

107<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2762

To provide incentives to encourage private sector efforts to reduce earthquake losses, to establish a national disaster mitigation program, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2001

Ms. HOOLEY of Oregon introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees of Financial Services, and Science, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide incentives to encourage private sector efforts to reduce earthquake losses, to establish a national disaster mitigation program, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Earthquake Loss Re-  
5        duction Act of 2001”.

6        **SEC. 2. FINDINGS AND PURPOSE.**

7        (a) FINDINGS.—Congress finds the following:

1           (1) After 23 years of research funded by the  
2 National Earthquake Hazards Reduction Program,  
3 a substantial body of knowledge exists about earth  
4 sciences, geotechnical, and structural engineering  
5 and human behavior relating earthquakes.

6           (2) The foremost challenge as we enter the 21st  
7 century is putting this knowledge to work by reduc-  
8 ing future losses to improve the safety of Americans  
9 and the performance of State and local government  
10 facilities and private buildings and facilities.

11           (3) Earthquakes and tsunamis cause great dan-  
12 ger to human life and property throughout the  
13 United States and continue to threaten Americans  
14 significantly in over 40 States and territories.

15           (4) Too few States and local communities have  
16 sufficiently identified and assessed their risk and im-  
17 plemented adequate measures to reduce losses from  
18 such disasters and to ensure that their critical public  
19 infrastructure and facilities will continue to function  
20 after the disaster.

21           (5) Too much of the Nation's stocks of housing  
22 and commercial buildings remain inherently vulner-  
23 able to earthquake shaking. Future losses in these  
24 facilities can be lessened using currently feasible  
25 technology.

1           (6) Too much of local government infrastruc-  
2           ture remain at risk and are likely to be non-func-  
3           tional in the aftermath of foreseeable earthquake  
4           events at the time when the services they provide are  
5           critically necessary.

6           (7) Federal, State and local government ex-  
7           penditures for disaster assistance and recovery have  
8           increased without commensurate reduction in the  
9           likelihood of future losses from such earthquakes.

10          (8) Feasible techniques for reducing future  
11          earthquake losses are readily available.

12          (9) Without economic incentives, it is unlikely  
13          that States and local communities and the public  
14          will be able to implement available measures to re-  
15          duce losses and ensure continued functionality of  
16          their infrastructure.

17          (10) With moderate to strong seismic activity  
18          many historic buildings would sustain extensive  
19          damage and the cost to repair these structures will  
20          be prohibitive. Private insurance companies are be-  
21          coming increasingly reluctant to issue seismic cov-  
22          erage. Without assistance, these historic, national  
23          treasures will be lost forever.

24          (b) PURPOSE.—It is the purpose of this Act to estab-  
25          lish a national disaster mitigation program that—

1           (1) reduces the loss of life and property, human  
2 suffering, economic disruption, and disaster assist-  
3 ance costs resulting from earthquakes;

4           (2) offers financial incentives to encourage pri-  
5 vate sector efforts to reduce earthquake losses;

6           (3) provides matching funds to encourage and  
7 assist States and local governments and the private  
8 sector in their efforts to implement measures de-  
9 signed to ensure the continued functionality of pub-  
10 lic infrastructure, historic buildings, commerce, and  
11 habitation after earthquakes;

12           (4) creates Federal, State and local government  
13 partnerships to reduce the vulnerability of public in-  
14 frastructure, commercial enterprises, historic build-  
15 ings, and residential buildings to earthquakes;

16           (5) creates a national seismic insurance pool to  
17 protect national historic buildings;

18           (6) reduces risk of public and private invest-  
19 ment in historic buildings; and

20           (7) increases protection of our national historic  
21 legacy.

1 **SEC. 3. NONREFUNDABLE CREDIT FOR EXPENSES RE-**  
2 **LATED TO SEISMIC RETROFIT OF PRINCIPAL**  
3 **RESIDENCE.**

4 (a) **GENERAL RULE.**—Subpart A of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to nonrefundable personal credits) is  
7 amended by inserting after section 25A the following:

8 **“SEC. 25B. EXPENSES RELATED TO SEISMIC RETROFIT OF**  
9 **PRINCIPAL RESIDENCE.**

10 “(a) **GENERAL RULE.**—In the case of an individual,  
11 there shall be allowed as a credit against the tax imposed  
12 by this chapter for the taxable year an amount equal to  
13 50 percent of so much of the qualified seismic retrofit ex-  
14 penses of the taxpayer for the taxable year as do not ex-  
15 ceed \$6,000.

16 “(b) **QUALIFIED SEISMIC RETROFIT EXPENSES.**—  
17 For purposes of this section—

18 “(1) **IN GENERAL.**—The term ‘qualified seismic  
19 retrofit expenses’ means amounts paid or incurred  
20 by the taxpayer during the taxable year in relation  
21 to any seismic retrofit construction of the principal  
22 residence of the taxpayer.

23 “(2) **SEISMIC RETROFIT CONSTRUCTION.**—The  
24 term ‘seismic retrofit construction’ means any addi-  
25 tion or improvement—

1           “(A) which is certified by the State dis-  
2           aster agency or other applicable agency—

3                   “(i) as resulting in the mitigation of  
4           the risk of damage to existing property  
5           from an earthquake, and

6                   “(ii) as being in addition to any addi-  
7           tion or improvement required by any State  
8           or local law with respect to such property,  
9           and

10           “(B) which is placed in service at least 5  
11           years after the date the building is first placed  
12           in service.

13           Such term does not include the cost of acquiring  
14           such property (or any interest therein).

15           “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
16           cipal residence’ has the same meaning as when used  
17           in section 121.

18           “(c) DENIAL OF DOUBLE BENEFIT.—No deduction  
19           shall be allowed under any other provision of this chapter  
20           with respect to any amount of qualified seismic retrofit  
21           expenses taken into account under subsection (a).

22           “(d) BASIS ADJUSTMENT.—For purposes of this sub-  
23           title, if a credit is allowed under this section with respect  
24           to any residence, the basis of such residence shall be re-  
25           duced by the amount of the credit so allowed.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) The table of sections for subpart A of part  
3 IV of subchapter A of chapter 1 of the Internal Rev-  
4 enue Code of 1986 is amended by inserting after the  
5 item relating to section 25A the following new item:

“Sec. 25B. Expenses related to seismic retrofit of principal resi-  
dence.”.

6 (2) Subsection (a) of section 1016 of such Code  
7 is amended by striking “and” at the end of para-  
8 graph (26), by striking the period at the end of  
9 paragraph (27) and inserting “, and”, and by add-  
10 ing at the end the following new paragraph:

11 “(28) in the case of a residence with respect to  
12 which a credit was allowed under section 25B, to the  
13 extent provided in section 25B(d).”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to expenses paid or incurred in  
16 taxable years beginning after December 31, 2000.

17 **SEC. 4. RECOVERY PERIOD FOR DEPRECIATION OF CER-**  
18 **TAIN SEISMIC RETROFIT EXPENSES.**

19 (a) TREATMENT AS 5-YEAR PROPERTY.—Section  
20 168(e)(3)(B) of the Internal Revenue Code of 1986 (relat-  
21 ing to 5-year property) is amended by striking “and” at  
22 the end of clause (v), by striking the period and inserting  
23 “, and” at the end of clause (vi), and by inserting after  
24 clause (vi) the following new clause:

1                   “(vii) any qualified seismic retrofit  
2                   property.”.

3           (b) DEFINITION OF QUALIFIED SEISMIC RETROFIT  
4 PROPERTY.—Section 168(i) of the Internal Revenue Code  
5 of 1986 (relating to definitions and special rules) is  
6 amended by adding at the end the following new para-  
7 graph:

8                   “(15) QUALIFIED SEISMIC RETROFIT PROP-  
9           ERTY.—

10                   “(A) IN GENERAL.—The term ‘qualified  
11           seismic retrofit property’ means any addition or  
12           improvement to real property for which depre-  
13           ciation is allowable under this section—

14                   “(i) for which the expenditure is prop-  
15           erly chargeable to the capital account, and

16                   “(ii) which is a seismic retrofit.

17                   “(B) SEISMIC RETROFIT.—For purposes of  
18           subparagraph (A)(i), the term ‘seismic retrofit’  
19           means any addition or improvement—

20                   “(i) which is certified by the State  
21           disaster agency or other applicable  
22           agency—

23                   “(I) as resulting in the mitiga-  
24           tion of the risk of damage to existing  
25           property from an earthquake, and

1                   “(II) as being in addition to any  
2                   addition or improvement required by  
3                   any State or local law with respect to  
4                   such property, and

5                   “(ii) which is placed in service at least  
6                   5 years after the date the building is first  
7                   placed in service.

