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FEMA'S FLOODPLAIN MAP MODERNIZATION: A STATE AND LOCAL PERSPECTIVE

HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATORY AFFAIRS

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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FEMA'S FLOODPLAIN MAP MODERNIZATION: A STATE AND LOCAL PERSPECTIVE

MONDAY, MAY 8, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON REGULATORY AFFAIRS,
COMMITTEE ON GOVERNMENT REFORM,
Clay Township, MI.

The subcommittee met, pursuant to notice, at 9 a.m., at the Clay Township Offices, in Clay Township, MI, Hon. Candice S. Miller (chairman of the subcommittee) presiding.

Present: Representatives Miller and Turner.

Staff present: Ed Shrock, staff director; Erik Glavich, professional staff member; and Benjamin Chance, clerk.

Mrs. MILLER. It's 1 minute after 9. We are going to start this hearing on time, here. I certainly want to say good morning to all of you. We certainly appreciate all of you for coming.

As you know, I'm Congresswoman Candice Miller. I'm going to call our Subcommittee on Regulatory Affairs to order and welcome you all here.

This is a very excellent turnout. We see a number of people in the audience who are at different levels of government and everyday citizens and people who are involved in this issue and have had a great consternation about the issue and how it's impacting our entire State, quite frankly.

We have titled our hearing, "FEMA Floodplain Map Modernization, a State and Local Perspective." I'm going to make an opening statement that will hopefully lay out the groundwork a bit about the issue and what it means. We are going to be hearing testimony from Supervisor Jon Manos in just a moment. Let me thank him personally so much for really being the squeaky wheel in many ways, a principal advocate of this particular issue and bringing it to our attention, and Mike Pellerito, our township clerk, who joins us also, has met with us here in the boardroom and talked about this issue, and we have our township trustees and county commissioners who are here as well. So we appreciate the hospitality for all of us.

We are holding this hearing to examine the State and the local impact of floodplain remapping. This is an effort currently underway by FEMA, the Federal Emergency Management Administration. Actually, it's happening nationwide but they are currently in our State right now.

FEMA issues flood maps that delineate areas within the 100-year flood zone and uses the maps to determine flood insurance rates.

A 100-year flood, also known as the base flood elevation, is the calculation that represents a level of flood that has 1 chance in 100 of occurring in a given year.

Areas surrounding a potential flood source that are below this base flood elevation are included in the 100-year flood zone. If a property sits in the floodplain, then the owner is required by law to purchase flood insurance if he or she has a federally backed mortgage. And if an owner does not purchase the required insurance, then the mortgage lender is required to purchase it, and it adds, of course, the cost and the applicable fees to the mortgage.

The National Flood Insurance Program, in my opinion, has all kinds of inequities. First of all, States with very little risk for experiencing flooding are funding the program at astronomical rates, at huge rates, while States that we see are flooded repeatedly year after year are essentially using FEMA, if I could categorize it this way, almost as their own personal ATM machines.

As you can imagine, changes in the flood flap can have a dramatic affect on homeowners. FEMA is currently engaged in a project to update the flood maps around the Nation and convert them into a digital format.

Before they began this project, just about every flood map in the United States was on paper and most of the maps were very, very outdated.

Effective maps typically do not reflect changes in topography or real estate growth that has taken place over the last 30 years, of course.

FEMA, and then Congress, both realize the need for modern digital maps. We do want to have the best maps, let's face it. And Congress is currently providing $200 million per year to FEMA for its modernization initiative.

And St. Clair County FEMA expects to have new maps in effect by the end of next year. Everyone here, I think can agree that the floodplain maps are outdated.

Here in Clay Township, the current flood maps became effective in 1982 and certainly a lot has changed in the past 25 years.

It is important that the flood maps that communities rely on for local planning, for local building ordinances, etc., and used by homeowners and mortgage lenders to determine flood insurance requirements, that these maps do reflect the growth that has taken place during that time. But I think FEMA is proposing to do something that has everybody in our area sort of scratching our heads here a bit, because they want to raise the base flood elevation an additional 14 inches.

According to FEMA, the reason for this proposal is to ensure that the area flood maps, again, accurately reflect the area's risk of flooding.

The proposal is based on an 1988 study on water levels in the Great Lakes which was conducted by the U.S. Army Corps of Engineers.

We are not going to be here today to debate the science behind that study, but the last year the data used by the Corps for the study was 1986, which we all remember was a year that the Great Lakes hit their historic high.

I was a township supervisor at the time in Harrison Township down in Macomb County. I remember those high water levels very vividly.

FEMA'S proposal seems to contradict what everybody around here has witnessed over the past 20 years, and that is that Lake St. Clair has dropped almost 3 feet since 1986. It is now almost 5 feet below the current base flood elevation.

If FEMA goes ahead with the proposal, the new base flood elevation will be 6 feet above the current lake level, even though the lake has been below its historic level since 1998. Over the past 20 years the lake's average level has dropped 11 times.

Furthermore, in the last 88 years, the Army Corps has been tracking lake levels for the last 88 years. The lake levels have changed an average depth of less than 6 inches per year.

This is why so many of our local residents are very upset in that FEMA's proposal would be reasonable, perhaps, if this area was actually prone to all kinds of flooding every year.

There are two tables of information on display here, and you might take a look at those. The table on your left, my right, I guess, includes statistics indicating the amount of money different States have paid into the flood insurance program between 1978 and 2002 and how much they have actually taken out. And, of course, these are the figures that were before the recent hurricanes that the Gulf area of our Nation experienced.

Between 1978 and 2002 there were 10 States that received more in claims than they paid in premiums. These States received over $1.5 billion more from the program than they paid. Yet the average premium in those States was only $223.

Michigan, on the other hand, paid almost $120 million more into the program than we have received. Yet the average premium for Michigan policy holders was almost $260. Quite a difference there.

Obviously, we ask the question of ourselves, how can this possibly be? If you think about the nature of insurance, people that do not experience losses typically subsidize those that do. But, certainly, I think if a private insurance company decided to charge significantly higher premiums for policy holders with little or no history of claims, they would probably be hauled in front of our State insurance commissioner to answer the question of why that is all happening.

The chart on your right, my left, I hope I'm pointing in the right direction, outlines data that is recent through the end of February of this year.

In four States that are seemingly hit with hurricanes every year, the premiums per policy that will be paid to each of those States is an average of $175 below the rate that is paid by Michigan policy holders.

You know, if you think about that just for a second, Michigan residents are paying on average 51 percent higher premiums than five Gulf States: Louisiana, Mississippi, Florida, Alabama, and Texas, which seems to me to be patently unfair.

Obviously, we all watched the terrible events of Katrina, and some of the other hurricanes that hit Florida. And we are all Americans before everything else. We are Americans first, and we are

a compassionate Nation, and we certainly feel for the people in those areas.

However, if you look at the floodplains claims again in recent years, there is only two ways they can increase the fund into this flood insurance program. They either have to raise the premiums or force more people into the program. And to the residents of St. Clair County and, in fact, the entire State of Michigan, it seems obvious. They are trying to force more people into the program knowing they will not have to pay us back in the form of claim payments.

Municipalities in St. Clair County that would be directly impacted by Lake St. Clair pay nearly $700,000 more in flood insurance premiums than they can expect to receive in an average year.

For the county as a whole, here in St. Clair, residents will pay close to $1 million in premiums. But in 28 years, the county has received only $2.7 million from FEMA in the form of claims. And that means that in St. Clair County alone, this county has made more than $8.1 million to FEMA than it has gotten back in claims.

What would FEMA's proposal do specifically to raise a floodplain here in Clay Township? Well, the average premium, again, for township is roughly $500, and local officials estimate that a minimum of 700 homes would be brought into the flood insurance program if this proposal, as is currently constructed, is finalized.

This means in Clay Township alone, residents here would pay an extra $350,000 per year, or over $770,000 total. In 3 years Clay Township will pay more to FEMA than it received in flood-loss claims over the life of the program.

We can think about what that actually means as far as driving up property values and the potential impact on this area. And I'm afraid, and I think many of us fear, that FEMA perhaps is not taking all of these consequences in its proposal into account.

In Congress, we feel that we need to take a very good look, obviously, at how the flood insurance program is run. It needs to be reformed in order to fix the inequities that are inherent in it. Until that time, though, residents need to be assured that the program is run fairly. And I truly hope that this is the case.

I want to thank all of our witnesses who I will introduce in just a moment as they begin their testimony for this morning's very important hearing.

I will tell you that it is extremely unusual to have a congressional field hearing, as we call it a field hearing, leaving Capitol Hill and going out into the community.

I had initially thought about doing this hearing in Washington, because it is easy on many of the witnesses that we would have wanted to have there. However, this is an issue that impacts this area so dramatically, as I discussed with my other colleagues, we did decide to bring Washington out to Clay Township and into St. Clair County.

I think it's an appropriate thing. Based upon the amount of participation we have this morning, I tell you sincerely, I'm glad you are all here. You will be able to hear this testimony. We will not be taking any specific action today. This is for us to gather information. Then we will be digesting it and we will let you—we will

keep you up to date on exactly how the entire process is proceeding.

Before we go to the witnesses, let me welcome another member of our subcommittee, introduce him to all of you, this is representative Mike Turner, who is an outstanding Member of Congress. He and I came into the Congress at the same time. We said we ran for office because we wanted to be freshmen again. We were freshmen in Congress for a short period of time.

But Congressman Turner is from Ohio, our neighboring State of Ohio. He has been a former mayor of Dayton, OH. As I mentioned to the supervisor, he is very well familiar with local issues, planning issues, and ordinances and how things like this can impact a community or a city or a township.

He serves with me on the Government Reform Committee, the subcommittee is under the Government Reform Committee, which is a committee that I am very proud to serve on, as is Congressman Turner. We both like to think of ourselves as reformers of government. And we have been very involved in a number of various issues, and I appreciate him taking the time to come from Ohio today. We will both be back in session tomorrow in Washington. I want to welcome Congressman Turner to the hearing.

[The prepared statement of Hon. Candice S. Miller follows:]

"FEMA's Floodplain Map Modernization: A State and Local Perspective"

Opening Statement of Chairman Candice S. Miller

Committee on Government Reform
Subcommittee on Regulatory Affairs

Monday, May 8, 2006, 9:00 a.m.

Clay Township Offices
4710 Pointe Tremble Road
Algonac, Michigan

Good morning. The Subcommittee on Regulatory Affairs will come to order. I would like to welcome everyone to this morning's field hearing entitled "FEMA's Floodplain Map Modernization: A State and Local Perspective."

First, I would like to thank Clay Township for hosting this hearing, particularly Township Supervisor Jon Manos and Clerk Michael Pellerito. I appreciate your assistance as we have prepared for this hearing, and I further appreciate your hospitality here this morning.

The Subcommittee is holding this hearing to examine the state and local impact of the floodplain re-mapping effort currently underway by the Federal Emergency Management Administration—which, as we know, is the agency known as FEMA.

FEMA issues flood maps that delineate areas within the "100-year" flood zone and uses the maps to determine flood insurance rates. A 100-year flood—also known as the base flood elevation—is a calculation that represents a level of flood that has a "one chance in 100" of occurring in a given year. Areas surrounding a potential flood source that are below this base flood elevation are included in the 100-year flood zone.

If a property sits in the floodplain, then the owner is required by law to purchase flood insurance if he or she has a Federally-backed mortgage. If an owner does not purchase required insurance, then the mortgage lender is required to purchase it and add the costs and applicable fees to the mortgage.

The National Flood Insurance Program is beset with inequities. States with little risk for experiencing flooding are funding the program at astronomical rates, while states that we see flooded year after year are essentially using FEMA as their own personal ATMs.

As you can imagine, changes in the flood maps can have dramatic effects on homeowners. FEMA is currently engaged in a project to update flood maps around the nation and convert them to a digital format. Before they began this project, just about every flood map in the U.S. was on paper and most maps were outdated. Effective maps typically do not reflect changes in topography or real estate growth that has taken place over the past 30 years. FEMA and the

Congress both realize the need for modern digital maps, and Congress is currently providing $200 million per year to FEMA for its modernization initiative.

In St. Clair County, FEMA expects to have new maps in effect by the end of next year. Everyone here can agree that the flood maps in this area are outdated. Here in Clay Township, the current flood maps became effective in 1982—and a lot has changed in the past 25 years. It is important that the flood maps that communities rely on for local building ordinances and are used by homeowners and mortgage lenders to determine flood insurance requirements reflect the growth that has taken place during that time.

But FEMA is proposing to do something that has everyone in this area scratching their heads: They want to raise the base flood elevation an additional 14 inches. According to FEMA, the reason for this proposal is to ensure that the areas flood maps accurately reflect the risk of flooding.

The proposal is based on a 1988 study on water levels in the Great Lakes conducted by U.S. Army Corps of Engineers. We're not here to debate the science behind this study, but the last year of data used by the Corps for the study was 1986—which we all remember is the year that the Great Lakes hit their highest levels in recorded history.

FEMA's proposal seems contradictory to what everyone around here has witnessed over the past 20 years. Lake St. Clair has dropped over three feet since 1986 and is now almost 5 feet below the current base flood elevation. If FEMA goes ahead with its proposal, the new base flood elevation will be 6 feet above the current lake level—even though the lake has been below its historic average since 1998. Over the past 20 years, the lake's average level dropped 11 times. Furthermore in the 88 years that the Army Corps has been tracking lake levels, the lake's level changed an average depth of less than 6 inches per year. Is raising the base flood elevation necessary? Obviously, residents in this area will answer with a defiant "NO."

This is why local residents are upset—FEMA's proposal would be reasonable if this area was actually prone to flooding.

I ask you to focus your attention to the two tables that are on display. The table on your left includes statistics indicating the amount of money different states have paid into the flood insurance program between 1978 and 2002, and how much they taken out. These figures are before the recent hurricane seasons that decimated the gulf coast.

Between 1978 and 2002, there were 10 states that received more in claims than they paid in premiums. These states received over $1.5 billion more from the program than they paid in, yet the average premium for policyholders in those states was only $223.

Michigan, on the other hand, paid almost $120 million more into the program than we received, yet the average premium for Michigan policyholders was almost $260.

How can this be? I understand the nature of insurance—people that do not experience losses typically subsidize those that do. But I can guarantee that a bad driver is going to pay more for

auto insurance than a person with no accidents. If a private insurance company decided to charge significantly higher premiums for policyholders with no or little history of claims, then they would be hauled in front of the state insurance commissioner and have to beg to keep their license. The owner of the company would be lucky to not have charges of fraud filed against him.

The chart on your right outlines data that is recent through the end of February this year. In four states that seemingly are hit with hurricanes every year, the premiums per policy that will be paid this year in each of those states is an average of $175 below the rate paid by Michigan policyholders. I ask you to think about that for a second. Michigan residents are paying—on average—51 percent higher premiums than the 5 Gulf States—Louisiana, Mississippi, Florida, Alabama, and Texas.

The natural disasters experienced by this region are terrible—and my thoughts and prayers go out to the families that have lost families and friends and are forced to start their lives anew. But FEMA needs to more money to pay for the flood claims of recent years. Under the current program, it can increase funds by only two ways—raise premiums and force more people into the program. To the residents of St. Clair County and the State of Michigan, it seems obvious. They can raise money by forcing more people into the program—knowing that they will not have to pay them back in the form of claim payments.

Now, municipalities in St. Clair County that would be directly impacted by Lake St. Clair pay nearly $700,000 more in flood insurance premiums than they can expect to receive in an average year. For the county as a whole, residents will pay about $924,000 in premiums this year. But in 28 years, the county has received only $2.7 million from FEMA in the form of claims. This means that St. Clair County alone has paid more than $8.1 million to FEMA than it has gotten back. The state, the county, and the local communities are all cash cows for FEMA, and FEMA is set to cash in for some more.

What would FEMA's proposal to raise the flood plain do to Clay Township? Well, the average premium for the township is roughly $500. Local officials estimate that a minimum of 700 homes would be brought into the flood insurance program if the proposal is finalized. This means that Clay Township residents would pay an extra $350,000 per year, or $770,500 total. In just three years, Clay Township will pay more to FEMA than it has received flood loss claims over the life of the program.

The impact of FEMA's re-mapping effort goes well beyond the point of direct costs to county residents. Under the flood insurance program, local ordinances must be changed to meet Federal requirements. Structures have been built in compliance with the law at the time; but by raising the base flood elevation, FEMA will essentially force all affected structures into non-compliance overnight. This could result in significant costs for property owners and drive down property values.

I fear that FEMA has not taken the consequences of its proposal into account. County residents stand to lose much more than they gain if the proposal is finalized. The flood insurance program should not be used as an excuse for Federal agencies to get more money. If the complaints of

local officials and residents are true, then FEMA is doing nothing more than using the flood insurance program as a system of tax.

We in Congress need to take a good look at how the flood insurance program is run. It needs to be reformed in order to fix the inequities that are inherent in it. Until that time, though, residents must be ensured that the program is run fairly. I truly hope this is the case.

I want to thank each of the witnesses for being here today. I look forward to your testimony and hope you can shed some light on what the true impact of FEMA's remapping effort will be.

Before we continue, I am delighted to be joined here this morning by my friend and colleague from Ohio, Congressman Mike Turner. Welcome to Michigan, Mike.

Congressman Turner is a lifelong resident of Dayton, Ohio—where he served two terms as Mayor of that great city. His accomplishments are many. And as mayor, he was a strong proponent of neighborhood revitalization, crime reduction, increased funding for safety forces, economic development and job creation. He has brought his stellar record of public service to Washington, and continues to promote the ideals that have endeared to the citizens of Dayton and the surrounding area.

Congressman Turner earned a Bachelors degree from Ohio Northern University, a Masters degree from the University of Dayton, and a law degree from Case Western University School of Law in Cleveland. He was in private practice and corporate law as an attorney for 13 years before he went to Congress.

His record as Mayor of Dayton is very impressive, and he is well on his way to creating an impressive record in Congress. Congressman Turner serves on the House Veterans' Affairs Committee, the House Armed Services Committee, and the Government Reform Committees. He was also named the Chairman of the House Government Reform Subcommittee on Federalism and the Census.

The Congressman and his wife, Lori, have two daughters—Jessica and Carolyn. And his wife is a professional marketer and is the sole proprietor of Dayton-based Turner Marketing.

Mr. Turner, thank you for being here today. This is an issue that extends well beyond St. Clair County and has sparked interest in the flood insurance program in a bicameral and bipartisan way. I'd like to recognize you for any comments you might have.

Mr. TURNER. Thank you. Thank you, Chairman Miller. I appreciate you having me here for this hearing. I think having a field hearing is always important because it gives us the opportunity to expand the congressional record on a particular issue.

By coming out to this community and having this hearing, Chairman Miller has really taken to Washington all of the testimony and all of the input that will occur here today as an attempt to impact this overall issue. So many times if you have a hearing in Washington, it's just one of many other hearings where you have input on Federal issues. But when you take it to a local perspective and you get the local view, and you can marry it to the processes of this committee and you can take it back to Washington, you can enhance your effectiveness.

Chairman Miller, by bringing this here, has helped highlight this issue and will make a big difference when she takes this information back to the committee and back to Washington.

I know you are all very proud of your Congresswoman. I am a big fan of hers. As you know, with her background serving on the State level or the local level, being an individual who knows how to get in and run things and understand the importance of issues and how they impact people's lives, she is a great advocate for you in Washington. She is a great advocate for personal liberties and for personal responsibility.

I served with her also on the Armed Services Committee, in addition to serving on the Government Reform Committee, where she is a strong advocate there for your local community.

I know she played a big role in the outcome of the BRAC in this area and making certain that the facilities that you had here had a strong voice. And as I'm certain many of you know, she has been a national voice on the issue of the impact of illegal aliens on both the number of congressional districts that are awarded to States on the electoral college. She came to Ohio and testified before the Ohio House on the important issue of our census counting illegal aliens for allocating States, congressional representatives, based on the resident illegal aliens in their State. It's an issue in an inequity both to Ohio and, I believe, to Michigan. It's wonderful that she has brought national attention to an issue that concerns fairness.

This is an issue of fairness also. And it's great that Congresswoman Miller, as her chairmanship of this committee, is reviewing the issues of FEMA and of the floodplains and as they relate to insurance, and the economic impact to your community.

We all know, as we have seen in the Katrina catastrophe, we need to take a closer look at how our Federal agencies operate. And it's all a part of Congresswoman Miller doing that to make certain that, on the local level, people are served by what occurs on the Federal level.

People are always very disappointed when they look at States' programs and find that their donors to programs that perhaps are benefits to others. And the only way to make certain that we have that equity is to have strong voices like Chairman Miller. I appreciate being here. I look forward to the testimony and I look forward to the additional input from FEMA.

Mrs. MILLER. Thank you very much. Because the Government Reform Committee is the only committee in the House that has

subpoena authority, it is always the process of the committee to swear in any of our witnesses who are going to testify. If you will all rise, please, and raise your right hands. If there is—not everybody in the audience because you won't all be testifying, just our witnesses here that will speak.

Although I could swear you all in, who knows what you would say.

[Witnesses sworn.]

Mrs. MILLER. Thank you very much. I appreciate that.

And you will see these lights, as do our witnesses that go on here. Obviously, the red light, when we get—we try to keep the testimony within about a 5-minute timeframe, but I'm not going to cut you right there. Just to sort of keep the flow of it, you will see these lights on, when the red light goes up there, that has been 5 minutes.

Our first witness this morning is Janet Odeshoo. Am I pronouncing that correctly?

Ms. ODESHOO. Odeshoo.

Mrs. MILLER. She is the Deputy Regional Director for the Federal Emergency Management Agency [FEMA], at the regional office in Chicago. She has been there for 10 years. She's currently responsible for the implementation of disaster response and recovery activities and oversight of FEMA's prevention activities and preparedness activities for the States of Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin. She has worked for FEMA for over 25 years. During that time, she was the Director of the National and Technological Hazards Division, which was responsible for administration of the National Flood Insurance Program, the Earthquake Hazards Reduction Program, the Chemical Stockpile Emergency Preparedness Program and the Hazardous Material Program as well.

She has been overseeing programs, including the National Flood Insurance Program, trying to assist communities in reducing or eliminating the effects of disasters on people and property.

We certainly welcome her to the hearing this morning. We appreciate you taking the time to travel to Clay Township. The floor is yours. We look forward to your testimony.

