I. Introduction

In recent years, the United States has seen an increase of natural and human-made disasters that have required the need for governmental funding. These disasters and emergencies have ranged from hurricanes, fires, floods, and drought to terrorism, oil spills, and hazards associated with nuclear power plants.\(^1\) There are many sources that work to predict the top disaster threats to the United States by providing safety warnings, and because of these prediction systems, the number of lives lost has begun to decrease. However, Matthew Kohn, a professor at the University of California–Los Angeles, has gathered statistics showing that although the loss of life has decreased, the number of people left homeless and displaced due to these disasters has increased.\(^2\) As a result, this has increased the need for state and, more specifically, federal post-disaster funding.

This chapter will provide an overview of the history of how the federal government became involved in disaster response. It will also explain how disasters are declared and thus become eligible for federal funding. The chapter will conclude by providing an overview of the various disaster funding programs and incentives, as well as provide a short discussion about public support.
Although there are many funding programs designated for disasters, most legislation is passed in response to the disaster after the needs for appropriate response have been identified. The issue raised in this chapter is not entirely when the funds are designated or appropriated by Congress but rather how the funds are distributed post-disaster and the responsiveness of the agencies handling the distribution.

II. Creation of Funding Sources

A. National Response to Disasters

The coordination of the federal government’s response to domestic disasters can be traced to as early as the Congressional Act of 1803. This act was created to provide assistance to a town in New Hampshire after an extensive fire. After this act, legislation was passed more than 100 times to respond to natural disasters such as floods, fires, hurricanes, and earthquakes. In the early 1930s, the Reconstruction Finance Corporation, which was created to provide assistance to railroads, financial institutions, and corporations, offered loans for repair after earthquakes and, subsequently, following other disasters. Other early authority allowed the Bureau of Public Roads to provide funding for highways and bridges damaged by natural disasters, and the Flood Control Act provided authority to implement flood control projects. However, it was soon recognized that the government did not have a comprehensive plan and that the scattered approach was not as effective. The result was the creation of the Disaster Relief Act of 1950. This legislation would provide better oversight and cooperation between federal agencies while authorizing the president, rather than Congress, to manage the disaster activities. The act also allowed that assistance could be distributed through the American Red Cross. The Federal Disaster Assistance Administration was the entity created as a result of the Disaster Relief Act, and it operated within the U.S. Department of Housing and Urban Development (HUD) to provide response and recovery to the growing disasters that were being experienced in the United States.

As a wave of severe and massive natural disasters struck the U.S. in the 1960s and 1970s, it became more and more necessary for the federal government to respond to them and provide recovery operations. In 1974, the Disaster Relief Act was further expanded to set out regulation for presidential declarations of natural disasters. Even with these steps, there were more than 100 federal agencies involved in responding to natural disasters. Additionally, in 1979 following the nuclear power plant accident at Three Mile Island, hazards associated with nuclear power plants were added to the lists of emergencies that required federal attention and funding. Many agreed that
the approach to handling these emergencies was haphazard and sought to decrease the number of agencies and centralize the federal emergency functions.

Under Executive Order 12127, President Jimmy Carter centralized the federal emergency functions by merging many of the disaster-related responsibilities into one agency. The agency created was called the Federal Emergency Management Agency (FEMA). It was created to coordinate “the federal government’s role in preparing for, preventing, mitigating the effects of, responding to, and recovering from all domestic disasters, whether natural or human-made, including acts of terror.” Since its inception, FEMA has struggled with creating a cohesive and responsive agency. It has received harsh criticism as a result of its handling of several disasters, including Hurricanes Hugo, Andrew, and Katrina, the terrorist attacks of 9/11, and most recently Superstorm Sandy.

In March 2003, along with 22 other federal agencies, programs, and departments, the Department of Homeland Security was created as a stand-alone, cabinet-level department. FEMA was among the agencies included in the new department. Homeland Security now has the directive of creating a comprehensive and coordinated approach and response to national security, which includes both natural and human-made disasters and emergencies. The Post-Katrina Emergency Management Reform Act, which was signed into law in 2006, reorganized FEMA and includes a more comprehensive and stronger preparedness mission for the agency.

B. State and Local Responses to Disasters

Prior to the assistance that was provided by the federal government, each state was required to provide response to natural disasters within its borders. However, as the size of the disasters grew, states and local jurisdictions began to look more often to the federal government for assistance and intervention. When a disaster occurs, state and local governments are the first to respond to determine the level of the emergency and the needs of those affected. They are also responsible for mobilizing state and local agencies and determining the level of resources it has to offer on the state level. The emergency services for each state are directed through the state’s homeland security or emergency management office. Most states have one entity, but there are a number of states that have several agencies handling these responsibilities. However, the Congressional Budget Office (CBO) has determined that although many states appropriate some funds for disasters, the funding for most states is very limited. Most states appropriate small amounts to a disaster account legislatively but supplement these accounts after a disaster occurs through unobligated state funds. Testimony provided to the CBO has indicated that there does not appear to be a set standard or formula used by states to determine funding level for emergencies, but most states are prepared to mobilize funding quickly as needed through the use of general funds, rainy-day funds, and other funding as determined by each individual state.

In 1993, Florida created a Disaster Trust Fund, which is funded from insurance policy surcharges. These funds are then equally distributed to each county for local