



Association of State Floodplain Managers, Inc.

575 D'Onofrio Drive, Suite 200, Madison, WI 53719

Phone: 608-828-3000 | Email: asfpm@floods.org | Website: www.floods.org

TESTIMONY

The Role of Mitigation in Reducing Federal Expenditures for Disaster Response

before the

Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Emergency Management, Intergovernmental Relations, and the District
of Columbia

by

Chad Berginnis, CFM
Executive Director
Association of State Floodplain Managers

May 14, 2014

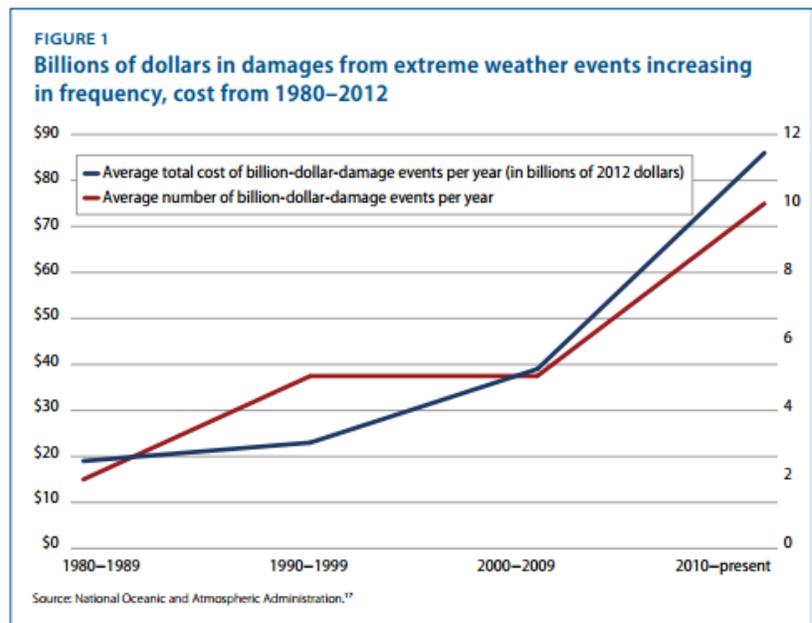
Introduction

The Association of State Floodplain Managers is very pleased to offer our thoughts and recommendations on the role of hazard mitigation and its impacts in reducing federal disaster costs as well as the mitigation components of the NFIP. We thank Chairman Begich and Ranking Member Paul for your attention to the importance of this issue and how we can improve our collective hazard mitigation efforts in the nation. ASFPM very much thanks this subcommittee for its recognition of the need to promote and assist hazard mitigation.

ASFPM and its 35 Chapters represent over 15,000 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 \$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. Experts have estimated that an earthquake in San Francisco of the same magnitude as the 1906 earthquake could cause as many as 3,400 deaths, displace up to 250,000 households, and cause as much as \$120 billion in property damage alone. 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.

Hazard Mitigation Reduces Costs of Disasters

The reduction of risk is key to reducing disaster-related cost to the nation, to states and communities, and to property owners. In short, hazard mitigation saves money and hazard mitigation represents a societal investment, not a cost. The benefits of this investment are clearly evidenced in several ways:

- Averts loss of life and injury to people.
- Reduces damages to public and private property.
- Lessens expenditure of resources and exposure to risk for first responders.
- Reduces taxpayer costs of disaster response and recovery.
- Accelerates recovery of communities and businesses affected by disasters.
- Enhances community resiliency.

So how does mitigation post disaster save taxpayers money in the real world? After the 1993 Mississippi River flooded hundreds of homes and caused several million in

damage in Arnold, Missouri (pop. 19,965), local officials pursued mitigation projects. By the end of 1995, the city had purchased over 202 homes and 155 sites for mobile homes, using a combination of FEMA, CDBG, and other funding sources. By

| | <u>1993 Flood</u> | <u>1995 Flood</u> | <u>May 2002 Flood</u> |
|--|-------------------|-------------------|-----------------------|
| Sandbagging sites in Arnold | 60 | 3 | 0 |
| FEMA Public Assistance to Arnold | \$1,436,277 | \$71,414 | \$0 |
| Applications from Arnold for Individual Assistance | 52 | 26 | 1 |

2008, over 322 homes had been acquired and when flooding occurred that year, a total of \$12,000 in damage resulted. As part of the buyout, buildings were bought, demolished, and the remaining property was deed-restricted as open space. Arnold has repeatedly flooded since 1993; however, now flooding is mostly an inconvenience, and the long-term cost to the U.S. taxpayer is essentially zero. The key to the success of this project and ongoing minimization of taxpayer cost was the permanent deed restrictions on the acquired properties.