STATEMENTS OF JANET ODESHOO, DEPUTY REGIONAL DIRECTOR, FEDERAL EMERGENCY MANAGEMENT AGENCY [FEMA]; LIEUTENANT COLONEL DONALD LAUZON, MEMBER, CORPS OF ENGINEERS; JUDSON GILBERT II, MICHIGAN STATE SENATOR, 25TH DISTRICT; AND JON MANOS, SUPERVISOR, CLAY TOWNSHIP

STATEMENT OF JANET ODESHOO

Ms. ODESHOO. Thank you. Good morning, Chairman Miller. I am Janet Odeshoo. I'm Deputy Director of the U.S. Department of Homeland Security Federal Emergency Management Agency Region V Office in Chicago.

As Chairman Miller said, I have been with FEMA for over 25 years. I'm a career FEMA employee, and all of my 25 years of government have been with FEMA. I have a lot of experience in emergency management.

I appreciate the opportunity to appear before the Subcommittee on Regulatory Affairs. I will highlight some of the information in my written testimony for your consideration.

I am aware of the controversy concerning our remapping of flood risk in St. Clair County and recently received a copy of Michigan House Resolution 158 urging FEMA not to remap flood risk in several Michigan counties.

Michigan House Resolution 158 discusses an economic hardship that must be born by those required to buy flood insurance. It is our belief, based on prior experience, working firsthand with flood disaster victims, that uninsured flood damage causes far greater economic hardship.

Many of the Nation's flood risk maps need to be updated, St. Clair County's maps included.

Most communities in the county that have voluntarily joined NFIP have flood risk data that is more than 25 years old.

In 2003, FEMA launched the congressionally mandated Flood Map Modernization Program called Map Mod to update and modernize the Nation's flood insurance rate map over a 6-year period. St. Clair County—is part of the national Map Mod efforts.

Identifying flood risk is very important and FEMA uses the best information available when we prepare new maps.

The base flood elevations [BFEs], for waterways in the Great Lakes system that have shown on the existing flood insurance rate maps were derived from data compiled by the U.S. Army Corps of Engineers in 1977.

In 1988, the Corps updated their earlier work and published a report entitled Phase I Revised Report on Great Lakes Open Coast Flood Levels. The Corps published a Phase II report that revised BFEs for the St. Clair River and other connecting waterways.

Since the Anchor Bay portion of Lake St. Clair has different dynamics, the State of Michigan contracted with the Corps to do a separate study on expected flood elevations on Anchor Bay. That report was completed in 1989.

Lack of funding prevented us from updating the flood insurance rate maps for communities at that time to reflect this new flood risk data. However, these reports represent the best available data that we have for the Great Lakes region, and with map modernization, that new data is being incorporated into the digital flood hazard map we are now producing for all counties in the Great Lakes.

Clay Township officials have referenced a report from the International Joint Commission that they interpret as refuting Phase I and II reports.

It is our understanding that the Corps will address the technical merits of these reports in more detail.

A common theme in the IJC and Phase I and II reports is the cyclical nature of the Great Lakes water level. A building constructed in the floodplain of a Great Lakes system waterway is likely to exist through a number of high and low-water level cycles. Lake level may be cyclically low now, but they will rise.

The GIS format Flood Insurance Rate Maps [FIRMS], have not yet been compiled, but Macomb County, which is adjacent to St. Clair County, is further along with the remapping process and can serve as an example of our mapping in this area.

The display FIRM provides examples of the old and revised floodplain delineations in the St. Clair shore area. We have added information on the revised map to make it easier for you to compare the limits of the old and new floodplain boundaries.

The revised map identifies the floodplain based upon data and the Corps' Phase I report. Please note, although the floodplain now includes some structures that were not located in the floodplain before, many structures that have previously been identified in the floodplain—I'm sorry, let me repeat that. Please note, although the floodplain now includes some structures that were not located in the floodplain before, using better topographic data provided by the county has allowed us to remove many structures that had previously been identified in the floodplain. The Macomb County FIRM will become effective on September 29th of this year.

The decision to map or not to map flood risk zones cannot be based on the perceived economic impact of the cost of flood insurance. It must be based on risk and risk must be based upon science.

Valid scientific methods and the best-available data were used in the 1988 Phase I and II, as well as the Anchor Bay reports.

Although we anticipate little change in expected flood elevations, we have asked the Detroit district to validate the 1989 Anchor Bay analysis to incorporate recent engaged data to determine impact on expected flood levels in St. Clair County.

To conclude, FEMA remapping uses the best science available to model the risk and present that information to communities so they can use it to guide development and protect their citizens.

It is important to understand that FEMA will continue to accept and consider any technical or scientific data or information on flood risks. Data supporting a map revision may be submitted at any time.

As technically valid data is developed, new digital mapping format will allow us to easily revise the maps to incorporate new modeling that meets NFIP Guidelines and Specifications.

Ignoring or minimizing flood risk serves no use or purpose. Our communities and citizens benefit from knowing the valuable information they need to make responsible risk management decisions.

Congress has mandated that we update our maps to more accurately identify flood risk. We remain committed to providing the best available flood risk data using the financial resources provided and the congressional support of Map Mod to produce the best maps we can.

Thank you for providing the opportunity to share these views today. I will be happy to answer any questions that you may have.

Mrs. MILLER. Thank very much. We appreciate the testimony.

[The prepared statement of Ms. Odeshoo follows:]

Testimony of
Janet M. Odeshoo
Deputy Regional Director
Region V
Federal Emergency Management Agency
U.S. Department of Homeland Security
Before
The U.S. House of Representatives
Committee on Government Reform
Subcommittee on Regulatory Affairs
May 8, 2006

Good morning Chairman Miller, Ranking Member Lynch and Subcommittee Members. I am Janet Odeshoo, Deputy Director of the U.S. Department of Homeland Security's Federal Emergency Management Agency Region V office in Chicago. I appreciate the opportunity to appear today before the Subcommittee on Regulatory Affairs.

I am a career FEMA employee with over 25 years of experience in emergency management and have served several lengthy assignments as Acting Regional Director. I am aware of the controversy concerning our remapping of flood risk in St. Clair County and recently received a copy of Michigan House Resolution No. 158 urging FEMA, and I quote, "... to reject proposed revisions to floodplain elevation thresholds in St. Clair, Bay and Huron counties." That document discusses the economic hardship that must be borne by those required to buy flood insurance.

It is our belief, based on prior experience working first- hand with flood disaster victims, that uninsured flood damage causes far greater economic hardship.

Flood insurance is an effective way to both financially protect buildings at risk of flooding, as well as to encourage more risk-averse behavior. At its core, buying or requiring flood insurance is a risk management decision. Sound risk management decisions can only be made when people are aware of the risks and understand the severity of the threat they face. Failure to

recognize flood hazards encourages complacency and condones behaviors that create even more risk.

FEMA is committed to providing the best available flood risk data based upon the best available science. Flood Insurance Rate Maps provide flood risk information so that local officials, emergency managers, community planners, public works departments, business owners, homeowners and others can use it to take appropriate actions to both protect their communities and their families from flood damage, as well as to adequately insure their property.

In order to understand the current remapping situation in St. Clair County, I will first provide some background information on the National Flood Insurance Program (which I will refer to as the NFIP) and FEMA's Flood Map Modernization program (which I will refer to as Map Mod). Then I will talk more specifically about remapping and flood insurance.

Congress established the NFIP with the passage of the National Flood Insurance Act in 1968. The NFIP is based on an agreement between local communities and the federal government. If a community will implement a floodplain management program and regulate new development to mitigate future flood damage, the federal government will make flood insurance available to protect the financial interests in buildings previously constructed "in harm's way" – before the risk was mapped. The NFIP was created to reduce our nation's vulnerability to flooding by identifying flood risks, encouraging sound floodplain management practices, and providing a mechanism through which people can insure their investments. With very few exceptions for the high-end market, the NFIP provides the only affordable flood insurance for most homeowners and small businesses.

The NFIP is a common sense program. The key issue is how the NFIP **identifies** flood risk. If science can predict where it will flood and how much flooding is likely to occur, we should use that information to assure that new structures are safely built and our investments in older "at-risk" structures are protected with insurance.

FEMA administers the NFIP and is responsible for providing the best flood risk information available to local communities in the form of Flood Insurance Rate Maps and Flood Insurance Studies. The maps are the foundation of the NFIP. Communities that choose to participate in the NFIP

must adopt flood protection regulations within the flood risk zones identified as Special Flood Hazard Areas (SFHA) on the Flood Insurance Rate Maps. Although flood insurance is available to owners of all buildings located within participating communities, the purchase of flood insurance is required on only those structures in the SFHA. Prompted by lessons learned from major disasters, the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 amended the original 1968 Act to include provisions directing federally insured or regulated lending institutions to require the purchase of flood insurance on loans secured by buildings located in Special Flood Hazard Areas. Federally insured or regulated lending institutions do in some cases require the purchase of flood insurance as a condition of a mortgage for buildings outside the SFHA, but such requirements are not mandated by the Federal government.

FEMA has produced two publications that provide a great deal of information on the NFIP. They are the NFIP *Program Description* and *Answers to Questions on the National Flood Insurance Program*. Both are available on our Web site at www.fema.gov. I have about 100 copies of each here today for those that are interested.

As a result of a requirement in the National Flood Insurance Reform Act of 1994, FEMA has undertaken a massive effort to update and modernize our Flood Insurance Rate Maps. Several flood risk zones are identified on these maps, based upon detailed hydrologic and hydraulic analyses. The Special Flood Hazard Area is defined as the area of land that is subject to inundation by a flood with 1-percent-annual-chance of occurrence in any given year. It is also called the "the 100-year flood" or the "Base Flood." Base Flood Elevations (referred to as BFEs) are shown on the Flood Insurance Rate Maps for areas in which they have been determined. The BFE is the elevation above sea level that floodwater would reach during the 1-percent-annual-chance flood event and is the national standard that has been adopted by the NFIP as the basis for flood risk identification.

In 1973, the Senate Committee on Banking, Housing and Urban Affairs, which has oversight responsibility for the NFIP, heard arguments on the appropriateness of the 100-year base flood standard. The Committee concluded that the 1-percent-annual-chance flood was reasonable and consistent with national objectives in reducing flood losses. In 1981, the Office of Management and Budget directed FEMA to review the use of the 1-percent-annual-chance flood as part of the President's 1981 Task Force on

Regulatory Relief. Responses from the public and private sector overwhelmingly supported FEMA use of the Base Flood standard.

Many of the nation's flood risk maps need to be updated. There are 19 individual communities located in St. Clair County that have voluntarily joined the NFIP and most of them have flood risk data that is more than 25 years old. Although old data is not necessarily inaccurate, several factors, including development and new construction, can impact the floodplain. As I will discuss, the science indicates that there is somewhat more flood risk associated with the Great Lake and Lake St. Clair than was known when most of the Flood Insurance Rate Maps for communities in this area were published.

In 2003, FEMA launched the Flood Map Modernization Program, called Map Mod, which aims to update and modernize the nation's Flood Insurance Rate Maps over a six-year period. We are very grateful to Members of Congress for their support of this ongoing, and very important effort. The revised maps will be based on state-of-the-art technology, on-the-ground intelligence, and a strong set of mapping guidelines, specifications, and standards to deliver reliable data and maps, and to do so in a digital geographic information system (GIS) format.

In this State, we are partnering with the Michigan Department of Environmental Quality (DEQ) for the implementation of the National Flood Insurance Program, as well as for the implementation of Map Mod. In 2002, the Michigan DEQ provided us with a plan that prioritized the mapping needs for all of the State's counties. Six of the top 10 counties identified in that plan are subject to Great Lakes system flooding. St. Clair County was sequenced ninth among the 83 Michigan counties for Map Mod re-mapping.

The Base Flood Elevations for waterways in the Great Lakes system that are shown on the old, existing Flood Insurance Rate Maps, were derived from data compiled by the U.S. Army Corps of Engineers in a report they published in 1977. FEMA Region V funded the U.S. Army Corps of Engineers - Detroit District to update that report in the late 1980s. The result of that analysis is called the *Phase I – Revised Report on Great Lakes Open-Coast Flood Levels,* published in 1988. A companion report, *Phase II,* also published in 1988, revised BFEs for the St. Clair River and other connecting waterways. Since the Anchor Bay portion of Lake St. Clair has somewhat different dynamics than the open lake, the State of Michigan

contracted with the Corps of Engineers to do a separate study on expected flood elevations on Anchor Bay. That analysis was completed in 1989. Unfortunately, a lack of funding prevented us from updating the Flood Insurance Rate Maps for communities at the time to reflect this flood risk data. However, these reports represent the best available data that we have for the Great Lakes region; and, with Map Modernization, that new data will be incorporated into the digital flood hazard mapping products that we are now producing.

In January 1989, FEMA's National Office sent letters along with copies of the *Phase I* and *II* reports to all impacted communities informing them that those reports are the "best data available" and that communities participating in the NFIP should use this information for floodplain management purposes. The Michigan Department of Environmental Quality also has required the use of the 1988 reports and the Anchor Bay study as the best available information.

After a meeting in Clay and Ira townships in 2003, we asked the U.S. Army Corps of Engineers - Detroit District to review their *Phase I* and *Phase II* reports to determine if adding recent gage data reflecting the cyclically low lake levels would significantly alter the results of the analysis published in 1988. The Corps concluded that, although lake levels have been cyclically low, recent lows are not record lows and their review of the data suggested that incorporating water levels since 1986 would not yield results significantly different from those published in 1988.

Along the Great Lakes, there is a well-documented historical cycle of lake level fluctuations. As can be seen by this historical information, even though the lake levels are currently low, they will eventually rise. Therefore, in order to protect new and substantially improved buildings from the high water levels that we know will occur again, local building regulations must be based on analyses that take the lake level fluctuations into account. Similarly, the mandatory flood insurance purchase requirement that protects the financial interest of the lender and borrower must account for the full potential risk.

The decision to map or not to map flood risk zones cannot be based on the perceived economic impact of the cost of flood insurance. It must be based on risk, and the risk must be based upon science. Valid scientific methods and the best available data were used in the 1988 *Phase I* and *Phase II* and

the Anchor Bay reports. Although we anticipate little change in expected flood elevations, we have asked the Corp of Engineers to validate the 1989 Anchor Bay analysis to incorporate the additional gage data from 1988 to the present to determine its impact on Base Flood Elevations. That re-analysis should be available to use in the preparation of the revised St. Clair County Flood Insurance Rate Maps.

The final, new digital mapping products generated as part of Map Mod have another major benefit. In the past, revised Flood Insurance Rate Maps (called FIRMs) were prepared using traditional, but now obsolete, cartographic methods. The new FIRMs will be digital in a GIS format. Revisions to incorporate newer data will be much faster and more cost-effective. Whereas, before Map Mod, most map revisions were by "letter," future revisions will be incorporated into the digital document and will be available on our Web-based platform. This represents the next generation in the quality and availability of flood risk mapping.

Discussions of mapping are easier when they can be visualized. Macomb County is adjacent to St. Clair County and is further along in the remapping process. The display boards provide examples of the old and revised FIRMs in the St. Clair Shores area. We have added information on the revised map to make it easier for you to compare the limits of the old and new floodplain boundaries. The revised map identifies the floodplain based upon data in the Corp's Phase I report, adjusted to the new North American Vertical Datum of 1988. Please note that although the floodplain now includes some structures that were not located in the floodplain before, using better topographic data has allowed us to remove many structures that had previously been identified in the floodplain. The Macomb County FIRM will become effective on September 29th of this year.

To briefly return to the topic of mapping data, we have obtained a report by the International Joint Commission (IJC) that has been referenced by Clay Township officials as refuting the *Phase I* and *Phase II* reports. We met with technical experts from the U.S. Army Corps of Engineers - Detroit District, the Michigan Department of Environmental Quality, and our study contractor to discuss the Corps *Phase I* and *II* and the International Joint Commission reports on Thursday, April 13. Lake levels identified in the IJC report do not meet FEMA guidelines and specifications for mapping. The Corp's Revised Phase I and II reports continue to be the best information currently available to identify flood risk along the Great Lakes. It is our

understanding that the Corps testimony will **address the technical merits of these reports in some detail.**

The last topic for my discussion today is casualty insurance. Insurance is a hedge against financial calamity. People who receive flood insurance claims after flood events are far better off than those who must rely on supplemental disaster assistance. Even outside the Special Flood Hazard Area, the risk of flooding is greater than the risk of fire. No one argues the wisdom of buying fire insurance. Yet, statistically, within a floodplain there is a 9% chance of fire vs. a 26% chance of experiencing a flood loss during a typical 30-year mortgage.

Some people contend that the need to buy flood insurance negatively impacts property values. We have not yet seen any study or research indicating that the requirement to purchase flood insurance negatively impacts property values. It is the inability to repair flood damage that has the most impact on market values and flood insurance provides the means to allow owners to repair flood damage.

The NFIP does have provisions for policy rating that may be of interest to homeowners that may be located within flood risk zones in the future. The "Grandfather Rule" recognizes policyholders who have remained loyal customers of the NFIP by maintaining continuous coverage and/or who have built in compliance with the FIRM. We have a handout that discusses the NFIP Map & Zone Grandfather Rules. We encourage policyholders and their insurance professionals to learn about the Grandfathering Rule and how it can benefit in the insurance premium calculation for a building.

To conclude, the science indicates that there is somewhat more flood risk associated with the Great Lake and Lake St. Clair than was known when most of the Flood Insurance Rate Maps for communities in this area were published. FEMA is responsible for providing the best available flood risk information to communities. Do floodplains and flood risks change? Certainly they do. Changes in climate and the engineering of inlets, outlets and diversions can impact lake levels, construction of new neighborhoods, retail establishments, and roads can impact the flow and absorption rate of rain and how we use the shoreline can exacerbate or mitigate the potential of future flood damage.

FEMA re-mapping will use the best science available to model the risk, and then present that information to communities so they can use it to guide development **and** protect their citizens. When better data becomes available, the new digital mapping format will allow us to easily revise the maps to incorporate new modeling that meets NFIP Guidelines and Specifications.

Ignoring or minimizing flood risk serves no useful purpose. Our communities and citizens benefit from ***knowing*** the valuable information they need to make responsible risk management decisions.

FEMA Region V remains committed to providing the best available flood risk data that we can, using the financial resources provided by the Congress in support of Map Mod to produce the best maps we can.

Thank you for providing the opportunity to share these views today. I will be happy to answer any questions that you may have.

FEMA

NFIP MAP & ZONE GRANDFATHER RULES

What is the Grandfather Rule?

A community will occasionally make structural improvements (dams, levees, etc.) to reduce the potential effects of flooding; experience new development aggravating the flooding situation, thereby expanding the floodplain; revise geographical boundaries resulting in the designation of additional flood hazard areas; or provide information to better delineate the Base Flood Elevation (BFE) and/or flood insurance risk zones. When these situations occur, the Flood Insurance Rate Map (FIRM) is revised and republished.

The implementation of a new FIRM raises the question-- HOW DOES THE NEW MAP AFFECT FLOOD INSURANCE RATES?

To recognize policyholders **who have remained *loyal customers of the NFIP*** by maintaining continuous coverage and/or ***who have built in compliance with the FIRM***, the Federal Insurance and Mitigation Administration has "Grandfather rules" to allow such policyholders to benefit in the rating for that building.

Pre-FIRM (construction prior to the date of the community's initial FIRM)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and base flood elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

2. If a building is Pre-FIRM and a policy was not obtained prior to the effective date of a map change, the applicant is eligible to receive the Pre-FIRM (subsidized) rates based on the new zone rather than the actuarial (elevation based) rates.

Post-FIRM (construction on or after the date of the community's initial FIRM)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and base flood elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

2. If a building was constructed in compliance with a specific FIRM, the owner is always eligible to obtain a policy using the zone and base flood elevation from that FIRM, provided that proof (refer to the Flood Insurance Manual, Rating section for acceptable documentation) is submitted to the insurance company. Continuous coverage is not required.

Preferred Risk Policies

1. Buildings written on Preferred Risk Policies are required to be located in zones B, C, or X on the FIRM in effect on the date of application and on the date of each subsequent renewal.

2. A building, which becomes ineligible for a Preferred Risk Policy due to a map change to a special flood hazard area, can be rewritten on a standard rated policy using zones B, C, or X.

FOR MORE INFORMATION, REFER TO THE FLOOD INSURANCE MANUAL, RATE PAGE 21
Go to http://www.fema.gov/nfip/manual.shtm

Mrs. MILLER. Our next witness is Lieutenant Colonel Lauzon, who actually is one of our neighbors. He lives at Selfridge Air National Guard Base. He is going to be retiring unfortunately—I think very unfortunately, is it the end of June.

Colonel LAUZON. July, ma'am.

Mrs. MILLER. July. He has done a remarkable job as a member of the Corps of Engineers and for our community, in particular.

Previous assignments include service as chief operations with the Defense Mapping School in Virginia. He is a resident engineer at Fort Dix in New Jersey, a company commander of the 299th Engineer Battalion at Fort Carson, CO, and also Oklahoma. He was also Deputy Chief of Engineers at the Army Corps of Engineers headquartered in Washington. We have worked together over the years and he has served here in our area on a number of issues that have had a huge impact for our immediate community here. He was very responsible in assisting with the dredging of the St. Clair River, as well as out into Lake St. Clair freighter channels. He has worked with us on dredging assignments throughout the area on environmental management activity that is happening for the St. Clair River basin and out into Lake St. Clair as well. So certainly we have appreciated his services. He spent quite a bit of time in Iraq, and certainly for all Americans, appreciate this great patriot and the floor is yours, Colonel Lauzon. We look forward to your testimony.

STATEMENT OF LIEUTENANT COLONEL DONALD LAUZON

Colonel LAUZON. Good morning, Chairman Miller and Congressman Turner.

I first like to thank both you for your leadership roles on the Armed Services Committee. Thank you for your service to the Nation.

My name is Lieutenant Colonel Donald Lauzon, 52nd Commander of the Detroit District of the U.S. Army Corps of Engineers.

I appreciate the opportunity to appear today before the Subcommittee on Regulatory Affairs. It is an honor to be able to testify on such an important topic.

The Detroit district, which faithfully served the Great Lakes region in the Nation since 1841, covers 82,000 square miles of land and has over 4,000 miles of Great Lakes shoreline.

The district's major mission is to investigate, plan, design, construct, operate and maintain congressionally authorized water resource projects throughout the Great Lakes basin.

