

Biggert-Waters and the National Flood Insurance Program

The County Perspective

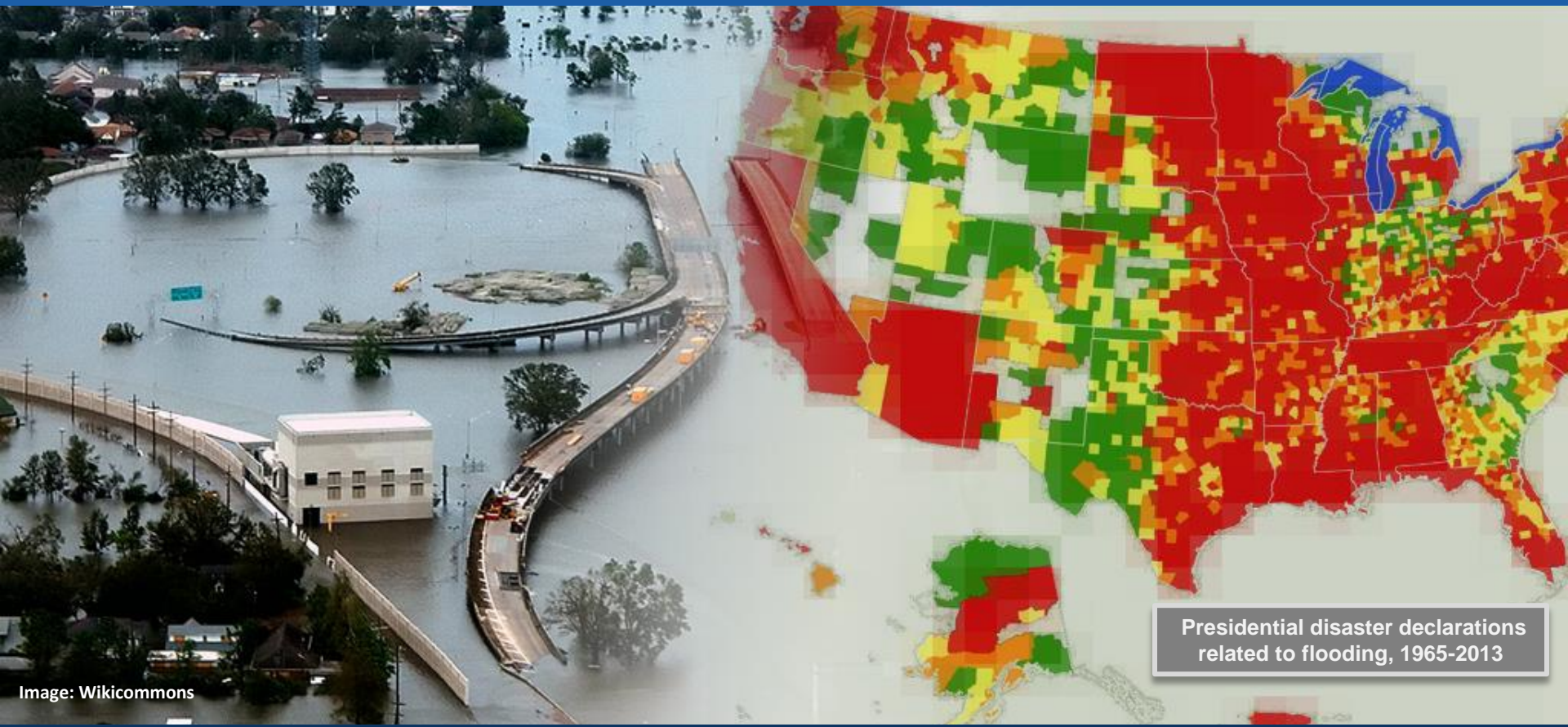


Image: Wikicommons

Why Counties Matter

With America's system of **FEDERALISM**, counties are a **KEY LEVEL** of government, **DIRECTLY** serving the people.

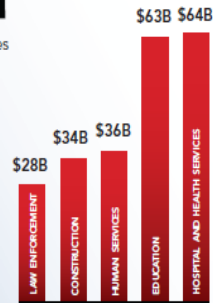


As governments created by states, counties provide **ESSENTIAL PUBLIC SERVICES** including many mandated by **FEDERAL** and **STATE** laws and regulations.

Expenditures

Total expenditures for counties in 2007

\$472 BILLION



Services

Counties employ more than

3.2 MILLION

Americans delivering a variety of services

- Healthcare
- Transportation
- Public Safety and Jails
- Courts
- Mental Health Services
- Build Local Economies
- Restaurant Inspections
- Community Colleges
- Recycling
- Solid Waste Management
- 911 Emergency Systems
- Parks and Recreation
- Elections
- Record Keeping



Elections

Counties fund and oversee more than

112,000

polling places and coordinate

700,000 poll workers

EVERY TWO YEARS



There are more than

18,000



ELECTED COUNTY OFFICIALS

Preventive Health

Counties provide flu shots and other preventive health services through

1,947

HEALTH DEPARTMENTS



Counties own **75%**

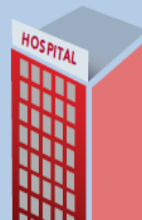


of publicly owned **NURSING HOMES**

Counties own

964

hospitals and spent **\$68.3 BILLION** on healthcare services in 2007



The United States Has **3,069** County Governments

Population

- 100,000 or more
- 70,000 to 99,999
- 50,000 to 69,999
- 30,000 to 49,999
- 10,000 to 29,999
- Less than 10,000

County Population Range

9,787,747

62

Loving Co. Texas Los Angeles Co. California

Infrastructure

Counties invested **\$60 BILLION** on infrastructure in 2007 (highways, roads, bridges, utilities, water, and sewer)

Counties spent **\$34 BILLION** on construction of county facilities

Law Enforcement

3,105 county sheriff and police departments nationwide

11.8M Persons admitted to county jails in 2011.

Transportation

Counties own and maintain **228,026** of America's Bridges, and almost **1/3** of America's Transit Systems and Airports

44% of America's Roadways

NACo Data, 2012; NACo Analysis of U.S. DOT Data, 2008; U.S. DOT, 2011; NACo Analysis of U.S. FTA Data, 2011; NACo Analysis of U.S. FAA Data, 2010; NACo Analysis of America Hospital Directory Data, 2011; NACo Analysis of Census of Government Expenditures Data, 2007; Bureau of Justice Statistics, 2012; National Association of County and City Health Officials, 2013; U.S. Census Bureau, Population Division, Vintage 2011 Resident Population Estimates.

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Presentation Overview

1. Why the National Flood Insurance Program (NFIP) and Biggert-Waters reforms matter to counties, and the county role in flood insurance
2. Why NFIP was established, how it works, and why it faces fiscal issues
3. Biggert-Waters reforms to NFIP and the impact on flood insurance rates
4. Congressional response to Biggert-Waters

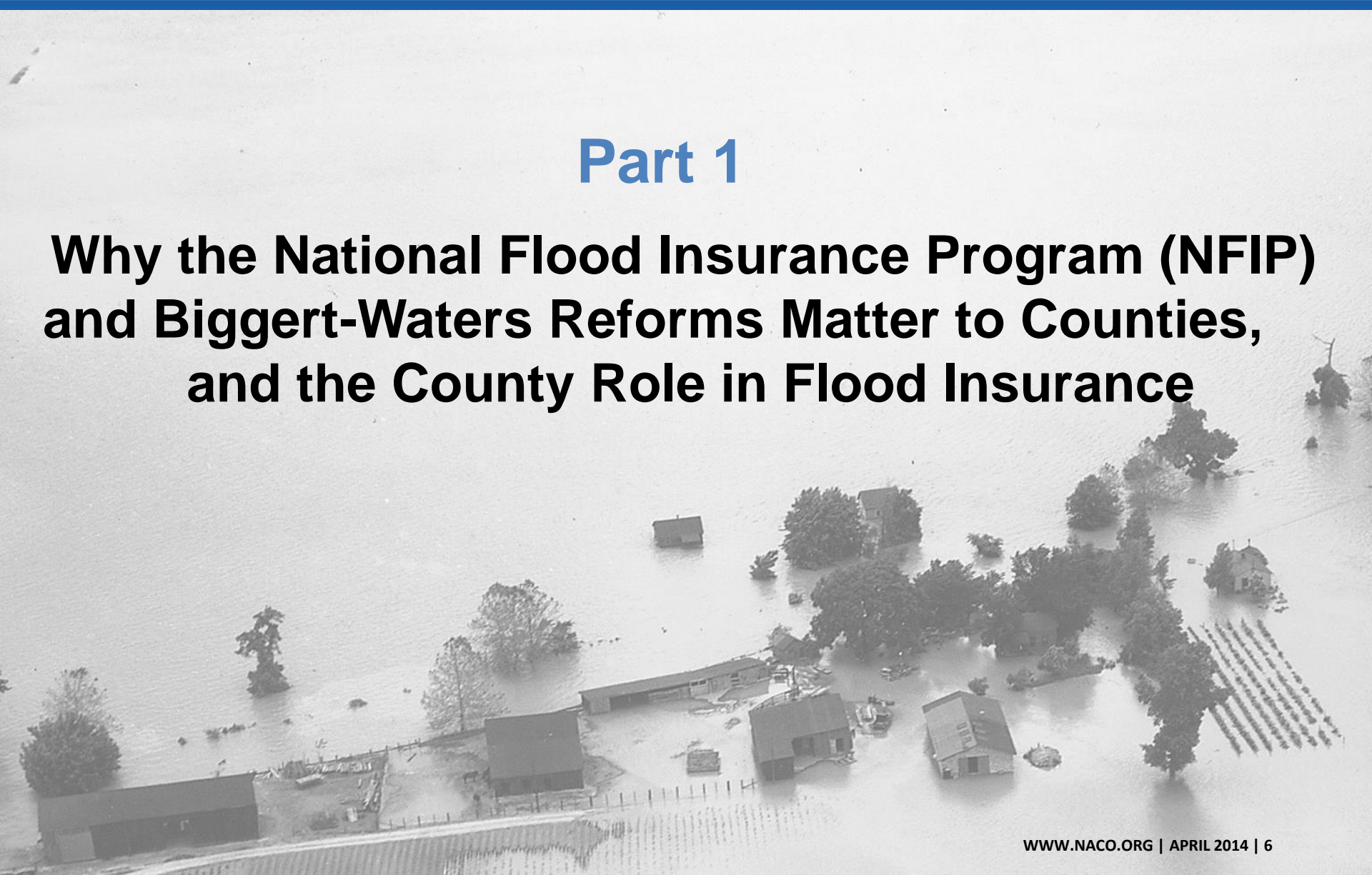
Quick Reference

NFIP: the National Flood Insurance Program is a program administered through the Federal Emergency Management Agency (FEMA) that provides flood insurance to home and business owners

Biggert-Waters: federal legislation enacted in 2012 that aimed to remedy NFIP's insolvency by phasing out subsidized insurance premium rates

Part 1

Why the National Flood Insurance Program (NFIP) and Biggert-Waters Reforms Matter to Counties, and the County Role in Flood Insurance



Why Do Counties Care?

- ◆ The purpose of the Biggert-Waters Act of 2012 (BW-12) was to make the National Flood Insurance Program (NFIP), which faced a deficit of \$24 billion, solvent. **However, BW-12 resulted in some unintended consequences for local governments, residents and businesses.**
- ◆ A number of the nation's 3,069 counties represented by NACo, both coastal and inland, have stated that their **homeowners and business are facing drastically increasing annual NFIP flood insurance premiums** due to BW-12's phase-outs of subsidized premium rates.
 - **According to the Government Accountability Office, properties in 2,930 counties had subsidized policies as of June, 2012.**
- ◆ Many low-lying areas contain lower income and/or middle income resident and business properties. **As insurance rates rise rapidly in certain areas, owners have two options – sell or walk away from mortgages.** Since selling properties with high annual insurance premiums is unlikely, people could walk away from existing mortgages, impacting both local economies and housing markets. As more homes become vacant, **counties' property values are in turn impacted.**
- ◆ As the Federal Emergency Management Agency (FEMA), which oversees the NFIP program, continues to update its Flood Insurance Rate Maps (FIRMs), **more low-lying areas may begin to face drastic premium rate increases in the future.**

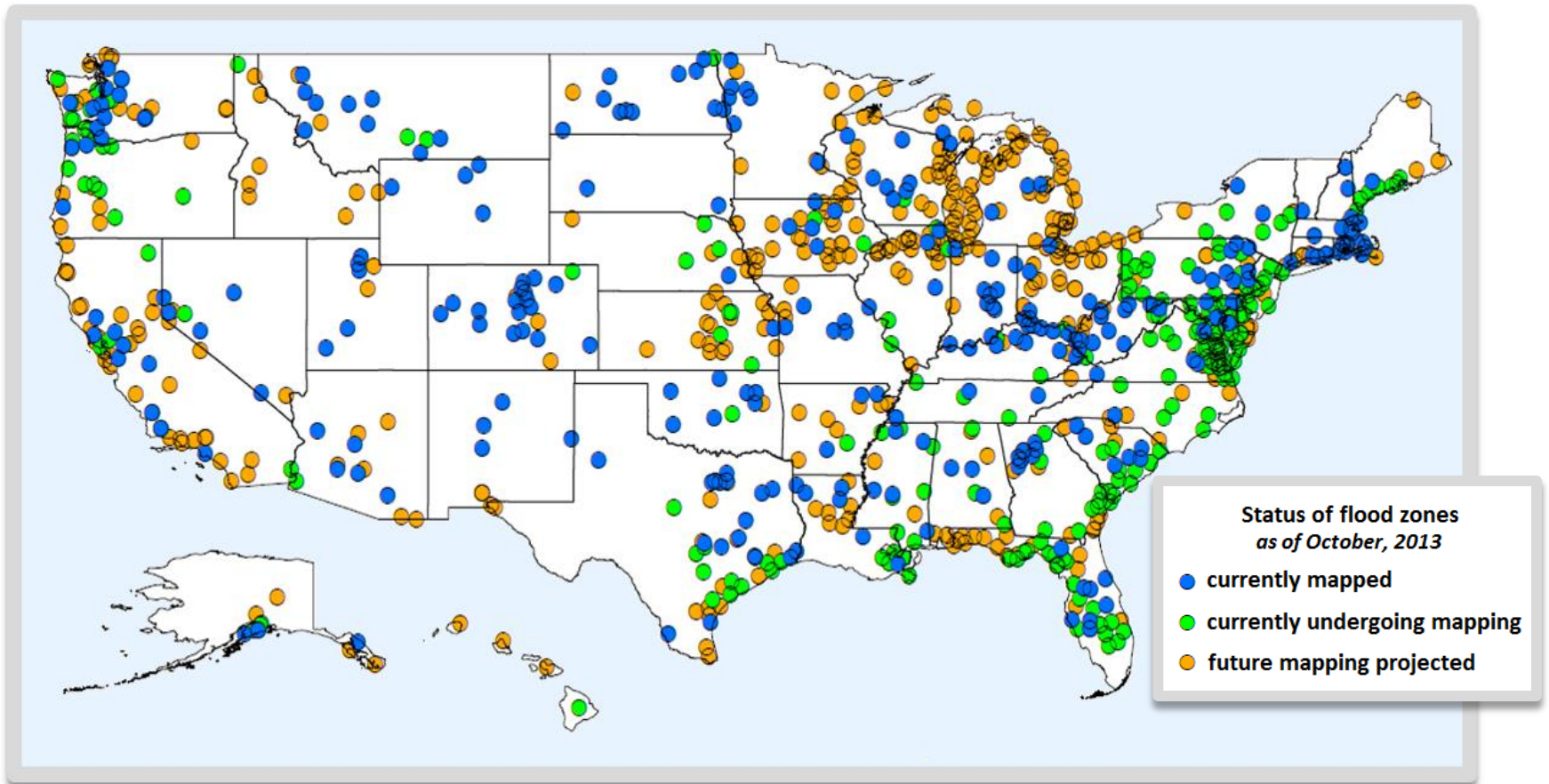
NACo Policy: National Flood Insurance Program and Biggert-Waters Act

The National Association of Counties supports a sustainable, fiscally responsible NFIP that protects the businesses and homeowners who built according to code and have followed all applicable laws, and we urge Congress to amend the Biggert-Waters Act to keep flood insurance rates affordable while balancing the fiscal solvency of the program. Further, NACo urges Congress to reinstate the grandfathering of properties (not policies) that were built to code, have maintained insurance and have not repeatedly flooded, and to implement economically reasonable rate structures.

