



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

Revised May 11, 2005

H.R. 804

**A bill to exclude from consideration as income certain payments
under the National Flood Insurance Program**

As reported by the House Committee on Financial Services on April 14, 2005

If H.R. 804 were enacted, payments made under the National Flood Insurance Program for flood mitigation activities would not be counted as income or resources when determining eligibility for any federal means-tested program. The Federal Emergency Management Agency (FEMA) awards grants to states and communities, which in turn distribute funds to individuals and businesses, for activities that reduce the risk of repetitive flood damage to buildings. Data from FEMA show that the average approved award is about \$75,000.

CBO expects that enacting this bill would increase the number of persons eligible for certain means-tested programs, including Food Stamps and Medicaid. Currently, flood mitigation grants are counted as income or resources by these programs and make some people ineligible for benefits or reduce the amount of their benefit. (Certain other FEMA grants are already excluded from income for benefit-eligibility purposes.) Based on data from FEMA on the number of flood mitigation grants awarded since fiscal year 1997, CBO estimates that the increase in the number of people newly eligible for these programs as a result of this legislation would be small and that any increase in direct spending for them would not be significant. Enacting the bill would not affect revenues.

H.R. 804 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act, and any increased spending by states for public benefits would be minimal.

This revised estimate supersedes the estimate that CBO transmitted on this bill on March 31, 2005. Based on new information on both the number of flood mitigation grants and how they are distributed, CBO has lowered its estimate of the number of instances where individual families receive such grants. We previously estimated a cost of about \$1 million a year, but now estimate that such costs would be less than \$500,000 a year.

The CBO staff contacts for this estimate are Kathleen FitzGerald (for federal costs), Leo Lex (for the impact on state, local, and tribal governments), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.