

**OFFICE OF THE STATE AUDITOR**

**PERFORMANCE AUDIT  
OF THE  
HURRICANE FLOYD RESERVE FUND**

**JUNE 2001**





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## AUDITOR'S TRANSMITTAL

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June 28, 2001

The Honorable Michael F. Easley, Governor  
The Honorable Marc Basnight  
    President Pro Tempore of the Senate  
The Honorable James B. Black  
    Speaker of the House of Representatives  
Secretary Bryan E. Beatty  
    Department of Crime Control and Public Safety  
Mr. David E. Kelly, Director  
    North Carolina Redevelopment Center  
Members of the Legislative Disaster Response and Recovery Commission  
Members of the North Carolina General Assembly

Ladies and Gentlemen:

We are pleased to submit this performance audit of the Hurricane Floyd Reserve Fund administered by ten different departments and agencies. The leadership of the General Assembly requested this audit after recommendation for the audit from the Legislative Study Commission on Disaster Response and Recovery.

This report consists of an executive summary, operational findings and recommendations and an overview of the 32 different programs. The objectives of the audit were to: 1) to identify all program activities authorized and funded through the Hurricane Floyd Reserve Fund, 2) to review the administration of the State-funded disaster assistance programs, with specific emphasis on the development of internal controls and policies and procedures to ensure compliance with laws and regulations, reporting ability, and minimization of waste, and 3) to identify "customer satisfaction" with the implementation of the Hurricane Floyd Recovery Act of 1999. The heads of all the departments and agencies that sponsored programs, along with the Director of the Redevelopment Center, have reviewed a draft copy of this report. A compilation of their comments summarized by the North Carolina Redevelopment Center are included as Appendix F, page 67.

We wish to express our appreciation to the heads of the sponsoring departments and agencies, the current and former Directors of the North Carolina Redevelopment Center, and their respective staffs for the courtesy, cooperation, and assistance provided us during this effort.

Respectfully submitted,

A handwritten signature in black ink that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor





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## MISCONCEPTIONS AND FACTS

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During the audit we heard many statements about the Hurricane Floyd funds, some true; some untrue. Below are the major misconceptions with the corresponding facts.

### **Misconception**

*There are still large numbers of people in temporary housing situations who have not received assistance in locating permanent housing.*

### **Fact**

**At the height of its activity, the Temporary Housing Program served 2,344 families. As of May 1, 2001, nineteen and one-half months following Hurricane Floyd, 1,977 of those families have moved to a permanent residence, leaving 367 families remaining in temporary housing. The remaining families include homeowners who are still waiting for the federal buy-out of their flood-damaged home or for work to be completed under the State Repair and Replacement program and renters who are challenged by the lack of affordable rental housing in their home communities. Some residents of temporary housing have been offered permanent housing but have refused the offered home as "unsuitable" or "too expensive" and others have been unable to qualify to rent another home. Intensive efforts are still needed to assist these remaining families.**

### **Misconception**

*There is still a large amount of State assistance funds that has not been spent or obligated.*

### **Fact**

**As of May 31, 2001, only 1.2%, \$10.42 million, of the \$836 million appropriated for Hurricane Floyd recovery efforts remained unspent or uncommitted. Most funds in areas other than housing have, in fact, been spent. Sponsoring State agencies and local governments have identified the recipients eligible for State housing assistance and obligating funds for them. However, identifying the families and obligating the funds, though an important step, does not relieve the needs of nearly 4,000 families who have been approved and are still waiting for their homes to be repaired or replaced. The**

## MISCONCEPTIONS AND FACTS

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Redevelopment Center and local governments must now work to accelerate the process of expending the obligated funds in order to complete the repair and replacement of those homes.

### **Misconception**

*The State Hurricane Floyd Reserve Fund is intended to provide direct assistance to victims of the **flooding** that resulted from Hurricane Floyd.*

### **Fact**

The legislation establishing the Hurricane Floyd Reserve Fund identifies sources of funding to provide assistance to citizens, businesses, and communities that suffered damages or losses from Hurricane Floyd not covered under any other assistance or insurance program. Those damages or losses could have resulted from flooding, wind, rain, or the resulting economic effects. Some of the State funds are intended to prevent future damages; others are designed to clean-up potential environmental problem areas.

### **Misconception**

*Commercial fishermen received grants because of poor catches when record catches have been reported.*

### **Fact**

There were record catches in some fisheries and record losses in other fisheries. The legislation provided for assistance funds for commercial fishermen based on non-insured, verifiable loss of income or gear. Record losses for some fisheries left some fishermen with a verifiable loss for the year.

## MISCONCEPTIONS AND FACTS

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### **Misconception**

*The State refused to let some individuals purchase the mobile homes or travel trailers they used for temporary housing.*

### **Fact**

**Both the mobile homes and travel trailers were purchased with Federal Emergency Management Agency (FEMA) funds and FEMA regulations dictated eligibility. In the case of the travel trailers, FEMA regulations require them to be disposed of through State Surplus Property. Therefore, the approval or denial rests with FEMA, not State officials.**

### **Misconception**

*State agencies and departments are solely responsible for the delay in distributing State Hurricane Floyd Reserve funds.*

### **Fact**

**Delays are due to many factors such as: time required for the FEMA approval process; limited staff at the federal, State, and local levels; limited experience in dealing with a disaster of this magnitude both at the State and local levels; time required to determine other sources of assistance (insurance, federal assistance, etc); and the shortage of construction crews to rebuild or repair the damaged homes.**

### **Misconception**

*The requirements for receiving State Hurricane Floyd Reserve funds were too complicated and required unnecessary paperwork and documentation.*

### **Fact**

**The requirements for some programs were complicated, but they were necessary to ensure only citizens directly affected by Floyd received funds. Both State and local officials tried to work with individual applicants to explain the requirements and assist them in completing the applications.**

## MISCONCEPTIONS AND FACTS

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### **Misconception**

*The State Hurricane Floyd Reserve funds would fix everything for everybody.*

### **Fact**

State leaders recognized that existing disaster assistance programs at the federal and State level would fall short of providing all the assistance needed after the devastation of Hurricane Floyd. At the urging of former Governor Hunt, the General Assembly appropriated funds to provide assistance for specific projects not covered by federal or State assistance or other types of insurance. The Act was not intended to cover all losses for all persons, businesses, and communities.

# EXECUTIVE SUMMARY

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## *Program Description*

North Carolina suffered one of the worst natural disasters in the State's history when Hurricane Floyd made landfall in mid-September of 1999. Hurricane Floyd brought 15 inches of rain to an area already saturated by Hurricane Dennis. The flooding associated with these two hurricanes was unprecedented in the history of North Carolina, with damage estimates exceeding \$6 billion. Because of the magnitude of the disaster, it was apparent that the needs of our communities would be much greater than available federal and State resources.

Former Governor James B. Hunt, Jr. called an emergency session of the North Carolina General Assembly to consider a State Emergency Funding package designed to supplement existing federal and State assistance programs. State leaders passed the Hurricane Floyd Recovery Act of 1999 in December and established the Hurricane Floyd Reserve Fund, identifying \$836.6 million for assistance. To track this fund, the Office of State Budget, Planning and Management recorded this appropriation in a separate cost center within the existing Disaster Relief Account. The Act authorized the establishment of new programs, the expansion of existing programs, and the modification of existing programs necessary to implement the Act. To coordinate the assistance efforts at the State level, Governor Hunt established the North Carolina Redevelopment Center within the Governor's Office.

## *Audit Scope and Methodology*

This performance audit of the State Hurricane Floyd Reserve Fund was requested by the leadership of the General Assembly based on a recommendation from the Legislative Study Commission on Disaster Response and Recovery. The State Auditor was asked to evaluate the effectiveness, efficiency, and administrative systems of the various State-funded disaster assistance programs. Audit efforts centered on the State-level implementation and oversight of the assistance programs and included detailed review of policies, procedures, documentation, and financial records at the State level. Additionally, we conducted site visits and interviews with recipients of State assistance from the various programs, as well as interviews with local officials charged with direct implementation of the programs.

## *Conclusions in Brief*

<b>SUMMARY OF EFFORTS</b>
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North Carolina established 32 assistance programs sponsored by 10 different State agencies and departments. As of May 31, 2001, approximately 99.8% of the \$836.6 million had been expended or obligated, with \$10.42 million remaining. Much of the State's efforts provided direct housing assistance, with 2,344 families receiving temporary housing assistance through the State-sponsored programs. At the end of May, 84.3% of these families had secured permanent housing. In addition to direct housing assistance, the State provided funds to assist in the building of new homes in eastern North Carolina and engaged housing counselors to aid affected persons. Assistance was also provided to local governments, businesses, farmers, and fishermen. Lastly, the Hurricane Floyd Reserve Fund was used to provide various public health and environmental assistance needed as a result of the Hurricane. We have included a brief summary of efforts for each category of assistance beginning on page 35. Overall, 61% of the awards made through these State programs went to help homeowners, 5% to assist renters, 28% to assist farmers, 3% to assist local governments, 2% to assist businesses, and 1% to assist commercial fishermen.

## EXECUTIVE SUMMARY

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**OBJECTIVE 1:  
PROGRAMS  
AND FUNDING**

To implement the Hurricane Floyd Recovery Act of 1999, the State set up or modified 32 assistance programs sponsored through 10 different State agencies or departments. The Governor set up the North Carolina Redevelopment Center to coordinate the assistance efforts at the State level. The majority of the programs were actually implemented by local governmental officials, with reporting responsibilities to the sponsoring State agency or department. Review of the State-level oversight and administrative functions revealed differences in the amount of remaining funds reported by the Redevelopment Center and the individual agencies and departments as of March 31, 2001. The differences were traced to confusion over when to report funds as "obligated," confusion over whether "obligated" funds should be included in the "expended" funds category, and timing differences. Financial records show four of the assistance programs reporting negative balance at March 31st, with commitments for funds exceeding the amount appropriated. We learned that the funding identified for the Flood Mapping program in the Office of State Budget, Planning, and Management is inadequate to complete the program. Lastly, legislation authorizing special appropriations such as this should clearly define whether or not the programs should be loans or grants. In our opinion, the entity charged with oversight responsibility and coordination for future "worst case disasters" should be the State Division of Emergency Management within the Department of Crime Control and Public Safety.

**OBJECTIVE 2:  
STATE-LEVEL  
ADMINISTRATION**

Each of the 10 sponsoring State agencies or departments either set up or modified existing policies and procedures as needed to administer the assistance programs covered by the Hurricane Floyd Recovery Act. We found that the sponsoring agencies and departments have performed only limited direct monitoring of programs due to limited staffing. Generally, internal controls and policies and procedures were adequate to assure compliance with laws and regulations, reporting responsibilities, and minimization of waste at the State level. We did note a few exceptions totaling \$424,916, which included incorrectly computed loan amounts and salaries and expenditures that may have been charged to the incorrect Hurricane Floyd assistance program. Additionally, the Redevelopment Center, charged with overall coordination of the assistance programs, did not set up formal reporting requirements for the sponsoring agencies. This has resulted in confusion over how and when to report critical funding data. The detailed records for the actual implementation of these programs are at the local level. Due to time limitations, we are unable to determine the effectiveness of the implementation phase of the programs.

## EXECUTIVE SUMMARY

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OBJECTIVE 3:  
"CUSTOMER  
SATISFACTION"

There is considerable confusion over exactly what the Hurricane Floyd Recovery Fund was intended to do. Many people affected by the storm, local officials, and citizens in general believe these funds were intended to assist only those persons or businesses that were **flooded** during the storm. Rather, funds were intended to assist anyone adversely affected by the Hurricane who did not qualify for assistance from other sources. Interviews and site visits with victims, as well as interviews with local officials implementing the programs and local Emergency Management officials, revealed many positive aspects of the State's efforts. However, from the standpoint of those most affected by Hurricane Floyd, the biggest improvements needed are better methods of letting victims know what programs are available and getting needed housing assistance quicker. From the standpoint of the local officials charged with implementing the programs, the biggest improvement needed is to have one State level agency sponsoring and responsible for all assistance programs offered. This would provide a central point of contact and eliminate much of the confusion they felt in implementing the Floyd assistance programs. Taking into account these issues, we strongly urge the State to clearly document the steps taken by each of the sponsoring agencies and departments, including the specific policies and procedures used, and keep this information in a central repository for any future needs. In our opinion, the logical place for this repository is the Department of Crime Control and Public Safety, Division of Emergency Management.

FUTURE  
CHANGES

There is a need to clearly document in one place the unique and valuable steps the State took in response to this unprecedented disaster for future use. This document should include data on determining need, involving citizens and agencies sponsoring assistance programs, defining and assigning responsibilities, developing policies and procedures, establishing a single State-level contact point for citizens and local officials, and utilizing persons experienced in providing disaster assistance. This data should be kept in a central repository for future use. Based on our review, we suggest that all efforts for any future "worst case" disasters, from appropriations through program initiation and oversight to completion of programs, be the responsibility of Department of Crime Control and Public Safety, Division of Emergency Management. This division is already set up to handle disaster response and recovery efforts.

# EXECUTIVE SUMMARY

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## AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

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North Carolina General Statutes (GS) 147-64 empowers the State Auditor with authority to conduct performance audits of any State agency or program, as well as local entities receiving State and federal funds. Performance audits are reviews of activities and operations to determine whether resources are being used economically, efficiently, and effectively.

This audit of the **State Hurricane Floyd Reserve Fund** was requested by the leadership of the General Assembly after recommendation for the audit from the Legislative Study Commission on Disaster Response and Recovery<sup>1</sup>. The questions raised by the Commission were:

- Have the several State-funded disaster assistance programs been effectively and efficiently administered within the parameters imposed by the General Assembly to meet bona fide needs arising from Hurricane Floyd?
- Do the administrative systems developed to coordinate, facilitate, and execute the several State-funded disaster assistance programs furnish internal controls sufficient to minimize waste, assure compliance with laws and regulations, and provide accurate reporting?

Based on these questions, we identified the following objectives:

- Identify all program activities authorized and funded through the Hurricane Floyd Reserve Fund.
- Review the administration of the State-funded disaster assistance programs, with specific emphasis on the development of internal controls and policies and procedures to ensure compliance with laws and regulations, reporting ability, and minimization of waste.
- Identify "customer satisfaction" with the implementation of the Hurricane Floyd Recovery Act of 1999.

During the period March through April 2001, we conducted the fieldwork for the audit. The scope of the audit encompassed 32 assistance programs housed in 10 different State agencies or departments, as well as the activities of the North Carolina Redevelopment Center established by former Governor James B. Hunt, Jr.

To achieve the audit objectives, we employed various auditing techniques which adhere to the generally accepted auditing standards as promulgated in *Government Auditing Standards* issued by the Comptroller General of the United States. These techniques included:

- Review of existing General Statutes, federal laws, and North Carolina Administrative Codes;
- Review of internal policies and procedures established for the disaster assistance programs;

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<sup>1</sup> *Interim Report to the 2001 Session of the General Assembly of North Carolina*, Legislative Study Commission on Disaster Response and Recovery, January 31, 2001, page 10.

## AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

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- Review of existing reports and documentation found at the State agencies and departments and data collected and compiled by the North Carolina Redevelopment Center;
- Confirmation of financial information;
- Interviews with key personnel within each State agency or department sponsoring one or more of the State-funded assistance programs, other state agencies, and members of the General Assembly;
- Interviews with program recipients and local government personnel, including local Emergency Management staff; and
- Site visits to a sample of recipients of temporary housing assistance.

This report contains the results of the audit including conclusions and recommendations. Specific recommendations aimed at improving the operations of the programs in terms of economy, efficiency, and effectiveness are reported. Because of the test nature and other inherent limitations of an audit, together with the limitations of any system of internal and management controls, this audit would not necessarily disclose all weaknesses in the systems or lack of compliance. Also, projections of any of the results contained in this report to future periods is subject to the risk that procedures may become inadequate due to changes in conditions and/or personnel, or that the effectiveness of the design and operation of the procedures may deteriorate.

## FINDINGS AND RECOMMENDATIONS

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This section of the report details the individual findings and recommendations for each of the major objectives of the audit. We should note that performance audits, by nature, focus on areas where improvements can be made to increase the effectiveness and efficiency of the operation under audit. This audit, because of the unique nature of the programs under audit, is intended to identify areas where the State could provide assistance services, such as those developed to assist Hurricane Floyd victims, more effectively and efficiently in the future. **Therefore, these findings and recommendations should be viewed not as shortcomings in the programs, but rather as improvements for future programs.**

***Objective 1: To identify all program activities authorized and funded through the Hurricane Floyd Reserve Fund.***

To achieve this objective, we reviewed State legislation establishing the Hurricane Floyd Reserve Fund, as well as other relevant General Statutes and federal regulations. Next we determined what programs were established using these funds, and identified the various agencies and departments that have some responsibility for oversight of the programs. We then obtained financial data for comparison from: (1) the Office of State Budget, Planning and Management, (2) the various agencies and departments sponsoring the programs, and (3) the official reports compiled by the North Carolina Redevelopment Center.

**Conclusions:** In response to an unprecedented natural disaster caused by Hurricanes Dennis and Floyd in the fall of 1999, North Carolina legislators passed the Hurricane Floyd Recovery Act of 1999. This Act identified needs in various categories which were not covered by federal assistance or other insurance and appropriated \$836.6 million in funding to assist individuals, businesses, and communities adversely affected by these storms. The State set up or modified 32 assistance programs sponsored through 10 different State agencies or departments. The Governor set up the North Carolina Redevelopment Center to coordinate the assistance efforts at the State level. The majority of the programs were actually implemented by local governmental officials, with reporting responsibilities to the sponsoring State agency or department. In our opinion, the entity charged with oversight responsibility for future "worst case disasters" disasters should be the State Division of Emergency Management within the Department of Crime Control and Public Safety.

Review of the State-level oversight and administrative functions revealed differences in the amount of remaining funds reported by the Redevelopment Center and the individual agencies and departments as of March 31, 2001. The differences were traced to confusion over when to report funds as "obligated," confusion over whether "obligated" funds should be included in the "expended" funds category, and timing differences. Financial records show four of the assistance programs reporting negative balance at March 31st, with commitments for funds

## FINDINGS AND RECOMMENDATIONS

exceeding the amount appropriated. The funding identified for the Flood Mapping program in the Office of State Budget, Planning, and Management is inadequate to complete the program. Lastly, legislation authorizing special appropriations such as this should clearly define whether or not the programs should be loans or grants.

**Overview:** In 1999, North Carolina suffered one of the worst natural disasters in the State's history when Hurricane Floyd made landfall in mid-September. This was just a few weeks after the State had endured Hurricane Dennis, which had caused flooding in the eastern part of the State. Hurricane Floyd brought 15 inches of additional rain to an area already saturated by Dennis. The flooding associated with these two hurricanes was unprecedented in the history of North Carolina. Damage estimates exceeded \$6 billion. Because of the magnitude of the disaster, it was apparent that the needs of our communities would be much greater than existing federal and State programs could provide.

As part of the State strategy to address the critical needs of the victims of Hurricane Floyd, former Governor James B. Hunt, Jr. called an emergency session of the General Assembly in December 1999. Former Governor Hunt proposed the State Emergency Package shown in Exhibit 1.

Exhibit 1 STATE EMERGENCY PACKAGE AS PROPOSED BY FORMER GOVERNOR JAMES B. HUNT, JR. December 10, 1999			
ITEM			MILLIONS
Federal Match Requirement			\$232.40
Crisis Housing Assistance			350.18
Direct Housing Assistance	\$287.42		
Infrastructure	41.69		
Predevelopment Activities	10.00		
Counselors and Recovery Office	11.07		
Crisis Economic Recovery Assistance			213.40
Small Business Disaster Assistance		\$51.00	
Deferred Payment Loans	42.50		
Interest Buy-down on SBA Loans	8.50		
Agriculture and Fishing Disaster Assistance		161.40	
Agriculture	150.00		
Commercial Fishing	11.40		
General Economic Recovery Assistance		1.00	
Public Health and Environment			27.70
Safe Water		3.00	
Drinking Water Protection	1.00		
Water Quality Monitoring	2.00		
Clean Up		12.00	
Solid Waste Cleanup	4.50		
Hazardous Waste Cleanup	2.50		
Underground Storage Tanks	5.00		
Public Safety		12.70	
Dam Safety	2.50		
Emergency Dredging	10.20		
Local Government Support			6.30
<b>TOTAL STATE EMERGENCY PACKAGE</b>			<b>\$829.98</b>
Source: Hurricane Floyd Relief, State Emergency Funding Package, Recommendations to the General Assembly, The Honorable James B. Hunt, Jr., Governor, December 10, 1999			

## FINDINGS AND RECOMMENDATIONS

The General Assembly responded to the needs by enacting the **Hurricane Floyd Recovery Act of 1999**. (Appendix A, page 45.) As noted in the legislation,

. . . Hurricane Floyd was the worst natural disaster in the State's history. Extensive and prolonged flooding caused by the storm has been devastating to infrastructure and to the civil, social, economic, and environmental well-being of Eastern North Carolina. The entire economic base of Eastern North Carolina was undermined, including the ability of individuals to earn an income to support themselves and their families. A loss of this magnitude affects all of North Carolina. Extraordinary assistance to the affected areas is required if this region and, indeed, the entire State is to recover from the short- and long-term effects of the devastation. . .

