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A LOOK AT THE NATIONAL FLOOD INSURANCE PROGRAM AND FLOOD MITIGATION EFFORTS: IS BUCKS COUNTY, PENNSYLVANIA, READY FOR ANOTHER FLOOD?

FIELD HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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A LOOK AT THE NATIONAL FLOOD INSURANCE PROGRAM AND FLOOD MITIGATION EFFORTS: IS BUCKS COUNTY, PENNSYLVANIA, READY FOR ANOTHER FLOOD?

Tuesday, August 15, 2006

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., at Yardley Community Center, 64 S. Main Street, Yardley, PA, Hon. Michael G. Oxley [chairman of the committee] presiding.

Members present: Representatives Oxley and Fitzpatrick.

The CHAIRMAN. The committee will come to order. Today the Committee on Financial Services is holding a hearing on the National Flood Insurance Program here in Yardley, Pennsylvania, in the 8th Congressional District of the Commonwealth of Pennsylvania, entitled, "A Look at the National Flood Insurance Program and Flood Mitigation Efforts: Is Bucks County, Pennsylvania, Ready for Another Flood?"

I want to thank our host, Congressman Mike Fitzpatrick, for inviting the committee here today. During the 108th and 109th Congresses, this committee spent consideration time and effort on legislation to reauthorize and reform the National Flood Insurance Program. On June 30, 2004, President Bush signed the Bunning-Bereuter-Blumenaur Flood Insurance Reform Act into law. The major goal of the Flood Insurance Reform Act at the last Congress was to reauthorize and reform the program with an eye toward maintaining the financial viability of the NFIP.

While some provisions were included to address administrative and procedural concerns regarding the NFIP, we did not focus on issues that were procedural in nature such as the filing of claims, the timeliness of response to the claims filing, policy holder education, and insurance agent sales and training. During deliberations on last year's reauthorization legislation concerns were raised regarding the administration of the program. In fact, several concerns were brought to the attention of FEMA.

First, it is alleged that policyholders often do not have a clear understanding of their coverage under the policy. Secondly, insurance agents often do not clearly articulate the terms and conditions of the policy at the time of sale and they do not know how to process claims correctly. Third, policyholders do not know or understand the appeal process. Fourth, many questions regarding the

adequacy of payments and the adjustment system were raised. Finally, a lack of coordination between private insurers, the NFIP, and FEMA, and inadequate training have been cited as possible sources for some of the administrative problems plaguing the NFIP.

Since the enactment of the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act, Members of Congress have continued to hear from their constituents who are frustrated with the flood insurance program. During this Congress, the House overwhelmingly approve H.R. 4973, the Flood Insurance Reform and Modernization Act of 2006, also know as the FIRM Act, on June 7, 2006, with a 416–4 vote. In an effort to make the NFIP more actuarially sound, the FIRM Act phases out the subsidized rates currently enjoyed by the owners of hundreds of thousands of vacation homes and second homes.

In addition, the bill introduces new lines of coverage at actuarial prices and increases the program's coverage limits to reflect inflation. These are common sense reforms that will again be actuarially priced. The FIRM Act requires FEMA to administer the program more responsibly. Flood maps will be improved and updated and FEMA will have to certify to Congress that they have done so. The NFIP's borrowing authority will be temporarily increased to ensure that all outstanding claims will be paid.

The FIRM Act increases the amount that FEMA can raise policy rates in any given year from 10 percent to 15 percent, and for those lending institutions that drop the ball in enforcing mandatory flood insurance purchase requirements, fines will be tripled from where they are now. It is important to note that this program was created in 1968 because there wasn't an affordable private sector insurance alternative that would cover flooding events, particularly for residential homes and small businesses. Hence, the Federal Government stepped in where the market was clearly not working.

Some 30 years later, as the consumer market becomes more sophisticated, its expectations regarding the insurance industry, and particularly the NFIP, appeared to have outpaced the original intent and purposes of the program. In late June of 2006, east coast communities from Virginia to Vermont experienced heavy storms and flooding leading to damaged homes, loss of property, and physical injury. In Pennsylvania alone, nearly 150,000 people were displaced by those storms.

Particularly, the flooding left Bucks County with 308 severely damaged single family homes. About 4,000 residents living along the Delaware River were ordered to evacuate. This flood was the third time since 2004 that homes and businesses in Bucks County have been damaged by flood waters. On June 30, 2006, 28 counties in Pennsylvania, including Bucks County, were declared disaster areas by the President, thus qualifying the region for Federal aid.

On July 17, 2006, Congressman Fitzpatrick held an ad hoc field hearing in New Hope, Pennsylvania, a community located here in Bucks County to review the recent flooding of the Delaware River and what can be done to prevent future damages. This hearing today will give us an opportunity to hear from both practitioners and policyholders on how well the program is working and to what extent this Congress should address any further reforms to ensure

that the National Flood Insurance Program is meeting the original Congressional intent of protecting and assisting families and businesses in the event of a flood. Thank you to Mike Fitzpatrick for your leadership on this important issue, and I look forward to today's testimony. I yield the floor to the gentleman from Bucks County.

Mr. FITZPATRICK. Thank you, Chairman Oxley, for making the trip to Yardley Borough, Bucks County, Pennsylvania, and for your interest and advocacy in reform of the National Flood Insurance Program. Also, thank you for convening this important hearing to discuss the damage and potentially mitigate future damage from, as you just described, 3 successive floods in just 2 short years, and it is really hard to overestimate the devastation that has occurred to residential property owners and business owners, not just here in Yardley, but throughout the Bucks County area, and specifically the Delaware River watershed.

Before I make my remarks, I do have a video clip. It takes about 7 minutes. It is an indication of—actually the videos were made here in Yardley Borough, but it is an indication of the devastation that the flooding caused in the communities of the 8th Congressional District up and down the Delaware River. Please refer to the screen in front here.

[Video]

Mr. FITZPATRICK. Thank you, Bill. For the record, just identify your name and your title.

Mr. WINSLADE. Cyril William Winslade, borough manager as well as risk management coordinator.

Mr. FITZPATRICK. Thank you, Bill, and thank you also to Karl Gober for providing that footage to us here today. Mr. Chairman, I know that you have been referred to in the headline of the local Bucks County Carrier Times this morning. The underground infrastructure referred to as a house of cards, almost, which is crying out for—that is a result of the damage resulting from the flood, successive floods, but specifically the flood of June 27–28 of this year, crying out for coordinated Federal, State, and local response, which is what we are going to provide.

I would like to thank the chairman of the House Financial Services Committee for traveling to Bucks County for this vital hearing. I would also like to thank our distinguished witnesses for taking time from their busy schedules to testify to their experiences with the National Flood Insurance Program and flood mitigation efforts throughout Bucks County, Pennsylvania. This morning I look forward to an instructive discussion on the current state of the National Flood Insurance Program and how the program responded to the recent flooding in Pennsylvania's 8th Congressional District.

In addition, this hearing will focus on how State and local governments operate under the NFIP, as well as the steps currently being taken by the Federal Emergency Management Agency, local officials, and the insurance industry to resolve problems dealing with inconsistencies and delays which are inherent in the program. I trust that after this hearing everyone will understand what NFIP is doing now, and can do better in the future, to resolve these problems. As you all know, the 8th Congressional District is exception-

ally susceptible to Delaware River flooding; Bucks County has faced a devastating flood in each of the last 3 years.

Floods have displaced hundreds of families and businesses, destroyed countless homes, degraded our environment, and damaged the local economy. When flooding struck Bucks County in April 2005, it was the second event of its kind in only 7 months. Many residents and businesses had just completed repairing the damage from the last flood when the Delaware River spilled over its banks once again. April's floods forced the evacuation of more than 6,000 people. More than 500 homes sustained major damage, another 500 minor damage, and 100 businesses felt the effects of the worst flooding in the region in a half a century. National flood insurance claims paid in Bucks County amounted to over $18 million for the 2004 flood and over $23 million for the 2005 flood.

In the days leading up to our most recent flood on June 28th, intense heavy rainfall in the Delaware River basin caused near record flood crests along many streams and rivers throughout the river basin. In New Hope the Delaware River crested at approximately 19.5 feet, just below the 2005 level of 19.6 feet. The flood levels again led to the evacuation of many local residents and uncalculated costs to repair the affected areas. It is estimated that there is major damage to 250 Bucks County homes and nearly 50 businesses this time.

As I previously discussed, flooding has hit Bucks County and surrounding communities with startling regularity. With such frequent flooding in our region over a relatively short period of time, it is not surprising that serious concerns have been raised regarding the cause of these events. I have made it a top priority of my Congressional agenda to shed light on the causes of flooding along the Delaware and to find ways to mitigate damage from future events.

I have discussed the issue with various Federal, State, and local officials who say a combination of factors contribute to flooding events including extreme rainfall, the release of water from upstream reservoirs, pollution, and increased development within the flood plain. One cause, in particular, has not been addressed and must be a focus of our efforts to deal with the threat of future flooding—a new flood mitigation study of the Delaware River.

Even though flooding is a regular event along the Delaware, the last flood mitigation study is more than 30 years old. Directly after the April 2005 flood, I introduced my first piece of legislation in Congress specifically designed to fix this oversight. I introduced H.R. 1983, legislation calling for a new flood study of the Delaware River. This legislation quickly gained bipartisan support, and was included in the Water Resources Development Act, which passed the House last year.

Recently the Senate passed their version of the legislation. The House and Senate conference negotiation is the next step to a final version of WRDA. After the June floods, I was encouraged when Senator Specter pledged his support for this legislation and committed himself to seeing that it would be passed in this conference. The Delaware River basin is located within four States; Pennsylvania, New Jersey, New York, and Delaware. Because of this, it is imperative that the four States work together to improve conditions

in the Delaware River basin. Water use upstream impacts downstream areas and similarly actions on one side of the river affect the other side.

I strongly believe that we must work together and plan together to mitigate flood damage, which is the reason why I formed the Congressional Delaware River Task Force. The task force has established a network of Congressional offices to improve communication and coordinate efforts to support initiatives that benefit the environmental and economic vitality of the Delaware River interstate watershed and its communities. This task force continues to meet and invites comment from interested conservation groups.

I have also worked to restore funding to the NRCS watershed protection and flood prevention programs which the President zeroed out in his Fiscal Year 2006 budget request. I fought to return the program to its Fiscal Year 2005 level. Through negotiations with Congressional appropriators, we were successful in securing $75 million for watershed operations, $7 million for watershed planning, and $31.5 million for rehabilitation of aging watershed dams; $3 million of that total was secured specifically for flood mitigation programs along the Neshaminy Creek, including buyouts in razing and elevation of homes.

In addition to my flood study legislation, I introduced the National Flood Insurance Program Further Enhanced Borrowing Act, which was signed into law by the President on November 21, 2005. This legislation increased the amount of money FEMA is permitted to borrow from the Treasury to pay flood insurance claims from $3.5 billion to $18.5 billion. Although the program has been financially self supporting for the average historic loss year since 1986 last year's fate of massive hurricanes overwhelmed this, and if this had not been passed possible claims by Bucks County residents would not have been met.

These are some of the initiatives I have undertaken to deal with flooding right here in our area. However, this work cannot be successful without the combined efforts of local, State, county, and Federal Government representatives. I look forward to hearing from today's witnesses their thoughts on the state of the National Flood Insurance Program, the government's response to recent floods, and their expectations for the future. Before we begin, I would like to ask unanimous consent, Mr. Chairman, for submission to the record of testimony of my constituent, Jeanne Doyle, whom I met with this past week. Jean resides in Upper Black Getty, currently lives in Regalsville, and she has been out of her home since 2004. She is having serious problems in negotiating with the underwriter of her flood insurance policy, and would ask that her remarks be submitted into the record.

The CHAIRMAN. Without objection.

Mr. FITZPATRICK. And additional remarks from constituent Sam Smith, whom I met in, I guess, the midpart of the 1990's, but as a result of a hurricane that occurred here, Hurricane Floyd in 1999, we worked closely with Sam Smith and some of his residents along the Neshaminy Creek. Sam's home has been elevated. He and his family have avoided habitual and additional flooding damages, I suspect, saving the National Flood Insurance Program quite

a bit of financial resources, and would ask unanimous consent that his testimony be submitted as well.

The CHAIRMAN. Without objection.

Mr. FITZPATRICK. Thank you, Mr. Chairman. Mr. Chairman, thank you again for your continued leadership, and I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman from Pennsylvania and once again thank him for his leadership on this issue. I am sure the local folks thank him, as well. It is relatively rare, very rare, that we have a new member who has been able to accomplish as much in a short period of time. We thank you for that. Let me now turn to our first panel and introduce them. Mr. David I. Maurstad, Director and Federal Insurance Administrator, Mitigation Division of the Federal Emergency Management Agency, Department of Homeland Security. Welcome, Mr. Maurstad. The Honorable James F. Cawley, chairman, Office of County Commissioners, Bucks County, Pennsylvania. Welcome. The Honorable Daniel Mohn, member, Yardley Borough Council, Bucks County. Welcome. And the Honorable Laurence D. Keller, Mayor, New Hope Borough, Bucks County, Pennsylvania. Mayor, good to have you with us. We thank you all for your participation, and, Mr. Maurstad, we will begin with you.

STATEMENT OF DAVID I. MAURSTAD, ACTING MITIGATION DIVISION DIRECTOR AND FEDERAL INSURANCE ADMINISTRATOR, EMERGENCY PREPAREDNESS AND RESPONSE DIRECTORATE, DEPARTMENT OF HOMELAND SECURITY

Mr. MAURSTAD. Good morning, Chairman Oxley, and Mr. Fitzpatrick. It is good to join you this morning. I am David Maurstad, Mitigation Division Director and Federal Insurance Administrator for the Federal Emergency Management Agency. After three Bucks County flood events in the last 21 months, I am pleased to say that the Mitigation Division, particularly FEMA's Region III office in Philadelphia has worked well with Pennsylvania to carry out an integrated mitigation strategy of analyzing risk, reducing risk, and insuring risk.

In the risk analysis arena, we work with State and local officials to collect, study, and distribute pre- and post-event data, to carry out technical activities, and to develop policy and guidance as needed. For instance, FEMA Region III is working with Pennsylvania, the Delaware River Basin Commission, and others to reevaluate the flood risk along the Delaware and Susquehanna Rivers and to correct any inaccurate flood insurance data and flood hazard data. Results will be combined with other information to help areas rebuild stronger and plan wisely primary parts of mitigation's second element, risk reduction.

Risk reduction helps States and communities prepare for the future with pre-disaster mitigation planning and mitigation projects. State and local governments must develop hazard mitigation plans as a condition for receiving hazard mitigation grant program funds. There are two levels of hazard mitigation plans, standard and enhanced. Standard plans entitle States to HMGP funding that is 7.5 percent of disaster assistance. All 50 States have approved standard plans. Enhanced plans require a higher commitment to mitiga-

tion and States with such plans, and there are seven now, are entitled to HMGP funding of up to 20 percent of disaster assistance.

FEMA Region III has been working closely with Pennsylvania's mitigation staff as they put the finishing touches on their enhanced plan, and barring any unforeseen issues, we expect it will be approved soon. State mitigation plans are the gateway to HMGP, which provides 75 percent of the funding for activities such as acquiring flood-prone homes from willing owners, elevating flood-prone homes or businesses, and retrofitting buildings to minimize damage from flooding and other hazards. HMGP projects must be cost-effective, with the benefit cost ratio greater than one.

This leads to the essential third priority of our mitigation strategy, insuring against flood risk. The National Flood Insurance Program is simple and effective. Communities join the program and adopt building codes and land-use planning policies to mitigate future flood dangers. Residents can then purchase the flood insurance, which standard homeowner coverage usually does not provide, and the NFIP provides insurance coverage to policyholders after they suffer a loss. Now, thanks to the 2004 Flood Insurance Reform Act, the NFIP is even stronger. Two Reform Act informational documents, the Flood Insurance Claims Handbook, and the NFIP Summary of Coverage can help thousands of NFIP policyholders clearly understand their flood insurance coverage.

These materials were distributed throughout affected Pennsylvania counties after the June floods, and we are mailing these documents to new and renewing policyholders across the country, as required. FEMA has also developed the training and education requirements called for by the Act. Pennsylvania's Department of Insurance proactively informed their insurance partners of the requirements months before they appeared in the Federal Register, and I am pleased that the State is processing continuing education credits for agents who complete relevant insurance workshops.

We have also instituted an interim final flood insurance claims appeals rule, formalizing how policyholders may appeal the decisions of adjusters, agents, insurance companies, and FEMA regarding claim settlements. Finally, I would like to thank you, Mr. Chairman, and the committee for the repetitive loss mitigation tools the Reform Act provides. The Flood Mitigation Assistance Program's funding is up to $28 million a year. The $10 million repetitive flood claims program is in the awards process, and the severe repetitive loss pilot program is almost underway. We stay committed to aggressively implementing these programs as we continue to address the repetitive loss issue and work to eliminate the flood-rebuild-flood cycle that Bucks County residents unfortunately have become so familiar with.

As Pennsylvanians know, common events like spring rains and no-name tropical waves can cause flooding just about anywhere, yet year-in and year-out, we see flood victims in highly vulnerable areas without flood insurance. In the northeast, only 28 percent of the homes located in the high flood risk areas are covered by the NFIP flood insurance. In Pennsylvania, roughly 25 percent of homes in the high risk areas are covered. In Bucks County, it is a little higher, 30 percent.

Mr. Chairman, I have attached to my written statement some NFIP statistics for Pennsylvania, Bucks County, and Yardley, and I would ask that this material be included in the hearing record. We must also do better to see that every homeowner, renter, and business located in the Nation's high risk areas are insured against flood because no matter how well we plan and mitigate, floods happen, so it only make sense to protect the public and private investments with the financial safety net of flood insurance. After three flood events in less than 2 years, Pennsylvanians know that flood hazards can't be completely eliminated.

However, through coordinated mitigation strategies the impacts of flooding can be dramatically reduced. FEMA, the Mitigation Division, and the NFIP will continue strengthening our partnership with Pennsylvania, so that future flooding events can be managed through sound mitigation planning, not disaster declarations. Mr. Chairman, I will be happy to answer any questions the committee might have. I appreciate the opportunity to listen to the comments that will be made today. As a former mayor, State senator, lieutenant governor, and insurance agent, I have some experience in all of these areas and I look forward to hearing what the experiences are here in Yardley and Pennsylvania.

[The prepared statement of Mr. Maurstad can be found on page 66 of the appendix.]

The CHAIRMAN. Thank you. Mr. Cawley.

STATEMENT OF HON. JAMES F. CAWLEY, CHAIRMAN, COUNTY OF BUCKS, OFFICE OF COMMISSIONERS

Mr. CAWLEY. Thank you, Mr. Chairman. Good morning. I want to thank you, the committee, and of course our Congressman, Mike Fitzpatrick, for allowing us to share with you some thoughts on the National Flood Insurance Program. I am especially pleased to see two of our municipal partners as part of the hearing today. I think that they will bring a unique perspective both to the National Flood Insurance Program and to flooding and its aftermath here in Bucks County.

The National Flood Insurance Program response in Bucks County has been integrated into a flood plain that is constantly being redefined. Maps need to be perpetually updated due to changes in geography, construction and mitigation activities, and meteorological events. During the Bucks County floods of September 2004, April 2005, and June 2006, FEMA has worked well with local and State emergency management officials. FEMA came into the area for disaster assessment along with the Pennsylvania Emergency Management Agency within days of the events.

Our emergency management director, John Dougherty, who is here with us today, supervised the respective site inspections. The FEMA and PEMA officials agreed with our assessment, and we got the disaster declarations that we desperately needed quickly. They also worked well with Bucks County on getting a Disaster Recovery Center up and running quickly following each flood event. I want to specifically, again, thank Congressman Fitzpatrick for his hard work in establishing the most recent Disaster Recovery Center following the June event.

During the recovery process from the June 2006 flood, 153 DRC visitors were able to perform one-stop shopping services for processing low-interest loan applications through the Small Business Administration, receiving assistance with Disaster Unemployment Assistance, Federal, and State disaster tax assistance, and finding cost-effective measures for reducing the impact of future flooding and disaster losses. The DRC also offered flood plain rebuilding advice, as well as American Red Cross referrals.

County departments included at the DRC included the Health Department, which offered well testing kits, tetanus shots, and mental health counseling; the Area Agency on Aging for specifically senior concerns; and, of course, our emergency management agency. During the September 2004 storm, we had a problem with some of the dollar amounts FEMA was using for temporary housing and repairs because they were using figures from Philadelphia that were much less than those here in Bucks County.

Once we got PEMA and brought it to FEMA's attention, they made the needed changes and we were able to identify much needed help. One of the biggest NFIP problems, if I may, is that we see an outdated nature to a lot of flood maps as the previous speaker, I think, indicated in his remarks. We also see a significant need for more public service announcements noting the 30-day waiting period. We need as many resources as possible to help our citizens buy early, and if I may, being that Pennsylvania, I am told, is the most—one of or the most flood-prone States in the Nation, perhaps a special effort toward public service announcements here in the Commonwealth would be extremely beneficial to the residents of the Commonwealth, and certainly to the residents of Bucks County.

In Bucks County, we have had enormous success, as Congressman Fitzpatrick mentioned, with the Neshaminy Creek Elevation Program that was implemented by the National Resources Conservation Service. During each of the three floods, houses that were elevated through this program were spared from structural damage to their living space and utility infrastructure. Elevated residents simply swept out water from the concrete shell basement.

Along the Neshaminy Creek watershed, Bucks County's Community Alert Network, CAN, uses five water-level gauges to notify residents of rising creek levels. The CAN system provides a model for implementation within the Delaware River communities, as well. Already, it has created a phone bank that is triangulated with zip codes of communities within the Delaware River flood plain. The next phase for CAN implementation involves coordination with a Geographic Information System (GIS), which will make the old zip code system obsolete.

As a first step in understanding the frequent flooding dynamic, we urge the Congress to pass legislation that was introduced by Congressman Mike Fitzpatrick authorizing the Army Corps of Engineers to conduct a study of the Delaware River Basin. Such a study would provide an invaluable data base line. Additionally, it would help government officials at all levels to coordinate flood mitigation. Again, Mr. Chairman, thank you for allowing me to enter those remarks.

[The prepared statement of Mr. Cawley can be found on page 38 of the appendix.]

The CHAIRMAN. Thank you. The next witness is Honorable Daniel Mohn, a member of the Yardley Borough Council. Mr. Mohn, thank you.

STATEMENT OF HON. DANIEL MOHN, COUNCIL MEMBER, YARDLEY BOROUGH

Mr. MOHN. Chairman Oxley, Representative Fitzpatrick, thank you for inviting me to testify today. My name is Daniel Mohn, and I am a member of Yardley Borough Council. Since 2004, I have worked with residents, State and Federal Government, and various public agencies to explore mitigation options for borough residents. This committee has asked several important questions. I believe the most important question that is raised is, what steps are being taken to mitigate future flood damage by FEMA, the Commonwealth of Pennsylvania, and specifically Bucks County?

The unfortunate answer to this question is that since late 2004 when the first of three floods that have affected up to one-third of our community occurred not one dollar has been saved due to FEMA hazard mitigation programs in our municipality. This represents not only a loss for residents of our community, but a loss for all taxpayers who fund NFIP claims. But it is not for lack of effort. Substantial effort from local community, State, and Federal officials have resulted in very little progress.

It is also not for lack of potential savings. The top NFIP claim payments for the 2005 flood only in the Borough of Yardley totaled $4.2 million. These NFIP payments ranged from $42,000 to $169,000. Had a grant been offered of 2 times the NFIP payments made to residents from the previous flood with a maximum of $80,000, an investment of $4 million would have a payback of one flood event. The most comprehensive change that can be made to minimize the impact is a return to funding of structural elevation projects. Currently, FEMA's mitigation program prioritizes acquisition projects over all other types. This one-size-fits-all approach does not suit communities like ours and leaves communities like ours with no viable mitigation options.

Acquisition projects can never be a long-term solution for Yardley and other similar municipalities. We are a river community. Plainly put, a vast majority of residents do not want to leave. Thirty percent of the borough's tax base would be lost with acquisition projects. Removing 30 percent of the tax base would have a devastating effect on the financial wellbeing of our community. Even when Yardley residents have expressed interest in acquisition programs, their homes do not meet the benefit cost analysis that FEMA requires. That is because this formula does not accurately account for the high cost of real estate in the northeast and Philadelphia regions.

Elevations are less expensive than acquisitions. The main cost of flood damage in the borough is first floor damage. Elevating a home is, on average, one-third of the cost of acquiring and demolishing the home, yet provides a comparable savings by placing the first floor above the flood plain. Not only are elevations less expensive than acquisitions, they would save FEMA and NFIP a sub-

stantial amount of money. Anyone who has lived through a flood event can tell you there is much more impact than the financial factor; the loss of one's home, irreplaceable family heirlooms, peace of mind, and life as it was known, is devastating.

FEMA does offer some assistance with elevation through the increased cost of compliance grants available directly to homeowners from the NFIP. These monies are available to homes that have been substantially damaged, meaning the cost to repair the home was 50 percent more than the total cost of the structure. The ICC grants provide up to $30,000 to assist in home elevations. Though the ICC can be a valuable resource, only a small percentage of affected residents have the financial means to elevate their homes on their own. This $30,000 is but a small percentage of the entire cost of a home elevation and is not adequate to enable most residents to take on elevation of their homes.

I am here today to make one point. Home elevations are the best, most feasible, and most cost-effective solution for Yardley Borough and its residents, as well as many other communities in the county. I hope we can count on your support as we pursue funding and policy options to assist residents. Specifically, we urge you to set aside 25 percent of hazard mitigation program funds for elevation projects, increase the amount that the NFIP pays for increased cost of compliance grants from the current $30,000 to 2 times the NFIP flood payment for the most recent flood event, reevaluate the benefit cost analysis to adjust the means guide funding factor to better reflect the large difference in home prices in different areas of the State.

Thank you again for this opportunity to testify, and when appropriate I am happy to answer any questions you may have.

[The prepared statement of Mr. Mohn can be found on page 73 of the appendix.]

The CHAIRMAN. Thank you, Mr. Mohn. Mayor Keller.

STATEMENT OF HON. LAURENCE D. KELLER, MAYOR, NEW HOPE BOROUGH

Mr. KELLER. I wish to thank Chairman Oxley and Representative Fitzpatrick for inviting me to testify today. The title of this hearing, "A Look at the National Flood Insurance Program and Flood Mitigation Efforts: Is Bucks County, Pennsylvania, Ready for Another Flood?", is a topic of vital interest in the New Hope community that I represent. The short answer to this committee's question is no.

My name is Laurence Keller, and I am the Mayor of New Hope Borough. New Hope, which encompasses an area or about 1.2 square miles is located in Bucks County, Pennsylvania, approximately 40 miles north of Philadelphia, and across the river from the City of Lambertville, New Jersey. The Delaware River and the canal are the dominant physical features defining the town's eastern border and providing unique scenic, historic, cultural, and recreational amenities for our residents and the many visitors who arrive each year.

