

107TH CONGRESS  
1ST SESSION

# S. 424

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 SENATE OF THE UNITED STATES

MARCH 1, 2001

Mrs. FEINSTEIN introduced the following bill; which was read twice and referred to the Committee on Finance

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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:

8 (1) After 23 years of research funded by the  
9 National Earthquake Hazards Reduction Program,

1 a substantial body of knowledge exists about earth  
2 sciences, geotechnical, and structural engineering  
3 and human behavior relating earthquakes.

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

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

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

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

24 (6) Too much of local government infrastruc-  
25 ture remain at risk and are likely to be non-func-

1        tional in the aftermath of foreseeable earthquake  
2        events at the time when the services they provide are  
3        critically necessary.

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

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

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

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

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

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

22            (3) provides matching finds to encourage and  
23        assist States and local governments and the private  
24        sector in their efforts to implement measures de-  
25        signed to ensure the continued functionality of pub-

1       lic infrastructure, commerce, and habitation after  
2       earthquakes; and

3               (4) creates Federal, State and local government  
4       partnerships to reduce the vulnerability of public in-  
5       frastructure, commercial enterprises, and residential  
6       buildings to earthquakes.

7   **SEC. 3. NONREFUNDABLE CREDIT FOR EXPENSES RE-**  
8                   **LATED TO SEISMIC RETROFIT OF PRINCIPAL**  
9                   **RESIDENCE.**

10       (a) GENERAL RULE.—Subpart A of part IV of sub-  
11   chapter A of chapter 1 of the Internal Revenue Code of  
12   1986 (relating to nonrefundable personal credits) is  
13   amended by inserting after section 25A the following:

14   **“SEC. 25B. EXPENSES RELATED TO SEISMIC RETROFIT OF**  
15                   **PRINCIPAL RESIDENCE.**

16       “(a) GENERAL RULE.—In the case of an individual,  
17   there shall be allowed as a credit against the tax imposed  
18   by this chapter for the taxable year an amount equal to  
19   50 percent of so much of the qualified seismic retrofit ex-  
20   penses of the taxpayer for the taxable year as do not ex-  
21   ceed \$6,000.

22       “(b) QUALIFIED SEISMIC RETROFIT EXPENSES.—  
23   For purposes of this section—

24               “(1) IN GENERAL.—The term ‘qualified seismic  
25       retrofit expenses’ means amounts paid or incurred

1 by the taxpayer during the taxable year in relation  
 2 to any seismic retrofit construction of the principal  
 3 residence of the taxpayer.

4 “(2) SEISMIC RETROFIT CONSTRUCTION.—The  
 5 term ‘seismic retrofit construction’ means any addi-  
 6 tion or improvement—

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

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

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

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

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

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

24 “(c) DENIAL OF DOUBLE BENEFIT.—No deduction  
 25 shall be allowed under any other provision of this chapter

1 with respect to any amount of qualified seismic retrofit  
 2 expenses taken into account under subsection (a).

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

7 (b) CONFORMING AMENDMENTS.—

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

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

12 (2) Subsection (a) of section 1016 of such Code  
 13 is amended by striking “and” at the end of para-  
 14 graph (26), by striking the period at the end of  
 15 paragraph (27) and inserting “, and”, and by add-  
 16 ing at the end the following new paragraph:

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

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

1 **SEC. 4. RECOVERY PERIOD FOR DEPRECIATION OF CER-**  
 2 **TAIN SEISMIC RETROFIT EXPENSES.**

3 (a) TREATMENT AS 5-YEAR PROPERTY.—Section  
 4 168(e)(3)(B) of the Internal Revenue Code of 1986 (relat-  
 5 ing to 5-year property) is amended by striking “and” at  
 6 the end of clause (v), by striking the period and inserting  
 7 “, and” at the end of clause (vi), and by inserting after  
 8 clause (vi) the following new clause:

9 “(vii) any qualified seismic retrofit  
 10 property.”.

