

House Research Act Summary

CHAPTER: 2

SESSION: 2007 First Special Session

TOPIC: Flood Relief

Date: September 17, 2007

Analyst: Kathy Novak, 651-296-9253

Joel Michael, 651-296-5057

Karen Baker, 651-296-8959

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This act provides state funded assistance for the August floods in southeast Minnesota; the I-35W bridge collapse on August 1, 2007, agricultural disasters from both drought and floods in the summer of 2007, and tax relief for the current and previous disasters.

Article 1: Southeast Minnesota Flood Relief

Overview

This article makes appropriations for disaster assistance for the southeast Minnesota floods that began on August 18, 2007. Assistance is provided through various state programs, city aid and property tax abatement. Assistance is limited to the seven counties included in the presidential disaster declaration DR-1717. The article also includes waivers of rules and law for many of the programs receiving an appropriation. A complete list of waivers is included in the appendix.

- 1 Appropriations summary.** Summarizes the appropriation by department and fund. Provides total appropriations of \$146 million from the general fund, the petroleum tank cleanup fund, the trunk highway fund, bond proceeds fund, trunk highway fund bond proceeds account and the state transportation fund.

2 Flood relief appropriations.

Subd. 1. Appropriation. States that appropriations are from the bond proceeds or another named fund for relief due to flooding beginning on August 18, 2007, in the area of the presidential disaster declaration DR-1717 (Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha and Winona counties). Authorizes the transfer of funds between programs with the approval of the commissioner of finance and notice to the chairs of the Senate finance and House ways and means committees. Specifies that the appropriations are one-time. All appropriations are for fiscal year 2008. Bond proceeds do not cancel.

Subd. 2. Repayment. Requires state agencies and local governments to repay the state if they receive federal money for a project funded in this article.

3 Public Safety appropriations. \$19.5 million, including:

- \$17 million to match federal disaster assistance, with \$2 million in general fund for individual assistance, \$13 million in bonding and \$2 million in general fund for state agencies and local governments: and
- \$2.5 million general fund for debris removal grants for counties for costs not covered by other sources.

4 Transportation appropriations. \$51 million, including:

- \$5 million from the trunk highway fund for operation and maintenance;
- \$20 million in trunk highway bonding for flood related repair of trunk highways and bridges; and
- \$26 million from the transportation fund for flood related repair of local roads and bridges. Waives normal requirements but directs grantee to submit project plans to the commissioner for review under priorities established by the commissioner.

5 Natural Resources appropriations. \$6.7 million, including:

- \$4.2 million in bonding for restoration of flood-damaged state facilities and natural resources;
- \$2 million in bonding for flood hazard mitigation grant program according to the priorities set by the commissioner including the local share if the project cost exceeds 2 percent of city median income; and
- \$2 million in general fund for nonbondable costs including debris clean up in streams.

6 Board of Soil and Water Resources appropriations. \$4 million, including:

- \$1 million in bond funds for RIM conservation easements; and
- \$3 million in general fund for erosion and sediment control projects with 20 percent for the board to implement the program.

7 **Pollution Control Agency appropriations.** \$1 million from the petroleum tank release cleanup fund to either rehabilitate petroleum-contaminated building or to buy out property with substantial damage from petroleum contamination. This appropriation is available until the June 30, 2009.

8 **Employment and Economic Development appropriations.** \$45 million, including:

- \$35 million from the general fund for the Minnesota Investment Fund (MIF) for grants to local governments to administer loan and grant programs to assist businesses and nonprofits damaged in the flood. Normal requirements are waived and local governments set criteria, with oversight by the commissioner and a report to the legislative chairs;
- authorizing MIF appropriation to be used for property damage and cleanup and continuation of payments for providers of services under contract with the commissioner of Human Services including child care, health care, residential and social services for residents who left the area due to the flood; and
- \$10 million in bonding for the public infrastructure grants through the PFA to local governments to repair or replace damaged flood damaged infrastructure with normal criteria and requirements waived.

