

WORTH KNOWING

Philanthropy in a time of disaster—Preparing, responding, recovering

New Orleans and Hurricanes Katrina and Rita—by the numbers

The catastrophic impact of Hurricane Katrina on New Orleans is widely known. However, the numbers tell a stark story about the disparities in funding for stages of disaster response. The Data Center, an independent research center focused on Southeast Louisiana, reports that total damages from the Hurricanes Katrina and Rita were \$150 billion—\$135 billion from Katrina and \$15 billion from Rita.

Federal spending in response was \$120.5 billion. However, of that amount, \$75 billion went to emergency relief, not rebuilding. Private giving was \$6.5 billion, and private insurance claims covered less than \$30 billion of the losses.²

These numbers, taken together, suggest that as much as \$79 billion of losses and long-term recovery costs were not covered by any source of public or private donations.³

Hurricanes, earthquakes, wild fires, epidemics, large-scale acts of terrorism. When extraordinary events with tragic outcomes occur and dominate the media cycle, the human reaction is to respond with compassion and to try to provide help. However—whether the event happens next door or halfway around the globe—it is not always easy to know how to have the greatest impact or how to get aid to those who most need it. And sometimes the most effective response is to make grants prior to a disaster striking.

There is a particularly important role for private philanthropy in responding to disasters, as private funding is more flexible and can often reach on-the-ground responders more rapidly than governmental funds can. In addition, private donors can take the long view and think about impact at all stages of disaster response.

The Center for Disaster Philanthropy (CDP) and Foundation Center has defined four major strategies for disaster assistance:

1. **Resilience, risk reduction, and mitigation**—support for regions or organizations to build, maintain, and recover critical functions in the face of shocks/stresses. For example, redundant off-site storage of patient files for a health center or planting mangrove belts along coastlines to pre-emptively mitigate flooding from surges during major storms
2. **Preparedness**—specific emergency preparedness activities for communities such as training for first responders, community education programs, or city planning exercises around evacuation for flood or hurricane
3. **Response and relief**—grants for immediate responses, particularly for basic human services
4. **Reconstruction and recovery**—longer-term recovery and reconstruction, including activities to mitigate against future disasters (e.g., raising houses in flood-prone areas)¹

Institutional Investments & Philanthropic Solutions (Philanthropic Solutions) is part of U.S. Trust, Bank of America Private Wealth Management (U.S. Trust). U.S. Trust operates through Bank of America, N.A. and other subsidiaries of Bank of America Corporation (BoFA Corp.). Bank of America, N.A., Member FDIC. Trust and fiduciary services and other banking products are provided by wholly owned banking affiliates of BoFA Corp., including Bank of America, N.A. Brokerage services may be performed by wholly owned brokerage affiliates of BoFA Corp., including Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S).

U.S. TRUST 

Bank of America Private Wealth Management

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
-----------------------------	--------------------------------	-----------------------

See last page for important information.

¹ Center for Disaster Philanthropy (CDP) and Foundation Center, “Measuring the State of Disaster Philanthropy 2014: Data to Drive Decisions.”

² datacenterresearch.org/data-resources/katrina/facts-for-impact/ (page retrieved on Aug. 23, 2017).

³ \$79 billion derived by taking total losses (\$150 billion) and subtracting maximum federal spending (\$45.5 billion), \$30 billion in insurance, and \$3 billion, a high estimate for percent of private funds that were designated for long-term recovery.

The majority of giving in a time of disaster is aimed at the response and relief phases. In the most recent analysis of this topic, 73.1% of all disaster giving was aimed at the response and relief phase and just 11.1% was directed to resilience, risk reduction, mitigation, or preparedness.⁴ This is understandable, given the immediacy of images and stories that emerge directly after a catastrophic event, and there is no denying the importance of providing critical services—food, shelter, medical care, safety—as soon as possible. However, the longer-term reconstruction and recovery needs are often overlooked, more expensive, and dramatically underfunded by public, insurance, and private funds.

