



After the Fact | Can State Budgets Withstand Natural Disasters?

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TRANSCRIPT

Colin Foard, project director, managing fiscal risks project: Disasters are becoming more frequent, costly, and severe.

Kimiko “Kimi” Barrett, policy analyst, Headwaters Economics: Impacts are disproportionately born by households and populations most vulnerable.

Caitlyn Wan Smith, officer, managing fiscal risks project: Budgeting for disasters is this complex effort that’s only becoming more complicated.

Kimi Barrett: So it requires action at all levels of society.

Dan LeDuc, host, “After the Fact” podcast: Welcome to “After the Fact,” for The Pew Charitable Trusts, I’m Dan LeDuc. In the United States, natural disasters like hurricanes, floods, and wildfires are happening more often, and more intensely. But these disasters don’t just leave destruction in their wake, they have lasting effects on communities and can leave states with expensive recovery bills. In fact, 2024 was the fourth-costliest year on record, with 27 natural disasters that resulted in at least \$1 billion in damages each.

From budgeting to disaster resilience, fiscal policy plays a quiet but critical role. To understand how states are planning for the unpredictable, we turn to our Pew colleagues, Colin Foard and Caitlyn Wan Smith.

Well, Colin Ford and Caitlin Wan Smith, thank you so much. We are all colleagues at The Pew Charitable Trusts. You have very specific missions at Pew. You talk about how states can make the fiscal plans they need to make for the inevitable disasters that beset us and seem to be more frequent in recent years. Can you talk a little bit about how this work began at Pew?

Colin Foard: Thanks for having us, Dan. Pew has been working for many years to promote state fiscal health with this idea that a strong state budget really underlies the ability for states to provide the services that affect people’s everyday lives. Our recent work on state fiscal policy has had the realization that in the long term, state spending and state revenue are really not in balance. Because, as you pointed out, disasters are becoming more frequent and severe, and states play an often-overlooked role in dealing with disasters.



Dan LeDuc: State budget imbalances aren't caused solely by natural disasters, but those disasters do play a role. There is a demand in the states for this kind of information. Caitlyn, who worked in a state legislature before joining Pew, brings that perspective on the issue.

Caitlyn Wan Smith: I worked in one state that suffers really terrible forest fires. Policymakers were confronting the questions of: Do we have enough money set aside for these fires when they hit? Are we equipped to get the money out the door? State policymakers really are hungry for solutions, and that's where we hope to provide, not just abstract recommendations, but really actionable steps that states can take.

Dan LeDuc: We talk about the demand for this knowledge. That's driven because there's been an increase in disaster spending. There's just been more of it. Can you help listeners quantify that and get a sense of how things have escalated in recent decades?

Colin Foard: From the federal level, if you compare the last 20 years to the 20 years before that, there's been a 154% increase in the number of \$1 billion disasters. And that translates to over 250% increase in the costs associated with those disasters. So, a really significant increase over the last 40 years.

Dan LeDuc: That data comes from NOAA—the National Oceanic and Atmospheric Administration—that tracks what these disasters cost society at large.

Colin Foard: We're seeing increased spending at the state level as well. To give one example, in Washington State, if you compare the first half of the 2010s to the second, during the first half of the 2010s, they're spending about \$24 million a year on wildfires. By the end of the 2010s, that had tripled to \$83 million a year.

Dan LeDuc: According to scientists at the U.S. Forest Service, fire seasons are starting earlier in the spring and extending later into the fall than they ever have before. But there are experts who help states manage the risks a longer fire season brings. Kimi Barrett with Headwaters Economics is one of those people.

Kimi Barrett: I work with communities, I work with policymakers and others to understand, identify, and plan for increasing wildfire risk.

Dan LeDuc: We've all, of course, followed the news out of Los Angeles in recent weeks and the tragedy there. It feels like there are more of these fires. Does, in fact, the data show that is so?



Kimi Barrett: Tracing back our history with fire, the first big fires really did occur—back in 1871 were some of the biggest ones, the Chicago fire and the Peshtigo fire. At that time, 1,700 people perished in those wildfires, so we have had these episodes, these examples, of these large fires occurring. So, I wouldn't say it's necessarily new, what we are seeing is that risks across the board are increasing.

Firefighters are very good at containing and extinguishing about 95, 96% of all fires. It's that 2 to 4% of fires that escape initial attack that become these wildfire disasters that we're seeing. So, because we're so good at suppressing fires, we've essentially excluded them from the forest and prevented them from doing their ecological job of coming through, cleaning up the forest in a way that many of these ecosystems have become adapted to over the course of Earth's evolution. So we have that piece.

And then we have ongoing development and homes being built in very high-risk locations. These increasing trends rising over time that really exacerbates these wildfire disasters that we're now witnessing.

Dan LeDuc: It's an astonishing number when you think about it—that small 2 to 4% that go unsuppressed that lead to all the devastation that we see. That's astonishing.

