TESTIMONY

Association of State Floodplain Managers, Inc.

before the
Senate Committee on Banking, Housing, and Urban Affairs

The Future of the National Flood Insurance Program

presented by:
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October 18, 2005
INTRODUCTION

The Association of State Floodplain Managers, Inc. (ASFPM), and its 21 Chapters represent over 8,000 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. Many of our members work with communities impacted by hurricanes Katrina and Rita or work with organizations that are assisting those communities in rebuilding. All ASFPM members are concerned with working to reduce our nation’s flood-related losses. Our state and local officials are the federal government’s partners in implementing programs and working to achieve effectiveness in meeting our shared objectives. Many of our members are designated by their governors to coordinate the National Flood Insurance Program (NFIP) and many others are involved in the administration of and participation in FEMA’s mitigation programs. For more information on the Association, please visit http://www.floods.org.

The recent tragedies on most of the Gulf Coast, in Florida, and the emerging flood damage in the Northeast are reminders to the nation that we are susceptible to hazards – especially flooding – and that we must have programs, policies, and institutions that can adequately handle these events, efficiently use taxpayer money, and build a more sustainable future. Nothing less than our nation’s prosperity and viability are at stake. The Congress and this Committee will be at the epicenter of this discussion, with an opportunity to make policy changes that can have importance and relevance far into the future. We would also like to recognize the tireless work and effort that thousands of FEMA employees have dedicated the current and past disasters. At this time, while we have critical debate and discussion on important policy issues, many FEMA staff are away from families and on extended deployment carrying out the important response,
recovery, and mitigation programs of our nation. While we continue to express our concern with FEMA being part of the Dept. of Homeland Security, the staff of FEMA is doing a tremendous job with the resources they have available.

Thank you for inviting us to offer our views on the solvency of the NFIP. The following testimony addresses:

A. A Reflection on the Early History of the NFIP

B. The Impact on the NFIP from Expected Claim Payments from Hurricanes Katrina and Rita

C. The Desirability of Moving all Policy Premiums to Actuarially Sound Rates

D. Suggestions for Reducing Future Flood Damage and Flood Insurance Claims through Increased Mitigation

E. Recommendations for Increasing Voluntary Participation in the NFIP & Improving the Mandatory Purchase Requirements

F. Measures to Improve Effectiveness of Current NFIP Approaches

G. The Impact of FEMA’s Reorganization on the NFIP
A. A Reflection on the Early History of the NFIP

On August 1, 1968, Congress established the NFIP in enacting the Housing and Urban Development Act of 1968. According to Frank Thomas, a former NFIP official, the program came into existence as a result of political compromises. Some urban interests wanted relief from property losses caused by recent urban riots in a number of major cities. Some rural interests wanted flood insurance to indemnify property owners from their losses. Without including urban property protection and reinsurance provisions in the act, the NFIP would not have been established at that time. In a retrospective view, the NFIP grew into a major national program and other provisions of the act never gained importance. Thomas characterized the NFIP as an accident that occurred from political tradeoffs that survives by every flood disaster.

The Act created the Federal Insurance Administration (FIA) within HUD to oversee the program. The program was established as a “quid-pro-quo” program. Through it, relief from the impacts of flood damages in the form of federally-backed flood insurance became available to citizens in participating communities contingent on flood loss reduction measures embodied in state and local floodplain management regulations. Occupants of existing structures in floodprone areas would benefit from subsidized flood insurance premiums, but occupants of new structures would have to pay actuarially based premiums. This was based on the concept that those already living in the floodplain did not understand the flood risk involved in their locational decisions, but future occupants would through information provided by the NFIP – via flood studies and maps. The original program would be voluntary in terms of community participation and the purchase of flood insurance.
Congress tasked the FIA to carry out studies to determine local flood hazard areas within which flood insurance provisions and appropriate land use regulations would be applied. The FIA adopted the 1% annual chance as a minimum national standard for floodplain management, based upon a recommendation of a special review committee of national experts that met at the University of Chicago in December 1968.