11 (b) DEFINITION OF QUALIFIED SEISMIC RETROFIT  
 12 PROPERTY.—Section 168(i) of the Internal Revenue Code  
 13 of 1986 (relating to definitions and special rules) is  
 14 amended by adding at the end the following new para-  
 15 graph:

16 “(15) QUALIFIED SEISMIC RETROFIT PROP-  
 17 ERTY.—

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

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

24 “(ii) which is a seismic retrofit.

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

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

“(I) as resulting in the mitigation of the risk of damage to existing property from an earthquake, and

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

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified seismic retrofit property placed in service after December 31, 2000.

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

(a) IN GENERAL.—Section 144 of the Internal Revenue Code of 1986 (relating to qualified small issue bond; qualified student loan bond; qualified redevelopment bond)



1 is amended by adding at the end the following new sub-  
 2 section:

3 “(d) QUALIFIED SEISMIC RETROFITTING BOND.—

4 For purposes of this part—

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

9 “(A) for seismic retrofitting expenditures,  
 10 and

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

13 “(2) SEISMIC RETROFITTING EXPENDITURE.—

14 For purposes of paragraph (1), the term ‘seismic  
 15 retrofitting expenditure’ means any amount properly  
 16 chargeable to capital account—

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

19 “(i) as resulting in the mitigation of  
 20 the risk of damage to existing property  
 21 from an earthquake, and

22 “(ii) as being in addition to any addi-  
 23 tion or improvement required by any State  
 24 or local law with respect to such property,  
 25 and

1           “(B) which is placed in service at least 5  
 2           years after the date the building is first placed  
 3           in service.

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

6           “(3) USE OF PROCEEDS REQUIREMENTS.—The  
 7           use of the proceeds of an issue meets the require-  
 8           ments of this paragraph if within the 26-month pe-  
 9           riod beginning with the date of issue—

10           “(A) at least 95 percent of the net pro-  
 11           ceeds of such issue are used for seismic retro-  
 12           fitting expenditures or are used to finance 1 or  
 13           more loans to ultimate borrowers for such ex-  
 14           penditures, or

15           “(B) to the extent not so used under sub-  
 16           paragraph (A), such proceeds in excess of  
 17           \$10,000 are used to redeem bonds which are  
 18           part of such issue.”.

19           (b) BONDS TREATED AS QUALIFIED BONDS.—Para-  
 20           graph (1) of section 141(e) of the Internal Revenue Code  
 21           of 1986 (defining qualified bond) is amended by striking  
 22           “or” at the end of subparagraph (F), by redesignating  
 23           subparagraph (G) as subparagraph (H), and by inserting  
 24           after subparagraph (F) the following new subparagraph:

1                   “(G) a qualified seismic retrofitting bond,  
2                   or”.

3           (c) BONDS INCLUDED FOR PURPOSES OF SMALL  
4 ISSUER EXEMPTION STATUS.—Subclause (I) of section  
5 265(b)(3)(C)(ii) of the Internal Revenue Code of 1986 (re-  
6 lating to obligations not taken into account in determining  
7 status as qualified small issuer) is amended by inserting  
8 “, or a qualified seismic retrofitting bond, as defined in  
9 section 144(d)(1)” after “section 145”.

10          (d) EXCEPTION FROM VOLUME CAP.—Section  
11 146(g) of the Internal Revenue Code of 1986 (relating to  
12 exception for certain bonds) is amended by striking “and”  
13 at the end of paragraph (3), by striking the period at the  
14 end of paragraph (4) and inserting a comma, and by add-  
15 ing after paragraph (4) the following new paragraphs:

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

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

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

1           (1) IN GENERAL.—Paragraph (4) of section  
 2       143(k) of the Internal Revenue Code of 1986 (relat-  
 3       ing to other definitions and special rules for quali-  
 4       fied mortgage bonds) is amended to read as follows:

