

Grant Prioritization – Flood Hazard Mitigation Grant Assistance Program

Background

Since 1987, the Minnesota Department of Natural Resources (DNR) [Flood Hazard Mitigation \(FHM\) Grant Assistance Program](#) has awarded over \$590 million in cost share funding to local governmental units (LGUs) around the state. This funding leverages local resources to plan, design and implement flood risk reduction measures. LGUs applying for funds include cities, counties, watershed districts, and other public entities. Requests for assistance far exceeds available funds, so the DNR must determine funding priorities among competing projects in each funding cycle. This document explains the statutory considerations that go into the DNR's prioritization decisions in each funding cycle, and may serve as a helpful reference to local governments as they are developing their project or application.

Statutory Considerations for Prioritizing Project Funding

The FHM program's enabling legislation provides nine general considerations the DNR must apply when evaluating LGU applications for funding assistance ([M.S. 103F.161](#)). These nine considerations are listed and explained below. For each potential project, program staff confer with applicants about their project and evaluate each application based on these considerations:

1) The extent and effectiveness of mitigation measures already implemented by the local government requesting the grant.

Communities that have invested local resources to implement effective flood risk mitigation may merit continued financial assistance. In addition, the DNR prioritizes funding to complete in-progress projects (or phases).

2) The feasibility, practicality, and effectiveness of the proposed mitigation measures and the associated nonflood related benefits and detriments.

To be eligible for funding, projects must be based on sound engineering and proven methods and suitable for the conditions at the proposed project site. DNR also considers whether the applicant demonstrates the ability to provide necessary, long-term operations and maintenance actions. In addition, projects that offer multipurpose benefits in addition to flood risk reduction may receive additional consideration. Examples of additional multipurpose benefits include ancillary economic development benefits, natural resource benefits, improved environmental equity, or recreation benefits. Similarly, projects that would cause significant negative impacts in these areas are not likely to receive funding.

3) The level of grant assistance that should be provided to the local government, based on available facts regarding the nature, extent, and severity of flood problems.

Communities around the state experience different types of flooding and different impacts based on their existing development patterns and watershed characteristics. DNR will provide higher priority to projects that reduce risk to human life, protect large numbers of structures from flooding, or protect a smaller number of structures from frequent and severe flooding. Reducing risk to substantial infrastructure features will also be considered, especially where it is directly related to human health and safety. For example, this could include reducing risks to water or wastewater treatment plants, or to roads and bridges with significant traffic volume. Finally, areas that suffer from frequent, recurring flood events may receive priority under this consideration.

4) The frequency of occurrence of severe flooding that has resulted in declaration of the area as a flood disaster area by the president of the United States.

A presidential disaster declaration will typically boost the priority of projects that can clearly mitigate flood risk in the affected areas. If multiple presidential declarations are issued over a period of time in areas that have not yet mitigated the risk, the priority for funding may become even higher.

5) The economic, social, and environmental benefits and detriments of the proposed mitigation measures.

DNR considers a broad spectrum of benefits identified by LGUs seeking FHM funding. These include, but are not limited to: 1) risk reduction for residential areas; 2) risk reduction for industries, commercial businesses, and agricultural producers; 3) risk reduction for government centers, hubs for social services, transportation systems, school districts, and park systems; 4) risk reduction for underserved communities or disadvantaged socioeconomic populations; 5) reducing the burden of flood insurance costs on local communities; and 6) benefits to environmental resources, such as surface and ground water or fish and wildlife habitat. Applicants should be able to demonstrate they have considered alternative courses of action and determined the proposed action is preferable. This includes demonstrating consideration of environmental impacts and benefits. Because this consideration in the statute is extremely broad, DNR prioritizes funding first to areas where public health and safety and large numbers of residences are affected by flooding, then to areas where substantial economic harm would result from flooding, and finally to areas where public infrastructure and environmental resources are at risk. In addition, areas where flooding causes long-lasting or high cost damages will be prioritized above areas that can recover more quickly, such as parks, undeveloped land, or agricultural land. Certainly any project that may lead to significant negative economic, social, or environmental impacts is not likely to receive funding.