Pursuant to the Borough Code of the Commonwealth of Pennsylvania, I am responsible for protecting and preserving public safety and for participating with the Council in the declarations of local

disaster emergencies. Gentlemen, I have signed three disaster emergency proclamations since September 2004, and all resulted from severe flood conditions along the Delaware River.

According to data supplied by the National Weather Service, three of the most severe floods in the history of the Delaware River in New Hope occurred in the period of September 2004 through June 2006, a period of less than 3 years. In terms of the historical crests of the Delaware River dating back to 1841, the three recent floods ranked third, fourth, and eighth. Without a doubt, the frequency and severity of floods along the Delaware River are increasing, as are the corresponding damage to property and the threat to human life.

The committee has expressed an interest in evaluating the response of the Federal Emergency Management Agency and the National Flood Insurance Program to the recent floods in New Hope.

First, FEMA has not played a role in providing or supplementing emergency response efforts either in preparation for or during a flood event. Local emergency services personnel, consisting mostly of dedicated volunteers demonstrated both competence and professionalism in managing these key aspects of the local emergency operation plan.

Second, with respect to FEMA's role in the recovery process, I received very few complaints from property owners, tenants, and the business community. It appears that FEMA has performed its job admirably with respect to providing financial assistance to those in need.

Third, and most important for New Hope, FEMA is tasked with the responsibility to administer Federal grant programs related to the mitigation of hazards in our communities. The programs include the Hazard Mitigation Grants and Flood Mitigation Assistance Grants. These funds may be used by local communities for hazard mitigation retrofitting projects, including elevating structures, acquiring badly damaged flood-prone properties, and certain structural improvements such as levees and dams.

Gentlemen, this is where we need your help. The Hazard Mitigation Grant Program is limited to an expenditure of only 7.5 percent of the funds expended on public and individual assistance as the result of a declared emergency. Until recently, the amount set aside by the Federal Government totaled 15 percent. The Federal contribution is matched by 25 percent in State and/or local funds. Unfortunately, the dollar amount of grant funds available under this program is sorely inadequate and fails to provide significant relief to flood damaged communities. In addition, the paltry funds that are available are restricted by Federal and State program preferences to acquisition of flood damaged properties. No significant funds are available for elevation, which is the preference of the great majority of New Hope property owners who live in flood damaged areas.

My comments on the Flood Mitigation Assistance Grant Program will be limited, just as the funding for this program is limited. The second part of the committee's inquiry deals with the effectiveness of the National Flood Insurance Program. I can offer little useful information on this program. However, I can inform you that the Borough of New Hope participates in this program and that the

borough's flood plain management ordinance complies with all program requirements of the NFIP and the Commonwealth.

In terms of identifying issues with the NFIP, there is an apparent discrepancy between the model FEMA flood plain management ordinance that serves as a guide to municipalities throughout the Nation and NFIP regulations. The model FEMA ordinance defines substantial damage as damage amounting to 50 percent or more of the market value of a structure as the result of a flood. On the other hand, NFIP regulations allow a determination of substantial damage to result from one or more floods over an extended period of time.

The significance of this apparent discrepancy is that a property owner, who sustains substantial damage, may qualify for an increased cost of compliance benefit, which is currently set at $30,000, to retrofit, including elevation, a structure to protect against future flood damage. The model FEMA ordinance should be amended to be consistent with this NFIP standard.

Another problem with the NFIP is the standard used to assess substantial damage. The regulation states that the structure must receive damage amounting to 50 percent or more of its market value. First of all, it is difficult to determine the market value of a structure divorced from the value of the underlying land, especially in New Hope. Second, in an inflated real estate market, it is often difficult to reach this 50 percent threshold. Consideration should be given to changing this standard to one based on construction cost rather than market value.

The committee's last question asked what is being accomplished by Federal, State, and county governments to mitigate future flood damage. Based on my testimony to this point, the answer to the question is little or nothing. However, I would like to clarify this dour assessment by stating that there is very little that the Commonwealth and Bucks County governments can accomplish, given the regional scope of this problem. Flooding along the Delaware River affects four States, consequently, the problem is one that requires Federal leadership and resources to solve.

For what they are worth, here are my recommendations to the committee. One, the national government must adopt an active leadership position in assessing and mitigating flood conditions along the Delaware. Two, the Federal Government, in cooperation with the four States that comprise the Delaware River basin area, should commission a comprehensive study of the Delaware River, for example, the Mid-Delaware River Basin Study, to determine the causes of flooding and develop options to reduce or eliminate flood conditions. Three, FEMA should give high priority to updating flood plain maps along the Delaware. These maps are based on pre-1985 studies, are hopelessly outdated, and may be contributing to the flood condition.

Four, the Federal Government should significantly increase the funds available to States and municipalities for flood mitigation projects, especially elevation projects. Property owners in New Hope do not want buy-outs. We desire to elevate our homes and businesses to get out of harm's way. Five, all parties should work closely with, and provide needed funding for, the Delaware River Basin Commission to carefully assess the use of water supply res-

ervoir capacity for flood storage. The coordination of reservoir operations may contribute significantly in the short-term towards reducing the severity and frequency of flood events along the Delaware River. The DRBC is a multi-State and Federal agency and offers an existing framework for flood mitigation efforts. I appreciate the opportunity to testify today and will be happy to answer any questions. Thank you.

[The prepared statement of Mayor Keller can be found on page 59 of the appendix.]

The CHAIRMAN. Thank you, Mayor, and thank you to all of our witnesses. I think it was concise testimony and excellent recommendations from all parties. Let me begin, obviously the hit of the day was Mr. Mohn's testimony according to the audience reaction, and I would be interested in the other panel's take on this. That is the, I guess, age old issue between elevation mitigation versus acquisition and buy-out. In a general sense, we already know your position, I think, Mr. Mayor; you made it pretty clear as well.

Mr. Cawley and Mr. Maurstad, I wish you would both comment on both of their testimony and what your reaction is to that.

Mr. CAWLEY. Mr. Chairman, if I may, I can tell you that it is a comment that I have heard many, many times since June and before that, April. And one of the things I mentioned earlier, kind of parenthetically, that we are all one family. One of the things that I think the results of September 2004, or April 2005, or June 2006, have cemented in a lot of Bucks Countians' minds is that from Regalsville down to Morrisville we are one riverfront community, and as much as we share that commonality, one of the things too that has become very clear is that there is not a one size fits all approach that is going to serve each one of the communities.

Mitigation projects that may work in Regalsville would not be successful in Morrisville. Things that would work in New Hope may not be successful in Tinicum or somewhere else along the waterfront. I think, though, one thing is becoming clear, one thing is emerging even as I say that, and that is that there needs to be a very serious look at the reprioritization and a move toward elevation specifically along this watershed. As I mentioned in my comments earlier about the Neshaminy Creek watershed, that was a multi-dimensional, if you will, approach with an eye toward the current structure of buy-outs first, elevations later. But I think in this case due to the distinct nature of the communities along the Delaware River that perhaps a reevaluation and a look at, as both the Mayor and the Councilman said, people don't want to move. They want to stay where they are, but they want to be taken out of harm's way, and if it is cost effective to do so, so we ought to be doing it.

The CHAIRMAN. Mr. Maurstad.

Mr. MAURSTAD. Thank you, Mr. Chairman. I think it is very important—let me back up for a minute. I want to thank the witnesses for the generous comments they made on FEMA's response and recovery efforts here. And Mr. Tom Davies, the Federal coordinating officer appointed by the President is here today, and certainly leads that effort, and we want to look forward to working with the State and all the local communities and continuing the

mitigation planning and mitigation projects that need to occur to help reduce future vulnerabilities, but we appreciate all of your kind comments.

I think it is very important that we make clear the priority circumstance relative to elevations and buy-out, a question that has been raised. And the most important aspect of that is that the Hazard Mitigation Grant Program is a State-administered program. FEMA does not set the priorities for the States. FEMA does not set the priorities for the local communities. As a part of the Disaster Mitigation Act of 2000, there is a requirement that all communities, to be eligible for emergency disaster assistance, develop local mitigation plans.

Part of that Act also requires all States to develop State mitigation plans. I referred to it in my testimony. All 50 States met that requirement. About half of the communities in Bucks County have local mitigation plans. The local mitigation plans and the State mitigation plans drive the priorities. The State administers HMGP. They develop the projects. If those projects are eligible projects that meet the criteria set forth in the regulations, if they have a cost-benefit of at least one or greater, then FEMA approves those but FEMA does not dictate the priorities. The State sets those priorities working, I assume, with the communities in doing so.

So that issue is one that I want if I accomplish anything, Mr. Mohn, when I leave today is to make sure that FEMA does not set the priorities for the State of Pennsylvania or its communities for the Hazard Mitigation Grant Program, and emphasize that a key component of that is looking at the State plan, what is the priority in the State plan, and then looking at the local plans and what are the priorities in the local plans.

The CHAIRMAN. I assume that the issue is based on ultimately the choice of the homeowner, is that correct? That is, if in fact under the State provision a homeowner has a choice between mitigation elevation versus a buy-out, is that just kind of assumed, Mr. Mohn?

Mr. MOHN. The way the process works is that individual homeowners cannot apply for this mitigation. It is all community based. And it is a choice of the homeowner. We have local meetings. We discuss all of the options. And then we will put a grant application together, and if you came to us and said, "I would like to elevate my home," we would say, "Sorry, those aren't funded priorities." We probably are not going to send a grant in for you but if you came and said that you wanted your house to be acquired we would then fill out the grant application, and forward it on to PEMA. And I know the gentleman over here knows probably more than I do about how priorities are set, but I am just a little confused because I think that is not what I have in heard in talking to PEMA. FEMA is telling me that there is some FEMA level involvement, and I am not clear what that is on prioritization.

And the second issue is that there is not enough money to go around. I understand conceptually that acquisitions may save more money if you can get them done but, you know, we are competing against $150,000 homes in central Pennsylvania, and the same home here is $400,000. We are never going to get any acquisition

funds unless every single home in central Pennsylvania is bought out.

The CHAIRMAN. So right now, though, the preference would be, or the easier road would be acquisition as you described it as opposed to mitigation?

Mr. MOHN. Well, if you are talking about Yardley Borough, the answer is, no, that is not the easier road because what happens is, first of all, a very small percentage of people want acquisitions. Of those who do, we have submitted 16 homes to the acquisition program and all but one of those homes has not met the benefit cost analysis that FEMA does primarily because the homes are $400,000 homes.

The CHAIRMAN. What about the issue of elevation in terms of business arrangement or business, that doesn't work, does it, for a retail business, for example?

Mr. CAWLEY. Well, again, because of the prioritizations that are placed and the minimum amount of money that is involved here, it is very seldom that we get to a business elevation because there is so much residential need. So here locally we haven't had that experience.

The CHAIRMAN. Where would a business elevation make any sense? I guess if you have a business on the main drag

Mr. KELLER. I can answer that, Mr. Chairman. We have a restaurant-night club-cabaret called Odettes on the south end of town in New Hope, and they have suffered severely in all three floods. And at this point I don't know that they are going to reopen. They are still going back and forth, and they certainly are cleaning up the place, but that would probably be the key establishment that I can think of, the most important one along with the Yardley Inn that was right on the river as well but Odettes, if you saw it, they had probably I would say about 6 to 7 feet of water in the entire restaurant and the cabaret, and it just decimated them, but that would be a perfect example, and I know they would be in a long line waiting to get any funding. And the only thing that is available to them, to my understanding, is some low interest loans but after three—

The CHAIRMAN. In terms of elevation. They would do elevation in a heart beat, is that what you are saying, if they had the wherewithal to do it?

Mr. KELLER. If they had the funding to do it, they would start tomorrow.

The CHAIRMAN. I will yield to the gentleman from Pennsylvania.

Mr. MAURSTAD. If I could make a comment along that same line, Mr. Chairman.

The CHAIRMAN. Yes, I am sorry.

Mr. MAURSTAD. I think we are talking a lot about post-disaster mitigation activity, and when again the Hazard Mitigation Grant Program was changed to 7½ percent of the disaster eligibility at the same time a new program was approved by Congress, the Pre-Disaster Mitigation Grant Program, that quite frankly has helped fund many of the planning—local plans across the country to help communities look at and assess what steps they need to take pre-disaster to be able to avoid future losses from natural hazards.

Part of the Pre-Disaster Mitigation Grant Program, last year we had about $175 million worth of projects in addition to planning so there is a project portion of that where communities again can make application through their States for pre-disaster mitigation grant funding, so I want to make sure that that is kept in this equation that we don't just focus on the post-disaster activities.

The CHAIRMAN. Mr. Fitzpatrick.

Mr. FITZPATRICK. Thank you, Mr. Chairman. On the Hazard Mitigation Grant Program it seems to me that if the program is underfunded, and I would like to hear, Mr. Maurstad, your position on what the correct number is, but if it is underfunded wouldn't it make more sense to reach more people and help more flood victims both past and potentially future to put more dollars into the elevation program as opposed to the buy-out program, the acquisition program. You would be able to help more people. It wouldn't provide a permanent solution because the structure would still be within the flood plain but the living area above the 100-year flood plain.

I am confused by the colloquy between Mr. Mohn and yourself. Mr. Mohn has issued a challenge, which seems to make sense of a minimum of 25 percent set aside for elevation, I think you indicated. Mr. Maurstad indicated that it is not actually FEMA's role to set those guidelines but it is the State's. If you could address that issue.

Mr. MAURSTAD. Sure. Thank you, sir. First, I think it is important if you look at this in the scope of these are issues that come up, quite frankly, after every presidentially declared disaster in virtually every State. Flooding is the number one cause of natural disaster losses year-in and year-out, and so what we are wrestling with here is not just being wrestled with here. Secondly, the eligibility component, as I said before from the program's point of view, if a State determines that a project is one that they want to move forward with, and it is an eligible project in our regulations—both elevation and relocation are eligible projects that the State can put forward.

So again we don't say that one is better than the other. They are eligible projects and the State determines their priorities. The State also has the latitude, if they wanted, to indicate that the HMGP funding from a particular disaster were going to have a particular percentage set aside for certain types of projects. The State would have the ability to do that. The overall funding level is a hard one to address on a specific-to-specific disaster because in some disasters, clearly the amount of individual assistance and the public assistance vary a lot. And 7½ percent of that, it certainly doesn't get stretched very far when you are looking at the number of counties that are being addressed, for example, here recently.

But in some disasters such as we have been dealing with in the National Flood Insurance Program, there are some parallel things, as I have been listening here today. Since September of 2004 we have had a fairly active period of time also with the largest flood claims in the program's history in 2004 and the Florida hurricane, 75,000 claims, over $2 billion, and then of course last year with another record of 220,000 claims approaching $20 billion. We have been running with parallel concerns that you have here but in

those disasters 7½ percent is going to mean a $1½ billion estimate for a Hazard Mitigation Grant projects in Louisiana, $500 million for Hazard Mitigation Grant projects in Mississippi, Florida the year before obviously 7½ percent of those totals—are significant sums of money. So it is difficult to say 7½ percent in some cases is adequate. In some cases it is not.

Mr. FITZPATRICK. That is the national number. Now say Louisiana or Alabama or Mississippi don't use the full allocation of their Hazard Mitigation Grant Program as a result of Hurricanes Rita and Katrina, could those dollars be flexed to a community like Bucks County that has used their full amount but still have homes or businesses that qualify for elevation?

Mr. MAURSTAD. No. The requirements now are that the 7½ percent is for that disaster in the area that has been declared so the dollars are for that area. And again in those disasters in the past that had substantial amounts, there have been times where the State has not accessed all of the Hazard Mitigation Grant dollars available to them because of capability and capacity and the limit of time that you have to spend those dollars.

Mr. FITZPATRICK. I just want to make sure I understand this because I think Mr. Mohn testified that after the September 2004 to April 2005 flood, the Yardley Borough put together an application under the HMGP program, and you put it for acquisitions only because you believed that that was what was going to qualify, not for any elevations. Now elevations did occur in the watershed. Some folks elevated their homes and the truth is that those who invested their own dollars not waiting for the Hazard Mitigation Grant Program probably saved the National Flood Insurance Program a lot of money.

And it seems to me, you know, that if Yardley was told you are going to qualify for elevation dollars under this FEMA program not only would it have been a good investment, we would have saved a lot of families and potentially businesses a lot of heartache. But your testimony is that that is a State-driven formula and requirement?

Mr. MAURSTAD. It is a State-administered program. Seven and one-half percent obviously is set by Federal statute, but the State is the entity that determines the priorities for that particular disaster, again in many cases working with the local communities that are affected, but there is not a FEMA mandate that one type of eligible activity has a greater priority than another type of eligible activity.

The CHAIRMAN. If I could just interject. I don't know the answer to this. How did the 7½ percent figure get ascertained ultimately?

Mr. MAURSTAD. Right. It is in the Act and—

The CHAIRMAN. How was that—

Mr. MAURSTAD. Well, the change from 15 percent to 7½ percent was done prior to my assuming this role. It is my understanding that that was a negotiated change at the time that the Pre-Disaster Mitigation Grant Program was developed. The funding for the PDM program offset in an average year the amount that HMGP funding was being reduced, and then PDM was reduced a little bit from there.

The CHAIRMAN. We appreciate the testimony of the gentleman. We may have some written questions that we may both want to present to the witnesses, but again we thank you for your participation. And this panel is dismissed. Thank you. We would like to invite our second panel up to the podium. Ms. Carol R. Collier, executive director of the Delaware River Basin Commission; Mr. George Komelasky, vice president, Paiste & Noe, testifying on behalf of the Independent Insurance Agents & Brokers of America; Mr. Sam Smith, resident of Middletown Township of Bucks County; and Mr. C. William Winslade, Yardley Borough, Bucks County, Pennsylvania. Thank you all for participating, and, Ms. Collier, we will begin with you.

STATEMENT OF CAROL R. COLLIER, EXECUTIVE DIRECTOR, DELAWARE RIVER BASIN COMMISSION

Ms. COLLIER. Thank you, sir. Good morning, Mr. Chairman, and Congressman Fitzpatrick. I am Carol R. Collier, director of the Delaware River Basin Commission, or DRBC, as it is known. We appreciate the opportunity to speak to you this morning, and I do request that my written testimony with the attachments be entered—

The CHAIRMAN. Without objection, all of the written testimony will be made a part of the record.

Ms. COLLIER. Thank you. I hope to concisely present DRBC's role in ongoing flood loss reduction efforts, highlight some needs, and offer a few recommendations, and then I will be glad to take questions. First, let me just start with a background. We need to really look at the basin perspective when we are looking at flood mitigation. The basis is over 13,500 square miles, 330-mile long river, and it is the longest un-dammed river east of the Mississippi. And what makes it complicated is that we have four States, 25 Congressional districts, two Federal Emergency Management Agency regions, two EPA regions, five USGS offices, two National Weather Service local forecast offices, 42 counties, and 838 municipalities. And as I will discuss later, coordination of effort is a critical need for flood loss reduction. There are nearly 15 million people who depend on the waters of the Delaware Basin.

I do want to thank Congressman Fitzpatrick for forming the Delaware River Basin Congressional Task Force. That is an entity that really helps pull together the issues that are involved with the basin. DRBC is an interstate/Federal agency with a mission to manage water resources without regard to political boundaries looking across at the boundaries of the watershed itself. There are five commissioners, the governors of the four States, and a two-star general in the Corps of Engineers who represents the president and all Federal agencies.

We have regulatory as well as management planning and resource opportunities. One thing I must say is that unfortunately the Federal Government has decided not to pay their Federal fair share to the commission for a number of years now. They should be paying a 20 percent share, so we cannot do all of the water management that people want us to do, including some of the flood mitigation efforts. We can talk about that more in the recommendations. As has been stated, and as known by thousands of

property owners and emergency responders, the Delaware River Basin has experienced three major floods over less than a 2-year period, and I do have an exhibit that shows that we have not had such a flood in almost 50 years since 1955, so things are changing and we need to look differently at our flood management.

Flood vulnerability remains a chronic problem in Bucks County due in part to the sporadic nature of flooding, but also due to the insufficient funding of Federal mitigation program and the cost-share formulas that are difficult for many local municipalities to meet. DRBC did do an analysis of Bucks County and the repetitive loss numbers. These are in the packet. It shows that Bucks County has the highest number of repetitive loss properties in the whole basin, not the Commonwealth, the whole basin, and that Yardley Borough is the second highest ranking municipality, so I ask you to look at Exhibit B.

The analysis shows that there are 561 repetitive loss properties in Bucks County that have received insurance claims totaling over $60 million through the National Flood Insurance Program for losses that occurred during the period of 1978 through 2005. This analysis does not include claims from the last flood, the June 2006 flood, nor uninsured flood damage. So the question is what can we do? There is no silver bullet for flood control. It is going to take a combination of a number of efforts from the Federal level down to the municipal level down to the homeowner.

We have put together in my written testimony a list of recommendations that have come to us both from public and professionals alike, and they are organized in three levels: one, measures to lower existing flood levels; two, measures to reduce damage to existing structures; and three, to prevent flood damage from getting worse, and what can we do to make the future better.

Of those, I would like to highlight some that are priorities by DRBC. One of the strengths of DRBC is an ability to bring together governmental and non-governmental stakeholders, and we do have a flood advisory committee that is comprised of Federal, State, and local organizations with flood loss reduction responsibilities. They, with DRBC staff, have put together these priorities. Number one, encourage and support completion and local adoption of the FEMA-approvable flood and/or hazard mitigation plans for all municipalities as required by the Act of 2000, and then once the plan is completed increase the funding needed to implement the mitigation options.

The next few deal with flood plains, and I know this is not a popular statement but flood plains flood, and they are a natural extension of the river and an integral part of river systems. If you take a flood plain area away either by filling it in or by putting levees and separating it from the river, the river will continue to try and re-establish that flood plain. So what can we do to get people out of harm's way? One is, as was mentioned by the first panel, appropriate Federal and State funding for building elevations and acquisitions in the flood-prone areas. This is really critical.

Second, and as mentioned by Mayor Keller, we really need to look at map modernization. As people become more aware of flood plain issues they are going to go to the right agencies and look for the flood plain line and right now it is not correct, and it is not

correct because of development upstream, and also the frequency of floods, so the map modernization should be prioritized for the municipalities where flood conditions have changed due to development.

Next, we really need to look at strengthening flood plain regulations. One, encourage regulations to be consistent with the no adverse impact recommendations by the Association of State Flood Plain Managers. Also, looking around the basin at what other States are doing and also around the country. Just across the river New Jersey has a Governor's Flood Task Force that was put together after the last flood event of April 2005, and they are looking at a number of recommendations, and they also have a different definition, a more restrictive definition of floodway that we might want to look at on this side of the river.

Next, really look at storm water controls and implement best management practices so that we reduce the storm waters during floods that enter the waters. Expand flood plain awareness and flood safety education programs, and strengthen flood warning systems, which has already been done. This is a main effort of our flood advisory committee but there is certainly more that needs to be done. And next I know there has been a lot of discussion about the impact of the upstream reservoirs, although they did not cause damage during this flood by opening the gates as some have said. That was not true but there is a plan that could make it better. There could be a reservoir operating plan that looks both at drought management as well as flood management, and we are willing to lead that effort. One of the things that is needed is a technical model so we can really look at different storm scenarios and different operation modes of the reservoirs, and that would take some Federal funding to do that. There is an attachment to my testimony that provides information on that.

We definitely support Congressman Fitzpatrick's effort to have the Corps of Engineers update and expand their 1984 Delaware River Basin survey. That would be a very good approach to looking at mitigation options and the cost effectiveness of different options. And, finally, ensure funding for adequate maintenance of existing flood control structures. I would just like to end with two things. It is important to look at the success story that already occurs in Bucks County, and that is on the Neshaminy Creek. And it is an excellent example of the effective work done by Federal, State, and local government coming together to do a plan and get people out of harm's way.

So finally, there is no silver bullet; there are many things we have to do. DRBC is here to help in that effort, and I look forward to taking questions at the appropriate time.

[The prepared statement of Ms. Collier can be found on page 40 of the appendix.]

The CHAIRMAN. Thank you, Ms. Collier. Mr. Komelasky.

STATEMENT OF GEORGE F. KOMELASKY, VICE PRESIDENT, PAISTE & NOE, INC. ON BEHALF OF THE INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA

Mr. KOMELASKY. Thank you. Good morning, Chairman Oxley, Congressman Fitzpatrick, and members of the committee. My

name is George Komelasky, and I am pleased to be here today on behalf of the Independent Insurance Agents & Brokers of America to provide my association's perspective on efforts to reform the National Flood Insurance Program. I am also vice president of Paiste & Noe, an independent insurance agency based in Richboro, Bucks County. I am currently chairman of the Insurance and Agents and Brokers of Pennsylvania, which is the State affiliate of the IIABA. I am a local township official, being a supervisor in Northampton Township for more than 20 years, and I have been a resident of Bucks County for over 30 years.

The IIABA is the Nation's oldest and largest trade association of insurance agents, and we represent a nationwide network of more than 300,000 agents, brokers, and employees. Under the NFIP program, independent agents play a vital role in the delivery of the product through the Write Your Own system. Independent agents serve as the sales force of the NFIP and the conduits between the NFIP, the Write Your Own companies, and the consumers. This relationship provides independent agents with a unique perspective on the issues surrounding flood insurance. Yet it also means that the role of the insurance agent and the delivery process of flood insurance is considerably more complex than that of traditional property/casualty lines. Agents must possess a higher degree of knowledge and expertise than their non-NFIP participating counterparts. This is done through attending flood conferences and seminars. This is done regularly and involves traveling to different regions throughout the Commonwealth to attend these seminars costing personal time and money.

Every agent assumes these responsibilities voluntarily and does so as part of being a professional representative of the NFIP. In an effort to bring the education process to as many agents as possible, our State association has begun to provide Internet-based seminars conducted by nationally recognized flood insurance expert, Rita Holladay. This training has been extremely popular and a tremendous tool. We believe in the effectiveness of the program and would like to see it continue and offer consumers even greater protections in the years ahead.

However, no program is perfect, which was made all the more clear by last year's devastating hurricane season and the unpredictable weather patterns here in Bucks County. This increased flooding activity in such a short period of time has highlighted some of the deficiencies in the program and has strained government resources. While the IIABA is confident that the NFIP will recover, it is important that Congress shore up the NFIP's financial resources and use this opportunity to enact needed reforms to ensure that the long term sustainability of the program.

For this reason, the IIABA has been strongly supportive of your committee's legislation, H.R. 4973, the Flood Insurance Reform Modernization Act of 2006. In November of 2005, the IIABA released a 23 point plan for reform to restore the NFIP to sound actuarial footing, and we are extremely pleased to see a number of the IIABA recommended provisions in your legislation. In particular, the increase of the NFIP's borrowing authority has been a top issue for independent insurance agents and brokers. The Federal Emergency Management Agency distributed a memo to Write

Your Own companies last November informing them that lines of credit were suspended until further Congressional action regarding an extension of borrowing authority.

