



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 28, 2006

H.R. 5393 **Natural Disaster Housing Reform Act of 2006**

*As ordered reported by the House Committee on Financial Services
on June 14, 2006*

SUMMARY

H.R. 5393 would make the Department of Housing and Urban Development (HUD) the lead agency to distribute housing assistance following a major disaster if the area affected by the disaster will need long-term housing assistance of 30 days or more. Under the bill, HUD would be responsible for providing financial assistance, temporary or permanent housing units, assistance for home repair, and technical assistance following major disasters.

Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 5393 would cost \$9 million over the 2007-2011 period, mostly for new planning activities and additional staff at these agencies. CBO expects that there would be no significant change in the cost of providing housing assistance following a major disaster under this bill because the federal agency administering housing benefits would change, but the benefits available to households would not be changed. Enacting this bill would not affect direct spending or revenues.

H.R. 5393 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would authorize the Secretary of HUD to preempt state and local regulation of flood plains. CBO estimates that state and local governments would incur little, if any, direct costs as a result of that preemption; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5393 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
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	1	2	2	2	2

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5393 will be enacted near the end of 2006 and that the necessary amounts will be appropriated for each year. Estimates of outlays are based on historical spending patterns for this activity. Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 5393 would cost \$9 million over the 2007-2011 period.

Under current law, the Federal Emergency Management Agency (FEMA) provides financial and other assistance after a disaster through the Individuals and Households Program (IHP). The IHP provides up to \$27,200 in financial help and housing assistance, including temporary housing and repair and replacement of housing, as well as other assistance following a major disaster. Households can receive IHP assistance for up to 18 months. Under current law, HUD assists FEMA with the disaster housing assistance program.

Under H.R. 5393, FEMA would continue to manage the housing assistance program for a period of up to 29 days. If assistance is needed after 29 days, HUD would become the primary federal agency administering the housing assistance program in conjunction with FEMA. For this estimate, CBO estimates that HUD would need to increase the number of staff working in its disaster housing program at a cost of less than \$500,000 a year.

In addition, the bill would require FEMA to develop evacuation plans for areas where a disaster has been declared, and FEMA is providing assistance under IHP. FEMA would be required to maintain the plans for 18 months beginning on the date the disaster is declared. Based on information from FEMA, CBO estimates that developing evacuation plans for the 40 to 50 disasters that are typically declared each year would cost from \$1 million to \$2 million a year.

Finally, the bill would direct FEMA, when practical, to site temporary manufactured housing units used to provide emergency housing assistance on individual parcels of property and to limit the number of units that could be placed on each parcel to three. This provision could

make citing temporary housing more costly than establishing large concentrations of emerging manufactured housing limits. CBO cannot predict whether FEMA would find it practicable to locate temporary housing in this way, nor whether any additional costs would be significant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5393 contains an intergovernmental mandate as defined in UMRA because it would authorize the Secretary of HUD to preempt state and local regulation of flood plains. Under current federal regulations, mobile homes or readily fabricated dwellings, provided by the federal government in response to a disaster, may not be placed in a flood zone if such placement is inconsistent with the National Flood Insurance Program or more restrictive standards of state and local governments. This bill would preempt those more restrictive standards by allowing the Director of FEMA to locate permanent, semi-permanent, or temporary housing in those flood zones, regardless of federal, state, or local regulations that prohibit such activity. CBO estimates that state and local governments would incur little, if any, direct costs as a result of that preemption; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

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