9 **Housing Finance Agency appropriations.** \$18 million from the general fund, including:

- \$16 million for the economic and housing challenge program, waiving normal requirements;
- \$1 million for grants to local governments to assess housing related needs and to implement plans to meet the needs;
- funding for well testing where bacteria has been found, for decontamination of wells by licensed contractors, and \$100,000 for the Department of Health for indoor air quality investigations; and
- \$1 million to reimburse the disaster relief contingency fund for money spent responding to the flood.

10 **Minnesota Historical Society appropriations.** \$250,000 from the general fund for costs related to damage to historic structures by the flood.

11 **Education appropriations.** \$584,000 from the general fund, for the following districts:

- I.S.D. No. 239, Rushford-Peterson: \$89,000 for enrollment impact aid to compensate for flood-related pupil loss at \$5,394 per pupil, \$250,000 for facilities costs exceeding insurance or FEMA payments, and \$40,000 for increased transportation costs related to the flood;
- I.S.D. No.238, Mable-Canton: \$50,000 for facilities costs exceeding insurance or FEMA payments;
- I.S.D. No.857, Lewiston: \$5,000 for increased transportation costs related to the flood;

- Other districts: \$90,000 for facilities costs exceeding insurance or FEMA payments with priority to districts not named in this section.

12 Human Services appropriation. \$200,000 from the general fund to the commissioner of human services for continuation of payments under section 0.

13 Revenue appropriation. \$1 million to the commissioner of revenue to reimburse counties for property tax abatements granted under section 0.

14 Bond sale expenses appropriation. \$75,000 to the commissioner of finance for bond sale expenses.

15 Bond sale authorization. Authorizes the commissioner of finance to sell the following bonds:

- up to \$30.255 million in state general obligation bonds;
- up to \$20.02 million in trunk highway bonds; and
- up to \$26 million in bonding for local roads and bridges funded through the transportation fund.

16 Waivers authorized. Waives rules and laws, as follows:

- \$150,000 grant maximum for DNR flood hazard mitigation grants;
- extends existing cost-share agreements for the cost-sharing contracts for erosion control and water management program administered through local conservation districts and waives the requirements of the program in Minnesota rules;
- maximum payments for conservation easements and establishment of ground cover, including perennial cover, native species, trees, and wetland restoration.

17 National emergency grant. Approves and appropriates \$3 million of a federal emergency grant through the U.S. Department of Labor. In addition, it states that contractors funded under the act should hire employees available under a federal grant to the Department of Employment and Economic Development.

18 Human services costs. Authorizes the Department of Human Services to pay providers in the flood area for the costs evacuating, transporting or providing necessary medical or remedial services to vulnerable medical assistance recipients for the flood period and up to 60 days after the flood. Payments are for costs not covered by other sources and are made with the approval of the federal centers for Medicare and Medicaid services.

19 Property tax abatements for flooded property; reimbursement.

Subd. 1. Authorization. Provides that the county board of a qualified county may abate 50 percent of the taxes (including the state general tax), but excluding special assessments, on eligible property for taxes payable in 2007. The owner of the property is not required to apply for the abatement.

Subd. 2. Definitions. (a) Defines the following terms.

(b) "**Qualified county**" means a county containing property damaged by the Ham Lake Fire of 2007 and a county located in the area included in DR-1717 (Dodge, Fillmore, Houston, Olmstead, Steele, Wabasha, and Winona counties).

(c) "**Eligible property**" means a parcel of taxable property in a qualified county that

contains a structure that the assessor has determined to have lost over 50 percent of its market value due to flood or fire damage. For agricultural property, the abatement is limited to the taxes on the house, garage, and one acre and to the farm buildings and structures (all of which must have lost over 50 percent of its value due to the flood or fire).

