

107TH CONGRESS
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H. R. 1669

To provide incentives to encourage private sector efforts to reduce earthquake losses, to establish a national disaster mitigation program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 1, 2001

Mr. THOMPSON of California (for himself, Mr. LEWIS of California, Mr. BACA, Mr. BERMAN, Mrs. BONO, Mr. CALVERT, Mr. CONDIT, Mr. CUNNINGHAM, Mrs. DAVIS of California, Mr. DOOLITTLE, Mr. DREIER, Mr. FILNER, Ms. HARMAN, Mr. HERGER, Mr. HONDA, Mr. HORN, Mr. HUNTER, Mr. INSLEE, Mr. ISSA, Ms. LOFGREN, Mr. GEORGE MILLER of California, Mrs. NAPOLITANO, Mr. OSE, Mr. RADANOVICH, Ms. SANCHEZ, Mr. SHERMAN, Mrs. TAUSCHER, Mr. WAXMAN, Ms. WOOLSEY, Mr. MATSUI, Ms. PELOSI, Mr. BLUMENAUER, Mr. SCHIFF, Mrs. CAPPS, Mr. LANTOS, Ms. WATERS, Ms. LEE, Ms. ESHOO, Mr. THOMAS, Mr. FARR of California, and Mr. MCKEON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services, and Science, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide incentives to encourage private sector efforts to reduce earthquake losses, to establish a national disaster mitigation program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Earthquake Loss Re-
3 duction Act of 2001”.

4 **SEC. 2. FINDINGS AND PURPOSE.**

5 (a) FINDINGS.—Congress finds the following:

6 (1) After 23 years of research funded by the
7 National Earthquake Hazards Reduction Program,
8 a substantial body of knowledge exists about earth
9 sciences, geotechnical, and structural engineering
10 and human behavior relating earthquakes.

11 (2) The foremost challenge as we enter the 21st
12 century is putting this knowledge to work by reduc-
13 ing future losses to improve the safety of Americans
14 and the performance of State and local government
15 facilities and private buildings and facilities.

16 (3) Earthquakes and tsunamis cause great dan-
17 ger to human life and property throughout the
18 United States and continue to threaten Americans
19 significantly in over 40 States and territories.

20 (4) Too few States and local communities have
21 sufficiently identified and assessed their risk and im-
22 plemented adequate measures to reduce losses from
23 such disasters and to ensure that their critical public
24 infrastructure and facilities will continue to function
25 after the disaster.

1 (5) Too much of the Nation’s stocks of housing
2 and commercial buildings remain inherently vulner-
3 able to earthquake shaking. Future losses in these
4 facilities can be lessened using currently feasible
5 technology.

6 (6) Too much of local government infrastruc-
7 ture remain at risk and are likely to be non-func-
8 tional in the aftermath of foreseeable earthquake
9 events at the time when the services they provide are
10 critically necessary.

11 (7) Federal, State and local government ex-
12 penditures for disaster assistance and recovery have
13 increased without commensurate reduction in the
14 likelihood of future losses from such earthquakes.

15 (8) Feasible techniques for reducing future
16 earthquake losses are readily available.

17 (9) Without economic incentives, it is unlikely
18 that States and local communities and the public
19 will be able to implement available measures to re-
20 duce losses and ensure continued functionality of
21 their infrastructure.

22 (b) PURPOSE.—It is the purpose of this Act to estab-
23 lish a national disaster mitigation program that—

1 (1) reduces the loss of life and property, human
2 suffering, economic disruption, and disaster assist-
3 ance costs resulting from earthquakes;

4 (2) offers financial incentives to encourage pri-
5 vate sector efforts to reduce earthquake losses;

6 (3) provides matching funds to encourage and
7 assist States and local governments and the private
8 sector in their efforts to implement measures de-
9 signed to ensure the continued functionality of pub-
10 lic infrastructure, commerce, and habitation after
11 earthquakes; and

12 (4) creates Federal, State and local government
13 partnerships to reduce the vulnerability of public in-
14 frastructure, commercial enterprises, and residential
15 buildings to earthquakes.

