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The Solution to FEMA's Budget Woes Is Not More Money

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Federal Emergency Management Agency (FEMA) Administrator W. Craig Fugate recently sent a letter to Congress indicating serious budget shortfalls that could jeopardize FEMA's ability to respond to disasters. It is expected that this letter will be followed by a request for $5.1 billion in emergency supplemental funding from Congress.

Addressing budget shortfalls by pumping additional dollars into the agency will only waste more taxpayer money without actually solving the fiscal problems plaguing FEMA. For too long, FEMA has federalized disaster response to the point where every routine disaster receives an onslaught of federal funds. FEMA should look to radically redefine what it does and what it doesn't, thereby putting states and locals back in the driver's seat of disaster response.

The Federalization of Disaster Response. In the short span of 16 years, the yearly average of FEMA declarations has tripled from 43 under President George H. W. Bush to 89 under President Clinton to 130 under President George W. Bush. In his first year, President Barack Obama issued 108 declarations—the 12th highest in FEMA history—without the occurrence of one hurricane or other *major* disaster. In the first three months of 2010, President Obama has issued 32 declarations, which puts him on pace for 128 declarations for the year—the sixth most in FEMA history.

The reason for the increase in disaster declarations is largely related to the application of the controlling federal statute for disasters, the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988. Under this act, the federal government pays 75–100 percent of disaster response bills as long as FEMA has issued a disaster declaration.

Meeting the definition for such a declaration is relatively easy: The disaster in question must be "of such severity and magnitude that effective response is beyond the capabilities of the State and the affected local governments and that Federal assistance is necessary." The financial threshold is also low: "when a state's storm-related damages reach $1.29 per capita, [which] for several states that is less than $1 million in damages."

The ambiguous provisions of the Stafford Act and low damages threshold create enormous incentives for governors to seek these declarations rather than shouldering the lion's share of payment, especially as state budgets continue to decline. As a result, there have been 3,016 FEMA declarations since the law's enactment, most of which have not fundamentally met the act's definition of a disaster requiring federal intervention.

Disaster Politics. Truly catastrophic disasters that overwhelm state and local governments are a welcome forum for FEMA intervention; that is, after

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all, the very purpose of FEMA declarations. However, all too often disaster politics, rather than effective policy, drive decisions on disaster response. Washington policymakers simply do not know how to say "no" to spending more on disasters. Consequently, FEMA can no longer meet keep its financial commitments. In fact, the organization owes billions of dollars to states and local governments for previous disasters, including $1.7 billion to local and state governments in the Gulf Coast region from Hurricane Katrina.

Disturbingly, these funds were spent on the backs of the American taxpayers—despite benefiting only a handful of states that frequently experience natural disasters. For example, Michigan, which houses 3 percent of the U.S. population, receives only 1 percent of the money from FEMA declarations. Yet on average, 714,530 Michiganders paid disaster response taxes to support each and every one of the FEMA declarations. As a result, Michigan citizens pay higher taxes, while other states receive more money from FEMA.

Budget Warnings Require Reform. Given these increasing commitments, it is not surprising that FEMA's budget is overstretched. However, FEMA was never meant to be—and should not be in the future—the disaster response agency for the nation.

From an operational standpoint, disaster response should be driven by state and local governments, as they are the owners of most of the response resources and they are the first on the scene when disaster strikes. Supplanting this funding encourages state and local governments to not be prepared, knowing that the federal government will bail them out. Given the fact that the response of state and local governments can mean the difference between life and death in a disaster, such a lackadaisical attitude is alarming.

Fugate has stated that there is $693 million left in the federal disaster relief fund. Because of overspending on more routine disasters, a truly catastrophic disaster, such as another Hurricane Katrina, would quickly devour the remaining FEMA funds. It is likely, however, that as the tornado and hurricane seasons approach, a $5.1 billion supplemental will be used to respond to countless routine disasters that should not have been billed to FEMA.

The solution should not be to perpetuate the problem by avoiding it altogether through a short-term gust of money. Fundamental reforms in the way FEMA does business are necessary. Specifically, Congress and DHS should:

- *Keep FEMA within DHS.* Invariably, the same groups that routinely push for more federalization of disaster response are the same ones who want FEMA taken out of DHS. Their reasoning inevitably begins and ends with the assertion that FEMA would be able to get more money if only it would be granted more access to the President through cabinet-level status. This mentality only exacerbates the problem.
- *Modify the Stafford Act.* As the litmus test for federal disaster dollars, the Stafford Act fails to accurately determine which disasters meet the federal requirements and which do not. Congress should establish clear requirements that limit the types of situations in which declarations can be issued—eliminating some types of disasters entirely from FEMA's portfolio. Furthermore, Congress should reduce the cost-share provision for all FEMA declarations to no more than 25 percent of the costs. This will help to ensure that at least three-fourths of the costs of a disaster are borne by the taxpayers living where the disaster took place. For catastrophes with a nationwide impact, such as 9/11 and Hurricane Katrina, a relief provision could provide a higher federal cost-share where the total costs of the disaster exceed a certain threshold amount.
- *Overhaul existing FEMA processes and procedures.* Under the public assistance program, which grants monies to state and local governments for disaster response, FEMA's processes and procedures are not aligned with the primary focus of catastrophic disaster response: saving lives and property. The program should increase staff and training and include changes in its project worksheets to ensure that costs and damages are accurately assessed on the front end. FEMA should also clearly define and simplify its six funding buckets.

A Short-Term Band-Aid. Congress and the Administration could simply grant FEMA another round of taxpayer dollars as a short-term band-aid for FEMA budget woes. But this would ensure another year that the fundamental problems with FEMA's disaster response framework remain in place—leaving state and local governments less prepared and FEMA undoubtedly ill-equipped for the next truly *catastrophic* disaster.

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