Congressional Budget Office
Cost Estimate

February 26, 2020

At a Glance

H.R. 2242, a bill to amend the Bipartisan Budget Act of 2018 to include certain services in the definition of critical services for purposes of repair, restoration, and replacement of damaged facilities

As ordered reported by the House Committee on Transportation and Infrastructure on September 19, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	*	1,560	1,730
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	1,560	1,730
Spending Subject to Appropriation (Outlays)	*	7	9

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
		Contains intergovernmental mandate?	**No**
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	**No**	Contains private-sector mandate?	**No**

* = between zero and $500,000.

The bill would

- Authorize the Federal Emergency Management Agency to provide additional disaster recovery assistance to Puerto Rico and the U.S. Virgin Islands for critical services projects

Estimated budgetary effects would primarily stem from

- Spending for critical services projects

Areas of significant uncertainty include

- Estimating the amount of assistance that will be provided to Puerto Rico and the U.S. Virgin Islands under current law
- Determining the number and type of projects that would qualify as critical services projects
- Projecting the amount of assistance critical services projects would receive

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 2242 would make certain recovery projects eligible for increased assistance from the Federal Emergency Management Agency (FEMA) in Puerto Rico and the U.S. Virgin Islands in the aftermath of Hurricanes Irma and Maria. The bill would amend the Robert T. Stafford Disaster Relief and Emergency Assistance Act to expand the list of project types that qualify as critical services projects under the Bipartisan Budget Act of 2018 (Public Law 115-123).

Estimated Federal Cost

The estimated budgetary effect of H.R. 2242 is shown in Table 1. The costs of the legislation fall within budget function 450 (community and regional development).

Table 1.
Estimated Budgetary Effects of H.R. 2242

	By Fiscal Year, Millions of Dollars												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
Increases in Direct Spending													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	*	380	360	330	300	190	90	40	20	10	10	1,560	1,730
Increases in Spending Subject to Appropriation													
Estimated Authorization	*	2	2	1	*	*	*	*	*	*	*	7	9
Estimated Outlays	*	2	2	1	*	*	*	*	*	*	*	7	9

Components may not sum to totals because of rounding; * = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted in fiscal year 2020. Under that assumption, the agency could incur some costs in 2020, but CBO expects that most of the costs would be incurred in 2021 and later.

Background

In 2017, the U.S. territories of Puerto Rico and the Virgin Islands were struck by Hurricanes Irma and Maria. In response, the President declared major disasters under the Stafford Act, which authorizes FEMA, at its discretion for authorized purposes, to provide assistance through several programs from its Disaster Relief Fund (DRF). In that year, the Congress provided nearly $50 billion in supplemental appropriations to the DRF, largely in response to Hurricanes Harvey, Irma, and Maria.[1] Using information from FEMA, CBO expects that a significant portion of the current balance of nearly $60 billion (which includes supplemental and regular appropriations) ultimately will be spent on recovery efforts in Puerto Rico and the U.S. Virgin Islands related to Hurricanes Irma and Maria. CBO projects that most—but not all—of that spending will occur over the 2020-2030 period under current law.

Since 2017, FEMA has spent about $14 billion on disaster assistance for the two territories. Of that amount, CBO estimates that about $6 billion has been spent on projects under the Public Assistance Program, which funds repairs to and replacements of public buildings, roads, bridges, and other infrastructure; removal of debris; and restoration of critical services, such as electricity and water.[2] Using information from FEMA about the agency's long-term projections for recovery spending in Puerto Rico and the U.S. Virgin Islands, CBO projects that, under current law, the agency will spend an additional $38 billion from DRF balances on those types of projects over the 2020-2030 period.