This legislation authorized the establishment of new programs, the expansion of existing programs, and the modification of existing programs necessary to provide the needed assistance. As shown in Exhibit 2, the legislation identified specific areas where the Hurricane Floyd Reserve Fund could be used.

<b>Exhibit 2 HURRICANE FLOYD RESERVE FUND: AREAS APPROVED FOR USE</b>	
AREA	TYPE
Required matching funds for federal assistance	None specified
Crisis housing assistance	Grants
Economic recovery assistance	Grants or Loans
Public health, public safety, social services, environmental recovery	None specified
Support to local governments	Grants
Source: North Carolina General Assembly, House Bill 2, 1999	

Table 1 shows the funding source and amount appropriated by the General Assembly.

The actions of former Governor Hunt and the General Assembly allowed various State agencies to provide much needed assistance to persons who had been severely affected by Hurricane Floyd. As shown in Table 3, page 17, the State set up or modified 32 programs offered through 10 different State agencies or departments to provide assistance. Since local government officials were more familiar with the needs of their citizens and since so many people were displaced making them much harder to locate, it was decided to administer the majority of these State-funded programs from the local level. Thus, the State agencies and departments served to funnel the funds to the local officials who actually ran the programs. We have included a brief summary of each of the 32 programs in the "Summary of Assistance Programs" section of the report, beginning on page 35.

<b>Table 1 HURRICANE FLOYD RESERVE FUND: FUNDING SOURCES AND AMOUNTS (in millions)</b>	
SOURCE	AMOUNT
Reversions from State Agencies, Universities & Community Colleges	\$ 226.5
Reserve for State Health Plan Increase	55.0
1999 Repair & Renovations Reserve	60.0
Capital Improvement Reversion	146.6
Contingency & Emergency Reserve	0.9
Legislative Salary Increase Reserve	10.0
Prior Year Storms Reversion	5.0
General Assembly Furniture	6.7
Unreserved Fund Balance	40.0
Budget Stabilization Reserve (Rainy Day Fund)	285.9
<b>TOTAL FUNDS APPROVED</b>	<b>\$ 836.6</b>
Source: North Carolina Redevelopment Center	

To coordinate the assistance efforts at the State level, former Governor Hunt established, and appointed staff to, the North Carolina Redevelopment Center which he located in his office. The main duties of the Center were to coordinate data on unmet disaster needs, assist in formulating rules for the distribution of the funds appropriated by the General Assembly, and

## FINDINGS AND RECOMMENDATIONS

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submit status reports, as requested, to the Governor and the General Assembly. The Center also retained a firm to coordinate efforts in Washington to secure additional federal funding for redevelopment.

### **THE AMOUNT OF "FUNDS REMAINING" DIFFERS BETWEEN THE FIGURES REPORTED BY THE REDEVELOPMENT CENTER AND THE AGENCIES.**

Financial records for the Hurricane Floyd Reserve Fund are maintained by the Office of State Budget, Planning and Management, as well as by the 10 agencies and departments that sponsor the various assistance programs. The North Carolina Redevelopment Center compiled data submitted to State Budget by the agencies and departments on expenditures and obligations. In examining the financial records, we noted differences in the "funds remaining" figures compiled by the Redevelopment Center and the financial data supplied to us by the individual agencies and departments. Further review showed these to be the result of timing differences<sup>2</sup>, confusion over whether "obligated" funds should be included in the "expended" funds category, and confusion over when funds should be reported as obligated. Based on our examination of the data available, financial data maintained by the sponsoring departments and agencies is the most accurate data available. Table 3, page 17, shows the actual funds remaining as of March 31, 2001, to be \$10,144,471. At May 31, 2001, after the latest adjustments, the departments show \$10,424,453 remaining. (See Appendix E, page 65.)

### **RECOMMENDATION**

**The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence how funding data is to be reported for compilation. In our opinion, that entity should be the State Division of Emergency Management located in the Department of Crime Control and Public Safety. (See page 33 for recommendations for the future.)**

### **SEVERAL PROGRAMS SHOW COMMITMENTS EXCEEDING APPROPRIATED AMOUNTS AS OF MARCH 31, 2001.**

Each of the agencies and departments sponsoring assistance programs, in coordination with the Redevelopment Center, established rules for the distribution of the funds appropriated by the General Assembly. Each program, as shown in Table 3, was appropriated an initial amount computed by identifying the gaps left after applying standard federal emergency program funding, federal supplemental funding, and the special federal emergency request submitted by the Governor. As the programs were implemented, sponsoring agencies or departments identified programs that would not need as much funding as originally estimated and others that would need more. In response, the General Assembly approved reallocation of funds at two points: August 2000 and December 2000. At March 31, 2001, the financial records show four programs with a negative fund balance based on the last reallocation

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<sup>2</sup> Timing differences result from month-end transactions which are recorded as expenditures by the department but are not recognized by State Budget until the next month.

## FINDINGS AND RECOMMENDATIONS

figures. That is, these programs, using the rules developed for distribution, have identified needs and committed funds in excess of the appropriated amounts. Plans are to request the General Assembly to approve another reallocation to cover these amounts. (At May 31, 2001, the sponsoring departments report 10 programs that have exceeded the amounts appropriated. See Appendix E, page 65.)

### RECOMMENDATION

**The General Assembly should determine whether to require the sponsoring agency of special assistance programs to request and receive reallocation of funds prior to making commitments.**

### **FUNDING IDENTIFIED FOR THE FLOOD MAPPING PROGRAM IS INADEQUATE TO COMPLETE THE PROJECT.**

In August of 2000, the General Assembly reallocated \$23.2 million of the Hurricane Floyd funds to the Flood Mapping project assigned to the Office of State Budget, Planning and Management. Funds not immediately needed for assistance programs were identified by the sponsoring agencies and departments, as discussed above. These funds were reverted to the full fund and subsequently were reallocated to the Flood Mapping Project.

The project is to be completed in two phases as outlined in Table 2. Current funding consists of Floyd funds and funds from other sources totaling \$32.2 million. Total funds required for the project are \$65.5

Table 2 FLOOD MAPPING PROJECT		
	Phase I	Phase II
Estimated Cost	\$36.5 million	\$29 million
River Basins	Lumber, Tar-Pamlico, White Oak, Neuse, Cape Fear, Pasquotank	Chowan, Roanoke, Yadkin, Catawba, New, Broad, Savannah, French Broad, Little Tennessee, Hiwassee
Other Projects	Information Technology Infrastructure and LIDAR	
Projected Completion Date	September 1, 2002	June 30, 2005
Source: Office of State Budget, Planning and Management		

million, leaving a balance of \$33.3 million needed to complete the project. Continuing operating costs of this program are \$1.1 million annually.

### RECOMMENDATION

**State Budget should identify priority funding for the completion of this project and for maintaining the continuing operations of the program and work with the General Assembly to obtain funding.**

## **FINDINGS AND RECOMMENDATIONS**

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### **THE LEGISLATION DID NOT CLEARLY SPECIFY WHICH PROGRAMS WERE TO BE ESTABLISHED AS GRANTS OR LOANS.**

The Hurricane Floyd Recovery Act of 1999 outlines five general areas for which funding would be appropriated: federal match, crisis housing, economic recovery, public health/safety/social services/environmental, and support for local governments. The legislation specified that programs in the crisis housing and support to local governments categories should be grant programs. Economic recovery programs were specified as either grant or loan programs. However, the legislation did not clearly specify what type of programs should be established for the federal match and public health/safety/social services/environmental categories. For example, the Dam Safety Program established under the public safety category is a grant program, not a loan program.

### **RECOMMENDATION**

**The General Assembly should consider clearly defining in legislation what type assistance programs should be established in future "worst case" disasters.**

## FINDINGS AND RECOMMENDATIONS

**Table 3  
SUMMARY OF HURRICANE FLOYD RECOVERY ACTIVITY  
March 31, 2001**

Item	Description	Hurricane Floyd Reserve Funds			Receiving Department	Redevelopment Center					Department/Agency					DIFFERENCE REDEV. CTR. DEPT./AGENCY G-L
		Dec-99 Appropriation Amount	Aug-00 Revised Appropriation	Dec-00 Revised Appropriation		Amount Expended <sup>1</sup>	Amount Obligated <sup>2</sup>	Amount Pending <sup>2</sup>	Amount Remaining	% Remaining	Amount Expended	Amount Obligated	Amount Pending <sup>3</sup>	Amount Remaining	% Remaining	
		A	B	C		D	E	F	G	H	I	J	K	L	M	
<b>Existing Match Requirements</b>																
1	FEMA Required Match/Unmet Needs	100,405,000	162,241,149	162,241,149	CC & PS	89,971,050	71,721,735	0	548,364	0.34%	89,971,050	72,270,099	0	0	0.00%	548,364
2	Federal Agency Commitments Match	44,600,000	0	0					0							
3	Congressional Omnibus Appropriation Match	87,400,000	0	0					0							
	<b>Total Existing Match Requirements</b>	<b>232,405,000</b>	<b>162,241,149</b>	<b>162,241,149</b>					<b>548,364</b>	<b>0.34%</b>				<b>0</b>	<b>0.00%</b>	
<b>Direct Housing and Rental Assistance</b>																
4	State Acquisition and Relocation Fund	139,330,000	119,746,337	119,746,337	Commerce	9,678,415	91,397,448	13,414,554	5,255,920	4.39%	9,678,415	91,397,448	13,414,554	5,255,920	4.39%	0
5	Grants to SBA Housing Loan Applicants	61,880,000	39,000,000	41,250,000	Commerce	43,583,973	0	0	-2,333,973	-5.66%	43,583,973	0	0	-2,333,973	-5.66%	0
6	R & R Grants - Low Income Families	59,920,000	235,990,500	230,740,500	Commerce	11,041,651	116,957,259	97,944,378	4,797,212	2.08%	11,041,651	116,957,259	97,944,378	4,797,212	2.08%	0
7	Relocation Assistance to Renters(CC&PS) 11/30/00)	16,280,000	10,500,000	17,500,000	Commerce-Transferred to EM	0	17,491,540	2,896,960	-2,888,500	-16.51%	0	17,491,540	2,896,960	-2,888,500	-16.51%	0
8	Affordable Rental Housing Assistance (LOAN)	10,000,000	20,000,000	20,000,000	Commerce/Housing Fin. Ag.	0	19,299,045	0	700,955	3.50%	0	19,413,249	586,751	0	0.00%	700,955
	<b>Total Direct Housing and Rental Assistance</b>	<b>287,410,000</b>	<b>425,236,837</b>	<b>429,236,837</b>					<b>5,531,614</b>	<b>1.29%</b>				<b>4,830,659</b>	<b>1.80%</b>	
<b>Infrastructure</b>																
9	Infrastructure Grants to Local Government	41,690,000	35,000,000	35,000,000	Commerce	1,537,822	10,121,300	23,340,878	0	0.00%	1,537,822	10,776,159	22,686,019	0	0.00%	0
	<b>Total Infrastructure Grants to Local Govt.</b>	<b>41,690,000</b>	<b>35,000,000</b>	<b>35,000,000</b>					<b>0</b>	<b>0.00%</b>				<b>0</b>	<b>0.00%</b>	
<b>Predevelopment Activities</b>																
10	Housing Inspectors and Rehab.Specialists	2,500,000	2,500,000	4,000,000	Commerce	399,978	2,280,744	0	1,319,278	32.98%	399,978	2,280,744	0	1,319,278	32.98%	0
11	Land Acquisition and Capacity Building	7,500,000	7,500,000	7,500,000	Commerce/NCComm. Dev. Initiative	6,500,000	669,051	0	330,949	4.41%	6,500,000	1,000,000	0	0	0.00%	330,949
	<b>Total Predevelopment Activities</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>11,500,000</b>					<b>1,650,227</b>	<b>14.35%</b>				<b>1,319,278</b>	<b>11.47%</b>	
<b>Counselors and Recovery Office</b>																
12	Housing Counselors	8,500,000	8,500,000	14,500,000	Commerce	5,230,856	5,332,912	0	3,936,232	27.15%	5,228,955	4,081,438	0	5,189,607	35.79%	-1,253,375
13	Housing Recovery Council and Office	2,575,000	2,575,000	3,325,000	Commerce	1,050,427	2,174,573	0	100,000	3.01%	1,050,427	2,174,573	0	100,000	3.01%	0
	<b>Total Counselors and Recovery Office</b>	<b>11,075,000</b>	<b>11,075,000</b>	<b>17,825,000</b>					<b>4,036,232</b>	<b>22.64%</b>				<b>5,289,607</b>	<b>29.68%</b>	
<b>Business Disaster Assistance</b>																
14	Loans to Small and Mid-Sized Businesses(LOAN)	42,500,000	14,400,000	10,685,000	Commerce/Sm Bus. & Tech.Dev. Cen.	9,832,527	110,470	1,000,000	-257,997	-2.41%	9,832,527	2,790,466	0	-1,937,993	-18.14%	1,679,996
15	Interest Buy-Down	8,500,000	21,285,000	15,000,000	Commerce/Sm Bus. & Tech.Dev. Cen.	15,403,508	0	0	-403,508	-2.69%	15,403,508	304,336	0	-707,844	-4.72%	304,336
	<b>Total Business Disaster Assistance</b>	<b>51,000,000</b>	<b>35,685,000</b>	<b>25,685,000</b>					<b>-661,505</b>	<b>-2.58%</b>				<b>-2,645,837</b>	<b>-10.30%</b>	
<b>Agriculture and Fishing Disaster Assistance</b>																
16	Agricultural Structure, Equipment Loss, and Farm Roads	40,000,000	9,645,178	8,500,178	Agriculture	5,567,673	2,732,052	0	200,453	2.36%	8,334,025	0	0	166,153	1.95%	34,300
17	Crop Loss Assistance & Livestock	90,000,000	65,000,000	67,500,000	Agriculture	66,690,830	0	0	809,170	1.20%	66,689,430	0	0	810,570	1.20%	-1,400
18	Emergency Conservation Program Cost -Share	15,000,000	2,000,000	4,000,000	Agriculture	6,743,261	0	0	-2,743,261	-68.58%	3,964,201	19,716	0	16,083	0.40%	0
19	Farmer-Owned Marketing Cooperatives	5,000,000	3,995,076	3,995,076	Agriculture	3,995,076	0	0	0	0.00%	3,995,076	0	0	0	0.00%	0
20	Grants and Loans to Commercial Fishermen	11,400,000	7,670,987	7,670,987	DENR	6,442,604	0	0	1,228,383	16.01%	6,442,604	0	21,000	1,207,383	15.74%	21,000
21	Long-range Agriculture Recovery	0	10,000,000	6,645,000	Agriculture	0	0	6,645,000	0	0.00%	0	0	6,645,000	0	0.00%	0
	<b>Total Agric.and Fishing Disaster Assistance</b>	<b>161,400,000</b>	<b>98,311,241</b>	<b>98,311,241</b>					<b>-505,255</b>	<b>-5.1%</b>				<b>2,200,189</b>	<b>2.24%</b>	
<b>General Economic Recovery Assistance</b>																
22	General Economic Recovery (Marketing Funds)	1,000,000	1,000,000	1,000,000	Commerce	1,006,715	0	0	-6,715	-0.67%	1,000,000	0	0	0	0.00%	-6,715
	<b>Total General Economic Recovery Assistance</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>					<b>-6,715</b>	<b>-0.67%</b>				<b>0</b>	<b>0.00%</b>	

<sup>1</sup>Information obtained by Redevelopment Center from Office of State Budget, Planning, and Management.

<sup>2</sup>Information obtained by Redevelopment Center from Sponsoring Agencies.

<sup>3</sup>The amount pending includes amounts for all applications that were in process.

## FINDINGS AND RECOMMENDATIONS

**Table 3 (continued)**  
**SUMMARY OF HURRICANE FLOYD RECOVERY ACTIVITY**  
**March 31, 2001**

Item	Description	Hurricane Floyd Reserve Funds			Receiving Department	Redevelopment Center					Department/Agency					DIFFERENCE REDEV. CTR. DEPT./AGENCY G-L
		Dec-99 Appropriation Amount	Aug-00 Revised Appropriation	Dec-00 Revised Appropriation		Amount Expended <sup>1</sup>	Amount Obligated <sup>2</sup>	Amount Pending <sup>2</sup>	Amount Remaining	% Remaining	Amount Expended	Amount Obligated	Amount Pending <sup>3</sup>	Amount Remaining	% Remaining	
		A	B	C		D	E	F	C-(D+E+F) G	(G/C)*100 H	I	J	K	C-(I+J+K) L	(L/C)*100 M	
<b>Public Health and Environment</b>																
23a	Drinking Water Protection-DHHS	550,000	480,000	550,000	DHHS	132,207	417,793	0	0	0.00%	132,207	329,867	0	87,926	15.99%	-87,926
23b	Drinking Water Protection-DENR	450,000	520,000	450,000	DHHS -Transferred to DENR	426,467	23,533	0	0	0.00%	426,467	16,450	0	7,083	1.57%	-7,083
24	Water Quality Monitoring	2,000,000	2,000,000	2,000,000	DENR	690,425	1,263,575	0	46,000	2.30%	690,425	1,263,575	0	46,000	2.30%	0
25	Solid Waste Cleanup	4,500,000	4,500,000	2,500,000	DENR	101,421	0	3,598,579	-1,200,000	-48.00%	101,421	3,598,579	0	-1,200,000	-48.00%	0
26	Hazardous Waste Cleanup	2,500,000	2,500,000	2,050,000	DENR	503,515	1,546,485	0	0	0.00%	503,515	1,546,485	0	0	0.00%	0
27	Underground Storage Tanks (UST)	5,000,000	4,000,000	2,000,000	DENR	661,118	1,338,882	0	0	0.00%	661,118	1,338,882	0	0	0.00%	0
28	Dam Safety	2,500,000	1,200,000	1,200,000	DENR	339,194	651,240	0	209,566	17.46%	339,194	651,240	0	209,566	17.46%	0
29	Emergency and Maintenance Dredging	10,200,000	10,200,000	12,400,000	DENR	8,502,000	3,898,000	0	0	0.00%	8,502,000	3,898,000	0	0	0.00%	0
	<b>Total Public Health and Environment</b>	<b>27,700,000</b>	<b>25,400,000</b>	<b>23,150,000</b>					<b>-944,434</b>	<b>-4.07%</b>				<b>-849,425</b>	<b>-3.67%</b>	
<b>Local Government Support</b>																
30	Grants to Local Governments	6,300,000	2,830,773	2,830,773	Revenue	2,830,772	0	0	1	0.00%	2,830,773	0	0	0	0.00%	1
	<b>Total Local Government Support</b>	<b>6,300,000</b>	<b>2,830,773</b>	<b>2,830,773</b>					<b>1</b>	<b>0.00%</b>				<b>0</b>	<b>0.00%</b>	
<b>Human Resources Services</b>																
31	Human Resources Services	6,678,000	6,678,000	6,678,000	DHHS/OSBM	6,678,000	0	0	0	0.00%	6,678,000	0	0	0	0.00%	0
	<b>Total Human Resources Services</b>	<b>6,678,000</b>	<b>6,678,000</b>	<b>6,678,000</b>					<b>0</b>	<b>0.00%</b>				<b>0</b>	<b>0.00%</b>	
32	OSBPM/CC & PS Flood Mapping	0	23,200,000	23,200,000		4,453,314	18,746,686	0	0	0.00%	4,453,314	18,746,686	0	0	0.00%	0
	<b>Grand Total</b>	<b>836,658,000</b>	<b>836,658,000</b>	<b>836,658,000</b>		<b>309,994,799</b>	<b>368,174,323</b>	<b>148,840,349</b>	<b>9,648,529</b>	<b>1.15%</b>	<b>309,972,076</b>	<b>372,346,791</b>	<b>144,194,662</b>	<b>10,144,471</b>	<b>1.21%</b>	<b>-372,346,791</b>

Source: Sponsoring Agencies

<sup>1</sup>Information obtained by Redevelopment Center from Office of State Budget, Planning, and Management.

<sup>2</sup>Information obtained by Redevelopment Center from Sponsoring Agencies.

<sup>3</sup>The amount pending includes amounts for all applications that were in process.

## FINDINGS AND RECOMMENDATIONS

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**Objective 2:** *To review the administration of the State-funded disaster assistance programs, with specific emphasis on the development of internal controls and policies and procedures to ensure compliance with laws and regulations, reporting ability, and minimization of waste.*

To achieve this objective, we reviewed federal and State laws and regulations affecting disaster recovery assistance, with special emphasis on the Hurricane Floyd Recovery Act of 1999. Next we identified and examined the operating and administrative policies and procedures for each of the 32 State-funded programs for Hurricane Floyd relief. We then tested implementation of the policies and procedures and effectiveness of the internal controls for each program through random sampling.

**Conclusions:** Each of the 10 sponsoring State agencies or departments either set up or modified existing policies and procedures as needed to administer the assistance programs covered by the Hurricane Floyd Recovery Act. We found that the sponsoring agencies and departments have performed only limited direct monitoring of programs due to limited staffing. Generally, internal controls and policies and procedures were adequate to assure compliance with laws and regulations, reporting responsibilities, and minimization of waste at the State level. We did note a few exceptions, which included expenditures that may have been incorrectly charged to Hurricane Floyd Assistance programs. Additionally, the Redevelopment Center, charged with overall coordination of the assistance programs, did not set up formal reporting requirements for the sponsoring agencies. This has resulted in confusion over how and when to report critical funding data. The detailed records for the actual implementation of these programs are at the local level. Therefore, due to time limitations, we are unable to determine the effectiveness of the implementation phase of the programs.

