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## The Federal Emergency Management Agency

### Floods, Failures, and Federalism

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#### EXECUTIVE SUMMARY

**T**he Federal Emergency Management Agency (FEMA) is the lead federal agency for disaster preparedness, response, and relief. FEMA's budget fluctuates from year to year, but spending has trended sharply upwards in recent decades. The agency spent \$22 billion in fiscal 2013 and \$10 billion in fiscal 2014.

The main activity of FEMA is distributing aid to individuals and state and local governments after natural disasters, such as hurricanes, floods, and earthquakes. In addition, the agency provides ongoing grants to the states for disaster preparedness, and it operates the National Flood Insurance Program (NFIP).

FEMA's response to some major disasters has been slow, disorganized, and profligate. The agency's actions have sometimes been harmful, such as when it has blocked the relief efforts of other organizations. FEMA's dismal response to Hurricane Katrina in 2005 dramatized the agency's bureaucratic dysfunction.

FEMA's grants for disaster preparedness are known for wastefulness. As for the NFIP, its insurance subsidies are spurring development in flood-prone areas, which in turn is increasing the damage caused by floods. The NFIP also encourages an expansion of federal regulatory control over local land-use planning.

Federalism is supposed to undergird America's system of handling disasters, particularly natural disasters. State, local, and private organizations should play the dominant role. Looking at American history, many disasters have generated large outpourings of aid by individuals, businesses, and charitable groups.

Today, however, growing federal intervention is undermining the role of private institutions and the states in handling disasters. Policymakers should reverse course and begin cutting FEMA. Ultimately, the agency should be closed down by ending aid programs for disaster preparedness and relief and privatizing flood insurance.

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## INTRODUCTION

President Jimmy Carter created the Federal Emergency Management Agency (FEMA) by executive order in 1979 to coordinate the government’s growing involvement in disasters. Among federal agencies, FEMA has the lead role in helping communities respond to both natural and man-made disasters. However, the great bulk of FEMA spending is for natural disasters—the main focus of this essay.

Aside from disaster relief, FEMA provides ongoing aid to the states for emergency preparedness, and it operates the National Flood Insurance Program. FEMA employees are generally not first responders. Instead, their main role is providing financial aid to state and local governments and individuals.

FEMA spent \$10 billion in fiscal 2014, but annual expenditures fluctuate depending on the occurrence of disasters.<sup>1</sup> Spending has trended upwards in recent decades as federal aid packages have become larger and more frequent. Annual average FEMA spending was \$0.7 billion in the 1980s, \$2.8 billion in the 1990s, \$13 billion in the 2000s, and \$13 billion so far in the 2010s.

Since 2000, 61 percent of FEMA spending has been for disaster relief, 20 percent has been for ongoing grants to state and local governments, and 12 percent has gone to the National Flood Insurance Program (NFIP).<sup>2</sup> The remaining 7 percent has gone to other programs and administrative costs.

Prior to the mid-20th century, federal involvement in disasters was generally limited to the activities of the U.S. military, which provided relief after some major disasters. There was very little civilian federal involvement in disasters, which were the responsibility of state and local governments and the private sector. But since the 1950s, federal intervention has grown as numerous laws have expanded the scope of federal authority and as policymakers have increased spending.

Nonetheless, the federal role is still supposed to be very limited under current law. Under the 1988 Stafford Act, the federal government is supposed to get involved in disasters

only if they are of “such severity and magnitude that effective response is beyond the capabilities of the state and the affected local governments.”<sup>3</sup> A very limited federal role is appropriate under the American system of federalism. State and local governments and the private sector should fund disaster preparedness and relief by themselves, unless it is truly beyond their capabilities. And even then, states hit by disasters can rely on aid from other states.

Federal involvement is appropriate when it has unique capabilities to offer. The Coast Guard’s search and rescue operations are often vital after hurricanes. And the National Guard under state command can provide a crucial resource after major disasters, both for law enforcement purposes and relief operations. Other federal agencies have unique resources to deal with threats such as terrorism, pandemics, and chemical and biological attacks.

However, the great majority of what FEMA does is not unique. Rather, FEMA’s main role is simply to transfer money from federal taxpayers to state and local governments and individuals for disaster-related costs. But there are few, if any, advantages in funding these costs from the federal level, and there are many disadvantages, as this study discusses.

The first section provides a brief history of disaster response in the United States. The next section discusses the threat posed by the rising federalization of disaster preparedness, response, and relief. Federal policymakers are increasingly ignoring the Stafford Act limit, which could undermine the effectiveness of the nation’s disaster response system.

Then the study examines FEMA’s performance in disaster response. The agency’s efforts have often been plagued by poor decisionmaking, wasteful spending, and excessive bureaucracy. Some of its actions have been counterproductive and harmful. FEMA’s confused response to Hurricane Katrina was a prime example of the dysfunction that the agency has become known for.

Next, the study looks at FEMA’s ongoing grants to state and local governments for disaster preparedness, which are mainly grants

for local emergency services. These grants have often wasted money on low-value activities. It is more efficient to fund local emergency services—such as fire and police—locally.

Lastly, the study examines the NFIP. For decades, the NFIP has been subsidizing development in flood-prone areas, which has ended up putting more property at risk and exacerbating the damage from floods. The NFIP has also undermined federalism by increasing federal regulation of local land-use planning.

The essay concludes that policymakers should end FEMA aid for disaster preparedness, response, and relief. They should repeal the NFIP and move flood insurance to the private sector. Those reforms would reduce FEMA spending by more than 90 percent. Remaining activities that may fulfill a unique role—such as flood mapping, planning for the continuity of government, and preparedness for technological and radiological hazards—should be moved to other federal agencies. With these reforms, FEMA should be closed down.

## A BRIEF HISTORY

Since the 19th century, the federal government through the U.S. military has occasionally provided aid after major disasters.<sup>4</sup> Until the mid-20th century, however, civilian federal aid for disasters was rare. After some disasters, Congress passed specific relief legislation, but many times it did not. Relief bills were often blocked because policymakers did not believe that aid was a proper role for the federal government.<sup>5</sup> Between 1803 and 1947, Congress passed legislation just 128 times to either express sympathy for victims of particular disasters or to provide some modest aid.<sup>6</sup>

In 1802 Portsmouth, New Hampshire, was destroyed by a fire. Fortunately, a large number of private donations totaling more than \$45,000 poured in from around the country to help rebuild the town.<sup>7</sup> Congress provided aid in the form of temporarily suspending duties owed to the federal government by merchants in the town.<sup>8</sup> Duties on Portsmouth trade were an important source of federal revenues, so

the government had an interest in allowing the merchants to get back on their feet.

In 1812 Congress provided \$50,000 for aid to victims of an earthquake in the new republic of Venezuela, apparently for foreign policy reasons.<sup>9</sup>

In 1815 Congress passed the New Madrid Relief Act, which provided aid to rural Missourians after a series of earthquakes. The aid bill led to dissention and scandal. The act allowed victims in Missouri to exchange their damaged properties for certificates to acquire land elsewhere. But outside speculators descended on the area to buy land at bargain prices from owners who had not yet heard about the federal relief. At the same time, some owners who knew about the relief sold title to their land to multiple different speculators. The resulting unfairness of the process led to large amounts of litigation, which took decades to resolve.<sup>10</sup>

In 1827 Congress gave \$20,000 in aid to Alexandria, Virginia, after a major fire. Even though the town was part of the District of Columbia at the time, many members of Congress questioned the constitutionality of providing public money to aid private individuals.<sup>11</sup>

In 1835 the Great Fire of Manhattan razed 674 buildings and over 50 acres in New York City. Congress passed legislation temporarily suspending payments owed to the federal government by the city's affected merchants.<sup>12</sup>

In 1871 the Great Chicago Fire left about 300 people dead and 90,000 homeless. The U.S. Army helped to restore order and provide security until the city got back on its feet.<sup>13</sup> Within days of the disaster, huge amounts of aid from individuals, charitable groups, businesses, and other cities poured in from around the nation and abroad.<sup>14</sup> Chicago rebuilt very quickly. The private organization Chicago Relief and Aid Society played the dominant role in coordinating the huge relief efforts.<sup>15</sup> The effective efforts of the Society were based on the organization's deep roots in the local community and its skilled leadership by experienced business people.

In 1878 Congress passed the Posse Comitatus Act, which has had important implications

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for the federal role in disasters. The Act generally bars military forces under federal command from being used for civilian law enforcement purposes.<sup>16</sup> Under current law, federal military personnel may be used for disaster relief operations at the request of a state, but not for law enforcement.<sup>17</sup> By contrast, National Guard units under the command of state governors are available to aid in law enforcement in disaster situations, as they were after Hurricane Katrina when the New Orleans police force collapsed.

