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**OFFICE OF THE LEGISLATIVE AUDITOR**
STATE OF MINNESOTA

**Evaluation Report Summary / March 2012**

# Helping Communities Recover from Natural Disasters

**The state has a legal framework for helping communities recover from natural disasters, but it applies to only certain disasters and needs some improvements.**

## Key Findings and Facts:

- Over the last 15 years, Minnesota has had 32 severe natural disasters and appropriated more than $488 million for recovery efforts.
- Minnesota has a legal framework that specifies the state recovery programs that may be used following certain natural disasters, and the Division of Homeland Security and Emergency Management (HSEM) in the Department of Public Safety maintains state plans for emergency management, including recovery.
- But Minnesota has insufficient criteria for activating state recovery programs following natural disasters that do not receive presidential declarations of major disaster, even though state aid has helped communities with such disasters.
- The state has increasingly paid the matching funds required for Federal Emergency Management Agency (FEMA) aid and local shares for the state's Flood Hazard Mitigation Grants projects, but it has no criteria for when to do so.
- HSEM coordinates the state's recovery efforts but has not coordinated evaluations of the overall effectiveness of recovery.
- 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.
- Local governments, residents, and businesses need more help with the complex processes used to apply for and receive recovery assistance.
- HSEM's help in establishing long-term recovery committees has been inconsistent.

## 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.
- 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.
- 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.
- HSEM should improve its coordination with nonprofits and develop plans to use the expanded coordinating role that the 2011 Legislature approved.

## 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.

**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

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

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.

## Summary of Agencies' Responses

*In a letter dated February 23, 2012,* ***Kris Eide****, Director of the Department of Public Safety's Division of Homeland Security and Emergency Management (HSEM), wrote that the evaluation is "consistent with changes [HSEM] has been addressing" over several years. She described activities that will "work toward the resolutions of some of the [evaluation's] findings" and said HSEM will work with other "state agencies to consider strategies to support the ... recommendations as … resources allow." In a letter dated February 24, 2012,* ***Tom Landwehr****, Commissioner of the Department of Natural Resources, wrote that the department agrees "a better approach to disasters that do not result in presidential declarations should be developed." He also recommended that any new disaster recovery system provide flexibility for the administering agencies.* ***Mary Tingerthal****, Commissioner of the Minnesota Housing Finance Agency, wrote on February 24, 2012, that the agency looks forward to discussions, led by HSEM, on expanding the agency's measures of success. She acknowledged that the agency could seek direct input from households being served and described steps underway to do so with north Minneapolis residents affected by the May 2011 tornado.*

The full evaluation report, *Helping Communities Recover from Natural Disasters*, is available at 651-296-4708 or: **http://www.auditor.leg.state.mn.us/ped/2012/disaster.htm**