The State of Opportunity
One Year After Hurricane Katrina

Investing in FEMA: A Role for Government in Protecting Opportunity

The Federal Emergency Management Agency (FEMA) played a central—and often controversial—role in the federal government’s response to Hurricanes Katrina and Rita. Subsequent investigations have revealed that the agency made critical missteps during those disasters and was slow to address the basic needs of people in the Gulf Coast region. But the history of FEMA shows that it can be an important and effective component of our country’s disaster response and recovery system. The FEMA that responded to Hurricanes Katrina and Rita was weakened by systematic disinvestment over time, which diminished the agency’s ability to address national disasters.

Unfortunately, FEMA’s diminished role is part of a larger pattern of disinvestment in federal agencies responsible for security and opportunity in America. While FEMA is a noteworthy example with dramatic consequences, it is only one of many important federal programs that now lack adequate resources and authority.

FEMA’s history also shows that reinvesting in our government’s capacity to address national problems yields both immediate and long-term benefits for our country. This fact sheet reviews that history and offers recommendations for rebuilding our national infrastructure for safety and opportunity.

A Short History of FEMA
In order to understand how government can play an affirmative role in protecting citizens in the wake of a disaster, it is useful to understand the recent history of federal emergency management efforts.

FEMA’s origins and early lessons:
1979 FEMA was created after a series of severe natural disasters hit several states. FEMA’s objective was to prepare for and handle the effects of all hazards that the nation might face.¹

1992 Hurricane Andrew struck Florida. FEMA provided nearly $2 billion for the response and recovery effort.² At the time, Andrew was the costliest hurricane disaster in FEMA’s history. Unfortunately, poor planning and a weak response by the federal government incited strong criticism and motivated the agency’s reorganization.³

1993 A series of post-Andrew recommendations was implemented, and the agency’s new mission was focused on disaster relief.

FEMA became an example of government strength and support in the mid-1990s:
1994 An executive order elevated FEMA to cabinet-level status. The director of FEMA would now report directly to the
president and the National Security Council on matters relating to preparedness and response. For the first time an experienced emergency-response administrator was appointed to run the agency.

Funding for the agency increased compared to its appropriations in the late 1980s, and FEMA responded successfully to a number of major disaster declarations, including the Oklahoma City bombing in 1995 and Hurricane Fran in 1996.

Beginning in 2003, however, much of FEMA’s independence and authority were compromised:

- FEMA became one of 22 agencies subsumed within the Department of Homeland Security (DHS). FEMA lost its cabinet-level status and its independence.
- With the reorganization FEMA also lost its prime objective of using an “all-hazards” approach to disaster response. In fact, the Government Accountability Office documented a decline in funding for all-hazards programs within DHS, and predicted a further decrease of more than $200 million from 2005 to 2006.
- Prior to the creation of DHS, FEMA’s preparedness and recovery programs addressed all disasters, both natural and man-made. However, in 2005 the Government Accountability Office reported that nearly three out of every four FEMA grant dollars went to programs solely concerned with terrorism-related disasters. Limiting the funding to only one kind of disaster hindered FEMA’s ability to handle all types of major events.
- FEMA was no longer responsible for preparedness strategies and lost its authority over disaster mitigation, when its Office of Domestic Preparedness and Office of State and Local Government Coordination were combined into one entity independent of FEMA.

The Consequences of a Weakened FEMA

By the time Hurricane Katrina became a Category 5 hurricane and caused New Orleans to flood, FEMA had been stripped of much of its authority and capacity. As a result millions of Gulf Coast residents were without a government safety net when Katrina struck.

- According to the DHS’s inspector general, a shortage of qualified staff contributed to a lack of oversight and overwhelmed FEMA employees in the response to Hurricane Katrina. When Katrina hit, FEMA was understaffed by approximately 500 employees. As the 2005 hurricane season began, many of the people on staff were new and untrained.
- An estimated $800 million in federal grants for first responders was managed outside of FEMA. Lacking the authority to coordinate local and state preparedness programs, FEMA responded to Hurricane Katrina’s destruction with instances of miscommunication and a lack of coordination among the numerous departments and agencies.

The lack of trained experienced staff likely contributed to mismanagement of emergency assistance and reconstruction contracts, problems that disadvantaged minority and local businesses:

- More than 70% of Katrina-related contracts worth over $500,000—about 1,200 contracts in total—were awarded with less than full and open competition. Nearly 800 investigations have been opened into possible crimes by contractors, including theft, fraud, wrongful claims, and overbilling; 174 indictments have been handed down. A shortage of qualified staff contributed to a lack of oversight.
- Overwhelmed contracting staff were each responsible for overseeing an average of $163 million in contracts annually, a figure that is over seven times the industry average.
- Minority businesses were largely passed over for reconstruction work until October 2005, when Congress questioned FEMA’s actions. In February 2006 minority-owned...
businesses accounted for only 2.4% of the $5.1 billion awarded by FEMA. This was a slight increase from the previous October, when minority-owned businesses received a mere 1.5% of the federal contracts. After allegations of favoritism arose, more than 30 contracts were awarded to local and small businesses in the Gulf Coast region for work that was previously being carried out by large out-of-state contractors.

