not included appropriations directly to nonprofit organizations involved in disaster recovery. We found that:

- **Nonprofit organizations can offer substantial recovery assistance to individuals affected by disasters, but because they operate outside state government, the state has no mechanism for identifying whether disaster survivors receive sufficient help.**

Although the Association of Voluntary Organizations Active in Disasters interacts with HSEM, and an HSEM staff member serves as a voluntary resource coordinator, the state's authority over nonprofit organizations is limited to ensuring the smooth coordination of donations and volunteerism during disasters. The state does not control the work of the nonprofit organizations or pay them for their services.

**We learned about some residents in disaster areas who did not receive the recovery assistance made available to others.**

HSEM has interactions with nonprofit organizations following disasters but may not always have a complete picture of needs that go unmet. The state does not look for service inequities among nonprofit organizations' services, but we learned of some from our case studies. When we visited the cities of Wadena and Hugo, local officials told us about certain residents who had disaster-related needs but received little attention from private organizations because the organizations were focused elsewhere, such as on larger population centers. As another example, the Jewish relief organization NECHAMA was unable to provide assistance after serious 2008 floods in southeastern Minnesota because its resources were already committed to disaster recovery activities in Wisconsin and Iowa.

# State Coordination Duties with Nonprofit Organizations

Statutes require HSEM to coordinate volunteer resources during major disasters; they also list duties related to this coordination role.[19] Two of these duties are (1) coordinating between government and private relief agencies, and (2) maintaining public information about disaster donations and volunteerism.[20] We looked at these two duties in relation to long-term recovery committees and found that:

- **HSEM has not consistently participated in establishing and communicating with long-term recovery committees following natural disasters.**

## Coordinating between Government and Private Relief Organizations

HSEM has worked with the nonprofit organizations belonging to Minnesota Voluntary Organizations Active in Disasters and coordinated with them following disasters. But we considered the duty to coordinate with private relief organizations to go beyond that and include assistance establishing long-term recovery committees. Such assistance happened with some but not all locations after disasters. Among our case studies, city officials in Hugo said HSEM was not involved in establishing a long-term recovery committee in the days immediately following the May 25, 2008, tornado—although HSEM coordinated conference calls there among representatives of local governments and nonprofit organizations. Nor was HSEM directly involved in establishing all of the long-term recovery committees set up after the Fall 2010 flood. On the other hand, following the 2010 tornado in Wadena, HSEM staff encouraged the development of a long-term recovery committee, and the committee chair and staff considered HSEM help as an important resource; they said establishing the committee even sooner would have been beneficial. Even though HSEM staff were not directly involved with organizing the Zumbro Valley Disaster Recovery group established in Zumbro Falls following the Fall 2010 floods, they coordinated with others, such as charitable organizations, interested in the group.

**One private organization offering grants to residents in a disaster area said it lacked sufficient information to answer residents' questions about state agency recovery programs.**

We also considered coordination between government and private relief organizations to include communication between the two, but such communication was sometimes missing. In interviews during our case studies, the director of one of the private organizations helping residents recover said information from state agencies would have been useful. She reported that ongoing communications with the main state agencies was lacking and prevented the organization from answering questions residents had about program requirements or the status of their loans or other government assistance.

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[19] *Minnesota Statutes* 2011, chapter 12.09, subd. 9.

[20] *Minnesota Statutes* 2011, chapter 12.09, subd. 9(2) and (7).

### Information about Disaster Donations and Volunteerism

Although a second duty in law related to coordinating volunteer resources is maintaining public information about donations and volunteerism, HSEM has not consistently provided such information. In response to our survey, more than half of local emergency management directors said HSEM does at least somewhat well in coordinating government and private organizations, yet this was the smallest share of approval among four measures of HSEM's duties, including how well HSEM informs local governments about requesting disaster assistance. Table 3.5 shows the details. In addition, city officials describing the May 2008 Hugo tornado said the city organized volunteers for clean-up work with virtually no input on those tasks from state agencies during the first week following the tornado.

## Table 3.5: Opinions of Emergency-Management Directors on Homeland Security and Emergency Management's Performance of Duties, 2011

| | | Well or Somewhat Well | | Neither Well nor Not Well | | Not Well or Somewhat Not Well | | Not Applicable or Don't Know | |
|---|---|---|---|---|---|---|---|---|---|
| | *N* | # | % | # | % | # | % | # | % |
| Coordination of a network of government agencies and private organizations for smooth coordination of donations and volunteerism during disasters | 441 | 234 | 53% | 83 | 19% | 31 | 7% | 93 | 21% |
| Coordination of local and state hazard mitigation plans | 442 | 261 | 59 | 57 | 13 | 35 | 8 | 89 | 20 |
| Coordination of local and state emergency operations plans | 442 | 269 | 61 | 66 | 15 | 27 | 6 | 80 | 18 |
| Guidance and information sufficient to allow your jurisdiction to request state and federal disaster assistance | 442 | 293 | 66 | 58 | 13 | 18 | 4 | 73 | 17 |

NOTE: The survey question read: "In your opinion, how well does the Minnesota Division of Homeland Security and Emergency Management and its regional offices provide the following for disaster recovery and preparation for recovery?"

SOURCE: Office of the Legislative Auditor, analysis of survey of Minnesota Emergency-Management Directors, September 2011.

The 2011 Legislature recognized the need to expand HSEM authority regarding nonprofit organizations and long-term recovery activities. It amended statutes by authorizing HSEM to provide technical assistance to local jurisdictions or make grants to counties and nonprofits to help coordinate long-term recovery activities.[21] The Legislature did not, however, provide additional funding to HSEM for offering grants or coordinating long-term recovery. HSEM said until it receives an appropriation for this function, it plans to simply have a contracting firm "on hold" and wait until a disaster happens.

[21] *Laws of Minnesota* 2011, chapter 67, sec. 10.

**RECOMMENDATION**

***Homeland Security and Emergency Management (HSEM) should continue to improve its networking and public information roles with nongovernmental organizations and the long-term recovery activities they manage. Further, HSEM should develop plans for how it will use the expanded coordinating role approved by the 2011 Legislature.***

We applaud HSEM's interactions with Voluntary Organizations Active in Disasters and the information and resources HSEM provided for certain long-term recovery committees. At the same time, HSEM's coordination role should be consistent. HSEM should be proactive and consistently provide information on the purpose and structure of long-term recovery committees in advance of such committees being established as well as in assisting such committees that may form following a disaster.

**HSEM should develop plans describing how it intends to use recently authorized statutory authority for an expanded role in long-term recovery.**

With its new statutory authority for long-term recovery assistance, HSEM should develop plans describing how and under what circumstances it intends to use its expanded role. In doing so, HSEM should consult with multiple leaders of nonprofit organizations involved in long-term recovery as well as community members that have served on long-term recovery committees. These resources could help identify best practices and describe what is necessary for effective long-term recovery as a way to assist communities that may need to manage such recovery in the future.

# INSURANCE AND STATE ASSISTANCE FOR RECOVERY

Insurance is a key resource in recovering from catastrophic losses. In a natural disaster, when hundreds or thousands of people are simultaneously affected and entire communities must recover together, the state takes on a greater role than in a smaller scale incident like a house fire. To the extent that insurance payments cover some costs of disaster recovery, state resources can be directed toward other costs. As a result, the state has an interest in widespread insurance coverage. However, we found that:

- **Currently, the extent to which Minnesota residents carry insurance sufficient to guard against disaster losses can only be determined after a disaster has occurred.**

## Standard Homeowners Insurance

Standard property insurance, which protects against losses from wind, hail, tornadoes, and most other natural disasters except for flooding, is purchased in the private marketplace. As a result, there is no easy way to assess how many properties are covered by homeowners or commercial insurance policies. The Department of Commerce, which regulates insurance in Minnesota, does not require companies to provide information sufficient to estimate how many

**There is no easy way for the state to assess how many properties are not covered by insurance.**

properties lack coverage. Even if it did do so, estimating how many properties lack coverage would require extensive work to assemble a database of insurance-eligible properties, consolidate data from many different insurance companies, and then accurately match multiple data sets. Determining how many properties are underinsured would be an even larger challenge. Consequently, the department has only identified patterns of insufficient insurance coverage when a disaster event affects many properties simultaneously. Department administrators told us that they were unaware of any other state that attempts to assess patterns of underinsurance in the absence of a disaster event.

Department of Commerce officials told us that they have noted patterns of underinsurance in two recent disaster events. Some homes damaged by the 2010 Wadena tornado lacked any homeowners insurance; others were underinsured. Similarly, the 2011 Minneapolis tornado caused substantial damage in an area where insurance coverage was inconsistent. In an effort to better understand how many damaged properties lacked insurance, in August 2011 the department requested from all major property insurers in the state detailed data on claims and settlements made following the Minneapolis tornado. To date, the department had not completed its analysis of these data.

## Flood Insurance

As we explained in Chapter 1, flood insurance is not included in standard homeowners insurance policies and is instead available through the National Flood Insurance Program. Property owners in participating jurisdictions may buy flood insurance regardless of whether their properties are in flood-risk areas, but the purchase is voluntary.

