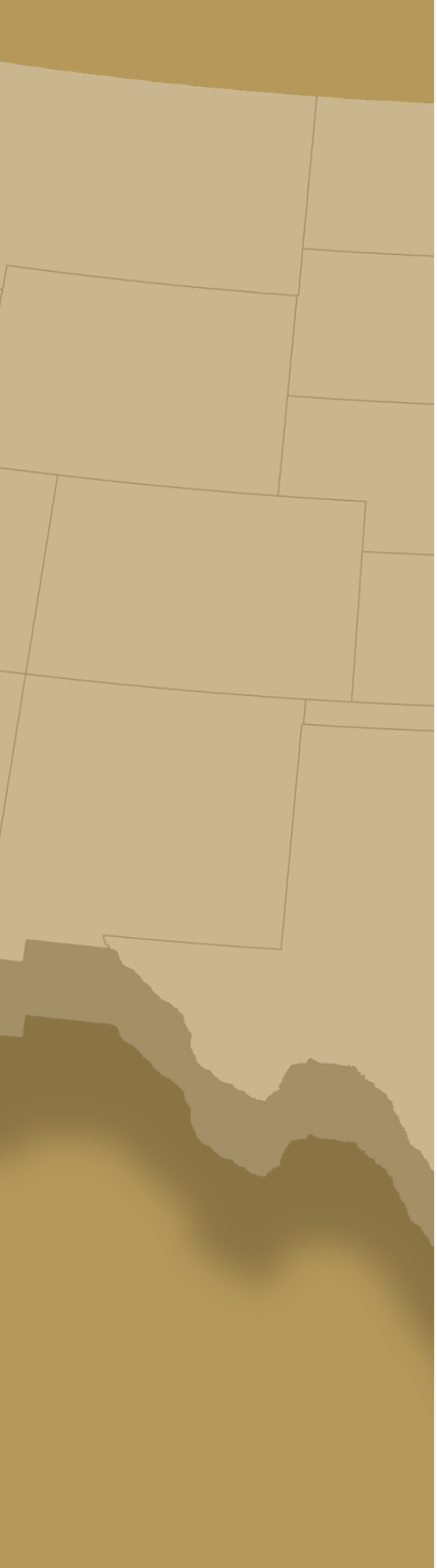
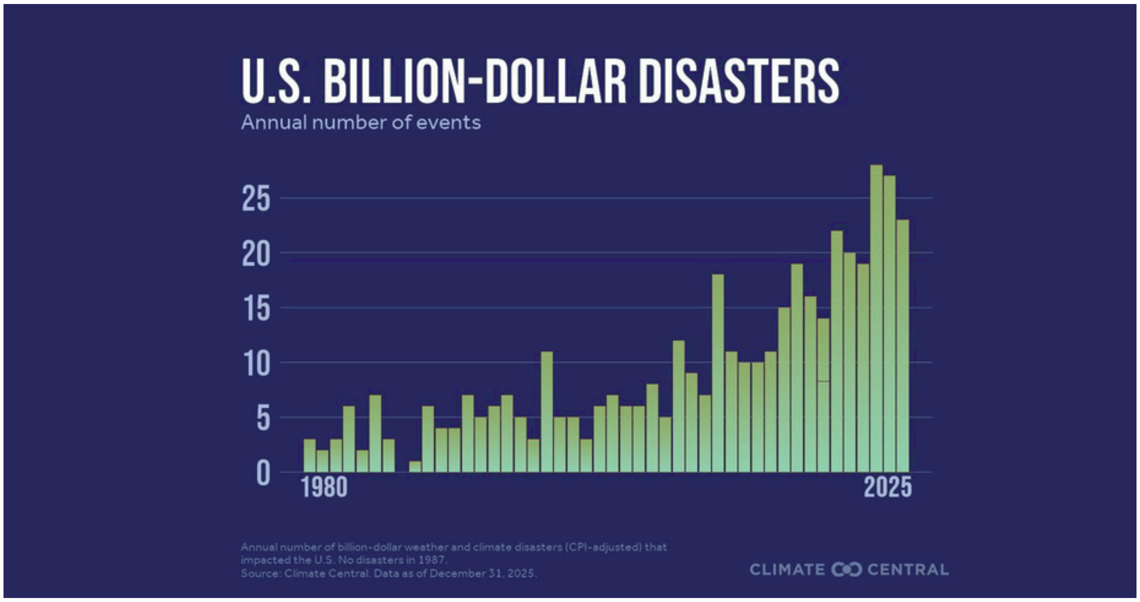


Creativity Amid Catastrophe: State Strategies for Funding Disaster Recovery

Policy Primer | March 2026

Background

State emergency management agencies (EMAs) play a significant role in funding community and individual recovery following a disaster. For example, state EMAs help cover federal cost-sharing requirements for communities and provide funding for unmet needs when federal support is absent. However, as shown in Figure 1, disasters exceeding $1 billion in damage each year remain frequent. As a result, rebuilding after disasters often exceeds the funds available from a single payor. Although federal funding has historically aimed to supplement state-level funding, its future role remains uncertain as the federal disaster response and recovery role is being reimagined. The costs of disasters and the instability of federal funding pose a significant threat to states' and communities' ability to recover. To address this challenge, states should seek to identify and establish innovative funding approaches to support disaster recovery.



https://www.climatecentral.org/graphic/2025-in-review?graphicSet=U.S.+Billion-Dollar+Disasters+1980-2025

***Figure 1** shows that the number of billion-dollar disaster events has increased over time, with the highest annual totals occurring in the last three years (2023-2025). Notably, over 25 billion-dollar disasters occurred in 2023 alone.*

Role of States in Funding Recovery

States' roles are critical to recovery efforts. For example, in fiscal year 2025, 24,957 disaster events required significant state resources nationwide, while only 55 required federal support[1]. Additionally, state investment in state-run programs suggests that states recognize a growing need for additional resources to fund recovery efforts, mitigate funding gaps, and proactively budget for future disasters. For example, in a recent Deloitte survey, most state EMA directors indicated they were investing financial resources in the development of state-run programs not funded by federal sources[2].

These numbers showcase the efforts states are already making to manage and recover from disasters while hardening their budgets to better prepare for future disasters. However, state EMAs also face challenges with securing funding at the state level. State spending is rising across program areas, indicating increased demand[3]. Simultaneously, state revenue growth is leveling off from pandemic-era highs[4]. This suggests that competition for securing funding among state programs and policy priorities is a challenge for state EMAs.

These circumstances highlight the need for state EMAs to identify alternative funding strategies beyond conventional federal disaster recovery programs. A broader source of funds, such as philanthropic, private sector, or redirected public funds, may help states withstand the unpredictable costs of a disaster. Furthermore, in the case of disasters, leveraging non-traditional funding sources can increase the speed and flexibility of funding, helping absorb disaster-related costs and expedite recovery for communities and individuals.

1 National Emergency Management Association, “Biennial Report 2026,” 2026, [Report in Preparation].
2 Deloitte, National Emergency Management Association, “Deloitte-NEMA National Risk Study 2025,” 7.
3 National Association of State Budget Officers, “2025 State Expenditure Report,” 2025, https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2025_SER/2025_NASBO_State_Expenditure_Report_S.pdf, 7.
4 Ibid.

Defining Innovative Funding Approaches

This primer focuses on programs developed in response to a disaster and deployed to support individual and community recovery. For these purposes, an innovative fund or program is understood as an instance in which states have been successful in identifying non-conventional ways to raise capital or deploy state funds in creative ways to meet community and individual needs after a disaster. For example, funds may be raised through philanthropic donations, transfers of funds, private sector partnerships, or a combination of sources.

Acknowledging that recovery necessitates a whole-of-government approach, this primer highlights programs or funds that require coordination across state agencies to be disbursed or administered effectively. Close coordination and cooperation with state EMAs are crucial, as they can offer valuable insights for eligibility determinations, fraud prevention, and technical expertise. To enhance the benefits of these funding streams, programs should include adaptable resources that address the most pressing needs, prevent benefit duplication, and are easily accessible and distributable, especially since time is critical after a disaster.