**Trends in Disinvestment in Other Government Agencies**

The weakening of FEMA is part of a broader pattern of disinvestment in our federal government’s ability to address national problems. For example:

- **The Head Start program** has been a proven success in improving early childhood education outcomes. Despite the program’s positive effects on children and their parents, funding for Head Start is so low that the program is unable to serve more than half of eligible preschoolers.
- The Low-Income Home Energy Assistance Program helps low-income families meet their energy needs, such as assistance with cooling and heating costs in unsafe and extreme weather conditions. Although the number of eligible families has grown, the amount of federal funding has languished. Only 17% of those eligible are receiving the help they need.
- The Occupational Safety and Health Administration (OSHA) is charged with protecting workers from exploitation and abuse. Without strong enforcement of laws that ensure safe working conditions, the nation’s workforce remains vulnerable and insecure. OSHA’s budget for enforcement programs declined, while funding for voluntary compliance programs grew at an average yearly rate of over 9% from 1996 to 2003. These voluntary programs further strain limited resources for adequate oversight. Moreover, such growth could impair program quality.

**Reinvesting in FEMA**

Because of FEMA’s potential strength in the event of a disaster, communities look to the agency for a chance to start over. Among its many roles, the agency is authorized by legislation to facilitate many important services during a recovery period. With appropriate federal investment FEMA can once again fulfill its mandate, which includes:

- **Housing.** FEMA can provide temporary housing, vouchers, and grants for home repairs in the event of a disaster.
- **Crisis counseling.** Because a person’s emotional and mental health are often at risk after a major disaster, FEMA can coordinate with the National Institute of Mental Health to provide needed crisis counseling.
- **Unemployment assistance.** Individuals who become unemployed as a result of a major disaster can receive assistance from FEMA, until they are able to return to work.
- **Legal services.** FEMA can provide legal resources to individuals in need of advice, counseling, and representation as a result of a major disaster.

**Recommendations**

As the nation recovers from and repairs the damage done by Hurricanes Katrina and Rita, it is time to reinvest in our government’s ability to address national problems, starting with a reinvigorated FEMA. Without a strong national system in place, the devastation and paralysis that result from weakened government institutions could reoccur anywhere in our country. Bold and sustained steps are needed to restore FEMA’s capacity, effectiveness, and oversight:

- To limit the potential for fraud and abuse, and to ensure that the government pays a fair price for goods and services, FEMA and other government agencies involved in emergency response...
should conduct full and open competition for contracts to the extent possible. Once contracts are awarded, agencies should exercise strong oversight, and should ensure that staff are adequately trained in contract acquisition and management.25

- FEMA should better enforce and understand the Stafford Act, which stipulates that emergency contracting should preference local contractors doing business in the affected areas. Because the Gulf Coast region will face future storm-related emergencies, FEMA should establish preapproved contracts with local businesses, so that emergency work can begin immediately when the need arises.26 Minority businesses, in particular, should be able to compete on a level playing field for these contracts.

- FEMA’s authority within DHS should be elevated in order to establish a direct line of communication to the president of the United States and members of the cabinet. A more direct advisory role in securing the nation will ensure better coordination among government agencies and reestablish the importance of FEMA’s recovery efforts after any and all major disasters.27

- FEMA should meet its self-imposed deadline to fill 95% of staff vacancies by summer 2006, and ultimately should increase its staffing to full capacity.28 Without enough employees to handle the large-scale tasks involved in emergency response, FEMA will not be able to execute even the best-made plans.

- FEMA should provide consistent training to all new employees, so that staff members are qualified and capable. Just as the agency’s administrator should be an experienced crisis manager, it is crucial that FEMA staff are prepared to fulfill the agency’s mandate.29

- FEMA should use its grant programs to prepare for and respond to all types of disasters, be they floods, fires, earthquakes, or terrorism-related. Federal grants that can be used to address both natural and man-made disasters are a helpful and effective way of truly using an all-hazards approach to emergency response.30

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6 Congressional Research Service, “FEMA and Disaster Relief.”


9 Ibid.
10 Ibid.
19 Ibid.
21 Congressional Research Service, “FEMA and Disaster Relief.”
22 Ibid.
23 Ibid.
24 Ibid.
25 Project on Government Oversight, ”Federal Contracting.”
26 Ibid.
29 J. Brady, “Senate Panel Approves FEMA Overhaul Measure.”