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TESTIMONY

Insuring our Future: Building a Flood Insurance Program that We Can Live With, Grow With and Prosper With

before the

Senate Committee on Appropriations
Subcommittee on Homeland Security

by

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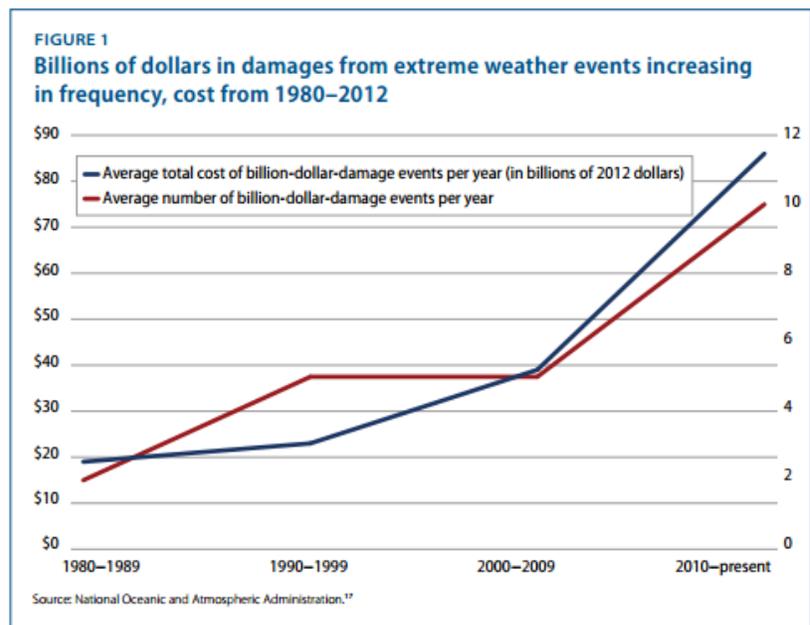
Introduction

The Association of State Floodplain Managers is very pleased to offer our thoughts and recommendations on floodplain mapping and implementation of the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA) as well as the key role of hazard mitigation grant programs in making any transition of the NFIP to be more financially sound and better promote community resilience. We thank Chairman Landrieu and Ranking Member Coats for your attention to the importance of this issue and how we can improve the National Flood Insurance Program (NFIP) throughout the nation.

ASFPM and its 35 Chapters represent over 16,000 state and local officials and other professionals who are engaged in all aspects of floodplain management and hazard mitigation, including management, mapping, engineering, planning, community development, hydrology, forecasting, emergency response, water resources, and insurance for flood risk. All ASFPM members are concerned with working to reduce our nation's flood-related losses. For more information on the association, our website is: <http://www.floods.org>.

Disasters Cost Taxpayers

As we reflect over the early years of this century, disaster losses and costs have risen substantially. Flood losses have climbed to average over \$10 billion per year. 2012 resulted in 11 weather and climate disaster events each with losses exceeding \$1 billion in damages. This makes 2012 the second costliest year since 1980, with a total of more than \$110 billion in damages throughout the year. The 2012 total damages rank only behind 2005, which incurred \$160 billion in damages.



Unfortunately, this is neither unanticipated nor is it as bad as it could get. The recently published ARkStorm scenario modeling for the Sacramento area based on a scientifically realistic flood event, similar to those that occurred in California in 1861 and 1862, indicates that three quarters of a trillion dollars in damage (business interruption costs of \$325 billion in addition to the \$400 billion in direct property loss) would occur if that event happened today. The National Climate Assessment recently released indicated that flooding may intensify in many regions of the United States due to increased

heavy precipitation events in areas where total precipitation is projected to decline. This will impact private property and cause increased damages to our nation's infrastructure.

