

HURRICANES KATRINA, RITA, AND WILMA FEDERAL
MATCH RELIEF ACT OF 2007

JULY 11, 2007.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. OBERSTAR, from the Committee on Transportation and
Infrastructure, submitted the following

R E P O R T

[To accompany H.R. 1144]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 1144) to waive the non-Federal share of the cost of certain disaster assistance provided in connection with Hurricanes Katrina and Rita, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Hurricanes Katrina, Rita, and Wilma Federal Match Relief Act of 2007”.

SEC. 2. FEDERAL SHARE OF DISASTER ASSISTANCE.

(a) **IN GENERAL.**—Notwithstanding any other provision of law, including any agreement, the Federal share of assistance, including direct Federal assistance, provided for the States of Louisiana, Mississippi, Texas, and Florida in connection with Hurricanes Katrina, Rita, and Wilma under sections 403, 406, 407, and 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170b, 5172, 5173, and 5174) shall be 100 percent of the eligible costs under such sections.

(b) **APPLICABILITY.**—

(1) **IN GENERAL.**—Subject to paragraph (2), the Federal share provided by subsection (a) shall apply to disaster assistance provided before, on, or after the date of enactment of this Act.

(2) **LIMITATION.**—In the case of disaster assistance provided under sections 403, 406, and 407 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the Federal share provided by subsection (a) shall be limited to assistance provided for projects for which project worksheets have been ap-

proved by the Federal Emergency Management Agency before the date of enactment of this Act.

SEC. 3. CANCELLATION OF LOANS.

(a) **COMMUNITY DISASTER LOAN ACT.**—

(1) **IN GENERAL.**—Section 2(a) of the Community Disaster Loan Act of 2005 (Public Law 109–88) is amended by striking “*Provided further*, That notwithstanding section 417(c)(1) of the Stafford Act, such loans may not be canceled.”.

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall be effective on the date of enactment of the Community Disaster Loan Act of 2005 (Public Law 109–88).

(b) **EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT.**—

(1) **IN GENERAL.**—Chapter 4 of title II of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (Public Law 109–234) is amended under the heading “FEDERAL EMERGENCY MANAGEMENT AGENCY–DISASTER ASSISTANCE DIRECT LOAN PROGRAM ACCOUNT” by striking “*Provided further*, That notwithstanding section 417(c)(1) of such Act, such loans may not be canceled.”.

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall be effective on the date of enactment of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (Public Law 109–234).

Amend the title so as to read:

A bill to waive the non-Federal share of the cost of certain disaster assistance provided in connection with Hurricanes Katrina, Rita, and Wilma.

PURPOSE OF THE LEGISLATION

H.R. 1144, as amended, waives the non-Federal share of the cost of certain disaster assistance related to Hurricanes Katrina, Rita, and Wilma and restores the authority of the Federal Emergency Management Agency (“FEMA”) to cancel loans to local governments for recovery from Hurricanes Katrina, Rita, and Wilma under the Community Disaster Loan (“CDL”) program.

BACKGROUND AND NEED FOR LEGISLATION

The inability of the States of Louisiana, Mississippi, Texas, and Florida, as well as local governments in these States, to meet the non-Federal share of assistance under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (“Stafford Act”) has been raised as one of the causes of the delays in the reconstruction in the aftermath of Hurricanes Katrina, Rita, and Wilma. The Public Assistance program is the main vehicle that FEMA uses to provide post-disaster support to State and local governments and to certain private non-profit organizations that perform government functions. The main provisions of the Public Assistance program are authorized by Sections 403, 406, and 407 of the Stafford Act which address essential assistance, reconstruction of facilities, and debris removal, respectively. Under current law, the Federal share for the Public Assistance program is set at not less than 75 percent. FEMA has the discretion to raise the Federal share to 100 percent administratively, and did so for an initial period for Direct Federal Assistance, debris removal, and certain emergency response costs. FEMA has generally adjusted the Federal share for Public Assistance to 90 percent for Hurricanes Katrina, Rita, and Wilma. However, the Administration has not chosen to fully exercise its authority and raise the Federal share to 100 percent for these storms, which included the largest natural

disaster in American history, despite having done so after other disasters such as Hurricane Andrew.

The Other Needs Assistance program under Section 408 of the Stafford Act provides replacement of personal property, including automobiles. The program also provides for reimbursement of disaster-related medical, dental, and funeral expenses. The Other Needs Assistance program can be administered by either the state or FEMA. The Stafford Act provides that the Federal share is 75 percent (with no possibility for an administrative cost share adjustment), and unlike other Stafford Act disaster programs that are cost shared, the Stafford Act specifies that the non-Federal share must come from the state.

