CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 9, 2015

H.R. 1471
FEMA Disaster Assistance Reform Act of 2015

As ordered reported by the House Committee on Transportation and Infrastructure on April 15, 2015

SUMMARY

H.R. 1471 would authorize appropriations totaling $3.1 billion for the Federal Emergency Management Agency (FEMA) over the 2016-2018 period, CBO estimates. Those authorizations include about $2.8 billion for FEMA salaries and expenses. H.R. 1471 also would expand the availability of assistance for mitigating hazards related to wildfires. Based on historical spending patterns, CBO estimates that implementing the legislation would cost about $3 billion over the 2016-2020 period, assuming appropriation of the necessary amounts.

Enacting this legislation would affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that there would be no net effect on direct spending over the 2016-2025 period. Enacting the bill would not affect revenues.

H.R. 1471 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), by eliminating an existing right to seek compensation for damages and by requiring employers to allow members of the urban search and rescue (US&R) response system to reclaim their jobs upon completing a deployment to a disaster. Based on information from FEMA, CBO estimates that the cost to comply with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($77 million and $154 million, respectively, in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1471 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					
	2016	2017	2018	2019	2020	2016-2020
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
FEMA Salaries and Expenses						
Authorization Level	947	947	947	0	0	2,841
Estimated Outlays	758	947	947	189	0	2,841
US&R Response System						
Authorization Level	50	50	50	0	0	150
Estimated Outlays	35	50	50	15	0	150
EMAC Grants						
Authorization Level	2	2	2	0	0	6
Estimated Outlays	2	2	2	*	0	6
Offset of Reduced Recoupment						
Estimated Authorization Level	12	8	5	0	0	25
Estimated Outlays	7	8	7	2	1	25
Wildfire Mitigation						
Estimated Authorization Level	6	6	6	6	6	30
Estimated Outlays	*	2	3	5	6	16
Total Changes						
Estimated Authorization Level	1,017	1,013	1,010	6	6	3,052
Estimated Outlays	802	1,009	1,009	212	6	3,038
CHANGES IN DIRECT SPENDING [a]						
Forgone Recoveries of Improper Payments						
Estimated Budget Authority	12	8	5	0	0	25
Estimated Outlays	12	8	5	0	0	25
Reduced Spending of Forgone Recoveries						
Estimated Budget Authority	-12	-8	-5	0	0	-25
Estimated Outlays	-7	-8	-7	-2	-1	-25
Net Change						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	*	-2	-2	-1	0

Note: FEMA = Federal Emergency Management Agency; US&R = Urban Search and Rescue; EMAC = Emergency Management Assistance Compact; * = less than $500,000.

a. Enacting the bill would not affect direct spending in years after 2020.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2015, that the specified and estimated amounts will be appropriated for each year, and that outlays will follow historical patterns for the affected programs.

Changes in Spending Subject to Appropriation

In total, CBO estimates that implementing the bill would cost about $3 billion over the 2016-2020 period, assuming appropriation of the authorized and estimated amounts.

FEMA Salaries and Expenses. FEMA is the federal government's lead agency in preparing for, protecting against, responding to, and recovering from all hazards, including natural disasters, acts of terrorism, and other man-made disasters. For fiscal year 2015, the Congress appropriated $899 million for salaries and expenses of the agency. H.R. 1471 would authorize the appropriation of $947 million for each of fiscal years 2016 through 2018 for those expenses. CBO estimates that total spending for FEMA's salaries and expenses would total about $2.8 billion over the 2016-2020 period.

Urban Search and Rescue Response System. The legislation would authorize the appropriation of $50 million in each of fiscal years 2016 through 2018 for the US&R Response System. In 2015 $35 million was appropriated for this system. The US&R Response System consists of multiple task forces that assist local responders in the location, extrication, and initial medical stabilization of victims trapped in confined spaces. The funding authorized for those purposes would be used to staff and train the task forces and to maintain the equipment used in training and responding to a disaster. The bill also would direct FEMA to establish a national network of rescue and response resources and to enter into cooperative agreements with sponsoring agencies to reimburse costs incurred to operate the US&R Response System. CBO estimates that implementing this provision would cost $150 million over the next five years.

