

REAUTHORIZE THE NATIONAL FLOOD INSURANCE PROGRAM

QUICK FACTS

- The NFIP provides insurance coverage to property owners for damages and losses due to catastrophic flooding. The program is administered through the Federal Emergency Management Agency (FEMA) and its current authorization is set to expire at the end of September 2017.
- Through the NFIP, FEMA provides direct aid to communities in the form of grants that are intended to help mitigate damage to property and critical infrastructure.
- The NFIP is currently over \$24 billion in debt, and NACo encourages Congress to only consider reforms to the program that will not result in rate increases for low-income homeowners.

ACTION NEEDED:

As the current authorization of the National Flood Insurance Program (NFIP) expires on September 30, 2017 please urge your members of Congress support legislation that will keep the program accessible and affordable for all county residents.

BACKGROUND:

The National Flood Insurance Program (NFIP) was created by Congress under the National Flood Insurance Act of 1968 (P.L. 90-448) to provide insurance coverage to property owners for damages and losses due to catastrophic flooding.

Today, the NFIP is administered by the U.S. Department of Homeland Security (DHS) through the Federal Emergency Management Agency. The program aims to reduce the impact of flooding on private and public structures by providing affordable insurance to property owners, and by encouraging communities to adopt and enforce floodplain management regulations.

The NFIP was last reauthorized in 2012 when President Obama signed the Biggert-Waters Flood Insurance Reform Act of 2012 (P.L. 112-141) into law which extended the NFIP through September 30, 2017.

The purpose of the Biggert-Waters Act was to make the National Flood Insurance Program (NFIP), which faced a deficit of \$24 billion, solvent. However, the Biggert-Waters Act resulted in some unintended consequences for local governments, residents and businesses.

As a result of the Biggert-Waters Act, a number of counties both coastal and inland, have reported that their homeowners and businesses faced drastic increases in annual NFIP flood insurance premiums due to phase-outs of subsidized premium rates.

Additionally, because of the Biggert-Waters Act, FEMA began to update Flood Insurance Rate Maps (FIRMs), which included new low-lying areas that also began to face drastic rate increases.

In 2014, with NACo's support, Congress passed the Homeowner Flood Insurance Affordability Act (P.L. 113-89) which included several key reforms to the Biggert-Waters Act that were favorable to counties including; grandfathering of premiums for properties built to code prior to the release of Flood Insurance Rate Maps (FIRMs); retroactive refunds to NFIP policyholders if they paid a higher premium under Biggert-Waters and the removal of a sales trigger that fully actualized premium rates at the point of sale for properties that were added to new flood zones.

Today, as Congress works to reauthorize the NFIP before the September deadline, NACo is focused on engaging key members of the U.S. House of Representatives and the U.S. Senate on the unintended negative impacts of the Biggert-Waters Act, and try to find remedies that will allow for participation from our nation's most vulnerable county residents, including restoring premium subsidies for low-income residents and those who are at a high risk of losing their homes due to a catastrophic flood.

NACo is also advocating for more funding for mitigation activities at the State and local level that will help communities invest in infrastructure improvements that will help to mitigate potential property loss due to a catastrophic flood. Finally, NACo is focused on ensuring that any new legislative proposal that would reauthorize the NFIP limit surcharges to new and existing flood insurance policies.

NACo's key policies related to the flood insurance program are focused in four areas including rates for policy holders, the programs administration, flood zone mapping, and mitigation.

Rates: NACo's main concern with rates is ensuring that they remain affordable for all eligible county residents and policy holders. Specifically, NACo is concerned with making sure that all properties that were built prior to the release of Flood Insurance Rate Maps for their area continue to be eligible to receive rate-subsidies under each of the NFIP's property categories.

Program Administration: NACo is also focused on engaging Congress to ensure that local property owners are not negatively affected by the programs administration. Specifically, we're concerned with ensuring that premium payments on policies written under the Write Your Own Program are capped, and allowing more low-income county residents access to the program. This should help increase the number of overall policy holders in the program which helps spread risk.

