Testimony of the Honorable Jim Matheson

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To the United Sates House of Representatives, Transportation and Infrastructure Committee

"Reforming FEMA: Ensuring the Nation's Disaster Readiness Works for Americans"

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Chairman Graves, Ranking Member Larsen, and members of the Committee, thank you for inviting me to testify.

My name is Jim Matheson. I am Chief Executive Officer of the National Rural Electric Cooperative Association (NRECA), which represents nearly 900 of America's not-for-profit, community-owned and operated electric cooperatives. Electric cooperatives operate in 48 states, powering 42 million people across 56 percent of the land in this country, including much of America's agricultural economy. Co-ops are owned and governed by the people they serve and operate at cost, which helps keep our rates affordable. That's important, because electric co-ops serve 92 percent of the nation's persistent poverty counties.

I'm honored to appear this morning to share our perspectives and give some background on the vital relationship between the Federal Emergency Management Agency and electric cooperatives, explain why we support the Fixing Emergency Management for Americans (FEMA) Act, and ask the House to pass the bill as soon as possible.

Many of you already know the benefits electric cooperatives bring to your district as the economic engines of rural America, and we greatly appreciate the relationships you have built with the community leaders who help keep the lights on back home. What you may be less familiar with is the vital role FEMA's Public Assistance (PA) program plays in helping electric cooperatives rebuild after a natural disaster, or how widespread natural disasters are in every corner of our country — and how debilitating that localized destruction is, long after the cameras move on.

Every year, co-ops lose poles, transformers, power lines, and other critical infrastructure to ice storms, tornadoes, floods, hurricanes, wildfires, and more. We estimate that almost half of electric co-ops have received FEMA Public Assistance since 2020. When major damage occurs, the cost of rebuilding essential infrastructure can place enormous pressure on local co-ops and their consumer-members.

Without federal support, the cost of storm recovery would translate directly into higher electric bills for rural families, farmers, and small businesses since electric cooperatives operate at cost, and there is no excess margin to absorb unexpected expenses. That's why FEMA's Public

Assistance Program is a lifeline to electric cooperatives, who are eligible for funding under the Stafford Act as private non-profit utilities providing the critical services of electric power generation, transmission, and distribution.

Simply put, disaster relief funding through FEMA helps ensure that sparsely populated rural communities aren't left bearing enormous recovery costs on their own.

There is a long history of this important partnership between FEMA and electric cooperatives. However, the relationship can be better. Too often, FEMA's assistance comes with significant delays. Funding approvals, which also involve state oversight and coordination, take many months and oftentimes, years. Paperwork requirements are excessively complex. Rules and interpretations vary across regions. All of this slows recovery and strains rural communities during their darkest hour.

Without timely FEMA support, recovery times skyrocket, outages last longer, and electric bills increase for local families and businesses already facing tight budgets and rising costs. Congress has an opportunity and an obligation to make FEMA work better for people in need. And this assistance isn't just limited to rural America. According to one recent Rebuild by Design study, 433 out of 435 Congressional districts have had a major natural disaster declared since 2011.

Thankfully, the bipartisan FEMA Act, which has already passed this Committee with widespread support, offers a set of smart and long-overdue reforms to help make FEMA work better for everyone.

NRECA's FEMA Reform Priorities & Provisions in the FEMA Act

Passing the FEMA Act is a top priority for NRECA, and we are grateful that it contains substantive and thoughtful policy solutions aligned with NRECA's five FEMA reform priorities.

- **Lower disaster thresholds in rural America:** The FEMA Act would better account for localized and costly damage in rural areas that struggle to meet state and county thresholds to qualify for disasters. A small distribution co-op in Arizona, for example, saw nearly its entire system without power after a massive windstorm blew through, resulting in the most significant damage to the co-op in its history. Due to the remote, sparsely populated service territory of the co-op, however, the extensive damage didn't result in a disaster declaration – shifting all the costs of recovery to co-op consumer-members.

- **Expedite Public Assistance reimbursements:** After helping co-ops clear the initial hurdles of the disaster declaration process, the FEMA Act would also significantly reduce the timeline for receiving Public Assistance funds.

