

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1, 2002 First Special Session **DATE:** September 18, 2002

**Version:** As introduced

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**Subject:** Flood Relief

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### Overview

The Presidential Declaration of Disaster DR-1419 relates to flooding due to storms and heavy rains in June 2002. It covers the following 19 counties: Becker, Beltrami, Clay, Clearwater, Goodhue, Hubbard, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnommen, Marshall, McLeod, Norman, Pennington, Polk, Red Lake, Roseau, Wright. This bill provides financial assistance for flood recovery in these counties.

### Section

**1 Appropriations.** Summarizes the appropriations by agency and fund. The total net appropriation is \$29,370,000. In brief:

▶ Public Safety	8,300,000
▶ Housing Finance	4,000,000
▶ Trade and Economic Development	6,000,000
▶ Agriculture	3,000,000
▶ Children, Families and Learning	40,000
▶ Transportation	17,115,000
▶ Revenue	1,000,000

► Finance

15,000

Cancels \$10,100,000 of a previous general fund appropriation (that is funded with trunk highway bonds in this bill).

Authorizes transfer of unused general fund money appropriated to a project or program in the act to any other project or program funded in the act. In addition, it allows unused general fund money appropriated in the act to be used to provide state and local match to FEMA funds for individual assistance programs that must be matched with general fund money.

**2 Public safety.** Appropriates \$8,300,000 from the bond proceeds fund to public safety for state and local match to federal disaster assistance funding related to publicly owned capital improvements.

**3 Housing finance.**

Subd. 1. Appropriates a total of \$4,000,000 for housing assistance.

Subd. 2. Economic development and housing challenge. Appropriates \$3,000,000 from the general fund to the economic development and housing challenge program, which can fund a wide variety of housing activities. The activities include housing rehabilitation, gap financing, acquisition, new construction, construction financing, permanent financing, interest rate reduction, and refinancing.

Subd. 3. Rental housing loans. Appropriates \$1,000,000 in bond funds for publicly owned permanent rental housing.

**4 Trade and economic development.**

Subd. 1. Appropriates a total of \$6,000,000 for programs in this section.

Subd. 2. Minnesota investment fund. Appropriates \$3,000,000 from the general fund for grants to local governments to make grants or loans to businesses directly and adversely affected by the flood. Provides for criteria for grants and loans to be established locally and approved by the department. Requires grant and loan recipients to set goals for jobs retained and wages paid within the disaster area. Waives the statutory requirements of the program relating to what is an eligible expenditure or project, grant limits, and contract obligations of grantees to pay minimum compensation required in the program. Exempts grant and loan recipients from the job and wage goal requirements of the statute governing subsidies to businesses in Minnesota Statutes, sections 116J.993 to 116J.995.

Subd. 3. Petroleum cleanup. Appropriates up to \$1,000,000 from the petrofund to make grants to safely rehabilitate buildings to the extent that the cost is attributable to petroleum contamination, and to buy out properties substantially damaged by a petroleum tank release.

Subd. 4. Public infrastructure. Appropriates \$2,000,000 in bond funds to the public finance authority for grants to local governments for publicly-owned infrastructure, including storm sewers, water and wastewater systems. Exempts grantees from the statutory limitations of the public finance authority's financing programs for the same purposes.

5 **Agriculture.** Appropriates \$3,000,000 from the general fund to make disaster payments to farm operators under section 20. Allows the commissioner to use up to \$50,000 for administration.

6 **Children, families, and learning.** Appropriates \$40,000 from the general fund for this section. Creates a declining pupil unit aid provision for four years beginning in FY 03 for independent school district No. 682, Roseau. Sets the aid amount for FY 03 as the lesser of \$40,000 or the product of the actual number of pupil units lost by the district between FY 02 and FY 03 and the general education formula allowance for that year. Decreases the aid amount by 25 percent per year for each of the next three years (FY 04, FY 05 and FY 06).