The costs associated with natural disasters are increasing. Mitigation is the key to reducing risk and to reducing costs. The nation needs a broad national commitment to risk reduction. Some specific mitigation means for addressing flood related disasters are under the jurisdiction of this Committee and some are under the jurisdiction of the Senate Banking Committee. Improved synergies between these Stafford Act and Flood Insurance mitigation efforts are needed. Therefore, this testimony will address some elements that fall outside this Committee’s immediate jurisdiction – in an effort to better weave

them together. A state or local official seeking to reduce risks must work with all of these programs so national policy should facilitate synergies among them.

Considerations for a National Mitigation Effort

Mitigation means taking a sustainable action to reduce or eliminate long-term risk from hazards and their effects. A variety of mitigation activities exist that can reduce the risk of losses from natural hazards. Typically, these activities are arranged in five different categories:

- **Prevention:** These activities are intended to keep the hazard risk problem from getting worse, and ensure future actions do not increase hazard losses. Examples include planning, zoning, and building codes.
- **Property protection:** These activities are intended to modify existing development subject to hazard risk. Examples include acquisition and demolition, elevation, relocation or retrofitting of existing buildings. These are the primary activities funded by FEMA mitigation programs.
- **Natural resource protection:** Activities intended to reduce intensity of hazard effects as well as improve the quality of the environment and wildlife habitats. Examples include wetlands restoration (for flood), buffer zones, setbacks, and forest management practices (wildfire).
- **Emergency Services:** Activities to ensure continuity of emergency services. Examples include critical facilities protection to a high standard so these facilities are operational and accessible during extreme events.
- **Structural measures:** Activities include development of large, highly engineered hazard reduction structures. Examples include levees and debris basins.

While hazard mitigation can be undertaken at any time, citizens and communities alike are most receptive in the aftermath of a disaster. This is because very significant decisions have to be made during rebuilding and it is much easier to incorporate mitigation measures as rebuilding occurs versus on a “sunny day” when there is no urgency or low perception of being at risk. There is also a need to plan for mitigation and take actions based on risk identification. This is why we need both post-disaster and pre-disaster mitigation efforts.

ASFPM believes there are four basic tenets to an effective national approach to hazard mitigation:

1. Ensure that all federal programs and resources incentivize mitigation oriented behavior at the state, local, and individual levels. Too many perverse incentives still exist in federal disaster management and water (for flood related hazards) policy that do not result in resiliency oriented behaviors and those perverse incentives actually help drive up taxpayer costs.

2. Optimize mitigation programs to deliver assistance effectively and quickly. There is ample opportunity to optimize existing programs to be effective in supporting hazard mitigation efforts. Mitigation programs are still too slow.
3. Our nation's collective mitigation effort must include participation and leadership at all levels of government, individually, and in the private sector.
4. Multiple mitigation solutions are almost always needed to reduce future disaster and hazard losses. Sometimes these are combinations of mitigation solutions.

How effectively and comprehensively this is done will have substantial bearing on the cost of future disasters to our nation. There seems to be a common misperception that preparedness and response activities should happen now, while mitigation activities can wait. This mindset misses many opportunities to not only reduce risk but also to save money for taxpayers and those affected by the disaster. Preparedness activities save lives and some personal property, while response and recovery activities can efficiently deliver immediate life-safety assistance and deliver assistance that an array of federal, state, and local programs provide. However, only hazard mitigation activities reduce the large costs associated with disasters. Early investment in hazard mitigation reduces the cost and effort associated with disaster preparedness, response, and recovery.