8                   Such term does not include the cost of acquir-  
9                   ing such property (or any interest therein).”.

10           (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to qualified seismic retrofit prop-  
12 erty placed in service after December 31, 2000.

13 **SEC. 5. QUALIFIED SEISMIC RETROFITTING BONDS.**

14           (a) IN GENERAL.— Section 144 of the Internal Rev-  
15 enue Code of 1986 (relating to qualified small issue bond;  
16 qualified student loan bond; qualified redevelopment bond)  
17 is amended by adding at the end the following new sub-  
18 section:

19           “(d) QUALIFIED SEISMIC RETROFITTING BOND.—  
20 For purposes of this part—

21                   “(1) IN GENERAL.—The term ‘qualified seismic  
22 retrofitting bond’ means any bond issued as part of  
23 an issue 95 percent or more of the net proceeds of  
24 which are to be used—

1           “(A) for seismic retrofitting expenditures,  
2           and

3           “(B) in a manner which meets the require-  
4           ments of paragraph (3).

5           “(2) SEISMIC RETROFITTING EXPENDITURE.—  
6           For purposes of paragraph (1), the term ‘seismic  
7           retrofitting expenditure’ means any amount properly  
8           chargeable to capital account—

9           “(A) which is certified by the State dis-  
10          aster agency or other applicable agency—

11           “(i) as resulting in the mitigation of  
12          the risk of damage to existing property  
13          from an earthquake, and

14           “(ii) as being in addition to any addi-  
15          tion or improvement required by any State  
16          or local law with respect to such property,  
17          and

18           “(B) which is placed in service at least 5  
19          years after the date the building is first placed  
20          in service.

21          Such term does not include the cost of acquiring  
22          such property (or any interest therein).

23           “(3) USE OF PROCEEDS REQUIREMENTS.—The  
24          use of the proceeds of an issue meets the require-

1       ments of this paragraph if within the 26-month pe-  
2       riod beginning with the date of issue—

3               “(A) at least 95 percent of the net pro-  
4               ceeds of such issue are used for seismic retro-  
5               fitting expenditures or are used to finance 1 or  
6               more loans to ultimate borrowers for such ex-  
7               penditures, or

8               “(B) to the extent not so used under sub-  
9               paragraph (A), such proceeds in excess of  
10              \$10,000 are used to redeem bonds which are  
11              part of such issue.”.

12       (b) BONDS TREATED AS QUALIFIED BONDS.—Para-  
13       graph (1) of section 141(e) of the Internal Revenue Code  
14       of 1986 (defining qualified bond) is amended by striking  
15       “or” at the end of subparagraph (F), by redesignating  
16       subparagraph (G) as subparagraph (H), and by inserting  
17       after subparagraph (F) the following new subparagraph:

18               “(G) a qualified seismic retrofitting bond,  
19               or”.

20       (c) BONDS INCLUDED FOR PURPOSES OF SMALL  
21       ISSUER EXEMPTION STATUS.—Subclause (I) of section  
22       265(b)(3)(C)(ii) of the Internal Revenue Code of 1986 (re-  
23       lating to obligations not taken into account in determining  
24       status as qualified small issuer) is amended by inserting

1 “, or a qualified seismic retrofitting bond, as defined in  
2 section 144(d)(1)” after “section 145”.

3 (d) EXCEPTION FROM VOLUME CAP.—Section  
4 146(g) of the Internal Revenue Code of 1986 (relating to  
5 exception for certain bonds) is amended by striking “and”  
6 at the end of paragraph (3), by striking the period at the  
7 end of paragraph (4) and inserting a comma, and by add-  
8 ing after paragraph (4) the following new paragraphs:

9 “(5) any qualified mortgage bond if 95 percent  
10 or more of the net proceeds of the bond are to be  
11 used to provide home improvement loans in connec-  
12 tion with seismic retrofitting expenditures (as de-  
13 fined in section 144(d)(2) without regard to the cap-  
14 ital account requirement), and

15 “(6) any qualified seismic retrofitting bond.”.