The district also operates and maintains the world famous Soo Locks, as wells as 94 harbors throughout the Great Lakes.

In support of the Nation, the U.S. Corps of Engineers often provides technical support to other government agencies, including the Federal Emergency Management Agency.

Over the years, the Corps has done a variety of work for FEMA, and this has included the determination of 100-year flood elevations for the Great Lakes.

This testimony provides a summary of the Great Lakes flood levels studies that were done. It is being provided in response to re-

cent concerns about FEMA's remapping of flood risk in St. Clair County.

In 1974, FEMA contracted the Corps of Engineers to investigate methods and determine the 100-year flood levels for the U.S. shoreline of the Great Lakes.

Based on these investigations and subsequent reviews from the Great Lakes States and other Federal agencies, a procedure was adopted. Using this procedure, the Corps of Engineers derived flood levels for the Great Lakes and their connecting channels with certain probabilities of occurring.

The results were provided to FEMA in 1977 in a report entitled Report on Great Lakes Coast Flood Levels. It was the flood levels from this report that FEMA used to map the original 100-year floodplains.

In the mid-1980's, the Great Lakes experienced record high levels which resulted in significant flooding and damages. In some locations, the reported water levels equaled or exceeded the 100-year flood levels published in the 1977 reports.

In 1987, FEMA contracted the Corps of Engineers to update the 1977 report. This update retained the basic approach utilized in the 1977 report and incorporated additional water level data through 1986. The methodology and the resulting flood levels received considerable State and Federal agency review.

The revised flood levels were provided to FEMA in 1988 in a report entitled Revised Report Great Lakes Open Coast Flood Levels.

The method adopted in both the 1977 and the 1988 reports analyzed peak levels recorded at water level gauges each year.

Based on the number of years in the gauge record, and the number of times levels were exceeded, water levels with certain probabilities of being exceeded were determined.

The 100-year flood level represents an event that has a 1 percent chance of being equaled or exceeded in any given year.

All the water level gauges on the Great Lakes and the connecting channels, with at least 10 years of records, were used in the 1977, as well as the 1988 reports.

The highest instantaneous water levels recorded each year were used in these analyses. These water levels include both the still water level of the lake and the wind set-up at the gauge location. Wave run-up caused by storm waves meeting the shore was not considered in the 1977, nor the 1988, report.

For communities bordering Lake St. Clair, flood levels determinations were made using water levels recorded at St. Clair—at the St. Clair Shores gauge. At this gauge, the 100-year flood elevation increased 13 inches from the 1977 report to the 1988 report.

The Anchor Bay portion of the Lake St. Clair has a different dynamic than the open lake. Strong winds often push water higher in the bay than on the lake's open coast. For that reason in 1989, the State of Michigan contracted the Corps of Engineers to do a special study to determine the 100-year flood elevations in Anchor Bay. Wave run-up was not included.

The Anchor Bay study resulted in a 100-year flood elevations that are 2 to 5 inches higher than the level for the open coast in the 1988 report.

FEMA is using the flood levels from the 1988 Great Lakes open coast to update the flood maps for the open coast of the Great Lakes and their connecting channels.

For Anchor Bay, FEMA is using the elevations from the 1988, 1989 special study contracted by the State of Michigan.

During the 12 years following the record high levels of 1986, the Great Lakes continued to be well above average.

In the late 1990's, very dry conditions across the Great Lakes basin, coupled with the mild winter and very little snow or ice cover, caused a rapid decline on water levels on Lake St. Clair.

By 1999, the level of Lake St. Clair was below its long-term average. In the 6-years since then, the level of St. Clair has remained at or below its long-term average.

What effect adding these 19 years on both high and lower levels would have on flood frequencies is not clear and would need to be evaluated.

Water level fluctuation on the Great Lakes is driven by weather. The Great Lakes have been in existence for thousands of years but water levels have only been recorded for a relatively short portion of that time.

It is very likely that lakes may reach higher and lower levels than those that have been recorded. Flood levels statistics only predict the probability that certain levels could occur. They cannot predict future floods.

There have been questions concerning a 1993 report completed by the International Joint Commission, the report referred to as the Levels Reference Study, Great Lakes and St. Lawrence River Basin. This study was conducted in response to record high waters in the mid-1980's. One part of the study looked at water level statistics for decisionmaking. The Levels Reference Study did not determine probable flood levels, but did develop methods for looking at lake level probability for an evaluating proposed regulations plans.

In conclusion, there are many techniques and factors that can be considered in determination of probable flood levels. The methodologies used in the 1988 Great Lakes Open Coast Report and the 1989 Anchor Bay Special Study were reviewed by multiple agencies and are considered to be valid approaches for determining probabilities along the Great Lakes and the Lake St. Clair—St. Clair shorelines.

With more data, the numbers will change. The magnitude of these changes would not be expected to be great, but evaluation would be needed to quantify them. Adding more years of data and looking at more detailed analysis would always be the preferred option.

Again, thank you for allowing me the opportunity to speak with you today, and I will be happy to answer any of your questions. Thank you.

[The prepared statement of Lieutenant Colonel Lauzon follows:]

Testimony of
Lieutenant Colonel Donald P. Lauzon
Commander
Detroit District
U. S. Army Corps of Engineers

Before
The U.S. House of Representatives
Committee on Government Reform
Subcommittee on Regulatory Affairs
May 8, 2006

INTRODUCTION

Madame Chair and members of the Subcommittee, I am Lieutenant Colonel Donald P. Lauzon, Commander of the Detroit District of the U.S. Army Corps of Engineers. Thanks you for the opportunity to testify before you today on the U.S. Army Corps of Engineers role in FEMA's floodplain modernization effort and any related studies on Great Lakes water levels conduced by the Corps of Engineers.

In support of the nation, the U.S. Army Corps of Engineers often provides technical support and expertise to other government agencies, both Federal and local. The Federal Emergency Management Agency (FEMA) is one of those agencies. Over the years, the Corps has done a variety of work for FEMA, and this has included the determination of 100-year flood elevations for the Great Lakes. This testimony is meant to provide a brief summary of why and how the Great Lakes flood level studies were done. It is being provided in response to recent concerns about FEMA's remapping of flood risk in St. Clair County, Michigan.

In 1974, FEMA (then known as the Federal Insurance Administration) contracted the U.S. Army Corps of Engineers to investigate methods and determine 100-year flood levels specifically for the U.S. shoreline of the Great Lakes, using available water level data. Based on these investigations, and subsequent review and comments from Great Lakes States and other federal agencies, a procedure was developed, agreed upon and adopted. Using this procedure, the Corps of Engineers derived flood levels for various reaches of the Great Lakes and their connecting channels with certain probabilities of occurring. The results were provided to FEMA in 1977 in a report entitled "Report on Great Lakes Open-Coast Flood Levels." It consists of three volumes – Phase I, Phase II and Appendices. It was the flood levels from this report that FEMA used to map 100-year floodplains in the 1978-1982 era flood insurance rate maps (FIRMS). The Corps of Engineers did not do the flood plain mapping.

In the mid-1980s the Great Lakes experienced record high water levels, which resulted in significant flooding and damages. In some locations, the recorded water levels equaled or exceeded the 100-year flood levels published in the 1977 Great Lakes Open Coast report. For example, the highest level at the St. Clair Shores gauge on Lake St. Clair, recorded in October 1986, was 0.5 foot higher than the previous recorded high at this gauge, reached in June 1973, and equal to the 100-year flood level in the 1977 Great Lakes Open Coast report.

In 1987, FEMA contracted the Corps of Engineers to update the 1977 Great Lakes flood level study. This update retained the approach utilized in the 1977 study, and incorporated additional water level data from 1975 through the high water period of 1986. The original methodology was reviewed and determined to be hydrologically and scientifically valid. The methodology and the resulting flood levels were reviewed by the Corps of Engineers' Hydrologic Engineering Center, Water Experiment Station and Districts bordering the Great Lakes; as well as by Great Lakes States' water management agencies, FEMA, the U.S. Geological Survey, the Great Lakes Commission, and the NOAA Great Lakes Environmental Research Laboratory. The revised flood levels were provided to FEMA in the 1988 report entitled "Revised Report on Great Lakes Open-Coast Flood Levels."

The method adopted in both the 1977 and 1988 studies, analyzes the frequency of occurrence of the highest water levels recorded at a water level gauge each year over a number of years. Based on the number of years in the gauge record, and the number of times levels were exceeded, water levels with certain probabilities of occurrence were determined. FEMA has adopted the 100-year flood level as the standard for identification of flood hazard areas in conjunction with the National Flood Insurance Program. The 100-year flood level represents an event that has a one-percent chance of being equaled or exceeded in any given year. Figure 1 shows the recorded water level data as a percent of years each water level would be expected to be exceeded. The line that best fits the data points is used to determine the 100-year elevation, which would be the level with a 1 percent chance of being exceeded in any given year.

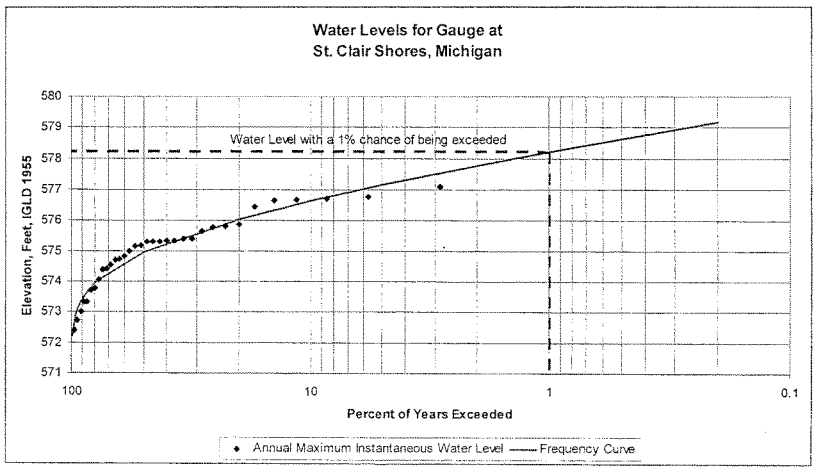


Figure 1 – Frequency Curve for water levels at St. Clair Shores gauge, 1953-1986.

All the recording water level gauges on the Great Lakes and the connecting channels, with at least 10 years of record, were used in these studies. Each reach of Great Lakes shoreline was represented by a gauge or combination of gauges. The highest instantaneous water level recorded each year were used in these analyses. The instantaneous water level represents, not only the still water (undisturbed) elevation of the lake, but also includes the effects of wind set-up (storm surge) at the gauge location. Figure 2 illustrates how these are related. Wave run-up caused by storm waves meeting the shore is not included in the water level gauge record, and was not considered in the 1977 or 1988 studies.

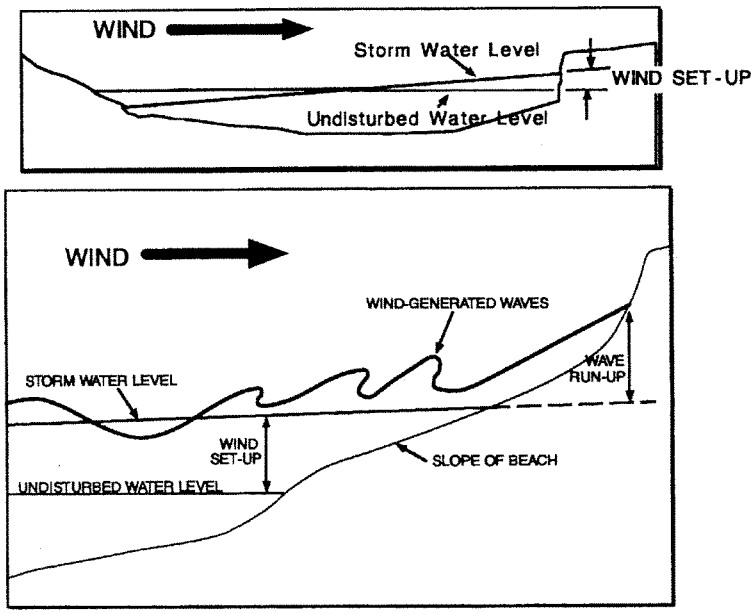


Figure 2 – Components Contributing to Flood Levels

For communities bordering Lake St. Clair, the flood level determinations were made using water levels recorded at the St. Clair Shores gauge (Figure 3). At the St. Clair Shores gauge, the difference in the 100-year flood elevations from the 1977 study to the

1988 study is an increase of 1.1 feet (13 inches). The Anchor Bay portion of Lake St. Clair has different dynamics than the open lake. Strong winds from the south often push water higher in the bay than on the more open shores of the lake. For that reason, the State of Michigan contracted the Corps of Engineers to do a separate study to determine flood elevations in Anchor Bay, specifically considering the effects of wind set-up. This study, done in 1989, determined 100-year flood elevations for reaches in the bay. Wave run-up, caused by storm waves meeting the shore, was not included. The Anchor Bay study resulted in 100-year flood elevations that are 0.2 to 0.4 feet higher than the 100-year flood level for the open lake reported in the 1988 report.

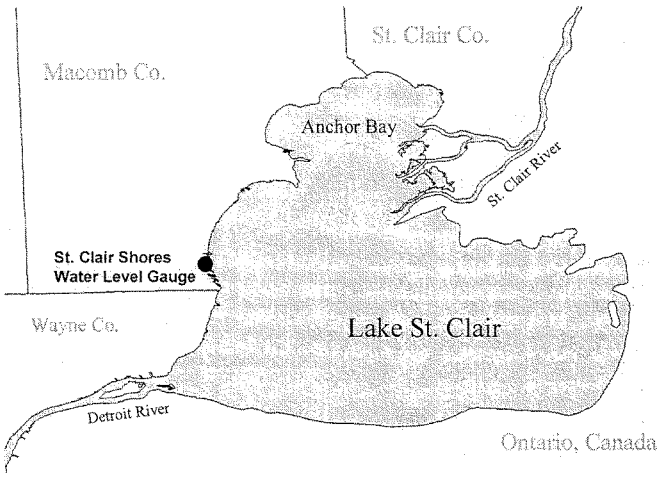


Figure 3 – Lake St. Clair

FEMA is using the flood levels from the 1988 Great Lakes Open Coast study to update the flood insurance rate maps for the open coasts of the Great Lakes and their connecting channels. For Anchor Bay, in St. Clair and Macomb Counties, FEMA is using the elevations from the 1989 study done by the Corps of Engineers for the State of Michigan. FEMA considers these two sources of flood elevations to be the best currently available.

Following the record high levels of 1985-1987, the Great Lakes, including Lake St. Clair, continued to be well above average into 1998. In fact, the 1997 levels of Lake St. Clair and Lake Erie were within a few inches of the record highs of 1986. Very dry conditions across the Great Lakes basin coupled with a mild winter with little snow or ice cover, caused a rapid decline in the water level on Lake St. Clair in late 1998. By 1999 the level of Lake St. Clair was below its long-term average. In the six years since then, the level of Lake St. Clair has remained at or below its long-term average. Even at its lowest point since 1998, Lake St. Clair was still well above the record and near record low levels of

the past. Figure 4 is a water level hydrograph of historic annual average Lake St. Clair water levels.

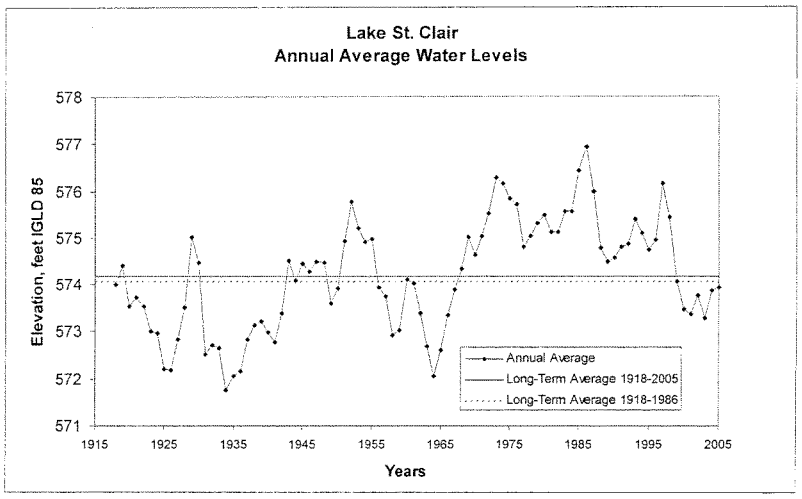


Figure 4 – Historic Water Level Fluctuation on Lake St. Clair

Water level fluctuation on the Great Lakes is driven by the weather. Rain, snow, temperature, ice cover, evaporation - all affect water levels. The Great Lakes have been in existence for thousands of year, but water levels have only been recorded for a relatively short portion of that time. It is very likely that the lakes may reach higher and lower levels than those that have been recorded. Past experience has shown that relatively rapid changes in water levels can occur. A level near average during a given year could be significantly higher or lower a couple of years later.

Because of the nature of the determination of the probabilities of occurrences associated with flood levels, if the period of record is sufficiently long, it generally takes extreme events, either very high or very low water levels, to make a significant difference in the predicted flood levels. While water levels on Lake St. Clair during the last eight years have been below average, they are not extremely low. On the other hand, the levels of Lake St. Clair for the 12 years following the record highs of 1986 were often substantially above average. Adding data with such a mix would not be expected to significantly impact the predicted 100-year flood level. However, other factors such the

frequency and severity of storms during that period and the effect of increasing the period of record, also need to be considered.

A 1993 report done by the International Joint Commission (IJC) has recently been cited as having proposed a better method for determining probabilities of flooding on the Great Lakes. The report referred to is Annex 3 of the report "Levels Reference Study – Great Lakes and St. Lawrence River Basin," completed by the IJC in 1993. The Levels Reference Study was conducted in response to the record high waters of the mid-1980s, which combined with storms caused extensive flooding and erosion of lake shorelines and severe damage to lakeshore properties. This study examined methods to alleviate the adverse consequences of fluctuating water levels on the Great Lakes-St. Lawrence River basins, and to make recommendations to governments. One part of this study looked at water level statistics for decision-making. The Levels Reference Study did not determine flood levels, but used new methods to develop frequency analyses of lake levels for proposed regulation plans.

It should be remembered that the water levels of the Great Lakes have always fluctuated over time. The chances are great that in the future water levels higher or lower than those that have been recorded could occur. There are many techniques and factors that can be considered in the determination of flood probabilities. The methodologies used in the 1988 Great Lakes Open Coast and the Anchor Bay flood level studies were reviewed by multiple Federal, State and independent agencies, and are considered to be valid approaches for determining flood frequencies along the Great Lakes and Lake St. Clair shorelines. Adding more years of water level data may or may not change the predicted flood levels for Lake St. Clair and Anchor Bay. FEMA is the lead agency on map modernization. The Corps would be happy to assist them in any way. Our recommendation would be to complete an updated study on Anchor Bay, using a combined frequency analysis of still water elevations through 2005, along with wind set-up and wave run-up. We believe this would more fully address the flood risk in Anchor Bay.

SUMMARY

To close, I would like to thank you once again, Madame Chair, for allowing the Corps of Engineers the opportunity to appear before this subcommittee to discuss the Corps role in FEMA's floodplain modernization effort in the Great Lakes region. I would be happy to answer any questions Members of the Subcommittee may have.

Thank you.

Recorded water levels in this bulletin are derived from a representative network of water level gages on each lake (see cover map). Providers of these data are the National Ocean Service, National Oceanic and Atmospheric Administration, U.S. Department of Commerce, and the Marine Environmental Data Service, Department of Fisheries and Oceans, Canada. Historic and projected lake levels are derived by the Detroit District, U.S. Army Corps of Engineers and Environment Canada, under the auspices of the Coordinating Committee on Great Lakes Basic Hydraulic and Hydrologic Data.

This bulletin is produced monthly as a public service. Tables of possible storm-induced rises at key locations on the Great Lakes are available on request. The Corps also publishes the "Great Lakes, Connecting Channels and St. Lawrence River Water Levels and Depths," twice monthly, which provides a forecast of depths in the connecting rivers between the Great Lakes and the International Section of the St. Lawrence River. These publications can be obtained free of charge by writing to the address shown on the front cover, or by calling (313) 226-6441. Notices of change of address should include the name of the publication(s). All of these publications can be accessed on the Internet at **http://www.lre.usace.army.mil/glhh.**

Great Lakes Basin Hydrology
April 2006

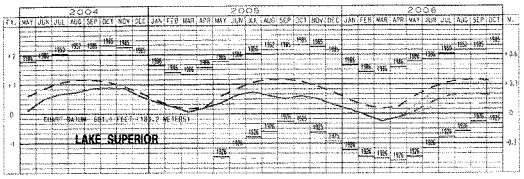
All of the Great Lakes received below average precipitation during the month of April. Precipitation over the last 12 months has been below average in all of the Great Lakes basins. The net supply of water to all of the Great Lakes was also below average. The tables below list April precipitation and water supply information for the entire Great Lakes Basin.

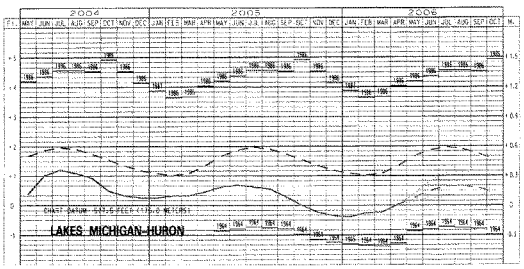
A comparison of April monthly mean water levels to long-term (1918-2005) averages show that Lake Superior was 4 inch below average and Lake Michigan-Huron was 16 inches below average. Lakes St. Clair, Erie and Ontario were 6, 2 and 2 inches, respectively, below average.