5           “(4) QUALIFIED HOME IMPROVEMENT LOAN.—  
 6       The term ‘qualified home improvement loan’  
 7       means—

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

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

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

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

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

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

6 (f) CLERICAL AMENDMENTS.—

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

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

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

19 **SEC. 6. TREATMENT OF PASSIVE LOSSES OF CERTAIN**  
20 **PARTNERSHIPS ENGAGED IN SEISMIC RET-**  
21 **ROFITTING.**

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

1       “(n) EXEMPTION FOR SEISMIC RETROFITTING  
2 TRADE OR BUSINESS.—

3               “(1) IN GENERAL.—In the case of any natural  
4 person, subsection (a) shall not apply to that portion  
5 of the passive activity loss or the deduction equiva-  
6 lent (within the meaning of subsection (j)(5)) of the  
7 passive activity credit for any taxable year which is  
8 attributable to any seismic retrofitting activity which  
9 such person engages in during the taxable year,  
10 whether or not the taxpayer materially participates  
11 in such activity.

12               “(2) SEISMIC RETROFITTING ACTIVITY.—For  
13 purposes of this subsection, the term ‘seismic retro-  
14 fitting activity’ means any activity which involves the  
15 trade or business of seismic retrofit construction (as  
16 defined in section 25B(b)(2)) for residential prop-  
17 erty.”.

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

21 **SEC. 7. MORTGAGE INSURANCE INCENTIVE.**

22       Section 203(b)(2) of the National Housing Act (12  
23 U.S.C. 1709(b)(2)), is amended, in the second undesig-  
24 nated paragraph, by inserting “or due to seismic retro-  
25 fitting of the residence (within the meaning of the term

1 ‘seismic retrofit construction’ under section 25B(b)(2) of  
 2 the Internal Revenue Code of 1986)’’ before the period  
 3 at the end.

4 **SEC. 8. EARTHQUAKE DISASTER MITIGATION AND RECOV-**  
 5 **ERY PLANNING GRANT PROGRAM.**

6 (a) DEFINITIONS.—

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

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

12 “(9) CRITICAL FACILITY.—The term ‘critical  
 13 facility’ means—

14 “(A) a public structure (including a police  
 15 station, fire station, city or town hall, school, or  
 16 other public building) or a public or nonprofit  
 17 private hospital that is—

18 “(i) owned by an entity; and

19 “(ii) critical to the continuity of the  
 20 entity or to the conduct of the disaster re-  
 21 sponse activities of the entity; or

22 “(B) a facility that—

23 “(i) provides medical services to a spe-  
 24 cific occupational or industry segment of  
 25 the general public; and

1                   “(ii) is operated by an organization  
 2                   described in subsection (c) or (d) of section  
 3                   501 of the Internal Revenue Code of 1986  
 4                   and exempt from taxation under subsection  
 5                   (a) of such section.

6                   “(10) CRITICAL PUBLIC INFRASTRUCTURE.—  
 7                   The term ‘critical public infrastructure’ means a  
 8                   utility or transportation system (including a bridge,  
 9                   energy system, water or sewer system, or commu-  
 10                  nication system) that is—

11                   “(A) owned by an entity; and

12                   “(B) critical to the conduct of the disaster  
 13                  response activities of the entity.

14                   “(11) EARTHQUAKE DISASTER.—

15                   “(A) IN GENERAL.—The term ‘earthquake  
 16                  disaster’ means a disaster that results from a  
 17                  movement of the earth.

18                   “(B) INCLUSIONS.—The term ‘earthquake  
 19                  disaster’ includes a disaster that results from a  
 20                  tsunami or an earthquake-caused landslide or  
 21                  liquefaction (as determined by the Director of  
 22                  the Agency).

23                   “(12) GRANT PROGRAM.—The term ‘grant pro-  
 24                  gram’ means the earthquake disaster mitigation and



1 recovery planning grant program established under  
2 section 6.

