

**STATEMENT OF DAVID R. CONRAD  
WATER RESOURCES SPECIALIST  
NATIONAL WILDLIFE FEDERATION**

**FOR HEARING ON**

**H.R. 1428 “TWO FLOODS AND YOU ARE OUT OF THE TAXPAYERS’ POCKET ACT  
OF 2001”**

**AND**

**H.R. 1551 “REPETITIVE FLOOD LOSS REDUCTION ACT OF 2001”**

**AND**

**THE NATIONAL FLOOD INSURANCE PROGRAM**

**BEFORE THE**

**SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY**

**OF THE**

**HOUSE COMMITTEE ON FINANCIAL SERVICES**

**U.S. HOUSE OF REPRESENTATIVES**

**JULY 19, 2001**

Good morning, Madam Chairman and Members of the Subcommittee. My name is David Conrad. I am Water Resources Specialist for the National Wildlife Federation, the nation's largest conservation education organization, with over 4.2 million members and supporters and affiliates in 46 states and territories. I greatly appreciate the opportunity to present the views of the Federation on H.R. 1428 the "Two Floods and You Are Out of the Taxpayers' Pocket Act of 2001" and H.R.1551 the "Repetitive Flood Loss Reduction Act of 2001". The National Wildlife Federation and our affiliates have a long history of interest and involvement with the programs of the Federal Emergency Management Agency and, particularly, the National Flood Insurance Program (NFIP).

Once again, we wish to especially thank Representatives Bereuter, Blumenauer, and Bentson for continuing their efforts to focus the nation's attention on repetitive loss problems and for introducing these bills to address them. Similar bills were introduced in the 106<sup>th</sup> Congress, and we believe the need to enact repetitive loss legislation is even stronger and clearer now than it was two years ago. While both H.R. 1428 and H.R. 1551 are similar in the approaches they take to addressing repetitive flood losses and we strongly agree with the basic objectives and thrust of both bills, the National Wildlife Federation particularly wishes to emphasize its support for H.R. 1428, the "Two Floods" legislation, for reasons I will detail shortly.

H.R. 1428 would utilize the existing Flood Mitigation Assistance program (Section 1366) as the key mechanism to provide increased attention to properties with repetitive flood losses. The bill would provide up to an additional \$100 million annually for repetitive loss property hazard mitigation, particularly for voluntary buyouts, demolitions, elevations, and floodproofing, with up to \$50 million derived from premium dollars and up to \$50 million from general appropriations. There is a strong need for such additional funding, which could greatly enhance the potential for pre-disaster flood mitigation. H.R. 1428 would also require payment of actuarial rates for future flood insurance and deny future disaster relief assistance for damage repairs to properties where an owner refuses a reasonable mitigation offer. Finally, it would allow the Director to work directly with repetitive loss owners on flood hazard mitigation where communities cannot afford the minimum 25 percent cost-share or do not have the capability to manage the mitigation project.

In general, the bill provides an excellent framework for approaching a critical set of problems that currently confront thousands of communities across the nation.

In hearings before this subcommittee in 1999, we described the results of a two-year National Wildlife Federation study released in July 1998 regarding repetitive flood losses and for which I served as Project Manager and coauthor. I would like to very briefly reiterate a few of the key results of that study and update some of the numbers.

## **Repetitive Losses — NWF Study “Higher Ground — A Report on Voluntary Buyouts in the Nation’s Floodplains.”**

After hearing from FEMA in the early and mid 90's that a very small percentage of properties that suffered from repeated flooding were responsible for some 40 percent of total NFIP loss payments, we approached the Federal Insurance Administration with a request for FEMA’s data on repetitive losses. We worked out appropriate means to protect individual privacy and subsequently obtained and analyzed FEMA’s repetitive loss database for the 18-year period from 1978 - Aug. 1995. The database identified insured properties with two or more paid NFIP losses of at least \$1000 each within a rolling 10 year period. In addition, we studied past costs of flooding and flood control activities nationally, and we looked at successes to date with the use of voluntary buyouts - a key “non-structural” approach to reducing flood damages. Our report was titled **“Higher Ground - Voluntary Property Buyouts in the Nation’s Floodplains - A Common Sense Solution Serving People at Risk, Taxpayers, and the Environment.”**

Significant findings of our report:

