The Heritage Foundation

BACKGROUNDER

No. 3380 | FEBRUARY 4, 2019

Congress Must Stop the Abuse of Disaster and Emergency Spending

Justin Bogie

Abstract

The current disaster-and-emergency declaration and spending process is broken, leaving the government unprepared to respond to both widespread and localized disasters. Since the passage of the Stafford Act in 1988, which automatically triggers federal assistance when the President declares a disaster or emergency, the number of emergency declarations has been on the rise. Increasingly, Congress has been using disaster and emergency funding to evade spending caps and increase unrelated spending. Congress has only paid for a small percentage of this new "emergency" spending by offsetting spending reductions, adding to the nation's growing federal debt. The federal government and local jurisdictions must do a better job of preparing for unforeseen natural disasters, as well as those occurring with predictable frequency, before they happen instead of relying on federal government bailouts afterwards. By reforming the disaster-response and declaration process now, Congress can ensure a better and more cost-effective response the next time a disaster strikes.

Key Points

- The current disaster-and-emergency declaration and spending process is broken, leaving the government unprepared when major unforeseen disasters, or natural disasters that occur with predictable frequency, strike.
- Since the passage of the Stafford Act in 1988, the number and cost of declared disasters and emergencies has increased sharply.
- Congress has used disaster and emergency declarations to evade spending caps and increase funding for unrelated programs. Congress should reform disaster and emergency spending policies to stop the abuse.
- Reforms should include defining what a disaster is, addressing perpetual underfunding of FEMA's Disaster Relief Fund, limiting the amount of time that disaster and emergency funding remains available, and transitioning National Flood Insurance Program policies to the private market, among others.
- In order to ensure a better and more cost-effective response to the next disaster, Congress should reform disaster and emergency policies now.

The Robert T. Stafford Emergency Relief and Disaster Assistance Act of 1988 gave the President the authority to issue disaster declarations for a variety of events. These can range from widespread national disasters to smaller, localized events.[1]

In 1991, the Office of Management and Budget (OMB) laid out criteria for what event should qualify for disaster and emergency funding under the Stafford Act. The definition stated that to qualify, a provision must meet five criteria:

1. "**necessary expenditure**—an essential or vital expenditure, not one that is merely useful or beneficial";

This paper, in its entirety, can be found at **http://report.heritage.org/bg3380**

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

2. "**sudden**—quickly coming into being, not building up over time";

3. "**urgent**—pressing and compelling need requiring immediate action";

4. "**unforeseen**—not predictable or seen beforehand as a coming need…"; and

5. "**not permanent**—the need is temporary in nature."[2]

Typically, disaster spending is provided in one of three ways. The first way is through annual appropriations. Most disaster declarations are funded through the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund (DRF). These funds are unique in that they are classified as "no-year" money, meaning that they do not expire and can be carried over from year to year. The DRF is intended for non-catastrophic disasters, meaning that costs do not exceed $500 million per occurrence.[3]

DRF money can be distributed from three categories of disaster aid: individual assistance, public assistance, and hazard mitigation. It is left up to FEMA officials on site to determine how the funds are distributed. FEMA and the President also have the authority to issue a disaster declaration for Fire Management Assistance Grants and make funding available for that purpose.[4] In fiscal year (FY) 2018, the DRF received a base appropriation of $535 million.[5]

The second type of disaster spending is a product of the Budget Control Act (BCA) of 2011. While the BCA created caps on discretionary spending from FY 2012 to FY 2021, it also allows Congress to make categorical adjustments each year to increase spending, including for additional disaster relief. Disaster spending cap adjustments serve to carry out the Stafford Act. The OMB determines the amount of the annual-cap adjustment by calculating the average level of disaster funding over the previous 10 years.[6] In FY 2018, the disaster adjustment totaled $7.4 billion.[7]

Congress has the ability to provide additional funding through an emergency supplemental appropriation. Whereas FEMA's DRF is used for non-catastrophic disasters, supplemental appropriations are intended to be used for events that breach the $500 million-per-incident threshold.