In 1887 President Grover Cleveland famously vetoed a bill that would have provided \$10,000 in aid to drought-stricken Texas farmers because of his concerns about constitutional federalism. In his veto message, Cleveland said,

I can find no warrant for such an appropriation in the Constitution; and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadily resisted, to the end that the lesson should be constantly enforced that, though the people support the Government, the Government should not support the people.”<sup>18</sup>

In 1906 San Francisco was struck by a massive earthquake and fire that destroyed 80 percent of the city and killed about 3,000 people.<sup>19</sup> At least 225,000 people out of about 400,000 in the city were left homeless, and 28,000 buildings were wrecked.<sup>20</sup>

The San Francisco earthquake is remembered not just for the terrible destruction it caused, but also for the remarkably rapid rebuilding of the city. More than 200,000 residents initially left the city, but the population recovered to pre-quake levels within just three years, and residents quickly rebuilt about 20,000 buildings.<sup>21</sup>

The private sector response to the disaster was extremely impressive. Voluntary aid poured in from around the country. John D. Rock-

efeller, Andrew Carnegie, and W.W. Astor, for example, each donated \$100,000.<sup>22</sup> Charitable groups, including the Salvation Army and the Red Cross, played a large role in relief efforts. The health care and home-products company Johnson and Johnson quickly loaded rail cars full of donated medical supplies and sent them to San Francisco.<sup>23</sup>

The insurance industry was crucial to the rebuilding. About 90 percent of San Francisco residents had fire insurance from more than 100 different companies.<sup>24</sup> The companies ended up paying out a massive \$225 million in claims, which was equal to what the entire U.S. insurance industry had earned in profits in the prior four decades.<sup>25</sup> Insurance payouts totaled about 90 percent of what was owed, as only a relatively small number of companies failed.<sup>26</sup>

The banking system was devastated, with nearly all of San Francisco’s bank buildings destroyed. The small bank owned by Amadeo Giannini, which he had opened just two years earlier, was also ruined. But Giannini was able to rescue his gold and securities, and the next day he opened for business on a wharf on San Francisco Bay. His rapid response and willingness to provide loans to all types of people after the disaster helped him gain the respect of the city. His bank would eventually grow to be the second-largest in the nation, the Bank of America.

Another impressive story is that of the Southern Pacific Railroad, which immediately swung into action and provided free evacuation for more than 200,000 city residents to anywhere in the country.<sup>27</sup> Within five days of the earthquake, the company had filled 5,783 rail cars with passengers leaving the city.<sup>28</sup> Southern Pacific president Edward Harriman made disaster response the highest priority of his rail network.<sup>29</sup> Only one day after the earthquake, the first of his rail cars full of emergency supplies left Omaha for San Francisco.<sup>30</sup> Harriman personally donated \$200,000 to relief efforts.<sup>31</sup>

What about the government response to the San Francisco conflagration? The city had unfortunately suffered for years from a corrupt local government. The good news was that in the immediate aftermath of the earthquake, leading cit-

izens formed essentially a new city government called the “Committee of 50,” which was credited with a very organized and effective disaster response.<sup>32</sup> For its part, Congress appropriated just \$2.5 million for relief to San Francisco, or about \$50 million in today’s dollars.<sup>33</sup>

The main federal organization that responded was the U.S. Army, which moved quickly to take control of the city and provide water, food, tents, and other relief items. Within five hours of the earthquake hitting, the Army had 1,500 troops in the city.<sup>34</sup> Some of the actions of the Army were controversial, but the swift response by the commander of the nearby Presidio base is an example of how local resources and local decisionmaking are crucial in the aftermath of disasters.<sup>35</sup>

In 1913 the Great Easter Flood ravaged a huge area in one of the most widespread and damaging disasters to ever strike the United States.<sup>36</sup> High winds and massive flooding caused destruction and more than 1,000 deaths across 14 states from Vermont to Alabama. The U.S. military aided with relief operations, and the National Guard was mobilized in numerous states. Americans responded with huge contributions to the Red Cross and other charitable organizations aiding victims.<sup>37</sup>

Ohio was the hardest hit state, and Dayton probably the hardest hit city. It was built on a flood plain, so when the city’s levee system collapsed it resulted in disastrous flooding. Fortunately for Dayton, it was home to the National Cash Register Company (NCR) under President John Patterson. Seeing the flood disaster that was about to happen, Patterson seized the initiative and NCR became the central funder and organizer of relief in the city. NCR built 300 boats to rescue flood victims, organized search teams, and provided meals and shelter for thousands of people. On its peak day, NCR’s kitchens provided meals for 83,000 flood victims.<sup>38</sup> NCR headquarters also became the base of operations for the Red Cross and Ohio National Guard.<sup>39</sup>

John Patterson was an interesting leader. He instituted innovative and enlightened management practices, such as providing a wide range of recreation and medical amenities for work-

ers. But he was also an aggressive businessman, and he and other NCR executives were found guilty of violating federal antitrust laws just weeks before the flood, although this was reversed on appeal.<sup>40</sup> NCR’s leaders apparently saw a chance to redeem themselves in the eyes of the community, and their remarkable efforts to save their city during the flood gained them national praise.

Historian Trudy Bell writes in detail about the 1913 disaster.<sup>41</sup> One of her interesting findings is that there were widespread refusals of aid by affected individuals and communities, apparently because of cultural norms at the time regarding personal pride and the belief in standing on one’s own feet.<sup>42</sup> In 1913 some people and communities even gave back unused amounts of aid that they had received. These days, sadly, the situation is the reverse: there is a large amount of fraud in relief programs in the wake of disasters.

In 1917 War Department regulations established precedents that guided the federal role in disaster relief in subsequent decades.<sup>43</sup> The rules specified that state governments have primary responsibility for disaster response, federal resources should supplement not supplant state efforts, and federal aid is appropriate only when state governments are truly overwhelmed.

In 1927 one of the most damaging floods in U.S. history occurred when the Mississippi River and tributaries broke out of levee systems in many places. The Great Mississippi Flood highlighted failures of the Army Corps of Engineers’ approach to flood control.<sup>44</sup> In annual reports before the flood, the Corps told Congress that the Mississippi was safe from serious flooding.<sup>45</sup>

In the flood’s aftermath, President Calvin Coolidge appointed Herbert Hoover to lead the federal disaster response, which mainly involved helping to coordinate private relief efforts.<sup>46</sup> Those private efforts included the Red Cross’s huge achievement in providing hundreds of thousands of people food and shelter in temporary camps.<sup>47</sup> Hoover made appeals to the public for donations and was impressed

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by the generosity of so many people: “No other Main Street in the world could have done what the American Main Street did in the Mississippi flood. . . . The safety of the United States is its multitudinous mass leadership.”<sup>48</sup>

Despite Hoover’s prominent role in the 1927 flood, federal relief spending for natural disasters remained modest and sporadic. It was the Disaster Relief Act of 1950 that started to change that by creating a permanent, civilian structure for federal disaster relief. The Act authorized only a small amount of funding, but it gave the president continuing authority to respond to hurricanes, earthquakes, fires, floods, and other events with various types of aid.<sup>49</sup>

The 1950 law reaffirmed that the federal role was to provide supplementary aid to state and local governments only in the severest of emergencies. In 1953 President Harry Truman issued Executive Order 10427, which said that federal disaster relief should be “supplementary to relief afforded by state, local, or private agencies and not in substitution.”<sup>50</sup>

In the decades after the 1950 law, Congress expanded the scope of federal aid in more than a dozen laws. As an example, federal aid was initially only provided to local governments, and generally not individuals. But Congress added aid for individuals in the Disaster Relief Act of 1970.<sup>51</sup>

In 1968 the National Flood Insurance Act offered federal insurance to properties at risk for flooding. A key justification by supporters of federal flood insurance was that it would alleviate the need to pass special aid legislation after each flood disaster. As it has turned out, however, taxpayers are now both subsidizing flood insurance and paying for special relief bills passed after floods.

The Disaster Relief Act of 1974 created the Federal Disaster Assistance Administration within the Department of Housing and Urban Development. This administration was the main forerunner of FEMA. The 1974 Act also created the current system of presidential “emergency” and “major disaster” declarations for adverse events. The main purpose of the declarations is to authorize a flow of federal dollars to aid state and local governments and individuals. The num-

ber of presidential declarations has soared since the 1970s, as discussed below.

In 1979 President Jimmy Carter issued Executive Orders 12127 and 12148 to create and structure the Federal Emergency Management Agency. Carter was prompted to create the new agency after the confused and ineffective federal responses to Hurricane Agnes in 1972 and the Three Mile Island incident of 1979.<sup>52</sup> His administration patched FEMA together from existing agencies located in various departments. FEMA’s main responsibilities are to hand out aid and to coordinate the federal response to major disasters that overwhelm state and local governments.

In 1988 the Robert T. Stafford Disaster Relief and Emergency Assistance Act updated the framework for presidential disaster declarations and the coordination of FEMA’s response.<sup>53</sup> The governor of a state may request the president to declare an “emergency” or a “major disaster” if an event “is of such severity and magnitude that effective response is beyond the capabilities of the state and the affected local governments and that federal assistance is necessary.”<sup>54</sup> “Emergency” declarations are usually made before disasters such as hurricanes hit, while “major disaster” declarations come after disasters hit and create broad authority for federal agencies to aid state and local governments and individuals. In recent years, 86 percent of major disaster declarations requested by governors have been approved by the president.<sup>55</sup>

Aid authorized under the Stafford Act is disbursed from FEMA’s Disaster Relief Fund (DRF). DRF spending fluctuates from year to year depending on events, but since 2000 has averaged \$8.3 billion annually.<sup>56</sup> Spending peaked at \$24 billion in 2006 after Hurricane Katrina.

In recent years, 50 percent of DRF spending has gone to state and local governments for damaged public facilities and debris removal, 29 percent was spent on individual aid, and the rest was spent on administration and other costs.<sup>57</sup> For public facilities and debris removal, the federal government generally pays 75 percent of the costs and state and local governments pay

the other 25 percent. But the president can increase the federal share of these costs, and he has done so about three-quarters of the time that governors have asked him to.<sup>58</sup>

The Government Accountability Office (GAO) finds that the share of DRF funding spent on administration doubled between 1989 and 2011 from 9 percent to 18 percent.<sup>59</sup> Thus, almost a fifth of federal disaster aid is consumed by the paperwork costs. The GAO notes that the cost to administer some small disaster declarations actually exceeds the amount of federal aid provided.<sup>60</sup>

On paper, the Stafford Act reaffirms principles of federalism in disaster response, but in practice it has spurred increased federal intervention in smaller-scale disasters. Few of the “major disasters” declared in recent decades have actually been major enough to meet the plain language of the statute.<sup>61</sup> Heritage Foundation FEMA expert Matt Mayer notes, “it is clear that the current definition used by FEMA to issue declarations is routinely ignored.”<sup>62</sup> He observes that some declarations are made months after disasters occur, which indicates that the purpose is simply for states to get a federal bailout.

In 2002 President George W. Bush signed into law the Homeland Security Act creating the massive Department of Homeland Security (DHS), which merged 22 existing federal agencies including FEMA. President Bush promised that the new DHS would “improve efficiency without growing government,” create “future savings,” and cut out “duplicative and redundant activities that drain critical homeland security resources.”<sup>63</sup>

It has not turned out that way. DHS’s budget tripled from \$18 billion in 2002 to \$57 billion by 2013.<sup>64</sup> And, like other federal departments, DHS has become known for mismanagement and wasteful spending. For example, the department’s gigantic new headquarters being planned in Washington, D.C., is over-budget by \$1.5 billion.<sup>65</sup>

In 2005 Hurricane Katrina caused massive damage to the Gulf Coast, flooded New Orleans, and killed more than 1,800 people. The storm damage was greatly exacerbated by the failures of FEMA, Congress, the Army Corps of

Engineers, and state and local governments.<sup>66</sup> The fact that FEMA had been buried inside of the new DHS bureaucracy was one factor that may have contributed to the agency’s failed response. Congress appropriated more than \$100 billion for FEMA and other federal agencies for the Katrina response and rebuilding, much of which was spent years after the disaster.<sup>67</sup>

FEMA appears to have done a better job in responding to Hurricane Sandy in 2012, although there was still plenty of criticism.<sup>68</sup> With a presidential election only a week away, the Obama administration seemed determined not to be tarred with failure, as was the Bush administration with Katrina. The storm caused an estimated 159 deaths and tens of billions of dollars in damage in New York, New Jersey, and other states. Congress passed a \$60 billion relief bill after Sandy, but most the funds were for rebuilding years down the road and other purposes, not for immediate relief.<sup>69</sup> Such spending should be a state, local, and private responsibility, not a federal one.

One interesting aspect of the federal Sandy response was that the president pushed aside FEMA as the lead agency for disaster recovery and created a new Hurricane Sandy Rebuilding Task Force chaired by the secretary of Housing and Urban Development (HUD). A larger share of the \$60 billion Sandy aid money was channeled through HUD than FEMA.<sup>70</sup> These developments suggest an unfortunate broadening of federal subsidy efforts in response to major disasters.

## FEDERALIZATION OF DISASTER RELIEF

In the U.S. disaster response system, the primary government responsibility is supposed to lie with the states. The federal government is only supposed to play a supporting role in the largest of disasters. Here’s how the Congressional Research Service describes the system:

The United States takes a “bottom up” approach to both managing and providing assistance during a disaster. The re-

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sponsibility for responding to disasters begins at the local level with elected officials and emergency service personnel. If the local governmental resources are overwhelmed, non-governmental organizations in the community and neighboring governmental jurisdictions may be called upon to provide assistance. If those become exhausted, the state and tribal governments may supplement the local government’s resources, and the governor may make a state disaster declaration.

Only after both local and state/tribal government resources have been overwhelmed, and the governor of the state has requested assistance, does the federal government begin to “supplement the efforts and available resources of States, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering.

Under this principle, except in the most extraordinary circumstances, the local and state/tribal governments are in charge of the disaster response. FEMA, or any other federal agency, is there to aid the disaster response process through the National Response Framework and programs it administers, and to coordinate federal resources in response to state requests—not to be in the lead or take command.<sup>71</sup>

A decentralized approach to disasters makes sense. Under the U.S. Constitution, the powers delegated to the federal government are “few and defined,” as James Madison observed in Federalist 45, while state powers “will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.” Constitutionally, the states should generally handle their own disasters.

From a practical perspective, it is state, local, and private organizations and resources that are on the scene and available to immediately assist in emergencies. State and local governments employ 1.3 million people in police forces and fire departments, and those first responders are

spread out across our huge nation.<sup>72</sup> State governors have wide-ranging responsibilities during disasters, and they typically have access to special powers, such as being able to order evacuations. As for the private sector, the 9/11 Commission report noted that “because 85 percent of our nation’s critical infrastructure is controlled not by governments but by the private sector, private-sector civilians are likely to be the first responders in any future catastrophes.”<sup>73</sup>

Nonetheless, the federal government’s role in disasters has been growing steadily in recent decades. This is a troubling development. Excessive federal intervention threatens to undermine and crowd out more efficient state, local, and private disaster response efforts. Also, federal interventions usually come with top-down rules that stifle innovation and reduce the efficiency of state and local government services.

What has been the cause of rising federal intervention in disasters? Partly it has been the response to 9/11, and partly the result of today’s media environment. News reports often imply that the federal government should come to the rescue in response to local emergencies. Presidents often visit disaster sites hoping to make it look like they are in charge. Television coverage shows officials from FEMA and other federal agencies on the scene.

However, such images give a misleading impression since state governments are actually in charge of disaster situations, and local and private organizations carry out the bulk of response and relief. Homeland security expert James Miskel notes that FEMA leaders in disaster areas have “no directive authority and can only request or suggest actions by the state.”<sup>74</sup>

The bipartisan House report on Katrina in 2006 noted that “many Americans—and perhaps even some state and local officials—falsely viewed FEMA as some sort of national fire and rescue team” but “FEMA is not a first responder agency.”<sup>75</sup> Instead, for most disasters, the purpose of federal intervention is simply to pay for state, local, and private costs with federal taxpayer dollars. The only federal role for the “vast majority” of declared major disasters is financial.<sup>76</sup>

In his book, *Disaster Response and Homeland*

*Security*, James Miskel writes:

In all but a handful of instances, federal disaster relief amounts to a book-keeping exercise in which costs are shifted from the state's ledger to the federal government's and the federal action consists of little more than writing a check to the affected state and/or local government and subsequently auditing the expenditure. Thus for the typical disaster, the on-the-ground response action is really confined to two of the three system elements: the private sector and the state/local government agencies. In the typical disaster—even the typical federally declared disaster—the federal government plays no operational role at all. Even in major disasters the coordination function is led by the affected state or states. When a federal coordinator is appointed, his or her job is to orchestrate the response efforts of federal agencies, not to 'take over' the entire response.<sup>77</sup>

The large amount of federal disaster aid that is potentially available to the states has created a political dynamic that has pushed up federal costs. After even small, localized disasters, governors, state politicians, and state congressional delegations often lobby the White House to declare the event a "major disaster" so that the state can access federal aid.

As a consequence, the number of disaster declarations has soared in recent decades. The annual average number was 51 in the 1970s, 29 in the 1980s, 74 in the 1990s, 127 in the 2000s, and 139 so far in the 2010s.<sup>78</sup> There has been more than one disaster declaration every three days, on average, in recent years.

Politics infuses the process. Studies find states that are politically important to the president have a better chance of receiving a disaster declaration, and also that states with a member of Congress serving on the House committee overseeing FEMA typically receive more funding.<sup>79</sup>

Recent presidents have tended to declare

the most major disasters in the year that they were up for reelection. That was true for Ronald Reagan in 1984, George H. W. Bush in 1992, and Bill Clinton in 1996. George W. Bush declared the most disasters of his first term in his reelection year of 2004.

Aside from politics, another cause of increasing federal intervention is that the threshold that FEMA uses to determine whether federal aid is appropriate is "artificially low," says the GAO.<sup>80</sup> FEMA mainly relies on a per capita damage threshold to determine if federal aid is needed. In 2012 the threshold for damage to public facilities was \$1.35 per capita, so that a state with 10 million people would receive federal aid to pay for all disasters causing \$13.5 million or more in damage.<sup>81</sup>

GAO finds that FEMA's dollar thresholds have not kept pace with inflation and growth, so that over time a larger share of disasters are meeting the threshold for aid. Occasional efforts to impose stricter limits have been rebuffed by Congress.<sup>82</sup> Yet the thresholds for federal intervention are absurdly low. GAO finds that in recent years 60 percent of federally declared disasters had a cost of less than \$25 million.<sup>83</sup> Even the smallest state could easily find the money to pay for a disaster of that size.

What are the problems created by rising federal intervention? As noted, it goes against the grain of constitutional federalism. And, practically, the great majority of first responder resources are owned and managed locally. Matt Mayer notes, "almost all disasters are indeed local, which is why the vast majority of them should be responded to, run by, and funded by state and local governments and their taxpayers."<sup>84</sup>

Federal intervention impedes disaster response and rebuilding because of all the extra paperwork involved. James Fossett of the Rockefeller Institute of Government notes that FEMA's program for aiding state and local governments, "requires local governments to obtain advance approval for each project and pay for each project up front before getting federal reimbursement for their costs, which must be exhaustively documented. These lengthy, complex processes inevitably delay the

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recovery process and make it difficult to spend money in a timely fashion.”<sup>85</sup> Fossett notes that FEMA does not have sufficient staff to review in a timely fashion the thousands of state and local projects submitted to it for approval after a large storm.<sup>86</sup>

Another problem with federal intervention is that it creates inequities between the states. Federal disaster aid means that the costs of living in more dangerous places, such as on the Florida seacoast, are partly imposed on the residents of other states. Some states, such as Michigan, have very few federally declared disasters, but have to foot the bill for the states where disasters are more costly.<sup>87</sup>

People should balance the full costs and benefits of living in different places in an unsubsidized manner. Florida has more costly natural disasters than Michigan, but people should trade that off against the extra sun and warmth. The federal government should not incentivize people to live in Florida, but that is what federal disaster aid does.

