STATEMENT

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COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

HEARING ON

BUILDING A 21ST CENTURY INFRASTRUCTURE FOR AMERICA: MITIGATING DAMAGE FROM NATURAL DISASTERS

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Chairman Barletta, Ranking Member Johnson, and distinguished members of the committee, I would like to thank you for holding this important hearing today regarding building a 21st Century Infrastructure for America.

Specifically, I want to address how we can mitigate damage and recovery quickly from disasters. I am grateful for the leadership of the Chairman and the Ranking Member and for the opportunity to share my expertise and assist with the goals of this committee.

In no uncertain terms, I want to impress on the committee today that we have a moment - ***right now*** - to Make America Resilient Again and save both lives and taxpayer dollars.

In my 35 years of experience dealing with natural disasters at the federal, state, and local levels, including my service as Administrator of FEMA from 2005 to 2009, I can tell you that our federal policy regarding disasters does not do nearly enough to prevent infrastructure failure before a disaster strikes. Today, we are unnecessarily putting lives at risk and wasting billions in taxpayer money.

My position is largely influenced by experiencing firsthand the aftermath of multiple catastrophes. I remember the devastation of Hurricane Andrew in 1992, Hurricane Katrina in 2005, and numerous wild fires, floods, and tornadoes over the course of my career.

In the southeast, thousands of homes that were destroyed by Hurricane Andrew should still be standing today. Following the storm, I will never forget walking down the street and finding that where once stood a home was now only a concrete slab. This continued as I went — slab after slab, block after block, on and on. I would stop in surprise only when I came across a house that actually was still standing.

These homes and businesses were destroyed because they were never built to withstand the natural disasters that would inevitably come, or, in some cases, because building codes that would have fortified these structures were adopted but not enforced. This lack of attention to building codes leads to the homes falling in the wake of a disaster. This matters to this committee because, as you all know, in these instances the cost to rebuild typically falls to the U.S. taxpayer.

It is unfortunate that this has become the reality of our nation's current disaster policy. We do not do enough before disasters strike and the cost in lives lost and off-budget taxpayer assistance continues to rise.

As all of us remember, on August 29th, 2005, Hurricane Katrina made landfall in southeast Louisiana, killing 1,833 people and causing $108 billion in property damage, making it the costliest natural disaster in United States history. Seven years later, Hurricane Sandy arrived and killed 233 people and caused $68 billion in property damage. That is over 2,000 lives lost and $176 billion in mostly off-budget funding.

Such destruction and recovery are not isolated events, but part of a larger trend. According to the BuildStrong Coalition — who I am pleased to serve as an advisor — since 1980, the U.S. has been struck by 178 weather and climate disasters, each resulting in damage over $1 billion with a total cost exceeding $1 trillion. We are in the midst of a 30-year upward trend that has seen the number of disaster declarations rise in number year after year.

As expected, when the number of disaster declarations increases so does the federal liability for disaster recovery. In 1955, when Hurricane Diane struck the Atlantic Coast, the federal government paid for approximately five percent of losses. In 1989, when Hurricane Hugo hit the southeast, the federal government covered approximately 25 percent. In 2005, when Katrina made landfall in the Gulf region, the federal government covered about 50 percent of the costs. When Hurricane Sandy hit the northeast only a few years ago, the federal government was responsible for approximately 80 percent of the costs.

The Office of Management and Budget reported that the average annual federal funding amount for disaster relief from 2001-2011 was $1.5 billion. By 2013, that number had jumped to almost $13 billion in annual funding. We don't need more evidence. The number of disasters declared by the federal government will only continue to increase and so will the cost to the U.S. taxpayer. This is simply unsustainable over the long term. Current U.S. disaster policy, with its emphasis on funding post-storm recovery efforts and minimal focus on mitigation, serves only to perpetuate the cycle of destruction where cities are rebuilt only to be devastated again by the next big event.

To break the existing cycle of destruction and recovery, the U.S. must begin to shift away from ineffective, reactive post-disaster spending to a proactive system that focuses on protecting the nation from the rising frequency of major disasters. Here are four game-changing ideas that will Make America Resilient Again and save billions of dollars and countless lives:

1. Reform the Federal Cost Share

First, we must get serious with states to ensure they approve mitigation plans and adopt and enforce statewide building codes. The fact is the federal government continues to have massive fiscal exposure in high risk areas in part because states are either not adopting appropriate building codes or they aren't enforcing the codes. This lack of will by state policymakers and state regulators costs federal taxpayers billions and federal policymakers have every right to encourage the states to act correctly.

