

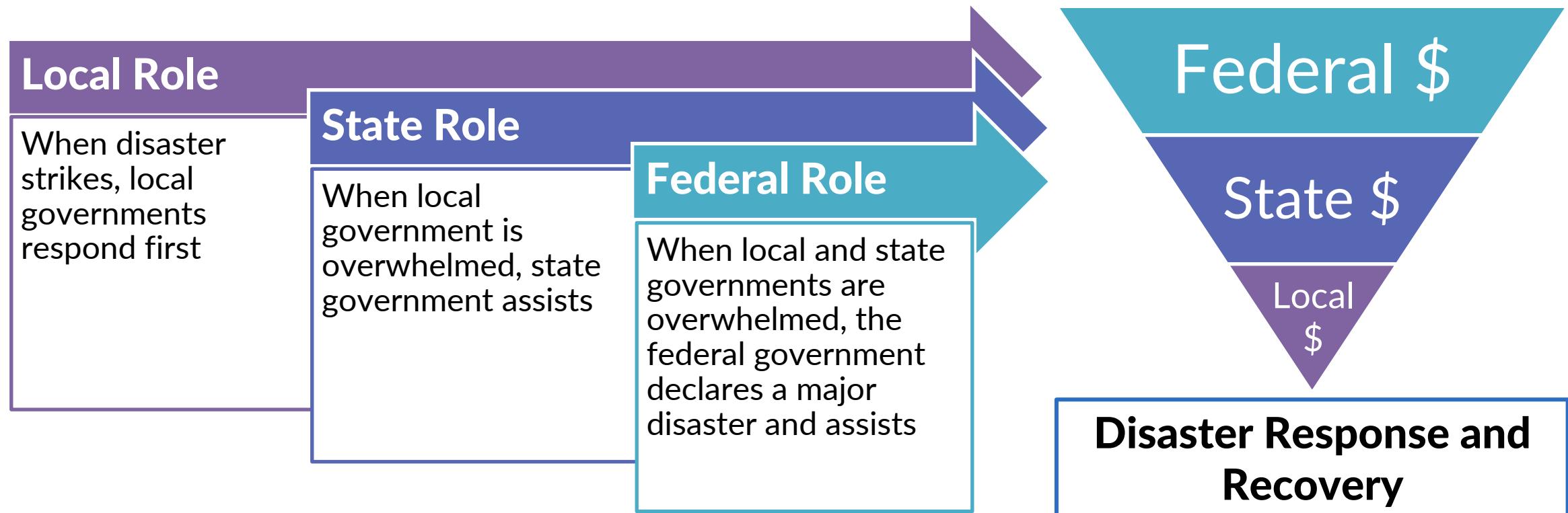
# How States Can Build Disaster-Ready Budgets

Strategies for reducing fiscal risks in the face of rising  
costs

January 14, 2026

Pew

# Beyond FEMA: Disaster assistance is an intergovernmental responsibility



## States play a key role in disaster management

Governments fund activities to prepare and protect the public before, during, and after disasters



State governments fund efforts in each phase of the disaster management cycle

- Response and recovery for non-federal disasters
- Cost-shares for federal grants
- Efforts to build resilience to future disasters

## Overlapping pressures on the system

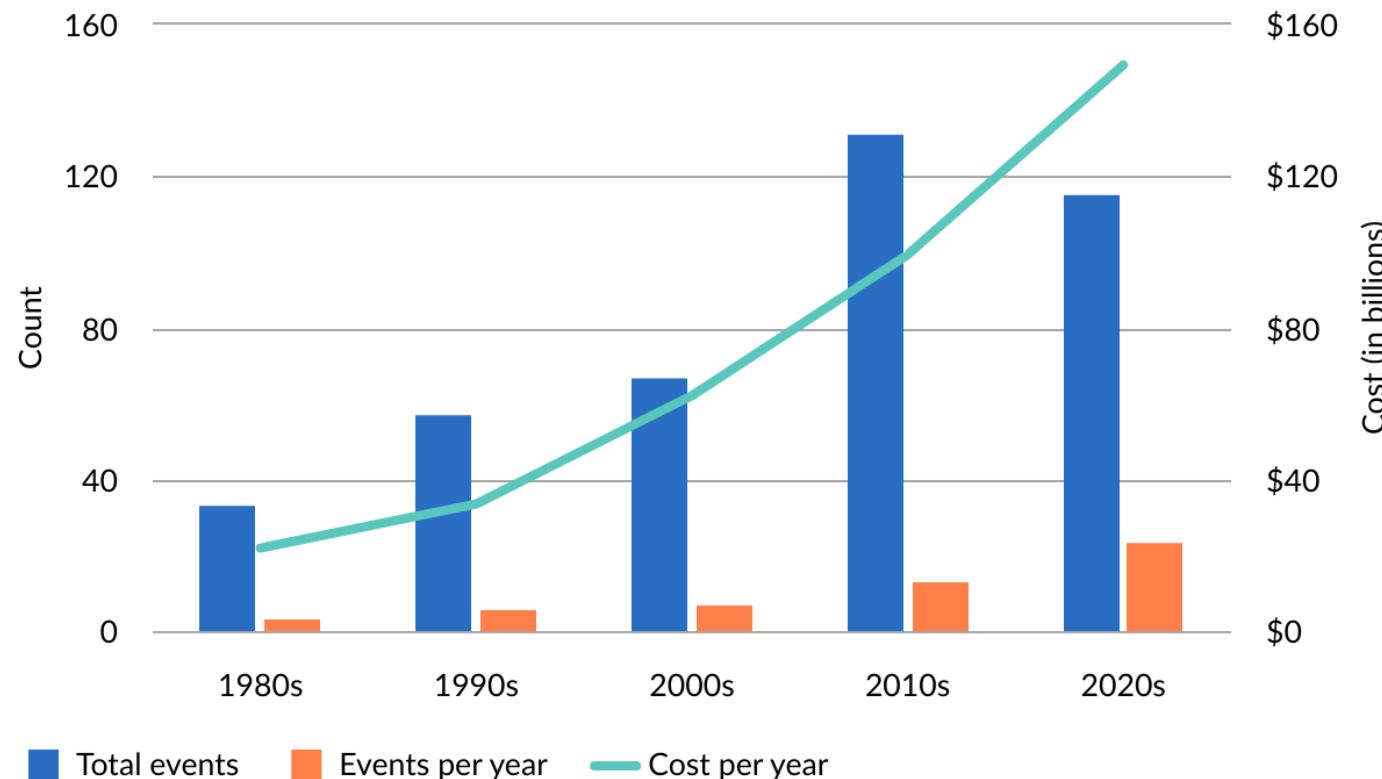
Disaster costs are rising

Public budgets are contracting

Federal policy landscape is uncertain

# Disasters are more frequent, severe, and expensive than ever

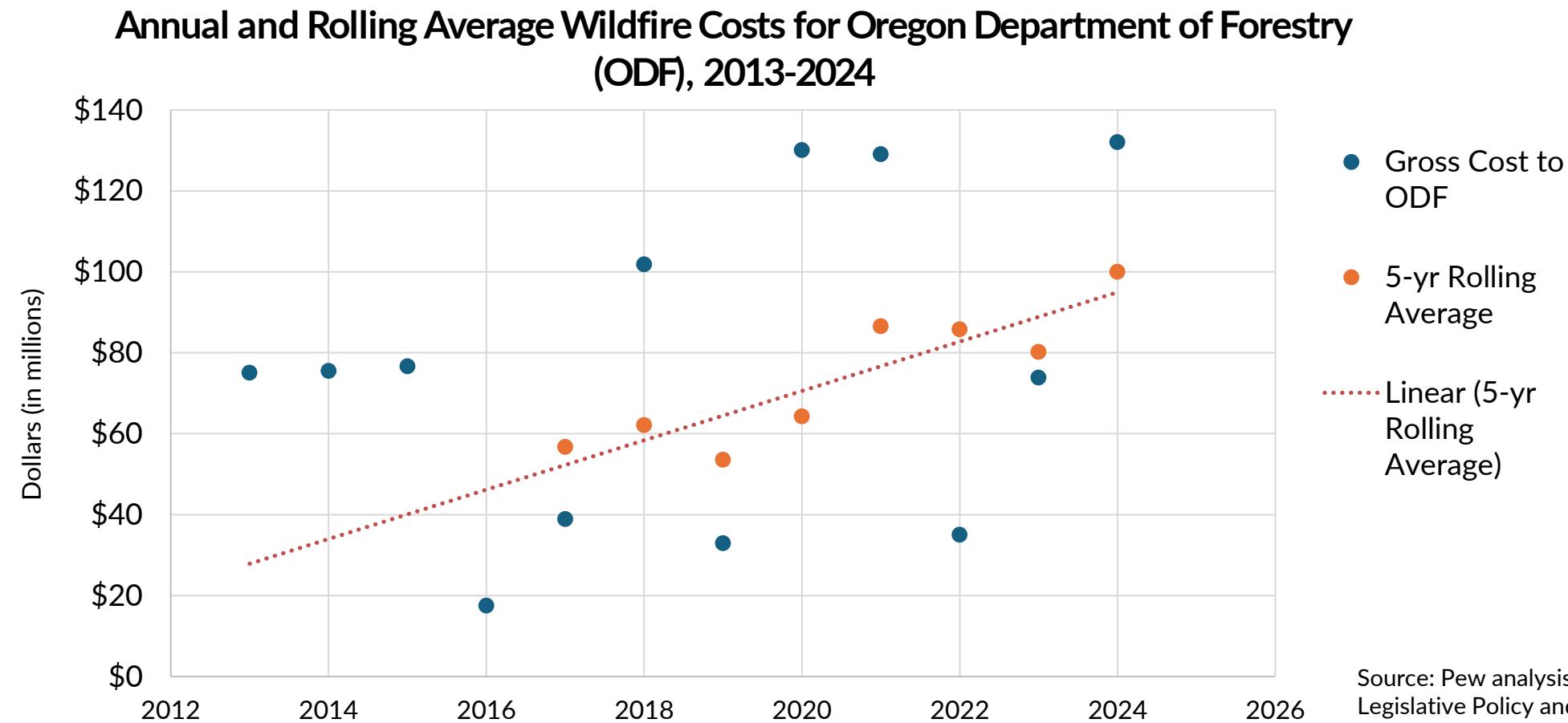
Total and annual average billion-dollar events by decade overlaid with cost trend,  
1980-2024



Source: National Centers for Environmental Information, Billion-Dollar Weather and Climate Disasters

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# States spend significant—and growing—amounts of their own resources to manage disasters



Source: Pew analysis of data from OR's Legislative Policy and Research Office

## Disaster investments must compete for limited state resources

### The “revenue wave” is slowing

States are experiencing weakening tax collections, spurred largely by the end of pandemic-era initiatives and the adoption of tax cuts

### States face mounting spending pressures

Temporary federal pandemic aid is phasing out while states face rising costs for Medicaid, employee wages, and long-term liabilities



# The future of federal disaster assistance is uncertain

## Federal spending has returned to the spotlight

Eliminating federal jobs, programs, and even entire agencies was an early focus of the second Trump Administration

## Disaster spending has received special attention

The FEMA Review Council has been tasked with an agency overhaul, mitigation initiatives have been cut, and presidential advisors have recommended significant changes to criteria for disaster declarations



# State budgeting practices for disaster management fall short

Growing risk demands a closer look at how states budget for disasters

Research revealed 3 primary challenges

1. States lack comprehensive disaster spending data
2. Outdated funding approaches disrupt budgets and hinder planning
3. States do not prioritize investments that reduce disaster risk

Pew developed strategies to address these limitations and help state policymakers minimize fiscal risks

# Three principles for disaster-ready budgets



## Measure

Track disaster costs to inform fiscal planning



## Manage

Bolster traditional budgeting with proactive tools



## Mitigate

Prioritize efforts that reduce disaster harms

# Policy Recommendations

## Measure statewide disaster costs:

- ✓ Collect comprehensive disaster spending data
- ✓ Produce meaningful spending reports

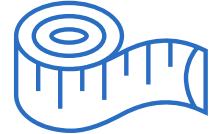
## Manage disaster funds proactively:

- ✓ Fund disasters using data-driven, proactive budgeting tools
- ✓ Define state responsibilities in advance to ensure consistent service delivery

## Mitigate risks and improve disaster resilience:

- ✓ Invest in mitigation and resilience
- ✓ Maximize investments from nonstate sources

# A roadmap for state leaders



**In this brief, policymakers and budget officials will find actionable strategies for building disaster-ready budgets**

**States can use these strategies to strengthen existing practices and identify areas for improvement**

# Thank you!

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