



Committee on Transportation and Infrastructure
U.S. House of Representatives

Washington, DC 20515

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January 23, 2015

SUMMARY OF SUBJECT MATTER

TO: Members, Committee on Transportation and Infrastructure
FROM: Staff, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
RE: Committee Hearing on “Rebuilding after the Storm: Lessening Impacts and
Speeding Recovery”

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Tuesday, January 27, 2015, at 10:30 a.m. in 2167 Rayburn House Office Building for a hearing titled “Rebuilding after the Storm: Lessening Impacts and Speeding Recovery.” The purpose of the hearing is twofold:

1. To launch an assessment of the rising costs of disasters, the cost effectiveness of disaster assistance, strategies to reduce disaster losses, and the appropriate roles of government and the private sector; and
2. To consider reforms to save lives through improved alerts and warning systems and search and rescue.

The Subcommittee will receive testimony from the current and former administrators of the Federal Emergency Management Agency (FEMA), the Congressional Research Service (CRS), a state emergency manager, and a fire chief.

ISSUES

The Rising Costs of Disasters

According to numerous studies, disaster losses and federal disaster spending have increased significantly over the last fifty years. In 2012, Munich Re, the world’s largest reinsurance company, reported that between 1980 and 2011, North America suffered \$1.06 trillion in total losses, including \$510 billion in insured losses, and the number of weather-related

events increased five-fold over the previous three decades.¹ In 2005, it was reported that since 1952, the cost of natural disasters to the federal government more than tripled, as a function of gross domestic product.²

There are numerous causes that may be driving these costs including, population growth and increased density in disaster-prone areas, changes in weather and fire events, and changes in disaster relief programs. In a recent report, FEMA acknowledged the increase in the number of extreme disaster events and increased vulnerabilities throughout the United States due to shifting demographics, aging infrastructure, land use, and construction practices.³

Few Disasters Account for Most Costs

The CRS analyzed data from over 1,300 major disasters since 1989, and adjusting for inflation, found that FEMA obligated more than \$178 billion for these disasters.⁴ However, CRS also found that 25 percent of all disasters account for over 92 percent of disaster costs.⁵ Therefore, the remaining 75 percent of smaller disasters constitute less than eight percent of FEMA disaster spending.

The Increase in Disaster Declarations

FEMA is the federal government's lead agency for preparing for, mitigating, responding to, and recovering from disasters and emergencies related to all hazards – whether natural or man-made. When state and local resources are overwhelmed and the “disaster is of such severity and magnitude that effective response is beyond the capabilities of the state and the affected local governments,”⁶ the Governor of the affected state may request that the President declare a major disaster. Below is a snapshot of declarations over the last decade:

¹ Munich Re (2012). *Severe weather in North America – Perils Risk Insurance*. Munich, Germany: Muchener Ruckversicherungs-Gesellschaft.

² The Princeton University Geoscience 499 Class, *The Increasing Costs of U.S. Natural Disasters*. Geotimes, November 2005.

³ Federal Emergency Management Agency, *National Strategy Recommendations: Future Disaster Preparedness*. September 6, 2013. Available at [http://www.fema.gov/media-library-data/bd125e67fb2bd37f8d609cbd71b835ae/FEMA+National+Strategy+Recommendations+\(V4\).pdf](http://www.fema.gov/media-library-data/bd125e67fb2bd37f8d609cbd71b835ae/FEMA+National+Strategy+Recommendations+(V4).pdf).

⁴ CRS Memo *Data Analysis for House Transportation and Infrastructure Committee*, January 14, 2015.

⁵ *Id.*

⁶ 42 U.S.C. § 5170.

Year	Major Disaster Declarations	Emergency Declarations	Fire Management Assistance Declarations	Total
2015	1	0	0	1
2014	45	6	33	84
2013	62	5	28	95
2012	47	16	49	112
2011	99	29	114	242
2010	81	9	18	108
2009	59	7	49	115
2008	75	17	51	143
2007	63	13	60	136
2006	52	5	86	143
2005	48	68	39	155

Source: <http://www.fema.gov/disasters/grid/year>

The chart above illustrates a recent decline in the number of disasters since 2011, a year that experienced the most disaster declarations in history. However, the CRS has analyzed the number of disaster declarations back to 1953 and observed a steady increase through 2011.⁷ FEMA reports that over two thirds of all disasters were declared in the last two decades, between 1996 and 2013.⁸

It has been suggested that the number of disaster declarations has increased because of an artificially low per capita threshold⁹, which FEMA relies on in making recommendations to the President for or against a disaster declaration. While other factors are considered, once state-wide damage reaches a certain level of damage per capita, it is likely that a disaster declaration will be recommended. FEMA has not adjusted this indicator to keep pace with inflation, income or other growth indicators. But this argument ignores factors, such as population density, building in disaster prone areas, and other factors that could also be causing the increased declarations.