With claims expected to exceed $23 billion, extending borrowing authority was necessary in order to meet consumer needs. The initial borrowing limit of $1.5 billion from the U.S. Treasury was extended by Congress in the immediate wake of Hurricanes Katrina and Rita, but even this extension was inadequate to meet the anticipated claims. Chairman Oxley and Congressman Fitzpatrick, your efforts to increase the borrowing authority of the NFIP are vital to ensure the continued payout of promised monies to consumers, and the IIABA applauds you both for your efforts to ensure that the U.S. Government delivers on that promise.

The inclusion of optional business interruption coverage is also crucial to Big I members and their commercial customers. Many of these have lost their businesses in the area affected by the hurricanes last year. Business interruption coverage and the security and peace of mind it provides is crucial to our members and to small business people across America. Also chief among our recommendations, and present in your bill, are provisions that would increase the maximum coverage limits, and include additional living expenses for residential policies.

The IIABA is very pleased that the House has moved forward on comprehensive flood insurance reform and passed your committee's legislation. The Flood Insurance Reform and Modernization Act of 2006 is critical towards ensuring the long-term stability of the vital National Flood Insurance Program. The NFIP is essential to Americans and to the U.S. economy and we strongly support your efforts to update it to reflect today's risks. We are also strongly supportive of your efforts to include the optional coverage of business interruption insurance, additional living expenses, and increasing the maximum coverage limits.

I would like to thank the committee for giving me the opportunity to express the views of the IIABA on this important program. Thank you.

[The prepared statement of Mr. Komelasky can be found on page 63 of the appendix.]

The CHAIRMAN. Thank you, Mr. Komelasky. Next is Mr. Sam Smith, resident of Middletown Township.

STATEMENT OF SAM SMITH, LANGHORNE, PA

Mr. SMITH. I was asked to comment on a little bit different side of it as a flood victim, a person who has had his house elevated, so my testimony is a little bit different than what we have heard. First, Mr. Oxley, thank you for allowing me to testify on the current flooding issues and concerns. My name is Sam Smith, and I live in Middletown Township, Bucks County, PA. My home is situated in the Neshaminy Watershed adjacent to, and a part of, the Delaware River Watershed. I was not affected by the recent flooding, though there was flooding in our area. My home was elevated out of harms way in 2003 as a part of the Neshaminy Watershed Supplemental Plan of Work, PL–83–566.

Prior to Hurricane Floyd, that was September 16, 1999, residents from all of the various communities along the lower Neshaminy,

banded together and formed an association to convince our county commissioners of the need to reduce flood damages and reexamine at an existing, but dormant flood control project. A new, updated study was commissioned at the end of 1996 by Bucks County and the Department of Agriculture, NRCS. I was selected as a steering committee member to search for alternatives to reduce flood damages. After the completion of the study in 2002, I was on the advisory board to help with the mechanics of the plan as well as work with the lead engineering firm to make enhancements to some of the details that needed more resolution.

Our home was flooded during Hurricane Floyd. A second building on the property, the cottage, was flooded again on Father's Day, June 2001, by tropical storm Allison. The night before I had just put the last piece of trim up in the kitchen to finish the repairs from Floyd. My family and I were out of our home for over 5 months. The cottage was unusable for 3 years. I can't begin to tell you the stress and burden we endured during that period. To this day we still seem to be putting pieces of our lives back together. The Red Cross, God bless them, put us up in a hotel for 4 weeks, and gave us vouchers for a local diner.

I signed a waiver with the NFIP adjuster after the flood, that being Floyd, to have all the work done by a contractor for a 10 percent increased return on my claim. Unfortunately, you couldn't find a qualified contractor anywhere because of the circumstances. There were so many homes that were devastated such as in Yardley now. My wife and kid and I did all the muck out and demolition necessary to begin the sanitizing and drying process. It took 8 weeks to dry to the proper level of moisture by core testing. FEMA gave us $1,000 for living expenses and estimated the repairs could be completed within 4 weeks. I spent 3½ hours on hold trying to get through on a FEMA hotline so I could return the money, but the girl stationed in Texas somewhere couldn't tell me where to send it. We used the money to extend our stay in the hotel by 2 weeks.

Soon, the hotel and diner costs were exhausting our financial resources. My wife and I improvised a plan to get back in the house. We set up a table in the basement with a microwave and a coffee pot. I temporarily installed a washbasin in the kitchen for dishes and rigged the flooded boiler back into service for heat and hot water. The kids and pets couldn't come home because of unsafe conditions but by Christmas the contractor we finally hired had the outside of the walls back together and insulation was in, so we managed climbing a ladder to the upstairs bed and bathroom. By the end of February there was enough of the house pieced back together that we brought the kids home and the pets a month or so later.

There was a FEMA hazard mitigation period after Floyd for buyouts. Our house did not meet the 50 percent damage requirement and was not eligible. Damages sustained during Floyd were estimated at $108,000 on the house and the cottage was an additional $60,000. There was no payout on the cottage even though the premiums were being paid. The insurance writer failed to write two separate policies and the NFIP declined payment. I asked them to return the premiums and their comment was to take them to Fed-

eral Court in Philadelphia. Likewise was our option to appeal the payout figure of less than $60,000 in our home, which was approximately 60 cents on the dollar.

The house elevation took place in April of 2003. We were again out of our home for 8 weeks, though under far better circumstances. Now that we are elevated, I still watch the Weather Channel as intensely as I used to prior to a large rain event, the same emotions always come rushing back but the fear of losing everything is slowly dissipating. The negative impacts of being elevated are far outweighed by the positive ones. I have claimed back a certain peace of mind. If we wanted to sell our home we could do so with a clear conscience. After 10 years and hundreds of meetings, seminars and the like, I am able to look forward to living my life again.

There are two issues that I would like to comment on at the hearing, and they may be redundant because they were commented on previously but at a steering committee meeting that occurred in 2000, Jeff Mahood, environmental specialist, of the NRCS, he is here with us today by the way, made mention of the fact that it would take FEMA up to 5 years to adopt new flood plain values established by the ongoing study and incorporate them into the NFIP rate maps. I didn't put too much thought into it at the time, however, it is clearly a fundamental problem that is costing huge amounts of money and grief.

I am not sure exactly when the information became available to FEMA but it was calculated within a month after Floyd that it was not a 100-year event by Walter Boles, hydrologist of the NRCS. That means he had the information available back to him in 1999. He perhaps hadn't completed all the details but it was certainly ready in 2000. To this day the new values have not been adopted. Since we are spending or investing $14 million on a non-structural reduction of flood damages in the watershed, it is critical that all municipalities in the watershed adopt and comply with the storm water management act so that no increase of flooding occur in the future, otherwise, all those values are just out the window. It is absolutely ludicrous to allow building in the same flood plain that we are still in the process of trying to correct.

The average difference in the flood plain elevations from the FEMA maps to the new values is approximately 30 inches in the lower Neshaminy. My home was flooded by 24 inches and it caused such havoc. My neighbor just put a 700 square foot addition on his house, right in the flood plain because the township is required to use FEMA values even though they know better. They are aware of the new values. The same township is approving development plans near flood plains and I witnessed a retention/detention basin adjacent to the 100-year flood plain by mere feet. Add 30 inches of water and the entire storm water plan has no value. In one instance, in a borough where houses are being lifted, the zoning officer told me he wouldn't issue the permits to elevate because the homes were being elevated higher than the FEMA values. I had to go to the borough council for relief.

I have no idea how often this has occurred throughout the watershed over the last 6 years but we are throwing good money at bad. There must be a change in the priority of FEMA to remedy this

situation. If not, let the agencies that actually define flood plains regulate the maps so the people who need them have good information. Planning commissions can't possibly make good recommendations without the proper information. Good people are unknowingly being put in harms way by the agency that is supposed to protect them. Flooding and flood damage is being increased by the agency that is there to enforce the opposite.

One last example on this is from today, August 8th. In talking to Paul Lenher from Pennoni Engineering, he told me that the FEMA rate map values at Stockton, New Jersey, alongside the Delaware River, are 5 feet below what the New Jersey Department of Environmental Protection has calculated. I don't know if or when those values may have been sent to FEMA. Consider that homes and businesses in Yardley and elsewhere recently along the Pennsylvania side of the Delaware River have already been lifted. Can you imagine spending $150,000 of your own money for peace of mind and then find out you are still in the 100-year flood plain. If the New Jersey side of the river is 5 feet over the rate maps, then so is Pennsylvania.

The second issue that I would like to comment on is the ICC money as well, and we have heard this already. I would like to offer my point of view, if I can. It would seem advantageous to all concerned to consider a substantial increase. Given the right parameters and qualifying criteria it would make sense and would be a win-win situation. The cost benefit ratio, 1 to 1.4, from the Neshaminy Watershed Plan of Work shows that Federal dollars would be funded if there was a similar plan along the Delaware River in place. Then consider that the NFIP payouts in a flood plain are just a matter of when. This becomes a pay me now or pay me later scenario.

Currently, the NFIP requires that you elevate from the flood plain within, I believe, a 2-year period from having been flooded. I don't understand this stipulation but it is worthwhile to be proactive and make it available any time if there is a history of flooding on the property. If a homeowner was interested in lifting his home in Yardley back in 2001 for a cost of half the value of the home, the NFIP paid out, say, $100,000 or half the value of the home, wouldn't the NFIP have saved 2 times that amount by 2006 considering the payout values of today and of course the multiple flood events? Even if the flood events didn't occur, it is just a matter of time before one does and the money is recouped.

Many homes sit in the 50-year flood plain or less. A house where the first floor is flooded by 6 inches of water will have the same claim as if it took 4 feet. Giving more incentive and ability to these types of homeowners to pay for an elevation will save taxpayers greatly in the long run and provide quick relief for the homeowners. Elevation costs on average are running over $100,000 today; most homeowners can't afford to do it on their own. Is the NFIP going to pay out for elevations one time or floods forever?

It is obvious that the Delaware River watershed is in need of updated flood plain values along with ensuring that all municipalities in the watershed are adhering to strict storm water guidelines. A study to search for alternatives to correct the issues at hand in such a large scale area could take a very long time. Perhaps adopt-

ing the New Jersey DEP values and an aggressive plan to enforce storm water management in the region for the short term, as well as increased ICC funds, can offer property owners a way out quickly. Should a plan develop down the road that includes elevations, it could include reimbursement funds to those who have already helped themselves. The next flood event will have significantly less impact with each and every home that is removed from the flood plain. Thank you very kindly for this opportunity.

[The prepared statement of Mr. Smith can be found on page 88 of the appendix.]

The CHAIRMAN. Thank you, Mr. Smith. Mr. Winslade.

STATEMENT OF C. WILLIAM WINSLADE, MANAGER, YARDLEY BOROUGH

Mr. WINSLADE. Good morning. I would like to take this opportunity to thank Chairman Oxley and Congressman Fitzpatrick for the opportunity to speak to the Committee on Financial Services regarding how the National Flood Insurance Program has responded to these floods and to floods throughout the Commonwealth of Pennsylvania, and how the Federal Emergency Management Agency cooperated with State and local governments under NFIP during recent floods. Have we experienced problems in the administration and implementation of NFIP, and what could be done to correct these problems? What steps are being taken to mitigate future flood damage to the Yardley area? Lastly, what efforts are being made to modernize the flood maps in Pennsylvania, specifically, Bucks County?

As introduced, my name is C. William Winslade. Presently I am the Yardley Borough manager and have been for almost 2 years. This gives me four disasters in dealing with FEMA. I have also been the emergency management coordinator for approximately 25 years. That gives me nine Federal disasters. I have had tremendous experience in dealing with various elected and appointed officials at the local, county, State, and Federal levels. May I introduce two support individuals presently, I have John Dougherty, who is the Bucks County emergency management director, as well as Mr. Bill Clark, a resident of Yardley Borough whom you will get to know quite well in the coming minutes.

First, I would like to mention that with all the advertisements of the hearing, is Bucks County ready for another flood, I must say, yes, we are ready, but does the severity of the flood need to be as much as Mother Nature intends. There are things we can do. It is probably more appropriate for the constituents to ask is FEMA ready for another flood in Bucks County. Again, during the advertisement, we are told we have experienced flooding 3 times in the last 21 months. Let me correct the record. Bucks County has been declared a major disaster area by FEMA 4 times in the last 21 months.

There was a rain event of June 30th, recently, disaster number 1649, the rain event of April 14th, disaster number 1587, tropical depression Ivan in September of 2004, 1557, and also the rain event associated with tropical depression Francis, also in September of 2004, disaster number 1555. It was at FEMA's direction that we grouped those two together and were calling it one. It is

not fair to residents of this borough to say, oh, you only had one flood. They had to move things. They have to put their lives back in order twice during that period.

For the record, two serious other flood events in January of 1996, disaster 1093, and again in July of 1996, disaster 1130. Major disasters are not new in Bucks County and unfortunately fastly approaching the frequency of routine. My distinguished colleague, Councilman Mohn, has spoken on mitigation efforts in our small borough, which is certainly mirrored by all the river communities. I would like to address the committee on some issues with regard to FEMA's increased cost of compliance. Again, is FEMA ready for another flood?

How much coverage is available? If a disaster stricken person is applying for ICC help to bring their house and/or business into our community's flood plain ordinance, they can receive up to $30,000 in assistance for complying. Can or will the committee investigate raising the ceiling level of $30,000 to a today dollar value. When ICC was adopted in 1994 the maximum was $20,000, moved to $30,000 in 1995. It needs to be reevaluated. ICC provides four options for funding, and these aren't in the particular order of FEMA but in our order. Elevation, this raises your home or business to or above the flood elevation levels adopted by our community. Our present ordinances require 18 feet above the 100-year plain. With 12 homes underway with an elevation project, all have exceeded $100,000 in cost to comply to our local ordinances. Only one resident at the present time has received ICC funds. With our rain event of June 2006, we have already accepted 14 additional applications.

Number two, relocation. This moves your home or business out of harm's way. With most residents in the confines of Yardley Borough, this is not an option. Open lots prevailing rates are in excess of $150,000 in lower Bucks County. Number three, demolition. This tears down and removes flood-damaged buildings. Again, not much of an option. I am sure you will concur no one wants to see their home demolished. Number four, flood proofing. This option is available primarily for non-residential buildings. It involves making a building watertight through a combination of adjustments or additions of features to the building that reduced the potential for flood damage. If we made this available for residential buildings, we could also reduce the cost to the Federal Government while supplying aid to the residents.

As previous testimony has stated, the item of choice for mitigation is elevation. With regard to NFIP and the underwriters, it is not quite as easy as written in all the publications or manuals. Listed below is a typical timeline of a family's ordeal.

In April, we had the floods of course. During April and May, the Clarks start to research what they need to do with background checks on house movers and other such contractors. At the end of May, the Clarks sign a contract with Wolfe Movers. May to August consists of a long process of meeting contractors, trying to find the right architect, taking bids, etc. The Clarks decide on an architect and he does all the drawings that that necessary. They are finally ready to go up. In the meantime, they get their application for sub-

stantial review from Borough Hall and attempt to gather all the information and fill it out.

On August 30, 2005, the Clarks raise their house. In September 2005, the Clarks sign Phase 1 with City Builders and they immediately begin the building of the foundation and everything that goes with it, such as relocation of electrical lines, plumbing lines, etc. On October 28, 2005, the Clarks hand in the application for substantial damage review to the borough for necessary signatures. They get the application back soon after in the mail. They believe that all is done. No one told them otherwise, so they start a lengthy process of calling Traveler's Insurance Company trying to find the right department to help them. They are sent around to several different claims offices and no one knows anything about an application for substantial damage.

On January 4, 2006, the Clarks fax and mail again several pages from the application for substantial review. This time they are finally told by Traveler's Insurance Company that this is not what they need, but instead a letter from the borough on borough stationery that says the house is substantially damaged. And for the record every insurance carrier requires a different item from the borough when passing judgment on whether a house is substantially damaged. On January 17th, a letter is written confirming substantial damage and the Clarks send it in immediately. This is the official date for the ICC claim. The Clarks can't remember why there is such a long lag here, but they believe it was more general confusion about who was handling the claim. They eventually reach a woman where named Stacey Olsen, who was amazing.

On March 6th, Stacey is now the Clarks' angel. She hears their plea and tells them to send the flood policy and letter of substantial damage to Colonial for another claim avenue. They will handle the claim for Traveler's. They are now in communication with another individual from Colonial. They are also amazed at how on top of things this person is. On March 10th, Colonial Claims send to the Clarks a letter listing the 11 documents necessary to pursue an ICC claim. They gather what they can and send it in. One thing they need is a copy of the Borough's flood mitigation ordinance. It is not rocket science what the flood mitigation ordinance is.

On March 17th, the Clarks provide photographs along with everything else to the insurance carrier. On March 20th, the Clarks send even more photographs of the cement foundation going up but they have nowhere to go. The remainder of the documents they need they cannot get since it was in the house that was devastated. On March 30th, the Clarks get a copy of the mitigation permit from Colonial. It is asking for their letter along with flood ordinance plan to Colonial Claims. Now they are told all they need are permits involved. The building inspector gives the Clarks copies of all permits for the elevation. Colonial takes issue with the permit numbers being handwritten in the upper right-hand corner, so they are given a hard time, and we have to date stamp and punch the permit, a ridiculous request.

In early July 2006, the Clarks stay in touch with Colonial who doesn't forget about them since they don't have their CO yet. She tells them that they do not need to have a CO but they need a letter stating that the elevation is complete and that they are in com-

pliance with borough ordinance so they can get their money. The Clarks also order another survey to prove that the house is indeed above the 100-year flood plain as recommended or required by Colonial.

The CHAIRMAN. I know you have several more pages on this, and we have about 6 more minutes.

Mr. WINSLADE. All right. Let me go to my conclusion.

The CHAIRMAN. Okay. This is all obviously part of the record.

Mr. WINSLADE. On August 9th, the Clarks receive Proof of Loss from Colonial. They sign it and have it notarized. They fax it back. The Clarks are now waiting anxiously to hear if Traveler's Insurance will accept their claim. It is now today, 16 months later, $100,000, but they raised their house without help from FEMA. This is just one story of many from our small borough. Can the government standardize reporting, streamline government bureaucracy and assist a homeowner in time of need? In summary, has the National Flood Insurance Program responded to those in need after a flood? You can just ask the Clarks.

Answering the question of how the Federal Emergency Management Agency cooperated with State and local governments under the NFIP during the recent floods, there was minimal involvement during the floor proper. During the few weeks immediately following the flood, there was good representation of underwriters and adjusters. Unfortunately, 4 weeks after a disaster in a household, a tragedy begins in trying to secure Federal monies in putting lives of families back in order. We are being asked what corrective action could be done to the problems we are experiencing with NFIP, the residents had telephones and written hundreds of letters to our local elected officials to reevaluate older and possibly outdated statutes. Our next step of course is our plea today to have you review, revise, update flood mitigation opportunities.

With respect to the flood maps in Pennsylvania, specifically Bucks County, I must request the updating of old maps so our local planning and zoning entities can further assure safeguards in the flood zone. Again, I take this opportunity to thank you and Congressman Fitzpatrick for the opportunity.

[The prepared statement of Mr. Winslade can be found on page 92 of the appendix.]

The CHAIRMAN. Thank you, Mr. Winslade. I just had a couple—actually one question, and I will yield the rest of the time to Mr. Fitzpatrick. Mr. Smith, you mentioned the positive aspects outweighed the negative aspects for elevation. What are the negative aspects to the elevation issue?

Mr. SMITH. Steps, social impact.

The CHAIRMAN. In a word.

Mr. SMITH. Steps are certainly one. I kind of like the esthetics of my home but some people wouldn't necessarily like that part of it. Some other negative impacts would be going to—I limited the market of people who would actually want to buy my home because of steps basically. But those are some of the things that are negative impacts but as I said they are far outweighed by the positive ones.

The CHAIRMAN. Thank you.

Mr. FITZPATRICK. Mr. Chairman, in that particular case that decision was made actually by the homeowners. There was an acquisition program and an elevation program sort of going along on parallel tracks. Sam, would you—Mr. Smith, would you comment because I know you got experience beyond even elevating your own home in construction on the cost effectiveness of elevation as you know it as opposed to because we heard Mr. Mohn testify—Councilman Dan Mohn testify that when you are required by the Hazard Mitigation Program to make an application on behalf of Yardley Borough and you are told that only acquisitions are going to qualify and you do your best and you put your applications together and given the cost value of real estate here in Yardley as it ends up the cost benefit analysis results in only one home can be purchased and essentially you have helped nobody. The effectiveness, cost effectiveness of elevation in your view.

Mr. SMITH. During the study, as I mentioned, the cost benefit was 1 to 1.4 but I think that the Neshaminy Watershed Project inside itself looks at the overall project. They addressed every home in the flood plain or in the 100-year flood plain, so you can look at buy-outs and look at elevations and flood proofing, but when you take out certain amounts of homes through the buy-outs it affords more for elevations so to speak. So it is an average in our plan of work looking at the entire picture. Cost effectiveness in terms of an individual trying to do it at home, there is an advantage to doing so because our contracts, we must pay prevailing wages, and I don't think that is true with either ICC money or obviously if you just do it out of your own pocket. So you can save by finding contractors that aren't paying the same rate as perhaps are required under a Federal contract.

Mr. FITZPATRICK. Mr. Chairman, there is some good news actually tucked in all this testimony I heard today. Ms. Collier, you indicated that the Delaware River Basin Commission is willing to undertake a reservoir management plan to essentially manage not only water during time of drought but also water during time of flood. Can you tell me what it is I can do as a Federal official representing this community to assist DRBC to actually get that done because it seems that if there is an opportunity to use an existing reservoir to reduce future flooding on the Delaware River and those are structures currently in place that we have already made the investment in, we should do that.

Ms. COLLIER. Thank you for the question. There are different types of reservoirs within the basin. Some are designed and operated by the Corps of Engineers specifically for flood control. The ones in question were really developed for water supply and those are three very large reservoirs owned and operated by New York City in the upper basin. There are also some power reservoirs in addition, which also don't have the same outlet structures as a flood control dam. So the question is, is it possible to maintain voids in those drinking water and power reservoirs so that it could mitigate flooding.

It is not a silver bullet. It will not prevent flooding in Yardley but it might reduce the level of flooding. And so what we would like to do is prepare a model that could look at if we held such voids or worked with New York City to hold such voids how would

that improve the flooding, how might that impact the drought situation and look at the balance that is needed. In order to do that, we do need some dollars to support this model and we are estimating that it would cost about $500,000. There is a one-page exhibit in my written testimony that describes the tools that would be needed and how we would utilize that working with the National Weather Service and other agencies as well as the basin States in New York City.

The CHAIRMAN. Would that be in the energy and appropriations that you are referring to, that money?

Ms. COLLIER. That would be fine.

The CHAIRMAN. I think that is what that is.

Mr. FITZPATRICK. I will take a look at that, Mr. Chairman.

The CHAIRMAN. Yes, I think it is an appropriations issue specifically on energy model.

Mr. FITZPATRICK. It is computer modeling, is that what you are talking about?

Ms. COLLIER. That is right.

Mr. FITZPATRICK. Mr. Chairman, I know we are running very low on time and so I am just going to ask one additional question although I have a number of questions that I would have liked to have asked Mr. Maurstad. We spent all of our time on the previous panel talking about the Hazard Mitigation Grant Program and really didn't get into the fact that while homeowners in this community are waiting for word about the ICC program or elevation programs, buy-out programs, they are at the same time negotiating with their own insurance companies and many times having a very difficult time. I referenced Jeanne and Michael Doyle who are here today, and the fact that they haven't settled their claim from September of 2004.

And so I am going to submit a number of questions to Mr. Maurstad about the Write Your Own policy program and about the status of all the claims and the three floods in Bucks County and what FEMA and the National Flood Insurance Program can tell us about that. Mr. Winslade, you talked about the insurance agents that are here during the flooding or immediately after the flooding. I am sure you see claims agents coming in and visiting with their insureds. You did indicate in your testimony that some of the requirements were onerous or maybe even a little crazy what they were asking for while a homeowner is waiting to elevate.

I would like you to elaborate on that a little bit, and I know that, Mr. Komelasky, you talked about the benefits of Internet based training for some of the Write Your Own claims adjusters. I would like to hear whether or not you think, Mr. Komelasky, the current status of training of claims adjusters is adequate in Pennsylvania and whether or not a Federal standard should be considered so that there is more equal training across the board. First, Mr. Winslade, if you could.

Mr. WINSLADE. Just a few examples, Mr. Fitzpatrick, would be a request from an insurance adjuster to the homeowner as to the flood gates in the house after it has been raised, justification of those. As I see it, that is a building and zoning ordinance. It is not a reason for the insurance companies to prolong the opportunity to pay out to their insureds. Photographs of foundations, it is ridicu-

lous to ask for that. We have in place a building department, a zoning department, and of course they are all brought to today's codes with regard to rebuilding. It is not their job to—

Mr. FITZPATRICK. So you are saying some of the information being requested is duplicative of what you are doing on the zoning and building code enforcement level in the borough. And I think I also heard you testify that different insurance companies had—

Mr. WINSLADE. Different rules.

Mr. FITZPATRICK. —much different rules on the same Federal program.

Mr. WINSLADE. A substantial damage letter. It could be as little as two or three lines to satisfy the insurance company and then it went to as far as on borough letterhead with a copy of the justification.

Mr. FITZPATRICK. Is that delaying the claims adjustment process?

Mr. WINSLADE. I believe it is, yes.

Mr. FITZPATRICK. What does it do to the staff of the borough? I mean, I am sure that you don't have a huge staff here.

Mr. WINSLADE. We don't have a staff. I am a part-time employee and we have a full-time borough secretary. Our building department works 6 hours a week, so it does tax the borough's wherewithal.

Mr. FITZPATRICK. Mr. Komelasky, the training of the claims adjusters for the flood insurance program.

Mr. KOMELASKY. The specific program that I was taking about has been designed by the State insurance agents and that dealt with agents and their familiarity with the actual NFIP program, not so much with the actual adjusters. One of the criticisms that had been mentioned was that many of the consumers don't understand what they are being sold or how the policies actually work, so this is a program staying ahead of the curve of the requirements for continuing education for agents.

A number of the actual adjusters, and there is a difference between the agents who aren't really adjusting the claims for the carriers, the agents are working along with the consumers to try to be their advocate and be the conduit between the companies and the consumer. The adjusters themselves are in a position where they are receiving their training through the carriers. Most of the flood adjusters are generally independent adjusters, not necessarily a company employee, and I believe that is probably in part due to the overall low volume of flood policies that are actually being written by the particular carriers.

They will go to somebody who is out there, and certainly I think part of the confusion that is taking place as Mr. Winslade has indicated comes from various companies' interpretation of what the rules and regulations are. And does it in fact delay pay-outs to people? Absolutely. You can get one letter that moves up the line, somebody doesn't think that it is sufficient, and it can not get back to the consumer to know something is different for several weeks. So certainly there could be something done on the adjusters level to make sure that they are familiar with the process that is necessary. And I think that within the insurance industry overall there is a strong sense of getting into disaster planning that you will see a number of steps moving forward not only for the commer-

cial clients but also for residential clients to advise them of what would be not necessarily the end all or everything that is necessary but here are items that you should be prepared for in the event of any kind of a disaster whether it is a fire for a flood. So I think there are efforts being taken in that regard but not necessarily looking at the actual adjusters as you have indicated, Congressman.