Subd. 3. County administration. Requires assessors in the qualified counties to notify the county board and property owners of parcels of property eligible for the abatement. By October 31, 2007, each qualifying county is to notify the commissioner of revenue of the amount of flood and fire loss in the county. The commissioner must notify each county of its apportioned share of the reimbursements by November 7, 2007. If the county grants these abatements and if any taxpayer has paid more than 50 percent of their payable 2007 property taxes, the excess must be refunded to the taxpayer. The county must grant the abatements by November 30, 2007, and notify the commissioner of the total amount of the abatements granted in the county. The commissioner must determine the amount and pay the reimbursements to the county by December 15, 2007. Limits the reimbursements that may be granted to the appropriation amount (which is \$1 million) and provides that the abatements granted cannot exceed each county's apportioned amount.

20

2007 Flood loss; city replacement aid.

Subd. 1. Flood net tax capacity loss. Requires the assessor of each qualified county to compute a hypothetical city taxable net tax capacity for each city in the county based on the assessment year 2008 market values and the class rates for assessment year 2007. The amount, if any, by which the assessment year 2007 total taxable net tax capacity of the city exceeds this hypothetical taxable net tax capacity is the city's "flood net tax capacity loss." The county assessor shall report to the commissioner of revenue by August 1, 2008, any city that has a flood net tax capacity loss that exceeds 5 percent of its 2007 assessment year total taxable net tax capacity. "Qualified county" is a county within the area included in DR-1717.

Subd. 2. Flood loss aid. Provides that in 2009, each city with a flood net tax capacity loss equal to or greater than 5 percent of its assessment year 2007 total taxable net tax capacity qualifies for flood loss aid. The aid is equal to the flood net tax capacity loss times the city's average local tax rate for taxes payable in 2007.

Subd. 3. Duties of the commissioner. Requires the commissioner of revenue to determine each city's aid amount and notify each eligible city of its flood loss aid amount by August 15, 2008. Requires the commissioner to make payments after July 1, and before July 20, 2009.

Subd. 4. Optional city expenditure. Allows a city that receives aid under this section to choose to expend a portion of the aid received for repair of county roads located in the city.

Subd. 5. Appropriation. Appropriates the amount necessary to pay the aid in fiscal year 2010, for calendar year 2009, to the commissioner of revenue from the general fund.

21

Disaster area; due date extended for business property taxes. Provides that a penalty does not accrue if, because of the 2007 floods, a taxpayer is unable to pay the second half of the payable 2007 property taxes on commercial property (i.e., class 3a and 3b) located in a county in the area included in DR-1717 by the statutory due date (which is October 15, 2007). The second half payment due date is extended to December 31, 2007. Penalties

accrue on the second half payment if the payment is not made by the December 31, 2007, date. (Note: If the property has lost over 50 percent of its value due to the flood, the second half payment will be abated under section 19. This extension is for property that does not qualify for that abatement.)

22 **Waiver of truth-in-taxation requirements.** Authorizes local governments in the DR-1717 area to petition the commissioner of revenue for waiver of some or all of the Truth-in-Taxation requirements for taxes payable in 2008 (i.e., the timing, notice, hearing requirements, etc. that apply during the fall of 2007).

23 **Agricultural homesteads off-farm.** Allows an owner of an agricultural homestead dwelling that is damaged as a result of the flood to retain the homestead classification for the property if the owner occupies another dwelling in Minnesota within 50 miles of the agricultural land. To qualify for this treatment, the following requirements apply:

- The original homestead dwelling must be abandoned because of the 2007 flood.
- The original homestead dwelling must be in the DR-1717 area.
- The ownership of the agricultural land and buildings must remain the same as for the 2007 assessment.
- The owner must notify the assessor by December 1, 2008, and provide the necessary information requested by the assessor to verify qualification for the classification.

24 **Effective date.** Provides unless otherwise specified, the article is effective the day following final enactment.

Article 2: Other Statewide Disaster Relief

Overview

This article makes appropriations and other changes related to the I-35W bridge collapse.