Perhaps the main problem with federal aid is that it reduces the incentive for state and local governments to prepare for disasters themselves. In his book, *Disasters and Democracy*, Professor Rutherford Platt concludes that it is “good politics for state and local governments to neglect their own disaster response capabilities in order to make it easier to qualify for a presidential declaration.”<sup>88</sup>

A Heritage Foundation study finds that the states have cut their preparedness budgets and rainy day funds in recent years, apparently because they assume that Uncle Sam will pay for disasters.<sup>89</sup> As federal subsidies expand, it may cause a “ratcheting down” of state disaster response capabilities.<sup>90</sup> Adding to the problem, FEMA may have a bias toward turning down disaster aid for states that have strong emergency capabilities because such states do not “need” federal aid.<sup>91</sup>

Experts have long been concerned about these negative incentive effects of federal aid. A White House study under Richard Nixon warned against federal disaster aid that was “so generous that individuals, businesses, and com-

munities have little incentive to take initiatives to reduce personal and local hazards.”<sup>92</sup> Vice President Al Gore’s “reinventing government” initiative looked at America’s disaster relief system in the 1990s, and concluded that it “encourages state and local elected officials to ask for maximum federal disaster assistance.”<sup>93</sup> The report warned that “the ready availability of federal funds may actually contribute to disaster losses by reducing incentives for hazard mitigation and preparedness.”<sup>94</sup> Similarly, House and Senate reports after the 1994 Northridge, California, earthquake concluded that the availability of federal aid had encouraged state and local governments to neglect disaster preparation and mitigation.<sup>95</sup>

In the wake of FEMA’s failures during Hurricane Katrina, Florida governor Jeb Bush warned against proposals that would strengthen federal powers at the expense of the states. He said, “As the governor of a state that has been hit by seven hurricanes and two tropical storms in the past 13 months, I can say with certainty that federalizing emergency response to catastrophic events would be a disaster as bad as Hurricane Katrina.”<sup>96</sup> And, he said, “if you federalize, all the innovation, creativity and knowledge at the local level would subside.”<sup>97</sup>

The upshot is that increased federal intervention would backfire. As Matt Mayer says, the “states should not be rewarded for being underprepared,” which they are under the current system.<sup>98</sup> Indeed, federal disaster aid in recent years is almost treated as if a state has won the lottery. After Hurricane Sandy, politicians in the affected states announced grand ideas about how they wanted to spend the tens of billions of dollars of federal relief money. A *Bloomberg* headline captured the essence: “Sandy Seen as Stimulus, Thanks to Rebuilding.”<sup>99</sup>

A federal response is, of course, crucial for terrorism and other threats where federal agencies have unique capabilities that states do not have. Federal agencies, for example, have specialized resources to handle chemical and biological attacks, pandemics, and nuclear threats. And, as discussed in this essay, the Coast Guard plays a crucial role in hurricane disasters, while

the U.S. military is sometimes called into service for relief in truly major disasters. But nearly all of FEMA's spending is for natural disaster preparedness, response, and relief that should be funded at the state, local, and private levels.

## DISASTER RELIEF PERFORMANCE

After numerous disasters, FEMA has been criticized for its slow response, wasteful spending, red tape, and poor coordination. FEMA's response to Hurricane Katrina exemplified those problems, but it was only one "in a series of major hurricanes in which the overall system performed poorly," according to security expert James Miskel.<sup>100</sup> He notes that "an objective examination of FEMA's history suggests that bureaucratic weakness is the rule rather than the exception for the agency."<sup>101</sup>

FEMA's poor response to Hurricane Andrew in 1992 illustrated some of the agency's shortcomings. Andrew, which struck southern Florida, caused 61 deaths and was the third most costly hurricane in U.S. history, after Katrina and Sandy.<sup>102</sup> "The federal response . . . was fraught with delays and major problems," notes Platt.<sup>103</sup> It took a long time for FEMA to get a detailed assessment of damage and to determine the needs of the victims.<sup>104</sup> The agency made poor decisions, such as setting up telephone banks for victims to call in for aid—even though 150,000 people had lost phone service.<sup>105</sup>

Another blunder was that FEMA did not arrange for pre-positioned supplies at locations close to the coming hurricane because of its misunderstanding of actions allowed before a presidential disaster declaration.<sup>106</sup> In the days leading up to Andrew's landfall, the Department of Defense readied supplies to be shipped to South Florida, but because of FEMA's flawed understanding of proper procedures, it did not authorize the shipments.

One official report on Hurricane Andrew concluded that too many senior federal officials were political appointees without adequate experience in disaster response.<sup>107</sup> There were also many reports of fraud and waste in FEMA's

relief efforts. Overseeing a hearing on Andrew in 1992, Sen. Barbara Mikulski (D-MD) said, "I am outraged by the federal government's pathetically sluggish response and ill-planned response to the devastating disaster wrought by Hurricane Andrew. . . . Time and again the federal government has failed to respond quickly and effectively to major disasters."<sup>108</sup>

Meanwhile, the U.S. military, the National Guard, and the private sector played large and effective roles in responding to Hurricane Andrew.<sup>109</sup> The military provided supplies such as meals and medical care. National Guardsmen under state command aided local law enforcement.<sup>110</sup> And the private sector response was exemplified by the impressive efforts of electric utilities to restore power. Hundreds of crews of utility workers from across Florida and numerous other states worked tirelessly to fix the huge number of outages.<sup>111</sup>

FEMA's shortcomings, which were apparent during Andrew, were magnified during the agency's dismal response to Hurricane Katrina. Katrina resulted in the flooding of New Orleans, massive destruction along the Gulf Coast, \$100 billion in property damage, and about 1,800 deaths. Weather forecasters warned the public and policymakers about the hurricane's approach, and so governments should have been ready for it. But they were not, and Katrina exposed major failures in disaster preparedness and response by FEMA and other federal, state, and local agencies.

Here are a few of the federal failures in the Katrina response:

- **Confusion.** Key officials in FEMA and DHS were not proactive, they gave faulty information to the public, and they were not adequately trained to carry out their roles. The 2006 bipartisan House report on the disaster, *A Failure of Initiative*, says, "federal agencies, including DHS, had varying degrees of unfamiliarity with their roles and responsibilities under the National Response Plan and National Incident Management System."<sup>112</sup> The report says there was "general confusion

“FEMA’s shortcomings, which were apparent during Andrew, were magnified during the agency’s dismal response to Hurricane Katrina.”

“Free-flowing Katrina aid unleashed a torrent of fraud and abuse.”

over mission assignments, deployments, and command structure.”<sup>113</sup> One reason that FEMA was confused was that its executive suites were full of political appointees with little disaster experience.<sup>114</sup> That has been the rule, not the exception with FEMA, which “has often been staffed with executives who were not highly regarded in the field of disaster relief.”<sup>115</sup>

■ **Failure to Learn.** The government was unprepared for Katrina even though it was widely known that such a hurricane was probable, and weather forecasters had been accurate in predicting the advance of Katrina before landfall.<sup>116</sup> A year prior to Katrina, government agencies had performed a simulation exercise—“Hurricane Pam”—for a hurricane of similar strength hitting New Orleans, but governments “failed to learn important lessons” from the exercise.<sup>117</sup>

■ **Communications Breakdown.** The House report found that there was “a complete breakdown in communications that paralyzed command and control and made situational awareness murky at best.”<sup>118</sup> Agencies could not communicate with each other due to equipment failures and a lack of system interoperability.<sup>119</sup> These problems occurred despite the fact that FEMA and predecessor agencies have been giving grants to state and local governments for emergency communication systems since the beginning of the Cold War.<sup>120</sup>

■ **Supply Failures.** Some emergency supplies were prepositioned before the storm, but there was nowhere near enough.<sup>121</sup> In places that desperately needed help, such as the New Orleans Superdome, it took days to deliver medical supplies.<sup>122</sup> And FEMA wasted huge amounts of supplies. It delivered millions of pounds of ice to holding centers in cities far away from the Gulf Coast. FEMA sent truckers carrying ice on wild goose chases across the country.<sup>123</sup> Two years later, the agency ended up throwing out \$100 million of ice unused.<sup>124</sup> FEMA similarly gave away \$85 million

worth of household goods purchased for victims that sat unused in warehouses for two years.<sup>125</sup> The agency paid for 25,000 mobile homes costing \$900 million, but these went almost totally unused due to FEMA’s own regulations that such homes cannot be used on flood plains, which is where most Katrina victims lived.<sup>126</sup>

■ **Indecision.** Indecision plagued government leaders in numerous areas, such as the deployment of supplies, medical personnel, and other items.<sup>127</sup> Even the grisly task of body recovery after Katrina was slow and confused. Bodies went uncollected for days “as state and federal officials remained indecisive on a body recovery plan.”<sup>128</sup> FEMA waited for Louisiana to make decisions about bodies, but the governor of Louisiana blamed FEMA’s tardiness in making a deal with a contractor. Similar problems of too many bureaucratic cooks in the kitchen hampered decisionmaking in areas such as organizing evacuations and providing law enforcement resources to Louisiana. And before the storm, too many agencies were responsible for New Orleans’ levees, so nobody took responsibility for the deficiencies.