16 **SEC. 3. NONREFUNDABLE CREDIT FOR EXPENSES RE-**
17 **LATED TO SEISMIC RETROFIT OF PRINCIPAL**
18 **RESIDENCE.**

19 (a) GENERAL RULE.—Subpart A of part IV of sub-
20 chapter A of chapter 1 of the Internal Revenue Code of
21 1986 (relating to nonrefundable personal credits) is
22 amended by inserting after section 25A the following:

1 **“SEC. 25B. EXPENSES RELATED TO SEISMIC RETROFIT OF**
2 **PRINCIPAL RESIDENCE.**

3 “(a) GENERAL RULE.—In the case of an individual,
4 there shall be allowed as a credit against the tax imposed
5 by this chapter for the taxable year an amount equal to
6 50 percent of so much of the qualified seismic retrofit ex-
7 penses of the taxpayer for the taxable year as do not ex-
8 ceed \$6,000.

9 “(b) QUALIFIED SEISMIC RETROFIT EXPENSES.—
10 For purposes of this section—

11 “(1) IN GENERAL.—The term ‘qualified seismic
12 retrofit expenses’ means amounts paid or incurred
13 by the taxpayer during the taxable year in relation
14 to any seismic retrofit construction of the principal
15 residence of the taxpayer.

16 “(2) SEISMIC RETROFIT CONSTRUCTION.—The
17 term ‘seismic retrofit construction’ means any addi-
18 tion or improvement—

19 “(A) which is certified by the State dis-
20 aster agency or other applicable agency—

21 “(i) as resulting in the mitigation of
22 the risk of damage to existing property
23 from an earthquake, and

24 “(ii) as being in addition to any addi-
25 tion or improvement required by any State

1 or local law with respect to such property,
2 and

3 “(B) which is placed in service at least 5
4 years after the date the building is first placed
5 in service.

6 Such term does not include the cost of acquiring
7 such property (or any interest therein).

8 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
9 cipal residence’ has the same meaning as when used
10 in section 121.

11 “(c) DENIAL OF DOUBLE BENEFIT.—No deduction
12 shall be allowed under any other provision of this chapter
13 with respect to any amount of qualified seismic retrofit
14 expenses taken into account under subsection (a).

15 “(d) BASIS ADJUSTMENT.—For purposes of this sub-
16 title, if a credit is allowed under this section with respect
17 to any residence, the basis of such residence shall be re-
18 duced by the amount of the credit so allowed.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) The table of sections for subpart A of part
21 IV of subchapter A of chapter 1 of the Internal Rev-
22 enue Code of 1986 is amended by inserting after the
23 item relating to section 25A the following new item:

 “Sec. 25B. Expenses related to seismic retrofit of principal resi-
 dence.”.

1 (2) Subsection (a) of section 1016 of such Code
2 is amended by striking “and” at the end of para-
3 graph (26), by striking the period at the end of
4 paragraph (27) and inserting “, and”, and by add-
5 ing at the end the following new paragraph:

6 “(28) in the case of a residence with respect to
7 which a credit was allowed under section 25B, to the
8 extent provided in section 25B(d).”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to expenses paid or incurred in
11 taxable years beginning after December 31, 2000.

12 **SEC. 4. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
13 **TAIN SEISMIC RETROFIT EXPENSES.**

14 (a) TREATMENT AS 5-YEAR PROPERTY.—Section
15 168(e)(3)(B) of the Internal Revenue Code of 1986 (relat-
16 ing to 5-year property) is amended by striking “and” at
17 the end of clause (v), by striking the period and inserting
18 “, and” at the end of clause (vi), and by inserting after
19 clause (vi) the following new clause:

20 “(vii) any qualified seismic retrofit
21 property.”.

