

HOUSE RESEARCH

Bill Summary

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House File 484 would allow state appropriations to pay the non-federal share of disaster relief for utility cooperatives.

Currently, the Federal Emergency Management Agency (FEMA) pays 75 percent of the eligible costs incurred as a result of a major disaster declared by the President. Nonprofit organizations eligible for this assistance must provide “critical services” in the event of a disaster, such as utility cooperatives. In addition to emergency measures to protect health and safety, FEMA also pays for permanent work with respect to utilities: repairing water treatment and distribution systems, sewage collection and treatment facilities, and power generation and distribution facilities.

In past disasters, Minnesota has appropriated money to pay the remaining 25 percent of eligible costs for some entities. For example, in 2013, the legislature appropriated \$4.5 million to the Department of Public Safety (DPS) as a “match” for FEMA assistance, but this was awarded only to state agencies and political subdivisions. The bill did not authorize DPS to pay the nonfederal share for nonprofits that are eligible for direct FEMA assistance. According to DPS, the agency has never awarded matching grants to utility cooperatives or other FEMA-eligible nonprofits.

Utility cooperatives do have another source of state assistance open to them, though it is dependent on funding from the legislature. In 2007, the legislature appropriated \$35 million to the Department of Employment and Economic Development’s Minnesota Investment Fund (MIF); \$15 million was appropriated

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to the fund in 2012 following a disaster. The MIF grants went to local units of government which, in turn, awarded grants or loans to businesses and nonprofit organizations affected by the disasters.

In at least two cases following the 2007 flood in southeastern Minnesota, local loans were made to utility cooperatives from these MIF grants. Tri-County Electric, in addition to receiving a \$3.1 million FEMA grant, was awarded a loan of \$2.35 million from the City of Rushford Village. Ace Communications received a loan of \$348,850 from the same city, in addition to a \$1.25 million grant from FEMA. Seventy-five percent of both loans were forgivable.