Federal Flood Insurance Reform: Implications for the United States, and for Pennsylvania

Symposium on Flooding and Pennsylvania’s Historic River Towns
Wednesday, June 8, 2016 · Lewisburg, PA

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Flood insurance, or lack thereof, is an issue across the United States

- Only 14% of all American homeowners have flood insurance as of 2015:
  - ~21% in the south
  - ~11% in the Northeast
  - ~9% in the West
  - ~10% in the Midwest

- Overall % same as 2009

The National Flood Insurance Program (NFIP) is an important tool for addressing flood-related impacts.

About the NFIP

Since standard homeowners insurance doesn’t cover flooding, it’s important to have protection from the floods associated with hurricanes, tropical storms, heavy rains and other conditions that impact the U.S.

PROTECT YOURSELF

In 1968, Congress created the National Flood Insurance Program (NFIP) to help provide a means for property owners to financially protect themselves. The NFIP offers flood insurance to homeowners, renters, and business owners if their community participates in the NFIP. Participating communities agree to adopt and enforce ordinances that meet or exceed FEMA requirements to reduce the risk of flooding.

Find out more about the NFIP and how it can help you protect yourself.

Learn about The NFIP Partnership >>

Learn your risk, and find an agent, by taking Your Risk Profile.
Although the NFIP is a critical federal program, it also has numerous limitations & challenges.

- Can purchase flood insurance only if your community participates.
- Subject to 30 day waiting period.
- Higher rates unless community participates in Community Rating System (CRS) program.
- Federal flood insurance required for all federally backed mortgages.
- Flood maps being updated; unclear what might be in/out of floodplain in some areas.
- Some paid off mortgages, dropped flood insurance.
- Some couldn’t afford flood insurance, dropped it (or abandoned property).
- Lawsuits (SE, SW, NW): incentive to develop in floodplain, impacts on wildlife species.
- Recent Congressional changes in 2012, 2014 to address funding issues across the United States.
Recent storms crippled the NFIP ($24 billion in debt); led to calls for flood insurance reform

Major events:
• 2005- Katrina (and Dennis, Rita, Wilma)
• 2008- Ike
• 2011- Irene, Lee
• 2012- Sandy, Isaac

In 2012, Congress passed the Biggert Waters Flood Insurance Reform Act requiring the Federal Emergency Management Agency (FEMA) to update the NFIP.

Changes under Biggert-Waters:

- Extended NFIP authorization to 2017
- Mandated FEMA implement “full risk” or “actuarial” rates by phasing out subsidies/discounts on flood insurance premiums
- Phased out subsidies for businesses, 2nd homes, severe repetitive loss properties, substantially improved/damaged properties
- Removed subsidy if property sold
- Adjusted premium by 20% for all properties based on revised/updated flood insurance rate map
- Rates depend on “base flood elevation” in “special flood hazard area” or high risk zone (1% chance or greater risk of annual flooding)

Base flood elevation (which includes basements) is a critical term, and affects rates

http://floodhelpny.org/whats-my-rate/what-is-a-full-risk-rate/
In July 2013, 26 members of the U.S. House of Representatives wrote to FEMA Administrator Craig Fugate citing concerns over financial impacts:

“A small percentage of homeowners are learning that they may be subjected to flood insurance rates that are ten, a hundred, and in some cases, more than a thousand times higher than their current subsidized rates. These rates, which are upwards of $28,000 per year, are unaffordable and could have devastating impacts on these homeowners and their communities if they are implemented.

While actuarial rates are critical to the program’s success, we strongly believe that we should not burden homeowners with punitive or unaffordable rates that will slow our housing market recovery and force families out of their homes.”

http://democrats.financialservices.house.gov/uploadedfiles/media/file/001%20maxine%20waters%20letters/2013_07_03%20cmw%20leads%20ltr%20fema%20rates%20affordable.pdf
In September 2013, 73 members of the U.S. House of Representatives wrote to the House Leadership:

Sept. 27, 2013

“The economic ramifications surrounding unaffordable flood insurance has the potential to devastate home values, small businesses and entire communities across the country.”

Examples cited for premium increases:
- Oregon: $600/year → $10k
- N. Carolina: 1,000% increases
- Louisiana: $600/year → $10k for the “full risk rate”
In 2014, Congress passed “Homeowner Flood Insurance Affordability Act”, H.R. 3370

Changes under 2014 HFIAA Act

• Restored grandfathered rates for buildings & homes built to code prior to mapping changes

• Lowers recent rate increases on some policies, prevents some future rate increases, established a rate cap for special flood hazard areas

• Imposed surcharges ($25/residence; $250 for non-residence building) with funding → NFIP reserve fund

• Requires FEMA to conduct affordability assessment, consider flood prevention/mitigation actions by owners/lessees when setting rates

• Provided refunds in some instances

• Promotes FEMA working with private “write your own” insurance companies
Flood insurance, maps, and affordable rates remain an issue throughout the U.S., especially given predictions for increase flooding in parts of the U.S.
Already one of the most flood prone states in the U.S., “flooding risk is expected to continue to rise” in PA due to an increase in intensity and frequency of severe storms.

National Climate Assessment (2014)
http://nca2014.globalchange.gov/

Observed Change in Very Heavy Precipitation

While there are continued questions about the impact of flooding, there are also questions about the impact of flood insurance.
In 2015, the Center for Rural PA approved a study entitled “Flood Mitigation for PA’s Rural Communities: Community-Scale Impact of Federal Policies”

- **Study objective:**
  - Understand cost and impacts of recent federal changes on PA communities across the state related to flood insurance

- **Study components:**
  1. Analysis of law and policy
  2. GIS/mapping work through PA Spatial Data Access (PASDA)
  3. Economic analysis
  4. Case study: in depth look at several case studies across the Commonwealth

- **Timeframe:** 1 year study; final report due in Jan. 2017
  - Spring: initial due diligence, gathering data, identifying case studies
  - Summer: more in depth analysis, case study field work
  - Fall: synthesis of findings, information; begin drafting report, findings
  - Winter: submit report to Center for Rural PA
An Exceedingly Brief Overview:

U.S. Nationwide Flood Control Policy
Fact or Fiction?

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AWRA’s “PROACTIVE FLOOD AND DROUGHT MANAGEMENT” PUBLICATIONS, CONFERENCE SESSIONS, WEBINARS

A continuing dialogue on policies and programs in the U.S. for the prevention, mitigation, management, response, and recovery from socioeconomic and ecological effects of extremes in water resources, flows, and supply.
Proactive Flood and Drought Case Studies: Locations

Volume I Case Studies
- Miami Conservancy District, OH
- Chehalis River Basin, WA
- Easton, PA
- Nashville, TN
- San Antonio Water System, TX
- Lone Chimney Water Association, OK
- Statewide Water Use Plan, OR
- Statewide drought management, HI

Volume II Case Studies
- Lititz, PA
- Susquehanna River communities, PA
- Hillsborough River, FL
- Fort Collins, CO
- Statewide drought responses, CA
- Central Valley flood mitigation land use, CA
Flood Policy: Observations and Context from the Commonwealth and the Nation

- Local agencies make decisions. Choice among innumerable strategies by municipalities – may not form coherent basinwide strategy (in PA: > 20,000 munis!)

- Adapted to local economic, demographic, historical/cultural, and safety / flood mitigation strategies, preferences, priorities, etc.

- Made within context of broader economy, federal / state funding, programs, incentives, requirements, and regulations for many purposes (ESA, CWA, others)

- Impact of historic disastrous events – and response to them – can shape communities for decades after: their economic, demographic, historical/cultural, and safety / flood mitigation strategies and outcomes

- Successes and limitations may appear over very long run
In Pennsylvania – a deeply personal, cultural, historical relationship flooding and communities

Sunbury PA, 1940

Source: Dallin Aerial Photos / Hagler Museum & Library, in Roberts & Messer, 2005, Triumph VII Harrisburg to the Lakes
City of Sunbury Perimeter Protection

http://www.sunburyfloodcontrol.com/?p=concrete_floodwall

http://www.srbc.net/pubinfo/flood.htm

I-Wall along Front Street

Earthen Levee
Concrete Floodwall
One rejected solution: Susquehanna Basin as Envisioned with Structural Flood Control (ca 1972)

Proposed Dam and Reservoir Sites, USACE/SRBC 1975
Source: SEDA-COG, 1975
• Rationale: Effectiveness of Federal and Pennsylvania policies (NFIP pricing, NFIP CRS, mitigation grants, recovery grants, others) has outcomes that may be judged only in context of varying local economic, demographic, historical/cultural, and safety / flood mitigation strategies, preferences, priorities

• Tremendous variation in strategies, preferences, priorities means overarching policies may promote some, inhibit others

• Effectiveness of overarching policies can be improved if it promotes strategies, preferences, priorities of as many kinds of municipalities as possible – and inhibits / precludes as few as possible
One Federal/State Program: Acquisition of At-Risk Properties in Flood-Prone Areas

- Focus on NFIP “repetitive loss” properties
- Partnership, NFIP – States – municipalities
- Federal funding tends to increase in pulses with post-disaster recovery programs
- Removes properties and people from flood-risk zone; permanently eliminates hazard and insurance claims
Lewisburg’s Hufnagle Park, created from town-center industrial and residential zones after Tropical Storm Agnes damages in 1972. High flows menace remaining structures, targets of 2014 acquisition and demolition.
But – How many ball fields do we need?
If acquired, property must be maintained, OPEN.
Milton after HUD Disaster Redevelopment, 1970s
Property Acquisition: Observations

• Removes properties and people from flood-risk zone; permanently eliminates hazard and insurance claims

• Impact to historic core and economic vitality; removes property from tax roles, indefinitely. (Boroughs are small.)

• Property is indefinitely owned, managed by municipality
  – Open space only! (how many ballfields do we need...?)
  – Mowing, maintenance, policing – cost to municipality

• Works best with sparsely populated areas or where municipality can strategically target neighborhoods; elsewhere, can leave patchwork neighborhoods with open lots
Another Federal/State Program:
Community Rating System of NFIP

CRS participating communities (FEMA, 2013)

CRS Classification
- 1 - 4 (Advanced Classes)
- 5 - 7 (Intermediate Classes)
- 8 - 9 (Introductory Classes)
Floodplain Management
Marsha Hilmes-Robinson, CFM
Floodplain Administrator
Community Rating System

- Best Practices for Floodplain Management
- Currently a CRS Class 4
- Will be a CRS Class 2 in May 2016!
- Provides up to a 30% discount on flood insurance premiums for citizens and businesses
- Metric for comparing with other communities
Mitigation Strategies

- Public Outreach
- Flood Warning System
- Regulations
- Capital Improvements
- Maintenance
- Open Space Preservation
  - 66% of Poudre River 100-yr floodplain preserved as open space
THEMES AND IMPLICATIONS

• Disaster or urgent need appears time and time again as a driver for longer-term solutions. Collaboration, communication, education:

• Among multiple agencies that may not have direct flood/drought missions, promotes IWRM

• Regionwide, can alleviate barriers; jurisdictional lines inhibit this strategy

• Strategy design important; implementation more important, relies on communication / education
HIGHLIGHTS:

THEMES AND IMPLICATIONS

• Regulatory requirements – perhaps unrelated to flood/drought problems – can drive multi-objective program including flood/drought

• Flexibility of regulatory / institutional requirements – if it can be obtained

• U.S. nationwide programs, policies – though enormous – are piecemeal, not integrated; and not always appreciated, understood, fully implemented by local jurisdictions
For access to the full reports, more information and analysis, ideas about potential strategies:

→ Search www.awra.org

OR:

Vol I:

Vol II:
http://www.awra.org/document_request.cgi?docname=impact
Questions?