

ISSUE BRIEF

# A New Era of Disaster Aid?

## Reflections on the Sandy Supplemental

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## **Resources for the Future**

Resources for the Future is an independent, nonpartisan think tank that, through its social science research, enables policymakers and stakeholders to make better, more informed decisions about energy, environmental, and natural resource issues. Located in Washington, DC, its research scope comprises programs in nations around the world.



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### Growing Disaster Declarations

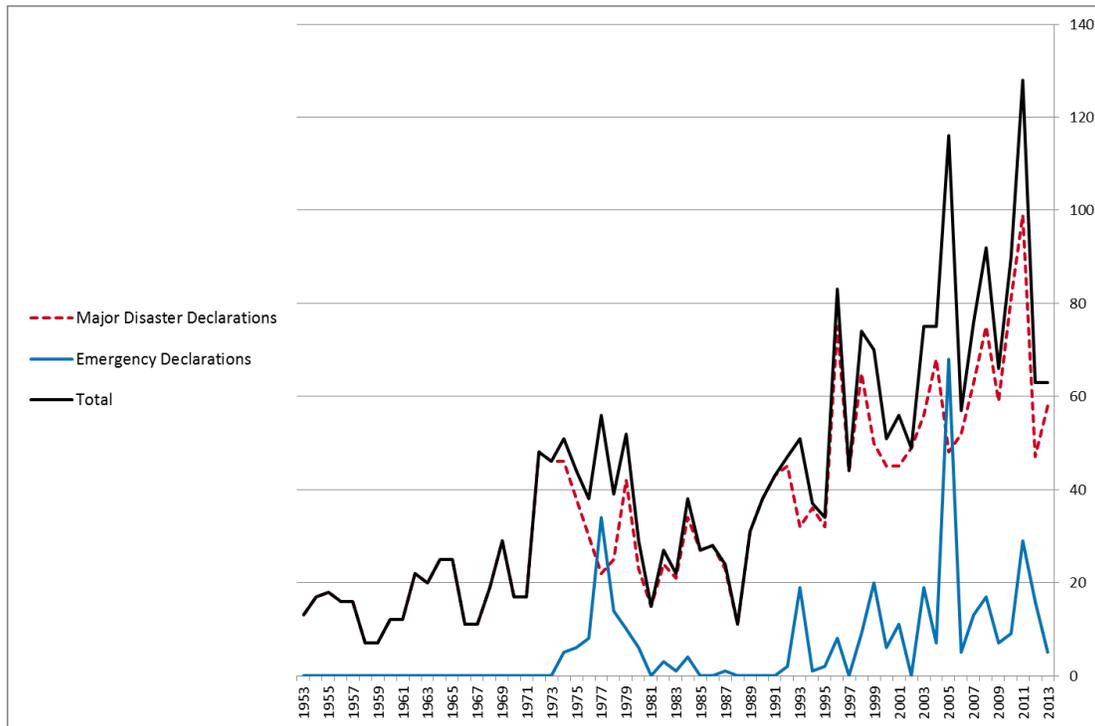
The number of presidentially declared disasters has been increasing steadily over the past several decades (see Figure 1). When a disaster is deemed beyond a state's capacity to respond, the governor can request a declaration from the president. These declarations enable federal relief funding to be disbursed by the Federal Emergency Management Agency (FEMA) and other federal agencies within designated counties. In addition to increases in the number of declarations, the costs of disaster events have also been growing over time. These trends cannot be explained solely by changes in climate. Much of the increase in the number of declarations, as well as the cost of disasters over time, is due to ever more development in hazard-prone locations. The increasing trends can also be explained by the political benefits of aiding victims and the precedent each declaration sets for the future.

### Key Points

- Disaster aid declarations, and supplemental funding for them, have been growing over time.
- After Hurricane Sandy (2012), Congress approved more than \$50 billion in supplemental funding.
- Since Hurricane Katrina (2005), a large share of aid has been channeled to local governments through grant programs in HUD, as opposed to the traditional FEMA programs. This was again the case after Sandy.
- Individuals and households will receive only a fraction of Sandy funds.
- The Sandy supplemental will fund many projects not related to emergency relief and recovery, exempting these projects from the usual budgetary scrutiny. Many of these projects are designed to reduce damages from future events.

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<sup>1</sup> Fellow and resident scholar, respectively, Resources for the Future. We would like to thank Kate Donahue for her extraordinarily helpful research assistance on this project.

**Figure 1. Disaster and Emergency Declarations, 1953–2013**



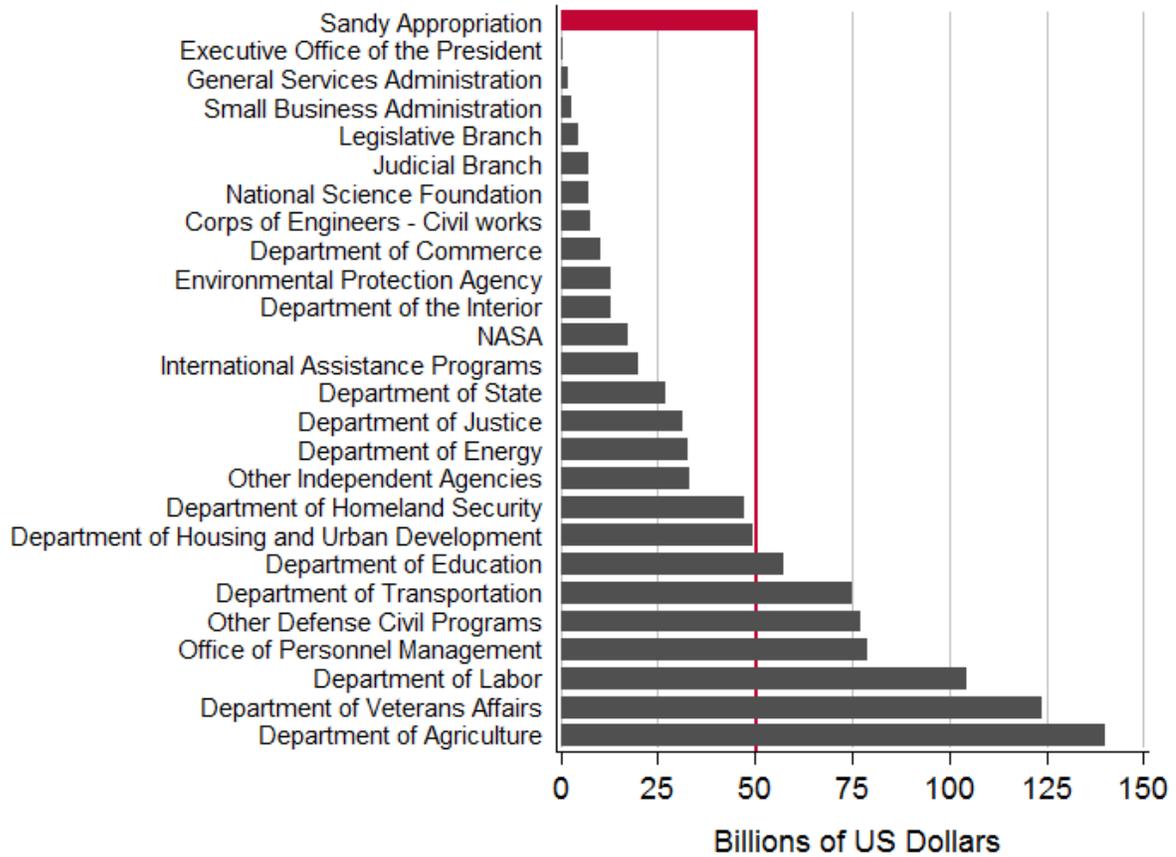
Source: Available from FEMA online at <http://www.fema.gov/disasters/grid/year>.

## The Sandy Supplemental

A presidential disaster declaration allows FEMA to distribute aid money from its Disaster Relief Fund (DRF). Each year, funds are appropriated into the DRF; in high loss years, supplemental legislation is needed to appropriate more funds. Certain other federal agencies also have annually appropriated funds for responding to disasters. As with the DRF, if the estimated damages exceed available funds, Congress may pass supplemental appropriations. This was the case with superstorm Sandy.

The amount of the supplemental funding after Sandy was enormous. For perspective, we compared the Sandy supplemental appropriation, more than \$50 billion, with the 2012 federal outlays by agency, excluding entitlement programs, military spending, and debt payments (Figure 2). The Sandy supplemental was greater than the amount spent by the Environmental Protection Agency, National Aeronautics and Space Administration, State Department, Department of Justice, Department of Energy, and many others. Given the magnitude of this spending and the upward trend in disaster declarations, it is important to better understand the Sandy supplemental.