16 (e) PROCEEDS OF MORTGAGE REVENUE BONDS  
17 USED IN CONNECTION WITH SEISMIC RETROFITTING.—

18 (1) IN GENERAL.—Paragraph (4) of section  
19 143(k) of the Internal Revenue Code of 1986 (relat-  
20 ing to other definitions and special rules for quali-  
21 fied mortgage bonds) is amended to read as follows:

22 “(4) QUALIFIED HOME IMPROVEMENT LOAN.—  
23 The term ‘qualified home improvement loan’  
24 means—

1           “(A) the financing (in an amount which  
2 does not exceed \$15,000)—

3           “(i) of alterations, repairs, and im-  
4 provements on or in connection with an ex-  
5 isting residence by the owner thereof, but

6           “(ii) only for such items as substan-  
7 tially protect or improve the basic livability  
8 or energy efficiency of the property, and

9           “(B) the financing (in an amount which  
10 does not exceed \$20,000) of seismic retrofitting  
11 expenditures (as defined in section 144(d)(2)  
12 without regard to the capital account require-  
13 ment) in connection with an existing residence  
14 by the owner thereof.”.

15           (2) EXCEPTION FROM INCOME REQUIRE-  
16 MENTS.—Section 143(f) of such Code (relating to  
17 income requirements) is amended by adding at the  
18 end the following new paragraph:

19           “(7) EXCEPTION FOR CERTAIN QUALIFIED  
20 HOME IMPROVEMENT LOANS.—Paragraph (1) shall  
21 not apply with respect to any qualified home im-  
22 provement loan (as defined in subsection  
23 (k)(4)(B)).”.

24           (f) CLERICAL AMENDMENTS.—

1           (1) The heading of section 144 of the Internal  
2 Revenue Code of 1986 is amended by striking  
3 “**BOND.**” and inserting “**BOND; QUALIFIED SEIS-**  
4 **MIC RETROFITTING BOND.**”.

5           (2) The item relating to section 144 in the table  
6 of sections for subpart A of part IV of subchapter  
7 B of chapter 1 of such Code is amended by striking  
8 “bond.” and inserting “bond; qualified seismic retro-  
9 fitting bond.”

10          (g) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to bonds issued after the date of  
12 the enactment of this Act.

13 **SEC. 6. TREATMENT OF PASSIVE LOSSES OF CERTAIN**  
14 **PARTNERSHIPS ENGAGED IN SEISMIC RET-**  
15 **ROFITTING.**

16          (a) IN GENERAL.—Section 469 of the Internal Rev-  
17 enue Code of 1986 (relating to passive activity losses and  
18 credits limited) is amended by adding at the end the fol-  
19 lowing new subsection:

20          “(n) EXEMPTION FOR SEISMIC RETROFITTING  
21 TRADE OR BUSINESS.—

22               “(1) IN GENERAL.—In the case of any natural  
23 person, subsection (a) shall not apply to that portion  
24 of the passive activity loss or the deduction equiva-  
25 lent (within the meaning of subsection (j)(5)) of the

1 passive activity credit for any taxable year which is  
2 attributable to any seismic retrofitting activity which  
3 such person engages in during the taxable year,  
4 whether or not the taxpayer materially participates  
5 in such activity.

6 “(2) SEISMIC RETROFITTING ACTIVITY.—For  
7 purposes of this subsection, the term ‘seismic retro-  
8 fitting activity’ means any activity which involves the  
9 trade or business of seismic retrofit construction (as  
10 defined in section 25B(b)(2)) for residential prop-  
11 erty.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 subsection (a) shall apply to taxable years beginning after  
14 December 31, 2000.

15 **SEC. 7. MORTGAGE INSURANCE INCENTIVE.**

16 Section 203(b)(2) of the National Housing Act (12  
17 U.S.C. 1709(b)(2)), is amended, in the second undesig-  
18 nated paragraph, by inserting “or due to seismic retro-  
19 fitting of the residence (within the meaning of the term  
20 ‘seismic retrofit construction’ under section 25B(b)(2) of  
21 the Internal Revenue Code of 1986)” after “Act) therein”.