22 (b) DEFINITION OF QUALIFIED SEISMIC RETROFIT
23 PROPERTY.—Section 168(i) of the Internal Revenue Code
24 of 1986 (relating to definitions and special rules) is

1 amended by adding at the end the following new para-
2 graph:

3 “(15) QUALIFIED SEISMIC RETROFIT PROP-
4 ERTY.—

5 “(A) IN GENERAL.—The term ‘qualified
6 seismic retrofit property’ means any addition or
7 improvement to real property for which depre-
8 ciation is allowable under this section—

9 “(i) for which the expenditure is prop-
10 erly chargeable to the capital account, and

11 “(ii) which is a seismic retrofit.

12 “(B) SEISMIC RETROFIT.—For purposes of
13 subparagraph (A)(i), the term ‘seismic retrofit’
14 means any addition or improvement—

15 “(i) which is certified by the State
16 disaster agency or other applicable
17 agency—

18 “(I) as resulting in the mitiga-
19 tion of the risk of damage to existing
20 property from an earthquake, and

21 “(II) as being in addition to any
22 addition or improvement required by
23 any State or local law with respect to
24 such property, and

1 “(ii) which is placed in service at least
2 5 years after the date the building is first
3 placed in service.

4 Such term does not include the cost of acquir-
5 ing such property (or any interest therein).”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to qualified seismic retrofit prop-
8 erty placed in service after December 31, 2000.

9 **SEC. 5. QUALIFIED SEISMIC RETROFITTING BONDS.**

10 (a) IN GENERAL.— Section 144 of the Internal Rev-
11 enue Code of 1986 (relating to qualified small issue bond;
12 qualified student loan bond; qualified redevelopment bond)
13 is amended by adding at the end the following new sub-
14 section:

15 “(d) QUALIFIED SEISMIC RETROFITTING BOND.—
16 For purposes of this part—

17 “(1) IN GENERAL.—The term ‘qualified seismic
18 retrofitting bond’ means any bond issued as part of
19 an issue 95 percent or more of the net proceeds of
20 which are to be used—

21 “(A) for seismic retrofitting expenditures,
22 and

23 “(B) in a manner which meets the require-
24 ments of paragraph (3).

1 “(2) SEISMIC RETROFITTING EXPENDITURE.—

2 For purposes of paragraph (1), the term ‘seismic
3 retrofitting expenditure’ means any amount properly
4 chargeable to capital account—

5 “(A) which is certified by the State dis-
6 aster agency or other applicable agency—

7 “(i) as resulting in the mitigation of
8 the risk of damage to existing property
9 from an earthquake, and

10 “(ii) as being in addition to any addi-
11 tion or improvement required by any State
12 or local law with respect to such property,
13 and

14 “(B) which is placed in service at least 5
15 years after the date the building is first placed
16 in service.

17 Such term does not include the cost of acquiring
18 such property (or any interest therein).

19 “(3) USE OF PROCEEDS REQUIREMENTS.—The
20 use of the proceeds of an issue meets the require-
21 ments of this paragraph if within the 26-month pe-
22 riod beginning with the date of issue—

23 “(A) at least 95 percent of the net pro-
24 ceeds of such issue are used for seismic retro-
25 fitting expenditures or are used to finance 1 or

1 more loans to ultimate borrowers for such ex-
2 penditures, or

3 “(B) to the extent not so used under sub-
4 paragraph (A), such proceeds in excess of
5 \$10,000 are used to redeem bonds which are
6 part of such issue.”.

7 (b) BONDS TREATED AS QUALIFIED BONDS.—Para-
8 graph (1) of section 141(e) of the Internal Revenue Code
9 of 1986 (defining qualified bond) is amended by striking
10 “or” at the end of subparagraph (F), by redesignating
11 subparagraph (G) as subparagraph (H), and by inserting
12 after subparagraph (F) the following new subparagraph:

13 “(G) a qualified seismic retrofitting bond,
14 or”.