The NFIP Reduces Costs of Flood Disasters and Eases Recovery of Businesses and Families

The NFIP is the key national program used to reduce flood losses. Of course, the NFIP is not just an insurance program, but a hazard mitigation program with four key components: (1) Insurance to protect financially against flood losses, (2) locally adopted standards for land use and buildings to improve resiliency, (3) flood maps to identify risk areas, and (4) flood mitigation programs to eliminate risk to older buildings that existed before modern codes and standards. The damages avoided due to compliance with the required NFIP standards saves the nation \$1.7 billion each year. From 1997 to 2011, ICC (mitigation funds available within a flood insurance policy) has resulted in over \$513 million in mitigation to nearly 25,000 at-risk structures resulting in at least \$2.5 billion in benefits¹ over the life of the structure. Since inception, the Flood Mitigation Assistance Program has provided over \$318 million in federal funds for nearly 1,000 projects across the country mitigating over 2,700 structures.

Purchasing a flood insurance policy is the most accessible, widespread, and easiest mitigation option a home or business owner can take to protect their long term financial interest.

Floodplain Mapping is the Cornerstone of the NFIP and all Flood Hazard Mitigation Efforts to Reduce Disaster costs

Value of Flood Mapping to the Nation

Flooding is a natural phenomenon. Maps will not prevent floods from occurring, but they are an essential tool in avoiding or minimizing the damage to property and loss of life caused by floods, and for communicating flood risk. Without accurate flood maps, local officials face serious difficulties in guiding development away from the most hazardous areas or in ensuring that development in or near the hazard area is properly built and protected.

The ASFPM very much appreciates the interest of Chairman Landrieu and the members of the Subcommittee in understanding and addressing the nation's mapping needs. We appreciate that Senator Landrieu requested and sponsored a briefing by the Hazards Caucus Alliance in October, 2013 on the science behind floodplain mapping. We also note the language in your Committee Report accompanying the FY '15 Homeland Security appropriations bill requesting further information on FEMA's map update processes.

¹ Based on 2005 MMC study "Mitigation Saves" which calculated that benefits from FEMA flood mitigation projects were \$5 for every \$1 invested.

Flood maps are used for many purposes. FEMA's Flood Insurance Rate Maps—the primary type of flood maps in the United States—are used to determine flood insurance rates, development regulations, and flood preparation for those at risk. Government officials use them to establish zoning, land-use, and building standards; to support land use, infrastructure, transportation, flood warning, evacuation, and emergency management planning; and to prepare for and respond to floods. Insurance companies, lenders, realtors, and property owners depend on these maps to determine flood insurance needs and risk to properties. For citizens, businesses and communities, the FEMA flood maps are the essential tool for reducing flood losses and are the nation's default source of flood hazard information.

In the creation of quality flood hazard data, high quality ground elevation (topographic) information is essential. This elevation dataset has multiple uses, and associated costs are avoided since these data can be used by multiple programs and agencies. Communities can use these data to determine safe evacuation routes for citizens, support first responders in emergencies, account for changes in tax base, and update a variety of local plans (e.g. hazard mitigation, comprehensive land use, and capital improvement plans).

Such data can reduce the need to conduct field surveys by agencies such as departments of transportation, and to plan for resilient community growth. The Congressional Budget Office found that lack of up-to-date topographic information causes a downward bias on the actuarial soundness of the maps depicting flood hazard areas. The maps are not only the foundation of the NFIP, but also the basis of sound floodplain management policies at the local, state, and federal levels. Adequate, accurate, and current maps are essential for the program to function. If a potential flood prone area is not mapped, the community has no tool to adequately guide development to be safer and to mitigate future flood losses.

Local governments, with state assistance and authority are the key level of government with the tools to reduce future flood losses. Those tools are land use and building codes, which they use to guide development to lower flood risk areas, and to build in a resistant way in flood risk areas so future damages and risk are reduced. Currently many communities assist in cost sharing or in providing modern topographic mapping. Without mapping of the flood prone area, there is no real tool to communicate flood risk to community officials, citizens, or businesses. The sale of flood insurance is not mandated in areas outside floodplains mapped on FIRMs. Without adequate, accurate, and current maps, neither construction nor the insurance elements of the program can be effective.

Floodplain mapping is a cost-effective taxpayer investment. In 1997, FEMA conducted a benefit-cost analysis of its proposed flood mapping program (Map Modernization). Based on that analysis, floodplain mapping showed a benefit to the taxpayer of over \$2 for every \$1 invested in flood mapping. Later, the State of North Carolina used the same methodology as FEMA and calculated a benefit-cost ratio of 2.3 to 1. The North Carolina report indicates that for the 29,733 stream miles studied throughout the state, the average benefit provided is \$3,400 per year per mile and clearly shows significantly higher benefits of having more detailed flood studies

Finally, flood mapping reduces disaster costs. Development that complies with the floodplain management requirements is better protected against major flood-related damage. Since flood mapping is the basis for community floodplain management regulations, then it stands to reason that new construction in mapped floodplains would have to comply with such codes and be constructed to be more resilient in future disasters. In fact, buildings constructed in compliance with NFIP building standards suffer approximately 80 percent less damage annually than those not built in compliance. Lower damage amounts can be a proxy for lower impacts and demands on disaster assistance. In its final report, the first Technical Mapping Advisory Council (TMAC) indicated that a small investment in mapping can result in huge savings in flood-related disaster assistance in the future.

Floodplain Mapping Needs

What is the current state of floodplain mapping needs in the country? First, only 1.1 million of the nation's 3.5 million miles of waterways have flood hazards identified. Of that 1.1 million miles, only 20% of that subset have detailed flood elevations. Second, after the FEMA Map Modernization Program only 62% of the land area had maps in a digital format. That means that many communities still have paper map sets, many communities have no flood maps and as a nation we are maintaining map sets at which is inefficient and costly. Third, through 2012, \$4.3 billion has been invested in the nation's flood mapping program (\$6.2 billion adjusted to 2012 dollars).

Section 100216 of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12), establishes the National Flood Mapping Program and describes the responsibility of FEMA to develop and maintain flood maps that are adequate to: 1) Make flood risk determinations and 2) be used by state and local governments in managing development and reduce the risks associated with flooding. To accomplish this, the 2012 Act requires that FEMA shall review, update, and maintain NFIP maps with respect to:

- All populated areas and areas of possible population growth located within the 100-year and 500-year floodplains;
- Areas of residual risk, including areas that are protected by levees, dams, and other flood control structures and the level of protection provided by those structures;
- Ensuring that current, accurate ground elevation data is used;
- Inclusion of future conditions risk assessment and modeling incorporating the best available climate science; and
- Including any other relevant data from NOAA, USACE, USGS and other agencies on coastal inundation, storm surge, land subsidence, coastal erosion hazards, changing lake levels and other related flood hazards.

In the past, and in the absence of clear Congressional direction, the mapping program was almost solely focused on supporting flood insurance rating as well as serving as a tool for the adoption and enforcement of local floodplain management regulations. However, the purpose of the National Flood Mapping Program is clearly meant to fulfill a broader mandate – to create the nation's flood risk data set so communities, states, and individuals can take action to reduce losses. The Act makes a clear and

unequivocal statement that flood maps produced by FEMA will be forward looking and inclusive of several types of flood risk data. The Congress has, in effect, acknowledged what most state and local officials already know – that the FEMA Flood map data is and should be the default national dataset for flood risk.

In 2013, ASFPM developed the report *Flood Mapping for the Nation* which is an estimate of the total cost to provide floodplain mapping for all communities in the nation based on the parameters specified in Biggert-Waters. ASFPM has identified criteria of what constitutes adequate flood mapping for the country, and has produced an estimate showing the initial cost to provide flood mapping for the nation ranging from \$4.5 billion to \$7.5 billion. The steady-state cost to then maintain accurate and up-to-date flood maps ranges from \$116 million to \$275 million annually. This national investment in a comprehensive, updated flood map inventory for every community in the nation will drive down costs and suffering of flooding on our nation and its citizens, as well as providing the best tool for managing flood risk and building resilient communities.

ASFPM believes that the authorization in Biggert-Waters 2012 of \$400 million annually is appropriate. The Association is disappointed by the Administration's lack of prioritization of flood mapping. Budget requests for the past 2 years have severely underfunded mapping at approximately \$85 million. Fortunately, the Congress (notably the House and Senate Appropriations Subcommittees on Homeland Security), has recognized the importance of mapping and provided about \$10 - \$15 million over the budget request. Based on ASFPM's own cost analysis for mapping the nation, however, flood mapping investments at this level virtually guarantee that the flood risk data will become outdated and less reliable over time and don't provide for any new mapping efforts.

ASFPM recommendations related to floodplain mapping:

- **Implement the National Flood Mapping Program that is measured against the following: 1) Eliminating the current inventory of old paper maps, 2) Mapping all of the nation's flood hazards so that such hazards are proactively identified before development and investments in infrastructure occur, and 3) Update maps for those who have detailed data but need to reflect changed conditions.** We must first or at least simultaneously prioritize getting the flood mapping job done throughout the nation, eliminate the paper inventory of flood maps, and update existing flood maps.
- **Fund floodplain mapping at the full authorized level of \$400 million per year so we can complete the job of initially mapping the nation in 10-15 years.**

Floodplain Mapping Implementation Issues

With respect to floodplain mapping, there are three implementation issues ASFPM will comment on: Technical Mapping Advisory Council (TMAC), levees and Cooperating Technical Partnerships.

1. The reconstitution of TMAC in BW-12 was a critical measure needed to provide FEMA expert advice and guidance on the strategic direction and implementation of the National Flood Mapping

Program. The original TMAC created by the 1994 NFIP reform act performed a very valuable function that essentially led to the FEMA Map Modernization program. ASFPM expects and hopes that the new TMAC is empowered to fulfil its wide ranging duties established by Congress. Some of the priorities ASFPM sees include 1) reviewing and overhauling the flood map update process including paying particular attention to the procedures for calibrating models and the necessary engineering inputs to make accurate, quality maps, 2) incorporating best available climate science into flood mapping, and 3) making recommendations for appropriate measures of success that prioritize getting the initial job done. Just this past week TMAC appointees were announced. ASFPM is anxious for the Committee to get up and running. Based on the success of the original TMAC, ASFPM has no reason to doubt that the reconstituted committee will be successful.

2. In response to Congressional concerns about mapping levees, FEMA created the LAMP process to replace a largely binary system of evaluating levees (they either met standards or did not) with a more refined and flexible process for evaluating levees. Feedback we have heard so far is that communities are largely pleased with the process but there is some fatigue and skepticism that the final mapping products will be reflective of the more refined levee evaluation process. ASFPM hopes that FEMA continues to work closely with communities and to the extent possible utilize, refine, and develop methodologies that appropriately credit flood control structures for the protection they provide.

3. The Cooperating Technical Program (CTP) is an important component of flood mapping that allows capable states and communities to assume ownerships over certain elements up through the entire flood mapping process. Initially the CTP program also was used to build capability in willing, but inexperienced, states and communities who hoped to assume more responsibility for floodplain mapping. ASFPM has been concerned that the CTP program had not had the adequate support and guidance from FEMA. However, more recently we are pleased to see more of a commitment to the program by FEMA including pledges of continued support for this program.

Implementation of HFIAA

The Homeowners Flood Insurance Affordability Act did remove the most troublesome flood insurance rate increases imposed by the Biggert-Waters Flood Insurance Reform Act and provided for reimbursement of policy holders adversely impacted by those rate increases. It also put other rate increases on a longer glide path toward actuarially sound rates. The requirement that premium rates move to full risk rates at the point of sale of a primary home began to have significantly negative effects on home sales, so eliminating that requirement and replacing it with gradual movement toward actuarial rates was an important correction. In a related correction, it was important that those new property owners already affected by the provision receive reimbursement. FEMA has prioritized these elements in its implementation of HFIAA and appears to be moving expeditiously.

