

Budgeting For Natural Disasters Roundtable

NCSL Western States Fiscal Leaders Meeting

March 26, 2002

Improving the Understanding of the Fiscal Impact of Natural Disasters

Research by The Pew Charitable Trusts has uncovered three actions that state policymakers can take to improve their understanding of the fiscal impact of natural disasters on state budgets and assess how resources might be better allocated for the long term:

- **Comprehensive tracking.** States should track their spending on disasters across all of the agencies and disaster phases—response, recovery, mitigation, and preparedness.
- **Budgeting mechanism assessments.** States should examine the budgeting methods they use to pay for disasters to determine if those approaches are meeting their needs.
- **Mitigation integration.** States should consider how their spending and budgeting practices incorporate investments in disaster mitigation—efforts undertaken to reduce harm from future disasters; every mitigation dollar spent can save an average of \$6 in post-disaster recovery costs.

Funding Natural Disasters

Discussion Questions – Part 1

1. What challenge or challenges is your state experiencing related to funding to address natural disasters and how are you tackling those challenges?
2. How do you think about funding when there is not a current emergency situation? Specifically, how do you think about funding both in advance of disasters as well as for mitigation measures?
3. Does anyone have an example of a process you've implemented in your state to address uncertainty around those costs? How do you address the uncertainty of funding around natural disasters?
4. What information do you wish you had about disaster costs and risks?

State Role in Disaster Assistance System

- Federal, state, and local governments all play a role in the U.S. disaster assistance system.
- Local governments are typically the first responders and the initial source of money; state and federal resources come into play as the scale of destruction and costs increase.
- The state role in this system is twofold:
 - First, states pay for disasters that are within their fiscal and logistical capacity to manage, often in conjunction with local governments. State funding in these instances may support immediate response efforts, such as search and rescue, and evacuation; longer-term programs to help communities recover; and mitigation activities to reduce the impact of future events.
 - Second, when disasters are too expensive for states to pay for themselves, they leverage their money to receive federal funds, typically in the form of cost-sharing agreements through which the federal government partially or fully reimburses state or local expenditures.

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Discussion Questions – Part 2

1. How do you think about risks to local governments, and how much does your state assume risks from these entities?
2. In what areas do you find federal funds to be most useful to the state, and does anyone have a success story about navigating federal funding?
3. Has anyone created partnerships with the private sector for disaster funding?