-Adopted July 22, 2013

Location and Status of FEMA Flood Insurance Rate Maps (FIRMs)

Areas with FIRMs will be affected by rate increases

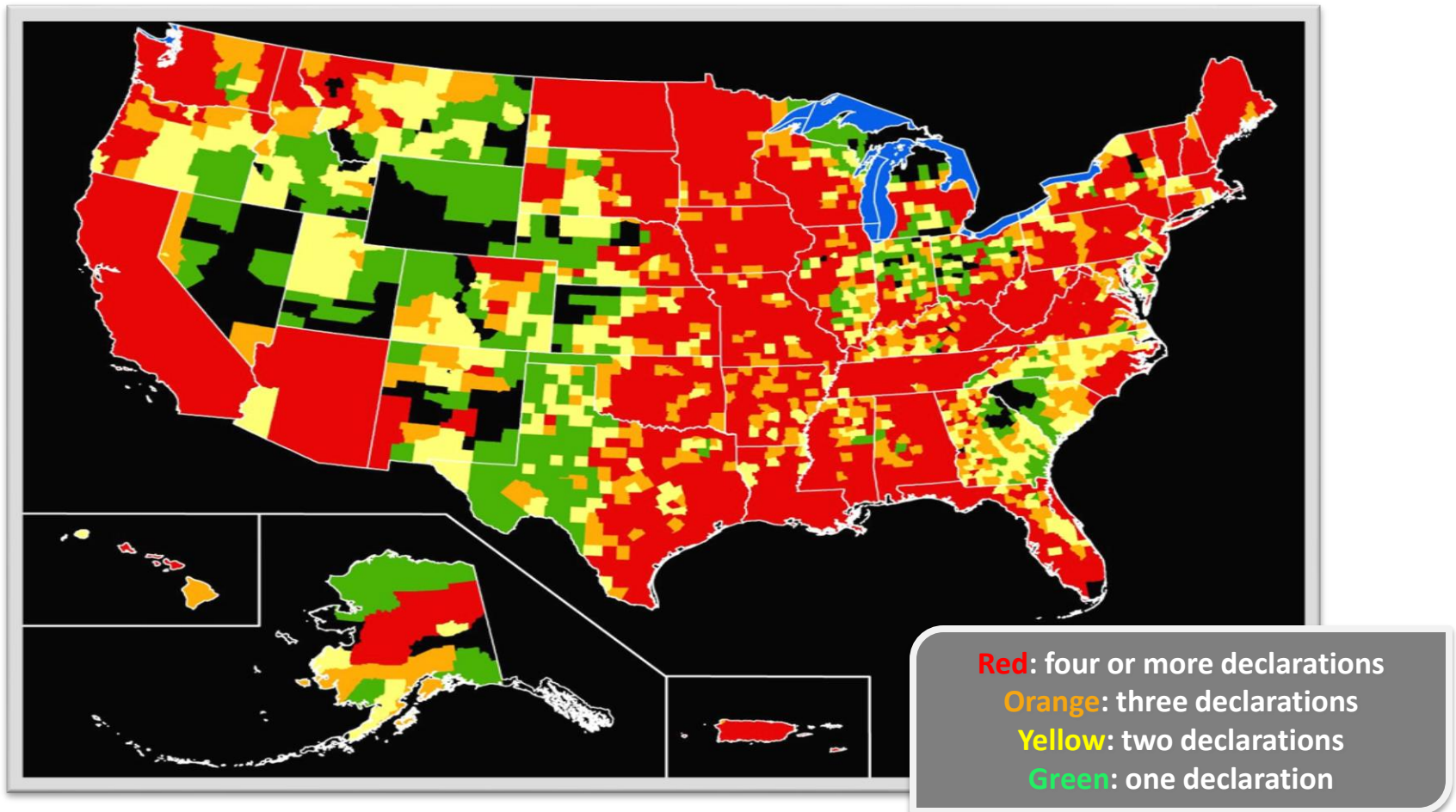


The Role of Local Communities in Flood Insurance

- Although NFIP is a voluntary program, local communities are **heavily incentivized** to participate. If a community does not participate in NFIP, its property owners cannot purchase NFIP policies, which are **often required by mortgage lenders** if a property is in a floodplain.
- Communities that participate in NFIP must have, and enforce, a **floodplain management ordinance**, which is meant to lower a community's risk of flooding. This typically requires delegating an individual to implement the ordinance.
- Communities with **Special Flood Hazard Areas (SFHAs)**, as defined by FEMA, must participate in NFIP to receive financial assistance for future flood-related disasters.

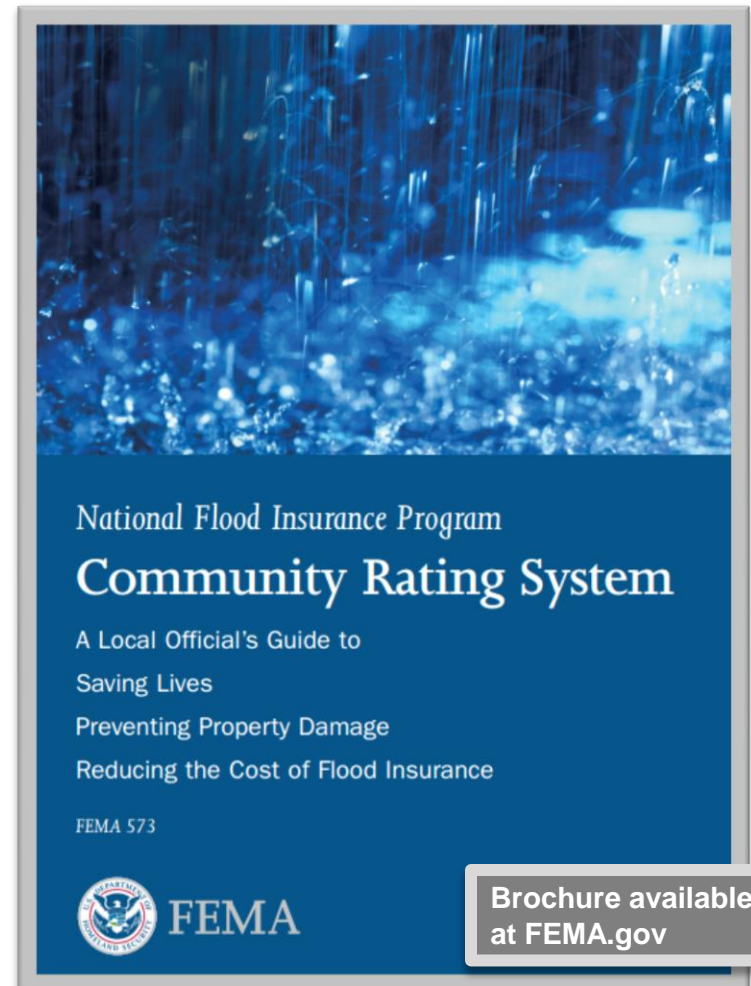


Presidential Disaster Declarations Related to Flooding *June 1965 – June 2013*



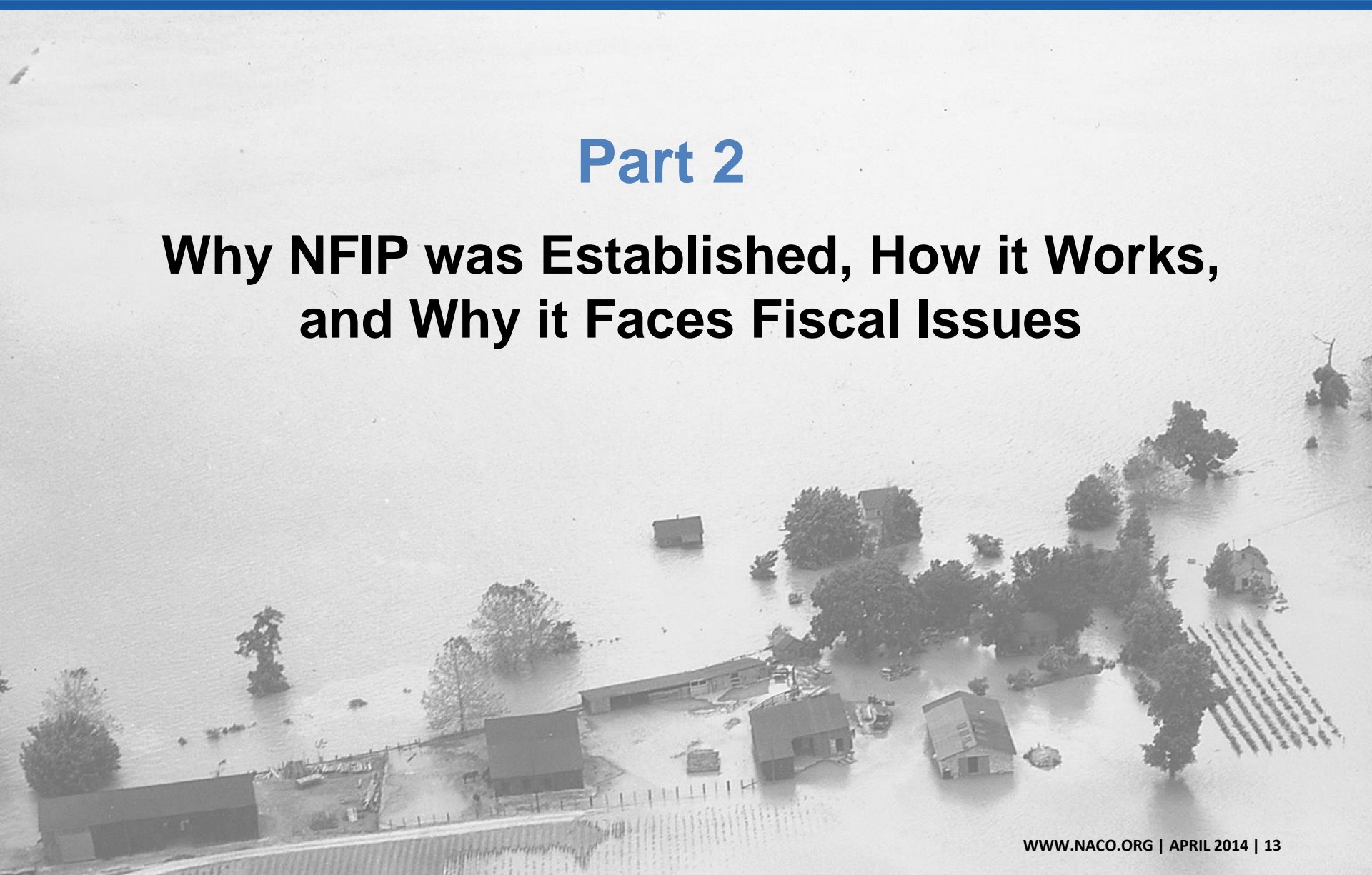
FEMA's Community Rating System

- The Community Rating System (CRS) is a voluntary **incentive program** that recognizes and encourages community floodplain management, local mitigation, and outreach activities that **exceed the minimum NFIP requirements**. 3.8 million policyholders in 1,211 communities participate in CRS.
- Under CRS, flood insurance **premiums are discounted** to reflect the reduced flood risk resulting from community actions that exceed NFIP requirements. Rates are discounted in 5 percent increments, **up to 45 percent**, based on creditable activities undertaken by the community.



Part 2

Why NFIP was Established, How it Works, and Why it Faces Fiscal Issues



What is the National Flood Insurance Program?

- In the 1960s, after widespread flooding along the Mississippi River, **most private insurers stopped offering flood insurance plans**, as they found that the plans required greater payouts than the sum of their premiums.
- Established in 1968, **the National Flood Insurance Program (NFIP) fills this void and offers federal flood insurance** to homeowners, renters and business owners in participating communities.
- **Today, NFIP provides nearly all of the flood insurance policies in the U.S.** Although coastal states typically account for most of these policies, NFIP provides coverage to participating communities **in all 50 states.**

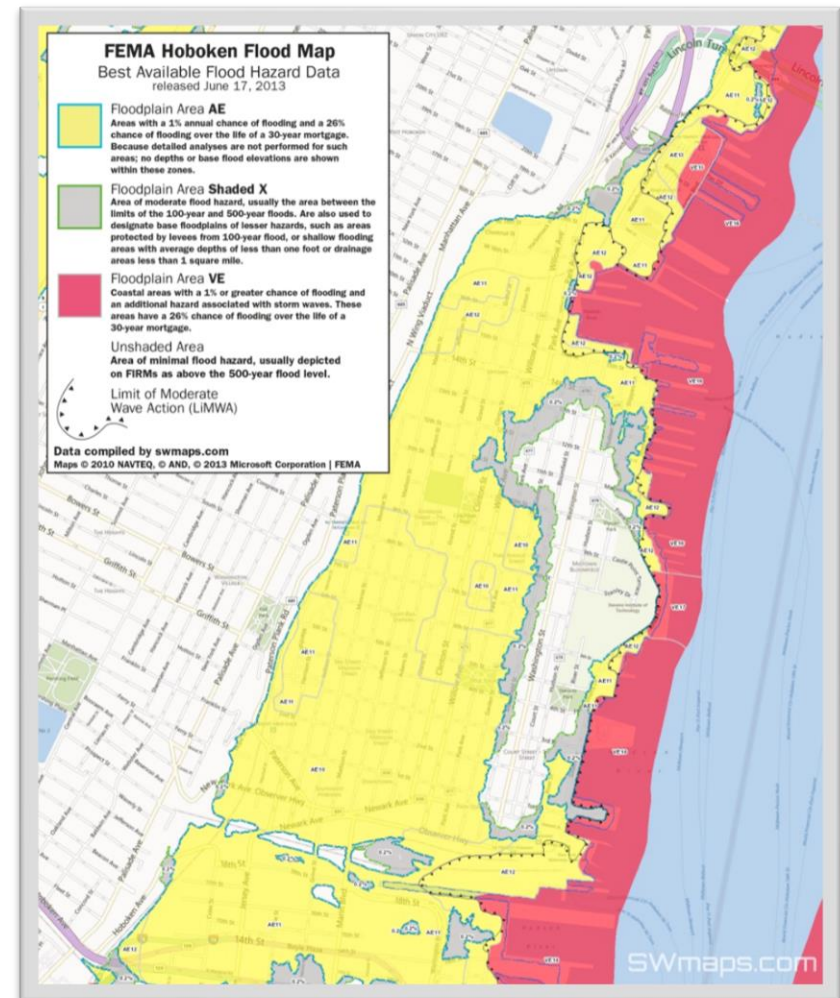


NFIP is a voluntary program, but communities must join and adopt flood management ordinances in order for their residents to purchase NFIP policies. Communities in Special Flood Hazard Areas (SFHAs) must participate to receive disaster assistance loans or grants in connection with floods.

Key Components of NFIP

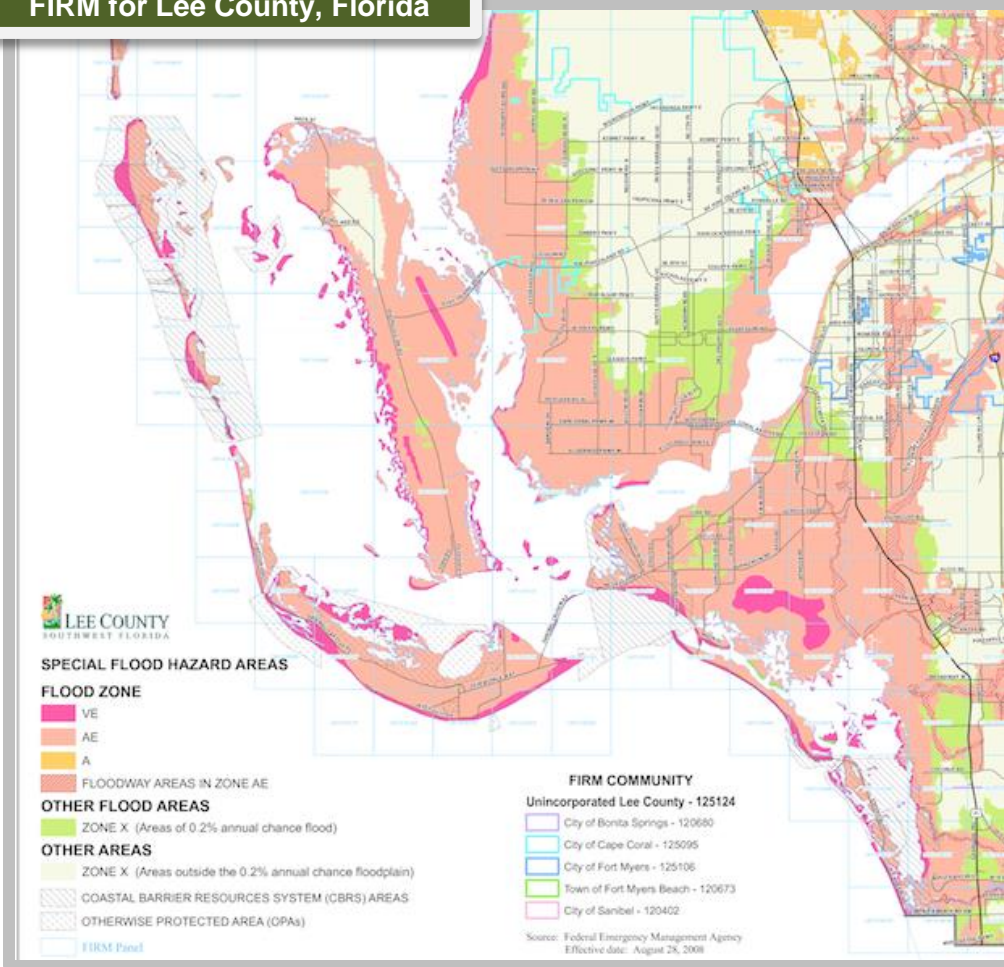
Managed through the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA), NFIP has three primary components:

- 1. Provides federal flood insurance** to homeowners, renters and business owners in participating communities. Some of these policies are subsidized.
 - NFIP provides **limited policy coverage**: up to \$250,000 for residential structures, \$100,000 for contents and \$500,000 for commercial structures.
- 2. Aims to reduce the risk of future flood damage** by requiring participating communities to adopt and enforce floodplain management ordinances.
- 3. Develops Flood Insurance Rate Maps (FIRMs)** to provide accurate flood hazard and corresponding premium rates to participating communities. (see sample map at right)



How FEMA Flood Insurance Rate Maps (FIRMs) Work

FIRM for Lee County, Florida



- FIRMs divide geographic areas into “**flood zones**” based on annual risk of flooding. Flood zones with annual flood risk greater than 0.2% are considered “**Special Flood Hazard Areas**” (SFHAs).
- For homes and businesses built in areas where FEMA has already established a FIRM, premium rates correspond to flood zones, i.e. **higher flood risk = higher premium**.
- Homes and business built before FEMA had established a FIRM (**pre-FIRM**) for a given area traditionally receive **subsidized NFIP premium rates**.
- Existing FIRMs are occasionally redrawn by FEMA to reflect changing flood risks. Traditionally, policyholders continue to pay premiums based on the FIRM that was in effect when their property was built. This practice is commonly referred to as “**grandfathering**.”

Fiscal Status of NFIP

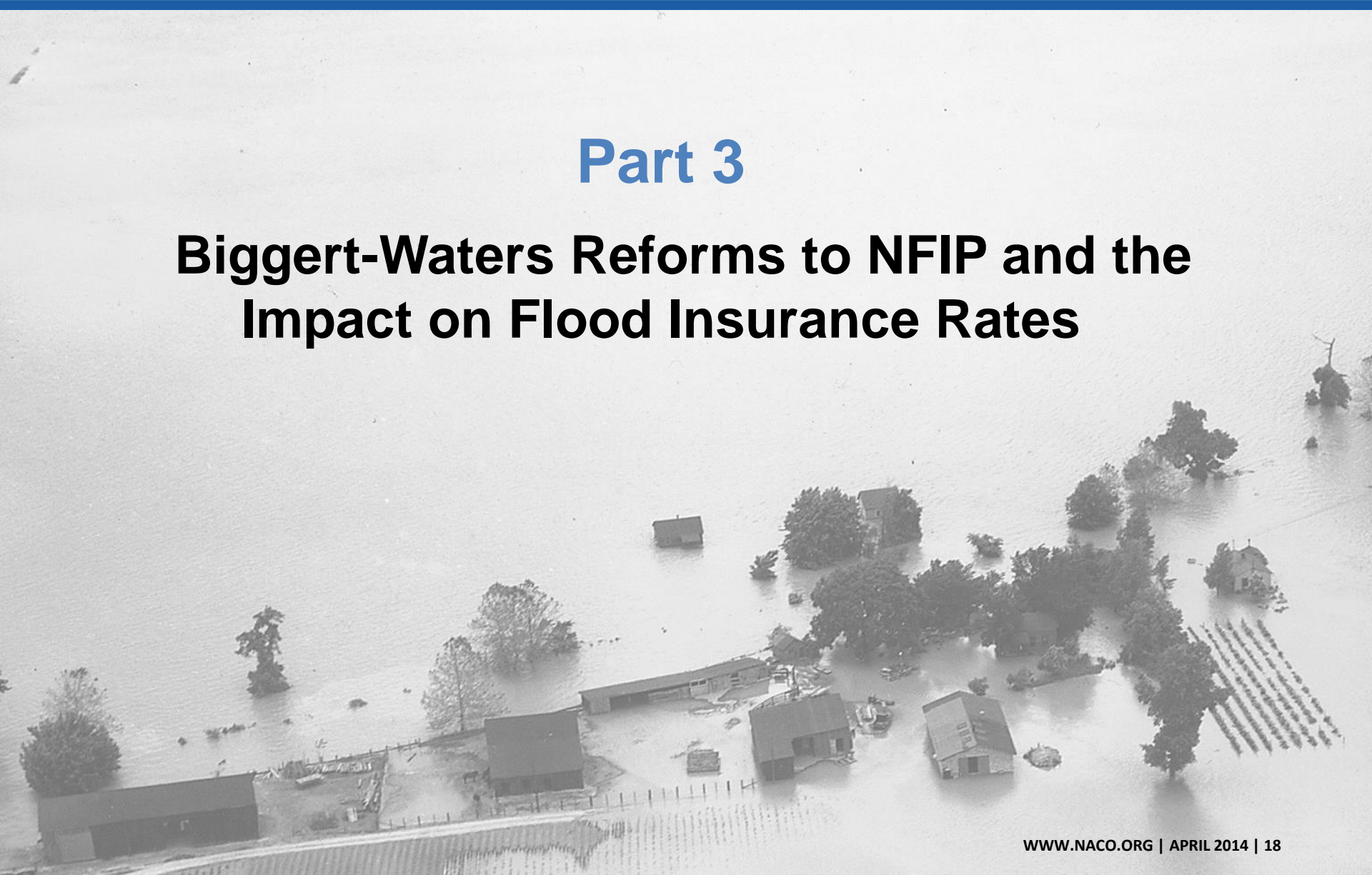
NFIP Net Profit or Loss, FY1999-FY2012

1999	\$132 million
2000	\$553 million
2001	(\$519 million)
2002	\$731 million
2003	\$448 million
2004	(\$497 million)
2005	(\$1 billion)
2006	(\$17 billion)
2007	(\$102 million)
2008	\$345 million
2009	(\$1.8 billion)
2010	\$831 million
2011	\$1.6 billion
2012	(\$321 million)

- As this chart demonstrates, in FY2006 NFIP experienced **massive losses as a result of Hurricane Katrina**; according to a report prepared by the Congressional Research Service for members and committees of Congress, **“Katrina financially overwhelmed the program.”**
- Due in large part to losses from Katrina, NFIP was placed on the **Government Accountability Office’s (GAO) list of high-risk federal programs** in 2006 and remains on that list. The high-risk list calls attention to federal programs that are “most in need of transformation.”
- According to GAO, NFIP owed approximately **\$24 billion** to the U.S. Treasury as of July 31, 2013, and suffers from **“structural weaknesses in how the program has been funded – primarily its rate structure.”**