**Overview:** The Hurricane Floyd Recovery Act authorized the establishment of new programs, the expansion of existing programs, and the modification of existing programs necessary to implement the Act. Additionally, the Act granted authority to sponsoring agencies and departments to adopt temporary rules necessary to implement provisions of the Act. Each agency adopting temporary rules was to report the rule and the need for it to the Joint Legislative Administrative Procedure Oversight Committee. The rules were formulated by the agencies and departments with assistance from the staff of the North Carolina Redevelopment Center. The majority of the programs have used temporary and time-limited employees to handle the daily activities of oversight at the State level. The following sections detail the issues noted in the areas of internal controls, policies and procedures, and reporting. Exhibit 3, page 20 shows the process for housing assistance.



## FINDINGS AND RECOMMENDATIONS

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### □ Internal Controls

#### **SPONSORING STATE AGENCIES HAVE PERFORMED ONLY LIMITED DIRECT MONITORING OF PROGRAMS.**

State Hurricane Floyd assistance funds flowed through a sponsoring State agency or department, which was responsible for reporting and general oversight. The various assistance programs were actually implemented, for the most part, by local officials. Each of the programs required local officials to forward aggregate program data to the State agency sponsoring the program. Due to limited personnel, the various State agencies have done little direct monitoring of local implementation. In some of the programs, such as the housing assistance programs, there was considerable discussion with local officials on how to set up controls as the programs were implemented. In other programs, such as the crop loss program, the State elected to “piggy back” on the programs and controls already put in place at the local level by the United States Department of Agriculture. Given this operational structure, detailed records are located at the point of implementation, therefore; most of the records are at the local level. We are unable to determine the effectiveness of the internal controls for the implementation phase of the programs since time limitations did not allow us to audit that level.

We did, however, follow up on six cases that were brought to our attention as having potential ineligible recipients in housing related programs. In four of the cases, we found that the internal controls had been effective and that the procedures established had been followed at both the State and local levels. In two cases State purchasing procedures had not been consistently applied. Additionally, we tested the internal controls for each program at the State level and found only insignificant accounting problems. All of these issues have been discussed with the applicable agency.

#### **RECOMMENDATION**

**The sponsoring agency should take an active role in monitoring and reviewing implementation of programs at the local level. While these programs would be included in the annual audit required for each governmental unit, the General Assembly should consider whether to require a separate review of the local internal controls for each of the 32 assistance programs. Additionally, the sponsoring agency should require any entity receiving special assistance funds to perform a grant close-out at the conclusion of the program.**

#### **THE LOANS TO SMALL AND MID-SIZE BUSINESSES PROGRAM WAS ADMINISTERED INCONSISTENTLY.**

The Department of Commerce contracted with the Small Business and Technology Development Center to administer the Loans to Small and Mid-Size Businesses program. This program was to preserve jobs by helping businesses that could not qualify for a loan from the Small Business Administration, or that received a smaller loan than needed.

## FINDINGS AND RECOMMENDATIONS

Applicants applied for a loan at the Center’s regional offices, with loans reviewed and approved at the State level. A business, if denied a loan, could appeal to Commerce.

The guidelines for administering the program, developed by Commerce, state loan amounts will be based on job preservation. Therefore, loan amounts are based on the number of employees at a business. A review of 100 loan files revealed 8% of the applicants received loans greater than the guidelines allowed based on the number of employees. Table 4 shows the results of our sample. Errors were due to miscalculations which review procedures did not catch and exceptions granted to the guidelines by Department of Commerce personnel.

<b>Table 4 LOANS FOR SMALL AND MID-SIZE BUSINESSES FILE REVIEW</b>				
# of Employees	Loan Amount	Guideline Amount	Difference	Reason for Difference
7	\$180,000	\$59,000	\$121,000	Process Circumvented
25	226,000	130,000	\$96,000	Math error
1	35,000	25,000	\$10,000	Based on needs
32	208,000	151,000	\$57,000	Math error
6	74,000	54,000	\$20,000	Math error
14	93,000	90,000	\$3,000	Math error
17	130,000	102,000	\$28,000	Math error
18	130,000	106,000	\$24,000	Math error
<b>Total</b>			<b>\$359,000</b>	
Source: Small Business and Technology Development Center				

The guidelines were modified approximately two months after the program started. Modifications included increasing loan amounts per number of employees and allowing exceptions to use actual physical damage or economic loss instead of the job preservation to determine the loan. The guidelines were formally modified to reflect the increase in loan amounts per employee. However, the guidelines were not formally changed to include exceptions from following the job preservation requirement for determining loan amounts.

### RECOMMENDATION

**Program guidelines should be modified timely and followed to ensure consistency throughout the program. Also, controls should be in place to ensure loan amounts are calculated accurately. The sponsoring agency should not circumvent the loan process since this can create inconsistencies when administering the program.**

<p><b>□ Policies and Procedures</b></p>
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### IN GENERAL, SPONSORING STATE AGENCIES DEVELOPED AND IMPLEMENTED ADEQUATE POLICIES AND PROCEDURES.

Sponsoring agencies had to develop, modify, or adopt existing policies and procedures for each of the 32 assistance programs funded by the Hurricane Floyd Reserve Fund. Each sponsoring agency maintained its own policies and procedures, but they were not compiled by the Redevelopment Center. We reviewed the policies and procedures established at each agency for these programs. Overall we found that the policies and procedures for each program were adequate to assure compliance with laws and regulations, reporting, and

## FINDINGS AND RECOMMENDATIONS

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minimization of waste. We did note a few issues and some inconsistencies that should be resolved, as listed below.

- *Informal policy on use of Floyd Reserve Fund for operational costs--*  
Commerce, State Budget, and DENR used Floyd Reserve funds for operational costs, while Agriculture and Revenue absorbed these costs. We were unable to determine the total operational costs absorbed by these agencies since they did not keep records on this.
- *No formal agreement for use of staff--*  
State Budget used DOT employees to assist on the Flood Mapping Project, but did not complete the State-required documentation for loaning employees between agencies.
- *No policy addressing in which account repayments of loans would be deposited--*  
We noted in at least two of the programs that the policies and procedures did not specify where repayments would be deposited.
- *No policy addressing supplemental applications—*  
In the Structures, Equipment and Road Loss Assistance Program, there was no policy for handling supplemental applications.
- *Lack of written agreements--*  
Sponsoring agencies did not always prepare written documentation for agreements with local entities.
- *Non-compliance with State purchasing guidelines--*  
The Housing Recovery Office and Housing Counselor Program did not comply with State purchasing guidelines in at least three instances.

### RECOMMENDATION

**Sponsoring agencies should review and modify the policies and procedures established for use of the Hurricane Floyd Reserve Fund to assure proper handling of the monies from receipt of initial funding, through distribution and repayment. Additionally, policies and procedures should be reviewed for consistency and compliance with budget, purchasing, and other State policies and procedures. The Redevelopment Center should compile policies and procedures developed by sponsoring agencies and provide them to the designated repository for future reference. (See page 33 for discussion.)**

## FINDINGS AND RECOMMENDATIONS

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### □ **Minimization of Waste**

#### **QUESTIONABLE EXPENDITURES HAVE BEEN CHARGED TO THE HOUSING RECOVERY OFFICE PROGRAM.**

The Housing Recovery Office was established in the Department of Commerce to coordinate the overall **Hurricane Floyd housing recovery effort**. Its major responsibility was to oversee the Housing Counselor program consisting of 26 contracted local Housing Assistance Centers staffed by as many as 100 housing counselors. Documentation shows that the General Assembly approved nine time-limited positions for the Housing Recovery Office. Additionally, four time-limited positions were approved for the Division of Community Assistance, also in the Department of Commerce, to handle the additional workload involved in approving housing applications.

Staff levels remained constant until December 2000 when the position of Assistant Director of the Redevelopment Center was established and charged to the Housing Recovery Office. In February 2001, the position of Housing Recovery Policy Advisor was established and charged to the Housing Recovery Office. We found no documentation showing that the General Assembly approved the addition of these two positions. Our review showed that these positions, while performing Hurricane Floyd Recovery functions, are performing only limited duties specific to the Housing Recovery Office. The total annual cost for salaries and benefits for these two positions is \$185,900.

Other questionable costs charged to the Housing Recovery Office include approximately \$24,000 for purchases of new furniture, including \$15,000 to furnish the Redevelopment Center, which is not part of this program. Posting these expenditures to the program distorts the actual cost of the Housing Recovery Program.

#### **RECOMMENDATION**

**The Department of Commerce should only charge directly related expenses to the Housing Recovery Program. Each sponsoring agency should utilize all cost-saving measures available, such as checking with State Surplus Property for furniture, to more wisely spend special appropriations such as the Hurricane Floyd fund.**

#### **SOME AIR TRAVEL EXPENDITURES CHARGED TO FLOYD DISASTER RECOVERY PROGRAMS ARE QUESTIONABLE.**

We reviewed expenditures and flight logs at the Department of Commerce Executive Aircraft Division to check for proper and efficient use of Hurricane Floyd funds. Department records show 74 flights related to Hurricane Floyd from September 1999 to March 31, 2001. All but two of these were made on State aircraft operated by Commerce's Executive Aircraft Division. The total costs to the State for the 72 flights made on Commerce's aircraft were \$391,640, the majority of which was absorbed by the Aircraft Division. Of this amount, partial costs for 42 flights (\$27,401 or 7.0%) was charged directly to Hurricane Floyd programs. A review of the detailed records identified 28 flights charged to Hurricane Floyd

## FINDINGS AND RECOMMENDATIONS

programs that we question, as summarized in Table 5. In conducting this analysis, we have assumed that the State would have incurred the fixed costs for the aircraft regardless of its use. Therefore, we only question the portion of the costs that were charged to the Floyd programs as follows:

- ❑ 4 flights (5.6%) not related to Hurricane Floyd recovery efforts that were incorrectly charged to the Housing Recovery Office.
- ❑ 6 flights (8.3%) charged to the Housing Recovery Office that were made prior to the creation of that Office. We **do not question** that these flights were made for Hurricane Floyd recovery efforts, and we agree that the critical nature of the situation made use of the aircraft a necessity immediately following the disaster. We are questioning why the flights prior to the initiation of the Housing Recovery Office were charged to that office.
- ❑ 18 flights (25%) to various locations which were within driving distance or which were made after the immediate disaster had passed. While some agencies absorbed these costs, others charged the flights back to Hurricane Floyd programs. We found no indication why flying was necessary as opposed to driving a State vehicle.

	Number of Trips	Aircraft Division Fixed Cost	Costs Charged to Floyd Funds	Other Agency Charge	Total Questioned Air Travel Cost	**Ground Transportation Cost	Possible Savings if Used Ground Instead of Air Travel
Incorrectly charged to Housing Recovery Office	4	N/A	\$ 2,420	N/A	<b>\$ 2,420</b>	N/A	N/A
Flights prior to Creation of Housing Recovery Office	6	N/A	5,245	N/A	<b>5,245</b>	N/A	N/A
Flights 15 month after Hurricane that could have been driven	8	\$28,817	4,240	0	<b>4,240</b>	\$3,164	\$1,076
Flights within 150 miles round trip	10	25,946	1,665	\$2,720	<b>4,385</b>	2,535	1,850
Total	28	\$54,763	\$13,570	\$2,720	<b>\$16,290</b>	\$5,699	\$2,926

\*\*Ground Transportation cost includes \$.23/mile, meals, and hotels when applicable.

Source: Department of Commerce

### RECOMMENDATION

**Management should consider the full cost to the State, and justify use, prior to using State aircraft. Also, costs charged to the Housing Recovery Office Program for travel should be reviewed and charged to the proper agency or program.**

## FINDINGS AND RECOMMENDATIONS

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□ Reporting
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**THE REDEVELOPMENT CENTER DID NOT SET UP FORMAL REPORTING REQUIREMENTS FOR SPONSORING AGENCIES.**

Former Governor Hunt set up the North Carolina Redevelopment Center in the Governor's Office to coordinate the various State-initiated assistance efforts. As part of its responsibilities, the Governor and the General Assembly looked to the Center for status reports. To comply, the Center obtained financial data from State Budget and contacted sponsoring agencies and departments to obtain progress reports. The majority of these reports came back to the Center through either e-mail or verbal communications. Thus, data was reported to the Center in inconsistent formats. The Center accepted the data reported without conducting any verification due to limited staffing and the need for timely reporting to the General Assembly. We should note that the Center staff **did submit** all the requested status reports in a timely manner.

### RECOMMENDATION

**The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence the format for all status reports. This procedure would allow for more accurate compilation of data.**

## FINDINGS AND RECOMMENDATIONS

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**Objective 3:** *To identify "customer satisfaction" with the implementation of the Hurricane Floyd Recovery Act of 1999.*

To achieve this objective we conducted site visits to 24 locations where persons affected by Hurricane Floyd are still living in temporary housing, conducted telephone or in-person interviews with 113 recipients of assistance, met with local Emergency Management personnel representing 10 different offices, and conducted telephone interviews with 43 local government officials responsible for implementing the assistance programs. We then analyzed this information to identify assistance programs that were perceived as having provided the needed assistance or those "needing improvement" in meeting the needs of the recipients. Lastly, using all the information we reviewed, we suggest a blueprint for addressing a statewide "worst case" disaster of this nature in the future.

**Conclusions:** There is considerable confusion over exactly what the Hurricane Floyd Recovery Fund was intended to do. Many people affected by the storm, local officials, and citizens in general believe these funds were intended to assist only those persons or businesses that were flooded during the storm. In fact, funds were intended to assist anyone adversely affected by Floyd who did not qualify for assistance from other sources. Interviews and site visits with victims, as well as interviews with local officials implementing the programs and local Emergency Management officials, revealed many positive aspects of the State's efforts. However, from the standpoint of those most affected by Hurricane Floyd, the biggest improvements needed are better methods of letting victims know what programs are available and getting funds for housing assistance to those in need quicker. From the standpoint of the local officials charged with implementing the programs, the biggest improvement needed is to have one State level agency sponsoring and responsible for all assistance programs offered. This would provide a central point of contact and eliminate much of the confusion they felt in implementing the Floyd assistance programs. Taking into account these issues, we strongly urge the State to clearly document the steps taken by each of the sponsoring agencies and departments, including the specific policies and procedures used, and keep this information in a central repository for any future needs. In our opinion, the logical place for this repository is the Department of Crime Control and Public Safety, Division of Emergency Management.

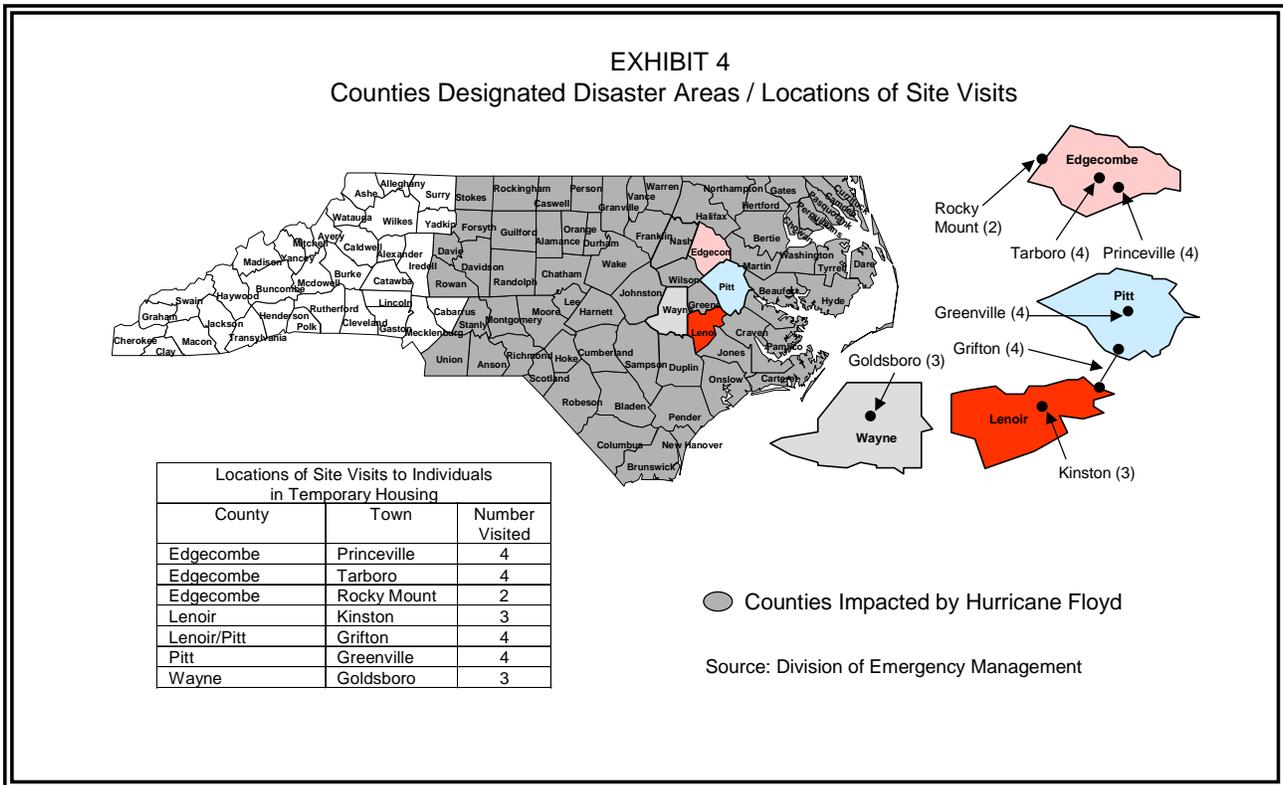
**Overview:** The Legislative Study Commission on Disaster Response and Recovery was charged with, among other duties, studying recovery efforts in response to Hurricane Floyd and strategies for supplementing, improving, and enhancing those efforts. In this vein, the Commission asked the Office of the State Auditor to determine whether the State-funded assistance programs were "effectively and efficiently administered." The ultimate test of effectiveness is whether intended results of a given program have been achieved. In the case of these assistance programs, were eligible persons identified and given assistance in a timely, clear, and straight forward method that took into account cultural and language barriers. To

# FINDINGS AND RECOMMENDATIONS

assess "customer satisfaction," we talked directly with the recipients of the programs and the local officials responsible for the implementation of the programs. The following sections summarize those interviews and "customer" comments received on the various programs.

## □ Recipient Interviews and Site Visits

Exhibit 4 shows the location of the 24 temporary housing sites that were visited within the 66 counties designated as disaster counties. During those visits, we conducted in-person interviews with recipient families who remain in temporary housing. Appendix B, page 57, contains summary data on these visits. We also conducted telephone interviews with 89 recipients of the other State-funded assistance programs. (Appendix C, page 59 summarizes these interviews.) Table 6, page 29, summarizes their comments by program.



# FINDINGS AND RECOMMENDATIONS

Table 6 SUMMARY OF COMMENTS: RECIPIENT TELEPHONE INTERVIEWS	
<i>Note: While auditor's questions were about "customer satisfaction: with state-funded Floyd assistance programs, some recipients may not have distinguished the difference between those programs and federal Floyd assistance programs.</i>	
PROGRAM	COMMENTS
Emergency Conservation	<ul style="list-style-type: none"> <li>• Pleased with program</li> <li>• Treated fine</li> </ul>
Crop Loss Assistance and Livestock	<ul style="list-style-type: none"> <li>• The State did a good job</li> <li>• Glad it was available</li> </ul>
Structure, Equipment and Roads	<ul style="list-style-type: none"> <li>• Some people missed out on available assistance because there was no central place to apply to all programs</li> <li>• The State did a good job</li> </ul>
Small and Mid-Size Business Loans	<ul style="list-style-type: none"> <li>• Program was excellent</li> <li>• Process needed to be quicker and provide more money</li> <li>• Took too long to find out if application was approved</li> </ul>
Interest Rebate	<ul style="list-style-type: none"> <li>• There was a lot of work involved in loan process for the amount of money received</li> <li>• Did not receive full amount requested</li> <li>• Process was difficult and demanding</li> <li>• The money was very helpful and the process was excellent</li> </ul>
Local Government Support	<ul style="list-style-type: none"> <li>• It was not a simple process and it was time consuming</li> <li>• Program went smoothly, no problems</li> <li>• After program was closed, county discovered additional eligible property</li> </ul>
Emergency and Maintenance Dredging	<ul style="list-style-type: none"> <li>• Speed up process for getting money to applicants</li> <li>• State agency administering funds were good to work with</li> <li>• Program was timely and smooth running</li> </ul>
State Acquisition and Relocation Fund	<ul style="list-style-type: none"> <li>• Program staff made sure those who needed the help got help</li> <li>• Program was very poorly managed</li> <li>• Slow in receiving funds</li> </ul>
Repair and Replacement	<ul style="list-style-type: none"> <li>• Work was not completed</li> <li>• Did not understand what was available</li> <li>• Program did what it was intended to do</li> </ul>
Solid Waste	<ul style="list-style-type: none"> <li>• State did not do as much as FEMA did</li> <li>• Individuals administering program were not fully educated about the program</li> </ul>
Relocation Assistance to Renters	<ul style="list-style-type: none"> <li>• Program was very frustrating, not well publicized</li> <li>• Process took too long; it was very slow</li> </ul>
Individual Family Grants (Federal program)	<ul style="list-style-type: none"> <li>• Program was fair</li> <li>• Don't understand why payment was so small; took so long</li> <li>• Didn't have transportation to apply for more aid</li> </ul>
Cooperatives and Commodities	<ul style="list-style-type: none"> <li>• The process of distributing assistance was very efficient and handled well</li> </ul>
Small Business Administration Grants (Federal and State program)	<ul style="list-style-type: none"> <li>• Everything went well</li> <li>• Did not know where to go or understand what programs were available</li> <li>• Did not understand eligibility requirements</li> </ul>
Public Assistance (Federal program)	<ul style="list-style-type: none"> <li>• Changing grants managers was real problem</li> <li>• Wish assistance could have been faster</li> <li>• Gathering documents was difficult</li> <li>• The people at Emergency Management were great</li> </ul>
Grants/Loans to Commercial Fishermen	<ul style="list-style-type: none"> <li>• Make criteria more relaxed</li> </ul>
Hazard Mitigation (Federal program)	<ul style="list-style-type: none"> <li>• Service was excellent at the State and county level</li> <li>• Standing in line was the biggest problem</li> </ul>
Dam Safety	<ul style="list-style-type: none"> <li>• Dam Safety personnel were very helpful in providing assistance and information during the process</li> </ul>
Source: Compiled by OSA from interviews with recipients.	

