



March 2015

# BUDGETING FOR DISASTERS

## Approaches to Budgeting for Disasters in Selected States

# GAO Highlights

Highlights of [GAO-15-424](#), a report to congressional requesters

## Why GAO Did This Study

In recent years, natural and human-made disasters have increased in the United States in terms of both numbers and severity. For presidentially declared disasters, the federal government generally pays 75 percent of disaster costs and states cover the rest. As a result of this trend, governments at all levels have incurred increased costs for disaster response and recovery. An understanding of the approaches states take to budget for disaster costs can help inform congressional consideration of the balance between federal and state roles in funding disaster assistance.

GAO was asked to examine how states typically budget for costs associated with disasters and any changes to those budget approaches during the past decade. This report reviewed (1) the approaches selected states use to budget for and fund state-level disaster costs; and (2) how, if at all, state disaster budgeting approaches have changed over time.

For this review, GAO selected 10 states based on criteria such as the number of major disaster declarations and denials for each state from fiscal years 2004 to 2013. GAO reviewed state statutes, budgets, and other documents explaining states' approaches to budgeting for disaster costs and interviewed state officials. Although GAO's findings are not generalizable, they are indicative of the variation in budget mechanisms among the states.

GAO is not making recommendations. GAO received and incorporated, as appropriate, technical comments from the Department of Homeland Security and the 10 selected states.

View [GAO-15-424](#). For more information, contact Michelle Sager at (202) 512-6806 or [sagem@gao.gov](mailto:sagem@gao.gov).

March 2015

## BUDGETING FOR DISASTERS

### Approaches to Budgeting for Disasters in Selected States

## What GAO Found

The 10 selected states in GAO's review—Alaska, California, Florida, Indiana, Missouri, New York, North Dakota, Oklahoma, Vermont, and West Virginia—had established budget mechanisms to ensure the availability of funding for the immediate costs of unforeseen disasters and the ongoing costs of past disasters. All 10 states provided disaster funds at the start of the fiscal year and then as needed during the course of the fiscal year. Each of the selected states had its own combination of budget mechanisms that generally fell into four categories:

**Statewide disaster accounts.** These accounts provided the 10 states with the flexibility to fund disaster expenses across state entities or for local governments. States typically funded these accounts through general fund revenue. Six states also used other sources, such as revenues from oil and gas taxes and fees on homeowner's and commercial insurance. The amounts appropriated to these accounts at the start of the fiscal year were based on a range of considerations, such as estimates of disaster costs based on past events and emergency response costs for unforeseen disasters.

**State agency budgets.** Nine of the 10 states also covered a portion of unforeseen disaster costs through the operating or contingency budgets of state agencies with missions relevant to disaster response and recovery. For example, West Virginia's Division of Homeland Security and Emergency Management used its operating budget to cover disaster response costs. Florida's Department of Environmental Protection had a disaster contingency account funded through user fees on state parks.

**Supplemental appropriations.** When advance funding proved insufficient to cover disaster costs, eight of the 10 states provided supplemental funding to pay for the remaining costs. While reserve accounts such as rainy day funds could be used to provide this funding if general funds were unavailable, budget officials said their state rarely tapped these funds.

**Transfer authority.** All 10 states in our review allowed designated officials (i.e., the governor, budget director, or a special committee) to transfer funds within or between agencies or from statewide reserve accounts after the start of the fiscal year.

None of the 10 states in GAO's review maintained reserves dedicated solely for future disasters. Some state officials reported that they could cover disaster costs without dedicated disaster reserves because they generally relied on the federal government to fund most of the costs associated with disaster response and recovery.

While some states have increased the oversight and availability of disaster funds, all 10 states' approaches to budgeting for disasters have remained largely unchanged during fiscal years 2004 through 2013. Specifically, three states—Alaska, Indiana, and North Dakota—changed their budgeting processes to ensure that funding for disasters was appropriated before rather than after a disaster occurred. In addition, legislatures in three states—Missouri, North Dakota and West Virginia—took steps to increase their oversight of disaster spending.

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**Abbreviations**

DHS	Department of Homeland Security
DRF	Disaster Relief Fund
FEMA	Federal Emergency Management Agency
IA	Individual Assistance
PA	Public Assistance
SEMA	State Emergency Management Agency

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March 26, 2015

The Honorable Ron Johnson  
Chairman  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Thomas R. Carper  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Claire McCaskill  
Ranking Member  
Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs  
United States Senate

In recent years, the number and severity of major natural and human-made disasters has increased in the United States. From fiscal years 2004 through 2013, there were 32 percent more presidentially declared major disasters than during the preceding 10 fiscal years. This trend resulted in unprecedented costs for federal, state, and local governments as they provided disaster response and recovery assistance. For example, the Federal Emergency Management Agency (FEMA)—which leads federal efforts to respond to disasters—reported that from fiscal years 2004 through 2013 it spent more than \$95 billion from the Disaster Relief Fund (DRF) to help states and localities with disaster-related costs.<sup>1</sup>

As we reported in 2012, the growing number of major disaster declarations contributed to increased federal disaster assistance

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<sup>1</sup>FEMA's Disaster Relief Fund (DRF) is the major source of federal disaster recovery assistance for state and local governments when a disaster is declared. The DRF is appropriated no-year funding (budget authority that remains available for obligation for an indefinite period of time), which allows FEMA to direct, coordinate, manage, and fund response and recovery efforts associated with domestic disasters and emergencies.

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expenditures.<sup>2</sup> In addition, the United States Global Change Research Program has reported that the impacts and costliness of weather disasters—resulting from floods, drought, and other events such as hurricanes—will increase in significance as what are considered rare events become more common and intense due to climate change.<sup>3</sup> As a result of these impacts, the federal government is expected to face increased fiscal exposure—responsibilities, programs, and activities that may legally commit or create the expectation for future federal spending—in many areas, including but not limited to its role in aiding disaster response. In 2013, we added managing fiscal exposure due to climate change to our High Risk List in part because of concerns about these increasing costs.<sup>4</sup> The issue remains on our 2015 High Risk List.<sup>5</sup> The trends described above, combined with ongoing fiscal pressures facing all levels of government, have placed a renewed focus on budgeting for and funding disaster response and recovery. An understanding of the approaches states take to budget for disaster costs can help inform congressional consideration of the balance between federal and state roles in funding disaster assistance.

You asked us to examine how states typically budget for state-level costs associated with disasters and any changes during the past decade regarding state approaches to budgeting for disasters. For this report, we examined (1) the approaches selected states use to budget for and fund state-level disaster costs; and (2) how, if at all, state disaster budgeting approaches have changed over time, including the factors influencing those changes and any challenges states encountered in budgeting for state-level disaster costs.

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<sup>2</sup>GAO, *Federal Disaster Assistance: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own*, [GAO-12-838](#) (Washington, D.C.: Sept. 12, 2012).

<sup>3</sup>Thomas R. Karl, Jerry M. Melillo, and Thomas C. Peterson, eds. *Global Climate Change Impacts in the United States*, (Cambridge University Press: 2009) and Melillo, Jerry M., Terese (T.C.) Richmond, and Gary W. Yohe, eds. *Climate Change Impacts in the United States: The Third National Climate Assessment*. U.S. Global Change Research Program (U.S. Government Printing Office: 2014).