Direct Spending

H.R. 2242 would expand the eligible uses of existing, unobligated balances in the DRF by classifying additional types of projects as critical services projects. Under the Bipartisan Budget Act of 2018, FEMA is authorized to spend more for critical services in Puerto Rico and the U.S. Virgin Islands than is permitted under the Stafford Act for other disasters. As a result, CBO expects that enacting H.R. 2242 would lead to balances in the DRF being spent more quickly than under current law. That additional spending of amounts already appropriated is classified as direct spending. In total, CBO estimates that enacting the bill would increase direct spending by about $1.7 billion over the 2020-2030 period; that increased spending would be offset by lower spending of the same amount in years after 2030.

Total spending on Public Assistance projects in Puerto Rico and the U.S. Virgin Islands would increase because both the number of projects that qualify as critical services and the amount of funding available for each one would increase. The expanded list of critical services would include transportation infrastructure (such as roads and bridges), public housing, and solid waste and stormwater management. CBO estimates that about 5 percent of total spending for those projects under current law is for critical services; the expansion

1. Appropriations to the DRF over the 2011-2020 period averaged $13.8 billion annually. About half of those amounts were provided in supplemental appropriation acts. In particular, Public Laws 115-56, 115-72, and 115-123 provided $49.6 billion in supplemental funding to the DRF in response to several 2017 disasters, including Hurricanes Harvey, Irma, and Maria.
2. Section 406 of the Stafford Act defines critical services to include electricity, water (including water provided by an irrigation organization or facility) and sewer, wastewater treatment, communications, education, and emergency medical care.

under H.R. 2242 would make an additional 15 percent of total spending on Public Assistance qualify as critical services. Transportation projects—historically 10 percent of total Public Assistance spending—would account for most of that increase.

Spending Subject to Appropriation

FEMA uses contractors to review infrastructure projects. Because H.R. 2242 would expand both the number and the technical complexity of projects, CBO estimates that FEMA would need to spend about $7 million over the 2021-2024 period and smaller amounts in subsequent years on additional contract services. In total, CBO estimates, FEMA would spend $9 million over the 2020-2030 period. Such spending would be subject to the availability of appropriations to the DRF.

Uncertainty

The total amount of public assistance that FEMA will provide to Puerto Rico and the U.S. Virgin Islands over the 2020-2030 period—currently estimated at $38 billion—is the largest area of uncertainty associated with H.R. 2242. CBO's estimate of the bill's costs is based on assumptions applied to that starting figure. If FEMA decides to increase or decrease the amount of spending allocated to storm recovery in those territories under current law, then estimated spending under H.R. 2242 would change as well.

In addition, the proportion of spending under the Public Assistance Program that H.R. 2242 would make eligible for the enhanced authorities of Public Law 115-123, which CBO estimates is 15 percent, is uncertain. Further, the magnitude of the increase in the cost of projects that the bill would enable, which CBO estimates is 35 percent per project, is also uncertain. Because Public Law 115-123 was enacted in 2018, CBO has limited history to use in estimating its effects. The costs of H.R. 2242 could therefore be higher or lower than 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 that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
H.R. 2242, a bill to amend the Bipartisan Budget Act of 2018 to include certain services in the definition of critical services for purposes of repair, restoration, and replacement of damaged facilities, as Ordered Reported by the House Committee on Transportation and Infrastructure on September 19, 2019

	By Fiscal Year, Millions of Dollars												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
	Net Increase in the Deficit												
Pay-As-You-Go Effect	0	380	360	330	300	190	90	40	20	10	10	1,560	1,730

H.R. 2242 would affect the spending of balances from the Disaster Relief Fund (DRF). Most of those balances stem from appropriations designated in accordance with section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 as emergency requirements or for disaster relief. In particular, Public Laws 115-56, 115-72, and 115-123 (the Bipartisan Budget Act of 2018) designated the amounts appropriated to the DRF—totaling $49.6 billion—as emergency requirements. H.R. 2242 would not designate funds as emergency requirements or for disaster relief, but to the extent that it would accelerate spending of DRF balances, it would increase spending of some funds that were originally designated as such.

Increase in Long-Term Deficits: None.

Mandates: None.

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