



Testimony of Stephen Ellis
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before the
Subcommittee on Housing and Insurance
Committee on Financial Services
U.S. House of Representatives
hearing on

“Mitigation and Multiple Loss Properties: Factors Influencing the High Cost of Flooding”

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Good afternoon, Chairman Flood, Ranking Member Cleaver, and members of the Subcommittee. Thank you for the opportunity to testify today.

I am Steve Ellis, President of Taxpayers for Common Sense (TCS), a national nonpartisan budget watchdog. I have worked on flood insurance and disaster policy issues for more than three decades, including as a Coast Guard officer in the aftermath of the Great Midwest Flood of 1993. I have testified before Congress on the National Flood Insurance Program (NFIP) multiple times since joining TCS in 1999.

What I have to say today is, unfortunately, not new. The problems we are discussing—multiple loss properties, underinvestment in mitigation, and misaligned incentives—have been well understood for decades. Taxpayers have been paying the price. What has been missing is action.

Let me start with a simple point regarding flood insurance: the best way to reduce rates is to reduce risk.

Today, that risk is both widespread and growing. An estimated nearly 18 million residential properties nationwide face substantial flood risk.¹

The Taxpayer Cost of Inaction

As of February last year, the NFIP was \$22.5 billion in debt to the Treasury and is expected to continue losing money annually.² That figure does not include \$16 billion that was borrowed from the Treasury and forgiven in 2017. Over time, the program has cost taxpayers tens of billions of dollars, but nearly all of the nearly \$40 billion borrowed from the Treasury—from taxpayers—has occurred in the last two decades since Hurricane Katrina.

¹ First Street Foundation, *The Precipitation Problem*, First Street Research Library, June 25, 2023, <https://firststreet.org/research-library/the-precipitation-problem/>.

² Federal Emergency Management Agency, *FEMA Exercises Borrowing Authority for National Flood Insurance Program*, February, 2025. <https://www.fema.gov/press-release/20250210/fema-exercises-borrowing-authority-national-flood-insurance-program>

That debt is not an abstract number. It reflects repeated decisions to rebuild in the same high-risk areas without reducing the underlying risk.

At the same time, disaster costs are rising across the board. Federal spending on disaster response and recovery continues to grow, while investment in prevention and mitigation lags behind.³

Historically, federal policy has overwhelmingly prioritized rebuilding after disasters rather than reducing risk beforehand—about 88 percent of FEMA mitigation funding from FY2010 to FY2018 was provided after disasters, not before them.⁴

This is not a mystery. It is a policy choice.

The Core Problem: Multiple Loss Properties

A small number of properties drive a disproportionate share of losses in the NFIP.

We have known for years that multiple loss properties (MLPs)—particularly severe repetitive loss properties (SRLPs)⁵—account for a significant share of claims. We also know where these properties are.⁶

In fact, these properties have generated more than \$12.5 billion in NFIP claims—roughly one-quarter to nearly one-third of all payouts—even though they represent only about 1 percent of insured properties.⁷ One study found that during a ten-year period (2012 to 2021), 1,200 SRLPs and 4,900 Repetitive Loss Properties (RLPs) were newly identified each year. Furthermore, inflation-adjusted claim payments to MLPs have trended upward over the last 40 years.⁸

And yet, the federal government continues to pay to rebuild them after each flood.

³ Taxpayers for Common Sense, *Paying the Price: Taxpayers Footing the Bill for Increasing Costs of Climate Change*, June 2023. <https://www.taxpayer.net/disaster/paying-the-price/>

⁴ U.S. Government Accountability Office, *Disaster Resilience: FEMA Should Take Additional Steps to Streamline Hazard Mitigation Grants and Assess Program Effects*, GAO-21-140, February 2, 2021. <https://www.gao.gov/assets/gao-21-140.pdf>

⁵ Multiple loss properties include Repetitive Loss Properties - those that have two or more claims over \$1,000 over a ten-year period - and Severe Repetitive Loss properties - those with four or more separate NFIP claims exceeding \$5,000 (building and contents) with cumulative amount of claims exceeding \$20,000 or two or more claim payments (building payments only) where the combined total exceeds the current value of the building.