- ▶ Nationally, flood losses have risen alarmingly through this century, despite huge expenditures on traditional flood control projects. Twenty-five year average national flood losses (in constant dollars) have soared to \$4.2 billion annually, more than double what they were early in the century. For the five-year period 1993 - 1998, these losses were more than \$8 billion each year. Approximately \$140 billion in federal tax revenues has been spent during the past 25 years preparing for and recovering from natural disasters.
- ▶ The National Flood Insurance Program (NFIP) is not actuarially sound. It has faced serious and rather chronic deficits. The premiums charged by the NFIP often fail to generate the funds needed to cover flood insurance payments, creating a substantial strain on the program’s financial stability. Between August 1995 and 1998, the NFIP had net borrowing from the U.S. Treasury of \$810 million. When the NFIP had accumulated a similar deficit in the early to mid-1980's, Congress was forced to spend more than \$1.2 billion to bail out the program.
- ▶ In many instances, structural flood control projects have lead to a false sense of security, which in turn, has increased risky development in floodplains. A weakness of the NFIP and federal disaster relief programs is that they do not sufficiently discourage risky floodplain development and redevelopment.

Key findings regarding repetitive losses:

- ▶ Repetitive loss properties occur in all 50 states. Louisiana, Texas, Missouri, New Jersey, New York, and Florida lead in numbers of repetitive loss properties. More than 4,500 communities have at least one repetitive loss property.

- ▶ Repetitive loss properties have received a disproportionate share of NFIP payments for flood losses. **While repetitive loss properties represent only 2% of all insured properties, they experienced 25 percent of the losses and claimed 40 percent of all NFIP flood loss payments.** Total cost of payments made to the 74,501 repetitive loss properties for the eighteen-year period totaled \$2.58 billion. Less than one percent (0.8 percent) of floodprone properties — those with three or more losses — received more than one fifth of all flood insurance payments costing the NFIP nearly \$1.4 billion.
- ▶ 5,629 properties (10% of all single family residence repetitive loss properties) received cumulative flood insurance payments in excess of the highest reported value of the property. At the top end, a single family residence in the Houston area was valued at \$114,000, yet it received \$806,000 in payments for 16 floods over 18 years.
- ▶ **Properties that sustained “substantial damage” were not subject to NFIP hazard mitigation requirements.** NFIP regulations require any owner of any building sustaining a single loss event exceeding 50% of the building’s value to either remove the building or reconstruct the building to current code requirements, including elevation to at least the base flood level to reduce flood risk. Nearly 11,000 repetitive loss properties (approximately 15% of the total) sustained substantial damage on one or more occasions during the 18 years studied (costing more than \$500 million in NFIP claims through the point of first being substantially damaged), yet overall they continued to sustain losses essentially as they did before they were substantially damaged. This suggests that many NFIP communities have been delinquent in their enforcement of substantial damage rules. In all, 5,578 properties received \$167 million in insurance payments after they were substantially damaged. With better enforcement of substantial damage rules, it is reasonable to expect that the subsequent damage would have been greatly reduced.
- ▶ **15,275 repetitive loss properties, or 20% of all repetitive loss properties, were classified as being *outside* the designated 100-year floodplain.** These structures received a total of \$530 million in NFIP payments. This raises serious concerns about the accuracy of flood insurance maps and further concern that the public is not being adequately informed of the risks of living in the vicinity of floodplain areas.
- ▶ The vast majority of repetitive loss properties (94%) are older “pre-FIRM” properties, which were initially constructed before the establishment of flood insurance rate maps and NFIP building standards.

Our report showed that historically many repetitive loss building owners have simply continued to reinvest in extremely high risk properties with chronic flooding problems, often without instituting mitigation measures to reduce the associated risk, and at extremely high cost to the NFIP and other disaster relief programs.

## **Recent FEMA Numbers.**

As of April 30<sup>th</sup> of 2001, FEMA reports the total number of repetitive loss properties has risen to approximately 91,300 nationally (up from 74,500 five years ago). A total of 45,249 of these properties are presently insured. These buildings, now represent less than one percent of all NFIP insured properties. They have suffered 253,000 losses (or 32% of all NFIP losses) and have cost the NFIP over \$3.8 billion -- 38% of total NFIP claims payments since 1978.

In just the past five years the NFIP has paid more than \$1.2 billion in repetitive loss claims, beyond the \$2.6 billion identified in our study. FEMA estimates these buildings are continuing to cost the NFIP more than \$200 million annually.