Unlike disaster funding, which must adhere to the provisions of the Stafford Act, there is broader authority for emergency spending. While the funds can be used for disaster response, Congress and the President can request emergency funding for any need determined to be too urgent to be postponed until the next regular enactment of appropriations.[8] In recent years, emergency funds have been used for purposes such as hurricane response, increasing security on America's southwest border, and responding to the Ebola virus outbreak of 2014.[9]

There is virtually no limit to how much money Congress can appropriate under the emergency des-

1. Bruce R. Lindsay, "FEMA's Disaster Relief Fund: Overview and Selected Issues," Congressional Research Service *Report for Congress,* No. R43537, May 7, 2014, https://www.fas.org/sgp/crs/homesec/R43537.pdf (accessed November 1, 2018).
2. Keith Bea, "Federal Emergency Management Agency Funding for Homeland Security and Other Activities," Congressional Research Service *Report for Congress*, April 9, 2002, p. 24, https://www.everycrsreport.com/files/20020409_RL31359_0fa9608b592008054d787c5b502b3f59e0c9e1eb.pdf (accessed January 16, 2018), and Committee for a Responsible Federal Budget, "What's An Emergency?" June 22, 2010, http://www.crfb.org/blogs/whats-emergency (accessed October 24, 2018).
3. Lindsay, "FEMA's Disaster Relief Fund: Overview and Selected Issues."
4. Ibid.
5. U.S. Department of Homeland Security, "Disaster Relief Fund: Monthly Report as of September 30, 2018," October 5, 2018, https://www.fema.gov/media-library-data/1539209875417-a4b69649b46045013de05466f8b19815/October2018DisasterReliefFundReport.pdf (accessed November 1, 2018).
6. Bruce Lindsay, William Painter, and Francis McCarthy, "An Examination of Federal Disaster Relief Under the Budget Control Act," Congressional Research Service *Report for Congress* No. 42352, November 8, 2013, https://www.fas.org/sgp/crs/misc/R42352.pdf (accessed November 1, 2018).
7. Congressional Budget Office, "Discretionary Appropriations, Fiscal Year 2018, with Cap Adjustments," October 5, 2018, https://www.cbo.gov/system/files?file=2018-10/FY%202018%20House%202018.9.30.pdf (accessed November 1, 2018).
8. Bruce Lindsay and Justin Murray, "Disaster Relief Funding and Emergency Supplemental Appropriations," Congressional Research Service *Report for Congress* No. 40708, April 12, 2011, https://www.fas.org/sgp/crs/misc/R40708.pdf (accessed November 1, 2018).
9. Justin Bogie, "A Primer on Disaster and Emergency Appropriations," Heritage Foundation *Issue Brief* No. 4524, March 2, 2016, https://www.heritage.org/budget-and-spending/report/primer-disaster-and-emergency-appropriations.

ignation.[10] In FY 2018, Congress enacted $125.6 billion in emergency spending, mainly in response to three major hurricanes that affected the southeastern U.S. and Puerto Rico, as well as a small portion to fight wildfires on federal lands. However, much of the hurricane funding went to programs that are not equipped for, and do not provide, disaster aid.[11]

The Rise of Disaster and Emergency Spending

Since the passage of the Stafford Act, the number of annual disaster declarations has steadily risen. In 1988, FEMA reported only 16 declared disasters.[12] Over the eight-year Administration of President Ronald Reagan, he declared an average of 28 disasters per year.[13] Presidents George W. Bush and Barack Obama declared 130 disasters per year, nearly a five-fold increase.[14] During 2017, there were 137 declared disasters,[15] and in 2018 President Donald Trump declared 124 disasters.[16]

The scale of those declarations has also been on the rise. In FY 1989, supplemental emergency appropriations totaled $1.2 billion, or about half of 1 percent of the entire federal budget.[17] Over the course of the 1990s, supplemental appropriations continued to rise with the discretionary portion totaling over $129 billion over the decade. Approximately $76 billion of that total went toward the Gulf War, while the remaining $53 billion was used for non-defense purposes.[18]

The trend has continued over the past 20 years, with $497 billion in non-defense supplemental appropriations, and nearly $2 trillion more for the global war on terrorism.[19]

Though the levels of spending are smaller, a similar pattern has developed in supplemental disaster appropriations to the DRF. From FY 2000 to FY 2011, additional appropriations to the DRF averaged $1.8 billion annually.[20] Since the passage of the BCA, that average has risen to $6.7 billion per year, an increase of 272 percent.[21]

The rise in disaster and emergency spending can be attributed in part to reforms in the Stafford Act. The growth is largely due to the increase in the number of federal disaster declarations, which resulted from policy and regulatory reforms under the Stafford Act.

The act shifts the burden of disaster-response costs from state governments to the federal government. In the event of a disaster, states normally have

10. Veronique de Rugy and Allison Kasic, "The Never-Ending Emergency: Trends in Supplemental Spending," working paper, Mercatus Center at George Mason University, August 2011, http://mercatus.org/sites/default/files/publication/Emergency_Spending_de_Rugy_August2011_1.pdf (accessed November 1, 2018).
11. Emergency designated funds are in addition to any other previously provided appropriations and, like disaster designated spending, are not subject to the BCA caps or the Statutory Pay-As-You-Go (PAYGO) Act of 2010. PAYGO requires that any law changing taxes, fees, or mandatory spending must not increase projected deficits over five-year and 10-year periods. It is enforced through automatic mandatory cuts known as sequestration.
12. Federal Emergency Management Agency, "Disaster Declarations by Year: 1988," https://www.fema.gov/disasters/year/1988# (accessed October 23, 2018).
13. The Stafford Act of 1988 amended the Disaster Relief Act of 1974 by linking the presidential declaration of an emergency or disaster to a response by FEMA.
14. David Inserra, "FEMA Reform Needed: Congress Must Act," Heritage Foundation *Issue Brief* No. 4342, February 4, 2015, http://www.heritage.org/research/reports/2015/02/fema-reform-needed-congress-must-act.
15. Federal Emergency Management Agency, "Disaster Declarations by Year: 2017," https://www.fema.gov/disasters/year/2017# (accessed October 23, 2018).
16. Federal Emergency Management Agency, "Disaster Declarations by Year: 2018," https://www.fema.gov/disasters/year/2018# (accessed October 23, 2018).
17. Congressional Budget Office, "Supplemental Appropriations in the 1980s," February 1990, https://www.cbo.gov/system/files?file=2018-05/1980s.pdf (accessed November 1, 2018).
18. Congressional Budget Office, "Supplemental Appropriations in the 1990s," March 2001, https://www.cbo.gov/system/files?file=2018-07/1990s.pdf (accessed November 1, 2018).
19. Congressional Budget Office, "Supplemental Appropriations 2000–Present," October 5, 2018, https://www.cbo.gov/system/files?file=2018-10/Supplementalappropriations-2018-10-5.pdf (accessed November 1, 2018).
20. Lindsay, "FEMA's Disaster Relief Fund: Overview and Selected Issues."
21. Congressional Budget Office, "Status of Appropriations," FY 2015–FY 2019, https://www.cbo.gov/topics/budget/status-appropriations (accessed November 1, 2018).

to pay for the costs of responding, but if the President declares a major disaster, the federal government covers at least 75 percent of the costs. This has resulted in states requesting federal help whenever they can, since it will bring in significant amounts of money.

While the rapid growth of disaster and emergency appropriations is concerning, another trend is equally troublesome. During the 1990s, Congress paid for 40 percent of total supplemental spending by rescinding unspent funding from programs and agencies across the federal government.[22] Since 2000, efforts to pay for emergency appropriations have been almost nonexistent, with the exception of FY 2006 when approximately one-third of emergency appropriations were offset through rescissions.[23]

Last year, President Trump put forth a $44 billion emergency request in response to several hurricanes. The request included $59 billion in offsets that would have more than paid for the entire package, yet Congress ignored the request.[24]

If all of the disaster and emergency spending were being used for life-saving efforts and immediate response and recovery needs, it could be argued that the designation is justified. That does not mean that Congress should not find ways to pay for the new spending. When a family has an unexpected expense, such as a medical bill or car repair, it may have to cut the vacation or entertainment budget, or discretionary activities, to pay for the family emergency rather than adding the costs to a credit card. Why should the federal government operate differently?