This primer highlights innovative funding strategies states have utilized in response to disasters, with the goal of understanding how these programs may prove vital to the future of disaster recovery. It also examines key considerations for program design, eligibility requirements, and funding sources.

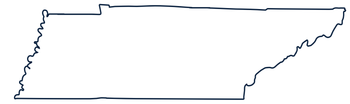
Innovative funds or programs leverage financial resources to address recovery expenses for community and individuals alike, such as:

- Debris management services
- Immediate and long-term housing solutions
- Offsetting costs incurred by disaster survivors
- Assisting small businesses resume operations
- No-interest loans for local governments to start recovery immediately

Funding Recovery After Disasters

MODEL CHARACTERISTICS:

- **Quickly reallocates existing state funds for an immediate need related to disaster recovery**
- **Provides access to the full loan amount immediately, expediting recovery activities**
- **Avoids duplication of benefits**



TENNESSEE HELENE EMERGENCY ASSISTANCE LOAN

PROGRAM OVERVIEW:

Tennessee's Helene Emergency Assistance Loan (HEAL) program was developed following Hurricane Helene to help offset immediate costs for local communities awaiting federal reimbursement, enabling a quicker recovery. The program offers no-interest loans to eligible counties for water and wastewater infrastructure repairs and debris management. The program allocates $100 million across eligible counties. HEAL is administered by the Tennessee Emergency Management Agency, which disburses funds. At the closing of the loan, counties can immediately draw down all funds.

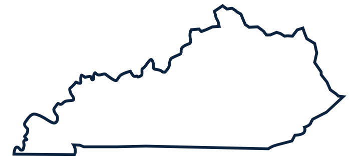
ELIGIBILITY:

County entities that are included in the Federal Emergency Management Agency Public Assistance Categories A through G are eligible to receive HEAL funding. While municipalities and utility companies are not directly eligible, they may request funding from the county, which would lend them HEAL funds. Municipalities may receive HEAL funds from the county for hazardous debris management, and publicly and privately operated utility companies may request funds to repair water and wastewater systems. Secondary lenders would be subject to the same terms as those outlined in the loan agreement.

FUNDING SOURCE:

TennCare Shared Savings, the Medicaid waiver program, funded the HEAL program.

TEAM KENTUCKY EMERGENCY RELIEF FUND



PROGRAM OVERVIEW:

This fund was preceded by the Team Western Kentucky Tornado Relief Fund and the Team Eastern Kentucky Flood Relief Fund to assist disaster survivors following tornadoes and flooding. Due to the increased number of catastrophic events, the program has been reestablished as the Team Kentucky Emergency Relief Fund and, through an executive order, expanded to assist in other disasters, such as a catastrophic United Parcel Service plane crash. The program aims to assist Kentuckians impacted by catastrophic events by covering costs associated with disasters, including funeral expenses for those who have been lost. The Secretary of the Public Protection Cabinet administers the program. The fund is subject to legislative oversight and is open to public records requests. There are no administrative fees, so all donations go directly to survivors.

ELIGIBILITY:

The Secretary of the Public Protection Cabinet determines eligibility requirements, disbursement amounts, and allowable use of funds.

FUNDING SOURCE:

The Team Kentucky Emergency Relief Fund may receive funds from any source, either public or private.

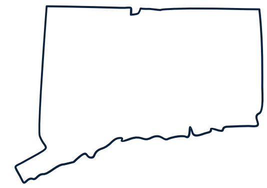
MODEL CHARACTERISTICS:

- **All funds go directly to disaster survivors**
- **Flexible funding sources**
- **Prioritizes transparency and accountability**

CONNECTICUT MICRO-GRANT PROGRAM

MODEL CHARACTERISTICS:

- Provides immediate funding to help businesses resume normal operations
- Financial assistance is separate from federal aid
- Approach can be easily applied to other types of disasters



PROGRAM OVERVIEW:

Following the 2024 flooding, Connecticut launched a micro-grant program designed to assist businesses in their recovery. The program offered grants of up to $25,000 to small businesses and non-profit organizations in eligible counties. Funds may be used to cover expenses such as cleanup efforts and replacing lost inventory or equipment. A non-profit, the Women's Business Development Council (WBDC), based in an eligible county, administered the program on behalf of the Department of Economic and Community Development.

