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TESTIMONY

Association of State Floodplain Managers, Inc.

before the
Subcommittee on Housing and Community Opportunity
House Committee on Financial Services

A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?

presented by

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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, engineering, planning, community development, hydrology, forecasting, emergency response, water resources, and insurance. 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). For more information on the Association, please visit <http://www.floods.org>.

The ASFPM and the ASFPM's Ohio Chapter, the Ohio Floodplain Management Association (OFMA), are enthusiastic that the Committee has chosen Ohio as the location for a field hearing on the implementation of the NFIP. In the past 10 years, Ohio has only had two years without a flood event significant enough to warrant a Presidential disaster declaration and in many of those years where a declaration has occurred, it has occurred multiple times in that year. Ohio, like the rest of the nation, has spent the last 30 + years addressing the problem of flooding with the NFIP as a tool. It is important to realize that the NFIP is not the only tool for addressing flooding problems; however, it has been the primary tool used by most communities and states. During that same period of time, FEMA and the Congress have made programmatic changes along the way to improve the effectiveness and efficiency of the NFIP. Certainly,

Ohioans have benefited from these changes, yet there are still further opportunities for improvement. ASFPM is appreciative of Congress' support of the NFIP, as demonstrated by the Committee's leadership with the passage of the 2004 Flood Insurance Reform Act. As requested by Chairman Ney, the following testimony primarily addresses the following items:

1. How State and Local Governments Operate Under the NFIP.
2. The Steps Currently Being Taken by FEMA and the Private Insurance Industry to Resolve Problems with Inconsistencies and Delays Inherent in the Program.
3. NFIP Funding Levels & Administrative Structure, and their Impacts on the Implementation of the Flood Insurance Reform Act of 2004.
4. Flood Map Modernization.

While the remainder of this testimony will be provided from an ASFPM perspective undoubtedly much, if not all, will be pertinent in Ohio.

1. HOW STATE AND LOCAL GOVERNMENTS OPERATE UNDER THE NFIP

States have a responsibility to do floodplain management – floods are inevitable; damage will occur; and there will be adverse impacts on the citizens and disaster costs in that state. The principal roles played by states in floodplain management today include coordinating the NFIP activities within their jurisdictions; planning and implementing programs and projects for managing their own floodplains, including state-level regulations; and providing technical expertise to individuals and other levels and governments. Some states directly regulate certain aspects of land use, while some states emphasize public outreach and direct technical assistance

to local governments. This variety of activities and participation makes state level floodplain management unique to each individual state.

Recently, the ASFPM produced the document *Effective State Floodplain Management Programs 2003*. This document identified 10 guiding principles for effective state floodplain management as there is no single "perfect" model for a state floodplain management program. These guiding principles are :

1. State floodplain management programs need strong, clear authority.
2. State floodplain management programs should be comprehensive and integrated with other state functions.
3. Flood hazards within the state must be identified and the flood risks assessed.
4. Natural floodplain functions and resources throughout the state need to be respected.
5. Development within the state must be guided away from flood-prone areas; adverse impacts of development both inside and outside the floodplain must be minimized.
6. Flood mitigation and recovery strategies should be in place throughout the state.
7. The state's people need to be informed about flood hazards and mitigation options.
8. Training and technical assistance in floodplain management need to be available to the state's communities.
9. The levels of funding and staffing for floodplain management should meet the demand within each state.
10. Evaluation of the effectiveness of states' floodplain management programs is

essential and successes should be documented.

It is notable that the NFIP and mitigation programs authorized by the Stafford Act and administered by FEMA at least touch on many of these guiding principles. However, it is also important to note that it is up to states to take these tools and more fully develop a comprehensive approach to floodplain management.

To assist with undertaking NFIP coordination, states are provided funds through NFIP's Community Assistance Program (CAP). The ASFPM has been working with FEMA and the CAP program to identify what resources are necessary to effectively coordinate the NFIP by developing a 5-year floodplain management plan, and encouraging the development of a needs assessment based on the *Effective State Floodplain Management Programs* document. Many states have years of experience with administering their own floodplain management program and the NFIP and have developed extensive and unique capabilities. In the future, qualified states should be delegated the authority to perform and administer floodplain mapping programs, perform engineering studies and reviews, review applications for Letters of Map Change, and perhaps be delegated other aspects of the NFIP. Many federal programs function through delegation to states with federal audit and oversight.

Communities are the foundation of comprehensive floodplain management and the successful implementation of the NFIP. They plan for, determine, and supervise the use of land within their jurisdictions and are the impetus for obtaining financial and technical assistance from the state and federal levels. At the same time, communities can be limited by their legal authority, financial considerations, the amount of technical expertise available to them and the

fact that flooding must take its place among numerous other local concerns.

Local floodplain management programs vary according to the size of the community; the policy, political structure, and economic status of the state in which the community lies; the type of flooding it faces; and the amount of development pressure existing in the community as a whole and in its floodprone areas. Typical small communities have no formal floodplain management office *per se*, and may have only one official, usually a floodplain administrator or building inspector, who monitors and enforces compliance with the local flood hazard reduction ordinance (that is required by the NFIP) along with other unrelated duties. In general, the larger more flood prone the communities tend to have the more sophisticated and comprehensive the floodplain management efforts.

The NFIP has never provided direct financial support for communities to administer local floodplain regulations; rather, they benefit from the availability of flood insurance provided through the NFIP. Additionally, the NFIP uses incentives that ultimately help communities and citizens within them. One such program is the Community Rating System (CRS). The CRS provides premium discounts to policyholders in communities that undertake activities that go beyond minimum NFIP standards. For example, Licking County, Ohio is a CRS Class 8 community, so policyholders receive a 10% discount on flood insurance premiums. Other incentives include the Increased Cost of Compliance (ICC) insurance provision and the Flood Mitigation Assistance (FMA) program. For example, ICC was used in the Village of Powhatan Point to elevate a structure that was declared by the village's floodplain administrator as substantially damaged. The result was a win-win-win situation for the property owner, community and the NFIP. The property owner's structure is elevated resulting at a significantly

reduced risk of flooding, the community's local floodplain management ordinance has been met, and FEMA doesn't have to worry that this will be the next repetitive loss structure. The ASFPM supports continuing community incentives to support effective implementation of local floodplain management programs.

2. THE STEPS CURRENTLY BEING TAKEN BY FEMA AND THE PRIVATE INSURANCE INDUSTRY TO RESOLVE PROBLEMS WITH INCONSISTENCIES AND DELAYS INHERENT IN THE PROGRAM

One of the most important aspects of refining any program that has existed for some time is to undertake a comprehensive evaluation in order to gather facts, analyze data, and ultimately make recommendations for future changes. The NFIP is currently being evaluated in this way. A comprehensive assessment by the American Institutes for Research will dissect the NFIP and make recommendations for improvements. Sections include evaluating the costs and consequences of flooding, environmental and developmental impacts of the NFIP, community compliance, market penetration, building standards and the 1% chance annual flood standard. The ASFPM looks forward to the completion and release of this evaluation and recommends that the Committee conduct a thorough review and consideration of the findings by conducting a hearing at the appropriate time.

Recently, there has been criticism of FEMA for its overall handling of flood insurance claims and policies. While there will always be some disagreement and issues, overall, FEMA has done a good job in administering the flood insurance program. Still, there are areas where the NFIP can be improved.

First, floodplain administrators continue to be concerned about the difficulty of the post-disaster environment and permitting the repair and reconstruction of buildings. On one hand,

FEMA has sped up the delivery of disaster assistance and insurance claim payments; however, the NFIP requires communities to undertake an assessment to determine substantial damage, permitting, and compliance with local floodplain regulations which usually takes more time. As a result, many property owners have already received funds and repaired their structures before going through the permitting process. To complicate the situation further, in many instances, it is exceedingly difficult in the post-disaster environment to undertake permitting and require compliance with local standards. There are many ways FEMA can improve this situation including:

- Better notification of recipients of disaster assistance that local permits are required before repair and reconstruction.
- Improved sharing of disaster assessment and insurance claims information with local officials to identify potentially substantially damaged structures.
- Providing assistance through the Disaster Relief Fund where an inter or intra state compact is exercised that allows qualified building officials to assist in other communities to perform substantial damage determinations.
- Fully utilizing the ICC coverage by promoting its use, streamlining the claims process, and implementing the provisions allowing more expansive use of ICC contained in the 2004 Flood Insurance Reform Act. The ICC provides financial assistance to those property owners whose structure is substantially damaged to mitigate that structure against future flooding.

Second, the insurance industry should improve its delivery of flood insurance. While there

are some extremely knowledgeable insurance agents selling flood, there are others, who are quoted by the media and clients, that are absolutely incorrect in the information they are providing. This problem seems to be more acute in areas that have not been flooded for a long period of time, indicating a need for updated agent training. In areas where flooding is more frequent, agents and property owners better understand the claims process. Similarly, policyholders must become better acquainted with their flood insurance policies to understand what is and is not covered. Flood insurance, to be an actuarially sound program, has certain exclusions that make some types of coverage unavailable. Policy holders need to be aware of these exclusions prior to an event occurring. The ASFPM believes that the Title 2 provision of the 2004 Flood Insurance Reform Act will improve these aspects of the program.

NFIP FUNDING LEVELS, ADMINISTRATIVE STRUCTURE, AND IMPACTS ON THE IMPLEMENTATION OF THE FLOOD INSURANCE REFORM ACT OF 2004

The Flood Insurance Reform Act of 2004 brings to bear additional funding and mechanisms to focus mitigation efforts on “severe” repetitive loss structures that result in a disproportionate amount of claims to the National Flood Insurance Fund. Importantly, additional funds are to be derived from that Fund, which recognizes that the NFIP and policyholders, rather than taxpayers as a whole, are the primary beneficiaries of the added mitigation elements. A primary focus of the Act is to augment the existing Flood Mitigation Assistance Program in three ways:

- **Basic Flood Mitigation Assistance Program:** Increases the authorized limit of funding for the Basic FMA to \$40 million per year; the funds are transferred from the National Flood Insurance Fund and shall remain available until expended. As authorized in 1994, Basic FMA had an annual ceiling of \$20 million and funds were available only for two

years.

- **Pilot Program:** Authorizes the Pilot Program, which essentially is an adjunct to the Basic FMA program with particular focus on “severe repetitive loss properties” as defined by the Act. The Pilot Program, authorized for just five years, has an authorized limit of funding of \$40 million per year. These funds are to be transferred from the National Flood Insurance Fund and they are time-limited; the Act specifies that FEMA may not provide assistance after September 30, 2009. S. Report 108-262 clarifies that the policy service fee shall not be increased because of the transfer for this program.
- **FMA Individual Program:** Authorizes a program, with an annual funding limit of \$10 million, under which FEMA may work directly with individual property owners of severe repetitive loss properties if a state or community do not meet the requirements.

With respect to these programs, the ASFPM is especially appreciative of the House's support for full funding of these programs; however, we are deeply concerned about the Senate's support of only \$28 million of the \$90 million authorized from the National Flood Insurance Fund. Already, one year (2005) of funding has been lost. We are puzzled why funding is an issue when it is a simple transfer of funds from the National Flood Insurance Fund to the National Flood Mitigation Fund. Given FEMA's long-standing and repeated emphasis on the long-term benefits of mitigation of repetitive loss properties, we assumed that the 2004 Reform Act would be fully funded as no new money is being requested. From an administrative standpoint, the Basic FMA is a mature and functioning program so there should be no delay in maximizing the funding to \$40 million/year. These monies will address the \$200 million/year

drain on the fund from repetitive flood loss properties.

FLOOD MAP MODERNIZATION

The importance of Floodplain Map Modernization cannot be understated. Flooding continues to be the nation's most costly natural hazard, and affects citizens in all geographic areas of the country.

