

ISSUE BRIEF

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Hurricane Sandy: Disaster Aid Request Too Big

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The Obama Administration has requested \$60.4 billion for the response and recovery related to Hurricane Sandy.¹ This enormous request vividly illustrates the problems with the federal government's and the Federal Emergency Management Agency's (FEMA) current approach to natural disasters. It also demonstrates the profligate spending approach taken by the Obama Administration over the last four years.

It also further reflects the President's cavalier attitude toward spending and deficits. He intends to exploit loopholes in the Budget Control Act that allow this new spending, above existing spending limits, without offsets. In an era of chronic trillion-dollar deficits, this is an act of willful fiscal negligence.

The Upcoming Budget Is the Proper Place to Request These

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Funds. The Obama Administration requests roughly \$28 billion for future disaster-mitigation projects on the East Coast. Setting aside whether these projects have merit, a supplemental spending request to deal with a current crisis is not the appropriate vehicle to propose new spending projects. If the Obama Administration believes that these future projects should be funded, it should place those funding requests in the upcoming budget.

Roughly \$3 billion of the \$60.4 billion request is for federal departments and agencies to repair or replace federal assets. Like disaster-mitigation funding requests, all requests for funding for federal departments and agencies that *does not* flow to states, localities, businesses, or citizens for response and recovery activities should not be included in this supplemental request; rather, those items should be placed in the upcoming budget after a more thorough analysis and prioritization of those funding requests.

Some of the items in the funding request lack the necessary rigor that is typical of spending proposals. For instance, the Obama Administration wants \$200 million for the U.S. Department of Health and Human Services to be used at the discretion

of the Secretary. This request is an open invitation to wasteful spending.

Federal Spending Is Not the Answer. The Obama Administration seeks \$6 million to purchase food for food banks. It also requests \$500 million for social services block grants and \$1 million for legal services. Instead of increasing federal spending to cover these items, the Obama Administration, states, and localities should do more to encourage the private and nonprofit sectors to fulfill the various needs in these areas. Given the sheer number of service-providing companies and nonprofit entities in the tri-state area, reinvigorating the connections within communities outside of government is critical to the rebuilding effort.²

As Heritage has previously written, the National Flood Insurance Program (NFIP) is a poorly managed and designed program that has needed several previous bailouts. However, a good portion of the \$9.7 billion of additional borrowing authority for the NFIP will be needed to pay benefits to the thousands of Sandy victims who have contracts with the program and have paid premiums for this coverage. This part of the request must be met, but it is clear that even this

TABLE 1

Obama's Request for Future Disaster Programs on East Coast Costs \$28 Billion

Department/Agency	Request	Details
Agriculture	\$30,000,000	Mitigate future flood risks
Commerce	\$20,000,000	Evaluate future impact issues
Homeland Security	\$3,249,000	Erosion control
Housing and Urban Development	\$15,000,000,000	Community Development Block Grants
Small Business Administration	\$20,000,000	New initiatives
Various Entities	\$12,970,000,000	Mitigation projects
Total	\$28,043,249,000	

Source: Jeffrey D. Zients, Deputy Director for Management, Office of Management and Budget, letter to House Speaker John Boehner, December 7, 2012, http://www.whitehouse.gov/sites/default/files/supplemental__december_7_2012_hurricane_sandy_funding_needs.pdf (accessed December 13, 2012).

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year's reforms will not be enough to make the NFIP healthy. Next year, the new Congress should thoroughly review and make radical changes to the NFIP in preparation of having private-sector companies take over its functions to the greatest extent possible.³

The Remaining Supplemental Funding Request Items. FEMA still possesses roughly \$5.4 billion under the Disaster Relief Fund (DRF) cap. This amount is included in the \$60.4 billion request. Instead of providing \$11.5 billion for the DRF as the White House requests, Congress should appropriate the \$5.4

billion but tie FEMA reforms to the appropriate use of those funds.

The reality is that if FEMA had conserved its resources for events such as Hurricane Sandy, it would have even more funds available in the DRF for the response and recovery from Sandy. In less than two years, FEMA has issued 353 declarations—despite the absence of major hurricanes or earthquakes (except Hurricanes Irene and Sandy). No other two-year period even comes close to this level of activity.⁴

With the urgent need to reduce federal spending, Congress should reduce the flow of money from

FEMA's spigot by taking the following actions:

- **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 and eliminate some types of disasters entirely from FEMA's portfolio.
- **Reduce the cost-share.** Congress should reduce the cost-share provision for all FEMA declarations to no more than 25 percent of the costs. This would 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 that overwhelm state governments—such as Hurricane Sandy—a relief provision could provide a higher federal cost-share where the total costs of the disaster exceed a certain threshold amount.

