CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 12, 2017

H.R. 3176
Disaster Assistance Fairness and Accountability Act of 2017

As ordered reported by the House Committee on Transportation and Infrastructure on July 27, 2017

SUMMARY

H.R. 3176 would establish a three-year statute of limitations on actions to recover certain improper assistance grants that the Federal Emergency Management Agency (FEMA) provided to individuals following a declared disaster. Under current law, FEMA has the authority to recover disaster assistance grants at any time after the date of disbursement.

CBO estimates that H.R. 3176 would reduce FEMA's recoupments of improper payments, which are recorded as reductions in direct spending, by $30 million over the 2018-2027 period. However, under current law, those amounts would be available for future disaster relief payments without further appropriation; thus, enacting the bill also would reduce direct spending by an equivalent amount, resulting in no net effect on direct spending over the next 10 years. Because fewer collections would be available to finance future disaster relief payments under the bill, H.R. 3176 would create a need for additional appropriations for those purposes. Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost $30 million over the 2018-2027 period.

Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues. CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3176 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 3176 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											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Forgone Recoveries of Improper Payments												
Estimated Budget Authority	10	7	5	4	4	0	0	0	0	0	30	30
Estimated Outlays	10	7	5	4	4	0	0	0	0	0	30	30
Reduced Spending from Recoveries												
Estimated Budget Authority	-10	-7	-5	-4	-4	0	0	0	0	0	-30	-30
Estimated Outlays	-6	-7	-6	-4	-4	-2	-1	0	0	0	-27	-30
Net Change												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	4	0	-1	0	0	-2	-1	0	0	0	3	0
INCREASES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	10	7	5	4	4	0	0	0	0	0	30	30
Estimated Outlays	6	7	6	4	4	2	1	0	0	0	27	30

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3176 will be enacted near the end of 2017 and that the estimated amounts will be appropriated each year. Estimated outlays are based on historical spending patterns for the affected programs.

Direct Spending

Under current law, FEMA is required to recoup improper payments made during the course of providing disaster assistance. Improper payments can result from, among other things, duplication of benefits (for example, receipt of two insurance payments for the same damage), processing errors, or fraud. When notified by FEMA, recipients of improper payments must repay those amounts in full, set up a payment plan, or request that FEMA waive all or part of the repayment based on the recipient's ability to pay. If payment is not received, the Department of the Treasury assumes responsibility for collecting the debt (along with any applicable interest and fee charges) through federal and state payment deductions, administrative wage garnishment, or referral to a private collection agency. All payments received through the recoupment process are deposited in FEMA's Disaster Relief Fund (DRF) and are available to spend for future disasters without further appropriation.

Under H.R. 3176, improper payments made to individuals would have to be recouped within three years of their disbursement. That limitation would not apply where there is evidence of fraud.

According to data from a report by the Governmental Accountability Office, about three percent of the approximately $1.6 billion in FEMA individual assistance payments disbursed between 2012 and 2014 for Hurricane Sandy relief were improper or fraudulent. Based on a review of that report, CBO judges that few of those payments (less than 5 percent) were the result of fraudulent requests. Based on information from FEMA about the recoupment rate for improper payments after previous major disasters, CBO expects that about 25 percent of those payments have already been recouped. Thus, CBO estimates that $30 million in improper payments for individual assistance that are in the process of being recouped would no longer be collected under H.R. 3176. However, because those amounts would have been available to FEMA for future disaster relief payments without further appropriation, fewer collections also would reduce outlays, resulting in no net effect on direct spending over the 2018-2027 period.

Spending Subject to Appropriation

CBO estimates that barring FEMA from recouping certain improper payments would reduce amounts deposited in the DRF by $30 million over the next five years. Assuming disaster relief payments stay at the same level, appropriations would need to increase; such spending would total $30 million over the 2018-2027 period, CBO estimates.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3176, the Disaster Assistance Fairness and Accountability Act of 2017, as ordered reported by the House Committee on Transportation and Infrastructure on July 27, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	4	0	-1	0	0	-2	-1	0	0	0	3	0

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3176 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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