



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

June 2, 2006

Honorable Don Young
Chairman
Committee on Transportation
and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed revised cost estimate for H.R. 5316, the Restoring Emergency Services to Protect Our Nation from Disasters Act of 2006. This estimate supersedes the initial cost estimate transmitted on May 24, 2006. The new estimate corrects an error that CBO made in its previous estimate for H.R. 5316.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Julie Middleton.

Sincerely,

A handwritten signature in black ink that reads "Donald B. Marron".

Donald B. Marron
Acting Director

Enclosure

cc: Honorable James L. Oberstar
Ranking Democratic Member



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Revised June 2, 2006

H.R. 5316 **Restoring Emergency Services to Protect Our Nation** **from Disasters Act of 2006**

*As ordered reported by the House Committee on Transportation and Infrastructure
on May 17, 2006*

SUMMARY

H.R. 5316 would remove the Federal Emergency Management Agency (FEMA) from the Department of Homeland Security (DHS) and make it a cabinet-level agency reporting directly to the President of the United States. FEMA had a similar status prior to the formation of DHS in 2003. Under the bill, DHS's responsibilities for ensuring the nation is prepared to respond to man-made and natural disasters would be transferred to FEMA. The bill also would authorize FEMA to coordinate an all-hazards emergency management system that includes federal government activities related to preparedness, response, recovery, and mitigation for terrorism, natural disasters, and other emergencies.

The bill would authorize the appropriation of \$804 million over the 2007-2009 period for a catastrophe planning program, emergency equipment grants for states, grants to administer an existing emergency assistance compact among states, and management funds for the National Incident Management System (NIMS), which is managed by FEMA. In addition, the bill would authorize the appropriation of such sums as necessary for a new grant program for state and local governments to help them meet planning requirements under the National Emergency Preparedness System (NEPS).

Assuming appropriation of the necessary and specified amounts, CBO estimates that implementing H.R. 5316 would cost about \$1.1 billion over the 2007-2011 period. Enacting this legislation would not affect direct spending or revenues.

H.R. 5316 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Assuming the appropriation of authorized amounts, state and local governments would benefit from more than \$1 billion in grants to improve emergency preparedness, plan for catastrophic incidents, and purchase emergency

equipment. Any costs incurred by those governments would be conditions of receiving federal assistance.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5316 is shown in the following table. The costs of this legislation fall within budget functions 450 (community and regional development) and 550 (health).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
FEMA Consolidation Costs and Ongoing Administration					
Estimated Authorization Level	17	17	17	17	17
Estimated Outlays	15	17	17	17	17
Grants for NEPS Implementation					
Estimated Authorization Level	100	102	104	106	107
Estimated Outlays	10	47	79	102	104
Emergency Equipment Assistance Grants					
Authorization Level	200	200	200	0	0
Estimated Outlays	20	94	156	156	82
Emergency Management Assistance Compact Grants					
Authorization Level	4	4	4	0	0
Estimated Outlays	0	2	3	3	2
Catastrophe Planning Program					
Authorization Level	30	32	34	0	0
Estimated Outlays	14	23	29	18	8
National Incident Management System					
Authorization Level	30	32	34	0	0
Estimated Outlays	14	23	29	18	8
Total Changes					
Estimated Authorization Level	381	387	393	123	124
Estimated Outlays	73	206	313	314	221

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5316 will be enacted near the start of fiscal year 2007 and that the necessary amounts will be appropriated over the 2007-2011 period. CBO estimates that implementing this bill would cost about \$1.1 billion over the 2007-2011 period, assuming appropriation of the necessary funds. Those costs represent estimated expenditures for activities that H.R. 5316 would authorize but do not include continuing costs for other FEMA programs, such as disaster relief—with outlays that fluctuate significantly from year-to-year, depending on the need to respond to disasters.

