Updated April 26, 2019

Calculation and Use of the Disaster Relief Allowable Adjustment

The Budget Control Act (P.L. 112-25, hereinafter the BCA) established limits on federal spending, as well as mechanisms to adjust those limits to accommodate spending that has special priority. One of these mechanisms—a limited "allowable adjustment" to discretionary spending limits to pay for the congressionally designated costs of major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 100-707; hereinafter "the Stafford Act")—represented a new approach to paying for disaster relief. In the past, while a portion of funding for disaster costs had been included in annual appropriations measures as part of the regular funding process, much of these costs had frequently been designated as an emergency requirement and included in supplemental appropriations measures on an ad hoc basis. This new disaster relief designation allowed a limited amount of additional appropriations for disaster costs into the annual appropriations process, instead of relying on emergency designations and supplemental appropriations bills.

Calculating the Maximum Allowable Adjustment for Disaster Relief

The maximum size of the allowable adjustment, as defined in 2 U.S.C. §901(b)(2)(D), is based on a modified 10-year rolling average of disaster relief appropriations calculated by the Office of Management and Budget (OMB). Annually, through FY2018, OMB has reviewed the past 10 years of disaster relief appropriations. For FY2011 and before, OMB identified appropriations associated with major disaster declarations for use in the calculation. For FY2012 and later years, OMB relied on explicit congressional designations of appropriations as disaster relief pursuant to the BCA. The top half of **Figure 1** shows the appropriations amounts used for FY2001-FY2018 and the allowable adjustment calculated for FY2012-FY2018.

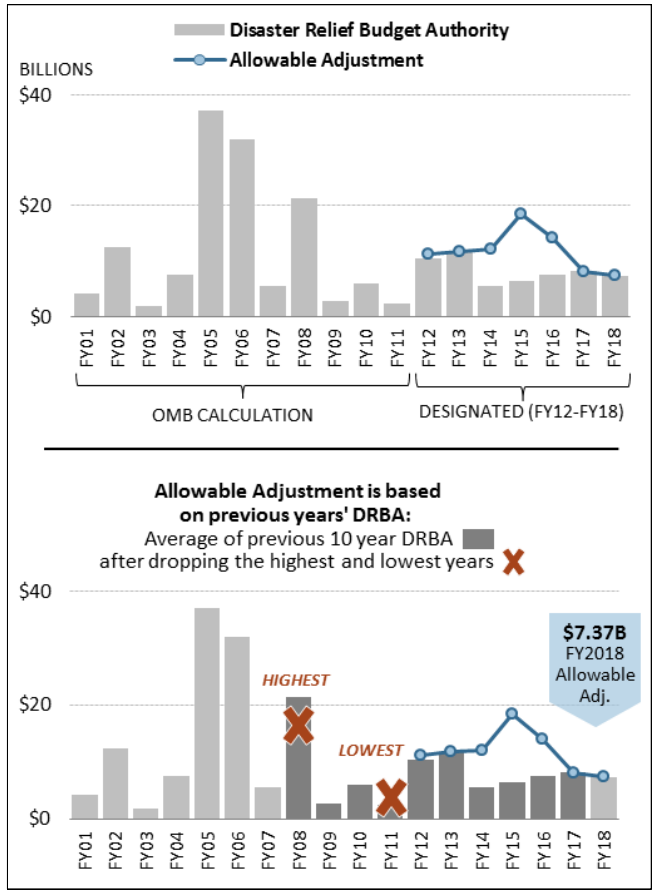
The calculated average disregards the high and low funding years in the 10-year data set. If Congress does not fully exercise the allowable adjustment, the unused portion can be rolled forward into the next fiscal year—however, in calculations for FY2012-FY2018, this "carryover" expired if unused in the next fiscal year. The bottom half of **Figure 1** shows how the adjustment for FY2018 was calculated. Annual disaster relief budget authority totals used to calculate the FY2018 allowable adjustment are darker.

The Effect of One-Year Carryover

A more detailed look at FY2012-FY2018 in **Figure 2** shows the impact of this one-year carryover. While carryover allowed for slightly greater use of the allowable adjustment than the rolling average alone would have in FY2013 and FY2017, when roughly $12 billion in carryover was available in FY2015 and FY2016, it expired unused.

Figure 1. Disaster Relief Data and Calculation of the Allowable Adjustment for FY2018

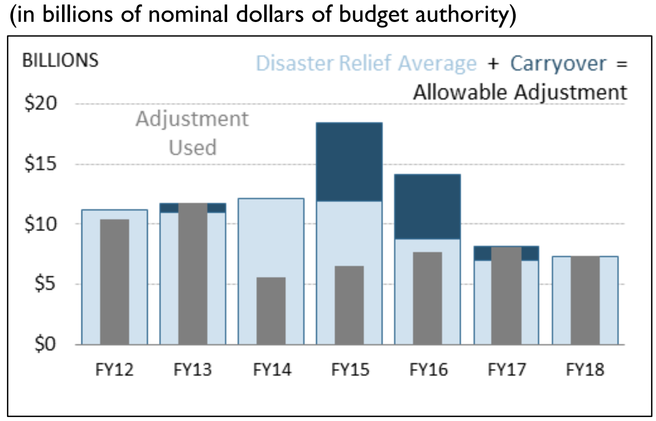
(in billions of nominal dollars of budget authority)



Source: CRS analysis of data from OMB sequestration reports.
Notes: DRBA=Disaster Relief Budget Authority.