1 **Public Safety appropriation.** Appropriates \$2 million to the commissioner of public safety for the state and local match for the federal disaster assistance grant to political subdivisions for the I-35W bridge collapse.

2 **Transportation appropriation.** Approves and appropriates \$53,237,000 to the commissioner of transportation in federal grants and aids for the I-35W bridge collapse for the purposes specified in the federal grant.

3 **Insurance; unfair service.** Makes it a prohibited trade practice in connection with a policy of insurance to:

- State or imply that filing an insurance claim in connection with the I-35W bridge collapse could result in cancellation of or an increase in the premium on an insurance policy.
- Failing to promptly inform someone who files an insurance claim related to the I-35W bridge collapse and who was a passenger in a bus, taxi, or commuter van during the collapse that law prohibits surcharging their policy for filing the

claim.

- 4 **Effective date.** Provides the article is effective the day following final enactment.

Article 3: Other Statewide Disaster Relief

Overview

This article appropriates money for a variety of programs and purposes related to floods and other disasters, including special aids to the cities of Crookston (flood), Browns Valley (flood), and Grand Marais (fire) and to Cook County (fire). Flood and drought relief aid is provided for farmers. The article also recodifies and expands the property tax relief for properties affected by disasters and expands the proportion of this relief that is paid by the state.

- 1 **Forage and feed grants; floods and drought.** Appropriates \$3,700,000 to the commissioner of agriculture for flood and drought recovery assistance to agricultural producers. The commissioner, after consulting with the legislative chairs, is to develop eligibility criteria and is to allocate funding according to need criteria. Flood relief is limited the declared disaster area in Southeastern Minnesota and the drought relief to counties classified as D3 by the Drought Monitor in 2007.
- 2 **Crookston flood aid.** Appropriates \$200,000 for FY 2008 and for FY 2009 from the general fund to the commissioner of revenue for aid to be paid to the city of Crookston.
- 3 **Browns Valley flood aid.** Appropriates \$100,000 for FY 2008 and for FY 2009 from the general fund to the commissioner of revenue for aid to be paid to the city of Browns Valley.
- 4 **Grand Marais and Cook County fire aid.** Appropriates \$500,000 for FY 2008 and for FY 2009 from the general fund to the commissioner of public safety to reimburse the city of Grand Marais and Cook County for costs related to the Ham Lake fire of 2007. This aid is to pay for nonreimbursed cost of repairing or replacing public facilities damaged by the fire. The aid is divided between the city and county in proportion to their eligible costs.
- 5 **Waiver of fee for flood incidents.** Authorizes the Agricultural Chemical Response Board to waive its response fee (\$1,000 and 20%) for incidents caused by the flooding in Southeastern Minnesota.
- 6 **Disaster tax relief; definitions.** Recodifies the definitional provisions governing reassessment of properties in declared disaster and emergency areas or properties damage by other qualifying events, regardless of whether there is an officially determined disaster. In addition to recodifying existing law, some minor changes are made in the definitions of the qualifying events. The following terms are defined:

Disaster or emergency is defined as:

- A major disaster declared by the President of the United States
- A natural disaster determined by the Secretary of Agriculture
- A disaster determined by the federal Small Business Administration
- A tornado, storm, flood, earthquake, landslide, explosion, fire or similar catastrophe for which a local disaster is declared.

Disaster or emergency area is defined as:

- The area designated in the declaration or determination
- That is included in an application by the local unit of government and approved by the executive council.
- A completed disaster survey has been completed showing that the average damage per building is at least \$5,000 and
 - (i) at least 25 taxable buildings were damaged or
 - (ii) the total damage exceeds 1 percent of the taxable value of all the building.

Homestead property includes residential and agricultural homesteads, as well as manufactured homes.

Nonhomestead property is all other property, except public utilities, railroads, and air flight property.

Net tax means ad valorem property tax (including the state general tax), less the state credits. It does not include special assessments.

Reassessed market value is the value after the assessor has adjusted the value for the effect of the damage from the disaster or emergency. The assessor is directed to report the value promptly to the county auditor.

