Congressional Budget Office
Cost Estimate

February 19, 2020

At a Glance

H.R. 3779, Resilience Revolving Loan Fund Act of 2019

As ordered reported by the House Committee on Transportation and Infrastructure on September 19, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	0	0	0
Revenues	*	-10	-30
Increase or Decrease (-) in the Deficit	*	10	30
Spending Subject to Appropriation (Outlays)	1	214	214

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between -$500,000 and zero.

The bill would

- Authorize the appropriation of $200 million for the Federal Emergency Management Agency to make grants to capitalize new revolving funds administered by states, from which state agencies would make low-interest loans to local governments, communities, homeowners, and owners of other property to finance projects that would mitigate damage from future disasters

Estimated budgetary effects would primarily stem from

- Spending of the authorized and necessary amounts
- Revenue loss from issuing additional tax exempt bonds

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 3779 would authorize the appropriation of $100 million in each of 2020 and 2021 for the Federal Emergency Management Agency (FEMA) to make grants to capitalize new revolving funds administered by states. From those revolving funds, state agencies would make low-interest loans to local governments, communities, homeowners, and owners of other property to finance projects that would mitigate damage from future disasters.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3779 is shown in Table 1. The costs of the legislation fall within budget function 450 (community and regional development).

Table 1.
Estimated Budgetary Effects of H.R. 3779

	By Fiscal Year, Millions of Dollars						
	2020	2021	2022	2023	2024	2025	2020-2025
Increases in Spending Subject to Appropriation							
Grants for Hazard Mitigation							
Authorization	100	100	0	0	0	0	200
Estimated Outlays	*	7	37	78	78	0	200
Additional Administrative Costs							
Estimated Authorization	1	1	2	5	5	0	14
Estimated Outlays	1	1	2	5	5	0	14
Total Changes							
Estimated Authorization	101	101	2	5	5	0	214
Estimated Outlays	1	8	39	83	83	0	214
Decreases in Revenues							
Estimated Revenues[a]	0	0	-1	-2	-3	-4	-10

* = between $500,000 and zero.

a. Estimate provided by the staff of the Joint Committee on Taxation.

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted in 2020. Estimated outlays are based on historical spending patterns for similar programs.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 3779 would cost $214 million over the 2020-2025 period, assuming appropriation of the authorized and necessary amounts.

State Revolving Funds for Disaster Mitigation. H.R. 3779 would authorize the appropriation of $100 million annually in 2020 and 2021 for FEMA to make grants to states to capitalize new revolving funds; CBO estimates that those amounts would be spent over the 2020-2025 period. To receive assistance under the bill, states would need to contribute 10 percent of the amount of a federal grant to its revolving fund.

To implement the bill, CBO expects that FEMA would need about 18 months to hire new employees, establish the required auditing and reporting processes, issue program regulations, and review grant applications from states.

CBO expects that FEMA would gradually increase the number of grants it would make through 2024. Estimated outlays are based on historical spending patterns for similar state revolving fund programs administered by other federal agencies. CBO expects that states would use most of their revolving funds to assist local governments with infrastructure projects, such as projects that control flooding. The bill also would allow recipients to use small portions of assistance to develop zoning and land use plans and to enforce updated building codes.

Administrative Costs. H.R 3779 would authorize FEMA to use up to 2.5 percent of amounts authorized by the bill, or a total of $5 million, to pay administrative costs. However, based on information from FEMA, CBO estimates that the agency would need additional amounts each year over the 2020-2024 period to fully implement the program; CBO estimates the additional amounts required for administrative costs would increase over the next five years as FEMA provides more grants. In total, CBO estimates that FEMA would need an additional $14 million over the 2020-2025 period. Those amounts would cover the cost of employing 10 new staff members, contract support, technical assistance to states, and other operating costs.

Revenues

The staff of the Joint Committee on Taxation (JCT) expects that states would use a portion of the capitalization grants to leverage additional funds by issuing tax-exempt bonds. JCT estimates that, as a result, H.R. 3779 would reduce federal revenues by $30 million over the 2020-2030 period.

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 revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3779, Resilience Revolving Loan Fund Act of 2019, as Ordered Reported by the House Committee on Transportation and Infrastructure on September 19, 2019

	By Fiscal Year, Millions of Dollars												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
	Net Increase in the Deficit												
Pay-As-You Go Effect	0	0	1	2	3	4	4	4	4	4	4	10	30

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 3779 would not increase deficits by more than $5 billion in any of the consecutive 10-year periods beginning in 2031.

Mandates: None.

Estimate Prepared By

Federal Costs: Jon Sperl

Mandates: Rachel Austin

Revenues: The staff of the Joint Committee on Taxation

Estimate Reviewed By

Kim P. Cawley
Chief, Natural and Physical Resources Cost Estimates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis