



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 11, 2009

H.R. 1174 **FEMA Independence Act of 2009**

*As ordered reported by the House Committee on Transportation and Infrastructure
on November 5, 2009*

SUMMARY

H.R. 1174 would remove the Federal Emergency Management Agency (FEMA) from the Department of Homeland Security (DHS) and make it a cabinet-level agency. Under the bill, most of FEMA's current responsibilities would be transferred from DHS to the agency within 120 days of enactment. Several grant programs that FEMA currently administers would remain with DHS.

H.R. 1174 would authorize the appropriation of \$1.75 billion over the 2010-2012 period for an urban area all-hazards preparedness grant program. In addition, CBO estimates that appropriations totalling about \$100 million over the next five years would be necessary for FEMA to operate independently from DHS and to establish a separate office of Inspector General (IG). Assuming appropriation of the necessary and specified amounts, CBO estimates that implementing H.R. 1174 would cost \$1.1 billion over the 2010-2014 period. Enacting this legislation would not affect direct spending or revenues.

H.R. 1174 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1174 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					2010-2014
	2010	2011	2012	2013	2014	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Urban Area All-Hazard Preparedness Grants						
Authorization Level	525	575	650	0	0	1,750
Estimated Outlays	0	45	190	385	390	1,010
FEMA Administrative Expenses						
Estimated Authorization Level	0	24	25	26	26	101
Estimated Outlays	0	24	25	25	26	100
Total Changes						
Authorization Level	525	599	675	26	26	1,851
Estimated Outlays	0	69	215	410	416	1,110

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the middle of calendar year 2010 and that the amounts specified and estimated to be necessary will be appropriated for each year. CBO estimates that implementing H.R. 1174 would cost about \$1.1 billion over the next five years. This amount includes expenditures for programs for which the legislation would explicitly authorize appropriations, but does not include the ongoing costs of other FEMA programs, such as disaster relief, which would continue whether or not FEMA became an independent agency.

FEMA's Mission and Responsibilities

H.R. 1174 would establish FEMA as a separate entity from DHS. In 2002, the Congress moved FEMA (which had previously been an independent agency) under the Directorate of Emergency Preparedness and Response within DHS. In 2006, the Congress required that FEMA instead report directly to the Secretary of DHS, rather than through the Preparedness Directorate, and authorized the Administrator of FEMA to report directly to the President in the event of a disaster. Under the bill, FEMA would be an independent, cabinet-level agency.

Under H.R. 1174, the primary mission and responsibilities of FEMA would essentially remain unchanged (although it is unclear whether certain changes in the statute would affect the activities FEMA and DHS undertake, particularly as they relate to acts of terrorism). Under current law, FEMA's primary responsibilities are to prepare for, protect

against, respond to, and aid in the recovery of all types of disasters, including natural disasters, acts of terrorism, and other man-made disasters. Most of the spending for these activities comes from the Disaster Relief Fund. Spending from the fund totalled about \$63 billion over the past five years, more than half of which occurred in response to the 2005 Gulf Coast hurricanes. In addition, FEMA manages the National Flood Insurance Program, the U.S. Fire Administration, and a number of security-related grant programs. Under the bill, most of these functions would remain with FEMA. DHS would retain authority over certain other programs concerned with preparing for and protecting against acts of terrorism, including the State Homeland Security Program (SHSP) and the Urban Area Security Initiative (UASI); however funding for these programs retained by DHS could no longer be used to respond to natural disasters. In addition, the bill would remove other functions related to disaster recovery from the responsibilities of DHS.

Urban Area All-Hazard Preparedness Grants

H.R. 1174 would authorize appropriations totalling \$1.75 billion over the 2010-2012 period for FEMA to establish an urban area all-hazards grant program. The program would provide states with funding to enhance the preparedness of urban areas through purchase and maintenance of equipment, planning, training, and exercises. Funds would be allocated to states based on risk, population, and other factors identified by FEMA.

For 2010, the Congress provided \$1.8 billion to FEMA for SHSP and UASI, which may be used for similar purposes (see Public Law 111-83). The Congress also authorized the appropriation of \$4.4 billion for fiscal years 2011 and 2012 and such sums as may be necessary thereafter, for both programs (see Public Law 110-53). Because SHSP and UASI would remain within DHS, CBO assumes that there would be no change to the amounts already appropriated or authorized to be appropriated under this legislation.

Based on the historical spending patterns of similar grant programs operated by FEMA, CBO estimates that implementing this provision would cost \$1.0 billion over the next five years, assuming appropriation of the specified funds, with the remainder of the \$1.75 billion total spent after 2014.

FEMA Administrative Expenses

CBO estimates that new senior positions would be needed to manage an independent FEMA. Additional staff also would be necessary to provide support—for example, in acquisitions, information technology, and human resources—that would have been provided by DHS or shared across several agencies. Currently, FEMA has more than 3,700 full time employees and 4,000 standby disaster assistance employees located in the Washington Metropolitan area and throughout the 10 regions of the country. DHS has more than 225,000 employees across a variety of agencies and functions. CBO estimates that additional expenses for salaries and benefits, space, equipment, and other costs

related to operating as an independent agency would total roughly \$6 million annually beginning in 2011. If the agency were to reorganize, consolidate its employees, or acquire a new headquarters, these costs would be significantly higher, though this bill does not include a specific authorization for that purpose.

H.R. 1174 also would authorize FEMA to establish an Inspector General office (IG). We assume that the new office would be larger in size and scope than the office operated by FEMA prior to 2003. (In 2002, FEMA's IG office had a budget of \$10 million.) Based on the expenditures of the DHS IG office, including the Office of Emergency Management Oversight, CBO estimates that the new office would add nearly \$20 million annually to the agency's administrative costs, beginning in 2011.

All told, assuming appropriation of the necessary funds, CBO estimates that the operation of an independent FEMA, including a separate IG office, would cost \$100 million over the 2010-14 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1174 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Assuming appropriation of the authorized amounts, state and local governments would receive about \$1 billion over fiscal years 2010 through 2014 to prepare for disasters. Any costs to those governments would be incurred voluntarily as a condition of receiving federal assistance.

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