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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

2-18-82  
FOR RELEASE ON DELIVERY  
EXPECTED AT 2:00 PM EST  
TUESDAY, APRIL 20, 1982

STATEMENT OF  
LOWELL DODGE, ASSOCIATE DIRECTOR  
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT  
OF THE  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS  
UNITED STATES SENATE  
ON  
FEDERAL DISASTER ASSISTANCE AND S.2250



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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE WELCOME YOUR INVITATION TO BE HERE TODAY TO DISCUSS THE RESULTS OF SOME OF OUR PAST AND CURRENT REVIEWS OF FEDERAL ASSISTANCE ADMINISTERED BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) AND TO OFFER COMMENTS ON S. 2250, A BILL TO AMEND THE DISASTER RELIEF ACT OF 1974 (PUBLIC LAW 93-288).

GAO REVIEWS OF FEDERAL  
DISASTER ASSISTANCE

OVER THE PAST 4 YEARS WE HAVE REPORTED ON A WIDE RANGE OF ACTIVITIES CARRIED OUT BY FEMA AND ONE OF ITS PREDECESSOR AGENCIES, THE FEDERAL DISASTER ASSISTANCE ADMINISTRATION. A LIST OF OUR REPORTS ISSUED SINCE MARCH 1978 IS OFFERED IN APPENDIX I.

OUR CURRENT WORK RELATES TO DISASTER ASSISTANCE PROVIDED TO STATES AND LOCAL COMMUNITIES, AND TO ASSISTANCE PROVIDED IN RESPONSE TO THE MOUNT ST. HELENS MAY 1980 ERUPTION. THESE

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EFFORTS DO NOT COVER FEMA'S CIVIL DEFENSE OR PREPAREDNESS PROGRAMS WHICH ARE REVIEWED BY ANOTHER GAO DIVISION.

CONGRESSIONAL ACTION  
NEEDED TO CLARIFY ACT

IN DECEMBER 1981 WE ISSUED A REPORT ENTITLED "REQUESTS FOR FEDERAL DISASTER ASSISTANCE NEED BETTER EVALUATION" (CED-82-4). THIS REPORT IDENTIFIES TWO IMPORTANT ACTIONS TAKEN BY FEMA WHICH HAVE RAISED CONCERN OVER WHETHER FEMA HAS, IN EFFECT, ALTERED THE SCOPE OF THE DISASTER RELIEF ACT. THE ISSUES PRESENTED BY BOTH OF THESE ACTIONS ARE ADDRESSED IN S. 2250.

COST SHARING

IN MAY 1980 FEMA ADOPTED A GENERAL POLICY OF REQUIRING STATE AND LOCAL GOVERNMENTS TO AGREE TO PAY 25 PERCENT OF THE ELIGIBLE COSTS OF THE PUBLIC ASSISTANCE PORTION OF DISASTER RELIEF PROVIDED BY THE FEDERAL GOVERNMENT. THIS POLICY WAS INTENDED TO REMOVE ADMINISTRATIVE PROBLEMS ASSOCIATED WITH ATTEMPTING TO DETERMINE A "REASONABLE" COMMITMENT OF STATE AND LOCAL FUNDS FOR EACH DISASTER. IT ALSO HELPS ASSURE COMPLIANCE WITH THE STATUTORY INTENT THAT THE FEDERAL AID BE SUPPLEMENTAL.

OUR REVIEW OF FEMA'S COST-SHARING POLICY FOUND THAT IT IS CONSISTENT WITH THE DISASTER RELIEF ACT. HOWEVER, THE POLICY HAS CREATED CONTROVERSY AMONG THE STATES. STATE OFFICIALS CONTEND THAT THE POLICY FORCES THEM TO PAY FOR DISASTER RELIEF COSTS WHICH THE STATES BELIEVE ARE BEYOND THEIR CAPABILITY TO PAY OR WHICH WILL CONSUME MORE THAN A REASONABLE AMOUNT OF STATE AND LOCAL FUNDS. TO PUT THE CONTROVERSY TO REST, GAO RECOMMENDED THAT THE CONGRESS CLARIFY THE EXTENT OF THE STATE AND

LOCAL CONTRIBUTION THAT SHOULD BE COMMITTED BEFORE SUPPLEMENTAL FEDERAL ASSISTANCE IS PROVIDED.