Part 3

Biggert-Waters Reforms to NFIP and the Impact on Flood Insurance Rates

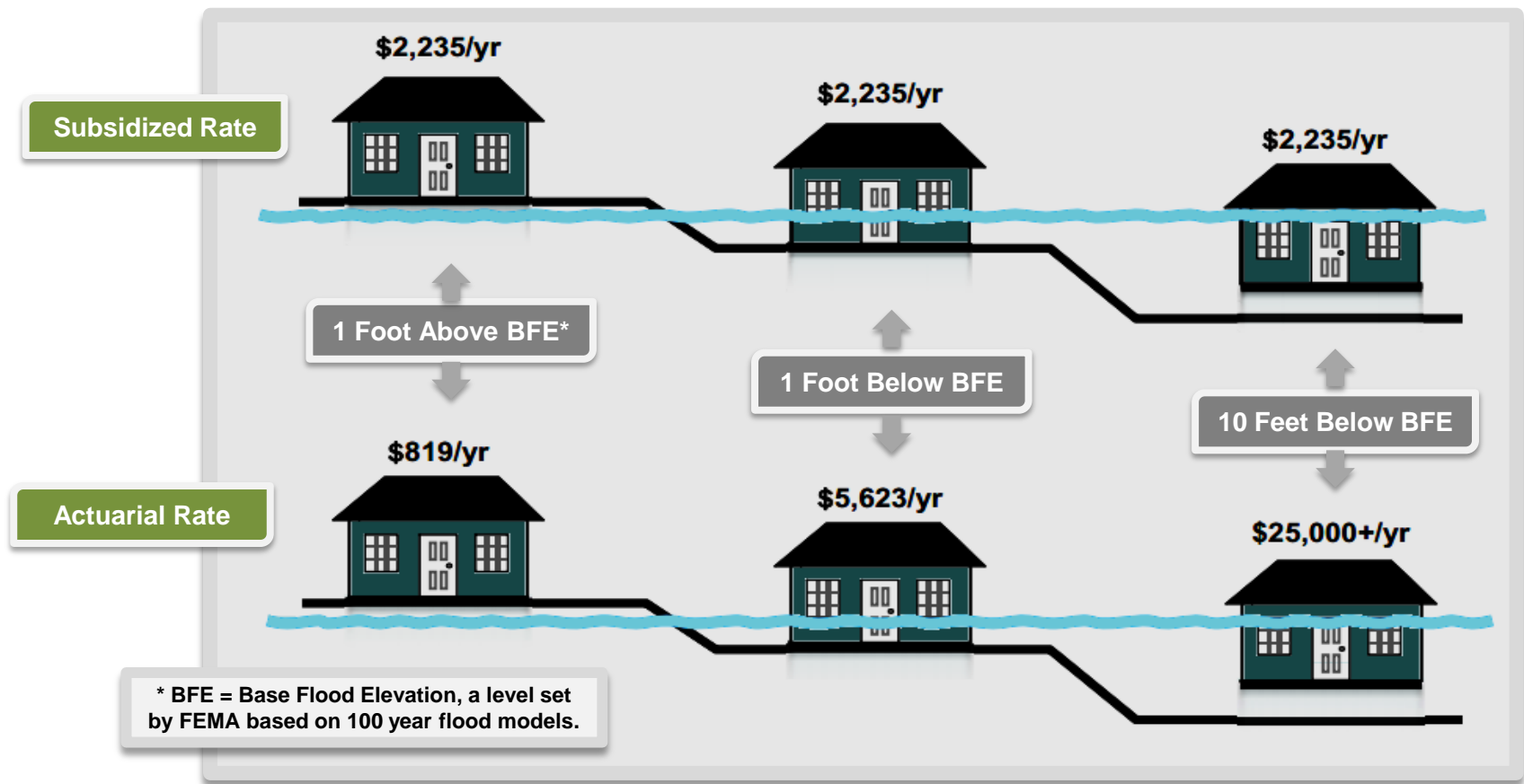


The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12)

- In July 2012, Congress passed the Biggert Waters Flood Insurance Reform Act of 2012 (BW-12), which significantly reformed NFIP in an effort to bring financial stability to the program. The following are the most significant changes:
 - Gradual **phase-out of subsidized rates** on certain classes of properties to reflect true flood risks. This will result in **rate increases** for many policy holders over time. The Government accountability Office estimates that, as of June 2012, **2,930 counties** had subsidized policies.
 - Traditionally, homes and businesses in **Special Flood Hazard Areas (SFHAs)** that were built before FEMA Flood Insurance Rate Maps were drawn (“**pre-FIRM**”) paid subsidized rates, which do not reflect true flood risk. As of June 2012, **roughly 21 percent of NFIP policies were subsidized.**
 - NFIP **flood map “grandfathering” will be phased out**: beginning in late 2014 or later, policyholders will no longer have the option of using risk data from previous Flood Insurance Rate Maps (**FIRM**) that were in effect when their home or business was built. This will also result in rate increases.
 - **Update**: the Homeowner Flood Insurance Affordability Act of 2013 (P.L. 113-89) repeals this provision of BW-12. Grandfathering will be allowed to continue.

Projected Impact of Loss of Subsidized Rates

Based on 2012 NFIP rates for a building valued at \$200,000 with contents valued at \$80,000.
For some properties, rates will increase by **a minimum of 1,000 percent** over time.



Projected Impact of Loss of Subsidized Rates

Actual examples of rate increases resulting from Biggert-Waters reforms



14272 Highway 23, Belle Chasse, La.

- Primary residence
- Built fully to code
- Has never flooded

Premium will increase from \$632/year to \$17,723/year once grandfathered rates are phased out

212 43rd Avenue, St. Petersburg Beach, Fla.

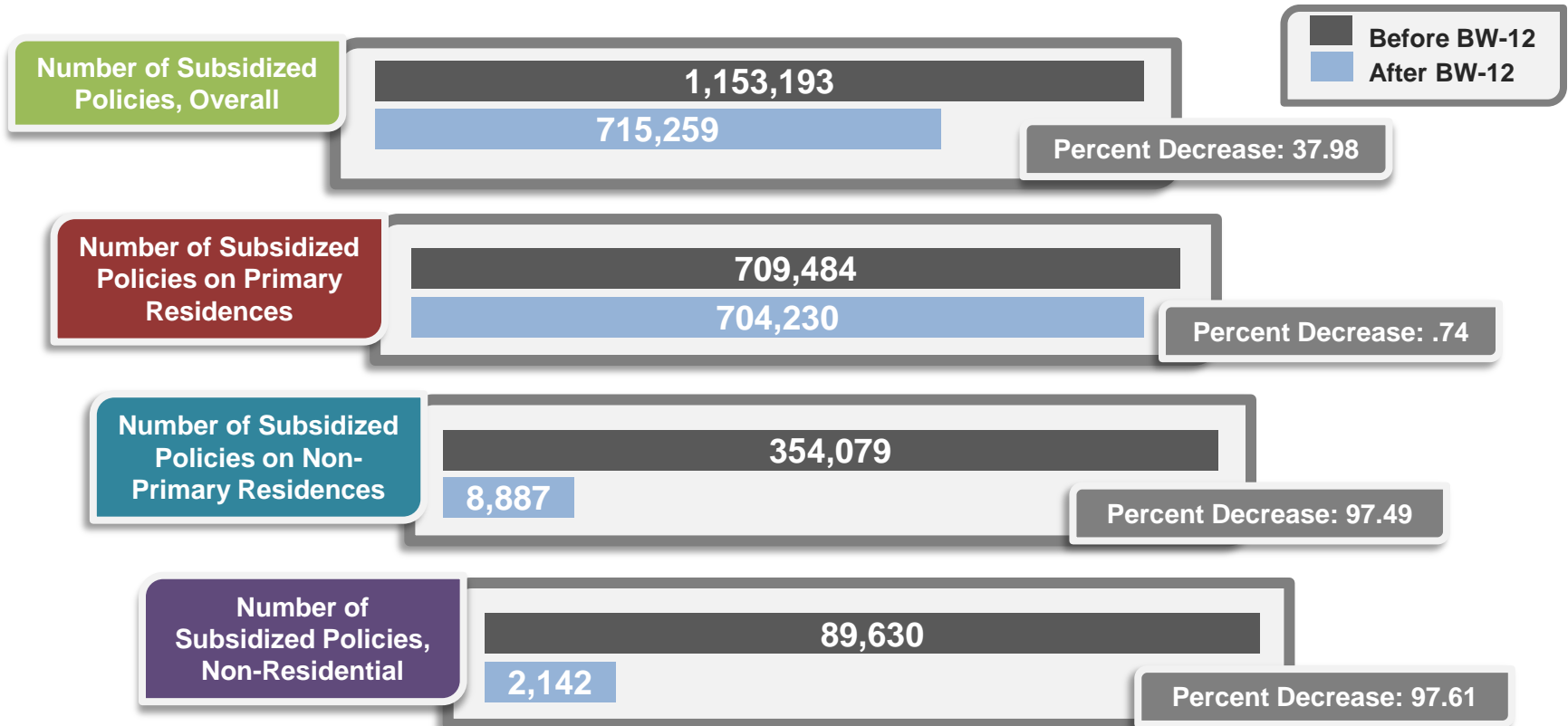
- Primary residence
- Pre-FIRM property
- Has never flooded

Premium will increase from \$1,000/year to \$10,872/year when property is sold



Estimated Decrease of Subsidized Policies After BW-12

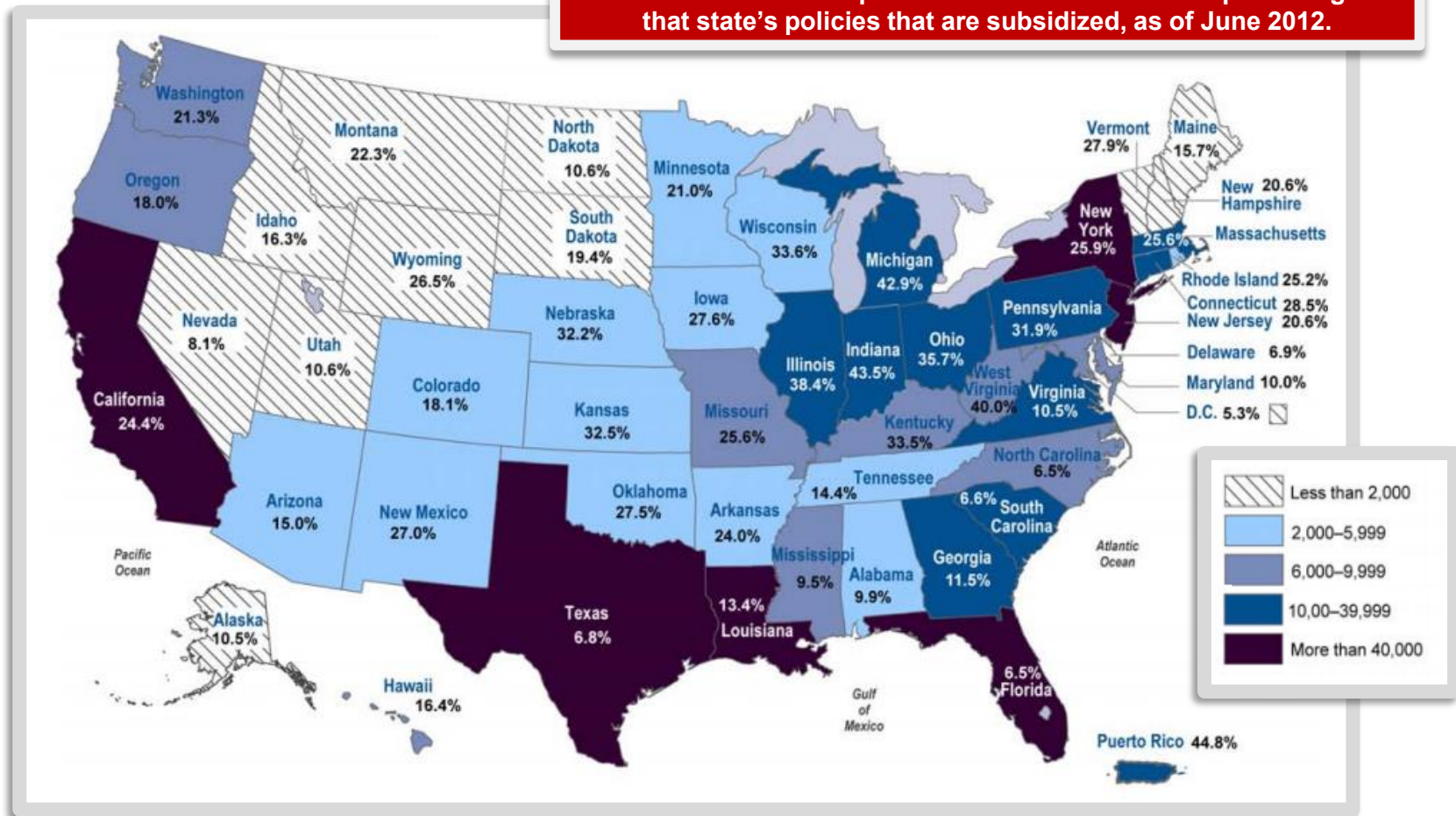
The graphs below show the impact of BW-12 on subsidized NFIP policies. Nearly all of the subsidized policies still fully in effect after BW-12 will cover primary residences, and those policies will also be phased out over time as homes are sold and policies lapse. **The Government Accountability Office estimates that within 14-18 years, only 100,000 subsidized policies will remain.**



Biggert-Waters and NFIP Reform

Estimate of Remaining Subsidized NFIP Policies by State

Number of subsidized policies in each state and the percentage of that state's policies that are subsidized, as of June 2012.

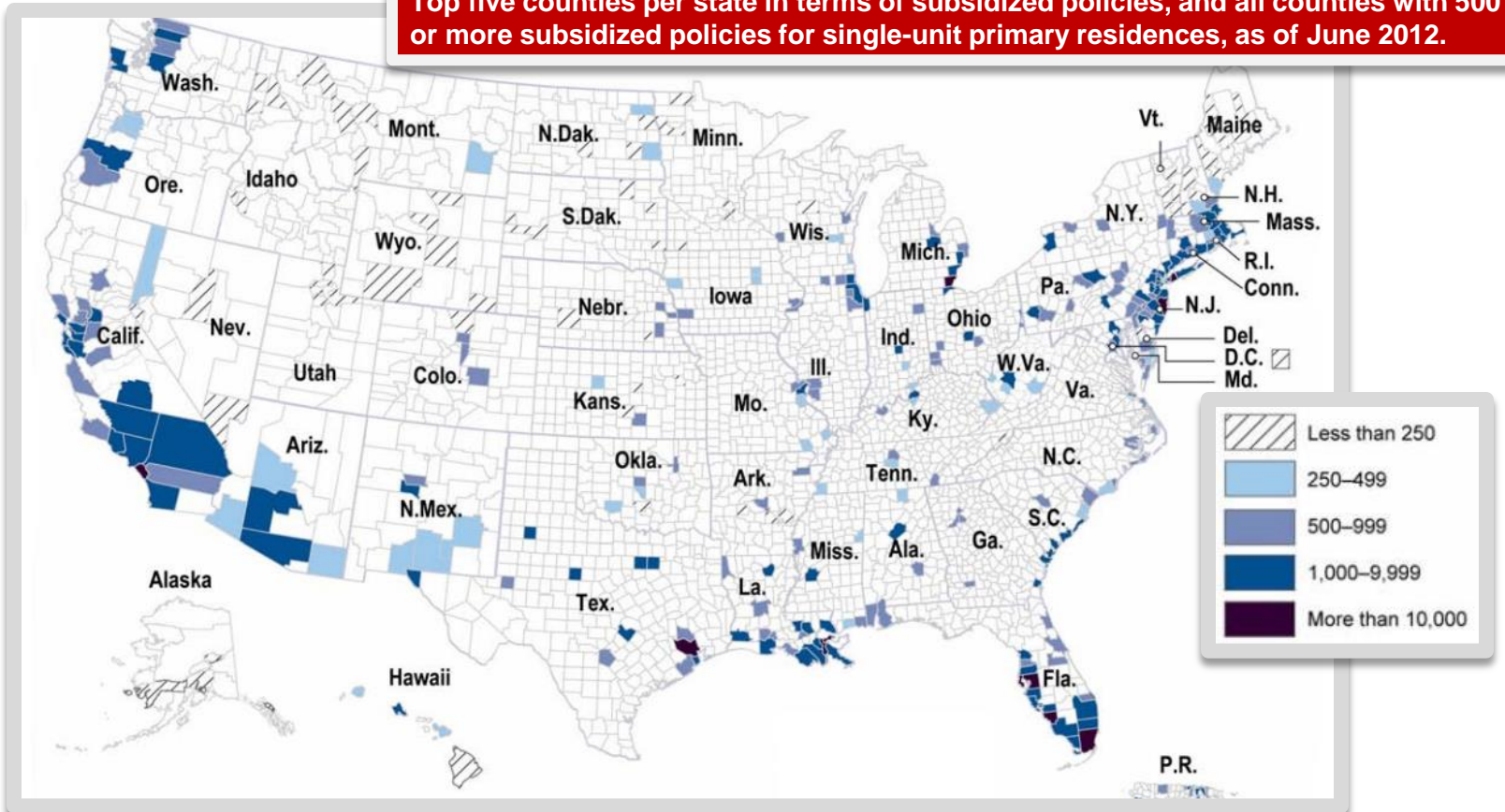


Biggert-Waters and NFIP Reform

Estimate of Remaining Subsidized Policies by County

Policyholders in an estimated **2,930 counties** had subsidized policies, as of June 2012, according to the Government Accountability Office.

