



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 8, 2018

### **H.R. 4460** **Disaster Recovery Reform Act**

*As ordered reported by the House Committee on Transportation and Infrastructure  
on November 30, 2017*

#### **SUMMARY**

H.R. 4460 would amend and authorize appropriations for several programs within the Federal Emergency Management Agency (FEMA). CBO estimates that the bill would authorize appropriations totaling \$3.9 billion for FEMA over the 2019-2022 period. Based on historical spending patterns, CBO estimates that implementing the bill would cost \$1.4 billion over the 2019-2022 period and \$2.6 billion in years after 2022, assuming appropriation of the authorized and necessary amounts.

CBO estimates that enacting H.R. 4460 would increase direct spending by \$268 million over the 2019-2027 period. Therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 4460 would not increase net direct spending or on-budget deficits by more than \$2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4460 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of H.R. 4460 is shown in the following table. The costs of this legislation fall within budget functions 400 (transportation) and 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars										2018-	2018-
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Emergency Management Grants												
Authorization Level	0	954	954	954	954	0	0	0	0	0	3,816	3,816
Estimated Outlays	0	70	213	403	622	742	741	551	333	143	1,308	3,816
In-Lieu Public Assistance Contributions												
Estimated Authorization Level	0	21	21	21	21	21	21	21	21	21	84	189
Estimated Outlays	0	21	21	21	21	21	21	21	21	21	84	189
Forgone Recoveries of Improper Payments												
Estimated Authorization Level	0	5	3	3	2	2	0	0	0	0	13	15
Estimated Outlays	0	3	4	3	2	2	1	0	0	0	12	15
Wildfire Mitigation												
Estimated Authorization Level	0	6	6	6	6	6	6	6	6	6	24	54
Estimated Outlays	0	*	2	3	5	6	6	6	6	6	10	40
Dispute Resolution Pilot Program												
Estimated Authorization Level	0	*	1	1	1	0	0	0	0	0	3	3
Estimated Outlays	0	*	1	1	1	0	0	0	0	0	3	3
Additional Reporting Requirements												
Estimated Authorization Level	0	1	*	*	*	*	*	*	*	*	2	4
Estimated Outlays	0	1	*	*	*	*	*	*	*	*	2	4
Total Increases												
Estimated Authorization Level	0	987	985	985	984	29	27	27	27	27	3,942	4,081
Estimated Outlays	0	95	241	431	451	771	769	578	360	170	1,419	4,068
<b>INCREASES OR DECREASES (-) IN DIRECT SPENDING</b>												
Predisaster Mitigation Fund												
Estimated Budget Authority	0	120	24	24	24	24	24	24	24	24	192	312
Estimated Outlays	0	6	25	54	40	32	29	24	24	24	125	258
Emergency Relief for Highway Repair												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	3	3	2	1	0	0	0	0	9	10
Forgone Recoveries of Improper Payments												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	1	0
Estimated Outlays	0	2	-1	0	0	1	-2	-1	0	0	1	0
Total Change												
Estimated Budget Authority	0	120	24	24	24	24	24	24	24	24	192	312
Estimated Outlays	0	9	27	57	42	33	28	24	24	24	135	268

Components may not sum to totals because of rounding; \* = less than \$500,000.

## **BASIS OF ESTIMATE**

CBO assumes that H.R. 4460 will be enacted during fiscal year 2018 and that the authorized and necessary amounts will be appropriated for each year beginning in 2019.

### **Spending Subject to Appropriation**

CBO estimates that implementing H.R. 4460 would cost \$1.4 billion over the 2019-2022 period, subject to appropriation of the necessary amounts.

**Emergency Management Grants.** H.R. 4460 would authorize the appropriation of \$950 million annually over the 2019-2022 period for FEMA to provide grants to states through the Emergency Management Performance Grant program. That program helps state, local, and tribal governments prepare for future disasters. In 2017, FEMA allocated \$350 million to those grants.

H.R. 4460 also would authorize the appropriation of \$4 million annually over the 2019-2022 period for FEMA to provide grants to the Emergency Management Assistance Compact. The compact provides assistance during governor-declared disasters through a system that allows member states to send personnel, equipment, and commodities to help with response and recovery efforts in other member states. In 2017, FEMA provided \$2 million in such grants.

CBO estimates that grants for those emergency management programs would cost \$1.3 billion over the 2019-2022 period and \$2.5 billion after 2022.

**In-Lieu Public Assistance Contributions.** Under current law, public or private nonprofit entities that own facilities that are substantially damaged during a major disaster have the option of receiving grants to repair the facility or a fraction of the grant amount as an in-lieu contribution for use on other restoration projects. The total in-lieu contribution is 90 percent of repair costs for public facilities and 75 percent for private nonprofit facilities.

H.R. 4460 would increase the maximum in-lieu contributions for both public and private nonprofit entities to 100 percent of the total grant amount. Using historical data provided by FEMA on such in-lieu awards, CBO estimates that implementing the bill would cost \$84 million over the 2019-2022 period.