SECTION 14 OF S. 2250 WOULD PROVIDE NEEDED CLARIFICATION OF CONGRESSIONAL INTENT ON COST SHARING BY LIMITING FEDERAL CONTRIBUTIONS FOR PUBLIC ASSISTANCE PROJECTS TO 75 PERCENT OF NET ELIGIBLE COSTS.

BY STATING THE FEDERAL SHARE IN TERMS OF A 75-PERCENT LIMIT, THIS PROVISION WOULD ALLOW FOR A LESSER FEDERAL CONTRIBUTION WHERE A STATE IS CAPABLE OF PAYING MORE THAN A 25-PERCENT SHARE. WE SUGGEST THAT THE CONGRESS CONSIDER MAKING IT EXPLICIT THAT THE PRESIDENT MAY REQUIRE A STATE TO CONTRIBUTE MORE THAN 25 PERCENT UPON A FINDING THAT A STATE IS CAPABLE OF DOING SO. IN SHORT, WE BELIEVE FEMA SHOULD CONTINUE TO EVALUATE EACH RECIPIENT'S CAPABILITY TO HANDLE ITS OWN DISASTER RELIEF NEEDS, AND LIMIT THE FEDERAL CONTRIBUTION ACCORDINGLY. WE DO NOT BELIEVE THAT THE 75-PERCENT LIMIT SHOULD BECOME A RIGID AND AUTOMATIC STANDARD FOR ALL MAJOR DISASTERS.

SECTION 13 OF S. 2250 PROPOSES THAT THE PRESIDENT BE AUTHORIZED TO LEND OR ADVANCE TO A STATE ITS 25-PERCENT SHARE IN ANY CASE WHERE THE STATE IS UNABLE TO ASSUME RESPONSIBILITY FOR ITS SHARE. WE WOULD OFFER A CHANGE IN THE LANGUAGE OF THIS SECTION TO MAKE IT CLEAR THAT THE PRESIDENT BE AUTHORIZED TO LEND OR ADVANCE THE STATE'S SHARE, OR ANY PART OF THIS SHARE, (WHETHER THIS SHARE IS DETERMINED TO BE 25 PERCENT, OR LARGER) TO ALLOW FOR STATES IN A POSITION TO ADVANCE SOME PORTION BUT NOT ALL OF THEIR SHARE OUT OF IMMEDIATELY AVAILABLE RESOURCES.

AS IT PRESENTLY READS, THE SECTION APPEARS TO AUTHORIZE THE PRESIDENT TO ADVANCE ONLY A 25-PERCENT SHARE.

SECTION 13 SETS NO CONSTRAINTS ON REPAYMENT TERMS, EXCEPT TO PROVIDE THAT AFTER 2 YEARS THE STATE'S OUTSTANDING OBLIGATION SHALL BEAR INTEREST AT A RATE TO BE DETERMINED BY THE SECRETARY OF THE TREASURY. THIS REQUIREMENT SHOULD ENCOURAGE PROMPT REPAYMENT BY THE STATES.

WE DO NOT BELIEVE THAT THE CONGRESS SHOULD ENACT THE 75-25 COST-SHARING REQUIREMENTS OF SECTION 14 OF S. 2250 WITHOUT ALSO ENACTING SECTION 13, WHICH ALLOWS FLEXIBILITY IN REPAYMENT. WE WOULD SUGGEST FURTHER THAT THE AMENDMENT AUTHORIZE THE PRESIDENT, AFTER ANY SUCH LOAN IS ADVANCED TO A STATE, TO RELIEVE THE STATE OF ANY PART OF ITS OBLIGATION TO REPAY UPON A FINDING THAT REPAYMENT OF THE FULL AMOUNT OWED BY THE STATE WOULD IMPOSE AN UNDUE BURDEN, SUCH AS IN THE CASE OF AN EXTRAORDINARY DISASTER.

