



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 4, 2005

### **S. 1777**

### **Katrina Emergency Assistance Act of 2005**

*As reported by the Senate Committee on Homeland Security and Governmental Affairs  
on September 27, 2005*

#### **SUMMARY**

The Federal Emergency Management Agency (FEMA) provides assistance to individuals affected by a major disaster by providing housing, food, and other basic needs for survival (known as direct assistance), and by providing cash payments to meet needs that insurance companies and other aid programs do not cover. FEMA also provides disaster unemployment assistance (DUA) to people who are not covered by other unemployment compensation programs. Under current law, direct assistance to individuals is limited to 18 months following the disaster, the amount of cash assistance is limited to \$26,200, and unemployment benefits are limited to 26 weeks.

S. 1777 would expand FEMA's authority to help individuals affected by Hurricane Katrina by allowing the President to waive the limitations on direct and financial assistance and by providing 13 additional weeks of unemployment benefits.

CBO expects that FEMA would pay for the cost of those activities with funds provided by two supplemental appropriation acts enacted after Hurricane Katrina (Public Laws 109-61 and 109-62). Under current law, CBO does not expect that FEMA will spend all of the funds provided by those laws over the 2006-2010 period. Because this legislation would provide a new use for those funds, CBO expects that more of the appropriated funds will be spent over the next five years. CBO estimates that enacting S. 1777 would increase spending by \$1.1 billion over the 2006-2008 period but would have no net impact on total outlays over the next 10 years because it would reduce spending after 2010.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act legislative provisions that provide for emergency assistance or relief. CBO has determined that the provisions of this bill would fall within that exclusion and has not reviewed the bill for intergovernmental or private-sector mandates.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1777 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

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	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>CHANGES IN DIRECT SPENDING</b>										
Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	200	800	100	0	0	-300	-200	-200	-200	-200

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### BASIS OF ESTIMATE

Immediately after the President declares a major disaster, FEMA helps individuals by providing housing, food, and other basic needs for survival and by distributing funds to meet needs that insurance companies and other aid programs do not cover. Those needs may include the repair of homes, replacement of personal property, transportation, medical care, and funeral expenses. FEMA may also provide unemployment benefits and reemployment services to people who are not covered by other unemployment compensation programs, as well as assistance with rental or mortgage payments. Under current law, direct aid to an individual or household is limited to 18 months, and cash assistance is limited to \$26,200—an amount that is adjusted annually for inflation. In addition, unemployment benefits are limited to 26 weeks of assistance.

S. 1777 would expand FEMA's authority to provide assistance to individuals affected by Hurricane Katrina. The legislation would allow the President to waive the limitations on direct and financial assistance that FEMA provides to individuals; the legislation also would allow individuals to receive an additional 13 weeks of unemployment benefits (for a maximum of 39 weeks of benefits).

CBO expects that FEMA would pay for the cost of increased individual assistance and unemployment benefits with funds provided by two emergency supplemental appropriation acts enacted after Hurricane Katrina (Public Laws 109-61 and 109-62). Of the funds provided by those appropriation acts, CBO expects that FEMA will not spend \$1.1 billion over next five years under current law. CBO estimates that the cost of expanding FEMA's individual assistance and unemployment benefits under S. 1777 would cost at least that amount; therefore, enacting S. 1777 would increase direct spending by \$1.1 billion over the

2006-2008 period and reduce it by the same amount after 2010. Any cost of implementing S. 1777 above that figure would replace spending that would otherwise occur on other activities over the next five years.

### **Individual Assistance**

Based on information from FEMA, CBO estimates that waiving the limits on direct financial assistance to individuals affected by Hurricane Katrina would cost more than \$850 million over the next three years. FEMA estimates that more than 1 million individuals or households have registered for assistance and are eligible to receive aid from FEMA. CBO expects that shelter and reimbursements for housing costs will constitute most of the assistance that FEMA will provide those registrants.

### **Disaster Unemployment Assistance**

Under current law, CBO assumes that DUA spending related to Hurricane Katrina will total \$250 million. CBO estimates that providing an additional 13 weeks of benefits under S. 1777 would cost \$115 million in 2006. We estimate that as many as 400,000 individuals may have lost their jobs as a result of Hurricane Katrina. The majority of those people will be covered by regular state unemployment compensation, but many of those who do not qualify for regular benefits will collect DUA.

### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

Section 4 of UMRA excludes from the application of that act legislative provisions that provide for emergency assistance or relief. CBO has determined that the provisions of this bill would fall within that exclusion and has not reviewed the bill for intergovernmental or private-sector mandates.

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