Current Mitigation Priorities and Disaster Response and Recovery Expenditures

While gaining some visibility, as a nation we are nowhere near where we need to be in terms of the priority of hazard mitigation versus responding, recovering and getting back to normal after a disaster. For the past several years the federal government has increased the amount of disaster assistance provided to those individuals and communities affected by hazard event. 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 \$90 million while the total cost for all other categories (Public Assistance, Individual Assistance, Operations and Administrative) totaled \$6.47 billion – or 1.4 percent. The estimated totals through FY14 are projected to be \$349 million and \$12.04 billion – or 2.8 percent respectively.

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.

Mitigation Efforts that have an Impact on Sustainability and Success of the NFIP

The NFIP is the key national program used to reduce flood losses. Of course, the NFIP is not just an insurance program, but a mitigation program with four key components: Insurance to protect financially against flood losses, locally adopted standards for land use and buildings to improve resiliency, flood maps to identify risk areas, and flood mitigation programs to eliminate risk to older buildings that existed before modern codes and standards. 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. However, what Congress did not address at all in 2012 and only narrowly in 2014 is flood insurance affordability. While the NFIP could be considered a much more actuarially sound program now than prior to these reforms, property owners that cannot afford flood insurance need help. For 1.1 million policy holders, rates will be going up between 18% and 25% per year, not including new surcharges. This will impact small businesses especially hard as they will see 25% annual increases plus the highest surcharge.

The fastest post-disaster mitigation 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. From 1997 to 2011, ICC has resulted in over \$513 million in mitigation to nearly 25,000 at-risk structures resulting in at least \$2.5 billion in benefits¹. Sixty percent of properties mitigated through ICC are

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

elevated. Often property owners who use ICC to mitigate can have their mitigation completed before a 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. Also, the way ICC is being implemented today, there are restrictions on what elements are covered versus what a typical mitigation grant may pay for, and provisions to expand the reach and scope of ICC to function in a pre-disaster environment by triggering availability of ICC funds by a mere offer of mitigation – not by being substantially damaged that were passed in 2004 have not been implemented by FEMA. This is especially notable when, like PDM, FEMA could have brought to bear another program to ease flood insurance affordability issues. 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.

Another effective hazard mitigation program under the NFIP is the Community Rating System where communities to earn flood insurance premium discounts for undertaking activities that go beyond the minimum NFIP standards. While there are over 22,000 communities in the NFIP, approximately nearly 1,300 communities participate in the CRS. As reforms of the NFIP push flood insurance policies towards greater actuarial soundness which have the effect of costing more, communities throughout the nation have rediscovered CRS and interest in the program is higher than it has been in years. At its core, the CRS program is a mitigation program. It is voluntary and it promotes actions that go far beyond the NFIP in reducing flood risk. Due to the higher demand and impact on actuarial rates to policy holders, the State of Florida has just hired a full time state level CRS coordinator to provide technical assistance to communities and develop statewide CRS uniform credits. The CRS application process is rigorous; and ASFPM is concerned that while rigor must be maintained, there cannot be unnecessary delays due to lack of technical assistance or capacity within the CRS to do the necessary things to process CRS applications. Perhaps such technical assistance could be supported by PDM funds.

At the same time, FEMA must ensure that there is adequate capacity through the State or FEMA to monitor community compliance with their CRS commitment. CRS provides well over \$200 million in discounts to policy holders in CRS communities. It is important to all other policy holders and taxpayers that FEMA ensure the CRS communities are undertaking and implementing all those higher standards to which they have committed. Lack of compliance will result in increased flood losses, thus increasing claims on the NFIP or claims for federal disaster assistance. This discussion points to the need for adequate resources directed to the CRS program in order to help communities enter and maintain their participation in this complex program. Since this program operates fully within the NFIP Fund, a significant portion of this funding should come from the fund.

Another mitigation component of the NFIP is floodplain mapping or the identification of flood risk data. Currently only one million of the nation's three million miles of waterways have flood hazards identified. One of the most positive reforms in the 2012 legislation was the creation of the National Flood Mapping Program which established concrete mapping objectives and activities. ASFPM is pleased that Congress recognized the scope and breadth of flood risk in the nation including residual risks (such that exists behind dams and levees), the changing nature of flood risk over time due to a number of factors, and the need for agencies to work more closely together to share data. The foundation for any flood mitigation program is to know the current and potential flood risk at a given site. Otherwise, the risk is great for wasting money on solutions that do not provide long-term risk reduction. ASFPM believes that the authorization of \$400 million annually is appropriate but is disappointed by the Administration's lack of prioritization of flood mapping and severely underfunded requests of around \$85 million the past two years. Based on ASFPM's own cost analysis for mapping the nation, flood mapping investments at this level virtually guarantee that the flood risk data will become less reliable over time and doesn't include any new mapping efforts.

The most cost-effective mitigation aspect of the NFIP is the minimum NFIP regulations. Unfortunately, it has been nearly 30 years since the minimum standards have been updated and we have learned a lot about the nature of flooding and flood damage. Research shows that repairing and mitigating older Pre-FIRM homes that were constructed before building codes required elevation to just the minimum NFIP standards results in 80% less flood damage in a future flood event. Avoided losses cumulatively for buildings in the nation constructed to NFIP standards is over \$1.7 billion annually². Recently there has been a call to exempt some agricultural structures from NFIP minimum standards. ASFPM believes that this is not appropriate; adequate provisions already exist within local codes to provide relief for unique situations. FEMA may want to consider providing additional technical guidance however.

Because the NFIP does not exclude policies due to claims history, properties having repetitive losses are particularly impactful. A 2004 GAO report indicated that repetitive loss properties, while representing 1% of the policies in the NFIP, resulted in 38 percent of the claims historically and at the time was estimated to cost the NFIP approximately \$200 million annually. The focus on repetitive loss properties led to the creation of the Severe Repetitive Loss (SRL) and Repetitive Flood Claims (RFC) programs in the 2004 NFIP Reform legislation. Due to several issues, these programs were consolidated into the Flood Mitigation Assistance Program in the 2012 NFP Reform legislation. Undoubtedly, these programs as well as PDM and HMGP have had an impact on eliminating the losses on these properties; however, there has been no recent study to identify the impacts of those programs on repetitive loss properties.

² FEMA's FY13 Congressional Budget Justification National Flood Insurance Fund

What else are States, Communities, and Individuals doing to Mitigate?

Hazard mitigation is not just a federal responsibility. States and communities must also do their share. While overall state and local efforts are far short of what is needed, success stories abound across the nation:

- The small city of South Holland, Illinois (population 23,000) funds its own mitigation rebate program where 25 percent of a mitigation project up to a \$2,500 maximum will be provided to property owners who undertake flood mitigation actions.
- Many municipalities charge stormwater management assessments to fund buyouts of flood prone properties as well as funds stream restoration. Some communities implement a temporary or permanent income or sales tax dedicated to fully fund flood mitigation activities or to provide the non-federal share of larger mitigation projects.
- Voters in Hancock County, Ohio in 2009 approved a .25 percent sales tax for 10 years that is for the purpose of flood mitigation.

At the state level, mitigation programs complement local and federal efforts:

- The state of Ohio administers a revolving loan program to fund repairs to dams that reduce flooding.
- The Disaster Preparedness and Flood Protection Bond Act of 2006 authorizes \$4 billion in general obligation bonds to rebuild and repair California's most vulnerable flood control structures.
- The Flood Damage Reduction Grant Assistance Program in Minnesota was created in 1987 to provide technical and financial assistance to local government units for reducing the damaging effects of floods.
- Wisconsin's Municipal Flood Control Grant Program provides assistance to communities to support a variety of flood hazard mitigation measures.
- New Jersey's Blue Acres program is an acquisition program that has used over \$30 million to buy flood prone properties.
- The state of Colorado provides an income tax deduction for wildfire mitigation activities undertaken by property owners.

As part of an ongoing survey of the status of states' floodplain management and flood hazard mitigation programs, ASFPM's 2010 State and Local Programs report indicate that 24 percent of states had funds reserved to carry out flood mitigation projects.

Tools and ASFPM Recommendations for Building an Effective Comprehensive National Hazard Mitigation Effort

Several tools are available to support mitigation at many levels (federal, state, community, individual), but some inadvertently work against each other. The result can sometimes be disincentives to mitigate or insufficient incentives to mitigate when counter-balanced with other development incentives. The recommendations below focus on several of these tools at the federal level and how they can be improved.

