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All Resilience is Local: Implications of Federal Devolution of Disaster Preparedness & Response

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President Trump's second term administration has signaled its intent to pursue a devolution of federal responsibilities, favoring greater roles for state and local governments and the private sector. The shift is particularly evident in disaster resilience and preparedness, where the federal government has historically played a central role. We survey the potential changes and identify emerging risks and opportunities for insurance companies, utilities and infrastructure investors.

The Executive Order (EO) "Achieving Efficiency Through State and Local Preparedness," combined with proposed cuts to Federal Emergency Management Agency (FEMA) and National Oceanic and Atmospheric Administration (NOAA) data and resilience resources, exemplifies this trend and has several major implications.

1. **Preparedness and resilience will become competitive advantages for states, local governments and private sector firms:** The EO significantly increases expectations that state and local governments—not the federal government—will lead disaster preparedness and response. It also reinforces the critical role of businesses and individuals in building national resilience. Companies will need to prepare for a future where operational continuity, workforce safety and regional recovery increasingly depend on local capabilities and private sector action, without a consistent federal backstop.
2. **Risk designations will gain commercial relevance:** The EO calls for a National Risk Register to systematically assess and quantify threats to national infrastructure. These designations will likely influence federal investment and regulatory decisions, potentially becoming sources of subsidies or regulatory exposure.
3. **Rapid innovation will be needed in resilience and climate risk management:** The administration's pivot will reshape rules, expectations and incentives. With anticipated cuts to resilience data at FEMA and NOAA, businesses and communities will face a future with less federal support and must adapt accordingly. This shift creates new opportunities for the private sector—in liability management, infrastructure investment, insurance innovation and data services.

Overview

On March 19, 2025, President Trump issued the EO "Achieving Efficiency Through State and Local Preparedness," delegating primary responsibility for disaster preparedness and response to state and local governments. The order emphasizes "risk-informed investments" in infrastructure to mitigate threats from natural disasters and cyber incidents. It calls for a National Resilience Strategy, revisions to continuity and critical infrastructure policies, and a new National Risk Register to quantify infrastructure risks.

Proponents argue this approach improves resource allocation and reduces federal spending. Critics warn it could weaken national preparedness by reducing federal involvement and overburdening local authorities.

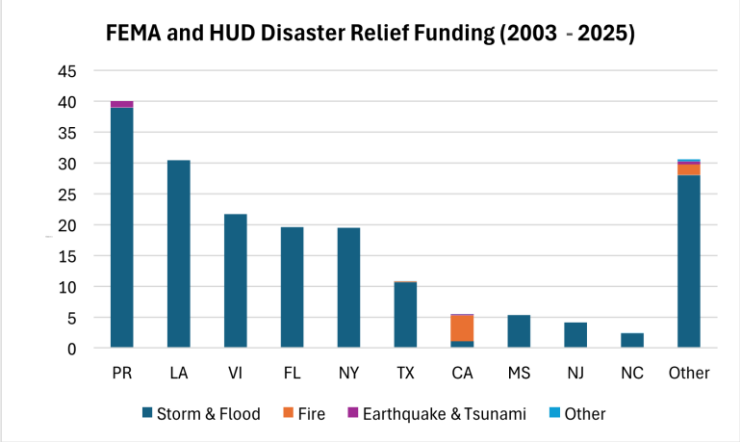
The EO aligns with longstanding principles of disaster risk management, emphasizing the need to understand risk, develop community-driven strategies and prepare for threats that cannot be eliminated. It signals a shift from an "all-hazards" approach that prepares for any possible disaster to a risk-prioritized framework. In practice, emergency management best practices require jurisdictions to assess, prioritize and prepare for a broad spectrum of risks.

The EO marks a significant change in how disaster preparedness and response are governed in the U.S., indicating a move toward greater state, local and private-sector responsibility. This decentralization reflects the administration's broader goal of reducing federal involvement and increasing non-federal actors' control and responsibility.

