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Select Committee on the Climate Crisis

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"Creating a Climate Resilient America:
Smart Finance for Strong Communities"

Questions for the Record

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GAO has reported that the federal government's fragmented and reactive approach to funding disaster resilience presented challenges to effective reduction of climate-related risks.

1. **GAO reported that Congress could consider establishing a federal organizational arrangement to identify and prioritize climate resilience projects for federal investment. You testified that strategic goals for climate resilience need to be established and a federal structure is needed with the authority to lead, identify and integrate all stakeholders, define responsibilities, and address how the effort will be funded. As Congress considers establishment of such an approach, what lessons can we apply regarding the current approaches to federal investment in order to increase efficiency and effectiveness and speed delivery of those investments?**

Currently, the federal government does not have a strategic approach for investing in climate resilience projects—that is, an intentional, cross-cutting approach in which the federal government identifies and prioritizes projects for the purpose of enhancing climate resilience. Federal agencies may take actions to invest in projects with potential climate resilience benefits related to their own mission areas using funds from federal programs designed for other purposes. However, no federal entity looks holistically at the federal government's investments to strategically prioritize projects to ensure they address the nation's most significant climate risks and provide the highest net benefits relative to other potential projects. As we reported in 2019, a strategic and iterative risk-informed approach for identifying and prioritizing climate resilience projects presents an opportunity to enhance the nation's resilience to climate change and reduce federal fiscal exposure. In particular, such an approach could help target federal resources toward high-priority projects—namely, those that address the nation's most significant climate risks and provide the greatest expected net benefits relative to other potential projects—that are not already addressed through existing federal programs.

Congress could apply several lessons from current programs, and several opportunities exist to increase the impact of federal investment in high-priority climate resilience projects. These include

- ensuring that there is adequate and consistent funding for climate resilience investment,
- encouraging investment by nonfederal players and complementary resilience activities (e.g., climate-resilient building codes and zoning regulations that limit development in high-risk areas), and
- allowing investment funds to be used at various stages of project development such as project design, implementation and monitoring.

2. **As part of a broad-based federal strategic arrangement for evaluating federal exposure to climate risks, how important would it be to require that agencies evaluate the impacts of climate change on their missions, budgets, and operations, and report to Congress on any additional authorities they may need to address those impacts?**

We and others have reported that understanding the federal government's fiscal exposure to climate change risks is increasingly critical for policymakers charged with making sound investment decisions and acting as stewards of the federal budget over the long term. According to the U.S. Global Change Research Program's Fourth National Climate Assessment, a significant portion of climate risk can be addressed by mainstreaming—integrating climate adaptation into existing investments, policies, and practices such as planning, budgeting, policy development and operations and maintenance. However, as we reported in our 2019 high-risk list update, beginning in 2017, the administration revoked policies that had identified addressing climate change as a priority and demonstrated top leadership support for executive branch action. For example, a 2013 executive order that required agencies to develop adaptation plans—plans to evaluate the most significant climate change related risks to, and vulnerabilities in, agency operations and missions and outline actions to manage these risks and vulnerabilities—was rescinded in 2017. As such, limiting the federal government's fiscal exposure by better managing climate change risks remains on our list of high-risk areas needing attention by the executive branch and Congress.

Nevertheless, according to the Fourth National Climate Assessment, mainstreaming may prove insufficient to address the full range of climate risks. Additional, strategic federal investments in large-scale projects—such as those discussed in our October 2019 report—may also be needed to manage some of the nation's most significant climate risks, since climate change cuts across agency missions and poses fiscal exposures larger than any one agency can manage.

3. **Your testimony reports that of the 17 recommendations GAO has made to agencies to improve federal climate change strategic planning, 14 remain unmet. GAO had made 62 recommendations related to the *Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks* high-risk area. Twenty-five of those recommendations remain open. What should Congress do to help implement GAO's recommendations to limit federal fiscal exposure and improve federal climate change strategic planning?**

Congress can continue to conduct oversight of these issues. These recommendations can be found in the "What Remains to be Done" section of the 2019 high-risk report. Limiting the federal government's fiscal exposure to climate change requires significant attention because the federal government has revoked prior policies that had partially addressed this high-risk area and has not implemented several of our recommendations that could help reduce federal fiscal exposure. We are ready to provide briefings on the status and importance of these unmet recommendations and the strengths and limitations of various paths forward laid out in our work.

When disasters occur, the destruction they cause must be addressed immediately, and disaster relief funding must be delivered expeditiously.

4. **GAO research has identified challenges faced by states and local governments in navigating complex disaster recovery programs. What progress can you report from HUD and FEMA in implementing program changes to reduce program complexity and accelerate disbursement of recovery funds?**

The Federal Emergency Management Agency (FEMA) has acknowledged that the complexity of disaster assistance programs can present challenges. FEMA's *2018-2022 Strategic Plan*, which is organized around three high-level strategic goals, entirely dedicates 1 of the 3 goals to simplifying and streamlining processes. In the course of conducting over 50 engagements related to the 2017 and 2018 disasters, we have not encountered an overarching effort or mechanism at FEMA that is specifically dedicated to achieving this strategic goal. However, we have observed examples of efforts to streamline and simplify within the policies, procedures, and guidance of individual programs. The most sweeping of these was a recent end-to-end review and redesign of the Public Assistance program's delivery model. In 2015, FEMA began working with a contractor to help implement a redesigned Public Assistance program. In the redesign, FEMA developed a new, web-based project tracking and case management system to address past challenges, such as difficulties in sharing grant documentation among FEMA, state, and local officials and tracking the status of Public Assistance projects. Both FEMA and state officials involved in testing the redesigned delivery model stated that the new case management system's capabilities could lead to greater transparency and efficiencies in the program. Similarly, in a memo to all FEMA staff about the 2020 Planning Guidance, the Administrator laid out several expectations for FEMA's Mission Support, Grants Program Directorate, and Office of Response and Recovery in reducing complexity.

Nevertheless, in the course of conducting recent work, we have continued to encounter examples of difficulties that delay or limit recovery efforts and frustrate officials at different levels of government as they attempt to navigate disaster recovery programs. For example, in October 2019 we reported that both the complexity of the Public Assistance application and the relative lack of experience at different levels of government, including within FEMA, with wildfire damage of the magnitude experienced, created challenges and frustrations for local governments dealing with wildfire devastation. In that report, we recommended a comprehensive assessment of operations including policies, procedures, and training to enhance future wildfire response and recovery. In October 2019, we also reported on challenges with the grid recovery in in Puerto Rico, including uncertainty about FEMA funding eligibility, capacity constraints, uncertainty about the timing and amount of federal funding available, and the need for coordination. For example, according to local officials, FEMA had not provided sufficient guidance on how it would implement new authorities and determine eligible uses of FEMA funding to guide grid recovery efforts. Further, while multiple sources of federal funding were available, each funding source had different eligibility criteria, requirements, and time frames.

Challenges navigating across multiple programs administered by different federal departments and agencies is not unique to the recovery in Puerto Rico. For example, we found similar problems in 2015 when we examined the efforts to enhance disaster resilience during the recovery from Hurricane Sandy. In our analysis of the frameworks that guide the nation's efforts to prepare for, respond to, recover from, and mitigate the risk for disasters, we found 17 separate departments and agencies that have a role to play. Particularly, but not exclusively, for our nation's largest and most costly disasters, when recovery funds have been appropriated through a supplemental appropriation, state and local governments are left to work out how to use a patchwork of programs designed for different purposes and initiated at different points toward a comprehensive recovery and hazard mitigation approach. It will be important for FEMA to continue to make progress toward its strategic goal of reducing complexity and for all relevant federal departments and agencies to pay attention to opportunities to help disaster assistance recipients pursue more comprehensive recovery and hazard mitigation approaches.

With regards to the progress with HUD programs, we noted in March 2019 that the ad hoc nature of the Community Development Block Grant-Disaster Recovery (CDBG-DR) had created challenges for CDBG-DR grantees, such as lags in accessing funding and requirements that may vary for each disaster. We also found that grantees had difficulty coordinating with multiple federal agencies. We reported that because HUD lacks permanent statutory authority, CDBG-DR appropriations require HUD to customize grantee requirements for each disaster. We concluded that establishing permanent statutory authority for a disaster assistance program that meets verified unmet needs would provide a consistent framework for administering funds going forward. Therefore, we recommended that Congress consider legislation establishing permanent statutory authority for a disaster assistance program administered by HUD or another agency that responds to unmet needs in a timely manner and directing the applicable agency to issue implementing regulations. Since that report, legislation that would permanently authorize CDBG-DR has been passed by the House and referred to the Senate. It is important to note, however, that while a permanent authorization—no matter to which agency—may provide more stability and predictability in the functions that the CDBG-DR program serves, it will not reduce all of the complexity officials at different levels of government encounter when they must work across federal programs.

5. **GAO has reported that, due to an artificially low indicator for determining a jurisdiction's ability to respond to disasters that was set in 1986, the Federal Emergency Management Agency risks recommending federal assistance for jurisdictions that could recover on their own. GAO has recommended that FEMA adjust its methodology for determining local capacity to ensure that the agency is focused on disasters that exceed local capacity. In the DRRA, Congress directed the FEMA Administrator to update the factors considered when evaluating requests for major disaster declarations. What progress has the agency made in implementing this provision?**

The Disaster Recovery Reform Act of 2018 (DRRA) requires FEMA to initiate rulemaking to update the factors considered when evaluating governors' requests for major disaster declarations, including reviewing how FEMA estimates the cost of major disaster assistance, and consider other impacts on the capacity of a jurisdiction to respond to disasters. DRRA requires the FEMA Administrator to initiate the rulemaking by October 2020. As of January 2020, FEMA reported that it is currently reviewing the six regulatory factors used to determine whether to recommend that the President declare a major disaster and has begun the process of developing a Notice of Proposed Rulemaking, which it anticipates publishing in 2020. Until FEMA implements a new methodology, FEMA will not have an accurate assessment of a jurisdiction's capabilities to respond to and recover from a disaster without federal assistance and runs the risk of recommending that the President award Public Assistance to jurisdictions that have the capability to respond and recover on their own.

6. **GAO has reported that the risk for improper payments increases when billions of dollars are being spent quickly. For many years, GAO and the Inspector General community have identified internal control weaknesses in the federal government related to agencies receiving supplemental funds for disaster assistance. Have payment integrity provisions helped assure that all federal disaster recovery funds are being spent as efficiently and effectively as possible? Has implementation of those provisions had any effect on the pace of funds disbursement, either to accelerate or delay communities receiving disaster recovery funds?**

We have not conducted the work necessary to fully answer this question. However, the payment integrity provisions in the disaster supplemental appropriation acts can serve as a critical transparency tool for controls over disaster funds. Nevertheless, implementation of these provisions has varied. In June 2019, we reported that, of six selected agencies, one agency did not submit required internal control plans to Congress for funds appropriated following the 2017 disasters. Of the five agencies that did submit the required plans, four were not timely and all lacked necessary information, such as how they met OMB guidance and federal internal control standards. These issues were caused, in part, because OMB lacked an effective strategy for helping agencies develop internal control plans for the needed oversight of these funds. Because OMB did not establish an effective strategy for timely communicating requirements for agency reporting in internal control plans, federal agencies lacked the information needed to meet the statutory deadline. As a result, Congress and others did not timely receive agency internal control plans. We recommended that the Director of OMB develop a strategy for ensuring that agencies communicate sufficient and timely internal control plans for effective oversight of disaster relief funds. OMB disagreed with this recommendation and stated that they do not believe timeliness and sufficiency of internal control plans present material issues that warranted OMB action. We continue to believe that future internal control plans could serve as a critical transparency tool for controls over disaster funds.

Regarding the pace of funds disbursement, we have not conducted the work necessary to answer this question. Nevertheless, our *Framework for Managing Fraud Risk in Federal Programs* acknowledges that managers' defined risk tolerance may depend on the circumstances of individual programs and other objectives beyond mitigation of fraud risks. For example, in the context of disaster assistance, managers may weigh the program's objective of expeditiously providing assistance against the objective of lowering the likelihood of fraud, because activities to lower the risk related to fraudulent applications, such as conducting inspections, may cause delays in service. Alternatively, managers may define their risk tolerance as "very low" with regard to providing certain disaster assistance in order to provide a high level of certainty that the assistance is actually going to those in need as opposed to fraudulent applicants. Accordingly, when developing an antifraud strategy, managers should consider benefits and costs of control activities, such as the benefit to the program of reducing the likelihood or impact of a fraud risk.

7. **The National Flood Insurance Program (NFIP) and the Federal Crop Insurance Corporation are sources of federal fiscal exposure due, in part, to the vulnerability of insured property and crops to climate change. Federal flood and crop insurance programs were not designed to generate sufficient funds to fully cover all losses and expenses, which means the programs need budget authority from Congress to operate. GAO has described these programs as providing coverage where private markets for insurance do not exist, typically because the risk associated with the property or crops is too great to privately insure at a cost that buyers are willing to accept. Has GAO studied the current state of the market for private insurance to assess whether private insurers are able to compete with discounted NFIP and crop insurance rates, or to provide insurance products that may complement federal programs to bring more affordable insurance solutions to market?**

Yes, we have conducted work on private insurance and the National Flood Insurance Program (NFIP). Specifically, in July 2016, we reported on barriers to the increased use of private flood insurance. Stakeholders we spoke with for that report—private flood insurance companies and organizations in the insurance and lending industries—told us that a primary barrier to private participation in the flood insurance market was the ability of the private sector to compete with the NFIP's discounted rates. Stakeholders said insurers needed to charge premium rates that reflect the full risk of potential flood losses, but with NFIP charging discounted rates that were not actuarially sound, private companies found it difficult to compete in the market. Other barriers cited in our report included an uncertain regulatory environment for private flood insurance and some recent (at that time) changes to NFIP by FEMA. Specifically, we found that a 2015 NFIP policy change could discourage consumers' use of private insurance. FEMA had stopped allowing policyholders to obtain a refund of their unused NFIP premium if they obtained a non-NFIP policy. Since we issued our report, in March 2018 FEMA reinstated the ability of policyholders to cancel their NFIP policy and be eligible for premium refunds, on a prorated basis, if they obtained a duplicate non-NFIP policy effective October 1, 2018.

With respect to crop insurance, we have not assessed the current state of the market for private crop insurance, but we plan to initiate work in the future that addresses climate change and agricultural issues, potentially including the crop insurance program. However, we have issued several reports addressing crop insurance more generally, and in our 2019 High Risk List, we identified the federal government's role as the insurer of property and crops as an area where government-wide action is needed to reduce federal fiscal exposure.

8. **Has GAO analyzed trends in economic versus insured disaster loss and default rates for uninsured disaster survivors with federally-insured loans, and what have those studies found with regard to actions Congress can take to mitigate uninsured economic loss?**

We have not conducted work analyzing trends in economic versus insured disaster loss and default rates for uninsured disaster survivors with federally-insured loans.

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