■ **Fraud and Abuse.** Free-flowing Katrina aid unleashed a torrent of fraud and abuse. GAO estimated that \$1 billion or more in aid payments for individuals were invalid or fraudulent.<sup>129</sup> Other estimates put the total waste at up to \$2 billion.<sup>130</sup> An Associated Press analysis found that “people claiming to live in as many as 162,750 homes that did not exist before the storms may have improperly received as much as \$1 billion in tax money.”<sup>131</sup> A *New York Times* investigation concluded: “Among the many superlatives associated with Hurricane Katrina can now be added this one: it produced one of the most extraordinary displays of scams, schemes and stupefying bureaucratic bungles in modern history, costing taxpayers up to \$2 billion.”<sup>132</sup>

Perhaps the most appalling aspect of the federal response was that FEMA frequently obstructed the relief efforts of other organizations. Here are some examples:

- FEMA repeatedly blocked the delivery of emergency supplies ordered by the Methodist Hospital in New Orleans from its out-of-state headquarters.<sup>133</sup>
- FEMA turned away doctors volunteering their services at emergency facilities. Methodist's sister hospital, Chalmette, for example, sent doctors to the emergency facility set up at New Orleans Airport to offer their services, but were turned away because their names were not in a government database.<sup>134</sup>
- Private medical air transport companies played an important role in evacuations after Katrina. But FEMA officials provided no help in coordinating these services, and they actively blocked some of the flights.<sup>135</sup>
- FEMA "refused Amtrak's offer to evacuate victims, and wouldn't return calls from the American Bus Association."<sup>136</sup> Indeed, both the Motorcoach Association and the American Bus Association could not get through to anyone at FEMA to offer help for evacuations.<sup>137</sup>
- The Red Cross was denied access to the Superdome in New Orleans to deliver emergency supplies.<sup>138</sup>
- FEMA turned away trucks from Walmart loaded with water for New Orleans, and it prevented the Coast Guard from delivering diesel fuel.<sup>139</sup>
- Offers of emergency supplies, vehicles, and specialized equipment from other nations were caught in federal red tape and shipments were delayed.<sup>140</sup>

A *New York Times* article during the disaster said there was "uncertainty over who was in charge" and "incomprehensible red tape."<sup>141</sup> A key problem that Katrina made clear is that the government's emergency response system has become far too complex. The system "frac-

tionates responsibilities" across multiple layers of governments and multiple agencies.<sup>142</sup> There are 29 different federal agencies that have a role in disaster relief under the National Response Framework.<sup>143</sup> These agencies are involved in 15 different cross-agency "Emergency Support Functions." There is also a National Incident Management System, a National Disaster Recovery Framework, and numerous other "national" structures that are supposed to coordinate action.

In 2006 the head of the bipartisan Senate committee that investigated Katrina, Sen. Susan Collins (R-ME), concluded that FEMA was a "shambles and beyond repair."<sup>144</sup> But her committee proposed replacing it with a larger and more powerful agency, which is exactly the wrong way to go. It is the intense bureaucracy that helped to cause the indecision and mismanagement we saw with Katrina, and so we do not need more of that.

Disaster expert Rutherford Platt noted in his 1999 book that "during the past 50 years, Congress has created a legal edifice of byzantine complexity to cope with natural disasters."<sup>145</sup> We have arrived at a point where "the numbers of and variety of federal agencies involved in disaster-related activities are breathtaking."<sup>146</sup> The complexity has become worse over the past 15 years. Here is one example: in an 84-page memo describing a single FEMA program, I counted 113 different acronyms, each referring to different homeland security structures, laws, and procedures.<sup>147</sup> The federal government's official response framework is so complicated that it is has been partly ignored during some disasters.<sup>148</sup>

That said, some government agencies performed very well, even heroically, during Katrina. The Coast Guard's performance, for example, was widely lauded. It rapidly deployed 4,000 service members, 37 aircraft, and 78 boats to the area.<sup>149</sup> The agency rescued more than 30,000 people in the days following the storm.<sup>150</sup>

Why did the Coast Guard succeed? Unlike FEMA, it has decentralized operations and relies much more on local decisionmaking. Coast Guard employees live in local communities and

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are familiar with local leaders and institutions, so they were able to make decisions rapidly during Katrina based on the best information.<sup>151</sup> One expert writing about the Coast Guard’s culture says, “the Coast Guard has always emphasized decentralization with much decision-making authority vested in the commander on the scene.”<sup>152</sup>

Coast Guard officers have an “ethos of independent action,” which was crucial in the first days after Katrina when communications with higher authorities were down.<sup>153</sup> Indeed, some people in the Coast Guard viewed it as a “blessing” that communications were down because that allowed them to swing into action quickly, rather than having to wait for instructions and fill out paperwork.<sup>154</sup> The Coast Guard also has a fairly precise set of missions, while FEMA has more amorphous functions. A final factor is that the Coast Guard is more insulated from politics than is FEMA.

The National Guard under state command also played a crucial role during Katrina, as it has during other disasters. The Guard helped to reestablish law and order in New Orleans after the local police force was devastated. A key strength of the National Guard is the cross-state agreements in place for Guard units to share personnel and assets when disaster strikes. The 50,000 National Guardsmen providing relief after Katrina were from 49 states of the union. They “participated in every aspect of emergency response, from medical care to law enforcement and debris removal, and were considered invaluable by Louisiana and Mississippi officials.”<sup>155</sup>

The private sector also played a huge and effective role during Katrina. Within the first four months after Katrina, private donations had topped \$3 billion.<sup>156</sup> The Red Cross, which swelled to a 220,000-person operation, had 239 shelters ready to house 40,000 evacuees on the day Katrina made landfall. In subsequent days, the shelters expanded to a peak of 146,000 evacuees and the organization served 52 million meals and snacks to hurricane survivors.<sup>157</sup> The Salvation Army housed a peak of 30,000 evacuees in 225 shelters.

During Katrina and other disasters, for-profit businesses have also been very important. Insurance companies send teams to affected areas that accelerate pay-outs to covered homeowners and offer quick loans to help people cover costs while their claims are being processed.<sup>158</sup> Electric utilities rush extra crews to disaster areas. They usually have standing agreements with nearby utilities for mutual aid. Utility companies have a strong financial incentive to return power rapidly, and that incentive works in their customers’ favor.

Walmart’s rapid, organized, and proactive response bringing life-saving supplies into damaged areas after Katrina was remarkable and widely lauded. Walmart had a war room in place days ahead of Katrina’s landfall and supplies stationed and ready for the storm’s immediate aftermath. Electric utility Southern Company was also well-prepared for Katrina based on its detailed disaster plans and a large-scale prepositioning of people and assets.<sup>159</sup>

Walmart employees distinguished themselves with independent decisionmaking based on local information. Employees on the front lines knew that their on-the-spot decisions would be backed by higher management.<sup>160</sup> The *Washington Post* reported that within days, Walmart delivered “an unrivaled \$20 million in cash donations, 1,500 truckloads of free merchandise, food for 100,000 meals and the promise of a job for every one of its displaced workers.”<sup>161</sup>

Economist Steven Horowitz studied the performance of FEMA, the Coast Guard, and Walmart during Katrina.<sup>162</sup> He concluded that a government bureaucracy in Washington, such as FEMA, cannot operate effectively in response to local disasters. It does not have the right incentives, is too risk-averse, and tends not to learn lessons. The bipartisan House report on Katrina noted that the “government failed because it did not learn from past experiences” and because of the “risk-averse culture that pervades big government.”<sup>163</sup>

Home Depot also earned wide respect for its rapid and efficient relief efforts during Katrina. Such companies acted with charity, pro-

viding many supplies free to needy people in the affected region. Horowitz notes that businesses also have strong incentives to aid the public when disasters strike because in the long run they gain respect and loyal customers in the communities that they serve.

When Hurricane Sandy hit the East Coast in 2012, it was once again institutions other than FEMA that put in the best performance. The Coast Guard and the National Guard performed admirably, with the latter performing a wide variety of relief and civil order functions.<sup>164</sup> The Red Cross had hundreds of shelters ready for thousands of people on the day Sandy hit, and the Salvation Army supplied a huge amount of meals to victims in the days after the storm.<sup>165</sup> The United Way, faith-based groups, and corporations also made large efforts in subsequent months during rebuilding.

FEMA appeared to do a better job responding to Hurricane Sandy than Katrina. Former New York mayor Rudy Giuliani claimed that FEMA's response to Sandy was "as bad as Katrina," but that does not seem to be the case.<sup>166</sup> However, FEMA is still a troubled agency. A recent study by the Partnership for Public Service, for example, ranked it one the worst places to work in the federal government.<sup>167</sup>

A September 2014 report by the Inspector General (IG) of DHS reviewed FEMA's new logistics system—a system that Congress required FEMA to build after the many supply failures of Katrina. The new FEMA system is expected to cost \$556 million, up from the original estimate of \$325 million, and it is far behind schedule.<sup>168</sup> After DHS spending of \$247 million on the system so far, the IG concluded that the system "may not be effective during a catastrophic disaster" and "may not ever meet critical performance requirements."<sup>169</sup> The IG said that it attributes the deficiencies to "inadequate program management and oversight."<sup>170</sup>

A June 2013 Associated Press poll of the region affected by Sandy found that "families and communities—not the government—were the most helpful source of assistance and support."<sup>171</sup> Only 19 percent of those who sought help from the government said that it was help-

ful, and almost 40 percent said that FEMA was of no help.<sup>172</sup>

## STATE AND LOCAL AID PROGRAMS

FEMA spends roughly \$2.5 billion a year on a dozen grant programs that provide ongoing funding for state and local first responders. Nine of these programs are "preparedness" grants, which the DHS says "strengthen our nation's ability to prevent, protect against, mitigate, respond to, and recover from terrorist attacks, major disasters, and other emergencies."<sup>173</sup>

Most of the preparedness grants were either created or expanded after the September 11, 2001, attacks, and they have distributed almost \$40 billion to state and local governments since then.<sup>174</sup> The grants are mainly for local governments to pay for such things as vehicles, equipment, planning, conferences, training, and public awareness campaigns.