<sup>4</sup>GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

<sup>5</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

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To determine how selected states budget for and fund state-level disaster costs, we conducted semistructured interviews with budget officers and emergency management officials in 10 states: Alaska, California, Florida, Indiana, Missouri, New York, North Dakota, Oklahoma, Vermont, and West Virginia.<sup>6</sup> We selected these states based on the number of major disaster declarations<sup>7</sup> and denials for each state during a 10 year period (federal fiscal years 2004 through 2013); the Public Assistance per capita damage assessment threshold applicable to each state;<sup>8</sup> and geographic dispersion. We focused on the fiscal year 2004 through 2013 time frame because it reflected the most current data for major disaster declarations. Figure 1 shows the characteristics of the 10 selected states included in our review.

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<sup>6</sup>For the purposes of this report, we use “few” for instances in which less than three states reported a practice, “some” when three to five states reported a practice, “many” when six to eight states reported a practice, “most” when nine states reported a practice, and “all” when all 10 states in our review reported a practice.

<sup>7</sup>Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, a major disaster declaration is defined as any natural catastrophe, fire, flood, or explosion determined by the President to warrant the additional resources of the federal government to alleviate damages or suffering caused by the disaster.

<sup>8</sup>The Public Assistance per capita threshold is an amount of funding—\$1.39 per capita for fiscal year 2014, multiplied by the population of the state for which the governor is requesting a disaster declaration for Public Assistance (PA). FEMA uses this amount as one of several indicators to assess a jurisdiction’s eligibility for PA. FEMA established a minimum threshold of \$1 million in public assistance damages per disaster based on the expectation that even the lowest population states can cover this level of PA. 44 C.F.R. § 206.48(a)(1). For the purposes of this report, we calculated the Public Assistance per capita threshold for each state, using the fiscal year 2014 per capita index of \$1.39 and the U.S. Census Bureau’s 2013 population estimates. In October 2014, FEMA increased the per capita index to \$1.41 for fiscal year 2015.

**Interactive graphic** Figure 1: Characteristics of the 10 States Included in GAO's Review

 **Directions:**  
Roll over each state for additional information.



**Public Assistance per capita threshold**

-  Low
-  Medium
-  High

Sources: FEMA and Census Bureau information; Map Resources (map). | GAO-15-424

Note: M represents dollars in millions.

 **Print instructions** | To print a text version of this graphic, go to appendix I.

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To determine how, if at all, state disaster budgeting practices have changed during the past decade, including the factors that have influenced those changes, we included related questions in semistructured interviews with state budget officers and emergency management officials. Such questions included, for example, how states' budgeting approaches have changed during the past decade, factors influencing any changes, and any challenges states face in funding disaster assistance. We focused our questions on the period covering fiscal years 2004 through 2013.

We also analyzed FEMA data related to major state disasters to identify possible trends in the frequency, severity, type, and cost of state disaster events during this time. We assessed the reliability of the FEMA data by discussing with another GAO team their recent access and use of the data in a prior year's report and their determination that the data provided reliable evidence to support findings, conclusions, and recommendations.<sup>9</sup> We also discussed data quality control procedures with FEMA officials who were knowledgeable about the specific types of data recorded in the database. Based on how we intended to use the information, we determined that the data were sufficiently reliable for the purpose of selecting states for our study.

In addition, for both objectives, we reviewed related state statutes, budgets, and other documents explaining states' approaches to budgeting for state-level disaster costs. The results of our study are not generalizable to state budgeting approaches for all states and the District of Columbia.

We conducted this performance audit from April 2014 to March 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. For more information on our objectives, scope, and methodology, see appendix I.

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<sup>9</sup>GAO, *Federal Emergency Management Agency: Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters*, [GAO-15-65](#) (Washington, D.C.: Dec. 17, 2014).

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## Background

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, defines the federal government's role during disaster response and recovery. The Stafford Act also establishes the programs and processes through which the federal government provides disaster assistance to state, tribal, territorial, and local governments, as well as certain nonprofit organizations and individuals.<sup>10</sup> According to the act, the President can declare a major disaster after a governor or chief executive of an affected tribal government finds that a disaster is of such severity and magnitude that effective response is beyond the capabilities of the state and local governments and that federal assistance is necessary.<sup>11</sup> That is, when the governor of a state or the chief executive of an Indian tribal government requests a declaration for a major disaster, FEMA evaluates the requests and makes a recommendation to the President, who decides whether or not to declare a major disaster and commit the federal government to provide supplemental assistance. Generally, state and local governments are responsible for the remaining share of disaster costs.

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## Federal Disaster Assistance to States

If the President declares a major disaster, the declaration can trigger a variety of federal assistance programs for governmental and nongovernmental entities, households, and individuals. FEMA provides disaster assistance to states, tribal governments, localities and individuals through several programs including: the Public Assistance (PA) and the

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<sup>10</sup>42 U.S.C. § 5121 et seq.

<sup>11</sup>42 U.S.C. § 5170. In addition to issuing major disaster declarations, the President may issue emergency declarations. 42 U.S.C. § 5191. If the President declares an emergency, the federal government may provide immediate and short-term assistance that is necessary to save lives, protect property and public health and safety, or lessen or avert the threat of a catastrophe, among other things. 42 U.S.C. § 5192. Federal assistance may not exceed \$5 million under an emergency declaration unless continued emergency assistance is immediately required, there is a continuing and immediate risk to lives, property, public health or safety, and necessary assistance will not otherwise be provided on a timely basis. 42 U.S.C. § 5193. Additionally, upon the request of a governor, FEMA may issue a fire assistance declaration that provides financial and other assistance to supplement state and local firefighting resources for fires that threaten destruction that might warrant a major disaster declaration. 44 C.F.R. § 204.21.

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Individual Assistance (IA) programs.<sup>12</sup> PA is the largest of FEMA's disaster assistance programs. It provides grants to fund debris removal, and the repair, replacement, or restoration of disaster-damaged facilities. PA also funds certain types of emergency protective measures that eliminate or reduce immediate threats to lives, public health, safety, or improved property. To determine whether to recommend that a jurisdiction receive PA funding, FEMA relies on a series of factors including the statewide per capita impact indicator.

FEMA's IA program ensures that disaster survivors have timely access to a full range of programs and services to maximize their recovery, through coordination among federal, state, tribal and local governments, nongovernmental organizations, and the private sector. Among other things, IA programs provide housing assistance, disaster unemployment assistance, crisis counseling, and legal services.<sup>13</sup> Individuals and households may be eligible for financial assistance or direct services if, due to the disaster, they have been displaced from their primary residence, their primary residence has been rendered uninhabitable, or they have necessary expenses and serious needs that are unmet through other means, such as insurance. The IA program provides assistance up to \$32,900 for fiscal year 2015 to eligible individuals and households who, as a direct result of a major disaster or emergency, have uninsured or under insured necessary expenses and serious needs that cannot be addressed by other means, such as through other assistance programs or insurance.<sup>14</sup>

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<sup>12</sup>FEMA administers three programs funded by the Disaster Relief Fund (DRF), which include: (1) PA, (2) IA, and (3) Hazard Mitigation. Hazard Mitigation provides additional funds to states to assist communities in implementing long-term measures to help reduce the potential risk of future damages to facilities. In addition, FEMA is responsible for issuing Mission Assignments—task orders that are carried out by other agencies and departments, with or without reimbursement from FEMA. For the purposes of this report, we focused on two of these programs—PA and IA.

