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STATEMENT FOR THE RECORD

On behalf of the
National Emergency Management Association

Submitted to the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management

United States House of Representatives

Controlling the Rising Cost of Federal Responses to Disaster

May 12, 2016

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Introduction
Thank you, Mr. Chairman, Ranking Member, and distinguished members of the Committee. As stated, my name is Bryan Koon, and I am the Director of the Florida Division of Emergency Management. I am here on behalf of the National Emergency Management Association (NEMA), which represents the state emergency management directors of the 50 states, territories, and District of Columbia. NEMA's members, many of whom serve as Homeland Security Advisors, are prepared to deal with an ever changing and increasingly complex set of challenges that test traditional approaches to natural and manmade disasters. I appreciate the chance to come before you today to discuss the rising costs of disasters and NEMA's recommendations to make meaningful progress to limit the impact of future events.

Core Principles for a Disaster Resilient Nation
We are witnessing a more diverse array of threats than at any time in history. The skill, speed, and adaptability of the threats are challenging our defense in ways we have not seen before. The high incidence of natural disasters and terrorist threats in the United States challenges the peace, security, and general welfare of the nation and its citizens. This nation deserves safety and security, but it also deserves solvency through disaster cost reduction and an increased focus on resilience.

- The unpredictability of budgets at every level of government and the uncertainty surrounding the types and severity of disaster damage communities are likely to see in the near future puts risk reduction at a premium. NEMA believes the following:

- Reducing the overall costs of disasters, at all levels of government, is necessary for the continued economic and social equilibrium of the nation. Simply shifting costs from the federal level to state, local and tribal governments does not achieve meaningful disaster cost reduction.

- The government practice of spending more money on disaster recovery than risk reduction prior to the disaster must be changed. Hazard mitigation is a demonstrably cost-effective effort with a documented return on investment.

- Mitigation and resilience activities by state, local and tribal governments should be recognized and incentivized by the federal government. In the long-term, cost savings will be realized at all levels.

- Federal and state governments recognize that much of the legal authority and responsibility for risk reduction decisions and activities resides at the local level i.e. adoption and enforcement of building codes, zoning and land use decisions. Local and tribal governments are critical partners in creating and sustaining disaster resilient communities.

- National efforts to reduce the costs of disasters through legislation or rulemaking must:
    - Recognize that state, local and tribal governments already handle the vast majority of disasters and emergencies on their own and without federal assistance;
    - Refrain from cost-shifting;

- Utilize the best available science and predictive analysis tools to illustrate data-driven return on investment calculations;
- Encourage and reward mitigation and resilience activities in the broadest sense;
- Provide for transparency and accountability without increased complexity and administrative burden.

Cost Reduction Through Mitigation Activity

The best way to reduce the cost of disasters is to design and harden the built environment to match the threat environment. One component of such effort is mitigation, which averages a 4 to 1 return on investment (ROI) in addition to less tangible environmental benefits. Federal spending, however, does not reflect this priority. From 2004-2013, FEMA spent $71.2 billion in Public Assistance and Individual Assistance to help communities recover from disasters, in addition to tens of billions of dollars spent by the Departments of Housing and Urban Development and Labor, the Federal Highway Administration, the Federal Transit Authority, the Small Business Administration, and the Army Corps of Engineers. In that same time period, only $5.2 billion was spent on Hazard Mitigation Grants to reduce the impact of future events.

Response and recovery programs are critical post-disaster investments, but speak to a cyclical focus that prioritizes managing the impacts of disasters instead of reducing or eliminating those impacts altogether. Incorporating mitigation into disaster recovery through Public Assistance or Hazard Mitigation Grant Program funding is necessary, but in the chaotic and often fragmented post-disaster environment, investments may not always address the long term, strategic needs of the community. Mitigation should be encouraged before the disaster occurs to strengthen and protect our critical infrastructure, provide incentives for communities for the adoption and enforcement of effective building codes, and reward builders and homeowners who make responsible decisions to mitigate risk that can have positive impacts on the entire community.

