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**2007 Special Session**  
**Fiscal Summary of Disaster Relief**

**Money Matters 07.07**  
**October 2007**

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# Article 1 – Flood Relief

The Legislature met in Special Session on September 11, 2007 and approved an emergency flood relief package (2007 Laws, First Special Session, Chapter 2) for the flood victims and local governments in the 8 counties named in Presidential Disaster Declaration DR-1717. The 7 counties in Southeast Minnesota to receive public and individual assistance include: Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha and Winona. Jackson County is eligible to receive public assistance only.

The package contained \$147,979,000 for flood relief. The appropriations for the different categories of relief are shown in Table 1 below. The table also shows the sources of funding used to pay for the for the relief package.

<b>Package Item</b>	<b>Appropriated Amount</b> (\$ in thousands)	<b>Funding Source</b> (\$ in thousands)				
		<b>General</b>	<b>G.O. Bonding</b>	<b>Trunk Hwy</b>	<b>T.H. Bonding</b>	<b>Petro</b>
Federal Emergency Funds Match	17,000	4,000	13,000			
Debris Removal	2,500	2,500				
Trunk Highway Repair & Maintenance	25,000			5,000	20,000	
Local Roads & Bridges Assistance	26,000		26,000			
Flood Damage Repair and Prevention	6,700	500	6,200			
Soil & Water Resources	4,000	3,000	1,000			
Employment & Economic Development Grants	45,000	35,000	10,000			
Petroleum Cleanup	1,000					1,000
Housing Assistance	18,000	18,000				
Education Aid and Grants	584	584				
Historical Society	250	250				
Provider Payments	200	200				
Property Tax Abatements	1,000	1,000				
Flood Loss – City Replacement Aid (FY 2010-11)	670	670				
Bond Sale Expenses	75		55	20		
<b>Grand Total:</b>	<b>147,979</b>	<b>65,704</b>	<b>56,255</b>	<b>5,020</b>	<b>20,000</b>	<b>1,000</b>

*Note:* If general fund appropriations in Chapter 2 for any program are not needed for that program, the unexpended amounts are available for other programs in the flood relief package or for the match required by the Federal Emergency Management Agency for its programs.

## Public Safety

\$2 million is appropriated from the general fund to the Department of Public Safety to pay for the state match for federal disaster assistance to individuals. \$13 million in bond funds and \$2 million from the general fund is appropriated to the Department of Public Safety to fully pay for the state and local match of federal disaster assistance funds. \$2.5 million is appropriated from the general fund to the Department of Public Safety for grants to counties for costs related to the

burial and removal of debris.

### **Transportation**

Article 1 provides a total of \$51.0 million in the FY 2008 – 2009 biennium in funding for transportation-related purposes. Of this, \$25.0 million will be targeted to state trunk highways, including \$5.0 million in cash for infrastructure, operations, and maintenance and \$20.0 million in trunk highway bonds. The bill also includes \$26.0 million in General Obligation (GO) bonds to rehabilitate and replace city, county, and township roads and bridges.

### **Natural Resources**

The Department of Natural Resources received a general fund appropriation of \$2 million to be used for Flood Hazard Mitigation Grants under Minnesota Statutes, Section 103F.161. These funds are restricted to use in the Southeastern Minnesota area included in DR 1717.

The DNR also received \$4.2 million dollars from the bond proceeds fund to rehabilitate and replace state facilities and to restore natural resources in the area included in DR 1717 that were damaged by the floods. The funding will be used primarily at the Whitewater State Park and for repairs to the state trail system in the disaster area.

An appropriation of \$500,000 was from the general fund to be used by the DNR for flood response and recovery expenditures that are not eligible for bond fund expenditures. These expenditures include removal of flood debris from streams within the disaster area.

### **Board of Water and Soil Resources**

The board received an appropriation of \$1 million from the bond proceeds fund to be used to acquire conservation easements on lands within the DR-1717 disaster area. The funding must be expended in accordance within the requirements of Minnesota Statutes, Section 103F.515.

An additional appropriation of \$3 million dollars was made to the board from the general fund to be used for erosion, sediment, and water quality control cost-share projects within the disaster area.

### **Employment and Economic Development**

\$35 million is appropriated from the General Fund for grants to local units of government for locally administered grants or loan programs for businesses affected by the flood. Criteria and requirements for loans or grants must be locally established and approved by the commissioner and businesses must set goals for jobs and wages. The Commissioner must report on criteria and requirements to the chairs of the Senate Finance and House Ways & Means Committees.

Recipients are exempted from various standard limitations on the size, purpose and administrative requirements for the Minnesota Investment Fund.

\$10 million in bond funds is appropriated to the Public Facilities Authority (PFA) for grants to local units of government to assist with the cost of rehabilitating and replacing publicly owned infrastructure. The infrastructure includes storm sewers, wastewater and municipal utility service, and drinking water systems. Grantees are exempted from the regular criteria, limitations,

and repayment requirements of the PFA's financing programs.