Data are not available to show exactly how many Minnesota properties in flood-risk areas are uninsured against floods. DNR keeps data on how many insurance policies are in force in a jurisdiction, but it does not routinely calculate how many buildings in each city are located in mapped flood-risk areas. Were it to do so, it would need to constantly update such figures as new buildings are built or when new flood-hazard mitigation measures change floodplain contours.

**Data suggest that many of the properties at serious risk of flooding are not insured.**

Available data suggest that many eligible Minnesota property owners do not purchase flood insurance from the National Flood Insurance Program. In 2009, DNR conducted a pilot project to determine how many structures lay in floodplain areas in 11 selected counties. As shown in Table 3.6, comparisons of the number of flood insurance policies with the number of floodplain structures indicate that many structures lying in the 1-percent floodplain probably do not carry flood insurance.[22] For example, DNR found that Brown County had 297 structures in the 1-percent floodplain in 2009. According to National Flood Insurance Program data from two years later, only 31 flood insurance policies were in force for structures within the 1-percent floodplain. While it is possible that some of those policies covered multiple buildings, it appears unlikely that all of the at-risk structures were insured. Anecdotally, city officials in Rushford and

[22] The 1-percent floodplain is the area that has at least a 1 percent chance of being inundated by a flood in any given year.

Browns Valley reported that only a small fraction of property owners in their communities had flood insurance when their cities experienced flood disasters in 2007. Furthermore, due to previous levee construction, Rushford was not considered to be in the 1-percent floodplain at the time of the August 2007 southeastern flood.

## Table 3.6: National Flood Insurance Program Coverage in Select Counties, 2012

| County | Total Housing Units in 2010 | Structures in 1-Percent Floodplain in 2009 | Flood Insurance Policies in 1-Percent Floodplain in 2012 | Ratio of Policies to Structures |
|---|---|---|---|---|
| Big Stone | 3,115 | 180 | 68 | 0.38 |
| Brown | 11,493 | 297 | 31 | 0.10 |
| Clay | 23,959 | 2,097[a] | 247 | 0.12 |
| Goodhue | 20,337 | 616 | 172 | 0.28 |
| Kittson | 2,605 | 1,777 | 57 | 0.03 |
| Lac Qui Parle | 3,692 | 288 | 11 | 0.04 |
| Ramsey | 217,197 | 1,101 | 90 | 0.08 |
| Renville | 7,355 | 30 | 1 | 0.03 |
| Roseau | 7,469 | 2,864 | 452 | 0.16 |
| Scott | 47,124 | 1,791 | 195 | 0.11 |
| Washington | 92,374 | 546 | 305 | 0.56 |

NOTES: The Department of Natural Resources (DNR) does not maintain information on the number of structures in floodplain areas. The data shown above were collected in the listed counties during a one-time pilot project in 2009. The 1-percent floodplain is the area that has at least a 1-percent chance of being inundated by a flood in any given year. National Flood Insurance Program data were the number of policies in force as of February 14, 2012.

[a] According to DNR staff, a new Clay County floodplain map currently being developed will significantly increase the number of structures in the 1-percent floodplain.

SOURCE: Office of the Legislative Auditor, analysis of data from the U.S. Census Bureau, Department of Natural Resources, and the National Flood Insurance Program.

The low participation rate for flood insurance may be due to its voluntary nature.[23] Other voluntary forms of property insurance (such as renters' insurance) also have low participation rates. Conversely, auto insurance (required by state law in most states) and standard homeowner coverage (generally required by mortgage lenders) have much higher rates of participation. We found that:

- **One hundred twenty-one Minnesota cities containing flood-risk areas do not participate in the National Flood Insurance Program, although it is not clear how many properties within those cities are at high risk for flooding.**

[23] Homeowners in high-risk flood areas must carry flood insurance if they have federally regulated mortgages.

Of the Minnesota cities that do not participate in the National Flood Insurance Program, 121 (about 30 percent of all nonparticipating cities) have areas within city limits that have been identified as at significant risk for flooding.[24] As noted above, DNR does not track how many buildings are located in flood-risk areas in these cities. Although most of these cities are small—more than half have 500 or fewer residents—the list of nonparticipating cities with flood-prone areas also includes more populous cities such as Willmar and Fairmont. Many cities that do not participate in the program do not contain any significant flood-risk areas identified by FEMA or DNR.

**Two dozen cities with flood-risk areas but not participating in the National Flood Insurance Program have sought federal disaster assistance since 2006.**

Ninety cities not participating in the National Flood Insurance Program as of December 2011 have sought federal disaster assistance for disasters that included flooding since 2006.[25] Of these, 24 contained flood-risk areas identified by FEMA or DNR. In at least 14 cases, cities not participating in the National Flood Insurance Program, despite having flood-risk areas, received federal disaster assistance. Two such cities applied twice since 2006 and received federal funds for both events.

## Insurance Requirements for Disaster-Recovery Aid

Disaster events in areas with low insurance coverage increase the potential state costs for disaster recovery. By law, state assistance for disaster survivors is limited to costs that are covered by neither insurance settlements nor federal disaster aid.[26] As a result, those individuals needing the most state assistance are likely to be those with inadequate insurance when federal disaster assistance to individuals is limited. However,

- **Unlike federal aid for disasters, state assistance for recovery does not require property owners to obtain insurance against future disasters.**

FEMA Individual Assistance, SBA loans, and other federal disaster assistance programs require that property owners obtain insurance for the hazard that led to the damage. Property owners who fail to maintain coverage after receiving federal assistance are ineligible for future federal assistance in the event of another disaster.

There is no legal requirement for homeowners or businesses to purchase property or flood insurance. If individuals choose to risk catastrophic loss without the safety net insurance provides, they may do so. Nor do state loan and grant

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[24] Specifically, this figure includes 91 cities identified by FEMA as containing areas with a 1 percent or greater chance of flooding in any given year, and 30 additional cities identified by DNR as having unmapped flood-risk areas that will likely be added as FEMA's 1970s-era floodplain maps are updated. Additionally, five townships with flood-risk areas identified by FEMA or DNR do not participate in the National Flood Insurance Program.

[25] Some of these disasters included multiple types of damage, such as that from both severe storms and flooding. We could not determine whether aid applications were for flood damage or damage from wind and other causes.

[26] *Minnesota Statutes* 2011, 12A.03, subd. 2.

programs for disaster recovery, such as those administered by MHFA and DEED, require individuals to purchase and maintain flood insurance against future events when the losses were due to flooding. An MHFA administrator told us that the agency once considered such a requirement for Quick Start loans but encountered opposition. DEED's Minnesota Investment Fund loans neither require businesses to purchase flood insurance in flood-prone areas nor require standard property insurance coverage. However, the effect of this missing requirement may be limited, as many businesses may carry property insurance coverage.

## RECOMMENDATION

***The Department of Commerce and the Department of Natural Resources should examine the feasibility of requiring that flooded properties receiving state disaster-recovery aid purchase and maintain flood insurance to be eligible for future recovery aid.***

Similar to the requirement at the federal level, we think it is in the state's interest to require individuals and businesses located in flood-prone areas to obtain flood insurance as a condition of receiving state funding. If another flood occurs, previous aid recipients who are located in high-risk flood areas but have not maintained flood insurance would be barred from further state aid. This requirement is needed to protect the investment the state has made. The requirement would encourage owners to purchase prudent protection for properties that have received state assistance in the past. When floods recur, the state would not need to spend as much money on things it has already funded.

At the same time, because requiring insurance coverage is a major change that could have unanticipated effects, and because some communities do not currently participate in the National Flood Insurance Program, we think more study is needed before such a requirement can be put in place. The Department of Commerce, as the state's insurance regulator, and DNR, as the administrator of the National Flood Insurance Program in Minnesota, are the agencies best suited to examine whether such a requirement should be crafted and whether exceptions should be made in some circumstances.

# List of Recommendations

- The Legislature should set clear criteria for determining the level of state funding provided to local jurisdictions in three situations: (1) when no federal aid to local jurisdictions is available, (2) when federal aid must be matched by state and local funding, and (3) when jurisdictions receive state Flood Hazard Mitigation Grants. (p. 45)

- The Legislature should authorize state agencies to transfer unused portions of bond proceeds appropriated for disaster recovery to other state agencies that have identified eligible recovery needs of a capital nature from the same disaster. (p. 49)

- The Legislature should require state agencies to set clear criteria for when they may use transfers of disaster appropriations from other state agencies to pay the local share of recovery projects. (p. 52)

- If the Legislature sets criteria defining when the state would provide recovery assistance to disasters lacking presidential declarations, it should consider a dedicated account to fund initial recovery costs. (p. 56)

- Homeland Security and Emergency Management should use mechanisms already in place to evaluate recovery following natural disasters, identify opportunities for improvement, and make changes when needed. (p. 67)

- Homeland Security and Emergency Management should lead state agencies that offer recovery services in identifying measures of success, and each agency should supplement evaluations of its services with first-hand assessments of its program users' perceptions of recovery efforts. (p. 67)

- Homeland Security and Emergency Management should improve the Minnesota Recovers Task Force by increasing local governments' awareness of the task force and developing mechanisms to allow tracking the status of applications for state funding. (p. 73)

- State agencies involved with recovery should assess whether the recovery programs they oversee offer sufficient opportunity for users to obtain needed information. (p. 76)

- Homeland Security and Emergency Management (HSEM) should continue to improve its networking and public information roles with nongovernmental organizations and the long-term recovery activities they manage. Further, HSEM should develop plans for how it will use the expanded coordinating role approved by the 2011 Legislature. (p. 81)

- The Department of Commerce and the Department of Natural Resources should examine the feasibility of requiring that flooded properties receiving state disaster-recovery aid purchase and maintain flood insurance to be eligible for future recovery aid. (p. 85)

# Case Study Information

## APPENDIX

As part of the evaluation, we identified six recent disasters to study in depth: the March 2007 Browns Valley flood, August 2007 Rushford and southeast flood, May 2008 Hugo tornado, Spring 2009 Red River Valley flood, June 2010 Wadena and eastern Otter Tail County tornadoes, and Fall 2010 southern counties flooding. The six are listed below, accompanied by information describing the disaster, the recovery programs and activities, amounts of assistance, and other pertinent details. They are listed in chronological order with the earliest disaster described first.

## MARCH 2007 BROWNS VALLEY FLOODING

### Background

On March 13 and 14, 2007, massive ice jams and excessive runoff from melting snow caused the Little Minnesota River to flood the western and northern part of Browns Valley, a city of approximately 650 people in Traverse County near the South Dakota border. About 100 people were forced out of their homes by the flood water, and 60 registered at a shelter set up by the Red Cross. Only 13 homes affected had flood insurance. By March 19, 2007, the American Red Cross assessed that 27 homes in the city had major damage, 34 had minor damage, and 85 had water in the basement. The Division of Homeland Security and Emergency Management (HSEM) estimated that the flood also affected 14 businesses, city streets, and state highways.

### Overview of Recovery Activities and Funding

On March 14, 2007, both Traverse County and Browns Valley declared states of emergency, but the total damage did not reach the presidential declaration threshold. The Small Business Administration (SBA) made its own declaration on April 2, 2007 to provide low-interest loans to residents and business owners. On May 23, 2007, the Governor signed a $2 million, one-time appropriation bill to assist flood recovery.[1] In the August 2007 special session for the August 2007 Rushford and southeast flood, the relief package also included assistance for Browns Valley.[2]

Browns Valley officials told us that they obtained good advice from cities with experience in recovering from past floods. The advice enabled Browns Valley to

[1] *Laws of Minnesota* 2007, chapter 122, sec. 1.

[2] *Laws of Minnesota* 2007, First Special Session, chapter 2, art. 3, sec. 3.

identify consultants and plan its recovery appropriately. The city set up communitywide meetings to collect public input and identified mitigation projects as the priority for its recovery activities.

## Governmental Recovery Assistance

Some state agencies provided recovery assistance using resources other than one-time legislative appropriations. The Department of Employment and Economic Development (DEED), for example, entered into an agreement with Browns Valley for a $264,000 Small Cities Development Program grant. Minnesota's Department of Transportation (MnDOT) provided funding from its state-aid disaster account for road repairs.

The Legislature appropriated $2 million to the Department of Public Safety to assist the city's recovery; the department later transferred the money to DEED for other recovery projects.[3] The same legislation authorized the Minnesota Housing Finance Agency (MHFA) to use its disaster relief contingency fund for rehabilitation or replacement of damaged houses and the Department of Natural Resources (DNR) to fund Flood Hazard Mitigation Grants projects in Browns Valley using its 2005 and 2006 bonding bill appropriations.[4] From those appropriations, DNR awarded about $293,000 to Browns Valley for acquiring floodprone properties. A later General Fund appropriation of $3.9 million through DNR to Browns Valley was for nonbondable work that was part of the city's diversion project.[5] DNR also awarded $326,000 from 2008 bond funds for additional acquisitions and ongoing construction. Other legislative appropriations included $100,000 in each of fiscal years 2008 and 2009 to the Department of Revenue as a payment to Browns Valley.[6]

SBA was one federal agency active in the recovery process, providing $1.2 million of home and business loans. Table A.1 lists types and amounts of state and federal assistance provided to Browns Valley after the 2007 flood.

## Nongovernmental Recovery Assistance

Many nonprofit organizations provided assistance in the response and recovery phases following the flood. For example, West Central Minnesota Communities Action worked with the Department of Commerce to provide energy assistance to households, including repairing and replacing furnaces.

Five days after the flood, as the city moved into the recovery phase, it set up a long-term recovery account in a local bank to receive donations, which raised about $270,000. With help from HSEM, city officials, senior citizens, businesses, the Sisseton Sioux Tribe, the West Central Minnesota Communities Action agency, the Salvation Army, and other organizations formed a committee to distribute small grants to individuals and businesses affected by the flood. The

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[3] *Laws of Minnesota* 2007, chapter 122, sec. 1.

[4] *Laws of Minnesota* 2007, chapter 122, secs. 2-3.

[5] *Laws of Minnesota* 2008, chapter 179, sec. 7, subd. 3(h).

[6] *Laws of Minnesota* 2007, First Special Session, chapter 2, art. 3, sec. 3.

**Table A.1: Federal and State Recovery Assistance for March 2007 Browns Valley Flood, 2011**

| Agency and Purpose | Amount (x $1,000) | Number of Recipients |
|---|---|---|
| **Federal Agency**[a] | | |
| Small Business Administration | | |
| Home Loans | $ 799 | 16 |
| Business Loans | 399 | 4 |
| **State Agency** | | |
| Employment and Economic Development Department (DEED) | | |
| Small Cities Development Program | 264 | NA |
| One-time Appropriation[b] | 2,000 | NA |
| Natural Resources Department | | |
| Flood Hazard Mitigation Grants | 619[c] | NA |
| Diversion project | 3,900 | NA |
| Transportation Department | | |
| State-Aid Disaster Account | 469 | NA |

NOTE: Funding amounts may change due to projects that are unfinished as of the end of 2011.

[a] In addition, the U.S. Department of Housing and Urban Development granted $600,000 for part of Browns Valley's work related to a floodway diversion channel. Funding totals may change due to projects that remain open as of the end of 2011.

[b] The original appropriation was to the Department of Public Safety, but that department transferred the $2 million to DEED for other recovery work. Through communitywide meetings, the city decided to use the money on mitigation projects.

[c] Breakdown of the bond funds: $326,000 from 2008, $138,285 from 2006, and $154,216 from 2005.

SOURCES: Office of the Legislative Auditor, analysis of U.S. Small Business Administration data; *Laws of Minnesota* 2008, chapter 179, sec. 7, subd. 3(h); *Laws of Minnesota* 2007, chapter 122, secs. 1, 3, and 4; and *Laws of Minnesota* First Special Session 2007, chapter 2, art. 3, sec. 3.

committee made an effort not to duplicate assistance provided by SBA or other entities. Sixty-six grants ranging from $46 to $4,000 were made, totaling nearly $108,000. The committee decided to use the rest of the donation to match DNR mitigation aid for the diversion channel project.

# Additional Observations

Some state and federal officials had different perceptions of mitigation in Browns Valley, but the city worked with them to build consensus. One of the city's recovery consultants told us low property values in Browns Valley raised concerns that the dollar-amount benefit of a diversion project might not justify its cost. However, the alternative of relocating a large proportion of residents out of the floodplain was not acceptable to the city or its residents. Browns Valley decided to develop a hazard-mitigation plan and spend the $2 million special appropriation, DNR allocations, and part of the Small Cities Development Program grant on a diversion project and a small number of property acquisitions. City officials believed that one segment of the diversion project has already saved the city from three potential floods; they hoped to obtain funding from the state to finish the remaining segment.

The city did not need to increase its tax levy to pay for recovery and instead used donations for the required match to state mitigation funding. State legislation enabled the city to pay a local share based on 2 percent of the city's median household income multiplied by the city's households for the Flood Hazard Mitigation Grants projects.[7] Using this formula, Browns Valley paid $160,000 toward the projects with donated money.

City officials spoke positively of state agencies' flood recovery work. For example, although developing and funding the diversion project involved multiple state agencies, there was sufficient coordination. City officials felt they were able to find the right contact in state agencies when recovery questions arose. In their opinion, grant money flowed smoothly from the state to the city.

# AUGUST 2007 RUSHFORD AND SOUTHEAST FLOOD

## Background

On August 18 and 19, 2007, heavy rains caused severe flooding in southeastern Minnesota including Fillmore, Houston, Olmsted, Steele, Wabasha, and Winona counties. Governor Tim Pawlenty declared a state of emergency in these counties on August 19, 2007. At least seven deaths were confirmed. The American Red Cross's preliminary survey showed that about 800 homes were destroyed or had major damage, and 4,000 others had minor damage or were affected or inaccessible. Public infrastructure damages were estimated at around $26 million. Rushford in Fillmore County was among the hardest hit: 1,700 residents were evacuated; gas, electrical and phone services were cut off; and the city sewage plant was overrun with flood water.

