

MY REASON FOR SAVING IS A NEST EGG THAT WON'T CRACK.

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Irene Strains Federal Disaster Funds

By NATHAN HODGE, LISA FLEISHER and JACOB GERSHMAN

The Federal Emergency Management Agency, already socked by a series of disasters across the U.S., is running low on funds as it copes with damage from Hurricane Irene, even as governors from storm-ravaged states press for expedited aid.



WSJ's Alan Zibel reports devastating floods from Hurricane Irene have brought to light questions about the future of federal flood insurance. AP Photo.

"We have had an extraordinarily busy run of naturally caused disasters, and they've covered a lot of states this year," Homeland Security Secretary Janet Napolitano told reporters Tuesday. "We're never done. There could be another one around the corner."

FEMA Administrator Craig Fugate said Monday in Washington the agency would put on hold new federal disaster aid for repair and rebuilding of major infrastructure elsewhere in the country to support immediate disaster-relief efforts, as it has done in the past. Projects already under way will continue to be funded.

Individual survivors of more-recent disasters will continue to

receive assistance, Mr. Fugate added, and FEMA will continue to fund cleanup activities.

"When we reach a point where we need to preserve the funding in there for emergency work, we will discontinue repair work that's considered permanent for previous, earlier disasters," Mr. Fugate said.



FEMA has had a very busy year yet it's facing a cash crunch to assist victims of disasters. At the root is the difficulty of predicting at the start of the year exactly how much money will be needed for disaster, Nathan Hodge reports on Markets Hub. (Photo: AP.)

The agency, an arm of the Homeland Security Department, is discussing funding needs with the White House but hasn't yet determined whether the kitty will require replenishment. Such a request could trigger more partisan skirmishing in Congress, since a top Republican, House Majority Leader Eric Cantor (R., Va.), suggested just before the hurricane's rampage that any additional relief money would have to be offset by cuts in federal spending.

Photos

FEMA oversees a pot of money that helps pay for relief-and-recovery efforts when the president declares a disaster. In



Lucas Jackson /Reuters

Flood waters remain several feet deep in Wayne, N.J., on Tuesday.

recent months, those funds have dwindled as the agency has responded to a series of emergencies, including devastating tornadoes that struck Joplin, Mo., and parts of the South this spring and prolonged flooding in the upper Midwest.

Days after the Joplin tornado in May, the agency had more than \$2.4 billion in its disaster-relief fund. FEMA spokeswoman Rachel Racusen said Monday the relief fund had just under \$800 million left.

Mr. Fugate said it wasn't yet clear if additional money would be needed to replenish the agency's disaster-relief fund. "As we get a better idea of damage assessments, we will have some idea what potential assistance we'll need, but that is currently being worked

with the White House as we speak," he said.

At the same time, New Jersey Gov. Chris Christie is asking the federal government to skip the usual damage assessment and directly send aid to people and businesses affected by Hurricane Irene, officials said. New York Gov. Andrew Cuomo and Connecticut Gov. Dannel Malloy are also expected to make formal requests for federal aid, people familiar with the matter said.

Mr. Christie signed a letter asking for expedited aid at about 6:45 p.m. Monday in a radio studio just before he went on a monthly call-in show. On air, he said he had the state police send it along to be scanned and sent to the president.

All three governors had asked for, and were granted, disaster declarations before Irene landed on Sunday. The storm sent raging floodwaters through inland areas of New Jersey, upstate New York and coastal Connecticut. At least 10 people were killed in the region. Federal assessors have been on the ground in all three states for at least three days, officials said. The storm has brought havoc to Vermont and other states as well.

Mr. Christie said he had just spoken with President Barack Obama, who he said pledged to do everything he could for the people of New Jersey. Mr. Cuomo said he had had a similar conversation with the president. Mr. Christie sounded confident the aid would come within days.

"He is encouraging Secretary of Homeland Security Napolitano to cut the red tape on FEMA stuff so that it can flow even more quickly," Mr. Christie said of his conversation with Mr. Obama. "When the president of the United States is making those kinds of assurances, I believe that he's going to be able to get it done, and I think he deserves great credit for the way FEMA operated in this storm."

Ms. Napolitano said the response to Hurricane Irene reflected the reorganization of government after the Sept. 11, 2001, terrorist attacks, including the creation of a single Homeland Security Department that unified disparate federal agencies and increased coordination with state and local authorities.

The wide-ranging preparations and evacuations that preceded Hurricane Irene, Ms. Napolitano said, "reflected a lot of training, preparation, exercises, equipment provisions, all of which, by the way, came in part out of 9/11 and the creation of the department—and, through the department, the ability to get resources out to the local level."

But the federal government's response to Hurricane Irene comes amid intense debate in Washington about restraining federal spending. It was after last week's East Coast earthquake that Mr. Cantor conditioned his support for fresh disaster-relief funding on matching budget cuts.

Brad Dayspring, a spokesman for Rep. Cantor, said Monday that Congress hadn't yet received a request for additional FEMA funding since the hurricane hit large swaths of the Eastern seaboard. "If an additional request for funding is made, we'll respond appropriately at the time," he said.

David Rittgers, a legal-policy analyst at the libertarian Cato Institute, said the threshold had become much lower in recent years for federal disaster assistance, with FEMA becoming more involved in what he described as "small -town tornadoes" that might only damage a few structures.

"We should take those completely out of the purview of FEMA, unless they've reached a truly catastrophic threshold, and most of them don't," he said. "That's how you get to the point where you deplete funding, and when the big one comes, you've shot your wallet on a whole bunch of little disasters that the states should be able to deal with on their own."

Along with FEMA, the Small Business Administration, the Agriculture Department and other agencies also provide assistance to individuals and communities hit by disasters.

"As I've told governors and mayors from across the affected area, if they need something, I want to know about it. We're going to make sure that we respond as quickly and effectively as possible," President Obama said at the White House on Monday. "And we're going to keep it up as long as hurricane season continues."

Gov. Christie's request is rare but not unusual for large-scale disasters, FEMA spokesman Bill McDonnell said. Officials usually tour affected areas and then make a decision. On air, callers pleaded with the governor for faster relief, and he told them he had asked for it.

All three governors toured the devastation Monday. Mr. Cuomo flew over the Schoharie Creek and Mohawk River regions on Monday, while Mr. Christie drove through flooded Manville, N.J., in the middle of the state. Mr. Christie has estimated the economic damage to be in the billions, including lost tourism business along the Jersey Shore.

U.S. officials are "still very concerned" about flooding in a number of states caused by Hurricane Irene, Mr. Fugate, the FEMA administrator, said Monday, suggesting several days of additional effects from the storm could be felt along the East Coast. "We don't know how big the numbers are going to be on this storm," he said, predicting it could take days as state and local officials along the storm's path assess the damage.

Rutgers University Prof. Joseph Seneca said the storm's economic effect would be neither "permanent nor deep."

"The spike in consumer spending in anticipation of the storm was a short-term stimulus, although some of this spending was borrowed from the future," Mr. Seneca said.

James Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers, said construction spending may go up, evening out the economic losses as businesses rebuild without income.

"Thus, in many cases, the overall economy will be 'rebalanced,' with overall activity minimally impacted," he said.

—Shelly Banjo and Michael R. Crittenden contributed to this article.

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