Mr. FITZPATRICK. Mr. Chairman, I don't have any further questions. I do have questions that I will submit to the committee that hopefully can be addressed by Mr. Maurstad. I appreciate your convening this hearing in my Congressional district, and I think that the testimony that we have gotten from both panels as well as from other interested citizens who submitted testimony for the record will be extremely helpful as we work to reform and modernize the National Flood Insurance Program. Thank you.

The CHAIRMAN. I agree completely. It has been an excellent hearing. And the Chair notes that Mr. Fitzpatrick may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to those witnesses and to place their responses in the record. The Chair would like to thank the witnesses, the people, obviously citizens of this area, for participating in this very important hearing. And this hearing is adjourned.

[Whereupon, at 12:07 p.m., the hearing was adjourned.]

A P P E N D I X

August 15, 2006

Opening Statement

Chairman Michael G. Oxley
Committee on Financial Services

"A Look at the National Flood Insurance Program and Flood Mitigation Efforts: Is Bucks County, Pennsylvania Ready for Another Flood?"

Yardley Community Center, 64 S. Main Street, Yardley, PA 19067

Tuesday, August 15, 2006

Today, the Committee on Financial Services is holding a hearing on the National Flood Insurance Program here in Yardley, Pennsylvania, in the 8th Congressional District of the Commonwealth of Pennsylvania entitled— "A Look at the National Flood Insurance Program and Flood Mitigation Efforts: Is Bucks County, Pennsylvania Ready for Another Flood?" I want to thank our host, Congressman Michael Fitzpatrick for inviting the Committee here today.

During the 108th and 109th Congresses, this Committee spent considerable time and effort on legislation to reauthorize and reform the National Flood Insurance Program. On June 30, 2004, President Bush signed the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act into law. The major goal of the Flood Insurance Reform Act last Congress was to reauthorize and reform the program with an eye toward maintaining the financial viability of the NFIP. While some provisions were included to address administrative and procedural concerns regarding the NFIP, we did not focus on issues that were procedural in nature, such as the filing of claims, the timeliness of response to the claims filing, policy holder education and insurance agent sales and training.

During deliberations on last year's reauthorization legislation, concerns were raised regarding the administration of the program. In fact, several concerns were brought to the attention of FEMA. First, it is alleged that policy holders often do not have a clear understanding of their coverage under the policy. Second, insurance agents often do not clearly articulate the terms and conditions of the policy at the time of sale, and they do not know how to process claims correctly. Third, policy holders do not know of or understand the appeals process. Fourth, many questions regarding the adequacy of payments and the adjustment system were raised. Finally, a lack of coordination between private insurers, the NFIP and FEMA, and inadequate training have been cited as possible sources for some of the administrative problems plaguing the National Flood Insurance Program.

Since the enactment of the Bunning-Bereuter Blumenauer Flood Insurance Reform Act, members of Congress have continued to hear from their constituents who are frustrated with the flood insurance program. During this Congress, the House of Representatives overwhelmingly approved H.R. 4973—The Flood Insurance Reform and Modernization Act of 2006, also known as the FIRM Act, on June 27, 2006 with a 416-4 vote.

In an effort to make the NFIP more actuarially sound, the FIRM Act phases out the subsidized rates currently enjoyed by the owners of hundreds of thousands of vacation homes and second homes. In addition, the bill introduces new lines of coverage at actuarial prices and increases the program's coverage limits to reflect inflation. These are common sense reforms that will, again, be actuarially priced.

The FIRM Act requires FEMA to administer the program more responsibly. Flood maps will be improved and updated, and FEMA will have to certify to Congress that they've done so. The NFIP's borrowing authority will be temporarily increased to ensure that all outstanding claims will be paid. The FIRM Act increases the amount that FEMA can raise policy rates in any given year from 10% to 15%. And for those lending institutions that drop the ball on enforcing mandatory flood insurance purchase requirements, fines will be tripled from where they are now.

It is important to note that this program was created in 1968 because there wasn't an affordable private sector insurance alternative that would cover flooding events, particularly for residential homes and small businesses. Hence, the Federal government stepped in where the market was clearly not working. Some thirty years later, as the consumer market becomes more sophisticated, its expectations regarding the insurance industry, and in particular the National Flood Insurance Program appear to have outpaced the original intent and purposes of the program.

Here in late June, 2006, East Coast communities from Virginia to Vermont experienced heavy storms and flooding, leading to damaged homes, loss of property, and physical injury. In Pennsylvania alone, nearly 150,000 people were displaced by the storms. In particular, the flooding left Bucks County with 308 severely damaged single-family homes. About 4,000 residents living along the Delaware River were ordered to evacuate. This flood was the third time since 2004 that homes and businesses in Bucks County have been damaged by floodwaters. On June 30, 2006, 28 counties in Pennsylvania, including Bucks County, were declared disaster areas by the President, thus qualifying the region for federal aid.

On July 17, 2006, Congressman Michael Fitzpatrick (PA-8) held an ad hoc field hearing in New Hope, Pennsylvania, a community located in Bucks County, to review the recent flooding of the Delaware River and what could be done to prevent future damage.

This hearing today will give us an opportunity to hear from both practitioners and policyholders on how well the program is working and to what extent this Congress should address any further reforms to ensure the National Flood Insurance Program is meeting the original congressional intent of protecting and assisting families and businesses in the event of a flood.

Thank you Congressman Fitzpatrick for your leadership on this issue. I look forward to today's testimony.

(Cawley)

National Flood Insurance Program (NFIP) response in Bucks County has been integrated into a flood plain that is constantly being redefined. Maps need to be perpetually updated due to changes in geography, construction and mitigation activities, and meteorological events.

During the Bucks County floods of September, 2004, April, 2005 and June, 2006, FEMA has worked well with local and state emergency management officials.

FEMA came into the area for damage assessment – along with PEMA – within a day or two. Our emergency management director, John D. Dougherty, Jr., supervised the respective site inspections. The FEMA and PEMA officials agreed with our assessment, and we got the disaster declaration quickly.

They also worked well with Bucks County on getting the Disaster Recovery Center (DRC) up and running quickly following each flood event. During the recovery process of the June, 2006 flood, 153 DRC visitors were able perform "one-stop shopping" services as processing low-interest loan applications through the Small Business Administration (SBA), receiving assistance with Disaster Unemployment Assistance, Federal and state disaster tax assistance, and finding cost effective measures for reducing the impact of future flooding and disaster losses. The DRC also offered floodplain rebuilding advice, as well as American Red Cross referrals.

County departments represented at the DRC included Health (which offered well-test kits and tetanus shots), Mental Health (counseling), Area Agency on Aging (senior concerns) and Emergency Management.

During the September, 2004 storm, we had a problem with some of the dollar amounts FEMA was using for temporary housing and repairs because they were using figures from Philadelphia that were much less than those in Bucks County. Once we got with PEMA and brought it to FEMA's attention, they made the needed changes.

One of the biggest NFIP problems that we see is the outdated nature of a lot of the flood maps. We also see a significant need for more public service announcements noting the 30-day wait period. We need as many resources as possible to help our citizens "BUY EARLY!"

In Bucks County, we have had enormous success with the Neshaminy Creek elevation program that was implemented by the National Resources Conservation Service. During each of the three floods, houses that were elevated through this program were spared from structural damage to their living space and utility infrastructure. Elevated residents simply swept water out of their concrete-shell basements.

Also along the Neshaminy Creek watershed, Bucks County's Community Alert Network (CAN) uses five water-level gauges to notify residents of rising creek levels. The CAN system provides a model for implementation within Delaware River communities, as well. Already, it has created a phone bank that is triangulated with zip codes of communities within the Delaware River flood plain. The next phase of CAN implementation involves coordination with a Geographic Information System (GIS), which will make the old zip code system obsolete.

As a first step to understanding this frequent flooding dynamic, we urge the Senate to pass legislation introduced by Congressman Michael G. Fitzpatrick (8th Dist., PA) and

subsequently passed by the House of Representatives authorizing the Army Corps of Engineers to conduct a study of the Delaware River Basin. Such a study would provide an invaluable data baseline. Additionally, it would help government officials at all levels to coordinate flood mitigation planning.

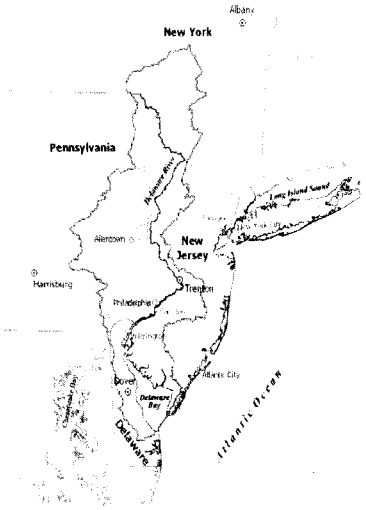
Testimony of Carol R. Collier
Executive Director, Delaware River Basin Commission

Before the
Committee on Financial Services
U.S. House of Representatives

August 15, 2006

Good morning Mr. Chairman and members of the Committee. I am Carol R. Collier, Executive Director of the Delaware River Basin Commission (DRBC). Thank you for this opportunity to speak to you today about the need to reduce flood vulnerability and damages in the Delaware River Basin, a very important topic not only to the Commonwealth of Pennsylvania, but to the entire interstate basin community.

I hope to concisely present the DRBC's role in ongoing flood loss reduction efforts, highlight some needs, offer a few recommendations, and then I will be glad to take questions.



Basin Background

Before I get started, however, I think it might prove useful to provide an overview of the Delaware River Basin. The Delaware is the longest un-dammed river east of the Mississippi, extending 330 miles from the Catskill Mountains of New York State to the mouth of the Delaware Bay where it meets the Atlantic Ocean. The river is fed by 216 tributaries, the largest being the Schuylkill and Lehigh rivers in Pennsylvania.

In all, the basin contains 13,539 square miles, draining parts of Pennsylvania (6,422 square miles or 50.3 percent of the basin's total land area); New Jersey (2,969 square miles, or 23.3%); New York (2,362 square miles, 18.5%); and Delaware (1,004 square miles, 7.9%). Included in the total area number is the 782 square-mile Delaware Bay, which lies roughly half in New Jersey and half in Delaware.

The natural drainage area of the Delaware River Basin crosses many man-made boundaries in addition to the four state lines already mentioned: 25 congressional districts, two Federal Emergency Management Agency (FEMA) regions, two Environmental Protection Agency (EPA) regions, five U.S. Geological Survey (USGS) offices, two National Weather Service (NWS) local forecast offices, 42 counties, and

838 municipalities. As I will discuss later, coordination of efforts is a critical need for flood loss reduction.

Nearly 15 million people (approximately five percent of the nation's population) rely on the waters of the Delaware River Basin for drinking and industrial use, but the watershed drains only four-tenths of one percent of the total continental U.S. land area. The 15 million figure includes about seven million people in the New York City area and northern New Jersey who live outside the basin. New York City gets roughly half its water from three large reservoirs located on tributaries in the upper Delaware region and the City of Philadelphia gets 100% of its water supply directly from the Delaware and Schuylkill rivers.

Congress and the President have included three reaches of the Delaware in the National Wild and Scenic Rivers System. One section extends 73 miles from the confluence of the river's East and West branches at Hancock, N.Y. downstream to Milrift, Pa.; the second is a 40-mile stretch from just south of Port Jervis, N.Y. downstream to the Delaware Water Gap near Stroudsburg, Pa. Both were added in 1978. The Lower Delaware Wild and Scenic Rivers Act, signed into law on November 1, 2000, added a 38.9-mile section of the main stem Delaware (and about 28 miles of selected tributaries) to the national system, linking the Delaware Water Gap and Washington Crossing, Pa., just upstream of Trenton, N.J. The Maurice River in New Jersey (a Delaware Bay tributary) and the White Clay Creek in Pennsylvania and Delaware (which flows into the Christina River, a tributary to the Delaware) also have been included in the national system. According to the National Park Service's web site, the U.S. has 3.5 million miles of rivers, but only 11,303 river miles (just over one-quarter of one percent) are included in the National Wild and Scenic Rivers System. *Given this fact, I believe it is truly noteworthy that about 153 miles, or three-quarters of the non-tidal Delaware River above Trenton, N.J., is now included in the National Wild and Scenic Rivers System.* Additionally, the Delaware Estuary -- the Delaware Bay and tidal reach of the Delaware River -- has been included in the National Estuary Program, a project set up to protect estuarine systems of national significance.

The DRBC is an interstate/federal compact agency with a mission to manage water resources without regard to political boundaries. There are five Commissioners – the governors of the four basin states and a two-star general in the U.S. Army Corps of Engineers who was appointed by the President as the federal government's representative. DRBC has regulatory, as well as management, planning and resource development authorities. The Compact creating the DRBC in 1961 marked the first time in our nation's history that the federal government and a group of states joined together as equal partners in a river basin planning, development and regulatory agency.

Commission programs include water quality protection, water supply allocation, regulatory review (permitting), water conservation initiatives, watershed planning, drought management, flood loss reduction, and recreation.

Three Delaware River Main Stem Floods in Two Years

As thousands of property owners and emergency responders are painfully aware, the Delaware River Basin has recently experienced three major floods -- September 2004, April 2005 and June 2006 -- over a period of less than two years.

Each flood event has been analyzed by the National Weather Service, which has found that the flooding was primarily the result of unusually heavy rain and/or snowmelt in the long, but relatively narrow watershed. During the most recent flood event in June 2006, rainfall totals at some locations in the western and northern portions of the basin totaled more than 15 inches over a seven-day period. According to precipitation frequency tables developed by the National Oceanic and Atmospheric Administration for the period of observed record (NOAA Atlas 14), the chance of rainfall of this magnitude is 1 in 700 in any given year. Large areas of the western and northern basin received over 10 inches of rain during the period – which is a 1 in 100 chance event.

I believe it is important to note that residents along the lower main stem of the Delaware witnessed a period of 41 years, from 1955 to 1996, without experiencing a major flood (reference exhibit A). While we do not yet know for certain how storm patterns are changing in response to climate change, the past two years have demonstrated that floods follow no predictable pattern. Climate change research appears to be pointing to more extreme precipitation cycles, whether they are wet or dry.

Flood Vulnerability

In the view of DRBC staff, flood vulnerability remains a chronic problem in Bucks County and throughout the entire basin, due in part to the sporadic nature of flooding, but also due to the ongoing insufficient funding of federal mitigation programs and cost-share formulas that are difficult for many local municipalities to meet.

Flood prone communities often find that the limited mitigation funds available are not adequate to acquire or elevate the residences and buildings that are repeatedly flooded. As a means for communities to graphically demonstrate their need for mitigation funding, DRBC staff have completed an analysis of repetitive and severe repetitive loss properties in the Delaware River Basin which can be found online at http://www.nj.gov/drbc/Flood_Website/floodclaims_home.htm. The analysis shows that Bucks County has the highest number of repetitive loss properties in the basin and that Yardley Borough is the second highest ranking municipality. For purposes of this hearing, DRBC staff completed a detailed analysis of Bucks County municipalities (reference exhibit B). The analysis shows that there are 561 repetitive loss properties in Bucks County that have received insurance claims totaling over $60 million through the National Flood Insurance Program (NFIP) for losses that occurred during the period of 01/01/1978-12/31/05. This analysis does not include claims from the recent June 2006 flood, nor does it include uninsured flood damage.

Flood Mitigation Suggestions from Citizens and Professionals

No one set of flood mitigation measures will stop flooding along the Delaware. The DRBC believes that many approaches should be considered and that a combination of measures will improve resiliency to flooding in the basin. The DRBC has received many varied mitigation suggestions from citizens and/or professionals through recent hearings and briefings that we would like to share with you. The suggestions fall into three categories: 1) Measures to lower existing flood levels; 2) Measures to reduce damage to existing structures; and 3) Measures to prevent flood damage from getting worse. Please note that some of the listed items fit into more than one of these categories.

1) Measures to lower existing flood levels
   - a) Completion and local adoption of FEMA-approvable flood and/or all hazards mitigation plans for municipalities
   - b) Construction of a main stem dam
   - c) Enlargement of existing or construction of new tributary dams
   - d) Creation of dedicated voids in water supply reservoirs
   - e) Removal of existing floodplain structures
   - f) Channel modifications
   - g) Stormwater retrofitting
   - h) Centralize flood control and operations responsibilities

2) Measures to reduce damage to existing structures
   - a) Completion and local adoption of FEMA-approvable flood and/or all hazards mitigation plans for municipalities
   - b) Acquisition and removal of floodplain structures
   - c) Elevation of floodplain structures
   - d) Levees and flood walls
   - e) Stormwater retrofitting
   - f) Continued improvement of the basin's flood warning system
   - g) River stage forecast mapping
   - h) Providing dam break inundation mapping to emergency managers
   - i) Flood insurance map modernization and updating
   - j) Local floodproofing such as backflow prevention
   - k) Provide better funding options for building elevations within the flood insurance program

3) Measures to prevent flood damage from getting worse
   - a) Completion and local adoption of FEMA-approvable flood and/or all hazards mitigation plans for municipalities
   - b) Toughen floodplain regulations to allow no new construction in floodplains
   - c) Maximum build-out assumption in the computation of flood discharge rates for flood insurance map updating
   - d) Implementation of stormwater best management practices (BMPs) for new construction
   - e) Maintain and improve dam safety programs
   - f) Debris clearing and channel maintenance
   - g) Consider climate change effects on future precipitation frequency

DRBC Flood Mitigation Recommendations

The DRBC is one of many organizations working to achieve flood loss reduction in the Delaware River Basin. One of the strengths of the DRBC is its ability to bring together various government and non-governmental stakeholders across jurisdictional boundaries for the shared interest of the watershed. Following the April 2005 flood, DRBC staff developed a set of flood loss reduction recommendations with inputs from the Commission's Flood Advisory Committee (FAC). The FAC is comprised of federal, state, and local organizations with flood loss reduction responsibilities and has served to coordinate multi-agency efforts to improve the basin's flood warning system and mitigate flood losses.

In response to ongoing public interest in basin flood loss reduction efforts, in May 2006 DRBC staff prepared a document, "Moving Forward to Reduce Flood Vulnerability in the Delaware River Basin" (reference exhibit C).

Following the June 2006 flood, DRBC staff reviewed the set of flood loss reduction recommendations previously prepared by the FAC and considered the citizen and professional input summarized earlier. Below is a series of ten recommendations that DRBC staff believe should be prioritized and implemented to reduce flood damage in the basin:

1) Encourage and support the completion and local adoption of FEMA-approvable flood and/or all hazards mitigation plans for all municipalities as required by the federal Disaster Mitigation Act of 2000. These plans form the basis for communities to receive cost-shared federal funds aimed at flood mitigation and are required to maintain eligibility for disaster mitigation funding. Both structural and non-structural mitigation options may comprise such plans. Once the planning is completed, increased funding is needed to implement the mitigation options listed in each plan.

2) Increase the priority of federal and state funding for building elevations and acquisitions in flood prone communities. The number of requests for elevations and acquisitions cannot be met with the existing level of funding, even where FEMA-approvable mitigation plans are in place.

3) Target FEMA map modernization funds to those municipalities where flood conditions have changed due to development. It is essential that the flood insurance program be defined by mapping that is based on the most current data available.

4) Strengthen and unify floodplain regulations basin wide. Encourage regulations to be consistent with the "No Adverse Impact" recommendations by the Association of State Floodplain Managers.

5) Implement best management practices (BMPs) for stormwater control. Consideration should be given to infiltration and retention of runoff onsite, use of swales instead of curbing, minimal impact landscaping, and limiting paved widths to those needed for safety.

6) Expand floodplain awareness and flood safety educational programs.

7) Strengthen flood warning in the basin by implementing recommendations developed through the input of flood warning and mitigation experts who comprise the DRBC's FAC. Some of the recommendations include:

- Expansion and maintenance of the USGS stream and precipitation gage network.
- Continued maintenance and further development of the Advanced Hydrologic Prediction Services (AHPS) by the National Weather Service.
- Increased funding to the National Weather Service, USGS, and U.S. Army Corps of Engineers for the development of flood stage forecast maps to be integrated with AHPS.

8) Develop a flood management/reservoir operating plan that accounts for all existing major reservoirs and includes potential flood mitigation by New York City's water supply reservoirs. Such a plan should not be expected to alleviate all future flooding but could provide a measure of additional flood mitigation by means of seasonal voids and forecast-based void management. Funding is needed to provide the technical support to develop such an operating plan. DRBC staff have outlined the need for a basin-wide rainfall/runoff and routing model to evaluate potential flood operating plans (reference exhibit D). Any plan that involves the use of water supply reservoirs inherently includes a reallocation of storage and must be unanimously agreed to by the parties to the 1954 U.S. Supreme Court Decree (four basin states and New York City).

9) Fully update and expand the 1984 Delaware River Basin Survey Report by the U.S. Army Corps of Engineers to include the entire non-tidal length of the Delaware River and its major tributaries. At this time, the State of New Jersey has committed to cost share a geographically limited update of this report. Greater funding will need to be secured in order to fully evaluate regional structural and non-structural options for flood mitigation.

10) Ensure funding for adequate maintenance of existing flood control structures. Consider new structures only when economically supported and consistent with recreational and ecological objectives.

NJ Governor's Flood Mitigation Task Force Draft Recommendations

Following the flood of April 2005, DRBC staff participated on the New Jersey Governor's Delaware River Flood Mitigation Task Force, which developed a draft report now under consideration by Governor Corzine. The recommendations in the draft report relate to community flood mitigation planning, flood warning, property acquisition, building elevation, and floodplain regulation and are available online at http://www.njflood.org/. The ten DRBC recommendations presented above are generally consistent with those presented in the draft task force report.

The draft task force report states that floodplains should be expected to flood. The Task Force concluded that no one set of measures, either alone or in combination, will completely stop flooding along the Delaware. In addition, it recommended that any studies for potential

mitigation projects should focus on local nonstructural and structural measures, rather than large structural projects on the main stem.

Case Study: A Success Story in Bucks County

Urbanization and more localized storm events have caused frequent tributary flooding for many years and mitigation along the Neshaminy Creek is now being addressed through effective county and federal cost-sharing efforts. The success of the Neshaminy flood mitigation program in Bucks County is an excellent example of effective federal and county cooperation to provide much-needed funding for flood mitigation. The program has been a cooperative effort of the county, Natural Resources Conservation Service (NRCS) and FEMA. According to Richard Manna, the County's Flood Mitigation Program Manager, this joint effort has led to the voluntary acquisition of 100 properties and the elevation of 45 homes, with 20 more homes in the engineering or contract process and another 40 signed up for elevation (*Intelligencer*, Doylestown, Pa., July 7, 2006).

Given this success, we also understand that the problems along the main stem Delaware River are larger in scope and will require significantly more funding for both local mitigation and any regional approaches that may apply.

Conclusion

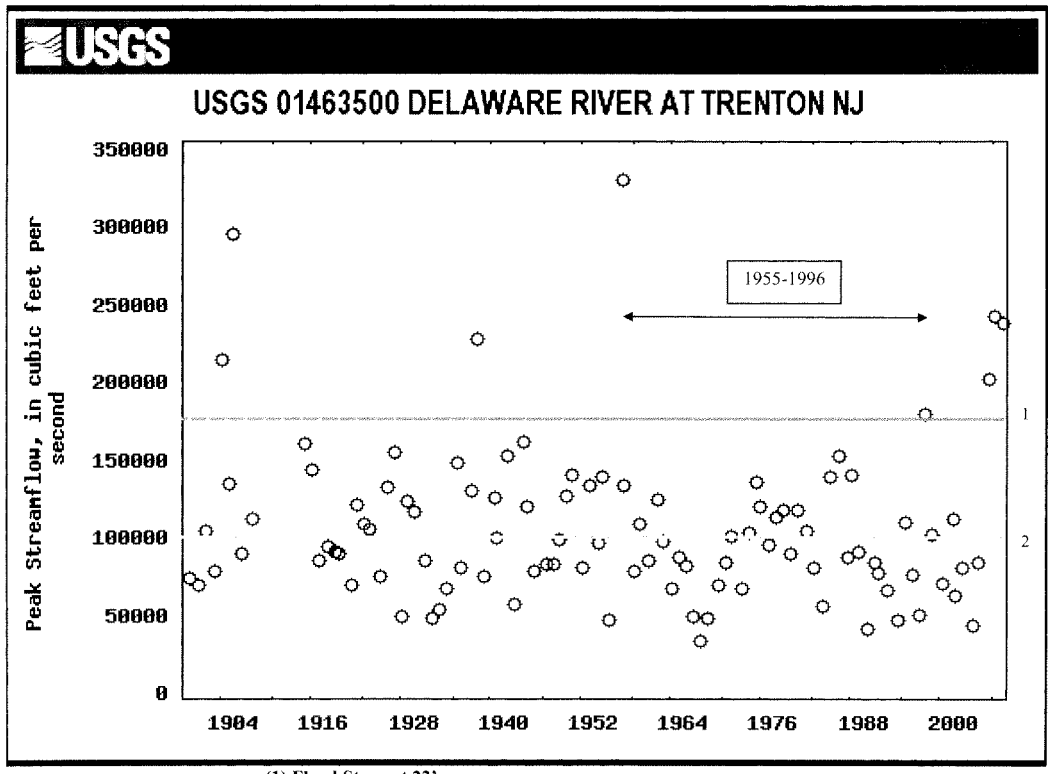
In the view of DRBC staff, funding priorities must be revised in order to implement mitigation options that will reduce long-term risks to loss of life and property from flooding. Even the DRBC has had to deal with the loss of federal funding support of its annual operating budget, which has limited the agency's flood loss reduction efforts. It is only through a re-prioritization of federal funds that the money will be adequate to seriously move forward with solutions.

Furthermore, multiple approaches to flood mitigation are needed to improve resiliency to flooding. Communities must be encouraged to complete and locally adopt their all hazards mitigation plans. Effective mitigation will require the cooperation and coordination of residents, elected officials and all federal, state and local agencies with flood mitigation responsibilities. Additionally, expansion of floodplain awareness and strengthened floodplain regulations basin-wide will allow for better planning and stricter protection of floodplains in the future.

We believe that most agencies and organizations involved in flood loss reduction are committed to ending the damage/personal loss/rebuild cycle that has been allowed to continue in the floodplains, and that strong measures and adequate funding are needed to end this cycle and ultimately reduce long term flood damage costs.

Thank you for your time. I'll now take any questions that you may have.

