



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

June 2, 2006

Honorable Peter T. King
Chairman
Committee on Homeland Security
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. 5351, the National Emergency Management Reform and Enhancement Act of 2006. This estimate supersedes the initial cost estimate transmitted on May 24, 2006. The estimated cost of H.R. 5351 has not changed, but CBO has revised its cost estimate for H.R. 5316, which was referred to in our previous estimate for H.R. 5351. Thus, the only change reflected in the enclosed estimate is an update to the comparison of the two bills.

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 blue ink that reads "Donald B. Marron".

Donald B. Marron
Acting Director

Enclosure

cc: Honorable Bennie G. Thompson
Ranking Member



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Revised June 2, 2006

H.R. 5351 **National Emergency Management Reform** **and Enhancement Act of 2006**

As ordered reported by the House Committee on Homeland Security on May 17, 2006

SUMMARY

H.R. 5351 would reorganize the Preparedness Directorate, the Federal Emergency Management Agency (FEMA), and part of the Science and Technology Directorate into a new operational entity within the Department of Homeland Security (DHS) called the Directorate of Emergency Management. In addition, the bill would authorize the appropriation of funds for various programs including emergency management grants to states, the Metropolitan Medical Response System (MMRS), the National Urban Search and Rescue Program, and the National Incident Management System (NIMS), among others. Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 5351 would cost about \$1.3 billion over the 2007-2011 period. Enacting this legislation would not affect direct spending or revenues.

H.R. 5351 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. H.R. 5351 would impose a mandate on the private sector, as defined in UMRA, by prohibiting individuals and entities from using specific words, initials, titles, or the insignia of DHS in connection with certain activities without written permission. Based on information from DHS, CBO expects that the direct cost to comply with the mandate would be minimal and would fall well below the annual threshold established by UMRA for private-sector mandates (\$128 million in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5351 is shown in the following table. The costs of this legislation fall within budget functions 450 (community and regional development) 550 (health), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Administrative Costs of New Directorate and Studies					
Estimated Authorization Level	14	13	13	13	13
Estimated Outlays	12	13	13	13	13
Emergency Management Grants					
Authorization Level	364	4	4	4	4
Estimated Outlays	39	137	116	83	4
National Incident Management System					
Authorization Level	25	25	25	25	0
Estimated Outlays	11	19	23	25	14
National Disaster Medical System and Medical Response System					
Authorization Level	145	145	145	145	0
Estimated Outlays	109	145	145	145	36
Urban Search and Rescue System					
Estimated Authorization Level	40	40	40	41	41
Estimated Outlays	18	30	36	40	41
Total Changes					
Estimated Authorization Level	588	227	227	238	58
Estimated Outlays	189	344	332	307	108

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5351 will be enacted near the start of fiscal year 2007 and that the amounts will be appropriated over the 2007-2011 period. CBO estimates that implementing this bill would cost about \$1.3 billion over the 2007-2011 period, assuming appropriation of the necessary funds. Those costs represent estimated expenditures for activities that H.R. 5351 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. 5351 would reorganize the Preparedness Directorate, FEMA, and part of the Science and Technology Directorate into a new operational entity within DHS called the Directorate of Emergency Management. 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 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. Over \$3 billion was appropriated in 2006 for these grants. In addition, the Office of Interoperability and Compatibility (OIC) of the Science and Technology Directorate coordinates programs that provide assistance and tools to state and local governments to improve public safety communications.

Administrative Costs of New Directorate

H.R. 5351 would reorganize the Preparedness Directorate, the Federal Emergency Management Agency, and the Office of Interoperability and Compatibility (OIC) of the Science and Technology Directorate into to a new operational entity within DHS called the Directorate of Emergency Management. For this estimate, CBO assumes that current employees of the Preparedness Directorate, OIC, and FEMA would be reorganized into the structure outlined in this bill. In addition, CBO estimates that some new senior positions would be needed to manage the expanded directorate as outlined in this bill, and some current employees would see salary increases with their new responsibilities. The bill also would authorize the appropriation of \$11 million a year for a new Deputy Inspector General for Response and Recovery. Assuming appropriation of the necessary and authorized amounts, CBO estimates that implementing these provisions would cost about \$13 million a year.

H.R. 5351 also would authorize the new directorate to work with the National Academy of Public Administration to conduct a study on the organizational changes made under this bill. In addition, the bill would authorize the Government Accountability Office to conduct a study on the inventory and effectiveness of training programs for federal, state, and local emergency response providers. CBO estimates that conducting these studies would cost about \$1 million in 2007.

Emergency Management Grants

H.R. 5351 would authorize the appropriation of \$360 million in 2007 for the emergency management grants to states. In 2006, \$185 million was appropriated for those grants. In addition, the bill would authorized the appropriation of \$4 million a year 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 FEMA's historical spending patterns, CBO estimates that implementing these grant programs would cost \$378 million over the 2007-2011 period, assuming appropriation of the specified amounts.

National Incident Management System

H.R. 5351 would authorize the appropriation of \$25 million a year over the 2007-2010 period to implement, maintain, and revise the NIMS and the National Response Plan (NRP). NIMS establishes a framework for governmental, nongovernment, 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 the entities to deal with disasters. Based on spending patterns of similar programs, CBO estimates that implementing this provision would cost \$91 million over the 2007-2011 period, assuming appropriation of the specified amounts.

National Disaster Medical System and Metropolitan Medical Response System

H.R. 5351 would authorize the appropriation of \$580 million over the 2007-2010 period to implement the National Disaster Medical System (NDMS) and to provide grants under the Metropolitan Medical Response System. The NDMS is located within FEMA and coordinates the federal response to medical emergencies such as acts of terrorism. The MMRS helps high-density jurisdictions prepare for mass casualty situations and acquire pharmaceuticals and personal protective gear. Based on historical spending patterns for these programs, CBO estimates that implementing this provision would cost \$580 million over the 2007-2011 period, assuming appropriation of the specified amounts.

Urban Search and Rescue System

H.R. 5351 would authorize the appropriation of \$40 million a year over the 2007-2009 period, and such sums as are necessary after that period, to implement and administer the National Urban Search and Rescue Response System. To estimate the cost of this program in future years, CBO adjusted the 2009 authorization level for anticipated inflation in future years. Based on historical spending patterns for this program, CBO estimates that implementing this provision would cost \$165 million over the 2007-2011 period, assuming appropriation of the authorized amounts.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5351 contains no intergovernmental mandates as defined in UMRA. Assuming the appropriation of authorized amounts, state and local governments would benefit from \$600 million over the 2007-2011 period to improve emergency preparedness. The bill also would add several new requirements for state and local governments receiving homeland security grants, including maintaining response plans for catastrophic events, implementing certain voluntary standards, and filing new reports. Any costs incurred by those governments would be conditions of receiving federal assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5351 would impose a mandate, as defined in UMRA, by prohibiting individuals and entities from using specific words, initials, titles, or the insignia of DHS in connection with certain activities without written permission. The bill would expand restrictions beyond those in current law. The cost of the mandate would be the cost of acquiring written permission from the department or the forgone net value attributable to such uses in the event that permission is not granted. Based on information from DHS, CBO expects that the direct cost to comply with the mandate would be minimal and would fall well below the annual threshold established by UMRA for private-sector mandates (\$128 million in 2006, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

On May 24, 2006, CBO transmitted a cost estimate for H.R. 5351, the National Emergency Management Reform and Enhancement Act of 2006, as ordered reported by the House Committee on Homeland Security on May 17, 2006. This cost estimate supersedes that previous estimate, but CBO's estimate of the costs of implementing H.R. 5351 has not changed. The revision simply corrects a statement in our previous cost estimate regarding the costs of implementing H.R. 5316, the 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.

On May 24, 2006, CBO transmitted a cost estimate for H.R. 5316, the 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. On June 2, 2006, CBO issued a revised estimate for H.R. 5316 to correct an error concerning the cost of implementing that bill.

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:

Federal Costs: Julie Middleton
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Fatimot Ladipo

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis