CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 8, 2010

H.R. 3377
Disaster Response, Recovery, and Mitigation Enhancement Act of 2009

As ordered reported by the House Committee on Transportation and Infrastructure on November 5, 2009

SUMMARY

H.R. 3377 would affect several grant and disaster assistance programs administered by the Federal Emergency Management Agency (FEMA). The legislation would:

- Authorize grants to states and localities for predisaster mitigation programs;
- Modernize emergency warning systems to incorporate multiple technologies;
- Expand participation in the Federal Employees Health Benefit (FEHB) program to include temporary or intermittent employees hired by FEMA during a disaster;
- Provide funding for urban response and rescue efforts and establish a national network of standardized resources for search and rescue;
- Increase hazard mitigation assistance available to states following a disaster;
- Authorize mortgage and rental payment assistance for victims of a disaster;
- Authorize grants to states that agree to provide aid to other states during a disaster;
- Increase assistance for debris removal to states and local governments;
- Require FEMA to undertake a number of reviews and reports;
- Specifically authorize a Disaster Relief Fund (DRF);

- Authorize assistance for the rescue, care, and shelter of household pets and service animals during a declared emergency;

- Direct FEMA to develop and implement a plan to dispose of excess housing units; and,

- Create special procedures for recovery funding for disasters with extensive and widespread damages and increase assistance for alternative public assistance projects.

Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 3377 would cost about $1.2 billion over the 2010-2015 period.

In addition, the legislation would authorize FEMA to retain and spend receipts from the sales of excess materials, supplies, and equipment. Under current law, proceeds in excess of sale costs are deposited into the Treasury. Pay-as-you-go procedures would apply because enacting the legislation would affect direct spending; however, CBO estimates that such spending would be insignificant in any year. We estimate that enacting this legislation would not affect revenues.

H.R. 3377 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), by eliminating an existing right to seek compensation for damages and by requiring employers to allow members of the urban search and rescue response system to reclaim their jobs after completing a deployment to a disaster. Based on information from FEMA, CBO estimates that the cost to comply with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($70 million and $141 million, respectively, in 2010, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3377 is shown in the following table. The cost of this legislation falls within budget functions 450 (community and regional development) and 550 (health).

	By Fiscal Year, in Millions of Dollars						
	2010	2011	2012	2013	2014	2015	2010-2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Predisaster Mitigation Grants							
Authorization Level [a]	150	250	250	0	0	0	650
Estimated Outlays	4	81	160	205	150	50	650
Integrated Public Alert and Warning System							
Estimated Authorization Level	0	39	39	40	41	43	202
Estimated Outlays	0	6	14	25	34	40	119
Health Benefits for Temporary Employees							
Estimated Authorization Level	4	16	17	18	19	21	95
Estimated Outlays	4	16	17	18	19	21	95
National Urban Search and Rescue Response System							
Authorization Level [a]	19	52	52	0	0	0	123
Estimated Outlay	2	46	52	23	0	0	123
Increased Hazard Mitigation Assistance							
Estimated Authorization Level	0	28	56	56	57	58	255
Estimated Outlays	0	1	8	22	36	47	114
Temporary Mortgage and Rental Payments							
Estimated Authorization Level	0	2	3	3	3	3	14
Estimated Outlays	0	1	3	3	3	3	13
Emergency Management Assistance Compact Grants							
Authorization Level	4	4	4	0	0	0	12
Estimated Outlays	1	4	4	3	0	0	12
Increased Debris Removal Assistance							
Estimated Authorization Level	0	12	18	18	18	19	85
Estimated Outlays	0	11	17	18	18	19	83
Reviews and Reports							
Estimated Authorization Level	*	1	1	1	1	1	5
Estimated Outlays	*	1	1	1	1	1	5
Total Changes							
Estimated Authorization Level	177	404	440	136	139	145	1,441
Estimated Outlays	11	167	276	318	261	181	1,214

Note: * = less than $500,000.

a. H.R. 3377 would authorize appropriations for fiscal year 2010 above amounts provided by the Congress under current law and allocated by FEMA for that year (see Public Law 111-83).

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted during fiscal year 2010 and that amounts specified and estimated to be necessary will be appropriated for each year.

Spending Subject to Appropriation

Predisaster Mitigation Grants. Section 101 would authorize the appropriation of $250 million in each of fiscal years 2010 through 2012 for FEMA to provide assistance to states and localities for predisaster mitigation projects such as constructing levees, relocating homes away from flood-prone areas, and retrofitting buildings in areas prone to earthquakes. For 2010, the Congress provided $100 million for such assistance (see Public Law 111-83). CBO assumes that the additional $150 million authorized by this legislation for that year would also be appropriated. Based on historical spending patterns for this program, CBO estimates that implementing this provision would cost $650 million over the 2010-2015 period.

Integrated Public Alert and Warning System. Section 102 would authorize the appropriation of $37 million for 2010 and such sums as may be necessary thereafter to modernize the Integrated Public Alert and Warning System (IPAWS). IPAWS utilizes multiple technologies (for example, satellite radios, computers, pagers, and cellular phones) in addition to traditional radio and television communications to provide information about an impending or ongoing disaster. To date, FEMA has completed several pilot programs and continues to implement IPAWS technologies in various regions. In addition, the legislation would establish an advisory committee to make recommendations on implementing the system.

FEMA plans to allocate about $37 million for IPAWS in 2010 from amounts already provided for that year. Based on information from the agency, CBO does not expect that activities would increase significantly over the next five years under this bill. Consequently, we estimate that the amounts necessary to implement this section would be roughly equivalent to the current budget for the program (adjusted for inflation) and would cost about $119 million over the 2011-2015 period.

Health Benefits for Temporary Employees. Section 103 would allow temporary or intermittent employees hired by FEMA under the Stafford Act to enroll in the Federal Employees Health Benefit (FEHB) program. Based on estimates from FEMA of the number of disaster assistance employees that would be eligible each year (about 8,000), CBO estimates that the federal contribution towards premiums for temporary and intermittent employees would total about $95 million over the 2010-2015 period. CBO estimates that about half of the eligible employees working for less than one year would enroll in the program.

National Urban Search and Rescue Response System. Section 105 would authorize the appropriation of $52 million in each of fiscal years 2010 through 2012 for FEMA to supplement operations of the National Urban Search and Rescue Response System. The system consists of multiple task forces made up of participants from fire departments, law enforcement agencies, federal, state, and local governments, and private companies. Task forces assist local responders in locating victims and managing recovery operations. Funding provided in this legislation would be used to operate and train the task forces, maintain equipment, and replace or repair equipment used in training or when responding to a disaster. The bill also would direct FEMA to establish a national network of standardized resources used in search and rescue operations and to enter into cooperative agreements with sponsoring agencies to reimburse costs incurred in those efforts.

For 2010, the Congress provided about $33 million for the Urban Search and Rescue Response System (see Public Law 111-83). CBO assumes that the additional $19 million authorized by this bill for 2010 also would be provided. Based on historical spending patterns for this program, CBO estimates that implementing this provision would cost $123 million over the 2010-2015 period.

Increased Hazard Mitigation Assistance. Section 201 would increase assistance available to states under FEMA's Hazard Mitigation Grant Program (HMGP). Under current law, states receive grants for postdisaster mitigation equal to between 7.5 percent and 15 percent of total recovery assistance provided under the Stafford Act. States with a FEMA-approved State or Tribal Enhanced Hazard Mitigation Plan may receive grants of up to 20 percent of Stafford Act assistance. Under this legislation, if a state is actively enforcing an approved building code, FEMA could increase mitigation assistance through HMGP by an amount equal to 4 percent of total recovery assistance. Based on historical obligations for hazard mitigation and assuming that about half of future disasters occur in states with approved building codes, CBO estimates that implementing this provision would require additional appropriations of about $255 million over the 2011-2015 period, at a cost of $114 million.

Temporary Mortgage and Rental Payments. Section 202 would authorize FEMA to make mortgage and rental payments on behalf of individuals facing imminent risk of eviction as a result of a disaster. Assistance under the program would be limited to 18 months and would be subject to FEMA's cap on total individual and household assistance ($29,900 for 2010, adjusted annually for inflation). Prior to 2002, FEMA operated a Mortgage and Rental Assistance (MRA) program with similar parameters. Payments under MRA totaled about $18 million from 1970 until 2001, when FEMA distributed $76 million in assistance following the September 11 terrorist attacks. CBO estimates that implementing a similar program would require additional resources of about $14 million over the next five years, increasing discretionary spending by $13 million over that period.

Emergency Management Assistance Compact Grants. Section 301 would authorize the appropriation of $4 million a year over the 2010-2012 period for grants to administer and coordinate activities under the Emergency Management Assistance Compact (EMAC). EMAC was ratified by the Congress in 1996 (see Public Law 104-321) as an interstate mutual-aid agreement that enables member states to share resources during a declared disaster. The compact also allows for interstate coordination of emergency-related exercises and training. EMAC is currently administered by the National Emergency Management Association (NEMA), a private association representing state emergency management directors. Based on historical expenditure patterns, CBO estimates that providing grants to NEMA and EMAC participants would cost $12 million over the 2010-2013 period.

Increased Debris Removal Assistance. Section 308 would increase the federal cost share for debris removal by 5 percent for states and local governments that have developed a debris management plan and have prequalified at least two wreckage-removal contractors prior to a disaster. Under current law, FEMA covers 75 percent of the cost for debris removal after a disaster. (In certain cases, the federal share has been temporarily increased up to 100 percent.)

Like other disaster relief, spending for debris removal varies depending on the quantity and magnitude of disasters in a given year. Over the 2000-2004 period, annual allocations for debris removal averaged about $350 million compared with almost $1.2 billion over the last five years. Based on those historical expenditures, CBO estimates that implementing this provision would require additional resources of about $85 million over the next five years, at a cost of $83 million over that time.

Reviews and Reports. The legislation would direct FEMA to review the factors used to measure the severity, magnitude, cost, and impact of a disaster; the criteria for a state to administer its HMGP funds; and whether certain recommendations regarding individuals with disabilities should be incorporated into policies for disaster response and recovery. CBO cannot predict whether any actions undertaken as a result of those reviews would affect the costs of disaster relief.

The legislation also would require FEMA to submit reports to the Congress regarding improvements to IPAWS (from the newly created IPAWS Modernization Advisory Committee); activities of the DRF; the storage, use, and disposal of temporary housing units; the status of public assistance grants for each major disaster; and the implementation of special procedures for disasters with widespread damage. Based on the historical costs of similar types of studies produced by FEMA and other agencies, CBO estimates that this work would cost about $5 million over the next five years.

Other Provisions. H.R. 3377 would make a number of other changes to the Stafford Act, which CBO estimates would have no significant impact on the federal budget.

Disaster Relief Fund (DRF). Section 106 would authorize the appropriation of whatever amounts are necessary to provide disaster-related assistance under the Stafford Act. Although current law does not explicitly authorize appropriations for those purposes, the Congress regularly provides funds to the DRF through annual and supplemental appropriations. Since 2000, more than $85 billion has been expended for disaster assistance, including more than $37 billion for the 2005 Gulf Coast hurricanes. Because this provision would not alter the authorized activities of the federal government in response to a disaster, CBO estimates that it would have no additional cost.

Assistance for Household Pets and Service Animals. Section 205 would authorize FEMA to provide assistance for the rescue, care, and shelter of household pets and service animals during a declared emergency. Under current law, such assistance is available within presidentially declared disaster areas at the discretion of FEMA. Emergency assistance (unlike major disaster assistance) may be triggered without a gubernatorial request and does not require that certain criteria (for example, level of damages) be met before federal aid becomes available. Based on information from FEMA, CBO does not expect that a significant increase in resources would be necessary to implement this provision.

Disposal of Temporary Housing Units. Section 206 would direct FEMA to develop and implement a plan to dispose of temporary housing units (for example, mobile homes and travel trailers) that are in excess of current and future needs or are determined to be unusable. Excess units determined to be in a suitable condition could immediately be donated to states for disaster relief purposes, instead of first being offered for sale to current occupants under current law. CBO cannot determine how many units would be donated rather than sold under this provision; however, because the proceeds of any sale are deposited in the DRF or remain with General Services Administration (GSA disposes of excess property for FEMA and many other agencies) under current law, any change in receipts would have no net effect on the federal budget.

Additional Assistance for Certain Disasters. Section 312 would direct FEMA to establish special procedures for areas where a major disaster has caused extensive and widespread damage. Those procedures would allow FEMA to provide technical and financial assistance to develop recovery spending plans and increased federal funding for certain public assistance projects. Under current law, state and local governments may elect to construct new facilities, engage in hazard mitigation, or repair and expand other facilities in lieu of repairing an existing structure damaged by a disaster. In such cases, federal funding is decreased by 10 percent for public buildings and by 25 percent for private nonprofit facilities. Using the special procedures developed under this section, FEMA could provide the full federal share for the cost of those projects (which is typically 75 percent, but for large disasters may increase to 90 percent).

CBO assumes that the special procedures would apply only in cases where damages are exceedingly high or widespread (such as Hurricane Katrina in 2005 or Hurricane Ike in 2008). CBO cannot predict the timing of these events or whether any other additional assistance may be provided as a result of this provision. Few alternative projects were undertaken following major disasters over the last few years, suggesting that additional expenditures under the bill would be small in most years.

Direct Spending

Section 104 would authorize FEMA to sell excess disaster-related materials, supplies, and equipment directly to states, local governments, and disaster relief organizations for the purpose of assisting victims of other disasters or emergencies. Proceeds received from the sale of such excess property would be available to FEMA to provide future disaster assistance. Under current law, such receipts are deposited in the Treasury as miscellaneous receipts. Any decrease in receipts to the Treasury as a result of this provision would be considered direct spending.

Based on information from GSA, CBO estimates that any additional spending under this provision would be insignificant. Under current law, excess property is first available for transfer to other federal agencies. Material not transferred may be donated to state and nonprofit organizations. Property not disposed of through those means may then be offered to the public for sale. The sale of FEMA’s materials and supplies generally does not result in a significant sum deposited in the Treasury. Usually FEMA or GSA will retain any receipts to cover the costs of a sale (for example, warehousing and handling). Therefore, CBO estimates that allowing FEMA to retain proceeds from the sale of excess disaster-related materials, supplies, and equipment would have no significant net effect on the federal budget.

PAY-AS-YOU-GO CONSIDERATIONS

Because provisions of the bill could affect direct spending, pay-as-you-go procedures would apply. However, CBO estimates that any increase in direct spending under the bill would be insignificant in each year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3377 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the cost to comply with the mandates to state, local, and tribal governments and the private sector would fall below the annual thresholds established in UMRA for such mandates ($70 million and $141 million, respectively, in 2010, adjusted annually for inflation).

Under current law, members of search and rescue task forces have protection from tort liability when participating in federal preparedness activities. The bill would expand that protection to include training exercises. Such protection would impose a mandate because it would eliminate an existing right to seek compensation for damages. According to FEMA, no claims for damage have been filed regarding a training exercise, nor does the agency expect that any such claims would be filed under current law. Therefore, CBO estimates that the costs, if any, of this mandate would be minimal.

The bill also would require employers to allow task force members who are deployed to a disaster to reclaim their jobs upon completion of their service. According to FEMA, there are currently about 2,000 workers in the system; the duration of deployment is usually less than one month; and in general, most employers currently allow workers to reclaim their positions. Thus, CBO estimates that the cost for government and private-sector employers to comply with the mandate would fall below the annual thresholds.

The bill also would benefit state, local, and tribal governments by authorizing appropriations for hazard mitigation activities; authorizing the sale of excess materials, supplies, and equipment to those governments for use in emergencies; and authorizing the reimbursement of compensation for certain public employees who are activated as part of an urban search and rescue team. Any costs to those governments would be incurred voluntarily.

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