

December 2, 2025

Strengthening FEMA and Reducing Federal Disaster Costs

Dear Senator,

Taxpayers for Common Sense Action urges you to take action on FEMA reform. Recent bipartisan efforts are promising and now lawmakers must seize this moment to ensure taxpayers and communities are adequately prepared and protected before the next disaster strikes.

Over the past decade, FEMA's Disaster Relief Fund has been strained by steadily rising and increasingly unpredictable demands. Major-disaster obligations routinely outstrip initial budget requests, reaching roughly \$60 billion in both FY2020 and FY2021 and remaining above \$30 billion a year since. FEMA also entered FY2024 with \$8 billion in delayed obligations and carried another \$9 billion into FY2025, underscoring how often the agency must rely on stopgap measures to keep pace with real-world costs.¹

Supplemental appropriations, once reserved for truly extraordinary years, have become routine. Annual bills are now regularly followed by large emergency packages to cover needs that outstrip existing programs. That pattern signals a system reacting to events rather than managing them, and the year-to-year volatility makes it harder to plan, invest, and contain costs.

Now is the time for the Senate to do more to strengthen federal disaster policy. Restoring FEMA as an independent agency with Cabinet-level status (*FEMA Independence Act of 2025*) is one piece of the puzzle, but now the Senate has a chance to pair independence with updates that would make federal disaster costs more predictable and sustainable. TCS Action provides the following recommendations:

Investing in Mitigation and Reducing Long-Term Costs

Mitigation remains the most cost-effective use of federal disaster dollars. Policymakers should expand federal mitigation investments and tie federal recovery funds to mitigation to reduce future federal liabilities. As you consider reforms, Congress should:

- **Stop subsidizing bad decisions.** Congress should prohibit subsidies for the riskiest new developments and re-developments in areas prone to flood, fire, and other disasters. Federal funds should not support choices by individuals and communities that will likely require future federal funds to recover from the next inevitable disaster.
- **Require resilient rebuilding:** Federal recovery funds should explicitly require recipients to incorporate mitigation measures in funded projects, including rebuilding infrastructure and housing to meet current hazard-resistant standards, and these mitigation costs must be incorporated in grant calculations. Additionally,

¹ Congressional Research Service, *FEMA's Disaster Relief Fund: Overview and Funding History*, updated July 2025.

recipients of federal funding should be required to report on the status of those mitigation measures in progress and closeout reports.

- **Require risk-informed land-use planning and zoning reforms.** Federal disaster dollars must not subsidize new development in high-risk areas. Eligibility for mitigation and recovery support should require community-scale land-use plans, adequate building codes, and zoning regulations that reflect current and future hazards. These efforts must also be coordinated with land-management agencies to align efforts and avoid duplicative or counterproductive investments.
- **Reward nonfederal investments in mitigation.** Congress should seek new opportunities to encourage federal and non-federal investments in mitigation, such as offering increased federal cost share for communities that invest in resilience measures upfront or that implement regulations (zoning, building codes, etc.) to promote long-term risk mitigation.
- **Create consistency in federal mitigation funding.** Effective planning and budgeting for mitigation activities requires states to know when and how much federal mitigation funding they will receive. Congress should establish clear deadlines for FEMA to inform states of their mitigation funding allocations for a given year and to distribute those funds to states. Similarly, delays undercut the value of mitigation.
- **Direct mitigation where it produces the greatest public benefit.** Congress should ensure mitigation dollars flow to projects and communities that deliver the strongest returns for taxpayers. Formula allocations that lock in equal shares to states or communities regardless of need could crowd out higher-return projects elsewhere.
- **Invest in nature-based solutions.** Efforts to conserve or restore wetlands, mangroves, dunes, and other natural coastal barriers can guard against flooding, erosion, and more. Trees and vegetation can act as sponges to absorb floodwater as well. Nature-based solutions can also provide the surrounding communities with a wealth of ecosystem services, like cleaner air and water, recreational opportunities, increased biodiversity, and carbon sequestration.

Improving Individual and Public Assistance

Modernizing FEMA's Public Assistance program is essential to controlling escalating disaster costs. As reforms move forward, Congress should:

- **Transition from a reimbursement-based model to a grant-based model.** Allowing communities and individuals to receive funds upfront for repairs and mitigation projects will allow those most in need (small, impoverished communities) to utilize funds by eliminating the need to front costs and wait for reimbursement.

- **Revise FEMA's eligibility thresholds for localized impacts:** Because FEMA uses per capita damage thresholds to determine eligibility, localized disasters—like flash floods or wildfires—can devastate small towns without triggering federal aid.
- **Mandate independent procurement audits and standardize procurement rules.** FEMA should develop best practices for contractors, including for debris cleanup and temporary housing, and implement independent compliance reviews and public disclosure of violations. This will help ensure federal dollars are spent fairly and efficiently and give taxpayers confidence that procurement shortcuts are identified and corrected.
- **Allow reasonable means-testing.** Income thresholds and payment limits are appropriate tools to ensure assistance reaches those most in need. Congress should preserve the ability to use means-testing tools in Individual and Public Assistance programs so that limited federal resources are focused where they are most needed.
- **Publish data on public assistance denials.** FEMA should release aggregated information on who is denied assistance and why, including geographic patterns and whether applicants are public or private nonprofit facilities. Transparency will support public oversight, highlight disparities, and promote a more equitable allocation of aid.

Streamlining Coordination and Reducing Red Tape

Disaster survivors face a fragmented, confusing application process. Congress should:

- **Create a universal FEMA application.** Creating one portal for all federal disaster programs and standardizing requirements across federal disaster recovery programs will simplify the application process for survivors and address cross-agency barriers, allowing federal dollars to more quickly be allocated.
- **Prioritize survivor outreach and education.** Eligible households, especially in rural and underserved communities, must understand what assistance is available and how to access it.
- **Expand, not limit, FEMA's people-power.** Federal disaster response is more than just money—it is coordinated assistance with trained personnel and the institutional knowledge that only comes from professional training and continuity of service. Furthermore, a major disaster—by definition—overwhelms a state's ability to respond, so additional trained personnel are as important as additional financial resources. As part of this, FEMA needs measurable workforce benchmarks to demonstrate readiness and assess whether new authorities and resources are translating into real-world capacity.
- **Support state implementation of federal funds.** Congress should require quick turnarounds for states to suballocate funds to local governments and provide necessary technical assistance to ensure communities can act before the next

disaster strikes. This may include dedicated funding for states to develop educational resources or update technology systems, which the Government Accountability Office (GAO) has reported is critical to improving efficiency and reducing errors.

Increasing Transparency and Accountability

Better information is essential to controlling federal spending, measuring progress, and supporting smarter rebuilding decisions. Congress should:

- **Require public reporting on disaster closeouts.** FEMA must work to eliminate the current backlog of open declared disasters and report on this progress so taxpayers can see whether backlogs are shrinking, how much funding is being freed up, and where lingering obligations continue to tie up federal dollars.
- **Create a disaster aid tracking platform.** A publicly accessible website tracking disaster assistance at the project level and disaster level would help taxpayers and policymakers alike understand where federal dollars are going.
- **Require outcome-based performance metrics.** Dashboards and reports should track risk reduced, dollars saved, and resilience gained—not just obligations and disbursements—so policymakers and taxpayers can see whether federal spending is reducing long-term exposure.
- **Publish hazard-specific spending.** FEMA should provide detailed, cross-agency spending data by hazard type—wildfire, hurricane, flooding, tornado, and others—with breakdowns across mitigation, response, and recovery. This is essential for evaluating where federal dollars are actually reducing risk and where gaps remain.

National Flood Insurance Program (NFIP) Reform

Beyond FEMA reform, Congress should consider reforms to the National Flood Insurance Program (NFIP) to:

- **Prohibit subsidies for the riskiest new developments in flood-prone areas.** NFIP and other federal disaster programs must not encourage construction in the highest-risk zones.
- **Expand support for safer rebuilding.** Increasing the amount NFIP pays when homeowners are required or choose to rebuild to stronger codes would make it possible for more families to adopt safer standards, reducing future federal liabilities.
- **Integrate forward-looking climate projections and updated flood mapping.** Incorporating these projections into hazard mapping and risk communication, including NFIP's regulatory and non-regulatory mapping tools, will ensure communities and taxpayers are not blindsided by emerging hazards.

- **Accurately price risks while protecting low- and moderate-income households.** FEMA should continue to move to full-risk pricing through Risk Rating 2.0 so policyholders see the real cost of risk, coupled with means-tested assistance outside the rate structure so lower-income households can maintain coverage. Encouraging broader participation, including required coverage for residual risk properties, could also better spread risk, increase the total amount of premiums collected, and limit the number of uninsured households who rely solely on federal assistance in the wake of disaster.
- **Expand the role of private insurance to close the protection gap.** Congress should encourage the continued development of the private flood insurance market and guarantee that private coverage—as long as it covers the required amount and the insurer is subject to the authority of the state insurance commissioner—is considered equal to NFIP coverage in all cases. Importantly, this includes expanding FEMA’s definition of ‘continuous insurance coverage’ to include periods covered by private insurance, allowing homeowners to switch between NFIP and the private market without risking their original, subsidized NFIP rates. Leveling the playing field for private insurers will increase competition in the marketplace, taking risk off the federal government and providing consumers with more choices.

Conclusion

The Senate has a critical opportunity to pair the structural improvement of elevating FEMA with the substantive program reforms needed to modernize disaster policy. Independence and Cabinet-level status is an important step, but without clear rebuilding standards, stronger incentives for states, and transparent performance measures, federal disaster spending will continue to rise without meaningfully reducing risk. As disaster costs climb and climate-driven hazards intensify, the choices Congress makes now will determine whether this moment becomes a missed opportunity or a turning point toward a more resilient, fiscally responsible system.

Finally, we are aware that the Administration plans to release the final report of the FEMA Review Council, which has been examining potential structural changes to FEMA. Whatever recommendations emerge from that process, Congress retains the central responsibility for defining FEMA’s authorities, programs, and funding. A strong legislative framework is essential to ensure that any future restructuring effort improves outcomes for disaster survivors and protects taxpayers from escalating risk.

Sincerely,



Steve Ellis
President