Here is a list of the preparedness grants with the 2014 spending amounts:<sup>175</sup>

- Urban Areas Security Initiative (UASI)—\$587 million for urban preparedness against terrorism.
- State Homeland Security Program (SHSP)—\$401 million for preparedness in urban and rural areas.
- Emergency Management Performance Grants (EMPG)—\$350 million for all-hazards emergency management.
- Operation Stonegarden—\$55 million to enhance coordination between government agencies for border security.
- Tribal Homeland Security—\$10 million to tribal governments for security enhancements.
- Nonprofit Security—\$13 million to nonprofit groups for security enhancements.
- Port Security—\$100 million for seaport security.
- Transit Security—\$90 million for transit system security.
- Intercity Passenger Rail—\$10 million for Amtrak security.

“A recent study by the Partnership for Public Service ranked FEMA one the worst places to work in the federal government.”

“Federal aid can induce local governments to purchase low-value items that they would not otherwise purchase.”

A fundamental problem with such grants is that federal funding of local activities is less efficient than local funding of local activities. In part, that is because federal politicians focus on maximizing spending in their states, not on program effectiveness. In a 2012 report on FEMA grants, Sen. Tom Coburn of Oklahoma said that Congress is preoccupied with the amount of money spent, not “how the money is spent, or whether it is needed in the first place.”<sup>176</sup>

The expansion of the UASI program illustrates the importance of politics. UASI originally provided funds to the 7 U.S. cities with the highest terrorism risks. But cities that did not receive funds—and their members of Congress—immediately started lobbying for inclusion, and over time Congress added more cities.<sup>177</sup> In due course, Congress expanded the program to 64 cities, although it has recently been cut back to 37.<sup>178</sup>

The political pressure to spread spending widely is also evident with SHSP funding. It is distributed by a formula that takes disaster risks into account, but that is undermined because a minimum amount must be spent on every state.<sup>179</sup> Wyoming, for example, has just one-fifth of one percent of the U.S. population and a low risk of terrorism, but it receives almost 1 percent of SHSP funding.<sup>180</sup> Similarly, for the EMPG program, spending does not depend on terrorism risk, and small states receive a disproportionate share.

Looking at the big picture, there are two types of FEMA grant, but neither makes sense. Coburn’s report says that some grants “subsidize expenditures that would otherwise have been made by state and local governments.”<sup>181</sup> His report finds that FEMA aid often pays for such things as office supplies, camera systems, athletic equipment for fire and police departments, and wages for local first responders. Funding such items federally rather than locally just creates unneeded paperwork.

Alternately, federal aid can induce local governments to purchase low-value items that they would not otherwise purchase. FEMA money is “free” to local governments, so they tend to squander it. Coburn’s report provides examples

of cities using preparedness grants to buy hovercrafts, underwater robots, and other fancy equipment that is little used. Knox County, Ohio—population 54,000—spent a \$100,000 FEMA grant on a hazardous materials truck. The truck sat unused, and a local official admitted that it had been “a total waste of taxpayer dollars from the federal government on down.”<sup>182</sup>

FEMA’s aid has raised civil liberties concerns. Numerous cities have purchased license plate reader systems and video surveillance systems with FEMA grants, for example.<sup>183</sup> And many cities have used FEMA grants to purchase military-style equipment for their police forces, such as militarized vehicles, aerial drones, and sound cannons.<sup>184</sup>

The *Wall Street Journal* noted that “six-figure grants from the Department of Homeland Security have been funding BearCats and other heavily fortified vehicles in towns and cities nationwide.”<sup>185</sup> A BearCat is an armored personnel carrier. Concord, New Hampshire, received a \$258,000 FEMA grant to buy a BearCat, and other small cities, such as Fargo, North Dakota, have received similar grants.<sup>186</sup> It makes no sense for the federal government to pay for such controversial items. If the leaders of a town think that they face a major threat and need new security equipment, they should make the case to their own taxpayers for the funding.

Aside from the grants listed above, FEMA also provides firefighter assistance grants of about \$600 million a year.<sup>187</sup> These grants aid local fire departments in paying salaries and buying trucks, protective gear, and other items. Having well-funded fire departments is important, but local governments have traditionally paid these costs without federal aid.

Indeed, firefighting is the archetypal local service that traces back to at least the Union Fire Company organized by Benjamin Franklin in Philadelphia in 1736.<sup>188</sup> Cities and towns have long been proud of their local firefighters, who are either paid employees or volunteers. It is a service that citizens everywhere demand from their local governments, and they are supportive of the local taxes needed

to fund it. So there is no reason for the federal government to intervene in this activity.

Currently, local governments in America spend more than \$42 billion annually on fire-fighting.<sup>189</sup> FEMA firefighting grants amount to just 1.5 percent of this total, so it is a small share. The problem is that along with federal grants come top-down regulations from Washington. Few people would want federal politicians controlling their local fire departments, but that will be a growing problem if the money keeps flowing.

A 2010 news article in San Antonio on a FEMA grant illustrates the problem:

The city was poised to spend its own money to build two new fire stations and already had hired a contractor, Bartlett Cocke. Then the Federal Emergency Management Agency awarded the city \$7.3 million from the stimulus program in September 2009 to pay for the stations and speed up response times by firefighters to keep residents safe. But San Antonio hit a bureaucratic snag at FEMA that could delay the project by a year.

Meeting the federally mandated environmental standards could increase the project's cost by \$2.2 million. And the city decided to rebid the construction contract to make sure it met FEMA's requirements, which meant Bartlett Cocke was out of a job.

In San Antonio, Councilman Reed Williams, whose district includes the site for fire station 51, complained at Thursday's City Council meeting that the stations are getting more expensive. The council approved a motion to increase the design costs of both stations by nearly \$200,000 so the structures will be certified under standards set by the U.S. Green Building Council.

"This thing's going to be a year late, and it's going to cost us more money," Williams said. Williams asked how much more the stations were going to cost in the stimulus program, com-

pared to the original costs when the city planned to build the stations without federal assistance. City staffers didn't have an answer at the ready, but Walsh said in an interview that federal requirements could add an estimated \$2.2 million to the price tag.<sup>190</sup>

Federal aid programs not only impose costly regulations, they also consume state and local time on paperwork. You can see some of the firefighter paperwork at [www.fema.gov/fire-grants](http://www.fema.gov/fire-grants). There are three different grants, each with different rules. Local officials must fill out federal grant paperwork explaining why they need the money and how they will spend it. Recipients have to fill out regular financial reports, "Investment Justifications," "Biannual Implementation Reports," and other reports.

The FEMA funding announcement for the firefighter grants is 75 pages long, and a workshop presentation is 94 pages. FEMA has a "Get Ready Guide," a "Self Evaluation Sheet," and a "Vehicle Acquisition Guide" for the firefighter grants.

Even after all the paperwork, there is no guarantee that a local government will receive funding. The key is to have a skilled representative on your side. Here is a 2013 press release from Rep. Patrick Maloney (D-NY) indicating how the process works:

Earlier this year, Rep. Maloney secured an investment for \$2,400,000 to hire fifteen new firefighters through the Assistance to Firefighters Grant Program—Staffing for Adequate Fire and Emergency Response (SAFER). Although their grant application was initially denied, Rep. Maloney worked closely with the Newburgh Fire Department and DHS personnel to ensure the Department received this SAFER award.<sup>191</sup>

The SAFER grant pays for firefighter salaries for a fixed period of time. After the grant money runs out, the town of Newburgh will have to find another funding source to keep its 15 new fire-

**“Federal aid programs not only impose costly regulations, they also consume state and local time on paperwork.”**

“Rather than reducing the nation’s flooding problems, the National Flood Insurance Program has likely made flood damage worse by encouraging more development in hazardous areas.”

fighters. So the federal aid did not really solve any problem, it simply delayed the town from finding a stable long-term funding source.

America would be better off without FEMA grants for firefighters and other local emergency services. Ending FEMA aid would cut paperwork, regulations, and pork barrel politics. Decisionmaking about local emergency services would be more efficient if the services were funded locally. Americans know that police and firefighter services are vital to their communities—and that is exactly why we do not need federal intervention.

### **NATIONAL FLOOD INSURANCE PROGRAM**

Congress created the National Flood Insurance Program (NFIP) in 1968 to help property owners in flood-prone areas purchase government-backed insurance. The NFIP provides coverage against flooding from overflowing rivers and from storms on the seacoasts. Flooding is “the most frequent and costly natural hazard in the United States. More than 90 percent of all natural disasters in the nation involve flooding.”<sup>192</sup>

The NFIP was supposed to save taxpayers money by alleviating the need for Congress to pass emergency aid packages after floods. Taxpayers were also not supposed to be burdened by the program itself because insurance premiums were to cover the system’s costs. Also, the NFIP included floodplain regulations that are imposed on communities adopting the program. These regulations were supposed to mitigate the harm from floods.

None of the promises panned out. Congress continues to pass large disaster aid bills after floods. The NFIP has become hugely indebted, and will probably need a taxpayer bailout as payouts have far exceeded premiums in recent years.

