Congressional Budget Office
Cost Estimate

August 11, 2022

At a Glance

S. 3875, Community Disaster Resilience Zones Act of 2022

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on March 30, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	27	95
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	27	95
Spending Subject to Appropriation (Outlays)	0	3	7

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	< $5 billion	Contains private-sector mandate?	No

The bill would

- Authorize the Federal Emergency Management Agency (FEMA) to pay up to 90 percent of the total cost of grants under the Building Resilient Infrastructure and Communities (BRIC) program within designated resilience zones
- Require FEMA to improve the National Risk Index (NRI) and designate census tracts at the highest risk of natural disasters as community disaster resilience zones

Estimated budgetary effects would mainly stem from

- Increasing the share of costs the federal government would cover for certain types of disaster relief
- Increasing administrative costs to improve the NRI, identify community disaster resilience zones, and administer BRIC grants

Areas of significant uncertainty include

- Projecting total spending for federal disaster assistance
- Predicting how much and how often FEMA would raise the federal cost share for BRIC grants

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

S. 3875 would codify the National Risk Index (NRI), a tool used to assess the vulnerability of communities to natural hazards, and the bill would require the Federal Emergency Management Agency (FEMA) to improve, update, and integrate the NRI into federal disaster relief programs. The bill would require FEMA to use NRI data to identify census tracts with the highest vulnerability ratings for natural disasters and designate those areas as community disaster resilience zones. In addition, for projects located within those zones, S. 3875 would authorize FEMA to use the Disaster Relief Fund (DRF) to increase the share the federal government covers for grants under the Building Resilient Infrastructure and Communities (BRIC) program. The bill would allow the federal contribution to rise from the current 75 percent to 90 percent; state, local, and tribal governments would continue to fund the remainder of the grants.

Estimated Federal Cost

The estimated budgetary effect of S. 3875 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 S. 3875

	By Fiscal Year, Millions of Dollars												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
Increases in Direct Spending													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	1	2	5	8	11	14	15	14	13	12	27	95
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	1	1	1	1	1	1	1	1	1	1	3	7
Estimated Outlays	0	*	1	1	1	1	1	1	1	1	1	3	7

Components may not sum to totals because of rounding; * = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted late in fiscal year 2022 and that FEMA would begin implementing its requirements in 2023. CBO's estimate of outlays in each year is based on historical patterns of spending for FEMA programs that provide grants for disaster mitigation.

Direct Spending

Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, FEMA awards grants to state and local governments under the BRIC program to mitigate the effects of future disasters; those grants are funded from amounts set aside within the DRF.[1] Under current law, the federal cost share covers 75 percent of eligible expenses and state, local, and tribal governments are responsible for the remaining 25 percent. In its current baseline projections, CBO estimates that federal and state spending for those projects will total $6.7 billion over the 2023-2032 period, of which FEMA will pay $5.3 billion.

S. 3875 would require FEMA to use NRI data to identify census tracts with the highest vulnerability ratings for natural disasters and designate those areas as community disaster resilience zones. For communities located within those zones, S. 3875 would allow FEMA to increase the federal cost share—from the current 75 percent to 90 percent—for mitigation projects funded by BRIC grants.[2] CBO expects that FEMA would designate the first zones early in 2023 and begin awarding higher cost shares in the same year.

CBO expects that spending for BRIC grants would increase under the bill. The extent of that increase would depend on how often the agency would choose to increase the federal cost share. Under current law for the Public Assistance Program, the largest FEMA relief program, the agency can raise the share above 75 percent if the effects of a disaster are sufficiently severe—typically, if the per capita cost of the damage within a jurisdiction exceeds some specified amount. For the 125 major disasters declared in 2019 and 2020, for example, FEMA covered 100 percent of costs for 4 percent of the disasters, 90 percent of costs for 7 percent, and the normal 75 percent of costs for the remainder.[3] Under the expectation that FEMA would increase its share of costs at the same frequency as prior disasters, CBO estimates that under the bill the agency would cover 90 percent of costs for about 10 percent of all BRIC grants.

On that basis, CBO estimates that enacting the bill would increase direct spending by $1 million in 2023, with that cost rising to $15 million in 2029 and declining thereafter. In

1. Under current law, FEMA can set aside up to 6 percent of the estimated costs of assistance under the Stafford Act for the BRIC program. Since the program was established in 2018, FEMA has set aside more than $2 billion in DRF funding for mitigation projects, although most amounts have not yet been awarded. In 2022, FEMA has obligated about $100 million for the program.

2. FEMA covers 100 percent of management costs incurred by recipients of BRIC grants, which totaled about 15 percent of program spending in 2020. CBO has excluded those costs from this analysis because FEMA already provides the maximum amount.

3. The federal government paid 100 percent of costs for another 59 disasters declarations declared in response to the coronavirus pandemic. Because of the unusual nature of the pandemic, CBO excluded those costs from calculations for this estimate.

total, CBO estimates, enacting the bill would increase direct spending by $95 million over the 2022-2032 period.

Disaster assistance for programs authorized under the Stafford Act is paid from the DRF. Because S. 3875 would expand the use of previously appropriated balances from that fund, some of which CBO estimates would be unspent over the 2022-2032 period, the bill would increase direct spending. That higher spending would be offset by reductions in spending after 2032.

Spending Subject to Appropriation

In addition to codifying the NRI, S. 3875 would require FEMA to review the methodology for calculating risk scores for communities and census tracts covered by the NRI, gather public input, and incorporate additional data and metrics into the index. The bill would require an initial update of the NRI, and then again at five-year intervals. On that schedule, using the NRI, FEMA would be required to designate as community disaster resilience zones the 50 census tracts nationwide assigned the highest vulnerability ratings and the top 1 percent of such tracts in each state.

Currently, FEMA operates the NRI with 16 employees at a cost of $3 million annually. Under S. 3875, CBO expects, the agency would incur additional costs to integrate the index into the operations of BRIC and several other disaster relief programs authorized under the Stafford Act. Using information from FEMA, CBO expects that the agency would need four additional employees, at an average annual cost of $160,000 in 2023, to implement the bill's requirements. After accounting for anticipated inflation, CBO estimates that those costs would total less than $1 million annually and $7 million over the 2022-2032 period; any spending would be subject to the availability of appropriated funds.

Uncertainty

This estimate is subject to considerable uncertainty. Because S. 3875 would increase the share of costs that the federal government could cover for mitigation grants, the cost of the legislation would principally depend upon how much FEMA allocates for the BRIC program and how often FEMA would raise the federal cost share for those grants.[4] CBO's estimate of the bill's costs is informed by historical data about spending under other mitigation programs run by FEMA and the agency's decisions in response to past disasters, but the ultimate amounts that FEMA will cover are difficult to predict. Based on the needs of recipient communities in the future, if FEMA decided to increase or decrease the amounts allocated to

---

4. The coronavirus pandemic resulted in a large amount of spending from the DRF that in turn increased the amount of funding set aside for the BRIC program. The Infrastructure Investment and Jobs Act authorized an additional $200 million annually over the 2022-2026 period for the program. As a result, CBO's projection of BRIC spending is elevated over most of the decade, increasing the estimated cost of the higher cost share authorized by S. 3875.

the BRIC program—or the proportion of costs the federal government covers—spending under S. 3875 would, in turn, be higher or lower than 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 Table 1.

Increase in Long-Term Deficits

CBO estimates that enacting S. 3875 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

Estimate Prepared By

Federal Costs: Jon Sperl

Mandates: Rachel Austin

Estimate Reviewed By

Justin Humphrey
Chief, Finance, Housing, and Education Cost Estimates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis