CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 5, 2001

S. 1624
World Trade Center Attack Claims Act

As ordered reported by the Senate Committee on Environment and Public Works on November 9, 2001

SUMMARY

S. 1624 would authorize the Federal Emergency Management Agency (FEMA) to establish the Office of World Trade Center Attack Claims to process and pay claims for injury to businesses and property suffered as a result of the September 11, 2001, terrorist attack in New York. The bill would authorize the appropriation of $2 billion for this purpose. Under this bill, FEMA would be authorized to issue claims for residential and business losses, though each individual claim could not exceed $500,000 except under certain circumstances. (The funding authorized by this legislation would not be used for compensation to injured individuals or families of individuals killed in the terrorist attack. That compensation will be provided under Public Law 107-42, the Air Transportation Safety and System Stabilization Act.)

Under S. 1624, residential losses would include an uninsured or under-insured property loss, damage to or destruction of physical infrastructure, an insurance deductible, temporary living or relocation expenses, and cleanup costs. In addition, business losses would include all of those listed as residential losses as well as damage to or destruction of assets or inventory, a business interruption loss, overhead costs, and employee wages for work not performed. Any amounts awarded would be net of insurance claims that the person or business receives. Such claims would also be net of any public assistance provided by federal, state, or local agencies. Under the bill, the authority to approve claims would end 42 months after enactment.

Assuming appropriation of the authorized amount, CBO estimates that implementing S. 1624 would cost $2 billion over the 2002-2006 period. S. 1624 would also have an insignificant effect on receipts by establishing a new civil penalty; therefore, pay-as-you-go procedures would apply.

S. 1624 would exempt the compensation awarded under the bill from the attempts of creditors to collect outstanding debts. That is, the bill would prohibit public and private creditors from making claims against awards made to individuals or businesses who qualify for compensation under the bill. This prohibition would be both an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates, however, that any costs to comply with that mandate would be negligible.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1624 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				
	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	1,925	25	25	25	0
Estimated Outlays	385	500	510	410	195

BASIS OF ESTIMATE

For this estimate, CBO assumes S. 1624 will be enacted early in fiscal year 2002. The bill would authorize the appropriation of $2 billion to pay business and property-loss claims related to the September 11, 2001, terrorist attack in New York. According to a report issued by the New York City Office of the Comptroller, the city estimates the level of uninsured property loss and damage as a result of the terrorist attack will be about $17 billion. Under that information, CBO assumes that there would be strong demand for the grants offered under this program and that all of the funds authorized to be appropriated would be spent. Under the process established in the bill, CBO assumes that it would take five years to resolve all of the claims submitted to FEMA. Consequently, we estimate that implementing S. 1624 would cost $2 billion over the 2002-2006 period, assuming appropriation of the authorized amounts.

S. 1624 would establish a civil penalty for lawyers who overcharge victims for their services. Collections of civil fines are recorded in the budget as governmental receipts (revenues). CBO expects that any additional receipts would be less than $500,000 because the number of cases involved is likely to be small.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting S. 1624 would increase revenues by less than $500,000.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1624 would exempt the compensation awarded under the bill from the attempts of creditors to collect outstanding debts. That is, the bill would prohibit public and private creditors from making claims against awards made to individuals or businesses who qualify for compensation under the bill. This prohibition would be both an intergovernmental and private-sector mandate as defined in UMRA. Because the compensation would be new income generated under the bill, creditors would not lose access to funds that they could have made claims against in the absence of the bill. Consequently, CBO estimates that the costs to comply with the mandate would be negligible, if any, and would fall well below the annual thresholds established by UMRA ($56 million for intergovernmental mandates and $113 million for private-sector mandates in 2001, adjusted annually for inflation).

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