



Recovery Operations

Addresses the costs of establishing an office to implement recovery efforts

1. Summary

The following is documentation of the methodology used to estimate needs in Recovery Operations due to Hurricane Florence. Preliminary estimates are based on staffing costs for robust and efficient recovery office and leveraging Local Government Commission data on cities that are financially struggling. Total impact is estimated at \$194.2 million, \$165.8 million of which we expect to be covered by federal and state sources of funding, resulting in an unmet impact of \$28.4 million for recovery operations.

Preliminary Damage & Need Estimate (Millions)							
				Expected Funding		Appropriated	
Category	Direct	Indirect/Induced	Total Impact	Federal	Private	State	Unmet Impact
State Government Support for Recovery & Resiliency	\$67.0	\$0.0	\$67.0	\$57.0	\$0.0	-	\$10.0
Local Government Assistance	\$20.0	\$0.0	\$20.0	\$0.0	\$0.0	-	\$20.0
State Match - FEMA Immediate Recovery Operations	\$107.2	\$0.0	\$107.2	\$80.4	\$0.0	-	\$26.8
Subtotal	\$194.2	\$0.0	\$194.2	\$137.4	\$0.0	-	\$56.8
Resiliency efforts	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-	\$0.0
State appropriations	-	-	-	-	-	\$28.3	-
Total	\$194.2	\$0.0	\$194.2	\$137.4	\$0.0	\$28.3	\$28.5

2. Scope

Items in scope for recovery operation estimates include:

- State government needs to manage an effective recovery
- Funding assistance to local governments

3. Background & Methodology

Effective State Government Support for Storm Recovery and Resiliency

State agencies need personnel and operating support to assist with an effective recovery and rebuilding. North Carolina's Division of Emergency Management (DEM) is working to fulfill the basic responsibilities of a state recovery office. With large scale recovery efforts, it is often best practice to set up a distinct recovery office entity with its own dedicated staff to oversee and drive recovery. Without this dedicated entity, it will be challenging for North Carolina to efficiently execute the needed multi-year recovery and resilience projects. Other state agencies will also need additional support to effectively assist in North Carolina's rebuilding and resiliency efforts.

Office of Recovery and Resiliency

Initial cost estimates for the Office of Recovery and Resiliency are based on best practices observed from recovery offices set up following Hurricanes Sandy and Harvey as well as South Carolina's successful Disaster Recovery Office. While New York's recovery office had over 100 employees and South Carolina's has 35 employees, North Carolina's office can be run in a more streamlined manner because it benefits from existing capacity within DEM. The office director will shape the specific organizational design of the office. To complete the full scope of recovery projects, the Office will need to be operational for approximately 5 years.

Local Government Assistance

Local governments are a critical partner in the state's efforts to rebuild after a disaster. Ensuring they have the capacity to implement programs and effectively utilize state and federal recovery funds is vital for a successful recovery and an efficient distribution of funds. Two programs to support and increase local governments recovery capacity are described below; another local government support program is included in the Housing section of this report.

Rebuilding and Capacity Grants

The Office of Recovery and Resiliency will develop and administer a grant program for financially-distressed local governments to assist with recovery capacity. The grants would cover the salaries, benefits, and operating costs for two positions as well as the purchase of 1 vehicle per community for three years.

Emergency Financial Assistance

The Local Government Commission (LGC) identified 36 municipalities in disaster-declared areas that may face difficulties maintaining normal operations in the event of a disaster. These municipalities, the majority of which have very small populations, were already facing financial difficulties in FY 2016-17 when there was no nationally declared disaster. It is currently unknown how many additional municipalities in hurricane impacted areas may face financial hardship. OSBM estimates that three months annual operating revenue for the identified municipalities is approximately \$30.0 million.

4. Assumptions

- Funding for the Office of Recovery and Resiliency will be needed for five years.
- Funding for State agency operational support for rebuilding and resiliency will be needed for three years.
- Funding for rebuilding and capacity grants to local governments will be needed for three years.
- Employee benefits are based on FY 2018-19 rates: 7.65% of pay for FICA, 18.86% of pay for retirement contributions, and \$6,104/FTE for health insurance.
- Annual operating costs per employee are \$23,808, and include average per employee expenditures on office supplies, technology, professional development, travel, and rental cost.
- Municipalities whose 2017 operating budget data was unavailable were assumed to have a municipal budget amount equal to the average of the municipalities for which data is available
- Local government fund balance was not considered in this analysis, as the governments may have already used some fund balance to meet operating requirements. Also, negatively weighting the availability of local fund balance may act as a disincentive to maintain adequate fund balance in future events.

5. Primary data sources

- Local Government Commission (LGC)
- Division of Emergency Management (DEM)
- Department of Environmental Quality (DEQ)
- Department of Insurance (DOI)
- Department of Administration (DOA)
- Office of State Human Resources (OSHR)

6. Potential Sources of Funding for Unmet Impact

North Carolina is expected to receive over \$1.1 billion in CDBG-DR funds. HUD allows 5% of these funds, equivalent to \$57 million, to be used to administer recovery programs. These funds will be used to support state government recovery needs and local government recovery.

7. State funding recommendations for Unmet Impact

Rebuilding - \$57 million

State Government Support for Recovery and Resiliency – \$10.0 million

Office of Recovery and Resiliency

Establishes an Office of Recovery and Resiliency. Preliminary assessment indicates the Office budget will be approximately \$35.0 million in order to operate for five years. This includes \$20.0 million for a staff of 30-35 time-limited positions providing general disaster recovery coordination and public information; citizen outreach and application case management; audit, finance, compliance, and reporting on disaster recovery funds; and program and construction management services. These positions will supplement the 40 existing positions within DEM already dedicated to recovery operations. The Office will also utilize up to \$15.0 million over the 5-year life of the Office to acquire contractual services from private sector firms specializing in housing, construction, and project management services.