#### NON-NATURAL DISASTERS

SECOND, OUR DECEMBER 1981 REPORT ADDRESSES THE ISSUE OF WHETHER FEDERAL DISASTER FUNDS SHOULD BE AVAILABLE FOR NON-NATURAL DISASTERS. IN 1980 FEDERAL EMERGENCY ASSISTANCE WAS PROVIDED TO ASSIST STATES IN HANDLING SUCH SITUATIONS AS THE LOVE CANAL CHEMICAL CONTAMINATION AND THE CUBAN REFUGEE INFLUX. THESE ACTIONS STIRRED CONSIDERABLE CONTROVERSY REGARDING WHETHER NON-NATURAL "CATASTROPHES" ARE WITHIN THE PURVIEW OF EXISTING LAW. THE CURRENT LAW IS NOT CLEAR ON THIS MATTER, BUT DOES ALLOW THE PRESIDENT TO MAKE DECLARATIONS FOR "OTHER CATASTROPHES," AS WELL AS FOR SPECIFICALLY IDENTIFIED NATURAL CATASTROPHES.

WE RECOMMENDED THAT THE CONGRESS REEVALUATE THE ACT AND CLARIFY ITS INTENT REGARDING THE EXTENT TO WHICH SUPPLEMENTAL FEDERAL ASSISTANCE SHOULD BE GIVEN IN A MAJOR DISASTER AND THE TYPES OF INCIDENTS THAT MAY RECEIVE DISASTER ASSISTANCE.

SECTION 5 OF S. 2250 WOULD ADDRESS THIS CONCERN BY AMENDING THE DEFINITION OF "MAJOR DISASTER," TO LIMIT DISASTERS IN THIS CATEGORY TO "NATURAL" DISASTERS. AT THE SAME TIME, SECTION 3 WOULD AMEND THE DEFINITION OF "EMERGENCY" TO MAKE IT CLEAR THAT THE PRESIDENT COULD DECLARE AN EMERGENCY FOR ANY TYPE OF CATASTROPHE. WE UNDERSTAND THAT THIS DEFINITION INCLUDES SOCIAL, ECONOMIC, OR OTHER MANMADE PHENOMENA OR INCIDENTS.

WE BELIEVE THIS PROPOSED CLARIFICATION IS CONSISTENT WITH OUR RECOMMENDATION. WE WOULD, IN ADDITION, NOTE OUR SUPPORT FOR THE NOTIFICATION PROVISIONS PROPOSED IN SECTION 4 OF S. 2250. SECTION 4 WOULD, IN EFFECT, ESTABLISH A MECHANISM TO ENABLE THE CONGRESS TO MONITOR ON A CASE-BY-CASE BASIS EMERGENCIES REQUIRING SIGNIFICANT EXPENDITURES OF FEDERAL FUNDS, INCLUDING FUNDS FOR NON-NATURAL DISASTERS. SECTION 4 ACCOMPLISHES THIS END BY REQUIRING THE PRESIDENT TO INFORM THE CONGRESS OF THE NATURE AND EXTENT OF EMERGENCY ASSISTANCE REQUIREMENTS IN ANY INSTANCE WHERE THE PRESIDENT DETERMINES THAT FEDERAL EMERGENCY ASSISTANCE MUST EXCEED A \$5 MILLION LIMIT SET FORTH IN THE SECTION.

INEQUITIES IN THE  
DISASTER RELIEF ACT

OUR DECEMBER 1981 REPORT ALSO DISCUSSED AN UNRESOLVED ISSUE CONCERNING INEQUITIES IN THE DISASTER RELIEF ACT OF 1974 WHICH WAS ALSO DISCUSSED IN A PREVIOUS REPORT.