Based on numerous examples from past events, it is clear that a large amount of the funding designated for disasters and emergency is not meeting the criteria laid out by the OMB in 1991.

Out of $125 billion in FY 2018 emergency funding, most of which was appropriated in direct response to three hurricanes, the DRF received less than $50 billion. The Department of Housing and Urban Development's (HUD's) Community Development Block Grant (CDBG) fund received over $35 billion (about 10 times its base appropriation), and the long-troubled National Flood Insurance Program (NFIP) received a taxpayer-funded bailout of $16 billion.[25] The Small Business Administration (SBA) Disaster Loan Program received $1.8 billion in emergency disaster relief funding.[26]

The SBA disaster loan program is a government subsidy for private businesses. It provides low-interest loans to businesses and individuals to repair or replace property damaged or destroyed by a declared disaster. The program has a history of poor management and falls outside the proper scope of the federal government. Giving bureaucrats at the SBA the authority to provide grants to whomever they see fit is an improper use of emergency funding and fails to prioritize aid to those who need it most.

The inclusion of emergency funding for the CDBG is also inappropriate. It gives broad grant authority to HUD to determine who is most deserving of the billions of dollars in federal aid. The program is not well-targeted to low-income communities and is not transparent, making it difficult to assess whether it is meeting its stated goals. Furthermore, the CDBG is not equipped for, nor has it ever been intended to serve, a disaster-response role.

The Army Corps of Engineers received over $15 billion in emergency funding in response to the 2017 storms,[27] compared to an annual appropriation of less than $7 billion in 2018.[28] The influx of Corps funding is less a response to natural disasters and more an effect of the congressional earmark moratorium that has been in place for the past eight years. Lawmakers are upset that they are not able to bring water infra-

22. Congressional Budget Office, "Supplemental Appropriations in the 1990s."
23. Congressional Budget Office, "Supplemental Appropriations 2000–Present."
24. Nicole Ogrysko, "Trump Asks Civilian Agencies for Help to Offset New $44 Billion Disaster Relief Package," Federal News Network, November 20, 2017, https://federalnewsnetwork.com/budget/2017/11/trump-asks-civilian-agencies-for-help-to-offset-new-44-billion-disaster-relief-package/ (accessed October 24, 2018).
25. Congressional Budget Office, "CBO Estimate for Division B, Subdivision 1 of Senate Amendment 1930," February 8, 2018, https://www.cbo.gov/system/files?file=115th-congress-2017-2018/costestimate/bipartisanbudgetactof2018.pdf (accessed November 1, 2018).
26. Congressional Budget Office, "Estimate for Senate Amendment 1930, The Bipartisan Budget Act of 2018," February 8, 2018, https://www.cbo.gov/system/files?file=115th-congress-2017-2018/costestimate/bipartisanbudgetactof2018.pdf (accessed November 1, 2018).
27. Ibid.
28. Congressional Research Service, "Army Corps of Engineers FY 2018 Appropriations," *In Focus*, April 2, 2018, https://fas.org/sgp/crs/natsec/IF10671.pdf (accessed January 15, 2019).

structure projects to their home states and districts like they could before the moratorium. Emergency funding provides a way to get around the earmark ban and send taxpayer dollars for infrastructure projects to lawmakers' districts.[29]

Recent natural disasters are not the only example of abuse of the emergency spending designation. Of the $50 billion in emergency Hurricane Sandy relief enacted in 2013, $16 billion went to the CDBG fund. It received $4.5 billion more in emergency funding than FEMA's DRF.[30]

In response to Hurricanes Katrina, Rita, and Wilma in 2005, Congress provided nearly $95 billion in emergency appropriations as well as a $17 billion bailout to the NFIP. About half of the $95 billion went to FEMA's response efforts, and 92 percent of that half was spent within two years of the storms.[31]

However, there was also much waste and abuse. The Louisiana Road Home program received an initial $1 billion CDBG program grant with billions of dollars more coming later. A Government Accountability Office report issued a year after the storms estimated that between $600 million and $1.4 billion in emergency funding was paid improperly or to individuals who were committing fraud. In one case, $20,000 was paid to an inmate who listed a post office box as his damaged property.[32] In 2013, an Inspector General's report found that $700 million of the Louisiana Road Home money could not be accounted for.[33]

Circumventing Fiscal Restraints

Perhaps the biggest reason for the recent rise in disaster and emergency spending is the enactment of the BCA. The act implemented discretionary spending caps from FY 2012 to FY 2021, among other provisions.

While the BCA was intended to reduce spending, it also allowed Congress to make certain annual adjustments. These cap adjustments include disasters; emergencies; Overseas Contingency Operations (OCO), formerly designated as emergency spending; and program integrity initiatives.

In addition to Congress amending the caps to increase spending, legislators have also exploited these cap adjustments to circumvent the limits. Since the enactment of the BCA, the average annual amount of supplemental disaster funding has more than quadrupled.

Supplemental emergency funding has been on an upswing as well. In the five years prior to the enactment of the BCA, emergency funding averaged $22.5 billion per year. From FY 2012 to FY 2018, that annual average increased to $29 billion per year.

Finally, there is the issue of OCO funding. This category of uncapped funding was originally used in response to 9/11. It was intended to serve as temporary funding to fight the spread of terrorism.[34] What it has become is a slush fund that allows Congress to evade the BCA caps and increase spending even more.

In FY 2018, Congress appropriated $65.2 billion in OCO for national defense, and an additional $12 billion for state and foreign operations. Seventeen years after 9/11, instead of serving to fight terrorism, this money is increasingly propping up the base budgets for the Departments of Defense and State. The Pentagon has already put forth plans to transfer as much as $49 billion in OCO funding to its base budget in FY 2020.

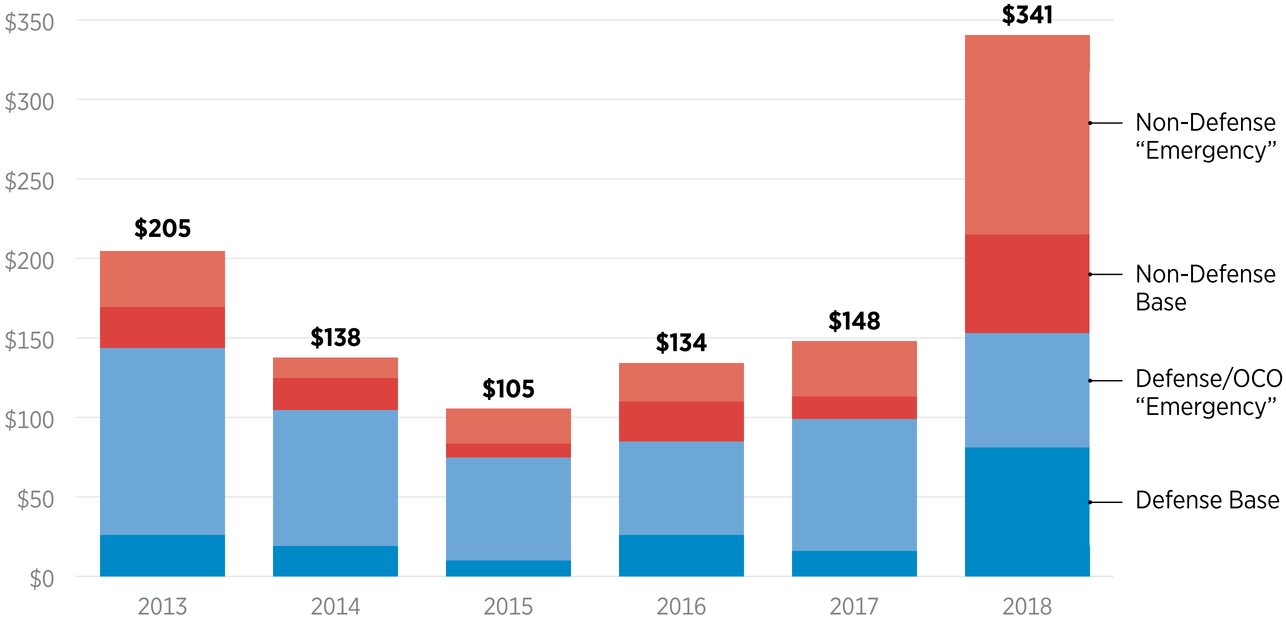
The BCA caps created an uncomfortable situation for lawmakers: It forced them to prioritize spending. That means that in order to increase