While the Federal Emergency Management Agency (FEMA) was still conducting preliminary damage assessments, on August 21, 2007, the Governor requested the President to declare an expedited major disaster because the magnitude of the flood was believed to exceed the threshold for FEMA aid.

State agencies responded to the flood. For instance, HSEM activated the State Emergency Operations Center and assigned staff to work in local emergency operations centers. The Department of Transportation provided barricades and coordinated with counties on bridge and road closures. The Department of Health monitored community water supplies and provided well-testing kits. Nonprofit relief agencies also responded, including the American Red Cross, which set up shelters, and the Salvation Army, which provided drinking water and clean-up kits.

## Overview of Recovery Activities and Funding

On August 23, 2007, the President declared a major disaster in three counties. Later amendments increased the number of counties in the disaster area to eight.

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[7] *Laws of Minnesota* 2007, chapter 122, sec. 3.

FEMA approved the Public Assistance program for all eight counties, Individual Assistance for seven, and the Hazard Mitigation Grant Program across the state. SBA offered loans to homeowners and businesses affected by the flood.

On August 20, 2007, the Governor accelerated local government aid payments to affected cities and counties, totaling $25.1 million. On September 12, the Legislature convened a special session and passed a disaster relief package including assistance of $147.8 million for the Rushford and southeast flood.[8]

### Governmental Recovery Assistance

Federal disaster recovery centers were opened to assist individual victims applying for assistance. A total of $19.8 million of Individual Assistance was provided, 92 percent of which was for housing assistance.[9] SBA made $28.3 million of home loans and $15.2 million of business loans.

FEMA worked with local government units and eligible nonprofits to provide assistance for repair of public infrastructure and facilities. The total Public Assistance project costs amounted to $43.8 million, of which FEMA paid 75 percent and the state paid 25 percent.

State appropriations funded programs provided by 14 state agencies for flood recovery, ranging from local road and bridge repair to flood hazard mitigation to housing loans. Table A.2 shows federal and state recovery assistance.

### Nongovernmental Recovery Assistance

Lutheran Social Services and Rushford Area Disaster Recovery Committee led the long-term recovery in Rushford, including coordinating volunteer resources and conducting case management. According to a local newspaper account, as of December 2008, more than $2 million of private funding was disbursed, along with in-kind donations and volunteer hours.[10] Caseworkers managed 318 cases, serving 443 adults and 216 children.

## Additional Observations

We interviewed local officials from the city of Rushford and from Fillmore County, which endured the largest amount of damage among flooded counties. Local officials told us they appreciated emergency-management expertise provided after the flood by FEMA, the state, and other communities. Such expertise made the process of learning about available federal aid relatively quick. County officials were also grateful for state funding to remove debris

[8] Changes made in later legislation resulted in a total of $149 million. Changes included agricultural assistance for the Rushford and southeast flood as well as a drought in 2007.

[9] FEMA paid for all of the housing assistance. FEMA and the state shared the total $1.6 million nonhousing assistance cost, with the state paying 25 percent.

[10] Ron Witt, "Nearly $24 million spent on residential flood recovery," *Tri-County Record*, December 18, 2008, p. 2.

## Table A.2: Federal and State Recovery Assistance for August 2007 Rushford and Southeast Flood, 2011

| Agency and Purpose | Amount (x $1,000) | Number of Recipients |
|---|---|---|
| **Federal Agency** | | |
| Federal Emergency Management Agency | | |
| Public Assistance | $33,835 | NA |
| Individual Assistance | 19,411 | 3,853 |
| Hazard Mitigation Grant | 5,567 | 29 projects |
| Small Business Administration | | |
| Home Loans | 28,286 | 738 |
| Business Loans | 15,191 | 88 |
| **State Agency** | | |
| Agriculture | | |
| Recovery assistance to agricultural producers | 3,700 | NA |
| Board of Water and Soil Resources (BWSR) | | |
| Reinvest in Minnesota conservation easements | 1,000 | 44 easements |
| Erosion and Sediment Control projects | 2,772 | 385 projects |
| Employment and Economic Development Department | | |
| Partially forgivable business loans | 35,000 | 80 |
| Housing Finance Agency | | |
| House repair loans | 16,000 | 843 |
| Disaster Relief Contingency Fund | 1,000 | NA |
| Grants to local governments to assess and respond to housing needs | 1,000 | NA |
| Natural Resources Department (DNR) | | |
| Rehabilitation and repair of state facilities, debris removal | 2,082 | NA |
| Flood Hazard Mitigation Grants | 2,000 | 10 projects |
| Public Facilities Authority | | |
| Grants for repair of publicly owned infrastructure | 10,000 | NA |
| Public Safety Department (DPS) | | |
| Payment of state and local match of federal assistance | 17,360 | NA |
| Grants to counties for debris removal | 2,500 | NA |
| Transportation Department | | |
| Local road and bridge rehabilitation | 26,000 | NA |
| Trunk highway and bridge repair | 25,000 | NA |
| Revenue Department | | |
| Reimbursement to counties for tax rebate | 1,000 | NA |
| Grant to cities for property tax loss | As needed[a] | NA |
| Others | | |
| Programs of other state agencies | 2,024[b] | NA |

NOTES: This table does not include the bond sales cost necessitated by state appropriation laws and nonmonetary authorizations in such laws. Amounts for federal agencies reflect dollars spent, but amounts for state agencies reflect dollars appropriated. Appropriations to BWSR, DNR, and DPS were supplemented with appropriations that were transferred to them by other state agencies. Funding amounts may change due to projects that remain open as of the end of 2011.

[a] The lost tax assistance is made from the General Fund. The amount was based on the county assessors' assessments of net tax capacity reduction in counties affected by the flood.

[b] The Minnesota Historical Society received $250,000 for cleanup and repair of historic structures; Department of Education $574,000 for disaster enrollment impact aid, facilities grants, and pupil transportation aid; Department of Human Services $200,000 to reimburse medical services providers; and Pollution Control Agency $1 million for rehabilitation of buildings with petroleum contamination.

SOURCES: Office of the Legislative Auditor, analysis of funding data from the Federal Emergency Management Agency, U.S. Small Business Administration, and state agencies; *Laws of Minnesota* First Special Session 2007, chapter 2, art. 1; *Laws of Minnesota* 2008, chapter 179, sec. 9; *Laws of Minnesota* 2008, chapter 289, secs. 1 and 2; *Laws of Minnesota* 2008, chapter 363, art. 2, secs. 44, 45, and 51, and art. 5, sec. 5; *Laws of Minnesota* 2009, chapter 96, art. 1, sec. 24, subd. 9; *Laws of Minnesota* 2010, chapter 189, sec. 27, subd. 27; *Laws of Minnesota* 2010, chapter 215, art. 3, secs. 4 and 5; and *Laws of Minnesota* 2010, chapter 361, art. 4, sec. 69.

from private property, something that is not typically reimbursable through FEMA's Public Assistance program.

However, understanding reimbursement rules for state and federal assistance presented some problems. This was particularly true for FEMA assistance. For instance, for some recovery projects, city officials found Public Assistance program rules and regulations to be overwhelming; they were first told a project was reimbursable only to find the opposite after the city committed resources to it. The timing of reimbursements was confusing. As of December 2011, the city was still waiting for about $1.5 million from FEMA. Reimbursements began for some projects, but then stopped, and the city did not know the reason why.

Although cities affected by the flood did not need to pay any matching dollars for federal assistance or state mitigation projects, Rushford officials told us they were faced with a difficult financial situation. The city had to increase its debt service to pay for flood-related projects. The city saw a decrease in its fund balance, in part because of the delay in FEMA reimbursements, and its Standard and Poors' rating was downgraded from A+ to A.

# MAY 2008 HUGO TORNADO

## Background Information

On May 25, 2008, the cities of Lino Lakes and Hugo in the northeastern part of the Twin Cities metropolitan area were struck by a tornado.[11] The tornado intensified as it reached Hugo, causing damage measured at EF-3 on the Enhanced Fujita scale. The tornado was on the ground for approximately ten minutes, causing the most damage in a residential neighborhood north of Hugo's downtown area. Dozens of homes were destroyed or damaged, and a 2-year old child was killed.

## Overview of Recovery Activities and Funding

Although the damage was severe in Hugo, the total amount of the destruction was limited. Further, the damages were almost entirely limited to private residences, nearly all of which were insured against such damages. State and local officials were almost immediately aware that the scale of the disaster was not large enough to trigger a federal disaster designation. Consequently, it was clear that any disaster recovery costs would have to be borne by state, local, and private sources. Within days, the city hired a temporary staff person to coordinate recovery efforts.[12]

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[11] Three other tornadoes touched down in Minnesota the same day.

[12] According to the Hugo city administrator, the ability to hire someone so quickly was mostly a matter of good fortune; a recent intern with the Hugo city government had not yet found a permanent position and was willing to become the emergency coordinator as a short-term hire. His familiarity with city staff and offices enabled him to begin working immediately with practically no orientation or training.