22 **SEC. 8. EARTHQUAKE DISASTER MITIGATION AND RECOV-  
23 ERY PLANNING GRANT PROGRAM.**

24 (a) DEFINITIONS.—

1           (1) IN GENERAL.—Section 4 of the Earthquake  
2           Hazards Reduction Act of 1977 (42 U.S.C. 7703) is  
3           amended by adding at the end the following:

4           “(8) AGENCY.—The term ‘Agency’ means the  
5           Federal Emergency Management Agency.

6           “(9) CRITICAL FACILITY.—The term ‘critical  
7           facility’ means—

8           “(A) a public structure (including a police  
9           station, fire station, city or town hall, school, or  
10          other public building) or a public or nonprofit  
11          private hospital that is—

12                   “(i) owned by an entity; and

13                   “(ii) critical to the continuity of the  
14                   entity or to the conduct of the disaster re-  
15                   sponse activities of the entity; or

16           “(B) a facility that—

17                   “(i) provides medical services to a spe-  
18                   cific occupational or industry segment of  
19                   the general public; and

20                   “(ii) is operated by an organization  
21                   described in subsection (c) or (d) of section  
22                   501 of the Internal Revenue Code of 1986  
23                   and exempt from taxation under subsection  
24                   (a) of such section.

1           “(10) CRITICAL PUBLIC INFRASTRUCTURE.—

2           The term ‘critical public infrastructure’ means a  
3           utility or transportation system (including a bridge,  
4           energy system, water or sewer system, or commu-  
5           nication system) that is—

6                       “(A) owned by an entity; and

7                       “(B) critical to the conduct of the disaster  
8           response activities of the entity.

9           “(11) EARTHQUAKE DISASTER.—

10                   “(A) IN GENERAL.—The term ‘earthquake  
11           disaster’ means a disaster that results from a  
12           movement of the earth.

13                   “(B) INCLUSIONS.—The term ‘earthquake  
14           disaster’ includes a disaster that results from a  
15           tsunami or an earthquake-caused landslide or  
16           liquefaction (as determined by the Director of  
17           the Agency).

18           “(12) GRANT PROGRAM.—The term ‘grant pro-  
19           gram’ means the earthquake disaster mitigation and  
20           recovery planning grant program established under  
21           section 6.

22           “(13) INDIAN TRIBE.—The term ‘Indian tribe’  
23           has the meaning given the term in section 4 of the  
24           Indian Self-Determination and Education Assistance  
25           Act (25 U.S.C. 450b).

1           “(14) INSTITUTION OF HIGHER EDUCATION.—  
2           The term ‘institution of higher education’ has the  
3           meaning given the term in section 101 of the Higher  
4           Education Act of 1965 (20 U.S.C. 1001).

5           “(15) LOCAL GOVERNMENT.—The term ‘local  
6           government’ means—

7                   “(A) a city, town, township, county, parish,  
8                   village, or other general-purpose political sub-  
9                   division of a State;

10                   “(B) an Indian tribe; and

11                   “(C) a geologic hazard abatement or simi-  
12                   lar special purpose district formed to carry out  
13                   or fund projects to reduce the vulnerability of  
14                   infrastructure and buildings to earthquake dis-  
15                   asters.

16           “(16) LOSS REDUCTION TRUST FUND.—The  
17           term ‘Loss Reduction Trust Fund’ means the Loss  
18           Reduction Trust Fund established by section 7.”.

19           (2) CONFORMING AMENDMENT.—Section  
20           5(b)(1) of the Earthquake Hazards Reduction Act of  
21           1977 (42 U.S.C. 7704(b)(1)) is amended by striking  
22           “(hereafter in this Act referred to as the ‘Agency’)”.

23           (b) GRANT PROGRAM.—The Earthquake Hazards  
24           Reduction Act of 1977 is amended by inserting after sec-  
25           tion 5 (42 U.S.C. 7704) the following:

1 **“SEC. 6. EARTHQUAKE DISASTER MITIGATION AND RECOV-**  
2 **ERY PLANNING GRANT PROGRAM.**

3 “(a) ESTABLISHMENT.—The Director of the Agency  
4 may establish a grant program to provide financial assist-  
5 ance to eligible recipients described in subsection (b) to  
6 pay the Federal share of the cost of carrying out earth-  
7 quake disaster mitigation and recovery planning measures  
8 with respect to the critical facilities and critical public in-  
9 frastructure under the jurisdiction of the recipients.

