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Municipal Finance Law Since 1971

How States Can Build Disaster-Ready Budgets.

Strategies for reducing fiscal risks in the face of rising costs

Overview

Policymakers at every level of government are grappling with the rising costs of storms, floods, wildfires, and other natural disasters and how best to aid affected communities. As disasters have grown in frequency and severity, so too has the strain on public finances and the urgency to update budgeting practices, especially in the states, to help public officials plan for changing spending needs.

A series of studies from The Pew Charitable Trusts from 2018 to 2022 examined how states manage the fiscal impact of natural disasters, including their spending practices, funding mechanisms, and risk reduction (mitigation) investments. The research revealed that data on public disaster spending is lacking, that states' typical budgeting approaches have not adapted to recent disaster trends, and that efforts to reduce loss of life and property, which could help control rising costs in the long term, are inconsistently and insufficiently funded.

As a result of these findings, along with lessons learned from observations of state practices and conversations with public finance and emergency management practitioners, Pew developed a set of strategies that state budget officials can adopt to improve disaster budgeting. These recommendations are organized around three key principles that can help minimize the fiscal risks stemming from natural disasters:

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The Pew Charitable Trusts

May 1, 2025

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