7 Tax relief for destroyed property; general provisions. [Note: This is a recodification of existing law.] Directs the assessor or the commissioner of revenue (in the case of state assessed property) to reassess the damaged properties in a disaster or emergency area. The auditor computes the tax rates that would have applied in the following year, if the original (pre-disaster) values were used as the tax base. This provides a baseline to compute the disaster credits.

8 Local option disaster abatement. [Note: Except as noted in italics, this section is a recodification of existing law.] Authorizes county boards to abate property taxes of both homestead and nonhomestead property damaged in a disaster or emergency. This abatement applies to the taxes due in the year the damage occurs. To qualify, an owner must apply in writing to both the assessor and auditor and the property must be at least 50 percent destroyed, either accidentally or by arson or vandalism committed by someone other than the owner. *Allowing properties to qualify that were damaged by third party arson or vandalism is a change from present law.* The commissioner of revenue is similarly authorized to abate taxes on the properties the commissioner assesses.

For properties in disaster or emergency areas, the abatement is based on the tax paid on the difference in the two values (pre- and post-disaster or emergency). *This is a change from present law, which limits the abatement to a proportion of the tax based on the number of months left in the year after the damage occurred.* For properties not located in a disaster or emergency area, the abatement is limited to the tax attributed to the reduction in value, multiplied by a fraction equal to the remaining months in the year over 12. For example, if a property were totally destroyed in August, then abatement would equal one-third of the tax on the reduced value (i.e., 4 months/12 months * 1 = 1/3rd).

The state will reimburse the local units of government for the cost of abatements for properties in disaster or emergency areas. *This is a change from present law, which provides that the cost of these abatements is borne locally.* Amounts that are not reimbursed (for example, for damaged properties not in a disaster or emergency area) may be levied, outside of any statutory levy limits. (Charter limits for cities would continue to apply.)

9 **Disaster credit for homesteads.** [Note: Except as noted in italics, this section is a recodification of existing law.] Directs the county auditor to compute a homestead credit for reassessed homestead properties. The credit equals the reduction in tax resulting from the change in post- and pre-disaster value. *This is a change from present law, which limits the credit to the proportion of the year (based on the number of months) left after the damage occurred.* This credit applies for taxes payable in the year following the year that the damage or destruction occurred on the property. The auditor certifies the credit amounts to the commissioner of revenue and the commissioner pays the amounts to the taxing districts (other than schools and the state). An appropriation is made in the amount necessary to cover the cost of this reimbursement.

10 **Local option disaster credits.** [Note: Except as noted in italics, this section is a recodification of existing law.] Authorizes the county to provide disaster credits to properties that do not qualify under section 0. These include:

- Nonhomestead properties in designated disaster or emergency areas; and
- Homestead properties sufficiently damaged by qualifying events that are not in designated disaster or emergency areas.

Calculation of the credit is the same as for homesteads in section 0, if the property is in a disaster or emergency area. *This is a change from present law, which limits the credit to the proportion of the year (based on the number of months) left after the damage occurred.* For properties outside of a disaster or emergency area, the credit is limited to the tax attributed to the reduction in value, multiplied by a fraction equal to the remaining months in the year over 12.

The state will reimburse the local units of government for the cost of credits for properties in disaster or emergency areas. *This is a change from present law, which provides that the cost of these credits is borne locally.* The cost of credits for other properties is borne by local taxpayers.

11 **Revisor's instructions.** Instructs the Revisor to make substitute the new section references for the recodified provisions disaster and emergency abatements and credits in sections 0 to 0.

12 **Repealer.** Repeals the disaster abatement and credit section that is recodified and modified by this article.

13 **Effective date.** Provides that the changes to the disaster credit and abatement provisions are effective for taxes payable in 2008 generally, but also apply to incidents occurring on or after the day following final enactment for payable in 2007, and for payable in 2006 for third party arson or vandalism. (The latter will allow the provisions to apply to arson fires in Cass County in 2006.) (Abatements of 2007 property taxes for the floods in Southeastern Minnesota and the Ham Lake fire of 2007 are in article 1.) The rest of the article is effective the day following final enactment.