10 “(b) ELIGIBLE RECIPIENTS.—

11 “(1) IN GENERAL.—To be eligible for a grant  
12 under the grant program, an entity shall be a local  
13 government, public or nonprofit private hospital, or  
14 public institution of higher education that—

15 “(A) has jurisdiction over, or is located in,  
16 an area that is subject to earthquake disasters;

17 “(B) submits to the Director of the Agency  
18 for approval an application for the grant in  
19 such form as the Director shall require;

20 “(C) has completed an earthquake disaster  
21 risk analysis;

22 “(D) has adopted a long-term strategic  
23 earthquake disaster loss reduction plan that  
24 identifies high priority earthquake disaster loss  
25 reduction projects; and

1           “(E) meets criteria established by the Di-  
2           rector under paragraph (2).

3           “(2) CRITERIA.—

4           “(A) ESTABLISHMENT.—The Director of  
5           the Agency shall establish, by regulation, cri-  
6           teria that local governments, public and non-  
7           profit private hospitals, and public institutions  
8           of higher education shall meet to qualify for  
9           grants under the grant program.

10          “(B) REQUIREMENT APPLICABLE TO  
11          LOCAL GOVERNMENTS.—The criteria under  
12          subparagraph (A) applicable to local govern-  
13          ments shall include the requirement that a local  
14          government adopt and enforce comprehensive  
15          ordinances, building codes, land use measures,  
16          and other measures for earthquake disaster loss  
17          reduction that—

18                 “(i) take into consideration the identi-  
19                 fied earthquake hazards applicable to the  
20                 area over which the local government has  
21                 jurisdiction; and

22                 “(ii) reflect current, cost-effective  
23                 techniques designed to reduce losses from  
24                 earthquake disasters and ensure the con-

1           tinued functionality of critical facilities and  
2           critical public infrastructure.

3           “(C) CONSULTATION.—The criteria under  
4           subparagraph (A) shall be adopted after con-  
5           sultation with—

6                   “(i) Federal, State, and local govern-  
7                   ment officials and agencies; and

8                   “(ii) other persons knowledgeable in  
9                   the fields of natural disasters and hazard  
10                  mitigation.

11          “(c) COST SHARING.—

12                  “(1) FEDERAL SHARE.—

13                          “(A) IN GENERAL.—Subject to subpara-  
14                          graph (B), the Federal share of the cost of  
15                          measures carried out using a grant under the  
16                          grant program shall be 75 percent.

17                          “(B) INSUFFICIENCY OF FEDERAL  
18                          FUNDS.—In paying the Federal share under  
19                          subparagraph (A) in a case in which there are  
20                          insufficient funds in the Loss Reduction Trust  
21                          Fund to fund all applications that are eligible  
22                          for approval, the Director of the Agency may  
23                          consider—

24                                  “(i) the desirability of geographical  
25                                  dispersal of available funds;

1           “(ii) the extent to which any applicant  
2           faces a greater risk of earthquake disas-  
3           ters, in number or severity, than other ap-  
4           plicants;

5           “(iii) the extent to which each appli-  
6           cant is expending resources on addressing  
7           urgent problems concerning critical facili-  
8           ties or critical public infrastructure; and

9           “(iv) the extent to which the measures  
10          proposed to be funded using the grant are  
11          expected to result in cost savings to the  
12          Federal Government under the Robert T.  
13          Stafford Disaster Relief and Emergency  
14          Assistance Act (42 U.S.C. 5121 et seq.).

15          “(2) NON-FEDERAL SHARE.—

16                 “(A) GRANTS TO LOCAL GOVERNMENTS  
17                 (OTHER THAN INDIAN TRIBES).—In the case of  
18                 a grant to a local government (other than an  
19                 Indian tribe) under the grant program, the non-  
20                 Federal share of the cost of measures carried  
21                 out using the grant shall be provided as follows:

22                         “(i) ½ by the State.

23                         “(ii) ½ by the local government.

24                 “(B) GRANTS TO INDIAN TRIBES.—In the  
25                 case of a grant to an Indian tribe under the

1 grant program, the non-Federal share of the  
2 cost of measures carried out using the grant  
3 shall be provided as follows:

4 “(i)  $\frac{1}{2}$  by the Bureau of Indian Af-  
5 fairs.