## FINDINGS AND RECOMMENDATIONS

Major concerns noted were:

- Lack of communication to victims about the existence of programs.
- There were not enough types of publicity about programs available.
- Caseworkers were not fully aware of all programs available.
- Inability to take advantage of vouchers for clothing and food due to lack of transportation.
- Housing programs were "slow" in getting funds to recipients.
- Majority of residents in temporary housing still do not have estimated time when they will be in permanent housing.
- Temporary Housing Advisors were insensitive and not as helpful as they should have been.
- Few caseworkers trained to assist persons with special needs.

Positive aspects of assistance programs identified included:

- Persons needing assistance were given considerable help in completing the applications.
- The applications were not too difficult to understand.
- Applicants learned of the program from a government official.
- The programs did what they were designed to do.

In Table 7, we have noted those programs receiving overall positive comments and those receiving more comments about needed improvements.

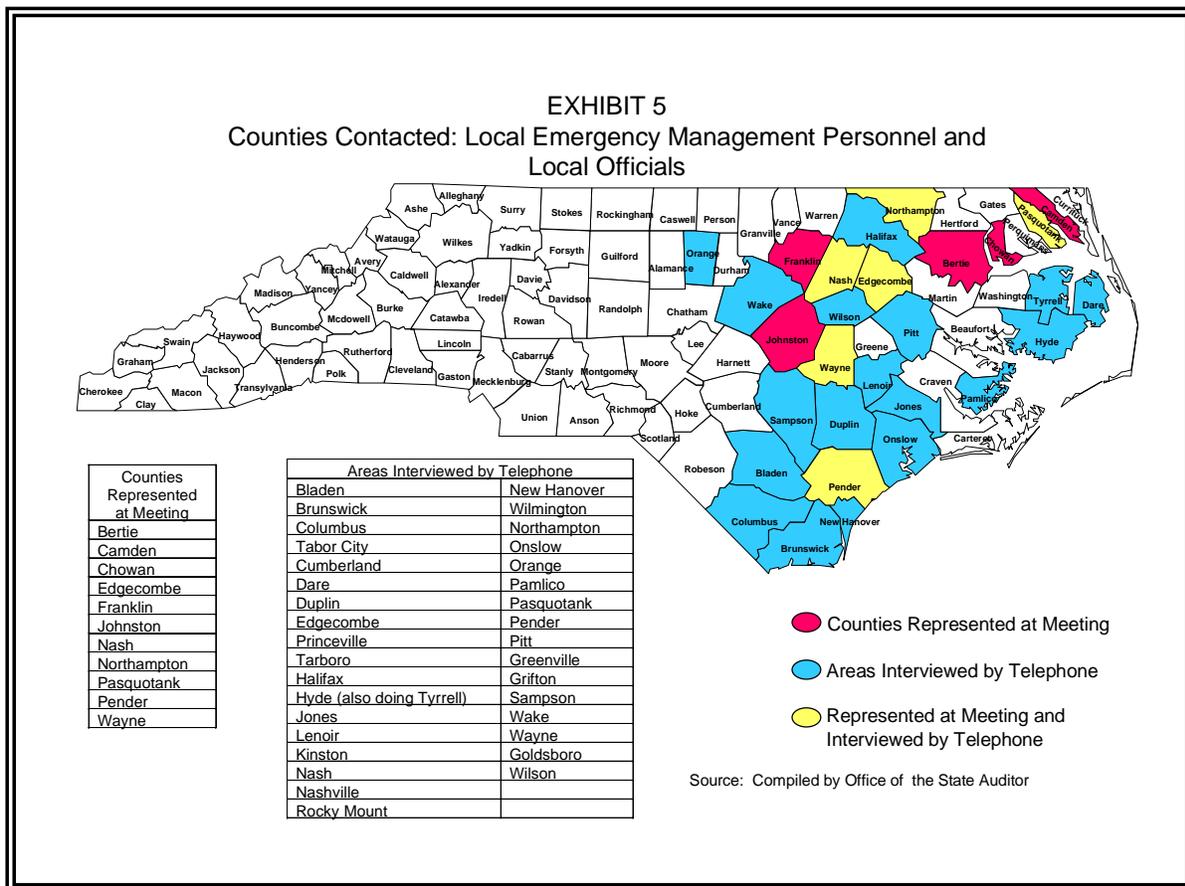
<b>Table 7 CUSTOMER SATISFACTION AS IDENTIFIED BY RECIPIENTS</b>		
<b>POSITIVE COMMENTS</b>	<b>IMPROVEMENTS NEEDED</b>	<b>MAJOR ISSUE</b>
Emergency Conservation	State Acquisition and Relocation Fund	Programs needs to be managed better.
Crop Loss Assistance and Livestock	Relocation Assistance to Renters	Programs needs to better publicized.
Cooperatives and Commodities	Structures Equipment and Roads	Need centralize location for all program applications.
Hazard Mitigation	Small and Mid-Size Business Loans	More timely payment of money.
Dam Safety	Interest Rebate	More straightforward process is needed.
	Local Government Support	Process time consuming and difficult.
	Emergency and Maintenance Dredging	Shortened application process time.
	Repair and Replacement	Better communication about programs.
	Solid Waste	Better trained program administrators.
	Grants/Loans to Commercial Fishermen	Had to apply more than once for grant.
	Individual Family Grants	Process time needs shortening.
	Small Business Administration Grants	Better explanation of eligibility needed.
	Public Assistance	Stability in grants manager positions.

Source: Compiled by OSA from Interviews with Recipients

# FINDINGS AND RECOMMENDATIONS

## □ Interviews with Local Officials and Emergency Management Personnel

Auditors met with personnel from 10 local emergency management offices located in the eastern part of the State. The majority of these people **were not the primary contact** for the assistance programs funded by the Hurricane Floyd Reserve Fund. They were, however, familiar with the programs and how they were administered by their local officials. We also conducted telephone interviews with 43 local government officials who **are** the primary contacts for the various State-funded assistance programs. (Appendix D, page 61, summarizes these interviews.) Exhibit 5 shows the counties represented at the meeting and those with whom we conducted telephone interviews with the local officials responsible for program implementation.



Major comments relative to the State assistance programs were:

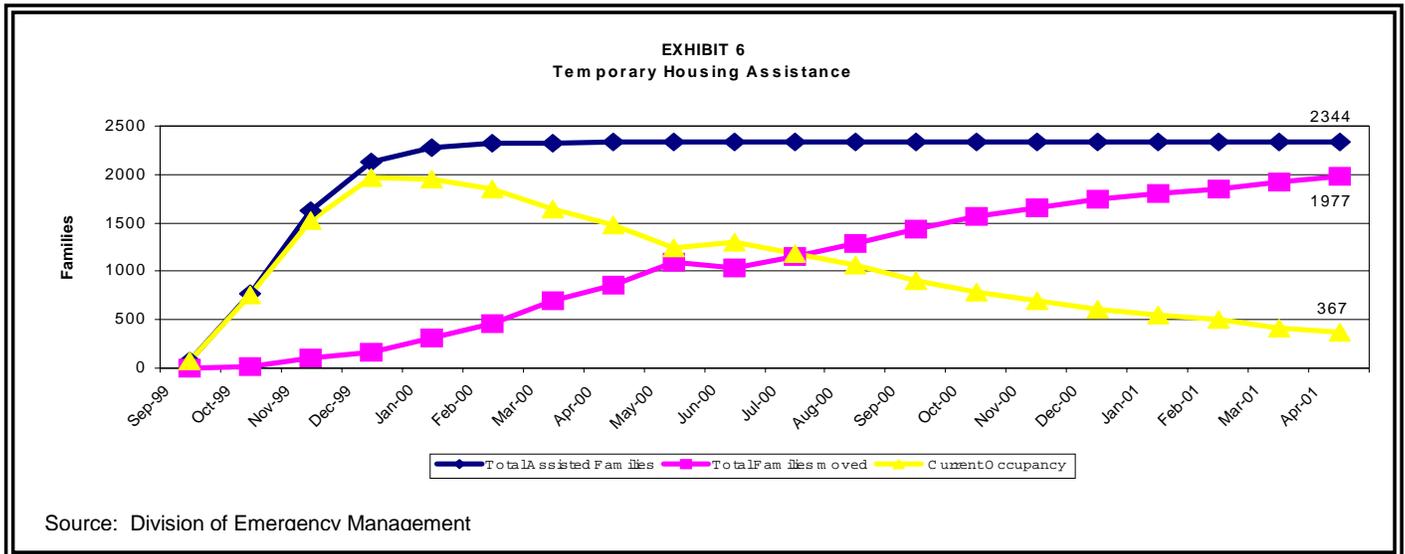
- Programs would be more effectively managed if there were one sponsoring State level agency for all programs.
- There needs to be a central point of contact for all programs at both the State and local levels.

## FINDINGS AND RECOMMENDATIONS

- Temporary housing continues to be a necessity due to the time it is taking to build and/or repair damaged homes.
- Local officials are doing everything they can to let victims know about the State-funded programs.
- There is some confusion as to what the State assistance programs cover--only flooding damage or any damage or loss as a result of Hurricane Floyd.
- Local officials need more information earlier in the assistance cycle.
- Policy and procedural changes should be kept to a minimum after the programs are initiated, as well as fully documented.
- Landlords who had less than four renters were not covered by any of the programs.
- There were so many programs it was hard to tell who was eligible for what.
- The State should be applauded for providing matching funds because the affected counties did not have the money for the federal match for many of the programs.

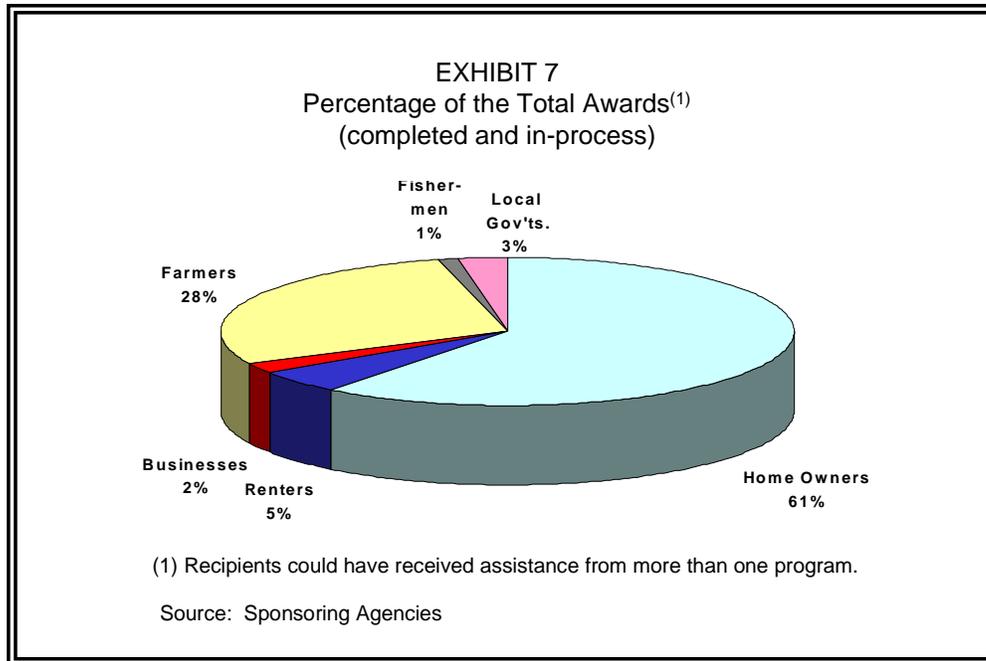
### □ Summary of Efforts

The 32 assistance programs sponsored by 10 different State agencies and departments succeeded in providing help to thousands of our citizens who were adversely affected by Hurricane Floyd. Much of the State's efforts went to help persons with housing needs. There remains, however, a continuing need in this area. Exhibit 6 shows graphically the number of families who applied for and received temporary housing assistance.



## FINDINGS AND RECOMMENDATIONS

Exhibit 7, shows the percentage of awards processed by the various assistance programs. In addition to direct housing assistance, the State provided funds to assist in the building of new homes in eastern North Carolina and engaged housing counselors to aid affected persons. Exhibit 7 also shows the number of local governments, businesses, farmers, and fishermen who were provided assistance. Lastly, the Hurricane Floyd Reserve Fund was used to provide various public health and environmental assistance needed as a result of the Hurricane. We have included a brief summary of efforts for each category of assistance beginning on page 35.



### ❑ RECOMMENDATIONS FOR THE FUTURE

We believe that there is a need to clearly document in one place the unique and valuable steps the State took in response to this unprecedented disaster for future use. This document should include data on:

- ❑ How to determine needs, funding sources, and potential programs.
- ❑ How to assure more involvement by people administering the program in deciding needs.
- ❑ How to assure more citizen involvement in planning and assessing needs.
- ❑ How to determine which group to assign overall responsibility, and how to organize and structure it.
- ❑ Clearly defined responsibilities, reporting structure, and reporting requirements.
- ❑ A description of programs needed and how to develop policies and procedures.
- ❑ Steps for setting up toll-free telephone (800) lines so that citizens would have one place to call for any questions.

## FINDINGS AND RECOMMENDATIONS

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- Ways to enlist experienced people who can immediately and sympathetically respond to the needs of the affected population.

Once this data is gathered, it should be kept in a central repository for future use. We believe this repository should be the Department of Crime Control and Public Safety, Division of Emergency Management.

Former Governor Hunt and the staff of the Redevelopment Center have already begun this process by putting together *Ten Months and Counting: An Interim Final Report on the Response to Hurricane Floyd*, which contains considerable detail about the process used to identify the need and set up the initial programs. Governor Mike Easley has also taken steps to consolidate efforts by moving the Redevelopment Center and all remaining housing programs to the Department of Crime Control and Public Safety.

Based on our review we suggest that all efforts for any future "worst case" disasters, from appropriations for special assistance funds through program initiation and oversight to completion of programs, be the responsibility of Department of Crime Control and Public Safety, Division of Emergency Management. This division is already set up to handle disaster response and recovery efforts.

## SUMMARY OF ASSISTANCE PROGRAMS

During a special session of the General Assembly held in December 1999, House Bill 2, the Hurricane Floyd Recovery Act of 1999, was passed to provide the Governor and the Executive Agencies of the State with the tools necessary to implement State-funded assistance programs for the victims of Hurricane Floyd. Appendix A, page 45, contains the full text of House Bill 2. This legislation established the Hurricane Floyd Reserve Fund and authorized the establishment of new programs, the expansion of existing programs, and the modification of existing programs to implement the provisions of the Act. The following pages contain brief summaries of the 32 programs that resulted from this legislation.

<b>□ Direct Housing and Rental Assistance</b>						
<b>Original Appropriation</b>		<b>Revised Appropriation</b>		<b>Total # Assisted</b>	<b>Homeowners</b>	<b>Renters</b>
\$287.41 million		\$429.24 million			13,947	2,656
Purpose:		To provide aid to homeowners and renters with uninsured damage from Hurricane Floyd.				

1. Assistance to Homeowners:

◇ *State Acquisition and Relocation Fund*

<b>Original Appropriation</b>		<b>Revised Appropriation</b>		<b># Homeowners Assisted</b>	
\$139.33 million		\$119.75 million		3,008 includes pending awards	
Administering Agency:		Department of Commerce		Division of Community Assistance	

*This fund was established to allow homeowners who were eligible for the federal Hazard Mitigation Grant Program buyout at the pre-flood fair market value to obtain a State supplement to allow them to purchase a comparable replacement home outside the 100-year floodplain. The average supplement was projected to be \$25,000. To be eligible for this supplement, the homeowner must relocate in the same general geographic area and is required to occupy the replacement home for at least five years to avoid repayment.*

◇ *Grants to SBA Housing Loan Applicants*

<b>Original Appropriation</b>		<b>Revised Appropriation</b>		<b># Homeowners Assisted</b>	
\$61.88 million		\$41.25 million		6,142	
Administering Agency:		Department of Commerce		County Departments of Social Services	

*This fund was established to lessen the burden associated with the additional debt assumed by applicants of the SBA housing loans. This grant program was set up as a graduated amount based on age, income, and amount of damage. Grants are in the amounts of \$2,500, \$5,000, or \$10,000 as follows:*

<u>Aged 60+</u>		
❖ Damage less than \$25,000		\$ 5,000
❖ Damage over \$25,000		10,000
<u>Under Age 60</u>		
Adjusted Gross Family Income under \$35,000		
❖ Damage less than \$25,000		\$ 5,000
❖ Damage over \$25,000		10,000
Adjusted Gross Family Income between \$35,000 - \$99,999		
❖ Damage less than \$25,000		\$ 2,500
❖ Damage less than \$50,000 but more than \$25,000		5,000
❖ Damage \$50,000 or more		10,000
Adjusted Gross Family Income \$100,000 +		
		- 0 -

## SUMMARY OF ASSISTANCE PROGRAMS

◇ *Replacement and Repair Grants for Low Income Families*

Original Appropriation	Revised Appropriation	# Assisted	Repair	Replacement
\$59.92 million	\$230.74 million		3,028*	1,769*
*includes pending awards				
Administering Agency:	Dept. of Crime Control/Pub. Safety Department of Commerce	Division of Emergency Management Division of Community Assistance		

*This fund was established to provide supplemental assistance to homeowners with damaged homes not subject to buyout, covered by insurance, or eligible for a SBA loan. The supplement is intended to assist in replacement, repair, or rehabilitation of homes. The North Carolina Housing Finance Agency is directed to administer a program of deep-second mortgages with no interest and deferred payments. If the homeowner lives in the **replaced** home for 10 years, the loan will be forgiven and the lien canceled. If the homeowner sells the home before that time, the loan will be repaid either in full (5 years or less) or prorated (between 5 and 10 years). If the home is **repaired**, the family will be required to repay a portion of the loan unless they live there for 5 years.*

2. Assistance to Renters:

◇ *State Acquisition and Relocation Fund*

Original Appropriation	Revised Appropriation	# Renters Assisted
\$16.28 million	\$17.50 million	2,279* includes pending awards
Administering Agency: Transferred to:	Department of Commerce Crime Control and Public Safety	Division of Community Assistance Emergency Management

*This fund was established to provide \$3,000 relocation assistance to renters whose rental units were bought out under the HAZARD MITIGATION GRANT PROGRAM buyout program. To be eligible, the rental unit must be the primary residence of the renter and the family must still be living in the unit or in a temporary living arrangement due to the damage to the rental unit.*

◇ *Affordable Rental Housing Assistance*

Original Appropriation	Revised Appropriation	# Assisted	Rental Units
\$10.00 million	\$20.00 million		377* includes pending awards
Administering Agency:	NC Housing Finance Agency		

*This fund was established to jump-start the production of affordable rental housing in Eastern North Carolina.*

**Infrastructure Grants to Local Governments**

Original Appropriation	Revised Appropriation	# Assisted
\$41.69 million	\$35.00 million	1,270
Administering Agency:	Department of Commerce	Division of Community Assistance
Purpose:	To provide funds for rebuilding neighborhoods in areas where water, sewer, sidewalks, storm drainage and other infrastructure does not exist. Estimated costs are \$10,000 per home built in these unserved areas..	

**Predevelopment Activities**

Original Appropriation	Revised Appropriation	# Assisted
\$10.00 million	\$11.50 million	
Purpose:	To provide aid in the building of between 11,000 and 15,000 new homes in Eastern NC.	