The Association of State Floodplain Managers (ASFPM) supported these actions, and also expressed appreciation that the legislation included a provision requiring that policy holders be informed

of their projected full risk premium. Since the many pre-FIRM properties in Special Flood Hazard Areas (SFHAs) had been substantially subsidized since the inception of the NFIP, those property owners were unaware of their subsidy and also unaware of what their true risk premium would be. After enactment of the Biggert-Waters legislation reducing those subsidies and after the damages from Hurricane Sandy, it became clear that expectation of full risk premiums was leading to a significantly increased interest in hazard mitigation actions which could both reduce risk and lead to reduced flood insurance premiums. ASFPM was very supportive of the language in HFIAA requiring that homeowners be informed of their full risk rate, since this knowledge does often lead to risk reduction actions.

Although HFIAA did reduce the possible dramatic rate increases resulting from the Biggert-Waters legislation (2012), it did not provide for any steps to provide assistance with the cost of flood insurance to truly lower income homeowners or to low income renters (contents insurance). Since there are many properties owned by lower income persons, often through inheritance, and many renters whose rent could be increased to help the landlord pay for increased flood insurance and whose personal belongings are at risk, there should be some means developed to assist low income homeowners and residents that is means tested and outside of the insurance rating structure.

For an NFIP we can live, grow and prosper with, ASFPM looks forward to further refinements in the program when it is next reauthorized, to completion of studies on affordability and community based flood insurance called for in HFIAA, to development of recommendations from those studies and to improved incorporation of hazard mitigation in the flood insurance program, resulting in more reduction of risk. Mitigation needs to be enhanced both at the individual property level and at the community-wide level. This means steps to dramatically improve operation of the Increased Cost of Compliance (ICC) program which is part of any policy holder's policy and paid for by a minimal surcharge, further streamlining of the Severe Repetitive Loss and other repetitive loss assistance under the Hazard Mitigation Assistance programs of the NFIP, and promotion of community-wide premium reductions through the Community Rating System.

Specific comments from state floodplain managers and state hazard mitigation officers

In preparation for this hearing, the ASFPM sought informal comments from State Floodplain Managers and from State Hazard Mitigation Officers. Some of those are included below:

Mapping

In almost every response, the need for a more robust effort to update and improve the nation's flood risk maps was identified as a key to identifying and then reducing risk and flood insurance premiums. It was clearly noted that this would require a more substantial national investment, but a very worthwhile investment.

One state official said: “It is critical that Congress and the President know the amount of funding that is needed and understand that shortchanging the program is putting people at risk and increasing the nation’s costs for disasters.” After stating that much higher funding is needed nationwide for map updates, another state official added that more accurate methodology is needed which should include riverine erosion and flood impacts from climate change. Another official suggested that states should contribute 25% of the cost of their mapping. Yet another state official suggested that FEMA should provide more autonomy for states to engage in the mapping process. Another noted that the new coastal maps appear to have accuracy problems and stated that sometimes complaints are that the Base Flood Elevations for coastal areas are too low, while more inland area BFEs are too high. This official pointed to insufficient precision as the problem and said this is an issue of how much money is spent on the engineering studies. Several states expressed concerns about doing an adequate job calibrating the new engineering studies against historical flood events.

HFIAA and the NFIP

One official reported on a recent meeting with local residents who had the following concerns: The connection between investment in compliance and future property sales, frustration with communication about flood insurance reform, problems with no word on refunds due, yet policies renewed at the higher actuarial rate, frustration about limited funding assistance available for mitigation, and concerns about the amount of coverage required.

A state official stated that the rate increases should be implemented even more gradually than provided for under HFIAA. Another state official suggested that the surcharge in HFIAA should not apply to properties in compliance with floodplain management building standards. Another noted there still remains a need for subsidizing premiums for low-income homeowners. Another state official said that the rate reductions in HFIAA are helpful including the extension of Preferred Risk Rate policies and the restoration of grandfathering. This same official said that still more reform is needed and noted the difficulty of achieving balance between actuarial soundness and affordability. He pointed to a significant problem with misrating of policies, guessing it involves about 25% of policies in his state, although not always in favor of the NFIP. He also noted difficulties in getting property specific information on premiums to facilitate insurance and mitigation decisions. Finally, another state official suggested that FEMA reinvigorate the “Re Thinking the NFIP” project it undertook a number of years ago to produce “big ideas” for restructuring the NFIP.

Mitigation

Several state officials suggested that the streamlining of the mitigation programs in the legislation is helpful but that further steps need to be taken to lessen the bureaucratic burdens. Several suggested more management of the mitigation application process at the state level. Another suggested that local hazard mitigation plans should be a condition for NFIP participation.

Mitigation Grants that have an Impact on Flood Insurance Affordability and Success of the NFIP

Since 2011 ASFPM has cautioned numerous times in testimony that the cumulative impact of all of the needed flood insurance reforms would result in significant affordability issues and that affordability must be a component of any NFIP reform. Policyholders need to have an accurate assessment of their risk, but we also need stronger programs to help them mitigate flood risk and to assist those who truly cannot afford risk based premiums. NFIP reforms in 2012 and 2014 were necessary from the standpoint that the NFIP needed to be made more actuarially sound so it could serve the nation well into the future. HFIAA has now set that transition into motion. However, what Congress did not address in 2012 is flood insurance affordability and only somewhat in 2014. ASFPM supported the Congress in repealing provisions requiring moving immediately to full risk rates and replacing it with a more pragmatic approach as was done with HFIAA. And while the NFIP can be considered a more actuarially sound program now than prior to these reforms, there are property owners that still cannot absorb these flood insurance increases. For 1.1 million policy holders, rates will be going up between 18% and 25% per year, not including new surcharges.

It is impossible to have a NFIP that is both actuarially sound and affordable without significant investment in hazard mitigation funding. Specifically, investments in hazard mitigation must surge during the transition period until all properties are rated actuarially and then be maintained at an appropriate level to help contain losses – and future costs - to the NFIP. This was not done during either the 2012 or 2014 reform efforts. Unfortunately, the surcharge in 2014 was specifically earmarked to pay future claims. A better idea might have been investing that surcharge in mitigation to *eliminate* future claims. ASFPM has several recommendations related to mitigation programs that must be enhanced to help the NFIP through this transition period in moving to a more actuarially sound program.

Increased Cost of Compliance (ICC)

The fastest post-disaster hazard mitigation “grant” program is the Increased Cost of Compliance (ICC) element of a NFIP policy. This mechanism can very quickly result in both speedy recovery and mitigation. Sixty percent of properties mitigated through ICC are elevated. Often property owners who use ICC to mitigate can have their mitigation completed before any other mitigation grant through the federal government is even approved.

However, because an ICC claim is triggered by a local official declaring a structure substantially damaged, the process can be slowed down when a community does not have the capacity to do a large number of post-disaster inspections in a short time. This provides a great opportunity for FEMA assistance to communities to cost share these inspections and to facilitate the assistance of inspection officials from other jurisdictions.

The implementation of ICC today is far from optimal. Currently, there are restrictions on what elements are covered by ICC versus what a typical mitigation grant may pay for. In 2004 Congress

made changes so ICC would be more widely available by functioning in a pre-disaster environment and triggering availability of ICC funds by a mere offer of mitigation through another mitigation program, either state or federal – not by being substantially damaged. This has not been implemented by FEMA which is very unfortunate because it would have allowed mitigation grant program dollars to be stretched further and helped many more property owners who are dealing with increased flood insurance rates. While the average cost to fully undertake mitigation for insured structures ranges from \$20,000 to well over \$100,000, ICC is capped at \$30,000 and that amount plus any insurance claim cannot exceed the overall policy limit. ASFPM believes that the cap must be raised as FEMA is already authorized to collect up to \$75 per policy for ICC. Currently the average ICC policy surcharge is about \$15.

ASFPM recommendations related to ICC:

- **Immediately implement the 2004 NFIP reforms to ICC that triggered availability of ICC funds upon an offer of mitigation.**
- **Interpret substantial damage trigger in ICC to be from non-flood related events consistent with the 2004 NFIP reform act.**
- **Increase the ICC cap to \$50,000.**
- **Allow for ICC claims to be in addition to the policy limits.**
- **Require that the new surcharges from HFIAA be used for mitigation activities through ICC instead of building up the Reserve Fund for future claims. An approach that addresses the problem versus continual paying of claims will save taxpayers and the NFIP many more dollars in the long run.**

Flood Mitigation Assistance (FMA)

When BW-12 folded FMA, the Severe Repetitive Loss program and the Repetitive Flood Claims program into one, the three programs were to keep their organic authorization intent in the new program. However, it seems that in implementation, an unintended consequence was largely focusing all of the program's funding towards repetitive and severe repetitive loss properties. While such properties should be high priorities for mitigation, the program should allow for other flood mitigation needs, including those properties that may not be repetitive loss or severe repetitive loss. Also, ASFPM is concerned about the cost-share in the program. A general philosophy of ASFPM is that all levels of government should contribute to their mitigation efforts therefore programs that are 100% funded do not leverage resources at the state, local or individual level. The cost shares should be reexamined and no program should be at 100%. This will make the Federal dollars go much further in mitigating properties.

FMA was funded at \$100 million in FY14 and we are very pleased to see the Senate supporting the budget request by the Administration for FY15 of \$150 million.

Pre-Disaster Mitigation (PDM) and Hazard Mitigation Grant Program (HMGP)

PDM and HMGP are important complimentary programs to the NFIP authorized under the Stafford Act. They provide resources to mitigate structures that are otherwise floodprone and in doing so 1) permanently removes the flood risk or 2) modifies the flood risk so not only is the structure more resilient, but flood insurance rates are lower 3) reduces taxpayer costs for future disasters.

ASFPM is extremely disappointed that the Administration has, once again, requested no funds for PDM. Ironically, the Administration has also suggested an appropriation of \$400 million for PDM in a related budget proposal for Opportunity, Growth and Security. ASFPM is very thankful that this subcommittee has seen fit to continue to provide \$25 million for the past several years and including FY15. This amount does fund the per/state allocations. Ideally, we would suggest funding PDM at \$150 million to facilitate a full, nationwide competitive grant program to reduce flood losses.

Other Observations

The debt owed under the NFIP will become untenable when interest rates rise

The largest ongoing threat to the financial solvency of the NFIP is the accumulated debt of the program, now sitting at \$24 billion. Since 2005, NFIP has paid \$2.65 billion in interest payments, and \$1.82 billion in principle payments. Luckily, FEMA has taken advantage of record low interest rates and the debt is financed at just below .5 percent in short term loans (two to three year terms). If interest rates return to a more average 3 percent annual rate (and rates can only go up from here), interest payments alone would exceed \$720 million/year. For a program that is currently taking in a little more than \$3 billion annually in premiums, which covers claims, payments to insurance companies, agents, flood mapping and floodplain management, and overall program administration, it is simply not feasible for the program to repay the debt, nor is it consistent with the Federal government's overall disaster policy.

Until HFIAA reforms have had time to work, the NFIP will continue to need federal support for catastrophic loss years (note that all \$24 billion of the current debt occurred before any significant BW-12 or HFIAA reforms were in place). Prior to BW-12, this was due to the rates being set at levels calculated to generate enough funds to enable the program to pay claims in an "average historical loss year," but not enough for a catastrophic year. The legislated limits on rate setting did not allowed NFIP to charge high-enough premiums to build a reserve for the inevitable years in which catastrophic flooding occurs. This meant that there was a need for federal support to fulfill NFIP's contractual obligations to pay claims in some years. Before Hurricane Katrina, NFIP actuaries estimated this average annual premium shortfall was \$800 million per year. Congress has reacted quickly by increasing the borrowing authority of NFIP after Katrina and Sandy, yet has been slow to recognize that catastrophic loss years cannot be repaid by reliance on the insurance mechanism alone at least until adequate reserves are built up. Lack of understanding of this issue and dealing with the debt will continue to put pressure on the NFIP and could put the whole program at risk.