Most importantly, rather than reducing the nation’s flooding problems, the NFIP has likely made flood damage worse by encouraging more development in hazardous areas. Since 1970, the estimated number of Americans living in coastal areas designated as Spe-

cial Flood Hazard Areas (SFHAs) by FEMA has increased from 10 million to more than 16 million.<sup>193</sup> Subsidized flood insurance has backfired by helping to draw more people and development into flood zones.

Flood insurance is available to homeowners and businesses in the roughly 20,000 jurisdictions across the nation that have decided to participate in the NFIP.<sup>194</sup> In return for the benefit of subsidized insurance, communities become subject to federal floodplain regulations. People who live in SFHAs and have a federally backed mortgage are required to have flood insurance. However, compliance with this mandate is very low.<sup>195</sup>

There are currently 5.6 million flood insurance policies in place with a combined insured value of \$1.2 trillion.<sup>196</sup> Policies are serviced by private insurance companies, but the insurance risks fall on federal taxpayers.<sup>197</sup> Many insurance companies do not participate in the NFIP, apparently because of the political instability that surrounds the system.<sup>198</sup>

FEMA has trouble administering the NFIP. The GAO has had the NFIP on its “high-risk” list of troubled programs for years. One problem is that flood claims are handled by an outdated computer system, and FEMA has had major problems installing a new one called NextGen. The GAO reported in 2010 that “despite having invested roughly \$40 million over 7 years, FEMA has yet to implement NextGen . . . as a result, use of NextGen was halted.”<sup>199</sup>

FEMA collects about \$3.5 billion in annual NFIP premiums.<sup>200</sup> When the premiums are insufficient to pay claims, FEMA borrows from the U.S. Treasury. In recent years, the program has accumulated more than \$24 billion in debt because payouts have far exceeded premiums.<sup>201</sup> Today, the program is in financial crisis and taxpayers will likely bear the burden of its large debt.

The NFIP’s financial shortcomings are typical of government-run businesses. Unlike private insurance, the NFIP charges artificially low rates, does not build capital surpluses, and does not purchase reinsurance to cover catastrophic losses.<sup>202</sup> Furthermore, the NFIP cannot reject applicants in order to manage the system’s risk,

and it is legally constrained in its ability to raise rates. The GAO says that “by design, NFIP is not an actuarially sound program.”<sup>203</sup>

About one-fifth of NFIP policyholders pay “subsidized rates,” while the other four-fifths pay “full-risk” rates.<sup>204</sup> But even the full-risk rates are below what market rates would be. A 2011 insurance industry study found that overall NFIP premiums are only half the level needed to cover the system’s full costs, and property owners in high-risk areas pay just one-third of full market rates.<sup>205</sup> These artificially low rates subsidize people to live in high-risk flood areas.

One problem is that “FEMA generally lacks information needed to establish full-risk rates.”<sup>206</sup> Rates are based on Flood Insurance Rate Maps, but FEMA’s maps have long been criticized as not being up to date. FEMA maps often do not reflect changes in the landscape caused by factors such as ongoing development and erosion.<sup>207</sup>

Another problem with the NFIP is that it undermines federalism. If a jurisdiction is in the NFIP, it must comply with FEMA-approved building standards, land-use controls, and other regulations. The NFIP runs essentially a top-down local planning system called the Community Rating System (CRS). Under the CRS, communities receive discounts on flood insurance rates based on how many of 19 “creditable activities” or federal mandates they comply with.<sup>208</sup>

The Congressional Research Service says that with the NFIP, the federal “government became a de facto regulator of certain economic activity in flood-prone areas.”<sup>209</sup> However, local governments have been hesitant to enforce the tougher zoning rules and building standards because they are eager to receive the higher tax revenues that stem from new development. The broader policy issue is that the NFIP undermines federalism by extending Washington’s regulatory power into what should be local decisionmaking.

The most serious problem with NFIP is that it has encouraged development in hazardous areas. As Duke University coastal geologist Orrin Pilkey puts it, “we are subsidizing, even

encouraging, very dangerous development.”<sup>210</sup> Federal flood insurance has incentivized individuals and developers to build in hazardous areas they would otherwise not build in. Local governments have an incentive to approve development in hazardous areas because they are eager to increase their property tax bases.

As more of the U.S. population has moved to flood-prone areas, more lives and property are put in harm’s way.<sup>211</sup> As development expands in seacoast areas it shrinks wetlands. Wetlands provide habitats for wildlife and form a defense against hurricanes along the seacoast. “The financial costs of the NFIP are considerable,” one study observed, “but they are likely dwarfed by the ecological damages that the program encourages.”<sup>212</sup> That is why cutting the NFIP is one policy area where environmentalists and pro-market economists see eye to eye.

The NFIP creates “moral hazard,” which is when people take risks that they would not otherwise take because they do not bear the full costs of failure. Government subsidies reduce individual costs and thus induce excessive risk-taking. The Congressional Research Service noted of the NFIP: “the assurance of federal assistance in the event of repeated disaster-related losses may create a ‘moral hazard’ by lowering the incentives to take appropriate steps to mitigate loss.”<sup>213</sup>

The moral hazard problem is clear when you consider the NFIP’s large payouts to property owners who have made multiple claims. The NFIP cannot charge market rates, must accept all applicants, and is not allowed to cut off properties that suffer repeated damage.<sup>214</sup> Furthermore, unlike with private insurance, FEMA does not increase insurance rates after claims. Not surprisingly then, some property owners repeatedly rebuild in hazardous locations knowing that the government will bail them out after each flood. Repetitive loss properties account for only about 1 percent of all policies, but are responsible for about one-third of all NFIP claims.<sup>215</sup>

*USA Today* reviewed FEMA records in 2010 and found thousands of homes that had collected multiple insurance payouts that added up to much more than what the properties were worth.

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“As news anchor John Stossel has noted, the National Flood Insurance Program is welfare for the well-to-do.”

One Mississippi home valued at \$69,900 has flooded 34 times since 1978, and the owner has received \$663,000 in NFIP payments over the years.<sup>216</sup> Any private insurance company would cancel coverage on individuals like this who are taking high risks, but the NFIP does not.

Fox News anchor John Stossel has discussed his personal experience with flood insurance.<sup>217</sup> He built a beach house in a risky location along the ocean on Long Island in 1980. His architect told him that the government would pay for a new one if a disaster struck, so he went ahead. Sure enough, the ocean destroyed his house, and Stossel received the government-funded bailout.

As Stossel has noted, the NFIP is welfare for the well-to-do. A 2010 study looked at claims data over a 10-year period and concluded that “the benefits of the NFIP appear to accrue largely to wealthy households concentrated in a few highly-exposed states.”<sup>218</sup> One reason is that many properties along U.S. seacoasts are vacation residences for well-heeled individuals.

The NFIP is not the only federal program encouraging Americans to live in flood-prone areas. Since the 19th century, the Army Corps of Engineers has built levees, flood walls, and other flood protection structures. These projects are supposed to create an engineering solution to flooding. But, to an extent, the huge investment in these projects has backfired because they have encouraged more Americans to live in flood-prone areas, believing that they are protected. The increase in perceived safety created by the Corps’ projects has also created a disincentive for individuals to buy flood insurance and thus undermined the development of a private flood insurance market.<sup>219</sup>

Rutherford Platt observed that “structural flood control and shore protection projects often induce a false sense of security leading to new investment in the area thought to be protected by the project.”<sup>220</sup> The result is that areas ostensibly protected by flood control projects “experienced greater losses when floods exceeded the design capacity of dams, levees, and sea walls than would have occurred without the projects.”<sup>221</sup>

These days, there are many federal agencies involved variously in subsidizing and regulating

flood-prone areas, and the interventions often work at cross purposes.<sup>222</sup> The Army Corps of Engineers builds flood-control structures and subsidizes seacoast beach replenishment. Those activities encourage more seaside development. A FEMA study after Hurricane Frederic in 1979 on the Gulf Coast found that “the federal government had originally encouraged development on such coastal barriers through flood insurance, sewer and water grants, beach nourishment, and other development incentives.”<sup>223</sup>

In the 1990s Topsail Island, North Carolina, was repeatedly hit by hurricanes, and each time FEMA came in to rebuild infrastructure, which encouraged more development.<sup>224</sup> And then there is New Orleans, where for decades massive flood control infrastructure built by the Corps encouraged development in dangerous, low-lying areas around the city. That greatly magnified the damage caused by Hurricane Katrina in 2005.

In his book, Platt discusses the tension between some government agencies subsidizing people to live in risky places and other agencies imposing regulations to prevent people living in those places. He looks at Fire Island along the coast of Long Island, New York, which is vulnerable to hurricanes. Local activist groups “have each lobbied intensely to win government benefits for Fire Island while opposing any limits on the freedom of private owners to build or rebuild along the oceanfront.”<sup>225</sup>

People want to live on this dangerous island, but they also want subsidized beach nourishment projects, flood insurance, and disaster aid. Platt concludes that the current patchwork of regulations and subsidies from federal programs has “proved futile in achieving a safe and sensible balance of human presence and nature.”<sup>226</sup> But part of the solution is straightforward: governments should repeal programs that subsidize development in hazardous places.