6) Whether the floodplain management ordinance or regulation adopted by the local government meets the minimum standards established by the commissioner, the degree of enforcement of the ordinance or regulation, and whether the local government is complying with the ordinance or regulation.

To be eligible for funds, communities must have adopted a DNR-approved floodplain management ordinance and must ensure that development complies with the ordinance. Although uncommon, the DNR has withheld funding from communities that do not comply with, or do not enforce, their local floodplain management ordinance.

7) The degree to which the grant request is consistent with local water plans developed under chapters 103B and 103D.

DNR will ask for documentation that a proposed project is consistent with a local water plan. Projects that are specifically identified in or are of a type contemplated in the plan are considered to be consistent.

8) The financial capability of the local government to solve its flood hazard problems without financial assistance.

Communities that have exhausted other funding sources and have few local resources may be given priority. It is important for applicants to justify their financial need for grant assistance.

9) The estimated cost and method of financing of the proposed mitigation measures based on local money and federal and state financial assistance.

DNR expects communities to explore other funding options for their proposed projects. State dollars go further when leveraged with other funding sources, and preference may be given to applicants who have secured additional sources of financing. DNR must balance the cost of proposed projects with the availability of funds in each funding cycle. Some costly projects could use up an entire allocation, leaving nothing for other priority projects. To best accommodate these larger projects, they are typically broken up into phases over multiple funding cycles. Subsequent phases of an in-progress project are generally prioritized to ensure efficiency and timely delivery of project benefits.

Project Prioritization Process

Considerations and Constraints for DNR Funding Decisions

In addition to the statutory considerations noted above, FHM program appropriation language has typically included variations of the following statements:

- Project priorities shall be determined by the commissioner as appropriate, based on need and consideration of available leveraging of federal, state, and local funds.
- For any project listed that the commissioner determines is not ready to proceed, does not have the nonstate match committed, or does not expend all money allocated to it, the commissioner may allocate that project's unexpended money to another project on the commissioner's priority list.

There will always be some level of discretion in project prioritization under this program. Indeed, M.S. 103F.161 expressly provides for this. Notably, the Statute requires that funding priorities tie into the considerations noted above, but it does not weight or prioritize one consideration over another. There is wide variation in the types of projects funded, and the flood risk profile across Minnesota is always evolving. Both FEMA and the DNR are constantly evaluating the effectiveness of the mitigation practices implemented. Funding availability and project timelines are important factors as well. For these reasons, a numerical scoring system is not feasible. Instead, DNR applies professional judgment in comparing the merits of proposed projects when making funding decisions. Both the program and grantees benefit from this flexibility.

Because the application window for the program is always open, the process for project prioritization and evaluation is continuous and evolving. Typically, the process begins with an initial inquiry, when a potential applicant contacts the DNR FHM program manager with interest in the program. These discussions generally indicate whether the project would be a good candidate for funding assistance. Local governments whose proposals appear to be a good fit are then encouraged to apply for funding. As new or amended applications are submitted, the DNR's FHM program manager reviews them in greater detail for consistency with the considerations outlined above.

Applicants generally want preliminary feedback to get a better idea of whether or not they can anticipate funding at some point in the future. In order to accommodate this request, DNR staff will categorize each application as either a **high**, **medium**, or **low** priority on our list of unfunded projects, or unmet needs - ([Current Known Flood Hazard Mitigation \(FHM\) Funding Needs](#)). Projects that are "high" would typically be considered for awards first as funds become available. Projects that are "medium" or "low" may need to wait for a subsequent funding cycle, amend the scope of work, or seek additional funding participation from other sources. Projects rated "low" are fairly uncommon, because local governments will typically choose not to submit an application if the early coordination process suggests the project is unlikely to be a funding priority. The assigned priorities shown on the list are often revised as more information about projects are communicated or as circumstances change. Placement on the list in no way guarantees a future award. The unmet needs is continually updated as new project applications are submitted, amended, funded, or withdrawn, and to reflect changing needs and circumstances.

