



PRELIMINARY

2017 National Disaster Resilience Conference

The Impact of Natural Disasters on the Federal Government's Fiscal Exposure

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For more information, contact Chris Currie at CurrieC@gao.gov

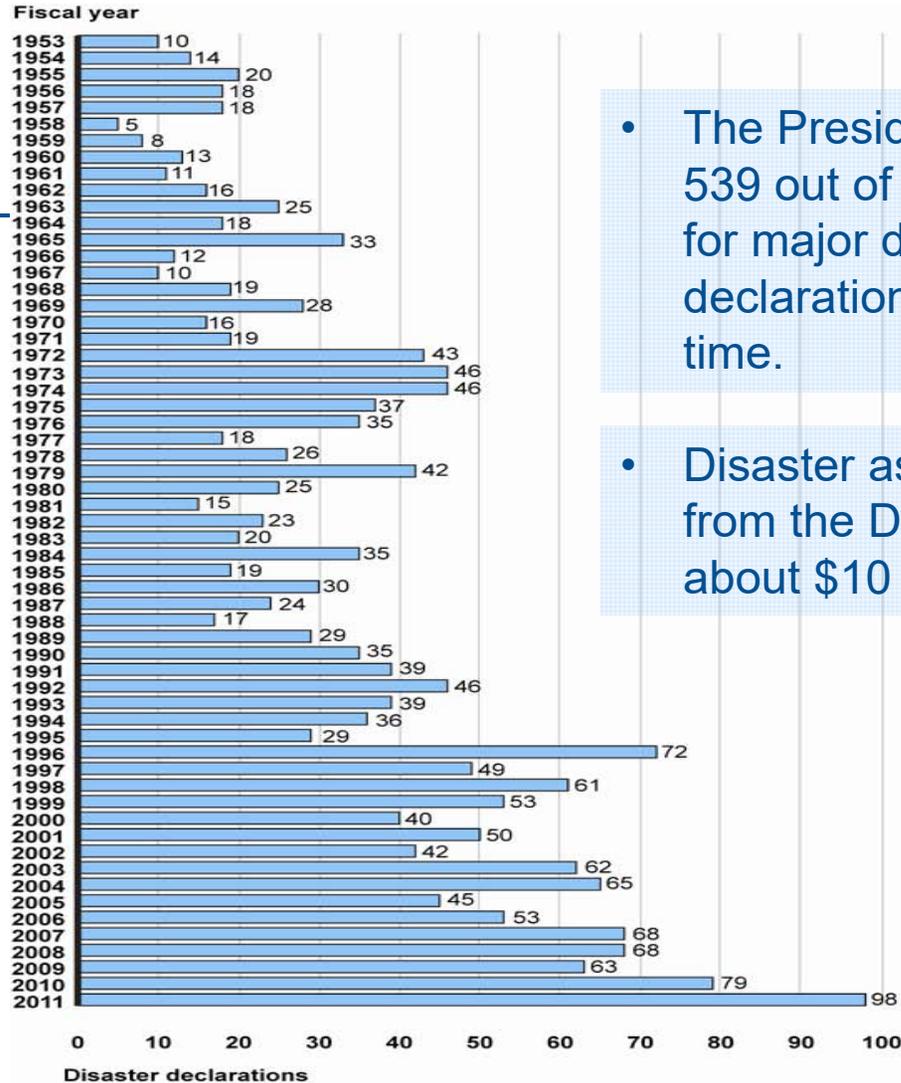
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Introduction

- GAO has identified “Limiting the Federal Government’s Fiscal Exposure by Better Managing Climate Change Risks” as a High Risk. (GAO-17-317)
- Federal departments & agencies obligated at least \$277.6 billion in federal disaster assistance during fiscal years 2005 through 2014. (GAO-16-797)
- Enhancing the nation’s resilience against disasters is one method to reduce federal fiscal exposure.



Number of Federally Declared Major Disaster Declarations 1953 - 2011



Source: GAO analysis of FEMA data.

- The President approved 539 out of 629 requests for major disaster declarations during this time.
- Disaster assistance from the DRF averaged about \$10 billion a year.

Catastrophic Disasters are More Prevalent

- Number of catastrophic disasters in the U.S. exceeding \$1 billion, by decade:

1980's – 27

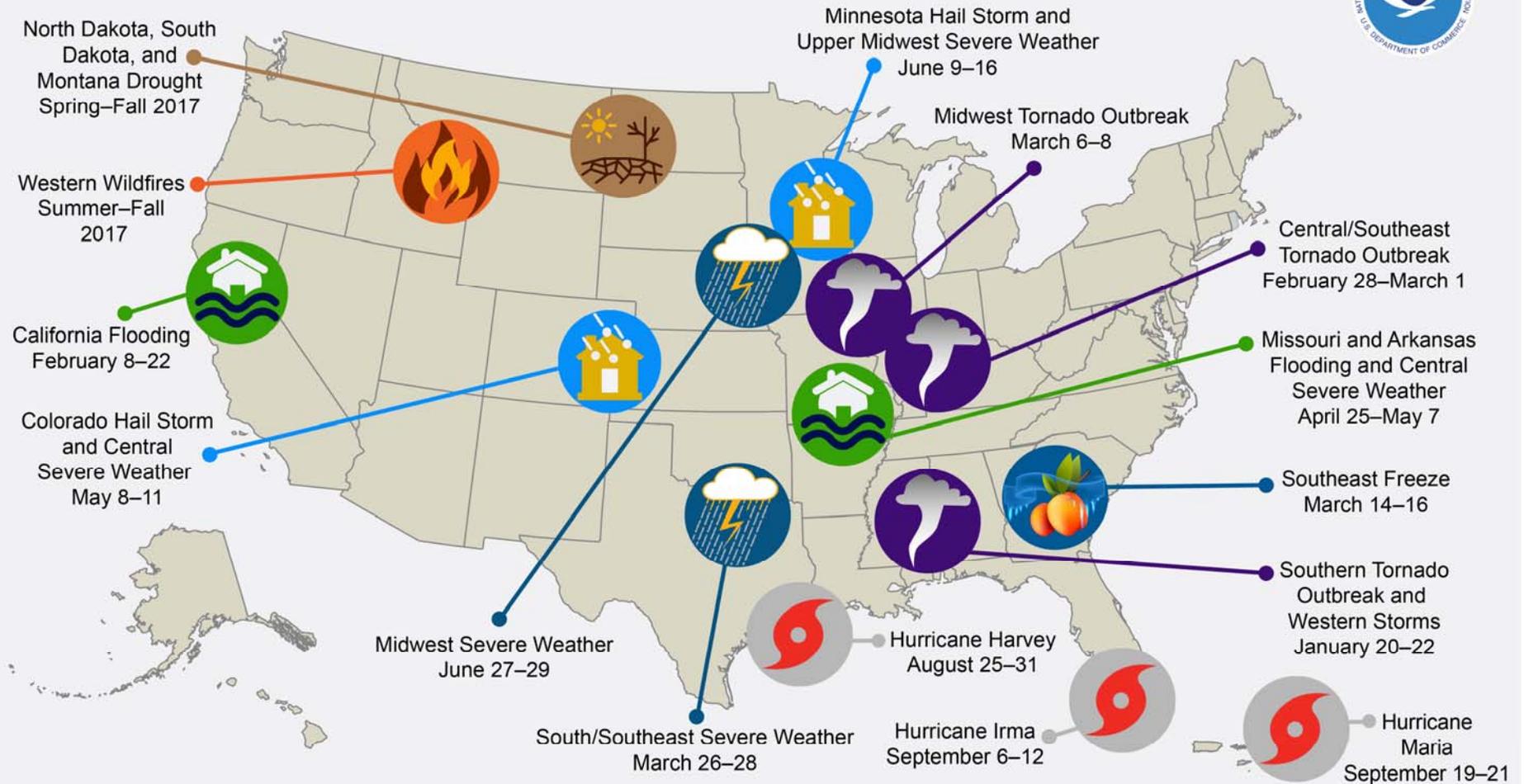
1990's – 48

2000's – 54

2010- July 2017 – 83.

- Source: NOAA
<https://www.ncdc.noaa.gov/billions/events/US/1980-2017>

U.S. 2017 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 15 billion-dollar weather and climate disasters that have impacted the United States January through September of 2017, a record pace.

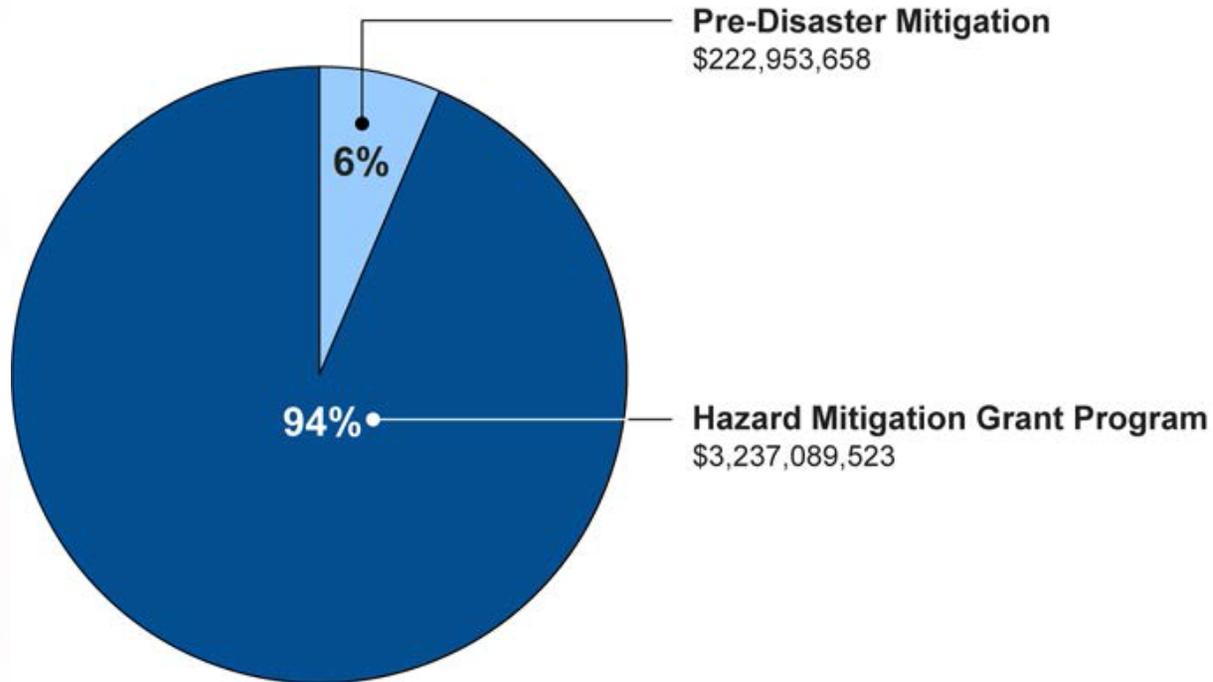
Fiscal Responsibility & the Related Impacts on Incentives to Invest in Resilience

- In 2015, GAO responded to a congressional request to examine how states budget for disaster costs. (GAO-15-424)
- We reported, among other things, that none of the ten states included in GAO's review maintained reserves dedicated solely for future disasters.
- State officials said they could cover disaster costs without dedicated reserves because they generally rely on the federal government to fund most of the costs.

Financial Incentives to Invest in Resilience?

- The number of federal “Major Disaster Declarations” are on the rise.
- Catastrophic disasters are occurring more frequently.
- State officials report they are relying on the federal government to cover significant costs related to disasters, coupled with competing budget priorities at the state and local level.
- For all levels of government and the private-sector, the current structure of federal disaster assistance programs raises questions about the nation’s financial incentive to invest in mitigation projects prior to a disaster.

Pre-Disaster Mitigation Allocations vs. Post-Disaster Mitigation Estimated Awards (2011-20104)

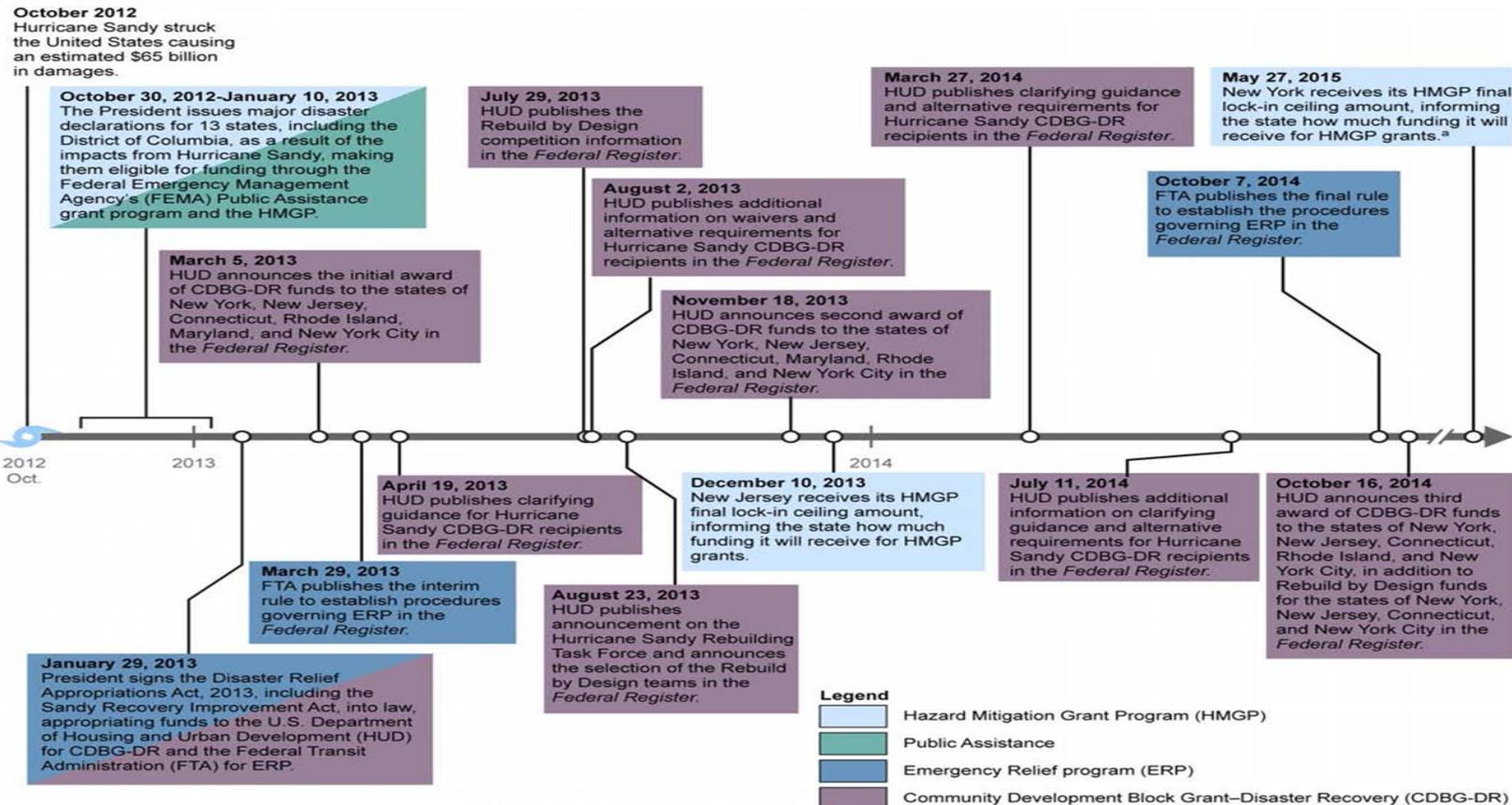


Source: GAO analysis of FEMA data. | GAO-15-515

GAO-15-515: Hurricane Sandy Example

- During our discussions with officials from cities and states impacted by Hurricane Sandy, officials noted that a more effective approach to disaster resilience would be to plan and implement hazard mitigation before a disaster occurs.
- In this regard, 12 of 13 states and cities responding to a GAO survey reporting that the emphasis of federal resources on the post-disaster environment challenged their ability to maximize federal disaster resilience investments. (GAO-15-515)

GAO-15-515: Hurricane Sandy Example



Source: GAO analysis and Federal Register; National Oceanic and Atmospheric Administration (clip art). | GAO-15-515

GAO-15-515: Hurricane Sandy Example

In interviews, with senior officials at FEMA and HUD, we heard the following:

- The current approach *does not* lead to the most efficient or effective disaster resilience investments.
- The federal government's current investments aimed at enhancing the nation's disaster resilience—for instance, projects such as home acquisitions and elevations—have benefited individuals and, often, communities, *but may not have effectively reduced states' overall risk profiles.*
- There are better investments that could be made, bringing into question whether the federal government is getting the most effective *return on its disaster resilience investments.*

GAO-15-515: Results

- GAO recommended that MitFLG create a national investment strategy to ensure that federal funds expended to enhance disaster resilience achieve, as effectively and efficiently as possible, the goal of reducing the nation's fiscal exposure as a result of natural disasters.