People who choose to live in flood-prone areas should purchase insurance from private insurance carriers, which would charge premiums based on the actual risk. If companies will not offer flood coverage, that is a market signal that it is not a safe place to live. It is not a “market failure” if private flood insurance is not available for dangerous loca-

tions, as some commentators have suggested.<sup>227</sup>

Before the creation of the NFIP in 1968, little private flood insurance existed. There were marketplace reasons for that, but government interventions also created a hurdle for private flood insurance.<sup>228</sup> Today, however, numerous experts think that flood insurance could be privatized. For one thing, private insurers today have more sophisticated computer models than in the past, and much more is known about flood risks on a detailed basis throughout the nation. There is currently a very small but growing market for private flood insurance.<sup>229</sup>

Federal and state governments can encourage the development of private flood insurance by getting out of the way. Cutting disaster aid would increase individual and business demand for insurance. Eliminating federal and state regulations that interfere with insurance pricing would increase the supply of insurance, as would reforming income taxes, which are biased against insurance companies holding capital to cover large but infrequent losses.<sup>230</sup> GAO has discussed steps toward partial privatization of flood insurance.<sup>231</sup> And a report by Deloitte noted that “flood insurance theoretically presents a tremendous growth opportunity for private carriers,” but only if reforms are made to federal policies.<sup>232</sup>

Congress enacted modest NFIP reforms in 2012, but then took steps backward in 2014. Under the 2012 Biggert-Waters Flood Insurance Reform Act, FEMA was to gradually increase premiums to better reflect actual risk for more of NFIP’s policyholders.<sup>233</sup> Then in response to complaints about premium increases from constituents, Congress in 2014 passed changes to cap premium increases and to reverse other reforms.<sup>234</sup>

Congress should revisit this issue. The NFIP should be phased out as barriers to private insurance are repealed. Rep. Jeb Hensarling (R-TX) calls the NFIP “ineffective, inefficient and indisputably costly to hardworking American taxpayers.”<sup>235</sup> He says that he is considering “legislation to transition to a private, innovative, competitive, sustainable flood insurance market.”<sup>236</sup>

Rep. Candice Miller (R-MI) has introduced legislation to end the NFIP.<sup>237</sup> She summarizes

some of the reasons for repeal:

It is ridiculous that the federal government remains in the flood insurance business. With no end in sight for the NFIP in racking up new debt, continuing subsidized rates for those who live in flood prone areas, skyrocketing rates for many who live in areas that never flood and 40 years of history showing clearly that the federal government is a very bad insurance company; it is time to take decisive action to wind down the NFIP instead of offering up more bailouts. . . . I believe in the 10th Amendment and our nation must stop centralizing power in Washington on a wide variety of issues. . . .

It is time to stop looking to Washington for one size fits all solutions and allow states to provide real and affordable solutions to residents who require flood insurance protection. It is time to remove the federal government from the flood insurance business, end the unfair debt liability being placed upon all taxpayers by this unsound federal program, stop the practice of forcing unjustly high rates on those living in areas under little risk of flooding, stop the politically motivated subsidizing of people who live in highly flood prone areas and restore power to the states.<sup>238</sup>

## CONCLUSIONS

One of the rules that every doctor learns is “first, do no harm.” That rule should be applied to policymaking on natural disasters. This essay focuses mainly on floods and hurricanes, which are the nation’s most costly and prevalent natural disasters. The number of Americans living in risky locations on floodplains and seacoasts has grown in recent decades, and numerous federal policies have encouraged that trend.<sup>239</sup>

Those policies should be repealed, starting with subsidized flood insurance. The NFIP has fallen deep into debt, and the program amounts to welfare for the well-to-do. Congress created the NFIP in 1968 partly in the belief that pri-

“The National Flood Insurance Program should be phased out as barriers to private insurance are repealed.”

“‘First, do no harm’ also applies to growing federal intervention in disaster preparedness, response, and relief.”

vate sector could not provide flood coverage. Today, however, the insurance industry is more sophisticated and in a better position to provide private coverage. Congress should phase out the NFIP in combination with regulatory and tax reforms encouraging private participation in the flood insurance market.

Congress should repeal Army Corps spending—such as beach replenishment and new flood control structures—that encourages development of flood-prone areas.<sup>240</sup> Army Corps spending is supposed to protect communities, but as we have seen in New Orleans and elsewhere, the agency’s projects can encourage development in dangerous, low-lying areas.<sup>241</sup> The Corps’ infrastructure has also depleted coastal wetlands, which are a natural defense against hurricanes.

“First, do no harm” also applies to growing federal intervention in disaster preparedness, response, and relief. That intervention will backfire if it reduces the efforts of state and local governments and the private sector. If federal efforts continue to expand, “the result will be the displacement of the very things that make the system work most of the time—state, local, and private sector preparedness and initiative.”<sup>242</sup>

Unfortunately, the federal urge to spend has triumphed in recent years. Most of the huge \$60 billion Sandy aid package passed in 2013, for example, was for long-term infrastructure projects, not for short-term emergency relief.<sup>243</sup> There is no reason why state and local governments could not issue bonds and build rainy day funds to finance disaster response and rebuilding. Indeed, an advantage in ending federal aid would be to create a strong incentive for states to prepare in advance for disasters, both by putting resources aside and by pursuing mitigation projects to reduce the harm of disasters.

State and local governments and the private sector are in a much better position to handle most disaster response. Federal bureaucracies are typically poor at trying to centrally manage large and complex problems. FEMA is no exception: it is slow, risk averse, subservient to politics, and it does not have the local knowledge needed to effectively handle many disasters. First responders and their assets are mainly owned and managed

locally, and so a bottom-up structure makes sense. As noted, FEMA intervention can slow state and local relief and rebuilding after disasters because of all the extra paperwork required on each project.

By reducing the federal role, we would reduce ambiguity in the system. As we saw with Katrina, decisionmaking was hampered by the uncertainty over bureaucratic rules and responsibilities. Our disaster relief system has become “too complex for its own good.”<sup>244</sup> The federal government has made it that way. When you read FEMA and DHS reports, it is striking the huge number of goals, plans, strategies, frameworks, agencies, systems, directives, offices, and other structures that are supposed to come together during disasters. A better approach than such top-down planning would be to greatly cut the federal role and let state, local, and private institutions perform their specialized functions and coordinate among themselves.

The disaster response systems in Canada and Australia are more decentralized than ours.<sup>245</sup> The federal emergency management agencies in those countries do not have operational roles. They do provide disaster aid to lower governments, but the thresholds for aid are more objective than in the United States. Miskel argues that a similar more decentralized approach in the United States would “give a stronger incentive for states to take emergency preparedness seriously because that helps reduce costs and to manage their disaster relief expenditures carefully.”<sup>246</sup>

One encouraging U.S. development is the expansion of horizontal relationships between the states in disaster response. All the state governments have joined the Emergency Management Assistance Compact (EMAC), which was created in 1996.<sup>247</sup> EMAC expedites the legal process of states aiding other states with manpower and resources during a disaster. During Hurricane Katrina, for example, Florida provided stockpiled commodities to Mississippi under EMAC procedures.<sup>248</sup>

Over the past two decades, there has also been an expansion in mutual aid agreements between local governments to share police and fire assets during emergencies.<sup>249</sup> And, as discussed,

private electric utilities across the country routinely aid each other with crews and equipment to speed repairs after storms.

Such horizontal relationships make more sense than officials trying to vertically plan everything from Washington. Miskel argues, “the very last thing that the federal government should do is crowd initiative at nonfederal levels out of the system in the name of improving the federal response to catastrophic disasters.”<sup>250</sup>

There are other ideas to help improve state disaster response. One is to reform Good Samaritan laws to ensure that emergency workers do not stay away from disasters in other states for fear of civil liability.<sup>251</sup> Another is to expand State Defense Forces (SDFs).<sup>252</sup> Currently, 22 states have SDFs, which are voluntary, part-time militaries under state command. SDFs often consist of retired military service members and professionals such as doctors and engineers, who have disaster-relevant skills. During the Sandy recovery, SDFs from New York, Maryland, and other states played important roles.

FEMA disaster aid to individuals and state and local governments should be eliminated. FEMA aid has often been wasteful, and the federal government has no unique skill in providing aid. Ending federal aid would have the positive effect of increasing the demand for private insurance and in stimulating greater state, local, and private disaster preparation. Also, removing FEMA intervention would prevent the damaging situation that occurred during Katrina as FEMA repeatedly blocking private aid efforts.

Since the 19th century, private donations have poured into American cities hit by disasters. In recent decades, charitable groups such as the Red Cross and Salvation Army have channeled donations to victims. Historically, businesses have also played a large role in relief, such as after the San Francisco Earthquake of 1906 and the Dayton Flood of 1913. More recently, the efforts of Walmart and other companies after hurricanes show that businesses are ready to use their logistical skills to aid communities when calamities strike.

If private donations are not sufficient for the largest of disasters, state governments us-

ing their own funds are likely to provide more efficient disaster aid than the federal government. Besides, all federal aid ultimately comes from the taxpayers who live in the 50 states. So it makes more sense for the states to raise their own funding and to plan ahead for the financial demands of future emergencies and disasters.

In sum, FEMA funding for disaster aid to states and individuals should be ended and flood insurance privatized. Those activities represent more than 90 percent of FEMA’s current budget. Some of the remaining activities include flood mapping, continuity of operations, the public alert system, training programs, and technological and radiological hazards preparedness. Those activities should be moved to other agencies and FEMA closed down.

Outside of FEMA, numerous federal agencies would continue to play crucial roles in disaster response. Those include the Coast Guard, the active duty military, the agencies that prepare for pandemics and other health threats, and the agencies that handle such threats as terrorism, cyber attacks, and biological and chemical agents.

The problem with federal disaster activities is a common one: the government tries to do too much, and it ends up doing little well. In government, less is nearly always more. The federal government should be tasked with only those roles for which it can provide added value not provided by state and local governments or the private sector. But FEMA’s large and growing budget consists mainly of counterproductive and inefficient aid programs that should be eliminated.

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