Hazard Mitigation Grant and Loan Programs

Today's mitigation toolbox has hazard mitigation grant programs both pre- and post-disaster. The pre-disaster grant programs include FEMA's Pre-Disaster Mitigation Grant program (PDM) which works to mitigate against all hazards, and the Flood Mitigation Assistance Program (FMA) that serves to mitigate against the hazard of flooding. Post-disaster, two programs are the most popular, the Hazard Mitigation Grant Program (HMGP) and HUDs Community Development Grant Program (CDBG-DR). Also the FEMA has a mitigation component to the Public Assistance program called Section 406 mitigation and the Small Business Administration loans allow for hazard mitigation to be included in loan amounts.

FEMA's PDM program has been very beneficial to communities and has had a positive impact on mitigation capacity and reduced losses throughout the nation. PDM funding focuses on two activities – all hazard mitigation planning and hazard mitigation projects. It is the primary funding source for all-hazard mitigation planning, especially in states and communities that do not receive frequent disaster declarations where it is often the only source of funds. All states have natural hazards and need to plan for them and be prepared to mitigate when the disaster occurs, whether they have had a recent disaster or not.

Also, PDM is the primary funding source for hazard mitigation projects in those same states and communities. Demand has historically been high for PDM – the program usually takes in applications that exceed three times available funding. A recent driver of mitigation and need for PDM resources is NFIP reform. Both the reform acts in 2012 and 2014 have driven and will drive an unprecedented interest in flood mitigation options. This is an appropriate reaction to better information about the true risk. However, the availability of PDM funds is key to taking advantage of this interest in mitigation, particularly in areas where there is not a declared disaster – thus making Hazard Mitigation Grant Program funds available. ASFPM has been extremely disappointed in FEMA's lack of prioritization of this important program – PDM is a readily available tool that can ease the burden of flood insurance affordability. Ironically at the very same time citizens are asking communities, states and members of Congress for relief, FEMA has proposed to zero out PDM.

In the FY13 Unified HMA competition (which includes both PDM and FMA) where there was both a compressed application timeframe (60 days versus the historical 120-150 days) and after not

having an open application period for two years, demand for mitigation project was still 3x the available funds. ASFPM thinks the demand is much higher as we have heard from many states that FEMA's new restrictions on the application period prevented them from doing an appropriate job running an effective application process (grant applications are made by communities to states where states conduct initial processing and prioritization before sending to FEMA). Presently, the biggest concern from states is maintaining local mitigation capacity by ensuring that local hazard mitigation plans are updated.

After reform of the NFIP, floodplain managers were receiving calls from panicked property owners asking about mitigation options. Because this largely happened in a pre-disaster environment, local and state officials had few options available, especially for grants or loans. A gap exists for not only pre-disaster mitigation grant funding but even loan options as the only option currently available through SBA requires a disaster declaration. In fact, loan options could see significant interest as a result of NFIP reforms and programs already exist that could be readily deployed across the country. For example the HUD-FHA 203K loan program is often considered a loan of last resort because lenders writing conventional loans will not loan money on properties deemed not meeting minimum habitability standards (damaged, no functioning HVAC system, etc.). It is written throughout the country and has a robust process for cost estimates and inspections. The 203K loan program was used successfully after Sandy to not only repair homes but to also mitigate against the future flood threat. However, the program, as guidance currently exists, is used when there is some defect with the structure and not if the structure is merely at high risk from damage from a natural hazard like flooding. Such a program could be modified and be another option floodplain and other hazards managers have in the toolbox.

ASFPM recommendations related to hazard mitigation grant and loan programs:

- **Develop and generate an annual National Hazard Mitigation Report. Such a report should identify mitigation funds expended relative to other disaster funds spent in a year, identify spending and damage trends (i.e, such as identifying the number of repetitive loss properties mitigated), and profile mitigation successes. Finally the report should, on a periodic basis, evaluate the cost effectiveness of hazard mitigation programs.**
- **Support funding of PDM at \$150 million per year with priorities for mitigation planning.**
- **Provide for a new type of PDM project that incents the building of state hazard mitigation capability and incentivizes states to build their own mitigation programs. A partnership arrangement should be developed and modeled after the NFIP's Community Assistance Program, but strengthened to allow for the development of permanent state capability to implement and manage hazard mitigation programs. Such a partnership could include incentives (cost-shared funding) and disincentives (state eligibility or sliding cost share for disaster assistance programs) to ensure the state develops and maintains long-term capability.**

- **Reevaluate the cap on State Management Costs for HMGP which was established in 2007 of 4.89 percent. In doing so, data should be gathered from states and one area of evaluation is the need for a scalable management cost structure.**
- **Clarify eligibility requirements to use the FHA 203K rehab loan program which allows for the financing of repairs to a home as part of the larger home mortgage when a structure is at significant risk from natural hazards like floods, even if it is otherwise considered habitable.**
- **Reconsider a pre-disaster SBA hazard mitigation loan program. SBA piloted such a program in the mid-2000s; however, it had very low interest and participation from property owners.**
- **Provide for new hazard mitigation loan mechanisms. There have been several Congressional proposals suggesting this idea in recent years.**
- **Maintain robust protective covenants (deed restrictions) for properties purchased with FEMA mitigation program funds.**

National Flood Insurance Program

ASFPM recommendations related to the NFIP:

- **Immediately implement the 2004 NFIP reforms to ICC that triggered availability of ICC funds upon an offer of mitigation.**
- **Increase the ICC cap to \$50,000.**
- **Require that the new surcharges from the 2014 NFIP reform act 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.**
- **Increase the capacity of the CAP-SSSE program to incent states to have CRS coordination capability.**
- **Implement the National Flood Mapping Program with metrics that include 1) Eliminating the current inventory of old paper maps and 2) Mapping all of the nation's flood hazards so that such hazards are proactively identified before development and investments in infrastructure occur.**
- **Fund floodplain mapping at the fully authorized level of \$400 million per year so we can complete the job of initially mapping the nation in 10-15 years.**
- **Undertake rulemaking to review and update the minimum NFIP standards and include new standards for floodplain avoidance which was a founding objective of the NFIP.**

Post-Disaster Hazard Mitigation Activities

FEMA has begun to pilot the Program Administration by States for the Hazard Mitigation Grant Program which was authorized eleven years ago as part of the Disaster Mitigation Act of 2000. ASFPM appreciates FEMA's efforts to bring this to fruition. Under the concept of a delegated program,

appropriate roles for FEMA would be training and capability building of states, and periodic oversight/assessment of programs and HMGP funds would be provided to a state in a block grant format. Generally speaking the PAS seems to be consistent with this philosophy. Also, FEMA has made significant improvements with streamlined benefit-cost procedures as well as an Advanced Assistance program that allows states to use a portion of mitigation funds to undertake activities that help properly identify, scope and develop effective mitigation projects. All of these items should have the net effect of speeding up the HMGP program and making it more efficient.

However, improvements can still be made. The Sandy Recovery Improvement Act (SRIA) placed an emphasis on funds management of the Disaster Relief Fund. However, what may have been a funds management solution has had a detrimental effect on state mitigation programs – the 2013 rescission of the 6-month lock-in as a floor for HMGP funding. This longstanding provision provided states certainty as to the amount of HMGP funds that would be received based on estimates for other disaster expenditures. This rescission has had unintended consequences. States often relied on this guarantee to initiate mitigation program activities such as HMGP project application development so projects were not only ready to go, the state could give a soft approval to the project because it knew the amount of HMGP it was going to receive. Now, there is no guarantee until 12 months. This means that states who want to speed up the HMGP process will be reluctant to do so out of the fear that they may be over-committing funds that they don't have.

The Stafford Act should be amended to allow for the reimbursement for the assistance necessary to perform building and code related inspections of damaged buildings under Public Assistance. As the Stafford Act is interpreted now, the reimbursement can only be made for inspections related to immediate life-safety issues. Yet, for rebuilding and mitigation programs to work right away during recovery, property owners and government officials need to quickly assess the damages and repairs needed. In our experience, owners start clean up and repairs in as little as the day after water has receded from a building. Community inspections must be made timely and inspections such as those to determine substantial damage in flood hazard areas are the initial triggers for mitigation programs to kick in - for example the Increased Cost of Compliance mitigation funds accessed through a property owner's flood insurance. When a community building department has thousands of inspections to do with a staff of 2-3 people which may be adequate capacity in non-disaster times, there is no hope of completing these inspections in a timely manner. Disallowing the reimbursement for these additional temporary staff to conduct inspections under the Stafford Act means a slower recovery and mitigation process, but even more important, it misses the opportunity to let citizens and businesses know how badly damaged their building is and what options are available to them to rebuild it to be safer in the future. And while it seems that increasing eligibility for reimbursement of these expenses is initially more costly, it ends saving much more time and money as the recovery proceeds.