OUR PREVIOUS REPORT (CED-79-97, AUG. 1979) RECOGNIZED THAT THE ACT UNFAIRLY PENALIZES OR REWARDS STATES APPLYING FOR FEDERAL SNOW REMOVAL REIMBURSEMENTS BECAUSE OF DIFFERENCES IN STATE LAWS AND STATES' PREPAREDNESS TO DEAL WITH EMERGENCIES. FOR EXAMPLE, IF A STATE'S CONSTITUTION ALLOWS THE USE OF SURPLUS FUNDS FOR A SNOW EMERGENCY, THAT STATE WOULD NOT BE ELIGIBLE FOR FEDERAL ASSISTANCE IF IT HAD ADEQUATE SURPLUSES. HOWEVER, A STATE WHOSE CONSTITUTION RESTRICTS THE USE OF ITS SURPLUS FUNDS WOULD BE ELIGIBLE FOR FEDERAL ASSISTANCE EVEN THOUGH IT MAINTAINED ADEQUATE SURPLUSES.

FEMA TOOK A NUMBER OF ACTIONS IN RESPONSE TO RECOMMENDATIONS IN OUR EARLIER REPORT BUT TOOK NO ACTION TO ADDRESS THESE INEQUITIES. OUR DECEMBER 1981 REPORT THEREFORE RECOMMENDED THAT THE CONGRESS DIRECT FEMA TO PREPARE A COMPREHENSIVE ANALYSIS OF THE IMPACT OF THESE POTENTIAL INEQUITIES ON FEDERAL DISASTER ASSISTANCE AND SUBMIT A DETAILED PLAN AND LEGISLATIVE CHANGES TO THE CONGRESS TO CORRECT SUCH WEAKNESSES IN THE ACT.

REVIEW OF FEDERAL DISASTER ASSISTANCE PROVIDED TO STATE AND LOCAL COMMUNITIES

WE ARE CURRENTLY REVIEWING FEDERAL DISASTER ASSISTANCE PROVIDED TO STATES AND LOCAL COMMUNITIES. WE ARE FINDING A NUMBER OF PROBLEMS. FOR EXAMPLE, WE BELIEVE FEMA NEEDS TO (1) IMPROVE ITS SYSTEM FOR DELIVERING DISASTER ASSISTANCE; AND (2) CHANGE ITS PRACTICE OF REIMBURSING FOR THE RECONSTRUCTION OR REPAIR OF STRUCTURES THAT WERE NOT INSURED.

NEED FOR IMPROVED SYSTEM FOR DELIVERING DISASTER ASSISTANCE

OUR REVIEW HAS DISCLOSED THAT A GENERAL FEELING OF DISSATISFACTION EXISTS AMONG STATE AND LOCAL RELIEF RECIPIENTS CONCERNING MANY ASPECTS OF FEMA'S ASSISTANCE DELIVERY PROCESS.

IN LARGE MEASURE, THESE CONDITIONS ARE THE RESULT OF PROBLEMS INHERENT IN FEMA'S CURRENT SYSTEM FOR PROVIDING PUBLIC DISASTER ASSISTANCE. FEMA RELIES ON PART-TIME AND TEMPORARY STAFF FROM OTHER FEDERAL AGENCIES AS ONSITE INSPECTORS TO AUGMENT FEMA'S REGIONAL STAFF UNDER THE STRESSFUL CONDITIONS FOLLOWING A DISASTER. THESE PERSONNEL ARE GENERALLY UNFAMILIAR WITH FEMA'S COST REIMBURSEMENT CRITERIA, BUT MUST MAKE MANY IMMEDIATE AND VERY SUBJECTIVE JUDGMENTS REGARDING COMPLICATED COST ELIGIBILITY SITUATIONS. MANY COST ELIGIBILITY DECISIONS ARE SUBSEQUENTLY REVERSED CREATING MUCH DISSATISFACTION AT THE STATE AND LOCAL LEVEL. THE PAPERWORK BURDEN IS ALSO ENORMOUS.