29. Justin Bogie, "Earmarks Won't Fix the Broken Budget and Appropriations Process," Heritage Foundation *Backgrounder* No. 3353, September 20, 2018, https://www.heritage.org/budget-and-spending/report/earmarks-wont-fix-the-broken-budget-and-appropriations-process.
30. William Painter and Jared Brown, "FY2013 Supplemental Funding for Disaster Relief," Government Accountability Office, February 19, 2013, https://fas.org/sgp/crs/misc/R42869.pdf (accessed November 1, 2018).
31. Congressional Budget Office, "The Federal Government's Spending and Tax Actions in Response to the 2005 Gulf Coast Hurricanes," August 1, 2007, https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/85xx/doc8514/08-07-hurricanes_letter.pdf (accessed November 1, 2018).
32. Government Accountability Office, "Hurricanes Katrina and Rita Disaster Relief," testimony before the Subcommittee on Investigation, Committee on Homeland Security, U.S. House of Representatives, June 14, 2006, https://www.gao.gov/assets/120/114055.pdf (accessed November 1, 2018).
33. Jeff Zeleny, "$700 Million in Katrina Relief Mission, Report Shows," ABC News, April 3, 2013, https://abcnews.go.com/Politics/700-million-katrina-relief-funds-missing-report-shows/story?id=18870482 (accessed October 26, 2018).
34. Congressional Budget Office, "Funding for Overseas Contingency Operations and Its Impact on Defense Spending," October 23, 2018, https://www.cbo.gov/system/files?file=2018-10/54219-oco_spending.pdf (accessed November 1, 2018).

CHART 1

Federal Spending Surges Past Budget Caps

SPENDING INCREASES RELATIVE TO ORIGINAL BCA LEVELS, IN BILLIONS



SOURCE: Office of Management and Budget, “OMB Final Sequestration Report to the President and Congress for Fiscal Year 2018,” April 6, 2018, https://www.whitehouse.gov/wp-content/uploads/2018/04/2018_final_sequestration_report_april_2018_potus.pdf (accessed December 10, 2018).

BG3380 heritage.org

spending in one area, such as defense, spending in another area has to be cut. But that creates a tension for lawmakers who neither want to raise taxes nor cut spending. Emergency spending and other cap adjustments provide another option. They allow Congress to increase spending without having to worry about offsetting it through cuts to other programs or new taxes.

Recommendations to Reform Disaster and Emergency Spending

In an effort to make the disaster and emergency spending more effective and more fiscally responsible, Congress should pursue a series of reforms:

Codify the Definition of Disaster and Emergency Spending and Enforce It. One of the problems with the emergency designation is that there is no clear definition of what it means. This leaves Congress and the President with much latitude regarding what qualifies as an emergency. As described, this lack of definition has helped to fuel the growth of emergency spending and provide an easy way for lawmakers to evade spending restraints.

To enhance accountability and transparency in emergency spending, Congress should define by statute what qualifies as an emergency. To ensure that Congress cannot simply waive the statute, as is done with many budget enforcement rules, it should be enforced through a point of order that requires a two-thirds majority vote to waive.

In 1991 the OMB issued guidance on emergency spending that included one possible definition. The definition stated that to qualify as emergency spending, a provision must meet the five criteria listed at the beginning of this *Backgrounder*. Codifying this definition in statute would help to ensure that emergency funding is used for legitimate purposes. Disaster responses should be appropriate, targeted, and cost-effective.

Put a Time Limit on How Long Emergency Designated Funding Can Be Spent. Currently, disaster and emergency funds are appropriated as "no-year" money. This means that the money is "available for obligation for an indefinite period."[35] The point of emergency spending should be to provide immediate and direct response to save lives and help communities begin the recovery process. Allowing money to be spent over an indefinite period of time undermines that goal.