PRECIPITATION (INCHES)								
BASIN	April				12-Month Comparison			
	2006	Average (1900-1999)	Diff.	% of Average	Last 12 months	Average (1900-1999)	Diff.	% of Average
Superior	1.18	1.96	-0.78	60	28.69	30.52	-1.83	94
Michigan-Huron	2.32	2.59	-0.27	90	30.38	32.17	-1.79	94
Erie	2.72	3.16	-0.44	86	32.59	35.04	-2.45	93
Ontario	2.70	2.88	-0.18	94	33.74	35.35	-1.61	95
Great Lakes	2.11	2.52	-0.41	84	30.75	32.42	-1.67	95

LAKE	April WATER SUPPLIES[2] (cfs)		April OUTFLOW[3] (cfs)	
	2006[1]	Average[5] (1900-1999)	2006[1]	Average[4] (1900-1999)
Superior	130,000	149,000	66,000	69,000
Michigan-Huron	241,000	286,000	162,000	182,000
Erie	53,000	66,000	201,000	203,000
Ontario	63,000	93,000	263,000	249,000

Notes: Values (excluding averages) are based on preliminary computations; cfs denotes cubic feet per second.
[1] Estimated
[2] Negative water supply denotes evaporation from lake exceeded runoff from local basin.
[3] Does not include diversions.
[4] Niagara and St Lawrence rivers average outflows are based on period of record 1900-1989 and 1900-2003, respectively
[5] Lakes Erie and Ontario average water supplies based on 1900-1989





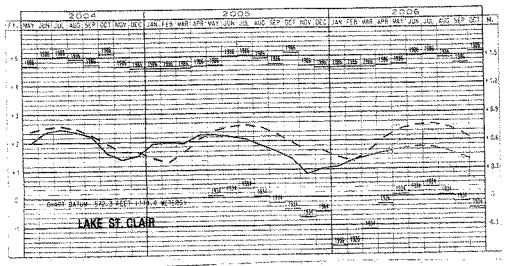
RESPECTIVE LAKE

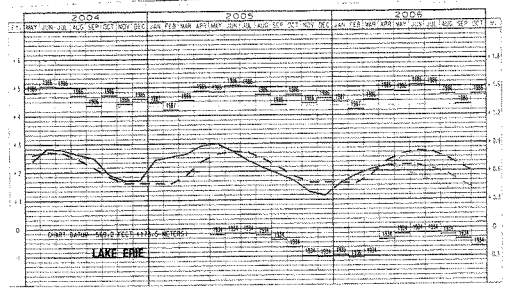
US Army Corps of Engineers
Detroit District

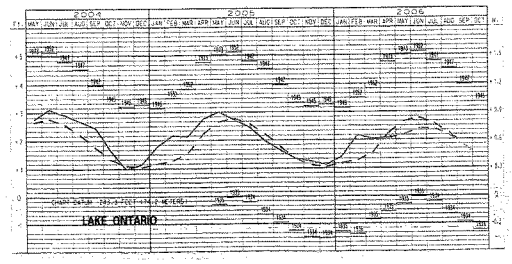
MONTHLY BULLETIN OF LAKE LEVELS FOR THE GREAT LAKES

MAY 2006

Water levels for the previous year and the current year to date are shown as a solid line on the hydrographs. A projection for the next six months is given as a dashed line. This projection is based on the present condition of the lake basin and anticipated future weather. The shaded area shows a range of possible levels over the next six months dependent upon weather variations. Current and projected levels (solid and dashed lines) can be compared with the 1918–2005 average levels (dotted line) and extreme levels (shown as bars with their year of occurrence). The legend below further identifies the information on the hydrographs.

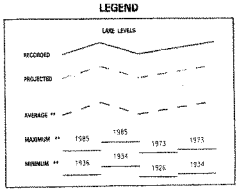






ELEVATIONS REFERENCED TO THE CHART DATUM OF EACH

LEGEND



The levels on the hydrographs are shown in both feet and meters above (+) or below (–) Chart Datum. Chart Datum, also known as Low Water Datum, is a reference plane on each lake to which water depth and Federal navigation improvement depths on navigation charts are referred.

All elevations and plots shown in this bulletin are referenced to International Great Lakes Datum 1985 (IGLD 1985). IGLD 1985 has its zero base at Rimouski, Quebec near the mouth of the St. Lawrence River (approximate sea level).

APRIL MEAN LAKE LEVELS

(IGLD 1985)

		Superior	Michigan-Huron	St. Clair	Erie	Ontario
* 2006	Ft.	600.92	577.46	573.15	571.42	245.51
	M.	183.16	176.07	174.88	174.17	74.83
2005	Ft.	601.25	577.89	574.41	572.15	246.19
	M.	183.26	176.14	175.08	174.39	75.04
** MAX.	Ft.	602.62	581.46	576.64	574.08	248.20
	M.	183.68	177.23	175.82	174.98	75.65
	Yr.	1986	1986	1986	1985	1973
** MIN.	Ft.	599.46	576.15	571.92	568.83	242.88
	M.	182.72	175.61	174.32	173.38	74.03
	Yr.	1926	1964	1926	1934	1935
** AVG.	Ft.	601.28	578.77	574.28	571.59	245.67
	M.	183.27	176.41	175.04	174.22	74.88

* provisional
** Average, Maximum and Minimum for period 1918-2005

Mrs. MILLER. Thank you very much. We appreciate that. And our next witness is a good friend of this community, long time—lived here many, many years and represented this area as well, and that is State Senator Jud Gilbert. We appreciate his attendance here and how involved he has been for the State level. In fact, before he testifies, I notice there are a couple of your colleagues out in the audience as well. Let me just recognize them quickly. This has been every level of government working together at the Federal, the State, the local level. I see State Representative Phil Pavlov is in the audience. We appreciate your attendance, Representative.

I see some county commissioners. No one gave me a list. I hope I'm not going to miss anybody. I see Pam Wall, County Commissioner Pam Wall, and Terry Lundon is with us as well, and Jeff Blum I see out in the audience, also and Wally Evans, I saw a little bit earlier. So hopefully I have seen all of our county commissioners. We appreciate everybody's interest in attendance. I hope I didn't miss anyone.

Senator Gilbert has represented this area, as I said, very well in a number of different capacities over the years. Right now, as some of you may know, he is the chairperson of Senate Committee on Transportation. We have worked together on a lot of road projects, funding for the Bluewater Bridge Plaza and many other kinds of issues relating to transportation as well. He also serves as vice chair for the Senate Committee on Agriculture, Forestry and Tourism. He has been very, very involved in a number of different community organizations here, Optimist Club Youth for Christ, the Algonac Rotary Club, etc. We appreciate the Senator's attendance here. The floor is yours, sir. We look forward to your testimony.

STATEMENT OF JUDSON GILBERT

Mr. GILBERT. Good morning, Madame Chair and Representative Turner. I would like to welcome you to my 25th Senate District and my hometown. I have not only lived here many years, it's been all my life. It's even longer than that.

Mrs. MILLER. Even longer than many years.

Mr. GILBERT. Well, many of the points that I want to make were touched upon in your opening statement and other testimony, and I'm sure Jon Manos will hit on those again. The fact that this map will be changed 14 inches I think is significant. Those of us who live in the area can't remember that water levels have been so low for such a long period of time.

One of the things that I believe is a great injustice is the fact that what we are dealing with, on the increased floodplain levels, is 20-year-old data. People have made their decisions on elevations for their homes, decided where they are going to move and all of a sudden, by administrative fiat, they are going to be put in this floodplain at considerable expense.

The point has been made that there is more premiums paid in than claims; that we are a donor State. Many of my constituents have felt because of FEMA's financial problems, they are coming to Michigan where there's very low risk and coming in trying to bail out FEMA at this time. And certainly that's not a good thing for the people in this community or for the State of Michigan.

This remapping will only increase the amount we pay with little or no return to our constituents. Again, the water levels are down. Having read several scientific journals on this issue, some believe that the historic high levels that we have reached in the past will not be reached in the future.

I believe that you've asked government to look into this trend under the Bluewater Bridge, that there is reason to believe that water levels are not going to return to historic highs but, certainly, I think the big effect is money flowing out of Michigan. We all know that we are in a very difficult economic situation here in the State of Michigan.

Our government should be examining ways to alleviate financial hardship on your families and businesses, not strapping them with unnecessary costs and regulations.

You see, people are leaving the State of Michigan because we are experiencing a one-State recession. Unemployment levels are high. Our economy is suffering and these types of burdensome fees and hidden taxes are a disincentive for people to live in Michigan. Millions are taken away from Michigan families when they cannot afford it.

The impact goes on beyond just having more people purchase insurance and subsidizing Federal programs with hard-earned dollars.

You yourself, Madame Chair, made note of this earlier this year when you stated on the floor of the U.S. House of Representatives since 1978, that was the year Michigan actually opted into the program, the people of Michigan have paid $138 million, and in that same time FEMA has paid out claims totaling less than $38 million.

I may not know everything there is to know about the job that FEMA does, but what I know for sure is this: If we were on the board of directors of a corporation and we did not give our stockholders a fair return on the shares that they bought in our company, we would be fired. FEMA is a broken-down company that is not giving shareholders their fair return.

Mr. Manos has suggested and believes that there is certainly a rule or a law that perhaps Michigan should opt out of this program.

I believe he pointed out to me that there are several States that are not part of the program. I think it would be far better for us to have some self-insurance program here in the State of Michigan and keep the dollars here in Michigan.

I guess the thing that really upsets me is that we send these dollars, never to return to Michigan and, of course, we need more economic activity in Michigan.

One other point I would like to make, in addition to a House resolution, there was a Senate resolution that we passed, I think, in the fall of last year. Mr. Manos came up and testified at a Banking and Insurance Committee and passed unanimously, asking FEMA not to go ahead with these proposed increases in elevations, and it also passed the Senate unanimously.

Thank you.

[The prepared statement of Mr. Gilbert follows:]

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THE SENATE
STATE OF MICHIGAN
JUD GILBERT

TRANSPORTATION, CHAIR
AGRICULTURE, FORESTRY, AND TOURISM, VICE CHAIR
ECONOMIC DEVELOPMENT, SMALL BUSINESS, AND REGULATORY REFORM
SENIOR CITIZENS AND VETERANS AFFAIRS

TESTIMONY OF JUDSON S. GILBERT, II – MICHIGAN STATE SENATOR 25th DISTRICT

Good Morning Madam Chair and members of the Subcommittee. I would like to welcome you to the 25th Senate District and to my hometown of Algonac.

I would like to share with how the remapping effort that the Federal Emergency Management Agency (FEMA) is currently undertaking is having a negative impact on the people of my district. As you are aware, the National Flood Insurance Program requires property in floodplains to be covered by special flood insurance if the property owner has a federally-backed mortgage. In order to determine whether a piece of property lies within a floodplain, FEMA uses a floodplain map. The primary source of floodplain mapping information in Michigan is the Flood Insurance Rate Maps (FIRM's), which are developed by FEMA. Of the 1776 communities (Cities, villages, and townships) in Michigan, currently about 750 communities have floodplain maps that have been developed by FEMA. Clay Township, Ira Township, and the city of Algonac are only 3 of the 750 communities that will be impacted as FEMA process the entire state.

The elevations in a floodplain map are based on the idea of a "100-year flood," a term that FEMA uses to describe the 1% chance of a major flood destroying property. This base flood is the standard for floodplain management that has been adopted by almost every Federal, state, and local agency. I have been told that the *preliminary* changes to the map will increase the flood plain threshold 14 inches in Clay Township, Ira Township, and here in the city of Algonac. In fact, in Clay Township alone, local officials estimate that, with these proposed changes by FEMA, the number of property owners forced to purchase floor insurance could double.

Recycled Paper

Affected structures have been built to meet standards that have been in place for nearly 20 years. But now, it seems the FEMA is changing the rules of the game.

You see, Michigan is already a donor state that receives little money returned from the amount that we send to Washington each year. Flood insurance policy holders in Michigan will be paying nearly $15.5 million in premiums. Yet in 28 years, Michigan has received only $38.1 million in claims; and only 17 states have received less money than Michigan during that time. On the other hand, Michigan policyholders will be paying the fifteenth highest premiums of all states. I understand that the nature of insurance is not always fair, but the numbers do not lie. States like Michigan are paying exorbitant amounts of money and getting little in return. Michigan residents will pay $200 more per premium than residents in the 5 Gulf States.

The National Flood Insurance Program is in trouble. The program will pay out over $9 billion more in payments for the tragic hurricanes last year than it has in its entire history. FEMA is required by statute to pay back funds that are borrowed to make the payments. This money has to come from somewhere, and everyone in the area is afraid that they will be one of those sources. This is unfair.

At the end of February of this year, St. Clair County had received about $2.7 million dollars in claims paid for the entire history of the National Floor Insurance Program. Today, county residents pay roughly $800,000 per year in premiums. If the FEMA plans are finalized, local officials anticipate that a minimum of 700 properties will be added to the program in Clay Township alone. If these properties each paid the average premium for Clay Township (which is $500), then FEMA will receive an additional $350,000 from township residents alone.

Since 1978, Clay Township has received only $1.1 million in claims. This remapping will only increase the amount we pay with little or no return to our constituents. Perhaps, Madame Chair, we should consider having Michigan opt-out of the National Flood Insurance Program. This way, Michigan wouldn't be FEMA's cash cow, paying $15 million annually. We could run our own program, keeping the premiums here in the state, and do better than just receiving the $1.4 million per year in return on what we send to Washington.

These proposed changes are an unnecessary expense and inconvenience to families and business who met necessary requirement when their homes were built. It makes even less sense at a time when water levels in this portion of the Great Lakes basin are within inches of record lows. The impact of these changes will be felt far into the future as thousands of people will be forced to purchase flood insurance, adding about $600 annually to the budgets of hard working people in our state.

Madame Chair, during these difficult financial times, government should be examining ways to alleviate financial hardship on our families and businesses, not strapping them with unnecessary costs and regulations. You see, people are leaving the state of Michigan because we are experiencing a one-state recession. Our unemployment levels are high. Our economy is suffering. And these types of burdensome fees and hidden taxes are a disincentive for people to live in Michigan. Millions are taken away from Michigan families when they can not afford it.

The impact goes beyond just having more people purchase insurance and subsidizes this federal program with their hard earned dollars. You yourself, Madame Chair, made note of this earlier this year when you stated on the floor of the United States House of Representatives, "*Since 1978, that was the year Michigan actually opted into the program, the people of Michigan have paid $138 million; and in that same time FEMA has paid outside claims totaling less than $38 million.*"

I may not know everything there is to know about the job that FEMA does. What I know for sure is this, Madame Chair. If we were on the Board of Directors of a corporation and we did not give our stockholders a fair return on the shares that they bought in our company, we would be fired. FEMA is a broken down company that is not giving it's shareholder their fair return.

Our constituents have already paid more than they have received from this program. This remapping process will require even more to do the same with little to no return. I urge the Subcommittee, along with other Members of Congress, to monitor closely the process that

FEMA is undertaking. Please do what you can to protect the people who carry the most burden in funding this expensive federal program.

Mrs. MILLER. Thank you very much. We appreciate that.

Our final witness on our first panel is Supervisor of Clay Township, Jon Manos. Mr. Manos has served a total of five different terms as supervisor beginning in 1974. So he has considerable expertise in regards to the flood insurance program and water levels around the area as well. He served as township supervisor here during both high-water periods in the 1970's and 1980's again.

He also was very involved in administering the original Corps of Engineers flood program called Self-help and Operation Foresight.

He served as the State of Michigan's first floodplain manager and was a participant in a high-water symposium called: A Look at the Land Side Lake Levels held in Grand Rapids.

Supervisor Manos, we appreciate your gracious hospitality hosting this hearing and we look forward to your testimony. The floor is yours.

STATEMENT OF JON MANOS

Mr. MANOS. I thank you for coming to Clay Township, and Representative Turner, to put a different spin, I guess, a different perspective on the technical data sector. What we like to deal with is how does this thing affect the actual people that live here. I think that is very important.

I would like to present for the record, I have a petition signed by over 2,250 residents, property owners, area property owners, opposing any elevation change, I have additional supportive information, and I also have comparison data, the 2006 100-year floodplain Rules and Regulations as they relate to the 500-year regulation.

Mrs. MILLER. Without objection those will be entered into the congressional record of this hearing as well.

Mr. MANOS. Thank you. This is their most recent from Macomb County—that the 2006 100-year Floodplain Regulation which will be placed for people to read, since they are in there, and this reflects what the 500-year floodplain regulations are. At the same time many of our residents will be put under that status.

Mrs. MILLER. Thank you.

Mr. MANOS. I'm going to touch for just a second on this type of a headline, and it isn't something new. I think we all know this. It's in the Detroit papers, it's in Washington papers, etc.

FEMA has a number of problems, but that isn't the main issue at this time. This is what I would like to really point out to you very briefly, again; lake levels keep falling. This data is being put forth many, many times over, every time we pick up the newspaper, where is the water going, why is Lake Superior 6 years now running below it's long-term average, and it's a regulated lake. I don't want to get into this lake up-and-down issue but nevertheless, this is falling.

Here is a map of the United States showing the policy, growth percentage change for FEMA, produced by FEMA.

As you can see, all the yellow States, including Michigan, California, some of bigger States, all have a negative growth rate. That means revenues which sustain FEMA, and it's quoted in their own words, that they exist on premiums. The whole program is designed for that. These are all negative States with growth.

I even went through and outlined in red for you the ones under 2 percent growth, which is nothing. How can you sustain FEMA with a negative revenue stream? You can't do it.

FEMA went broke. Here it is in U.S.A. Today, put out—it was on CNN, FEMA halts flood insurance payments. They told 96 paying agents don't pay legitimate claims. We have no money to back you up. They went to Congress and Congress approved, I believe, it was something like a loan of $21 or $23 billion to go to FEMA.

If you have a reduced revenue stream at all going down, how do you intend to make mortgage payments that are in excess of what revenues that are coming in?

Real brief again, I'm trying to be as brief as I can, FEMA takes in $2 million a year nationally.

When it equates over the period of 27 years, it's about a half a billion a year that is spent for actual claims. Where does the other billion and a half go? You know where it goes? It goes to administer the program. So you have a great amount of money and those premiums that's leaving serves no purpose for claims. That's a serious thing.

Now, if you borrow $23 billion, where—how did you pay that back? Where does the money really go? Does it go to help people that need to have their claims replenished? No. It goes to administration. I just want to show you this.

There is no question about it, FEMA is going out of business. The only way they can bring it back is increase the floodplain elevation, get into the higher—the 500-year floodplain areas where the homes have been built for 30 years.

Now, I would like to read our statement as quickly as I can, and we will answer any questions.

On behalf of the many affected property owners, and not only within Clay Township but within St. Clair County and State of Michigan, the township wishes to express its appreciation for this opportunity given by the congressional subcommittee to hear testimony from concerned property owners, State, county, and area-elected officials concerning the impact of FEMA's proposed elevation changes and the historic value of the national flood insurance program to Michigan since its inception.

Proposed dramatic increases in the 100-year floodplain elevation level have prompted the questions of the real intent of such an action. There isn't any doubt that updating the format of the old paper map using state-of-the-art digital technology will bring about major benefit to the property owners, as well as the lending institutions and involved government agencies.

Present elevation levels remain constant for 25 years and are reflective of two record flooding periods.

What has surfaced is information from FEMA records that indicate the primary reason for raising elevation is to bolster declining premium revenues needed to feed the program's growing administrative cost.

The cost-benefit ratio throughout Michigan is ridiculous and it has made Michigan a perpetual donor State. I'm not going to read FEMA facts, we already did that with the State, what have you, what the value is to Clay Township property owners.

FEMA has been quoted as saying adding more policy holders will keep right the flood program financially. All FEMA records indicate that the program is broke.

A quote in U.S. News, government agency has run out of funds to cover flood insurance claims and an unprecedented move has stopped payment to policy holders.

FEMA maps showing this growth in the United States demonstrates the declining premium base.

I will move on a little bit from that. We will go with, there is an excess of $1.5 billion each program year as an average nationally.

Even with the excess of revenue over claim payments the program remains broke and now must pay back $23 billion it just borrowed.

Only one alternative logically exists, and that is to incorporate existing structures lying in the unrestricted 500-year floodplain into the existing premium base.

Remember these structures have been outside the jurisdiction the Army Corps of Engineers and FEMA regulations for over 27½ years.

And now simply adjusting 20-year-old data to make the shoe fit, FEMA gains needed revenue and the Corps now exercises regulatory jurisdiction over thousands of properties previously exempt. No practical justification can be given for either agency to now.

After 30 years of granting unrestricted compliance to thousands of properties, tell their owner to start paying flood insurance and accept the fact their structures don't meet the new floodplain building standards.

FEMA has, in effect, created the potential for Michigan economic disaster. Who reaps the gain from the 100-year flood elevations? Certainly not the homeowner.

By changing a structure from a conforming status to a nonconforming status, the owner definitely becomes a loser. No amount of icing by FEMA can change that fact. The owner may have to stand the expense of purchasing flood insurance he doesn't want.

The sale value and marketability of the property will definitely be negatively affected. Septic tank fields, they need to replaced and an entire structure may need to be elevated after the incurrence of a casualty loss.

The cost of new construction will also increase, which may, in fact, place the cost of owning a new home out of the reach of many families.

Clay Township is well aware of the flooding of both the 1970's and 1980's. The township worked with the Army Corps in administering the Self-Help and Operation Foresight Programs and distributed over 200,000 sandbags.

The township is also aware of the many studies commissioned by the International Joint Commission relating to the inflow and outflow regulation of the Great Lakes.

What was not mentioned a few minutes ago by the Army Corps of Engineers was a Great Lakes upper study plan begun in 2001 at a cost of somewhere around $50 million and is still ongoing that deals with the subject matter and reflects numerous variables

which have to be incorporated into calculations used to change 100-year floodplain levels.

Some of the noted variables: The dramatic increases in use, global warming, channel dredging, re-evaluation of existing divergence, re-assessing a plan, 1977-A, and Long Lake and Ogoki diversion adjustments. The FEMA elevation change proposal ignores these as important variables and puts hindsight ahead of foresight.

The point to be made is simple, that the levels in the Great Lakes are below long-term average, and Lake St. Clair has been predicted to peak at 574.3, over 4 feet below the present 100-year floodplain level and close to 6 feet from the levels proposed by FEMA.

In conclusion, Clay Township again expresses its appreciation for this opportunity to request that FEMA place a moratorium on any changes which will elevate the present floodplain elevations. Thank you.

[The prepared statement of Mr. Manos follows:]

Testimony of Jon E. Manos, Supervisor, Clay Township, Michigan

before the

U.S. House of Representatives
Committee on Government Reform
Subcommittee on Regulatory Affairs

"FEMA's Floodplain Map Modernization: A State and Local Perspective"

May 8, 2008

On behalf of the many affected property owners, not only within Clay Township, but within St. Clair County and the State of Michigan, the Township wishes to express it's appreciation for the opportunity given by this Congressional Subcommittee to hear testimony from concerned property owners, and State, County, and area Elected Officials concerning the impact of FEMA'S proposed elevation changes and the historic value of the National Flood Insurance Program to Michigan since it's inception.