As new FHM program funds are appropriated by the legislature, the FHM program manager confers with Ecological and Water Resources Division leadership and the DNR Commissioner's Office to revisit the list of unmet needs and determine an allocation plan to distribute the new funding to local governments.

Funding Availability & Equitable Distribution

Determining which projects get funded is closely tied to how much funding is available each year. With limited funds available and variable funding from year-to-year, the DNR must consider which projects are ready to go, the geographic distribution of the projects, and the different types, scales, and costs of projects. Some projects are small and can be completed quickly with available funds, while others are very costly and would crowd out all other projects if funded within a single cycle.

Legislatively Named Appropriations

In addition to the nine statutory considerations, it is not uncommon for appropriation language in a legislative bonding bill or general appropriation to specify line-item funding for a particular project. These legislative mandates will receive the funding as appropriated, if they demonstrate readiness to proceed and meet legal requirements associated with the identified funding source. Once named, and accompanied by an appropriation, they are not in competition with other projects for funding.

Project Examples

Examples of projects that are more likely to receive funding are provided below (the numbers in parentheses in the first list refer to the statutory considerations listed above):

Examples of Projects More Likely to Receive Funding

- Projects that implement post-disaster measures (statutory considerations 3 and 4).
- Projects that are urgent to reduce potential catastrophic or loss of life flooding (3).
- Projects that protect lives and/or large numbers of homes and businesses, such as levees or diversions that reduce the risk and/or remove large portions of a community from the floodplain (3, 5).
- Acquisition, removal, or relocation of repetitive loss or at-risk structures in the 1% chance floodplain or with flooding history if outside of the 1% chance floodplain (2, 3, 5, 9).
- Projects that protect public infrastructure and critical services (2, 5).
- Completing subsequent phases of projects already partially funded with FHM money (1, 9).
- Projects that leverage other funding to reduce the state's cost share (9).
- Projects that eliminate floodway obstructions (2, 3, 6).
- Post-disaster resiliency improvement projects such as resizing culverts and bridge crossings that have proven to be inadequate (3, 4, 5).
- Projects that mitigate flash flooding that doesn't give people time to prepare or evacuate (3).
- Projects with regional or statewide significance such as projects that protect major transportation corridors or employment centers (5, 8).
- Projects with ancillary environmental benefits (2, 5)
- Projects that protect high-value (e.g., intensively farmed ag land), productive agricultural land affected by recurring flood events (2, 5).

Applicants should consider phasing of projects as a strategy to get funding. In particular, high-cost projects that would consume a substantial share of the appropriation in a single bonding cycle are more likely to receive funding if they can be broken into two or more phases that can be spread across multiple bonding cycles.

Examples of Projects Less Likely to Receive Funding

- Projects that protect smaller numbers of structures.
- Projects that mainly protect undeveloped, non-agricultural land
- Projects that lack local support or citizen participation
- Projects that conflict with local water management or land use regulations
- Projects proposed by LGUs with a documented record of poor performance
- Projects that lack readiness to proceed
- Projects that have other viable funding options or are better suited to be funded by other state or federal grant programs
- Projects that face significant permitting obstacles that may render the project infeasible
- Projects whose costs far exceed the perceived benefits and is out of proportion to the available resources..

Ineligible Projects

Some projects are not eligible for FHM funding. These include:

- Projects proposed by an ineligible applicant (non-LGU)
- Projects that do not have matching funds
- Projects that have no demonstrable flood risk reduction benefit
- Projects seeking funding for operation and maintenance
- Projects that are not publicly owned (applies to bonding only)
- Projects that are not capital improvements (applies to bonding only)