7 **Transportation.**

Subd. 1. Appropriates a total of \$17,115,000 for transportation projects.

Subd. 2. State trunk highways and bridges. Appropriates \$2,000,000 from the trunk highway fund for trunk highways and bridges.

Subd. 3. Local road and bridge rehabilitation and replacement. Appropriates \$5,000,000 from the state transportation fund (bond proceeds) for grants to local governments for rehabilitation and replacement of local roads and bridges damaged or destroyed in the flooding. Requires the commissioner of transportation to determine project priorities. Requires a grantee to submit plans to the commissioner of transportation and for the commissioner to review and approve projects in light of the priorities. Provides for a grantee to refund to the state any state money received if federal funds become available for the same purpose.

Subd. 4. Trunk highways. Appropriates \$10,115,000 from trunk highway bond funds for the same purposes as appropriated in 2000 from the general fund. Section 10 cancels the 2000 general fund appropriation and the money returned to the general fund is appropriated for other purposes in this act. Sets aside \$15,000 for bond sale expense.

8 **Bond sale expenses.** Appropriates \$15,000 from the bond fund to the commissioner of finance for bond sale expenses related to general obligation bond sales.

9 **Bond sale authorization.**

Subd. 1. Bond proceeds fund. Authorizes the sale and issuance of \$11,315,000 in general obligation bonds.

Subd. 2. Transportation fund. Authorizes the sale and issuance of \$5,000,000 in general obligation bonds to provide the money appropriated from the state transportation fund.

Subd. 3. Trunk highway bonds. Authorizes the sale and issuance of \$10,115,000 in trunk highway bonds.

10 **Cancellation.** Cancels \$10,100,000 of general fund money appropriated in the 2000 transportation finance bill for state road construction. Section 7 above appropriates trunk highway bonding to replace this amount.

11 **Bond sale schedule.** Adjusts the limit of general fund transfer to pay debt service on outstanding general obligation bonds to reflect the Governor's veto of \$357 million in bonding appropriations in the 2002 regular session and the new bonds authorized in this bill.

12 **Flood hazard mitigation grants.** Amends the 2002 capital investment act's appropriation

for flood hazard mitigation grants to direct the commissioner of natural resources to consider the needs arising out of the flood disaster and specifies that \$2,000,000 may be spent in the disaster area.

**13 Maximum rates.** Allows county agencies to negotiate group residential housing (GRH) supplemental room and board rates of up to \$426.37 for up to five corporate adult foster care facilities established to replace an ICF/MR in Roseau that became uninhabitable due to flood damage. Limits this rate to not more than 20 individuals. The section provides an exception to the requirement that a county's average supplemental room and board rate not exceed the county average in effect on January 1, 2000.

**14 Valuation exclusion for improvements; business property.** Allows up to \$50,000 of improvements to commercial and industrial property to qualify for a valuation exclusion for property tax purposes, provided that all of the following conditions are met:

- 1) the building must have been damaged by the 2002 floods;
- 2) the building must be located in a city or town with a population of 10,000 or less and be in a county located within the area included in DR-1419;
- 3) the total estimated market value of the land and buildings must be \$150,000 or less for assessment year 2002;
- 4) a building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a building permit process, the property owner must notify the assessor prior to the commencement of the improvement;
- 5) the property is not receiving a property tax abatement under section 469.1813; and
- 6) the improvements are made prior to January 1, 2004.

The assessor shall estimate the building's market value in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor of improvement. If the estimated market value of the building value has increased over the 2002 assessment before any reassessment due to flood damage, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the property's value in each year for five years after the improvement has been made. In each of the next five subsequent assessment years, an amount equal to 20 percent of the value excluded in the fifth year after that improvement is made shall be added back.

The maximum amount of value that can be excluded for all improvements to any property is \$50,000.

The assessor shall require an application, which must be received by December 31, 2002, or December 31, 2003, in order to be effective for taxes payable in the following year.

**15 Flood loss replacement aid.** Establishes an aid program for cities that sustained significant losses in tax base as a result of the 2002 floods.