The Community Disaster Loan program is a Stafford Act program that pre-dated Hurricane Katrina and is authorized under Section 417 of the Stafford Act. Under this program, local communities can receive loans for up to 25 percent of their annual operating budget (subject to a \$5-million limit) to cover disaster-related losses in tax and other revenues. Under this program, loans “shall be cancelled” to the extent that the local government has disaster-related revenue losses or unreimbursed disaster expenses in the three fiscal years after the disaster. Historically, the vast majority of the loans (more than 90 percent) under this program have been cancelled.

In the 109th Congress, Congress enacted the Community Disaster Loan Act of 2005 (P.L. 109–88). The Act authorized up to \$1 billion of loans under the CDL program and allowed loans to exceed the \$5 million limit. However, the Act specifically prohibited the cancellation of these loans pursuant to Section 417 of the Stafford Act. Pursuant to the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery 2006 (P.L. 109–234), Congress appropriated an additional \$371 million for the CDL program for Hurricane Katrina and other Hurricanes of the 2005 season. The Emergency Supplemental Appropriations Act also specifically prohibited the cancellation of these loans pursuant to Section 417 of the Stafford Act. The communities devastated by the greatest natural disaster in our Nation’s history continue to face a difficult recovery.

SUMMARY OF THE LEGISLATION

Section 1. Short title

Section 1 states the title of the bill as the “Hurricanes Katrina, Rita, and Wilma Federal Match Relief Act of 2007”.

Section 2. Federal share of disaster assistance

Section 2 of the bill waives the non-Federal share of certain Federal Emergency Management Agency (FEMA) disaster assistance provided to Louisiana, Mississippi, Texas, and Florida under title IV of the Stafford Act. Section 2 increases the Federal share for the Public Assistance and Other Needs Assistance programs to 100 percent. The increase in the Federal share for Public Assistance only applies to projects approved by FEMA prior to the date of enactment.

Section 3. Cancellation of loans

Section 3 of the bill strikes provisions of P.L. 109–88 and P.L. 109–234, which eliminated FEMA’s authority to cancel loans under the CDL program (Section 417 of the Stafford Act) for loans to local governments for recovery from Hurricanes Katrina, Rita, and Wilma. Loans to local governments for recovery from Hurricanes Katrina, Rita, and Wilma would be authorized to be cancelled if the local governments meet the statutory test outlined in Section 417 of the Stafford Act.

LEGISLATIVE HISTORY AND COMMITTEE CONSIDERATION

On March 1, 2007, the Committee on Transportation and Infrastructure met in open session and adopted an amendment in the nature of a substitute by voice vote. The amendment specified the cost share adjustment applied to Sections 403, 406, 407, and 408 of the Stafford Act, and applied the Community Disaster Loan Program provisions to P.L. 109–243. An amendment to the amendment in the nature of a substitute was adopted by voice vote to include Texas among the States granted a waiver from the non-Federal share of FEMA disaster assistance. An additional amendment to the amendment in the nature of a substitute was adopted by voice vote to add the State of Florida and Hurricane Wilma to the bill. The Committee on Transportation and Infrastructure ordered the bill, as amended, reported favorably to the House by voice vote.

RECORD VOTES

Clause 3(b) of rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each record vote on a motion to report and on any amendment offered to the measure or matter, and the names of those members voting for and against. There were no recorded votes taken in connection with ordering H.R. 1144, as amended, reported. A motion to order H.R. 1114, as amended, reported favorably to the House was agreed to by voice vote with a quorum present.

COMMITTEE OVERSIGHT FINDINGS

With respect to the requirements of clause 3(c)(I) of rule XIII of the Rules of the House of Representatives, the Committee’s oversight findings and recommendations are reflected in this report.

COST OF LEGISLATION

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

COMPLIANCE WITH HOUSE RULE XIII

1. With respect to the requirement of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, and 308(a) of the

Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included in the report.

2. With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to waive the non-Federal share of the cost of certain disaster assistance provided in connection with Hurricanes Katrina, Rita, and Wilma, and for other purposes.

3. With respect to the requirement of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the enclosed cost estimate for H.R. 1144 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 13, 2007.

Hon. JAMES L. OBERSTAR,
*Chairman, Committee on Transportation and Infrastructure, U.S.
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1144, the Hurricanes Katrina, Rita, and Wilma Federal Match Relief Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Daniel Hoople (for federal costs) and Melissa Merrell (for the state and local impact).

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

H.R. 1144—Hurricanes Katrina, Rita, and Wilma Federal Match Relief Act of 2007

Summary: H.R. 1144 would remove provisions in current law that prohibit the Federal Emergency Management Agency (FEMA) from forgiving about \$1.3 billion in loans made to certain local governments following the 2005 Gulf Coast hurricanes. Under procedures specified in the Federal Credit Reform Act for recording the cost of direct federal loans, the Administration estimated that those FEMA loans would cost about \$1 billion, reflecting a subsidized interest rate and the considerable likelihood that some of the loans would not be repaid. H.R. 1144 would modify the terms of those loans, effectively converting them to grants at an estimated cost of \$321 million. Enacting H.R. 1144 would affect direct spending because that cost would be incurred without any subsequent legislation. The legislation would not affect revenues.

Under current law, funds appropriated to the FEMA Disaster Relief Fund are available for certain public assistance and infrastructure repair projects; however, state and local governments must provide a portion of the project's costs to match the FEMA funds. In some cases, states are able to use funds from other federal programs to provide matching funds. In other instances, state and local sources are used to provide the matching funds. H.R. 1144 would direct FEMA to provide 100 percent of the funds for projects related to the 2005 Gulf Coast hurricanes; thus, no local matching funds would be required for such FEMA recovery projects. CBO

does not expect that this proposed change in the match requirement would have a significant effect on the pace of federal expenditures for hurricane relief efforts. It is possible that implementing H.R. 1144 could lead to an increase in the need for additional appropriations to FEMA to provide disaster relief. CBO has no basis for assessing the total needs for such funds in the Gulf states relative to the amounts the Congress has already provided. Furthermore, H.R. 1144 does not authorize the appropriation of additional funds for disaster relief.

H.R. 1144 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit some local governments in Louisiana and Mississippi.

Estimated Cost to the Federal Government: The estimated budgetary impact of H.R. 1144 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
CHANGES IN DIRECT SPENDING						
Community Disaster Loan Forgiveness:						
Estimated Budget Authority	321	0	0	0	0	0
Estimated Outlays	321	0	0	0	0	0

Basis of Estimate: For this estimate, CBO assumes that the bill will be enacted in fiscal year 2007. The cost of a legislated change in the terms of existing loans is recorded in the year that such legislation is enacted.

Community disaster loan forgiveness

In 2005 and 2006, the Congress authorized FEMA to make about \$1.3 billion in loans to local governments in Louisiana and Mississippi suffering substantial revenue loss as a result of the 2005 Gulf Coast hurricanes (see Public Laws 109–88 and 109–234). Under procedures specified in the Federal Credit Reform Act for recording the cost of direct federal loans, the Congress provided about \$1 billion in budget authority for such loans, reflecting the estimated cost to the federal government of subsidized interest rate of those loans and the considerable likelihood that some of the loans would not be repaid.

The Stafford Act requires partial or full forgiveness of community disaster loan repayments if, after three years, local revenue remains insufficient to meet operating expenses. Separate provisions within Public Laws 109–88 and 109–234, however, prohibit FEMA from forgiving this cohort of community disaster assistance loans. As such, CBO assumes that local communities will make loan repayments over the next several years with an estimated net present value of \$321 million.

H.R. 1144 would strike the provisions of current law that prohibit loan forgiveness for this FEMA loan cohort. Based on information from the Administration, CBO expects that this legislative modification to the terms of those loans would lead to forgiveness of the loans. Under the Federal Credit Reform Act, the budgetary cost of legislative modifications to the terms of existing loans—the

net present value of the cost of the modification—is recorded on the budget in the same year that the legislation making the modification is enacted. Thus, CBO estimates that this provision would cost \$321 million in 2007.

Increase in federal share of disaster assistance

FEMA is authorized under the Stafford Act to provide assistance, using funds appropriated to its Disaster Relief Fund, to areas affected by a major disaster. For certain types of assistance, state and local governments must match federal dollars with funding from other sources. This matching requirement varies from nothing to 25 percent, depending on the type of assistance and the magnitude of the disaster.

H.R. 1144 would require the federal share for disaster assistance to be 100 percent for FEMA's essential assistance, public infrastructure, debris removal, and individual and housing programs. This requirement would apply to FEMA projects in the states of Louisiana, Mississippi, Texas, and Florida related to recovery from Hurricanes Katrina, Rita, and Wilma.

As a result, CBO expects that the pace of FEMA's contract obligations could accelerate over the next few years for projects already approved by the agency. However, CBO does not expect that there would be a significant acceleration of program expenditures as a result of this provision because FEMA and the Gulf states indicate that other factors, such as local rules and planning requirements governing infrastructure projects and the availability of contractors strongly influence the pace of project expenditures. Therefore, CBO estimates that enacting this provision would have no significant effect on direct spending.

Implementing this provision of H.R. 1144 could lead to a need for additional appropriations to FEMA to fund projects currently scheduled (to receive only partial assistance from federal funds. This cost estimate does not include an estimate of any such additional costs, however, because CBO has no basis to assess the total needs for such funds in the Gulf states relative to the amounts the Congress has already provided. Furthermore, H.R. 1144 does not authorize the appropriation of additional funds to FEMA for disaster relief.

Intergovernmental and Private-sector Impact: H.R. 1144 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize FEMA to convert to grants certain disaster loans awarded after the 2005 hurricane season. Local governments in Louisiana and Mississippi would benefit from the cancellation of repayment requirements for about \$1.3 billion in loans.

Estimate prepared by: Federal Costs: Daniel Hoople; Impact on State, Local, and Tribal Governments: Melissa Merrell; Impact on the Private Sector: Fatimot Ladipo.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

COMPLIANCE WITH HOUSE RULE XXI

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 1144 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in

clause 9(d), 9(e), or 9(f) of rule XXI of the Rules of the House of Representatives.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause (3)(d)(1) of rule XIII of the Rules of the House of Representatives, committee reports on a bill or joint resolution of a public character shall include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under article I, section 8 of the Constitution.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1974 requires the report of any Committee on a bill or joint resolution to include a statement on the extent to which the bill or joint resolution is intended to preempt state, local, or tribal law. The Committee states that H.R. 1144, as amended, does not preempt any state, local, or tribal law.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act are created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

COMMUNITY DISASTER LOAN ACT OF 2005

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SEC. 2. DISASTER LOANS.

(a) **ESSENTIAL SERVICES.**—Of the amounts provided in Public Law 109–62 for “Disaster Relief”, up to \$750,000,000 may be transferred to the Disaster Assistance Direct Loan Program for the cost of direct loans as authorized under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C.

5184) to be used to assist local governments in providing essential services: *Provided*, That such transfer may be made to subsidize gross obligations for the principal amount of direct loans not to exceed \$1,000,000,000 under section 417 of the Stafford Act: *Provided further*, That notwithstanding section 417(b) of the Stafford Act, the amount of any such loan issued pursuant to this section may exceed \$5,000,000: ***Provided further***, That notwithstanding section 417(c)(1) of the Stafford Act, such loans may not be canceled: *Provided further*, That the cost of modifying such loans shall be as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a).

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**EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT
FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND
HURRICANE RECOVERY, 2006**

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TITLE II

FURTHER HURRICANE DISASTER RELIEF AND RECOVERY

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CHAPTER 4

DEPARTMENT OF HOMELAND SECURITY

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FEDERAL EMERGENCY MANAGEMENT AGENCY

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DISASTER ASSISTANCE DIRECT LOAN PROGRAM ACCOUNT

For an additional amount for “Disaster Assistance Direct Loan Program Account” for the cost of direct loans as authorized under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5184), \$279,800,000, to be used to assist local governments affected by Hurricane Katrina and other hurricanes of the 2005 season in providing essential services, of which \$1,000,000 is for administrative expenses to carry out the direct loan program: *Provided*, That such funds may be made to subsidize gross obligations for the principal amount of direct loans not to exceed \$371,733,000: *Provided further*, That notwithstanding section 417(b) of such Act, the amount of any such loan issued pursuant to this section may exceed \$5,000,000, and may be equal to not more than 50 percent of the annual operating budget of the local government in any case in which that local government has suffered a loss of 25 percent or more in tax revenues due to Hurricane Katrina or Hurricane Rita: ***Provided further***, That notwithstanding section 417(c)(1) of such Act, such loans may not be canceled: *Provided further*, That the cost of modifying such loans shall be as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a): *Provided further*, That the amounts pro-

vided under this heading are designated as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress), the concurrent resolution on the budget for fiscal year 2006.

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