109TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
109–274

NATIONAL FLOOD INSURANCE PROGRAM FURTHER ENHANCED BORROWING AUTHORITY ACT OF 2005

NOVEMBER 7, 2005.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OXLEY, from the Committee on Financial Services, submitted the following

R E P O R T

together with

[To accompany H.R. 4133]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 4133) to temporarily increase the borrowing authority of the Federal Emergency Management Agency for carrying out the national flood insurance program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

CONTENTS

49–006

PURPOSE AND SUMMARY

To temporarily increase the borrowing authority of the Federal Emergency Management Agency for carrying out the national flood insurance program.

The National Flood Insurance Program Further Enhanced Borrowing Authority Act of 2005 amends the National Flood Insurance Act of 1968, as amended by the National Flood Insurance Program Enhanced Borrowing Authority Act of 2005 (Public Law 109–65; 119 Stat. 1998), to increase the borrowing authority of the Federal Emergency Management Agency by $5 billion.

BACKGROUND AND NEED FOR LEGISLATION

Since 1986, the National Flood Insurance Program (NFIP) has been financially self-supporting for the average historical loss year. Consistent with statute, the NFIP has borrowed from the U.S. Treasury during those years in which the nation experienced unusually high flood losses. These loans have been repaid to the Treasury, with interest, from policyholder premiums and related fees.

National Flood Insurance Program claims liabilities arising from Hurricanes Katrina and Rita have been estimated at between $20 and $30 billion, far surpassing the total claims paid in the entire history of the NFIP. On September 20, 2005, the President signed into law the National Flood Insurance Enhanced Borrowing Authority Act of 2005 (PL 109–65), which authorized the NFIP to borrow up to $3.5 billion from the U.S. Treasury to pay claims. FEMA projects that these funds to pay NFIP claims will be exhausted by November 7, 2005. An additional $5 billion was requested by FEMA at a hearing of the Subcommittee on Housing and Community Opportunity on October 20, 2005, to provide sufficient funds to cover claims through late November and to provide time for FEMA to work with the Congress on NFIP reforms.

HEARINGS

The Subcommittee on Housing and Community Opportunity held a hearing on October 20, 2005, on "Management and Oversight of the National Flood Insurance Program". The following witnesses testified:

The Honorable Richard Baker (LA)
The Honorable Gene Taylor (MS)
Mr. David I. Maurstad, Acting Director and Federal Insurance Administrator, Mitigation Division, Federal Emergency Management Agency, Emergency Preparedness and Response Directorate, Department of Homeland Security
Mr. William O. Jenkins, Jr., Director, Homeland Security and Justice, U.S. Government Accountability Office

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on October 27, 2005, and ordered H.R. 4133, the National Flood Insurance Program Further Enhanced Borrowing Authority Act of 2005, favorably reported to the House by a voice vote.

Committee Votes

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken with in conjunction with the consideration of this legislation. An amendment offered by Mr. Frank, No. 1, relating to interim flood elevation requirements was offered and withdrawn. An amendment offered by Mr. Frank, No. 2, relating to emergency spending was offered and withdrawn. A motion by Mr. Oxley to report the bill to the House with a favorable recommendation was agreed to by a voice vote.

Committee Oversight Findings

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee held a hearing and made findings that are reflected in this report.

Performance Goals and Objectives

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

The objective of this bill is temporarily increase the borrowing authority of the Federal Emergency Management Agency for the national flood insurance program to meet its obligations.

New Budget Authority, Entitlement Authority, and Tax Expenditures

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act.

Committee Cost Estimate

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

Congressional Budget Office Estimate

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

November 2, 2005.

Hon. Michael G. Oxley,
Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4133, the National Flood Insurance Progam Further Enhanced Borrowing Authority Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Megan Carroll.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure.

H.R. 4133—National Flood Insurance Program Further Enhanced Borrowing Authority Act of 2005

Summary: H.R. 4133 would increase the amount that the Federal Emergency Management Agency (FEMA) could borrow from the U.S. Treasury to cover expenses of the National Flood Insurance Program (NFIP). CBO estimates that H.R. 4133 would increase direct spending by $5 billion in 2006. Enacting the legislation would not affect revenues.

H.R. 4133 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 impact of H.R. 4133 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—									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Budgetary Authority	5,000	0	0	0	0	0	0	0	0	0
Estimated Outlays	5,000	0	0	0	0	0	0	0	0	0

Basis of estimate: Through the NFIP, FEMA offers flood insurance in communities that conform to the program's standards. Under current law, if premiums and interest income are insufficient to cover the program's costs, FEMA can borrow up to $3.5 billion from the U.S. Treasury. H.R. 4133 would increase the limit on FEMA's borrowing authority by $5 billion. Based on information from FEMA about the likely need to pay claims in response to recent hurricanes and the historical rate of claims processing for major floods, CBO estimates that the agency would exercise that authority in 2006, resulting in an increase in direct spending of $5 billion in that year.

Current law requires FEMA to repay and borrowed funds (with interest) as it collects premiums, provided that the program's costs are fully covered; however, CBO expects that the agency would be unlikely to repay funds borrowed under H.R. 4133 within the next 10 years. Assuming that NFIP premiums total about $2 billion a year and that losses in future years will be in line with the historical average (excluding losses from recent catastrophic hurricanes), CBO expects that repayments of borrowed funds to the Treasury would total about $400 million annually, once claims from the recent hurricanes are fully paid.

According to FEMA, the agency currently estimates that total claims from Hurricane Katrina and Hurricane Rita will total about $23 billion—significantly more than the total resources that would be available to FEMA under H.R. 4133. Assuming actual costs are in line with that estimate, CBO expects it would take FEMA many years to finance outstanding claims from those hurricanes using annual income from premiums and that repayments of borrowed funds would not occur until after 2015.

Intergovernmental and private-sector impact: H.R. 4133 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Megan Carroll. Impact on State, Local, and Tribal Governments: Melissa Merrell. Impact on the Private Sector: Paige Paper/Bach.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section establishes the short title of the bill, the "National Flood Insurance Program Further Enhanced Borrowing Authority Act of 2005."

Section 2. Increase in borrowing authority

This section amends the National Flood Insurance Act of 1968, as amended by the National Flood Insurance Program Enhanced Borrowing Authority Act of 2005 (Public Law 109–65; 119 Stat. 1998), to increase the borrowing authority of the Federal Emergency Management Agency by $5 billion.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 1309 OF THE FLOOD INSURANCE ACT OF 1968

FINANCING

SEC. 1309. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations or the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1303 of this Act, shall be available to the Director for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Director pursuant to such authority (1) without the approval of the President, may not exceed $500,000,000, and (2) with the approval of the President, may not exceed $1,500,000,000 through the date specified in section 1319, and $1,000,000,000 thereafter; except that, through September 30, 2008, clause (2) of this sentence shall be applied by substituting "[$3,500,000,000] *$8,500,000,000*" for "$1,500,000,000". The Director shall report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate at any time when he requests the approval of the President in accordance with the preceding sentence.

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