Following the initial emergency response, recovery activities were primarily coordinated by the city government, with state and county officials playing supporting roles. A massive volunteer cleanup day was successfully held the weekend following the tornado. Hugo was in a strong enough financial position that it was able to spend existing funds to pay for debris cleanup, overtime for city staff, and repairs to city property that were not covered by insurance, although the city did not yet know how many of the expenses would be reimbursed by the state.[13]

## Governmental Recovery Assistance

The city did not seek immediate legislative funding through a special session, but instead carefully tracked all of its expenses and waited for the Legislature to convene the following year. The city calculated its total disaster-related costs to be approximately $727,000, of which about $317,000 was covered by insurance—leaving an unreimbursed amount of $410,000. In May 2009, the Legislature appropriated $350,000 to the City of Hugo to help offset its expenses from the storm damage.[14] The Department of Revenue used its existing authority to provide approximately $278,000 to taxing jurisdictions in the affected areas to offset the loss of property-tax revenue.[15] No other funding was provided; the city absorbed the remaining amount in its operating budget and other responding jurisdictions and state agencies absorbed any costs they incurred.

Because Hugo did not qualify for federal funding, but instead received state funds appropriated by the Legislature, the city was able to receive reimbursement for some expenses that would not have been permitted under FEMA guidelines for Public Assistance. For example, the city combined all debris removal—both on private land and on public land—into a single set of costs totaling over $100,000. Under FEMA guidelines, debris removal on private property is not typically a reimbursable expense.[16]

## Nongovernmental Recovery Assistance

Nonprofit organizations such as the Red Cross, the Salvation Army, and NECHAMA responded immediately to the Hugo tornado, setting up aid stations and organizing volunteers. The city council also set up a long-term recovery committee to distribute contributed funds to residents who needed additional assistance. The city's temporary emergency coordinator provided administrative support to the committee. According to the minutes of the final committee meeting, the committee received 146 applications for assistance and provided

[13] A few expenses were paid for by other entities; for example, DNR brought in specialized equipment to clear storm debris out of a large pond and did not seek payment from the city.

[14] *Laws of Minnesota* 2009, chapter 93, art. 3.

[15] Department of Revenue data on disaster tax relief do not identify the specific disaster for which relief was provided; in this total we assumed small amounts, such as $174 to the Washington County Housing and Redevelopment Authority, to be part of the Hugo tornado disaster.

[16] FEMA does allow debris removal from private property if the debris is moved by the property owner into a public right-of-way like a street or alley. Hugo did not require property owners to bring their debris to the curb before the city would dispose of it.

funds to 122 families. A total of $473,000 was contributed, nearly all of which was paid out to applicants. A small amount of leftover funds was used for a one-year memorial event in May 2009.[17]

# SPRING 2009 RED RIVER VALLEY FLOODS

## Background

A deep and melting snowpack in mid-March 2009 threatened to flood communities along the Red River on the Minnesota-North Dakota boundary. The risk for severe flooding was particularly high due to water running off ground that was frozen and already saturated. On March 16, 2009, the city of Breckenridge in Wilkin County declared an emergency, as did several cities and counties to the north on ensuing days. A significant snowstorm in late March, rainfall in early April, and ice jams along the Red River affected river levels and contributed to overland flooding. Flooding conditions continued into May 2009, eventually affecting 28 counties and two tribal nations in north and northwestern Minnesota. Total population in the affected counties and tribal nations was 463,172.

From the start of the flooding, county emergency-management directors monitored the flood's effects within each of their respective counties and reported conditions to HSEM. Within some of the counties, sandbagging operations were underway in mid-March, as was work on extending existing dikes and building smaller additional ones. The state opened its emergency operations center March 18, 2009, and two days later, the Governor issued an executive order declaring a state of emergency.

By March 23, 2009, multiple counties had reported rivers beyond flood stage, overland flooding, and closed roads. Response activities by multiple state agencies assisted local efforts. This included the National Guard providing security and patrolling dikes, MnDOT providing road signs and jersey barriers, and DNR offering high-volume pumps, as well as boats and officers for river patrols and water rescues.

## Overview of Recovery Activities and Funding

On March 25, 2009, Governor Tim Pawlenty submitted a request for a presidential disaster declaration due to the severe storms and flooding. The President declared a major disaster on April 9, 2009, initially for seven counties (this followed an earlier presidential declaration of emergency on March 26, 2009, for these counties).[18] Amendments over the next three weeks extended the disaster area to encompass the other counties and tribal nations. FEMA's Public Assistance program was available for all 28 counties and the two tribal nations.

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[17] Hugo Long Term Recovery Services Meeting (meeting minutes, Hugo, May 29, 2009), 2.

[18] The seven counties were: Clay, Kittson, Marshall, Norman, Polk, Traverse, and Wilkin.

The Individual Assistance program, however, was available in only seven counties: Beltrami, Clay, Marshall, Norman, Polk, Traverse, and Wilkin. The federal Small Business Administration signed declarations April 10, 2009, making available loans for physical repairs and economic losses.

The 2009 Legislature appropriated disaster recovery relief in May 2009, but also in April 2010 and May 2011.[19] Over those three years, appropriations totaling $17.4 million went to nine state agencies for helping recovery in the Red River Valley.

Preliminary damage assessments revealed more than $23.4 million in damages to public infrastructure in the disaster area. The state opened disaster recovery centers in eight locations: one each in the counties of Clay, Beltrami, Polk and Wilkin; two each in Marshall and Norman counties. Some opened in April 2009 and others in May, but all were closed by the end of May with the exception of one that briefly reopened through June 3.

## Governmental Recovery Assistance

For public infrastructure recovery projects from the Spring 2009 Red River floods, FEMA paid $29.6 million, as of December 2011. FEMA's Individual Assistance program received nearly 1,000 referrals for housing assistance, of which 653 were approved, for a total of $2.3 million. A second component of Individual Assistance is "other needs assistance," which received 822 applications; only 139 were approved for a total of nearly $119,000. FEMA aid through the Hazard Mitigation Grant program totaled $3.6 million. Loans to businesses and homeowners from the Small Business Administration amounted to nearly $7 million. Table A.3 shows types and amounts of federal and state recovery assistance.

Following the flood, the 2009 Legislature passed a bill appropriating $17.6 million for recovery efforts through nine different agencies.[20] In 2010, the Legislature reduced by $3.9 million the amount it had appropriated from bond funds in 2009 to the Department of Public Safety.[21] But it appropriated to that department an additional $1.6 million from the General Fund.[22] In 2011, the Legislative appropriated to that department another $2 million for the 2009 recovery activities.[23] Following the initial $17.6 million appropriation in 2009, four of the state agencies (DEED, the Department of Human Services, MHFA, and the Department of Revenue) eventually transferred some or all of their appropriations to other state agencies with recovery needs that had not been met.

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[19] *Laws of Minnesota* 2009, chapter 93, art. 1, sec. 5, subd. 3(x) and art. 2, sec. 1; *Laws of Minnesota* 2010, chapter 215, art. 11, sec. 10, subd. 2(a); and *Laws of Minnesota* 2011, chapter 113, art. 2, sec. 2.

[20] *Laws of Minnesota* 2009, chapter 93, art. 1, sec. 5, subd. 3(x) and art. 2, sec. 1.

[21] *Laws of Minnesota* 2010, chapter 189, sec. 27, subd. 32.

[22] *Laws of Minnesota* 2010, chapter 215, art. 11, sec. 10, subd. 2(a).

[23] *Laws of Minnesota* 2011, chapter 113, art. 2, sec. 2.

## Table A.3: Federal and State Recovery Assistance for Spring 2009 Red River Valley Flood, 2011

| Agency and Purpose | Amount (x $1,000) | Number of Recipients |
|---|---|---|
| **Federal Agency** | | |
| Federal Emergency Management Agency | | |
| Public Assistance | $29,605 | NA |
| Individual Assistance | 2,411 | 676 |
| Hazard Mitigation Grant | 3,594 | 15 projects |
| Small Business Administration | | |
| Home Loans | 4,280 | 153 |
| Business Loans | 2,683 | 34 |
| **State Agency** | | |
| Board of Water and Soil Resources | | |
| Reinvest in Minnesota conservation easements | 500 | 5 easements |
| Erosion and Sediment Control projects | 1,000 | 22 projects |
| Red River Basin Commission flood control plan | 500 | NA |
| Education Department | | |
| Disaster enrollment impact aid | 127 | NA |
| Pupil transportation grants | 18 | NA |
| Disaster relief facilities grants | 15 | NA |
| Disaster relief operating grants | 13 | NA |
| Employment and Economic Development Department | | |
| Local-government administered loans to flood-damaged businesses | 200[a] | NA |
| Finance | | |
| Bond sale expenses | 10 | NA |
| Natural Resources Department (DNR) | | |
| Flood Hazard Mitigation Grants | 49,198[b] | 21 projects |
| Public Safety Department | | |
| Match required for FEMA funding | 8,923 | NA |
| Housing Finance Agency | | |
| Housing Challenge program for home repair loans | 2,700[a] | 21 loans |
| Human Services Department | | |
| Payments to medical assistance providers | 200[a] | NA |
| Revenue Department | | |
| Aid to offset local governments' loss of property tax revenues due to flood | 250[a,c] | NA |
| Transportation Department | | |
| Trunk highway road and bridge reconstruction | 2,700 | NA |
| Infrastructure operation and maintenance | 200 | NA |

NOTES: Amounts for federal agencies reflect dollars spent, but amounts for state agencies reflect dollars appropriated, except where noted. Funding amounts may change due to projects that remain open as of the end of 2011.