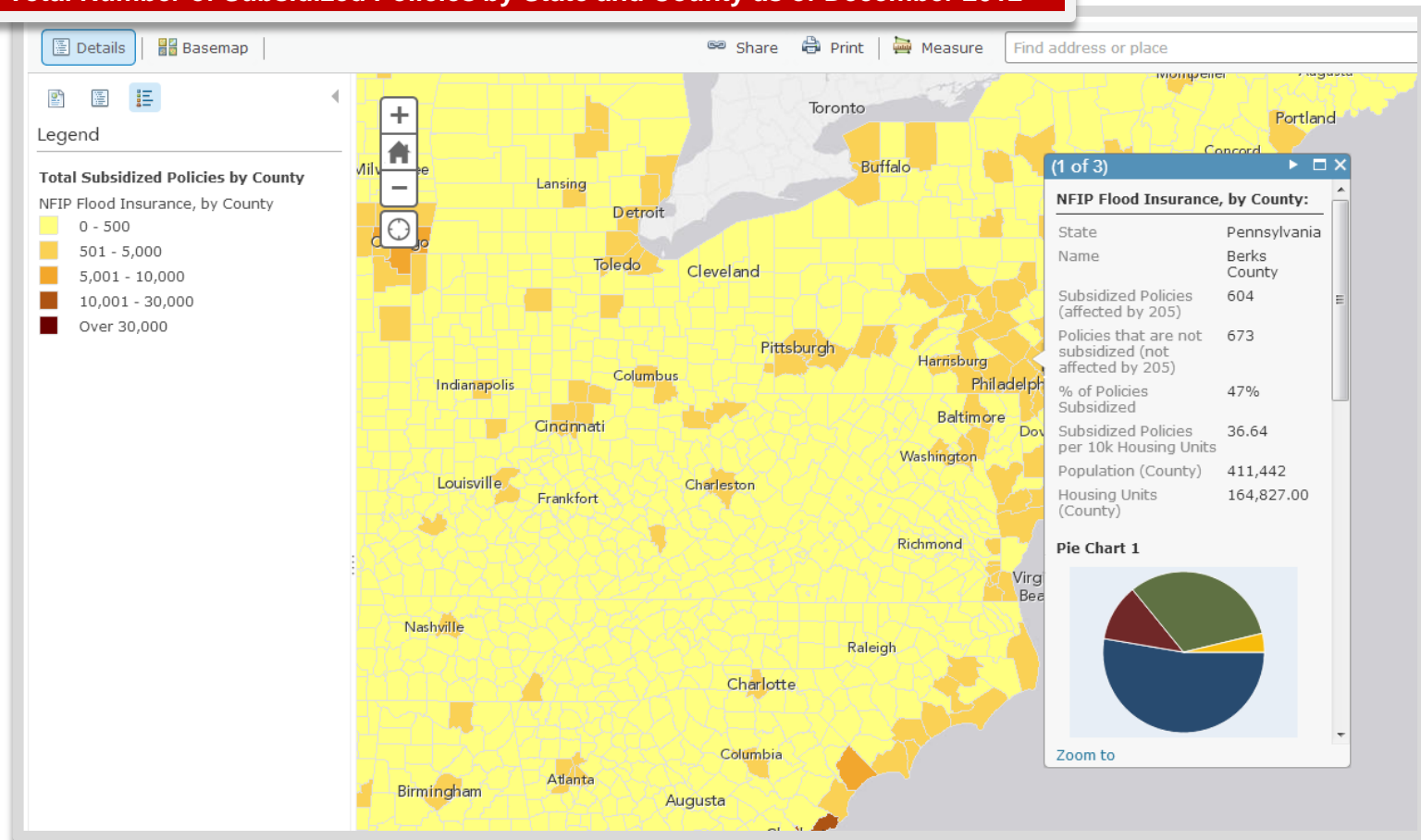
Top five counties per state in terms of subsidized policies, and all counties with 500 or more subsidized policies for single-unit primary residences, as of June 2012.



Biggert-Waters and NFIP Reform

To view remaining subsidized policies in your county and state
visit bit.ly/1hnU3oB

Total Number of Subsidized Policies by State and County as of December 2012



Part 4

Congressional Response to Biggert-Waters



The Homeowner Flood Insurance Affordability Act *Movement in Congress*

- The Senate passed their version of the Homeowner Flood Insurance Affordability Act (**S. 1926**) on January 30, 2014 by a vote of 67-32
- The House of Representatives passed their version of the Homeowner Flood Insurance Affordability Act (**H.R. 3370**) on March 4, 2014 by a vote of 306-91
- On March 21, 2014 President Obama signed the Homeowner Flood Insurance Affordability Act of 2014 (P.L. 113-89) into law. This bill mirrors the House-passed version of the Homeowner Flood Insurance Affordability Act (H.R. 3370).



On January 7, 2014 Sens. Chuck Schumer (D-N.Y.) and Robert Menendez (D-N.J.), joined by NACO President Linda Langston and Second Vice President Sallie Clark, held a press conference in support of S. 1926.

The Homeowner Flood Insurance Affordability Act of 2014

Key provisions compared to BW-12

Issue	Biggert-Waters (P.L. 112-557) Passed July 6, 2012	Homeowner Flood Insurance Affordability Act of 2014 (P.L. 113-89) Passed March 4, 2014
Pre-FIRM properties (Properties built before the community's flood insurance rate map or FIRM was issued)	Phases out subsidies for second homes, businesses, severe repetitive loss properties or substantially improved/damaged properties	Would retroactively refund insurance rates already collected if the new rates are lower than those previously paid
Grandfathered Properties	Phases out subsidies for grandfathered properties, premium would increase by 20 percent following effective date of remapping	Would permanently repeal section 207 of BW-12, allowing grandfathering to continue
Annual Rate Increases (Subject to FEMA's Authority to Increase Rates)	Increased annual premium rates within any single risk classification from 10 to 20 percent	Would limit annual rate increase to 5-15 percent of pre-BW-12 premiums until actuarial rates are met (based on average within a single risk classification i.e. flood Zone A, Zone AE, Zone V etc.) 5 percent floor only applies to pre-FIRM primary residences Limits per property premium increase at 18 percent

The Homeowner Flood Insurance Affordability Act of 2014

Key provisions compared to BW-12

Issue	Biggert-Waters (P.L. 112-557) Passed July 6, 2012	Homeowner Flood Insurance Affordability Act of 2014 (P.L. 113-89) Passed March 4, 2014
Addressing NFIP Fiscal Solvency	<p>Requires FEMA to create repayment schedule to eliminate debt; progress to be reported every 6 months</p> <p>Phases out subsidies for second homes, businesses, severe repetitive loss properties</p>	<p>Would implement annual surcharge of \$25 for primary residences and \$250 for second homes and businesses to be deposited in reserve fund</p> <p>CBO estimates a zero cost to the NFIP to implement over a 10 year period (2015-2024)</p>
Home Improvement Threshold	<p>Premium increases triggered when the NFIP property undergoes renovation or substantial damage that equals or is above 30 percent of the structure's fair market value</p>	<p>Would increase home improvement threshold (renovation or damage) to 50 percent of the structure's fair market value</p>
Residential Basements	<p>Base flood elevation (BFE) calculated based on lowest floor structure; i.e. lowest floor is the basement floor, regardless of flood-proofing</p>	<p>Would exclude detached structures from mandatory purchase requirement</p> <p>Would allow FEMA to use exceptions and variances for flood-proofed basements</p>

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Affordable Care Act Part 1: Impact on Counties as Employers
November 22, 2 PM (EDT)
Register >

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Legislative News

House Passes WRRDA with Overwhelming Support
On October 23, the U.S. House of Representatives passed the Water Resources Reform and Development Act (WRRDA) by a vote of 417-3. WRRDA addresses many key issues of importance to counties. WRRDA is based on the Water Resources and Development Act (WRDA), which is biannual legislation last authorized in 2007. [More >](#)

House Leadership Names Farm Bill Conference, Action Needed
On October 12, U.S. House of Representatives leaders announced the members of their farm bill conference committee. The newly appointed House conferees will join their Senate counterparts, who were named prior to the August recess, to hash out the differences between the two chambers' farm bills. The House conferees include 17 Republicans and 12 Democrats, while the Senate's consist of 7 Democrats and 5 Republicans. [More >](#)

First-Ever FEMA Reauthorization Introduced in House
On October 22, leaders of the House Committee on Transportation and Infrastructure introduced the first ever reauthorization of the Federal Emergency Management Agency (FEMA). This bipartisan legislation is designed to ensure accountability and strong Congressional oversight of FEMA. FEMA programs assist states and local communities to better prepare for, respond to, recover from, and mitigate the broad range of hazards frequently facing our nation. [More >](#)

House Passes Adoption and Guardianship Bill
On October 22, the U.S. House of Representatives unanimously approved the Promoting Adoption and Legal Guardianship for Children in Foster Care Act (H.R. 3025). The bill reauthorizes the Adoption Incentive Grants Program and the Family Connections Grant Program through 2016. County child welfare agencies can apply for Family Connections grants directly. [More >](#)

House Committee Holds Hearing on IP transition
On October 23, the House Energy and Commerce Committee's Subcommittee on Communications and Technology held a hearing on the topic of IP transition with witnesses from industry, government and think tanks. IP transition commonly refers to the provision of phone service via the internet rather than traditional copper lines; phone service provided through an internet network is called Voice Over Internet Protocol (VOIP). [More >](#)

Questions?



Contact Us!

For questions or more information, feel free to contact us

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