Q&A on Legislation

A Bill to Reimburse Lost Tax Revenue After a Major Disaster

Prepared by the office of Congresswoman Carolyn B. Maloney

Q: Why do we need this legislation?

A: This legislation would give the President the authority to provide real reimbursement for lost tax revenue following a major disaster to ANY local or state government. This bill does not mandate him to provide Community Disaster Loans for lost tax revenues after a major disaster nor does it mandate him to provide a Community Disaster Loan for all or even part of New York's $8.8 billion tax revenue losses as a direct result of 9/11. Without this $8.8 billion dollars, NY is faced with a number of tough choices in regards to funding for education, healthcare, and public safety. Additionally, with a slowing national economy, New York faces other revenue losses that are not related to the $8.8 billion from 9/11. This bill provides the President the tools necessary to fully deal with the financial impact of 9/11.

Q: What is a Community Disaster Loan?

A: A Community Disaster Loan, in the Stafford Act, is a loan that the President is authorized to make to any local government that has suffered substantial loss of tax and other revenue as a result of a major disaster.

Q: Who is currently eligible for a Community Disaster Loan? How will this change with the bill?

A: Under current statute only local governments are eligible for these loans. The definition of a local governments also includes school districts, public authorities, and regional entities. This bill expands the definition to includes States as eligible entities.

Q: What is the current maximum value of these loans? What effect does the bill have on this?

A: Prior to 2000, Community Disaster Loans were limited to 25% of the local governments operating budget. There was no total dollar limit. In 2000, the Disaster Mitigation Act was signed into law that placed a $5 million cap on these loans per disaster. Prior to this cap, loans were made well in excess of the $5 million and were critical to the affected area's disaster recovery effort. This bill removes the $5 million cap to return the program to the pre-2000 levels.

Q: Why should the $5 million cap be removed?

A: The original intent of the Community Disaster Loan program was to serve ANY local government that suffers substantial tax revenue losses following a major disaster. In order to fulfill the commitment of serving ANY community, CDL were commonly issued in excess of the $5 million cap. The first major disaster following the implementation of the cap was the terrorist attacks of September 11, 2001. A recent GAO report places lost tax revenue for the City and State of New York as a direct result of the attack at $8.8 billion dollars for FY 2002-2003. In this case, a $5 million loan would not adequately would address New York's losses and violates the original legislative intent of the program – to serve the ANY community suffering substantial tax revenue losses following a major disaster.

Q: If this bill is passed, would New York automatically be reimbursed for the entire $8.8 billion dollar loss of tax revenue?

A: All this bill does is give the President the authority to make loans for based on the need of the affected areas. It allows him to provide this assistance based on need rather than based on an arbitrary cap of $5 million. What I do know is that services for schools, libraries, police, even water and highways should not suffer because of Osama Bin Laden.

Q: You have a provision in the bill that automatically forgives the loans after a terrorist attack, why is this there and is there any precedent for forgiveness under th current program?

A: Since the inception of the program, often times, all or part of the Community Disaster Loans are forgiven. The decision to do this is made by FEMA after a determination that the local government would not be able to service the loan. In the case of New York City, well recognized as a terrorist target, should they show that they are unable to service the loan, state laws would require a state take over of the City's expenditures to the NYC Financial Control Board. Faced with this possibility it would not benefit from the program in the same manner other local governments,

Q: Why do we need this legislation to aid New York, can't we just appropriate the money to cover these expenses?

A: Because of the $5 million cap that was added in 2000, the only way to get this aid to New York is through a change in the statute. It is only prudent to make this change for all communities once this inequity has been discovered. When the cap was added in 2000, there was no discussion of it – either for or against it – in committee or on the floor of either chamber. This leads us to believe that the full effect of this measure was not fully understood. Certainly, if the effects were known, this would have been an issue of debate.

Q: Where can I learn more about Community Disaster Loans and about New York's lost tax revenue as a direct result of 9/11?

A: All of the information that was discussed here is available at www.house.gov/maloney. Links to a Congressional Research Service (CRS) document on the issue http://www.house.gov/maloney/crsreport.pdf, a U.S. General Accounting Office (GAO) study on lost tax revenues and other supplemental documents http://www.house.gov/maloney/073002gao.pdf are all available.

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