### **Pollution Control Agency**

Up to \$1 million is appropriated from the petroleum tank release fund to provide grants for rehabilitating buildings that were damaged by petroleum contamination. The grants are limited to only the extent that the damage is directly attributable to petroleum contamination. The funds may also be used to buy out properties substantially damaged by a petroleum tank release.

### **Housing Assistance**

\$16 million is appropriated from the general fund to the Economic Development and Housing Challenge Program, which will be primarily used to fill the gap in funding for the long-term housing needs of flood victims. The match requirements for housing assistance are waived.

\$1 million is appropriated from the general fund for grants to local governments in order to evaluate housing-related needs and develop plans to meet and implement those needs. This amount is also intended for further testing of wells that have been found to be contaminated with bacteria. \$100,000 of this appropriation is for the Department of Health to conduct investigations of indoor air quality in public facilities and nonprofit organizations.

\$1 million is appropriated from the general fund to reimburse amounts spent from the disaster relief contingency fund in response to the flood.

### **K-12 Education**

In Chapter 2 of the 2007 1<sup>st</sup> Special Session, \$584,000 is appropriated for education-related purposes. The grants fall into three major categories: per pupil aid, provided to compensate districts for lost revenue associated with pupils leaving the district after the floods; facility grants, for facility repair and cleanup; and transportation grants, to cover the added cost of moving students.

The Rushford-Peterson school district was the only district to receive per pupil aid (\$89,000). The pupil aid is calculated as the number of students who left the district due to the floods multiplied by \$5,394. The Rushford-Peterson district also received a transportation grant (\$40,000), as did the Lewiston school district (\$5,000). Three districts received facilities grants for unfunded capital costs: Rushford-Peterson (\$250,000), Mabel-Canton (\$50,000) and Houston (\$60,000). An additional \$90,000 was set aside for the Commissioner of Education to use for facilities grants for other affected district, with priority for the grants to go to districts which did not receive a dedicated appropriation in the act.

### **Historical Society**

\$250,000 is appropriated from the general fund for historic structure cleanup, repair, and replacement costs.

### **Human Services**

An appropriation of \$200,000 for the Department of Human Services will reimburse providers for costs incurred during the flood and up to 60 days afterward. Reimbursements are for

expenses associated with evacuating, transporting, or providing necessary medical or remedial services to medical assistance recipients. The amount reimbursed is for costs that are not otherwise covered, and are approved by the Centers for Medicare and Medicaid Services.

### **Capital Investment**

The flood relief package included a total of \$56.2 million in General Obligation (GO) bonds for Southeastern Minnesota recovery. This included funding for the following agencies: Public Safety, Transportation, Natural Resources, Employment and Economic Development, and the Board of Soil and Water Resources. The bonding appropriations are described under each agency's section of this summary. The current debt service cost estimate is approximately \$6.9 million for FY 2008–09 and approximately \$7.6 million for FY 2010–11. This additional debt service will have a minor impact on Minnesota's debt capacity, and estimates of this impact will be included in the November 2007 state budget forecast.

### **Property Taxes**

Chapter 2, 2007 First Special Session, contains nine property tax relief and local government aid provisions designed to assist communities and property taxpayers with disaster recovery efforts. Three provisions—property tax abatement for damaged structures, local government aid for flood loss and agricultural homestead preservation—mirror past assistance made available to victims of natural disasters. Two provisions—the extension of the October payment date for commercial and industrial property taxes and the waiver of truth-in-taxation (TNT) requirements—address timing issues associated with end-of-the year tax law deadlines. Three provisions provide direct appropriations for flood or fire aid in each FY 2008 and FY 2009 to specific local governments. The last provision, tax relief for destroyed property (which spans six sections of law), is a re-working of the existing disaster assistance statute for use in future disaster situations.

#### **Assistance to individuals includes:**

*Abatement of 2007 property taxes* - \$1.0 million was appropriated to reimburse eight counties for granting abatements to property owners in disaster areas. To qualify for an abatement, a property with a structure must have lost at least 50 percent of its market value due to flood or fire damage. The amount of the abatement is equal to 50 percent of pay 2007 taxes on that parcel. Preliminary estimates, which have identified over 1,000 damaged homes and business that would qualify for this provision, anticipate the cost to total approximately \$700,000. Abatements do not include special assessments and property tax payers are not required to apply for the abatements. However, a county must grant any abatement by November 30, 2007. At this time, an analysis of the loss of state general fund revenues associated with the abatement of state general property taxes is not available.