Of the $50 billion in emergency appropriations approved by Congress after Hurricane Sandy, only $17 billion was allocated to "meet immediate and critical needs."[36] The remaining $33 billion was for long-term recovery and infrastructure improvements to help prevent damage caused by future disasters.[37] While mitigation efforts are important, they do not meet the five criteria laid out to qualify as emergency spending and should be paid for within base agency budgets.

An emergency is defined as an event that requires immediate action. More than six years after the storm there is still emergency funding that has not been spent. Congress should adopt time limits and more specific limitations for how the funds can be used. If money is left unspent, it should be automatically rescinded by the OMB and returned to the Treasury. Doing so would help ensure that the funds are going toward true emergencies.

Budget for Recurring Disasters within FEMA's Base Budget. When tested according to the five criteria laid out by the OMB, FEMA's DRF budget-cap adjustment would not meet the standard to qualify as disaster funding. Over the past five years, the DRF has on average received $6.7 billion in additional funding through the disaster designation—money that is not subject to the BCA caps. Prior to the enactment of the BCA, the five-year average was $1.6 billion per year. Based on the fact that Congress appropriated nearly $7 billion in additional funding annually to the DRF over the past five years, these occurrences are clearly not sudden, unforeseen, or temporary.

The disaster-cap adjustment has become a means for Congress to evade the BCA spending caps and supplement FEMA's base budget. While Mother Nature is inherently unpredictable, history shows that there will be some amount of flooding, severe weather, and wildfires, among other natural events, each year in the U.S. The consistency in Congress providing additional disaster funding every year shows this. Because of the sharp increase in disaster declarations over the past 30 years, the DRF's base budget of $535 million is not sufficient to handle even a low-end storm season.[38]

Congress should stop providing a budget-cap adjustment for disaster-designated spending and budget for recurring expenses within FEMA's base budgets.

Modify the Stafford Act to Establish Clear Requirements that Limit the Situations in Which FEMA Can Issue Disaster Declarations. The growth in the DRF is largely due to the spike in the number of federal disaster declarations, which was a direct result of changes in policy and regulation under the Stafford Act.

The act shifts at least 75 percent of disaster-response costs to the federal government. This creates a vicious cycle as states respond to increased federalization of disasters by preparing less than they should. As a result, states are less prepared for disasters, they request more federal help, and the downward cycle is perpetuated.

To mitigate this problem, the Department of Homeland Security should reduce the number of disasters to which FEMA responds, leaving many smaller disasters fully in the capable hands of states and local governments.

Reduce the Federal Share for FEMA Declarations to 25 Percent. The Stafford Act made it much easier for states to request disaster assistance, leading to the spike in the number of declarations and amount of money spent. The act requires damages to top $1.46 per capita for states to receive aid. That is less than $5 million for 16 states.[39] By setting such a low bar to acquire federal assistance, FEMA is in high demand. This leaves FEMA's budget and readiness unprepared when truly catastrophic disasters strike.

35. Government Accountability Office, "Principles of Federal Appropriations Law," 3d Ed., Vol. I, January 2004, https://www.gao.gov/special.pubs/d04261sp.pdf (accessed November 1, 2018).
36. William Painter and Jared Brown, "FY 2013 Supplemental Funding for Disaster Relief," Congressional Research Service, February 19, 2013, https://fas.org/sgp/crs/misc/R42869.pdf (accessed November 1, 2018).
37. Ibid.
38. Bogie, "Earmarks Won't Fix the Broken Budget and Appropriations Process."
39. Calculations based on public U.S. Census Bureau data.

FEMA should reduce the federal share of disaster costs so that only the large disasters receive a 75 percent federal cost share. For most medium-severity disasters, FEMA would cover closer to 25 percent of disaster costs. By limiting disaster declarations and limiting cost sharing, FEMA will be able to put more money aside for catastrophic disasters, which is when federal disaster funding is most needed.

Such reform is not only good for disaster response—better prepared and invested state and local governments will improve overall disaster preparedness and response—it is also fairer. Taxpayers in states that do not have many disasters, or that do a better job preparing for them, subsidize high-disaster-risk and low-preparedness states through the current federal model.