Map Modernization must meet the expectations and vision originally laid out for the program. FEMA's 1997 "Modernizing FEMA's Flood Hazard Mapping Program: A Progress Report" indicated that FEMA's map modernization plan will improve map accuracy and completeness, map utility, map production, and public awareness (in that order). The plan identified that nearly 25,000 of 100,000 existing flood map panels would include flood data updates. It also indicated that flood hazard data would be developed for approximately 13,700 new flood hazard map panels for an estimated 2,740 flood prone communities without flood hazard maps. All of this would occur at a projected cost of \$1.1 billion (1997 dollars).

What were the expected results of the effort? The primary result was to be a set of maps that pass the "red face" test. In other words, maps that the public would have confidence in their accuracy, maps that wouldn't show a home 40 feet up a hillside as being in the floodplain. Map Modernization was to create a nationwide set of flood maps that would identify previously unidentified flood risks, and update the existing older flood studies that were no longer accurate. That was the original vision – one that FEMA proposed, Congress believed in, and a diverse Flood Map Coalition, including ASFPM, supported.

What happens if what we do is simply create digital flood maps that are more readily available without addressing updating the accuracy of the flood maps? We will have maps that

will fail the “red face” test more quickly because the user was able to get the information faster over the Internet. We will not have addressed the fundamental expectation that the flood maps would be accurate, complete, and correct. Although there is now a quality standard in FEMA’s mapping plan that we fully support and applaud FEMA’s efforts in placing it in the document, it will be difficult to meet it under the current program constraints – of both budget and time.

The ASFPM submits that there isn’t enough money to meet the expectations of Congress, the Map Coalition, and the original vision of Map Modernization. How did this happen? First, FEMA used the very best information it had when detailing the original Map Modernization vision. After it appeared that Congress was supportive of the program and it was in its earliest stages, FEMA also correctly requested that states develop “business plans” that identified the costs of map modernization in each state based on a needs assessment approach. An ASFPM analysis of the state business plans indicates that the state-projected cost of updating the flood maps was typically two to three times the funding allocated to the state in FEMA’s mapping plan (also known as the MHIP). So, by extension, the ASFPM believes that Map Modernization is a \$2-3 billion program. This is not the fault of FEMA—refined data, in consultation with its state and local partners, showed a more accurate cost estimate—but the cost issue must be recognized as significant.

For the cost identified in the state business plans, the ASFPM believes that we can have a nationwide set of flood maps that meet the “red face” test. Flood maps that wouldn’t be the top-of-the-line (“Cadillac”) version, but they would be dependable, accurate, and generally reflective of the flood risk in a given area. So, a choice must be made now. The ASFPM hopes that the Committee will continue to be committed to its original expected outcome: the result of

Map Modernization should be that we have an accurate and complete set of flood maps nationwide for significant flood risk areas that are digitally available and comparatively simple to maintain. This will require a dedication of resources beyond the 5-year funding period but will be well worth the investment.

Flood Map Modernization should be primarily concerned with correcting existing maps or providing maps where none exist but are needed. Fixing the maps should include matching the flood data layer to existing topography, new studies to address developing areas, and/or addressing changes or mistakes that are not reflected on the current maps. Failure to address the current conditions of the maps can have significant impact on property owners by incorrectly identifying their flood risk. Those who are mistakenly identified as being located in a floodplain are required to carry flood insurance and may have significant regulatory restrictions placed on their properties. Conversely, there are property owners who are not identified as being in the floodplain but should be. Their risk will go unidentified until the maps are modernized, and will probably not have flood insurance to protect them when flooded.

Quality is the cornerstone to the success of Flood Map Modernization. The initial key to quality is for the flood zones to match topography. In other words, floodplains should not be mapped on the sides of hills while adjacent low areas are mapped as risk-free. In Section 7 of the mapping plan FEMA has committed to ensuring the modernized maps are quality products. Flood Maps that do not meet the quality standards of Section 7 should not be considered modernized. We applaud FEMA for undertaking that commitment.

ASFPM is also concerned that the Section 7 topographic compliance standard was not developed and implemented until late in Year 2 of Map Modernization. It may be that many

studies completed in the first two years of Map Mod will not meet the quality standard and should not be identified as modernized. This will necessitate plans for modernizing these maps to bring them into compliance with the quality standards under a future map maintenance program. This is a particular problem in Ohio where several counties have had early mapping projects completed under the Map Modernization program. Ohio plans to work with FEMA to establish a workable plan for those communities.