15 (c) BONDS INCLUDED FOR PURPOSES OF SMALL
16 ISSUER EXEMPTION STATUS.—Subclause (I) of section
17 265(b)(3)(C)(ii) of the Internal Revenue Code of 1986 (re-
18 lating to obligations not taken into account in determining
19 status as qualified small issuer) is amended by inserting
20 “, or a qualified seismic retrofitting bond, as defined in
21 section 144(d)(1)” after “section 145”.

22 (d) EXCEPTION FROM VOLUME CAP.—Section
23 146(g) of the Internal Revenue Code of 1986 (relating to
24 exception for certain bonds) is amended by striking “and”
25 at the end of paragraph (3), by striking the period at the

1 end of paragraph (4) and inserting a comma, and by add-
2 ing after paragraph (4) the following new paragraphs:

3 “(5) any qualified mortgage bond if 95 percent
4 or more of the net proceeds of the bond are to be
5 used to provide home improvement loans in connec-
6 tion with seismic retrofitting expenditures (as de-
7 fined in section 144(d)(2) without regard to the cap-
8 ital account requirement), and

9 “(6) any qualified seismic retrofitting bond.”.

10 (e) PROCEEDS OF MORTGAGE REVENUE BONDS
11 USED IN CONNECTION WITH SEISMIC RETROFITTING.—

12 (1) IN GENERAL.—Paragraph (4) of section
13 143(k) of the Internal Revenue Code of 1986 (relat-
14 ing to other definitions and special rules for quali-
15 fied mortgage bonds) is amended to read as follows:

16 “(4) QUALIFIED HOME IMPROVEMENT LOAN.—
17 The term ‘qualified home improvement loan’
18 means—

19 “(A) the financing (in an amount which
20 does not exceed \$15,000)—

21 “(i) of alterations, repairs, and im-
22 provements on or in connection with an ex-
23 isting residence by the owner thereof, but

1 “(ii) only for such items as substan-
2 tially protect or improve the basic livability
3 or energy efficiency of the property, and

4 “(B) the financing (in an amount which
5 does not exceed \$20,000) of seismic retrofitting
6 expenditures (as defined in section 144(d)(2)
7 without regard to the capital account require-
8 ment) in connection with an existing residence
9 by the owner thereof.”.

10 (2) EXCEPTION FROM INCOME REQUIRE-
11 MENTS.—Section 143(f) of such Code (relating to
12 income requirements) is amended by adding at the
13 end the following new paragraph:

14 “(7) EXCEPTION FOR CERTAIN QUALIFIED
15 HOME IMPROVEMENT LOANS.—Paragraph (1) shall
16 not apply with respect to any qualified home im-
17 provement loan (as defined in subsection
18 (k)(4)(B)).”.

19 (f) CLERICAL AMENDMENTS.—

20 (1) The heading of section 144 of the Internal
21 Revenue Code of 1986 is amended by striking
22 “**BOND.**” and inserting “**BOND; QUALIFIED SEIS-**
23 **MIC RETROFITTING BOND.**”.

24 (2) The item relating to section 144 in the table
25 of sections for subpart A of part IV of subchapter

1 B of chapter 1 of such Code is amended by striking
2 “bond.” and inserting “bond; qualified seismic retro-
3 fitting bond.”

4 (g) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to bonds issued after the date of
6 the enactment of this Act.

7 **SEC. 6. TREATMENT OF PASSIVE LOSSES OF CERTAIN**
8 **PARTNERSHIPS ENGAGED IN SEISMIC RET-**
9 **ROFITTING.**

10 (a) IN GENERAL.—Section 469 of the Internal Rev-
11 enue Code of 1986 (relating to passive activity losses and
12 credits limited) is amended by adding at the end the fol-
13 lowing new subsection:

14 “(n) EXEMPTION FOR SEISMIC RETROFITTING
15 TRADE OR BUSINESS.—

16 “(1) IN GENERAL.—In the case of any natural
17 person, subsection (a) shall not apply to that portion
18 of the passive activity loss or the deduction equiva-
19 lent (within the meaning of subsection (j)(5)) of the
20 passive activity credit for any taxable year which is
21 attributable to any seismic retrofitting activity which
22 such person engages in during the taxable year,
23 whether or not the taxpayer materially participates
24 in such activity.