Waivers in the 2007 Disaster Relief Bill

Department	Program/Waiver	2007, 1SS Chapter 1
Transportation § 174.50, subs. 5, 6, 6a & 7	Minnesota state transportation fund for local roads and bridges waivers: <ul style="list-style-type: none"> • requirement that the commissioner certify the project prior to funding • rules governing applications for grants, including criteria for priorities and funding • requirements for grants for preliminary engineering of river crossing, including \$300,000 maximum • rules and criteria for administering grants to political subdivisions 	Art. 1, § 4, subd. 4
Pollution Control § 115C.08, subd. 4 § 115C.09, subd. 3i	Petroleum tank fund waivers: <ul style="list-style-type: none"> • purposes for expenditure of money • 50 percent reimbursement limit for funding related to a natural disaster 	Art. 1, § 7
Employment and Economic Development § 116J.8731, subs. 3, 4, 5 & 7 §§ 116J.993 - 116J.995	Minnesota Investment Fund waivers: <ul style="list-style-type: none"> • limits on the use of the money • limits on project outcomes and other criteria for assistance • the \$1 million maximum grant, requirements for repayment of amounts over \$100,000, and limits on the use for retail operations • compensation, job creation or enhancement requirements Business subsidy waivers: <ul style="list-style-type: none"> • requirements for receiving a public subsidy including public hearing and notice, wage and job goals, local government monitoring, reporting, pay back requirements for failure to meet goals 	Art. 1, § 8, subd. 2
Public Facilities Finance Authority §§ 446A.07, 446A.072, & 446A.081	Water pollution control revolving fund; wastewater infrastructure funding program; drinking water revolving fund waivers: <ul style="list-style-type: none"> • all criteria, limitations or repayment requirements of the existing programs 	Art. 1, § 8, subd. 3
Housing Finance Agency	Economic development and housing challenge program <ul style="list-style-type: none"> • requirement to use half of appropriation for specified challenge 	Art. 1, § 9, subd. 2

Waivers in the 2007 Disaster Relief Bill

Department	Program/Waiver	2007, 1SS Chapter 1
§ 462A.33, subs. 3 & 5 Minn. Rules part 4900.3632	grants or loans and eligibility limit of 115 percent of median income for households <ul style="list-style-type: none"> • requirements for grants and loans for rental housing 	
Natural Resources § 103F.161, subd. 2	Flood hazard mitigation grants <ul style="list-style-type: none"> • \$150,000 grant maximum for local governments 	Art. 1, § 16, subd. 1
Board of Water & Soil Resources Minn. Rules ch. 8400 § 103F.515, subd. 6 (a)(1)	State cost-share program <ul style="list-style-type: none"> • all requirements in rule may be waived on contracts to address critical conservation problems resulting from flood • all existing contracts are extended to June 30, 2009 Conservation reserve program <ul style="list-style-type: none"> • payment maximums to establish perennial or other cover under agreements with landowners 	Art. 1, § 16, subd. 2
Revenue § 275.065 § 270C.86	Truth-in-taxation <ul style="list-style-type: none"> • requirements for truth-in-taxation for taxes payable in 2008 if local government petitions in writing Property tax abatement <ul style="list-style-type: none"> • requirements for the commissioner to grant abatements 	Art. 1, § 19, subd. 1 Art. 3, § 8, subd. 1
Local Government § 375.192 § 279.01, subd. 1	Property tax abatements, relief <ul style="list-style-type: none"> • procedures and conditions for county boards to grant property tax abatements Business property tax due dates <ul style="list-style-type: none"> • the October date for payment of second half business property taxes without penalty 	Art. 1, § 22 & Art. 3, § 8, subd. 1 Art. 1, § 21