Exhibit A: Peak Streamflow of the Delaware River at Trenton for the Period of Record



(1) Flood Stage at 22'
(2) Bank Full at 18'

Exhibit B

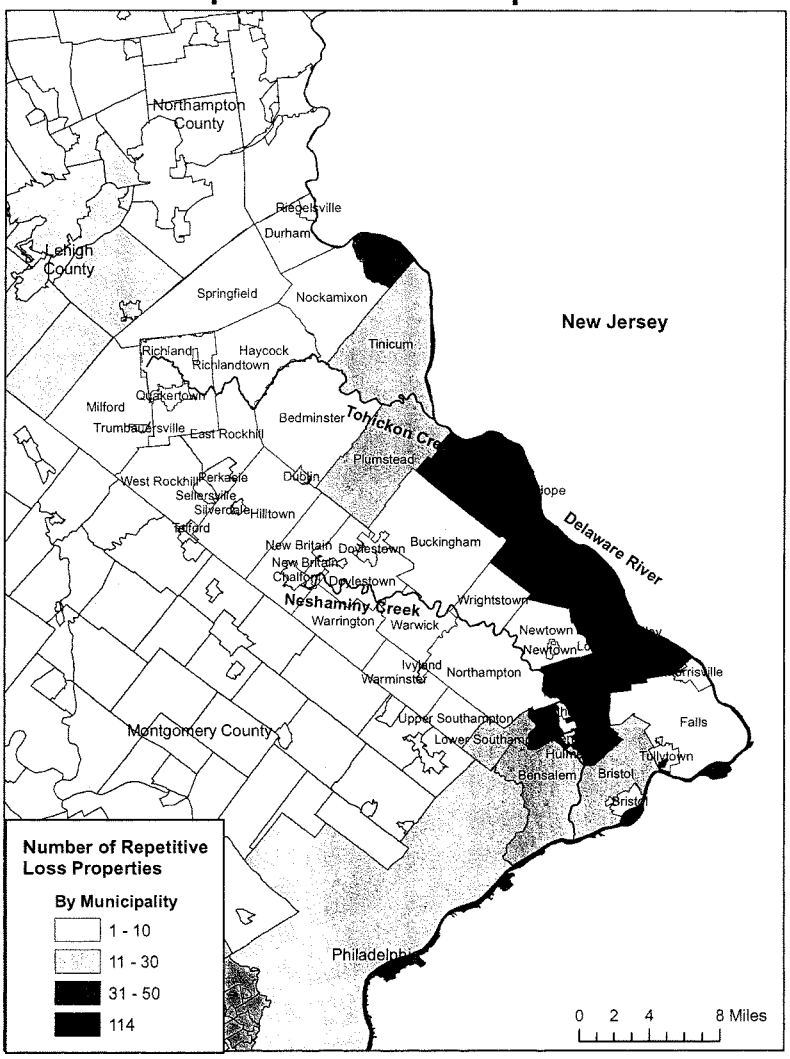
-Draft, Subject to Change-

Analysis of Repetitive and Severe Repetitive Loss Properties in Bucks County

National Flood Insurance Program (NFIP) Claims for the Period of Record

Source: Federal Emergency Management Agency (FEMA)
Prepared by Delaware River Basin Commission
June 2006

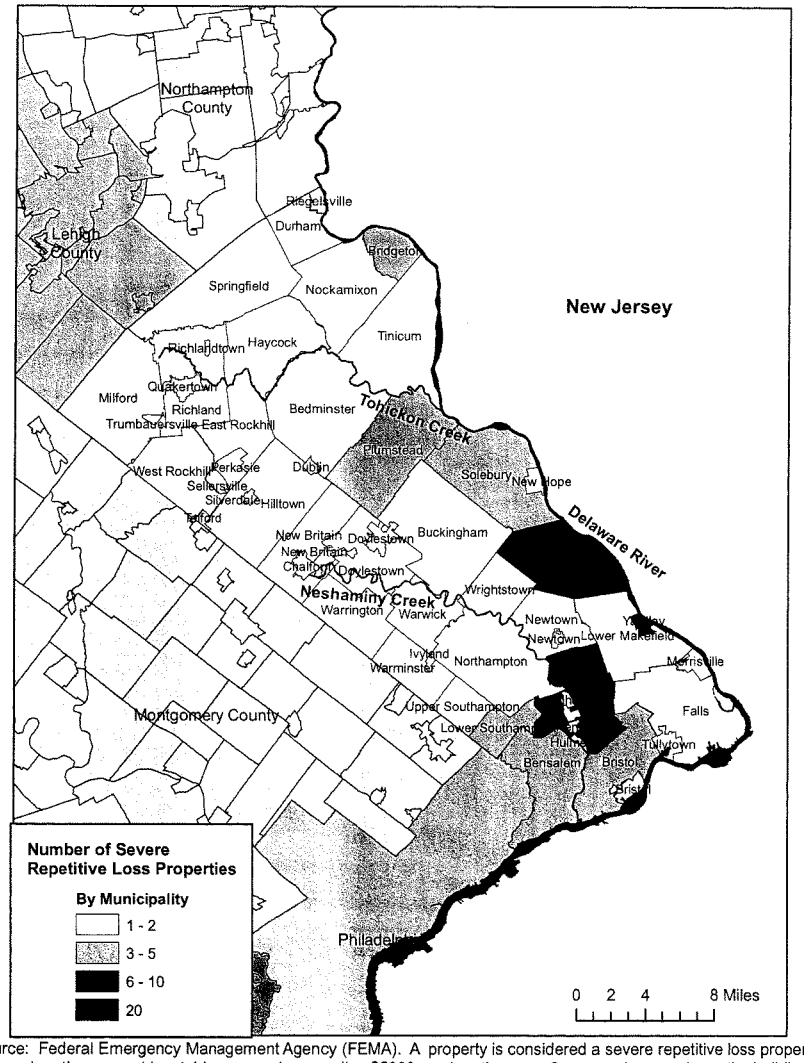
Bucks County, Pennsylvania
Repetitive Loss Properties



Source: Federal Emergency Management Agency (FEMA). A property is considered a repetitive loss property when there are 2 or more losses reported which were paid more than $1,000 for each loss. The 2 losses must be within 10 years of each other and be at least 10 days apart. Losses from 01/01/1978 - 12/31/05 that are closed are considered.

Prepared by Delaware River Basin Commission Staff, June 2006. Draft, subject to change.

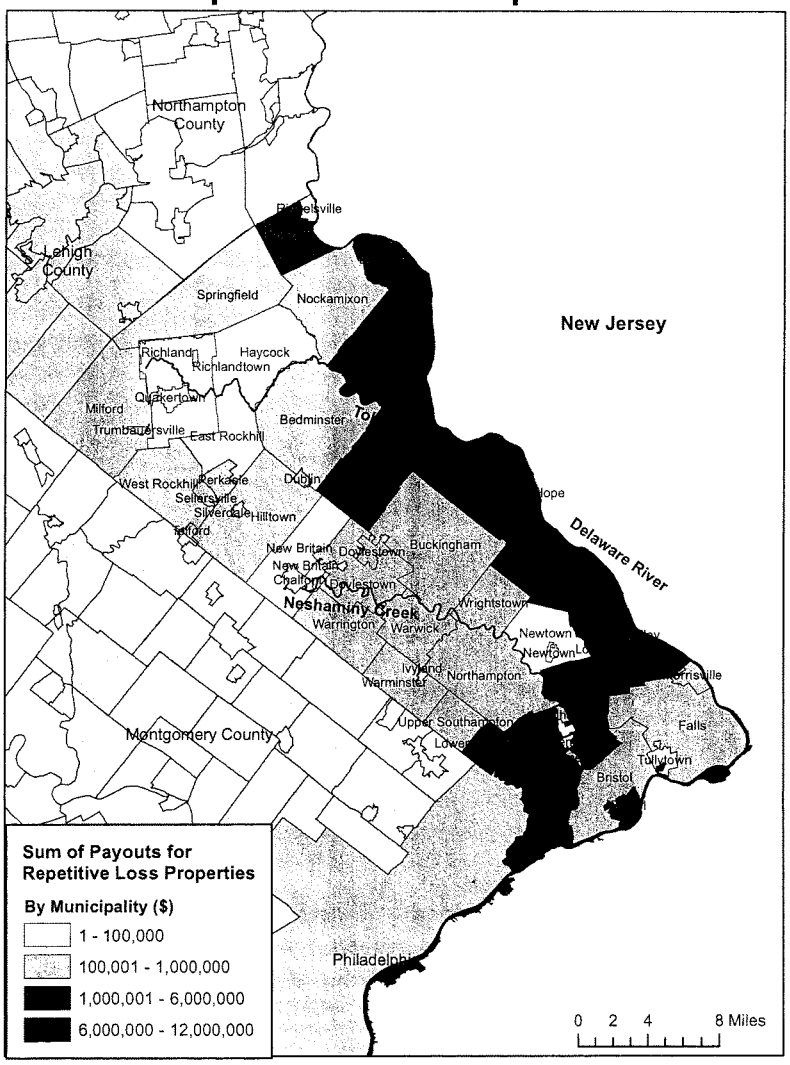
Bucks County, Pennsylvania
Severe Repetitive Loss Properties



Source: Federal Emergency Management Agency (FEMA). A property is considered a severe repetitive loss property either when there are at least 4 losses each exceeding $5000 or when there are 2 or more losses where the building payments exceed the property value. Losses from 01/01/1978 - 12/31/05 that are closed are considered.

Prepared by Delaware River Basin Commission Staff, June 2006. Draft, subject to change.

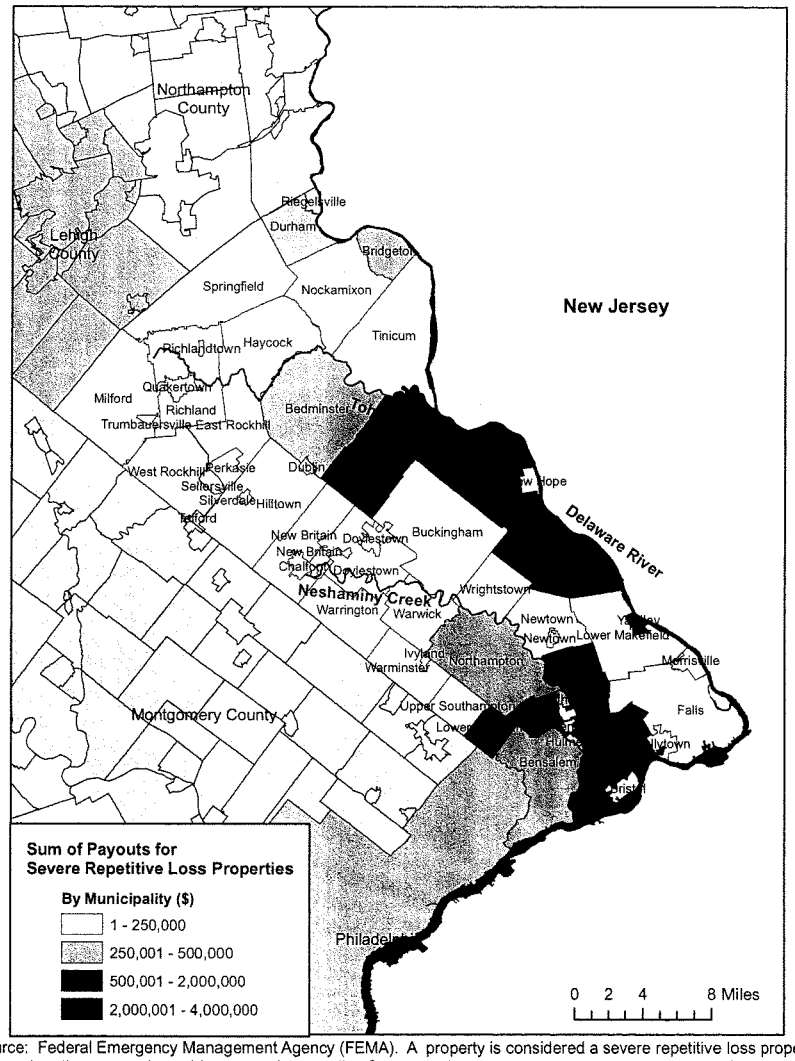
Bucks County, Pennsylvania
Repetitive Loss Properties



Source: Federal Emergency Management Agency (FEMA). A property is considered a repetitive loss property when there are 2 or more losses reported which were paid more than $1,000 for each loss. The 2 losses must be within 10 years of each other and be at least 10 days apart. Losses from 01/01/1978 - 12/31/05 that are closed are considered.

Prepared by Delaware River Basin Commission Staff, June 2006. Draft, subject to change.

Bucks County, Pennsylvania
Severe Repetitive Loss Properties



Source: Federal Emergency Management Agency (FEMA). A property is considered a severe repetitive loss property either when there are at least 4 losses each exceeding $5000 or when there are 2 or more losses where the building payments exceed the property value. Losses from 01/01/1978 - 12/31/05 that are closed are considered.

Prepared by Delaware River Basin Commission Staff, June 2006. Draft, subject to change.

National Flood Insurance Program (NFIP)
Repetitive Loss Properties in Bucks County

Municipality	County	State	Number of Repetitive Properties	Total Payouts for Repetitive Properties
Yardley Borough	Bucks	Pennsylvania	114	$11,769,573.33
Upper Makefield Township	Bucks	Pennsylvania	48	$6,824,227.10
New Hope Borough	Bucks	Pennsylvania	43	$5,665,211.93
Bridgeton Township	Bucks	Pennsylvania	34	$3,422,925.96
Middletown Township	Bucks	Pennsylvania	34	$2,826,461.58
Solebury Township	Bucks	Pennsylvania	33	$5,421,047.90
Lower Makefield Township	Bucks	Pennsylvania	32	$1,766,181.65
Bensalem Township	Bucks	Pennsylvania	31	$1,294,512.35
Tinicum Township	Bucks	Pennsylvania	26	$3,330,354.36
Plumstead Township	Bucks	Pennsylvania	25	$3,450,345.86
Lower Southampton Township	Bucks	Pennsylvania	21	$1,722,491.39
Bristol Township	Bucks	Pennsylvania	13	$977,407.20
Durham Township	Bucks	Pennsylvania	11	$1,187,350.50
Hulmeville Borough	Bucks	Pennsylvania	11	$741,365.85
Warrington Township	Bucks	Pennsylvania	10	$576,833.28
Upper Southampton Township	Bucks	Pennsylvania	8	$552,896.92
Langhorne Borough	Bucks	Pennsylvania	7	$682,101.00
Falls Township	Bucks	Pennsylvania	7	$160,491.92
Bristol Borough	Bucks	Pennsylvania	5	$3,223,358.70
Nockamixon Township	Bucks	Pennsylvania	5	$661,252.65
Northampton Township	Bucks	Pennsylvania	5	$572,777.81
Sellersville Borough	Bucks	Pennsylvania	5	$417,707.59
Doylestown Borough	Bucks	Pennsylvania	4	$436,497.22
Warminster Township	Bucks	Pennsylvania	4	$210,641.64
Riegelsville Borough	Bucks	Pennsylvania	4	$144,084.82
Perkasie Borough	Bucks	Pennsylvania	3	$740,785.86
Bedminster Township	Bucks	Pennsylvania	3	$443,378.47
Morrisville Borough	Bucks	Pennsylvania	2	$492,963.64
Springfield Township	Bucks	Pennsylvania	2	$133,755.30
Wrightstown Township	Bucks	Pennsylvania	2	$119,549.60
West Rockhill Township	Bucks	Pennsylvania	2	$86,125.91
Doylestown Township	Bucks	Pennsylvania	2	$18,626.91
Warwick Township	Bucks	Pennsylvania	1	$88,149.94
Buckingham Township	Bucks	Pennsylvania	1	$45,146.94
Hilltown Township	Bucks	Pennsylvania	1	$27,966.95
Milford Township	Bucks	Pennsylvania	1	$21,364.25
New Britain Township	Bucks	Pennsylvania	1	$3,080.31
		Total:	**561**	**$60,258,994.59**

Note: Claims represented include closed claims for dates of loss listed 01/01/1978 - 12/31/2005.
Source: Federal Emergency Management Agency (FEMA).
Prepared by Delaware River Basin Commission, June 2006.

National Flood Insurance Program (NFIP)
Severe Repetitive Loss Properties in Bucks County

Municipality	County	State	Number of Severe Repetitive Properties	Total Payouts for Severe Repetitive Properties
Yardley Borough	Bucks	Pennsylvania	20	$3,990,966.05
Middletown Township	Bucks	Pennsylvania	10	$1,300,203.76
Upper Makefield Township	Bucks	Pennsylvania	9	$2,458,418.28
Solebury Township	Bucks	Pennsylvania	5	$2,313,756.45
Plumstead Township	Bucks	Pennsylvania	5	$1,556,052.70
Lower Southampton Township	Bucks	Pennsylvania	5	$574,345.91
Bensalem Township	Bucks	Pennsylvania	4	$455,074.93
Bristol Township	Bucks	Pennsylvania	3	$631,699.07
Bridgeton Township	Bucks	Pennsylvania	3	$461,536.82
Northampton Township	Bucks	Pennsylvania	2	$333,332.21
Lower Makefield Township	Bucks	Pennsylvania	2	$234,726.63
Tinicum Township	Bucks	Pennsylvania	2	$226,214.74
Hulmeville Borough	Bucks	Pennsylvania	2	$220,437.68
Bedminster Township	Bucks	Pennsylvania	1	$392,500.49
Langhorne Borough	Bucks	Pennsylvania	1	$268,886.20
Durham Township	Bucks	Pennsylvania	1	$260,332.12
Morrisville Borough	Bucks	Pennsylvania	1	$245,557.67
New Hope Borough	Bucks	Pennsylvania	1	$196,252.38
Nockamixon Township	Bucks	Pennsylvania	1	$137,855.25
Wrightstown Township	Bucks	Pennsylvania	1	$79,394.58
West Rockhill Township	Bucks	Pennsylvania	1	$75,674.80
		Total	**80**	**$16, 413, 219**

Note: Claims represented include closed claims for dates of loss listed 01/01/1978 - 12/31/2005.
Source: Federal Emergency Management Agency (FEMA).
Prepared by Delaware River Basin Commission, June 2006.

Exhibit C

Delaware River Basin Commission
DELAWARE · NEW JERSEY
PENNSYLVANIA · NEW YORK
UNITED STATES OF AMERICA

Moving Forward To Reduce Flood Vulnerability in the Delaware River Basin

The Delaware River Basin Commission (DRBC) is one of many organizations working to achieve flood loss reduction throughout the basin. We recognize that flood vulnerability remains a chronic problem along the Delaware River and its tributaries. We also understand that floodplain residents are faced with difficult choices and limited options primarily due to the lack of funding to remedy the problem.

The DRBC's experience is that the approach to dealing with flood losses has shifted away from constructing new dams and levees to local measures such as property acquisition, flood proofing, floodplain regulation, and stormwater management. The major reasons for this shift are:

- lack of sufficient federal funding;
- local cost-sharing requirements needed to secure federal money;
- the ecologic and recreational value of special features, such as scenic river corridors; and
- the increasing view by many water resources professionals that floodplains perform an important natural function and should be managed as a resource rather than be filled, diked or dammed.

These factors have combined to drastically change the Water Resources Plan for the Delaware Basin from the structurally oriented plan it was in 1962, featuring Tocks Island Dam as its centerpiece, to the more ecologically balanced plan of today. This plan was developed through consensus of a broad range of water resource interests and can be viewed on the DRBC web site at www.nj.gov/drbc/basinplan.htm.

While additional large structural measures to reduce flooding could be physically effective, their funding and construction would require much stronger public and political support in the Delaware River Basin, along with major funding contributions from state or local governments. The funding necessary to perform even basic feasibility studies of alternatives is scarce. Following the April 2005 flood, the DRBC has been recommending that the U.S. Army Corps of Engineers' 1984 Delaware Basin Study be updated. The 1984 report screened and eliminated all of the large structural measures considered at that time, but did recommend some local non-structural measures. An update might allow reconsideration of all types of projects. However, given the scenic river designation of the Delaware and continuing funding issues, it appears unlikely that any new large-scale structural project can be counted on to reduce future flood levels on the Delaware.

In the absence of any new large-scale structural projects, management of existing water supply facilities to assist in mitigating flood peaks is supported by the DRBC, so long as it does not conflict with the water supply use of the facility.

The 1961 compact creating the DRBC gave the agency broad powers to manage water resources in the basin. However, these powers were limited in matters related to the 1954 U.S. Supreme

Court Decree which apportioned the waters of the basin between the New York City and the down basin states. The compact specifies that the commission may not adopt modifications to the decree formula without the unanimous agreement of the five decree parties (New York State, Pennsylvania, New Jersey, Delaware, and New York City). Although the DRBC does not have the authority to unilaterally require storage limits or voids in the three New York City reservoirs (Cannonsville, Pepacton, and Neversink), we do provide important technical support and administrative services to the decree parties in their evaluation of potential spill reduction programs.

The DRBC commends the five decree parties for taking action in November 2005 to provide a snowpack-based void in the Pepacton and Neversink reservoirs, and supports implementation of that program to the maximum extent possible without adversely affecting water supply to the city or downstream dry weather releases.

After the April 2005 flood, DRBC staff provided a series of ten recommendations which we believe should be implemented to reduce flood damage in the basin. Foremost among these is a recommendation for all basin communities to prepare and adopt hazard mitigation plans to identify their highest priority projects for future flood mitigation funds. While these funds continue to be limited, the plans are required for communities to be eligible for financial assistance under the federal Disaster Mitigation Act of 2000. The ten recommendations can be viewed at www.nj.gov/drbc/Flood_Website/10ptsJuly2005.pdf.

The risk of flooding is always present, but the damage occurs only during sudden, sometimes catastrophic, events. The nature of flooding has contributed to the difficulty in securing a steady stream of funds to address it. Even the DRBC has had to deal with the loss of federal funding support of its annual operating budget, which has limited the agency's flood loss reduction efforts. It is only through a re-prioritization of federal funds that the money will be adequate to seriously move forward with solutions – regardless of the measures employed. We encourage any citizen, or organized group of citizens, to raise this funding issue with federal and state legislators.

The DRBC will continue to work with representatives from the Federal Emergency Management Agency (FEMA), state emergency management offices, the Corps of Engineers, the U.S. Geological Survey (USGS), the National Weather Service, and other agencies/organizations to raise flood awareness, improve flood warning programs, seek additional funds directed at flood mitigation planning, and reduce overall flood risk throughout the basin. We invite you to visit our web site at www.drbc.net which offers a lot of information about flood warning and other flood-related programs.

Carol R. Collier
Executive Director
Delaware River Basin Commission

May 2006

Exhibit D

DEVELOPMENT OF A FLOOD ANALYSIS MODEL FOR THE DELAWARE RIVER BASIN

Yardley, Pennsylvania, June 2006

The Delaware River Basin has seen three such floods in less than two years.

Goal:

To develop a basinwide, coordinated flood management/reservoir operating plan that takes advantage of all existing reservoirs. Such a plan could provide a measure of flood mitigation by means of seasonal voids and forecast-based void management. The plan would work in conjunction with the basin's drought management plan that controls reservoir operations during drought conditions, preserving scarce resources while meeting water supply needs. Development of any flood management plan would require approval by the Parties to the 1954 U.S. Supreme Court Decree and DRBC Commissioners.

Need for a New Tool:

Development of a basinwide flood management plan will require development of a new flood routing computer model. Development of such a model will allow for:

- An analysis of alternative reservoir operations and storm events to test the feasibility and effects of various proposals.
- An analysis of the impacts of development on stormwater runoff, as well as impacts of changing rainfall patterns.

Benefit of such a Model:

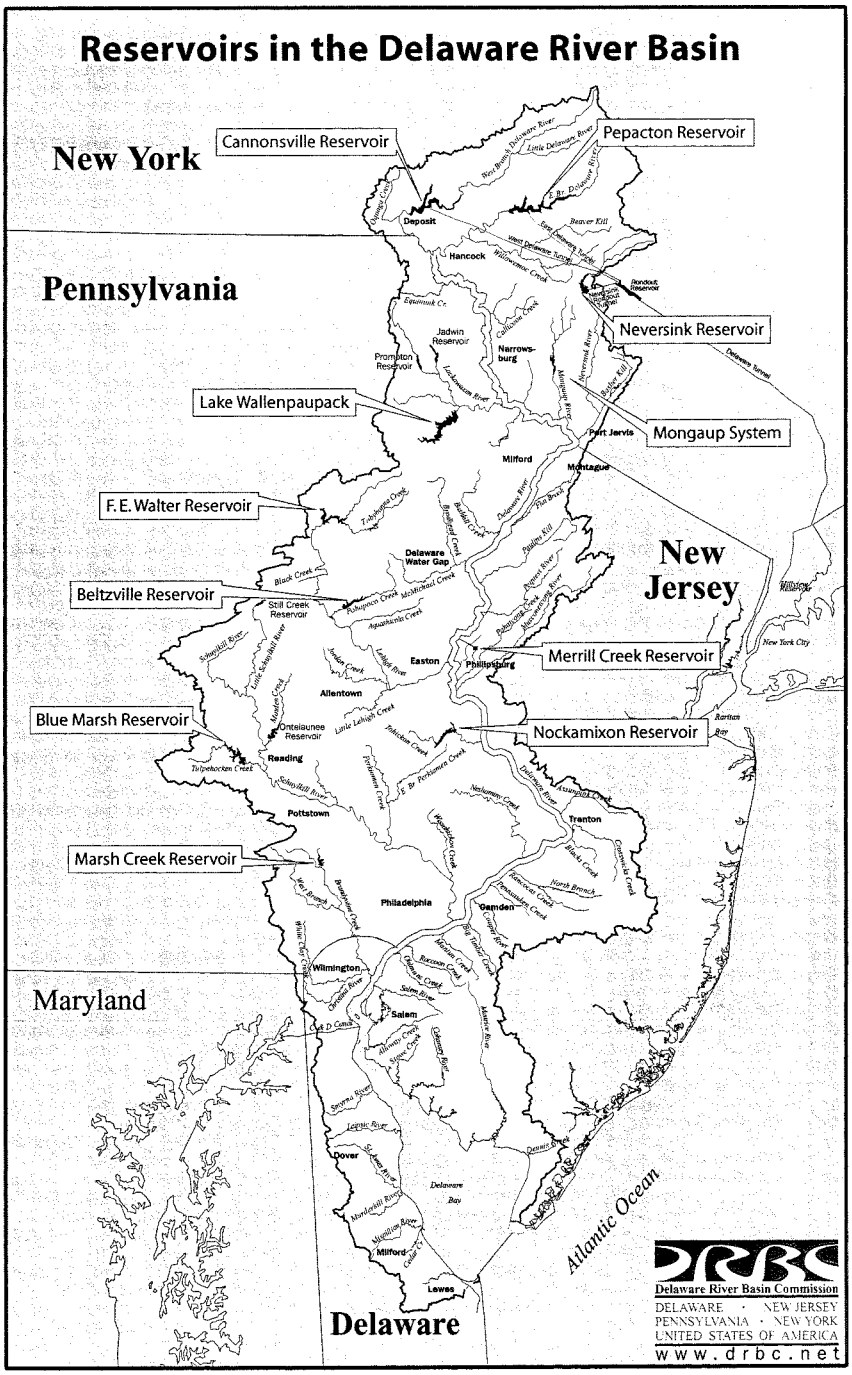
- It will allow DRBC staff to provide the necessary technical support for the development of a flood management plan for the basin's reservoirs.
- It will allow evaluation of how reservoir voids of varying magnitude can serve to mitigate impacts of flooding at locations downstream from the reservoirs.