1 “(2) SEISMIC RETROFITTING ACTIVITY.—For
2 purposes of this subsection, the term ‘seismic retro-
3 fitting activity’ means any activity which involves the
4 trade or business of seismic retrofit construction (as
5 defined in section 25B(b)(2)) for residential prop-
6 erty.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall apply to taxable years beginning after
9 December 31, 2000.

10 **SEC. 7. MORTGAGE INSURANCE INCENTIVE.**

11 Section 203(b)(2) of the National Housing Act (12
12 U.S.C. 1709(b)(2)), is amended, in the second undesig-
13 nated paragraph, by inserting “or due to seismic retro-
14 fitting of the residence (within the meaning of the term
15 ‘seismic retrofit construction’ under section 25B(b)(2) of
16 the Internal Revenue Code of 1986)” after “Act) therein”.

17 **SEC. 8. EARTHQUAKE DISASTER MITIGATION AND RECOV-**
18 **ERY PLANNING GRANT PROGRAM.**

19 (a) DEFINITIONS.—

20 (1) IN GENERAL.—Section 4 of the Earthquake
21 Hazards Reduction Act of 1977 (42 U.S.C. 7703) is
22 amended by adding at the end the following:

23 “(8) AGENCY.—The term ‘Agency’ means the
24 Federal Emergency Management Agency.

1 “(9) CRITICAL FACILITY.—The term ‘critical
2 facility’ means—

3 “(A) a public structure (including a police
4 station, fire station, city or town hall, school, or
5 other public building) or a public or nonprofit
6 private hospital that is—

7 “(i) owned by an entity; and

8 “(ii) critical to the continuity of the
9 entity or to the conduct of the disaster re-
10 sponse activities of the entity; or

11 “(B) a facility that—

12 “(i) provides medical services to a spe-
13 cific occupational or industry segment of
14 the general public; and

15 “(ii) is operated by an organization
16 described in subsection (c) or (d) of section
17 501 of the Internal Revenue Code of 1986
18 and exempt from taxation under subsection
19 (a) of such section.

20 “(10) CRITICAL PUBLIC INFRASTRUCTURE.—
21 The term ‘critical public infrastructure’ means a
22 utility or transportation system (including a bridge,
23 energy system, water or sewer system, or commu-
24 nication system) that is—

25 “(A) owned by an entity; and

1 “(B) critical to the conduct of the disaster
2 response activities of the entity.

3 “(11) EARTHQUAKE DISASTER.—

4 “(A) IN GENERAL.—The term ‘earthquake
5 disaster’ means a disaster that results from a
6 movement of the earth.

7 “(B) INCLUSIONS.—The term ‘earthquake
8 disaster’ includes a disaster that results from a
9 tsunami or an earthquake-caused landslide or
10 liquefaction (as determined by the Director of
11 the Agency).

12 “(12) GRANT PROGRAM.—The term ‘grant pro-
13 gram’ means the earthquake disaster mitigation and
14 recovery planning grant program established under
15 section 6.

16 “(13) INDIAN TRIBE.—The term ‘Indian tribe’
17 has the meaning given the term in section 4 of the
18 Indian Self-Determination and Education Assistance
19 Act (25 U.S.C. 450b).

20 “(14) INSTITUTION OF HIGHER EDUCATION.—
21 The term ‘institution of higher education’ has the
22 meaning given the term in section 101 of the Higher
23 Education Act of 1965 (20 U.S.C. 1001).

24 “(15) LOCAL GOVERNMENT.—The term ‘local
25 government’ means—

1 quake disaster mitigation and recovery planning measures
2 with respect to the critical facilities and critical public in-
3 frastructure under the jurisdiction of the recipients.