WHILE FEMA CAN HANDLE SOME ASPECTS OF THIS PROBLEM ADMINISTRATIVELY, WE BELIEVE THAT IN THE LONG RUN, PIECEMEAL CHANGES GEARED TOWARD IMPROVING FEMA'S DELIVERY SYSTEM WOULD BE DIFFICULT, EXPENSIVE, AND PROBABLY COUNTERPRODUCTIVE. WE BELIEVE FUNDAMENTAL CHANGES ARE NEEDED. WE ARE PROPOSING A STREAMLINED SYSTEM THAT ACCOMPLISHES THE OBJECTIVE OF PUBLIC DISASTER ASSISTANCE WHILE PERMITTING STATE AND LOCAL APPLICANTS TO EXERCISE SUBSTANTIALLY MORE DISCRETION IN ESTABLISHING PRIORITIES AND ALLOCATING FUNDS TO ALLEVIATE DISASTER-RELATED STATE AND LOCAL PROBLEMS.

SECTION 14 OF S. 2250 WOULD AMEND THE ACT TO PERMIT FEMA TO MAKE CONTRIBUTIONS ON SMALL PROJECTS BASED ON THE FEDERAL ESTIMATE OF NET ELIGIBLE COST.

THIS AMENDMENT, INITIALLY PROPOSED BY FEMA, IS INTENDED TO REDUCE ADMINISTRATIVE BURDEN AND PAPERWORK ON NUMEROUS SMALL PROJECTS COSTING \$25,000 OR LESS. BECAUSE THIS AMENDMENT WOULD STREAMLINE THE PUBLIC DISASTER PROCESS, WE BELIEVE IT SHOULD BE

ENACTED. HOWEVER, WE BELIEVE THAT CONGRESS SHOULD CONSIDER THIS TO BE AN INTERIM STEP, PROGRESSING TOWARD A SYSTEM PERMITTING STATE AND LOCAL APPLICANTS TO EXERCISE MORE COMPLETE DISCRETION IN ALLOCATING DISASTER RELIEF FUNDS, SUCH AS A LUMP SUM DELIVERY SYSTEM.

RECONSTRUCTION OF  
UNINSURED STRUCTURES

FEMA'S USUAL PRACTICE IS TO REIMBURSE STATE AND LOCAL APPLICANTS FOR THE RECONSTRUCTION OR REPAIR OF STRUCTURES THAT WERE NOT INSURED. IN SOME INSTANCES, HOWEVER, A DELIBERATE DECISION HAS BEEN MADE BY RESPONSIBLE OFFICIALS NOT TO INSURE, OR TO UNDERINSURE, SUCH PROPERTY.

THE DISASTER RELIEF ACT OF 1974 STIPULATES THAT STATE AND LOCAL GOVERNMENTS BE ENCOURAGED TO PROTECT THEMSELVES BY OBTAINING INSURANCE TO SUPPLEMENT OR REPLACE GOVERNMENT ASSISTANCE. PRESENTLY, STATE AND LOCAL GOVERNMENTS ARE NOT REQUIRED TO BE INSURED AGAINST INITIAL LOSSES TO PROPERTY AS A PREREQUISITE TO RECEIVING DISASTER RELIEF FOR LOSSES. FEMA REQUIRES INSURANCE, IF AVAILABLE, ONLY AFTER DISASTER RELIEF FUNDS HAVE BEEN RECEIVED, AND THEN ONLY IN THE AMOUNT OF THE RELIEF PROVIDED.

THE CONGRESS MAY WANT TO AMEND THE ACT TO REQUIRE THAT, AS A CONDITION FOR RECEIVING FEDERAL PUBLIC DISASTER ASSISTANCE, STATE AND LOCAL GOVERNMENTS HAVE IN FORCE APPROPRIATE HAZARD AND FLOOD INSURANCE AS IS REASONABLY AVAILABLE, ADEQUATE, AND NECESSARY TO PROTECT AGAINST THE LOSS OF PUBLIC BUILDINGS, FACILITIES, AND EQUIPMENT.



THIS CONCLUDES OUR ASSESSMENT OF SEVERAL OF THE MAJOR ISSUES PRESENTED BY THE PROPOSED REVISIONS OF S. 2250. OUR RECENT REPORTS ALSO OFFER OUR RECOMMENDATIONS TO FEMA ON A NUMBER OF ADDITIONAL CONCERNS. WE WILL BE HAPPY TO RESPOND TO YOUR QUESTIONS.

