



# BUDGET BULLETIN



A WEEKLY BULLETIN  
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COMMITTEE  
ON THE  
BUDGET  
Republican  
Staff

Judd Gregg, Chairman  
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## INFORMED BUDGETEER

### LEGISLATIVE RESPONSE TO HURRICANES

Since the September 19<sup>th</sup> *Bulletin*, the only noteworthy update to the summary of hurricane-related legislation was enactment of the \$6.1 billion tax relief bill.

(\$ in billions)		
Enacted/cleared for President	Bill #	5-year cost
First supplemental 1/	H.R. 3645	10.5
Second supplemental 1/	H.R. 3673	51.8
Katrina tax package 2/	H.R. 3768	6.1
Flood insurance borrowing authority	H.R. 3669	2.0
TANF benefits for evacuees	H.R. 3672	0.3
Pell grant relief	H.R. 3169	*
Redistribution of campus based student aid	H.R. 3863	*
<b>Total increase in deficit</b>		<b>70.7</b>
Passed by Senate		
Housing assistance	H.R. 2862	3.5
Education reimbursement	S. 1764	0.3
Small Business Administration	H.R. 2862	0.6
Economic Development Administration	H.R. 2862	0.2
Legal services	H.R. 2862	*
<b>Total increase in deficit</b>		<b>4.6</b>
Passed by House		
Liability protection for volunteers 3/	H.R. 3736	

\* Estimated to cost less than \$50 million.

1/ Reflects budget authority, not all outlays are expected to occur in 5-year window.

2/ Includes revenue and outlay effects.

3/ CBO score pending.

### FEMA DISASTER RELIEF FUND: HURRICANE ACTIVITY

In the past week, the Federal Emergency Management Agency (FEMA) has allocated an additional \$2.5 billion and expended another \$1.5 billion.

(\$ in billions)					
Program Area	(1) Allocation	(2) Commitments (un-obligated)	(3) Obligations (un-liquidated)	(4) Expenditures	(1-2-3-4) Remaining allocation
Human Serv.	8.5	1.9	3.6	2.5	0.6
Infrastructure	1.2	*	0.3	0.7	0.2
Ops./Admin	9.4	0.7	7.7	*	0.8
<b>Total</b>	<b>19.1</b>	<b>2.6</b>	<b>11.6</b>	<b>3.2</b>	<b>1.6</b>

\*Less than \$50 million.

NOTE: Details may not add to totals due to rounding.

Source: Department of Homeland Security report of 9/29 to the Committees on Appropriations (required under PL 109-62)

### THE ROBERT T. STAFFORD ACT

- As suggested by the table above, which summarizes the activity of the Disaster Relief Fund (DRF), about \$41 billion of the \$60 billion appropriated for hurricane response remains unallocated. These unallocated balances represent money in the DRF which FEMA has not yet assigned for a specific purpose. Many observers are wondering both how these funds will be spent and how much (and what for) additional funding the President may request. While many questions remain, we do know what kind of disaster assistance can be provided by the DRF.
- While federal disaster relief has been in place since 1950, the current state of federal disaster assistance was set out in 1988 in the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as amended). The Stafford Act authorizes the President to issue a major disaster declaration, which allows federal agencies to move resources to overwhelmed states after natural disasters or other catastrophes. FEMA (now part of the Department of Homeland Security) is responsible for administering assistance to individuals, families, state and local governments, and certain non-profit organizations. Financial assistance is provided through funds appropriated to the DRF.

- Under the Stafford Act, this is no limit on the total assistance that can be provided for any one disaster declaration or on the total federal response for all disasters each year. The level of assistance simply depends on how much Congress appropriates. Since it is uncertain when a disaster will strike or how much it will cost, Congress annually appropriates money to the DRF in the Homeland Security appropriations bill to make sure FEMA has a base level of resources to begin to respond when a disaster occurs. Often, as the chart below shows, supplemental appropriations are required each year to provide additional resources to fulfill the assistance outlined in the Stafford Act.

DISASTER RELIEF FUND: PRESIDENT'S REQUEST COMPARED TO ENACTED APPROPS, FY1989-2005				
(Constant 2005 \$ in billions)				
Fiscal year	Pres. Req.	Enacted Approps		Total Appropriations
		Regular	Suppl.	
1989	0.3	0.1	1.5	1.7
1990	0.4	0.1	1.5	1.7
1991	0.3	--	--	0.0
1992	0.2	0.2	5.2	5.4
1993	0.4	0.4	2.5	2.8
1994	1.4	0.3	5.7	5.9
1995	0.4	0.4	3.9	4.2
1996	0.4	0.3	3.8	4.0
1997	0.4	1.5	3.7	5.2
1998	3.0	0.4	1.8	2.2
1999	2.8	1.3	1.3	2.6
2000	3.0	3.0	--	3.0
2001	3.1	1.7	2.1	3.8
2002	1.4	0.7	7.3	8.0
2003	1.9	0.8	1.5	2.3
2004	2.0	1.8	2.3	4.1
2005	2.2	2.0	68.5	70.5
<b>Total</b>	<b>23.5</b>	<b>15.1</b>	<b>112.5</b>	<b>127.6</b>

Source: Congressional Research Service, *Federal Stafford Act Disaster Assistance*, <http://www.congress.gov/erp/rl/pdf/RL33053.pdf>

NOTE: Details may not add to totals due to rounding.

### Stafford Act Disaster Assistance Funded By DRF

**Individual/Household Assistance.** Currently, FEMA can pay cash grants and assistance not to exceed \$26,500 (adjusted annually for inflation), which can be used for temporary housing (mortgage/rental assistance) for up to 18 months (can be longer in the most severe circumstances). Limited payments also are available to return damaged homes to a sanitary living condition and to reduce the likelihood of future damage. Applicants may also receive grants for serious needs arising as a result of the disaster, including medical, dental, funeral, transportation, moving and storage, and other expenses that FEMA approves. Were a disaster to occur in a remote location, FEMA may authorize direct assistance or grants for permanent housing construction for homeowners and renters. In the rarest occasions, homeowners can receive limited funds for replacement of their disaster-damaged homes.

**Public Assistance.** FEMA can fund the repair, restoration, reconstruction, or replacement of state or local government public facilities or infrastructure damaged or destroyed by a disaster. There is a 25% matching requirement, but the President has the authority to waive part or all of it. A public facility is defined as: any flood control, navigation, irrigation, reclamation, public power, sewage treatment and collection, water supply and distribution, watershed, or airport facility; any street, road or highway (not built with federal highway dollars); any other public building, structure, or system, including those used for educational recreational, or cultural purposes; or any park.

**Disaster Unemployment Assistance.** FEMA provides unemployment benefits and re-employment services to individuals who became unemployed due to a major disaster. Benefits begin on the day the individual was unemployed and can be extended for 26 weeks from the date the President declared the emergency. However, these benefits are only provided to those individuals not covered by other forms of unemployment compensation programs, and generally are not available to farmers and migrant and seasonal workers.

**Hazard Mitigation.** Hazard mitigation refers to sustained measures enacted to reduce or eliminate long-term risk to people and property from natural hazards and their effects. This type of assistance includes: relocation, acquisition and demolition, and elevation/flood proofing.

**Crisis Counseling.** Crisis Counseling is designed to provide supplemental funding to states for short-term counseling services to people affected in Presidential declared disasters. The program includes either immediate services to enable the state or local agency to respond to immediate mental health needs or regular services designed to provide up to nine months of crisis counseling.

**Stafford Act Disaster Assistance Not Funded By DRF**

**Community Disaster Loans.** Provides local governments with loans to cover lost tax and other revenue essential for government services.

**Tax Consideration.** Those who have sustained a casualty loss from a declared disaster are able to deduct that loss on their federal income tax return for the year in which the casualty occurred, or they may elect to deduct that loss on their tax return for the preceding tax year. The loss must exceed 10 percent of the adjusted gross income for the tax year by at least \$100.

**U.S. ARMY CORPS OF ENGINEERS**

- Last week, Louisiana’s congressional delegation introduced legislation – The Louisiana Katrina Reconstruction Act – that, among other things, would result in an additional \$40 billion for U.S. Army Corps of Engineers projects in Louisiana.
- Is this request the right amount? To help answer that, let us first consider some background on the Corps and its operations.
- The Corps is an Executive Branch agency within the Department of Defense whose mission includes five areas: water resources, environment, infrastructure, homeland security, and warfighting. On the civilian side, the Corps’ civil works program is responsible for flood control, disaster relief, environmental restoration, municipal water infrastructure, and improving and maintaining navigable channels. These water projects can include construction and operation of dams, navigation locks, and hydroelectric facilities, as well as other activities that provide coastal and flood protection.
- Who picks these projects and how are they funded? Generally, a community or local government entity with a water-resource need gets the attention of its Congressional delegation, which then requests an authorization – usually in a bill reauthorizing the Water Resources Development Act (WRDA) – to complete a study of the

desired project. A study of the project is only the first step though. Congress also must authorize the project and make federal dollars available through the appropriations process before any working project can begin.

- Obtaining an appropriation for an authorized project is difficult. In recent years, the number of project authorizations has grown and an ever-increasing backlog of unfinished authorized Corps projects has amassed. The Administration recently estimated in its Statement of Administration Policy on H.R. 2846 (Water Resources Development Act of 2005) that it would cost \$50 billion to complete the backlog of already-authorized Corps projects.
- How much money is actually provided to the Corps to do its work and complete these projects? Over the past ten years, the annual Corps appropriation has ranged from \$4 billion to \$5.4 billion (in constant 2005 dollars). Most recently, for fiscal year 2006, the President requested \$4.3 billion, the House-passed Energy and Water appropriations bill included \$4.7 billion, and the Senate-passed bill included \$5.3 billion.

U.S. Army Corps of Engineers -- Historical Funding from 1996 to present (in billions of constant 2005 \$)	
Year	Budget Authority
1996	4.1
1997	5.0
1998	5.0
1999	4.7
2000	4.7
2001	5.2
2002	5.2
2003	5.1
2004	4.8
2005*	5.4
2006 President's Request	4.3
2006 House-passed H.R. 2419	4.7
2006 Senate-passed H.R. 2419	5.3

Source: Congressional Research Service and *Historical Tables: Budget of the U.S. Government Fiscal Year 2006*  
\*Includes \$0.4 billion, for hurricane response from P.L. 109-61,.

- Usually, about 85% of the Corps annual appropriation is dedicated to authorized projects in specific locations, while the remaining 15% is for programmatic expenses (i.e. Corps spending that is not set aside for state specific projects). For Louisiana specifically, the 2006 Senate-passed Energy and Water Appropriations Bill would provide more than \$300 million for individual, authorized Corps projects in that state.
- Comparing the annual appropriation figures to the levels in the Louisiana Katrina Reconstruction Act (S. 1765 and S. 1766), which requests an **additional** \$40 billion for Louisiana Corps projects, suggests this request is: (1) 133 times as much as Louisiana would get in Corps funding in the regular 2006 appropriations bill, (2) is about eight times the annual Corps budget for the entire United States, and (3) is 16 times the amount the Corps has said it would need to protect New Orleans from a Category 5 hurricane