**Figure 2. Sandy Supplemental Compared with 2012 Agency Outlays**



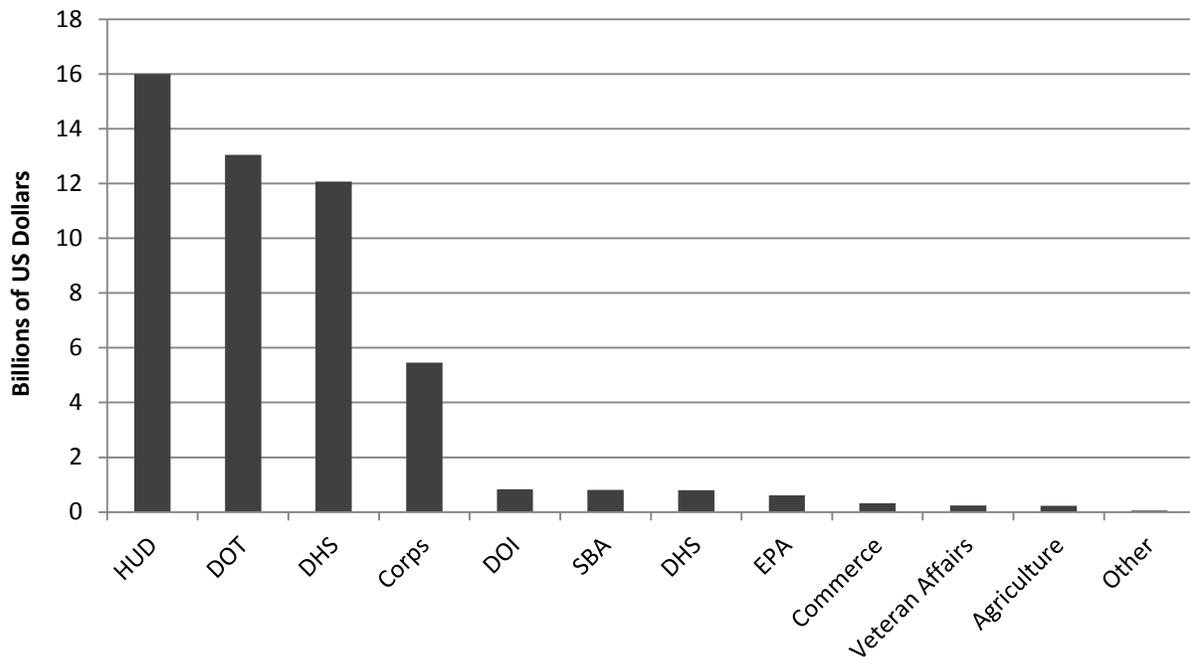
Source: Fiscal Year 2014 Historical Tables Budget of the US Office of Management and Budget, Washington, DC. Available online at: <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf>

### Where Will the Sandy Money Go?

More than 90 percent of the supplemental appropriations for Hurricane Sandy went to four departments: Department of Housing and Urban Development (HUD), Department of Transportation (DOT), Department of Homeland Security (DHS), and the U.S. Army Corps of Engineers (Corps). The (pre-sequester) amounts appropriated to each are shown in Figure 3.

One year after Sandy, close to three-quarters of the supplemental funding had yet to be spent. Although much of the Sandy supplemental was designated as “emergency” funding and thus exempted from budget caps, the time lag between appropriations and spending suggests the vast majority was not for emergency aid. FEMA has the greatest responsibility for immediate victim relief and so has, predictably, spent a greater portion of its funds to date than HUD, DOT, and the Corps.

**Figure 3. Sandy Appropriations, by Department**



Source: Disaster Relief Appropriations. Public Law 113-2 (2013).

HUD received the greatest share of funding from the Sandy supplemental, at \$16 billion. Of the \$12 billion of Sandy supplemental appropriations sent to DHS, \$11.7 billion went to FEMA. This distribution is notable in that FEMA has been the traditional source for disaster aid and FEMA is perceived by the public as the primary agency offering such aid.

FEMA disaster spending is limited in several ways. FEMA provides disaster relief to households through two programs:

- Public Assistance Program grants go to local governments for debris removal; emergency protective measures; repairing roads and bridges; repairing water control facilities; investing as needed in building and equipment; aiding utilities; and restoring parks, recreational facilities, and other items.
- Individual and Households Program grants go to individuals for either immediate housing assistance (repair, rebuilding, or temporary housing) or “other needs assistance” (replacing personal property, transportation expenses, medical costs, or funeral expenses).

Combined, these two kinds of assistance are limited to \$31,400 (in 2012 dollars) per person or household; this number is indexed to inflation. The average grant, however, is usually only several thousand dollars. Eligibility rules also apply.

