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

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Chairman

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August 28, 2015

BACKGROUND MEMO

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

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

RE: Workshop on Mitigation and the Community Rating System

PURPOSE

On Wednesday, September 2, 2015, at 9:00 a.m. in the Degenstein Community Library, 40 S. Fifth Street, Sunbury, Pennsylvania, Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management will host a workshop to examine how local communities can implement flood mitigation measures and take advantage of the Community Rating System to reduce risk and loss and drive down costs to individuals, businesses, and communities. The event will bring together federal, state, and local officials to discuss the Community Rating System (CRS), mitigation, and other efforts that can be implemented to reduce risk and disaster impacts, ultimately driving down costs and losses. It will feature presentations from the Federal Emergency Management Agency, the Pennsylvania Emergency Management Agency, Dauphin County, the Pennsylvania State Association of Township Supervisors, and SEDA-Council of Governments regarding their lessons learned, the resources available, and how to address challenges and limitations.

BACKGROUND

On January 27, 2015, the Subcommittee held a congressional hearing where Chairman Barletta announced that the Subcommittee would be launching a comprehensive analysis and discussion about trends in disaster costs across the government and private sectors, the drivers of the trends being observed, and what policy changes should be considered to bend the cost curve on disasters. On March 18, 2015, Chairman Barletta, Ranking Member Carson, and other

Subcommittee Members held the first Subcommittee roundtable to focus on available statistics, data, and information on disaster costs and losses and committed to continuing a national conversation. Subsequently, the Subcommittee has hosted regional conversations and roundtables to further explore localized issues, best practices, and the different federal disaster programs currently available.

The Rising Costs of Disasters

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]

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 April 15, 2015, the Committee ordered H.R. 1471, the FEMA Disaster Assistance Reform Act of 2015 to be reported. 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.

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[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.

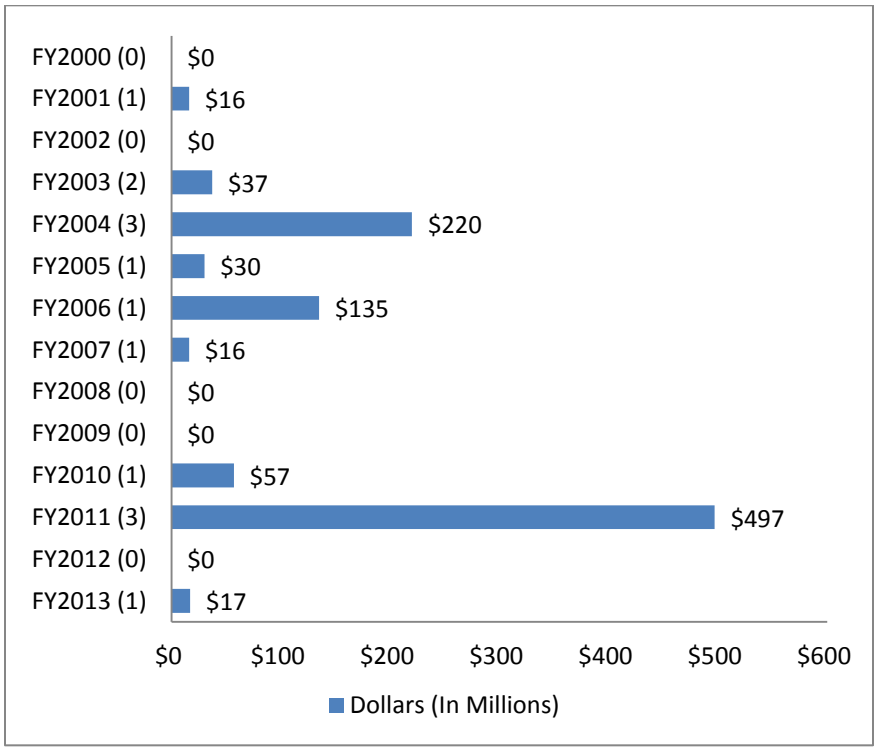
[3] Federal Emergency Management Agency, *National Strategy Recommendations: Future Disaster Preparedness*. September 6, 2013. Available at http://www.fema.gov/media-library-data/bd125e67fb2bd37f8d609cbd71b835ae/FEMA+National+Strategy+Recommendations+(V4).pdf.

Disasters in Pennsylvania

Since 1955, Pennsylvania alone has received 49 Presidential major disaster declarations and nine emergency declarations for hurricanes, tropical storms, severe storms, flooding, tornadoes, winter storms, and snowstorms.[4]

A total of 14 Presidential major disaster declarations were made in Pennsylvania between 2000 and 2013.[5] The approved declarations led to over $1.0 billion in federal obligations from the Disaster Relief Fund.[6] This funding does not include the assistance that was provided directly by the state, either as a cost-share for federal assistance, or through the state's own authorities and programs. The table below illustrates the total funding obligated to Pennsylvania each year.

