

STATEMENT

OF

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BEFORE
THE

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SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT
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“Controlling the Rising Cost of Federal Responses to Disaster”

Submitted
By

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Introduction

Good morning, Chairman Barletta, Ranking Member Carson, and members of this subcommittee. My name is Joseph Nimmich and I am the Deputy Administrator of the U.S. Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA). Thank you for the opportunity to testify today about FEMA's efforts to control the costs of federal disaster response and serve as good stewards of taxpayer dollars.

During a disaster response, FEMA's goal is to support disaster survivors through effective, efficient operations. We strive to meet the needs of disaster survivors and impacted communities while being careful with taxpayer money to get the most out of the funds we allocate. Though FEMA has plans in place to control costs during a disaster response, it is important to note that one of the most effective ways to accomplish a reduction in post-disaster costs is to build more resilient communities before a disaster strikes, thus reducing the physical and financial impacts of the event.

FEMA's efforts are driven by our 2014-2018 Strategic Plan. The plan was developed with hundreds of FEMA employees and external partners who are now working together to execute the plan's five strategic priorities:

- Be survivor-centric in mission program and delivery
- Become an expeditionary organization
- Posture and build capability for catastrophic disasters
- Enable disaster reduction nationally; and
- Strengthen FEMA's organizational foundation

In my testimony today, I will outline some of FEMA's programs dedicated to reducing risk across the country. I will also review our efforts to control FEMA's administrative disaster response costs. Finally, I will discuss our proposal to update the Public Assistance (PA) program requirements by introducing a Disaster Deductible concept, which aims to better apply state, territorial, and tribal financial capabilities while incentivizing resilience and mitigation practices.

Risk Reduction: Lessening the Physical and Financial Impacts of Disasters

Mitigation efforts taken before disasters strike can significantly lessen their financial impacts on the nation. The most effective mitigation tools include establishing stringent building codes and standards for the local environment, thus ensuring property is built to insurable levels.

The National Institute of Building Sciences' Multi-hazard Mitigation Council estimates that for every dollar FEMA invested in mitigation between 1993 and 2003, society as a whole saved four dollars due to reduced future losses. Mitigation programs save the American public an estimated \$3.4 billion dollars annually through a strategic approach to natural hazard risk management, including the value of more stringent building codes.

FEMA has made significant strides in the last few years, bringing the larger mitigation community together around shared doctrine and providing communities the funding, tools, and information they need to make informed, data-driven decisions that minimize their risk.

Federal Hazard Mitigation Assistance (HMA) Programs

FEMA oversees and manages three HMA programs: the Hazard Mitigation Grant Program (HMGP), Pre-Disaster Mitigation (PDM) program and Flood Mitigation Assistance (FMA) program, all of which provide funding to state, local, tribal, and territorial governments for hazard mitigation projects. Local governments, and tribal governments, when acting as sub-applicants, are responsible for applying for funding through the state, managing approved projects, and maintaining records. States manage the overall mitigation program within the state, establishing funding priorities and selecting projects for funding based on those priorities.

National Flood Insurance Program

The National Flood Insurance Program (NFIP) serves as the foundation for national efforts to reduce the loss of life and property from floods, the most costly and frequent disaster in the United States. The program identifies areas at risk for flooding and makes flood insurance available in participating communities. The NFIP works in close partnership with private insurance companies to market, sell, administer, and adjust claims for policyholders. By encouraging mitigation and floodplain management efforts, the NFIP is estimated to save the nation \$1.6 billion annually in avoided flood losses.

FEMA also administers the Community Rating System (CRS) to incentivize communities to implement floodplain management practices by offering lower NFIP insurance premiums to participating communities. These practices can include: requiring new buildings to be constructed above the base flood elevation; maintaining floodplain areas as open space; and educating the public on best practices.