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

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

11 “(15) LOCAL GOVERNMENT.—The term ‘local  
12 government’ means—

13 “(A) a city, town, township, county, parish,  
14 village, or other general-purpose political sub-  
15 division of a State;

16 “(B) an Indian tribe; and

17 “(C) a geologic hazard abatement or simi-  
18 lar special purpose district formed to carry out  
19 or fund projects to reduce the vulnerability of  
20 infrastructure and buildings to earthquake dis-  
21 asters.

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

1           (2)     CONFORMING     AMENDMENT.—Section  
 2       5(b)(1) of the Earthquake Hazards Reduction Act of  
 3       1977 (42 U.S.C. 7704(b)(1)) is amended by striking  
 4       “(hereafter in this Act referred to as the ‘Agency’)”.

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

8       **“SEC. 6. EARTHQUAKE DISASTER MITIGATION AND RECOV-**  
 9                           **ERY PLANNING GRANT PROGRAM.**

10       “(a) ESTABLISHMENT.—The Director of the Agency  
 11       may establish a grant program to provide financial assist-  
 12       ance to eligible recipients described in subsection (b) to  
 13       pay the Federal share of the cost of carrying out earth-  
 14       quake disaster mitigation and recovery planning measures  
 15       with respect to the critical facilities and critical public in-  
 16       frastructure under the jurisdiction of the recipients.

17       “(b) ELIGIBLE RECIPIENTS.—

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

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

1 “(B) submits to the Director of the Agency  
 2 for approval an application for the grant in  
 3 such form as the Director shall require;

4 “(C) has completed an earthquake disaster  
 5 risk analysis;

6 “(D) has adopted a long-term strategic  
 7 earthquake disaster loss reduction plan that  
 8 identifies high priority earthquake disaster loss  
 9 reduction projects; and

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

12 “(2) CRITERIA.—

13 “(A) ESTABLISHMENT.—The Director of  
 14 the Agency shall establish, by regulation, cri-  
 15 teria that local governments, public and non-  
 16 profit private hospitals, and public institutions  
 17 of higher education shall meet to qualify for  
 18 grants under the grant program.

19 “(B) REQUIREMENT APPLICABLE TO  
 20 LOCAL GOVERNMENTS.—The criteria under  
 21 subparagraph (A) applicable to local govern-  
 22 ments shall include the requirement that a local  
 23 government adopt and enforce comprehensive  
 24 ordinances, building codes, land use measures,

and other measures for earthquake disaster loss reduction that—

“(i) take into consideration the identified earthquake hazards applicable to the area over which the local government has jurisdiction; and

“(ii) reflect current, cost-effective techniques designed to reduce losses from earthquake disasters and ensure the continued functionality of critical facilities and critical public infrastructure.

“(C) CONSULTATION.—The criteria under subparagraph (A) shall be adopted after consultation with—

“(i) Federal, State, and local government officials and agencies; and

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

“(c) COST SHARING.—

“(1) FEDERAL SHARE.—

“(A) IN GENERAL.—Subject to subparagraph (B), the Federal share of the cost of measures carried out using a grant under the grant program shall be 75 percent.

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

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

“(ii) the extent to which any applicant faces a greater risk of earthquake disasters, in number or severity, than other applicants;

“(iii) the extent to which each applicant is expending resources on addressing urgent problems concerning critical facilities or critical public infrastructure; and

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

“(2) NON-FEDERAL SHARE.—

1           “(A) GRANTS TO LOCAL GOVERNMENTS  
 2           (OTHER THAN INDIAN TRIBES).—In the case of  
 3           a grant to a local government (other than an  
 4           Indian tribe) under the grant program, the non-  
 5           Federal share of the cost of measures carried  
 6           out using the grant shall be provided as follows:

7                   “(i)  $\frac{1}{2}$  by the State.

8                   “(ii)  $\frac{1}{2}$  by the local government.

9           “(B) GRANTS TO INDIAN TRIBES.—In the  
 10          case of a grant to an Indian tribe under the  
 11          grant program, the non-Federal share of the  
 12          cost of measures carried out using the grant  
 13          shall be provided as follows:

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

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

17          “(C) GRANTS TO PUBLIC HOSPITALS.—In  
 18          the case of a grant to a public hospital under  
 19          the grant program, the non-Federal share of  
 20          the cost of measures carried out using the  
 21          grant shall be provided as follows:

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

1                   “(ii) 1/2 by the public hospital, from  
 2                   general State appropriations to the hos-  
 3                   pital or from funds donated to the hos-  
 4                   pital.

5                   “(D) GRANTS TO NONPROFIT PRIVATE  
 6                   HOSPITALS.—In the case of a grant to a non-  
 7                   profit private hospital under the grant program,  
 8                   the non-Federal share of the cost of measures  
 9                   carried out using the grant shall be provided by  
 10                  the nonprofit private hospital.

11                  “(E) GRANTS TO PUBLIC INSTITUTIONS OF  
 12                  HIGHER EDUCATION.—In the case of a grant to  
 13                  a public institution of higher education under  
 14                  the grant program, the non-Federal share of  
 15                  the cost of measures carried out using the  
 16                  grant shall be provided as follows:

17                       “(i) 1/2 by the State, from funds other  
 18                       than general State appropriations to the  
 19                       institution of higher education.

20                       “(ii) 1/2 by the public institution of  
 21                       higher education, from general State ap-  
 22                       propriations to the institution of higher  
 23                       education or from funds donated to the in-  
 24                       stitution of higher education.

25                  “(d) USE OF GRANT FUNDS.—

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

3           “(A) to retrofit critical facilities and crit-  
4       ical public infrastructure in accordance with  
5       paragraph (2);

6           “(B) to implement earthquake disaster  
7       mitigation measures in accordance with para-  
8       graph (3); or

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

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

13           “(A) IN GENERAL.—A grant under the  
14      grant program may be used to retrofit a critical  
15      facility or critical public infrastructure with  
16      parts or equipment that meets current stand-  
17      ards for withstanding earthquake disasters (as  
18      determined by the Director of the Agency).

19           “(B) SELECTION OF CRITICAL FACILITIES  
20      AND CRITICAL PUBLIC INFRASTRUCTURE.—A  
21      critical facility or critical public infrastructure  
22      shall be selected for a grant under subpara-  
23      graph (A) if the critical facility or critical public  
24      infrastructure is identified in a long-term stra-  
25      tegic earthquake disaster loss reduction plan



adopted under subsection (b)(1)(D) as having high priority for retrofit because of the effect that damage to the critical facility or critical public infrastructure from an earthquake disaster would have on the quality of human life in the region and on recovery from the earthquake disaster.

“(3) IMPLEMENTATION OF EARTHQUAKE DISASTER MITIGATION MEASURES.—A grant under the grant program may be used to implement an earthquake disaster mitigation measure designed to ensure the continued functionality of a critical facility or critical public infrastructure.

“(4) DEVELOPMENT OF EARTHQUAKE DISASTER RECOVERY PLANS.—

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

“(i) a plan for reestablishing government operations and community services after an earthquake disaster; and

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

1                   “(B) SCHEDULE FOR PAYMENT OF GRANT  
2 FUNDS.—Of a grant for measures described in  
3 subparagraph (A)—

4                   “(i) 50 percent shall be paid upon ap-  
5 proval by the Director of the Agency of the  
6 application for the grant; and

7                   “(ii) 50 percent shall be paid upon  
8 adoption of the earthquake disaster recov-  
9 ery plan by the local government, public  
10 hospital, or public institution of higher  
11 education.

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

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

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

18                   “(2) such amounts as are appropriated to the  
19 Loss Reduction Trust Fund under section 13(e);  
20 and

21                   “(3) any interest earned on investment of  
22 amounts in the Loss Reduction Trust Fund under  
23 subsection (d).