Time and Cost Estimates:

- Development of a flood analysis model and associated databases is estimated to cost **$500,000**.
- A one-time direct grant to DRBC would provide the most flexibility and efficiency to complete the project in about **18 months**.

Delaware River Basin Commission

July 31, 2006


Reservoirs in the Delaware River Basin
New York
Pennsylvania
New Jersey
Maryland
Delaware
Cannonsville Reservoir
Pepacton Reservoir
Neversink Reservoir
Lake Wallenpaupack
Mongaup System
F.E. Walter Reservoir
Beltzville Reservoir
Merrill Creek Reservoir
Blue Marsh Reservoir
Nockamixon Reservoir
Marsh Creek Reservoir
Deposit
Hancock
Jadwin Reservoir
Promilton Reservoir
Narrowsburg
Milford
Montague
Port Jervis
Delaware Water Gap
Still Creek Reservoir
Easton
Phillipsburg
Allentown
Ontelaunee Reservoir
Reading
Pottstown
Trenton
Philadelphia
Camden
Wilmington
Salem
Dover
Lewes
Atlantic Ocean
Delaware River Basin Commission
DELAWARE · NEW JERSEY
PENNSYLVANIA · NEW YORK
UNITED STATES OF AMERICA
www.drbc.net

Written Testimony of Laurence D. Keller
Mayor of New Hope Borough, Bucks County, Pa.
U.S. House of Representatives
Committee on Financial Services
Field Hearing at Yardley Community Center
August 15, 2006

I wish to thank Chairman Oxley, Representative Frank, Representative Fitzpatrick and the honorable members of this Committee for inviting me to testify today. The subject of this hearing, "A Look at the National Flood Insurance Program and Flood Mitigation Efforts: Is Bucks County, Pennsylvania Ready for Another Flood?" is a topic of vital interest to the New Hope community that I represent. By the way, the short answer to the Committee's question is "no."

My name is Laurence Keller and I am the Mayor of New Hope Borough. New Hope, which encompasses an area of about 1.2 square miles, is located in Bucks County, Pennsylvania approximately 40 miles north of Philadelphia and across the river from the City of Lambertville, New Jersey. The Delaware River and Canal are the dominant physical features, defining the town's eastern border and providing unique scenic, historic, cultural, and recreational amenities for our residents and the many visitors who arrive each year.

Pursuant to The Borough Code of the Commonwealth of Pennsylvania, I am responsible for protecting and preserving public safety and for participating with Council in the declarations of local disaster emergencies. Gentlemen, I have signed three disaster emergency proclamations since September 2004, and all resulted from severe flood conditions along the Delaware River. According to data supplied by National Weather Service, three of the most severe floods in the history of the Delaware River in New Hope occurred in the period of September 2004 through

June 2006, a period of less than two years. In terms of the historical crests of the Delaware River dating back to 1841, the three recent floods rank third, fourth, and eighth. Without a doubt, the frequency and severity of floods along the Delaware River are increasing, as are the corresponding damage to property and the threat to human life.

The Committee has expressed an interest in evaluating the response of the Federal Emergency Management Agency (FEMA) and the National Flood Insurance Program (NFIP) to the recent floods in New Hope. First, FEMA has not played a role in providing or supplementing emergency response efforts either in preparation for, or during a flood event. Local emergency services personnel, consisting mostly of dedicated volunteers, demonstrated both competence and professionalism in managing these key aspects of the local emergency operations plan. Second, with respect to FEMA's role in the recovery process, I have received very few complaints from property owners, tenants, and the business community. It appears that FEMA has performed its job admirably with respect to providing financial assistance to those in need. Third, most importantly for New Hope, FEMA is tasked with the responsibility to administer federal grant programs related to the mitigation of hazards in our communities. The programs include the Hazard Mitigation Grants and Flood Mitigation Assistance Grants. These funds may be used by local communities for hazard mitigation retrofitting projects, including elevating structures, acquiring badly damaged flood prone properties, and certain structural improvements such as levees and dams.

Gentlemen, this is where we need your help. The Hazard Mitigation Grant Program is limited to an expenditure of only 7.5% of the funds expended on public and individual assistance as the result of a declared emergency. Until recently, the amount set aside by the federal government totaled 15%. The federal contribution is matched by 25% in state and/or local funds. Unfortunately, the dollar amount of grant funds available under this program is sorely inadequate and fails to provide significant relief to flood damaged communities. In addition, the paltry funds that are available are restricted by federal and state program preferences to acquisition of flood damaged properties. No significant funds are available for elevation, which is the preference of the great majority of New Hope property owners who live in flood damaged areas.

My comments on the Flood Mitigation Assistance Grant Program will be limited, just as the funding for this program is limited. In fiscal year 2005 the total federal appropriation nationwide for this program was $60,000,000. Pennsylvania received only about $350,000 of this total.

The second part of the Committee's inquiry deals with the effectiveness of the National Flood Insurance Program (NFIP). I can offer little useful information on this program. However, I can inform you that the Borough of New Hope participates in this program and that the Borough's floodplain management ordinance complies with all program requirements of the NFIP and the Commonwealth.

In terms of identifying issues with the NFIP, there is an apparent discrepancy between the model FEMA floodplain management ordinance that serves as a guide to municipalities throughout the nation and NFIP regulations. The model FEMA ordinance defines "substantial damage" as damage amounting to 50% or more of the market value of a structure as the result of a flood. On the other hand, NFIP regulations allow a determination of "substantial damage" to result from one or more floods over an extended period of time. The significance of this apparent discrepancy is that a property owner, who sustains "substantial damage," may qualify for an Increased Cost of Compliance (ICC) benefit, which is currently set at $30,000, to retrofit, including elevation, a structure to protect against future flood damage. The model FEMA ordinance should be amended to be consistent with this NFIP standard.

Another problem with the NFIP is the standard used to assess "substantial damage." The regulation states that the structure must receive damage amounting to 50% or more of its "market value." First, it is difficult to determine the market value of a structure divorced from the value of the underlying land. Second, in an inflated real estate market, it is often difficult to reach this 50% threshold. Consideration should be given to changing this standard to one based on "construction cost" rather than "market value."

The Committee's last question asks what is being accomplished by federal, state, and county governments to mitigate future flood damage. Based on my testimony to this point, the answer to the question is little or nothing. However, I would like to clarify this dour assessment by stating that there is very little that the Commonwealth and Bucks County governments can accomplish, given the regional scope of this problem. Flooding along the Delaware River affects four states. Consequently, the problem is one that requires federal leadership and resources to solve.

For what they are worth, here are my recommendations to the Committee.

1. The national government must adopt an active leadership position in assessing and mitigating flood conditions along the Delaware.
2. The federal government, in cooperation with the four states that comprise the river basin area, should commission a comprehensive study of the Delaware River (i.e., The Mid-Delaware River Basin Study) to determine the causes of flooding and to develop options to reduce or eliminate flood conditions.
3. FEMA should give high priority to updating floodplain maps along the Delaware. These maps are based on pre-1985 studies, are hopelessly outdated, and may be contributing to the flood conditions.
4. The federal government should significantly increase the funds available to states and municipalities for flood mitigation projects, especially elevation project. Property owners in New Hope do not want buy-outs; they desire to elevate their homes and businesses to get out of harm's way.
5. All parties should work closely with, and provide needed funding for the Delaware River Basin Commission (DRBC) to carefully assess the use of water supply reservoir capacity for flood storage. The coordination of reservoir operations may contribute significantly in the short-term towards reducing the severity and frequency of flood events along the Delaware River. The DRBC is a multi-state and federal agency and offers an existing framework for flood mitigation efforts.

I appreciate the opportunity to testify today and will be happy to answer any questions.

Independent Insurance Agents
& Brokers of America, Inc.

STATEMENT OF GEORGE KOMELASKY
ON BEHALF OF THE
INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

August 15, 2006

Good morning Chairman Oxley, Congressman Fitzpatrick, and Members of the Committee. My name is George Komelasky, and I am pleased to be here today on behalf of the Independent Insurance Agents & Brokers of America (IIABA) to provide my association's perspective on efforts to reform the National Flood insurance Program (NFIP). I am also Vice President of Paist & Noe, Inc., an independent agency based in Richboro, Pennsylvania which offers a broad array of insurance products, including flood insurance, to consumers and commercial clients in Pennsylvania and beyond. I am currently Chairman of the Insurance Agents and Brokers of Pennsylvania, the State affiliate of the IIABA. I am a Township Supervisor in Northampton Township for more than 20 years and have been a Bucks County resident for over 30 years.

IIABA is the nation's oldest and largest trade association of independent insurance agents and brokers, and we represent a nationwide network of more than 300,000 agents, brokers, and employees. IIABA represents independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer all lines of insurance – property, casualty, life, health, employee benefit plans, and retirement

products. It is from this unique vantage point that we understand the capabilities and challenges of the insurance market when it comes to insuring against flood risks.

IIABA believes that the NFIP provides a vital service to people and places that have been hit by a natural disaster. The private insurance industry has been, and continues to be, largely unable to underwrite flood insurance because of the catastrophic nature of these disasters. Therefore, the NFIP is virtually the only way for people to protect against the loss of their home or business due to flood loss. Prior to the introduction of the Program in 1968, the Federal Government spent increasing sums of money on disaster assistance to flood victims. Since then, the NFIP has saved disaster assistance money and provided a more reliable system of payments for people whose properties have suffered flood damage. It is also important to note that for almost two decades, up until the last hurricane season, no taxpayer money has been used to support the NFIP; rather, the NFIP has been able to support itself using the funds from the premiums it collects ever year.

Under the NFIP program, independent agents play a vital role in the delivery of the product through the Write Your Own (WYO) system. Independent agents serve as the sales force of the NFIP and the conduits between the NFIP, the WYO Companies, and the consumers. This relationship provides independent agents with a unique perspective on the issues surrounding flood insurance, yet also means that the role of the insurance agent in the delivery process of flood insurance is considerably more complex than that of traditional property/casualty lines. Agents must possess a higher degree of knowledge and expertise than their non-NFIP participating counterparts, which requires attending and updating their continuing education credits through flood conferences and seminars, many of which are not offered within their state of domicile. This is done regularly and involves traveling to different regions of the country, costing personal time and money. Every agent assumes these responsibilities voluntarily and does so as part of being a professional representative of the NFIP. In an effort to bring the education process to as many people as possible, our State association has begun to provide internet based seminars conducted by nationally recognized flood insurance expert Rita Hollada. This training has been extremely popular and a tremendous tool. We believe in the effectiveness of the Program and would like to see it continue and offer consumers even greater protections in the years ahead.

However, no Program is perfect, which was made all the more clear by last year's devastating hurricane season and the unpredictable weather patterns here in Bucks County Pennsylvania, where there have been three major flood events in just the last 18 months. This increased flooding activity in such a short period of time has highlighted some of the deficiencies of the program and has strained government resources. While IIABA is confident that the NFIP will recover, it is important that Congress shore up the NFIP's financial resources and use this opportunity to enact needed reforms to ensure the long-term sustainability of the program.

For this reason, the IIABA is strongly supportive of your Committee's legislation, H.R. 4973, the Flood Insurance Reform and Modernization (FIRM) Act of 2006. In November, 2005, the IIABA released a 23-point plan for reform to restore the NFIP to

sound actuarial footing, and we are extremely pleased to see a number of IIABA recommended provisions in your legislation.

In particular, the increase of the NFIP's borrowing authority has been a top issue for independent insurance agents & brokers. The Federal Emergency Management Agency (FEMA) distributed a memo to Write-Your-Own companies last November informing them that lines of credit were suspended until further Congressional action regarding an extension of borrowing authority. With claims expected to exceed $23 billion, extended borrowing authority was necessary in order to meet consumer needs. The initial borrowing limit of $1.5 billion from the U.S. Treasury was extended by Congress in the immediate wake of Hurricanes Katrina and Rita, but even this extension was inadequate to meet the anticipated claims. Mr. Chairman and Congressman Fitzpatrick, your efforts to increase the borrowing authority of the NFIP are vital to ensure the continued payout of promised monies to consumers, and the IIABA applauds you both for your efforts to ensure that the U.S. Government delivers on this promise.

The inclusion of optional business interruption coverage is also crucial to Big "I" members and their commercial customers, many of whom lost their businesses in the area affected by the hurricanes last year. Business interruption coverage, and the security and peace of mind it provides, is crucial to our members and to small businesspeople across America.

Also chief among our recommendations, and present in your bill, are provisions that would increase the maximum coverage limits and also include additional living expenses coverage for residential policies.

The IIABA is very pleased that the House has moved forward on comprehensive flood insurance reform and passed your Committee's legislation. The Flood Insurance Reform and Modernization Act of 2006 is critical towards ensuring the long-term stability of the vital National Flood Insurance Program (NFIP). The NFIP is essential to Americans and to the U.S. economy and we strongly support your efforts to update it to reflect today's risks. Adopting the reforms found in H.R. 4973 would make the NFIP more actuarially sound and more effective at serving both consumers and taxpayers. We are also strongly supportive of your efforts to include the optional coverage of business interruption insurance, additional living expenses, and increasing the maximum coverage limits.

I thank the Committee for giving me the opportunity to express the views of the IIABA on this important Program. I hope very much that this hearing will contribute to additional action taken by the Congress to pass their flood insurance reforms and to ensure prosperous growth and stability of the National Flood Insurance Program.

Testimony of
David I. Maurstad
Director and Federal Insurance Administrator
Mitigation Division
Federal Emergency Management Agency
Department of Homeland Security
Before
The United States House of Representatives
Committee on Financial Services
August 15, 2006

Good morning Chairman Oxley, Ranking Member Frank, and Members of the Committee. I am David Maurstad, Mitigation Division Director and Federal Insurance Administrator for the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security. I appreciate the opportunity to appear today before the Committee to discuss FEMA's Mitigation Strategy and the National Flood Insurance Program (NFIP).

After three declared flood events in Pennsylvania and Bucks County in the past 21 months, I am pleased to say that the Mitigation Division – through FEMA's Region III Office in Philadelphia – has worked well with Pennsylvania State and local government officials to effectively carry out an integrated Mitigation Strategy of Analyzing Risk, Reducing Risk, and Insuring Against Risk.

In the Risk Analysis arena, our experts coordinate with State and local officials to constantly collect, study, and distribute pre- and post-event data, carry out technical activities, and develop relevant policy and guidance as needed. For instance, the Federal Coordinating Officer in Harrisburg's Joint Field Office recently allocated $1 million for FEMA Region III to work with the Pennsylvania Emergency Management Agency, the Delaware River Basin Commission and others to reevaluate the flood risk along the Delaware and Susquehanna Rivers in Pennsylvania, and correct any inaccurate flood hazard data. Results from this review will be combined with new, digital topographic data and other risk analysis information to help Pennsylvania and its communities rebuild stronger and plan wisely before the next flood event – and building stronger and smarter are the primary components of our Mitigation Strategy's second element: Risk Reduction.

The Mitigation Division's Risk Reduction efforts help States and communities plan for the future with an assistance strategy featuring pre-disaster mitigation planning and hazard mitigation projects.

In the area of pre-disaster mitigation planning, the Disaster Mitigation Act of 2000 requires States, local governments, and tribes to develop Hazard Mitigation Plans as a condition for receiving non-emergency disaster assistance, such as Hazard Mitigation Grant Program (HMGP) funds. There are two levels of State multi-hazard mitigation plans – standard and enhanced.

A standard plan is a demonstration of a State's commitment to reduce risks from natural hazards, and it entitles States to receive HMGP funding after a disaster. The amount of post-disaster funding available for mitigation is equal to 7.5 percent of disaster assistance funding (Public Assistance plus Individual and Household Assistance). All 50 States and more than 10 Tribal

governments have an approved standard-level mitigation plan in place. In Bucks County, 28 (52 percent) of the County's 54 communities have FEMA-approved local mitigation plans.

The enhanced plan entitles the State to receive additional funding of up to 20 percent of disaster assistance funding. The enhanced plan must meet all of the standard plan requirements, document the State's proactive approach and commitment to mitigation, and certify its capability to manage the increased amount of funding that such a plan could generate. Pennsylvania's Emergency Management Agency has been working closely with FEMA Region III on a State enhanced plan. FEMA has recently reviewed a preliminary revision to the Enhanced Plan submitted by the State and is looking forward to receiving the final revised Enhanced Plan for formal review in the near future.

State plans are the "gateway" to the Hazard Mitigation Grant Program, which provides 75 percent of the funding for activities such as elevating flood-prone homes or businesses; acquiring flood-prone homes from willing owners and returning the property to open space; and retrofitting buildings to minimize damage from high winds, flooding, and other hazards.

The States administer the HMGP and are responsible for establishing priorities, setting timelines for accepting applications, and awarding grants based on State criteria and available funding. One of Pennsylvania's primary mitigation priorities is the acquisition and demolition of flood-prone structures. HMGP projects must be cost-effective, with a calculated benefit/cost ratio no less than one.

Mitigation responsibilities, however, do not rest solely with the States or the Federal Government. Communities have mitigation responsibilities as well, such as educating citizens about the natural hazards threatening them; integrating mitigation into land-use planning and management decision making; and becoming adept at using the mitigation resources available to them. The mitigation planning and grants processes help communities with these important tasks. Ideally, when a community guided by a mitigation plan is hit with a natural hazard; that area is resilient – ready to capitalize on mitigation resources and support, and in a better position to recover faster.

This leads to the essential third priority of our Mitigation Strategy – Insuring Against Flood Risk. The National Flood Insurance Program, with its floodplain management criterion and flood insurance protection, is a cornerstone of FEMA's mitigation strategy. Like most mitigation strategies, the NFIP is simple:

- Communities join the Program and adopt building codes and land-use planning policies to mitigate flood dangers;
- Residents in NFIP communities can then purchase flood insurance – which standard homeowners coverage does not provide;
- The Federal government provides insurance coverage to policyholders after they suffer a loss.

The NFIP is a solid program that effectively takes care of its policyholders – people who have done the right thing by protecting their investments with the safety net of flood insurance. FEMA demonstrated this in the aftermath of Hurricane Katrina and the remainder of the 2005 hurricane season. Now, thanks to the promulgation of the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004 (Reform Act), the NFIP is stronger – with an improved information base, new flood insurance training and education requirements, a claims appeals rule, and a repetitive loss mitigation initiative.

Since publication in August 2005, two Reform Act informational documents – the ***Flood Insurance Claims Handbook*** and the ***NFIP Summary of Coverage*** – have helped thousands of NFIP Policyholders clearly understand their flood insurance coverage. These succinctly written, easy to understand documents were immediately available to our Gulf Coast policyholders after Hurricane Katrina, and they played a pivotal role in the NFIP's ability to close most of our 2005 Gulf Coast claims promptly and fairly. In Pennsylvania areas affected by the June floods (DR1649), these materials have been widely distributed, and we are mailing these documents to new and renewing policyholders across the country as required. Finally, these important informational materials are available to anyone, and we encourage Pennsylvania State and local officials to have a supply on-hand to address flood insurance inquiries.

The Reform Act also strengthened the NFIP by requiring the publication of flood insurance agent training and education requirements, which we published in the *Federal Register* in September 2005. Property and casualty insurance agents are a critical part of the Mitigation Division's awareness efforts, and their importance to sound floodplain management and insurance strategies cannot be overlooked. We are now working with the States and our insurance industry partners to inform insurance companies and agents of these requirements.

Pennsylvania's Department of Insurance has proactively informed insurance companies and agents in the State of the new training and education requirements, and FEMA is pleased that the Department will process continuing education credits for those insurance producers who successfully complete relevant insurance workshops.

Of course, FEMA would like to see all of the States make flood insurance training mandatory for agents. We continue to encourage the States that already have minimum training and education criteria to place these requirements in their licensing and continuing education programs. FEMA is committed to providing technical assistance and resources to all the States as appropriate. One such resource is Agents.FloodSmart.gov. As part of our FloodSmart marketing campaign, this website provides extensive information for flood insurance agents, including links to educational and training programs.

We also published in the *Federal Register* the interim final Flood Insurance Claims Appeals rule. This Reform Act requirement formalizes a process through which flood insurance policyholders may appeal the decisions of adjusters, agents, insurance companies, or FEMA – regarding claim settlements. The interim final rule speaks to the issue of mediation, and we emphasize that mediation is most effective when it occurs early in the claims process. We are encouraging companies that sell flood insurance under the NFIP to make, or continue to make, this alternative dispute option available to policyholders. I continue to work with FEMA's Office of Chief Counsel on ideas of how mediation may be expanded within the NFIP.

Finally, I would like to thank the House Financial Services Committee for the increased mitigation tools that are provided in the Reform Act. The Severe Repetitive Loss Pilot Program, created largely through the efforts of this Committee, is in its final stages of development. Last fall, Congress authorized FEMA to transfer up to $40 million from the National Flood Insurance Fund to mitigate severe repetitive loss properties, which the Act defines as: properties that have experienced four or more flood losses of at least $5,000 each, with at least two claims payments occurring in a 10 year period, and with the total claims paid exceeding $20,000; or properties that have received cumulative flood claims payments that equal or exceed the value of the property. The Act also authorizes a new $10 million Repetitive Flood Claims Program, which also makes severe repetitive loss properties a priority, and we are in the final stages of selecting applications for award under this program. Additionally, the Reform Act provides authority for

increased funding under our existing Flood Mitigation Assistance Program, and I am pleased to announce that this Program's funding has increased to $28 million this year, as opposed to $20 million in past years. These mitigation tools will become critical components in our efforts to reduce repetitive loss structures and eliminate the flood-rebuild-flood cycle that Bucks County residents have become so familiar with.

As Pennsylvania and Bucks County residents know, hurricanes are not the only cause of flooding. Rivers and streams can wreak significant damage during spring rains, no-name tropical waves and nor'easters throughout the year; yet year-in and year-out, vulnerable areas flood, and the victims often lack flood insurance. Studies indicate that inside the Northeast region's Special Flood Hazard Areas (SFHAs), approximately 28 percent of the homes are covered by NFIP flood insurance, compared to the National average of 48 percent. In Pennsylvania, roughly 25 percent of SFHA homes are covered by flood insurance; in Bucks County, about 31 percent. Mr. Chairman, I have attached to my prepared statement a compilation of NFIP statistics for Pennsylvania, Bucks County and Yardley, and would ask that this material be included in the hearing record.

The Mitigation Division, the NFIP, States, communities, and citizens must do better at making sure that homes and businesses in high flood-risk areas have flood insurance coverage. The requirement that Federally-backed mortgagors in high risk areas must have flood insurance helps, but property owners without mortgages, or with other than Federally-backed mortgages – and very importantly – renters – are not touched by this regulatory requirement.

All homeowners, renters, and businesses located in the Nation's Special Flood Hazard Areas should be insured against flood – 100 percent. This is a sensible goal; because no matter how well our communities plan, manage, and mitigate – floods can happen almost everywhere, any time of year. It only makes sense to protect our mitigation and floodplain management investments with the financial safety net of flood insurance.

After three declared flood events in 21 months, Pennsylvanians know that such hazards cannot be eliminated. However, through a coordinated strategy of analyzing risk, reducing risk, and insuring against risk, the impacts of flooding, as well as other natural hazard events, can be dramatically reduced. FEMA, the Mitigation Division, and the NFIP will continue strengthening our partnership with Pennsylvania, so that future flooding events can be managed through sound mitigation planning, not disaster declarations. I will be happy to answer any questions that the Committee might have. Thank You.

Pennsylvania Statistics

August 15th Field Hearing

FLOOD INSURANCE STATISTICS

- According to a recent Rand Corporation study, only 28% of homes in high-risk Special Flood Hazard Areas (SFHAs) in the Northeastern United States are covered by federal flood insurance, compared to 61% in the South. Outside high-risk areas, just 0.6% of homes in the Northeast are covered by flood insurance.

- There are more than 4.7 million households in Pennsylvania (2000 US Census) and 62,931 flood insurance policies in force (PIF) throughout the state (5/31/06), equal to a 1.3% flood insured penetration rate in the state. Coverage in Force is nearly $9.2 billion.

- Bucks County, Pennsylvania has suffered a major flood in each of the last three years. There are approximately 4,545 policies in force in the county, with a 2.1% overall penetration of flood insurance coverage (both inside and outside high-risk flood areas), one percent higher than the state total. In the Special Flood Hazard Area, the county has approximately 2,591 PIFs.

- Yardley (located in Bucks County) has nearly 300 PIFs, an overall coverage penetration of 30%.
    - Pennsylvania PIF : 62,931
    - Bucks County PIF: 4,545
    - Yardley PIF: 297

- Percent Market Penetration in the SFHA (approx.)
    - Pennsylvania: 25%
    - Bucks County: 30%
    - Yardley: 85%

- Percent Market Penetration outside the SFHA (approx.)
    - Pennsylvania: .7%
    - Bucks County: 1.5%
    - Yardley: 2.3%

- Bucks County and the State of Pennsylvania have suffered three significant floods in the past 2 years: June 2006 (DR1649), April 2005(DR1587) and Hurricane Ivan in September 2004(DR1557). The Bucks County flood insurance payments for 2004 – 2005 totaled nearly $50 million.

HISTORICAL FLOODS

Pennsylvania, Bucks County and Yardley

JUNE FLOODS (June 22 – June 30, 2006)

- As of August 4th, approximately 3,300 flood insurance claims have been submitted to the NFIP for damages suffered from the June floods in Pennsylvania.
- The June floods caused an estimated $30 million worth of property damage in Bucks County. As of August 4th, 539 claims have been submitted to the NFIP in Bucks County.
- Of the 23 Pennsylvania counties affected by the June floods, Bucks County had the most damage, with 953 buildings affected and three destroyed. Nearly 20 percent of the statewide damage occurred in Bucks County (source: PEMA).
- In Yardley, approximately 150 homes were impacted by the flooding (source: *Trentonian*).
- Eight counties have been approved for federal aid to repair infrastructure damage, and 22 counties have been designated to receive federal assistance for individuals. More than 8,000 Pennsylvanians have registered for individual flood assistance, and $6.3 million has been distributed to 3,358 people (source: PEMA).

APRIL FLOODS (April 2005)

- State and federal disaster officials distributed about $3.2 million statewide to help people recover from April flooding, with 40 percent of the total being paid to Bucks County residents (*Allentown Morning Call*).
- In Bucks County, officials have said 1,182 homes and businesses were damaged, including eight homes destroyed and 489 homes and businesses with major damage (source: *Allentown Morning Call*, Bucks County Officials quoted).
- The April 2005 Floods resulted in 1,342 flood insurance claims and $49.3 million in damages statewide In Bucks County flood insurance claims totaled $29.1 million, **60 percent of the statewide total.** In Yardley, 188 claims totaled $7.7 million (as of 6/30/06).