The supplemental request also includes roughly \$7.4 billion for various other items.

The programmatic value of these requests may not justify additional

1. Jeffrey D. Zients, Deputy Director for Management, Office of Management and Budget, letter to the Honorable John Boehner, Speaker, U.S. House of Representatives, December 7, 2012, http://www.whitehouse.gov/sites/default/files/supplemental__december_7_2012_hurricane_sandy_funding_needs.pdf (accessed December 11, 2012).

2. See Edwin Meese III, Stuart M. Butler, and Kim R. Holmes, "From Tragedy to Triumph: Principled Solutions for Rebuilding Lives and Communities," Heritage Foundation *Special Report* No. 5, September 12, 2005, <http://www.heritage.org/research/reports/2005/09/from-tragedy-to-triumph-principled-solutions-for-rebuilding-lives-and-communities>.

3. See David C. John and Matt A. Mayer, "Homeowners' Defense Act Rewards States for Bad Property Insurance Decisions," Heritage Foundation *WebMemo* No. 2568, July 29, 2009, <http://www.heritage.org/research/reports/2009/07/homeowners-defense-act-rewards-states-for-bad-property-insurance-decisions>.

4. The Heritage Foundation, "FEMA Declarations by Year and by Presidential Administration," infographic, October 31, 2012, <http://www.heritage.org/multimedia/infographic/2012/10/fema-declarations-by-year-and-by-presidential-administration>.

TABLE 2

Obama's Request for Disaster Aid Contains \$3 Billion to Repair or Replace Federal Assets

Department/Agency	Request	Details
Agriculture	\$27,000,000	Repair or replace assets
Commerce	\$13,000,000	Repair or replace assets
Defense	\$113,755,000	Repair or replace assets
Homeland Security	\$281,659,000	Repair or replace assets
Interior	\$429,000,000	Repair or replace assets
Justice	\$15,250,000	Repair or replace assets
Transportation	\$370,000,000	Repair or replace assets
Veterans Affairs	\$234,531,000	Repair or replace assets
Corps of Engineers	\$1,500,000,000	Repair or replace assets
Environmental Protection Agency	\$7,750,000	Repair or replace assets
General Services Administration	\$7,000,000	Repair or replace assets
National Aeronautics and Space Administration	\$4,000,000	Repair or replace assets
Small Business Administration	\$35,000,000	Repair or replace assets, expenses
Social Security Administration	\$2,000,000	Repair or replace assets
Smithsonian	\$2,000,000	Repair or replace assets
Total	\$3,043,420,000	

Source: Jeffrey D. Zients, Deputy Director for Management, Office of Management and Budget, letter to House Speaker John Boehner, December 7, 2012, http://www.whitehouse.gov/sites/default/files/supplemental_december_7_2012_hurricane_sandy_funding_needs.pdf.pdf (accessed December 13, 2012).

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TABLE 3

Obama's Disaster Aid Request: Supplementary Items

Department/Agency	Request	Details
Agriculture	\$15,000,000	Cost-share for damaged farms
Health and Human Services	\$100,000,000	Repair Head Start facilities
Homeland Security	\$300,000,000	Direct loans to communities
Labor	\$50,000,000	Dislocated worker training
Transportation	\$6,200,000,000	State and local transportation repairs
Small Business Administration	\$750,000,000	Small business loans
Total	\$7,415,000,000	

Source: Jeffrey D. Zients, Deputy Director for Management, Office of Management and Budget, letter to House Speaker John Boehner, December 7, 2012, http://www.whitehouse.gov/sites/default/files/supplemental_december_7_2012_hurricane_sandy_funding_needs.pdf.pdf (accessed December 13, 2012).

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funding. For example, the efficacy of Head Start is very low, and many training programs are duplicative and ineffective.⁵

Removing unnecessary items from the Administration's request yield a reduced request of \$12.8 billion in supplemental funds. These funds should be provided only after being offset by spending reductions.

A recent Heritage report identified more than \$150 billion of potential spending reductions that Congress could review to find offsets to additional spending.⁶

Way Too Much. Too much of the Obama Administration's supplemental request for Hurricane Sandy includes items best left for its upcoming budget. The focus of any supplemental spending should be on the funding that states, localities, businesses, and individuals need to rebuild. Because of the federal government's dire fiscal condition, spending reductions should offset any additional spending.

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5. See Patrick Louis Knudsen, "\$150 Billion in Spending Cuts Offset Defense Sequestration," Heritage Foundation *Backgrounder* No. 2744, November 15, 2012, <http://www.heritage.org/research/reports/2012/11/150-billion-in-spending-cuts-to-offset-defense-sequestration>.

6. Ibid.