Proposed dramatic increases in the 100 year flood plain elevation level have prompted the questioning of the real intent of such an action. There isn't any doubt that updating the format of the old paper maps using state of the art digital technology will bring about major benefit to the property owner as well as the lending institutions and involved governmental agencies. Present elevation levels have remained constant for over 25 years and are reflective of two record flooding periods. What has surfaced is information from FEMA records that indicate the primary reason in raising elevations is to bolster declining premium revenues needed to feed the programs growing administrative costs. The cost/benefit ratio throughout Michigan is ridiculous and it has made Michigan a "Perpetual Donor State". FEMA FACT: Michigan property owners have paid out, since 1978, $148 million dollars to buy insurance that paid back only

$38.7 million, resulting in a net loss to property owners of $109 Million dollars! Clay Township policy holders pay out each year in premiums nearly $400,000. And have received back an amount if averaged over the 27.5 years of the program an amount which would equate to an average return of $36,000 per year. Clay Township records also indicate that "no repetitive loses were paid for policy holders" even thru the record flooding of the 1980's.

FEMA has been quoted as saying "adding more policy holders will help right the flood program financially". All FEMA records indicate that the program is "BROKE". A quote from U.S.News on 11-21-05 said " A government agency has run out of funds to cover flood insurance claims, and, in an unprecedented move, has stopped payments to policy holders". FEMA maps showing policy growth in the United States demonstrate a declining premium base in 16 major States and a bare minimum growth rate below 2% in another 23 States. FEMA has a definite problem in generating operating funds. The problem is not that FEMA is paying out large claim amounts to policyholders but the cost of administering the program is using up the lions share. FEMA generates over TWO BILLION DOLLARS a year in premium revenue for the entire Nation and has averaged payouts of $537 million a year in claim payments. That is an excess of $1.5 BILLION dollars each program year as an average. Even with this excess of revenue over claim payments the program remains broke and now must pay back the $23 BILLION DOLLARS it just borrowed. Only one alternative logically exists and that is to incorporate existing structures, lying in the unrestricted 500 year flood plain, into the existing premium base. Remember these structures have been outside the jurisdiction of the Army Corps and FEMA regulation for over 27.5 years and now by simply adjusting

20 year old data to make the " shoe fit " FEMA gains needed revenue and the Corps now exercises regulatory jurisdiction over thousands of properties previously exempt. No practicable justification can be given by either Agency to now, after 30 years of granting unrestricted compliance to thousands of properties, tell their owners to start paying flood insurance and accept the fact their structures don't meet the new floodplain building standards. FEMA has in effect created the potential for a "Michigan Economic Disaster". Who will reap a gain from raising 100 year flood plain elevation levels? Certainly not the homeowner!!! By changing a structure from a "Conforming Status" to a "Non-Conforming Status" the owner definitely becomes the loser. No amount of icing applied by FEMA can change that fact! The owner now may have to stand the expense of purchasing flood insurance he doesn't need or want, the sale value and marketability of the property will definitely be negatively affected, septic tank fields may need to be replaced and the entire structure may need to be elevated after the occurrence of a "casualty loss". The cost of new construction will also increase which may in fact place the cost of owning a new home out of reach for many new families.

Clay Township is well aware of the flooding of both the 1970's and 1980's. The Township worked with the Army Corps in administering the "self help" and "operation for sight" programs and also distributed over 200,000 sand bags. The Township is also aware of the many studies commissioned by the International Joint Commission relating to in-flow and out-flow regulation of the Great Lakes. The Upper Great Lakes Plan of Study begun in 2001 reflects numerous variables which have to be incorporated into any calculations used to change 100 year flood plain levels. Some of the noted variables are as follows: DRAMATIC INCREASE IN CONSUMPTIVE USE: GLOBAL

WARMING: CHANNEL DREDGING: RE-EVALUATION OF EXISTING DIVERSIONS: RE-ASSESSMENT OF PLAN 1977-A: LONG LAC AND OGOKI DIVERSION ADJUSTMENTS. The FEMA elevation change proposal ignores these important variables and puts hindsight ahead of foresight. The point to be made is simply that the levels in the Great Lakes are below long term average and Lake St. Clair has been predicted to peak this summer at 574.3', over 4' below the present 100 year flood plain level and close to 6' from the levels that FEMA wants to implement.

Submitted with Clay Township's response will be:

(A) Petition signatures from over 2250 area property owners asking for a moratorium on any proposed base elevation change.
(B) Resolutions of support from the Michigan State Senate
(C) Resolutions of support from the Michigan State House
(D) Resolutions of support from St. Clair County board of Commissioners
(E) Resolutions of support from the City if Algonac, Cottrelville and Ft. Gratiot Townships and the Township of Clay.
(F) Various other supportive data and reports

In conclusion, Clay Township again expresses it's appreciation for this opportunity to request that FEMA place a moratorium on any changes which will elevate the present base flood elevations.

TOWNSHIP OF CLAY

County of St. Clair

JON E. MANOS
Supervisor
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June 1, 2006

Congress of the United States
House of Representatives
Committee of Governmental Reform
Subcommittee on Regulatory Affairs

Representative Candice Miller, Chairman,

Dear Chairman Miller:

Clay Township again extends it's appreciation for your effort in pursuing the cause of the people of Clay Township as well as those affected throughout the State of Michigan regarding elevations increases in the 100 year flood plain level. The purpose of this communication is to convey, for the record, logical and factual conclusions regarding testimony given at the oversight hearing held on May 8,2006.

The Township believes that the facts presented fully support the following:

(1) FEMA premium revenues are declining throughout the United States!
(2) FEMA Administrative Expense represents about 75% of the premium dollar!
(3) Flood insurance claims have historically averaged about 25%!
(4) FEMA averages $2.2 BILLION DOLLARS a year in premium income and has historically paid out an average of only a $1/2 BILLION yearly in claims, leaving $1-1/2 BILLION, not for reserves, but to pay costs of administering the program.
(5) FACT: In November of 2006 FEMA halted flood insurance payments. FEMA informed 96 insurance companies to stop paying claim payments because FEMA couldn't reimburse them because there were no funds available! It is ironic that legitimate claims were not being paid yet the salaries, wages, fringe benefits and pension contributions continued for FEMA administrative employees. FEMA went to Congress to access additional loan funds of over $20 BILLION DOLLARS of which 75% of the total will go to feed the "ADMINISTRATIVE FEMA MONSTER" and the smaller amount reserved for claim payments.
(6) FEMA, at the Hearing, again demonstrated a total lack of concern over justifying the disproportionate ratio in Michigan between revenue received and claims paid.

(7) The U.S. Army Corps of engineers addressed the 25 year old flood study data, including an old IJC study, but left out pertinent information from a more recent IJC study commissioned in 2001. The Corps did concede that further evaluation of more current available data could result in possible lower flood plain levels than are now being estimated. Additional funding would be necessary to do such a data review and should be authorized by Congress along with the placement of a moratorium on proposed FEMA 100 year elevation increases at this time.

(8) FEMA has borrowed over $20 BILLION DOLLARS and has no way of paying it with a declining revenue stream within the present 100 year flood plain so they are proposing creating a whole new 100 year flood plain which will mandate that thousands of property owners buy flood insurance from a Plan that is bankrupt and isn't capable of paying their claims! Who in their right mind would want to get aboard sinking ship??????

In conclusion it becomes obvious that FEMA never gave consideration to the devastating economic consequences being imposed on the public. FEMA should look to other means to manage the disproportionate "ADMINISTRATIVE MONSTER" it has created! I am also including another supportive "STUDY" provided to my office by U.S. Senator Carl Levin.

Sincerely,

Jon E. Manos

Jon E. Manos
Clay Township Supervisor

Mrs. MILLER. Thank you very much. We appreciate that.

Colonel Lauzon and the supervisor didn't want to get too much into lake levels and the Army Corps of Engineers' impact on some of those things. You and I have been working very closely on an issue that I think might have some impact on this whole concept of the mapping and what happens. Of course, that's with trying to find funding for a 3-D model where you would actually construct—the Corps, that they would actually construct a 3-D model of the St. Clair River. Because there has been a coastal engineering firm—very widely respected that recently did a study, they are theorizing that because the St. Clair River had extensive dredging in the mid-1970's—excuse me, actually 1960's, 1962 to 1964, to open up the upper lakes for shipping, because of that dredging, and subsequent dredging, and subsequent erosion as well, that you have an effect in the St. Clair River almost like a plug in a bathtub has been pulled.

They are theorizing that the amount of water that is going through the St. Clair River now because of that action interpolates to approximately the size of Lake St. Clair being diverted down the Erie Barge Canal out into the Atlantic Ocean about every 18 months. We are not sure whether or not that's so, but we are trying to get funding to build a 3-D model for this.

I know the Corps has done a similar thing in the Mississippi River. If it is so—I won't go into all of the other theorems about why the lake levels do fluctuate, but do you think if we were able to get the 3-D model and show that theorem is correct, that model would have some impact on FEMA and the flood insurance rates for the entire region here?

Colonel LAUZON. Congresswoman, good question. The study that you are referring to is, the Upper Lakes Plan Study, and the other report that you're referring to is the Bared Report that was commissioned by the Georgian Bay Association with regard to lower lake levels. In fact, it had—the report stated that increased dredging north of—actually, through the Lake St. Clair or St. Clair River had an impact on water levels flowing out at a considerable rate throughout the basin.

That report is under review. There are many aspects of that report that were not discussed. One is static rebounds, because the lakes were formed on a glacier, the lack of rainfall and precipitation snowpack on Superior. There are many factors that are impacting the water levels, not just the increased dredging.

With regard to your 3-D model, we have a one-dimensional model right now that we are using. It's primarily focusing on sediment transfer. But as you and I spoke earlier, that 3-D model I think would be very beneficial, not only for the lake levels as determined by sediment transfer, but also for all aspects of how we determine flows of water through the basin, where the floods potentially might happen with greater fidelity. So we welcome that report. I'm sorry, we welcome that model, if we can get funding. I think we have authorization but no appropriation, as you are aware. If we can get that appropriation, that would be very beneficial.

If I can just add one other additional thing with regard to that. With your leadership, ma'am, the study that you introduced before

the House Committee Transportation and Infrastructure, I think could be also a very good tool that we can use.

As you are aware it did get approved, authorized. That could be a tool. In fact, I just have some notes here. But it takes a look at—it takes a look at the Corps to conduct a study for protection, environmental restoration and protection for recreation and related purposes for the Clinton River and Anchor Bay watershed. So that would be a great tool as well if we can have—continue to have Congress's support to push that forward. I think that would be a very big benefit to the local communities as well, ma'am.

Mrs. MILLER. I appreciate that.

Ms. Odeshoo, if I could ask you, you testified that you thought—you were looking at a proposal from FEMA to raise base flood elevations, put levels at about 6 feet above current lake levels in—excuse me, in Lake St. Clair as well, to finish up what Colonel Lauzon was just mentioning about snow pack up in Lake Superior, and a number of other factors that go into the dynamics of why lake levels fluctuate. But for the lake levels to raise 6 feet, what did you think would actually have to happen to raise a lake level 6 feet?

Ms. ODESHOO. Congresswoman Miller, I don't know what would have to happen to raise the lake level 6 feet. I can tell you that that we do know lake levels are—the Great Lakes levels are cyclical. They have risen tremendously high. Right now they are at a historic low.

FEMA understands that the issue right now, because the lake levels are low, FEMA's responsibility under the National Flood Insurance Program is to consider the actual risk. And there is an actual risk if those lake levels go up, and it's expected they will go up.

Mrs. MILLER. You know, we were also talking about some of the various factors that impact, and I know, perhaps, FEMA doesn't take this into consideration, but I guess I can ask you whether or not you think you might. For instance, talking about wave run-up and some of the different things that are not considered; the Coast Guard, I think is a doing an extraordinary job now of really doing some of the ice cutting capabilities that they have along the St. Clair River. We see them out during the year.

Do you use any of those kinds of factors when you think about raising the base of the flood elevation either?

Ms. ODESHOO. We use the best data that is available to us. And right now the best data is that available to us is the 1988 and 1989 Corps studies. I need to emphasize as strongly as I can that FEMA will accept and consider any technical, scientific or any other data that is provided to us. And it's very important that if there is data out there, that we need to consider that it be provided to us.

Mrs. MILLER. Senator Gilbert, if a company, an insurance company that is licensed to do business in the State of Michigan, AAA, or State Farm, or one of the larger insurance agencies, if a situation or a scenario was brought forward to you, or to the insurance commissioner, some of the details and facts that have been pointed out to us today about the difference in the amount of claims that are being paid out as opposed to the amount of premiums that are being paid in by a group of the insured.

What do you think the response from the State officials would to be a private company having this?

Mr. GILBERT. Well, I see a great disparity between premiums and claims because of the regulatory body we have here in the State of Michigan. Those premiums will be rolled back and I assume since that has not happened necessarily since I've been in the legislature that perhaps some money would be refunded to those payment premiums. I think that points out very clearly what's wrong with this program, that those of us here are very little risk have been confronted with additional insurance premiums by increasing the flood zone.

And, again, I think the fact—I don't believe there is anybody on the Federal level, other than congressional oversight, that is regulating this particular federally agency so—but at the State level, there's mechanisms to correct that.

Mrs. MILLER. Ms. Odeshoo, I'm not certain whether any particular State has ever opted out of the Federal Flood Insurance Program. I'm not sure that we in Michigan are prepared to do that either, although I will say it's an option that we have had a lot of discussion on and are exploring. And part of the purpose of this hearing here today is for us to continue to get input and determine whether or not we would want to make a recommendation like that to our State Senator, make a recommendation like that to the State.

Are you aware of any other States that have opted out, and if I could, I don't know if you can answer this question, but if a State was to opt out of the Flood Insurance Program, and perhaps self-insure, would that preclude the State from availing itself of other Federal disaster moneys? I don't know if you could answer that question.

First of all, if you are aware of any other States that have opted out or are considering opting out? Again, since this is happening nationwide. I know I have talked to some of my colleagues in the coastal States, North Carolina, Florida, have seen similar articles that we have seen in our Detroit papers are being written by other areas as well as this remapping process is happening nationwide.

Ms. ODESHOO. One moment.

Mrs. MILLER. If you would like to ask her to come up to the table to testify.

Ms. ODESHOO. She didn't swear herself in. I think she can help me with this. There have never been States that opted out of the program. There have been communities that have opted out in terms of self-insurance. That would only apply to State agencies. Self-insurance would not apply to individual homeowners.

Our concern with any community opting out of the program, I'm sure you are very well aware of repercussions of that, just to name a few things. Flood insurance will no longer be available and no Federal grants or loans for building in the identified areas. Disaster assistance would be omitted, except in the case of emergencies and temporary housing and that is a huge issue right there in terms of not being able to get certain kind of disaster assistance. Federal mortgage insurance requires flood insurance. If flood insurance is unavailable, Federal mortgage insurance through the FHA, VA, Farmers Home, others, would not be available.

I would advise communities to be very, very cautious about opting out of the Flood Insurance Program because of many things that would become—many types of assistance that would become unavailable to them.

Mrs. MILLER. Thank you.

Just a final question before I turn to my colleague, Representative Turner, for his questions as well.

I would like to ask the supervisor, since we were both supervisors in 1986 when we had the high water, I know the kinds of things we were putting in place in Macomb County, and some of the areas. I know it was happening all the way up the shoreline. What kinds of things have happened in Clay Township, just as example for—as you have done your planning, as people have come in to even putting on additions onto their homes or raising elevations for new building, is there much more cognizance of high-water levels and what kind of negative impact? If you could talk from a local perspective about that.

Mr. MANOS. I think the Corps of Engineers should recognize how many thousands and thousands of seawalls have been put into service that are elevated above the 500 or 100-year floodplain and what effect they would have over the years, permits had to be granted in the floodplain area to fill in properties. Those things have all been done in this area.

There has been a tremendous amount of effort by the people to construct at higher levels than what our 100-year floodplain—our building inspectors told me that they require right now to get that elevation up. But that was based upon the established level for the last 27 years that our people have built to.

I have a list, which I have given you in our record that was just given to me for the Bluewater Isle. They have somewhere around $165 million worth of structure value alone. Those areas are basically in the B-zone. They were not required and were not restricted in any way. And a lot of those homes have been built there in the last 27 years and built according to the rules and regulations applied by the Corps of Engineers and FEMA, and they were not required and they went in and did this and now we are going to come back and tell them, hey, your house is not conforming, so on, so forth. We have taken steps. I think it's part of the reason between the 1970's and the 1980's that were weren't as many claims that came through here in the 1980's than there were, basically, in the 1970's for the flood damage. And these things are records that are on file.

I don't know why we are sitting here right now and we are back talking about this technical data from the Corps of when the set-up and what is happening. That is static level in the lake, and the Corps knows it as well as I know it. I have gone back and I have added the data and it's in those reports.

And what we did also was submitted to me for Bluewater Isle probably about 20 or 30 LOMAs that have been issued in those areas over the last several years. Those people now are out of the floodplain. They are not required to have mortgages. And we have run those elevations and 85 percent of those people that just got out are going to be put right back in. And that was verified by our building department. It doesn't seem fair. They did whatever they

had to do. Evaluate, surveys, etc., and all of a sudden now, we are going to tell them that 14 inches is going to destroy the LOMAs you just got.

I don't know how we can stand on something that is 27 years old, that we have allowed people to build in those areas and now we are not protecting the shoreline at all. We should have protected the shoreline if we were going to do that some–27 years ago, when the Corps said they had this technical data and they held it in their pockets when we didn't have funds to implement it.

Wait a minute, you put a heck of an economic situation on to the poor homeowner that maybe just met a base—just basely qualified for that mortgage.

I have talked to some of the people from our local banks and they tell me flat out, some people barely make it, and they have a mortgage and they are not in a floodplain. They were told they weren't in it. Just going along fine. All of a sudden now, this 14-inch elevation will change that and they will now be required to come up with this extra money to pay for the flood insurance and I, again, don't believe there is justification. And that's what we have done locally to do that, but as far as—that is an issue that can open the door, and I would be happy to do that at another time with the Corps of Engineers because I understand what happens at the static level and IJC studies will relate to that. They don't want to admit it, but it isn't the Corps of Engineers that controls anything in the Great Lakes. It's the International Joint Commission. They control how much water, how many gates are open up in Lake Superior, what the flow will be coming down this way. And in 1985, in November I believe it was, they opened up everything that they had up there. There was an unprecedented amount of water. I believe it was 136,000 feet of cubic water a second that came down into this basin.

In the lower end, if they remember, perhaps they forgot, but they shot one of the locks down in the Whelan Canal. At the same time that water was coming down, they did some adjusting on the Detroit—compensating works down in Livingstone Channel. They added another, I believe, 2 feet onto that 2,000-foot wall to further restrict the water, keeping it up into our basin. Those are facts that they can't deny.

I have a picture of a barge that was left in Lake Erie for 2 years that was sunk, and they didn't get it out of there. And they can tell you how many inches it raised and backed up the water into your system.

All we are saying is there is extenuating circumstances that happened to bring those waters as high as they were. And then we have a little wind set-up, or something else, in that static level, and we are not taking into consideration the new studies that deal with consumptive use in the last 20 years, I believe, is almost equivalent of what goes out of the Whelan Canal.

Mrs. MILLER. All right. Thank you very much, Supervisor Manos. We appreciate that information and I turn to my colleague, Representative Turner, for his line of questioning for the witnesses.

Mr. TURNER. Thank you very much. I want to thank you again for holding this hearing and the importance of diving into this issue, looking at the data points, what is the impact economically

on the local community, and how are these programs working and how are they serving.

I note from the information that you have given me that the impact on Ohio, as in Michigan, is significant. Total premiums paid in Ohio from the period you have identified from 1978 to 2002 is $204 million. The payments received were $118 million. The total net benefit is a negative $85 million compared to—you were identifying Michigan's negatives as $120 million.

Premiums in Michigan average $257. Premiums in Ohio average $259. The issues appear to be very similar of the net donor State status that we have both with Ohio and Michigan.

You have given me the numbers from my district itself. Here in St. Clair County, you have 1,800 total policies in force which of course increases if the remapping program goes forward.

In the 3rd District of Ohio, which represents four counties that I represent, we have 2,500 policies in effect. It's certainly an issue that has great ramification beyond this local area.

The type of testimony you are receiving is the type of testimony nationally that can be used to raise the types of questions that we need in order to be able to make decisions as to how these programs should go forward.

Ms. Odeshoo, I have a question for you, and I also first want to make a positive statement about FEMA. For an organization that has received such negative scrutiny as a result of its lack of most recent performance, we all do know that FEMA has been an organization in the past that has operated with the highest intent of making certain that people are safe and that it has personnel that are focused in responding to emergencies.

It's certainly unfortunate the agency has come under such a high-level of scrutiny with the lack of performance that we saw with Katrina and Rita.

But I'm assuming that with all organizations that come on to a critical point, we look only to an increase in emergency management response that we learned from this process and the agency can be improved. So I do want to thank you for your many years of services and for that of FEMA.

I do want to ask you—an opportunity to answer a positive question, even though we see this data information and its impact locally, and the negative impacts that it can have, certainly there are some positive aspects of having flood insurance and you highlighted this a little bit in your opening statement. I would like to give you an opportunity to reflect on that again.

I will give you a scenario: if I'm an individual that lived across the street from someone and I am not considered to be in the flood area and my neighbor across the street is considered to be in a flood area, if a flooding situation should occur, could you please tell me what the impact would be on me and what the impact would be on my neighbor?

Ms. ODESHOO. Thank you very much, Representative Turner, for your nice comments. We don't get a lot of those lately. So a pat on the back every so often feels good.

The person that has flood insurance, obviously, will have a lot more benefit than the person who does not, because not every flood disaster, in fact the majority of flooding does not result in a Fed-

eral declaration. So the only assistance that many people will get is their flood insurance policies.

So if you are the person living across the street from the person that has flood insurance and both of you flood, obviously the person with the flood insurance policy is at the greater advantage.

I might also point out to you that you, being that person across the street who doesn't have flood insurance, could still purchase flood insurance. Just because you are not designated in an identified floodplain, you can purchase flood insurance at the lower premium because the risk is lower.

One thing that I would like to clarify in terms of those 1988 and 1989 studies, I need to make it very clear that local communities were sent a letter by FEMA with copies of those studies. And although we didn't have the money at the time to revise the maps, the communities were advised to use that current information in their future—you know, in all future floodplain-management decisions. I want to clarify that. This is a very important point to make.