4 “(b) ELIGIBLE RECIPIENTS.—

5 “(1) IN GENERAL.—To be eligible for a grant
6 under the grant program, an entity shall be a local
7 government, public or nonprofit private hospital, or
8 public institution of higher education that—

9 “(A) has jurisdiction over, or is located in,
10 an area that is subject to earthquake disasters;

11 “(B) submits to the Director of the Agency
12 for approval an application for the grant in
13 such form as the Director shall require;

14 “(C) has completed an earthquake disaster
15 risk analysis;

16 “(D) has adopted a long-term strategic
17 earthquake disaster loss reduction plan that
18 identifies high priority earthquake disaster loss
19 reduction projects; and

20 “(E) meets criteria established by the Di-
21 rector under paragraph (2).

22 “(2) CRITERIA.—

23 “(A) ESTABLISHMENT.—The Director of
24 the Agency shall establish, by regulation, cri-
25 teria that local governments, public and non-

1 profit private hospitals, and public institutions
2 of higher education shall meet to qualify for
3 grants under the grant program.

4 “(B) REQUIREMENT APPLICABLE TO
5 LOCAL GOVERNMENTS.—The criteria under
6 subparagraph (A) applicable to local govern-
7 ments shall include the requirement that a local
8 government adopt and enforce comprehensive
9 ordinances, building codes, land use measures,
10 and other measures for earthquake disaster loss
11 reduction that—

12 “(i) take into consideration the identi-
13 fied earthquake hazards applicable to the
14 area over which the local government has
15 jurisdiction; and

16 “(ii) reflect current, cost-effective
17 techniques designed to reduce losses from
18 earthquake disasters and ensure the con-
19 tinued functionality of critical facilities and
20 critical public infrastructure.

21 “(C) CONSULTATION.—The criteria under
22 subparagraph (A) shall be adopted after con-
23 sultation with—

24 “(i) Federal, State, and local govern-
25 ment officials and agencies; and

1 “(ii) other persons knowledgeable in
2 the fields of natural disasters and hazard
3 mitigation.

4 “(c) COST SHARING.—

5 “(1) FEDERAL SHARE.—

6 “(A) IN GENERAL.—Subject to subpara-
7 graph (B), the Federal share of the cost of
8 measures carried out using a grant under the
9 grant program shall be 75 percent.

10 “(B) INSUFFICIENCY OF FEDERAL
11 FUNDS.—In paying the Federal share under
12 subparagraph (A) in a case in which there are
13 insufficient funds in the Loss Reduction Trust
14 Fund to fund all applications that are eligible
15 for approval, the Director of the Agency may
16 consider—

17 “(i) the desirability of geographical
18 dispersal of available funds;

19 “(ii) the extent to which any applicant
20 faces a greater risk of earthquake disas-
21 ters, in number or severity, than other ap-
22 plicants;

23 “(iii) the extent to which each appli-
24 cant is expending resources on addressing

1 urgent problems concerning critical facili-
2 ties or critical public infrastructure; and

3 “(iv) the extent to which the measures
4 proposed to be funded using the grant are
5 expected to result in cost savings to the
6 Federal Government under the Robert T.
7 Stafford Disaster Relief and Emergency
8 Assistance Act (42 U.S.C. 5121 et seq.).

9 “(2) NON-FEDERAL SHARE.—

10 “(A) GRANTS TO LOCAL GOVERNMENTS
11 (OTHER THAN INDIAN TRIBES).—In the case of
12 a grant to a local government (other than an
13 Indian tribe) under the grant program, the non-
14 Federal share of the cost of measures carried
15 out using the grant shall be provided as follows:

16 “(i) ½ by the State.

17 “(ii) ½ by the local government.

18 “(B) GRANTS TO INDIAN TRIBES.—In the
19 case of a grant to an Indian tribe under the
20 grant program, the non-Federal share of the
21 cost of measures carried out using the grant
22 shall be provided as follows:

23 “(i) ½ by the Bureau of Indian Af-
24 fairs.

25 “(ii) ½ by the Indian tribe.