Recent Trends in Federal Disaster Assistance

FEMA was established in 1979 as the centralized location for federal disaster assistance and coordination of the federal government's disaster activities. Over time, however, numerous other agencies have received authorities and appropriations for additional federal activities and programs focused on disaster recovery. For example, most recently, the following programs have been significantly involved in disaster recovery, and as such, have received significant funding in the wake of Hurricane Sandy.

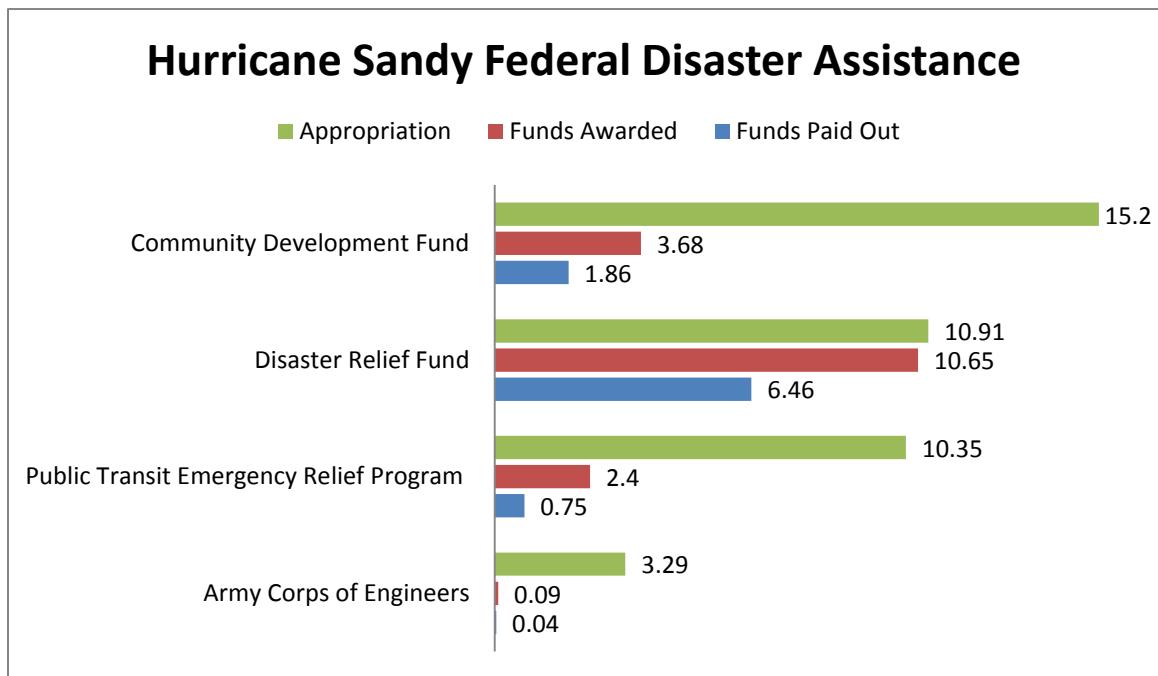
⁷ CRS Report 42702 *Stafford Act Declarations 1953-2011: Trends and Analyses and Implications for Congress* by Bruce R. Lindsay and Francis X. McCarthy.

⁸ Federal Emergency Management Agency. Available at <http://www.fema.gov/disasters/grid/year>.

⁹ Senator Tim Coburn, *An Imperfect Storm: How the Outdated Federal Rules Distort the Disaster Declaration Process and Fleece Taxpayers*. December 21, 2014.