◇ *Housing Inspectors and Rehabilitation Specialists*

Original Appropriation	Revised Appropriation	# Assisted
\$2.50 million	\$4.00 million	
Administering Agency:	Department of Commerce	Division of Community Assistance

*This fund was established to provide funds for local governments to hire or contract for additional housing inspectors and rehabilitation specialists to ensure that new construction is completed to standards. It is anticipated that these would be contracted or time-limited positions. Funding will be allocated to local governments based on the number of damaged homes.*

## SUMMARY OF ASSISTANCE PROGRAMS

◇ *Land Acquisition and Capacity Building*

Original Appropriation	Revised Appropriation	# Assisted
\$7.50 million	\$7.50 million	<b>842 single family dwellings</b>
Administering Agency:	Department of Commerce NC Community Development Initiative	Division of Community Assistance

*This fund was established to provide incentives for the participation of all housing provider sectors. \$2.5 million of the fund will be used for grants to non-profit agencies and public housing authorities to increase their ability to undertake the rebuilding effort. Funds can be used to pay for site preparation, engineering studies, etc. The remaining \$5.0 million will be available for local governments, nonprofit agencies, and public authorities to acquire land for new affordable housing development.*

□ **Counselors and Recovery Office**

Original Appropriation	Revised Appropriation	
\$11.07 million	\$17.83 million	
Purpose:	To provide funding for oversight functions for housing needs and direct assistance in identifying and applying for funds and in locating appropriate housing for victims.	

◇ *Housing Counselors*

Original Appropriation	Revised Appropriation	
\$8.50 million	\$14.50 million	
Administering Agency:	Department of Commerce	Division of Community Assistance

*This fund was established to provide funds for staffing the Housing Recovery Assistance Centers established by former Governor Hunt in 26 counties. Housing counselors will help affected families, whether homeowners or renters, sort through the various assistance programs to find one that will provide the needed assistance.*

◇ *Housing Recovery Council and Office*

Original Appropriation	Revised Appropriation	
\$2.57 million	\$3.33 million	
Administering Agency:	Department of Commerce	

*This fund was established to provide funds to establish and staff the oversight Council. The Council's main function is to provide oversight of the housing recovery effort and report on progress to the Governor and the General Assembly. The goal is to have every family back into a permanent home by January 1, 2003. Therefore, the Council and Office will sunset on February 28, 2003.*

□ **Business Disaster Assistance**

Original Appropriation	Revised Appropriation	# Businesses Assisted
\$51.00 million	\$25.69 million	1,691
Purpose:	To provide assistance to small businesses unable to qualify for SBA loans and to supplement those underfunded by the SBA.	

◇ *Loans to Small and Mid-Sized Businesses*

Original Appropriation	Revised Appropriation	# Assisted
\$42.50 million	\$10.69 million	323
Administering Agency:	Department of Commerce	

*This fund was established to provide funds for small and mid-sized business loans, with all principal and interest deferred for a 3-year period. At that point, businesses would have to refinance the loans and repay the State.*

◇ *Interest Buy-Down on SBA Loans*

Original Appropriation	Revised Appropriation	# Assisted
\$8.50 million	\$15.00 million	1,368
Administering Agency:	Department of Commerce	

*This fund was established to provide grant funds for 3 years' interest on SBA loans for qualifying businesses. Businesses would receive a one-time check from participating banks.*

# SUMMARY OF ASSISTANCE PROGRAMS

**□ Agriculture and Fishing Disaster Assistance**

Original Appropriation	Revised Appropriation	# Assisted	Farmers	Fishermen
\$161.40 million	\$98.31 million		23,683	983
Purpose:		To provide assistance to farmers and commercial fishermen for uninsured losses not covered by federal assistance.		

1. Agriculture Disaster Assistance

◇ *Agricultural Structure and Equipment Losses*

Original Appropriation	Revised Appropriation	# Assisted
\$40.0 million	\$8.50 million	2,050
Administering Agency:		Department of Agriculture

*This fund was established to provide grant funds to farmers for partial compensation for lost structures equipment and farm roads, excluding housing. Losses have to be verified by State officials.*

◇ *Crop Loss Assistance and Livestock*

Original Appropriation	Revised Appropriation	# Assisted	Crop Loss	Livestock
\$90.00 million	\$67.50 million		16,282	180
Administering Agency:		Department of Agriculture		

*This fund was established to provide grant funds to farmers for 17% of yield losses. Prices for insured crops are established by the insurance companies; prices for non-insured crops must be established by the Farm Service Agency, USDA.*

◇ *Emergency Conservation Program Cost Share Buy-Down*

Original Appropriation	Revised Appropriation	# Assisted
\$15.00 million	\$4.00 million	5,171
Administering Agency:		Department of Agriculture

*This fund was established to provide grant funds to farmers for their portion of cost share for restoration of farmlands to usable condition and for restoration of best management practices.*

◇ *Farmer-Owned Marketing Cooperatives & Commodities Associations*

Original Appropriation	Revised Appropriation	# Assisted
\$5.00 million	\$3.99 million	11
Administering Agency:		Department of Agriculture

*This fund was established to provide grant to supplement farmer-owner cooperatives for losses due to poor quality crops resulting from Floyd damage. The fund will also provide supplemental payments to growers' associations for uncollected assessments.*

◇ *Hurricane Floyd Agricultural Crisis Fund*

Original Appropriation	Revised Appropriation	# Assisted
\$0.00 million	\$6.15 million	- 0 -
Administering Agency:		NC Rural Economic Development

*This fund was established to provide financial assistance to on going farm operations, damaged by Hurricane Floyd, which currently have outstanding debts totaling at least \$1,000.*

◇ *Farm Financial Counseling & Planning*

Original Appropriation	Revised Appropriation	# Assisted
\$0.00 million	\$0.50 million	- 0 -
Administering Agency:		Department of Agriculture

*This fund was established to assist farm operations with free confidential financial counseling at four levels - from a review of the financial situation to legal consultation and advice.*

2. Commercial Fishing Assistance

◇ *Grants and Loans to Commercial Fishermen*

Original Appropriation	Revised Appropriation	# Assisted
\$11.40 million	\$7.67 million	983
Administering Agency:		Department of Environment and Natural Resources Division of Marine Fisheries

*This fund was established to provide assistance in the form of either grants or loans to commercial fishermen based on non-insured, verifiable loss of income or gear.*

# SUMMARY OF ASSISTANCE PROGRAMS

<input type="checkbox"/> <b>General Economic Recovery Assistance-- Marketing Funds</b>		
<b>Original Appropriation</b>	<b>Revised Appropriation</b>	
\$1.00 million	\$1.00 million	
Administering Agency:		Department of Commerce
Purpose:	To provide marketing funds to combat the negative stories and impressions of the status of Eastern North Carolina after Floyd in terms of economic growth and tourism.	

<input type="checkbox"/> <b>Public Health and Environment</b>		
<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>
\$27.70 million	\$23.15 million	3,715
Purpose :	To provide funding for protection, cleanup, and monitoring functions for public health and environment issues.	

1. Safe Water

◇ *Drinking Water Protection*

<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>	<b>Private Wells</b>	<b>Homes Assessed</b>
\$1.00 million	\$1.00 million		2,813	474
Administering Agency:		Department of Health and Human Services and Department of Environment and Natural Resources		

*This fund was established to provide funding for well assessment and specialized testing beyond the normal volume that can be handled by the State Laboratory for Public Health and to do follow up testing of private wells found to be contaminated following the flood. Funds were also used to combine the well assessment data with other health related environmental data to provide geographic analysis.*

◇ *Water Quality Monitoring*

<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>
\$2.00 million	\$2.00 million	11
Administering Agency:		Department of Environment and Natural Resources

*This fund was established to provide funding for sediment and tissue monitoring, automated fixed nutrient analyzers, automated nutrient/chlorophyll/water quality monitoring using ferries, deployment and analysis of semi-permeable membrane devices, assessing sub-lethal effects of biological and ecological endpoints, measuring impacts on key fish and shellfish, and monitoring groundwater contamination.*

2. Cleanup

◇ *Solid Waste Cleanup*

<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>
\$4.50 million	\$2.50 million	8
Administering Agency:		Department of Environment & Natural Resources   Div. Waste Management

*This fund was established to provide funding to assess and cleanup 8 junkyards located in the 100-year floodplain of the Neuse River Basin. Local governments will be required to enact ordinances prohibiting the location of junkyards in the floodplain before receiving funds.*

◇ *Hazardous Waste Cleanup*

<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>	<b>Superfund Sites</b>	<b>Landfills</b>
\$2.50 million	\$2.05 million		35	277
Administering Agency:		Department of Environment & Natural Resources		

*This fund was established to provide funding to assess and begin remediation of 35 hazardous waste sites and 277 old landfills that were flooded. Funds will also be used to supplement DENR and DHHS State laboratories for increased sampling.*

◇ *Underground Storage Tanks*

<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted Sites</b>
\$5.00 million	\$2.00 million	71
Administering Agency:		Department of Environment & Natural Resources

*This fund was established to provide funding for testing underground storage tanks reported as damaged by Hurricane Floyd.*

# SUMMARY OF ASSISTANCE PROGRAMS

3. Public Safety

◊ *Dam Safety*

Original Appropriation	Revised Appropriation	# Assisted	
\$2.50 million	\$1.20 million	16	
Administering Agency:	Department of Environment & Natural Resources	Div. Land Resources	

*This fund was established to provide funding to repair or remove damaged dams on private property not covered by FEMA funds.*

◊ *Emergency and Maintenance Dredging*

Original Appropriation	Revised Appropriation	# Assisted	
\$10.20 million	\$12.40 million	10	
Administering Agency:	Department of Environment & Natural Resources		

*This fund was established to provide funding to dredge, remove debris and other emergency operations for 12 navigation channels identified by the Corps of Engineers.*

□ **Existing Match Requirements**

Original Appropriation	Revised Appropriation	# Assisted	
\$232.41 million	\$162.24 million		
Purpose:	To provide funding for required State match portion of various federal assistance programs.		

1. Federal Emergency Management Programs

Original Appropriation	Revised Appropriation	# Assisted	
\$100.41 million	\$162.24 million		
Administering Agency:	Department of Crime Control and Public Safety		

◊ *Public Assistance Program - 90% Federal; 10% State*

Original Appropriation	Revised Appropriation	# Assisted	
	\$35.1 million	500 projects	
Administering Agency:	Department of Crime Control and Public Safety		

*This program provides public assistance funding to governmental units, schools systems, private non-profits in a declared disaster area. Applications are made through the State for FEMA funds for eligible projects.*

◊ *Individual Family Assistance Grants - 75% Federal; 25% State*

Original Appropriation	Revised Appropriation	# Assisted	
	\$23.29 million	24,311	
Administering Agency:	Department of Crime Control and Public Safety and Department of Health and Human Services		

*This program provides assistance for "essential needs" (rent, insurance, taxes, repairs, medical and dental losses, and transportation) for personal losses immediately after the disaster. FEMA accepted and approved applications by telephone, with DHHS providing processors. Applicants had to apply first for homeowner's or flood insurance and/or attempt to qualify for SBA loans. Total assistance could not exceed \$13,600.*

◊ *Temporary Housing - 75% Federal; 25% State*

Original Appropriation	Revised Appropriation	# Assisted	Homeowners	Renters
	\$12.0 million	5,717 families	4,004	1,713
Administering Agency:	Department of Crime Control and Public Safety			

*This program provides assistance in the construction of temporary housing commercial sites for hurricane victims. Funds provide for additional costs (inspection fees, engineering and design fees, electrical, plumbing, and grading) during the temporary site construction process of mobile home and travel trailer parks.*

◊ *Temporary Housing - 100% State*

Original Appropriation	Revised Appropriation	# Assisted	
	\$0.00 million		
Administering Agency:	Department of Crime Control and Public Safety		

*This program provides funds to supplement the federal and federal/state temporary housing funds, specifically for playgrounds and mobile home skirting at the temporary housing commercial sites.*

# SUMMARY OF ASSISTANCE PROGRAMS

◇ *Temporary Housing Critical Needs - 100% State*

Original Appropriation	Revised Appropriation	# Assisted
	\$0.00 million	
Administering Agency:	Department of Crime Control and Public Safety	

*This program provides funds to supplement the federal and federal/state temporary housing funds, specifically for assistance to families waiting for the federal buyout or the state repair and replacement funds.*

◇ *Hazard Mitigation Grants - 75% Federal; 25% State*

Original Appropriation	Revised Appropriation	# Assisted - Structures
	\$28.3 million	4,133
Administering Agency:	Department of Crime Control and Public Safety	

*This program provides funds to buy homes or make improvements to homes in the 100-year flood plain to reduce future losses by flooding. To be eligible, the house must have had at least one foot of water in the living area from the disaster.*

◇ *Hazard Mitigation Congressional - 75% Federal; 25% State*

Original Appropriation	Revised Appropriation	# Assisted - Structures
	\$42.72 million	
Administering Agency:	Department of Crime Control and Public Safety	

*This program provides funds to buy homes or make improvements to homes in the 100-year flood plain to reduce future losses by flooding or to take the property out of the hands of the public and use the land for parks, etc. To be eligible, the house must have had at least five feet of water and been damaged by at least 50% of its value. The program also provides for a relocation assistance payment to homeowners and renters who were displaced when the buyout occurred.*

◇ *Hazard Mitigation Unmet Needs - 100% State*

Original Appropriation	Revised Appropriation	# Assisted - Structures
	\$13.83 million	
Administering Agency:	Department of Crime Control and Public Safety	

*This program provides funds to supplement the federal/state matching program.*

◇ *Riverine Debris Removal - 75% Federal; 25% Local (State picked up local portion)*

Original Appropriation	Revised Appropriation	# Assisted Sites
\$- million	\$7.00 million	33 counties
Administering Agency:	County and Municipal Government and USDA	

*This program provides funds to county and municipal governments to relieve hazards created by natural disasters that cause a sudden impairment of a watershed. This federal program is not tied to a federal disaster declaration, but because of the economic impact of Hurricane Floyd, the State Hurricane Floyd Reserve Fund contained provisions to provide the local match portion for counties participating in the watershed protection program as a result of Floyd-related problems.*

2. Congressional Omnibus Appropriation Match

Original Appropriation	Revised Appropriation	# Assisted
\$87.40 million	\$- million	
Administering Agency:	Department of Crime Control and Public Safety	

3. Federal Agency Commitment Matches

Original Appropriation	Revised Appropriation	# Assisted
\$44.60 million	\$- million	
Administering Agency:	Department of Crime Control and Public Safety	

□ **Local Government Support-- Grants to Local Governments**

Original Appropriation	Revised Appropriation	# Assisted
\$6.30 million	\$2.83 million	110
Administering Agency:	Department of Revenue	
Purpose:	To provide supplemental payments to local governmental units whose tax bases has been eroded by Floyd. Funds should be used to support public education and other governmental operations as deemed appropriate by local elected officials.	

## SUMMARY OF ASSISTANCE PROGRAMS

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<input type="checkbox"/> <b>Human Resource Services</b>		
<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>
\$6.68 million	\$6.68 million	
Administering Agency:		Department of Health and Human Services
Purpose:	To serve needs not met by existing state or anticipated federal funds for critical human services needs for Hurricane Floyd victims, and to mitigate the impact of potential budget reductions within the DHHS on direct services to clients statewide	

<input type="checkbox"/> <b>Flood Mapping</b>		
<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b># Assisted</b>
\$0 million	\$23.20 million	
Administering Agency:		State Budget, Planning, and Management
Purpose:	To update and maintain flood plain mapping by improving the accuracy of flood hazard data and minimizing long-term flood losses through better flood plain management.	

## APPENDICES

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### *APPENDICES*

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## APPENDICES

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# APPENDICES

## APPENDIX A

### GENERAL ASSEMBLY OF NORTH CAROLINA EXTRA SESSION 1999

#### SESSION LAW 1999-463 EXTRA SESSION HOUSE BILL 2

AN ACT TO ENACT THE HURRICANE FLOYD RECOVERY ACT OF 1999, MAKING FINDINGS AS TO DAMAGE CAUSED BY HURRICANE FLOYD CONCERNING ESTABLISHMENT OF THE HURRICANE FLOYD RESERVE FUND, MAKING APPROPRIATIONS TO THE HURRICANE FLOYD RESERVE FUND, AUTHORIZING TEMPORARY RULES FOR IMPLEMENTATION OF THIS ACT, AUTHORIZING ESTABLISHMENT OF NEW PROGRAMS, EXPANSION OF EXISTING PROGRAMS, AND MODIFICATION OF EXISTING PROGRAMS TO IMPLEMENT THIS ACT, AUTHORIZING TRANSFER OF FUNDS TO FEDERAL AGENCIES AND LOCAL GOVERNMENTS, AUTHORIZING TIME-LIMITED POSITIONS TO IMPLEMENT THIS ACT, AUTHORIZING ADVISORY COUNCILS TO ADVISE STATE AGENCIES ON RECOVERY EFFORTS, PROVIDING FOR TAX EXEMPTION OF BENEFITS, CONCERNING A STUDY OF DISASTER COUNTIES TIER RANKINGS, CREATING A DISASTER RESPONSE AND RECOVERY COMMISSION, PROVIDING REPORTING REQUIREMENTS, PROVIDING FLEXIBILITY IN THE SCHOOL CALENDAR TO ACCOMMODATE EXTRAORDINARY CIRCUMSTANCES, AND EQUALIZING THE UNEMPLOYMENT INSURANCE WAITING PERIOD FOR ALL UNEMPLOYED FLOOD VICTIMS.

The General Assembly of North Carolina enacts:

#### **PART I. TITLE OF ACT**

Section 1. This act shall be known as "The Hurricane Floyd Recovery Act of 1999."

#### **PART II. LEGISLATIVE FINDINGS**

##### **DAMAGE CAUSED BY HURRICANE FLOYD**

Section 2.(a) The General Assembly finds that Hurricane Floyd was the worst natural disaster in the State's history. Extensive and prolonged flooding caused by the storm has been devastating to infrastructure and to the civil, social, economic, and environmental well-being of Eastern North Carolina. The entire economic base of Eastern North Carolina was undermined, including the ability of individuals to earn an income to support themselves and their families. A loss of this magnitude affects all of North Carolina. Extraordinary assistance to the affected areas is required if this region and, indeed, the entire State is to recover from the short- and long-term effects of the devastation.

Section 2.(b) The General Assembly finds that as a result of Hurricane Floyd:

(1) The President of the United States declared 66 of the State's 100 counties to be a disaster area. Twenty-seven counties and 73 municipalities were severely impacted by the disaster.

(2) Fifty-one people lost their lives.

(3) People lost their loved ones, their homes, their communities, their houses of worship, their life savings, their jobs, their family mementos, their pets, and their ways of life.

(4) Entire towns were flooded to the rooftops as the water levels of rivers and streams throughout Eastern North Carolina crested at flood-stage heights far beyond those ever seen before in this State.

(5) Over 56,000 homes were damaged. Of these, over 7,000 homes were completely destroyed and another 17,000 are uninhabitable. This damage represents an extraordinary economic loss since less than thirteen percent (13%) of homes in the affected counties were covered by flood insurance. Many homeowners and inhabitants did not have flood insurance because they did not know there was a danger of flooding. (Most homes covered by flood insurance were financed mobile homes for which the loan included flood insurance.)

With the destruction of homes, the economic engine that propels communities was lost. On average, seventy-five percent (75%) of an American family's wealth is embodied in the home. That home equity is what the family relies on to finance businesses, job training for breadwinners, the children's education, and other enhancements to the family's overall well-being.

# APPENDICES

## APPENDIX A

Additional State assistance to homeowners is therefore essential to assure that there is safe and adequate housing for the citizens of the affected region and to assure the economic viability of affected communities.

(5a) Affected areas of the State lost rental properties that provided needed housing for those who cannot afford to purchase their own homes. Because of the depressed economy in areas most damaged, sufficient rental housing at affordable prices may not be built to replace the property damaged or destroyed, leaving persons who were forced from their homes unable to obtain adequate rental housing.

(6) Over 12,000 businesses reported physical damage or disaster-related economic losses. Those businesses without the equity to either absorb their losses or qualify for Small Business Administration loans will not reopen and jobs will be permanently lost.

(7) Millions of farm animals were lost, including 2,100,000 poultry, 1,180 cattle, 250 horses, and over 28,000 hogs.

(8) The ability of North Carolina farmers to operate successfully in the coming year was severely compromised. Most farmers were heavily in debt before Hurricane Floyd caused nearly one billion dollars (\$1,000,000,000) of damage to agriculture in the State. Most farmers cannot take on the additional debt necessary to repair farm structures, purchase new equipment, rehabilitate damaged fields, and replace lost livestock. Many farmers may be facing bankruptcy without assistance. Many farmers may be unable to continue farming without assistance. It is therefore necessary to provide State assistance to farmers to preserve the agricultural sector of the economy in Eastern North Carolina and the economic stability of the region.

(9) Commercial fishing losses are estimated at nineteen million dollars (\$19,000,000) and the 8,000 commercial fishers in the State are in danger of losing not only their livelihood, but a way of life their families have known for generations. Without State assistance to commercial fishers, this sector of the economy and the cultural heritage it represents may disappear from North Carolina. It is therefore necessary to provide State assistance to preserve this sector of the economy and this cultural heritage in Eastern North Carolina.

(10) Tourists, industrial location consultants, and business decision makers were left with the impression that all of Eastern North Carolina was and will continue to be totally devastated. Tourists are therefore hesitant to consider visiting Eastern North Carolina, and industries are hesitant to consider locating or expanding in Eastern North Carolina. Without State programs to change the public perception of North Carolina, these negative and inaccurate impressions will threaten the long-term economic stability of the region and of the entire State.

