GAO Highlights

Highlights of GAO-15-424, a report to congressional requesters

March 2015

BUDGETING FOR DISASTERS

Approaches to Budgeting for Disasters in Selected States

Why GAO Did This Study

In recent years, natural and human-made disasters have increased in the United States in terms of both numbers and severity. For presidentially declared disasters, the federal government generally pays 75 percent of disaster costs and states cover the rest. As a result of this trend, governments at all levels have incurred increased costs for disaster response and recovery. An understanding of the approaches states take to budget for disaster costs can help inform congressional consideration of the balance between federal and state roles in funding disaster assistance.

GAO was asked to examine how states typically budget for costs associated with disasters and any changes to those budget approaches during the past decade. This report reviewed (1) the approaches selected states use to budget for and fund state-level disaster costs; and (2) how, if at all, state disaster budgeting approaches have changed over time.

For this review, GAO selected 10 states based on criteria such as the number of major disaster declarations and denials for each state from fiscal years 2004 to 2013. GAO reviewed state statutes, budgets, and other documents explaining states' approaches to budgeting for disaster costs and interviewed state officials. Although GAO's findings are not generalizable, they are indicative of the variation in budget mechanisms among the states.

GAO is not making recommendations. GAO received and incorporated, as appropriate, technical comments from the Department of Homeland Security and the 10 selected states.

View GAO-15-424. For more information, contact Michelle Sager at (202) 512-6806 or sagerm@gao.gov.

What GAO Found

The 10 selected states in GAO's review—Alaska, California, Florida, Indiana, Missouri, New York, North Dakota, Oklahoma, Vermont, and West Virginia—had established budget mechanisms to ensure the availability of funding for the immediate costs of unforeseen disasters and the ongoing costs of past disasters. All 10 states provided disaster funds at the start of the fiscal year and then as needed during the course of the fiscal year. Each of the selected states had its own combination of budget mechanisms that generally fell into four categories:

Statewide disaster accounts. These accounts provided the 10 states with the flexibility to fund disaster expenses across state entities or for local governments. States typically funded these accounts through general fund revenue. Six states also used other sources, such as revenues from oil and gas taxes and fees on homeowner's and commercial insurance. The amounts appropriated to these accounts at the start of the fiscal year were based on a range of considerations, such as estimates of disaster costs based on past events and emergency response costs for unforeseen disasters.

State agency budgets. Nine of the 10 states also covered a portion of unforeseen disaster costs through the operating or contingency budgets of state agencies with missions relevant to disaster response and recovery. For example, West Virginia's Division of Homeland Security and Emergency Management used its operating budget to cover disaster response costs. Florida's Department of Environmental Protection had a disaster contingency account funded through user fees on state parks.

Supplemental appropriations. When advance funding proved insufficient to cover disaster costs, eight of the 10 states provided supplemental funding to pay for the remaining costs. While reserve accounts such as rainy day funds could be used to provide this funding if general funds were unavailable, budget officials said their state rarely tapped these funds.

Transfer authority. All 10 states in our review allowed designated officials (i.e., the governor, budget director, or a special committee) to transfer funds within or between agencies or from statewide reserve accounts after the start of the fiscal year.

None of the 10 states in GAO's review maintained reserves dedicated solely for future disasters. Some state officials reported that they could cover disaster costs without dedicated disaster reserves because they generally relied on the federal government to fund most of the costs associated with disaster response and recovery.

While some states have increased the oversight and availability of disaster funds, all 10 states' approaches to budgeting for disasters have remained largely unchanged during fiscal years 2004 through 2013. Specifically, three states—Alaska, Indiana, and North Dakota—changed their budgeting processes to ensure that funding for disasters was appropriated before rather than after a disaster occurred. In addition, legislatures in three states—Missouri, North Dakota and West Virginia—took steps to increase their oversight of disaster spending.