6 “(ii)  $\frac{1}{2}$  by the Indian tribe.

7 “(C) GRANTS TO PUBLIC HOSPITALS.—In  
8 the case of a grant to a public hospital under  
9 the grant program, the non-Federal share of  
10 the cost of measures carried out using the  
11 grant shall be provided as follows:

12 “(i)  $\frac{1}{2}$  by the State, from funds other  
13 than general State appropriations to the  
14 hospital.

15 “(ii)  $\frac{1}{2}$  by the public hospital, from  
16 general State appropriations to the hos-  
17 pital or from funds donated to the hos-  
18 pital.

19 “(D) GRANTS TO NONPROFIT PRIVATE  
20 HOSPITALS.—In the case of a grant to a non-  
21 profit private hospital under the grant program,  
22 the non-Federal share of the cost of measures  
23 carried out using the grant shall be provided by  
24 the nonprofit private hospital.

1           “(E) GRANTS TO PUBLIC INSTITUTIONS OF  
2 HIGHER EDUCATION.—In the case of a grant to  
3 a public institution of higher education under  
4 the grant program, the non-Federal share of  
5 the cost of measures carried out using the  
6 grant shall be provided as follows:

7                   “(i)  $\frac{1}{2}$  by the State, from funds other  
8 than general State appropriations to the  
9 institution of higher education.

10                   “(ii)  $\frac{1}{2}$  by the public institution of  
11 higher education, from general State ap-  
12 propriations to the institution of higher  
13 education or from funds donated to the in-  
14 stitution of higher education.

15           “(d) USE OF GRANT FUNDS.—

16                   “(1) IN GENERAL.—A grant under the grant  
17 program may be used—

18                   “(A) to retrofit critical facilities and crit-  
19 ical public infrastructure in accordance with  
20 paragraph (2);

21                   “(B) to implement earthquake disaster  
22 mitigation measures in accordance with para-  
23 graph (3); or

24                   “(C) to develop earthquake disaster recov-  
25 ery plans in accordance with paragraph (4).

1           “(2) RETROFIT OF CRITICAL FACILITIES AND  
2 CRITICAL PUBLIC INFRASTRUCTURE.—

3           “(A) IN GENERAL.—A grant under the  
4 grant program may be used to retrofit a critical  
5 facility or critical public infrastructure with  
6 parts or equipment that meets current stand-  
7 ards for withstanding earthquake disasters (as  
8 determined by the Director of the Agency).

9           “(B) SELECTION OF CRITICAL FACILITIES  
10 AND CRITICAL PUBLIC INFRASTRUCTURE.—A  
11 critical facility or critical public infrastructure  
12 shall be selected for a grant under subpara-  
13 graph (A) if the critical facility or critical public  
14 infrastructure is identified in a long-term stra-  
15 tegic earthquake disaster loss reduction plan  
16 adopted under subsection (b)(1)(D) as having  
17 high priority for retrofit because of the effect  
18 that damage to the critical facility or critical  
19 public infrastructure from an earthquake dis-  
20 aster would have on the quality of human life  
21 in the region and on recovery from the earth-  
22 quake disaster.

23           “(3) IMPLEMENTATION OF EARTHQUAKE DIS-  
24 ASTER MITIGATION MEASURES.—A grant under the  
25 grant program may be used to implement an earth-

1 quake disaster mitigation measure designed to en-  
2 sure the continued functionality of a critical facility  
3 or critical public infrastructure.

4 “(4) DEVELOPMENT OF EARTHQUAKE DIS-  
5 ASTER RECOVERY PLANS.—

6 “(A) IN GENERAL.—A grant under the  
7 grant program may be used to develop an  
8 earthquake disaster recovery plan that  
9 includes—

10 “(i) a plan for reestablishing govern-  
11 ment operations and community services  
12 after an earthquake disaster; and

13 “(ii) a plan for long-term recovery  
14 after an earthquake disaster.

15 “(B) SCHEDULE FOR PAYMENT OF GRANT  
16 FUNDS.—Of a grant for measures described in  
17 subparagraph (A)—

18 “(i) 50 percent shall be paid upon ap-  
19 proval by the Director of the Agency of the  
20 application for the grant; and

21 “(ii) 50 percent shall be paid upon  
22 adoption of the earthquake disaster recov-  
23 ery plan by the local government, public  
24 hospital, or public institution of higher  
25 education.