Of the 45,249 repetitive loss properties now insured, there are approximately 8,400 insured properties with four or more losses paid since 1978 and an additional 1100 with 2-3 losses that have cumulatively exceeded the building value. FEMA has proposed that an initial cost-effective hazard mitigation strategy could focus particularly on voluntary buyouts, elevations, or floodproofing of these very high flood-risk structures with a rapid payback to the NFIP — and ultimately to the taxpayers — from the investment. Such an effort would be greatly assisted by enactment of H.R. 1428.

**NFIP subsidies can discourage owners of high risk properties from moving out of harm's way.** From our *Higher Ground* study, the National Wildlife Federation has concluded that in many instances substantial subsidies in the NFIP and other programs have served to discourage repetitive loss building owners from finding the means to reduce risk or relocate out of floodprone areas. These include:

- a large NFIP subsidy for pre-FIRM properties that receive flood insurance at approximately 38% of the actuarial rate, despite their having a generally much higher risk and frequency of flooding;
- NFIP rates are based on the historical average loss year, which includes no reserves for “catastrophic loss years” that have not yet occurred;
- coastal and riverine erosion factors are not included in basic flood insurance rates, thus substantially subsidizing erosion-prone structures;
- failure by local governments to enforce NFIP “substantial damage” requirements, which results in failure to require damaged properties to meet current building elevation standards, and thus, continue to receive subsidized insurance rates;
- a misplaced reliance on government-subsidized flood control structures, such as levees, jetties, or beach nourishment projects that often lure residents and businesses into a false sense of security.

**Nonstructural approaches — Voluntary buyouts can help people at risk, save taxpayers funds, and help communities and the environment by establishing open space and restoring floodplain function.**

Madam Chairman, after the 1993 Midwest Flood and amendments were adopted to FEMA's Hazard Mitigation Grants Program (HMGP), some 180 Midwest communities purchased and removed nearly 12,000 flood-damaged homes and businesses out of harm's way, with their associated lands permanently dedicated to open space uses and in most instances placed under the management of local governments for the benefit of their citizens. This amounted to approximately one out of every six homes and businesses flooded in the affected nine Midwestern states.

Primarily since 1993, FEMA reports that approximately 27,000 properties have been voluntarily purchased and removed from the nation's floodplains, and another 2800 damaged properties were elevated or floodproofed, **largely after suffering flood disasters**. Hundreds of communities across the nation have begun to utilize voluntary buyouts as a cost-effective alternative means of reducing flood damages and often at the same time restoring environmental health to streams and coastlines through the blishment of open space, greenways, bikeways, parks, buffer zones, and wildlife habitat areas. Particularly in light of the NFIP's repetitive loss history, there is a strong need for additional funding that can be used for **pre-disaster** mitigation efforts, which can save enormous private and public sums in the long run. The increasing emphasis on floodplain management as a tool for flood damage reduction is a critical new direction in addressing the nation's flood problems. (See Attachment I)

**Support for H.R. 1428 -- "Two Floods and You Are Out of the Taxpayers' Pocket Act"**

The National Wildlife Federation urges strong support for H.R. 1428 because we believe the legislation provides the best framework for FEMA and NFIP-participating communities to address a full range of problems associated with repetitive flood losses.

The National Wildlife Federation particularly supports H.R. 1428, because:

- it is clear that substantially increased funding levels for repetitive loss pre-disaster mitigation are needed to complement post-disaster mitigation efforts;
- the bill would fully engage the states and communities in developing and implementing hazard mitigation plans to address repetitive loss properties, and in many instances protect and restore the environment; and
- it is important and necessary for the financial health and future stability of the National Flood Insurance Fund that owners of repetitive loss properties should pay rates that reflect the actuarial risk associated with their properties, especially if a reasonable mitigation plan is offered and refused.

H.R. 1428 represents both a reasonable and balanced approach to helping all concerned break the costly cycle of repeated flooding, and the legislation also presents important opportunities to protect and enhance the environment. We believe the approach of H.R. 1428 utilizing primarily the NFIP Flood Mitigation Assistance program (Section 1366) for the repetitive loss mitigation is the best framework for initiating this critical effort, particularly because it will encourage the communities and states to be directly involved with the planning and implementation of their floodplain management strategies. We would add the following suggestions for improving this legislation:

1. We urge that the Director and communities be given sufficient flexibility to address not only repetitive loss structures, but also other structures or properties in the vicinity that may be floodprone and, which, for community land management objectives, should also be relocated or addressed as part of a comprehensive community hazard mitigation plan. Such flexibility is needed for purposes of establishing cohesive plans for wise use of floodplains and sensible public infrastructure development.
2. We urge that a portion of the new funds be made available for planning hazard mitigation projects as well as for implementation grants.
3. We would also urge that mechanisms be established to assure that reasonable hazard mitigation offers would not cause severe hardship for owners or occupants of modest means. Successful hazard mitigation should include plans for adequate and affordable relocation opportunities for any residents involved.
4. As a means of addressing these concerns, we would urge that FEMA be directed to the maximum extent practicable to coordinate efforts with other federal housing, disaster relief, and natural resource management agencies and departments to assist state and local agencies in developing comprehensive hazard mitigation plans.

#### **H.R. 1551 and Administration proposals.**

While H.R. 1551 is similar in overall design to H.R. 1428, we would urge once again that the existing Flood Mitigation Assistance program (Section 1366), which has served well since 1994 to carry out pre-disaster mitigation assistance, but which has been limited to only \$20 million annually nationwide, is the best tool for an expanded repetitive loss mitigation program. H.R. 1551 would require development of a wholly new program that we do not believe is really necessary, given the success of Section 1366 thus far.

The proposal of the Administration to cut off the availability of flood insurance to repetitive loss properties after one additional claim would directly and forthrightly address the enormous financial strain that these properties represent for the National Flood Insurance Fund. This approach does not, however, guarantee that there will be action to remove properties from harm's

way, and therefore we may continue to see significant flood losses and damages, environmental harm resulting from disasters, and we may not receive the public benefits associated with environmentally beneficial restoration of floodplains. We believe that H.R. 1428 balances these concerns by providing a mechanism to offer reasonable mitigation assistance with actuarial insurance rates as the appropriate consequence of a decision to deny the mitigation.

**Reducing Flood Insurance Subsidies.** We strongly support, however, the Administration's proposal to phase out subsidized flood insurance rates for vacation homes, rental properties, and other non-primary residences and businesses. Such subsidies ultimately result in high cost to the taxpayers. We believe a significantly greater effort should be made to establish the NFIP on an actuarially-sound rating basis. The Bush Administration's proposal is an important first step. The Federation's *Higher Ground* report provides ample evidence that subsidies have too often encouraged high risk development and have failed to encourage people to locate away from high risk locations.

### **Critical need to support FEMA's Map Modernization Program.**

The National Wildlife Federation strongly supports the efforts of FEMA to modernize its flood insurance maps. The flood insurance maps constitute basic planning documents for the nation's urban and rural areas. It is critical that these maps be as accurate as is technologically feasible to plan and direct the future growth and development of our communities. It is estimated that a full modernization effort will cost an additional \$770 million.

Since the mid 1980's, FEMA has fallen farther and farther behind in updating the nation's 100,000 floodplain maps, and existing maps have not kept pace with current technology. With fully one third of these maps now greater than 15 years old, and another 30 percent at least 10 years old, we are seeing more and more instances of storms that result in much greater flooding than would be predicted by current maps. Any map modernization must be coordinated with maintaining a fully functional stream gauging system to assure accurate data for future mapping efforts. Changes in land use, longer hydrologic data sets, conversion of forests and pastures to drained fields, subdivisions, urban landscapes and increasing impervious surfaces, sea-level rise, and a myriad of other factors are increasingly not reflected in the maps as they age. The situation is so grave in North Carolina – particularly after enormous damages caused by Hurricane Floyd – that the state is launching a statewide remapping accompanied with the largest voluntary property buyout program in the nation's history. One of the most shocking findings of the Federation's *Higher Ground* report was that twenty percent of all repetitive loss properties were rated as being outside the 100-year floodplain. These are properties that averaged more than three floods over a period of 18 years. Without accurate maps, which a number of communities are recognizing should be based on likely future conditions, it is certain we will continue to add to the list of repetitive loss properties, and we will see increasing flood damages from existing and new construction in many of the nation's communities.

Because the NFIP maps are fundamental to community planning, NWF believes that it is critical to identify a reliable source of funding to implement Map Modernization. Accurate and up to date maps are of such general importance to community development that it would be entirely justifiable to finance their updating with considerable general taxpayer funds and with appropriate fees or other contributions. It is also clear that the NFIP is in such precarious financial straits that it is not likely to be able to fund from premium revenues the major map reviews and revisions that are needed to make the program reliable. We strongly urge the Committee to identify and support approaches that will provide the necessary funds for the map modernization program as soon as possible.

