

## **SUMMARY**

Federal disaster policy is undergoing significant transformation through two major channels: the FEMA Review Council Report, created under Executive Order 14180, and parallel congressional reform efforts. Together, these initiatives signal a shift toward higher federal disaster thresholds, greater state responsibility, expanded use of parametric insurance, and potential restructuring of Public Assistance and Individual Assistance programs. These changes would substantially increase financial and administrative demands on California and its local governments. The proposed bill would ensure California proactively studies, prepares for, and adapts to these anticipated shifts while strengthening long-term disaster resilience.

## **BACKGROUND**

The FEMA Review Council, established in January 2025, evaluated FEMA's capabilities and recommended major changes to how the federal government approaches disaster preparedness, response, and recovery. Key report recommendations include: shifting to a parametric block-grant model for Public Assistance; streamlining Individual Assistance (IA) into a single payment; raising federal disaster declaration thresholds; and redefining FEMA as a "payer of last resort".

Concurrent with this administrative review, Congress is advancing the Fixing Emergency Management for Americans (FEMA) Act, which would make FEMA an independent cabinet-level agency, overhaul assistance programs, and accelerate Public Assistance payments. While these changes are not yet law, the policy direction signals substantial shifts in federal-state disaster roles.

California governments—especially counties—are particularly exposed. Counties clear debris, shelter residents, rebuild infrastructure, administer grants, and serve as the first line of disaster response. Under the proposed national framework, many responsibilities and costs currently borne by FEMA could be shifted downward.

## **NEED FOR THE BILL**

The anticipated federal changes would have profound consequences for California:

- Higher federal thresholds would reduce the number of major disaster declarations, increasing the proportion of disaster costs borne by states and local governments.
- Counties could experience significant fiscal strain if state capacity or funding does not expand proportionally.

- FEMA's increasing reliance on parametric and insurance-based approaches demands that states develop expertise and statutory frameworks to deploy similar tools.
- California statutes—including the County Budget Act, the California Disaster Assistance Act, and the Gann Limit—may constrain the ability of local governments to create reserves or participate in pooled risk structures.
- Insurance markets are tightening, and FEMA is anticipated to cover less than before, increasing the importance of developing state-level reserve and financing strategies.

Without proactive planning, California risks losing federal reimbursement opportunities, facing larger unfunded liabilities, and lacking programs to support impacted Californians.

### **WHAT THIS BILL COULD DO**

The proposed legislation could:

**1. Conduct a comprehensive statutory and policy alignment review.**

Identify connections between the Stafford Act and California statute, identifying updates needed to preserve federal eligibility and maximize disaster recovery funding.

**2. Study creation of a California Individual Assistance (IA) program.**

Evaluate program structure, equity criteria, and alignment with federal IA—especially if federal benefits become block-granted to states.

**3. Evaluate new state-level financial and reserve mechanisms.**

Explore: a California disaster recovery reserve fund under CDAA; a pooled disaster recovery fund, potentially modeled on the Florida Hurricane Catastrophe Fund or California Earthquake Authority; financing authorities to support recovery when federal funding declines.

**4. Assess feasibility and constraints of parametric insurance and risk-based reserves.**

Study opportunities, limitations, and required changes to local and state law to enable use of parametric policies and risk-based reserve models by counties and cities (1).

**5. Establish a multidisciplinary task force.**

Convene academics, insurers, county and city representatives, State agency officials, and subject-matter experts to develop actionable recommendations for the Legislature.