**Subd. 1. Flood net tax capacity loss.** Requires the county assessor of each qualified county to compute a hypothetical city taxable net tax capacity for each city within the county, based upon market values for assessment year 2003 and class rates that were in effect for assessment year 2002. The amount, if any, by which the assessment year 2002 total taxable net tax capacity of the city exceeds the city's hypothetical taxable net tax capacity is the city's "flood net tax capacity loss." The county assessor shall certify to

the commissioner of revenue the flood net tax capacity loss of any city which is in excess of five percent of its assessment year 2002 total net tax capacity.

**Subd. 2. Flood loss aid.** In 2004, each city with a flood loss tax capacity loss equal to or greater than 5 percent of its assessment year 2002 total taxable net tax capacity, shall be entitled to flood loss aid equal to the tax base loss determined in subdivision 1 multiplied by the city's average local tax rate for taxes payable in 2003.

**Subd. 3. Commissioner's duties.** The commissioner of revenue shall determine each city's aid amount. The commissioner shall notify each city of its aid amount by August 15, 2003. The commissioner shall make payments to each city after July 1, and before July 20, 2004.

**Subd. 4. Optional city expenditure.** Provides that a city that receives aid under this section may choose to expend a portion of the aid for repair of county roads within the city.

**Subd. 5. Appropriation.** Provides that the amount necessary to pay the aid amounts under this section in fiscal year 2005 (for calendar year 2004), is appropriated to the commissioner of revenue from the general fund.

**Subd. 6. Local government aid appropriation.** Reduces the city local government aid (LGA) appropriation for calendar year 2004 (fiscal year 2005) by an amount equal to the appropriation in subdivision 5. This reduction is only for one year.

**16 TIF; Adjustment to original net tax capacity.** Requires the county auditor to adjust the original net tax capacity of a tax increment financing (TIF) district if the municipality that approved the district requests. This authority applies to disaster or emergency areas, as defined for purposes of the provision governing reassessment of homestead property for disasters. The original net capacity (the amount used as the base value for the TIF district) will be reduced by the assessor's estimate of the effect of the disaster on the value of the property in the district. The adjustment cannot reduce the original value below zero. This adjustment is effective for the first taxes payable year that occurs within four months or more after the determination (e.g., a presidential declaration). The authority applies to both pre-existing districts and to districts created after the disaster determination, but before the next assessment. The authority is a permanent, general law provision that will apply to future disasters and emergencies.

**17 Early payment dates.** Requires the commissioner of revenue to make early payments of the property tax aids if the commissioner of public safety determines that a local government has suffered financial hardship due to a natural disaster.

Allows the commissioner of revenue to make early payments of the property tax aids to any local government requesting such payment due to cash flow needs. Under current law, only cities have this option.

**18 Property tax abatements; flood relief.** Allows the county board to grant property tax abatements of 50 percent of the payable 2002 property taxes, including the state general tax but excluding special assessments, on eligible property in a county located in the area included in DR-1419. Property owners are not required to apply for the abatement.

"Eligible property" means a parcel of property located in a qualified county that has been determined by the assessor to have lost over 50 percent of its estimated market value due to

flooding and flood damage. In the case of agricultural property, the abatement is limited to: (1) the taxes on the house, garage, and one acre, if the house has lost over 50 percent of its estimated market value, and (2) the tax of any farm buildings and structures that have lost over 50 percent of their estimated market value.

As soon as practicable, local and county assessors shall notify the county board and property owners of parcels of eligible property.

The county must grant the abatements under this section by October 31, 2002, and must notify the department of revenue of the total amount of abatements granted. The department of revenue must pay the reimbursements by November 15, 2002.

Appropriates \$1,000,000 from the general fund to the commissioner of revenue to provide for the reimbursements for abatements granted under this section. The maximum amount of abatements for which each county may be reimbursed is based on their share of the total flood-related market value loss.