- Housing and Urban Development (HUD) Community Development Block Grant Disaster Funds (CDBG-DR) – Congress can provide specialty funding for disaster recovery through HUD’s CDBG Program.
- U.S. Department of Transportation (USDOT) Federal Transit Administration Emergency Relief Program (ERP) – The ERP’s purpose is to help states and public transportation systems pay for protecting, repairing, or replacing equipment and facilities that may suffer or have suffered serious damage because of an emergency, including natural disasters. The ERP is also intended to improve coordination between USDOT and the Department of Homeland Security (DHS) to expedite assistance to public transit providers in times of disasters and emergencies.
- U.S. Army Corps of Engineers (Corps) – The Corps receives money for the rehabilitation, repair, and construction of projects. These funds are available to projects provided that they reduce future flood risk and support long-term sustainability.

Of the funds appropriated for Hurricane Sandy recovery, FEMA did not receive the greatest allocation. The top four programs are depicted below:



Source: <http://www.recovery.gov/Sandy/whereisthemoneygoing/monthly/Pages/default.aspx>

The Costs of Administering Federal Disaster Grants

The costs to administer federal disaster grants are significantly higher than the costs to administer many non-disaster federal grants and their own guidelines for these costs.¹⁰ In a recent report, the Government Accountability Office (GAO) found that FEMA obligated \$12.7

¹⁰ U.S. Government Accountability Office Report GAO-15-65 *Federal Emergency Management Agency: Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters*. December 17, 2014.

billion, or 13 percent of overall disaster obligations between 2004 and 2013, for its own costs to administer disaster assistance,¹¹ such as training, travel, facilities procurement and temporary staff. Further, GAO found that FEMA obligated \$1.7 billion to reimburse states and local governments for their costs to administer FEMA disaster assistance funds¹², which include travel, surveying and assessing sites related to specific projects, as well as contract support that may be secured to execute the grants and complete the project. There are few parameters on these costs and FEMA processes often involve a time-consuming review, sometimes resulting in protracted disputes and delays in reimbursement to states and local government.

The Use of Simplified Procedures

In order to lower the cost of administering small repair projects, Congress granted FEMA the authority to expedite assistance based on estimates for certain projects through simplified procedures in the Disaster Mitigation Act of 2000. Prior to February 2014, FEMA was able to approve and obligate funds based on estimates for all public assistance projects estimated to cost below \$68,500, thus expediting the processing for the grant funding. Under the Sandy Recovery Improvement Act (SRIA), Congress directed FEMA to review the threshold, report to Congress and provided authority for FEMA to increase the threshold in the future. FEMA examined data indicating that if the threshold were increased to \$120,000, 93 percent of the total number of projects issued for disaster recovery could be covered through these simplified, expedited procedures; an increase to \$190,000 would cover 95 percent of the projects; and an increase to \$400,000 would encompass 98 percent of the number of all projects issued for disaster recovery.¹³ After examining this and other factors, such as cost savings and reporting the results to Congress, FEMA published a notice in the Federal Register increasing the threshold to \$120,000, to be adjusted annually with the Consumer Price Index.¹⁴ As required by SRIA, FEMA will review the threshold every three years.

Mitigation Measures as a Strategy to Reduce Disaster Losses

Disaster mitigation includes actions taken to reduce loss of life and property by lessening the impact of disasters. Effective mitigation acts to minimize the potential loss from a disaster based on identifying and understanding the risks in a given area or community. Mitigation can encompass a wide variety of activities, including preparation and planning, elevating or moving structures prone to flooding, hardening structures to mitigate effects of hurricanes or earthquakes, and establishing building codes and zoning ordinances.

Mitigation not only saves lives but has been shown to also reduce disaster costs by minimizing damage from a disaster. For example, pursuant to a requirement of the Disaster Mitigation Act of 2000, the Congressional Budget Office (CBO) completed an analysis on the

¹¹ *Id.*

¹² *Id.*

¹³ Federal Emergency Management Agency. *Determination on the Public Assistance Simplified Procedures Thresholds*. (January 29, 2014) available at <http://www.fema.gov/media-library-data/1391095896799-50f74acda8e6de05dac297db1aad5669/FY14+Public+Assistance+Simplified+Procedures+Thresholds.pdf>.

¹⁴ 79 Fed. Reg. 10685.

reduction in federal disaster assistance as a result of mitigation efforts.¹⁵ That study examined mitigation projects funded from 2004 to mid-2007. CBO found that of the nearly \$500 million invested through Pre-Disaster Mitigation (PDM) grants, future losses were reduced by \$1.6 billion for an overall ratio of three to one. In essence, for every dollar invested in mitigation, \$3 were saved. CBO's analysis reaffirmed a prior study commissioned by FEMA and conducted by the Multihazard Mitigation Council of the National Institute of Building Sciences that concluded, in 2005, each dollar spent on mitigation saves \$4 in future losses due to disasters.¹⁶

FEMA Reauthorization Act of 2013 (H.R. 3300)

In the 113th Congress, Committee and Subcommittee Chairs and Ranking Members introduced legislation, FEMA Reauthorization Act of 2013 (H.R. 3300) that would improve our Nation's emergency management capabilities, modernize and strengthen critical components of our preparedness and response system, and support emergency response personnel. In addition to other provisions, the legislation addressed:

Integrated Public Alert and Warning System (IPAWS) – Pursuant to the Stafford Act, FEMA is charged with ensuring an emergency presidential message can be effectively disseminated across the Nation and, as part of that system, providing for the ability of state, tribal and local governments to issue public alerts and warnings in the event of impending or imminent emergencies. IPAWS is a “system of systems” that uses different pathways to simultaneously send alerts through many different channels. Established through a June 2006 Executive Order signed by President George W. Bush, IPAWS integrates the Nation's alert and warning infrastructure into one modern network and updates them to take into account newer forms of technology. Doing so increases the capability to alert and warn communities of all hazards impacting public safety. H.R. 3300 provided the direction and framework necessary to ensure the most efficient development of IPAWS possible, specifically the establishment of clear system requirements and capabilities for IPAWS, providing a clear framework for the development of IPAWS, and making certain stakeholders – including federal, state, local, and private sector entities – have input in the ongoing development of IPAWS.

Urban Search and Rescue (USAR) System – The USAR Response System is a framework for organizing federal, state, and local partner emergency response teams as integrated federal search and rescue task forces. The 28 National USAR Task Forces can be deployed by FEMA to assist state and local governments in rescuing victims of structural collapse incidents or to assist in other search and rescue missions. However, these team members lack the clarity on legal issues that are afforded to other federalized response teams (such as the Department of Health and Human Services Disaster Medical Assistance Teams) when they are deployed to locations outside their licensed jurisdictions. H.R. 3300 clarified licensing, liability, and compensation issues for USAR participants to ensure emergency response personnel can focus on the mission at hand.

¹⁵ Congressional Budget Office, *Potential Cost Savings from the Pre-Disaster Mitigation Program*. September 2007.

¹⁶ Multihazard Mitigation Council, National Institute of Building Sciences (2005), *Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*.

Emergency Management Assistance Compacts (EMAC) – EMAC is an interstate compact approved by Congress that provides an effective avenue by which states can provide one another mutual aid in the event of a disaster. Through EMAC, a state impacted by a disaster can request and receive assistance from other member states more quickly and efficiently, by addressing concerns with regards to liability and reimbursement. H.R. 3300 continued authorizing the program at current funding levels.

WITNESS LIST

The Honorable W. Craig Fugate
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Mr. Francis X. McCarthy
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The Honorable R. David Paulison
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Mr. Bryan Koon
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Addendum: FEMA Disaster Assistance

Federal Emergency Management Agency Background

FEMA was established in 1979 by Executive Order by President Carter following a number of massive disasters in the 1960s and 1970s, which resulted in proposals by the National Governors Association and others to streamline and cut the number of agencies states were required to work with following a disaster. Prior to the creation of FEMA, the federal government's emergency response mechanisms were scattered among many agencies throughout the government. The creation of FEMA helped to centralize these authorities and the coordination of the federal government's response to a disaster. FEMA's primary authority in carrying out its emergency management functions stems from the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 (Stafford Act)¹⁷ (P.L. 93-288).

Following the devastating terrorist attacks on September 11, 2001, Congress enacted the Homeland Security Act of 2002 (P.L. 107-296), creating the DHS, and placing FEMA within DHS. FEMA's functions were dispersed among various offices and directorates of DHS. In 2006, following Hurricanes Katrina and Rita and the intensive Congressional investigations and oversight, Congress enacted the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA) (P.L. 109-295), which addresses key response roles and authorities and put FEMA back together again within DHS. PKEMRA authorized the National Preparedness System and FEMA for the first time in legislation. Most recently, Congress enacted the Sandy Recovery Improvement Act (SRIA, P.L. 113-2), on January 29, 2013, in the wake of Hurricane Sandy's impact to the East Coast. SRIA provided additional authorities to expedite and streamline Hurricane Sandy recovery efforts, reduce costs, and improve the effectiveness of several disaster assistance programs authorized by the Stafford Act.