⁶ Homeland Security Operational Analysis Center, *One- to Four-Family Properties with Multiple Losses Insured by the National Flood Insurance Program*, July 2023. https://www.rand.org/pubs/research_reports/RRA2462-1.html

⁷ The Pew Charitable Trusts, “Repeatedly Flooded Properties Cost Billions: New Policies Are Needed to Break a Cycle of Loss and Rebuilding” (infographic, October 6, 2016), <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2016/repeatedly-flooded-properties-cost-billions>.

⁸ Homeland Security Operational Analysis Center, *One- to Four-Family Properties with Multiple Losses Insured by the National Flood Insurance Program*, July 2023. https://www.rand.org/pubs/research_reports/RRA2462-1.html

Too often, buyouts are slow or incomplete, leaving homeowners feeling trapped with no option but to remain. Too often, we address individual properties instead of entire neighborhoods. Too often, there is no plan for what happens after the next flood—which we know is coming.

This is not an information gap. It is a failure to act on the information we already have—and to help these homeowners move out of harm's way. Until federal policy changes to stop repeatedly insuring and rebuilding the highest-risk properties, that failure will continue.

Mitigation: The Solution We Underuse

The evidence on mitigation is overwhelming. Every dollar invested in mitigation saves multiple dollars in avoided disaster costs. It is the disaster equivalent of an ounce of prevention is worth a pound of cure.

Of course that return is not static—it varies by project, region, and approach. The key point is not that every project is identical—it's that we consistently underinvest in the ones that clearly work.

We have proven tools:

- Strategic buyouts—done at scale, not one property at a time
- Elevation and floodproofing
- Relocation
- Community-wide mitigation, including green infrastructure

Mitigation should not just be about rebuilding stronger while keeping properties and communities exposed to future risk—it should be about reducing exposure to risk.

Yet fewer than one in four of the highest-risk properties have been mitigated.

Instead, we continue to spend taxpayer dollars rebuilding the same properties again and again. We are choosing to pay repeatedly rather than reduce risk permanently. Every dollar spent rebuilding a property that will flood again is a dollar not spent preventing the next disaster.

And even when mitigation programs exist, they are not being consistently deployed. The Trump administration, to its credit, created FEMA's Building Resilient Infrastructure and Communities (BRIC) program in 2018 to strengthen pre-disaster mitigation, yet moved in 2025 to terminate BRIC and freeze or cancel pending resilience grants—leaving communities with shovel-ready mitigation projects but no federal support. No new FEMA mitigation funding has been approved or obligated since March 2025.⁹ This risks being penny-wise and pound-foolish.

To be sure, taxpayers will bear disaster costs. But the choice is between investing in targeted mitigation pre- and post-disaster or continuing to rely on large, business-as-usual disaster

⁹ Congressional Research Service, *Funding for FEMA Hazard Mitigation Assistance in 2025*, IN12642, January 15, 2026. <https://www.congress.gov/crs-product/IN12642>

supplementals. Americans are generous in opening the taxpayer wallet post-disaster, but taxpayers deserve a government that reduces this need through judicious, targeted mitigation funding that lowers future risk and taxpayer costs.

Why Aren't We Doing More? Misaligned Incentives

One reason mitigation is underutilized is how we evaluate projects.

FEMA requires mitigation projects to pass a benefit-cost analysis. We support that. But the assumptions built into that analysis matter.

The discount rate—a factor used to account for the time value of money—has shifted from roughly 7 percent, to about 3 percent, and now back to 7 percent for FEMA projects.

This matters because mitigation projects often have high upfront costs but long-term and long lasting benefits. A higher discount rate makes those future benefits appear smaller on paper, making it harder for projects to qualify. The Congressional Budget Office has noted that estimates of long-term costs and benefits are highly sensitive to the discount rate used, and that higher rates can significantly reduce the apparent value of benefits that occur decades in the future.¹⁰

At the same time, there are inconsistencies across the federal government. For example, the Army Corps of Engineers is required under statute to use a different methodology tied to Treasury rates, which can advantage certain structural projects over others. Furthermore, it makes little sense to tie a project's discount rate to market yields on Treasury securities. The discount rate used by the Corps of Engineers cannot increase or decrease by more than a quarter point annually, meaning that once it reached its lowest rate on record— 2.25 percent in FY2022—it has risen only marginally to 3.25 percent in FY2026, more than a full percentage point lower than the actual rate.¹¹

The question is not simply whether 3 percent or 7 percent is “right.” The question is whether our analytical framework reflects the long-term, insurance-like benefits of mitigation.