[a] Some or all of this amount was transferred to another state agency for its unmet recovery projects.

[b] Signifies the amount spent, not an appropriation. DNR received a $53.8 million appropriation of bond proceeds for the Flood Hazard Mitigation Grants program in 2009; it was for specific projects unrelated to the 2009 Red River floods but could also be spent in communities affected by the flood.

[c] The department also received an unspecified amount for property tax abatements on newly constructed residences in flooded areas.

SOURCES: Office of the Legislative Auditor, analysis of data from Federal Emergency Management Agency and U.S. Small Business Administration; *Laws of Minnesota* 2009, chapter 93, art. 1, sec. 5, and art. 2, secs. 3-12; *Laws of Minnesota* 2009, chapter 88, art. 2, sec. 49; *Laws of Minnesota* 2009, chapter 389, art. 1, sec. 12; *Laws of Minnesota* 2010, chapter 189, sec. 27, subd 32; *Laws of Minnesota* 2010, chapter 215, art. 11, sec. 10, subd. 2; and *Laws of Minnesota* 2011, chapter 113, art. 2, sec. 2.

Separate from the $17.6 million appropriation in 2009, DNR had received that year a $53.8 million appropriation of bond proceeds for the Flood Hazard Mitigation Program. The appropriation was for specific projects unrelated to the 2009 Red River floods but could also be spent in communities affected by the flood. DNR told us that it awarded $49.2 million through the Flood Hazard Mitigation Program to 21 projects related to the 2009 floods. For FEMA aid, the state of Minnesota paid the entire 25 percent of the required matching funds. During the recovery period, the Minnesota Recovers Task Force fielded 30 applications from project applicants requesting $15.8 million. Of those requests, the task force committed to fund 16 projects for about $2 million.

### Nongovernmental Recovery Assistance

The American Red Cross opened seven shelters along the Red River, where hundreds of people stayed while their homes were inaccessible. It also served tens of thousands of meals in the disaster area throughout the duration of the flood. The Salvation Army provided meals for the people filling and stacking sandbags, the National Guard, and other volunteers fighting the flood. Adventist Community Services helped transport sandbags, and many volunteers helped fill sandbags. In the Fargo-Moorhead area, the Dakota Medical Foundation provided funding to households to partially close the gap between families' flood-related needs and what FEMA's Individual Assistance could provide.

## Additional Observations

The Spring 2009 Red River Valley floods affected 28 counties and two tribal nations; we visited four areas with some of the highest damages from the flood: Breckenridge, Clay County, Moorhead, and Wilkin County.

Flood mitigation projects in years since the "Great Flood of 1997" helped limit the 2009 damage in Breckenridge and Moorhead, according to city officials. For Breckenridge, the most serious flood-related problem in 2009 was the loss of a storm sewer pump that led to multiple problems. City park facilities were also damaged. A levee, diversion channel, and property acquisitions from the floodplain have been part of Breckenridge's mitigation projects since the 1997 flood. The levee project built on the north side of Breckenridge was not complete by the end of 2011 but was expected to be finished by July 2012. In Moorhead, damages from the 2009 flood were largely confined to public infrastructure; although some homeowners had flooding, no businesses were damaged.

The jurisdictions we visited had some issues over receipt of reimbursements for damage recovery from the 2009 floods. Breckenridge officials reported that they were still awaiting the final 10 percent of payments from FEMA and the state for Public Infrastructure projects related to the 2009 flood. Wilkin County reported that all eligible FEMA reimbursements had arrived but that the reimbursements never seemed fast enough given that the county had to finish the road projects as soon as possible following the flood. Although the city of Moorhead had received many reimbursements for projects from the 2009 flood, it was still waiting at the end of 2011 for others, and four projects had somehow gotten “lost” in the system. Moorhead officials said they had learned a lot since the 1997 flood about what FEMA considered eligible for reimbursement but, despite that, some of the city’s projects were denied.

Local government representatives we visited also described confusion that resulted following the 2009 floods. Wilkin County representatives explained that different FEMA staff took different approaches, making it difficult for the county to know what steps it should actually take. Plus they said the FEMA rules changed from disaster to disaster, and the local county staff had not learned about the most current updates. Minnesota is within one FEMA region, but North Dakota is in a different one, and regional differences have caused confusion for some residents in the Red River Valley, according to Clay County’s emergency manager. Officials we visited said familiarity with the Minnesota Recovers Task Force was limited. Moorhead and Wilkin County officials suggested additional help completing FEMA forms would have been useful.

Coordination with nonprofit organizations could have been better following the 2009 floods, according to the Clay County emergency-management director. For instance, multiple church groups and nonprofit agencies went door to door, which was helpful, but some households were contacted four to five times for the same information. In addition, although FEMA and the Red Cross had roles in mental health and other social services, the county public-health department was supposed to take the lead, based on the county’s emergency-management plan.

# JUNE 2010 WADENA AND EASTERN OTTER TAIL COUNTY TORNADOES

## Background Information

June 17, 2010, was the largest single-day outbreak of tornadoes in Minnesota history; 48 tornadoes touched down in counties from Roseau in the north to Freeborn in the south. Our case study focused on two of that day’s most powerful tornadoes, which hit eastern Otter Tail and western Wadena counties. Both were multivortex tornadoes with multiple tubes rotating around a common center, and both rated EF-4 on the Enhanced Fujita scale. The Otter Tail tornado touched down at 3:45 p.m. along the northern edge of Douglas County and tracked northward through rural Otter Tail County, staying on the ground for nearly 40 miles and causing severe damage to homes and farms before dissipating about an hour later. A woman in the small town of Almora was killed. The second tornado touched down shortly afterwards, at about 5:00 p.m. Its path was shorter, but it went right through the city of Wadena, demolishing a residential neighborhood, a number of industrial and commercial buildings, the high school, the community center, and the county fairgrounds. Fortunately, there were no fatalities from this tornado despite the destruction.

## Overview of Recovery Activities and Funding

State agencies immediately responded to the disaster, with representatives from HSEM and other agencies arriving without being asked for help. The city administrator told us that he was surprised at how much assistance those agencies could provide to local communities facing disaster situations. For example, the Minnesota Department of Transportation provided trucks to help haul debris, and Pollution Control Agency staff arrived to grant temporary permits for debris disposal sites. After the federal disaster declaration was announced, HSEM set up a disaster recovery center in Wadena, at which over a dozen representatives from state and federal agencies, local governments, and nonprofit organizations were available to answer questions and offer advice about different aspects of disaster recovery.

Because Wadena and eastern Otter Tail counties were economically depressed prior to the tornadoes, residents there faced additional burdens in recovering from the disaster. Some homeowners did not have replacement insurance coverage for their homes or personal possessions, either having policies that paid out actual cash value or having no insurance at all. The tornado severely damaged a multi-unit apartment building, suddenly limiting the amount of affordable housing in the area for low-income renters. The extensive damage to small farms in Otter Tail County presented another challenge. Farmers had to repair fences and clear debris from fields with limited outside assistance. Volunteer efforts were concentrated in Wadena, where large amounts of destruction were centralized and clearly visible.

## Governmental Recovery Assistance

As described above, the Wadena and Otter Tail county tornadoes were part of an unprecedented tornado outbreak, and the resulting federal disaster declaration included 13 counties scattered across the state.[24] FEMA offered Public Assistance in all 13 counties but did not grant Individual Assistance. Within Wadena and Otter Tail counties, public entities successfully submitted FEMA Public Assistance applications for approximately $9.5 million in disaster-related expenses, including $4.6 million for various departments of Wadena city government.[25] The SBA administratively declared a disaster in Wadena and Otter Tail counties and made disaster-assistance loans available to homeowners, businesses, and nonprofits. It made 15 loans to homeowners totaling about $1.3 million. Table A.4 summarizes the federal and state recovery aid.

The Legislature held a special session in mid-October of 2010 to provide funding for both the southern Minnesota flood and the Wadena tornado. It passed legislation appropriating $5.2 million to pay for the state and local share of

[24] The counties included in the FEMA declaration were Blue Earth, Brown, Faribault, Freeborn, Houston, Kittson, Nicollet, Olmsted, Otter Tail, Polk, Sibley, Steele, and Wadena. In addition to severe storms and tornadoes, the disaster declaration also cited associated flooding.

[25] This number may include costs for damage caused by other storms associated with the same severe storm system. Also, some applications for FEMA Public Assistance for this disaster were still pending as of the release of this report.