<sup>13</sup>Specific IA programs and areas of responsibility include: the Individuals and Households Program, including Housing Assistance and Other Needs Assistance; the Disaster Unemployment Assistance Program; Disaster Legal Services; the Crisis Counseling Assistance and Training Program; the Disaster Case Management Program; Mass Care and Emergency Assistance Coordination; Voluntary Agency Coordination; and Disaster Recovery Center and Disaster Survivor Assistance Coordination.

<sup>14</sup>FEMA is required to annually adjust the maximum amount for assistance provided under the IA program based on the Consumer Price Index for All Urban Consumers, published by the Department of Labor.

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If approved for federal disaster assistance, states, tribal governments, and localities are expected to contribute toward disaster response and recovery costs. The usual cost share arrangement calls for the federal government to pay not less than 75 percent of the eligible PA costs of a disaster and for nonfederal entities (e.g., state and local governments) to pay the remaining nonfederal share of 25 percent.<sup>15</sup> The federal government covers 100 percent of the Individuals and Households Program but requires states to contribute 25 percent to the Other Needs Assistance component of this program. This component covers repair or replacement costs for personal property including furniture and personal belongings, and some uninsured medical, dental, funeral, and transportation expenses as well as child care and other expenses.<sup>16</sup>

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## State Budgets

If states are denied federal disaster assistance, they may choose to cover some of these costs. Disaster funding, like most other state expenditures, is typically part of a state's annual operating budget providing appropriations through the fiscal year. Disaster costs typically compete with other state priorities unless states establish a separately sourced disaster fund outside of the funds tied to their state's balanced budget requirements. Most states have constitutional or statutory provisions requiring that they balance their operating budgets, commonly referred to as their general fund.

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<sup>15</sup>Under extraordinary circumstances, governors can request that the President reduce the nonfederal share to 10 percent or zero percent. Typically, the nonfederal share is adjusted to zero percent for emergency work such as lifesaving activities and debris removal projects through FEMA's PA program. To qualify for an adjustment, a state must incur at least \$135 per capita in disaster costs. We previously reported that for the 539 disaster declarations during fiscal years 2004 through 2011, governors requested that the President adjust the usual federal/nonfederal (that is, state and local government) cost share 150 times. Of the 150 requests, 109 or 73 percent were approved during this period. For additional information, see GAO, *Federal Disaster Assistance: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own*, [GAO-12-838](#) (Washington, D.C.: Sept. 12, 2012).

<sup>16</sup>42 U.S.C. § 5174(g).

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## Selected States Had Budget Mechanisms to Cover Disaster Costs for the Current Fiscal Year, but Did Not Maintain Reserves for Future Disasters

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### Selected States Used a Range of Budget Mechanisms to Cover Unforeseen Disaster Costs during the Course of the Fiscal Year

All 10 states in our review used a range of mechanisms to ensure the availability of funds for unforeseen disaster costs during the fiscal year or current budget cycle.<sup>17</sup> While each state had its own set of budget mechanisms, all of the selected states provided disaster funds at the start of the fiscal year and as needed during the course of the fiscal year. The types of unforeseen disaster costs states encountered depended, in large part, on the kind of disaster, but were typically related to emergency response activities. For instance, the costs of clearing debris and repairing roads along with emergency policing were typical expenses that states incurred after a major storm. Many of those expenses qualified for federal reimbursement under a presidential disaster declaration.

**Statewide disaster accounts.** Statewide disaster accounts provided funding for disaster expenditures across state agencies or for localities. As shown in figure 2, all 10 states in our review established one or more types of statewide disaster accounts that received funds from general fund appropriations or from other revenue sources. All 10 states funded these statewide accounts through general fund revenues and 6 states—Alaska, California, Florida, Indiana, North Dakota, and Vermont—used

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<sup>17</sup>Seven of our 10 review states—Alaska, California, Florida, New York, Oklahoma, Vermont, and West Virginia—operate on an annual budget cycle, which means that the budget provides appropriations for one fiscal year. Two states—North Dakota and Indiana—operate on a biennial budget cycle which means the budget provides appropriations for two fiscal years. One state, Missouri, employs a combination of a biennial and annual cycle, which means that the operating budget provides appropriations on an annual budget cycle, while the capital budget provides appropriations on a biennial cycle.

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other revenue sources in addition to general fund revenues to cover unforeseen costs that arose during the fiscal year.<sup>18</sup> For example, Florida imposed an annual surcharge on homeowners' residential insurance policies and on commercial and business owners' property insurance policies, which the state then deposited into a trust fund to be used for emergency management purposes.<sup>19</sup> In addition, one of Indiana's statewide disaster funds relied on public safety fees generated through the sale of retail fireworks, while North Dakota funded its statewide disaster account through a biennial appropriation from the revenues of the state's share of oil and gas taxes.<sup>20</sup>

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<sup>18</sup>West Virginia established a disaster recovery trust fund in state statute but it is currently unfunded.

<sup>19</sup>Florida's Emergency Management, Preparedness, and Assistance Trust Fund is administered by the Florida Division of Emergency Management. Since 1993, Florida has provided funds for this trust fund by imposing an annual \$2 per policy charge on every homeowner's policy (including mobile homeowners, renters, and condo supplemental policies), and an annual \$4 surcharge on every commercial fire, multiple peril, and business owner's property insurance policy. The policyholder's surcharge goes to the insurer, who then remits the funds to the state's Department of Revenue to be deposited into the fund.

<sup>20</sup>North Dakota specifies in statute the sequence and amounts for taxes from oil and gas sales deposited during each biennium. The first \$200 million is deposited into the state's general fund; the next \$341,790,000 into the property tax relief fund; the next \$100 million again is deposited into the state's general fund; the next \$100 million is deposited into the Strategic Investment and Improvements Fund—a fund for one-time expenditures that are related to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. The next \$22 million is deposited in the state's Disaster Relief Fund and any remaining balance is deposited into the Strategic Investment and Improvements Fund.

**Figure 2: Mechanisms for Budgeting for Disasters in Selected States**

	Statewide disaster accounts		Agency budgets		Supplemental appropriations to:	Funding transfers	
	General revenue appropriations	Other sources <sup>a</sup>	Operating accounts	Contingency accounts	Statewide disaster account(s) or agency budgets	Between or within agencies	From multipurpose statewide reserves <sup>b</sup>
Alaska	■ □	■	■	■	■ □	■	■
California	■ □	■	■ □	■	■		■
Florida	■ □	■	■ □	■ □	■ □	■ □	■ □
Indiana	■ □	■ □	■ □	■ □		■ □	■ □
Missouri	■ □		■ □		■ □		■ □
New York	■ □				■ □	■ □	■
North Dakota	□	■	■	■			
Oklahoma	■ □		■ □		■ □		■ □
Vermont	■ □	■ □	■ □	■ □	■ □	■ □	■ □
West Virginia	□		■ □	■ □	■ □		■ □

■ Unforeseen disasters (mechanism used for costs associated with unforeseen disasters)  
 □ Past disasters (mechanism used for costs associated with past disasters)

Source: GAO analysis of state budget documents and related statutes. | GAO-15-424

<sup>a</sup>Refers to dedicated revenue streams, such as specific taxes, user fees, and surcharges.

<sup>b</sup>Refers to statewide reserves, such as budget stabilization accounts and special cash funds.

The states in our review based initial funding levels for statewide disaster accounts on a range of considerations, such as estimates of disaster costs based on past events and emergency response costs for unforeseen disasters. Although some statewide disaster accounts allow unexpended balances to be carried over into future fiscal years, states typically budgeted these costs for a single budget cycle. For example, based on its past disaster costs, Alaska typically budgeted disaster relief funds to cover the costs of two state-declared disasters (totaling \$2 million) and two federally-declared disasters (totaling \$5 million to \$6 million). Some states, such as North Dakota and California, may also establish funding amounts in statute. Specifically, North Dakota’s Disaster Relief Fund receives an appropriation of \$22 million every 2 fiscal years or each biennial budget cycle, while California’s Disaster Response-Emergency Operations Account receives an annual appropriation of \$1

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million at the beginning of each fiscal year, consistent with the state's budget cycle.

In establishing statewide disaster accounts, states typically defined the criteria under which the account funds could be used. For example, in Oklahoma, the governor is authorized to distribute funds from the state's disaster account to agencies that requested funds for emergency situations including: (1) destruction of public property; (2) operation of the National Guard; (3) matching funds for federal disaster relief programs; (4) asbestos removal from public buildings; and (5) emergency response necessary to protect the public health, safety, or welfare of livestock or wild animals. In North Dakota, the state's Disaster Relief Fund could be used to reimburse state agencies for disaster-related expenses incurred above the agencies' normal operating costs.

**Budgets of state agencies.** Nine of the 10 selected states also covered a portion of unforeseen disaster costs through the operating budgets of state agencies with missions relevant to disaster response and recovery, such as public safety and transportation.<sup>21</sup> For example, in West Virginia, the state's Division of Homeland Security and Emergency Management within the Department of Military Affairs and Public Safety used its regular operating budget to cover disaster response costs. Other agencies in West Virginia, such as the state's transportation and police departments, also used funds in their operating budgets to cover major disaster costs. These agencies then submitted these costs to the emergency management office for reimbursement.

As was shown in figure 2 earlier, of the 10 selected states, seven maintained contingency accounts for disasters. For example, Florida's Department of Environmental Protection established a disaster contingency account funded through user fees on Florida's state parks. In addition, the contingency fund for California's Department of Forestry and Fire Protection typically received an appropriation based on the average emergency cost from the previous five years.<sup>22</sup>

**Supplemental appropriations.** Eight of the 10 states in our review made use of supplemental appropriations when the funds appropriated to

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<sup>21</sup>Much of these costs were reimbursed after the state received federal assistance.

<sup>22</sup>California's Department of Forestry and Fire Protection is also referred to as CAL FIRE.

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statewide accounts or agency budgets at the beginning of the fiscal year were insufficient. When states' general funds served as the source of supplemental appropriations, these funds were unavailable to spend on other budget areas. Statewide multipurpose reserve accounts, such as budget stabilization funds (also referred to as rainy day funds), could also be tapped in the event that funds were not available through other means. A few states expanded the conditions for which budget stabilization funds could be tapped to include similar unanticipated expenses not directly related to revenue shortfalls or budget deficits. For example, although initially intended to offset revenue shortfalls, West Virginia's budget stabilization fund was subsequently modified to allow the state legislature to make appropriations from the fund for emergency revenue needs caused by natural disasters, among other things. However, budget officials from several states in our review told us that it was uncommon to access budget stabilization funds to cover disaster expenses because their state could generally provide disaster funding from a combination of general fund revenues and spending reductions in other areas. For example, despite having expanded its acceptable uses to include natural disasters, West Virginia only accessed its budget stabilization fund once since 2005 to cover disaster-related expenses. Similarly, in Florida, the state's budget stabilization fund was last used for disaster costs during the 2004 and 2005 hurricane seasons.

**Funding transfers.** In addition, nine states in our review had mechanisms to allow designated officials (e.g., the governor, budget director, or a special committee) to transfer funds within or between agencies or from statewide reserve accounts after the start of the fiscal year. For example, in Indiana, if funds within an agency's budget are insufficient to cover the unexpected costs of a disaster, a special finance board can authorize a transfer of funds from one agency to another. In addition, the state's budget director can transfer appropriations within an agency's accounts if needed for disaster assistance.<sup>23</sup>

## Authorities for Releasing Disaster Funds Varied Across States

The authority to release funds from disaster accounts varied by state and resided with the governor, the legislature, or special committees. As we have previously reported, a state where the legislature is in session for only part of the year might give the governor more control over the

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<sup>23</sup>Indiana's Board of Finance includes the governor's budget director, state treasurer, and state auditor.

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release of disaster funds.<sup>24</sup> For example, in the event that the Alaska legislature is out of session, the presiding officers of the legislature can agree in writing to suspend the \$1 million limit placed on the Governor's disaster spending authority.

Also, if a state legislature already appropriated a portion of general fund or other revenues to a disaster account, the governor or budget director can exert greater control over access to the reserves. For example, in California, a gubernatorial emergency declaration grants the state's Director of Finance the authority to tap into any appropriation in any department for immediate disaster response needs.

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### All Selected States Budgeted for Ongoing Costs Associated with Past Disasters

All states in our review budgeted for ongoing costs associated with past disasters. Typically, these ongoing costs included recovery-related activities, such as rebuilding roads, repairing bridges, and restoring public buildings and infrastructure. Costs associated with past disasters included the state's share of federal disaster assistance and disaster costs the state would cover in the absence of a federal declaration.<sup>25</sup> In budgeting for the costs of past disasters, all 10 states determined their budgets based on cost estimates for the upcoming fiscal year, even though each disaster declaration could span several budget cycles.

As was shown in figure 2, all selected states used a range of budget mechanisms to cover the cost of past disasters. These mechanisms were similar to those the states used to budget for unforeseen disaster costs. States used some of the mechanisms to appropriate funds at the start of the fiscal year and used other mechanisms to provide disaster funds during the course of the fiscal year. For example, in Missouri, multiple agency accounts funded the expenses from past disasters incurred by state agencies, while a separate statewide account covered the non-federal match of disaster programs.

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<sup>24</sup>See GAO, *Budgeting For Emergencies: State Practices and Federal Implications*, [GAO/AIMD-99-250](#) (Washington, D.C.: Sept. 30, 1999).

<sup>25</sup>When budgeting, states consider their estimated expenses related to the state's share of the PA, IA, and Hazard Mitigation programs. FEMA works with state emergency management agencies to estimate costs of presidentially declared disasters. For the PA program, these costs are determined through the project worksheet process.

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Most Selected States Had  
Established Cost Share  
Arrangements with Localities

The funding levels in states' accounts varied from year to year depending on annual estimates of expected disaster costs, primarily determined through the project worksheet process—the means by which the estimated costs are determined by FEMA and the state.<sup>26</sup> For example, Florida's emergency management agency forecasts the ongoing costs associated with past disasters for three future fiscal years and reports these cost estimates on a quarterly basis. In New York, the Governor's budget office, along with its emergency management agency, periodically estimated the amount of disaster program costs the federal government would cover in addition to costs the state would have to bear.<sup>27</sup>

Most states in our review had established cost share arrangements with localities and passed along a portion of the required nonfederal cost share to them.<sup>28</sup> Two states—Alaska and West Virginia—covered the 25 percent cost share for federally declared disasters while only one state—Indiana—passed the 25 percent nonfederal cost share onto its affected localities. In Vermont, municipalities that adopted higher flood hazard mitigation standards could qualify for a higher percentage of state funding for post-disaster repair projects, ranging from a minimum of 7.5 percent to a maximum of 17.5 percent. In Florida, the state typically evenly splits the nonfederal share with local governments but would cover a greater percentage of the nonfederal share for economically distressed localities.<sup>29</sup> Figure 3 shows the percentage of cost shares covered by each state in our review.

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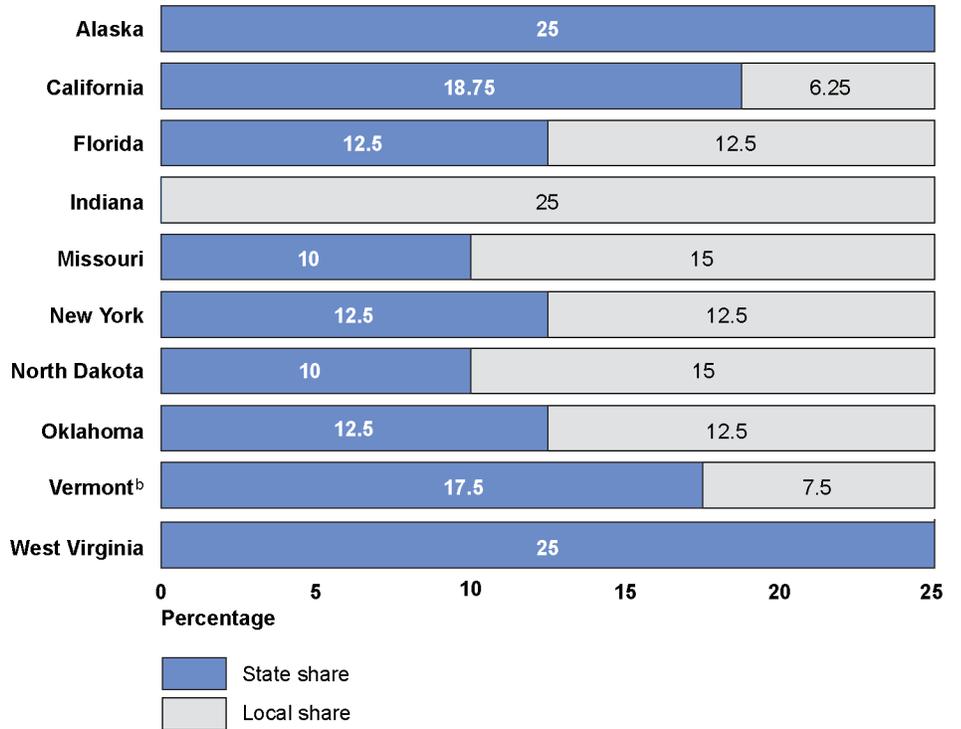
<sup>26</sup>Specifically, after FEMA has determined that an applicant is eligible for federal assistance under the Public Assistance program, FEMA, the state, and the applicant work together to develop a project worksheet describing the scope of work and estimated cost. As part of FEMA's approval process, the agency also conducts historical preservation and environmental reviews.

<sup>27</sup>These statewide disaster accounts were funded through the general fund. The legislature could also provide supplemental appropriations to these statewide accounts.

<sup>28</sup>These costs include expenses related to unforeseen disaster events as well as ongoing costs for past disasters.

<sup>29</sup>Florida uses a point system to determine whether a locality qualifies for a state cost share waiver. This point system is based on population, poverty level, and a locality's ability to raise taxes.

**Figure 3: Percentage of State and Local Cost Shares for Federally Declared Disasters in Selected States<sup>a</sup>**



Source: GAO analysis of data from selected states. | GAO-15-424

<sup>a</sup>Refers to the percentage breakdown of shared costs between the states and localities for the nonfederal share of eligible PA costs. The usual cost share arrangement calls for the federal government to pay not less than 75 percent of the eligible PA costs of a disaster and for nonfederal entities (e.g., state and local governments) to pay the remaining 25 percent.

<sup>b</sup>In Vermont, localities that adopt higher flood hazard mitigation standards can qualify for a higher percentage of state funding for post-disaster repair projects, ranging from a minimum of 7.5 percent to a maximum of 17.5 percent.

### Selected States Did Not Maintain Reserves for Future Disasters

None of the 10 states in our review maintained reserves dedicated solely for future disasters outside of the current fiscal year. As discussed earlier in this report, although funds in some states' statewide disaster accounts could be carried forward into the future, funding for these accounts was typically intended to fund a single fiscal year. For example, unexpended balances from Indiana's State Disaster Relief Fund—which receives an annual appropriation of \$500,000, could be carried forward from one year to the next. Similarly, North Dakota's Disaster Relief Fund, which receives a biennial appropriation, can carry forward unexpended fund balances into the next biennial cycle. According to a North Dakota state official, this

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procedure was established in statute to provide a ready source of disaster funding. Otherwise, according to this official, the state legislature would need to identify large amounts of funding from the general fund account at the start of each budget cycle.

Some state officials reported that they could cover disaster costs without dedicated disaster reserves because they generally relied on the federal government to fund most of the costs associated with disaster response and recovery. During the past decade, the federal government waived or reduced state and local matching requirements during extraordinary disasters such as Hurricanes Katrina and Sandy. For Hurricane Sandy, however, 100 percent of the federal funding was only available for certain types of emergency work and for a limited period of time. As we have reported in our prior work on state emergency budgeting, natural disasters and similar emergency situations did not have a significant effect on state finances because states relied on the federal government to provide most of the funding for recovery.<sup>30</sup>

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## Some Selected States Funded Their Own Disaster Programs

In addition, some of the states in our review maintained their own disaster programs which they used in the absence of a federal declaration or as a supplement to federal assistance (see appendix II for a list of statewide disaster programs established in all 10 selected states). These states created and funded their own assistance programs, which were similar to FEMA's PA and IA programs. For example, Alaska's individual assistance program provided temporary housing for up to 3 months to displaced individuals and families whose rental units were rendered unlivable, and up to 18 months to displaced individuals and families whose homes have been rendered unlivable, among other benefits.<sup>31</sup> California's public assistance program, similar in design to FEMA's PA program, provided disaster relief to both public entities and nonprofit organizations. Although these programs existed in state statutes, they did not always receive funding from the state legislature. Furthermore, a state could decide to contribute to local disaster relief efforts on a case-by-case basis without the existence of a formal disaster program. For example, although New York did not establish its own disaster program in statute, the state

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<sup>30</sup>See GAO, *Budgeting For Emergencies: State Practices and Federal Implications*, [GAO/AIMD-99-250](#) (Washington, D.C.: Sept. 30, 1999).

