

FEDERAL EMERGENCY MANAGEMENT AGENCY

The President's Proposal:

- Provides \$3.5 billion for new equipment and training to enhance state and local preparedness against terrorist attacks;
- Improves federal assistance for credible and cost-effective disaster prevention strategies by
 - replacing the formula-based Hazard Mitigation Grant Program with a new pre-disaster competitive grant program; and
 - modernizing flood maps to better guide future development and flood prevention efforts.
- Provides the agency with over \$1.8 billion in base resources to pay for disaster relief efforts;
- Reforms the National Flood Insurance Program to improve financial performance and transfer greater financial responsibility to individuals who build in flood prone areas; and
- Transfers the agency's Emergency Food and Shelter program to the Department of Housing and Urban Development to consolidate services to the homeless.

Federal Emergency Management Agency

Joe M. Allbaugh, Director

www.fema.gov 202-646-4600

Number of Employee: 5,009

2002 Spending: \$5.8 billion

Field Offices: Atlanta; Boston; Bothell, WA; Chicago; Denton, TX; Denver; Kansas City, MO; New York; Philadelphia; and San Francisco.

When a disaster goes beyond state or local capacity to respond, the President often declares an emergency or a disaster. The Federal Emergency Management Agency (FEMA) then responds with disaster support while coordinating the assistance of up to 27 other agencies and volunteer organizations. FEMA helps the nation prepare for and reduce the impact of natural and technological hazards, such as Y2K-related critical computer failures. FEMA also responds to the aftermath of terrorism, such as the destruction wrought by the incidents of

September 11th. FEMA helps people protect themselves, their homes, and their communities from hazards that can lead to emergencies or disasters. FEMA also manages a number of important national security activities to ensure that the government is ready to meet its responsibilities in all situations.

Status Report on Select Programs

The Administration is reviewing programs throughout the government to identify strong and weak performers. Often, as in the case of FEMA, the budget seeks to redirect funds from lesser performing programs—or programs with unknown performance—to higher priority or more effective programs.

Program	Assessment	Explanation
Terrorism-related Programs	Effective	Well established working relationships with first responders, including firefighters, police, and emergency medical technicians, foster well-targeted assistance.
Disaster Response and Relief Programs	Effective	Effectively responds to meet the needs of victims and communities after disasters; better performance measures are needed.
Flood Insurance Program	Moderately Effective	Processes flood damage claims quickly; however, many at-risk homes and businesses are not insured.
Disaster Mitigation	Ineffective	Formula funding and lack of rigorous cost-benefit criteria for funded projects limit program’s effectiveness; better performance measures are needed.
Flood Map Program	Ineffective	Inadequate funding hinders program; maps are needed to assist rebuilding after disasters and to steer future development away from floodplains.

Enhance State and Local Terrorism Preparedness

The President recognized the need to increase our nation’s preparedness for terrorist attacks even before the events of September 11, 2001. On May 8, 2001, he directed FEMA to establish an Office of National Preparedness (ONP). The President wants FEMA to work closely with state and local governments to ensure their planning, training, and equipment needs are addressed, and with other agencies to ensure that the response to weapons of mass destruction threats is well-organized. As demonstrated during the response to September 11th when more than 300 police and firefighters lost their lives, first responders bear a unique burden. All Americans are grateful for their service and FEMA will continue to work in support of their efforts.





Urban Search and Rescue Team uses canine at the World Trade Center site.

Community Emergency Response Teams, which provide assistance and support to first responders following terrorism incidents and other emergencies. The First Responder state/local preparedness grant program would consolidate several existing programs, including a first responder grant previously funded within the Department of Justice (funded at \$635 million in 2002). As part of the consolidation, FEMA will take over the functions of Justice's Office of Domestic Preparedness. The First Responder program also would encompass the recently created FEMA Fire Investment and Response Enhancement (FIRE) grant program (funded at \$360 million in 2002).

The budget also provides \$50 million for FEMA's Office of National Preparedness to work with states and localities on terrorism preparedness, as well as to administer the first responder grant program. In November 2001, FEMA completed work with each of the states and territories to develop plans for terrorism preparedness training and equipment for chemical and biological threats in 2002. These plans are being used to help allocate first responder grant assistance provided in the 2002 Emergency Supplemental Appropriations Act.

The budget provides FEMA \$3.6 billion to address these new priorities, an increase of \$3.2 billion over 2002. Most of this funding will be used for terrorism-related equipment for states and localities, as well as training grants for first responders, including firefighters, police, and emergency medical technicians. While state and local jurisdictions will have discretion to tailor the assistance to meet local needs, it is anticipated that more than one-third of the funds will be used to improve communications. It is further assumed that an additional one-third will be used to equip state and local first responders and that the remainder will be used for training, planning, technical assistance and administration. More than 11,000 emergency response personnel could be equipped and trained in 2003. The funding also would allow FEMA to provide grants to states to train 400,000 citizen volunteers for

Today, numerous departments and agencies have programs to deal with the consequences of a potential use of a chemical, biological, radiological, or nuclear weapon in the United States. Many of these programs offer training, planning, and assistance to state and local governments. But to maximize their effectiveness, these efforts need to be seamlessly integrated, harmonious, and comprehensive.

President George W. Bush
May 8, 2001

Improve Assistance for Credible and Cost-Effective Disaster Prevention Strategies

... [M]itigation works. The Seattle-Tacoma area did not suffer significant losses [following the February 28, 2001, earthquake] because 20 to 30 years ago local leaders invested in its future by passing building codes and issuing municipal bonds that implemented solid protective measures.

FEMA Director Allbaugh
Congressional testimony, May 16, 2001

Much of the devastation caused by disasters can be minimized through well-designed mitigation programs. For example, properties in flood-prone areas can be elevated or moved. Homes and businesses can be braced for better protection against earthquakes. And, storm shutters and other features can be added to buildings to reduce wind

damage. Having a significant, dedicated stream of funds for these programs is critical to FEMA’s efforts to protect individuals and communities from future disasters.

Flooding stands out as the single most pervasive disaster hazard facing the nation. It causes an estimated \$6 billion in property damage annually. FEMA spends approximately 57 percent of its disaster relief resources alleviating flood damage. Yet much of this after-the-fact spending can be avoided with some up-front planning.

In the past, many of the nation’s efforts to avert flood disasters have focused on structural changes to waterways—for example, building dams and levies. Focusing flood reduction efforts on identifying the areas at risk for flooding and steering development away from those areas can be a less costly long-term approach to mitigation.

Modernizing the nation’s flood maps is critical to that effort. Many of the nation’s Flood Insurance Rate Maps (FIRMs) are out of date and inaccurate—63 percent of maps are more than 10 years old. A third of maps are more than 15 years old. About 2,700 communities are not mapped at all. New and updated FIRMs can provide crucial guidance for future building, development, and flood mitigation efforts—determining how and where individuals, private developers, and local governments build. In 2003, FEMA will invest \$350 million to modernize flood maps. FEMA also will digitize its maps and make them available over the Internet.

Effectiveness of Mitigation Programs

From 1993 to 2000, 45 percent of projects funded from FEMA’s Hazard Mitigation Grant Program were either minimally cost effective or not cost effective at all.

FEMA data provided to the Congress in 2000

FEMA also will dedicate \$300 million to a new competitive grant for predisaster mitigation. This new program will replace the formula-based Hazard Mitigation Grant Program currently funded through the Disaster Relief Fund. The new program will operate independently of the disaster relief programs, assuring that funding

remains stable from year to year and is not subject to spikes in disaster activity. Awarding grants on a competitive basis will ensure that the most worthwhile, cost-beneficial projects receive funding.

Disaster Relief

When major disasters strike, FEMA provides disaster assistance to meet emergency needs of families and individuals, and to help pay for the rebuilding and repair of critical community infrastructure. In 2001, FEMA responded to 50 major disasters and 15 emergencies, as well as funding continuing needs from previous disasters. Major disasters in 2001 included the September 11th attacks, Tropical Storm Allison, and the Seattle-Tacoma earthquake.