Key frameworks, such as the **National Security Memorandum 22** (which designates the Department of Homeland Security (DHS) and the Cybersecurity and Infrastructure Security Agency (CISA) to work collaboratively with the government and private sector to share mutual responsibilities for reducing risks to critical infrastructure), are under review, potentially changing today's voluntary resilience standards for critical infrastructure into mandatory federal requirements.

These governance shifts are already impacting operations. In early 2025, the federal government denied Arkansas's request for disaster assistance following deadly tornadoes, and Washington state's request for support after a bomb cyclone in late 2024 was also turned down. These denials illustrate the administration's intent to limit federal intervention and shift more responsibility to states. Previously, a federal disaster declaration would have activated coordinated support under established doctrines, such as the National Disaster Recovery Framework and National Response Framework, bringing federal agencies together to assist with urgent needs, including utility restoration, debris removal and temporary housing. Agencies like the U.S. Army Corps of Engineers, the Department of Energy (DOE) and FEMA would deploy resources, expertise and funding to speed recovery and reduce burden on local governments. Without these declarations, states are left to manage complex, resource-intensive operations alone. With the EO directing a review of these doctrines, even this traditional form of post-disaster federal coordination is now subject to debate—further signaling a systematic shift in how disasters are managed in the U.S.

[1]The EO also mandates deeper scrutiny of supply chain vulnerabilities, requiring comprehensive reviews to identify weaknesses and develop strategies to mitigate them. This prompts agencies like the DOE to devise new approaches to secure critical sectors, including clean energy.



Additionally, the EO proposes the creation of a National Risk Register to quantify risks to national infrastructure, guiding investment decisions across federal, state and private sectors. This new register introduces a structured approach to funding critical infrastructure upgrades. Even if federal grant funding levels remain flat or decline, existing programs may prioritize projects that directly align with top-ranked risks in hazard mitigation plans (e.g., flood protection in coastal cities, wildfire resilience in the West). The funding prioritization methodology is not defined in the EO.

Changes expected at NOAA's Office of Oceanic and Atmospheric Research (OAR) and its partnership with Princeton University could also jeopardize the continuity of some of the world's most advanced and accurate climate models. These models provide foundational data for public weather forecasting, hurricane prediction, long-term climate projections and many private sector analytical tools and frameworks. Consequently, firms across the economy must determine how to navigate and prepare for risks under the new resilience doctrine—potentially without access to the established data sets their decision models rely on.

[1] Disaster Dollar Database | Carnegie Endowment for International Peace

Risks and Opportunities

Taken on its own, the EO's implications would represent a material shift for state and local governments and the private sector. Against the backdrop of potential changes to data, it presents a tectonic one.

The recent EO fundamentally shifts responsibility for resilience and risk management from the federal government to state and local governments. Any gaps left by state and local authorities will necessarily be absorbed by property owners, residents, businesses and their insurance carriers. This transition occurs at a time when many state and local governments—particularly those with frequent disaster exposure—are already operating under significant resource constraints, including limited budgets and personnel.

From an economic perspective, this policy change increases financial exposure for both public and private sector stakeholders. If resilience risks are not proactively managed, the resulting increase in disaster-related losses and insurance costs will erode local tax bases. This, in turn, further constrains the ability of state and local governments to finance necessary infrastructure and preparedness improvements, creating a negative feedback loop that can accelerate fiscal decline. The EO's emphasis on a risk-informed—rather than all-hazards—approach to resilience prioritizes targeted investments but also reduces the federal safety net for unaddressed risks.

Additionally, given the expected changes to the federal government's continued ability to provide foundational climate risk data, there will be greater opportunities for private sector data providers to create products and services to fill in the gap. This helps explain why the global climate data analytics sector is expected to grow by 28.7% annually to $5.7B by 2030, according to Mordor Intelligence.[2]

Given the criticality of the federal government's data set, a coalition of insurers, firms, NGOs or other entities could also take over the role of providing objective climate data to avoid the continuity risks.

As a result, state and local governments will be compelled to explore alternative structures to address these challenges. This will likely include greater reliance on private sector expertise, innovative financing mechanisms and public-private partnerships to bridge funding and capability gaps. The EO also calls for the establishment of a National Risk Register and streamlines federal functions, to facilitate more efficient collaboration between states, localities and Washington, D.C., but with a clear expectation that primary responsibility now rests at the subnational and private levels.