Stop Relying on Overseas Contingency Operations Funding to Pay for Base Defense Requirements. Like disaster and emergency spending, OCO funds are a category of spending that was explicitly exempted from the BCA caps.

Since 2001, an estimated $1.8 trillion has been appropriated to the Department of Defense, State Department, and the U.S. Agency for International Development (USAID) for activities and operations in response to 9/11 and the continuing war on terrorism.[40] There is no statutory limit to the amount of OCO funds that can be appropriated in a given year.

Unfortunately, rather than fulfilling its intended purpose, more and more OCO funds are being used to prop up the base budgets of the Departments of Defense and State and USAID. Since 2014, the Pentagon and Congress have been shifting funding from base accounts into the OCO account. This provides a mechanism to increase base defense spending without violating the BCA caps.[41]

Congress and the President should work together to phase out the use of OCO funds for base expenditures entirely. They should fully fund national defense through the base budget at the level needed to protect the nation from increasing threats across the globe, and save additional spending for true emergencies and unforeseen threats.

Phase Out the National Flood Insurance Program. The NFIP was established in 1968[42] to provide flood insurance for at-risk properties and to mitigate flood risks through land-use regulation. Congress noted at the time that ad hoc disaster relief was placing "an increasing burden on the nation's resources,"[43] which could be alleviated by insurance coverage.

Some five million properties are currently insured under the program. Property owners are eligible if their community adopts and enforces floodplain-management regulations that meet or exceed federal standards.[44] FEMA has little discretion in issuing policies regardless of the degree of flood risk or repetitive claims.[45]

This has created a moral hazard where property owners expect the government to provide disaster assistance regardless of their insurance status. Because of this, NFIP enrollment is skewed to the most flood-prone areas.

Unsustainably low NFIP premiums have crowded out the private insurance market and have led to the NFIP being perpetually in debt. In 2018, the program's most recent bailout totaled $16 billion.[46]

Congress should release aggregated claims data necessary for private insurers to price private insurance and eliminate the subsidies and other give-aways that secure the government's flood insurance monopoly.

Congress Must Start Planning for the Next National Emergency Now

Disaster-and-emergency spending and response in its current form is broken. Too much of the funding

40. Lynn M. Williams and Susan B. Epstein, "Overseas Contingency Operations Funding: Background and Status," Congressional Research Service, February 7, 2017, https://fas.org/sgp/crs/natsec/R44519.pdf (accessed November 1, 2018).
41. Ibid.
42. The National Flood Insurance Act of 1968, as amended, 42 U.S. Code 4001, et seq.
43. Ibid.
44. Diane P. Horn and Jared T. Brown, "Introduction to the National Flood Insurance Program (NFIP)," Congressional Research Service, April 30, 2018, https://fas.org/sgp/crs/homesec/R44593.pdf (accessed June 16, 2017).
45. Federal Emergency Management Agency, "Answers to Questions About the NFIP," March 2011, https://www.fema.gov/media-library-data/20130726-1438-20490-1905/f084_atq_11aug11.pdf (accessed November 1, 2018).
46. Congressional Budget Office, "Estimate for Senate Amendment 1930, The Bipartisan Budget Act of 2018."

is going toward purposes that do not represent true emergencies, and too little of the spending is being offset, leaving taxpayers holding the bag to pay for ineffective and untargeted response.

Congress must ensure that disaster and emergency funding is targeted to direct response and recovery needs of affected individuals and communities. The federal government, as well as state and local authorities, must do a better job of preparing for the unforeseen before it happens instead of relying on government bailouts afterwards. This could be accomplished through reforms, such as time-limiting the availability of disaster and emergency funds, limiting when FEMA can declare disasters, shifting disaster-response responsibilities back to state and local governments, and removing counterproductive incentives for people to live in disaster-prone areas.

By reforming the disaster-response and declaration process now, Congress can ensure a better and more cost-effective response the next time a disaster strikes.

*—**Justin Bogie** is Senior Policy Analyst in Fiscal Affairs in the Grover M. Hermann Center for the Federal Budget, of the Institute for Economic Freedom, at The Heritage Foundation.*