Did I answer your question? Is there anything further?

Mr. TURNER. Yes, you did. In looking at the numbers we were provided, clearly the flood insurance program appears to be broken and is not set up to cover its costs. From the information we have here, Hurricanes Rita and Katrina alone will result in an estimated $23 billion in payments. For the entire United States, 2006 premiums total just over $2.2 billion.

Obviously, if we both require that premium be paid in and then send the difference of the bill to the general taxpayers, those that are both paying premiums and don't have a loss are paying twice. They are paying both, one, for the premiums they are being hit with and where they have not had a loss and, second, when the overruns are sent to the general taxpayers at large.

I think that there is an issue of equity and fairness that Chairman Miller has certainly identified. I don't think we would expect—in any insurance program, there would be hopes that the premiums paid in exceed the losses. But here we have a situation where the losses exceed the premiums paid in, except for in certain local or geographic areas that are bearing the weight. That seems to me to be unfair.

Are you aware of any reviews that are occurring in FEMA, as in looking at the issue of the failure of the program to pay for itself, and the inequities that are occurring between States?

Ms. ODESHOO. I'm sorry, I really don't have that information available. But I would be happy to look into that and get back to you for the record.

My guess is, yes, that's being very closely looked at. And I recognize—we all recognize the fact that—I know the numbers are clear, we are not denying the numbers, Michigan has paid more into the flood insurance program than they have gotten back, at least to this point.

I think I can make an analogy here. First of all, this is not revenue producing, most insurance companies are not.

I think I can make a similar analogy just using myself, or yourself. I'm betting that you have paid way more into your home-

owners than you have taken out of it. The same thing for your car insurance.

We don't need the insurance when we don't need it but when we do, hopefully it's there to pay our claims.

I feel very strongly the risk here in Michigan, it's just a matter of time until there is flooding here and those people that have paid the premiums in the National Flood Insurance Program will get back as much or more, perhaps, as they paid in. It's just a matter of time, it happens that way.

I don't know that for a fact, but I believe in the case of Louisiana, they—up until Katrina, they paid way more into the Flood Insurance Program than they ever got back in claims. So that's something to think about as you consider this issue. Excuse me, it was New Orleans, it was the city of New Orleans, not the State.

Mr. TURNER. The State had not—Louisiana was not a donor State up until at that point?

Ms. ODESHOO. I don't believe so, the city was. I misspoke.

Mr. TURNER. The analogy there doesn't fit with homeowner's insurance because with homeowner's insurance, I pay with an expectation if I have a loss, then I will receive a claim, but I expect that the total amount of premium that I'm paying will be managed by the insurance company to cover the loss spread across everyone.

In this instance, only a small group of people are paying premiums. The insurance company here runs into the red and then sends the bill to everyone. That isn't the same analogy with homeowner's insurance. But I can understand certainly that you pay a premium and not everyone experiences a loss.

But at the same time, this is a program that clearly is not being run equitably.

Colonel Lauzon, my next question is for you. In looking at the information we have, it talks about base level being raised, and in your testimony, you talk about the wind-generated waves, the wave run-up caused by the storms. I know we are not getting into technical discussion here, but that intrigued me. It sounds like even if you add in the issue of the new understanding of wave run-up and wind-generated waves, you still have a substantial increase in the overall base level that is expected of the flood level; is that correct?

Colonel LAUZON. Yes, sir. It's the same study. But a good point to point out, in a 1977 study, there was only 22 years of data. We produced the data for a frequency analysis and brought in the 1988 data, which had 34 years. That's why you saw the growth because the spike was clearly in 1986, and the spike in 1986 went up to—it actually went up to a—in 1986 it put the IGLD over 577, back in 1986.

So I think the 1977 report was accurate with the data that we had up to that point. It's hard to dispute the fact that in 1986 we had some considerable water levels and some serious flooding. That's the difference there between those two.

Mr. TURNER. Senator Gilbert, Chairman Miller made an excellent point on the economic impact of the loss of being a donor State and Mr. Manos did a great description of impact on individuals, their individual budget of receiving a bill, specifically of people that had built in an area that was not a flood area but now are being placed in a flood area.

Chairman Miller has made the point of Michigan being a donor State of $120 million having been—having left the State compared with the numbers that she's provided to me, in Ohio it's a negative net of $85 million.

I was wondering if you might talk for a moment about the issue of—it seems to me this is greater than just an issue of economic loss of net dollars of the premiums and even a greater issue than just those individuals who currently live in flood areas. Doesn't this have a negative impact overall on development? As we all compete for economic dollars and investment in our communities, how does that impact the overall area's ability to attract investment?

Mr. GILBERT. Anytime you raise the cost of people moving, in this case I think—economic development, that certainly has a negative aspect. If you look at Michigan—49 States are doing quite well. We are doing quite poorly exactly.

And I think every little area we can help improve and make Michigan more attractive is very important. This is an area that I think needs to be addressed as well. So, I mean, I think that's what we need to do is look at this and I think the case has been made that this is patently unfair, not only to individuals, but to the State of Michigan. And if we can correct this, this will certainly encourage economic development in the area and the State in general.

Mrs. MILLER. Thank you. I certainly want to thank our first panel of witnesses. We are going to have a second panel. And I would say, as well, I also want to thank FEMA.

I know you are under the gun here today. You are used to that. You have done great work in the past. I think as we all watched Katrina—and I also wanted to mention that, Colonel Lauzon, I know you spent quite a bit of time down with Katrina and he came back and told us stories of being there. It's difficult for any of us—unless you have been there. I have not been there personally, but I have heard many stories of colleagues, Members of Congress that represent that area, people that have been down there—I know the Governor of Mississippi, for instance, was telling me 67,000 homes in Mississippi were gone. If you can even think about. It's very difficult for us to comprehend how devastating all of that was.

On the other hand, I will also say this, I don't mean not to be compassionate but, in Michigan, we look down at the water. We don't look up at the water. As the levees—and amount of money that we are going to be undertaking as a Nation to rebuild those levees, and I know the Corps of Engineers is doing what they can, but sometimes, God, I think, will not allow man to do certain things to overcome his will and mother nature.

And I hope, as we have investing as a Nation in rebuilding in the Gulf, that the next generation there will not curse us for allowing them to live under the sea level there. But at any rate, we are concerned—we have to approach those kinds of things. I think, in my approach, and I think most Members of Congress, we approach that with our hearts but we also have to approach it with our heads.

As we look at the inequities that we see in the Flood Insurance Program, many of us feel that we are being billed for somebody's choice to live looking up at the water.

When you see the city of New Orleans only about 20 percent—I'm not sure of the correct figure, 20 percent of the structures in the city of New Orleans didn't have flood insurance, because the other 80 percent wouldn't take the risk, yet we are paying for the risk. I think, again, it's an issue of basic fairness.

At this time, we will take a very brief recess. We want to put the second panel in place, and we will excuse the first panel and appreciate all of your testimony this morning.

Thank you very much.

[Recess.]

Mrs. MILLER. We will call the second panel, subcommittee hearing back to report.

The first witness is Chris Wilson, who has been the city manager for Algonac since 2004. And prior to coming to Algonac, he worked for the city of Grosse Pointe. He has a Bachelor's degree in geography, a Master's degree in political science and also a public administration Master's from Wayne State University.

We are certainly delighted to have you with us and the floor is yours. We look forward to your testimony.

STATEMENTS OF CHRIS WILSON, CITY MANAGER OF ALGONAC; MANFRED (WHITEY) SIMON, PRESIDENT, HARSENS ISLAND, ST. CLAIR FLATS ASSOCIATION; AND JOHN COLLISON, OWNER, STERLING REAL ESTATE CO., REPRESENTING MICHIGAN ASSOCIATION OF REALTORS

STATEMENT OF CHRIS WILSON

Mr. WILSON. I would like to thank Madame Chairperson Miller and Representative Turner for allowing——

Mrs. MILLER. You can use the mic.

Mr. WILSON. Given the significant impact these proposed measures will have, not only on Algonac or St. Clair County, but eventually the entire State of Michigan, as a matter of basic equity and fairness it is critical that specific issues be considered before such action is taken.

Primary among these considerations should be whether the economic demands being placed on property owners by the Federal Government through compulsory purchase of flood insurance is an adequate and fair representation of the corresponding level of economic risk posed by their decision to locate in a given area. It is the position of the city of Algonac that any increase in current floodplain levels would cause undue and unjustifiable economic harm to the city and its residents.

Undue hardships that would be placed on the city of Algonac as a municipality would be related but not confined to its impact on current building codes. An increase in base flood elevation would not only impact residents and developers seeking to build new structures in the city, existing structures that were built in accordance with current elevation levels, levels that were developed, approved and sanctioned by the Corps of Engineers, would be considered nonconforming. This would make additions to or extensive rehabilitation of such properties more expensive and less attractive to home and business owners. I would like to remind the committee that it will become the responsibility of the city of Algonac, as well

as all other municipalities across the State of Michigan to enforce these new regulations. I would not wish upon any building or zoning official the day which they must inform an enterprising small business owner or a father of a growing family of the hardships now enforced upon them because their property, which they took care to develop according to guidelines established by the Federal Government through the Corps of Engineers, is now labeled as nonconforming. Again, it is the position of the city of Algonac that in accordance with principles of basic and fundamental fairness, such measures be taken when, and only when, clear and irrefutable evidence exists providing adequate justification.

Economic hardships will not be limited to owners of new or remodeled structures. Algonac has a high number of senior citizens. These individuals are likely to own their own home. Further, this structure is likely to be the most valuable asset in their possession. By adjusting the base flood elevation level and classifying their homes as nonconforming, FEMA will be adversely impacting the single most valuable possession of thousands of elderly homeowners throughout Michigan. The impact of this is little different than if the Federal Government were to suddenly withdraw a portion of a worker's 401(k) portfolio. Again, it is the position of the city of Algonac that before such actions are taken, FEMA must assure all involved that the economic justifications exist to do so.

As to whether such justification currently exists, significant work has been performed by local officials to analyze the risk posed by flooding in the greater Algonac area. Further analysis was performed to determine if this risk justifies any change in the manner and amount of compensation by local property owners. Thorough analysis of the best available data justifies a lessening of such burdens as opposed to increasing them. This is not to argue with the scientific principles behind the Corps' analysis of base flood elevations nor the principle behind the establishment of a floodplain. The concept of personal responsibility demands that individuals who choose to locate in a particular area where flooding poses a risk, pay a fair and reasonable amount of compensation to protect themselves and others against this risk. However, while the science behind the establishment of base flood elevations is sound, it does appear that FEMA is using good science to implement bad policy.

The tremendous discrepancies between the amount of policy premiums paid by residents of Michigan for FEMA flood insurance and the corresponding amount of flood-related claims points strongly to such a policy failure. In particular, we feel that FEMA should more closely evaluate and analyze the risk posed by homes that are constructed in an area that is protected by a levee as opposed to those that have no such protection. In the calculation of a level of a 100-year floodplain, the goal is to appropriately designate such areas that have a 1 percent chance each year of being inundated by an adjacent body of water. Current base flood elevation levels may accurately reflect such levels of risk. However, it is the position of the city of Algonac that the manner in which these measurements are utilized by FEMA in establishing premium rates does not accurately take into account the fundamental differences in economic risk posed by the construction of structures in areas protected by levees.

While it is possible that areas around the Great Lakes will flood, it is inevitable that structures protected by a levee will flood. Further, the nature and scope of flooding that occurs in areas behind a levee is far greater and more severe than what would occur in an area where no levees exist. By treating both areas with and without levees relatively equally when it comes to the calculation of flood insurance premiums, FEMA is creating a situation where a significant portion of property owners are paying rates far higher than their accompanying level of risk would demand. Accordingly, others with a high risk of economic loss from flooding in terms of quantity and scope, are not paying their share relative to their level of risk. When the providers of an essential or required product in the private sector unfairly manipulate the price of their goods or services to the detriment of the greater good, we call it price-gouging. I am not sure if such a label is appropriate when the same activity is carried out by a Federal agency. What I am certain of is that both practices are equally reprehensible and both should be prevented whenever possible.

I would like to ask the committee to seriously consider all the adverse impacts that an increase in the current base flood elevation will have on residents of Algonac and the surrounding areas. Before any such attempts as the proposed efforts at ecological redlining are attempted, it is imperative the Congress use its oversight function to ensure that such actions are fair, equitable and necessary. We feel that close examination of the greater Algonac area will raise significant questions as to the fairness, equity and necessity of such actions. Thank you.

Mrs. MILLER. Thank you very much. We appreciate that.

[The prepared statement of Mr. Wilson follows:]

Testimony of Chris D. Wilson
City Manager – City of Algonac
Subcommittee on Regulatory Affairs
"FEMA Floodplain Map Modernization: A State and Local Perspective"
May 8, 2006

I would like thank Madame Chairperson Miller and the Committee for allowing me the honor to address the committee on this matter of pressing importance to the City of Algonac and its residents. Given the geography of the greater Algonac area, any efforts by the Federal Emergency Management Agency to alter floodplain elevations could have a drastic impact on implementation and enforcement of City ordinances and building codes. Additionally, the economic and financial impact to existing homeowners and small business persons could be quite significant. Given the significant impact that these proposed measures will have, not only on Algonac or St. Clair County, but eventually the entire state of Michigan, as a matter of basic equity and fairness, it is critical that specific issues be considered before such action is taken. Primary among these considerations should be whether the economic demands being placed on property owners by the federal government through compulsory purchase of flood insurance is an adequate and fair representation of the corresponding level of economic risk posed by their decision to locate in a given area. It is the position of the City of Algonac that any increase in current floodplain levels would cause undue and unjustifiable economic harm to the City and its residents.

Undue hardships that would be placed on the City of Algonac as a municipality would be related but not confined to its impact on current building codes. An increase in base flood elevation would not only impact residents and developers seeking to build new structures in the

City. Existing structures that were built in accordance with current elevation levels-levels that were developed, approved and sanctioned by the Corps of Engineers-would now be considered non-conforming. This would make additions to or extensive rehabilitation of such properties more expensive and less attractive to home and business owners. I would like to remind the Committee that it will become the responsibility of the City of Algonac, as well as all other municipalities across the State of Michigan to enforce these new regulations. I would not wish upon any building or zoning official the day which they must inform an enterprising small business owner of father of a growing family the hardships now enforced upon them because their property, which they took care to develop according to guidelines established by the federal government through the Corps of Engineers, is now labeled as non-conforming. Again, it is the position of the City of Algonac that in accordance with principals of basic and fundamental fairness, such measures be taken when, and only when, clear and irrefutable evidence exists providing adequate justification.

Economic hardships will not be limited to owners of new or remodeled structures. Algonac has a high number of senior citizens. These individuals are likely to own their own home. Further, this structure is likely to be the most valuable asset in their possession. By adjusting the base flood elevation level and classifying their homes as non-conforming, FEMA will be adversely impacting the single most valuable possession of thousands of elderly homeowners throughout Michigan. The impact of this is little different than if the federal government were to suddenly withdraw a portion of a worker's 401k portfolio. Again, it is the position of the City of Algonac that before such actions are taken, FEMA must assure all involved that the economic justifications exist to do so.

As to whether such justification currently exists; it is my position that to the extent that an accurate analysis of the best available data relating to the economic risk posed by flooding justifies any change in the manner and amount of compensation by local property owners, it would justify a lessening of such burdens as opposed to increasing them. This is not to argue that the scientific principles behind the Corps' analysis of base flood elevation nor the principle behind the establishment of a floodplain. The concept of personal responsibility demands that individuals who choose to locate in a particular area where flooding poses a risk pay a fair and reasonable amount of compensation to protect themselves and others against this risk. However, while the science behind the establishment of base flood elevations is sound, it does appear that FEMA is using good science to implement bad policy.

The tremendous discrepancies between the amount of policy premiums paid by residents of Michigan for FEMA flood insurance and the corresponding amount of flood-related claims points strongly to such a policy failure. In particular, we feel that FEMA should more closely evaluate and analyze the risk posed by homes that are constructed in an area that is protected by a levy as opposed that have no such protection. In the calculation of a level of a 100-year flood plain, the goal is to appropriately designate such areas that have a 1% chance each year of being inundated by an adjacent body of water. While current base flood elevation levels may accurately reflect such levels of risk, it is the position of the City of Algonac that the manner in which these measurements are utilized by FEMA in establishing premium rates accurately takes into account the fundamental differences in economic risk posed by the construction of structures in areas protected by levies.

While it is possible that areas around the Great Lakes will flood, it is *inevitable* that structures protected by a levy will flood. Further, the nature and scope of flooding that occurs in areas behind a levy is far greater and severe than what would occur in an area where no levies exist. By treating both areas with and without levies relatively equally when it comes to the calculation of flood insurance premiums, FEMA is creating a situation where a significant portion of property owners are paying rates far higher than their accompanying level of risk would demand, while others with a high risk of economic loss from flooding in terms of quantity and scope, are not paying their share relative to their level of risk. When the providers of an essential or required product in the private sector unfairly manipulate the price of their goods or services to the detriment of the greater good, we call it price-gouging. I am not sure if such a label is appropriate when the same activity is carried out by a federal agency. What I am certain of is that both practices are equally reprehensible and both should be prevented whenever possible.

I would like to ask the committee to seriously consider all the adverse impacts that an increase in the current base flood elevation will have on residents of Algonac and the surrounding areas. Before any such attempts as the proposed efforts at ecological redlining are attempted, it is imperative that Congress use its oversight function to ensure that such actions are fair, equitable and necessary. We feel that close examination of the greater Algonac area will raise significant questions as to the fairness, equity, and necessity of such actions.

Mrs. MILLER. Our next witness is Whitey Simon, president of the Harsens Island St. Clair Flats Association. For 30 years Mr. Simon was a staff development engineer for General Motors. He was also a software engineer at the Bendix Industrial Controls Division and field engineer for the missile division as well. He's also served our Nation proudly in the armed services.

From the mid to late 1950's, he was the U.S. Air Force Staff Sergeant, where he was an instrument flight trainer specialist, sort of a remarkable career, Mr. Simon, and today you are talking about a subject that strays a bit from that. I know you have a lot to tell us about. We look forward to your testimony, sir.

STATEMENT OF MANFRED SIMON

Mr. SIMON. Thank you, Chairman Miller. And first of all, thank you for allowing me to speak on this matter that will affect all of us. More importantly, I'm very glad and thankful that you came down to this area to hear from people like ourselves.

I will not belabor the points that you so eloquently made regarding the economic impact. Our Senator and Mr. Manos and Mr. Wilson, again, indicated what will happen economically to this area. So I would rather look at what I heard here from FEMA and from the Corps.

I have also heard from both of these organizations that the IJC study may or may not be germane. What I would like to review for you is the fact that the IJC study clearly indicated that several measures which have been identified by the Joint Study Commission that could mitigate these high levels were never implemented. And the reason they were not implemented was that it would cause an economic hardship of some agency activity or individuals.

Well, FEMA has decided who will bear the burden and the hardship. Namely, the taxpayers and homeowners of this area.

Additionally, the young lady from FEMA indicated that we are interested in risk management, and the risk models clearly indicate that we are supposed to be paying high premiums.

Unfortunately, if you also look at numbers that indicate what the risks have been over the past few years, it clearly shows that we pay a disproportionate amount of premiums as to the benefits that accrue to us.

Second, she indicated that she really didn't want to hear perhaps about our economic hardships but would be only too happy to look at scientific data.

Well, why in the world won't you, the subcommittee, please fund FEMA to go and look at the data to support our contention that we probably will not see another high level as we have seen before.

Similarly, the Corps of Engineers clearly indicated that there are techniques and technologies available that would improve their ability to predict what might happen and certainly we all know—I hope we all know studies are designed quite often to yield a desired result. That's No. 1.

And No. 2, quite often the data that is collected and used can then support the study. And certainly when looking at the numbers, it does not appear that the models have been validated by recent 1980, 1990 and 2000 empirical data to give us who will bear

the burden, the added confidence that FEMA as an agency is, in fact, also looking out for our benefits.

I thank you very much for allowing me to address those points and obviously my letter to you in its entirety is a part of this record. Thank you.

Mrs. MILLER. Thank you. Without objection, we will enter your letter into the congressional record as well. Mr. Simon, we appreciate that.

[The prepared statement of Mr. Simon follows:]

FROM: Manfred K. (Whitey) Simon
President, Harsens Island St. Clair Flats Association (HISCFA)
TO: Subcommittee on Regulatory Affairs
SUBJECT: Testimony, FEMA Floodplain Map Modernization
DATE: May, 8, 2006

Ladies and Gentlemen:

I appreciate this opportunity to address you on a subject matter whose outcome will materially and economically impact me personally and all the residents of Clay Township but in particular property owners on Harsens Island. Obviously, I am here to represent my personal interests but also to speak for most if not all members of HISCFA – the Harsens Island St. Clair Flats Association. I am president of that almost 1,000 member home owners association. The Association goes on record as opposing any proposed 100-year flood plain elevation change which would devastate the market value of homes and properties and impose additional government regulation on homeowners' property use. Property owners on Harsens Island have endured two record lake level periods in the recent past – one in the '70s and one in the '80s.

The US Army Corps of Engineers and Michigan Department of Environmental Quality (MDEQ) permits will verify that hundreds of permits were issued to home owners authorizing, at great expense, new sea wall installations, property fill, and elevated structures and septic fields. All permits were and are still based on an elevation of 578.5 feet and property owners built to those levels to be free of mandatory flood insurance premiums, free of restrictive state and local building restrictions and realize reasonable property values. Over the years, this has helped stabilize our properties by halting soil erosion and increase their values with conforming structures and septic systems all of which contribute to a healthy tax base in this township.

I am a relative newcomer (approximately 15 years) to the ranks of permanent residents, but have already experienced the aforementioned high and low water levels which appear to be partially responsible for the proposed increase in 100-year flood plain elevation levels by 14 inches on Harsens

Island. I apologize if my remarks echo previous testimony but I hope that you will consider this an endorsement of their sentiments. FEMA must be well aware of the economic impact this decision has on disposable income by extracting (dare I say extorting) insurance premiums from this area for payouts in states regularly inundated by high water and associated flooding. This will only increase the outflow of dollars from Michigan to a federal government agency for disbursement to the states already receiving a disproportionate amount of the federal monies flowing out of Michigan.