Mitigation activities do not have to be accomplished solely with federal funding. The goal is to reduce vulnerabilities and increase resilience for the future using all available resources and these efforts can be more sustainable when coupled with investments from state, local, and tribal government as well as private sector and individual stakeholders. Collaborative mitigation strategies encourage relationship building and facilitate innovative funding mechanisms that can support the type of long-term, community-driven investments that risk reduction efforts require.

Hazard mitigation is a demonstrably cost-effective effort with a documented return on investment. Providing incentives and empowering communities, business owners, and government officials at all levels to mitigate is a compelling narrative that shifts the focus from federal to community priorities that reflect evolving risk on the ground.

Ongoing Efforts to Achieve Resiliency

The vast majority of building projects in the nation and funded by entities other than the federal government. And every year, those roads, bridges, water treatment plants, shopping malls, housing developments, and stadiums get built better and stronger than the year before. Advances in building engineering, materials and techniques; better hazard awareness and modeling; more robust building codes, zoning, and land use principles; and an increased focus on occupant safety have all contributed to creating a more resilient built environment. The federal government

should continue to assist in this progress by recognizing the cost-savings that will be recognized as a result of these improvements and finding ways to help replicate emerging practices across the country. It should also recognize and eliminate those situations that create dis-incentives for improvement.

Two programs which could significantly reduce the cost of disasters but are underutilized are the Community Rating System of the National Flood Insurance Program, and the opportunity for states to earn 33% more post-disaster mitigation funding by having an enhanced mitigation plan approved by FEMA. Full participation in these programs by states would significantly improve their readiness by helping to put into practice well-researched and considered mitigation techniques. However, staffing and funding levels and state and local levels make participation in these programs difficult, and the reward is often too far removed from the risk to motivate those who choose to enact the program. These programs and others like them should be evaluated to determine how to improve the participation rates of eligible jurisdictions in order to maximize their impacts.

In addition to improving currently existing federal programs, FEMA and others should recognize outstanding efforts done by state and local entities and encourage their adoption nationwide. Following Hurricane Floyd in 1999, North Carolina established and has funded a statewide Floodplain Mapping Program. This program, recognized by FEMA as a Cooperating Technical Partner, has to date:

- Acquired two rounds of statewide LiDAR derived topographic data;
- Studied over 31,000 stream and coastal miles with Base Flood Elevations established or updated for all studied streams;
- Facilitated the adoption of the maps by all 100 counties in North Carolina and the Eastern Band of the Cherokee Indian Nation;
- Transitioned completely away from costly cartographic mapping to an efficient, dynamic database derived display for all data and maps;
- Assessed flood damage impacts for all structures in North Carolina for five flood events;
- Established ability to calculate and provide flood insurance premium rates for all structures in North Carolina;
- Established a real-time flood warning system that calculates real-time data to structures; and,
- Established Flood Risk Information System (FRIS) that houses and dynamically displays all flood data, models, maps and risk associated with flood. This system also houses and displays data for Virginia, Alabama and Florida which is highly efficient and a cost savings for each state.

Current Efforts to Reduce Disaster Costs to the Federal Government

FEMA has undertaken various efforts over the last decade to reduce costs and streamline operations. In the aftermath of Superstorm Sandy, which started a politically charged conversation about federal disaster costs, cost reduction has been a priority.

PA Re-Engineering – The Public Assistance Reengineering is an excellent example of FEMA working to improve and maximize existing programs. The primary change is intended to alter the process to be more customer centric. When customer service is the focus the local

jurisdictions should see more timely results with restoration of infrastructure and cost reimbursement. Through this re-engineering FEMA is working to address the need for reduction in administrative costs. The thought process is that these changes will require less time in the field, thereby reducing overhead costs for joint field offices. While it is still too early to determine the effectiveness of the change, we are pleased with the effort and urge that similar reforms be considered by other programs that impact our ability to mitigate, prepare, and recover.