Kimi Barrett: It is. And I think the reality is it's not going to be possible for us to 100% suppress all wildfires. That is not realistic. What we need to do, then, is knowing that wildfires are inevitable, we must start very deliberately and strategically focusing on what we can control. And that is how, where, and under what conditions homes and communities are placed in high-risk locations.

Dan LeDuc: So is there a new attention to those issues by policymakers? These fires are getting worse, and what do we do about it? And how do we be proactive about it?

Kimi Barrett: Is there new attention to this? It's hard being part of the wildfire community, and the rhetoric, to believe that anything's necessarily new. Because, honestly, a lot of this research, a lot of the science, everything that demonstrates what leads to these wildfire disasters, has been well supported for decades.

We are seeing that there is an expectation baked into us as a society, as people, that we can build wherever we would like, and that it is the job of the federal government, or of the firefighters, to protect our home at all costs. That is an expectation in that, particularly here out in the West, there is not a lot of receptivity to requiring people to build differently, to think strategically, to think more efficiently and resiliently about living with increasing wildfire.

Until we get over that hump, culturally and philosophically, unfortunately, what we're seeing is this increasing normalization of these wildfire disasters and this false



understanding, I would say, that we can't do anything about this, that this is the new norm, when in fact we can do a lot. And now is the time to think very strategically about building smarter, more durable, safer, more resilient homes for the future.

Dan LeDuc: Mitigation is crucial—but it can't stop every disaster. When the storm clears or the fire dies down, the real question is: Who pays for what comes next? That's where Caitlyn and Colin's work begins.

Caitlyn Wan Smith: When it comes to who actually pays, which level of government, it will depend on the size of a disaster, the severity of a disaster, how many people are affected.

Dan LeDuc: Is some of the rising costs from the mitigation efforts? That's good, right? I mean, we want to plan ahead and try to mitigate the potential downside down the road. Or is a lot of this being driven on the response and just because there's been more stuff to deal with?

Colin Foard: Spending on disaster recovery and response far outweighs spending on mitigation. So what one study put that ratio at \$7 in response and recovery spending for every \$1 in mitigation or resilience. So, while we have seen an uptick in funding to reduce risk, it's still a smaller portion of spending as it relates to disasters. Policymakers, they're going to either have a very immediate disaster that you're dealing with, or you're balancing the opportunity to invest in future risk reduction with all of the other immediate needs that your state has.

Dan LeDuc: You use the word balance and that's an important thing for listeners to know about too, which they may forget. Almost every state has to balance its budget, unlike the federal government that, of course, can have a continuing deficit borrowed for that. Does that increase the challenge then in this area?

Colin Foard: That's a key difference here. To the extent that disasters are becoming a bigger and bigger portion of that spending, they're going to have to make policy trade-offs. And that's part of the reason it's more important than ever that they take a close look at how they're budgeting disaster costs.

Dan LeDuc: Can you help listeners quantify that and get a sense of the data and information? Help the policymakers make those kinds of tough decisions?

Caitlyn Wan Smith: What Pew research has found is that states really don't typically have great data on their disaster spending. The timing and the multiple contributions to disaster spending all make it really difficult to get that data in one place.



Colin Foard: Caitlyn outlined really well why it's hard. I think what we've been doing is pulling together our research and the conversations that we've had with policymakers around the country to see how you could take steps to improve it.

Caitlyn Wan Smith: While it is very challenging, it is not insurmountable. It will take collaboration, and it will take some creative thinking.

Dan LeDuc: Wildfires raise the stakes even further. They ignite fast, spread unpredictably, and defy budget planning. That unpredictability is exactly what Kimi Barrett has spent her career trying to help states prepare for.

Kimi Barrett: Theoretically, with a wildfire, you can place a firefighter or a person in front of that fire, and therefore control it, prevent it, and hypothetically protect your home from burning.

And that's not necessarily the same process of mitigation that can occur, say, with floods or with hurricanes. And yet, at the same time, it is because of that expectation, that assumption, of firefighters being able to protect your home that we now, as a society, expect that level of home protection from wildfire. That it is something that can be controlled and managed in a way that reduces risk to a home or to a neighborhood.

The historic capacities within firefighting personnel, the numbers, the quantity of staff, of people, actually doing this work is not the same as what it has historically been.

Dan LeDuc: In 2020, the National Fire Protection Association reported a historic low in the number of volunteer firefighters at 676,900—marking a 25% decline since the mid-1980s.

Kimi Barrett: There are significant long-term psychological, mental, and behavioral health issues and physical health issues with respect to firefighting that now new generations don't want to have to deal with. And these are not safety measures built into our care of firefighters. The romanticization with firefighting is not the same with newer generations. And so, again, it is having to do more with less in the future.

Dan LeDuc: Well, can you tell us a little bit more about how fires spread?