1 “(C) GRANTS TO PUBLIC HOSPITALS.—In
2 the case of a grant to a public hospital under
3 the grant program, the non-Federal share of
4 the cost of measures carried out using the
5 grant shall be provided as follows:

6 “(i) 1/2 by the State, from funds other
7 than general State appropriations to the
8 hospital.

9 “(ii) 1/2 by the public hospital, from
10 general State appropriations to the hos-
11 pital or from funds donated to the hos-
12 pital.

13 “(D) GRANTS TO NONPROFIT PRIVATE
14 HOSPITALS.—In the case of a grant to a non-
15 profit private hospital under the grant program,
16 the non-Federal share of the cost of measures
17 carried out using the grant shall be provided by
18 the nonprofit private hospital.

19 “(E) GRANTS TO PUBLIC INSTITUTIONS OF
20 HIGHER EDUCATION.—In the case of a grant to
21 a public institution of higher education under
22 the grant program, the non-Federal share of
23 the cost of measures carried out using the
24 grant shall be provided as follows:

1 “(i) 1/2 by the State, from funds other
2 than general State appropriations to the
3 institution of higher education.

4 “(ii) 1/2 by the public institution of
5 higher education, from general State ap-
6 propriations to the institution of higher
7 education or from funds donated to the in-
8 stitution of higher education.

9 “(d) USE OF GRANT FUNDS.—

10 “(1) IN GENERAL.—A grant under the grant
11 program may be used—

12 “(A) to retrofit critical facilities and crit-
13 ical public infrastructure in accordance with
14 paragraph (2);

15 “(B) to implement earthquake disaster
16 mitigation measures in accordance with para-
17 graph (3); or

18 “(C) to develop earthquake disaster recov-
19 ery plans in accordance with paragraph (4).

20 “(2) RETROFIT OF CRITICAL FACILITIES AND
21 CRITICAL PUBLIC INFRASTRUCTURE.—

22 “(A) IN GENERAL.—A grant under the
23 grant program may be used to retrofit a critical
24 facility or critical public infrastructure with
25 parts or equipment that meets current stand-

1 ards for withstanding earthquake disasters (as
2 determined by the Director of the Agency).

3 “(B) SELECTION OF CRITICAL FACILITIES
4 AND CRITICAL PUBLIC INFRASTRUCTURE.—A
5 critical facility or critical public infrastructure
6 shall be selected for a grant under subpara-
7 graph (A) if the critical facility or critical public
8 infrastructure is identified in a long-term stra-
9 tegic earthquake disaster loss reduction plan
10 adopted under subsection (b)(1)(D) as having
11 high priority for retrofit because of the effect
12 that damage to the critical facility or critical
13 public infrastructure from an earthquake dis-
14 aster would have on the quality of human life
15 in the region and on recovery from the earth-
16 quake disaster.

17 “(3) IMPLEMENTATION OF EARTHQUAKE DIS-
18 ASTER MITIGATION MEASURES.—A grant under the
19 grant program may be used to implement an earth-
20 quake disaster mitigation measure designed to en-
21 sure the continued functionality of a critical facility
22 or critical public infrastructure.

23 “(4) DEVELOPMENT OF EARTHQUAKE DIS-
24 ASTER RECOVERY PLANS.—

1 “(A) IN GENERAL.—A grant under the
2 grant program may be used to develop an
3 earthquake disaster recovery plan that
4 includes—

5 “(i) a plan for reestablishing govern-
6 ment operations and community services
7 after an earthquake disaster; and

8 “(ii) a plan for long-term recovery
9 after an earthquake disaster.

10 “(B) SCHEDULE FOR PAYMENT OF GRANT
11 FUNDS.—Of a grant for measures described in
12 subparagraph (A)—

13 “(i) 50 percent shall be paid upon ap-
14 proval by the Director of the Agency of the
15 application for the grant; and

16 “(ii) 50 percent shall be paid upon
17 adoption of the earthquake disaster recov-
18 ery plan by the local government, public
19 hospital, or public institution of higher
20 education.