(11) Floodwater was tainted with raw sewage, pesticides, agricultural waste products, petroleum products, and dead farm animals, leaving untold environmental impacts and public health challenges. Flooding heavily damaged State, county, and local infrastructure. Water and sewer treatment plants were shut down and severely damaged due to the flooding, the road system in Eastern North Carolina was shut down and severely damaged due to the flooding, and numerous dams failed or are still in danger of failing. Threats to the public health and safety and severe and continued environmental degradation will continue without additional State programs and assistance to rectify the damage. Over 7,000 public and private wells have been tested for contamination and many must be retested before the water is safe to drink. The rivers, sounds, and offshore waters with low oxygen must be monitored to ensure that our fish and shellfish are safe to eat. Therefore, it is necessary to provide additional programs and resources to respond to the environmental havoc inflicted upon the citizens and communities of Eastern North Carolina by Hurricane Floyd.

(12) Caskets floated out of the saturated ground.

(13) There was erosion in the tax base in counties with persistently high poverty rates. These same counties must now bear the expense of replacing and repairing damaged infrastructure and meeting the additional educational and social services needs of their residents.

Section 2.(c) The General Assembly further finds that the devastation caused by Hurricane Floyd was of unprecedented proportions. Devastation of this magnitude was not planned for and could not have been planned for. Public and private decision making was predicated on the 100-year floodplain; actual flooding was throughout, and even outside of, the 500-year floodplain. No policies, no decision making, and no planning could adequately mitigate damage from or prepare an adequate response to such an extraordinary event. However, learning from this tragic event, the General Assembly finds that long-term planning for future natural disasters is appropriate.

Section 2.(d) The General Assembly further finds that the devastation caused by Hurricane Floyd in Eastern North Carolina continues to affect all aspects of the economy, the environment, public health and

safety, infrastructure, public and private institutions, and the general welfare of the region and, indirectly, of the entire State. Immediate short-term responses and long-term responses are necessary to preserve a way of life in Eastern North Carolina, to preserve the economic condition of the entire State, and to preserve the reputation North Carolina has, nationally and internationally, as a great place to live and a great place to do business.

### **CRITICAL NEEDS NOT MET BY EXISTING STATE AND FEDERAL PROGRAMS AND FUNDS**

Section 2.1.(a) The General Assembly finds that State and federal disaster relief initiatives are not intended to make individuals whole after a loss; they are intended to assist the affected area in recovering from the devastation caused by Hurricane Floyd. A massive recovery program that includes assistance to individuals is essential to the recovery of the affected area due to the severity of the damage, the magnitude of the geographical area it covered, and the duration of the emergency conditions in the area. The cumulative effect of devastating losses of lives, homes, schools, life savings, personal effects, jobs, businesses, and other social and civic institutions, and of concerns, both real and imagined, about public health issues and the environment, has substantially impaired the region's ability to recover.

Traditional support systems for victims of losses such as families, friends, religious organizations, relief organizations, other private entities, and existing public programs are simply inadequate given the magnitude of the problem. Their property was also damaged by the disaster and their resources were further depleted by the overwhelming and unrelenting need for emergency assistance after the storm.

Without significant additional State assistance to the area devastated by Hurricane Floyd, further deterioration of the economy, the environment, public health and safety, and quality of life in the region is likely to occur. Without additional State assistance:

(1) Tens of thousands of people in uninsured, damaged homes will either not qualify for federal housing assistance or not have the resources to take advantage of federal housing assistance.

(2) Local governments already overwhelmed with storm-related expenses may not have the resources to repair damaged infrastructure and provide the new infrastructure necessary for families relocating out of the flood zone.

(3) Thousands of jobs will be permanently lost because an estimated 1,500 small businesses and 25 mid-sized businesses cannot qualify for Small Business Administration loans.

(4) Farmers, most of whom were deeply in debt before being devastated by Hurricane Floyd, will recoup less than forty-three percent (43%) of their crop losses. Unless farmers receive assistance, the number of forced sales and bankruptcies will rise across all of Eastern North Carolina. Many farmers will never farm again.

(5) Commercial fishers will recoup none of their losses.

(6) Resources for drinking water protection, water quality monitoring to ensure the safety of fish and shellfish, solid waste cleanup, hazardous waste cleanup, remediation of high-risk underground storage tanks, and repair of high-hazard dams will be drastically limited.

(7) The tourism industry will continue to suffer throughout the State due to negative publicity about the storm.

Section 2.1.(b) It is the intent of the General Assembly that the benefits of the projects and programs authorized by this act are for the common good and collective recovery of the people of this State following a devastating natural disaster directly affecting a large portion of the State and indirectly affecting the entire State. The entire State faces a major loss if Eastern North Carolina is not offered the assistance provided by this act. The purpose of this act is to provide an ultimate net public benefit to the State through a successful Hurricane Floyd recovery initiative in Eastern North Carolina.

### **COUNCIL OF STATE FINDINGS**

Section 2.2. On December 9, 1999, the Council of State made the following findings in whereas clauses to a resolution:

(1) Eastern North Carolina has a history of communities supported by an economic base of agriculture, small business, tourism, and professional services.

(2) This economy provides the means for people of the region to earn the money needed for housing, transportation, and other basic necessities of life.

(3) The vitality of Eastern North Carolina communities is dependent upon the prosperity of these economies in order to sustain the tax bases for the political subdivisions which provide services to the citizens of the region.

(4) On September 16, 1999, Hurricane Floyd struck Eastern North Carolina with severe rains, resulting in flooding of a catastrophic nature, displacing thousands of residents of Eastern North Carolina, and paralyzing these communities and their economies.

(5) On September 15, 1999, a State of Emergency was declared under G.S. 166A for 26 counties in Eastern North Carolina, with a subsequent declaration of a state of emergency from the President of the United States, allowing North Carolina to receive federal disaster assistance in excess of one billion dollars (\$1,000,000,000).

(6) Subsequent federal actions have allowed North Carolina to receive additional federal disaster assistance, again in excess of one billion dollars (\$1,000,000,000).

(7) There remain urgent unmet needs in the affected communities to help the population of Eastern North Carolina, to revitalize the economic base within the communities within this region, and to assist the communities in stabilizing the services needed by the residents.

(8) In order for economic stability to be recaptured in these North Carolina communities, such aid must take the form of grants and loans to the individuals and small businesses, which are the essence of these communities and, without such assistance, the region might not recover as a vital section of the State.

(9) We find that the contingency and emergency funds are insufficient to meet the needs of the State to address housing, economic, public health, environment, and local government needs caused by the disaster in Eastern North Carolina communities.

### **COUNTIES COVERED BY THIS ACT**

Section 2.3. Sections 2 through 4.2 of this act apply in the North Carolina counties that were declared a major disaster as a result of Hurricane Floyd by the President of the United States under the Stafford Act (P.L. 93-288).

### **PART III. THE HURRICANE FLOYD RESERVE FUND**

#### **ESTABLISHMENT OF THE HURRICANE FLOYD RESERVE FUND**

Section 3. The Governor has established in the Office of State Budget and Management the Hurricane Floyd Reserve Fund. The purpose of this fund is to provide necessary and appropriate relief and assistance from the effects of Hurricane Floyd, consistent with the provisions of this act, in the following areas:

(1) Required match for federal funds for disaster relief.

(2) Housing assistance. The General Assembly finds that affected areas may not have adequate rental property to provide housing to those who have been forced from their rental homes. It is the intent of the General Assembly that housing assistance include providing renters with assistance to purchase affordable housing. The General Assembly therefore encourages the Governor to use funds approved by the Council of State for transfer to the Hurricane Floyd Reserve Fund on December 9, 1999, or appropriated to the Fund in this act, to implement a program that provides assistance to renters in affected areas to purchase affordable housing by providing State resources, including grants and low-interest loans, for that purpose.

(3) Economic recovery assistance, including, but not limited to, assistance to the agriculture and fishing sectors of the economy.

(4) Public health, public safety, social services, and environmental recovery issues.

(5) Support to local governments. These funds shall remain available to implement the provisions of this act until the General Assembly directs the reversion of the unexpended funds. Regardless of the source of the funds, they shall revert to the Savings Reserve Account at that time.

### APPROPRIATIONS TO THE HURRICANE FLOYD RESERVE FUND

Section 3.1.(a) The appropriations and allocations made in this section are for maximum amounts necessary to implement this act. Savings shall be effected where the total amounts appropriated are not required to implement the act.

Section 3.1.(a1) The General Fund availability used in developing this act is as follows:

1999 - 2000

(\$ Millions)

Budget Reform Statement

(01) Ending Unreserved Credit Balance, June 30, 1999

a. Budgeted (S.L. 1999-237) 260.4

b. Actual 296.7

c. Excess 36.3

(02) Net Revenue Gain by Finance Bills in Excess of Authorized Expenditures as Enacted by the 1999 Regular Session of the General Assembly 4.6

(03) Estimated Unappropriated Balance, June 30, 2000 40.9

Section 3.1.(b) There is appropriated from the General Fund the sum of forty million dollars (\$40,000,000) for the 1999- 2000 fiscal year to the Office of State Budget and Management, Hurricane Floyd Reserve Fund, only to support crisis housing assistance to homeowners, renters, and new homeowners, and for any other matters pertaining to relocation.

Section 3.1.(c) Of the funds the General Assembly appropriated for the 1999 - 2000 fiscal year and previous fiscal years: (i) for the operation and maintenance of State departments, institutions, and agencies, and for other purposes, (ii) for repairs, renovations, and other capital projects, and (iii) other nonrecurring appropriations, the Governor, with the concurrence of the Council of State, may reallocate funds during a state of disaster to the Hurricane Floyd Reserve Fund, as provided in G.S. 166A-6(c)(5). In authorizing the reallocation of appropriated funds under this section, it is the intent of the General Assembly that, to the extent possible, funds be reallocated in a manner that minimizes reductions in vital services that would otherwise have been provided with these funds. To this end, the General Assembly urges the Governor, the heads of administrative departments of the State, and the Council of State to work to exhaust all other reasonable options prior to utilizing funds for disaster recovery efforts that have otherwise been appropriated to provide direct help to individuals in need of health or long-term care services.

Section 3.1.(d) There is appropriated from the Savings Reserve Account to the Office of State Budget and Management, Hurricane Floyd Reserve Fund, the sum of two hundred eighty-one million four hundred sixty-five thousand, eight hundred twenty- four dollars (\$281,465,824) for the 1999 - 2000 fiscal year only to support crisis housing assistance to homeowners, renters, and new homeowners, and for any other matters pertaining to relocation. These funds shall remain available to implement the provisions of this act until the General Assembly directs the reversion of the unexpended funds; however, these funds shall remain in the Savings Reserve Account and shall be transferred to the Hurricane Floyd Reserve Fund and expended only after the Director of the Budget certifies that funds from other sources are not adequate to implement the provisions of this act.

Section 3.1.(e) Funds appropriated or reallocated pursuant to this section shall be used only to provide necessary and appropriate relief and assistance from the effects of Hurricane Floyd consistent with the provisions of this act.

Section 3.1.(f) The allocation of funds in the Report of the House Appropriations Committee on Hurricane Floyd Recovery, dated December 15, 1999, are intended as guidance for the Governor. However, notwithstanding Section 4.1 of this act but in accordance with Chapter 166A of the General Statutes, if the Governor determines that allocations should be made to programs other than those set forth in the Committee Report, the Governor shall report to the Joint Legislative Commission on Governmental Operations before implementing any changes in the allocations.

Section 3.1.(g) If up to ten million dollars (\$10,000,000) of funds allocated (other than Direct Housing Assistance) are not needed, the General Assembly directs that it is a top priority to reallocate those funds to provide affordable rental housing assistance.

Section 3.1.(g1) The Director of the Budget shall transfer to the Hurricane Floyd Reserve Fund from the reserve in the budget of the General Assembly the sum of six million six hundred seventy-eight

thousand dollars (\$6,678,000). These funds shall come from funds that would have been used for chamber and Legislative Office Building renovations.

The following item shall be construed as an item in the report cited in subsection (f) of this section:

### **K. Human Resources Services**

30. Human Resources Services FY 1999 - 2000 \$6,678,000 NR Provides funds to serve needs not met by existing state or anticipated federal funds for critical human services needs for Hurricane Floyd victims, and to mitigate the impact of potential budget reductions within the Department of Health and Human Services on direct services to clients statewide including, but not limited to, mental health, substance abuse services, and developmental disabilities programs.

To account for the changes made by this subsection, the total amount of the Hurricane Floyd Reserve as found in the committee report cited in subsection (f) of this section is increased by adding the \$6,678,000 to the bottom line of the Reserve.

Section 3.1.(h) There is appropriated from the Savings Reserve Account to the Office of State Budget and Management, Hurricane Floyd Reserve Fund, the sum of four million five hundred thousand dollars (\$4,500,000) for the 1999 - 2000 fiscal year to be held in reserve to be used for solid waste cleanup.

The following item shall be construed as an item in the report cited in subsection (f) of this section:

### **I. Public Health and Environment**

24. Solid Waste Cleanup FY 1999 - 2000 \$4,500,000 NR Provides funds for management of solid waste generated by natural disasters and to begin the assessment and remediation of high- risk junkyards and other high-risk solid waste sites in the 100- year floodplains of areas affected by Hurricane Floyd.

Section 3.1.(i) The Governor shall, to the extent practicable, ensure that assistance to victims provided from the Hurricane Floyd Reserve Fund is prioritized towards those areas and individuals least able to afford the losses as a result of Hurricane Floyd.

## **PART IV. IMPLEMENTATION OF ACT**

### **TEMPORARY RULES AUTHORIZED; AUTHORIZATION APPLIES TO THE NORTH CAROLINA ENVIRONMENTAL POLICY ACT OF 1971**

Section 4. The General Assembly finds that the magnitude of the devastation caused by Hurricane Floyd and the urgency of the need for immediate State recovery assistance require expeditious actions by State agencies. Delay could: (i) cause serious and unforeseen threats to the public health, safety, or welfare; (ii) result in the loss of federal revenues for the recovery effort; or (iii) increase the likelihood of fraud and abuse in recovery programs. Therefore, every agency, as defined in G.S. 150B-2, may adopt temporary rules necessary to implement the provisions of this act. Except as provided in this section, temporary rules to implement the provisions of this act shall be adopted as provided in G.S. 150B-21.1. Notwithstanding the provisions of G.S. 150B-21.1(a)(2) and 26 NCAC 2C.0102(11), the authority to adopt temporary rules to implement the provisions of this act shall continue in effect until all rules necessary to implement the provisions of this act have become effective as either temporary rules or permanent rules. Notwithstanding the provisions of G.S. 150B-21.1(d), a temporary rule adopted to implement the provisions of this act shall specify the date on which the rule will expire and shall continue in effect until that date. Any agency that adopts a temporary rule to implement the provisions of this act shall report the text of the rule and the agency's written statement of its findings of the need for the rule to the Joint Legislative Administrative Procedure Oversight Committee within 30 days of the adoption of the temporary rule. This section applies to the adoption of temporary rules by the Department of Administration under G.S. 113A-11(a) and to the adoption of temporary rules that establish minimum criteria by any State agency, as defined in G.S. 113A-9, under G.S. 113A-11(b).

### **AUTHORIZATION TO ESTABLISH NEW PROGRAMS, EXPAND EXISTING PROGRAMS, AND MODIFY EXISTING PROGRAMS TO IMPLEMENT THIS ACT**

Section 4.1. The Governor may: (i) establish new programs, expand existing programs, and modify existing programs to provide necessary and appropriate relief and assistance from the effects of Hurricane Floyd and (ii) expend funds from the Hurricane Floyd Reserve Fund to implement these programs. These expenditures and programs shall be used only for:

- (1) Required matching funds for federal funds for disaster relief.

# APPENDICES

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(2) Crisis housing assistance, which may include, but shall not be limited to, direct housing assistance to homeowners and renters, grants to local government for water, sewer, and other infrastructure needs for housing in new areas, predevelopment activities, housing counselors, and housing recovery efforts.

(3) Economic recovery assistance, including, but not limited to, assistance to the agriculture and fishing sectors of the economy, which may include, but shall not be limited to, small business disaster assistance to small and mid-sized businesses, grants to farmers, and grants and loans to commercial fishers.

(4) Public health, public safety, social services, and environmental recovery issues which may include, but shall not be limited to, drinking water protection, water quality monitoring, solid waste and hazardous waste cleanup, assessment and remediation of high-risk underground storage tank sites, dam safety, and emergency and maintenance dredging.

(5) Support to local governments, by grants to local governments to offset revenue losses resulting from storm damage from natural disasters covered by federal disaster declarations as to any storm between September 1, 1999, and the date of enactment of this act. The amount of the grants shall be based on loss of taxable property in the jurisdiction.

### **AUTHORIZATION TO TRANSFER FUNDS TO FEDERAL AGENCIES AND TO LOCAL GOVERNMENTS**

Section 4.2. The Governor may:

(1) Use funds from the Hurricane Floyd Reserve Fund to match federal funds in accordance with Section 4.1(1) of this act.

(2) Provide grants to local governments in accordance with Section 4.1(5) of this act.

(3) Transfer funds to local governments pursuant to cooperative agreements under which they administer programs or provide services on behalf of the State.

(4) Transfer funds to federal agencies pursuant to cooperative agreements under which they administer agriculture programs or provide services on behalf of the State.

### **AUTHORIZATION TO ESTABLISH TIME-LIMITED POSITIONS TO IMPLEMENT THIS ACT**

Section 4.3. The Governor may establish part-time and full-time personnel positions to implement this act. All such positions shall be time-limited and shall be exempt from the State Personnel Act.

### **AUTHORIZATION TO ESTABLISH ADVISORY COUNCILS TO ADVISE STATE AGENCIES ON RECOVERY EFFORTS**

Section 4.4. The Governor shall establish advisory councils to advise relevant State agencies on Hurricane Floyd recovery efforts and to ensure input from representatives of affected communities and groups.

### **TAX EXEMPTION**

Section 4.5. Each agency disbursing funds or property under Section 4.1 of this act from the Hurricane Floyd Reserve Fund for hurricane relief or assistance, other than payments for goods or services provided by the recipient, shall include with the disbursement a written statement of the State and federal income tax treatment of the funds or property disbursed.

Section 4.6.(a) G.S. 105-134.6(b) is amended by adding the following new subdivision to read:

"(16) The amount paid to the taxpayer during the taxable year from the Hurricane Floyd Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer."

Section 4.6.(b) G.S. 105-130.5(b) is amended by adding the following new subdivision to read:

"(19) To the extent included in federal taxable income, the amount paid to the taxpayer during the taxable year from the Hurricane Floyd Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer."

Section 4.6.(c) This section is effective for taxable years beginning on or after January 1, 1999.

### **DISASTER COUNTIES TIER RANKINGS**

Section 4.7.(a) The Revenue Laws Study Committee shall study the potential consequences of lowering the enterprise area tier designations under G.S. 105-129.3 of counties that sustained severe or moderate damage from a hurricane or a hurricane-related disaster in 1999, according to the Federal Emergency Management Agency. The Committee shall consider the estimated fiscal impact of such a proposal, its effect on the competitiveness of other counties, whether the current law formula for tier designation is responsive to hurricane-related changes in individual counties, and other relevant issues.

Section 4.7.(b) The Committee shall report its findings and recommendations on this issue to the 2000 Regular Session of the 1999 General Assembly.

### **INVOLVEMENT OF HISTORICALLY UNDERUTILIZED BUSINESSES**

Section 4.8. On April 20, 1999, the Governor issued Executive Order No. 150, entitled "Support for Historically Underutilized Businesses". It is the intent of the General Assembly that, during this time of rebuilding and Hurricane Floyd relief efforts, each State agency should strive to increase the total amount of goods and services acquired by it from historically underutilized business vendors, whether directly as principal contractors or indirectly as subcontractors or otherwise.

### **LEGISLATIVE REVIEW OF FEDERAL FUNDING AND REMAINING UNMET NEEDS**

Section 4.9. It is the intent of the General Assembly to review in 2000 and 2001 the funds appropriated by Congress and to consider actions needed to address any remaining unmet needs, especially in the area of rental housing production.

### **LIMITATION ON USE OF STATE FUNDS**

Section 4.10.(a) No State funds used to implement this act, including any funds in the Hurricane Floyd Reserve Fund, may be expended for the construction of any new residence within the 100-year floodplain unless the construction is in an area regulated by a unit of local government pursuant to a floodplain management ordinance, and the construction complies with the ordinance. As used in this section, "100-year floodplain" means any area subject to inundation by a 100-year flood, as indicated on the most recent Flood Insurance Rate Map prepared by the Federal Emergency Management Agency under the National Flood Insurance Program.

Section 4.10.(b) The Environmental Review Commission shall study the costs and benefits of updating the Flood Insurance Rate Map for any area of the State for which the map is more than five years old and of updating all maps on an ongoing basis so that the maps of all areas of the State are no more than five years old. The Environmental Review Commission shall report its findings and recommendations to the 2000 Regular Session of the 1999 General Assembly.

Section 4.10.(c) Homeowners in the 100-year floodplain who receive homeowner's housing assistance pursuant to this act shall have in effect federal flood insurance, if available, as a precondition to receipt of State homeowner's housing assistance for losses resulting from future flooding. As used in this section "100-year floodplain" means that area defined in Section 4.10(a) in this act.

## **PART V. CREATION OF DISASTER RESPONSE AND RECOVERY COMMISSION**

Section 5.(a) Commission Established. -- There is established the Legislative Commission to Address Hurricane Floyd Disaster Relief ("Commission").

Section 5.(b) Membership. -- The Commission shall consist of 21 members as follows:

- (1) Seven members appointed by the Governor.
- (2) Seven members appointed by the Speaker of the House of Representatives.
- (3) Seven members appointed by the President Pro Tempore of the Senate.

Appointments to the Commission shall be made not later than January 15, 2000. A vacancy in the Commission or as chair of the Commission resulting from the resignation of a member or otherwise shall be filled in the same manner in which the original appointment was made.

Section 5.(c) Duties of Commission. -- The Commission shall study:

- (1) The adequacy of the State's short-term and long-term response to natural disasters under current law and necessary modifications in the State's response to future natural disasters. In the course of this study, the Commission may consider:

a. The circumstances under which an extraordinary State response to extraordinarily severe and widespread devastation is appropriate and the components of such an extraordinary State response.

b. The need for dedicated sources of funding for disaster recovery.

c. The need to modify State policies and amend State laws to mitigate damages in future disasters and to remove administrative obstacles to the recovery effort.

(2) Short- and long-term recovery efforts for Eastern North Carolina in response to Hurricane Floyd and strategies for supplementing, improving, and enhancing those recovery efforts.

(3) The causes of the flooding and the extent to which each cause contributed to catastrophic flood damage. In particular, the Commission shall evaluate the effectiveness of dams, dikes, and other flood control structures and determine the extent to which releases of water from dams, dikes, other flood control structures, and locks may have affected the degree of flooding.

Section 5.(d) Consultation. -- The Commission may consult with appropriate State departments, agencies, and board representatives on issues related to its duties.

Section 5.(e) Organization. -- Members of the Commission and its subcommittees shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120- 3.1, 138-5, or 138-6, as appropriate.

The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate one member to serve as cochair of the Commission. The cochairs shall call the initial meeting of the Commission on or before February 1, 2000. The Commission shall subsequently meet upon such notice and in such manner as its members determine. A majority of the members of the Commission shall constitute a quorum.

The Commission may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission of the General Assembly, through the Legislative Services Officer, shall assign professional staff to assist the Commission in its work. Upon the direction of the Legislative Services Commission, the Legislative Assistants Directors of the Senate and of the House of Representatives shall assign clerical staff to the Commission. The expenses for clerical employees shall be borne by the Commission.

The Commission may appoint subcommittees of its members and other knowledgeable persons or experts to assist it.

Section 5.(f) Citizen Participation. -- The Commission shall establish a process of citizen participation that assures the citizens of North Carolina of the opportunity to be informed of and contribute to the work of the Commission. It shall hold meetings throughout the State.

Section 5.(g) Cooperation by Government Agencies. -- The Commission may call upon any department, agency, institution, or officer of the State or any political subdivision thereof for facilities, data, or other assistance.

Section 5.(h) Funding. -- The Commission may apply for, receive, and accept grants of non-State funds or other contributions as appropriate to assist in the performance of its duties.

Section 5.(i) Report. -- The Commission shall submit interim reports to the 2000 Regular Session of the 1999 General Assembly and the 2001 General Assembly and shall submit a final report of its findings and recommendations on May 1, 2002, to the General Assembly, the Governor, and the citizens of the State. The Commission shall terminate upon filing its final report.

### **PART VI. REPORTING REQUIREMENTS**

Section 6. The Governor shall report to the Joint Legislative Commission on Governmental Operations on the implementation of this act on a monthly basis during the third quarter of the 1999 - 2000 fiscal year and on a quarterly basis thereafter. The Governor shall report more frequently at the request of the Commission.

The Governor shall report by May 1, 2000, the estimated number of citizens who have experienced a reduction in or elimination of health or long-term care services as a result of funds being reallocated in accordance with Section 3.1 of this act. The Governor shall submit the report to: the Joint Legislative Health Care Oversight Commission, the North Carolina Study Commission on Aging, the Legislative Study Commission on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the chairs of the Senate Appropriations Committee on Health and Human Services and the House Appropriations Subcommittee on Health and Human Services.

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### PART VII. EQUALIZATION OF UNEMPLOYMENT INSURANCE WAITING PERIOD FOR ALL UNEMPLOYED FLOOD VICTIMS

Section 7. G.S. 96-13(c) reads as rewritten: "~~(c) From January 29, 1975, through February 15, 1977, no week of unemployment for waiting period credit shall be required of any claimant.~~ Beginning February 16, 1977, an unemployed individual shall be eligible to receive benefits with respect to any week only if the Commission finds that he has been totally, partially, or part-totally unemployed for a waiting period of one week with respect to each benefit year. No week shall be counted as a week of unemployment for waiting-period credit under this provision unless the claimant except for the provisions of this subdivision was otherwise eligible for benefits. As to claims filed on or after September 5, 1999, the waiting period for a benefit year shall not be required of any claimant if all of the following conditions are met:

(1) The benefits are to be paid for unemployment due directly to a major natural disaster.

(2) The President of the United States has declared the disaster pursuant to the Disaster Relief Act of 1970, 42 U.S.C.A. 4401, et seq.

(3) The benefits are to be paid to claimants who would have been eligible for disaster unemployment assistance if they had not been eligible to receive unemployment insurance benefits with respect to that unemployment.

(4) The claimant files for a waiver of the waiting period week within 30 days after the date of notification or mailing of the notice of the right to have the waiting period week waived. The Employment Security Commission, for good cause shown, may at any time in its discretion, with or without motion or notice, order the period enlarged if the request for an enlargement of time is made before the expiration of the period originally prescribed or as extended by a previous order. After expiration of the specified period, the Employment Security Commission may permit the act to be done where the failure to act was a result of excusable neglect.

The benefits paid as a result of the waiver of the waiting period week shall not be charged to the account or accounts of the base period employer or employers in accordance with G.S. 96- 9(c)(2)d. The Employment Security Commission shall implement regulations prescribing the procedure for the waiver of the waiting period week in accordance with G.S. 96-4(b)."

### PART VIIA. FLEXIBILITY IN THE SCHOOL CALENDAR TO ACCOMMODATE EXTRAORDINARY CIRCUMSTANCES

Section 7A.(a) G.S. 115C-84.2(a)(1) reads as rewritten:

"(a) School Calendar. -- Each local board of education shall adopt a school calendar consisting of 220 days all of which shall fall within the fiscal year. A school calendar shall include the following:

(1) A minimum of either 180 days and or 1,000 hours of instruction covering at least nine calendar months. The local board shall designate when the 180 instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. Local boards may approve school improvement plans that include days with varying amounts of instructional time. If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather."

Section 7A.(b) This section applies only to local school administrative units located in whole or in part in the 66 counties that were declared by the President of the United States to be a disaster area for Hurricane Floyd.

Section 7A.(c) This section becomes effective August 15, 1999, and expires August 15, 2000.

Section 7A.(d) This section may be codified by the Revisor of Statutes as G.S. 115C-84.2(a)(1a).

### **PART VIII. LIMITATIONS AND EFFECTIVE DATE**

Section 8. Funds loaned to small and mid-sized businesses, described in item F. 14 of the Report of the House Appropriations Committees on Hurricane Floyd Recovery cited in Section 3.1(f) of this act, shall be used only for eligible purposes under the Small Business Administration disaster assistance loan program. Payments for economic losses shall be limited to documented business expenses necessary for the continued operation of the business.

Section 9. This act is effective when it becomes law, except that Sections 3.1(c), 4, 4.1, 4.2, and 7 become effective September 1, 1999, and except that Section 4.6 of this act is effective for taxable years beginning on or after January 1, 1999.

In the General Assembly read three times and ratified this the 16th day of December, 1999.

s/ Dennis A. Wicker  
President of the Senate

s/ James B. Black  
Speaker of the House of Representatives

s/ James B. Hunt, Jr.  
Governor

Approved 4:00 p.m. this 16th day of December, 1999

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## APPENDIX B

PERFORMANCE AUDIT FLOYD DISASTER FUNDS TEMPORARY HOUSING RECIPIENT QUESTIONNAIRE							
Date: _____		Time: _____					
Recipient: _____		Phone: _____					
Program: <b>Temporary Housing Summary</b>				Auditor: _____			
<b>NOTE: 24 RECIPIENTS WERE INTERVIEWED FOR THIS SURVEY</b>							
Purpose: To obtain information on effectiveness and efficiency of the programs that distributed							
State funding to disaster victims.							
1.	What were your living arrangements prior to Hurricane Floyd?						<b>24 Responses</b>
	Rental-Public Housing		<b>0</b>	<b>0.00%</b>	Private-Rental Housing	<b>7</b>	<b>29.17%</b>
	Home Owner		<b>15</b>	<b>62.50%</b>	Lived with relatives	<b>2</b>	<b>8.33%</b>
2.	Which of the following programs was your residence subject to?						<b>24 Responses</b>
	Buyout		<b>7</b>	<b>29.17%</b>	Repair	<b>8</b>	<b>33.33%</b>
	Replacement		<b>3</b>	<b>12.50%</b>	Other	<b>6</b>	<b>25.00%</b>
3.	How long after the disaster was it when you received information on the temporary housing program?						<b>24 Responses</b>
	Less than one week		<b>0</b>	<b>0.00%</b>	1 to 2 weeks	<b>6</b>	<b>25.00%</b>
	3 weeks to 2 months		<b>11</b>	<b>45.83%</b>	over 2 months	<b>7</b>	<b>29.17%</b>
	Don't remember		<b>0</b>	<b>0.00%</b>			
4.	How long did it take you to obtain temporary housing?						<b>24 Responses</b>
	Less than one week		<b>0</b>	<b>0.00%</b>	1 to 2 weeks	<b>1</b>	<b>4.17%</b>
	3 weeks to 2 months		<b>10</b>	<b>41.67%</b>	over 2 months	<b>13</b>	<b>54.17%</b>
	Don't remember		<b>0</b>	<b>0.00%</b>			
5.	Where you receiving any state assistance prior to moving to temporary housing?						<b>24 Responses</b>
	Yes, list below		<b>12</b>	<b>50.00%</b>	No	<b>12</b>	<b>50.00%</b>
6.	Where did you live immediately after Floyd, but prior to obtaining temporary housing?						<b>25 Responses</b>
	Motel		<b>4</b>	<b>16.00%</b>	Shelter	<b>1</b>	<b>4.00%</b>
	Family		<b>13</b>	<b>52.00%</b>	Other	<b>7</b>	<b>28.00%</b>
7.	How would you rate the process of obtaining temporary housing?						<b>24 Responses</b>
	Difficult	Somewhat Difficult	Normal		Somewhat Easy	Easy	
	1	2	2		4	5	
	<b>5</b>	<b>5</b>	<b>5</b>		<b>4</b>	<b>5</b>	
	<b>20.83%</b>	<b>20.83%</b>	<b>20.83%</b>		<b>16.67%</b>	<b>20.83%</b>	
8.	How would you rate the assistance you were provided in completing your applications and obtaining other required documentation?						<b>24 Responses</b>
	No Help	Some Help	Adequate		Considerable Help	Excellent	
	1	2	2		4	5	
	<b>0</b>	<b>3</b>	<b>7</b>		<b>7</b>	<b>7</b>	
	<b>0.00%</b>	<b>12.50%</b>	<b>29.17%</b>		<b>29.17%</b>	<b>29.17%</b>	
9.	Are you currently receiving help from the state in obtaining permanent housing?						<b>24 Responses</b>
	Yes		<b>8</b>	<b>33.33%</b>	No	<b>16</b>	<b>66.67%</b>
	How would you rate the assistance you received from the state in obtaining permanent housing?						<b>18 Responses</b>
	No Help	Some Help	Adequate		Considerable Help	Excellent	
	1	2	2		4	5	
	<b>10</b>	<b>0</b>	<b>4</b>		<b>1</b>	<b>3</b>	
	<b>55.56%</b>	<b>0.00%</b>	<b>22.22%</b>		<b>5.56%</b>	<b>16.67%</b>	
10.	Why have you not been able to find suitable permanent housing?						<b>27 Responses</b>
	unable to afford		<b>5</b>	<b>18.52%</b>	no affordable rentals	<b>2</b>	<b>7.41%</b>
	I was turned down...or other		<b>9</b>	<b>33.33%</b>	I turned down because..	<b>11</b>	<b>40.74%</b>
11.	Do you have an estimated time until you will be in permanent housing?						<b>24 Responses</b>
	1 month or less		<b>5</b>	<b>20.83%</b>	2-3 months	<b>6</b>	<b>25.00%</b>
	4 months or more		<b>2</b>	<b>8.33%</b>	Don't know	<b>11</b>	<b>45.83%</b>

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12.	Are you waiting for assistance from other state programs now?							<b>24 Responses</b>
	Yes, list below					<b>6</b>	<b>25.00%</b>	
	No					<b>18</b>	<b>75.00%</b>	
13.	Do you have any comments you'd like to share about the temporary housing program?							<b>24 Responses</b>
	<b>(Sample of Responses)</b>							
	People remain in temporary housing because affordable housing is not available.							
	Lack of communication to victims about the existence of programs.							
	Unable to take advantage of vouchers for clothing and food due to lack of transportation.							
	Caseworkers were not fully aware of all programs available.							
	Few caseworkers trained to assist persons with special needs.							
	Majority of residents in temporary housing still do not know when they will be in permanent housing.							
	Took longer to get temporary housing on private property than in mobile home park.							
	There were not enough types of publicity about available programs.							
	Temporary housing advisers were insensitive and not as helpful as they should have been.							
	Some communities received more help than others.							
	Overall the program has been helpful.							
	Case workers were helpful.							
	The Trailer Maintenance workers have been excellent in responding to problems.							

# APPENDICES

## APPENDIX C

PERFORMANCE AUDIT FLOYD DISASTER FUNDS FUND RECIPIENT TELEPHONE QUESTIONNAIRE										
Date: _____					Time: _____					
Recipient: _____					Phone: _____					
Program: <b>SUMMARY</b>					Auditor: _____					
Purpose: To obtain information on effectiveness and efficiency of the programs that distributed State funding to disaster victims.										
<b>Total individuals interviewed</b>									<b>89</b>	
1.	How did you learn about the program and the availability of State assistance?								<b>87 Responses</b>	
	Family/Friend		<b>15</b>	<b>17.24%</b>	Television		<b>6</b>	<b>6.90%</b>		
	Civic/Church Organization		<b>3</b>	<b>3.45%</b>	Radio		<b>4</b>	<b>4.60%</b>		
	Government official		<b>47</b>	<b>54.02%</b>	Newspaper		<b>12</b>	<b>13.79%</b>		
2.	How long after the disaster was it when you received information on this State program?								<b>79 Responses</b>	
	Less than one week		<b>4</b>	<b>5.06%</b>	1 to 2 weeks		<b>10</b>	<b>12.66%</b>		
	3 weeks to 2 months		<b>20</b>	<b>25.32%</b>	over 2 months		<b>36</b>	<b>45.57%</b>		
	Don't remember		<b>9</b>	<b>11.39%</b>						
3.	How would you rate the process of completing your application for assistance?								<b>73 Responses</b>	
	Difficult	Somewhat Difficult	Normal	Somewhat Easy	Easy					
	1	2	2	4	5					
	<b>7</b>	<b>4</b>	<b>25</b>	<b>18</b>	<b>19</b>					
	<b>9.59%</b>	<b>5.48%</b>	<b>34.25%</b>	<b>24.66%</b>	<b>26.03%</b>					
4.	How would you rate the assistance you were provided in completing your applications and obtaining other required documentation?								<b>73 Responses</b>	
	No Help	Some Help	Adequate	Considerable Help	Excellent					
	1	2	2	4	5					
	<b>6</b>	<b>8</b>	<b>19</b>	<b>22</b>	<b>18</b>					
	<b>8.22%</b>	<b>10.96%</b>	<b>26.03%</b>	<b>30.14%</b>	<b>24.66%</b>					
5.	How long did it take to receive State assistance after completing the application?								<b>80 Responses</b>	
	Less than one week		<b>4</b>	<b>5.00%</b>	1 to 2 weeks		<b>9</b>	<b>11.25%</b>		
	3 weeks to 2 months		<b>19</b>	<b>23.75%</b>	over 2 months		<b>37</b>	<b>46.25%</b>		
	Don't remember		<b>11</b>	<b>13.75%</b>						
6.	What is the amount of the assistance you have received from this program?								<b>78 Responses</b>	
7.	Have you received assistance from any other State programs?								<b>80 Responses</b>	
	Yes, list program & type/amount of assistance below:						<b>30</b>	<b>37.50%</b>		
	No						<b>50</b>	<b>62.50%</b>		
8.	Do you have any comments you'd like to share about the process of obtaining supplemental State disaster assistance?								<b>74 Responses</b>	
	(Sample Responses)									
	The State did a good job; glad it was available.									
	Process needed to be quicker and provide more money. Process took too long.									
	There was a lot of work involved in loan process for the amount of money received.									
	The money was very helpful and the process was excellent.									
	Program was very frustrating; not well publicized. It was not a simple process.									
	Changing grants managers was real problem.									
	Program was fair.									

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## APPENDIX D

PERFORMANCE AUDIT FLOYD DISASTER FUNDS LOCAL OFFICIALS QUESTIONNAIRE					
Date: _____		Time: _____			
Local Official: _____		Title: _____			
Location: _____		Auditor: _____			
Purpose: To obtain information on program operations at local level.					
Total Number Interviewed: 39					
1. What Floyd programs did your county/municipality administer?					<b>131 Total Responses</b>
State Acquisition & Relocation Fund	26	20%	Repair and Replacement Grants	28	21%
Grants to SBA Housing Loan Applicants	15	11%	Relocation Assistance to Renters	15	11%
Affordable Rental Housing Assistance	5	4%	Grants to Local Governments	8	6%
Infrastructure Grants to Local Govt.	10	8%	Housing Inspectors and Rehab Specialists	11	8%
Emergency Maintenance Dredging	1	1%	Crisis Housing Assistance Fund	5	4%
Hazard Mitigation Grant Program	4	3%	Other	3	2%
2. What is the position of the person designated to coordinate the Floyd activities in this area?					<b>41 Total Responses</b>
Planning Director/Town Planner	7	17%	Housing Manager	4	10%
Consultant	10	24%	Emergency Management Services Director	2	5%
Finance Director	3	7%	Social Services Director	3	7%
Grant Administrator/Project Manager	6	15%	Other	6	15%
3. What other responsibilities did this position have?					<b>46 Total Responses</b>
Other Duties Related to the Position	11	24%	None	6	13%
Housing Case Manager Duties	3	7%	Unknown	19	41%
Block Grants	2	4%	Other	5	11%
4. What methods were used to communicate the State assistance programs to the community?					<b>109 Total Responses</b>
Civic/Church meetings	14	13%	Television	14	13%
Town/County meetings	22	20%	Radio	15	14%
Newspapers	27	25%	Door to Door	3	3%
Flyers	8	7%	Other	6	6%
5. Did you hire a consultant to assist you in obtaining information about the resident's damage from Floyd?					<b>37 Total Responses</b>
a) Yes	22	59%			
b) No	15	41%			
5a. If yes to question #5, why?					<b>22 Total Responses</b>
Staff Limitation	16	73%			
More expertise	2	9%			
No Answer	4	18%			
6. What assistance did you receive from State officials in communicating the program information?					<b>126 Total Responses</b>
Written program instructions	23	18%	Training sessions on programs	20	16%
Formal regional meetings	30	24%	Program contact person at State Level	23	18%
On site assistance	21	17%	Other	9	7%
7. Were you notified of the State developed meetings in February 2000? If yes, did you attend?					<b>36 Total Responses</b>
a) Yes	30	83%			
b) No	6	17%			
7a. If yes to question #7, did you attend the meeting?					<b>30 Total Responses</b>
a) Yes	28	93%			
b) No	2	7%			
8. How did you and your staff assess the damage caused by Floyd?					<b>97 Total Responses</b>
Site visits	30	31%	Hired real estate appraisers	11	11%
Hired consultant	14	14%	County/Municipality tax assessor	13	13%
Federal Emergency Management Assoc.	8	8%	Other	11	11%
County/Municipality Building Inspector	10	10%			

# APPENDICES

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<b>9. What was the process used by this county/ municipality to apply for State program funds?</b>					<b>168 Total Responses</b>
<i>(Start from assessment of property to application to State agency-All steps may not be included below)</i>					
Obtain inspection reports	26	15%	Obtain appraisals	14	8%
Review application for eligibility	29	17%	Approval/Denial of application	26	15%
Appeal process	14	8%	Consolidate applications	20	12%
Submit consolidated application to the State	25	15%	Advising applicant on status	14	8%
<b>10. What types of documentation did you require for applicants?</b>					<b>104 Total Responses</b>
Application	21	20%	Appraisals	11	11%
Inspection report	21	20%	FEMA report	16	15%
Correspondence to and from applicant	10	10%	Justification for approval or denial	11	11%
Other	14	13%			
<b>11. What procedures did your staff/consultant use for approvals or denials for assistance?</b>					<b>42 Total Responses</b>
State guidelines	19	45%	Income requirement	4	10%
Inspection/Assessment documents	4	10%	In the 100 year flood plain	4	10%
Visual Inspection	6	14%	Other	5	12%
<b>12. What controls are in place to ensure applicants eligibility for funds from State programs?</b>					<b>55 Total Responses</b>
Visual Inspections	9	16%	State guidelines	9	16%
Inspection reports	3	6%	Income verification	9	16%
Send to FEMA	3	6%	Verification with FEMA or SBA	5	9%
Ownership verifications	9	16%	Other	8	15%
<b>13. What is the turn around time from request to receipt of funds from State programs?</b>					<b>39 Total Responses</b>
2 weeks to 1 month	12	31%	1 to 2 months	5	13%
2 to 4 months	4	10%	4 to 6 months	2	5%
over 6 months	9	23%	Varied by program	7	18%
<b>14. What is the current status of the assistance programs</b>					<b>44 Total Responses</b>
Completed	4	9%	90% to 99% completed	1	2%
80% to 90% completed	1	2%	60% to 80% completed	6	14%
40% to 60% completed	9	20%	less than 40% complete	23	52%
<b>15. What suggestions do you have to improve the disaster funding process?</b>					<b>Total Responses</b>
1) The repair and replacement program requires a lot of work with the applicants. It takes a lot of time to get documentation that is needed for the program. It would help if the process was streamlined.					
2) Many programs experienced frequent policy changes and these changes were only passed along to local government through emails. If you did not keep up with the emails, you may not know about the changes. Policy changes were only sent out in emails, not in hard copy.					
3) One problem is continuity in staff. Several departments experienced turnover, which resulted in the duplication of paperwork, due to loss or misplacement.					
4) There should be a clearer process for application approval and appeal.					
5) The State should require flood insurance.					
6) Put all funding sources under one department to reduce complexity and make it less cumbersome.					
7) There is a need for a permanent hazard mitigation effort at the State level for expertise and stability.					
8) Let FEMA do things immediately after the disaster and the State follow up with the hazard mitigation effort.					
9) Need to improve turn-around time on receipt of funds.					
10) Keep the county informed of the progress of approvals. Has gotten no funds to date, and no grant approval or denial, still waiting.					
11) State should contact local governments prior to determining what to fund.					
12) Some groups not covered by the State funding - people with rental property, people not low to moderate income. Sr. citizen that qualified for SBA loans couldn't get grants from the State. (SBA loan-30 yr loans, resident 70 yrs. Old.)					
13) Try to apply an emergency situation to regular business process. Was too slow to get to victims. Eligibility should be down and dirty application and eligibility.					
14) Should ensure that only people who suffered damages related to Floyd got money, not people who have not maintained their homes and are now trying to get Floyd money to fix.					
15) Not enough coordination between FEMA workers and State/local workers. Different information provided by FEMA volunteers.					
16) Need access to the FEMA information from the beginning. (joint database)					
17) Better policies need to be in place in the beginning. Many policies came out after the fact.					
18) Emergency management should be provided information on potential duplication. (takes 3 to 5 months to get all the information)					
19) Emergency management tells them to get affidavits signed, and no one is checking					
20) Duplication of benefits is one area that could be shored up.					
21) Prepare policy manual on programs to be used at the local level.					
22) A point person may need to take responsibility to help clarification. Improved coordination and communication would help.					