Encouraging Mitigation throughout the Nation

As part of FEMA's effort to enable disaster risk reduction nationally, FEMA leverages its partnerships, programs, risk information, and tools to advance risk-based decision making across the nation. This effort helps build community resilience by ensuring a common risk picture, better targeting of resources, and a collaborative national effort to build the capabilities that will best address targeted risk areas. Focus areas to enable disaster risk reduction nationally include:

- Enabling better, risk-informed decision-making by improving the quality, accessibility, and use of risk information and allowing for more data-driven decision making. For example: by updating flood hazard maps to include advisory base flood elevations (ABFEs) when appropriate after a major flood event, and by continued implementation of the Threat and Hazard Identification and Risk Assessment (THIRA) process.
- Encouraging our state, local, tribal, and territorial partners to adopt up-to-date, stringent building codes to address hazards in their area.
- Integrating the Public Assistance and HMA programs so they work together and concurrently. By folding mitigation into the rebuilding process of damaged public infrastructure, federal dollars spent now will foster a more resilient community before the next disaster.

On January 14 2013, the House passed H.R. 219, the *Sandy Recovery Improvement Act of 2013 (SRIA)*. Pursuant to H. Res. 23, the text of H.R. 219 was added to H.R. 152, the *Disaster Relief Appropriations Act, 2013*, which after passing the House and Senate was signed into law by President Obama on January 29, 2013 as P.L. 113-2. SRIA authorized several significant

changes to the way FEMA delivers disaster assistance, including directing FEMA to streamline HMGP activities and implement the program in a timelier manner. SRIA, and the additional authorities it provided, continues to aid efforts to emphasize and improve mitigation across the nation.

On January 30, 2015, the President issued Executive Order (E.O.) 13690 which amended E.O. 11988 and established the Federal Flood Risk Management Standard (FFRMS). The FFRMS seeks to improve floodplain management by encouraging the use of natural features and nature-based approaches in the development of alternatives for Federal actions, and by providing a higher vertical elevation and corresponding floodplain, where appropriate, to address current and future flood risks. E.O. 13690 requires each agency, in consultation with the Water Resources Council, Federal Interagency Floodplain Management Task Force, FEMA, and Council on Environmental Quality, to issue or amend existing regulations and procedures to comply with the Order. FEMA proposes to amend its regulations addressing floodplain management and protection of wetlands to comply with this requirement.

Supporting Hazard Mitigation Planning

Mitigation plans are the foundation for effective hazard mitigation at the state, local, tribal, and territorial levels. The mitigation planning process includes hazard identification and risk assessment, which help planners create a comprehensive mitigation strategy for reducing risks to life and property. A mitigation plan identifies a range of specific actions and projects being considered to reduce risks to new and existing buildings and infrastructure. The plan also outlines how these activities will be prioritized, implemented, and administered.

FEMA's Hazard Mitigation Grants and Planning Group supports state, local, tribal and territorial participation in the Agency's mitigation programs, and provides technical assistance as they develop multi-hazard mitigation plans. FEMA also provides funds for communities to develop plans under FEMA's HMA programs. These funds are provided to help state, local, tribal, and territorial governments with the resources they need to develop mitigation plans, which are required for receipt of HMA funding.

Reducing Administrative Costs during Disaster Responses

In our 2014-2018 Strategic Plan, FEMA outlined a goal to: "By the end of 2018, reduce the average annual percentage of administrative costs for field operations, as compared to total program costs, by five percentage points."

Over the past few years, FEMA instituted several changes to the way we manage disaster operations that have reduced administrative costs and increased operational efficiencies while ensuring continued focus on improving the delivery of disaster assistance to communities and survivors. These changes include:

- Creating and providing, as a management oversight tool, recurring tracking reports on disaster spending.
- Establishing "virtual" Joint Field Offices (JFOs) at existing Regional Offices and combining field operations for multiple disasters when it makes sense for both FEMA and the communities and survivors affected, thereby avoiding and saving significant costs including, but not limited to: facilities, security, communications, and travel.

- Improving the way FEMA manages information technology requirements, including telecom services, to reduce costs and enhance the delivery of services to survivors.
- Centralizing administrative functions when appropriate to standardize processing, increase customer service, and reduce costs, particularly travel and personnel costs, including overtime.
- Changing the way we manage disaster staff overtime to improve both operational efficiencies and substantially reduce overtime costs.
- Making increased use of locally-hired disaster staff at JFOs and disaster closeout facilities to reduce salaries and travel costs.
- Improving the utilization of FEMA Corps and Incident Management Cadre of On-Call Employees (CORE).

To further institutionalize these changes and meet our goal, in 2016, FEMA developed the Plan to Reduce Disaster Administrative Costs. This plan describes FEMA's approach to managing administrative costs on disaster operations; identifies work underway to develop processes, policies, and guidance to improve disaster management agency-wide; and explains how FEMA will define and measure disaster administrative costs and hold itself accountable to the Strategic Plan. Specifically, FEMA is improving business processes involved in managing its disaster grant programs; creating additional doctrine and directives for field operations to increase standardization; and creating greater transparency in administrative cost reporting to assist leaders across the agency in managing disaster costs.

While FEMA is aggressively pursuing disaster administrative cost reductions, the Agency will continue to be aggressive in supporting rapid stabilization of disasters, ensuring the provision of life-saving and life-sustaining support and the transition of survivors into interim housing is neither slowed nor impeded in pursuit of efficiency.

Disaster Deductible Concept

FEMA is committed to looking towards the future for new opportunities to more effectively implement our programs and reduce disaster risk throughout the nation. Members of Congress, the Government Accountability Office (GAO), and the DHS Office of Inspector General (OIG) have issued audits and reports recommending that FEMA consider changes to the Public Assistance declaration process, concluding that the current per capita indicator is artificially low and an insufficient measure of state, local, tribal, and territorial capability.

FEMA agrees that we must more accurately assess states' capabilities and capacities, and encourage and incentivize states to improve their ability to respond to disasters. To this end, FEMA is exploring a Disaster Deductible concept that, if executed, would enable us to better assess capacity to rebuild public infrastructure following a disaster event, while also creating incentives for states to build capabilities and engage in mitigation strategies to improve resilience before a disaster occurs.

With the Disaster Deductible concept, states would have to meet a predetermined financial commitment, similar to meeting an insurance deductible, as a condition of receiving post-disaster Public Assistance for restoration of damaged facilities. This deductible could be significantly reduced, however, prior to any disaster through credits provided for state investments in

resilience, such as adopting standardized and enhanced building codes or investing in mitigation projects. Most, if not all, states are already investing in resilience and the provision of credits would formally recognize, incentivize, and establish such investments as best practices across the nation.

The Deductible concept would add predictability for states ahead of disasters by allowing them to know in advance the financial commitment they would be expected to provide prior to receiving federal disaster assistance under the PA program. This would allow states to better plan and budget for response and recovery. The concept could also incentivize states to implement mitigation strategies and promote risk-informed decision-making that will build resilience while also reducing the costs of future events for both states and the federal government.

This would be a significant change to how we currently implement the PA program, and for that reason we are engaging our partners at the very beginning of this process for their input. From January to March 2016, FEMA solicited comments through an Advance Notice of Proposed Rulemaking (ANPRM) on the Deductible concept, including how FEMA might calculate a state's Deductible, the scope of the financial commitment that might be required, how states could satisfy the Deductible, how this concept could influence change, implementation considerations, and the estimated impact on the states' and the nation's risk profiles.

During the 60-day public comment period, FEMA received 150 responses. FEMA is currently evaluating this extensive input to refine the Deductible concept and develop a plan for further public engagement that may include publication of a Notice of Proposed Rulemaking (NPRM) in the coming months. An NPRM would provide a detailed proposal for a Deductible program that would include an explanation of how Deductible amounts would be calculated, identify specific credits states could apply for, and detail how the Deductible would be applied post-declaration.

Conclusion

FEMA strives to build a more resilient nation and support disaster survivors while being good stewards of taxpayer dollars. We continue to look for innovative ways to incentivize risk reduction, promote hazard mitigation planning, and efficiently implement our recovery programs in order to reduce both the risks and costs to the American taxpayer.

Thank you for the opportunity to testify today. I look forward to any questions the subcommittee may have.