Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Bill Shuster
Chairman

Christopher P. Bertram, Staff Director

Peter A. DeFazio
Ranking Member

Katherine W. Dedrick, Democratic Staff Director

May 6, 2016

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings, and Emergency Management

FROM: Staff, Subcommittee on Economic Development, Public Buildings, and Emergency Management

RE: Subcommittee Hearing on "Controlling the Rising Cost of Federal Responses to Disaster"

PURPOSE

On Thursday, May 12, 2016, at 10:00 a.m. in 2167 Rayburn House Office Building, Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet for a hearing titled "Controlling the Rising Cost of Federal Responses to Disaster." The purpose of the hearing is twofold:

1. To examine and discuss data related to disaster costs, the trends observed over time, and the projections for the future given the policies in place today, including current federal disaster assistance programs and the requirements and effectiveness of those programs.
2. To begin exploring potential solutions and the principles that should be driving solutions to lower the overall costs of disasters and to help avoid devastating losses.

Witnesses include the Federal Emergency Management Agency (FEMA), National Emergency Management Association, National Institute of Building Sciences, National Association of Counties, and the Build Strong Coalition.

BACKGROUND

Disaster Losses and Federal Disaster Spending Have Increased Significantly

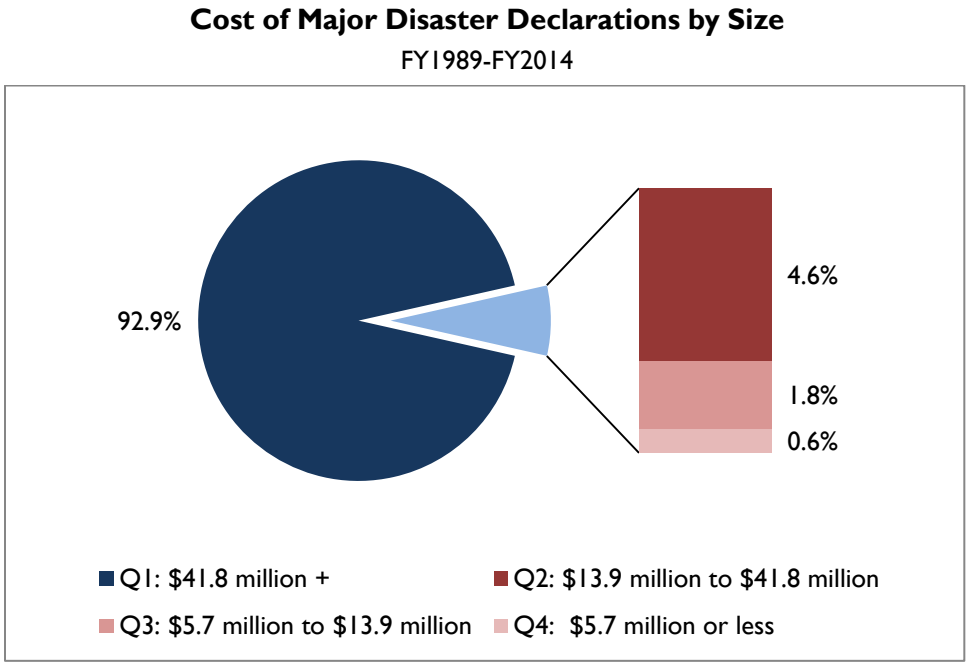
According to numerous studies, disaster losses and federal disaster spending have increased significantly over the last 50 years. In 2012, Munich Re, the world's largest reinsurance company, reported that between 1980 and 2011, North America suffered $1.06 trillion in total losses, including $510 billion in insured losses, and an increase in weather-related events five-fold over the previous three decades.[1] In 2005, it was reported that since 1952, the cost of natural disasters to the federal government more than tripled, as a function of gross domestic product.[2]

There are numerous causes that may be driving these costs including population growth and increased density in disaster-prone areas, changes in weather and fire events, and changes in disaster relief programs. In a recent report, FEMA acknowledged the increase in the number of extreme disaster events and increased vulnerabilities throughout the United States due to shifting demographics, aging infrastructure, land use, and construction practices.[3]

[1] Munich Re (2012). *Severe weather in North America – Perils Risk Insurance.* Munich, Germany: Muchener Ruckversicherungs-Gesellschaft.
[2] The Princeton University Geoscience 499 Class, *The Increasing Costs of U.S. Natural Disasters.* Geotimes, November 2005.
[3]Federal Emergency Management Agency, *National Strategy Recommendations: Future Disaster Preparedness*. September 6, 2013. Available at http://www.fema.gov/media-library-data/bd125e67fb2bd37f8d609cbd71b835ae/FEMA+National+Strategy+Recommendations+(V4).pdf.

A Few Disasters Account for Most FEMACosts

The Congressional Research Service (CRS) analyzed data from over 1,300 major disasters since 1989, and adjusting for inflation, found that FEMA obligated more than $178 billion for these disasters.[4] However, CRS also found that 25 percent of all disasters account for over 92 percent of disaster costs.[5] Therefore, the remaining 75 percent of smaller disasters constitute less than eight percent of FEMA disaster spending. See the diagram below:



Source: CRS analysis of FEMA obligation data.

[4] CRS Memo *Data Analysis for House Transportation and Infrastructure Committee*, January 14, 2015.
[5] *Id.*

The Increase in Disaster Declarations

FEMA is the federal government's lead agency for preparing for, mitigating, responding to, and recovering from disasters and emergencies related to all hazards whether natural or man-made. When state and local resources are overwhelmed and the "disaster is of such severity and magnitude that effective response is beyond the capabilities of the state and the affected local governments,"[6] the Governor of the affected state may request that the President declare a major disaster. Below is a snapshot of declarations over the last decade:

Presidential Declarations in the Last Decade

Year	Major Disaster Declarations	Emergency Declarations	Fire Management Assistance Declarations	Total
2016	22	3	6	31
2015	43	2	34	79
2014	45	6	33	84
2013	62	5	28	95
2012	47	16	49	112
2011	99	29	114	242
2010	81	9	18	108
2009	59	7	49	115
2008	75	17	51	143
2007	63	13	60	136
2006	52	5	86	143
2005	48	68	39	155

Source: http://www.fema.gov/disasters/grid/year viewed May 5, 2016.

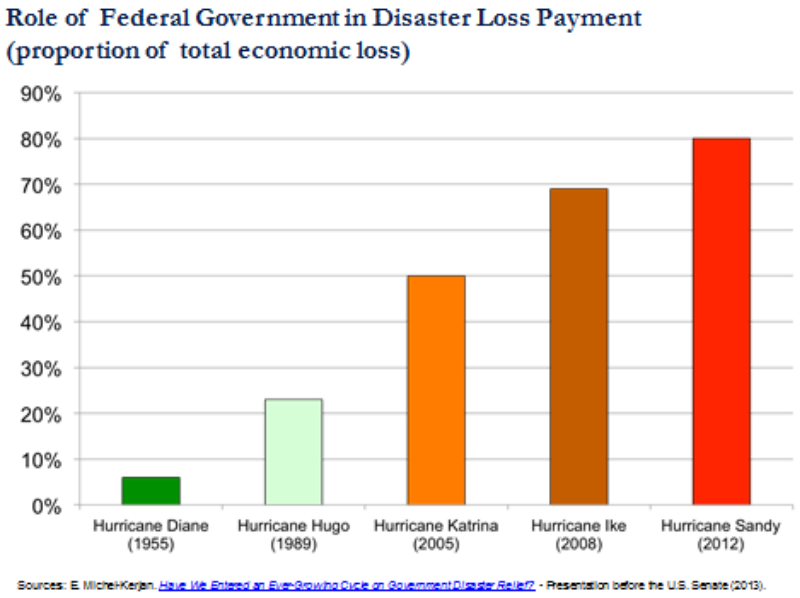
The chart above illustrates a recent decline in the number of disasters since 2011, a year that experienced the most disaster declarations in history. However, CRS has analyzed the number of disaster declarations back to 1953 and observed a steady increase in disaster declarations through 2011.[7] FEMA reports that over two thirds of all disasters were declared in the last two decades, between 1996 and 2013.[8]

[6] 42 U.S.C. § 5170.
[7] CRS Report 42702 *Stafford Act Declarations 1953-2011: Trends and Analyses and Implications for Congress* by Bruce R. Lindsay and Francis X. McCarthy.
[8] Federal Emergency Management Agency. Available at http://www.fema.gov/disasters/grid/year.

The Growth of Federal Disaster Assistance

The Percentage of Disaster Costs Covered by the Federal Government is Increasing

As the following diagram illustrates, the financial burden of disaster response has fallen increasingly on the federal government.

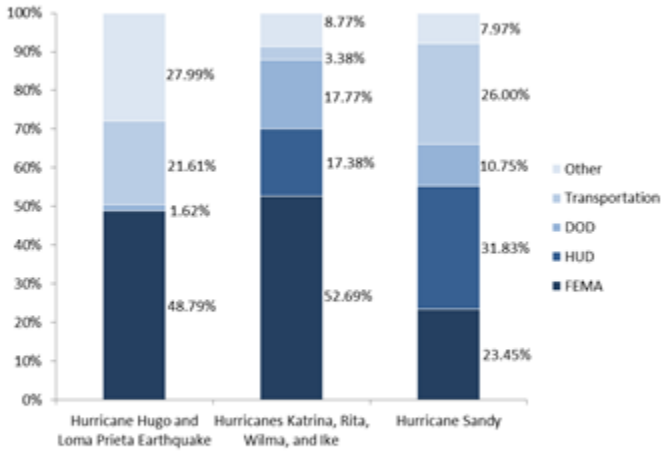


The Number of Federal Disaster Assistance Programs is Increasing

FEMA was established in 1979 to centralize and better coordinate the federal government's disaster activities, which had been scattered across the government and poorly coordinated in response to the Three Mile Island nuclear disaster and several other disasters. Over time, numerous other agencies have received authorities and appropriations for additional federal activities and programs focused on disaster recovery. These programs have differing legal authorities, eligibility requirements, and objectives.

