CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 6, 2011

S. 792
Disaster Assistance Recoupment Fairness Act of 2011

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 26, 2011

SUMMARY

S. 792 would reduce amounts to be recouped by the federal government from individuals and households that received improper payments following certain disasters. By reducing collections, the legislation would increase direct spending by $240 million, CBO estimates. However, under current law, such amounts would be available for future disaster relief payments without further appropriation; thus, enacting this legislation also would reduce direct spending by an equivalent amount, resulting in no net effect on direct spending over the next five years. Because fewer collections would be available to finance future disaster relief payments, CBO estimates that implementing S. 792 would create a need for additional appropriations for that purpose, at a cost of $240 million over the 2012-2016 period.

Pay-as-you-go procedures apply to this legislation because it would affect direct spending. Enacting the legislation would not affect revenues.

S. 792 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 792 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											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
Forgone Recoveries of Improper Payments												
Estimated Budget Authority	180	60	0	0	0	0	0	0	0	0	240	240
Estimated Outlays	180	60	0	0	0	0	0	0	0	0	240	240
Reduced Spending from Recoveries												
Estimated Budget Authority	-180	-60	0	0	0	0	0	0	0	0	-240	-240
Estimated Outlays	-45	-60	-60	-60	-15	0	0	0	0	0	-240	-240
Net Change												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	135	0	-60	-60	-15	0	0	0	0	0	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	180	60	0	0	0	0	0	0	0	0	240	240
Estimated Outlays	45	60	60	60	15	0	0	0	0	0	240	240

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 792 will be enacted by the end of fiscal year 2011.

Direct Spending

Under current law, the Federal Emergency Management Agency (FEMA) is required to recoup improper payments made during the course of providing disaster assistance. Improper payments can result from, among other things, duplication of benefits (for example, receipt of two insurance payments for the same damage), processing errors, and fraud. Upon notification from FEMA, recipients of improper payments must repay those amounts in full, set up a payment plan, or request FEMA to waive all or part of the repayment based on their ability to pay. If payment is not received, the Treasury Department assumes responsibility for collecting the debt (along with any applicable interest and fee charges) through federal and state payment deductions, administrative wage garnishment, or referral to a private collection agency. All payments received through the recoupment process are deposited in FEMA's Disaster Relief Fund (DRF) and those funds are available to respond to future disasters without further appropriation.

S. 792 would authorize FEMA to waive the repayment of improper payments provided through the Individuals and Households Program (IHP) from August 28, 2005, through calendar year 2010 in cases where the agency was at fault but not in cases involving fraud or misrepresentation.

Based on information from FEMA and the Inspector General of the Department of Homeland Security, CBO estimates that improper IHP payments totalled about $600 million to 160,000 recipients during the period specified in the legislation (over 95 percent in response to Hurricanes Katrina and Rita in 2005). Excluding payments that would not be eligible for a waiver under this bill or, based on historical experience, would not have otherwise been collected, CBO estimates that about $240 million in recovery payments would be waived under this legislation, resulting in a decrease in offsetting receipts (or an increase in direct spending) by that amount. However, because such amounts would have been available to FEMA for future disaster relief payments without further appropriation, fewer collections also would reduce outlays, resulting in no net impact in direct spending over the 2012-2016 period.

Spending Subject to Appropriation

By authorizing FEMA to waive the repayment of certain improper payments, S. 792 would reduce amounts collected by the federal government that would otherwise be deposited in the DRF. CBO estimates that future resources to the fund would decline by $240 million over the next two years as a result, creating a need to increase appropriations in those years to cover disaster relief payments. Spending from those appropriations would total $240 million over the next five years, CBO estimates.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 792 as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 26, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-135	0	60	60	15	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 792 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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