By 1973, the NFIP had more than 3,000 communities participating. Despite this record, it became apparent that a truly “national” flood insurance program would not be achieved on a strictly volunteer basis, whereby localities could choose to join or not join and individuals could choose or not choose to purchase flood insurance coverage. Few incentives or requirements existed. Some form of penalty had to be applied to non-participating communities and their citizens to get participation. After a series of flood disasters struck the nation in 1972, Congress again amended the National Flood Insurance Act of 1968 in 1973 to strengthen incentives for local participation. The Flood Disaster Protection Act of 1973 reaffirmed the use of the 1% annual chance flood and contained two major provisions. First it prohibited federal agencies from providing technical or financial assistance for acquisition or construction purposes in the designated floodplains of a community unless the community participated in the NFIP. This provision extended to financial institutions regulated or insured by the federal government, thereby covering virtually all types of financial assistance. Second, if a community participated, federal agencies and federally regulated or insured lenders required flood insurance as a condition of grants and loans – giving birth to the “mandatory purchase” requirement. The 1973 Act greatly accelerated the number of communities participating in the NFIP and the number of flood insurance policies purchased. An chronology of major events affecting the NFIP can be found as part of the documents that are part of the nearly completed comprehensive evaluation of
the NFIP that is being undertaken by the American Institutes for Research (see http://www.fema.gov/nfip/nfipeval.shtm)

As history would reveal, the NFIP would ultimately have a profound impact in two important areas: Accelerating the identification of floodprone areas on maps and in providing incentives for states and communities to enact measures to regulate development in these identified areas.

B. THE IMPACT ON THE NFIP FROM EXPECTED CLAIM PAYMENTS FROM HURRICANES

KATRINA AND RITA

The anticipated claims do not indicate a failure of the NFIP. Since the late 1980s the NFIP has been self-supporting, which largely means it covers all expenses and claim payments out of income from premiums and fees. Thus, the NFIP has not received direct U.S. taxpayer support for nearly two decades. Although the NFIP has authority to borrow from the U.S. Treasury when demand for claim payments exceeds reserves, it has always repaid its borrowing with interest. Now we face a situation where estimates of claims are around $22 billion. This comes on the heels of a significant number of claims from the four hurricanes that affected Florida last year. It is highly unlikely and unrealistic to expect that this surge in claims can be repaid. Instead, we should look to future programmatic changes that will reduce the number and impact of claim payments. Future policy changes could include anything from reinforcing the existing framework (such as expanding the policy pool), to changes in program regulations, to exploring the replacement of the NFIP with another program altogether – such as an all hazard insurance mechanism with strong hazard recognition, hazard management, and hazard mitigation elements.
Before we explore other policy options; however, we should reflect on some of the successes of the NFIP:

- Over 20,000 local jurisdictions recognize and manage their flood hazards by adopting flood hazard maps and administering floodplain management ordinances.
- Between 1978 and the end of 2004, the NFIP has paid $13.7 billion in losses that would otherwise have been paid by taxpayers through disaster assistance or borne by home and business owners themselves.
- The NFIP floodplain management standards have significantly reduced the frequency and severity of flood damages to buildings built in compliance with NFIP standards. Such structures experience 80% less damage than buildings that pre-date the standards.
- The NFIP floodplain management requirements are estimated to save around $1.5 billion per year in avoided flood damages.

It is also important to note that the first comprehensive evaluation of the NFIP is nearing completion. The multi-year study, conducted by the American Institutes of Research under a contract to FEMA, explores several significant issues such as the program’s actuarial soundness, its developmental and environmental impacts, and compliance among participating communities with the NFIP’s requirements. The evaluation’s ultimate goal is to identify what works and what could be modified to improve the program’s effectiveness. The evaluation’s first study was released in March 2005 on the NFIP’s mandatory purchase requirement. It is our understanding the study will be completed sometime within the next 12 months.
C. THE DESIRABILITY OF MOVING ALL POLICY PREMIUMS TO ACTUARIALY SOUND RATES

The 1968 Act separated the flood insurance ratemaking process into two distinct categories: subsidized rates and actuarial rates. The rates for Pre-FIRM structures (constructed before a flood map was adopted) are subsidized. It is important to understand that the subsidy is actually a cross-subsidy within the program, and not a subsidy from the U.S. taxpayer. The rates for Post-FIRM structures (built after a flood map designated a property as within the floodplain) are actuarial. The original idea was that over the long run the older buildings would reach the end of their design life and gradually be replaced by flood-resistant construction. In practice, this is taking longer than anticipated. Meanwhile, the expectation has grown that people who live in high-risk areas should pay based on their exposure to risk.

- The ASFPM believes that there are at least two ways to reduce the Pre-FIRM subsidy: (1) Mitigate Pre-FIRM structures (discussed in-depth in item D) by either eliminating the structure or turning it into a Post-FIRM compliant structure and (2) reduce or eliminate the Pre-FIRM subsidy for vacation homes, some rental properties, and other non-primary residences.

Raising premiums to actuarial rates on all Pre-FIRM structures is not feasible and will likely be a hardship on many. According to FEMA’s NFIP Program Description (2002):

The long-term goal of the NFIP is to be actuarially sound, including consideration for potential catastrophic loss years. In the near term, in establishing a fiscally sound program, the NFIP overall is intended to generate premium at least sufficient to cover expenses and losses relative to what is called the “historical average loss year.” Since the NFIP’s underwriting experience does
not include truly catastrophic loss years, the historical average is less than the true long-term average.

It can be argued that losses in the last two years have encroached into the realm of “catastrophic.” Those losses likely will drive a rate increase that will be difficult enough for home and business owners to absorb. However, moving some classes of structures toward actuarial rates may have merit. Some severe repetitive loss structures, based on the 2004 Flood Insurance Reform Act (2004 FIRA) will move towards actuarial rating but only after mitigation assistance is offered and if that mitigation offer is refused.

D. SUGGESTIONS FOR REDUCING FUTURE FLOOD DAMAGE AND FLOOD INSURANCE CLAIMS THROUGH INCREASED MITIGATION

Mitigation is a set of techniques that can be used to reduce the risks to health and safety and reduce the future damage. Common mitigation techniques include acquiring/demolishing, elevating, relocating, retrofitting, or demolish/reconstruction of buildings. Since the 1988 Stafford Act amendments, mitigation has become one of the effective tools in reducing flood losses. Indeed ASFPM is eagerly anticipating a report on the benefits of mitigation that is currently under FEMA/DHS review and that is expected to show that mitigation techniques are very cost effective for the federal government, taxpayers, states, communities and citizens.

Implementation of the 2004 Flood Insurance Reform Act (2004 FIRA). The premise of reducing the Pre-FIRM subsidy through increased mitigation was part of the motivation behind both the 2004 FIRA and its predecessor act, the National Flood Insurance Reform Act of 1994. It was recognized repetitively flooded properties (repetitive loss) are a constant drain on the resources of the NFIP and that reducing the number of such properties would result in fewer
claims – thus strengthening the financial standing of the Program. Repetitive loss properties comprise about 50,000 of the NFIP’s 4.5 million policies, yet represent nearly 30% of the dollars paid out. Of these properties, 83% are Pre-FIRM. Nearly 10,000 of these properties have experienced four or more losses, or two or more loses which combine to exceed the building’s value as reported on the flood insurance policy. The 2004 FIRA augmented the NFIP-funded mitigation grant program and created a Pilot Program focused on the repetitive loss problem.

Unfortunately, rules for implementation of the Pilot Program and the use of the demolition/rebuild option have not been written which is due, in a large part, to the extremely small number of staff in FEMA’s mitigation program. Although one year of the 5-year program was lost without appropriations, the FY06 Appropriations does include full funding for which we are appreciative for Congress’ interest. Continued funding of these programs will have a positive impact on reducing the number of repetitive claims which will, in turn, enhance the financial stability of the NFIP.