FEMA Programs and Current Spending

H.R. 5316 would establish FEMA as a separate agency from the Department of Homeland Security and would add to its responsibilities most of the functions currently assigned to the Preparedness Directorate of DHS. Under current law, FEMA's primary responsibilities are to respond to all types of disasters, mitigate the damage of future disasters, and help communities recover after a disaster. Most of the spending for these activities comes out of the Disaster Relief Fund. To help the Gulf Coast recover from the 2005 hurricanes, for example, over \$60 billion was initially appropriated to the fund, though over \$20 billion was eventually reallocated to other federal programs that were engaging in disaster recovery efforts related to the hurricanes. On balance, CBO estimates that disaster relief spending will total well over \$20 billion in fiscal year 2006. (In contrast, such spending totaled about \$12 billion in fiscal year 2005 but averaged much less than those amounts prior to 2005.) In addition, FEMA manages the National Flood Insurance Program. CBO estimates that spending for flood insurance claims will exceed \$20 billion in fiscal year 2006. The bill would not change FEMA's responsibilities for providing such disaster assistance or for paying flood insurance claims.

Under H.R. 5316, FEMA would add "preparedness" to its list of authorized activities. Under current law, the Preparedness Directorate of the DHS administers most of the grant and training programs that benefit state and local governments by helping them prepare for future terrorist attacks, natural disasters, or other emergencies. In 2006, the Congress appropriated more than \$3 billion for those purposes. H.R. 5316 would not reauthorize appropriations for those existing state and local grant programs; however, it would authorize the appropriation of funds for a few new grant programs. This bill would not transfer to FEMA any DHS programs concerned with law enforcement activities to prevent terrorism, the protection of critical infrastructure, or intelligence analysis.

FEMA Consolidation Costs and Ongoing Administration

CBO estimates that a few new senior positions would be needed to manage the new independent FEMA and that some current employees would see salary increases with their new responsibilities. In 2006, the agency's appropriation for administrative costs was \$236 million. CBO estimates that staff and salary increases under the bill would cost about \$2 million a year. The bill also would authorize FEMA to establish an Inspector General (IG) office. We assume that the new IG office would be somewhat larger in size and scope than the office operated by FEMA prior to the formation of DHS because of its increased responsibilities. (In 2002, FEMA's IG office had a budget of \$10 million.) Assuming appropriation of the necessary funds, CBO estimates that the new IG office would add about \$15 million annually to the agency's administrative costs.

Under this bill, CBO estimates that about 500 full-time equivalent employees would be transferred from DHS to FEMA to administer FEMA's new preparedness responsibilities. Currently, FEMA has over 2,200 permanent full-time employees, many in the Washington Metropolitan area. The Congress established the DHS in 2003, and the agency is still in the process of consolidating its operations and employees. CBO expects that any significant consolidation of FEMA employees would be unlikely to occur under H.R. 5316 over the next five years. If the agency were to consolidate its employees into one location, however, we estimate that it could cost between \$25 million to \$35 million in one-time costs to move, house, and equip the employees of this larger agency. If the agency were to acquire a new headquarters building, the costs would be significantly higher, though this bill does not include a specific authorization for that purpose.

Grants for NEPS Implementation

H.R. 5316 would authorize the appropriation of such sums as are necessary for a new grant program for state and local governments to meet planning requirements under the National Emergency Preparedness System, an existing framework for achieving effective emergency preparedness at all levels of government. Under current law, most of the money for disaster preparedness planning is provided to states through the Emergency Management Performance Grants. In 2006, the Congress appropriated \$185 million for these grants. H.R. 5316 would place new requirements on states, such as developing a new emergency preparedness report that assesses the states' current level of preparedness under the NEPS. Based on information from state and local entities about their needs for additional resources for planning and historical spending patterns for similar grants, CBO estimates that implementing this new grant program would require additional appropriations of about \$100 million a year, resulting in outlays of about \$340 million over the 2007-2011 period, assuming appropriation of the estimated amounts.