Emergency Management Assistance Compact (EMAC) Grants. H.R. 1471 would authorize the appropriation of $2 million in each of fiscal years 2016 through 2018 for grants to administer and coordinate activities under EMAC; those amounts are similar to the funding provided in recent years. EMAC is an agreement for interstate mutual-aid that enables member states to share resources during a declared disaster and is currently administered by the National Emergency Management Association (NEMA), a private association representing state emergency management directors. CBO estimates that providing grants to NEMA and EMAC participants would cost $6 million over 2016-2020 period.

Additional Spending for Forgone Recoveries of Improper Payments. H.R. 1471 would give FEMA the discretion to waive the repayment of improper payments provided through the Individuals and Households Program (IHP) in cases where the agency was at fault, but not in cases involving fraud or misrepresentation by the recipient. Under the bill, if the estimated rate of improper payments reaches 4 percent of IHP spending, the authority to waive those repayments would expire. The bill also would prevent FEMA from seeking to recoup improper payments provided through IHP after 3 years, unless there is evidence of fraud.

Based on information from FEMA about the rate of improper IHP payments, and amounts that FEMA is expected to recoup (and spend) from amounts appropriated for IHP in previous years, CBO estimates that offsetting receipts and related direct spending would decline by $25 million over the 2016-2020 period. Because direct spending would decline by an estimated $25 million over the next 3 years, an increase in appropriations of the same amount would be necessary to cover expected disaster relief payments.

Wildfire Mitigation. H.R. 1471 would authorize assistance for hazard mitigation in areas affected by wildfires. Under current law, FEMA may provide hazard mitigation funds to areas where the President has declared a major disaster. Under the bill, FEMA would be authorized to provide funds to areas affected by wildfires, regardless of whether the President has declared a major disaster. Based on information provided by FEMA, CBO estimates that providing additional funds would require about $6 million annually, and would cost $16 million over the 2016-2020 period.

Changes in Direct Spending

Under current law, FEMA is required to recoup any 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, or fraud. Upon notification from FEMA, recipients of improper payments must repay those amounts in full, set up a payment plan, or request that FEMA 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); those funds are available to spend in response to future disasters without further appropriation.

H.R. 1471 would give FEMA the discretion to waive the repayment of improper payments provided through the Individuals and Households Program (IHP) in cases where the agency was at fault, but not in cases involving fraud or misrepresentation by the recipient. Under the bill, if the estimated rate of improper payments reaches 4 percent of IHP spending, then the authority to waive those repayments would expire. The bill also would prevent FEMA from seeking recoupment of improper payments provided through IHP after 3 years, unless there is evidence of fraud.

Based on information from FEMA about the rate of improper IHP payments, and amounts that FEMA is expected to recoup (and spend) from amounts appropriated for IHP in previous years, CBO estimates that enacting those provisions would reduce offsetting receipts by $25 million over the 2016-2018 period. Those forgone receipts would be offset by a reduction in direct spending of the same amount; thus, there would be no net effect on direct spending over the 2016-2025 period.

H.R. 1471 also would affect the recoupment of payments from future appropriations for IHP. Based on information provided by FEMA, CBO estimates those amounts would total around $5 million dollars annually and would be offset over time by equivalent reductions in spending. Recent historical rates of improper payments have averaged almost 2 percent of IHP payments; recent IHP payments, excluding large disasters such as Hurricane Sandy, have averaged about $230 million a year. Any recouped amounts from improper IHP payments would be contingent on future appropriations, consequently no subsequent reductions in offsetting receipts or direct spending would be attributed to H.R. 1471.

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 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 H.R. 1471 as ordered reported by the House Committee on Transportation and Infrastructure on April 15, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	5	0	-2	-2	-1	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1471 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the cost to comply with the mandates by state, local, and tribal governments and the private sector would fall below the annual thresholds established in UMRA for such mandates ($77 million and $154 million, respectively, in 2015, adjusted annually for inflation).

Under current law, members of search and rescue task forces have protection from tort liability when participating in federal preparedness activities. The bill would expand that protection to include training exercises. Such protection would impose a mandate because it would eliminate an existing right to seek compensation for damages. According to FEMA, no claims for damage have been filed regarding a training exercise, nor does the agency expect that any such claims would be filed under current law. Therefore, CBO estimates that the costs, if any, of this mandate would be minimal.

The bill also would require employers to allow task force members who are deployed to a disaster to reclaim their jobs upon completion of their service. According to FEMA, there are currently about 5,500 workers in the system; the duration of deployment is usually less than one month; and in general, most employers currently allow workers to reclaim their positions. Thus, CBO estimates that the cost for public and private-sector employers to comply with the mandate would fall below the annual thresholds.

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