Obligations for Declared Major Disasters in Pennsylvania, by Fiscal Year



Since 2000, the most significant incident in Pennsylvania was Tropical Storm Lee, which occurred in 2011 and led to nearly $374 million in federal funding from FEMA's Disaster Relief Fund. Other major incidents include Tropical Depression Ivan in 2004, severe storms in 2006, and Hurricane Irene in 2011. Pennsylvania also received assistance as a result of Hurricane Sandy in 2013. According to research conducted by the Congressional Research Service, since 2000, 67 localities in Pennsylvania have received aid under a major disaster declaration, with

[4] Available at https://www.fema.gov/disasters/grid/state-tribal-government/44?field_disaster_type_term_tid_1=All.
[5] Id.
[6] Congressional Research Service, *"FEMA DRF Major Disaster Assistance: Pennsylvania,"* January 28, 2015.

Wyoming County receiving assistance for major disasters 10 times across this period, which is the highest number in the state.[7]

Efforts to Reduce Disaster Impacts

Disaster Mitigation

Disaster mitigation includes actions taken to reduce loss of life and property by lessening the impact of disasters. Effective mitigation acts to minimize the potential loss from a disaster based on identifying and understanding the risks in a given area or community. Mitigation can encompass a wide variety of activities, including preparation and planning, elevating or moving structures prone to flooding, hardening structures to mitigate effects of hurricanes or earthquakes, and establishing building codes and zoning ordinances.

Mitigation not only saves lives but has been shown to also reduce disaster costs by minimizing damage from a disaster. For example, pursuant to a requirement of the Disaster Mitigation Act of 2000, the Congressional Budget Office (CBO) completed an analysis of the reduction in federal disaster assistance as a result of mitigation efforts.[8] That study examined mitigation projects funded from 2004 to mid-2007. CBO found that of the nearly $500 million invested through Pre-Disaster Mitigation (PDM) grants, future losses were reduced by $1.6 billion for an overall ratio of 3 to 1. In essence, for every dollar invested in mitigation, $3 was saved. CBO's analysis reaffirmed a prior study commissioned by FEMA and conducted by the Multihazard Mitigation Council of the National Institute of Building Sciences that concluded, in 2005, that each dollar spent on mitigation saves $4 in future losses due to disasters.[9]

Federal programs such as FEMA's Hazard Mitigation Grant Program (HMGP) and PDM help provide some of the investment needed to help communities in disaster mitigation. HMGP provides grants to state and local governments to rebuild after a disaster in ways that are cost-effective and reduce the risk of future damage, hardship, and loss from all hazards. FEMA also provides grants under HMGP to assist families in reducing the risk to their homes from future disasters, through such steps as elevating the home or purchasing the home to remove it from the floodplain.

On January 29, 2013, the Sandy Recovery Improvement Act (SRIA) was signed into law. That Act, drafted by the Committee, incorporated significant reforms to reduce overall costs of disasters and expedite funding for mitigation activities to ensure communities devastated by disasters could rebuild faster and smarter. Specifically, SRIA authorized FEMA to advance up to 25 percent of HMGP funds to communities impacted by major disasters. The purpose is to ensure communities have the resources needed upfront to incorporate mitigation as they rebuild.

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[7] Id.

[8] *"Potential Cost Savings from the Pre-Disaster Mitigation Program,"* Congressional Budget Office, September 2007.

[9] *"Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities,"* Multihazard Mitigation Council, National Institute of Building Sciences, 2005.

While HMGP provides funding post-disaster, the PDM program provides funds to states, territories, Indian tribal governments, communities, and universities for hazard mitigation planning and the implementation of mitigation projects prior to a disaster event. Funding these plans and projects reduces overall risks to the population and structures, while also reducing reliance on funding from actual disaster declarations. On February 11, 2015, Ranking Member Carson introduced H.R. 830 to reauthorize the PDM program through fiscal year 2018.

Reducing Costs to Communities and Individuals

In addition to HMGP and PDM, there are other mitigation programs that can assist communities in mitigating against specific disasters, such as the Hazard Mitigation Assistance and Severe Repetitive Loss programs under the National Flood Insurance Program (NFIP). In addition, while these grant programs can be effective in reducing costs to communities and the federal taxpayer, there are other actions communities can take to mitigate against disasters and reduce costs.

FEMA's Community Rating System (CRS) program, for example, is a voluntary program that encourages communities across the Nation to exceed the minimum standards set under the National Flood Insurance Program (NFIP). CRS was established in 1990, and today nearly 3.8 million policyholders in 1,296 communities participate in the CRS. These communities participate by implementing local mitigation, floodplain management, and outreach activities. The benefits to communities participating in the CRS not only include creating a safer community by improving mitigation against flooding, but also lowering premium costs to individual policyholders under the NFIP. Discounts are based on a rating system from 9 to 1, and as communities improve their ratings they can achieve higher premium discounts. For example, most communities just starting in CRS may enter at a rating of 9 or 8 which would provide for 5 or 10 percent discounts, respectively, on premiums for policyholders in Special Flood Hazard Areas. A Class 1 rating would provide for a 45 percent discount. These discounts are real savings to individual policyholders. For example, in Roseville, California, which has the highest rating of 1, the average premium discount of polices in Special Flood Hazard Areas is $832.

In order to achieve higher ratings, communities accrue points for engaging in 19 activities that fall under four broad categories: public information, mapping and regulations, flood damage reduction, and warning and response. Included among the 19 activities are elevation certification, hazard disclosure, public outreach, floodplain mapping, stormwater management, and flood warning and response.

Participants

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