Another related issue involves the bureaucratic processes related to getting technical assistance into the field after a disaster event. The Hazard Mitigation Technical Assistance Program (HMTAP) is one example. Currently, after FEMA has opened up a Joint Field Office (JFO), HMTAP assistance can

be requested by the state to support its Mitigation Strategy. However, unlike many provisions for assistance, the Federal Coordinating Officer (FCO) cannot, by himself, approve HMTAP assistance. Rather, it first is approved by the FCO, then the FEMA Region, and then FEMA Headquarters, wasting precious time in getting the technical resources in the field. ASFPM recommends that this process be changed to allow a quick review of the request to be done in the JFO. As long as the assistance request is consistent with the Mitigation Strategy and is an eligible activity, the FCO's approval would result in HMTAP assistance being provided. After Sandy which occurred in October of 2012, HMTAP assistance to conduct substantial damage determinations did not even begin until late January – nearly three months after the event. This is an unacceptable lag in time. Then, after determinations were conducted, there were many reports of communities ignoring the data – and ignoring their floodplain management regulations and responsibilities. More accountability and floodplain management technical assistance must be provided. ASFPM fully supports FEMA's undesirable but necessary job to enforce NFIP floodplain management standards after disaster events.

Still another related issue is the underutilization of mitigation through the Public Assistance (PA) program. ASFPM is aware that Administrator Fugate has made it a priority to ensure that this type of mitigation be a much larger component of the PA process. The success of 406 mitigation after an event has to do with three primary factors: The attitude of the FCO, the federal Public Assistance Officer, and FEMA Region. Our members have long reported that the primary objective of many FCOs is to spend few dollars, get those dollars out quickly, and close disaster field offices as soon as possible. Mitigation efforts take more time. Currently, we are not aware of any metrics for the performance of FCOs related to improving the resiliency of the disaster affected area. While we applaud FEMA's efforts to better train FCOs to understand the dimensions and importance of hazard mitigation, until this becomes a priority for the FCO, labor intensive efforts such as a robust mitigation presence – both 404 and 406 – will not occur, thus resulting in missed opportunities for mitigation and slower implementation of both mitigation and recovery programs. Most mitigation activities other than the strategy development and grant application process kickoff occur after the JFO is closed. Mechanisms must be developed to maintain the presence of staff and technical assistance throughout the mitigation process or at least longer than exists now. While this means more investment of resources initially, it also means a much more efficient program in terms of increased mitigation accomplished in much more acceptable timeframes. Currently the evaluation of the feasibility of mitigation under PA for each Project Worksheet (PW) is encouraged but not mandatory. Regardless of whether or not mitigation is actually done, this serves as technical assistance and provides a blueprint for the community to later implement the mitigation measure. Since Public Assistance comprises the bulk of expenditures from the Disaster Relief Fund, it is essential that mitigation be better integrated into PA.

Related to the previous issue, there could be a better balance of JFO resources. For example while there is a robust presence related to outreach and community affairs, there is generally little FEMA presence when it comes to mitigation and technical assistance. This must be improved. Recent experiences by other non-profit organizations in developing countries affected by earthquakes report better and more accepted mitigation by property owners when there is adequate technical assistance

provided to them after an event. Why could this not be done here in the United States? For example, area disaster field offices could have individuals or teams that could work with individual property owners to review and identify specific mitigation measures that could be taken on a building by building basis.