1 **“SEC. 7. LOSS REDUCTION TRUST FUND.**

2 “(a) ESTABLISHMENT.—There is established in the  
3 Treasury of the United States a fund to be known as the  
4 ‘Loss Reduction Trust Fund’, consisting of—

5 “(1) such amounts as are appropriated to the  
6 Loss Reduction Trust Fund under subsection (b);

7 “(2) such amounts as are appropriated to the  
8 Loss Reduction Trust Fund under section 12(e);  
9 and

10 “(3) any interest earned on investment of  
11 amounts in the Loss Reduction Trust Fund under  
12 subsection (d).

13 “(b) TRANSFERS TO LOSS REDUCTION TRUST  
14 FUND.—There are appropriated to the Loss Reduction  
15 Trust Fund amounts equivalent to—

16 “(1) such amounts as the Director of the Agen-  
17 cy determines are remaining after the close-out of  
18 any active disaster declaration account under the  
19 Robert T. Stafford Disaster Relief and Emergency  
20 Assistance Act (42 U.S.C. 5121 et seq.);

21 “(2) such amounts as—

22 “(A) were allocated for hazard mitigation  
23 assistance with respect to a major disaster  
24 under section 404 of that Act (42 U.S.C.  
25 5170e); and

1           “(B) the Director of the Agency deter-  
2           mines are remaining after expiration of the  
3           time limits established under subsection (c) of  
4           that section; and

5           “(3) amounts received as gifts under subsection  
6           (f).

7           “(c) EXPENDITURES FROM LOSS REDUCTION TRUST  
8           FUND.—Upon request by the Director of the Agency, the  
9           Secretary of the Treasury shall transfer from the Loss Re-  
10          duction Trust Fund to the Director of the Agency such  
11          amounts as the Director of the Agency determines are nec-  
12          essary to carry out section 6.

13          “(d) INVESTMENT OF AMOUNTS.—

14                 “(1) IN GENERAL.—The Secretary of the  
15                 Treasury shall invest such portion of the Loss Re-  
16                 duction Trust Fund as is not, in the judgment of  
17                 the Secretary of the Treasury, required to meet cur-  
18                 rent withdrawals. Investments may be made only in  
19                 interest-bearing obligations of the United States.

20                 “(2) ACQUISITION OF OBLIGATIONS.—For the  
21                 purpose of investments under paragraph (1), obliga-  
22                 tions may be acquired—

23                         “(A) on original issue at the issue price; or

24                         “(B) by purchase of outstanding obliga-  
25                         tions at the market price.

1           “(3) SALE OF OBLIGATIONS.—Any obligation  
2           acquired by the Loss Reduction Trust Fund may be  
3           sold by the Secretary of the Treasury at the market  
4           price.

5           “(4) CREDITS TO FUND.—The interest on, and  
6           the proceeds from the sale or redemption of, any ob-  
7           ligations held in the Loss Reduction Trust Fund  
8           shall be credited to and form a part of the Loss Re-  
9           duction Trust Fund.

10          “(e) TRANSFERS OF AMOUNTS.—

11           “(1) IN GENERAL.—The amounts required to  
12           be transferred to the Loss Reduction Trust Fund  
13           under this section shall be transferred at least  
14           monthly from the general fund of the Treasury to  
15           the Loss Reduction Trust Fund on the basis of esti-  
16           mates made by the Secretary of the Treasury.

17           “(2) ADJUSTMENTS.—Proper adjustment shall  
18           be made in amounts subsequently transferred to the  
19           extent prior estimates were in excess of or less than  
20           the amounts required to be transferred.

21           “(f) GIFTS.—The Secretary of the Treasury may ac-  
22           cept gifts of cash for transfer to the Loss Reduction Trust  
23           Fund.”.

24           (c) AUTHORIZATION OF APPROPRIATIONS.—Section  
25           12 of the Earthquake Hazards Reduction Act of 1977 (42

1 U.S.C. 7706) is amended by inserting after subsection (d)  
2 the following:

3       “(e) LOSS REDUCTION TRUST FUND.—There is au-  
4 thorized to be appropriated to the Loss Reduction Trust  
5 Fund \$1,000,000,000.”.

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