HURRICANE IVAN (September 2004)

- In 2004, Hurricane Ivan produced widespread rains of up to 7 inches causing extensive flood damage in New Hampshire, New Jersey, New York and Pennsylvania (source: NOAA).
- $180.2 million in claims were paid to policyholders in Pennsylvania alone. In Bucks County flood insurance claims totaled $20.5 million, 11 percent of the state's total losses. In Yardley, 87 claims totaled $4.6 million, 22 percent of the county's total losses (as of 6/30/06).
- Many people don't realize it, but the state with the second highest flood claims from the 2004 Hurricane Season was not Texas, not Georgia or North Carolina, but Pennsylvania (2nd only to Florida).

GENERAL AREA AND FLOOD MAP STATISTICS

- Population: (U.S. Census 2005)
  - Pennsylvania – 12,429,616
  - Bucks County – 621,342

- Single Family Homes: (U.S. Census 2000)
  - Pennsylvania – 4,777,003
  - Bucks County – 218,725

- Land Area: (U.S. Census 2000)
  - Pennsylvania - 44,817
  - Bucks County – 607

- Bucks County has 59 square miles (688 linear miles) of floodplain.

- The current Bucks County flood maps are nearly 30 years old and they don't reflect the growth of the area. The county's flood maps are currently being updated and replaced, with new maps expected to be released in 2007 (Region III Flood Hazard Mapping Contacts).

- Repetitive Loss Properties:
  - Pennsylvania: 2,113 (as of 5/31/06)
  - Bucks County: 143 (as of 5/31/06)
  - Yardley: 8 (as of 5/31/06)

WRITTEN TESTIMONY OF DANIEL MOHN,
YARDLEY BOROUGH COUNCILPERSON
AUGUST 15TH, 2005, COMMITTEE ON FINANCIAL SERVICES

Chairman Oxley, Representative Frank, Representative Fitzpatrick, and distinguished members of the Committee thank you for inviting me to testify today.

I am Daniel Mohn, and I am a Member of the Yardley Borough Council. I chair the Borough Council Public Works Committee, and since 2004 I have worked with residents, state and federal government, and various public agencies to explore mitigation options for borough residents.

This Committee has asked some important questions. I believe the most important issue you raise is "What steps are being taken to mitigate future flood damage by FEMA, the Commonwealth of PA and specifically Bucks County?" Specifically, I'd like to address this question in relation to Yardley Borough and other similar municipalities.

The unfortunate answer to this question is that since late 2004, when the first of three floods that have effected up to one-third of our community occurred, **not 1 dollar has been saved due to FEMA hazard mitigation programs in our municipality**. This represents not only a loss for residents of our community, but a lost opportunity for all taxpayers who fund flood recovery efforts.

But it is not for a lack of effort. Substantial efforts from local, community, state and federal officials have resulted in very little progress.

The FEMA mitigation program has not worked for us, and there are several issues that need to be addressed to make it work. Those issues, which I will address in more detail in this testimony, are:

- FEMA policy prioritizes acquisitions over elevations
- Existing grant amounts for elevation programs are inadequate
- Cost-benefit formulas do not reflect the disparity in home prices across the state.

It is also not for lack of potential savings. The top 50 NFIP payments for the 2005 flood ONLY in the Borough of Yardley totaled $4.2 million (see Exhibit A). These NFIP payments ranged from $42,700 to $169,749. Had these homes been elevated after the first flood, at an average cost of $125,000, the investment of $6.2 million would have saved $8.4 million in damages in the 2 subsequent floods. **Had grants been offered of 2 times the NFIP payments made to residents from the previous flood, with a maximum of $80,000, an investment of $4, would have a payback of 1 flood.**

Borough Overview

To help you better understand the effect flooding has on our town and the ways that changes to FEMA programs could help, I would like to give you a brief overview of Yardley. The community of Yardley Borough occupies .92 square mile along the Delaware River in Bucks County, Pennsylvania. There are 2,200 persons in over 1,000 households. Flooding impacts the entire town in many ways, but the most substantial damage is to two neighborhoods: "Rivermawr" and "The Flats".

The "Rivermawr" section of the Borough is comprised of approximately 120 homes and is located between the Delaware River and the Delaware Canal State Park, north of Afton Avenue (State Route 332). These homes are susceptible to flooding events from both the canal and river. In this area, first floor flooding begins to occur at 21 feet.

The "Flatlands" section of the Borough is comprised of approximately 180 homes and is located between the Delaware River and the Delaware Canal State Park, south of Afton Avenue (State Route 332). These homes are susceptible to flooding events from mostly the canal when the river and canal meet during a flood event.

These two areas represent 30% of the Borough's households and also are home to many businesses.

In addition, flooding from Brock Creek, which runs through the Borough and into the Delaware River, affects numerous other homes.

Borough Flood History
Flooding impacts begin at a water level of 21 feet. In the last seventy years, the river has crested at that level six times, with three of those times since September 2004. The following list of the historical major floods in the Borough gives you a timeline:
(Source: The National Weather Service Web Site, Delaware River at Trenton
http://newweb.erh.noaa.gov/ahps2/crests.php?wfo=phi&gage=tren4)

1936 - 24.43 ft
1955 - 28.60 ft
1996 – 22.20 ft
2004 - 23.39 ft
2005 – 25.33 ft
2006 – 25.09 ft

Acquisition vs. Elevation: Elevation Works
As you can see, a significant portion of our town faces the danger of flooding. The most comprehensive change that can be made to minimize that impact is a return to funding of structural elevation projects, the kind of projects that represent a real solution for us and communities like ours. Currently, FEMA's mitigation programs prioritize acquisitions projects over all other types of projects. This one-size-fits-all approach does not suit communities like ours and leaves some communities, including Yardley, with no viable mitigation options.

Acquisition projects can never be a long term solution for Yardley and similar municipalities for the following reasons:

- We are a river community. The Delaware River and the Canal are an integral part of the history of the Borough. Plainly put, a vast majority of residents do not want to leave our community. They do recognize and respect the River, and would like to take mitigation measures that reduce future damages. The Borough

actively pursued an acquisition project, but less than 5 percent of floodplain residents in the flood area have applied.

- 30% of the Borough's tax base would be lost. Given the Borough's infrastructure requirements, removing 30% of the tax base would have a devastating effect on the financial well-being of the entire community.

- Acquisitions are the most expensive solution.

- Even when Yardley residents have expressed interest in acquisition programs, their homes do not meet the Benefit Cost Analysis (BCA) that FEMA requires. The BCA formula does not accurately account for the high cost of real estate in the Northeast and the Philadelphia region, using only single-digit adjustments for regional variances when the true variance can be as high as 300 percent.

Those are the reasons that acquisitions, currently FEMA's priority—in practice, FEMA's *only* mitigation program—are not right for Yardley and similar communities. What would work here is a focus on home elevations, because:

- Elevations are less expensive than acquisitions. The main cost of flood damage in the Borough is first floor damage. Elevating a home is on average one-third of the cost of acquiring and demolishing the home, yet provides a comparable savings by placing the first floor of a home above the floodplain.

- Not only are elevations less expensive than acquisitions, they would save FEMA and the NFIP a substantial amount of money. The average acquisition cost for grant applications was approximately $350,000, while the average elevation cost was approximately $120,000. Had these homes been elevated after the first flood, at an average cost of $125,000, the investment of $6.2 million would have saved $8.4 million in damages in the 2 subsequent floods. Had grants been offered of 2 times the NFIP payments with a maximum of $80,000, an investment of $4, would have a payback of 1 flood.

- As anyone who has lived through a flood event can tell you, there is much more impact than the financial factor. The loss of one's home, irreplaceable family heirlooms, peace of mind, and life as it was known, is devastating. The family must evacuate, find an alternative living arrangement, return when the floodwaters recede to assess the damage and pick through ruined belongings. Government agencies must be contacted for help, insurance settlements must be negotiated, and contractors must be found to repair the physical damage. Children become fearful and attempts must be made to carry on as usual. Stress levels run high for months after the flood; a rainy weather forecast causes unnatural worry. By contrast, once a home has been elevated above the 100-year flood level, the family begins to recover emotionally and return to a normal life.

The savings—both financial and to peace of mind—of elevations are so great that several homeowners have already initiated the process of elevation.

The Borough believes so strongly that elevation is the best solution that we have produced a plan that would provide grants to residents in an effort to elevate a vast majority of the flood damaged homes. This plan goes into further detail than I have time to do here about the financial benefits of funding an elevation grant program, and is attached to this testimony as Exhibit B.

Increased Costs of Compliance Grants
FEMA does offer some assistance with elevation through the Increased Costs of Compliance (ICC) grants available directly to homeowners from the NFIP. These monies are available to homes that have been substantially damaged, meaning the cost to repair the home was 50% or more than the total cost of the structure. The ICC grants provide up to $30,000 to assist in home elevations.

Many of the homeowners I mentioned earlier applied for these grants for assistance in elevating their homes. Though they began the process more than a year ago, most homeowners have yet to receive their full grant.

Though the ICC can be a valuable resource, only a small percentage of affected residents have the financial means to elevate their homes on their own, despite a strong desire to do so and clear evidence that such a project makes sense. The $30,000 is but a small percentage of the entire cost of a home elevation, and is not adequate to enable most residents to take on the elevation of their homes.

Summary
I am here today to make one main point: home elevations are the best, most feasible, and most cost-effective solution for Yardley Borough and its residents, as well as many other communities in the County.

As I have explained, elevation is our best option because:

- it's cost-effective, given the high real-estate prices.
- people want to live in our community and it is unrealistic that any program could buy 30% of the town's properties or that we could absorb the financial and personal loss of a third of the Borough's properties.
- it WILL save taxpayers' money in the future.

However, many residents and homeowners cannot do this alone. We need the assistance of FEMA and other agencies to protect our homes and properties.

Government should support elevation
I hope I have convinced you that home elevations are the right answer for Yardley

Borough and many other municipalities. We need your support for such a strategy to be successful.

FEMA rules must be changed to allow for elevations, and the NFIP needs to provide a more realistic grant amount for ICC monies.

Conclusion
As you can see, raising homes is the best defense against another flood in Yardley Borough. It would save money and can keep people in the homes that they have worked so hard to buy and renovate. I hope we can count on your support as we pursue funding and policy options to assist residents.

Specifically, we urge you to:

- Set aside 25% of Hazard Mitigation Program funds for elevation projects only.
- Increase the amount that the NFIP pays for Increased Cost of Compliance grants from the current $30,000 to two-times the NFIP flood payment for the most recent flood event.
- Re-evaluate the Benefit Cost Analysis to adjust the RS Means Guide's funding factor, to better reflect the large difference in home prices in different areas of the state.

Thank you again for this opportunity to testify. I am happy to answer any questions you may have.

Exhibit A

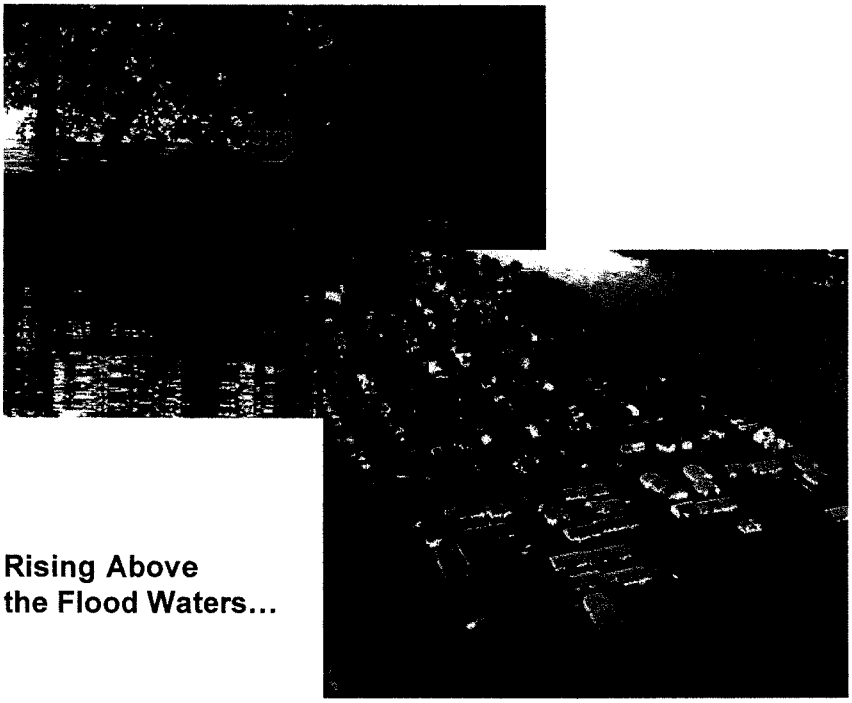
Top 50 NFIP Payments for the 2005 flood for Yardley Borough Residents

$169,745	$110,000	$91,550	$68,459	$52,710
$156,673	$108,059	$88,175	$67,169	$50,000
$131,280	$107,928	$88,140	$65,227	$48,557
$126,413	$107,586	$82,285	$63,980	$46,648
$126,067	$103,600	$81,983	$61,915	$45,571
$119,099	$102,527	$78,826	$60,276	$45,082
$118,994	$99,689	$77,285	$58,758	$44,103
$118,403	$99,325	$74,072	$58,656	$43,900
$114,233	$97,030	$73,664	$57,071	$43,571
$111,415	$95,000	$68,956	$56,800	$42,796

EXHIBIT B: YARDLEY BOROUGH ELEVATION PLAN

Yardley Borough, Bucks County, Pennsylvania

Home Elevation And Flood-Proofing Plan



Rising Above the Flood Waters...

Revision Date: April, 2006

Home Elevation and Flood-Proofing Plan

Program Summary

The proposed program is to establish a fund for grants to Yardley Borough residents for the elevation of their homes in compliance with floodplain building requirements and/or to retrofit their homes via flood-proofing measures.

The Program establishes a partnership between residents and local, state and federal governments to share the cost of the elevations and/or flood-proofing. The program results in the reduction in future flood damage and in saving of significant amounts in financial payments.

The grant distribution will be prioritized in order to maximize future savings to local, county, state and federal governments. The grant amounts per property will be based on the National Flood Insurance Program (NFIP) payments made as a result of the April, 2005 flood and will focus on the most vulnerable homes in the Borough.

The Borough of Yardley will administer the program.

Costs

The program will require a total of $6,695,000 as follows:

Elevation	**$6,000,000**
Flood-proofing	**$500,000**
Administration	**$195,000**

It is estimated that The Program would pay for itself after just one additional flood.

Overview of the Floodplain

The community of Yardley Borough occupies .92 square miles along the Delaware River in Bucks County, Pennsylvania. It includes 2,200 persons in over 1,000 households.

Various areas of the Borough are at risk of flooding from the Delaware River, the Delaware Canal, Brock Creek and Silver Creek.

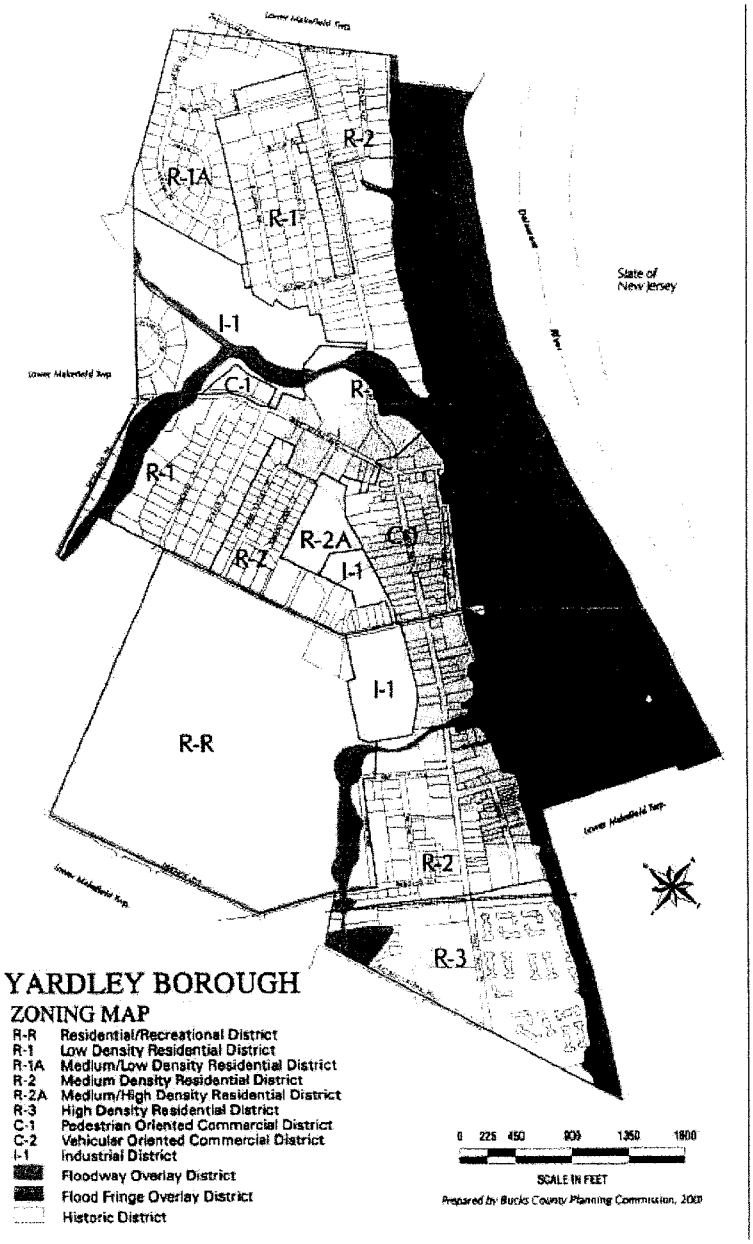
The "Rivermawr" section of the Borough is comprised of approximately 120 homes and is located between the Delaware River and the Delaware Canal State Park, north of Afton Avenue (State Route 332). These homes are susceptible to flooding events from both the canal and river. In this area, first floor flooding begins to occur at 21 feet.

The "Flatlands" section of the Borough is comprised of approximately 180 homes and is located between the Delaware River and the Delaware Canal State Park, south of Afton Avenue (State Route 332). These homes are susceptible to flooding events, first from the canal and then from the river when it rises to higher levels.

These two areas represent approximately 30% of the Borough's households.

Several businesses are also located in the floodplain.

In addition to the River and Canal, Yardley Borough has creeks and streams at risk of flooding. Brock Creek runs through the Borough and into the Delaware River. Silver Creek flows into the Canal. These waterways contribute to flooding in the Borough.



Yardley Borough Map – Green and Blue Shaded Areas represent the Floodplain

Flood History

The following is a list of the historical major floods in Yardley Borough;

Date	River Level
1904	30.60 Feet
1955	28.60 Feet
1903	28.50 Feet
2005	25.33 Feet
1936	24.43 Feet
2004	23.39 Feet
1996	22.19 Feet
1984	20.95 Feet

(Source: The National Weather Service Web Site, Delaware River at Trenton
http://newweb.erh.noaa.gov/ahps2/hydrograph.php?wfo=phi&gage=tren4&view=1,1,1,1,1,1)

Recent Flood Economic Impact History

NFIP payments to Yardley Borough residents for the September 2004 and April 2005 flood are detailed below;

Flood	Total Payments
DR-1557-PA: September 2004	$4,682,492.84
DR-1587-PA; April 2005	$7,430,654.26

Investment in the Future

Elevating the most vulnerable homes above the 100-year flood level will provide cost savings in the future by eliminating the most costly damage to homes in a flood, water on the first floor. In Yardley, floodwater inundated homes to levels from one foot to six feet in depth.

The proposed program will provide grants for home elevations. Each grant will be determined by doubling the homeowner's NFIP claim settlement from the April 2005 flood. No grant will exceed 75% of the total cost of elevation or $80,000.

Each home elevation will be required to comply with the Yardley Borough Floodplain requirements, which have been approved by FEMA. These codes require homes in the floodplain to be elevated to 1.5 feet above the 100-year flood level. Such elevations will ensure that no flood damage will occur to these homes in any flood up to and including the 100-year flood.

Program Investment Summary			
	Average Grant	Number of Homes	Program Cost
Home Elevations	$60,000	100	$6,000,000
Home Flood-Proofing	$5,000	100	$500,000
Administrative			$195,000
Total Investment			$6,695,000

Not all residents in the floodplain will be interested in elevation. Some will want to perform other flood-proofing measures such as moving utilities from basements to first floors, properly sealing utility entry points, and/or implementing an internal drainage system.

Of the 300 homes in the floodplain, two thirds are expected to take the opportunity for elevation or flood-proofing.

Based on the number of homes sustaining damage in the April 2005 flood, it is estimated that elevation grants will average approximately $60,000 per home and that 100 homeowners will participate. This results in an estimated need for $6,000,000 for elevations.

For those interested in flood-proofing and retrofitting, it is estimated that an average grant of $5,000 per home and an additional 100 homeowners will participate. This results in an estimated $500,000 for flood-proofing.

Finally, an additional 3% for administrative costs has been added to the program.

Future Savings

To begin to determine the long-term cost savings of this program, two examples of home elevations will be explored.

If a hypothetical house in the "Rivermawr" section, had $30,000 in NFIP claims from the 2005 flood and the cost to elevate the home was estimated at $80,000; under the program outlined, the property owner would be eligible for a $60,000 grant for home elevation.

In another case, if a homeowner in the "Flatlands" received $100,000 in an NFIP settlement, and the elevation cost was estimated at $120,000, the Yardley Elevation and Flood-proofing Program would provide a grant of $80,000.

$12,113,146 in NFIP payments were made to Yardley Borough homeowners as a result of the 2004 and 2005 floods.

The total payments for the top 50 NFIP claims paid to Yardley Borough residents totaled $4,209,251 for the April 2005 flood. It is estimated the payments for the next 50 NFIP claims totaled approximately $2,500,000. Additionally, the total payments for the next 100 NFIP claims are estimated at $700,000

If, as predicted, **one future flood** meets or exceeds the 2004 or 2005 amounts, the Home Elevation and Flood-Proofing Program will save local, state and federal governments over $7,400,000.

It is estimated that the Program would pay for itself after just one additional flood.

Elevation vs. Other Options

The Borough has actively pursued other mitigation options in order to reduce future damages. In early 2005, the Borough submitted to PEMA/FEMA an Acquisition Project grant to remove over a dozen homes from the flood areas. As of February 2006, the Borough's Acquisition Project grant has not been funded. Whether or not Yardley Borough's acquisition grant is ever funded, most floodplain residents are not interested in acquisition.

Acquisition projects will never be a practical solution for Yardley Borough for the following reasons:

- We are a river community. The Delaware River and the Canal are an integral part of the history of the Borough. A vast majority of residents do not want to leave our community. They do recognize and respect the River, and would like to take mitigation measures to reduce future damages. The Borough actively pursued an acquisition project, but less than 4 percent of residents in the flood area applied.

- Acquisition is not a fiscally sound approach. 30% of the Borough's tax base would be lost in a significant acquisition project. Given the Borough's infrastructure requirements, removing 30% of the tax base would have a devastating effect on the financial well being of the community.

- Elevations are less expensive than acquisitions. The main cost of flood damage in the Borough is first floor damage. Elevating a home is on average one-third of the cost of acquiring and demolishing the home, yet provides a comparable savings by placing the first floor of a home above the 100-year flood level.

The Human Factor

As anyone who has lived through a flood event can tell you, there is much more impact than the financial factor. The loss of one's home, irreplaceable family

heirlooms, peace of mind, and life as it was known, is devastating. The family must evacuate, find an alternative living arrangement, return when the floodwaters recede to assess the damage and pick through ruined belongings. Government agencies must be contacted for help, insurance settlements must be negotiated, and contractors must be found to repair the physical damage. Children become fearful and attempts must be made to carry on as usual. Stress levels run high for months after the flood; a rainy weather forecast causes unnatural worry.

By contrast, once a home has been elevated above the 100-year flood level, the family begins to recover emotionally and return to a normal life.

Program Implementation

Yardley Borough will develop implementation plans including eligibility criteria, application process, close supervision and documentation for tracking individual project progress, fund disbursement, building permit and contractor screening. For elevations and flood proofing, the priorities for distribution of the grants will be:

Probability	Impact
Multiple Loss Properties	Ranked by Gross NFIP Claim amounts over the last 10 years
Single Loss Properties	Ranked by Gross NFIP Claim amounts over the last 10 years

Additionally, grants will be available retroactively to residents who have elevated their homes prior to these grants becoming available.

Next Steps

Yardley Borough is committed to helping its residents recover from recent floods and reduce financial and emotional damage from future floods while ensuring savings to local, state and federal governments. We are looking forward to the next steps in accomplishing these outcomes.

August 8, 2006

U.S. House of Representatives
Committee of Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Michael G. Oxley, OH, Chairman
Committee Members

Mr. Oxley,

Thank you for allowing me to testify on the current flooding issues and concerns.

My name is Sam Smith and I live in Middletown Twp. Bucks Co., Pa. My home is situated in the Neshaminy Watershed adjacent to, and a part of, the Delaware River Watershed. I was not affected by the recent flooding, though there was flooding in our area. My home was elevated out of harms way in 2003 as a part of the Neshaminy Watershed Supplemental Plan of Work. (PL-83-566)

Prior to Hurricane Floyd (Sept. 16, 1999), residents from all the various communities along the lower Neshaminy Creek, banned together and formed an association to convince our County Commissioners of the need to reduce flood damages and re-look at an existing, but dormant flood control project. A new, updated study was commissioned at the end of 1996 by Bucks County and the Dept. of Agriculture, NRCS.

I was selected as a Steering Committee member to search for alternatives to reduce flood damages. After the completion of the study (2002), I was on the advisory board to help with the mechanics of the plan, as well as working with the lead engineering firm to make enhancements to some of the details that needed more resolution.

Our home was flooded during Hurricane Floyd, and a second building on the property (cottage) was flooded again on Fathers Day, June 2001 by tropical storm Allison. The night before I had just put the last piece of trim up in the kitchen to finish the repairs from Floyd. My family and I were out of home for over five months and the cottage was un-useable for three years. I can't begin to tell you the stress and burden we endured during that period. To this day we still seem to be putting pieces of our lives back together. The Red Cross, God bless them, put us up in a hotel for four weeks, and gave us food vouchers for a local diner for the same time.

I signed a waiver with the NFIP adjuster to have all work done by contractors for a 10% increased return on the claim. Unfortunately, you couldn't find a qualified contractor anywhere because of circumstances. So my wife, kids and I did all the muck out and demolition necessary to begin the sanitizing and drying process. It took eight weeks to dry to the proper level of moisture by core testing. FEMA gave us $1,000 for living

expenses and estimated that the repairs could be complete within four weeks. I spent 3 and 1\2 hours on hold trying to get through on the FEMA hotline so I could return the money, but the girl stationed in Texas couldn't tell me where to send it. We used the money to extend our stay at the hotel by two weeks.