ASFPM recommendations related to post-disaster hazard mitigation activities:

- **Continue to provide for a 6-month lock in floor for HMGP.**
- **Specifically allow for the reimbursement of costs related to substantial damage determinations under the Public Assistance Program consistent with other life safety inspections.**
- **Require that FCOs have a performance metric related to hazard mitigation success**
- **Ensure that JFOs and FEMA’s long-term recovery efforts have ample resources and consideration for mitigation programs that take several years after the declaration to complete.**
- **Speed up the delivery of HMTAP assistance.**
- **Require that the eligibility of Public Assistance at the local level is dependent on the community having a current hazard mitigation plan.**

Other Mitigation Tools

Tax Code Reforms to Improve Mitigation

As it exists now, the tax code provides maximum incentives to do nothing to improve one’s resiliency against natural hazards. The casualty loss deduction requires that insurance and other payments to reduce the basis for the deduction – in other words people that take mitigative action like purchase flood insurance get less. There is no recognition of or credit for undertaking hazard mitigation activities. ASFPM has not been able to determine the cost to taxpayers the casualty loss deduction, but reforms could certainly be made to incentivize the deduction for those who have either undertaken or will undertake mitigation activities, and better target the deduction to those that need it.

ASFPM recommendations related to tax-code reforms:

- **Reform the casualty loss deduction to better target the deduction as well as incentivize those that have mitigated.**
- **Develop a hazard mitigation tax credit much like the energy efficiency tax credits that are given to property owners.**
- **Allow for tax advantaged disaster savings accounts.**
- **Provide specific IRS guidance more broadly exempting mitigation assistance from federal taxes. Currently FEMA mitigation programs have a specific exemption.**

Hazard Mitigation Planning

Hazard mitigation plans form the foundation for a community's long-term strategy to reduce disaster losses and break the cycle of disaster damage, reconstruction, and repeated damage. Hazard mitigation planning capability has increased since it was stipulated as part of the Disaster Mitigation Act of 2000. As of April 30, 2012, all 50 States, the District of Columbia and five territories have FEMA-approved State Mitigation Plans. A total of 20,202 communities have FEMA-approved Local multi-hazard mitigation plans, and an additional 105 Indian Tribal governments have FEMA-approved Tribal Mitigation Plans. Communities and Tribes with planned mitigation strategies include 69 percent of the nation's population. This effort has resulted in better local hazard mitigation capability. Before these planning requirements, local mitigation projects were often implemented in a haphazard way without coordination with any type of local plans. Going forward challenges related to mitigation planning are to perform effective and cost-efficient updates. The reduction in availability of PDM has many states concerned about resources to assist with mitigation plan updates. Also the availability of disaster assistance must be much more closely linked to a community's efforts to reduce risk in the long-term through mitigation planning.

ASFPM recommendations related to hazard mitigation planning:

- **Better incorporate climate change data into state and local hazard mitigation plans.**
- **Incentivize the linking of hazard mitigation plans to comprehensive plans**

Interagency Cooperation to Improve Flood Hazard Mitigation

ASFPM is very pleased that there are two inter-agency cooperative efforts to coordinate mitigation activities more broadly, the Mitigation Federal Leadership Group (MIT-FLG) and the Federal Interagency Floodplain Management Task Force (FIFM-TF). Both are important - while the scope of the former includes multiple hazards, the latter is very focused on mitigation and water resource related programs that impact floodplain management. ASFPM congratulates the Administration for its speed and initiative in developing and applying the Uniform Flood Risk Reduction Standard which is informed by the best science and best practices including assessments taken following Hurricane Sandy and brings the federal standard into alignment with many state and local standards already in place, takes into account the increased risk the region is facing from extreme weather events, sea level rise and other impacts of climate change and applies to the rebuilding of structures that were substantially damaged and will be repaired or rebuilt with federal funding. Other agencies such as NOAA and its Digital Coast Partnership has developed innovative outreach materials and tools to assist communities in rebuilding smarter and more resiliently. Many agencies have roles in flood hazard mitigation and continuing actions to foster and encourage coordination is key to ensuring that programs do not run at cross-purposes to one another or incentivize the wrong behavior.

Conclusion

Given the increasing costs of natural disasters, the predictions for more frequent and more severe storms and weather conditions, and the severe budgetary constraints the nation faces, getting effective mitigation accomplished is essential. It behooves us to figure out how to take much better advantage of the disaster recovery period and improved risk identification and messaging to get some serious mitigation work done – and save lives and many taxpayer dollars in the future. 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.