The Write Your Own Program was started in the early 1980's and allows insurance companies to write and service flood insurance policies in their own names. The insurance companies then receive an expense allowance for policies written and claims processed, while the Federal Government retains the responsibility of underwriting the losses.

Mapping: NACo is focusing efforts on ensuring that accurate flood maps are made available, and that a transparent process is used in updating flood-maps nationwide. Through FEMA's flood hazard mapping program, the Federal government assesses flood hazards as well as flood risks, and uses the data to help guide mitigation efforts.

Ensuring that proper funding is allocated to update flood insurance risks maps is a key priority as it helps to determine which areas are eligible to receive grant funding for mitigation.

Our key concern is making sure that properties that are being mapped for the first time, or properties that are carrying increased risk because of new maps aren't subject to drastic rate increases.

Mitigation: NACo is also focusing efforts on ensuring that funding for flood-mitigation is increased.

Under section 1366 of the National Flood Insurance Act, FEMA is authorized to administer the Flood

Mitigation Assistance grants program which provides funding to State, local and tribal governments for projects and planning that reduces or eliminates risk of damage to properties because of flooding.

In, FY 2016 Congress appropriated \$200 million for Flood Mitigation Assistance, and we're urging Congress to increase that figure.

We are also urging Congress to allow NFIP premiums paid by policy-holders to count towards community and homeowner mitigation efforts.

U.S. House of Representatives Action on NFIP

In the House, the Financial Services Committee marked up a series of seven bills that will likely be merged down the road into one package that would reauthorize the NFIP.

The House package includes potentially harmful legislation titled the 21st Century Flood Insurance Act (H.R. 2874) and was introduced by Congressman Sean Duffy (R-Wis.)

NACo's concerns with the inclusion of this bill in the House package are:

- H.R. 2874 would increase the annual limitation on premium increases from 5 percent to 8 percent for NFIP policy holders.

The additional 3 percent would potentially add a greater burden to low-income policy holders that are struggling to stay in the program. Additionally, this provision could result in some policy holders abandoning the program and decreasing the risk pool.

- H.R. 2874, would create a new state affordability surcharge on each policy issued under the program that is not residential. This surcharge could be added to publicly owned properties including county facilities, as well as businesses that operate within a flood zone.

U.S. Senate Action on NFIP

In the Senate, there are currently two-major proposals including the Sustainable, Affordable, Fair, and Efficient National Flood Insurance Program Reauthorization Act of 2017 (S. 1386) also known as the SAFE NFIP Reauthorization Act. The second is called the Flood Insurance Affordability and Sustainability Act of 2017 (S. 1313).

The Flood Insurance Affordability and Sustainability Act was introduced by Sen. Kristen Gillibrand (D-N.Y.) and Sen. Bill Cassidy (R-La.). This bill would



reauthorize the NFIP over a 10-year term from 2017-2027 which would help limit uncertainty in both the insurance and housing markets.

This bill would also reallocate existing surcharges under the NFIP to better finance pre-disaster mitigation and FEMA's flood mitigation assistance programs. Additionally, this bill would provide affordability vouchers to offset the cost of flood insurance premiums and fees that would result in housing costs exceeding 40% of an individual's household income.

The other Senate bill, the SAFE NFIP Act, would reauthorize the NFIP for six years, and help the program which is currently over \$24 billion in debt by freezing interest payments on the debt that the NFIP is accruing, and provide low-interest loans for homeowner mitigation projects.

This bill would also provide additional funding to current mitigation assistance grant programs, which are estimated to have a 4:1 ratio of return on investment.

Finally, the SAFE NFIP Act would authorize funding for LiDAR mapping technology which is one of the most accurate ways to map flood risk.

NACo will continue to engage Congress to advocate for a package that does not increase costs on our most vulnerable residents, and provides increased funding for accurate flood mapping and mitigation.

KEY TALKING POINTS:

Urge you members of Congress to:

- Appropriate more funding for mitigation activities at the State and Local level
- Oppose the inclusion of H.R. 2874 in the House NFIP reauthorization package
- Limit surcharges to new and existing flood insurance policies

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