

3 Key Principles for Building Disaster-Ready State Budgets

Recommended strategies for policymakers

Overview

Since 2020, the U.S. has experienced an average of 23 disasters a year that caused at least \$1 billion of destruction each, and policymakers at every level of government are grappling with those rising costs.¹ Research from The Pew Charitable Trusts shows that states lack data on public disaster spending, their budgeting approaches are not well adapted to current needs, and their efforts to reduce risks to life and property are inadequately funded.² To help states improve their disaster budgeting, Pew has developed specific actionable steps—organized around the three key principles of measure, manage, and mitigate—that policymakers can take.

Measure statewide disaster costs

Disaster management—preparing and protecting the public before, during, and after disasters—is a critical government function, but most states do not comprehensively track their disaster spending. To understand the full financial impact of disasters, state governments should:

Collect comprehensive data

- Identify the data that should be tracked to capture all disaster management investments.
- Develop a system to uniformly collect the identified data on an ongoing basis.
- Coordinate the data identification and collection processes across state agencies.

Produce meaningful disaster spending reports

- Regularly report disaster costs to inform spending decisions.
- Contextualize reported expenses with details, such as the disaster type and the funding source.

Manage disaster funds proactively

States typically decide which disaster costs to pay for and how to fund them only after an event, which often forces them to redirect funds from other priorities and undermines their efforts to deliver prompt response and recovery. To ensure sustainable funding and improve decision-making, policymakers should:

Budget proactively

- Fund disaster management with a statewide account or recurring agency appropriations to be ready before emergencies occur.
- Use spending projections and historical trends to inform funding amounts.
- Set aside federal reimbursements to create a funding source that can help pay for future costs.

Define state responsibilities

- Set criteria and create processes for the state's role in response and recovery.
- Clarify the reimbursement policy for agencies that do not typically budget for disaster management.

Mitigate damage and improve disaster resilience

Current state investments in mitigation programs are neither sufficiently funded nor strategically designed to realize the full potential to reduce damage to communities and slow disaster spending growth. All levels of government need to:

Invest in mitigation and resilience

- Provide sustained funding for disaster mitigation programs.
- Invest in resilience planning capacity to build expertise and continuity.

Maximize investments from nonstate sources

- Enhance administrative capacity to effectively deploy federal funds.
- Support increased local investments in mitigation with technical assistance and financial incentives.

Endnotes

- 1 National Centers for Environmental Information, "Billion-Dollar Weather and Climate Disasters," National Oceanic and Atmospheric Administration, accessed Jan. 12, 2022, <https://www.ncdc.noaa.gov/billions/>.
- 2 The Pew Charitable Trusts, "What We Don't Know About State Spending on Natural Disasters Could Cost Us," 2018, <https://www.pewtrusts.org/en/research-and-analysis/reports/2018/06/19/what-we-dont-know-about-state-spending-on-natural-disasters-could-cost-us>. The Pew Charitable Trusts, "Natural Disaster Mitigation Spending Not Comprehensively Tracked," 2018, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/09/natural-disaster-mitigation-spending--not-comprehensively-tracked>. The Pew Charitable Trusts, "How States Pay for Natural Disasters in an Era of Rising Costs," 2020, <https://www.pewtrusts.org/en/research-and-analysis/reports/2020/05/how-states-pay-for-natural-disasters-in-an-era-of-rising-costs>. The Pew Charitable Trusts, "How States Can Manage the Challenges of Paying for Natural Disasters," 2020, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2020/09/how-states-can-manage-the-challenges-of-paying-for-natural-disasters>. The Pew Charitable Trusts, "Wildfires: Burning Through State Budgets," 2022, <https://www.pewtrusts.org/en/research-and-analysis/reports/2022/11/wildfires-burning-through-state-budgets>.

For more information, please visit: pewtrusts.org/projects/managing-fiscal-risks

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