Figure 2. The Effect of Carryover on the Disaster Relief Allowable Adjustment FY2012-FY2018

(in billions of nominal dollars of budget authority)



Source: CRS analysis of data from OMB reports.

Changes to the Calculation

Section 102 of the Bipartisan Budget Act of 2018, Division O, modified the calculation of the maximum size of the disaster relief allowable adjustment in two ways: unused adjustment from prior fiscal years would no longer expire, and 5% of the amount of disaster relief funding that does not carry a disaster relief designation would be added to the allowable adjustment calculation, starting in FY2018.

Originally, OMB's allowable adjustment calculations did not include funding for major disasters pursuant to the Stafford Act after FY2012 that was designated as an emergency requirement. For example, Division B of P.L. 115-56 (the FY2017 supplemental appropriation after Hurricane Harvey) included $15.25 billion in emergency-designated funding, $14.8 billion of which was specifically for the costs of major disasters under the Stafford Act. Yet the $14.8 billion of funding would not have contributed to the calculation of future allowable adjustments because it carried an emergency designation, rather than the disaster relief designation.

This was not an isolated occurrence: in four of the seven fiscal years since the enactment of the Budget Control Act, over $125 billion in emergency-designated spending pursuant to Stafford Act major disasters was appropriated above the allowable adjustment for disaster relief. Section 102 allows 5% of emergency-designated disaster relief provided after FY2011 to be added to the allowable adjustment.

Due to these changes, FY2019's allowable adjustment was $14.965 billion ($6.814 billion from the 10-year average + $6.296 billion from 5% of emergency-designated disaster relief + $1.855 billion in carryover created, in part, by the recalculation of the FY2018 allowable adjustment). OMB's projected FY2020 allowable adjustment is $17.3 billion ($7.9 billion from the 10-year average + $6.4 billion from emergency-designated disaster relief + $3.0 billion in carryover, assuming no further disaster relief appropriations are made for FY2019).

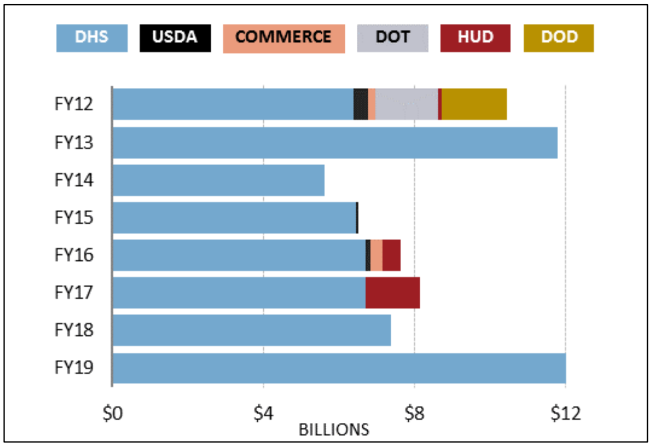
How Has the Adjustment Been Used?

While in some years the disaster relief designation and the allowable adjustment it triggers has solely been used to make appropriations to FEMA's Disaster Relief Fund (DRF) as part of the regular appropriations process, the designation has also been used to make appropriations to various federal departments with roles in disaster response and recovery.

As **Figure 3** shows, aside from the DRF (funded through DHS), the disaster relief designation has been applied to appropriations for five other government departments. Three appropriations to the Department of Agriculture have received funding with the disaster relief designation: the Emergency Conservation Program; the Emergency Forest Restoration Program; and the Emergency Watershed Protection Program. The Department of Defense funding listed is for three separate accounts in the U.S. Army Corps of Engineers' Civil Works Program. Other recipients of the designation include Economic Development Assistance programs at the Department of Commerce, the Federal Highway Administration's Emergency Relief Program at the Department of Transportation; and the Community Development Fund at the Department of Housing and Urban Development.

Figure 3. Appropriations with Disaster Relief Designations by Departments, FY2012-FY2019

(in billions of nominal dollars of budget authority)



Source: CRS analysis of data from appropriations legislation.

Congressional Considerations

Should the Calculation Use Different Data?

The BCA required OMB to calculate annual costs of activities carried out pursuant to declaration of a major disaster under the Stafford Act, and report on it to congressional committees within 30 days. OMB acknowledges that their methodology only captured appropriations where bill or report language specifically attributed costs to a specific disaster declaration, or specifically to major disasters declared under the Stafford Act, resulting in undercounting total disaster relief costs.

Accounting for federal spending on disasters with precision is difficult, due to a lack of data. If Congress seeks to link the size of the allowable adjustment more closely to the actual costs of major disasters, it may consider changes to the BCA's method of calculating a potential adjustment and the underlying disaster spending data. These changes might include instituting a congressional disaster relief designation distinct from budgetary relief, or requiring federal agency reporting on disaster-related spending.

What Happens After the Adjustment Ends?

The allowable adjustment mechanism ends with the expiration of the BCA discretionary budget caps in FY2021. Congress may consider extending this mechanism, but such an action would require legislative action.

For More Information

For more information on the DRF and the history of U.S. disaster relief, see CRS Report R45484, *The Disaster Relief Fund: Overview and Issues*, by William L. Painter.

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