<sup>31</sup>Alaska's individual assistance program also provides reimbursement for personal property loss and assistance with housing repairs at 50 percent of the annual approved amounts for the federal IA Program.

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provided disaster assistance to localities on several occasions after being denied federal assistance.

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## Although Some States Increased Oversight and Availability of Funds, State Approaches to Budgeting for Disasters Remained Largely Unchanged during the 10-Year Period under Review

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### Some Selected States Took Steps to Increase the Availability and Oversight of Disaster Funds, but Did Not Make Major Changes to Budgeting Approaches

Overall, states did not make major changes to their approaches to budgeting for disaster costs between fiscal years 2004 and 2013. Some states in our review did take steps to increase the availability of disaster funds, while others changed procedures related to legislative oversight. Although the national economic recession occurred during this time (officially lasting from December 2007 to June 2009) and resulted in state revenue declines of 10.3 percent—states in our review reported that they were able to ensure the availability of funding to cover the cost of disasters. Officials in Alaska and North Dakota, for example, reported that state revenues generated from oil and gas taxes buffered their states from much of the fiscal distress that other states had experienced during the 2007 to 2009 recession.

Three states in our review—Alaska, Indiana, and North Dakota—changed their budgeting approaches to further ensure the availability of disaster funding prior to a disaster rather than after a disaster. While these moves did not provide funding for future disasters beyond the current fiscal year, they did improve the availability of funds for disaster response within the current fiscal year. For example, Alaska established a statewide disaster fund in the late 1960s to ensure the availability of disaster funding. Prior to 2010, Alaska primarily funded the disaster fund through supplemental appropriations after a disaster had occurred and after the state's

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administration and emergency management agency had requested funding. However, according to a state official, this approach did not provide funding timely enough for state agencies and localities to respond quickly to a disaster. Rather, the approach involved waiting for the state legislature to appropriate funds to the state's disaster account, which could have taken weeks, particularly if the legislature was not in session. At that time, Alaska experienced multiple concurrent disasters. In addition, the nature of Alaska's climate and the remote location of many of its communities resulted in a need for the state to take swift action to respond to disasters so that residents were able to repair or rebuild their damaged homes before the onset of winter. Consequently, the state began to forward fund the disaster fund to have more money available immediately after a disaster. According to this state official, the change in approach relied on cost estimates of multiple disasters to develop an annual budget figure.

In 2006, Indiana began appropriating funds to its State Disaster Relief Fund from the revenues it generated from firework sales to ensure the availability of a dedicated source of disaster funding. Although the state established the disaster relief fund in 1999, it did not appropriate funds to the account due to fiscal constraints. In 2006, the state began dedicating funds from the sale of fireworks. Then in 2007, the state established in statute that the fund would receive an annual appropriation of \$500,000 from revenues generated from the firework sales.<sup>32</sup> Prior to 2006, the state relied on general revenue funds to pay for disasters on an as-needed basis.

North Dakota established its Disaster Relief Fund during its biennial legislative session (2009 to 2011) to ensure the availability of funding in the event of a disaster. The state appropriated money to the fund at the beginning of the state's biennial budget cycle with revenues generated from the state's tax on oil and gas production. In order to respond to disasters prior to the establishment of this fund, state agencies with emergency response missions, such as the Department of Transportation, had to request funding directly from the state legislature

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<sup>32</sup>Indiana has three mechanisms to cover disaster related costs including (1) the Emergency Management Contingency Fund (for emergency preparation and management); (2) the State Disaster Relief Fund (after the damage has been done); and (3) if necessary, the emergency appropriation held by the budget agency.

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during the time it was in session.<sup>33</sup> However, if the legislature was out of session, state agencies were required to obtain a loan from the Bank of North Dakota to cover their immediate disaster costs. Then, to repay the loan, the agencies needed to request a supplemental appropriation when the state legislature reconvened. A North Dakota state official told us that this process was inefficient, so the state legislature established the Disaster Relief Fund to provide an easier means for accessing disaster relief funds.

Legislatures in three of our review states— North Dakota, Missouri, and West Virginia—took steps to increase their oversight of disaster spending. After North Dakota established a dedicated revenue source to ensure the availability of disaster funding, the state legislature took subsequent steps to increase the oversight of disaster relief funds. In particular, the legislature required state agencies to submit a request to the state’s Emergency Commission in order to receive disaster funding. Established in 2011, the Emergency Commission, comprised of the Governor, Secretary of State, and the House and Senate majority leaders, has the authority to approve the appropriation of supplemental funding when there is an imminent threat to the safety of individuals due to a natural disaster or war crisis or an imminent financial loss to the state. Prior to 2011, the state’s emergency management agency had been authorized to access disaster relief funds directly without approval from the Commission. According to a state emergency management official, the legislature took this action in response to a number of instances in which federal PA funds initially awarded to the state were deobligated, leaving the state with unanticipated disaster response costs. In one instance, for example, federal PA funds were deobligated because the state did not properly document the pre-existing conditions of a parking lot damaged by the National Guard in responding to a disaster. In this particular case, the state had to appropriate funds from their disaster relief fund to cover the cost of repair, rather than rely on federal PA funding to cover these costs.

To provide more oversight for disaster expenditures, the Missouri legislature changed its requirements for accessing funds from the State Emergency Management Agency (SEMA) budget. Specifically, the

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<sup>33</sup>The North Dakota legislature meets on a biennial basis. As specified in the state constitution, the legislature may not stay in session for more than 80 days during the biennium.

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legislature required that the administration seek legislative approval for all supplemental appropriations to the SEMA budget. According to Missouri budget officials, SEMA used to submit a budget request that represented a rough estimate of anticipated costs for the upcoming fiscal year. If actual costs exceeded SEMA's appropriation, the administration had the authority to appropriate additional money from general revenues for specific line items on an as-needed basis without additional legislative approval.

West Virginia's legislature increased oversight of disaster funding by restricting the use of funds appropriated to the Governor's Contingent Fund. In prior years, the legislature appropriated funds to the Governor's Contingent Fund as a civil contingent fund—a very broad term, according to a state budget official. Over the last few years, the legislature changed the appropriations bill language to limit spending flexibility for money appropriated to the fund. For example, appropriations bill language specified that funds were being appropriated for "2012 Natural Disasters" or "May 2009 Flood Recovery."