➢ ASFPM urges the Committee to continue to support full funding for the Flood Mitigation Assistance and Pilot Program and to urge FEMA to expedite the writing of the rules for implementing the Pilot Program, including the rules allowing for the demolition/rebuild option.

Another important element of the 2004 Flood Insurance Reform Act included changes to the Increased Cost of Compliance (ICC) mitigation coverage that became part of the standard flood insurance policy after the National Flood Insurance Reform Act of 1994. However, as currently administered, it is being under-utilized. ASFPM supported the ICC reforms in the 2004 FIRA because of this under-utilization. Specifically:
• When paired with a mitigation grant for buyout, the ICC payment for demolition must be expanded to include all elements of demolition and lot restoration. Currently only certain costs associated with the primary structure are eligible.

• FEMA must direct adjusters to handle ICC claims congruent with the timeframe of mitigation grants to the maximum extent possible. This will be even more important as a result of the 2004 Reform Act which will increase the number of insured property owners undertaking mitigation who will also be eligible for the ICC payment.

• FEMA must not allow conflicts in determining which parts of mitigation projects are eligible under ICC and which are eligible under FEMA’s grant programs. The two components must be made to work together and the claims adjuster and the mitigation manager must be in partnership focused on getting the funding invested in cost-effective mitigation measures.

The ICC claim payment can be used as the non-federal match required by all of FEMA’s grant programs and thus is an important component of making mitigation work. FEMA and its adjusters must make ICC work to get more buildings mitigated and to reduce future damage and claims.

➢ ASFPM suggests the Committee urge FEMA to make the necessary administrative changes to ICC promptly. This is absolutely necessary so that ICC can function effectively under all circumstances and specifically as directed by the 2004 Reform Act.

Support of FEMA’s ongoing mitigation programs. Although not funded by the NFIP,
FEMA’s other ongoing mitigation programs authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Hazard Mitigation Grant Program and Pre Disaster Mitigation Program) are important tools in mitigating Pre-FIRM structures. While these programs are not focused exclusively on repetitive loss structures, they nonetheless largely address Pre-FIRM flood prone structures. Why? Because these are the structures that usually suffer the greatest flood damage and, as a result, tend to have the most favorable benefit/cost calculations.

However, in the last three years, there has been an effort to eliminate or reduce the HMGP, which is funded only after disasters. Unfortunately, the formula used to determine the HMGP amounts has been reduced from 15% to 7.5%, a reduction that greatly hampers mitigation in many states.

- **ASFPM urges the Committee to express support for the restoration to the 15% basic formula for the HMGP.**

**Requiring mitigation in the Gulf Coast to be tied to advisory base flood elevations.** In the aftermath of Katrina and Rita, FEMA quickly provided resources to update base flood elevations (BFEs – also known as 1% or 100-year) in the Gulf Coast region. These studies indicate that BFEs will increase several feet throughout the region. This is because when current hurricanes are added to previous records, the statistical analysis shows the elevation of the base flood is higher (the previously calculated flood levels were done years ago, in some cases over 25 years).

However, advisory documents produced by FEMA only encourage the use of these advisory elevations for mitigation, rather than require their use when obtaining rants for mitigation. Mitigation done without using the advisory elevations is not sustainable and will have a direct impact on flood insurance – creating a subsidized rate for these structures that are to be rebuilt.
with Federal mitigation funds, as they will then be grandfathered at lower flood insurance rates when new flood maps are adopted in the future. This is an unwise use of taxpayer funds, and will impact the long term actuarial soundness of the NFIP.

- **ASFPM suggests that the Committee urge FEMA to make the necessary changes to require that advisory base flood elevations be used for all mitigation projects in the Gulf Coast region and in future events.**

**E. RECOMMENDATIONS FOR INCREASING VOLUNTARY PARTICIPATION IN THE NFIP & IMPROVING THE MANDATORY PURCHASE REQUIREMENTS**

The mandatory purchase requirement of the NFIP has evolved through the years and is largely responsible for the number of flood insurance policies in-force today. The mandatory purchase requirement is implemented by federally regulated and federally insured mortgage lenders. The ASFPM believes that the purchase of flood insurance – whether voluntarily or required by lenders - can be improved and expanded as outlined below. Not only will property owners have increased awareness of flood hazards but greater financial protection in the event of a catastrophic flood. Although increasing the number of flood insurance policies is important to the actuarial soundness of the program, it is arguably as important to the financial health of each individual and family who has purchased a policy to protect against future financial ruin.

*Change the mandatory purchase requirement limits for property owners already in the 1%-annual chance floodplain.* Although the current mandatory purchase requirement has had a positive effect, especially since passage of strengthening measures in 1994, there are still many issues and aspects of the process that make it less than effective. Current program regulations only require that a loan subject to the mandatory purchase requirement have flood insurance to
cover the outstanding balance of the loan (protecting the lender’s liability, not the owner’s potential loss). Also, it is estimated that possibly up to 40% of new mortgages are not subject to mandatory purchase because they originate from unregulated lenders. A recent AIR study indicates this number may be much higher for manufactured homes which generally are financed by dealers. Finally, the loophole which allows a property owner to fill a site then file for an amendment to the community’s flood map to eliminate the requirement to purchase insurance consumes significant FEMA resources and promotes significant filling in floodplain areas which in turn increases flood elevation son others. The ASFPM specifically recommends:

- Require those subject to the mandatory purchase requirement to insure to replacement value of the structure.
- Examine alternatives to require or encourage lenders not currently subject to the mandatory purchase requirement, and manufactured home dealers who make loans to require borrowers, to require their borrowers to obtain flood insurance.
- Reinstate the Section 202(b) in the 1973 Flood Disaster Protection Act that would prohibit regulated lenders from making, increasing, renewing, extending, or purchasing loans for improved real estate or manufactured homes in SFHAs in communities that do not participate in the NFIP.
- Eliminate grandfathering of insurance premiums for structures built to elevations on the old map once a preliminary or advisory map is presented to the community. In case of Preliminary FIRMS, communities sometimes stall adoption of the maps so that large tracts of land can be developed based on old elevations or in the absence of flood data. The result is all of these structures are
built to lower flood elevations, and pay lower insurance premiums, and they continue to pay those lower, non-actuarial rates because they are “grandfathered.” This grandfathering costs other policy holders to subsidize their insurance.

Change the mandatory purchase requirement to extend into areas beyond the 1%-annual chance floodplain. One of the lessons that can be learned from Katrina and other severe floods is that flooding is not confined to the areas shown on Flood Insurance Rate Map (FIRM) prepared by FEMA. Although the 1% floodplain was identified along the Gulf Coast, areas subject to lower probability flooding from major storm surges are not shown on the maps. In the case of Katrina, this resulted in a storm surge which extended miles inland destroying homes that had no flood insurance. Very few of these property owners had flood insurance because no flood hazard was identified from their property. The potential storm surge lines indicated a “residual risk” of flooding not shown on FEMA flood maps.

Across this nation thousands of miles of levees and thousands of high hazard dams exist, yet the persons living in the “failure” areas behind those levees and below those dams are usually unaware they are in an area that will be flooded when those structures fail or overtop. Interestingly, areas that are protected by levees – provided that they are built to meet certain criteria – can be removed from the FEMA-mapped floodplain, with the implication that the areas have little or no flood risk. Furthermore, areas downstream of hazardous dams, the failure of which could cause catastrophic damage, are not identified as potential flood hazards on FEMA’s FIRMs either. These areas have some commonalities – they are at risk from flooding, although the probability of such an event is much lower than a 1% chance. As we see in every dam break or levee failure, when such an event occurs catastrophic damage results. The ASFPM has long
advocated the concept of mandatory “residual risk” flood insurance requirements for areas
behind levees and floodwalls and below dams. The cost of such a policy would be
commensurate with the lower risk of flooding, yet the property owner, states, communities, and
the U.S. taxpayer won’t be faced with bearing the costs of a catastrophic failure. The NFIP
should map and require flood insurance in similar residual risk areas that are prone to storm
surge from major hurricanes or in dam/levee failure zones.

➢ ASFPM urges the Committee to require that residual/catastrophic risk
areas be identified and mapped on FEMA FIRMs and that the purchase of
“residual risk” flood insurance be mandatory.

The National Flood Insurance Act as amended does not, in statute, identify a specification for
any particular frequency of flood where flood insurance is required; rather it focuses on the need
for flood insurance to be available. Such a policy change would support the intent of the Act.

F. Measures to Improve Effectiveness of Current NFIP Approaches

As stated earlier, the NFIP is a quid pro quo program. It relies on flood maps to identify
flood hazard areas, and the adoption/enforcement of community development and land use
standards to ensure new construction is flood resistant. In exchange for regulating flood hazard
areas, flood insurance is available in that community.

In the wake of Katrina/Rita and other major flood events, it is logical to ask whether the
regulatory basis, the 1% chance flood, is adequate. Recently, the ASFPM Foundation held the
2004 Gilbert F. White National Flood Policy Forum where this very topic was debated by 75 of
the nation’s experts. The Forum concluded that the 1% chance flood standard, although in
hindsight perhaps not a perfect choice, has nevertheless stood the test of many decades of use in
a varied and changing nation. It was noted that there are areas in which specific scientific and
technical knowledge are still lacking, and filling those gaps could help improve implementation.
Forum participants also observed that the nation has changed and grown rapidly and that in
some ways it has not been possible for the policies and practices associated with the 1% standard
to keep pace. The Forum noted positive results, some apparent shortcomings in the standard and
its use, and some broad approaches and specific actions that could be taken to help address
deficiencies. Many of the Forum recommendations converge with ASFPM policy positions on
improving the effectiveness of the current NFIP approaches.

First, it is important that we bring the 1% standard approach up to the 1% standard. In
particular, this means we need to have an accurate portrayal of the 1% floodplain nationwide.
There are gray areas of uncertainty surrounding the calculations and the mapped floodprone zone
resulting from inadequate data, lack of consideration of changing and future conditions within
watersheds, and oversimplified assumptions. Currently, FEMA is undertaking the Map
Modernization program. The original vision of the program was to update the nation’s inventory
of flood maps in terms of areas that still need to be mapped (where the 1% floodplain exists but
is not yet identified), updating areas already mapped (1% flood may be higher due to watershed
development), and updating the basic quality of the map so a floodplain doesn’t appear to go 40
feet up a hillside. Additionally, it makes sense to convert all the maps into a Geographic
Information System based format to make future updates easier and create a seamless national
flood layer. However, under current constraints, this vision will not be realized. The budget is
too small, existing performance metrics of mapping so many communities in a period of time are
driving the program in a way that results in less than adequate flood maps. It must be remembered that there is a legitimate national interest in mapping and as such, mapping partners at the state and local level, while contributing to enhance their basic inventory of flood maps, should not be viewed as a replacement for the national mapping program in terms of resources and overall responsibility. ASFPM continues to support partner contributions and delegation of mapping programs to qualified entities; however, just like EPA’s Clean Water Act programs, the Federal government should retain overall programmatic responsibility.

➢ The Committee is urged to support full funding for FEMA’s Map Modernization program. ASFPM recommends that current funding levels be continued for a total of 10 to 15 years consistent with a total program cost of $2-$3 billion. Furthermore ASFPM urges the Committee to seek alignment of the performance metrics with such a funding level and timeline.

Another approach to improving the overall effectiveness of the NFIP is to enhance the existing 1% flood standard. Improvements could be made in the policies, regulations, and implementation of the 1% annual chance standard to make it more accurate and effective in achieving its goals. The National Flood Insurance Act, as amended simply outlines some performance measures for criteria. The ASFPM recommends the following regulatory changes to the NFIP:

➢ Require floor elevations of new and substantially improved buildings to be at least 1 foot above the Base Flood Elevation. Freeboard is a factor of safety that accounts for some uncertainty in our engineering methods, future upland
development that increases runoff, and increases that are anticipated due to floodplain development. Additionally, construction with a freeboard results in significantly lower flood insurance premiums on the structure.