Thus, after 27 years, with lake levels over four feet below flood stage, FEMA is now proposing to change the rules and invalidate all prior efforts. Logic would indicate that the only winner is FEMA. The impact of this action on the private sector is overwhelming and this committee must call for a moratorium until a full evaluation can be made. Incorporation of map amendments and utilization of modern mapping techniques can be accomplished using the present 100-year flood plain elevation guidelines without compromising the maps' integrity.

I will not question the purported validity of the study which FEMA cites as the reason for the new elevation nor will I doubt that the cited data supports the conclusion drawn by FEMA. However, I am not totally convinced that the study was not flawed or that all relevant data was in fact included. From experience we all know that studies can be designed to yield desired results and only data supportive of the desired conclusion is gathered. Too many studies have been used to alleviate concerns or cited to enact restrictive legislative or punitive actions in many areas from health care (smoking and safe medications come to mind) to pesticides and global warming which is both supported and denied by a plethora of studies. How many principal scientists involved in the FEMA study, data collection, interpretation, and investigation had intimate knowledge of this area? FEMA must be well aware of the economic impact this decision has on disposable income by extracting insurance premiums from this area for payouts in states regularly inundated by high water and associated flooding. This will only increase the outflow of dollars from Michigan to a federal government agency for disbursement to the

states already disadvantaging us. But much more is at stake. In essence, I believe FEMA is taking the path of least resistance. It is done all the time. Instead of eliminating the cause, FEMA wants to treat the symptom.

Let me cite from the most recent International Joint Commission (IJC) study which refers to its own and other previous studies which indicate that various individual measures that are possible to reduce the effects of high water levels as those that occurred during the recent crisis (1984-1987) have been identified. It further states that several of these measures have not been utilized at all or not utilized to their full capabilities for various reasons. Perhaps the most compelling reason, the first one cited in the IJC report, indicates that certain measures would reduce income or increase costs to various entities and no entity is eager to be the only one making the sacrifice.

Ladies and Gentlemen of the Subcommittee on Regulatory Affairs, FEMA has decided which entity will make the sacrifice – the homeowners in this area may be without an examination of the unintended consequences and hidden costs associated with this edict.

Therefore, I ask you: Can or has FEMA submitted results of their study which establish, at today's dollars, the overwhelming economic impact of the proposed change in the 100 years flood plain elevation levels? How many hundreds or thousands of septic fields installed over the past 27 years in full compliance with the Michigan Department of Health rules and regulations will become non-conforming? Will these septic systems have to be brought up to full compliance under the new Watershed Program Rules and proposed higher flood plain level upon transfer of ownership?

Harsens Island has approximately 30 miles of shoreline properties most of which have been improved with new sea walls and elevated structures as well as appropriately graded grounds. Has FEMA documented the number of properties which would require a second change in elevation of sea walls structures and grade as well as the associated costs?

Ladies and Gentlemen of this Subcommittee, are you convinced that an agency, which according to a recent draft bipartisan Senate report is so fundamentally dysfunctional that it should be abolished, should be empowered to cause irreparable harm to the citizens of Clay Township and possibly the entire state of Michigan

And finally, after reviewing the attached photographs of high water marks on sea walls of various ages, one can only conclude that properties and structures in compliance with current rules and regulations will only be net contributors to a fund benefiting the states prone to flooding on an almost annual basis. Insurance premiums should be based on a risk assessment not a need of the insurer to distribute disposable income.

I thank you for your attention.

Respectfully;

M. K. (Whitey) Simon

Mrs. MILLER. And our final witness today is John Collison, who is representing the Michigan Association of Realtors.

Mr. Collison has been licensed as a real estate salesperson for 21 years, as a broker for 17 years and as an appraiser for 14 years. He is currently the owner and broker of Sterling Real Estate Co. and he is an owner of Aarmont Appraisal Co. and Group as well.

He also has served on the Board of Directors for the National Association of Relators and, of course, the Michigan Associational of Relators. He also serves on the board of directors for the Metropolitan Association of Relators and is the chairperson of the Michigan Council of Real Estate Appraisers, which is appraisal section of the Michigan Association of Realtors.

We appreciate Mr. Collison coming today. I might add as well, he also grew up on the banks of the Clinton River and has watched water levels fluctuate for many, many years, his entire life. I appreciate you coming, Mr. Collison, and appreciate your testimony, sir.

STATEMENT OF JOHN COLLISON

Mr. COLLISON. Thank you, Chairman Miller, and I like to thank you Representative Turner for this opportunity to—what I'm going to basically speak about is two issues that were sort of alluded to, on but not really totally described, and this is the cost to the owner or the property owner above and beyond the cost of the FEMA insurance.

Obviously, if someone is in a flood zone and they need to have FEMA insurance, it's a good investment and it's there as a security for the lender to make sure the house doesn't float away and they lose their investment.

However, if it's just there as an arbitrary number, the elevation, that really isn't serving its purpose.

The State of Michigan is a seller disclosure State, where if you own a piece of property and you want to sell your house and a majority of the States in the United States—I think if not all of them, probably at least 90 percent have disclosure requirements. If you are owner of a property and you want to sell it, you have to tell the potential buyer the condition of the property.

In the Michigan seller disclosure statement, it has two questions regarding the septic field. And one of things, speaking with Mr. Manos, and getting information from Clay Township, a number of septic fields that were built in the 500-year plain will be out of compliance and nonconforming if the change goes into effect and—on the seller disclosure statement, it asks two questions about the septic tank and drain field. First of all, if it's working, which no matter what the floodplain says, if it working, it's working.

However, under No. 5, question No. 5, it also says, the septic tanks and drain field condition, if known.

If the homeowner knows, and I would assume pretty much everybody here would know if their septic field was built for the 500-year plain or the 100-year plain, if they know it's out of compliance, they have to state that in the seller disclosure statement.

The typical buyer seeing that, and I can't guarantee this will happen all of the time, but they probably will request—they would probably back out of the transaction or request that it be upgraded

to compliance. That's the normal thing that happens in a real estate transaction.

The seller states: I have this house but it's not really complying in what is happening in the current market. The buyer will say, yes, that's fine. I will still pay the same amount of money I'm going to pay you and bring it into compliance please. Now depending on the situation, that could run into thousands of dollars in costs.

The second area I'm going to address as an appraiser, I won't make any statement as far as market value because each property is unique, every situation is different. I can't say with any kind of accuracy whether the change will affect the market value of any particular piece of property, however, I can say that—I have included the most up to date, what they call uniform residential appraisal report in my written testimony. It's the Fannie Mae form. It's typically used for single-family or residential appraisals.

Under the section improvements they asked me the question as a appraiser, are there any physical deficiencies or adverse condition that affect the livability, soundness or structural integrity of the property?

And, yes, is no problem—I mean, yes, is a problem. If I hit no, there is no problem, but if I hit yes, I have to describe the situation.

If I know as an appraiser that any part of property is not built according—not according to current building codes, I have to state that in the report in that area.

An example would be, say, a home built in 1920 that has steam heat, maybe they have asbestos wrapping insulating the pipes. I look in the basement, asbestos is only a problem if it's deteriorating. It's all wrapped tight and covered, it's not problem, I still have to state that in the report, there appears to be asbestos in the house.

If I know that for a fact that the septic field is out of compliance, whether it's operable or not, I have to state that in the report. Now this would be with a purchase or possibly a refinance, anybody looking to get a loan, it may or may not be federally insured.

The question would be, what happens then? That would be beyond my scope, that would be the bankers, underwriters and people like that would talk about. But I can tell you from experience that normally when properties are out of compliance, it does—it may or may not adversely affect the person looking for refinancing or just purchasing a home, and this has nothing to do with the cost of insurance. It has to do with the cost of bringing the property into compliance.

One other example quickly before I finish, the example would be if you have a well—you have a private well, but there is city water at the street. Quite often the mortgage company will require purchaser to tie—even though the well is perfectly fine, there is no problem with the water, they will require someone, normally the purchaser, to pay the tie-in fees, pay the cost for putting the pipe, and all that, just because it makes the home more secure. They may or may not require someone to upgrade their septic system in the same way for the loan.

Or they may deny the loan or charge higher interest or do any number of things. It depends on the underwriting decision and

guidelines of a particular lender. That's basically what I want to say. Thank you very much.

[The prepared statement of Mr. Collison follows:]

STATEMENT OF
THE MICHIGAN ASSOCIATION OF REALTORS®
AND
THE NATIONAL ASSOCIATION of REALTORS®

Submitted to the Subcommittee on Regulatory Affairs
Of the House Committee on Government Reform
For the Hearing
"FEMA's Floodplain Map Modernization: A State and Local Perspective"

May 8, 2006

Thank you for the opportunity to submit a statement presenting the views of the Michigan Association of Realtors® (MAR) and the National Association of Realtors® (NAR) on the issue of the Federal Emergency Management Agency's (FEMA) floodplain mapping initiative. Over 30,000 members of MAR and more than 1.2 million members of NAR wish to thank Chairwoman Miller for holding this hearing on a subject that is of great importance to REALTORS®.

It is often said that REALTORS® don't sell homes, we sell communities. The members of MAR and NAR are concerned and active members of our communities. We recognize and support the need to have up-to-date and reliable floodplain maps. Accurate floodplain maps are an integral part of a well-functioning National Flood Insurance Program (NFIP) because they can help communities manage the risk of flooding by identifying areas where there is an increased flood risk. According to FEMA, mapping flood hazards creates a broad-based awareness of flood hazards and provides the data needed for floodplain management programs to actuarially rate new construction for flood insurance.

FEMA's Flood Insurance Rate Maps

Flood Insurance Rate Maps (FIRMs) determine whether a property is located in a floodplain, and thus whether the owner is required to purchase flood insurance in order to secure a mortgage. When maps are inaccurate, owners of properties incorrectly identified as being located in a floodplain unnecessarily are required to purchase flood insurance. Similarly, properties incorrectly excluded from a floodplain are exposed to flood risk without the benefit of insurance coverage. During a property transaction, correction of an inadvertent inclusion - through FEMA's Letter of Map Amendment process - adds unnecessary cost and delay to the transaction.

Flood maps serve a number of other important functions. The National Oceanographic and Atmospheric Administration estimates that the cost of flood damage in the 1990s exceeded $5 billion annually, with an average of 100 deaths per year due to flooding. To limit the costly impact of floods, flood maps help communities develop flood management strategies, implement more effective land use and building codes, develop disaster preparedness plans, and incorporate disaster planning into regional economic development strategies.

Currently, FEMA is in the middle of an initiative to modernize its floodplain maps by replacing the existing paper maps with computerized maps that are more accurate, more accessible, and more easily updated. FEMA's map modernization program goes beyond simple replacement of paper maps with digital ones. Digital technology will allow FEMA to collect new and better data.

NAR was pleased that Congress recognized the importance of accurate and dependable floodplain maps and provided FEMA with an additional $200 million in each of Fiscal Years 2003-2006 to continue the Agency's map modernization program. For FY 2007, FEMA requested an additional $199 million to continue its map modernization program. NAR strongly encourages Congress to appropriate the full amount so that FEMA can continue this important project.

However, this map modernization program must be completed the right way. Because the FIRMs form the basis of the National Flood Insurance Program and play a vital role in keeping our communities safe from flooding, it is imperative that these maps are accurate. Unfortunately, given the current timeframe for completion and limited resources, we are concerned that FEMA may be sacrificing quality for quantity by updating as many maps as possible instead of updating the maps in a technologically and scientifically sound manner.

A key parameter for evaluating the initiative was progress toward a goal of mapping 100% of the population in five years. Yet, as the Map Modernization Initiative has proceeded, it has become clear to FEMA and state, local and industry stakeholders that the project is more complex, extensive, and costly than originally estimated. A number of the assumptions that FEMA made to produce the original cost and time estimates underestimated the scope of mapping needs, but became obvious only after the project began. For example, it was not until the project had moved forward that all stakeholders appreciated the need to retain the old maps for critical referencing data, and needed to address storage and accessibility requirements for these old maps within the new digitized format. These are the kinds of unforeseen factors that become apparent after a project has started, and can lead to delays and cost increases.

In some areas of little growth, existing data may continue to be accurate. However, in many areas, existing data are not accurate and need to be updated. There have been problems identified with some of the early maps produced under the modernization initiative. For example, with some of these new maps, the floodplain does not match existing topographic data. Creating, digitizing and making available inaccurate maps fails to solve the initial problems associated with outdated maps and will continue to have far-reaching implications. Communities will remain at risk and their citizens will be placed in harm's way if the flood map incorrectly identifies the floodplain and its associated landforms. Communities will balk at adopting these maps, because they do not resolve their flood map problems or improve upon current maps. Taxpayers will be dissatisfied with spending nearly one billion dollars for maps that fail to properly identify hazards and slow down or delay property transactions. When Congress becomes aware of these flood map problems, a backlash may occur that could impair future funding for technically correct maps. After extensive discussion with members of the

National Flood Map Modernization Coalition, FEMA has adopted a quality assurance procedure that provides for matching the best available topographic data or reflects current conditions, for all the maps going forward.

NAR believes a three-pronged approach is the best way to focus on the concerns regarding FEMA's Map Modernization project.

- The timeframe for creating and digitizing the new maps needs to be adjusted. Instead of mapping 100% of communities in the first five years of the program, which could mean rushing the process and producing inaccurate maps, FEMA should refocus on mapping a smaller percent of the most at-risk communities with high quality maps. As new surveys and engineering studies are more expensive and time-consuming than digitizing existing data, this refocusing strategy will require additional time to complete all of the necessary updates but will ensure a better quality output. The objectives of an extended map modernization program can be fulfilled at the current level of annual funding if those annual appropriations are allowed to be extended over a longer period of time.

- The maps that need to be updated should be reprioritized. FEMA should conduct a new prioritization process to determine which maps need to be restudied, and when. Not all stream miles in all communities will need to be studied, nor will all the hydrologic/hydraulic data need to be updated. In addition, a reprioritization process will create efficiencies in the program that will help create new maps where they are needed most.

- Maps issued prior to the implementation of the quality assurance standard will need to be re-evaluated and completed to ensure the data they contain is the most updated and accurate.

NAR continues to work with the Flood Map Modernization Coalition ("Coalition") to encourage Congress to provide sufficient funding to FEMA to complete the Flood Map Modernization Initiative. In addition to NAR, the Coalition includes stakeholders such as homebuilders, lenders, state and county officials, insurers and other public interest organizations. NAR also continues to work with FEMA to provide guidance and input on the usefulness and cost-effectiveness of these new maps and the map modernization initiative.

The National Flood Insurance Program

The National Flood Insurance Program (NFIP) helps people achieve the American Dream of home ownership by providing affordable flood insurance that is unavailable in the private market. The NFIP is a unique partnership between three levels of government. It enables property owners in participating communities to purchase insurance as a protection against flood losses in exchange for State and community floodplain management regulations that reduce future flood damages. As a result, federal expenditures for disaster assistance and flood control are reduced.

According to FEMA, as of February 28, 2006, the National Flood Insurance Program (NFIP) partners with nearly 20,000 communities nationwide and holds nearly 4.9 million policies representing more than $871 billion in insurance coverage. Nearly 69% of these policies were for single family homes. These same data indicate that in Michigan, there were 25,961 policies representing more than $3.5 billion in coverage. The

NFIP provides over 90% of all flood insurance nationwide and close to 100% of flood insurance coverage for individually-owned properties and small- to mid-size commercial properties.

It is critical that flood insurance remain accessible and equitable for all individuals who own property in a floodplain. NAR supports provisions in H.R. 4973, the Flood Insurance Modernization and Reform Act of 2006, that would increase the borrowing authority of the NFIP, increase premiums on repetitive loss properties that have a significant negative impact on the NFIP, increase the number of properties in the NFIP, and increase coverage limits. These provisions would make the program more financially sound. In addition, NAR supports other important provisions including the study required to be performed by the Comptroller General, a reduction of the waiting period for policies to become effective, FEMA reporting on the financial status of the NFIP, an inventory of levees, and the flood mapping program.

The Michigan Association of Realtors® and the National Association of Realtors® encourage Congress to pass NFIP reform legislation that will ensure the long-term viability of this important program.

Thank you for providing the opportunity for the Michigan Association of Realtors® and the National Association of Realtors® to share our views on FEMA's floodplain map modernization initiative and the National Flood Insurance Program.

MICHIGAN ASSOCIATION OF REALTORS®

Seller's Disclosure Statement

Property Address: _____ MICHIGAN
Street — Municipality, Village or Township

Purpose of Statement: This statement is a disclosure of the condition of the property in compliance with the Seller Disclosure Act. This statement is a disclosure of the condition and information concerning the property, known by the Seller. Unless otherwise advised, the Seller does not possess any expertise in construction, architecture, engineering or any other specific area related to the construction or condition of the improvements on the property or the land. Also, unless otherwise advised, the Seller has not conducted any inspection of generally inaccessible areas such as the foundation or roof. **This statement is not a warranty of any kind by the Seller or by any Agent representing the Seller in this transaction, and is not a substitution for any inspections or warranties the Buyer may wish to obtain.**

Seller's Disclosure: The Seller discloses the following information with the knowledge that even though this is not a warranty, the Seller specifically makes the following representations based on the Seller's knowledge at the signing of this document. Upon receiving this statement from the Seller, the Seller's Agent is required to provide a copy to the Buyer or the Agent of the Buyer. The Seller authorizes its Agent(s) to provide a copy of this statement to any prospective Buyer in connection with any actual or anticipated sale of property. The following are representations made solely by the Seller and are not the representations of the Seller's Agent(s), if any. **THIS INFORMATION IS A DISCLOSURE ONLY AND IS NOT INTENDED TO BE A PART OF ANY CONTRACT BETWEEN BUYER AND SELLER.**

Instructions to the Seller: (1) Answer ALL questions. (2) Report known conditions affecting the property. (3) Attach additional pages with your signature if additional space is required. (4) Complete this form yourself. (5) If some items do not apply to your property, check NOT AVAILABLE. If you do not know the facts, check UNKNOWN. FAILURE TO PROVIDE A PURCHASER WITH A SIGNED DISCLOSURE STATEMENT WILL ENABLE A PURCHASER TO TERMINATE AN OTHERWISE BINDING PURCHASE AGREEMENT.

Appliances/Systems/Services: The items below are in working order. (The items listed below are included in the sale of the property only if the purchase agreement so provides.)

	Yes	No	Unknown	Not Available		Yes	No	Unknown	Not Available
Range/Oven	____	____	____	____	Lawn sprinkler system	____	____	____	____
Dishwasher	____	____	____	____	Water heater	____	____	____	____
Refrigerator	____	____	____	____	Plumbing system	____	____	____	____
Hood/Fan	____	____	____	____	Water softener/ conditioner	____	____	____	____
Disposal	____	____	____	____	Well & pump	____	____	____	____
TV antenna, TV rotor & controls	____	____	____	____	Septic tank & drain field	____	____	____	____
Electric system	____	____	____	____	Sump pump	____	____	____	____
Garage door opener & remote control	____	____	____	____	City water system	____	____	____	____
Alarm system	____	____	____	____	City sewer system	____	____	____	____
Intercom	____	____	____	____	Central air conditioning	____	____	____	____
Central vacuum	____	____	____	____	Central heating system	____	____	____	____
Attic fan	____	____	____	____	Wall furnace	____	____	____	____
Pool heater, wall liner & equipment	____	____	____	____	Humidifier	____	____	____	____
Microwave	____	____	____	____	Electronic air filter	____	____	____	____
Trash compactor	____	____	____	____	Solar heating system	____	____	____	____
Ceiling fan	____	____	____	____	Fireplace & chimney	____	____	____	____
Sauna/Hot tub	____	____	____	____	Wood burning system	____	____	____	____
Washer	____	____	____	____	Dryer	____	____	____	____

Explanations (attach additional sheets if necessary): _____

UNLESS OTHERWISE AGREED, ALL HOUSEHOLD APPLIANCES ARE SOLD IN WORKING ORDER EXCEPT AS NOTED, WITHOUT WARRANTY BEYOND DATE OF CLOSING.

Property conditions, improvements & additional information:

1. **Basement/Crawlspace:** Has there been evidence of water? yes____ no____
   if yes, please explain: _____
2. **Insulation:** Describe, if known: _____
   Urea Formaldehyde Foam Insulation (UFFI) is installed? unknown____ yes____ no____
3. **Roof:** Leaks? yes____ no____
   Approximate age if known: _____
4. **Well:** Type of well (Depth/diameter, age and repair history, if known): _____
   Has the water been tested? yes____ no____
   If yes, date of last report/results: _____
5. **Septic tanks/drain fields:** Condition, if known: _____
6. **Heating system:** Type/approximate age: _____
7. **Plumbing system:** Type: copper____ galvanized____ Other____
   Any known problems?: _____

Continued on the next page

BUYER'S INITIALS _____

SELLER'S INITIALS _____

WHITE - BROKER'S COPY **PINK - SELLER'S COPY**

Seller's Disclosure Statement

Property Address: _____ Street _____ Municipality, Village or Township _____ MICHIGAN

8. **Electrical system:** Any known problems? _____
9. **History of Infestation,** if any: (termites, carpenter ants, etc.) _____
10. **Environmental problems:** Are you aware of any substances, materials or products that may be an environmental hazard such as, but not limited to, asbestos, radon gas, formaldehyde, lead-based paint, fuel or chemical storage tanks and contaminated soil on property. unknown_____ yes_____ no_____
    If yes, please explain: _____
11. **Flood Insurance:** Do you have flood insurance on the property? unknown_____ yes_____ no_____
12. **Mineral Rights:** Do you own the mineral rights? unknown_____ yes_____ no_____

Other Items: Are you aware of any of the following:

1. Features of the property shared in common with the adjoining landowners, such as walls, fences, roads and driveways, or other features whose use or responsibility for maintenance may have an effect on the property? unknown_____ yes_____ no_____
2. Any encroachments, easements, zoning violations or nonconforming uses? unknown_____ yes_____ no_____
3. Any "common areas" (facilities like pools, tennis courts, walkways, or other areas co-owned with others), or a homeowner's association that has any authority over the property? unknown_____ yes_____ no_____
4. Structural modifications, alterations, or repairs made without necessary permits or licensed contractors? unknown_____ yes_____ no_____
5. Settling, flooding, drainage, structural, or grading problems? unknown_____ yes_____ no_____
6. Major damage to the property from fire, wind, floods, or landslides? unknown_____ yes_____ no_____
7. Any underground storage tanks? unknown_____ yes_____ no_____
8. Farm or farm operation in the vicinity, or proximity to a landfill, airport, shooting range, etc.? unknown_____ yes_____ no_____
9. Any outstanding utility assessments or fees, including any natural gas main extension surcharge? unknown_____ yes_____ no_____
10. Any outstanding municipal assessments or fees? unknown_____ yes_____ no_____
11. Any pending litigation that could affect the property or the Seller's right to convey the property? unknown_____ yes_____ no_____

If the answer to any of these questions is yes, please explain. Attach additional sheets, if necessary: _____

The Seller has lived in the residence on the property from _____ (date) to _____ (date).