Emergency Management Assistance Compact (EMAC) – Investment into EMAC leverages federal grant dollars that have already been invested in state and local emergency management capabilities. EMAC has made it easier for states to assist each other effectively—with the added benefit of lessening the need for federal resources in the process. Going forward, we must encourage greater investments as states work with one another to reduce the need for federal assistance, reduce federal administrative costs, reduce property damages, and most importantly, save lives.

National Strategy for Reducing Disaster Costs – In the Sandy Recovery Improvement Act (SRIA), Congress required that FEMA develop a National Strategy for Reducing Disaster Costs. NEMA quickly realized the effort to develop a framework for a National Strategy for Reducing Future Disaster Costs could be paramount in ensuring the solvency of our disaster response network for generations to come.

NEMA members understood the importance of clearly articulating initial steps in developing an informed and effective national strategy for reducing future disaster costs including planning assumptions. NEMA also recognizes varying levels and types of activities to consider for reducing future disaster costs including those in the near-term, long-term, administrative, programmatic, operational, and strategic. While the initial direction from Congress was for FEMA to simply describe a framework, NEMA encourages the full development of this strategy.

Disaster Deductible – In January 2016, FEMA released an Advanced Notice of Proposed Rulemaking (ANPRM) that introduced a concept that would create a State deductible for federally declared disasters. The ANPRM was light on details, and instead highlighted questions for stakeholders to allow for significant input on any future rulemaking. The overall goal is to reduce the cost of disasters by first, requiring a deductible to be paid before federal financial assistance would kick in and second, providing States a chance to buy down this deductible by investing in mitigation and risk reduction activities.

Comments to the ANPRM were accepted until late March and NEMA submitted comments to the Federal Register along with over 100 other stakeholders. There was no clear consensus of opinion on the proposal. Some States are open to the idea, others have significant concerns and still others, took no position, asking additional questions and raising further issues.

While there was a wide range of opinions among the states, certain themes were repeated:

- Any new concept must represent a real reduction in disaster costs – not merely shifting the financial burden to states, local jurisdictions, tribes, etc.

- If FEMA goes forward with the concept, there must be ample time for implementation, both for FEMA and the states. For FEMA, this means full development of the concept, internal education and training, and the creation of understandable guidance for the states. On the state level, it will require first and foremost enough time for state legislatures to be thoroughly briefed on the new requirements and plan through their budgetary cycles for additional deductible responsibilities. States will also need time for training of state personnel as well as all sub-grantees.
- If the idea proceeds, there must be detailed program guidance with clearly defined requirements from FEMA, including all data that states would be expected to capture in order to meet the deductible.
- The more subjective elements in the new concept, the more opportunities for confusion, contradiction, inconsistencies and varying interpretation from region to region. This has occurred many times in the existing program and everything possible should be done to avoid this with any new structure.
- The proposal should not result in ever-increasing and onerous administrative burdens, requiring more personnel, more expense and more bureaucracy.
- The deductible cannot result in delayed assistance to those in need.

Recommendations for the Future

NEMA will continue to work with Congress and the Administration to urge progress on critical proposals to tackle increasing disaster costs in a way that does not simply shift costs to State and local stakeholders. I'll touch briefly on a few of them.

- Continue to offer incentive programs that allow states to pursue additional opportunities to strengthen their communities. Although a number of these programs and incentives exist, they are not fully utilized. We recommend that FEMA and other agencies continually evaluate these programs to better understand what the issues are that deter or prevent communities from fully leveraging these programs. Examples of these types of programs are the additional funding available through having an enhanced mitigation plan, the savings communities enjoy through participation in the community rating system, and the cost-savings generated by accelerated debris removal, the use of volunteers in disaster response and recovery. All of these programs have a positive return on investment that will ultimately reduce the cost of disasters at every level. Communicating return on investment, however, is often hindered by limitations put in place by the Office of Management and Budget and the Congressional Budget Office.