GAO REPORTS ON THE FEDERAL DISASTER  
ASSISTANCE ACTIVITIES OF THE  
FEDERAL EMERGENCY MANAGEMENT AGENCY  
AND OTHER AGENCIES  
MARCH 1978 TO DECEMBER 1981

<u>REPORT TITLE</u>	<u>ISSUED</u>	<u>REQUESTOR/RECIPIENT</u>
REQUESTS FOR FEDERAL DISASTER ASSISTANCE NEED BETTER EVALUATION (CED-82-4)	12-7-81	THE CONGRESS
INTERIM REPORT ON THE FEDERAL EMERGENCY MANAGEMENT AGENCY'S ORGANIZATION AND MANAGEMENT SYSTEMS (GGD-82-24)	12-7-81	SENATOR TOWER
POOR CONTROLS OVER FEDERAL AID IN MASSACHUSETTS AFTER THE 1978 BLIZZARD CAUSED QUESTIONABLE BENEFIT PAYMENTS (CED-81-4)	1-26-81	SUBCOMMITTEE ON OVER-SIGHT AND REVIEW, HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
FEDERAL DISASTER ASSISTANCE: WHAT SHOULD THE POLICY BE? (PAD-80-39)	6-18-80	SENATE BUDGET COMMITTEE
STATES CAN BE BETTER PREPARED TO RESPOND TO DISASTERS (CED-80-60)	3-31-80	SUBCOMMITTEE ON OVER-SIGHT AND REVIEW, HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
FARMERS HOME ADMINISTRATION EMERGENCY LOAN PROCESSING PROCEDURES IN STANISLAUS COUNTY, CALIFORNIA (CED-80-64)	3-3-80	CONGRESSMAN SHUMWAY
IMPROVEMENTS BEING MADE IN FLOOD FIGHTING CAPABILITIES IN JACKSON, MISSISSIPPI AREA (CED-80-36)	12-18-79	SUBCOMMITTEE ON LIMITATIONS OF CONTRACTED AND DELEGATED AUTHORITY, SENATE COMMITTEE ON THE JUDICIARY

<u>REPORT TITLE</u>	<u>ISSUED</u>	<u>REQUESTOR/RECIPIENT</u>
REVIEW OF FEDERAL DISASTER ASSISTANCE TO TWO LIBRARIES IN PENNSYLVANIA (CED-80-22)	10-31-79	CONGRESSMAN RODINO
FARMERS HOME ADMINISTRATION AND SMALL BUSINESS ADMINISTRATION NATURAL DISASTER LOAN PROGRAMS: BUDGET IMPLICATIONS AND BENEFICIARIES (CED-79-111)	8-6-79	SENATE BUDGET COMMITTEE
FEDERAL SNOW REMOVAL REIMBURSEMENT POLICY: IMPROVEMENTS NEEDED (CED-79-97)	8-2-79	CONGRESSMAN BENJAMIN
ACTION NEEDED TO IMPROVE THE REVIEW OF INSURANCE COVERAGE OF DISASTER VICTIMS RECEIVING FEDERAL ASSISTANCE (CED-79-90)	6-18-79	CONGRESSMAN JONES
DIFFICULTIES IN COORDINATING FARM ASSISTANCE PROGRAMS OPERATED BY THE FARMERS HOME ADMINISTRATION AND SMALL BUSINESS ADMINISTRATION (CED-78-118)	5-25-78	SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY, SENATE SELECT COMMITTEE ON SMALL BUSINESS
THE JOHNSTOWN AREA FLOOD OF 1977: CASE STUDY FOR THE FUTURE (CED-78-114)	5-5-78	SENATOR EAGLETON
PROBLEMS WITH THE EMERGENCY FOOD STAMP PROGRAM	3-31-78	ADMINISTRATOR, FOOD AND NUTRITION SERVICE, USDA
ACTIONS NEEDED TO MAKE THE FARMERS HOME ADMINISTRATION'S EMERGENCY LOAN PROGRAM MORE EQUITABLE AND EFFICIENT (CED-78-136)	3-18-78	SECRETARY OF AGRICULTURE