

# ISSUE BRIEF

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## Hurricane Sandy Relief Bill: Starting the New Year with Bloated Deficit Spending

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Just days after concluding the fiscal cliff debacle, Congress is about to embark on another spending spree—this time exploiting loopholes in the budget process to pile on new so-called emergency spending.

The House on Friday will consider the first installment of a bloated \$60 billion measure ostensibly aimed at providing relief for the victims of Hurricane Sandy. Most of the funding, however, goes well beyond assisting actual victims. Moreover, none of the spending is offset by reductions elsewhere. It will be allowed to exceed current spending limits by exploiting two exceptions built into the Budget Control Act (BCA)—one for additional “disaster” relief funds, and another for “emergency” spending.<sup>1</sup>

The bill should be dramatically reduced in scope and handled through the regular budget process

rather than as supplemental spending outside budget limits. Some of the items seem justified as mitigation of damage caused by Sandy. Much of the other funding is clearly not or is at least questionable. Congress should offset the necessary spending with cuts elsewhere and subject the rest to the regular budget and appropriations process.

**Not So “Urgent.”** President Obama requested the supplemental funding on December 7 to assist hurricane victims. He proposed that \$5.4 billion of the funds be exempted by the “disaster” exception in the BCA, which allows a limited amount of spending for the Federal Emergency Management Agency’s disaster relief fund. The remaining \$55 billion was to be exempted from spending limits under the BCA’s “emergency” exemption, which applies to spending needs that are “sudden, urgent, unforeseen, and temporary.”<sup>2</sup>

It is difficult to see, however, how the President’s request—submitted more than a month after the storm—fits with the terms *sudden* and *urgent*. By contrast, Congress passed a large relief measure just 11 days after Hurricane Katrina in August 2005. This is not to suggest that the Katrina aid was a model of efficient emergency spending.

As previously reported by The Heritage Foundation: “Fraud related to Hurricane Katrina spending is estimated to top \$2 billion. In addition, debit cards provided to hurricane victims were used to pay for Caribbean vacations, NFL tickets, Dom Perignon champagne, ‘Girls Gone Wild’ videos, and at least one sex change operation.”<sup>3</sup>

The Senate passed the President’s request on December 28, and the House was expected to consider its own version Tuesday. After the agonizing fiscal cliff resolution, however, House Speaker John Boehner (R-OH) pulled the bill. Following fierce criticism of the move—especially by New Jersey Governor Chris Christie and New York Representative Peter King, both Republicans—the Speaker agreed to allow \$9.7 billion in additional borrowing authority for the National Flood Insurance Program (NFIP) to be considered Friday and the remainder of the \$60 billion relief package by January 15.

**The Bill of Particulars.** Proponents contend that such emergency relief funding has not required offsets in the past and should not now. Even if one agreed with that contention, however, it is unacceptable now—with the government likely facing its fifth consecutive

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trillion-dollar deficit and publicly held debt near three-fourths of the economy's total resources. In addition, much of the \$60 billion in requested emergency spending has little to do with actually helping Sandy's victims immediately.

One thing that would help the victims is additional funding for the NFIP. As Heritage has previously written, the NFIP is in sore need of reform—it is poorly managed and designed and has required previous bailouts. Nevertheless, most of the \$9.7 billion in borrowing authority in the relief package will be needed to pay benefits to thousands of Sandy victims who hold insurance contracts with the program and have paid premiums for the coverage. After fulfilling these obligations, however, Congress should overhaul the program and move toward having private companies take over the NFIP's functions as far as possible.<sup>4</sup>

The legislation also contains \$5.4 billion for repairing tunnels and other infrastructure damaged by the hurricane, another legitimate proposal.

Apart from that, much of the \$60.4 billion in requested emergency spending is aimed at either mitigating *future* events and repairing or replacing federal assets.<sup>5</sup> Of Obama's requested items, less than \$23 billion of the \$60.4 billion involves

addressing emergency damages sustained by state and local governments, private-sector businesses, and individuals.

As a point of perspective, with the vast majority of homes and businesses privately insured, the total cost estimate for the entire private industry is just more than \$20 billion.<sup>6</sup> Why is the federal spending proposal three times as large?

Even within those categories, little detail exists to totally justify the funds outside the \$9.7 billion for NFIP policyholders. The spending requests might very well be supported by documentation, but transparency requires more information before taxpayers across the United States are expected to foot the bill for New Jersey, New York, and Connecticut.

For instance, the bill includes money to improve weather forecasting by the National Oceanic and Atmospheric Administration (NOAA), funds for weather research programs, additional cash for upgrading NOAA reconnaissance aircraft, and state and tribal assistance grants for clean water and pollution control. These items should clearly be run through the regular budget and appropriations process rather than tacked on to an emergency spending bill as a kind of wish list of agency requests.

Taking time to thoroughly evaluate emergency spending requests, especially when the treasury is broke, is an obligation of office that taxpayers expect lawmakers to take seriously. One must ask why Congress should rapidly appropriate funds for New Jersey, New York, and Connecticut when none of those states has had a special legislative session to appropriate state funds for the response and recovery efforts involved in Hurricane Sandy. Federalism should be an enduring principle, not one that states claim only when it is convenient.

**Time for Real Budget Discipline.** Under today's extraordinary fiscal challenges, Congress cannot afford to continue exploiting every loophole to avoid spending control. The 113th Congress can take an important step in that direction by applying real discipline to any federal assistance for Hurricane Sandy victims. Lawmakers should take the time to identify funds truly needed for assisting Hurricane Sandy's victims and offset that spending with reductions elsewhere. Any other funding, if truly necessary, should be subjected to the regular budget process—a practice that Congress has neglected for far too long.

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