

Katrina Flood Insurance Increase

Today, the House will consider legislation to increase by \$2.2 billion (from \$18.5 billion to \$20.7 billion), the amount the Federal Emergency Management Agency (FEMA) may borrow from the U.S. Treasury to carry out the National Flood Insurance Program (NFIP). Under current law, FEMA offers flood insurance through NFIP to reduce flood losses. If premiums are insufficient to pay claims, FEMA can borrow from the Treasury up to a level set in statute. This loan must then be repaid with interest. In light of losses resulting from Hurricanes Katrina and Rita, there is projected to be more than \$22 billion in total claims that FEMA is legally obligated to pay. Accordingly, the limit on FEMA's borrowing authority needs to be increased again (a \$17 billion increase was enacted last fall).

According to CBO, the total level of claims from Hurricanes Katrina and Rita far surpass the total claims paid *over the entire history of the program*, and as a result, "it is highly unlikely that the program will be able to repay the amount of borrowing out its income from premium and fees." As a result, the RSC worked with Leadership to ensure that this is a short-term extension that will give Senator Shelby and other reformers the time to make substantial improvements to NFIP, ensuring it becomes actuarially sound and able to build sufficient reserves in the future. In addition, the Financial Services Committee agreed to hold hearings and re-examine a previously reported bill in order to pursue more substantial reforms for the program by the end of April.

SBA Disaster Loan Program

The Small Business Administration's Disaster Loan Program is expected to run out of funds by the end of this week. The Administration has informally asked that Congress allow FEMA to transfer roughly \$700 million from its Disaster Relief Fund (from previously appropriated funds) to fund the SBA program. Such transfer authority would cost nothing now, but it does raise concerns that the funding borrowed from FEMA may need to be "back filled" at a later date, increasing the pressure to pass further supplementals for Katrina relief.

Katrina Emergency \$\$\$ Wasted

A recent GAO testimony stated FEMA's control weaknesses after Hurricanes Katrina and Rita exposed the government to significant fraud and abuse. The 30-page testimony details how millions of dollars, intended to assist victims of the Gulf Coast hurricanes, were wasted through extensive abuse and fraud. GAO found that FEMA "made millions of dollars in payments to thousands of registrants who submitted social security numbers that have not been issued or belonged to deceased individuals." The testimony also revealed that the \$2,000 debit cards issued to hurricane victims were used in part to acquire adult entertainment, a .45 caliber hand gun, bail bond services, and to pay for prior traffic violations. In addition, FEMA issued these debit cards to over 60 individuals with invalid social security numbers. The testimony stated, "our data mining results to date indicate that they are illustrative of the wider internal control weaknesses at FEMA—control weaknesses that led to thousands of payments made to individuals who provided FEMA with incorrect information, e.g., incorrect SSN's and bogus addresses, and thousands more made to individuals who submitted multiple registrations for payments."

WASTE OF THE WEEK

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This week, *CNN* reported that the Federal Emergency Management Agency (FEMA) "wasted millions of dollars and overpaid for hotel rooms, including \$438-a-day lodging in New York City, according to two government investigations into Katrina aid spending.

The reports, published Monday, found that up to 900,000 of the 2.5 million applicants who received aid under FEMA's emergency cash assistance program were based on duplicate or invalid Social Security numbers, or false addresses and names.

QUOTE OF THE WEEK

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"There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government."

— Benjamin Franklin