Emergency Equipment Assistance Grants

The bill would authorize the appropriation of \$200 million a year over the 2007-2009 period for grants for training and equipment for emergency communications. Based on spending patterns of similar programs, CBO estimates that implementing these grants would cost about \$500 million over the 2007-2011 period, assuming appropriation of the specified amounts. (Additional outlays from the authorized amounts would occur after 2011.)

Emergency Management Assistance Compact Grants

The bill would authorize the appropriation of \$4 million a year over the 2007-2009 period for grants to help certain states to administer and coordinate activities under the Emergency Management Assistance Compact authorized by Public Law 104-321. Based on spending patterns of similar programs, CBO estimates that providing these grants would cost about \$10 million over the 2007-2011 period, assuming appropriation of the specified amounts.

Catastrophe Planning Program

H.R. 5316 would authorize the appropriation of \$96 million over the 2007-2009 period to implement a catastrophe planning program which would include developing plans to address catastrophes, training state and local government officials, and conducting exercises to test the efficacy of those plans. Based on historical spending patterns of similar programs, CBO estimates that implementing this provision would cost \$93 million over the 2007-2011 period.

National Incident Management System

H.R. 5316 would authorize the appropriation of \$96 million over the 2007-2009 period to implement, maintain, and revise the NIMS and the National Response Plan (NRP). NIMS establishes a framework for governmental, nongovernmental, and private-sector entities to work cooperatively to prepare for, respond to, and recover from disasters of any kind. The NRP is based on the NIMS and provides the operational direction for these entities to deal with disasters. Based on historical spending patterns of these programs, CBO estimates that implementing this provision would cost \$93 million over the 2007-2011 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5316 contains no intergovernmental or private-sector mandates as defined in UMRA. Assuming the appropriation of authorized amounts, state and local governments would benefit from more than \$1 billion in grants to improve emergency preparedness, plan for catastrophic incidents, and purchase emergency equipment. Any costs incurred by those governments would be conditions of receiving federal assistance.

PREVIOUS CBO ESTIMATES

On May 24, 2006, CBO prepared a cost estimate for H.R. 5316, the Restoring Emergency Services Act of 2006, as ordered reported by the House Committee on Transportation and Infrastructure on May 17, 2006. This cost estimate revises and supersedes the earlier estimate.

In our previous estimate for H.R. 5316, CBO interpreted title III of the bill as authorizing the appropriation of such sums as are necessary for many disaster preparedness grants to state and local governments. We estimated that continuing the current level of funding for those grant programs over the next five years and adjusted for anticipated inflation would cost \$9.8 billion over the 2007-2011 period, assuming appropriation of the necessary and authorized amounts.

CBO has concluded that our initial interpretation of title III was an error. The authorization of appropriations in title III of H.R. 5316 applies only to the new state grants authorized by that title, not all existing state grant programs for emergency preparedness. Based on information from state and local entities, CBO estimates that implementing this new grant program would cost about \$340 million over the 2007-2011 period, assuming appropriation of the necessary funds.

On May 24, 2006, CBO prepared a cost estimate for H.R. 5351, the National Emergency Management Reform Act of 2006, as ordered reported by the House Committee on Homeland Security on May 17, 2006. H.R. 5351 would authorize the President to establish the Directorate of Emergency Management within the Department of Homeland Security and would authorize appropriations for some FEMA programs. On June 2, 2006, CBO issued a revised estimate for H.R. 5351 to correct the statement made in that estimate concerning the cost of implementing H.R. 5316. (The estimate of costs for H.R. 5351 is unchanged.)

Both H.R. 5351 and H.R. 5316 would reorganize FEMA, but would do so in different ways. Each bill would authorize the appropriation of different amounts for different FEMA and preparedness activities and grant programs, and CBO's cost estimates reflect those differences.

ESTIMATE PREPARED BY:

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ESTIMATE APPROVED BY:

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