Soon, hotel and diner costs were exhausting our financial resources. My wife and I improvised a plan to get back in the house. We set-up a table in the basement with a microwave and coffee pot; I temporarily installed a washbasin in the kitchen for dishes and rigged the flooded boiler back into service for heat and hot water. The kids and pets couldn't come home because of unsafe conditions but by Christmas the contractor we finally hired had the outside of the walls back together and insulation was in, so we managed climbing a ladder to the upstairs bed and bathroom. By the end of February there was enough of the house pieced back together that we brought the kids home and the pets a month or so later.

There was a FEMA mitigation period after Floyd for buy-outs. Our house did not meet the 50% damage requirement and was not eligible. Damages sustained during Floyd were estimated at $108,000 on the house and the cottage was an additional $60,000. There was no payout on the cottage even though the premiums were being paid. The insurance writer failed to write two separate policies and the NFIP declined payment. I asked them to return the premiums and their comment was to take them to Federal Court in Philadelphia. Likewise was our option to appeal the payout figure of < $60,000 on our home, which was approximately sixty cents on the dollar.

The house elevation took place in April of 2003. We were again out of home for eight weeks, though under far better circumstances. Now that we are elevated, I still watch the weather channel as intensely as I used to prior to a large rain event, the same emotions always come rushing back but the fear of losing everything is slowly dissipating. The negative impacts of being elevated are far outweighed by the positive ones. I've claimed back a certain peace of mind. If we wanted to sell our home we could do so with a clear conscious. After ten years and hundreds of meetings, seminars and the like, I'm able to look forward to living my life again.

There are two issues that I would like to comment on at the hearing:

1.) At a steering committee meeting that occurred in 2000, Jeff Mahood (environmental specialist) of the NRCS made mention of fact that it would take FEMA up to five years to adopt the new floodplain values established by the ongoing study and incorporate them into the NFIP rate maps. I didn't put too much thought into it at the time; however, it is clearly a fundamental problem that is costing huge amounts of money and grief.

    I'm not exactly sure when the information became available to FEMA but it was calculated within a month after Floyd that it was not a hundred year event by Walter Boles (Hydrologist) of the NRCS. That means he had the information available back in 1999. He perhaps hadn't completed all the details but it was certainly ready in 2000. To this day the new values have not been adopted.

Since we are spending well over 14 million dollars on a non-structural reduction of flood damages in the watershed, it is critical that all municipalities in the watershed adopt and comply with the storm water management act so that no increase of flooding occurs in the future. Isn't it absolutely ludicrous to allow building in the same floodplain that we are still in the process of trying to correct?

The average difference in flood plain elevations from the FEMA maps to the new values is approximately 30 inches. My home was flooded by 24 inches and it caused such havoc. My neighbor just put a 700 sq. ft. addition on his house, right in the flood plain because the township is required to use FEMA values even though they know better. The same township is approving development plans near floodplains and I witnessed a retention\detention basin adjacent to the 100 yr. floodplain by mere feet. Add 30 inches of water and the entire storm water plan has no value. In one instance, in a borough where houses are being lifted, the zoning officer told me he wouldn't issue the permits to elevate because the homes were being elevated higher than FEMA values. I had to go to the borough council for relief.

I have no idea how often this has occurred throughout the watershed over the last six years but we are throwing good money at bad. There must be a change in priority at FEMA to remedy this situation. If not, let the agencies that actually define floodplains regulate the maps so the people who need them have good information. Planning commissions can't possibly make good recommendations without the proper information. Good people are unknowingly being put in harms way by the agency that is supposed to protect them. Flooding and flood damage is being increased by the agency that is there to enforce the opposite.

One last example is from today, talking to Paul Lenher from Pennoni Engineering (215-345-4591). He told me that the FEMA rate map values at Stockton NJ. (alongside the Delaware River) are five feet below what the New Jersey- DEP has them calculated at. I don't know if or when those values may have been sent to FEMA. Consider that homes and businesses in Yardley and elsewhere along the Pennsylvania side of the Delaware River have already been lifted. Can you imagine spending $150,000 of your own money for peace of mind and then find out you are still in the 100 yr. floodplain. If the New Jersey side of the river is 5 ft. over the rate maps then so is Pennsylvania.

2) The second issue to comment on is the ICC money ($30,000) offered by the NFIP. It would seem advantageous to all concerned to consider a substantial increase. Given the right parameters and qualifying criteria it would make sense and be a win-win situation. The cost benefit ratio (1 to 1.4) from the Neshaminy Watershed Plan of Work shows that Federal dollars would be funded if there was a similar plan along the Delaware in place. Then consider that NFIP payouts in a floodplain are just a matter of when. This becomes a pay me now or pay me later scenario.

Currently, the NFIP requires that you elevate from the floodplain within, I believe, a two year period from having been flooded. I don't understand this stipulation but it is worthwhile to be pro-active and make it available any time if there is a history of flooding on the property. If a homeowner was interested in lifting his home in Yardley back in 2001 for a cost of half the value of the home, the NFIP paid out, say, $100,000 or half the value of the home, wouldn't the NFIP have saved two times that amount by 2006 considering the payout values of today and of course the multiple flood events? Even if the flood events didn't occur, it is just a matter of time before one does and the money is recouped.

Many homes sit in the 50-year floodplain or less. A house where the first floor is flooded by six inches of water will have about the same claim as if it took four feet. Giving more incentive and ability to these types of homeowners to pay for an elevation will save taxpayers greatly in the long run and provide quick relief for the homeowners. Elevation costs on average are running over $100,000 today, most homeowners can't afford to do it on their own. Is the NFIP going to pay out for elevations one time or floods forever?

It is obvious that the Delaware River watershed is in need of updated floodplain values along with insuring that all municipalities in the watershed are adhering to strict storm water guidelines. A study to search for alternatives to correct the issues at hand in such a large-scale area could take a very long time. Perhaps adopting the New Jersey-DEP values and an aggressive plan to enforce storm water management in region for the short term, as well as increased ICC funds, can offer property owners a way out quickly. Should a plan develop down the road that includes elevations, it could include reimbursement funds to those who have helped themselves. The next flood event would have significantly less impact with each and every home that is removed from the floodplain.

I thank you kindly for this opportunity.

Samuel P. Smith
440 Periwinkle Ave.
Langhorne, Pa. 19047

TESTIMONY OF

C. WILLIAM WINSLADE

MANAGER, YARDLEY BOROUGH

For the Committee on Financial Services

Michael G. Oxley, Chairman
Michael G. Fitzpatrick, Member

"A Look at the National Flood Insurance Program and Flood Mitigation Efforts:
Is Bucks County, Pennsylvania Ready for Another Flood?"

Tuesday, August 15, 2006 – 10:00 am

Location: Yardley Community Center
64 South Main Street
Yardley, PA 19067

Good morning, I would like to take this opportunity to thank Chairman Oxley and Congressman Fitzpatrick for the opportunity to speak to the Committee on Financial Services regarding how the National Flood Insurance Program (NFIP) has responded to these floods and to floods throughout the Commonwealth of Pennsylvania. How the Federal Emergency Management Agency (FEMA) cooperated with state and local governments under the NFIP during the recent floods. Have we experienced problems in the administration and implementation of the NFIP and what could be done to correct these problems. What steps are being taken to mitigate future flood damage to the Yardley area. Lastly, what efforts are being made to modernize the flood maps in Pennsylvania, specifically, Bucks County.

As introduced, my name is C. William Winslade, 51 years old. Presently I am the Yardley Borough Manager and have been for almost two years. That gives me four disasters in dealing with FEMA. I have also been the Emergency Management Coordinator for approximately 25 years (9 federal disasters). This has given me tremendous experience in dealings with various elected and appointed officials at the local, county, state and federal levels. May I introduce two support individuals, John Dougherty, Bucks County's Director of Emergency Services and William Clark, a Borough resident whom you will get to know well in the coming minutes.

First, with the all the advertisement of this hearing, is Bucks County ready for another flood, I must say we are ready, but does the severity of the flood need to be as much as Mother Nature intends. It is probably more appropriate for the constituants to ask is FEMA ready for another disaster in Bucks County.

Again, during the advertisement, we are told we have experienced flooding three times in 21 months. Let me correct the record. Bucks County has been declared a major disaster by FEMA four times in the last 21 months:

(1) Rain event of 6/30/06 (Disaster number 1649)
(2) Rain event of 4/14/06 (Disaster number 1587)
(3) Tropical Depression Ivan 9/04 (Disaster number 1557)
(4) Rain event associated with Tropical Depression Francis also in 09/04 (Disaster number 1555)

For the record, two serious flood events one in January 1996 (Disaster number 1093) and again in July 1996 (Disaster number 1130). Major disasters are not new in Bucks County and unfortunately, fastly approaching the frequency of routine.

My distinguished colleague Councilman Mohn has spoken on mitigation efforts in our small borough, which is certainly mirrored by all the river communities. I would like to address the Committee on some issues with regard to FEMA's Increased Cost of Compliance. Again, is FEMA ready for another flood in our area.

How Much Coverage is Available: If a disaster stricken person is applying for ICC help to bring their home and/or business into our community's flood plain ordinance, they can receive up to $30,000.00 in assistance for complying. Can or will the Committee investigate raising the ceiling level of the $30,000.00 to a today dollar value. When ICC adopted in 1994 the maximum was $20,000.00. Moved in 1995 to the present value, which certainly needs revisiting.

ICC provides four options for funding:

(1) Elevation. This raises your home or business to or above the flood elevation level adopted by our community. Our present ordinances require 18" above the 100-year flood plain. With 12 homes underway with an elevation project, all have exceeded $100,000.00 in cost to comply. Only one resident at the present time has received some ICC funds. With our rain event of June 2006, we have already accepted applications for another 14.

(2) Relocation. This moves your home or business out of harm's way. With most residents in the confines of Yardley Borough, this is not an option. Open lots prevailing rates are in excess of $150,000.00 in the Lower Bucks County area.

(3) Demolition. This tears down and removes flood-damaged buildings. Again, not much of an option. I am sure most will concur; no one wants to see their home demolished.

(4) Flood proofing. This option is available primarily for non-residential buildings. It involves making a building watertight through a combination of adjustments or additions of features to the building that reduced the potential for flood damage. If we made this available for residential buildings, this could be a cost advantageous program for the government as well as the homeowner. Elevating utility rooms, relocating electrical panels, use **of BX** cable for electrical service.

As previous testimony has stated, the item of choice for mitigation is elevation. With regard to NFIP and the underwriters, it is not quite as easy as written in all publications and manuals. Listed below is a typical time line of a family's ordeal:

April 4, 2005: The river floods.

April/May, 2005: The Clarks start to research out what they need to do. Background checks on house movers and they begin to get all necessary permits for the raise.

End of May 2005: The Clarks sign a contract with Wolfe House Movers.

May-August 2005: A long process of meeting contractors, trying to find the right architect, taking bids, etc. The Clarks decide on architect and he does all drawings needed for the raise. They are finally ready to go up. In the meantime, they get APPLICATION FOR SUBSTANTIAL DAMAGE REVIEW from Borough Hall and attempt to gather information to fill it out.

August 30, 2005: The Clarks raise the house.

September 2005: The Clarks sign the contract for Phase 1 with Citibuilders and they immediately begin the building of the foundation and all that goes with it.

October 28, 2005: The Clarks hand in Application for Substantial Damage Review to the Borough for necessary signatures. They get the application back soon after in the mail, but they believe this is all they need. No one told them otherwise. So they start a very lengthy process of calling Traveler's Insurance Company trying to find the right department to help them. They are sent around to several different claims offices and no one knows what this Application is that they are sending.

January 4, 2006: The Clarks fax and mail again the several pages from the Application for Substantial Damage Review. This time they are finally told by Traveler's Insurance Company that this is NOT what they need, but instead a letter on Borough stationery that says the home is damaged.

January 17, 2006: They write a letter confirming Substantial Damage and the Clarks send it in immediately. This is the official file date for the ICC Claim. The Clarks can't remember why there is such a huge lag here, but they believe it was more general confusion about who was handling the claim. They eventually reach a woman there named Stacey Olsen who was amazing.

March 6, 2006: Stacey Olsen is now the Clarks' angel. She hears their plea and tells them to send the flood policy and letter of substantial damage to Colonial Claims. They will handle their claim. They are now in communication with Twila Fodor and Ludee Velioski at Colonial. They are also amazingly on top of things and very communicative.

March 10, 2006: Colonial Claims sends the Clarks a letter listing the 11 documents necessary to pursue an ICC claim. They gather what they can and send it in. One thing they need is a copy of the Borough's flood ordinance plan. Securing a copy from the Borough, the Clarks gave Colonial a copy of the Borough's flood ordinance plan. Evidently no one else needed something like this. They gather all photographs and send to Ludee to prove the home was raised.

March 17, 2006: The Clarks send more photograhs along with almost everything Ludee requested in her letter.

March 20, 2006: The Clarks send even more photos of the cement foundation going up, but it's all they can do for now. The remainder of the documents they needs they cannot get since the house is not complete.

March 30, 2006: The Clarks get a copy of the mitigation permit Colonial is asking for in their letter along with the flood ordinance plan to Colonial Claims. But now they tell them they need all permits involved.

April 4, 2006: The building inspector gives the Clarks copies of all permits issued for the elevation. Colonial takes issue with the permit numbers being handwritten in the upper right, they give them a hard time, but eventually accept them.

Early July, 2006: The Clarks stay in touch with Ludee so she doesn't forget about them since they don't have the CO yet. She then tells them they think they do not need the CO, but if they get a letter stating that the elevation is complete and they are in compliance with Yardley Borough Flood Ordinance, they can get the money. The Clarks also order another survey to prove that the house is indeed above 100-year flood plain, and they send that in to Colonial.

July 20, 2006: The Borough agrees to write the letter Colonial needs, and the Clarks confirm with Ludee what it needs to say. They believe they also had to send new survey plans to the Borough as well in order for him to write letter.

July 25, 2006: Ludee confirms that once she receives letter from the Borough, she'll send the Clarks proof of loss form and they need to notarize and send back. The Clarks fax the building inspector a letter stating what they need their letter to say.

July 26, 2006: The building inspector writes the necessary letter and sends it to the Clarks. They fax the letter to Ludee; they think they are done. Email from Ludee says, "I received the fax and will work on their file in the order it was received." They rejoice.

7 HOURS LATER, SAME DAY: The Clarks get another email from Ludee, now she says the supervisor reviewed the file and they need the invoices. When the elevation is complete the insurance carrier requests invoices match up with the estimates submitted. However on Citibuilders LLC contract, the only thing on there that is covered thru ICC is the new slab. They need that amount broken down. " If they want, they may submit invoices for the steps/railings leading to the first level of the home. The cost to raise the air conditioning unit to the level of the home. The cement blocks used for the elevation. The cost for two 4 foot by 4 foot decks."

They are frustrated; they have a contract from Citibuilders and cancelled checks. But in the contract, he lists all the work under section 2 as GENERAL SCOPE OF WORK TO BE DONE. It totals $78,500.00 and is clearly all there and more than enough to cover the $30,000.00. It is not good enough for them. The Clarks also have a contract from Wolfe for the actual raise, but they need an invoice that says PAID IN FULL. They don't have that; just a signed contract and cancelled checks. Two of the three checks are made out to Mark Buckingham the owner; again, no good. Shelly calls Wolfe House Movers to try and get an invoice, evidently it's on its way to the Clarks.

July 27 and 28, 2006: The Clarks leave a message for Tim at Citibuilders asking him to breakdown the invoice.

August 7, 2006: Colonial Claims has also taken the liberty to email and call Tim and eventually around August 7th, Tim emails what they need and they are fine. Again, the Clarks think they are home free and rejoice.

LATER THAT DAY: After telling them things were being passed off to Traveler's Insurance now and all ready to go, they are now asked for photos of the smart vents and more photographs of all four sides of the house.

August 8, 2006: They have a neighbor take the photographs and then send photos of the smart vents and all 4 sides of the house. They are then told by Ludee that the smart vents are too high on the south side and that is a big problem. They send a full explanation to her and her supervisor about the grading of their house; that the vents are indeed less than 12" off the slab floor inside the house, it's just that the outside of the house is graded that way. If they put the vents lower, they would be under the slab.

August 8, 2006: The Clarks speak to Donna, Ludee's supervisor later that day who tells them she will forward the claim to Travelers Insurance anyway and let them decide how to handle. They are concerned about the smart vents. They try to explain over the phone and offer to have someone please come out to see the home in person. They also remind them that one of Travelers representatives, walked through the home after the June 30th flood and he can speak to the location of the vents and how well they performed.

August 9, 2006: The Clarks receive Proof Of Loss from Ludee at Colonial. They sign, have it notarized, they fax and mail it to her. She has received it.

The Clarks are now waiting anxiously to hear if Travelers Insurance will accept their claim.

So here are the Clarks; 16 months and $100,000.00 later, but they are raised without any help from FEMA.

This is just one story of many from out small Borough. Can the government standardize reporting, streamline government bureaucracy and assist a homeowner in their time of need.

In summary, has the National Flood Insurance Program responded to those in need after a flood; you can just ask the Clarks.

Answering the question how the Federal Emergency Management Agency (FEMA) cooperated with state and local governments under the NFIP during the recent floods, there was minimal involvement during the flood proper. During the few weeks immediately after the flood, there was good representation of underwriters and adjusters. Unfortunately, four weeks after a disaster in a household, a tragedy begins in trying to secure federal monies in putting lives of families back in order.

We are being asked what corrective action is being done to correct the problems we are experiencing with NFIP, the residents have telephoned and written hundreds of letters to our elected officials to reevaluate older and possibly out-dated statutes. Our next step is our plea with you today to please review, revise, update flood mitigation opportunities.

With respect to flood maps in Pennsylvania and specifically Bucks County, I must request the updating of old maps so our local planning and zoning entities can further assure safeguards in the flood plain.

I would like to thank you Chairman Oxley and Congressman Fitzpatrick for the opportunity to speak on behalf of the citizens of this Commonwealth regarding flood issues. It is my belief, which is shared by many Yardley Borough residents, we may not be able to hold back the floodgates of Mother Nature, but we have a positive attitude we can mitigate against some of her issues.

Respectfully submitted,

C. William Winslade
Yardley Borough Manager

Remarks of Jeanne Doyle
Upper Black Eddy, Pennsylvania
August 15, 2006

United States Congressional Field Hearing
"A Look at the National Flood Insurance Program and Flood Mitigation Efforts:

Is Bucks County, Pennsylvania Ready for Another Flood?"

Mr. Chairman and members of the committee, thank you for the opportunity to testify before you today. My name is Jeanne Doyle and, prior to the 2004 flood, I lived in a two family house, with my husband; we live on Social Security and a small pension. My daughter, her husband and three children aged two, five and eight lived in the apartment on the second floor; my husband and I occupied the first floor apartment.

My husband and I were very lucky to be living so close to our grandchildren from the time they were born. As often happens with major disasters the September 20, 2004 flood changed everything. As we watched the waters rise that day, my daughter and I exchanged glances and embraced. In that moment we knew our lives were going to change dramatically.

In that flood we had 3 feet of oil and sewage contaminated mud and water into the first floor of our home. The damage was extensive.

We expected to suffer sadness and loss because that is the way with natural disasters. But we never expected to be betrayed by Allstate our insurance carrier since we first married over 40 years ago, and FEMA.

My husband and I moved to a vacant apartment in a building we own and received a small income from in Riegelsville, Pa. We have now lost that rental income while we continue to pay the mortgage, taxes, homeowners and flood insurance costs of our Upper Black Eddy home. We have been paying these costs for a home we cannot occupy for almost two years now.

My daughter and her family had to move back into the second floor of the flooded Upper Black Eddy house for several months while they built their new home in New Jersey. While they lived in the house upstairs from the recently flooded ground floor our grandchildren suffered from recurring colds and had flu-like symptoms. The children feared every rainfall.

As horrible as the flood was, it was beyond human control. By contrast, however, our experience with Allstate is a man-made night-mare. Although we had purchased replacement cost insurance coverage, we were offered pennies on the dollar for our damage that inundated our basement and left three feet of flood water contaminated with sewage and fuel oil in our first floor. When we objected to the low-ball offer, Allstate and FEMA seemed to encourage us to file suit.

I have only recently learned that experts say that there is no way to wholly remediate fuel oil, yet Allstate did not allow for it. Worse, I have learned that the NFIP adjusters tell people that fuel oil can be remediated with a deodorizer, yet the fact is that fuel oil is a known toxin, irritant and suspected carcinogen.

We were flooded in 1996, 18 inches into the first floor, and the 2004 flood was flood number 2 in less than 10 years. We asked Allstate and FEMA for information about mitigation and discovered that we were eligible, under our NFIP policy, for the increased cost of compliance to elevate our house. We paid an engineer $500 to determine the necessary elevation to meet mitigation standards - eleven and one half feet.

Allstate offered us one third of our public adjuster's estimated cost of our 2004 repairs which we had to refuse.. We informed Allstate through our public adjuster that it was a good business decision to elevate before we put any more money into fixing our home. It was a foolish business decision, in our opinion, to repair a home in harms way. It makes no sense.

We never did receive money from our elevation claim, and were also not made aware of the Hazard Mitigation Grant Program (HMGP).

In April 2005 there was another major flood and we had nearly six feet of water in our first floor and again we used a public adjuster.

Allstate would not accept his estimate so we requested an estimate from Allstate's vendor of choice, Serv Pro. The Serv Pro contractor came within $10,000 of our public adjuster's estimate. Allstate's structural engineer acknowledged that the outside front wall of our home is bowed out due to a crack in the foundation. The garage collapsed in the second flood of 2005, and the 2006 flood brought another five feet of water into our first floor causing even greater damage.

That's four floods in ten years and yet we have never received the compensation we were entitled to for any flood since 1996. Our township issued a letter declaring our home substantially damaged based on the contractor's estimate, Nevertheless, Allstate has yet to agree that our home was 'substantially damaged,' agree to pay the cost of our covered repairs or elevate our home.

In short, we failed to receive the compensation that we bought and paid for through the NFIP, and then failed to be included in the HMGP. It seemed that at every turn the system was locked down such that we had no recourse.

It was then that I learned of a video that Congressman Michael Fitzpatrick, produced in an effort to help the flood victims receive the benefits to which they were entitled. He said that it was his job to bring his constituents the very best information he could; and was bringing us Steve Kanstoroom, a fraud detection expert who had spent 6,000 hours investigating FEMA and the NFIP.

I sought out Mr. Kanstoroom and was shocked to learn of materials that lay out the magnitude of dysfunction within the NFIP. But I was also encouraged to learn that simple solutions exist that will bring the relief that people like me, and others similarly situated, so desperately need.

I learned that the NFIP business partners have a motivation to knowingly underpay claims and I have attached a letter from the former Federal Insurance Administrator Robert Hunter that explains that motivation. Mr. Hunter confirmed Mr. Kanstoroom's findings. They say the WYO carriers are concerned to fairly pay flood claims for fear of setting a precedent on their non-flood claims. For example, if they fairly pay the cost of drywall at $2.50 a square foot on the flood where the claims expense is borne by the NFIP, the WYO will then be locked into paying the same price for similar damage on the second floor where a tree fell through the roof. Mr. Hunter's letter says that insurance executives as much as told him so point blank.

I learned of an apparent conflict of interest regarding the WYO's industry lawyer. According to his congressional testimony, he represented every WYO carrier, and trained sales agents, claims adjusters, and Computer Sciences Corporation's (CSC) general adjusters as well as the Inspector General's special agents – the people charged with finding wrongdoing. Next I learned of a training disparity where NFIP's contractor CSC was found to be training insurance agents to tell policyholders they would be restored to their pre-flood condition for covered losses up to policy limits, while simultaneously training claims adjusters to allow only narrowly defined coverage in limited amounts.

I also learned that Congresswoman Jo Ann Davis tried to bring these matters to the attention of the Department of Justice and ultimately, the President. Only after many months of waiting was the letter to the President answered. In effect, the response was that no problems existed at FEMA.

Days later Hurricane Katrina struck.

Congresswoman Davis' letter seems to indicate that the apparent conflict of interest was of great concern. I have subsequently learned that he argues in court that Congress intended to shield the WYO's from liability for intentional bad acts. It's logical to believe he shares this view with the Inspector General's special agents when he trains them on how the program operates. Congresswoman Davis' letter to the President is attached to my testimony.

I also learned that the HMGP is being run in such a way that FEMA has taken it upon itself to make up the rules as it goes along, and claim it is immune from judicial review for all claims, including those of non-monetary value, such as those with regard to its rule making process.

In other words, FEMA is openly telling federal judges they are powerless to compel FEMA to follow its own rules. Simultaneously, FEMA's WYO business partners have

stated in court filings and open court that they shielded from any consequence related to any intentional bad act.

I am living with the results of those positions and I desperately need you to work with the experts that have a simple technical amendment ready to go that will help us be treated as decent taxpaying citizens rather than yesterday's garbage.

I found congressional testimony that Pennsylvania flood victim Beth Beam gave to your committee in April 2004. It describes the experience she and her husband went through -- a young hardworking couples' plight after being wrongfully denied their NFIP insurance claim. They were left homeless. Ultimately, relatives took them in and for months the mom and dad and little girl slept on couches so that their baby could have her own room.

Her experience was in some respects identical to mine.

Her testimony read, in part:

> "We are told that, based upon the rules that Congress approved, if we file suit we cannot recover attorney's fees or consequential damages. In other words, we will be fortunate to receive sixty percent of what we are owed, years from now. In the meantime, FEMA and our insurance company are taunting us to sue them."
>
> We cannot believe that Congress ever intended to set up a premium funded program where the policyholders had no rights. A program that has no oversight and no accountability to the very people that fund it - the policyholders.
>
> We purchased flood insurance thinking it would cover any damages sustained in the event of a flood. Instead, the insurance industry has taken our premiums and given nothing in return. We are left to fend for ourselves in a nightmarish existence.
>
> April 14, 2004 Testimony of Beth Beam before the House Financial Services Subcommittee on Housing and Community Opportunity.

I understand with Mr. Kanstoroom's help, she eventually received much of what she was owed. Something is terribly wrong, however, when NFIP victims' only recourse is to hope they can enlist the free help of a national advocate willing to fly to their home and observe the adjustment process, as was the case here.

Attached to my testimony is a copy of a letter from the MD Insurance Commissioner to thirteen other state insurance commissioners alerting them to the problems that Mr. Kanstoroom found. It urges them to contact Mr. Kanstoroom directly to avoid the types of problems he uncovered.

Also attached is a copy of a letter from the Maryland Commissioner to Chairman Shelby and Chairman Oxley urging them to reach out to Steve Kanstoroom as they search for solutions to fix the NFIP. Since that letter was written I understand that one of FEMA's

most senior attorneys learned of Mr. Kanstoroom's work through a Washington Post article. He contacted him after retiring from FEMA and has offered to help him in any way that he could to expose and correct FEMA's wrongdoing.

For the sake of all of us, please make use of these to experts who are so willing to help. I believe they have the answers and we really can't wait for more hearings. We desperately need action now.

Thank you.

Attachments:

Robert Hunter Letter
Representative Davis' Letter to the President with attachments
MD Insurance Commissioner Letter to Insurance Commissioners
MD Insurance Commissioners Letter to Senators Shelby and Representative Oxley