

Testimony of Congressman Earl Blumenauer

Hearing on the National Flood Insurance Program
And FEMA's Repetitive Loss Mitigation Strategy

Subcommittee on Housing and Community Opportunity,
Financial Services Committee

Tuesday, April 1, 2003

I would like to thank Chairman Ney and Ranking Member Waters for holding today's hearing. The Committee's hearings on this subject during the last two Congresses were very helpful in highlighting the importance of the issue and the impact of the National Flood Insurance Program (NFIP) on government spending. This year the issue takes on an even greater importance as the NFIP is set to expire in December.

I came to Congress committed to making the Federal Government a better partner in the livability of our communities – ensuring that our families are safe, healthy, and economically secure. Much attention is given to air quality and traffic congestion as negative indicators of livability. I think that the water cycle is likely to be even more important in the years ahead. In the United States, we have spent years treating our precious water resources as if they were mere engineering projects – machines that we could adjust, channel, narrow, and accelerate without consequence. The results are little short of disastrous – and they could get worse. All of this takes place against the backdrop of global pollution and climate change.

The National Flood Insurance Program is crucial to the lives of many people across the country, and is a good example of how the federal government can work with local communities to lessen the impact that disasters have on people's lives and property. However, as we look towards reauthorizing this program this year, I believe it is time for the federal government to step up and do a better job of providing incentives for individuals, communities, and states to act responsibly.

Unfortunately, our national disaster policy – including the dominant structural model for floodplain and flood management – has a number of problems. Despite spending more than \$38 billion attempting to control flooding between 1960 and 2000, flood losses during that time still averaged about \$8 billion per year, six times what they were before all of that money was spent. This problem is going to get worse: as more retirees and other Americans flock to coastal states, the number who live in hurricane alleys is

expected to double. It is estimated that by 2025, 75% of our nation's population will live in coastal communities. Natural forces will continue to confound our best engineering efforts.

In some cases, federal flood control policy actually encourages floodplain development by financing the construction and repair of levees and underwriting the risk of flooding. As environmental and taxpayer organizations have argued for years, one major impact of the NFIP has been to encourage construction in high-risk flood plains and coastal areas. By reducing the economic risks of living near the water, the Federal Government has stimulated development there. Ironically, the federal government is aiding and abetting patterns of living that are unsustainable and draining significant resources. Much of the flooding occurs in places where weak zoning laws have allowed developers to drain wetlands and build in floodplains.

President Bush recognized many of the problems of the NFIP in his budget for FY 2003. His budget aimed to "Reform the National Flood Insurance Program to improve financial performance and transfer greater financial responsibility to individuals who build in flood prone areas." He indicated that in some years the program has expenses greater than its revenue from insurance premiums and that this prevents it from building long-term reserves to handle the costs of flood insurance. About 25% of the policyholders pay only a portion of the cost of their premiums, with the Federal Treasury and other policyholders subsidizing the rest. This results in a premium shortfall of about \$700 million annually. The program is currently self supporting from premium income. However, in the 1980s federal taxpayers were asked to bail out the program to the tune of \$1.2 billion when the income from the low premiums were not enough to cover the flood claims. The chances of this happening again are high.

One particular problem with the NFIP, which I am glad that we are discussing here today, is the burden of repetitively flooded properties. President Bush has noted in his budget that these properties account for a significant share of the program's losses. In fact, FEMA reports that just 1% of the properties account for 25% of NFIP flood loss dollars.

I have often cited a house in Houston, Texas, as perhaps the worst example of the flaws in the NFIP. Valued at \$114,000, it was the subject of more than 16 claims between 1989 and 1995, bringing in a total of more than \$800,000. I understand from FEMA that this particular property has finally been bought out, but I also understand that there are currently 10,000 properties like this in the flood insurance program that have had 4 or more losses or 2 or 3 losses where the cumulative flood insurance claim payments are equal to or greater than the building's value.

Subsidizing people to live in repetitively flooded areas does not make sense. It is bad for the federal taxpayer, bad for the environment, and bad for the families that are continually placed in harm's way. The majority of these repetitively flooded properties are primary residences.

In an attempt to tackle some of these problems, Rep. Bereuter and I have introduced this year, and for the past two Congresses, the “Two Floods and You’re Out of the Taxpayer’s Pocket Act.” The purpose of this legislation is to avoid many of the injuries, deaths, and damages before they occur, and give property owners the option of moving to a less hazardous area.

Our approach reforms the NFIP to give people a choice. If an individual has made two or more claims to the NFIP over \$1000 in 10 years, he may choose to continue to live in a hazardous area and accept the actuarial, risk-based cost of flood insurance for living there; or he may receive federal aid to move or elevate his property out of harm’s way. This Act would never deny national flood insurance coverage to any interested owner, renter, or occupant of a property.

This bill has a number of benefits:

- One of the most compelling benefits of this bill from my standpoint is that it will save the federal government millions of dollars in avoided flood damages. FEMA reports that mitigation and building standards already in place have resulted in over \$1 billion annually in reduced flood losses. Our bill will significantly increase these savings by increasing funding for the mitigation grant assistance program.
- Perhaps more importantly, it will move people out of harm’s way and discourage newcomers from moving there. This bill will save lives by moving people to higher ground.
- Finally, this bill will significantly benefit the environment. If property-owners choose to sell their properties to FEMA and move, the land will convert to open-space. History teaches us again and again that non-structural approaches to flood control, such as voluntary buyouts and restoration of natural floodplains, are much often more effective in controlling floods than structural approaches. I would like to see an even greater emphasis on community planning as a way to reduce future flood damage.

In closing, I appreciate this opportunity to re-examine our national flood insurance policy. I look forward to hearing the testimony of the other witnesses. I also look forward to continuing to work with my colleagues Mr. Bereuter and Mr. Baker to pass a reauthorization of the National Flood Insurance Program this year that finally deals with the problems of repetitively flooded properties.