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Calculation and Use of the Disaster Relief Allowable Adjustment

The Budget Control Act (P.L. 112-25, hereinafter the BCA) established mechanisms to limit federal spending, as well as ways to adjust those limits to accommodate certain priority spending. 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—represented a new approach to paying for disaster relief. In the past, while some funding for disaster costs had been included in annual appropriations measures as part of the regular funding process, many of these costs had been designated as emergency requirements and were included in supplemental appropriations measures on an ad hoc basis. This 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. The formula to calculate the size of the adjustment was revised in 2018. Although the statutory authority for the adjustment has expired, the FY2022 budget resolution included an adjustment for disaster relief that continues to effectively exempt such funding from spending limits within the congressional budget process.

Calculating the Maximum Adjustment

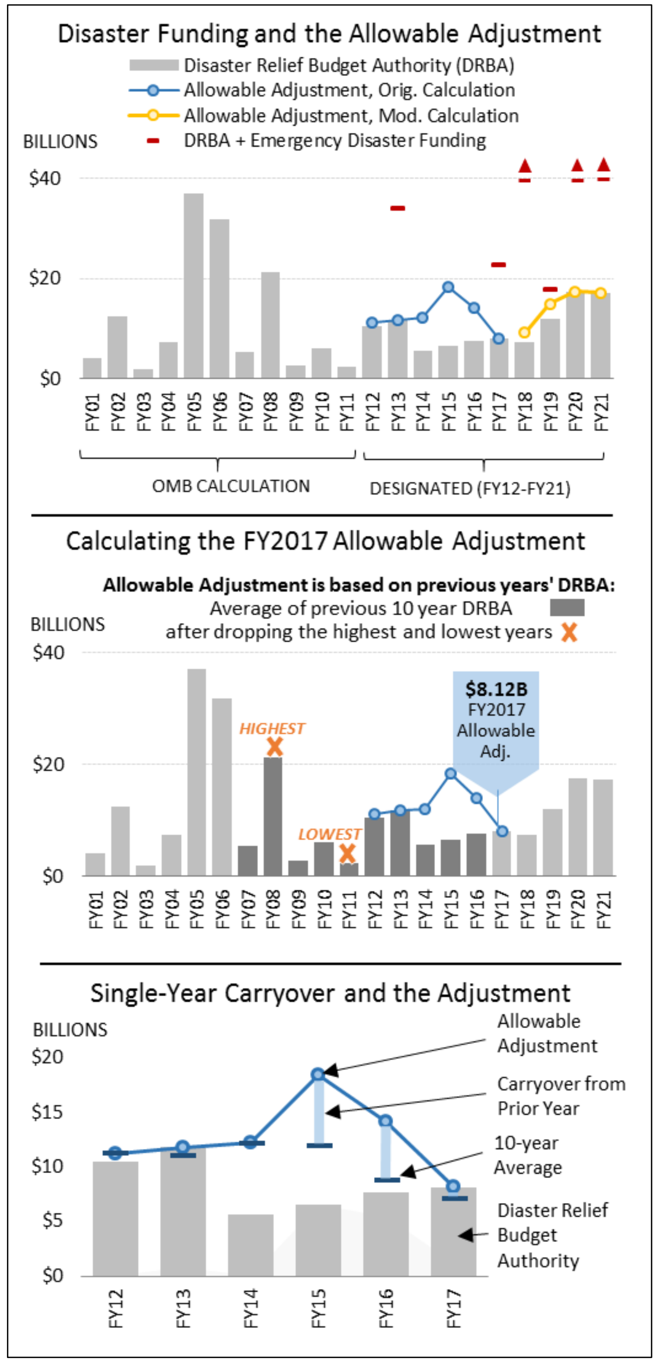
The maximum size of the allowable adjustment, as defined in 2 U.S.C. §901(b)(2)(D), was based on a modified 10-year rolling average of disaster relief appropriations annually reviewed and calculated by the Office of Management and Budget (OMB). To establish amounts for the calculation prior to FY2012, OMB identified appropriations associated with major disaster declarations. For FY2012 and later years, OMB relied on explicit congressional designations of appropriations as disaster relief pursuant to the BCA. The top of **Figure 1** shows the appropriations amounts used for FY2001-FY2020 and the allowable adjustments calculated for FY2012-FY2021.

The calculated average disregarded the high and low funding years in the 10-year data set. If Congress did not fully exercise the allowable adjustment, the unused portion could be rolled forward into the next fiscal year—however, in calculations for FY2012-FY2017, this "carryover" expired if unused in the next fiscal year. The second part of **Figure 1** shows the calculation of the adjustment for FY2017. Annual disaster relief budget authority totals used for the FY2017 allowable adjustment are darkened.

The Effect of One-Year Carryover

A more detailed look at FY2012-FY2018 in the third part of **Figure 1** shows the impact of this one-year carryover. While carryover allowed for slightly greater use of the allowable adjustment than the rolling average alone in FY2013 and FY2017, the roughly $12 billion of additional carryover that was available in FY2015 and FY2016 expired unused.

Figure 1. Calculating the Allowable Adjustment
(in billions of nominal dollars of budget authority)



Source: CRS analysis of data from OMB sequestration reports.
Notes: DRBA=Disaster Relief Budget Authority. Red arrows indicate the value is beyond the scale. Total DRBA and emergency-designated disaster relief in FY2018=$96.2 billion; FY2020=$57.5 billion; and FY2021=$69.3 billion.

Changes to the Calculation

The Bipartisan Budget Act of 2018, Division O, Section 102, modified the calculation of the maximum size of the allowable adjustment in two ways: unused adjustment from prior fiscal years would no longer expire; and 5% of the amount of emergency-designated disaster-related funding without a disaster relief designation would be added to the allowable adjustment, starting with a revision of the existing FY2018 calculation.

Originally, OMB's allowable adjustment calculations did not include the funding for major disasters after FY2012 that was designated as an emergency requirement. The red markers in the first part of **Figure 1** show the total disaster relief funding level had the emergency-designated relief been included. 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. 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 6 of the 10 fiscal years covered by the BCA, more than $173 billion in emergency-designated spending pursuant to major disasters was appropriated above the allowable adjustment for disaster relief. Section 102 allowed 5% of emergency-designated disaster relief provided after FY2011 to be added to the allowable adjustment.

Due to these changes, FY2018's allowable adjustment was revised upward by $1.855 billion (5% of the $37.101 billion in emergency-designated disaster relief after FY2011 to that point). This new factor, coupled with high levels of disaster relief associated with catastrophic disasters and COVID-19, reversed a declining trend in the allowable adjustment. OMB calculated the final FY2021 allowable adjustment to be $17.385 billion (summing $8.691 billion from the 10-year average with $8.594 billion from emergency-designated disaster relief).

After the Budget Control Act

The statutory adjustment ended with the expiration of the BCA discretionary budget caps in FY2021. In its FY2022 budget request, however, the Biden Administration proposed extending special budgetary treatment for disaster relief. Subsequently, the FY2022 budget resolution included an adjustment for disaster relief that continues to effectively exempt such funding from spending limits within the congressional budget process. OMB released estimates of the adjustment's allowable size for FY2022 and FY2023 as part of the budget requests ($18.9 billion and $20.1 billion, respectively) but did not release detailed calculations or final amounts.

Frequent Adjustment Questions

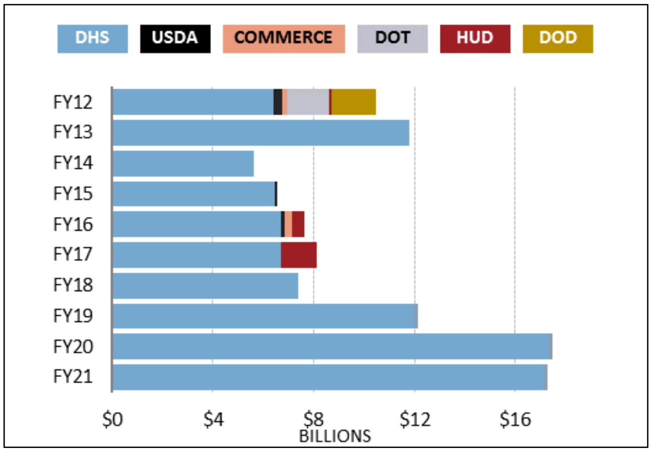
How Has the Adjustment Been Used?

Of the more than $104 billion in discretionary spending covered by the disaster relief allowable adjustment, 93% has gone to FEMA's Disaster Relief Fund (DRF) as part of the appropriations process.

As **Figure 2** shows, aside from the DRF (included as DHS), the disaster relief designation has been applied to appropriations for five other federal departments with roles in disaster response and recovery. Three appropriations to the Department of Agriculture have received such funding. The Department of Defense funding listed includes three separate accounts in the U.S. Army Corps of Engineers' Civil Works Program. Other recipients 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 2. Appropriations with Disaster Relief Designations by Departments, FY2012-FY2021

(billions of nominal dollars of discretionary budget authority)



Source: CRS analysis of data from appropriations legislation.

Did the Allowable Adjustment Work?

If the intent was to reduce the level of spending on disasters, it can be argued that it was not successful—disaster spending is largely linked to the relief statutes in place and the level of disaster activity. There is little evidence that in the post-WWII era *any* type of budget controls significantly constrained U.S. disaster relief spending. If the intent was to bring disaster spending into the annual appropriations process for greater inclusion in the debate and to reduce the demand for supplemental appropriations, it can be argued that it was a success.

Should the Calculation Use Different Data?

Accounting for federal spending on disasters with precision is difficult due to a lack of data. If Congress seeks to link a future adjustment more closely to the actual costs of major disasters, it may require more authoritative agency reporting on disaster-related spending.

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.

William L. Painter, Specialist in Homeland Security and Appropriations

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