Quality flood maps primarily depend on two components – a quality flood data layer and quality topography. In a perfect world we would have both; however, the costs to do both would even be more significant than the numbers that have been discussed in this testimony. The ASFPM believes that the primary investment should be made in developing the quality flood data layer. Existing topography, although in some instances may not be the most current, is widely available through the United States Geologic Survey (USGS). As the federal agency responsible for mapping topography in the United States, the USGS provides a free product that is a good base layer (low cost and easy availability are important especially in rural and impoverished communities). We do not even have a complete base layer of flood data yet – there are many flood hazard areas that still need identified. Doesn't it make sense to focus our limited funds on at least developing a complete and updated flood data layer? Also, in the process of urbanization and land development, where more structures are going to be put potentially at risk, improved topography is usually generated – either by the community as it needs more refined data for a variety of purposes (infrastructure planning, zoning, etc.) or by the developer. Thus, a good flood layer can be easily converted to better topography when it is made available.

ASFPM is hopeful about the Floodplain Map Modernization program. The nation is already beginning to receive benefits from modernized maps, and we may expect the benefits to increase exponentially as the number of maps increases and better map delivery systems are implemented. In general, FEMA partnerships are working well and are providing great value to the general public at risk for flooding. ASFPM also generally supports FEMA's strategy for Map Mod. However, we recommend that FEMA clearly articulate that a primary goal of Map Modernization is accurate and complete flood maps. To do this FEMA's plan (MHIP) must identify the "true" cost of modernizing the nation's maps and lay out a longer time frame to achieve the original Map Modernization vision. The ASFPM would support the MHIP containing alternative scenarios and costs – running the gamut from doing nothing, to mapping every stream in the nation. This would show the relative value of the selected Map Modernization program.

Long-term map maintenance procedures need to be addressed. One way to address long-term maintenance is to involve state and local partners. Many state and local governments have shown a long-term commitment to floodplain management. Because local government is responsible for land use management, developing floodplain maps that match local base mapping is crucial. In addition, they often have developed topographic mapping and infrastructure inventories of their bridges and culverts. Both are very important components of floodplain mapping projects. Bridges and culverts and their associated roads often block flow significantly impacting upstream property owners.

FEMA may increase the quality of and shorten the time frame for studies if they can build up their mechanisms for communication with partners, including Cooperating Technical Partners

(CTP). These partnerships provide real tangible benefits for local, state, and regional mapping partners and provide an avenue for insuring buy-in to Flood Map Modernization. There are numerous examples of CTPs from across the nation that have provided significant effort the Flood Map Modernization initiative. The CTPs offer multiple opportunities for cost savings and leverage.

CONCLUSION

Is Ohio ready for the next flood? Certainly Ohio is more ready from the next flood than it was 30 years ago, and the NFIP has been a significant force in being more prepared. Now, Ohioans have over 35,000 flood insurance policies, and thousands of buildings have been constructed to NFIP standards or beyond. Over 700 Ohio communities participate in the NFIP with more than a third of them having one or more regulatory standards that exceed NFIP minimums. Mitigation programs are working well, and the state has prioritized mitigation projects in communities that are doing their day-to-day mitigation through the administration of their local regulations. Finally the State of Ohio has demonstrated a commitment to the NFIP and flood mitigation by exceeding the required match for the Community Assistance Program and Stafford Act mitigation programs which have overwhelmingly been used for flood mitigation projects.

Still, there are opportunities for improvement. FEMA should continue to provide program leadership. An example is addressing the very foundation of the flood insurance program -- flood maps -- by invigorating the Map Modernization program. Accurate flood maps will lead to the correct identification of flood risk on properties and help property owners take appropriate

actions. States should continually adjust to program changes and strive to improve their programs. It is incumbent on communities to faithfully administer their flood regulations and conduct technical assistance, education and outreach to citizens. Insurance agents have a role in providing accurate and timely assistance to policy holders and finally the policy holders themselves must become better educated about the content of their flood insurance policy.

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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