

**TESTIMONY OF
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BEFORE THE 68th LEGISLATIVE SESSION
SENATE FINANCE AND TAXATION COMMITTEE
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IN SUPPORT OF HOUSE BILL 1070**

Chairman Kannianen, members of the Senate Finance and Taxation Committee, my name is Darin Hanson and I'm the Homeland Security Director at the Department of Emergency Services (DES) for the State of North Dakota. I am here today to testify in support of House Bill 1070.

As you know, one of NDDDES's roles is to assist local jurisdictions in disaster and emergency response activities. Our agency also administers federal disaster recovery and mitigation programs, which are critical approaches for pursuing our vision for "a safe, secure and resilient North Dakota." The FEMA mitigation programs we administer, include the Hazard Mitigation Grant Program (HMGP), Building Resilient Infrastructure and Communities (BRIC) Program, and the Flood Mitigation Grant Program (FMA). The federal cost share generally is 75 percent while the remaining 25 percent is a state and/or local responsibility.

These programs provide funding for projects that will reduce or permanently eliminate future risk to lives and property. Home acquisition from floodways and floodplains, infrastructure protective measures (roads and bridges), storm water management (culverts, diversions, flap gates, floodgates, detention basins, and other local flood control measures), and mitigation planning are examples of the many types of qualifying projects available.

When we think of large disasters in our lifetimes, we might think back to the catastrophic floods of 2011 and perceive those events to be well in our rearview mirror. The facts are, however, that we have had another 13 federally-declared disaster declarations since then. Further, we know, just from observing our own backyard here in North Dakota, that disasters are increasing in frequency and complexity.

According to PEW Charitable Trusts, an average of \$6.54 is saved for every \$1 spent on mitigation activities in North Dakota. Using that formula, it is estimated NDDDES hazard mitigation projects have prevented more than \$1B in disaster damages. Knowing this, we believe codifying the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act into North Dakota Century Code, will increase the availability of mitigation funds to our local, state and tribal partners to protect lives and property from future disasters.

Through the STORM Act (Public Law No: 116-284), the Federal Emergency Management Agency will provide capitalization grants to create state revolving loan funds for mitigation projects to local governments. Communities will use the loan funding to carry out new projects to mitigate against any potential future event deemed by FEMA as "catastrophic," such as storm surges, flooding, earthquakes or wildfires. Through the STORM Act, FEMA can provide a 90% cost share to participating states to develop a State Revolving Loan Fund (SRF) that provides eligible applicants with a 1% interest rate loan so they can complete mitigation projects and pay the loan back over a 20-year period or up to 30 years for projects benefiting low-income

communities. The application process will prioritize applications for projects that increase resilience of natural and built infrastructure.

This bill would codify the STORM Act SRF, and additionally, North Dakota would be required to provide a 10% match deposited into an interest-bearing account before FEMA will provide their 90% cost share each time funding is requested. The state's 10% contribution will always be based on the value of projects submitted by interested applicants each calendar year so the amount will fluctuate, but NDDDES is estimating the total amount we would request from FEMA to begin the STORM Act SRF would be \$10,000,000 in the next biennium. That amount would require a \$1,000,000 state contribution to establish the fund. These estimates are reflected in the fiscal note, and the \$1,000,000 state match is proposed to be drawn from the Disaster Relief Fund (DRF). The authority for the match is included in the Office of the Adjutant General appropriations bill (Senate Bill 2016).

As an example of how the STORM Act could work for North Dakota communities, the City of Fessenden has a \$3 million mitigation project to help stabilize and armor their wastewater lagoon cells that have been deteriorating for decades due to rodent infestation and severe storm events. The lagoon cells have deteriorated to the point that the community is concerned that a large storm event could cause the lagoon walls to fail which would cause the wastewater in the lagoon cells to spill out into the surrounding countryside and cause the city to lose wastewater service to its 451 residents for 30-90 days. By stabilizing the lagoon walls and armoring them, the city can help prevent the lagoon walls from potentially failing and prevent these impacts from occurring for the next 50-100 years.

The City of Fessenden has submitted the above mitigation project under the Building Resilient Infrastructure and Communities (BRIC) Program which is one of the three FEMA mitigation grant programs that our state currently has access to. If this project gets selected, then FEMA will provide the community with a 75% grant so they can complete the project. However, if they are not selected under the BRIC program, then their lagoon cells will remain at risk because the community doesn't have the funding to complete this project without financial assistance. This would be a prime example where the state could use funds from the STORM Act to loan the community the \$3 million they require to stabilize and armor their lagoons, and then the community could pay the loan back at a 1% interest rate over 20 years after the project is completed.

Process wise, if the City of Fessenden was interested in the low-interest loan, the ND Department of Emergency Services (NDDDES) would submit the project to FEMA for potential funding under the STORM Act. If approved by FEMA, NDDDES would then place \$300,000 from our DRF appropriation (which is 10% of the proposed \$3 million project), place that into the interest-bearing account established for the STORM Act, and then FEMA would provide their 90% cost match so the total in the account would equal \$3 million. The \$3 million would then be provided to the community, and once it's completed, they have 20 years to pay the loan back at a 1% interest rate. The full amount they would ultimately pay back after 20 years would be approximately \$3,030,000 which goes back into the revolving loan fund so it can be loaned out to another community for a new mitigation project. Any funds that are repaid into the revolving loan fund stay under the authority of the state so the funds can be reused at our discretion (without going back to FEMA for approval) to help fund additional mitigation projects.

As previously stated, the State of North Dakota has been identified as having a cost savings of \$6.54 per \$1 spent on mitigation. So, if the Fessenden project was completed using STORM act funds, the state would not only end up with additional funds to use on mitigation projects statewide, but also prevent up to \$19,620,000 in potential damages, all with only a \$300,000 investment in state dollars.

There is currently no authority for this program under North Dakota Century Code (NDCC), however, the STORM Act was created to mirror the Environmental Protection Agency (EPA) Clean Water and Drinking Water SRF Programs, which are currently being utilized by the N.D. Department of Environmental Quality (NDDEQ) and N.D. Public Finance Authority (NDPFA) to fund wastewater and potable water projects, respectively. The SRF created through the STORM Act will function in the same regards as the Clean Water and Drinking Water SRFs, which are both currently codified in NDCC. The Clean Water SRF section is NDCC 61-28.2, and the Drinking Water SRF sections are NDCC 61-28.1-11 and 61-28.1-12

Ideally, these low-interest loans will be paid off with savings from mitigation efforts, as costly disaster response projects will be less imperative due to the pre-emptive resilience efforts. STORM grants differ from traditional FEMA grants in that they allow local governments to invest in mitigation infrastructure and can reach communities much faster than previous loan programs.

Mr. Chairman, this completes our testimony. I'd like to reemphasize that investments in mitigation lower risks to human life and safety, prevent damages to public and private property, lower the cost of insurance claims and lower the overall cost of disasters to all levels of government. Codifying the STORM Act SRF in North Dakota, ultimately, will bolster our ability to contend with future disasters and emergencies.