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## Concluding Observations

States rely on the assurance of federal assistance when budgeting for disasters. Based on current regulations, policies, and practices, the federal government is likely to continue to provide federal funding for large-scale disasters. In light of this federal approach to funding disaster response and recovery, the states in our review designed their budgeting approaches for disasters to cover the required state match for federal disaster assistance as well as the costs they incur in the absence of a federal declaration. For unforeseen disaster costs and for ongoing costs associated with past disasters, these states relied on a number of budget mechanisms including statewide disaster accounts, state agency budgets and supplemental appropriations, to ensure the availability of funding for disasters. However, none of the states in our review maintained reserves dedicated solely for future disasters outside of the current fiscal year. More frequent and costly disasters could prompt reconsideration of approaches to dividing state and federal responsibilities for providing disaster assistance. Given the fiscal challenges facing all levels of government, policymakers could face increased pressure to consider whether the current state and federal approach for providing disaster assistance balances responsibilities appropriately. Absent federal policy changes, the experience of the 10 states we reviewed suggests that states will likely continue to rely on federal disaster assistance for most of the costs associated with the response to large-scale disasters.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of the Department of Homeland Security for review and comment. The Department of Homeland Security generally agreed with our findings and provided technical comments, which we incorporated as appropriate. Additionally, we provided excerpts of the draft report to budget officers and emergency management officials in the 10 states we included in this review. We incorporated their technical comments as appropriate.

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As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Secretary of the Department of Homeland Security and interested congressional committees. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>. If you have any questions concerning this report, please contact Michelle Sager at (202) 512-6806 or [sagerm@gao.gov](mailto:sagerm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.



Michelle Sager  
Director, Strategic Issues

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# Appendix I: Objectives, Scope, and Methodology

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The objectives of our review were to determine (1) the approaches selected states use to budget for and fund state-level disaster costs; and (2) how, if at all, state disaster budgeting approaches have changed over time, including the factors influencing those changes and any challenges states encountered in budgeting for state-level disaster costs.

To address the objectives, we selected a nonprobability sample of 10 states from the 50 states and the District of Columbia. To select the states for our sample, we obtained data from the Federal Emergency Management Agency's (FEMA) Integrated Financial Management Information System on major disaster declarations by state during fiscal years 2004 through 2013. We focused on this time frame because it contained the most current data for major disaster declarations. We assessed the reliability of the FEMA data by discussing with another GAO team their recent access and use of the data in a prior year's report and their determination that the data provided reliable evidence to support findings, conclusions, and recommendations.<sup>1</sup> We also discussed data quality control procedures with FEMA officials who were knowledgeable about the specific types of data recorded in the database. Based on how we intended to use the information, we determined that the data were sufficiently reliable for the purpose of selecting states for our study.

We sorted the data obtained based on the total number of major disaster declarations approved by state. We calculated the median number of major declarations approved by FEMA and identified states directly above the median. For those states, we also identified the number of major disaster declarations that had been denied by FEMA during the same time period, which ranged from zero denials to seven denials. We then calculated the statewide Public Assistance per capita amount of funding, based on FEMA's statewide per capita indicator of \$1.39 and the U.S. Census Bureau's 2013 population estimate for each state. That is, we multiplied the 2013 population estimate for each state by the PA per capita indicator of \$1.39. We then grouped the states according to low, medium, and high per capita threshold levels. To ensure geographic dispersion and a range of per capita amounts, we selected 10 states—four low per capita states (Alaska, North Dakota, Vermont, and West Virginia), two medium per capita states (Missouri and Oklahoma), and four high per capita states (California, Florida, Indiana, and New York)

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<sup>1</sup>[GAO-15-65](#).

(see table 1 for additional information). The results of our study are not generalizable to state budgeting approaches for all states and the District of Columbia.

**Table 1: Characteristics of the 10 States Included in GAO’s Review**

State	Number of major disaster declarations (Fiscal years 2004-2013)	Public Assistance per capita threshold amount <sup>a</sup>	Public Assistance per capita threshold level <sup>b</sup>	Number of disaster declaration denials (Fiscal years 2004-2013)
Alaska	15	\$1,021,833	low	1
California	14	\$53,282,204	high	4
Florida	16	\$27,178,475	high	4
Indiana	13	\$9,133,554	high	4
Missouri	23	\$8,401,398	medium	5
New York	22	\$27,315,067	high	4
North Dakota	17	\$1,005,516	low	1
Oklahoma	29	\$5,352,290	medium	6
Vermont	15	\$871,016	low	0
West Virginia	16	\$2,577,483	low	1

Source: GAO analysis of FEMA and U.S. Census data. | GAO-15-424

<sup>a</sup>The Public Assistance per capita threshold is an amount of funding—\$1.39 per capita for fiscal year 2014, multiplied by the population of the state for which the governor is requesting a disaster declaration for Public Assistance (PA). FEMA uses this amount as one of several indicators to assess a jurisdiction’s eligibility for PA. FEMA established a minimum threshold of \$1 million in PA damages per disaster based on the expectation that even the lowest population states can cover this level of public assistance. 44 C.F.R. § 206.48(a)(1). For the purposes of this report, we calculated the Public Assistance per capita threshold for each state, using the fiscal year 2014 per capita index of \$1.39 and the U.S. Census Bureau’s 2013 population estimates. In October 2014, FEMA increased the per capita index to \$1.41 for fiscal year 2015.

<sup>b</sup>For the purposes of this report, we grouped the 10 states according to low, medium, and high per capita threshold levels, based on each state’s Public Assistance per capita threshold amount.

We then developed and administered a semistructured interview to state budget officers and emergency management officials in the 10 selected states regarding the approaches they used to budget for and fund state-level disaster costs and how, if at all, approaches changed over time.<sup>2</sup>

<sup>2</sup>For the purposes of this report, we use “few” for instances in which less than three states reported a practice, “some” when three to five states reported a practice, “many” when six to eight states reported a practice, “most” when nine states reported a practice, and “all” when all 10 states in our review reported a practice.

To address the first objective, we analyzed information from the semistructured interviews about selected states' approaches to budgeting for disasters. We also obtained and analyzed state budget and other relevant documents to determine how states estimate, authorize, and appropriate state disaster funds, the extent to which states share costs with affected localities, and how cost share arrangements with affected localities are determined.

To address the second objective, we analyzed information from the semistructured interviews about how states' budgeting approaches have changed during the past decade, factors influencing any changes, and any challenges states face in funding disaster assistance. We focused our questions on the period covering fiscal years 2004 through 2013. We also analyzed FEMA data regarding major state disasters to identify possible trends in the frequency, severity, type, and cost of state disaster events during the period from fiscal years 2004 through 2013.

For both objectives, we analyzed relevant state statutes and regulations that govern the use of state disaster funds. In addition, we interviewed FEMA officials who participate in making recommendations to the President as to whether state requests for federal disaster funding should be approved or denied.

We conducted this performance audit from April 2014 to March 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Summary of Selected Disaster Funds, Disaster Programs, and Cost Share Arrangements in 10 Selected States

The 10 selected states in our review used a range of budget mechanisms to cover the costs of disasters. This appendix provides additional detail on the range of disaster-specific funds, disaster assistance programs, and cost share arrangements in the 10 states.

