



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 15, 2008

H.R. 3247 **Hurricanes Katrina and Rita Recovery Facilitation Act of 2008**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on April 10, 2008*

H.R. 3247 would authorize the Federal Emergency Management Agency (FEMA) to increase the amount of assistance provided to certain areas affected by Hurricanes Katrina and Rita. Funding for the additional assistance made available by H.R. 3247 would come from funds already appropriated to the Disaster Relief Fund (DRF) for Hurricanes Katrina and Rita. As of April 2008, \$40 billion had been allocated for the two hurricanes, of which about \$8.4 billion remained unspent, CBO estimates. We expect that enacting H.R. 3247 could lead to some reallocation of existing funds in the DRF but that the rate of spending of such balances would not change significantly. Because CBO does not expect that the proposed changes would have a significant effect on the pace of federal expenditures from the DRF, we estimate that enacting H.R. 3247 would have no significant effect on direct spending. Enacting the bill would not affect revenues.

H.R. 3247 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Under current law, Gulf Coast states are eligible to receive from FEMA 100 percent of the funds needed to repair or replace public infrastructure damaged by the 2005 hurricanes. If, however, the affected areas choose to relocate such buildings or other structures, the federal cost share falls to 75 percent. H.R. 3247 would increase the federal cost share to 100 percent for relocated fire and police stations and criminal justice facilities, and to 90 percent for all other relocated infrastructure projects. In addition, FEMA would be prohibited from reducing the amount of public assistance provided for such facilities that were not adequately covered by flood insurance at the time of the disaster. (Current law requires FEMA to reduce the federal cost share by an amount equal to the value of the facility on the date of damage, or the proceeds the facility would have received from the National Flood Insurance Program, whichever is less.)

Allowing states to receive a higher portion of their reconstruction costs from the federal government could accelerate the expenditure of previously appropriated funds, which would increase direct spending. Based on information from FEMA, CBO estimates that this legislation would affect a handful of projects that have applied to the agency for assistance. Other factors affecting the speed of reconstruction projects (for example, the supply and demand of contractors and construction supplies), however, would remain unchanged. As such, CBO estimates that increasing the federal cost share of those projects would not significantly affect the overall pace of expenditures from the DRF—resulting in no estimated effect on direct spending.

H.R. 3247 also would extend the pilot program for individual and household assistance established under the Department of Homeland Security Appropriations Act, 2007 (Public Law 109-295), to include areas affected by the 2005 hurricanes. To date, FEMA has not created such a program under the authority granted by the 2007 law for any disaster area. If a pilot program is implemented in the near future, CBO estimates that expanding its eligibility under this legislation would have no significant effect on the pace of federal expenditures as the authority to operate the pilot program would expire in December 2008.

On September 24, 2007, CBO transmitted a cost estimate for H.R. 3247, the Hurricanes Katrina and Rita Recovery Facilitation Act of 2007, as ordered reported by the House Committee on Transportation and Infrastructure on August 2, 2007. That version of H.R. 3247 would authorize some different types of assistance for areas affected by the 2005 hurricanes. However, CBO estimates that both versions of the legislation would have no significant effect on the pace of federal expenditures.

The CBO staff contact for this estimate is Daniel Hoople. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.