In recent years, Congress has used HUD's Community Development Block Grant (CDBG) program to send federal dollars to impacted communities. To receive CDBG funds, an eligible state or local government must submit an Action Plan, detailing how it will spend the money, for HUD's approval. Eligible activities include replacement or repair of housing, activities that foster economic development, debris cleanup, infrastructure repair and improvement, and the prevention of future damage to affected areas. At least half the funds must be used for activities that will primarily benefit low- or moderate-income households (the percentage is usually higher but was lowered to 50 percent for Sandy spending). CDBG funds can be used for unmet needs; those things not financed by other agencies.

The shift to using the more flexible CDBGs over the DRF appears to have begun with Hurricane Katrina. Before the 2005 hurricane season, Congress had appropriated more than \$1 billion to CDBGs only once, for recovery from the September 11, 2001, attacks. Since then, Congress appropriated (in 2013 dollars) more than \$19 billion for CDBGs for the 2005 hurricanes; almost \$6.7 billion for Hurricanes Ike, Gustav, and Dolly in 2008; and \$15.18 billion for Hurricane Sandy (the original \$16 billion was cut by the sequester).

Given the enormous flexibility state and local governments have in how they spend CDBG money, it is difficult to say definitively how it is used or what this shift from the DRF to CDBG means for communities, taxpayers, or disaster victims. For this reason, the increase in CDBG spending requires a careful analysis of how the funds have been and might be spent and raises the important policy question of whether CDBGs are an appropriate vehicle for federal disaster aid.

### **How Much Will Households Get?**

Most of the \$50-plus billion appropriated by Congress will not make its way to individuals to repair and replace homes and possessions damaged by Sandy. Uninsured homeowners are first directed to the Small Business Administration for a loan to cover their property damage. Of all the departments that received funding, only FEMA funds and potentially some of the CDBG money could be used as grants to compensate homeowners who sustained damage. Although FEMA has not yet spent all the DRF money appropriated, of the dollars expended through September 2013, more than half has gone to public assistance to local governments, and only 30 percent has gone to individual assistance,<sup>2</sup> which is subject to a cap, as explained above.

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<sup>2</sup> FEMA, monthly report to Congress on the Disaster Relief Fund, September 2013.

Both New York and New Jersey are using some CDBG money for housing programs—both grants and low-interest loans—for residences damaged by Sandy. Other household programs are to cover the costs of investments in hazard mitigation. These are only a portion of the funds, however; CDBG money is also being used for damaged businesses, economic revitalization, local governments, and infrastructure. Although households will indeed get some funds from CDBGs, much of the funding is not immediately available. Indeed, one year post-Sandy, only a small portion of the CDBG funds had been spent.

### **Reducing Future Risk with Supplemental Funds?**

A large share of the Sandy supplemental is funding projects designed to reduce damages from the next storm, not for emergency response and rebuilding. The Corps of Engineers, for example, received about \$7 billion for new construction and the study of new projects; much of the funding was for already authorized projects that had not received appropriations through the normal budget process. DOT will use more than \$5 billion for projects to reduce damage from future disasters. New York City has developed a plan to increase its resilience to future storms and is using a substantial portion of its Sandy CDBG funds to invest in these measures.

There may be compelling justifications for many of these forward-looking investments. However, the Sandy funds were approved as “emergency” spending for immediate recovery. As a result, funds for projects to reduce future damages did not pass through the normal appropriations process. In fact, certain projects that are now being funded had been proposed before Sandy but had not been deemed worthy of federal expenditure. In addition, a small amount of the emergency supplemental is funding projects that are unrelated to Sandy or in areas unaffected by Sandy, such as \$2.5 million for sand dunes for the Kennedy Space Center in Florida.

Federal investments in reducing future hazards and climate adaptation may be justified. However, if Congress is going to spend billions of dollars on future risk reduction, a more deliberate approach would evaluate risks around the country, assess the risk reduction investments, and then allocate funding to maximize the benefits. Perhaps many activities funded by the Sandy supplemental would rise to the top of such an analysis, but that evaluation did not take place.

### **Further Reading**

Kousky, C., and L. Shabman. 2012. *The Realities of Federal Disaster Aid*. RFF Issue Brief. Washington, DC: Resources for the Future.

Kousky, C. 2013. *Informing Climate Adaptation: A Review of the Economic Costs of Natural Disasters*. *Energy Economics*: in press; available online at: <http://www.sciencedirect.com/science/article/pii/S0140988313002247>.