Insurance

Insurers will see their businesses most transformed by the changes in federal policy, with profound impact on their risk exposures, underwriting and product mix, competitive landscape and investment strategies.

The most obvious implication is their risk exposure will inevitably increase in the immediate term. Given the retrenchment of federal disaster prevention and resilience support, there will be a near-term increase in risk as state and local governments build out their capacity to respond to disasters. Consequently, at least in the short term, it should be expected that losses will increase due to limited prevention and

[2] https://www.mordorintelligence.com/industry-reports/climate-data-analytics-market?utm_source=chatgpt.com

mitigation resources. To that end, Swiss Re estimates natural disasters will cost insurers $145B globally in 2025, up 6% from $137B in 2024.[3]

Secondly, despite the increasing risk exposure, insurers will face a near-term challenge in adapting their data models if NOAA data availability is affected. Both internal models and third-party climate risk tools currently used by insurers for underwriting hinge on the consistent data sets provided by NOAA. Consequently, sudden unavailability of this data will undermine the accuracy of underwriting. The impact will likely result in a mispricing of risk or retreat from areas deemed too volatile to underwrite.

For more agile insurers with strong data analytics platforms, however, this will create an asymmetric advantage relative to those with less sophistication. Their underwriting and analytic capabilities will enable them to provide new and innovative products to clients and to price risk more competitively. For example, the EO mandates a review of critical infrastructure policies and a transition from an all-hazards approach to a risk-informed strategy. This shift encourages businesses to conduct thorough risk assessments tailored to their specific vulnerabilities, leading to more efficient allocation of resources and targeted mitigation efforts. The capability to model compound disasters, cascading failures and emerging risks such as climate migration and supply chain disruptions will be increasingly critical. Consequently, the new risk-prioritization framework may influence insurance and reinsurance pricing models, creating opportunities for products and services around catastrophe risk modeling, parametric insurance solutions and alternative financing mechanisms for resilience projects.

Lastly, as some of the largest institutional investors, insurers will face ever-greater exposure to climate risk in their asset portfolios, particularly around real estate and infrastructure. That said, they are better positioned than traditional investors to underwrite this risk and will be able to redeploy capital with greater agility to areas with lower climate risk exposure. Additionally, they may adapt their investment strategies to reflect the new policy paradigm by investing in other asset classes—be it resilient infrastructure or venture investment in data providers—that will benefit from the retrenchment in federal support.

Utilities

The EO indicates that the responsibility and cost of increasing resilience will be local. This creates an opportunity for utilities to demonstrate leadership by proactively partnering with state and local governments and ratepayers to mitigate risks at the household, neighborhood, ecosystem and watershed levels. This would include understanding the potential cascading consequences of events and helping to take action to reduce potential impacts, with implications for utility's system design and investments beyond merely "hardening" existing assets. Alternatively, state and local governments may expect both

[3] https://www.reuters.com/sustainability/climate-energy/costs-climate-disasters-reach-145-bln-2025-says-swiss-re-2025-04-29/

public and private utilities to absorb the costs of resilience improvements to deliver uninterrupted, weather-ready services—effectively shifting risk from taxpayers to ratepayers and utility investors.

Utilities that take a partnership-based approach to these challenges with the communities they serve will likely benefit from a more productive relationship with customers and governments (including their public utility commission). AT&T, for example, partnered with the DOE's Argonne National Lab and FEMA to develop the Climate Risk and Resilience Portal, enabling downscaled analysis of several natural hazards using three global climate change projection models. They did this to ensure they and their customers were able to take action to reduce risk. AT&T has gone on to help specific states and communities use this tool to better understand and tackle risk, creating benefits for communities and their telecom infrastructure.

Should the administration undertake a systematic shift of national security, emergency preparedness and infrastructure protection policy and doctrine, it could have direct implications for the utility sector—electric, gas, water and wastewater.