# APPENDICES

## APPENDIX D

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| 23) Let county run programs. Too much State approval needed. Give the county the rules to follow-step back and let them do their job. Audit the job they do as necessary.  |
| 24) Some programs need changing. Programs need to be more flexible. Infrastructure grants need to be able to be used for existing infrastructure.  |
| 25) Retain funding with extended deadlines to provide additional flood recovery.   |
| 26) Provide funds to purchase residential properties in the 100 year flood plain that were not eligible under the HAZARD MITIGATION GRANT PROGRAM program  |
| 27) Remove the income limits as related to the community development initiatives program or increase the maximum allowable income limits.  |
| 28) Allow local governments to apply for community development initiatives funding or create a new funding category for this purpose.  |
| 29) Housing counselors need to be under the control of the local government and responsive to local government. When this is not the case, applications are very slow in being processed. This would have streamlined the process. |

## APPENDICES

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# APPENDICES

*Auditor's Note: This table contains the financial information for each of the programs at May 31, 2001 as supplied by the sponsoring agency. These totals are presented as information only and have not been audited by the Office of the State Auditor.*

APPENDIX E SUMMARY OF HURRICANE FLOYD RECOVERY ACTIVITY May 31, 2001										
Item	Description	Hurricane Floyd Reserve Funds				Receiving Department	Department/Agency			
		Dec-99 Appropriation Amount	Aug-00 Revised Appropriation	Dec-00 Revised Appropriation	Apr-01 Revised Appropriation		Amount Expended	Amount Obligated	Amount Pending	Amount Remaining
<b>Existing Match Requirements</b>										
1	FEMA Required Match/Unmet Needs	100,405,000	162,241,149	162,241,149	161,692,785	CC & PS	90,478,673.00	71,762,476.00	0.00	(548,364.00)
2	Federal Agency Commitments Match	44,600,000	0	0						
3	Congressional Omnibus Appropriation Match	87,400,000	0	0						
	<b>Total Existing Match Requirements</b>	<b>232,405,000</b>	<b>162,241,149</b>	<b>162,241,149</b>	<b>161,692,785</b>		<b>90,478,673.00</b>	<b>71,762,476.00</b>	<b>0.00</b>	<b>(548,364.00)</b>
<b>Direct Housing and Rental Assistance</b>										
4	State Acquisition and Relocation Fund	139,330,000	119,746,337	119,746,337	114,490,417	Commerce	13,209,820.44	87,866,042.56	13,414,554.00	0.00
5	Grants to SBA Housing Loan Applicants	61,880,000	39,000,000	41,250,000	41,657,927	Commerce	42,323,277.00	(179,981.00)	0.00	(485,369.00)
6	R & R Grants - Low Income Families	59,920,000	235,990,500	230,740,500	225,943,288	Commerce	17,684,977.62	110,313,932.38	97,396,718.00	547,660.00
7	Relocation Assistance to Renters(CC&PS) 11/30/00	16,280,000	10,500,000	17,500,000	20,388,500	Commerce-Transferred to EM	14,800.00	20,373,700.00	0.00	0.00
8	Affordable Rental Housing Assistance (LOAN)	10,000,000	20,000,000	20,000,000	19,299,045	Commerce/Housing Fin. Ag.	1,419,109.00	18,211,936.00	368,955.00	(700,955.00)
NEW	Reserve for Contingency				14,994,618		0.00	0.00	0.00	14,994,618
	<b>Total Direct Housing and Rental Assistance</b>	<b>287,410,000</b>	<b>425,236,837</b>	<b>429,236,837</b>	<b>436,773,795</b>		<b>74,651,984.06</b>	<b>236,585,629.94</b>	<b>111,180,227.00</b>	<b>14,355,954.00</b>
<b>Infrastructure</b>										
9	Infrastructure Grants to Local Government	41,690,000	35,000,000	35,000,000	35,000,000	Commerce	3,819,698.52	8,494,282.48	22,686,019.00	0.00
	<b>Total Infrastructure Grants to Local Govt.</b>	<b>41,690,000</b>	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>		<b>3,819,698.52</b>	<b>8,494,282.48</b>	<b>22,686,019.00</b>	<b>0.00</b>
<b>Predevelopment Activities</b>										
10	Housing Inspectors and Rehab.Specialists	2,500,000	2,500,000	4,000,000	2,680,722	Commerce	502,812.67	2,177,909.33	0.00	0.00
11	Land Acquisition and Capacity Building	7,500,000	7,500,000	7,500,000	7,169,051	Commerce/NCComm. Dev. Initiative	7,500,000.00	0.00	0.00	(330,949.00)
	<b>Total Predevelopment Activities</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>11,500,000</b>	<b>9,849,773</b>		<b>8,002,812.67</b>	<b>2,177,909.33</b>	<b>0.00</b>	<b>(330,949.00)</b>
<b>Counselors and Recovery Office</b>										
12	Housing Counselors	8,500,000	8,500,000	14,500,000	10,563,768	Commerce	6,172,959.07	3,137,433.93	1,253,375.00	0.00
13	Housing Recovery Council and Office	2,575,000	2,575,000	3,325,000	3,225,000	Commerce	1,225,478.25	1,924,521.75	0.00	75,000.00
	<b>Total Counselors and Recovery Office</b>	<b>11,075,000</b>	<b>11,075,000</b>	<b>17,825,000</b>	<b>13,788,768</b>		<b>7,398,437.32</b>	<b>5,061,955.68</b>	<b>1,253,375.00</b>	<b>75,000.00</b>
<b>Business Disaster Assistance</b>										
14	Loans to Small and Mid-Sized Businesses(LOAN)	42,500,000	14,400,000	10,685,000	10,942,997	Commerce/Sm Bus. & Tech.Dev. Cen.	10,885,989.30	1,686,936.70	319,000.00	(1,948,929.00)
15	Interest Buy-Down	8,500,000	21,285,000	15,000,000	15,018,055	Commerce/Sm Bus. & Tech.Dev. Cen.	15,879,753.81	(555,007.81)	372,000.00	(678,691.00)
	<b>Total Business Disaster Assistance</b>	<b>51,000,000</b>	<b>35,685,000</b>	<b>25,685,000</b>	<b>25,961,052</b>		<b>26,765,743.11</b>	<b>1,131,928.89</b>	<b>691,000.00</b>	<b>(2,627,620.00)</b>
<b>Agriculture and Fishing Disaster Assistance</b>										
16	Agricultural Structure, Equipment Loss, and Farm Roads	40,000,000	9,645,178	8,500,178	8,299,725	Agriculture	8,334,025.08	(0.08)	0.00	(34,300.00)
17	Crop Loss Assistance & Livestock	90,000,000	65,000,000	67,500,000	66,687,729	Agriculture	66,689,429.64	0.36	0.00	(1,701.00)
18	Emergency Conservation Program Cost -Share	15,000,000	2,000,000	4,000,000	3,860,163	Agriculture	4,013,347.93	.07	177,773.00	(330,958.00)
19	Farmer-Owned Marketing Cooperatives	5,000,000	3,995,076	3,995,076	3,995,076	Agriculture	3,995,076.30	(0.30)	0.00	0.00
20	Grants and Loans to Commercial Fishermen	11,400,000	7,670,987	7,670,987	6,300,927	DENR	6,442,907.81	0.19	0.00	(141,981.00)
21	Long-range Agriculture Recovery	0	10,000,000	6,645,000	6,645,000	Agriculture	0.00		6,645,000.00	0.00
	<b>Total Agric.and Fishing Disaster Assistance</b>	<b>161,400,000</b>	<b>98,311,241</b>	<b>98,311,241</b>	<b>95,788,620</b>		<b>89,474,786.76</b>	<b>.24</b>	<b>6,822,773.00</b>	<b>(508,940.00)</b>

The amount pending includes amounts for all applications that were in process as of May 31, 2001. Applications or Letters of Intent had to be received by March 9, 2001.

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*Auditor's Note: This table contains the financial information for each of the programs at May 31, 2001 as supplied by the sponsoring agency. These totals are presented as information only and have not been audited by the Office of the State Auditor.*

APPENDIX E (continued)										
SUMMARY OF HURRICANE FLOYD RECOVERY ACTIVITY										
May 31, 2001										
Item	Description	Hurricane Floyd Reserve Funds				Receiving Department	Department/Agency			
		Dec-99 Appropriation Amount	Aug-00 Revised Appropriation	Dec-00 Revised Appropriation	Apr-01 Revised Appropriation		Amount Expended	Amount Obligated	Amount Pending <sup>1</sup>	Amount Remaining
<b>General Economic Recovery Assistance</b>										
22	General Economic Recovery (Marketing Funds)	1,000,000	1,000,000	1,000,000	1,000,000	Commerce	1,006,715.00	(6,715.00)	0.00	0.00
	<b>Total General Economic Recovery Assistance</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>		<b>1,006,715.00</b>	<b>(6,715.00)</b>	<b>0.00</b>	<b>0.00</b>
<b>Public Health and Environment</b>										
23a	Drinking Water Protection-DHHS	550,000	480,000	550,000	550,000	DHHS	337,098.52	198,901.48	14,000.00	0.00
23b	Drinking Water Protection-DENR	450,000	520,000	450,000	450,000	DHHS - Transferred to DENR	426,628.97	14,000.03	0.00	9,371.00
24	Water Quality Monitoring	2,000,000	2,000,000	2,000,000	1,954,000	DENR	835,746.53	1,118,253.47	0.00	0.00
25	Solid Waste Cleanup	4,500,000	4,500,000	2,500,000	3,700,000	DENR	101,420.53	3,598,579.47	0.00	0.00
26	Hazardous Waste Cleanup	2,500,000	2,500,000	2,050,000	2,050,000	DENR	595,088.67	1,454,911.33	0.00	0.00
27	Underground Storage Tanks (UST)	5,000,000	4,000,000	2,000,000	2,000,000	DENR	756,816.59	1,243,183.41	0.00	0.00
28	Dam Safety	2,500,000	1,200,000	1,200,000	990,434	DENR	533,526.99	456,907.01	0.00	0.00
29	Emergency and Maintenance Dredging	10,200,000	10,200,000	12,400,000	12,400,000	DENR	10,261,000.00	2,139,000.00	0.00	0.00
	<b>Total Public Health and Environment</b>	<b>27,700,000</b>	<b>25,400,000</b>	<b>23,150,000</b>	<b>24,094,434</b>		<b>13,847,326.80</b>	<b>10,223,736.20</b>	<b>14,000.00</b>	<b>9,371.00</b>
<b>Local Government Support</b>										
30	Grants to Local Governments	6,300,000	2,830,773	2,830,773	2,830,773	Revenue	2,830,772.03	(0.03)	0.00	1.00
	<b>Total Local Government Support</b>	<b>6,300,000</b>	<b>2,830,773</b>	<b>2,830,773</b>	<b>2,830,773</b>		<b>2,830,772.03</b>	<b>(0.03)</b>	<b>0.00</b>	<b>1.00</b>
<b>Human Resources Services</b>										
31	Human Resources Services	6,678,000	6,678,000	6,678,000	6,678,000	DHHS/OSBM	6,678,000.00	0.00	0.00	0.00
	<b>Total Human Resources Services</b>	<b>6,678,000</b>	<b>6,678,000</b>	<b>6,678,000</b>	<b>6,678,000</b>		<b>6,678,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
32	OSBPM/CC & PS Flood Mapping	0	23,200,000	23,200,000	23,200,000		8,572,595.39	14,626,404.61	0.00	0.00
	<b>Grand Total</b>	<b>836,658,000</b>	<b>836,658,000</b>	<b>836,658,000</b>	<b>836,658,000</b>		<b>333,527,544.66</b>	<b>350,058,608.34</b>	<b>142,647,394.00</b>	<b>10,424,453.00</b>

<sup>1</sup>The amount pending includes amounts for all applications that were in process as of May 31, 2001. Applications had to be received by March 31, 2001.

Source: Sponsoring Agencies

### **APPENDIX F** Response to Draft Report

The draft report was provided to all 10 sponsoring departments/agencies for comment. The following response is the compilation of comments from all the department/agencies as summarized by the North Carolina Redevelopment Center.

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**NORTH CAROLINA DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY  
NORTH CAROLINA REDEVELOPMENT CENTER**

Michael F. Easley, Governor  
Bryan E. Beatty, Secretary

David E. Kelly, Director

June 22, 2001

The Honorable Ralph Campbell, Jr.  
State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Auditor Campbell:

Thank you for the opportunity to review and comment upon your draft report of the performance audit entitled **Hurricane Floyd Reserve Fund**. I am pleased to respond on behalf of all state agencies, including the Department of Agriculture and Consumer Services, engaged in the Hurricane Floyd recovery efforts.

In general, we agree with all of the recommendations contained in the report, and it is of critical importance that we document, review and analyze the efforts undertaken by the State in response to this natural disaster. Only through this comprehensive evaluation, can we ensure that the lessons learned from this experience improve the State's response to future disasters. I am pleased to report that the Redevelopment Center has been successful in obtaining a planning grant from the U. S. Department of Commerce, Economic Development Administration to perform this important work.

Our responses to the specific recommendations in the report are outlined below:

**Recommendation:** The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence how funding data is to be reported for compilation. In our opinion, that entity should be the State Division of Emergency Management located in the Department of Crime Control and Public Safety.

**Response:** We agree completely that reporting requirements should be established and formalized at the beginning of any new program. The Redevelopment Center is working to improve the reporting currently in place and establish more formal policies and reporting requirements. As the audit notes, Governor Easley has consolidated the Hurricane Floyd recovery efforts by moving the Redevelopment Center and all remaining housing programs to the Department of Crime Control and Public Safety. We are continuing to study the recommendation of further consolidation within the Division of Emergency Management.

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Phone: (919) 733-1566 Fax: (919) 733-0518 Internet: [www.ncdevelopment.org](http://www.ncdevelopment.org)



Recommendation: The General Assembly should determine whether to require the sponsoring agency of special assistance programs to request and receive reallocation of funds prior to making commitments.

Response: We agree that the decision to require a reallocation of funds prior to making commitments rests with the General Assembly. However, we do advise caution in establishing this requirement. It is difficult to be exact in estimates of the potential demand for any given program of assistance, especially with programs being administered by multiple local governments and other agencies, such as regional Farm Service Agency offices. A requirement of this nature could cause delays in providing assistance to qualified families and individuals.

Recommendation: State Budget should identify priority funding for the completion of [the flood mapping] project and for maintaining the continuing operations of the program and work with the General Assembly to obtain funding.

Response: We agree that the flood-mapping project is a worthwhile endeavor and should be completed and maintained.

Recommendation: The General Assembly should consider clearly defining in legislation what type assistance programs should be established in future “worst case” disasters.

Response: We agree.

Recommendation: The sponsoring agency should take an active role in monitoring and reviewing implementation of programs at the local level...the sponsoring agency should require any entity receiving special assistance funds to perform a grant closeout at the conclusion of the program.

Response: We agree. The grant agreements in place with local governments for the Crisis Housing Assistance Funds and for the Hazard Mitigation Grant Program buy-out require grantees to perform a detailed grant closeout when projects are completed.

Recommendation: Program guidelines should be modified timely and followed to ensure consistency throughout the program. Also, controls should be in place to ensure loan amounts are calculated accurately. The sponsoring agency should not circumvent the loan process since this can create inconsistencies when administering the program.

Response: We agree that guidelines should be modified in a timely, formal manner. We do believe that in order to best respond to the unique situations that exist following a disaster of this scope, it is desirable to have some flexibility to waive the standard guidelines in extraordinary situations. We agree, however, that the formal, adopted guidelines should outline the documentation needed to justify a waiver and the processes to be followed under those circumstances.

Recommendation: Sponsoring agencies should review and modify the policies and procedures established for use of the Hurricane Floyd Reserve Fund to assure proper handling of the monies

from receipt of initial funding, through distribution and repayment. Additionally, policies and procedures

should be reviewed for consistency and compliance with budget, purchasing, and other State policies and procedures. The Redevelopment Center should compile policies and procedures developed by sponsoring agencies and provide them to the designated repository for future reference.

Response: We agree that all policies and procedures for programs funded through the Hurricane Floyd Reserve Fund should be documented and reviewed to ensure consistency with all applicable State policies and procedures. As noted above, the Redevelopment Center has been awarded a planning grant from the U. S. Department of Commerce, Economic Development Administration to assist in this effort.

Recommendation: The Department of Commerce should only charge directly related expenses to the Housing Recovery Program. Each sponsoring agency should utilize all cost-saving measures available, such as checking with State Surplus Property for furniture, to more wisely spend special appropriations such as the Hurricane Floyd fund.

Response: As part of the consolidation of the Redevelopment Center and the remaining housing programs, the Department of Commerce will transfer responsibility for accounting activity related to the Housing Recovery Program to the Department of Crime Control and Public Safety effective July 1, 2001. The Redevelopment Center will include in its next report to the General Assembly a clear description of all personnel and other cost that are being charged to the Housing Recovery Office. At this point in the recovery efforts, virtually one hundred percent of all staff time in the Redevelopment Center and the Housing Recovery Office are devoted to Hurricane Floyd housing programs. We agree that it is important to employ all cost-saving measures possible to special appropriations.

Recommendation: Management should consider the full cost to the State, and justify use, prior to using State aircraft. Also, costs charged to the Housing Recovery Office Program for travel should be reviewed and charged to the proper agency or program.

Response: We agree that State aircraft should be used only when properly justified. Governor Easley has directed that all future use of State aircraft in Hurricane Floyd recovery efforts receive prior approval from his Senior Assistant for Administration. The Department of Commerce Fiscal Management division is correcting the charges for flight that were incorrectly coded to the Housing Recovery Office.

Recommendation: The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence the format for all status reports. This procedure would allow for more accurate compilation of data.

Response: We agree that reporting requirements should be established and formalized at the beginning of any new program. The Redevelopment Center is working to improve the reporting currently in place and establish more formal policies and reporting requirements.

I commend your staff for the thorough work they did in their review of the Hurricane Floyd Reserve Fund programs. Before consolidation by Governor Easley, the Hurricane Floyd Reserve Fund included thirty-two individual programs administered by ten separate agencies. Your staff did an excellent job of understanding that complexity in a very short period of time. I believe that the assessment of the strengths and weaknesses of the implementation contained in the report are very accurate. This report will be critical to improving the State's response to future disasters. Please contact me if you have any questions.

Sincerely,

David E. Kelly  
Director

DEK: ew

cc: The Honorable Michael F. Easley  
The Honorable Meg Scott Phipps  
Secretary Bryan E. Beatty  
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June 28, 2001

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