1       “(b) TRANSFERS TO LOSS REDUCTION TRUST  
2 FUND.—There are appropriated to the Loss Reduction  
3 Trust Fund amounts equivalent to—

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

9               “(2) such amounts as—

10               “(A) were allocated for hazard mitigation  
11 assistance with respect to a major disaster  
12 under section 404 of that Act (42 U.S.C.  
13 5170c); and

14               “(B) the Director of the Agency deter-  
15 mines are remaining after expiration of the  
16 time limits established under subsection (c) of  
17 that section; and

18               “(3) amounts received as gifts under subsection  
19 (f).

20       “(c) EXPENDITURES FROM LOSS REDUCTION TRUST  
21 FUND.—Upon request by the Director of the Agency, the  
22 Secretary of the Treasury shall transfer from the Loss Re-  
23 duction Trust Fund to the Director of the Agency such  
24 amounts as the Director of the Agency determines are nec-  
25 essary to carry out section 6.

1 “(d) INVESTMENT OF AMOUNTS.—

2 “(1) IN GENERAL.—The Secretary of the  
3 Treasury shall invest such portion of the Loss Re-  
4 duction Trust Fund as is not, in the judgment of  
5 the Secretary of the Treasury, required to meet cur-  
6 rent withdrawals. Investments may be made only in  
7 interest-bearing obligations of the United States.

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

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

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

14 “(3) SALE OF OBLIGATIONS.—Any obligation  
15 acquired by the Loss Reduction Trust Fund may be  
16 sold by the Secretary of the Treasury at the market  
17 price.

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

23 “(e) TRANSFERS OF AMOUNTS.—

24 “(1) IN GENERAL.—The amounts required to  
25 be transferred to the Loss Reduction Trust Fund

1       under this section shall be transferred at least  
 2       monthly from the general fund of the Treasury to  
 3       the Loss Reduction Trust Fund on the basis of esti-  
 4       mates made by the Secretary of the Treasury.

5           “(2) ADJUSTMENTS.—Proper adjustment shall  
 6       be made in amounts subsequently transferred to the  
 7       extent prior estimates were in excess of or less than  
 8       the amounts required to be transferred.

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

12       (c) AUTHORIZATION OF APPROPRIATIONS.—Section  
 13      12 of the Earthquake Hazards Reduction Act of 1977 (42  
 14      U.S.C. 7706) is amended—

15           (1) by redesignating subsection (e) as sub-  
 16      section (f); and

17           (2) by inserting after subsection (d) the fol-  
 18      lowing:

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

22       (d) POSTDISASTER ASSISTANCE.—

23           (1) DEFINITIONS.—Section 102 of the Robert  
 24      T. Stafford Disaster Relief and Emergency Assist-

1       ance Act (42 U.S.C. 5122) is amended by adding at  
2       the end the following:

3               “(10) CRITICAL FACILITY.—The term ‘critical  
4       facility’ means—

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

9                               “(i) owned by an entity; and

10                              “(ii) critical to the continuity of the  
11                              entity or to the conduct of the disaster re-  
12                              sponse activities of the entity; or

13                       “(B) a facility that—

14                              “(i) provides medical services to a spe-  
15                              cific occupational or industry segment of  
16                              the general public; and

17                              “(ii) is operated by an organization  
18                              described in subsection (c) or (d) of section  
19                              501 of the Internal Revenue Code of 1986  
20                              and exempt from taxation under subsection  
21                              (a) of such section.

22               “(11) CRITICAL PUBLIC INFRASTRUCTURE.—  
23       The term ‘critical public infrastructure’ means a  
24       utility or transportation system (including a bridge,

1 energy system, water or sewer system, or commu-  
 2 nication system) that is—

3 “(A) owned by an entity; and

4 “(B) critical to the conduct of the disaster  
 5 response activities of the entity.”.