    - For emergency work, the FEMA Act would expedite reimbursement on a new 120-day timeline so electric co-ops can restore power and remove debris quickly without facing uncertainty in the months and years that follow.

    - For permanent work, it would establish a new, streamlined and up-front approval process for long-term repairs to critical infrastructure, cutting unnecessary red tape.

- **Loan interest recovery:** Even with these new expedited timelines in place, many co-ops would still have to draw down on emergency lines of credit or take out new loans to cover the costs of rebuilding as they await reimbursement. Fortunately, the FEMA Act contains language long sought by electric cooperatives to provide clear direction to FEMA on loan interest reimbursement on outstanding loan interest recovery for past and future storms. We greatly appreciate Congressman Neal Dunn for leading this effort following the significant damage Hurricane Michael brought to Florida in 2018.

- **Greater access to resiliency funds:** The FEMA Act would help co-ops rebuild stronger, more resilient systems with hazard mitigation funds after a storm instead of simply rebuilding the same system that failed during a disaster. In the northeast, one frequently hit co-op that has been able to access Hazard Mitigation funding opportunities has seen an 80% reduction in outages and a 66% reduction in the duration of those outages. The FEMA Act also envisions a new process to provide more predictable, formula-based pre-hazard mitigation funding to rural areas, which will help our members get ahead of storm damage.

- **Limit clawbacks:** The FEMA Act adds new protections for co-ops and other eligible private non-profit organizations who are at risk of costly FEMA deobligations. Electric co-ops have a strong track record of stewardship of public funds and compliance with FEMA Public Assistance regulations. Having funds arbitrarily "clawed back" by FEMA years after a storm makes it difficult for electric cooperatives to keep rates as low as possible because they must contend with the possibility that funds will be sent back to the Treasury.

NRECA greatly appreciates the bipartisan work of the Committee to include these priorities in the FEMA Act, which we know are shared by many other stakeholders.

NRECA's Views & Concerns with the FEMA Review Council Final Report

Since the President's FEMA Review Council recently issued its Final Report, it makes sense to briefly discuss its findings and recommendations at this hearing. NRECA engaged with the Review Council from the start and recently filed comments in June that highlight several of our concerns with the Council's recommendations' impacts on electric affordability in rural America.

The following recommendations from the report would place additional financial pressure on rural electric cooperatives and their consumer-members:

- **Increasing the state per-capita threshold:** Significantly increasing the state per-capita threshold would make it much harder for electric cooperatives to receive *any* FEMA reimbursement to help offset the costs of damage to their infrastructure. Electric cooperatives serve 56% of the land in this country, much of it in sparsely populated areas where an increase in the per-capita threshold will have extremely negative financial impacts on rural consumers.

- **Reducing the Federal Cost Share from 75% to 50%:** Adopting this recommendation would directly result in higher rates for electric co-op consumer members who would have to cover the added costs for restoration and rebuilding. Remember, electric cooperatives are non-profit utilities that operate at cost. There are no excess margins to cover unexpected expenses.

- **Adopting a Parametric Model for Federal Disaster Assistance:** An inflexible and arbitrary parametric model could significantly underestimate the true costs of damage to electric cooperative infrastructure, resulting in substantially less financial assistance for electric cooperatives.

- **Shifting Significant New Responsibility to States:** Implementing the parametric funding model for Public Assistance funding introduces substantial risk of inconsistent application across State, Local, Tribal and Territorial (SLTT) organizations, particularly in combination with a reduced federal cost share. This variability in state implementation could lead to inequitable and inconsistent outcomes for electric cooperatives.

Beyond these concerns with the FEMA Review Council's recommendations, we believe there is significant alignment between the FEMA Act and the President's desire to improve how the federal government prepares for, responds to, and recovers from disaster for the American people. Let us keep making progress towards those shared goals and pass the FEMA Act as soon as possible.

Thank you again for allowing me to testify on such an important issue for rural America and NRECA's member electric cooperatives. Rural America deserves a FEMA that is fast, transparent, and effective. The bipartisan FEMA Act charts a stronger path forward. Congress should move quickly to pass this critical legislation and ensure that rural families, farmers, and businesses aren't left behind when the next disaster hits.

Thank you, and I look forward to answering any questions you may have.