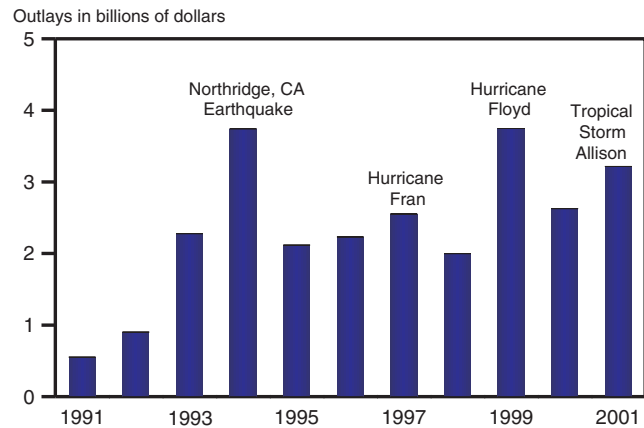
The Administration has set a goal of meeting the needs of disaster victims for shelter, food, and water within 12 hours after the President declares a major disaster.

FEMA has automated its core disaster information processing systems to improve its response time for disasters.

The budget provides for a program level of \$2.9 billion for FEMA disaster relief—a level consistent with the five-year average of obligations. To fund the program, the budget provides \$1.8 billion in new budget authority and commits to an intensive review of unspent balances beginning with the 1994 California Northridge earthquake that is expected to result in \$1.1 billion in grant recoveries over a two-year period. Unspent balances often result from mitigation and other projects that appeared to be needed in the aftermath of a disaster but were not pursued after public review or further examination.

The five-year average is a reasonable benchmark for the resources FEMA will need to respond to disasters. It is not always possible, however, to anticipate extraordinary events such as the incidents of September 11th.

Disaster Relief Fund



Proposed Reforms

- Phase out taxpayer subsidies of second homes and vacation properties.
- Require that mortgage borrowers insure the full replacement value of their properties.
- End state taxation of flood insurance policies.
- Include the cost of expected coastal erosion losses in premiums for policies issued in coastal areas.

Reforms for the National Flood Insurance Program

The National Flood Insurance Program (NFIP) faces major financial challenges. In some years, the program has expenses greater than its revenue from insurance premiums, preventing it from building long-term reserves to handle the costs of flood insurance claims. A large portion of policyholders—29 percent—pay only a portion of the cost of their premiums, with the Treasury

subsidizing the rest. By law, FEMA is prohibited from charging full premiums for properties built before adoption of NFIP building standards by local communities. A small number of these older properties are poorly situated and are repeatedly flooded, accounting for a significant share of the program's losses. In contrast, FEMA charges true actuarial rates for newer properties and requires that new construction comply with floodplain management guidelines.

The budget proposes several reforms to improve financial performance and transfer greater financial liability to individuals building in flood prone areas, as shown in the accompanying box.

In 2001, FEMA paid out \$1.5 billion to settle flood insurance claims. The Administration seeks to aid the recovery of individuals, businesses, and communities after floods by increasing the number of flood insurance policies in force. FEMA will increase the number of policies in force by five percent in 2003—to 5.1 million policies.

Transfer the Emergency Food and Shelter Program

The Emergency Food and Shelter Program was created in 1983 to help meet the needs of hungry and homeless people throughout the United States by providing funds for emergency food and shelter. Funds are used to support homeless shelters and other organizations that provide assistance for those who are homeless, facing eviction, or in need of food assistance. FEMA has not demonstrated the effectiveness of this program and has no expertise in managing programs for the homeless. The budget proposes to transfer this program to the Department of Housing and Urban Development—permitting better coordination of services for the homeless.

Strengthening Management

Charged with managing the response to major disasters, as well as coordinating consequence management for terrorism events, FEMA effectively coordinates direct assistance—principally cash grants—as well as the relief activities of other agencies and volunteer organizations. Generally, FEMA performs well in getting resources to stricken communities and disaster victims quickly. The agency performs less well in its oversight role to ensure the effective use of such assistance. Further, the agency suffers from an inability to clearly measure program performance, or to link resources to performance information. FEMA has begun to address the President's Management Agenda, but has a poor starting point in all key areas.