21 **“SEC. 7. LOSS REDUCTION TRUST FUND.**

22 “(a) ESTABLISHMENT.—There is established in the
23 Treasury of the United States a fund to be known as the
24 ‘Loss Reduction Trust Fund’, consisting of—

1 “(1) such amounts as are appropriated to the
2 Loss Reduction Trust Fund under subsection (b);

3 “(2) such amounts as are appropriated to the
4 Loss Reduction Trust Fund under section 12(e);
5 and

6 “(3) any interest earned on investment of
7 amounts in the Loss Reduction Trust Fund under
8 subsection (d).

9 “(b) TRANSFERS TO LOSS REDUCTION TRUST
10 FUND.—There are appropriated to the Loss Reduction
11 Trust Fund amounts equivalent to—

12 “(1) such amounts as the Director of the Agen-
13 cy determines are remaining after the close-out of
14 any active disaster declaration account under the
15 Robert T. Stafford Disaster Relief and Emergency
16 Assistance Act (42 U.S.C. 5121 et seq.);

17 “(2) such amounts as—

18 “(A) were allocated for hazard mitigation
19 assistance with respect to a major disaster
20 under section 404 of that Act (42 U.S.C.
21 5170c); and

22 “(B) the Director of the Agency deter-
23 mines are remaining after expiration of the
24 time limits established under subsection (c) of
25 that section; and

1 “(3) amounts received as gifts under subsection
2 (f).

3 “(c) EXPENDITURES FROM LOSS REDUCTION TRUST
4 FUND.—Upon request by the Director of the Agency, the
5 Secretary of the Treasury shall transfer from the Loss Re-
6 duction Trust Fund to the Director of the Agency such
7 amounts as the Director of the Agency determines are nec-
8 essary to carry out section 6.

9 “(d) INVESTMENT OF AMOUNTS.—

10 “(1) IN GENERAL.—The Secretary of the
11 Treasury shall invest such portion of the Loss Re-
12 duction Trust Fund as is not, in the judgment of
13 the Secretary of the Treasury, required to meet cur-
14 rent withdrawals. Investments may be made only in
15 interest-bearing obligations of the United States.

16 “(2) ACQUISITION OF OBLIGATIONS.—For the
17 purpose of investments under paragraph (1), obliga-
18 tions may be acquired—

19 “(A) on original issue at the issue price; or

20 “(B) by purchase of outstanding obliga-
21 tions at the market price.

22 “(3) SALE OF OBLIGATIONS.—Any obligation
23 acquired by the Loss Reduction Trust Fund may be
24 sold by the Secretary of the Treasury at the market
25 price.

1 “(4) CREDITS TO FUND.—The interest on, and
2 the proceeds from the sale or redemption of, any ob-
3 ligations held in the Loss Reduction Trust Fund
4 shall be credited to and form a part of the Loss Re-
5 duction Trust Fund.

6 “(e) TRANSFERS OF AMOUNTS.—

7 “(1) IN GENERAL.—The amounts required to
8 be transferred to the Loss Reduction Trust Fund
9 under this section shall be transferred at least
10 monthly from the general fund of the Treasury to
11 the Loss Reduction Trust Fund on the basis of esti-
12 mates made by the Secretary of the Treasury.

13 “(2) ADJUSTMENTS.—Proper adjustment shall
14 be made in amounts subsequently transferred to the
15 extent prior estimates were in excess of or less than
16 the amounts required to be transferred.

17 “(f) GIFTS.—The Secretary of the Treasury may ac-
18 cept gifts of cash for transfer to the Loss Reduction Trust
19 Fund.”.

20 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
21 12 of the Earthquake Hazards Reduction Act of 1977 (42
22 U.S.C. 7706) is amended by inserting after subsection (d)
23 the following:

1 “(e) LOSS REDUCTION TRUST FUND.—There is au-
2 thORIZED to be appropriated to the Loss Reduction Trust
3 Fund \$1,000,000,000.”.

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