ELIGIBILITY:

Small businesses and non-profit organizations with fewer than 100 employees in eligible counties that experienced flood damage were eligible.

FUNDING SOURCE:

State general funds financed the Connecticut Micro-Grant program.

CALASSIST MORTGAGE FUND

MODEL CHARACTERISTICS:

- **Provides funds directly to the financial institution, alleviating further burden on the survivor**
- **Provides grants that do not need to be repaid**
- **Funding allows individuals to focus resources on other needs after a disaster**

PROGRAM OVERVIEW:

Following the 2025 Los Angeles-area fires, California established the CalAssist Mortgage Fund. The fund provides grants of up to 12 months of mortgage payments, not to exceed $100,000, to homeowners whose homes were destroyed or rendered uninhabitable by fires, floods, or other disasters between January 1, 2023, and January 8, 2025. The California Housing Finance Agency administers the program, which provides $125 million in grants. Grants do not need to be repaid and are paid directly to the financial institution.

ELIGIBILITY:

Homeowners whose homes are destroyed or severely damaged by a disaster that receives a gubernatorial disaster declaration or a Stafford Act major disaster declaration approved by the President are eligible. Additionally, applicants must have a mortgage or a reverse mortgage. Homes must be single-family homes, condos, or permanently affixed manufactured homes. Finally, homeowners must be below a certain income threshold, as detailed in 2026.02 Income Limits CalAssist Mortgage Fund.

FUNDING SOURCE:

The CalAssist Mortgage Fund is funded through state appropriations.

Key Takeaways

- **Avoid Duplication of Benefits.** Programs should be developed to prevent communities or individuals from being denied additional aid from federal or other sources.
- **Immediate Access to Funds.** Disaster recovery is often a lengthy process. Programs should prioritize immediate access to all funds upon eligibility determination.
- **Cross-Government Coordination.** Agencies should work in tandem to establish eligibility and share data when appropriate to expedite validation. The required application and supporting documentation should be straightforward for applicants to understand and submit. Submission should be free for applicants.
- **Rapid Development and Funding Present.** When disaster strikes, funding needs are immediate; survivors cannot wait for legislative sessions or appropriation processes to be finished. Identify funding sources and disbursal mechanisms that prioritize capital independent from these timelines and make funds available quickly.
- **Flexible in Use and Disaster Type.** Identify programs that can be used across a variety of disaster types and allowable uses so recipients may direct assistance to the area of greatest need. Allow for maximum flexibility for the kind of funds that may be utilized.

Conclusion

Recovery after a disaster is a complex, lengthy, and often expensive process. It requires close collaboration and coordination across multiple stakeholders, including the private, public, and non-profit sectors. For state EMAs to effectively address recovery challenges, they must adopt a whole-of-government approach. This involves working alongside other state agencies to accelerate recovery while ensuring accountability and transparency in the use of funds.

Simultaneously, because state EMAs face challenges securing sustained funding amid increased budget pressures and federal funding uncertainty, they should broaden their disaster recovery funding considerations to include new, less conventional methods. Furthermore, they may have greater success identifying and securing funding following a disaster due to heightened public awareness and interest. Finally, EMAs should prioritize solutions that are easy to distribute, do not prevent recipients from being eligible for additional support, and are flexible in use.

For more information on NEMA, visit
www.nemaweb.org.

NEMA Headquarters
Council of State Governments
1776 Avenue of the States
Lexington, KY 40511

NEMA Washington, DC
Hall of the States Building
444 North Capitol Street
Washington, DC 20001