Written Statement of

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Federal Emergency Management Agency

"The Federal Role in Disaster Recovery and Response"

Before the

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I. Introduction

Chairman Landrieu, Vice Chairman Lautenberg, Ranking Member Coats, and distinguished Members of the Subcommittee, my name is Craig Fugate and I am the Administrator of the Federal Emergency Management Agency (FEMA). It is an honor to appear before you today on behalf of FEMA to discuss the Disaster Relief Fund (DRF), its uses and how its costs are estimated for budget requests. In my testimony today, I will describe some of the ways that FEMA uses the DRF to support our state and local partners in disaster response, recovery, and mitigation.

II. The Disaster Relief Fund

The DRF provides a no-year funding base against which FEMA can direct, coordinate, manage, and fund eligible response and recovery efforts associated with domestic major disasters and emergencies. Through the DRF, FEMA can fund authorized federal disaster support activities as well as eligible state, territorial, tribal, and local actions, such as providing direct Federal assistance, emergency protective measures such as evacuation and sheltering, and debris removal. The DRF also funds:

- Repair and reconstruction of eligible disaster-damaged infrastructure;
- Hazard mitigation initiatives;
- Financial assistance to eligible disaster survivors; and
- Fire Management Assistance Grants.

Following a major disaster declaration from the President, the DRF allows FEMA to reimburse states for lifesaving and life-sustaining costs when their own resources become overwhelmed due to an emergency or disaster.

III. Funding the Disaster Relief Fund

Disaster relief funds are provided to FEMA through Congressional annual and supplemental appropriations. Each fiscal year, FEMA submits through the Office of Management and Budget (OMB) an estimate of the amount of funds it projects will be necessary to provide disaster relief in the next fiscal year. The DRF is then included in the Administration's appropriations request to Congress.

When calculating the annual DRF request, we ask for the previous five years' average cost to fund FEMA's operational costs to deliver disaster relief and to reimburse federal, state, and local partners to respond to, recover from, and mitigate future disasters. This five-year average excludes all catastrophic disasters, that is, disasters costing in excess of $500 million. The rationale is that non-catastrophic events are more reflective of the historic disaster activity that would be experienced in any given year. On the other hand, catastrophic events like Hurricane Katrina that occur far less frequently are considered "outliers" that should not be factored into the base budget, but addressed separately through the supplemental appropriations process.

Although annual requests attempt to include all of our anticipated costs for non-catastrophic disasters during the year, a large-scale disaster may cause us to exceed our annual estimate, prompting a supplemental request as the Administration requested in FY 2010 and FY 2011.

II. The Many Roles Played by FEMA's DRF

FEMA uses the DRF to fund many direct costs in disaster response and recovery, such as personnel, facilities, and other general disaster logistics supplies, including food and water. FEMA also uses the DRF to fund other agency response activities and to reimburse nearly all participants in disaster response and recovery operations.

During an immediate disaster response, FEMA may reimburse state search and rescue teams deployed under the Emergency Management Assistant Compact, or EMAC, from DRF funds. FEMA also reimburses states to shelter disaster survivors as part of initial disaster response efforts including funds for the facility, the commodities, and the employees to manage shelters.

FEMA uses the DRF to fund the work of federal partners who support disaster response and recovery activities under the Stafford Act. The FEMA mission assignment process is used to task work from federal partners to support disaster response in three ways: federal support to FEMA or other federal partners; technical assistance to the states; and Direct Federal Assistance.

FEMA also funds many of an affected state's administrative costs from the initial emergency through the multi-year disaster recovery process. FEMA pays for the overtime, per diem, travel, and incidental costs for state employees to participate in Preliminary Damage Assessments. More importantly, as states rebuild their communities with multi-year infrastructure reconstruction projects funded through the Public Assistance Program, FEMA funds or reimburses the state for their direct or indirect administrative costs.