In considering a grant in response to a disaster, some key considerations outlined by CDP and other experts include:

- **Take the long view. Even while focusing on immediate needs, remember that it will take some time for the full range of needs to emerge.** Be patient and willing to persist in learning about the long-term needs and effects after major events. Many needs such as mental health or housing reconstruction may take months, if not years, to be fully apparent, and funding will be needed throughout.⁵
- **All funders are disaster philanthropists.** Even if a foundation does not normally work in a particular geographic region or fund immediate relief efforts, there are multiple ways to tie disaster funding into a foundation's mission. In thinking about an overall grant budget, it may be useful to have routine discussions about whether disaster giving is in place of or in addition to the regular grants program.⁵
- **Support the sharing of best practices.** Interested donors could help support the transfer of expertise from one region to another before the next disaster occurs. For example, a donor could fund the research and documentation of best practices in volunteer management.⁵
- **Look to past disasters for guidance.** There are often lessons learned that could be used to create better policy and procedure. Consider funding disaster risk-reduction research or projects that could inform more-effective disaster preparation and response policy.⁵
- **Do not collect or send physical goods unless an agency on the ground specifically requests them.** Aid agencies are frequently overwhelmed when well-meaning but uninformed people send what they think to be necessary items but that are frequently less than useful.⁶

When Donations of Goods are Bad

Although motivated by good intentions, the collection of clothing, food, or even water to ship to a disaster-struck area may actually contribute to an inefficient or even dangerous allocation of resources. In 1998, after Hurricane Mitch devastated Honduras, there were planes with vital supplies that could not land because the runway was blocked by bales of donated used clothing, including winter coats, which were not needed.

A disaster expert notes that even bottled water isn't always the most useful. For example, 100,000 liters of water will provide drinking water for 40,000 people for one day. Shipping that amount of water from the United States to West Africa would cost about \$300,000. However, a relief organization with portable water purification units can produce that same amount of water for about \$300.⁷

Experienced aid agencies have repeatedly stressed the importance of cash donations that allow responders to buy exactly the supplies needed in the quantity and type needed. In addition, to the extent that supplies can be purchased locally, it may help to restart economies that have been hit by the disaster.

In making decisions about where to give when responding to a disaster, you should continue to undertake due diligence for an organization before you make a grant. Some questions to consider include:

- What is the organization's track record in providing disaster relief? Does it work from a central national site or have local affiliates or partners? Especially in international disasters, the importance of local knowledge is paramount as responders need to be able to fluidly navigate the language, culture, policies, and local institutions such as hospitals in the affected area.

⁴ Center for Disaster Philanthropy and Foundation Center, "Measuring the State of Disaster Philanthropy 2016: Data to Drive Decisions."

⁵ Adapted from the Center for Disaster Philanthropy's post on basic tips for disaster giving; disasterphilanthropy.org/resources-2/basic-tips-for-disaster-giving/ (page retrieved on Aug. 22, 2017).

⁶ Multiple sources, but good summary: cbsnews.com/news/when-disaster-relief-brings-anything-but-relief/.

⁷ Ibid.

- What is the organization's track record in providing the type of services needed? For example, if it is providing medical services, does it have the appropriate staffing and expertise?
- Does the organization have current exempt status from the IRS?
- If this is a new organization formed in response to this specific disaster, what do you know about the board? Staff? Other funders? It is wise to be particularly wary of new nonprofits formed at times of disasters. While many will be legitimate, there have also been a number of unfortunate situations where organizations raising funds for a specific disaster have later been revealed as scams⁸. If you have any doubts, consult with a philanthropic advisor.

Resources:

- Center for Disaster Philanthropy disasterphilanthropy.org/.
- IRS Guidance on charitable donations and disaster relief: [irs.gov/pub/irs-pdf/p3833.pdf](https://www.irs.gov/pub/irs-pdf/p3833.pdf).
- InterAction list of crises: interaction.org/work/crisis-list.
- National Voluntary Organizations Active in Disaster (NOVAD) nvoad.org/.

How U.S. Trust can help you

Because disasters touch every facet of life, and all corners of the world, all donors have opportunities to respond to extraordinary events with compassion in a way that aligns with their values and giving priorities.

U.S. Trust has expertise and resources available to assist individuals and foundations with giving in response to these events. For more information on this topic, please contact your U.S. Trust advisor.

⁸ forbes.com/sites/causeintegration/2015/10/05/charity-scams-put-the-disaster-in-disaster-relief/#1ef7719c6fa2 .

The information and views contained in this publication are for informational purposes only and do not provide investment advice or take into account your particular investment objectives, financial situations or needs and are not intended as a recommendation, offer or solicitation for the purchase or sale of any security, financial instrument, or strategy. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue.

Certain U.S. Trust associates are registered representatives with MLPF&S and may assist you with investment products and services provided through MLPF&S and other nonbank investment affiliates. MLPF&S is a registered broker-dealer, Member SIPC and a wholly owned subsidiary of BofA Corp.

Bank of America, N.A. and MLPF&S make available investment products sponsored, managed, distributed or provided by companies that are affiliates of BofA Corp.