Right now, it often does not. Even budget scoring rules are stacked against mitigation. The Congressional Budget Office notes that while mitigation reduces future federal disaster costs, under budget rules, they cannot take that into account. This is short-sighted.¹²

Risk-Based Pricing and Expanding Coverage

We also need to address how we price risk and how many people are covered.

¹⁰ Congressional Budget Office, *How CBO Uses Discount Rates to Estimate the Present Value of Future Costs or Savings*, Report 60284, October 2024. <https://www.cbo.gov/publication/60815>

¹¹ U.S Army Corps of Engineers, *Economic Guidance Memorandum, 26-01, Federal Interest Rates for Corps of Engineers Projects for Fiscal Year 2026*, October 2025.

<https://planning.erd.cren.mil/toolbox/guidance.cfm?Option=Type&BL=None&Type=EGM&Sort=Default>

¹² Congressional Budget Office. *Federal Spending for Flood Adaptations*, September 30, 2024.

<https://www.cbo.gov/system/files/2024-09/59971-flood-damage.pdf>

As the Government Accountability Office has noted repeatedly, reforming the NFIP requires balancing competing goals, including risk-based pricing, affordability, broad participation, and limiting taxpayer exposure.¹³

The old NFIP pricing system masked risk and created cross-subsidies that did not effectively target those most in need. Properties that were constructed before Flood Insurance Rate Maps were drafted for their area were subsidized. And when conditions changed and a property shifted from one risk zone to a higher one, they were grandfathered and able to keep their previously lower rate despite facing increased risk. In part due to these policies, historically, roughly one-quarter of NFIP policies received explicitly discounted or subsidized rates. While Risk Rating 2.0 is phasing out those subsidies, a significant share of policies are structured on less than full risk-based premiums.¹⁴

The challenge is that current premiums often do not fully reflect risk. According to FEMA's Watermark financial statements—most recently available data, current as of September 2022—the NFIP generates about \$3.5 billion in total flood fund revenue while incurring roughly \$5.3 billion in expenses. Even when including the reserve fund—bringing total revenue to about \$4.4 billion against roughly \$5.8 billion in combined expenses—the program faces an annual shortfall of approximately \$1.4 billion.¹⁵

Risk Rating 2.0 is a step in the right direction because it better reflects actual, property-level risk.

We should not abandon risk-based pricing. **Price is one of the most important ways we communicate risk and create incentives to mitigate it.**

If we artificially suppress rates, we encourage development in high-risk areas and shift costs onto taxpayers. We also run the risk of deceiving property owners as to the level of risk they face.

At the same time, we need to recognize that participation in flood insurance is too low. Many homeowners at risk do not carry coverage.

The path forward is not to underprice risk—it is to:

- Provide **targeted, means-tested assistance** outside the rate structure for those who need help affording coverage
- Increase **transparency** in pricing

¹³ U.S. Government Accountability Office, *Flood Insurance: FEMA's New Rate-Setting Methodology Improves Actuarial Soundness but Highlights Need for Broader Program Reform*, July 2023.

<https://www.gao.gov/assets/gao-23-105977.pdf>

¹⁴ Congressional Research Service, *Introduction to the National Flood Insurance Program*, 2026.

<https://www.congress.gov/crs-product/R44593>

¹⁵ Federal Emergency Management Agency, *National Flood Insurance Program: Watermark Financial Statements*, current as of September 30, 2022. <https://www.fema.gov/flood-insurance/work-with-nfip/watermark-financial-statements>

- Expand participation by allowing a stronger **private market role**

We should remove barriers that prevent private insurers from competing, including allowing private coverage to satisfy continuous coverage requirements. As rates approach actuarial soundness, flood insurance products will be more attractive to major carriers.

Ultimately, we should aim for a system where homeowners can purchase flood insurance as easily as they purchase other insurance products—bundled with homeowners policies and offered through the same marketplace. When homeowners are learning about flood insurance coverage from a Gecko or Flo or Mayhem or an Emu, more homeowners who are under protected—sometimes without knowing—will be covered from flooding.

More coverage means less reliance on post-disaster aid, which is far more expensive for taxpayers and less generous for individuals and communities.

Mapping and Risk Awareness

Accurate information is essential.

When maps do not reflect actual risk:

- Rates are misaligned
- Coverage requirements miss at-risk properties
- Homeowners are caught unprepared

FEMA's flood maps are frequently inaccurate or out of date, which means communities do not have a reliable picture of their true flood exposure. Because these maps determine where minimum floodplain building standards apply and help guide where it is considered "safe" to build, faulty information about flood risk can expose the NFIP to greater losses and leave vulnerable homes outside of areas where flood coverage is required for federally backed mortgages. When maps understate or mischaracterize risk—particularly in places that face growing, precipitation-driven flooding—they can give property owners a false sense of security and increase the odds that they will be uninsured when disaster strikes.¹⁶

As a result, many homeowners outside mapped high-risk zones underestimate their exposure and remain uninsured, increasing reliance on federal disaster assistance after major events. And in most cases disaster assistance is a small fraction of what the flood insurance payout would be. The mandatory purchase requirement for properties in the 100-year floodplain too often is seen as a signal to homeowners that the government is telling you that flood insurance is unnecessary outside the Special Flood Hazard Area, when in reality, they are still in a floodplain, just a slightly less risky one.

¹⁶ Joel Scata, *FEMA's Outdated and Backward-Looking Flood Maps*, NRDC Expert Blog, Natural Resources Defense Council, October 11, 2017, <https://www.nrdc.org/bio/joel-scata/femas-outdated-and-backward-looking-flood-maps>.

We have the technology to move toward more dynamic, property-level mapping. We should use it.

Learning from Failure

When there's an aviation accident, even a relatively small one involving a private plane, the National Transportation Safety Board (NTSB) investigates and releases a report on what the cause was and how it can be avoided in the future.

When I was on my ship in the Coast Guard, after a patrol we were required to prepare an after-action report to document what happened, what went right and wrong, and how to learn from the experience. When we departed a drydock shipyard maintenance, our Captain required all watchstanders to read the report on the USCGC Blackthorn that tragically sunk in 1980 after a collision as it was leaving its drydock shipyard maintenance. He knew that our skills would be rusty after more than a month ashore and wanted us to learn from the tragedy.

But when it comes to the federal government, even after spending billions of dollars responding to individual major disasters, we do not do the same.

Our country lacks a systematic, independent process to evaluate what went wrong, and right, after major disasters—whether in mapping, mitigation, planning, or response.

A National Disaster Safety Board, modeled on the NTSB model, could fill that gap by providing independent, fact-based analysis and recommendations. We wouldn't even need to stand up an individual agency—the analysis could be tasked to the National Academy of Sciences or another suitable body.

A thorough review would not only help inform the federal government, states, and localities in what to do differently in a future disaster at this location, but also what can be applied to other parts of the country. This would be a relatively small investment that would help ensure that we learn from costly failures rather than repeat them.

Reauthorization and Stability

Finally, the NFIP continues to operate under a cycle of short-term extensions tied to the annual appropriations process. So when a government shutdown occurs, it prevents the NFIP from issuing new policies or renewing existing ones.

This creates uncertainty for homeowners, lenders, and communities, and it undermines confidence in the program.

The upcoming reauthorization deadline provides an opportunity to address long-standing structural issues and provide stability.

Conclusion

The problems we are discussing today are not new.

We know:

- Where the highest-risk properties are
- That mitigation works
- That risk-based pricing is essential
- That current policies often prioritize rebuilding over risk reduction

The question is not what to do. The question is whether we will do it.

If we want lower flood insurance rates, we need lower flood risk.

That means investing in mitigation, aligning incentives, improving pricing, expanding coverage, and learning from failure.

Thank you for the opportunity to testify. I look forward to your questions.