III. Sound Financial Management Maximizes the DRF

In light of the current economic climate, FEMA has worked hard to create efficiencies and develop new ways to increase administrative savings and preserve existing DRF funds as long as possible.

One recent initiative includes reducing the costs of field operations. A primary goal was to minimize administrative costs incurred at a Joint Field Office – the office space shared by state and federal personnel used to support a particular disaster recovery effort.

FEMA worked to assess staffing needs for each task in a JFO in order to reduce initial deployments where possible and right-size offices at the earliest opportunity. In some cases, the cost of operating a brick and mortar rented office space is avoided completely if state partners are comfortable running the disaster operation as a "virtual JFO" and coordinating out of the nearest FEMA Regional Office. FEMA has also capitalized on staff already working in the field by co-locating multiple disaster operations within a single JFO.

FEMA also uses sound financial management practices to manage DRF expenditures. FEMA expends DRF funds at an incremental rate for contracts, inter-agency agreements, and mission assignments as resources are required. FEMA also continually reassesses outgoing obligations and reimbursements held against the DRF balance, such as contract requirements or Public Assistance projects from past disasters to determine if funds can be de-obligated and returned to the DRF. In fact, by de-obligating mission assignments and disaster contracts in 2010 and de-obligating funds from completed projects in 2011, FEMA returned over 4.7 billion dollars (as of September 30, 2011) to the DRF since the beginning of FY2010. Throughout this process, we have worked collaboratively with our vendors and our grantees.

VI. Fiscal Year 2011

Under normal circumstances, FEMA maintains a reserve in the DRF to manage fluctuations in cash flow and avoid any potential disruption in disaster response services. This year, for the first time, FEMA was in the unusual position of managing the DRF down to a near-zero balance due to a record number of major disaster declarations (124 declarations for 45 states and two territories in FY 2011). In late August, as Hurricane Irene approached, in order to preserve DRF resources, FEMA implemented Immediate Needs Funding (INF)[1] and the Administration requested supplemental disaster appropriations.

While the Administration awaited congressional action on the supplemental request, FEMA undertook an aggressive strategy to recover any funding possible to preserve the Individual Assistance program, working with the states to expedite recoveries. At the same, additional public assistance projects and disaster recovery activities were put on hold during September in order to continue to fund Individual Assistance. Through these efforts, FEMA managed to preserve the DRF for another five days at the end of the fiscal year. All of these activities will require attention and resources in fiscal year 2012.

V. The Budget Control Act

We take our fiduciary responsibilities with respect to the DRF as seriously as our statutory mission to reduce the loss of life and property and protect the Nation from all hazards, including natural disasters. We do not, however, control the timing or severity of disasters, and when disaster strikes, we must respond immediately and with full access to necessary resources. The fact that disasters cannot be anticipated is an ongoing budget challenge for FEMA and an appropriations challenge for Congress. Forcing FEMA to rely on unscheduled supplemental appropriations requests is not sustainable.

In August 2011, Congress passed the Budget Control Act, which includes a key provision to address this issue through a separate cap adjustment for discretionary disaster funding that does not require an offset. The cap limits discretionary disaster appropriations to a formula based on total amount of DRF funds obligated to major disasters annually during the previous ten years. The formula sums all assistance provided over ten years but subtracts the two outlier years, the

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[1] Under INF restrictions, FEMA discontinues funding for permanent repair and reconstruction projects under the Public Assistance Grant Program. Specifically, FEMA ceases obligating funds for Public Assistance Category C-G projects until such time as the DRF is replenished.

single highest and lowest years. According to this formula, the Administration submitted a FY 2012 budget amendment for the DRF in September requesting 4.6 billion dollars in additional disaster funding.

VII. Conclusion

FEMA recognizes the need to balance fiscal requirements across the federal government while maintaining effective responsiveness to the American people following a disaster. Thank you again for the opportunity to appear before you today. I am happy to answer any questions the Subcommittee may have.