- An investment strategy that complements the National Mitigation Framework could help support the ongoing leadership from the executive and legislative branches by identifying what new or amended federal policies, regulations, and laws are required to enhance the nation's disaster resilience in the most efficient and effective way possible.

GAO's Call for a National Investment Strategy

- A national investment strategy could, among other things:
 - identify the most critical components of disaster resilience, such as critical infrastructure, to help target financial resources;
 - describe the appropriate balance of federal and nonfederal investment and help to identify how policymakers and program implementers should structure incentives to help reach this balance; and
 - consider the current balance between pre- and postdisaster resource allocation.

GAO Is Developing a Disaster Resilience Framework

- The federal government can design and deliver policy, financial incentives, and direct services to promote a climate of disaster resilience and help decision makers focus on increasing disaster resilience.
- The framework presents three key principles that describe an ideal end-state for a culture of resilience to maximize disaster-risk reduction opportunities.

**Strategic, Future
Oriented
Planning,
Investments, and
Actions**

**Government
Programs that
Provide
Incentives and
Reduce
Barriers**

**Reliable
Understandable
Information to Assess
Risk and Measure
Risk Reduction**

Conclusions

- Despite knowing the major natural disaster threats to the U.S., federal programs are still structured in a way that incentivizes investments in resilience to buy down our largest risks.
- Targeted, pre-disaster investments aimed at protecting critical infrastructure and/or removing people and infrastructure out of harms way—based on known regional risks— could reduce the impacts of future catastrophes.
- Given the rising costs of disasters, the nation should reexamine how it's investing in resilience, including what incentives are in place to promote investments at all levels of government.



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Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov
(202) 512-4400, U.S. Government Accountability Office
441 G Street, NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov
(202) 512-4800, U.S. Government Accountability Office
441 G Street, NW, Room 7149, Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov
(202) 512-4707, U.S. Government Accountability Office,
441 G Street NW, Room 7814, Washington, DC 20548

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