Initiative	2001 Status
<p>Human Capital—FEMA lacks a strategy for linking human capital to fiscal resources and agency goals. FEMA needs to develop a workforce-restructuring plan that addresses how the agency will attract and retain personnel with the skills to perform core agency functions including program oversight and analysis. FEMA needs to address managing a fluctuating cadre of temporary staff that performs front-line disaster assistance functions. FEMA also should develop a strategy for redirecting supervisory positions to citizen service delivery. FEMA must produce an interim workforce restructuring report by mid-2002 that will address many of these issues.</p>	●
<p>Competitive Sourcing—FEMA has not produced a plan for meeting the Administration's short- and long-term competitive-sourcing goals. FEMA must develop a new competitive sourcing and management plan, then complete public-private competitions or direct conversions on 15 percent of the jobs on its list of positions that are commercial in nature by the end of 2003.</p>	●
<p>Financial Management—Despite the fact that FEMA has received audit opinions for three years that the financial statements as a whole are in conformity with generally accepted accounting principles, the agency has had repeated material weaknesses in its financial management system, which does not comply with standards. FEMA's financial management system is unable to generate timely and reliable financial statements. In addition, FEMA needs to improve its disaster cost projections, oversight of state administration of public assistance and mitigation grants, and monitoring of unspent funds. FEMA will develop an implementation plan for system improvements and develop improved disaster cost projections by mid-2002.</p>	●
<p>E-Government—Although FEMA has documented processes for outlining its systems and capital planning investment needs, FEMA has not provided adequate justification or documentation of its information technology (IT) projects to OMB and the Congress. Traditionally, little oversight has been given to FEMA's IT spending, and FEMA reallocated funds from its various accounts to pay for projects. This led to ineffective and costly IT projects, such as the agency's core information tracking system, NEMIS, or National Emergency Management Information System, which cost \$67 million. The system has a history of crashing during disaster response operations and cannot be easily adapted to program design changes.</p>	●
<p>Budget/Performance Integration—FEMA lags other agencies in integrating budget and performance information. FEMA needs to develop performance measures that better capture the relative effectiveness of its programs. The agency should link program activities to strategic goals, and clearly articulate output and outcome goals for use in subsequent budgets.</p>	●

Federal Emergency Management Agency

(In millions of dollars)

	2001	Estimate	
	Actual	2002	2003
Spending:			
Discretionary Budget Authority:			
Salaries and Expenses	224	245	249
Disaster Relief Fund	1,597	2,113	1,821
Emergency Management Planning and Assistance	372	431	3,750
Pre-disaster Mitigation Grant Program	—	—	300
Emergency Food and Shelter:			
Existing Law	140	140	153
Legislative Proposal (Transfer to HUD)	—	—	-153
Flood Map Modernization Fund	18	32	300
All other programs	97	109	143
Subtotal, Discretionary budget authority adjusted ¹	2,448	3,070	6,563
Remove contingent adjustments	-13	-12	-13
Total, Discretionary budget authority	2,435	3,058	6,550
Emergency Response Fund, Budgetary Resources:			
Salaries and Expenses	—	25	—
Disaster Relief Fund	2,000	4,357	—
Emergency Management Planning and Assistance	—	220	—
Total, Emergency Response Fund, Budgetary resources	2,000	4,602	—
Mandatory Outlays:			
National Flood Insurance Program:			
Existing Law	172	-296	-317
Legislative Proposals	—	—	-43
Total, Mandatory outlays	172	-296	-360
Credit activity:			
Direct Loan Disbursements:			
Disaster Assistance Direct Loan Programs	31	25	25
Total, Direct loan disbursements	31	25	25

¹Adjusted to include the full share of accruing employee pensions and annuitants health benefits. For more information, see Chapter 14, "Preview Report," in *Analytical Perspectives*.