## Table A.4: Federal and State Recovery Assistance for June 2010 Wadena Tornado and Other Tornadoes and Floods in the State, 2011

| Agency and Purpose | Amount (x $1,000) | Number of Recipients |
|---|---|---|
| **Federal Agency** | | |
| Federal Emergency Management Agency | | |
| Public Assistance | $12,492 | NA |
| Hazard Mitigation Grant | 1,517 | 2 projects |
| Small Business Administration | | |
| Home Loans | 1,322 | 15 |
| **State Agency** | | |
| Education Department | | |
| Pupil transportation grants | 379 | NA |
| Disaster relief operating grants | 314 | NA |
| Employment and Economic Development Department (DEED) | | |
| Grant to Wadena to design facilities in replacement of destroyed public facilities | 750 | NA |
| Public Safety Department | | |
| Match required for FEMA funding | 5,200 | NA |

NOTES: Amounts for federal agencies reflect dollars spent, but amounts for state agencies reflect dollars appropriated. Federal agency amounts are for all communities in the disaster area, as are state appropriations with the exception of the DEED grant, which is specific to the city of Wadena. Funding amounts may change due to projects that remain open as of the end of 2011.

SOURCES: Office of the Legislative Auditor, analysis of data from Federal Emergency Management Agency and U.S. Small Business Administration; and *Laws of Minnesota* 2010 Second Special Session, chapter 1, art. 2, secs. 1-5.

FEMA Public Assistance provided under the 13-county disaster declaration, $750,000 to DEED for a grant to the city of Wadena to pay for predesign and design work for public facilities, and $693,000 to the Department of Education for grants to affected districts to cover operating and transportation expenses.[26] Additionally, the Department of Revenue used its existing authority to provide approximately $160,000 in payments to taxing jurisdictions in the two counties to offset lost property tax income.[27]

### Nongovernmental Recovery Assistance

Local churches worked together with Lutheran Social Services to form a Long Term Recovery Committee to distribute the funds contributed to help tornado survivors. As of October 2011, the committee had paid out approximately $425,000 to 139 applicants. Committee payments to individuals were capped at $5,000 per applicant, although many individuals were able to demonstrate greater needs. Committee staff estimated that there were an additional $590,000 in further damage costs outstanding, most of which would probably not be funded.

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[26] *Laws of Minnesota* 2010, Second Special Session, chapter 1, art. 2, sec. 1.

[27] *Minnesota Statutes* 2010, 273.1231-273.1235.

Staff members and the co-chair of the committee told us that small farmers affected by the Otter Tail tornado were particularly hard hit. FEMA disaster assistance does not generally pay to remove debris on private land, and federally subsidized crop insurance covers only the cost of lost crops and not the cost of restoring the land to agricultural production. As a result, farmers often had few resources to deal with the costs of clearing trees, building materials, and other debris that needed to be moved in order to use agricultural equipment.

# FALL 2010 SOUTHERN COUNTIES FLOODING

## Background Information

From September 22 through 24, 2010, heavy rainfall ranging from 3 inches to more than 10 inches caused severe flooding in southern Minnesota. Wet antecedent conditions exacerbated the flood. This flood was the third major disaster to hit Minnesota in six months.

Governor Tim Pawlenty declared a state of emergency in 35 counties on September 23, 2010, and requested a presidential declaration through FEMA on October 1. Starting September 27, 2010, FEMA representatives accompanied by state and local officials conducted preliminary damage assessments in affected areas. These assessments identified that the flood caused an estimated $44.9 million in public infrastructure damage, which is a $9.13 statewide per capita impact. Steele County had the largest estimated countywide damage at $843 per capita. The flood affected an estimated 609 residences, 80 of which were destroyed and 101 with major damage. Only about 20 percent of these residences had flood insurance. Home damage was estimated to be the most extensive in Zumbro Falls and Hammond, both located within Wabasha County. Total needs for Individual Assistance program funds from FEMA was estimated at $5 million.

## Overview of Recovery Activities and Funding

On October 13, the President authorized the Public Assistance program for 29 affected counties but later declined the request for Individual Assistance. The Governor then requested SBA assistance, and on October 15, SBA made an agency declaration to provide low-interest loans in 16 Minnesota counties. A U.S. Department of Agriculture secretarial designation on January 18, 2011, authorized emergency loans to six Minnesota counties for agricultural damages caused by the flood and other severe weather events occurring in the second half of 2010. On October 18, 2010, the Legislature convened a special session and unanimously voted to appropriate a total of $74 million for an assortment of programs to assist flood recovery.[28]

[28] *Laws of Minnesota* 2010, Second Special Session chapter 1, art. 1, sec. 1.

### Governmental Recovery Assistance

As of December 1, 2011, many FEMA Public Assistance projects were still underway; as were many state programs funded through one-time appropriations. The Minnesota Recovers Task Force received 73 applications from local governments for state assistance and facilitated transfers of $4.13 million from DEED, MHFA, and the Minnesota Historical Society to DNR for mitigation projects. Table A.5 shows types and amounts of federal and state recovery assistance.

### Nongovernmental Recovery Assistance

The Southern Minnesota Initiative Foundation raised $150,000, matched by a $150,000 forgivable loan from the state's Agriculture and Economic Development Board, to make grants to businesses enduring physical losses from the flood. The grants were capped at $2,500 per applicant.

A number of long-term recovery committees were set up locally. The Zumbro Valley Disaster Recover Committee in Wabasha County and Pine Island-Oronoco Unmet Need Committee in Olmsted County consisted of local residents and representatives from Lutheran Social Services and other nonprofit organizations. Using donations, the two committees distributed small grants to flood victims.

United Way of Steele County established a relief fund with $170,000 from United Way Board donations and money raised through a local campaign. This fund provided grants capped at $2,000 to residents and businesses for uninsured flood costs. Of 127 residential requests for assistance, United Way of Steele County approved 95 for a total amount of $136,427; 18 of the 23 small-business applicants received $34,192 of assistance.

## Additional Observations

We visited Steele County, which had the largest amount of public infrastructure damage, and Owatonna, which was the most heavily hit city within the county. We also visited Wabasha County, which endured the largest amount of residential and private business losses, and two severely damaged cities within it, Hammond and Zumbro Falls.

Local governmental officials we visited appreciated the state assistance but identified needs unaddressed by existing recovery programs. First, debris removal was a continuing challenge in some communities because of repetitive floods. Steele County officials said waterways had many choke points even in late 2011 because state assistance for debris removal only cleaned streams to a bare minimum. Second, some local officials expected the state to help pay for costs not reimbursed by FEMA due to the lack of insurance coverage on damaged facilities. They were frustrated to find that the Minnesota Recovers Task Force declined to pay for such costs. Third, state assistance programs had priorities that did not fit the local needs. For example, DNR's mitigation program focused on acquisition of damaged properties, but an Owatonna official

## Table A.5: Federal and State Recovery Assistance for Fall 2010 Southern Flood, 2011

| Agency and Purpose | Amount (x $1,000) | Number of Recipients |
|---|---|---|
| **Federal Agency** | | |
| Federal Emergency Management Agency | | |
| Public Assistance | $24,319 | NA |
| Hazard Mitigation Grant | 64 | 1 project |
| Small Business Administration | | |
| Home Loan | 6,967 | 133 |
| Business Loan | 2,086 | 19 |
| **State Agency** | | |
| Agriculture | | |
| Grants to agricultural producers | 4,000 | 98[a] |
| Board of Water and Soil Resources | | |
| Reinvest in Minnesota conservation easements | 10,000 | 78 easements |
| Erosion and Sediment Control projects | 3,000 | 53 projects |
| Employment and Economic Development Department | | |
| Partially forgivable business loans | 10,000 | 21 |
| Housing Finance Agency | | |
| House repair loans | 4,000 | 109 |
| Natural Resources Department (DNR) | | |
| Rehabilitation and repair of state facilities | 2,500 | NA |
| Flood Hazard Mitigation Grants | 10,000 | 11 projects |
| In-stream debris removal and gauge repair | 500 | NA |
| Cost-share public dams renovation | 1,000 | NA |
| Public Facilities Authority | | |
| Grants for repair of publicly owned infrastructure | 500 | None |
| Public Safety Department (DPS) | | |
| Payment of state and local match of federal assistance | 12,000 | NA |
| Revenue Department | | |
| Grants to cities for lost property tax | As needed[b] | NA |
| Transportation Department | | |
| State and local transportation infrastructure | 15,000 | NA |
| Others | | |
| Programs of other state agencies | 1,423[c] | NA |

NOTES: This table does not include the bond sales cost necessitated by state appropriation laws and nonmonetary authorizations in such laws. Amounts for federal agencies reflect dollars spent, but amounts for state agencies reflect dollars appropriated. Appropriations to DNR and DPS were supplemented with appropriations that were transferred to them by other state agencies. Funding amounts may change due to projects that remain open as of the end of 2011.

[a] For the Department of Agriculture's disaster relief grants, we have data only for the number of applications.

[b] The lost tax assistance appropriation is made from the General Fund. The amount was based on the county assessors' assessments of net tax capacity reduction in counties affected by the flood.

[c] The Minnesota Historical Society received $250,000 for cleanup and repair of historic structures; Department of Education $523,000 for disaster enrollment impact aid, facilities grants, operating grants, and pupil transportation aid; Department of Health $250,000 for public health services assistance; and Pollution Control Agency $400,000 for rehabilitation of buildings with petroleum contamination.

SOURCES: Office of the Legislative Auditor, analysis of funding data from the Federal Emergency Management Agency, U.S. Small Business Administration, and state agencies; and *Laws of Minnesota* Second Special Session 2010, chapter 1, art. 1.

told us that other mitigation activities may have been better because they would not require families to relocate or reduce the city tax base.