The Seller has owned the property since _____ (date).

The Seller has indicated above the conditions of all the items based on information known to the Seller. If any changes occur in the structural/mechanical/appliance systems of this property from the date of this form to the date of closing, Seller will immediately disclose the changes to Buyer. In no event shall the parties hold the Broker liable for any representations not directly made by the Broker or the Broker's Agent.

Seller certifies that the information in this statement is true and correct to the best of Seller's knowledge as of the date of Seller's signature.

BUYER SHOULD OBTAIN PROFESSIONAL ADVICE AND INSPECTIONS OF THE PROPERTY TO MORE FULLY DETERMINE THE CONDITION OF THE PROPERTY. THESE INSPECTIONS SHOULD TAKE INDOOR AIR AND WATER QUALITY INTO ACCOUNT, AS WELL AS ANY EVIDENCE OF UNUSUALLY HIGH LEVELS OF POTENTIAL ALLERGENS INCLUDING, BUT NOT LIMITED TO, HOUSEHOLD MOLD, MILDEW AND BACTERIA.

BUYERS ARE ADVISED THAT CERTAIN INFORMATION COMPILED PURSUANT TO THE SEX OFFENDERS REGISTRATION ACT, 1994 PA 295, MCL 28.721 TO 28.732 IS AVAILABLE TO THE PUBLIC. BUYERS SEEKING SUCH INFORMATION SHOULD CONTACT THE APPROPRIATE LOCAL LAW ENFORCEMENT AGENCY OR SHERIFF'S DEPARTMENT DIRECTLY.

BUYER IS ADVISED THAT THE STATE EQUALIZED VALUE OF THE PROPERTY, PRINCIPAL RESIDENCE EXEMPTION INFORMATION AND OTHER REAL PROPERTY TAX INFORMATION IS AVAILABLE FROM THE APPROPRIATE LOCAL ASSESSOR'S OFFICE. **BUYER SHOULD NOT ASSUME THAT BUYER'S FUTURE TAX BILLS ON THE PROPERTY WILL BE THE SAME AS THE SELLER'S PRESENT TAX BILLS. UNDER MICHIGAN LAW, REAL PROPERTY TAX OBLIGATIONS CAN CHANGE SIGNIFICANTLY WHEN PROPERTY IS TRANSFERRED.**

_____ Seller _____ Date

_____ Seller _____ Date

Buyer has read and acknowledges receipt of this statement.

_____ Buyer _____ Date _____ Time

_____ Buyer _____ Date _____ Time

Disclaimer: This form is provided as a service of the Michigan Association of REALTORS®. Please review both the form and details of the particular transaction to ensure that each section is appropriate for the transaction. The Michigan Association of REALTORS® is not responsible for use or misuse of this form for misrepresentation or for warranties made in connection with the form.

WHITE - BROKER'S COPY **PINK - SELLER'S COPY**

AARMONT APPRAISAL GROUP

File No.
Case No.

Uniform Residential Appraisal Report

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address | City | State | Zip Code
Borrower | Owner of Public Record | County
Legal Description
Assessor's Parcel # | Tax Year | R.E. Taxes $
Neighborhood Name | Map Reference | Census Tract
Occupant [ ] Owner [ ] Tenant [ ] Vacant Special Assessments $ [ ] PUD HOA $ [ ] per year [ ] per month
Property Rights Appraised [ ] Fee Simple [ ] Leasehold [ ] Other (describe)
Assignment Type [ ] Purchase Transaction [ ] Refinance Transaction [ ] Other (describe)
Lender/Client | Address
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? [ ] Yes [ ] No
Report data source(s) used, offerings price(s), and date(s).

CONTRACT

I [ ] did [ ] did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.

Contract Price $ | Date of Contract | Is the property seller the owner of public record? [ ] Yes [ ] No Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? [ ] Yes [ ] No
If Yes, report the total dollar amount and describe the items to be paid.

NEIGHBORHOOD

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics				One-Unit Housing Trends				One-Unit Housing		Present Land Use %	
Location	[ ] Urban	[ ] Suburban	[ ] Rural	Property Values	[ ] Increasing	[ ] Stable	[ ] Declining	PRICE	AGE	One-Unit	%
Built-Up	[ ] Over 75%	[ ] 25-75%	[ ] Under 25%	Demand/Supply	[ ] Shortage	[ ] In Balance	[ ] Over Supply	$ (000)	(yrs)	2-4 Unit	%
Growth	[ ] Rapid	[ ] Stable	[ ] Slow	Marketing Time	[ ] Under 3 mths	[ ] 3-6 mths	[ ] Over 6 mths	Low		Multi-Family	%
Neighborhood Boundaries								High		Commercial	%
								Pred.		Other	%

Neighborhood Description

Market Conditions (including support for the above conclusions)

SITE

Dimensions | Area | Shape | View
Specific Zoning Classification | Zoning Description
Zoning Compliance [ ] Legal [ ] Legal Nonconforming (Grandfathered Use) [ ] No Zoning [ ] Illegal (describe)
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? [ ] Yes [ ] No If No, describe.

Utilities	Public	Other (describe)		Public	Other (describe)	Off-site Improvements--Type	Public	Private
Electricity	[ ]	[ ]	Water	[ ]	[ ]	Street	[ ]	[ ]
Gas	[ ]	[ ]	Sanitary Sewer	[ ]	[ ]	Alley	[ ]	[ ]

FEMA Special Flood Hazard Area [ ] Yes [ ] No FEMA Flood Zone | FEMA Map # | FEMA Map Date
Are the utilities and/or off-site improvements typical for the market area? [ ] Yes [ ] No If No, describe.
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? [ ] Yes [ ] No If Yes, describe.

IMPROVEMENTS

General Description	Foundation	Exterior Description materials/condition	Interior materials/condition
Units [ ] One [ ] One with Accessory Unit	[ ] Concrete Slab [ ] Crawl Space	Foundation Walls	Floors
# of Stories	[ ] Full Basement [ ] Partial Basement	Exterior Walls	Walls
Type [ ] Det. [ ] Att. [ ] S-Det./End Unit	Basement Area sq. ft.	Roof Surface	Trim/Finish
[ ] Existing [ ] Proposed [ ] Under Const.	Basement Finish %	Gutters & Downspouts	Bath Floor
Design (Style)	[ ] Outside Entry/Exit [ ] Sump Pump	Window Type	Bath Wainscot
Year Built	Evidence of [ ] Infestation	Storm Sash/Insulated	Car Storage [ ] None
Effective Age (Yrs)	[ ] Dampness [ ] Settlement	Screens	[ ] Driveway # of Cars
Attic [ ] None	Heating [ ] FWA [ ] HWBB [ ] Radiant	Amenities [ ] Woodstove(s) #	Driveway Surface
[ ] Drop Stair [ ] Stairs	[ ] Other Fuel	[ ] Fireplace(s) # [ ] Fence	[ ] Garage # of Cars
[ ] Floor [ ] Scuttle	Cooling [ ] Central Air Conditioning	[ ] Patio/Deck [ ] Porch	[ ] Carport # of Cars
[ ] Finished [ ] Heated	[ ] Individual [ ] Other	[ ] Pool [ ] Other	[ ] Att. [ ] Det. [ ] Built-in

Appliances [ ] Refrigerator [ ] Range/Oven [ ] Dishwasher [ ] Disposal [ ] Microwave [ ] Washer/Dryer [ ] Other (describe)
Finished area **above** grade contains: Rooms | Bedrooms | Bath(s) | Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.)

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? [ ] Yes [ ] No If Yes, describe

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? [ ] Yes [ ] No If No, describe

AARMONT APPRAISAL GROUP

File No.
Case No.

Uniform Residential Appraisal Report

SALES COMPARISON ANALYSIS

There are comparable properties currently offered for sale in the subject neighborhood ranging in price from $ to $

There are comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ to $

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address							
Proximity to Subject							
Sale Price	$		$		$		$
Sale Price/Gross Liv. Area	$ sq. ft.	$ sq. ft.		$ sq. ft.		$ sq. ft.	
Data Source(s)							
Verification Source(s)							
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sale or Financing							
Concessions							
Date of Sale/Time							
Location							
Leasehold/Fee Simple							
Site							
View							
Design (Style)							
Quality of Construction							
Actual Age							
Condition							
Above Grade Room Count	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths	
Gross Living Area	sq. ft.	sq. ft.		sq. ft.		sq. ft.	
Basement & Finished Rooms Below Grade							
Functional Utility							
Heating/Cooling							
Energy Efficient Items							
Garage/Carport							
Porch/Patio/Deck							
Net Adjustment (Total)		+ -	$	+ -	$	+ -	$
Adjusted Sale Price of Comparables		Net Adj: 0% Gross Adj : 0%	$	Net Adj: 0% Gross Adj: 0%	$	Net Adj: 0% Gross Adj: 0%	$

I did did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research did did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data source(s)

My research did did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data source(s)

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Date of Prior Sale/Transfer				
Price of Prior Sale/Transfer				
Data Source(s)				
Effective Date of Data Source(s)				

Analysis of prior sale or transfer history of the subject property and comparable sales

Summary of Sales Comparison Approach

Indicated Value by Sales Comparison Approach $

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ **Cost Approach (if developed) $** **Income Approach (if developed) $**

This appraisal is made "as is," subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $, as of , which is the date of inspection and the effective date of this appraisal.

AARMONT APPRAISAL GROUP

File No.
Case No.

Uniform Residential Appraisal Report

ADDITIONAL COMMENTS

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae.)

Provide adequate information for the lender/client to replicate your cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value)

ESTIMATED ☐ REPRODUCTION OR ☐ REPLACEMENT COST NEW	OPINION OF SITE VALUE	=$
Source of cost data	Dwelling Sq. Ft. @ $	=$
Quality rating from cost service Effective date of cost data	Sq. Ft. @ $	=$
Comments on Cost Approach (gross living area calculations, depreciation, etc.)		
	Garage/Carport Sq. Ft. @ $	=$
	Total Estimate of Cost-new	=$
	Less Physical / Functional / External	
	Depreciation	=$ ( )
	Depreciated Cost of Improvements	=$
	"As-is" Value of Site Improvements	=$
Estimated Remaining Economic Life (HUD and VA only) Years	Indicated Value By Cost Approach	=$

INCOME

INCOME APPROACH TO VALUE (not required by Fannie Mae.)

Estimated Monthly Market Rent $ X Gross Multiplier =$ Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM)

PUD INFORMATION

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowner's Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project

Total number of phases Total number of units Total number of units sold

Total number of units rented Total number of units for sale Data source(s)

Was the project created by the conversion of existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data source.

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowner's Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

Mrs. MILLER. Thank you. I appreciate all of your testimonies here today. Because of the airplane schedule, I'm going to ask Representative Turner to ask his question at this time.

Mr. TURNER. Again, I want to thank you for an excellent hearing, both the first panel and second panel and certainly the community participation you have. This is certainly a great hearing you have put together focusing on an issue that is truly important.

So many times when we talk about FEMA and their performance, we talk about the issue of emergency preparedness but this is one that goes to economics of so many communities.

The first panel, the Senator who was here testified as to the economic impact but, certainly, in this panel we have heard the additional economic impacts beyond just the premium, beyond just the fact that people will look to an area for investment that does not have the addition of this requirement.

The upgrade that might be required is certainly an additional economic burden that I think many times people don't consider.

One of the things I would like to focus on, and all of the briefings that we received, and I hear it in each of the statements that we're hearing today is that part of, I think, the response to this, and the concern is, that this shifts it to a mandatory program, whereas people in the 500-year area still have the option of participating.

I would like, if you would, to speak to each of you for a moment about the fact that individuals do have the option and the difference between the mandatory designation and the option availability to—if anyone would like to comment on that. Mr. Simon.

Mr. SIMON. I used to pay flood insurance until I finally had to upgrade my septic system, at which time I needed an elevation certificate. That elevation certificate took me out of the 100-year zone and put me above the current level. At that time I was no longer required to pay flood insurance. Until that time, because of my lender's desire not to lose my house, I had to pay this insurance and started to increase to the numbers that you see out here as stated as annual premiums.

Additionally, however, I now do not have it because I'm above. My son just moved down the street. As a requirement of his mortgage, he has to have flood insurance. If at any time the lender thinks that the purchaser has defaulted on that payment, he gets a nice letter from the bank indicating that they have initiated the purchase of flood insurance for him and unless he can demonstrate that he has flood insurance, they will take care of it.

My son received a statement for $3,200 and some dollars in flood insurance. And when he contacted his insurance agent, he obviously took care of it immediately and it was reduced to under $300. So there are some of the requirements that hurt us tremendously economically when you fall into that arena where you have to—and my son can hardly wait until he can do away with that. Thank you.

Mr. TURNER. You were talking about the upgrades, the difference between 500-year and 100-year. In 500-year you still had the option of having the insurance and at the same time not undertaking all of the upgrades, is that——

Mr. COLLISON. I don't really want to speak on requirements. As an appraiser and a real estate broker, I deal with both companies

that are covered by federally insured loans and private investors, and everybody has different guidelines.

What Fannie Mae guidelines, federally insured or Freddie Mac, they have the guidelines where it might be optional, where a private investor, you know, can do whatever they want. It's their money. And there are a number of people more and more today—I'm sure you hear on the radio all the time, advertisements for mortgage companies. We are the best mortgage company. We do did this. We do that.

A lot of those mortgage companies are not federally funded or backed. They are just private investors selling bonds on the market. They are companies that are using private money and they have their own guidelines and every company has different guidelines.

Mr. TURNER. Chairman Miller, I want to thank you for highlighting this important issue and for having me. It was great being here. You do have a beautiful area and I can see why you are so proud.

Mrs. MILLER. Thank you very much. Have a safe flight and we'll see you in session tomorrow in Washington, DC.

Let the Representative excuse himself, and I have a couple more questions for the witnesses before we conclude here.

Mr. Collison, I'm aware that the National Association of Relators has been quite critical of FEMA's management of the Flood Insurance Program. Do you have any thoughts about what they might do to make it more actuarially sound or to make it more fair, particularly for States like Michigan?

As been pointed out, it's not just Michigan. I think that's perhaps why your national association has made some comments about it. If you think the entire Great Lakes basin, Representative Turner represented Ohio but I have heard from others of my colleagues from New York and Illinois and Minnesota, etc., other States as well, do you have any comment on what the national association's position has been?

Mr. COLLISON. They have been supportive of the remapping because the old maps are quite frankly, you know, they are completely, totally out of date. But, again, they want to make sure that, you know, things are done in a fair and equitable manner.

One of the things—I mean, one of my personal concerns is that so much of the flooding that we might experience in the Great Lakes States is controlled.

I mean, as was stated in earlier testimony, it depends how much water is—if somebody wants to let more water out of Lane Superior, we flood down here. Or if they to want to tie it up farther down the line, we back up here. And where I think the intent of FEMA was, to me, as an individual, is to prevent—insure people against natural disasters. When you have massive flooding on the Mississippi River and it overflows and goes over the levees when it's below sea level or below river level. They artificially created land where it wasn't before.

And here in Michigan, what happens is a Federal agency or some government group decides, well, we are going to turn off the water here or there, that creates a flood situation as opposed to natural

occurrence. I think FEMA doesn't consider that. And I think it's definitely—that's their main problem that I have with them.

Mrs. MILLER. Mr. Wilson, can you talk specifically about what you might envision as city engineer here for the Township of Clay, or all the municipalities I suppose along here, if FEMA's proposal is actually finalized, what kind of things you might see happening here.

Mr. WILSON. Chairman Miller, as I alluded to in my comments, it is ultimately the responsibility of the municipalities to enforce the regulations that are passed down from FEMA and Corps of Engineers.

I have great sympathy for the building inspectors who will be forced now to visit people's properties. Somebody wants to put in, say, an addition to their house, and they did take care to build their property in accordance with the base elevation level that has been in place, Mr. Manos said, for over 27½ years now. Now we have to go and tell them their property is not complying, or you're going to have to raise your addition higher than the rest of your house or you aren't going to be able to do it. All of these regulations fall back on the municipality to enforce and that is a tremendous burden and real hidden cost. We have no control over how the base level elevation is set.

I appreciate the opportunity to testify to bring out the importance of this matter, decisions that are made at levels higher than the local level, how much of an impact that has upon us, we will be the ultimate enforcer of that, not the Corps or FEMA. It places a tremendous burden. Code enforcement and building code enforcement is not the most popular job in the world anyway. We don't need any help making ourselves unpopular from outside Federal agencies.

Mrs. MILLER. I appreciate that having, again, been involved at the township level for many years. That is absolutely true.

Mr. Simon, I understand you are on the homeowner association—I don't know if it's the larger but certainly one of the largest homeowner associations——

Mr. SIMON. We claim to.

Mrs. MILLER. I believe it to be so because you are under oath. We will hold you to that.

Have you—as we said, it just doesn't impact this immediate area, it's impacting waterfronts and municipalities and homeowner associations around the basin, all over the Nation. I'm just wondering if you have had any conversation with some of the other homeowner associations around the area, or wherever, about how it might impact them.

This is a very vocal group here but it's not just us, it's not just particularly inherent to us. It is impacting other people. Have you had conversations with other people, other associations?

Mr. SIMON. I have had conversations with individuals that have properties in other areas along the shoreline of the State but our real concern has been the item. We are a delta. We understand that we are surrounded by water but, unfortunately, we also sit in an area where probably high water that could reach flood stage level doesn't impact us until either we got an ice jam or a freighter

comes by and churns up the water in addition to that, and those then are impacts that FEMA does not really insure.

So, our concern is, just that we are, as was indicated by everyone here, we are only donating money.

I have attempted to find out and nobody apparently keeps records down to detail how much money has been paid out in ZIP 48028. And I can't find out. But there are individuals on the island who claim to have submitted a claim to FEMA and were denied any payments. So, I don't know anyone who—even in 1986 did, in fact, get any payment because the water level only came up to just below the floor joists.

Mrs. MILLER. Before we conclude here, sometimes I'm not sure which questions to be asking, and you all have your area of expertise. If there is any questions of myself or the panel has not asked, if you want to have any other input for the congressional record here as we take this testimony back to Washington, please feel free to comment openly if there is something that we need to be made aware of.

Mr. WILSON. Thank you, Madame Chairman. I did find your comments about the fact here in Michigan we do look down at the water very insightful. As you begin to analyze the actual levels of risk that are in effect here in Michigan as opposed to other areas of the country, our level is quite low. And I alluded to it in my testimony. There needs to be strong consideration by FEMA given to the nature and scope of flooding that will occur in areas that are protected by a levee.

If water elevations here—whatever the base level is, assume house level, that's eclipsed by 1 foot, you are going to have maybe 6 inches of water in someone's home.

If a 20-foot levee gets eclipsed by 1 foot, you will have 19 feet of water in somebody's home. There is a fundamental difference in flooding risk in areas that are protected.

I would like the committee to take—and FEMA to take further care to analyze risk accordingly. Thank you.

Mrs. MILLER. OK. Thank you.

Mr. SIMON. I would only add to that comment, this risk analysis and the risk model I do not believe has been updated with empirical data and I would like to ask the committee clearly to extend the time before FEMA makes that decision so that you can include the latest data, namely the numbers between 1988 and 2006 so that they become part of both the Corps' models and FEMA's models.

Unfortunately, I have seen too many models, and the examples abound where studies have been used by various agencies, and it's in my report to you, where 1 day, we are told smoking is bad for you. The next day we are told smoking is good for you. One day we are told the pills are good for you and the next day the pills are bad. I would request that you appoint someone realistically to look at and evaluate the studies both of the Corps and the of FEMA. Thank you.

Mrs. MILLER. Thank you. Mr. Collison.

Mr. COLLISON. I would like to see—my final comment is, I would like to see FEMA go more to the typical insurance model where the

people in the highest risk areas pay the highest premiums and people in the lower risk areas pay lower premiums.

Where we are getting back maybe 10 cents on the dollar, maybe 20 cents on the dollar, possibly just in general the premiums in this area could be reduced by 80 percent. Then where you have areas of repetitive loss, every 5 years they have to file a claim, obviously I believe they should be paying greater—it's just like with car insurance. If you are in an area where half the people in the city get their cars stolen, you will pay higher fees than if you are in an area where it never happens. I think the same model could be put to the FEMA program.

Mrs. MILLER. I certainly appreciate all of your testimony today. We know everybody has a busy schedule. Again, we appreciate the hospitality of Clay Township for hosting the subcommittee today. It really has been, I thought, very, very interesting testimony. I have been trying to follow this issue closely. I certainly have learned a lot today and I have a lot to think about. I know Representative Turner does as well, and we will discuss it with the full committee when we go back to Washington.

Let me thank my subcommittee staff who orchestrated this entire event, and then put it all together. Erik Glavich was a resident of Michigan until he moved out to Washington, DC. He had no trouble coming back for this hearing today. He was happy to come back to Michigan for today. I appreciate everybody's attendance very much, and with that the committee will be adjourned.

[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

Flood Statistics (January 1, 1978-February 28, 2006)
National Flood Insurance Program

State	Premiums Paid Through 2005 (in millions)	Claims Payments (in millions)	Difference (in millions)	Average Premium (2006)
Louisiana	$1,800	$14,309.1	**$12,509.1**	**$475**
Mississippi	$227	$2,554.6	**$2,327.6**	**$438**
Texas	$2,400	$2,775.0	**$375.0**	**$402**
Missouri	$148	$421.3	**$273.3**	$616
Kentucky	$124	$192.2	**$68.2**	**$539**
Maryland	$195	$225.7	**$30.7**	**$405**
Iowa	$51	$61.8	**$10.8**	$624
Florida	$9,400	$3,228.8	***-$6,171.2***	**$368**
Michigan	$148	$39	***-$109.3***	***$595***
St. Clair County	$10.47	$2.34	***-$8.1***	***$517***