Disaster Declaration Process

When the President declares a major disaster or emergency, the official declaration triggers certain federal response authorities and financial disaster assistance. In particular, when such a declaration is made, the President is authorized to direct any federal agency, with or without reimbursement, to assist state and local governments and protect life and property. FEMA is responsible for coordinating federal agency response and ensuring the necessary federal capabilities are deployed at the appropriate place and time. In addition, FEMA provides direct support and financial assistance to states and local governments and individuals as authorized under the Stafford Act. Once the President issues a declaration, federal resources are deployed in support of state and local response efforts.

There are two categories of incidents included in the Stafford Act – “major disasters” and “emergencies.” A “major disaster” is defined under the Stafford Act as:

Any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or

¹⁷ 42 U.S.C. §§ 5121-5207.

explosion, in any part of the United States, which in the determination of the President causes damage of sufficient severity and magnitude to warrant major disaster assistance under this chapter to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby.¹⁸

An “emergency” is defined as:

Any occasion or instance for which, in the determination of the President, federal assistance is needed to supplement state and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.¹⁹

The key distinction between a major disaster and emergency is that emergencies authorize fewer types of assistance and do not require a state level disaster declaration or a request from a governor. In addition, emergencies are typically less severe events, limited in cost and duration, and can be declared to “lessen or avert the threat of a catastrophe.”²⁰

Disaster Relief Fund (DRF)

The Disaster Relief Fund (DRF) is the primary account used to fund many of the FEMA disaster assistance programs for states and local governments and certain nonprofits following a declared disaster or emergency. In most cases, funding from the DRF is released after the President has issued a disaster declaration.

Disaster Assistance Programs

FEMA’s major Stafford Act programs for disaster response and recovery in the aftermath of a major disaster are in the Public Assistance Program and the Individual Assistance Program. Under both of these programs FEMA assistance may not duplicate other benefits or insurance, assistance is not intended to make “one whole,” and for-profit companies are generally ineligible for assistance.

The Public Assistance Program, authorized primarily by sections 403, 406, and 407 of the Stafford Act, reimburses state and local emergency response costs and provides grants to state and local governments, as well as certain private non-profits to rebuild facilities. The Public Assistance Program generally does not provide direct services to citizens.

The Individual Assistance Program, also known as the Individuals and Households Program, is primarily authorized by section 408 of the Stafford Act. The program provides assistance to families and individuals impacted by disasters, including housing assistance. Housing assistance includes money for repair, rental assistance, or “direct assistance,” such as the provision of temporary housing. This section also authorizes the “other needs program,” which provides grants to mostly low-income families for loss of personal property, as well as disaster-related dental, medical, and funeral costs to individuals regardless of income. Other

¹⁸ 42 U.S.C. § 5122.

¹⁹ *Id.*

²⁰ *Id.*

Individual Assistance Programs authorized by the Stafford Act include: unemployment assistance (section 410), disaster food stamps (section 412), disaster legal services (section 415), and crisis counseling (section 416).

Section 404 of the Stafford Act authorizes the Hazard Mitigation Grant Program (HMGP). HMGP provides grants to state and local governments to rebuild after a disaster in ways that are cost effective and reduce the risk of future damage, hardship, and loss from natural hazards. FEMA also provides grants under HMGP to assist families in reducing the risk to their homes from future natural disasters, through such steps as elevating the home or purchasing the home to remove it from the floodplain.

Fire Management Assistance is authorized by section 420 of the Stafford Act and is available to states, local and tribal governments, for the mitigation, management, and control of fires on publicly or privately owned forests or grasslands, which threaten such destruction as would constitute a major disaster. The state must submit a request for assistance at the time a "threat of major disaster" exists. The Fire Management Assistance Grant Program provides a 75 percent federal cost share and the state pays the remaining 25 percent for actual costs. Before a grant can be awarded, a state must demonstrate that total eligible costs for the declared fire meet or exceed either the individual fire cost threshold - which is applied to single fires, or the cumulative fire cost threshold, which recognizes numerous smaller fires burning throughout a state. Eligible firefighting costs may include expenses for field camps; equipment use, repair and replacement; tools, materials and supplies; and mobilization and demobilization activities.