6 (e) CONFORMING AMENDMENTS.—Section 12(a) of  
 7 the Earthquake Hazards Reduction Act of 1977 (42  
 8 U.S.C. 7706(a)) is amended by inserting “(as in effect on  
 9 September 30, 1997)” after “6 of this Act” each place  
 10 it appears.

11 **SEC. 9. ADVANCED NATIONAL SEISMIC RESEARCH AND**  
 12 **MONITORING SYSTEM.**

13 (a) IN GENERAL.—The Earthquake Hazards Reduc-  
 14 tion Act of 1977 (42 U.S.C. 7701 et seq.) is amended—

15 (1) by redesignating section 12 as section 13;

16 and

17 (2) by inserting after section 11 the following:

18 **“SEC. 12. ADVANCED NATIONAL SEISMIC RESEARCH AND**  
 19 **MONITORING SYSTEM.**

20 “(a) ESTABLISHMENT.—The Director of the United  
 21 States Geological Survey shall establish and operate an  
 22 advanced national seismic research and monitoring system  
 23 (referred to in this section as the ‘system’).

24 “(b) PURPOSE.—The purpose of the system shall be  
 25 to organize, modernize, standardize, and stabilize the na-

1 tional, regional, and urban seismic monitoring systems in  
 2 the United States, including sensors, recorders, and data  
 3 analysis centers, and meld the monitoring systems into a  
 4 coordinated system that will measure and record the full  
 5 range of frequencies and amplitudes exhibited by seismic  
 6 waves, in order to enhance earthquake research and warn-  
 7 ing capabilities.

8 “(c) MANAGEMENT PLAN.—

9 “(1) IN GENERAL.—Not later than 90 days  
 10 after the date of enactment of the Earthquake Loss  
 11 Reduction Act of 2001, the Director of the United  
 12 States Geological Survey shall submit to Congress a  
 13 5-year management plan for establishing and oper-  
 14 ating the system.

15 “(2) REQUIRED ELEMENTS.—The plan shall  
 16 include—

17 “(A) annual cost estimates for—

18 “(i) milestones, standards, and per-  
 19 formance goals for modernization of the  
 20 seismic monitoring systems referred to in  
 21 subsection (b); and

22 “(ii) milestones, standards, and per-  
 23 formance goals for operation of the system;  
 24 and



1           “(B) plans for securing the participation of  
 2           all existing networks in the system and for es-  
 3           tablishing new, or enhancing existing, partner-  
 4           ships to leverage resources.

5           “(d) AUTHORIZATION OF APPROPRIATIONS.—

6           “(1) ESTABLISHMENT.—In addition to amounts  
 7           made available under section 13(b), there are au-  
 8           thorized to be appropriated to establish the  
 9           system—

10                   “(A) \$33,500,000 for fiscal year 2002;

11                   “(B) \$33,700,000 for fiscal year 2003;

12                   “(C) \$35,100,000 for fiscal year 2004;

13                   “(D) \$35,000,000 for fiscal year 2005;

14                   and

15                   “(E) \$33,500,000 for fiscal year 2006.

16           “(2) OPERATION.—In addition to amounts  
 17           made available under section 13(b), there are au-  
 18           thorized to be appropriated to operate the system—

19                   “(A) \$4,500,000 for fiscal year 2002; and

20                   “(B) \$10,300,000 for fiscal year 2003.”.

21           “(b) CONFORMING AMENDMENTS.—Section 2 of Pub-  
 22           lic Law 105–47 (42 U.S.C. 7704 note) is amended—

23                   (1) in subsection (a)(7), by striking “section  
 24                   12(b) of the Earthquake Hazards Reduction Act of  
 25                   1977 (42 U.S.C. 7706(b))” and inserting “section

1       13(b) of the Earthquake Hazards Reduction Act of  
2       1977”; and

3           (2) in subsection (c)(2), by striking “section  
4       12(c) of such Act (42 U.S.C. 7706(c))” and insert-  
5       ing “section 13(c) of that Act”.

○