- **Require critical facilities and structural protective works be designed and constructed to achieve protection to the .2% annual chance flood (500-year).** Critical facilities are variously defined but generally include hospitals, police and fire stations, emergency operations centers, water/wastewater treatment facilities, and the like. Structural protective works, especially levees, provide a false sense of security. Those living behind levees think they will never flood, but the reality is different. When the levee fails or is overtopped (and they all will at some point in time), the damages are catastrophic and the human suffering is immense. No one has insurance, buildings are not elevated or protected at all. To ameliorate these impacts, structural works must provide protection to a higher level than buildings constructed in a floodplain where a flood event larger than the 1% may cause some flooding, but will not result in catastrophic damage.

- **Require new development to be constructed to advisory flood elevations when produced by FEMA after a significant flood event immediately after the advisory elevations are released if they are higher than existing base flood elevations.** In the Gulf coast, it is expected that base flood elevations will rise significantly after the hurricanes of the last couple of decades. It would be foolish if new elevations were generated, but due to the regulatory process of FEMA that provides for public comment and input into the new elevations, that reconstruction would occur, protecting to a level far less than the new base flood
Conduct a review of how well federal agencies comply with Executive Order 11988, Floodplain Management. Issued in 1977, the purpose of this Order is to avoid federal investment or assistance in floodplains unless there is no practicable alternative. Federal agencies that take actions that may impact floodplains (e.g., construct facilities or provide funds or technical assistance to others to construct facilities) are required to have guidance or regulations for implementation. FEMA does not have any authority over how agencies implement EO 11988 and a critical review has never been done.

G. The Impact of FEMA’s Reorganization on the NFIP

Prior to being reorganized in 2003, FEMA was already a lean organization. At the same time, it had built excellent relationships with states and communities; was able to quickly respond to disasters and decide on policy matters regarding its programs; had a true multi-hazard focus; and had developed a successful track record to accomplish its mission.

The ASFPM was concerned from the beginning that the inclusion of FEMA into DHS would not bode well for the progress the nation has made in reducing our risk to natural hazards. Since the reorganization, there has been mounting evidence that our concerns have been realized. FEMA has gone from a small, independent agency with direct access to the President in times of major natural disasters to one of the Directorates in a huge organization. We have gone from “mitigation” being the cornerstone of the Nation’s disaster programs to having the word nearly excised from the emergency management lexicon. Even though assurances were made that legacy missions of organizations would continue, terrorism was and is the primary focus of
DHS. State and local emergency managers, especially those in areas prone to recurring natural hazards, are lamenting the “loss” of FEMA and are increasingly vocal about the need to restore FEMA to its previous state.

The following are specific concerns: Transferring FEMA funds to areas of DHS (the DHS Tax); use of policyholder funds for non-NFIP purposes; detailing FEMA staff out of that directorate; not filling vacant positions throughout FEMA, including senior leadership positions; and extensive delays in FEMA policy decisions and guidance due to an added layer of DHS bureaucracy. Over 200 FEMA staff positions are funded through the policy service fee income as part of flood insurance policy dollars, giving the Committee clear authority to focus on this issue.

- **ASFPM urges the Committee to:** (1) Monitor the FEMA/DHS issue to ensure that policy holder funds are not spent inappropriately, (2) that FEMA and NFIP priorities are carried out in order to protect the solvency of the fund, and (3) to support the restoration of a Presidentially appointed / Senate confirmed Flood Insurance Administrator.

In 2004, the ASFPM Board of Directors passed a resolution that FEMA should be taken out of DHS and reinstated as an independent agency.
CONCLUSION

The ASFPM originally formed as a result of the need to work with HUD and then FEMA on flooding and flood mapping issues. Today, we once again stand at a crossroads – in the aftermath of a catastrophic flood disaster with an opportunity to refine our nation’s policy for managing flood hazards. Thank you for the opportunity to provide our thoughts on these important issues. The ASFPM and its members look forward to working with you as we move towards a common goal of reducing flood losses.

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