- The EO suggests a move away from federal financial and logistical backing for resilience investments, requiring utilities to strengthen state and local partnerships and secure funding from non-federal sources. Agencies like the Environmental Protection Agency (EPA) and CISA have provided free cybersecurity audits and technical assistance to utilities, particularly for rural water utilities.
- Utilities may be required to disclose vulnerabilities (grid weaknesses, contamination risks, pipeline security gaps) for the National Risk Register—a move utilities have historically resisted due to security concerns. Federal funding will also likely prioritize specific high-risk threats rather than broad resilience improvements.
- A review of key national security and continuity policies (EOs 13618 and 13961) could result in new cybersecurity, operational continuity and disaster response requirements. Utilities may need to enhance defenses for control systems, emergency communications and water treatment facilities. Changes to mutual aid frameworks and FEMA/DHS coordination may also occur, impacting power restoration and restoration of other services.

Additionally, when details of the National Risk Register are released, utilities should carefully evaluate requirements and implications to determine the best path forward for their infrastructure.

Infrastructure Investors

As federal disaster support shifts, state and local governments may look to public-private partnerships for solutions in fire prevention, flood risk reduction and other community resilience needs. Private investors will be pivotal in filling the gaps left by the federal government, creating opportunities to collaborate with governments on infrastructure projects and mitigation strategies, while opening new revenue streams. Public-private partnerships are the most likely replacement, offering the expertise and innovation needed to address these evolving challenges. As a result, we may see increased investment in resilient building materials, energy-efficient solutions, wildfire mitigation and flood-resistant infrastructure.

With the number of billion-dollar disasters continuing to rise, prioritizing solutions that minimize disaster-related costs and enhance long-term stability is paramount. Companies that supply these materials and solutions could see significant increases in demand, although these may be more state-specific than county- or region-specific due to varying levels of funding.

Local ordinances and incentives could also accelerate the adoption of resilient infrastructure, such as disaster-resistant housing, smart grid technologies and microgrid energy solutions. This could create demand for resilient construction, engineering solutions and technology-enabled mitigation measures. For companies to succeed in this new system, it will be important to properly track the changes in state and local policy, especially with the creation of new programs, possible tax breaks and other incentives.

Outside of resilient construction, cyber resilience, smart grid and flood/fire mitigation markets should aim to position themselves to address whichever risks are prioritized by the most well-funded states.

- The uneven implementation of disaster resilience measures—driven by available funding—is making high-risk states like California and Florida especially important to watch in terms of efforts to bolster local preparedness.
- The EO will likely expand the role of insurance and risk mitigation solutions and could result in heightened demand for insurance products that protect against a wider range of environmental risks and provide more robust financial protection for vulnerable infrastructure.
- With the proposed National Resilience Strategy within the EO, there will be an expanded market for cybersecurity and digital infrastructure solutions. Governments will have to adapt and ramp up their efforts to safeguard critical infrastructure in line with the new guidelines, as well as to support overall resilience of their state digital programs.
- Many local governments will likely struggle with limited budgets for disaster preparedness. Municipal bonds and other forms of public financing are likely to play a role in funding necessary improvements, but their use will depend on financial conditions and market confidence.

A Golden Age for Private Sector Resilience Solutions

The Trump administration is undertaking a transformative shift in disaster resilience and preparedness policy. Devolving historically federal roles to state and local governments and the private sector creates both new risks and new opportunities for innovation. The increased reliance on private sector solutions, paired with the development of the National Risk Register, establishes a framework for a proactive and dynamic approach to managing risks. Infrastructure investors, insurers, utilities and other stakeholders must now navigate this evolving landscape with a keen eye on mitigating emerging threats and monetizing new opportunities.

The private sector's role in providing data, expertise and innovative solutions is crucial, as is the need for public-private partnerships to bridge gaps in funding and resources. The EO creates significant opportunities for sectors such as resilient construction, cyber resilience, smart grid technologies and flood/fire mitigation markets to thrive. Creative financing will also play a critical role in funding necessary improvements.

As the nation transitions to this decentralized model of disaster preparedness and resilience, it is essential that stakeholders remain vigilant, adaptive and committed to safeguarding the lives, livelihoods and well-being of all Americans.

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