



## ISSUE BRIEF

### Disaster Assistance Contingency Account December 2021

*This document discusses the funding structure of the Disaster Assistance Contingency Account.*

#### **Disaster Assistance Contingency Account (DACA)**

From 1997 to 2012, Minnesota had 32 natural disasters and appropriated more than \$488 million for recovery from natural disasters.<sup>1</sup> Prior to 2014, if a natural disaster occurred after the legislature adjourned its regular session, Minnesota communities had to wait for the next legislative session or a special session for state assistance. To help with recovery efforts, Minnesota previously responded with direct appropriations, mainly one-time appropriations to communities. The scope of assistance needed by communities varies depending on if a disaster results in a presidential disaster declaration or a state disaster declaration. In either case, there is a cost-share requirement for federal disaster assistance or state disaster assistance. In both cases, timely assistance is needed from the state for affected communities to leverage funding.

A Disaster Assistance Contingency Account (DACA) was established by the legislature in 2014. Since 2014, \$137.9 million has been transferred from the general fund to this account to assist with recovery. This brief will review the account's design and how it has enabled a consistent approach by the state to assist recovery efforts.

#### **Design and Structure of DACA - Allowable Expenditures**

In 2014, a dedicated account in the special revenue fund was created to pay for recovery from a disaster. State law gives the Minnesota Department of Public Safety (DPS) the authority to maintain the account and spend money from this account. Any expenditures from this dedicated account are restricted to these specified eligible uses:

- To meet cost-share requirements for federal assistance under:
  - Presidentially declared major disasters in Minnesota statute 12A.15, subdivision 1;
  - The Federal Highway Administration emergency relief program; and
  - The United States Department of Agriculture, Natural Resources Conservation Service Emergency Watershed program.

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<sup>1</sup> [Office of the Legislative Auditor, Helping Communities Recover from Natural Disasters, March 2012](https://www.auditor.leg.state.mn.us/ped/pedrep/disaster.pdf)  
[<https://www.auditor.leg.state.mn.us/ped/pedrep/disaster.pdf>]

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- To provide state public disaster assistance to eligible applicants under Minnesota statute 12B.

A dedicated account for disaster related expenditures allows the funds to be segregated from other types of general-purpose expenditures. To automatically spend from this account on eligible uses, DPS has a statutory appropriation to allow for a quick response to a disaster. A statutory appropriation is an appropriation codified in statute that sets apart a specified or unspecified amount of money for a specific purpose, either on a one-time basis or continuously.

**Design and Structure of DACA - Revenue Sources**

Since FY 2015, total funding to DACA from the general fund is \$137.9 million. Unlike many other dedicated funds, DACA does not have dedicated revenue from a fee or a tax deposited into the account. Nor does DACA receive funding via an open appropriation from the general fund. Rather, DACA has received funding from: (1) direct transfers from the general fund, (2) contingent transfers from the general fund and (3) rollover transfers of previous general fund disaster appropriations (appropriations made before the establishment of the DACA account).

**Table A - Total General Fund Transfers to Disaster Assistance Account: FY 2015- 2022**

Funding Sources by Fiscal Year (all dollars in thousands)	2015	2016	2017	2018	2019	2020	2021	2022	Total
<i>(1) Direct (Onetime) Transfers</i>									
Laws of 2014, Chapter 312, Article 5, Section 312	3,000								3,000
Laws of 2015, Chapter 65, Article 1, Section 17		1,000							1,000
Laws of 2019, Chapter 6					10,000				10,000
Laws of 2020, Chapter 68, Section 1						30,000			30,000
Subtotal - Direct (Onetime Transfers)	3,000	1,000	-	-	10,000	30,000	-	-	44,000
<i>(2) Contingent Transfers, Closing Balance Allocation</i>									
Laws of 2015, Chapter 65, Article 1, Section 17		15,000							15,000
Laws of 2015, First Special Session, Chapter 4		4,400							4,400
Laws of 2017, Chapter 95, Article 3, Section 15				10,000					10,000
Laws of 2019, First Special Session, Ch. 3, Art. 1, Sect. 11						20,000			20,000
Laws of 2021, First Special Session, Ch. 11, Art. 1, Sect. 21								30,000	30,000
Subtotal - Contingent Transfers	-	19,400	-	10,000	-	20,000	-	30,000	79,400
<i>(3) Rollover Transfers, Disaster Contingency Account</i>									
	14,502								14,502
<b>Total</b>	<b>17,502</b>	<b>20,400</b>	<b>-</b>	<b>10,000</b>	<b>10,000</b>	<b>50,000</b>	<b>-</b>	<b>30,000</b>	<b>137,902</b>

As shown in Table A, there have been four direct transfers to DACA. These transfers are one-time and must be reauthorized each year if more funds are needed. A total of \$44.0 million or 32 percent of total funding from fiscal year 2015 to FY 2022 has come from direct transfers to DACA from the general fund.

Another source of revenue to the account is contingent transfers to DACA. A contingent transfer is often structured in a way that requires the commissioner of Management and Budget to estimate the amount of any positive, unrestricted general fund balance at the close of a fiscal year. If the actual general fund balance at the end of the fiscal year exceeds a dollar threshold identified in law, a pre-determined dollar amount from the fiscal year closing balance in the general fund is transferred to DACA. From FY 2015 to FY 2022, there have been five contingent transfers to DACA. A total of \$79.4 million or 58 percent of total funding has come from contingent transfers from the general fund.

Finally, DACA has also received rollover general fund transfers of unspent funds from previous disaster specific appropriations made prior to the establishment of the account. A total of \$14.5 million or 10 percent of total funding from FY 2015 to FY 2022 has been transferred into DACA.

### **DACA Administration – Funding Recommendations and Reporting Requirements**

The Governor also relies on estimates from DPS for preparing the budget and must include a budget recommendation for the amount needed to fund DACA<sup>2</sup>. The recommendation must equal the amount necessary:

- to provide 100 percent of the nonfederal share for state agencies, local governments and utility cooperatives that will receive federal financial assistance from FEMA during the upcoming biennium; and
- to fully pay all state disaster assistance claims.

In addition to the biennial budget recommendation from the Governor, Minnesota Management & Budget must submit an [annual report](#)<sup>3</sup> with data on the current balance of the account, transfers to the account from unused general fund appropriations and payments made from the account.<sup>4</sup> These reports also include other (calendar year) detail showing annual expenditures since 2014 categorized by the type of disaster declaration (state or federal), description of the disaster, location (county/tribal government) and the incident date. There have been six federal disaster declarations and 57 state disaster declarations since 2014; during this period, 262 counties and 18 tribal governments have leveraged funding for disaster relief and recovery assistance.

For more information, contact [House Fiscal Analysis](#)<sup>5</sup>  
Related House Fiscal Analysis Issue Brief (October 2020): [Avian Influenza Response Legislation](#)<sup>6</sup>

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<sup>2</sup> Minnesota statute 12.221, subdivision 6, paragraph e

<sup>3</sup> [Disaster Assistance Contingency Account Report. Minnesota Edocs: State Government Publications - Minnesota Legislative Reference Library \(mn.gov\)](#) [https://www.lrl.mn.gov/edocs/edocs?oclcnumber=903056083]

<sup>4</sup> Minnesota statute 16A.28 (c)

<sup>5</sup> House Fiscal Analysis [https://www.house.leg.state.mn.us/fiscal/fahome.asp]

<sup>6</sup> [Fiscal Issue Briefs - Minnesota House of Representatives \(state.mn.us\)](#)  
[https://www.house.leg.state.mn.us/Fiscal/Home/IssueBriefs]