Some local officials voiced frustrations with the process for obtaining FEMA Public Assistance program funds. In their view, neither FEMA nor the state provided adequate ongoing communication to answer local governments' questions regarding their application status and the reimbursement process. For instance, two of the cities told us that when reimbursements came in from the state, there was no information about which projects the money was intended for; and one city did not know whether FEMA approved its application until it received the actual payment.

Although local governments did not need to pay any match to receive federal assistance, some paid for local shares of state-funded mitigation projects. One community used money from its storm water utility fund and wastewater treatment fund and told us that paying the local share forced the city to postpone planned capital projects and hiring. None of the local governments we visited increased their tax levies for recovery in 2010 or 2011, but one did for 2012, and others said they may have to in the future.

HSEM set up state disaster recovery centers in Owatonna, Truman, and Mazeppa for home and business owners and agricultural producers seeking state assistance. Local governments and nonprofit organizations were other sources of information on recovery assistance to individual flood victims.

However, individual applicants to state programs still experienced confusion for three reasons, according to local officials and representatives of nonprofit organizations we visited. First, to be eligible for state loans, applicants had to prove their SBA loan applications were denied or insufficient, which added complexity. Some applicants had difficulty understanding the relationship between state and federal governments' assistance programs. Second, the application process and paperwork needed could be complicated. A local official told us businesses with documentation and insurance got assistance while those in need but culturally disadvantaged or struggling to obtain documentation were left out. Third, it was hard for some applicants to obtain information from state agencies after applying for recovery help. A nonprofit organization representative told us many homeowners came to her with questions about state programs, but she was not in a position to answer them.

# Homeland Security and Emergency Management

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February 23, 2012

Mr. James R. Nobles
Legislative Auditor
State of Minnesota
Centennial Building, Suite 658
St. Paul, MN 55155

Dear Mr. Nobles,

Thank you for the opportunity to review and comment on your report "Helping Communities Recover from Natural Disasters." We appreciate the comprehensive review and the time and energy you and your staff took to understand the disaster recovery process. As illustrated in your report, helping communities recover from a natural disaster is a very complex process for all involved, but especially for individuals and communities affected.

Your findings and recommendations are consistent with changes Homeland Security and Emergency Management (HSEM) has been addressing over the last several years.

The development and maintenance of a Disaster Recovery Framework, the consistent coordination among state agencies and providing training and technical assistance to communities early in the recovery process will work toward the resolutions of some of the findings in your report. HSEM will use recommendations from this report to develop goals, objectives and performance measures.

Although HSEM coordinates state agency recovery efforts, the report acknowledges the important roles of other state agencies, non-governmental organizations and the Legislature. HSEM will work with state agencies to consider strategies to support the recommendations in this report as human and financial resources allow. HSEM also encourages the Legislature to consider implementing the recommendations that pertain to them, which we believe would enhance state government's ability to help our communities recover from natural disasters.

Thank you again for the hard work of your staff in conducting this evaluation. I look forward to working with the Legislature and other state agencies to enhance the states process to help communities recover from natural disasters.

Sincerely,

Kris A. Eide

Kris A. Eide
Director

Minnesota Department of Natural Resources
Office of the Commissioner
500 Lafayette Road • St. Paul, MN • 55155

February 24, 2012

Mr. James Nobles
Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to provide comments on the Helping Communities Recover from Natural Disasters Report. Disasters take a toll on the individuals impacted and on all levels of government. It is through continual improvement of our response, recovery and mitigation that we can lessen the impacts of future events. This report can lead to meaningful improvement in that regard.

The report evaluated both tornado and flood disasters and while the DNR is involved in the emergency response for both, the direct involvement in recovery and mitigation from flood disaster is much greater. For flood disaster, our goal has been to break the damage-repair-damage cycle. To accomplish this, we have encouraged the removal of houses from the floodplain so the natural floodplain can be used by flood waters without causing damage. As you note, significant funding has been provided to address flood disaster recovery and mitigation. As a result of that funding, Minnesota is significantly more flood resilient. The federal estimate of $1 spent on flood mitigation results in $4 of benefits realized in Minnesota.

It is important to recognize that the MN Recovery Task Force has been an effective model to deliver disaster recovery programs and has provided improved coordination between agencies. We agree that a better approach to disasters that do not result in presidential declarations should be developed. The success of DNR's Flood Hazard Mitigation program is in part due to the flexibility of that program. We would recommend that any new system for addressing disaster recovery provide flexibility for the administering agencies.

We plan to initiate an evaluation of the Flood Hazard Mitigation program and will coordinate with HSEM as we move forward.

Sincerely,

Tom Landwehr
Commissioner

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February 24, 2012

Mr. James Nobles, Legislative Auditor
State of Minnesota
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to comment on the findings and recommendations in your March, 2012 report "Helping Communities Recover from Natural Disasters". As you noted in the report, the disaster response system involves multiple levels of government and numerous public and private programs that can be confusing to those directly impacted by the natural disaster. The report meets legislators' desire and need for a comprehensive evaluation of the state's recovery efforts.

Minnesota Housing is committed to maximizing the impact of the resources provided for affordable housing in a cost-effective manner. We recognize that the measures that we have employed to determine the effectiveness of the Agency's recovery efforts have focused primarily on outputs, i.e. the number of households assisted and the amount of assistance provided. We look forward to discussions, led by HSEM, on expanding our measures of success and analysis of the outcomes.

As you noted, Minnesota Housing relies on local administrators to deliver its recovery program. The Agency reviews with local administrators the successes of the program as well as areas for improvement. Since the local administrators are dealing directly with households affected by the natural disaster, the administrators relay to the Agency information about households who were not served or inadequately served by the Agency's program. This is done both while applications are being processed and after recovery efforts are completed. We acknowledge that we could seek direct input from the households we are trying to serve and are taking steps to hear from residents affected by the May, 2011 tornado that hit North Minneapolis in a community forum to be held on March 13, 2012.

Again, thank you for the report and the opportunity to comment. We look forward to working with Homeland Security and Emergency Management and the Legislature to improve the effectiveness of the state's disaster recovery efforts.

Sincerely,

Mary Tingerthal
Commissioner

# Forthcoming Evaluations

*Consolidation of Local Governments*, March 2012
*Preventive Maintenance for University of Minnesota Buildings*, June 2012

# Recent Evaluations

Agriculture
*"Green Acres" and Agricultural Land Preservation Programs*, February 2008
*Pesticide Regulation*, March 2006

Criminal Justice
*Public Defender System*, February 2010
*MINNCOR Industries*, February 2009
*Substance Abuse Treatment*, February 2006
*Community Supervision of Sex Offenders*, January 2005
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*K-12 Online Learning*, September 2011
*Alternative Education Programs*, February 2010
*Q Comp: Quality Compensation for Teachers*, February 2009
*Charter Schools*, June 2008
*School District Student Transportation*, January 2008
*School District Integration Revenue*, November 2005
*No Child Left Behind*, February/March 2004

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*Renewable Energy Development Fund*, October 2010
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*Energy Conservation Improvement Program*, January 2005

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*Environmental Review and Permitting*, March 2011
*Natural Resource Land*, March 2010
*Watershed Management*, January 2007
*State-Funded Trails for Motorized Recreation*, January 2003

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*Liquor Regulation*, March 2006
*Directory of Regulated Occupations in Minnesota*, February 1999
*Occupational Regulation*, February 1999

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*Helping Communities Recover from Natural Disasters*, March 2012
*Fiscal Notes*, February 2012
*Capitol Complex Security*, May 2009

Government Operations (continued)
*County Veterans Service Offices*, January 2008
*Pensions for Volunteer Firefighters*, January 2007
*Postemployment Benefits for Public Employees*, January 2007
*State Grants to Nonprofit Organizations*, January 2007
*Tax Compliance*, March 2006

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*Financial Management of Health Care Programs*, February 2008
*Nursing Home Inspections*, February 2005
*MinnesotaCare*, January 2003

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*Civil Commitment of Sex Offenders*, March 2011
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*Public Health Care Eligibility Determination for Noncitizens*, April 2006
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*Child Care Reimbursement Rates*, January 2005

Housing and Local Government
*Preserving Housing: A Best Practices Review*, April 2003
*Managing Local Government Computer Systems: A Best Practices Review*, April 2002
*Local E-Government: A Best Practices Review*, April 2002
*Affordable Housing*, January 2001

Jobs, Training, and Labor
*Workforce Programs*, February 2010
*E-Verify*, June 2009
*Oversight of Workers' Compensation*, February 2009
*JOBZ Program*, February 2008
*Misclassification of Employees as Independent Contractors*, November 2007
*Prevailing Wages*, February 2007
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Miscellaneous
*The Legacy Amendment*, November 2011
*Public Libraries*, March 2010
*Economic Impact of Immigrants*, May 2006
*Gambling Regulation and Oversight*, January 2005
*Minnesota State Lottery*, February 2004

Transportation
*Governance of Transit in the Twin Cities Region*, January 2011
*State Highways and Bridges*, February 2008
*Metropolitan Airports Commission*, January 2003

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