COSCDA FY2023 Priority

A Case for Changes to Stafford Act DOB Requirements for LMI Households in Disaster Recovery

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That "being poor in a disaster is very expensive" is a well-documented fact. The most succinct reporting on this can be found in an article from the Atlantic: [What the Camp Fire Revealed](). It sums up what the research has shown for decades.[1],[2]

As well, those of us who work in disaster recovery with these populations see the research bear out daily. For people with little to no resources, there is nothing for them to live on save the initial assistance they may get from FEMA. With it they must find housing, food, new clothing, daily toiletries, and such to start their lives over on day 1 following a disaster. Addtionally, when disasters strike rural areas, many LMI households must replace or purchase a car to get to and from work, school, medical appointments, etc., since public transit in rural areas may not be an option or the distances that must be traveled to work or to their kid's school(s) from a temporary housing situation may be much farther than from the survivor's original home.

In California, we know from experience, since 2017 through multiple fire disasters, most LMI households are either uninsured or greatly under-insured. In fact, over 80-percent of LMI households in the 2017 and 2018 disasters fit these categories. Given the time duration to rebuild post disaster there is no expectation that these resources will still be unutilized by the time households are ready to rebuild.

Further, if a low-income household had any level of insurance (homeowners or renters) at the time of the disaster, they will be automatically denied assistance

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[1] https://www.worldbank.org/en/news/press-release/2016/11/14/natural-disasters-force-26-million-people-into-poverty-and-cost-520bn-in-losses-every-year-new-world-bank-analysis-finds

[2] https://www.brookings.edu/blog/social-mobility-memos/2017/09/18/hurricanes-hit-the-poor-the-hardest/

by FEMA and, if, in their trauma, they happen to read the fine print of their denial letter, they are told they must navigate their way through the FEMA appeals process within 60 days of their denial to have any shot at assistance. In the 2017 wildfires, particularly in Santa Rosa, over 2000 homes showed a FEMA Verified Loss (FVL) of $0 even though, both CAL FIRE inspection data and aerial photos showed the property was a total loss. For the Camp Fire in 2018, that number jumped to nearly 9000 homes that were fully destroyed but FEMA showed a FVL of $0. This data confirms that unless an LMI household has the capacity to both afford insurance and navigate the FEMA process of reapplying for assistance, they would not be provided any of the FEMA assistance for which they are eligible..

"Research findings reflect a world in which people of low SES [socioeconomic status] are more vulnerable in the face of disasters and are more likely to suffer more serious consequences during impact, from property damage to homelessness to physical and financial impacts. Disasters can contribute to more adversity for people of low SES than for others who are not low SES—and, as the World Bank and GFDRR report observes, in part due to their financial effects, natural disasters make it more likely that people in poverty will remain in poverty (Hallegatte et al., 2017)."[3]

The Stafford Act's requirement that duplication of benefit (DOB) calculations must be completed on all applicants for federal assistance is an exercise in systemic inequity. For a person with sufficient resources, they may indeed be able to bring any DOB funds to escrow prior to receiving any additional federal assistance and the required "necessary and reasonable" calculations bear out the need for this. However, in the case of an LMI household that was struggling to get by pre-disaster, the definition of "necessary and reasonable" is vastly different and the required DOB calculations do not allow recovery agencies to use their expertise in allowing for the true unmet recovery needs of an LMI household. Notably, this can range from the "reasonable" need to purchase a

[3] [3] https://www.samhsa.gov/sites/default/files/dtac/srb-low-ses_2.pdf

car, a travel trailer to live in, cover increased medical bills, moving expenses, higher living costs due to lack of housing stock, etc.[4]

As documented in a study by Rice University and the University of Pittsburgh published in 2018, "… for less privileged residents and non-property owners, local damages are more likely to trigger financial liabilities as a result of experiencing an increased likelihood of losing one's job (Elliott and Pais 2006); having to move (Elliott and Howell 2017); paying higher rents due to reduced housing stock (Vigdor 2008); and, dipping into already meager savings to compensate for such expenses. In some cases, government recovery programs have even suspended legal protections for low-wage workers to speed up recovery and get local economies "going again."

While there are a small number of DOB "offsets" for acceptable recovery expenses, the scenarios of allowable offsets are too grey and pose extra and unnecessary financial risk for the LMI households and the program implementors. Some examples of this include the need for an LMI household to purchase a car to get to and from work, school(s) or doctor appointments which may be a greater distances than they had prior to the disaster; purchase of a travel trailer to live in while property owners figure out how or if they can rebuild their homes, not to mention, after a disaster a household must replace everything from bath towels to kitchen utensils; couches to beds and bedding; as well as head to toe clothing, coats and shoes for each household member for work, school and daily wear. The costs of all of this can be well beyond whatever FEMA resources have been provided to an LMI household, assuming they qualified for assistance.

As documented above, no LMI household will "get rich" after a disaster. In fact, they are most likely to find themselves even less financially stable than they were pre-disaster. The best-case scenario of stability and resilience is only possible if the DOB requirement for LMI households is removed. With DOB being removed, an LMI household may wind up with a standard grade home, a standard grade car, some new clothes and some new dishes, pots and pans, allowing them to begin to "reboot" their lives. This can only improve outcomes in the long run for LMI households by assisting with lifting an already struggling household potentially above the poverty line, which in turn, likely lightens the load on the nation's safety net services and saves resources in the long run.

Lastly, as all disaster recovery program implementors will attest, the time and energy spent on DOB calculations, which may deny an LMI person access to

[4] https://shelterforce.org/2019/05/13/disaster-aid-perpetuates-inequality/

recovery funding simply because they didn't stick to "FEMA's rules" on what those funds could be spent on, such as not spending any housing repair assistance on anything other than housing repair, even though they needed that money to survive while they work to settle with their insurance company (if they had been able to afford one) or use the funding to get into a rental and purchase new necessities, is as well, an equity and access issue that must be rectified. FEMA's current maximum grant amount is $34,000, which given the time and cost to rebuild a home or move an entire LMI family to a new location and set up a whole new life, is not sufficient funding. This of course assumes the LMI household qualified for FEMA assistance. As reported by the Washington Post June 23, 2021, FEMA sends denial letters to 90 percent of applicants.[5]

Options for Solutions

Option 1: Remove DOB calculations for LMI households in the Stafford Act that have a net worth at or below current median wealth for middle income households as calculated by the triannual Federal Reserve's Survey of Consumer Finances, which, in 2019 was $122,000.[6]

Option 2: Remove DOB calculations from LMI households where the time interval between the disaster and the program launch is greater than 2 years.

- Potential unintended consequence: Program operators could push out the launch of programs to ensure DOB requirements for LMI households impede recovery programs.

Recommendation:

COSCDA and its Disaster Recovery Committee members recommend Option 1. As evidenced above, for LMI households to have a shot at an equitable recovery from disaster, with long-term sustainability of housing and job opportunities, the DOB requirement for LMI households with wealth below middle-income median wealth as calculated by the Federal Reserve's Survey of Consumer Finances, must be removed.

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[5] https://www.washingtonpost.com/national/fema-pressed-on-historically-high-rejection-rates-for-disaster-survivors/2021/06/23/40edf97c-d43a-11eb-ae54-515e2f63d37d_story.html

[6] https://www.stlouisfed.org/open-vault/2020/december/has-wealth-inequality-changed-over-time-key-statistics