Kimi Barrett: What actually burns homes down is embers. And embers are these tiny balls of fire—billions and billions of them—that fly far ahead of a wildfire front and it's this ember storm that, in fact, leads to about 90% of all structures being damaged. Think of a campfire when those embers fly out of the campfire, it's the same process with a wildfire.



If they land on any flammable surface area, they have the potential to grow in size and intensity to become a spot fire. And if this ball of flame lands on a pine needle, a dried leaf, a deck made of wood, all of these flammable surface areas increase the vulnerability of that single home burning.

And then you think about what a home is made of here in America, and it is a wooden framed structure that contains a lot of very flammable, petroleum manufactured products inside it. The carpet, the furniture, the appliances, the electronics, the vehicles in the garage—all of these are highly combustible. They burn really hot for a really long time.

And then radiant heat becomes a threat. And that is, again, let's go back to that campfire metaphor. That's the ideal way with which you would cook a marshmallow. It's when you stick that marshmallow outside against the coals, right? It starts to brown, and eventually, if you leave it there too long, it will ignite. Once a home starts to burn, that burning home is therefore a threat to its neighboring home. And then that kind of domino effect percolates through a broader community and it increases the spread of the threat. That's a very unique characteristic of wildfire disaster.

So, when you have an entire neighborhood, ignited at the same time, it's very easy to overwhelm firefighter defense forces. When you talk about reducing the risk, a lot of attention should be focused on reducing the potential of that very first home igniting in the first place.

Dan LeDuc: But some communities are already taking action, like in Colorado, where a local program is helping homeowners protect their neighborhoods before the flames arrive.

Kimi Barrett: One of the examples I always talk about is Boulder County, Colorado. They have this great program called Wildfire Partners Program. It's in partnership with the land use planning department, as well as the fire department, as well as insurance providers, very uniquely.

And what they've done is they have individual homeowners get an assessment and an inspection of their home and property. They get a checklist of all these mitigation risk reduction strategies that they should do. The homeowner gets one full year to complete them.

And at the end of that year, or sooner, if they've done a majority of those, then they get the certification of being a wildfire partner. It serves two benefits. One is that it's a visual placard that they can put on their property that demonstrates to their neighbors that they have done everything they can to reduce risk. So, it's the peer pressure and the optics of trying to really galvanize neighborhood action on this.



And then secondly, it is a certification that they can submit to their insurance provider to get a guaranteed retainment of coverage for one more year. It's not a reduction in premium, but it does say we will not drop your policy despite you living in a high-risk location because you have effectively reduced risk.

So that type of model is something that I really hold up as a great example of a public-private partnership that works to reduce risk to not just individual homeowners, but to the neighborhood.

Dan LeDuc: Mitigation is a key element of disaster preparedness. But even with the best preparation, some disasters break through. Cleanup is costly—and someone has to foot the bill. Caitlyn and Colin are helping states plan for that inevitability.

Caitlyn Wan Smith: Our recommendations fall under three key principles: measure, manage, and mitigate. Measuring disaster costs means collecting comprehensive spending data and regularly reporting that data to policymakers and the public.

Next, when we say manage, we're talking about the fiscal planning and resource allocation that states do to have disaster funds where they need them, when they need them. In this area, we recommend proactive budgeting, so states can budget money for disasters before they occur. They can also set aside the federal reimbursements that they receive from a disaster, and then they have a designated funding source to reach for when the next disaster hits.

Finally, we have recommendations to mitigate the risks and harms associated with disasters. These are mainly about prioritizing efforts that build environments, communities, infrastructure that are resilient to disaster damage.

Colin Foard: Many states are already doing some of the things we recommend. So, if I were a state, I would start with what I was already doing and build out from there. So, for example, if you're already doing some reporting of your disaster spending, say at the Emergency Management Agency, figure out how to add a few more agencies into that reporting. If your state is already investing one-off in mitigation, figure out how that could become a recurring investment that happens budget cycle after budget cycle. So it's almost building out from good practices going and using this framework that takes a proactive stance so that they can really maximize their impact.

Kimi Barrett: Now is the time to start thinking very deliberately and strategically about what it means to live with increasing wildfires. So, as individuals, it is the recognition that you are not immune to wildfire. You can call your fire department, and any fire department is happy to send personnel out to inventory and assess a property for this. And then it's working your way out of the house itself, looking at the



vegetation, the landscaping in and around the home and within the property. Then this, of course, has to go across the neighborhood.

It's the thoughtful mitigation measures that can occur either over the weekend, or that might require long-term consideration and budgeting. All of this requires collective action, knowing that no single individual can reduce risk to the community alone.

Dan LeDuc: Thanks for listening. To hear more stories like this, visit us at pewtrusts.org/afterthefact. And if you have questions or feedback you'd like to share, you can write us at podcasts@pewtrusts.org. You can also leave us a review wherever you listen to your podcasts. For The Pew Charitable Trusts, I'm Dan LeDuc, and this is "After the Fact."