**Forgone Recoveries of Improper Payments.** CBO estimates that authorizing FEMA to waive recoupment of certain improper payments would reduce direct spending by \$15 million over the next 10 years. Under current law, recouped amounts are spent by the Disaster Relief Fund (DRF) for future disasters. (See the discussion under the heading Direct Spending.) Because the provision does not change any underlying authority to

provide disaster relief, in CBO's view the bill implicitly authorizes the appropriation of amounts equal to the forgone funds. Thus, CBO estimates that implementing the provision would cost \$12 million over the 2019-2022 period, and \$3 million after.

**Wildfire Mitigation.** H.R. 4460 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. Using information provided by FEMA, CBO estimates that providing additional assistance would require the appropriation of \$6 million annually and would cost \$10 million over the 2019-2022 period.

**Dispute Resolution Pilot Program.** The bill would extend the authority for FEMA to operate the Dispute Resolution Pilot Program through calendar year 2022. Under the pilot program, applicants for DRF public assistance grants that did not receive the total amount requested may seek arbitration in lieu of submitting an appeal to FEMA for additional assistance. Using information from FEMA on expected staff and travel costs for the pilot program, CBO estimates that continuing the program would cost \$3 million over the 2019-2022 period.

**Additional Reporting Requirements.** H.R. 4460 would require FEMA to issue four new regulations, four new pieces of guidance, and to prepare 11 new reports to the Congress over the next five years. Based on the costs of preparing similar reports and regulations, CBO estimates that meeting those requirements would cost \$2 million over the 2019-2022 period.

## **Direct Spending**

CBO estimates that enacting H.R. 4460 would increase direct spending by \$268 million over the 2019-2027 period.

**Predisaster Mitigation Fund.** H.R. 4460 would create a new fund called the National Public Infrastructure Predisaster Mitigation Fund. For each major disaster declaration after August 1, 2017, an amount equal to 6 percent of the total estimated funding FEMA expects to provide for certain disaster response grants would be deposited into the proposed fund. The fund would be used to provide technical and financial assistance to states and localities to carry out hazard mitigation designed to reduce injury, loss of life, and damage and destruction of property. Amounts in the fund could be spent without further appropriation.

After enactment, CBO estimates, about \$120 million—6 percent of the estimated \$2 billion in relevant disaster response grants expected to be made for disasters that occurred since August 1, 2017—would be transferred to the proposed fund in 2019. In

recent years, FEMA has been provided an average of \$400 million a year for the relevant disaster response grants. Assuming the Congress provides similar amounts for years after 2019, \$24 million a year (that is, 6 percent of \$400 million) would be transferred to the fund. On the basis of historical spending patterns for predisaster mitigation, CBO estimates that spending under this section would total \$258 million over the 2019-2027 period.

**Emergency Relief for Highway Repair.** For 2018 and 2019, H.R. 4660 would remove the current limitation on funds available for emergency highway repairs for certain U.S. territories. Obligations from the emergency relief program are limited to \$20 million per year. Without that cap, the territories could more quickly spend funds that were previously appropriated for the emergency relief program; CBO estimates that those funds would not otherwise be used before 2027. Using information about current demand for emergency relief funds, CBO estimates that enacting that provision would cost \$10 million over the 2019-2027 period.

**Forgone Recoveries of Improper Payments.** Under current law, FEMA must recoup improper payments made for 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. All payments received through the recovery process are deposited in FEMA's DRF and may be spent on future disasters without further appropriation. Under H.R. 4460, FEMA could waive the recovery of improper payments made to individuals except in cases of fraud.

The Government Accountability Office reported that about 3 percent of the approximately \$1.6 billion in FEMA individual assistance payments disbursed between 2012 and 2014 for Hurricane Sandy relief were improper or fraudulent. Based on a review of that report, CBO estimates that few of those payments (less than 5 percent) were the result of fraud. Using information from FEMA about the recoupment rate for improper payments after previous major disasters, CBO expects that about 25 percent of those payments have been recovered. Thus, CBO estimates, upon enactment of H.R. 4460, \$30 million of improper payments for individual assistance that are in the process of being recouped would be eligible to be waived.

According to FEMA, waiving the recovery of improper payments would be on a case-by-case basis; therefore, there is little certainty about the amounts that would be collected. Because of how such waivers would be processed is uncertain, CBO assumes a 50 percent chance that collections of all estimated outstanding improper payments would be waived under the bill and a 50 percent chance that they would not, resulting in \$15 million in lost recoveries over the 2019-2027 period. However, because those 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

effect on direct spending over the 2019-2027 period. However, because spending lags recoupments, there would be a \$1 million cost over the 2018-2022 period.

CBO has no basis to estimate the timing or magnitude of waivers that would be made under H.R. 4460 for recovery of improper payments that have not yet been disbursed.

## 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. 4460, the Disaster Recovery Reform Act, as Ordered Reported by the House Committee on Transportation and Infrastructure on November 28, 2017.**

	By Fiscal Year, in Millions of Dollars										2018- 2022	2018- 2027
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
<b>NET INCREASE IN THE DEFICIT</b>												
Statutory Pay-As-You-Go Impact	0	9	57	42	33	28	24	24	24	24	135	268

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 4460 would not increase net direct spending or on-budget deficits by more than \$2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

## MANDATES

H.R. 4460 contains no intergovernmental or private-sector mandates as defined in UMRA. Any costs incurred by public or private entities related to disaster assistance or grant programs under the Stafford Act would result from conditions of receiving federal assistance.

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