The nation's flood disaster priorities are too focused on response and recovery and not hazard mitigation

While gaining some visibility, as a nation we are nowhere near where we need to be in terms of the priority of hazard mitigation programs such as the NFIP and HMA, versus response and short term recovery. For the past several years the federal government has increased the amount of disaster assistance provided to those individuals and communities affected by hazard events. The Center for American Progress reports that the federal government spent \$136 billion total from fiscal year 2011 to fiscal year 2013 on disaster relief. This adds up to an average of nearly \$400 per household per year. The upward trend of focusing on providing disaster assistance and not investing in mitigation is not sustainable.

In FEMA's most recent [monthly report](#) on the Disaster Relief Fund, the size of mitigation programs relative to other post-disaster expenditures is quite clear. Appendix C of that report shows that for Hurricane Sandy, actual expenditures for mitigation totaled \$151 million while the total cost for all other categories (Public Assistance, Individual Assistance, Operations and Administrative) totaled \$7.44 billion – or 2 percent. The increased spending has come at a time where mitigation resources have been decreasing, especially for non-disaster related mitigation programs. This has been reflected in FEMA's budget priorities as well. Since 2010, funding for FEMA's two largest mitigation programs flood mapping and the pre-disaster mitigation program has been decreased substantially, with PDM being proposed to be zeroed out over the past three years. Thankfully, Congress has thought otherwise. Language on page 154 of FEMA's 2013 budget narrative sums up the philosophy best when justifying a decrease in flood mapping funding: *"The FY 2013 amount of \$89.3 million reflects a refocus of agency-wide resources on FEMA's primary mission of preparing for and coordinating disaster response and recovery efforts while still providing support for this program, which also is supplemented by fees derived from the NFIP."*

However, ASFPM is cautiously optimistic that FEMA and the Administration may have begun to see the value of mitigation relative to disaster response and recovery. ASFPM was pleased to see the Administration's request of an additional \$50 million for the Flood Mitigation Assistance program in FY15 budget request, the President's roll-out of the Opportunity, Growth and Security Initiative which included \$400 million for PDM to support resilience from climate change, and the strategy budget priority #4 which is focused on enabling disaster risk reduction nationally. ASFPM remains puzzled that FEMA once again proposed to zero out the Pre-Disaster mitigation program in FY15 and hopes that the priority of PDM in the President's OGSi will compel FEMA and DHS leadership to propose a more appropriate FY16 budget request.

FEMA cannot get critical rulemaking accomplished

ASFPM has observed over the past several years the increasing difficulty FEMA has in accomplishing any rulemaking. We are often told that at a minimum it is a 5 year process. Unfortunately this has had the impact of holding up the implementation of some Congressional actions that would have had an impact on flood insurance affordability as well as speeding up delivery of hazard

mitigation programs. We have cited an example earlier in the testimony and there are still others such as updating 44CFR 60.3 standards (the NFIP minimums), and the elimination of some innovative approaches to addressing levee mapping issues because they would involve rulemaking such as establishing new levee zones. In May, the Senate Homeland Security and Governmental Affairs Committee explored this issue in some depth and the inability to initiate or complete substantial rulemaking was recognized as a problem. If we are to ever get ahead of the overall issue of increasing flood losses, all tools and policies must be brought to bear on the issue and waiting to implement key aspects of the overall approach because of the length of time to undertake rulemaking is unacceptable.

The Association of State Floodplain Managers appreciates this opportunity to share our observations and recommendations with the Subcommittee. For any further questions on this testimony contact Chad Berginnis, ASFPM Executive Director at cberginnis@floods.org (608) 828-3000 or Meredith Inderfurth, ASFPM Washington Liaison at (703) 448-0245.