Support Agency Disaster Recovery and Resiliency Efforts

Recommends funds for enhanced state agency operational capacity related to disaster recovery rebuilding and resiliency efforts over the next three years. As agencies continue to determine what programs and initiatives will comprise their disaster response, additional capacity needs may arise.

Division of Emergency Management Needs

Provides \$2.5 million to DEM address critical operational support to Division of Emergency Management's Logistics section in order to build capacity and increase the efficiency and effectiveness of future emergency response. This funding will support the salaries, benefits and operational needs for 10.0 time-limited positions which will include positions such as emergency response warehouse personnel, emergency services coordinators and emergency supply transportation staff.

Provides \$10.0 million to DEM fund immediate public safety and response capacity building which would include equipment and infrastructure needs to improve future emergency response. Items that could fall into this category include search and rescue equipment, generators, and information technology improvements.

Department of Environmental Quality Needs

Provides \$13.0 million to DEQ to address critical operational support and staffing needs for DEQ programs responding to disaster recovery and resiliency efforts. DEQ may establish up to 20.0 time-limited positions to support rebuilding and resiliency with these funds. Rebuilding activities include but are not limited to waste management, water quality monitoring and permitting, and dam safety. Funds for rebuilding may be used for operational needs, such as travel and testing as well as equipment necessary to assess, rebuild, and monitor storm-related damages. DEQ divisions also supporting resiliency activities helping the state and local governments prepare for and mitigate future storm-related impacts. Sample resiliency needs include obtaining storm-response training and equipment, conducting studies related to storm resiliency, and assisting local governments and other customers (such as water quality permits) in preparing for storm events.

Department of Insurance (DOI) Statewide Code Inspectors

Provides a \$5.5 million for DOI to hire 15.0 time-limited all trade code inspectors who can be deployed to Florence-impacted counties to augment and expand county and municipal city code inspection offices that perform compliance inspections associated with repairs and reconstruction of flood damaged homes. These code inspectors would have statewide jurisdiction and authority to ensure construction activity complies with building code standards. These additional staff are critical to ensuring the rebuilding process can occur without delay. Most of the local governments impacted by Hurricane Florence do not have the staff needed to review and inspect the volume of major home repairs and reconstruction activities expected to result from Hurricane Florence rebuilding.

Department of Administration (DOA) Needs

Provides \$950,000 to DOA to hire 3 time-limited positions. The Office of State Human Resource (OSHR) would hire 2.0 positions to assist agency HR offices in recruitment of positions and to fast-track the review and approval of all hurricane - related HR requests. The Division of Purchase and Contracts would hire 1.0 position to expedite the review and approval of state contracts related to disaster recovery.

Local Government Assistance – \$20.0 million

Rebuilding and Capacity Grants – \$10.0 Million

Provides \$10 million in state appropriation for grants-in-aid to financially distressed local governments to support two-person teams rebuilding and capacity teams. The Office of Recovery and Resiliency will engage impacted communities, assess internal capacity to manage large scale repair and reconstruction activities, and award grants of up to \$1 million to selected distressed communities. Grants would be awarded in a fair and open process and provide adequate funding for an experienced housing construction manager, civil engineer, land-use planners, and experienced program managers to assist the distressed communities for three years. These grants must accommodate each community's specific needs related to rebuilding and recovery. Some communities may need a construction manager while another needs a land-use planner. The grant program will provide the flexibility to allow the recipient to partner with another appropriate governmental entity, such as a county government or regional Council of Government, if the distressed local community does not have the capacity to supervise the 2-person disaster recovery team.

Emergency Financial Assistance Grants – \$10.0 million

Recommends the state establish a one-time emergency fund for local governments in disaster-affected areas that need immediate cash flow assistance. The Office of Recovery and Resiliency in consultation with the LGC will manage these funds, which shall be distributed to local government for the following, in priority order:

- To meet local government debt service obligations;
- To meet payroll obligations for local governments; and/or
- To meet vendor payments where non-payment would result in negative financial outcome.

State Match - FEMA Immediate Recovery Operations – \$27.0 million

Provides the state match for FEMA public assistance funds to be used for immediate disaster response activities. Based on FEMA estimates as of October 5, 2018, the state is expected to receive a total of \$739 million in Public Assistance funds. Using FEMA allocations from Hurricane Matthew, \$107.2 million of those funds will be immediate response such as rescues, debris removal, etc., resulting in \$26.8 million in state funds needed to match the \$80.4 million from FEMA.

8. Funding Provided in S.L. 2018-134 and S.L. 2018-136

Local Government Assistance - \$8.0 million

Allocated funds to the Department of Public Safety, Office of Recovery and Resilience, to assist financially-distressed local governments with staff support and provide one-time emergency funds for local governments in disaster areas that need immediate cash flow assistance.

Office of Recovery and Resiliency - \$2.0 million

Allocates funds to the Department of Public Safety to establish and operate an Office of Recovery and Resiliency to provide general disaster recovery coordination and public information; citizen outreach and application case management; audit, finance, compliance, and reporting on disaster recovery funds; and program and construction management services.

Share of State Match - \$18.3 million

North Carolina has allocated \$115 million to the Hurricane Florence Disaster Relief Reserve and Fund for the required State match for various Federal funding programs. Based on the remaining match needs across categories, an estimated \$18.3 million is expected to be dedicated to Recovery Operations.