- NEMA also recommends that a study to determine the true costs of disasters be conducted that captures not only those direct financial costs borne by FEMA, but also those costs, both direct and indirect that are paid by other federal agencies, state, local, and tribal governments, and the private sector. This should not only account for economic costs related to a disaster, but the opportunity cost for economic activities that were impacted by the disaster. Such a study will paint a much clearer picture of what the true cost of natural and man-made disasters are to the United States, and allow us to develop a more comprehensive and ultimately successful program to reduce those costs.

- Position FEMA as a partner in developing a more resilient nation. FEMA's ability to respond quickly to disasters has improved tremendously in the years since Hurricane Katrina. They should now positions themselves there as an organization that is there all along, helping the community to get ready for that day, integrating the myriad of resources available to reduce the impact of the next flood, hurricane, or earthquake. As community leaders have better access to the true cost of disasters, they will be more likely to position their community for successful mitigation efforts. And as citizens and consumers become more aware of the options available to them that will help preserve their life and property they will choose them, spurring further development in this area. Mitigation and long-term recovery are societal investments – not a cost. These endeavors must build on non-traditional partnerships to communicate that efforts are worth the investments.

- Many of the functions that FEMA fulfills during a disaster could be done in a more cost-effective manner by using personnel deployed from tribal, state, or local government through the Emergency Management Assistance Compact. Doing so not only has the potential to reduce the cost of the disaster, but it allows those personnel to gain real-life experience that will benefit their local program in future disasters. The receiving entity will also enjoy the benefit of having someone with experience at their level of government assisting them. And because these relationships are contracted for and paid by the receiving entity, there is an element of speed and efficiency that can be lost when the service is provided at no charge by the federal government.

- Communities across the nation are facing the impacts of increasingly severe weather and the trend is expected to continue. A changing climate, regardless of the reasons for the change, increases the loss of life and property. Widespread droughts, rapidly moving wildfires, severe and sustained coastal or riverine flooding, more powerful hurricanes, and record-breaking snowfall may become even more common. These disasters may exceed the current planning factors used to ensure that the appropriate response and recovery assets are in place. All stakeholders interested in reducing the cost of disasters must be ready to adapt to evolving cost-drivers like extreme weather.

  We must consider the growing scale of these situations and facilitate partnerships with NOAA and the National Weather Service, research center and academic institutions, the private sector, the insurance industry, and emergency management to continually reevaluate the potential impact to the nation, and our readiness for them, and to put in place the recommended solutions to ensure that we are not caught unaware. Smart decision-making and investments that support disaster resilience are the keys to preventing the costly toll of future disasters.

- Partnerships should be supported and encouraged to engage stakeholders in working groups that harness the power of collaboration. For example, the National Information Sharing Consortium works with DHS First Responder's Group to provide tools to help communities improve preparedness through greater information sharing, situational awareness, improved resource planning, improving alerts and warnings, and mutual aid.

The work that groups like this do on a grassroots level to review and assess developed processes can be leveraged throughout the federal government, and may reduce the burden on the Federal Government as they move forward with the implementation of standards. If organizations have worked together to create, test, train, and implement agreeable standards across multiple jurisdictions, they have done the heavy lifting which could potentially save millions.

Conclusion

While many stakeholders approach the issue of increasing disaster costs differently, I feel comfortable saying we all have a common goal. As government officials, private sector business leaders, and community members, we all have a role to play in reducing the cost and impact of disasters.

Mitigation activities can take many forms, and their uses differ by region. What does not differ, however, is the value these initiatives can hold. In today's economic times, investments must be made in the prevention of high disaster recovery costs incurred by the federal government, states or localities. FEMA's mitigation programs, including the Post-Disaster Mitigation and Hazard Mitigation Grant Programs as well as programs within the NFIP have been effective in reducing the possibility of property damage, personal and commercial hardship, as well as long lasting monetary burdens.

We have a long way to go, however, to move the needle in a meaningful way that allows us to see significant decreases in the liability to the DRF and state budgets. Government programs, while impactful and critical drivers of investment, are not the only tools we have at our disposal.

I appreciate the opportunity to testify before you today and stand ready to answer any questions the Committee may have.