*Delayed payment for 2007 property taxes* - Owners of commercial and industrial property located in the flood counties (all class 3 property) who are unable to make their second-half property tax payment because of the floods may delay that payment without penalty until December 31, 2007. To qualify, a property owner must have made a first-half property tax payment on-time and must attach to the second-half payment a statement declaring that the property is located in the disaster area. Local governments are not required to allow delayed payment for special assessments. This provision is expected to help businesses that do not qualify for the aforementioned abatement provisions, e.g. those with structural damage of less than 50 of market value, and also businesses

that suffer decreased demand for products or services due to their location in the disaster area. In addition, because the new payment deadline remains within CY 2007, there is no additional fiscal impact.

*Preservation of agricultural homestead classification*- Class 2a agricultural homestead properties (which includes a house, a garage and the surrounding one acre of land) that experienced damage due to the 2007 floods, can keep their homestead classification. This "flooded-off-the-farm" provision is valid if 1) the owner abandoned the homestead due to damage caused by the flood, 2) the building and property remain under the same ownership, 3) the dwelling is located in Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha or Winona County and is within 50 miles of one of the parcels owned by the taxpayer, and 4) and the owner notifies the county assessor (for taxes payable in 2008 and for taxes payable in 2009) that the relocation was due to the 2007 floods.

**Assistance for local governments includes:**

*Flood loss city replacement aid* - In 2009, each city located in a disaster county that lost five percent or more of its tax capacity due to 2007 floods will receive additional state aid. The amount of additional aid will be equal to the loss in net tax capacity multiplied by the city's average local tax rate for payable year 2007. Preliminary estimates for this provision anticipate that about \$670,000 in tax base replacement aid will go to cities in the disaster area. The commissioner of revenue will make these aid payments between July 1 and July 20, 2009 (in state fiscal year 2010).

*Waiver of Truth-in-Taxation (TNT) requirements* – This one-time provision authorizes the commissioner of revenue to waive TNT requirements for payable year 2008 taxes if a county's or a local government's ability to comply is affected by the disaster or emergency. This provision carries no fiscal impact to state funds.

*Tax Relief for Destroyed Property* – Six sections of law re-vamp provisions governing the reassessment of property damaged or destroyed by qualifying disasters and subsequent disaster credits. One major change provides a more equitable, full-year apportionment of a property's value reduction attributable to a qualifying disaster. Another provision allows the commissioner of revenue, under certain circumstances, to grant an abatement of net tax for certain properties located within and outside of a disaster or emergency area, and for which state reimbursement is provided. Finally, provisions for both homestead and disaster credits are modified, which include open appropriations for the commissioner of revenue to reimburse local taxing jurisdictions for credits permitted under these sections.

The fiscal impact for many of these provisions is unknown due to the prospective nature of the law. The effective date for these provisions, save a limited number of qualified properties destroyed by arson or vandalism in calendar year 2006 and thereafter, is the day following final enactment, and beginning with taxes payable in 2008.

## **Article 2 – I-35W Bridge Disaster Relief**

### **Transportation**

Article 2 of the bill focuses on the Interstate 35W bridge collapse and includes funding provisions impacting the Department of Public Safety and Department of Transportation. The first section of this article appropriates \$2.0 million to the Department of Public Safety to fund state and local match requirements for federal funds. The second section allows the Commissioner of the Department of Transportation to spend \$53.2 million in federal grants and aids. The Federal government has authorized a total of \$250 million to assist with the bridge collapse, and \$55 million has been appropriated. Of the \$55 million, \$1.8 million has already been transferred for Navy divers who assisted with rescue and recovery efforts.

## **Article 3 – Other Statewide Disaster Relief**

### **Agriculture**

The Department of Agriculture received an appropriation from the general fund of \$2 million for forage and feed grants. Grants will be to Minnesota livestock producers who have lost forage or feed due to flooding in the southeastern Minnesota or to drought conditions in parts of the state that have been classified by the U.S. Drought Monitor on 2007 as D3 areas. A maximum grant of \$5,000 per producer may be made.

The Rural Finance Authority received an appropriation of \$500,000 from the general fund to be used for the disaster recovery loan program under Minnesota Statutes, Section 41B.047. Loans must be to eligible farmers in a designated agricultural disaster area.

### **Property Taxes**

*Crookston flood aid* – Two, one-time payments of \$200,000 in each fiscal year 2008 and 2009 are appropriated from the state general fund to Crookston, for flood recovery and flood mitigation.

*Browns Valley flood aid* – Two, one-time payments of \$100,000 in each fiscal year 2008 and 2009 are appropriated from the state general fund to Browns Valley, for flood relief.

*Grand Marais and Cook County fire aid* – Two, one-time payments of \$500,000 in each fiscal year 2008 and 2009 are appropriated from the state general fund to Grand Marais and Cook County, for costs related to the Ham Lake fire of 2007. This aid is to be used for non-reimbursed, uninsured costs of repairing roads and rights-of-way, sprinkler systems for structures, various costs incurred by volunteer fire departments, debris removal and disposal costs, erosion control and water quality, and certain other communications infrastructure costs. The total amount of aid must be divided between the city of Grand Marais and Cook County, in proportion to their amounts of eligible costs.

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