**Conclusion.** Once again, on behalf of the National Wildlife Federation, I wish to thank Madam Chairman and the members of the Subcommittee for the opportunity to present our views, and I also wish to thank the sponsors of H.R. 1428 and H.R. 1551 for bringing forward legislation to address the critical issue of repetitive losses in the National Flood Insurance Program. I would be pleased to respond to any questions the Members of the Subcommittee may have.

## Attachment I

Literally hundreds of communities across the nation have begun to utilize ‘nonstructural’ voluntary buyout and relocation approaches to reduce flood damages and to protect and enhance the quality of their environments. Some of the most successful buyout and mitigation efforts have taken place in communities such as the following:

- ▶ **St. Charles County, MO.** In the wake of the Great Midwest Flood of 1993, the county voluntarily bought out 1,374 flood-damaged properties with \$13.7 million in HUD CDBG funds. After another major flood struck in May, 1995, affecting 85 percent of the area flooded in 1993, the total costs of FEMA disaster housing assistance, FEMA Individual and Family Grants, and SBA disaster loans dropped substantially-- from \$26.1 million after the 1993 Flood to only \$283,094 in 1995. This represented a 99 percent reduction in disaster assistance costs for St. Charles County in comparison with 1993. (See: “*Out of Harm’s Way: The Missouri Buyout Program*”, *Missouri State Emergency Management Agency, 1995*). The purchased lands are now being used for open space, parkland, and agriculture.
  
- ▶ **Grand Forks, ND, and East Grand Forks, MN.** Following severe flooding in the spring of 1997, the cities decided to undertake a combination levee setback/property acquisition program encompassing more than 1,100 homes and businesses. This courageous effort will result in the creation of a 2,200-acre greenway along the Red River between Grand Forks and East Grand Forks, improving public safety, the environment, and recreational opportunities in the region, and helping to link the economies and cultures of the two cities. Plans include development of parks, open space, sport fields, cultural and educational areas, and restoration of natural stream and floodplain habitat.
  
- ▶ **Boulder, CO.** Voluntary floodplain property buyouts in the Boulder area have helped establish a greenway network of trails and bike paths, with extensive recreation use and pedestrian commuting to such an extent that these corridors have become an integral part of the community’s alternative transportation network, reducing pressure for sprawl, and encouraging residential and commercial centers to remain in close proximity.
  
- ▶ **Tulsa, OK.** Following a disastrous flood in 1984, Tulsa developed an aggressive floodplain management system that has included the purchase of over 1,000 structures that were subject to flooding on multiple occasions. Since the mid-1980s, Tulsa has invested \$200 million in structural, non-structural and other flood damage reduction projects to help solve its repetitive loss problems, \$40 million of which has come from federal funding sources, including the Hazard Mitigation Grant Program and the Flood Mitigation Assistance Program. Evidence of Tulsa’s success can be seen in the decline of flood insurance payments for repetitively flooded homes: there were 93 repetitive loss properties that flooded in 1984, 32 in 1986 and five in 1995. Much of the acquired lands are now used as parks, floodways, and wildlife habitats, and recreation areas.

► **Albany and Newton, GA.** After a tropical storm hit Georgia in 1994 and damaged or destroyed approximately 7,000 homes and businesses in Newton and Albany, the cities decided to seek funding for the acquisition of many of their most disaster-prone properties with funds and assistance from FEMA. By early March of 1998, the two cities had acquired nearly 200 structures at a total combined cost of approximately \$2 million. This proved to be a worthwhile and timely investment— because between March 7<sup>th</sup> and 9<sup>th</sup>, 1998, the region received more than 10 inches of rain and again suffered major floods. It is estimated that the acquisition programs in Albany and Newton saved nearly \$4 million in flood damages, far exceeding the projected benefits calculated at the outset of the project.

In each of these cases, communities have made or are making major investments through voluntary buyouts and other hazard mitigation approaches to reduce future risk of flooding and also to improve the community's environment. These are examples of a number of larger scale mitigation activities, but in hundreds — potentially thousands of communities — there are a wide range of valuable, cost-effective mitigation activities that can be pursued to reduce repetitive loss costs and provide important public benefits.