Counties shall be reimbursed only for property taxes imposed by the county and other local taxing jurisdictions within the county. (i.e., the amount of the state general tax which has been abated on qualifying parcels shall be deducted when determining the county reimbursement.)

- 19** **October 15, 2002, due date extended; business property in disaster area.** Provides that a penalty shall not accrue if, because of the 2002 floods, a taxpayer is unable to pay the second half of the payable 2002 property taxes on class 3a or 3b property (i.e., business property), that is located in a county in the area included in DR-1419.

To qualify for this extended due date for the second half payment, the taxpayer must have paid the first half of the payable 2002 taxes by May 16, 2002, and must pay the second half of the payable 2002 taxes by May 15, 2003. If the second half of the payable 2002 property taxes is paid after May 15, 2003, then all penalties that would have occurred since the October 15, 2002, due date must be charged on the amount of the unpaid tax.

- 20** **Agricultural disaster assistance.**

Subd. 1. Definitions. Defines terms used in the section. Of specific importance are:

- ▶ “Commissioner” means the commissioner of agriculture.
- ▶ “Acre” means effective agricultural use land listed on a farm operator’s summary acreage history report by the FSDA farm service agency.
- ▶ “Effective agricultural use land” means land suitable for growing an agricultural crop but excludes CRP and water bank program land.
- ▶ “Farm” or “farm operation” means an agricultural production operation with a unique farm number and includes at least 40 acres of effective agricultural use land.
- ▶ “Qualified county” means the counties identified in section 1 of the bill, i.e., the counties included in the presidential disaster declaration and amendments to the original declaration. (As of September 19, 2002, the qualified counties are Becker, Beltrami, Clay, Clearwater, Goodhue, Hubbard, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnommen, Marshall, McLeod, Norman,

Pennington, Polk, Red Lake, Roseau, and Wright.)

- ▶ “Acreage with substantial damage” means the actual acres of each field or parcel that have a crop yield or crop quality loss of 50 percent or more from normal. The yield or quality loss does NOT have to be averaged across the entire field or parcel.

Subd. 2. Payment to farmers. This subdivision describes the process of distributing payments on eligible acres.

- ▶ A farm operator must apply on or before December 13, 2002, on forms provided by the department of agriculture, for disaster payments on up to 1,400 acres of farm land that incurred substantial crop yield or quality loss. The acreage maximum for each farm operator must be based on information previously reported to the farm service agency for crop year 2002.
- ▶ By January 15, 2003, the commissioner must have determined the total acres eligible for payments and calculated the amount that can be paid out for each acre. The per-acre payment rate can't exceed \$4.00.
- ▶ The commissioner of agriculture may establish an audit procedure to verify the accuracy of claims.
- ▶ The commissioner is authorized to recover amounts paid on applications filed with fraudulent intent.

Subd. 3. Administration. Requires the commissioner of agriculture to prepare disaster payment application forms and make them available in qualified counties. Payments must be made to eligible farm operators by January 31, 2003.

**21 Use of national employment grant.** Directs contractors working on projects funded under this act, to the extent practicable, to hire employees available through the \$2,500,000 grant from the federal labor department to the department of trade and economic development.

**22 Waivers authorized.**

Subd. 1. Flood hazard mitigation grants; department of natural resources. Exempts flood hazard mitigation grants made for projects in the flood disaster area from the \$150,000 grant limit in statute.

Subd. 2. State erosion, sediment, and water quality control cost-share program; board of water and soil resources. Permits the board of water and soil resources to waive cost-share contract requirements for contracts in the flood disaster area. The requirements are in the agencies rules governing financial and technical assistance for the application of conservation practices that reduce erosion, control sedimentation, or improve and protect water quality. The waiver applies to contracts that have been approved but not completed before May 15, 2002, or that are funded with state funds before May 15, 2002, to the extent that combined federal and state aid does not exceed 100 percent.

**23 Effective date.** The day following final enactment unless otherwise specified in the act.