**Table 2: Summary of Selected Disaster-Specific Funds, Disaster Assistance Programs, and Cost Share Arrangements in 10 Selected States**

	<b>Disaster-specific funds</b>	<b>Sources and funding levels</b>	<b>State-level assistance programs<sup>a</sup></b>	<b>State and local cost share arrangement</b>
<b>Alaska</b>	<b>Disaster Relief Fund</b>	Funded by an annual appropriation based on the estimated costs of open disasters and unforeseen disaster events. Supplemental appropriations are used to provide additional funding, when necessary.	Public Assistance  Individual Assistance	The state covers the entire 25% nonfederal cost share.
	<b>Oil and Hazardous Substance Release Prevention and Response Fund</b>	Funded by revenue generated from oil taxes in the form of a surcharge of one cent per barrel on each barrel of oil produced in the state and money that is recovered from parties financially responsible for the release of oil or hazardous substances.		

**Appendix II: Summary of Selected Disaster Funds, Disaster Programs, and Cost Share Arrangements in 10 Selected States**

<b>California</b>	<b>Disaster Response Emergency Operations Account</b>	Funded by an initial general revenue appropriation of \$20 million when the account was established and receives a \$1 million appropriation each fiscal year. Based on no-year funding. <sup>b</sup>	Public Assistance	The state covers 18.75% of the nonfederal cost share, while localities are responsible for the remaining 6.25%.
	<b>California Department of Forestry and Fire Protection (CAL FIRE) Emergency Fund (E-Fund)</b>	The state determines the amount of money for the E-Fund based on the average of the last 5 years.		
	<b>Disaster Relief Fund</b>	Funded by continuously appropriated funds. The fund is intended for the response and recovery from an earthquake, aftershocks, and any other related casualties. Based on no-year funding.		
	<b>California Disaster Housing Repair Fund</b>	Funded by appropriations through the legislature, transfers from the state's Special Fund for Economic Uncertainties, and any other sources made available to the state's Department of Housing and Community Development. The fund provides housing repair loans.		
	<b>Oil Spill Response Trust Fund</b>	Funded by appropriations through the legislature, certain fees, any federal funds received to pay for oil spills, any interest earned, and any amounts recovered by responsible parties. Based on no-year funding.		
<b>Florida</b>	<b>Emergency Management, Preparedness, and Assistance Trust Fund</b>	Funded by revenue generated from an annual surcharge on both commercial and homeowners' insurance policies. There is an annual \$2 per policy charge on every homeowner's policy (including mobile homeowners, renters, and condo supplemental policies) and an annual \$4 surcharge on every commercial fire, multiple peril, and business owner's property insurance policy.	None established.	The state covers 12.5% of the nonfederal cost share, while localities are responsible for the remaining 12.5%.

**Appendix II: Summary of Selected Disaster Funds, Disaster Programs, and Cost Share Arrangements in 10 Selected States**

<b>Indiana</b>	<b>State Disaster Relief Fund</b>	Funded by an appropriation generated through a fee on the sale of fireworks. After the revenue from firework sales reaches \$2 million in a given year, the additional revenue is allocated to the fund.	Public Assistance Individual Assistance	Localities are responsible for the entire 25% nonfederal cost share.
	<b>Public Assistance Match Fund</b>	Funded by an annual \$1 appropriation with augmentation authority, which establishes a channel to allocate further funds, if necessary.		
	<b>Emergency Management Contingency Fund</b>	Funding levels are based on expenses from the past 2-4 years, along with input from the state's budget agency regarding amounts they will be able to request from the legislature.		
	<b>Adjutant General's Office Contingency Fund</b>	Funded by a biennial appropriation of general funds.		
<b>Missouri</b>	<b>Missouri Disaster Fund</b>	Funded by an appropriation through the General Assembly from funds provided by the federal government or from other sources.	None established.	The state covers 10% of the nonfederal cost share, while localities are responsible for the remaining 15%.
<b>New York</b>	<b>Special Emergency Appropriation</b>	Although no funds are set aside at the beginning of the fiscal year, there is appropriation authority for disaster response costs that arise during the fiscal year. In fiscal year 2014, \$200 million was available.	None established.	The state covers 12.5% of the nonfederal cost share, while localities are responsible for the remaining 12.5%.
	<b>Account for state cost share for previous disasters</b>	Appropriation authority for costs associated with previous disasters. Dollar values are based on the annual cost estimates of previously occurring disasters.  Note: There is a separate account for appropriations of federal dollars for this same purpose.		

**Appendix II: Summary of Selected Disaster Funds, Disaster Programs, and Cost Share Arrangements in 10 Selected States**

<b>North Dakota</b>	<b>Disaster Relief Fund</b>	Funded by a biennial appropriation of \$22 million from the revenues of the state's share of oil and gas taxes. The level of funding is established in statute.	None established.	The state covers 10% of the nonfederal cost share, while localities are responsible for the remaining 15%.
<b>Oklahoma</b>	<b>State Emergency Fund</b>	Funded by general revenue appropriations made at the end of the legislative cycle. Funding levels are based on ongoing costs associated with past disasters.	Public Assistance	The state covers 12.5% of the nonfederal cost share, while localities are responsible for the remaining 12.5%.
<b>Vermont</b>	<b>Emergency Relief and Assistance Fund</b>	Funded by an annual appropriation of general revenue funds. Funding levels are based on anticipated costs for open disasters as well as estimated costs for new disasters that may occur during the fiscal year.	Funds may be used to provide low interest loans or small grants to municipalities or individuals affected by a disaster.  Vermont also has an emergency road repair program that provides assistance to localities if damage to transportation infrastructure exceeds 10 percent of the locality's road budget.	The state may cover up to 17.5% of the nonfederal cost share. Localities that adopt higher flood hazard mitigation standards can qualify for a higher percentage of state funding, ranging from a minimum of 7.5 percent to a maximum of 17.5 percent. <sup>c</sup>
<b>West Virginia</b>	<b>Disaster Recovery Trust Fund</b>	Funded by an appropriation, grants, gifts, contributions or revenues received from any source, public or private, and all income earned on the money held in the fund. This fund is treated as a special fund and not part of the general revenue of the state.	None established.	The state covers the entire 25% of the nonfederal cost share.

Source: GAO analysis of state laws and state budget information. | GAO-15-424

<sup>a</sup>As an alternative to state public assistance and individual assistance programs, states may provide assistance to localities and individuals affected by a disaster.

<sup>b</sup>No-year funding refers to appropriations that remain available for obligation for an indefinite period of time.

<sup>c</sup>Under Vermont's Share Match Incentive Program, localities can qualify for up to 17.5 percent of the nonfederal cost share if they meet certain disaster preparedness criteria.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Michelle Sager, Director (202) 512-6806 or [sagerm@gao.gov](mailto:sagerm@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Stanley Czerwinski, Brenda Rabinowitz (Assistant Director), Kathleen Drennan (Analyst-in-Charge), Mark Abraham, Liam O’Laughlin, and Robert Yetvin made key contributions to this report. Aditi Archer, Amy Bowser, Jeffrey Fiore, Robert Gebhart, Carol Henn, Donna Miller, Susan Offutt, and Cynthia Saunders also contributed to this report.

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