The following diagram illustrates how over time the number of non-FEMA disaster assistance programs and the amount of funding made available for non-FEMA disaster assistance programs have grown.

Growth of Non-FEMA Federal Disaster Aid



Source: CRS analysis of supplemental appropriations laws passed following major disasters. For the three categories above, Hurricane Hugo and the Loma Prieta Earthquake included P.L. 101-100, P.L. 101-130, and P.L. 101-302. Hurricanes Katrina, Wilma, Rita, and Ike included P.L. 109-61, P.L. 109-62, P.L. 109-148, P.L. 109-234, P.L. 110-28, P.L. 110-116, P.L. 110-252, and P.L. 110-329. Hurricane Sandy included P.L. 113-2.

Most recently, the following programs have been significantly involved in disaster recovery, and as such, received funding in the wake of Hurricane Sandy.

- Housing and Urban Development (HUD) Community Development Block Grant Disaster Funds (CDBG-DR) – Congress can provide funding for disaster recovery through HUD's CDBG Program. Most recently, funds were made available to provide non-competitive, nonrecurring assistance targeted at low-income areas impacted by disasters in 2011, 2012, and 2013.

- U.S. Department of Transportation (USDOT) Federal Transit Administration Emergency Relief Program (ERP) – The ERP's purpose is to help states and public transportation systems pay for protecting, repairing, or replacing equipment and facilities that may suffer or have suffered serious damage because of an emergency, including natural disasters. The ERP is also intended to improve coordination between USDOT and the Department of Homeland Security (DHS) to expedite assistance to public transit providers in times of disasters and emergencies.

- U.S. Army Corps of Engineers – The Corps receives money for the rehabilitation, repair, and construction of projects. These funds are available to projects provided that they reduce future flood risk and support long-term sustainability.

Initiatives to Develop Solutions

The FEMA Disaster Assistance Reform Act of 2015 Establishes a Study of Disaster Costs

Given the trends in disaster costs and losses, the Committee has called for a complete assessment of these losses, what is driving these losses, what federal disaster assistance is available to individuals and the public and private sectors, the appropriate roles of each of those parties, and what public policy changes would result in fewer disaster losses and thus lower disaster-related costs.

On March 19, 2015, Chairman Barletta, Chairman Shuster, Ranking Member Carson and Ranking Member DeFazio introduced H.R. 1471, the FEMA Disaster Assistance Reform Act of 2015. On February 29, 2016, the bill passed the House. This bipartisan legislation establishes a comprehensive study to assess disaster costs and develop recommendations for reducing those costs; improves our Nation's emergency management capabilities and federal disaster programs; modernizes and strengthens critical components of our preparedness and response system; and supports emergency response personnel. Specifically, the legislation requires the National Advisory Council to conduct the comprehensive study and include policy recommendations to help reduce future losses.

FEMA's Proposal to Establish a Disaster Deductible

On January 20, 2016, FEMA published an advanced notice of proposed rulemaking in the *Federal Register* soliciting comments on a proposal to establish a predetermined level of financial or other commitment from a state or tribal government before FEMA will provide assistance under the Public Assistance Program when the President declares a major disaster.

FEMA believes the deductible model would incentivize states and tribal governments to make meaningful improvements in disaster planning, fiscal capacity for disaster response and recovery, and risk mitigation, while contributing to more effective stewardship of taxpayer dollars. For example, states and tribal governments could potentially receive credit toward their deductible requirement through proactive pre-event actions such as adopting enhanced building codes, establishing and maintaining a disaster relief fund or self-insurance plan, or adoption of other measures that reduce the state's or tribal government's risk from disaster events. The deductible model would increase stakeholder investment and participation in disaster recovery and building for future risk, thereby strengthening our Nation's resilience to disaster events and reducing the cost of disasters long term.

All comments were to be received by March 21, 2016. 148 comments were received.

Witness List

The Honorable Carlos Curbelo
U.S. Representative
26th District, Florida

The Honorable Joseph L. Nimmich
Deputy Administrator
Federal Emergency Management Agency

Mr. Brian Koon
Director, Florida Division of Emergency Management
President, National Emergency Management Association

Mr. Kevin Mickey, GISP, CTT+
Chair, Multihazard Mitigation Council
National Institute of Building Sciences
Director, The Polis Center, Indiana University Purdue University, Indianapolis

Ms. Sallie Clark
Commissioner, El Paso County, Colorado
President, National Association of Counties
International Association of Emergency Managers

Mr. Eric Nelson
Vice President, Catastrophe Strategy & Analysis
The Travelers Companies, Inc
Build Strong Coalition