That is why we should tie federal money for disaster assistance directly to the decisions by states in preparing for disasters. Today, the federal minimum cost share following a natural disaster is **75%**. The committee should look at rewarding states that improve resiliency by increasing their cost share to **80%**. Conversely, the committee should examine lowering the federal cost share to **60%** for states that fail to approve, adopt, or enforce mitigation plans or building codes. This action will force states to work with *fewer* federal dollars if they continue to shirk their responsibilities on the state and local levels in order to ensure that homes are built to code. This plan is simple and recognizes “good” and “bad” state behavior. The new 60% minimum allows the President the built-in flexibility to adjust the cost share up depending upon the scale of disaster and state preparation.

2. Post-Disaster Spending Set Aside for Pre-Disaster Mitigation Assistance

The FEMA pre-disaster mitigation programs are incredibly small compared to the massive amount of post-disaster money that flows from Congress. For example, in the fiscal years between 2011 and 2014, the federal government allocated roughly $222 million for pre-disaster mitigation compared to $3.2 billion for post-disaster mitigation, a ratio of roughly 1:14. Post-disaster spending swamps pre-disaster mitigation spending and that must change if we are ever going to reduce the cost of disasters in money and lives.

The problem is that there is no money on budget at FEMA — or in Congress — until after an event occurs. Therefore, I believe we must use a dedicated portion of the total annual money spent from the Disaster Relief Fund and allocate it towards a new National Hazard Mitigation

Grant Program (NHMGP). This new NHMGP would be funded with existing DRF funds — not a new appropriation — and would cause the federal government to fund a nationwide mitigation program that we know provides a 4 to 1 return on investment savings for future disasters.

A National Hazard Mitigation Grant Program would operate like the Hazard Mitigation Grant Program (HMGP) except funds would be available nationwide without regard to whether or where a disaster has occurred. Under this proposal, grant funding would be allocated for the development, implementation, or enforcement of approved building codes and other cost-effective mitigation purposes.

For states that recognize that they need to reform their building codes or need to do more to enforce existing codes before a disaster, the federal government should also be able to help. The development of state building codes should be eligible uses under the Pre-Disaster Mitigation Program. Experts agree that every dollar in prevention saves $3 to $4 for the taxpayer, meaning a $1 billion investment over five years could save $3 to $4 billion in the aftermath of the next disaster. Helping states develop and enforce building codes is a clear way to save lives and federal tax dollars.

3. Essential Assistance to Disaster Areas to Develop Statewide Building Codes

The Federal government should do everything possible to encourage resilient building codes, especially in areas where a disaster has already occurred; right now, we do very little. When a disaster strikes, there is an influx of money but little incentive to ensure that a state is not rebuilding to standards that did not withstand the initial disaster. If a state has not fortified correctly, we should try to take something positive out of an event occurring by making sure that state has the opportunity to fix its oversight. Funding should be available as essential assistance for the development and enactment of statewide building codes for two years after a disaster strikes. These funds would be used to defray costs associated with the development and enforcement of a statewide building code and accelerate recovery.

4. Consolidation of Federal Program Administration

From my time as the FEMA administrator, I can tell you that the federal government has a reactive response to disasters. This causes a large flow of money to come into many different agencies in a short window, resulting in a lack of accountability to the taxpayer. I believe we can actually reduce federal disaster spending by consolidating ad hoc federal disaster assistance programs under FEMA. FEMA, in consultation with other federal agencies, will publish a list of programs that will then be transferred to and administered by FEMA. I suggest we also require FEMA-administered projects to meet cost benefit standards, be directly related to disaster damages, and be coordinated with other disaster mitigation measures.

The influx of money is real and non-FEMA programs are not equipped to move the funds out quickly. According to the final report of the Recovery Accountability and Transparency Board (RATB) which, as you may know, was a nonpartisan agency established by the American Recovery and Reinvestment Act of 2009, billions in funding for Hurricane Sandy remained unspent years after the disaster. In fact, of the $33.99 billion in non-FEMA funding designated to government programs in the Sandy Supplemental, as of March 2015, only $6.93 billion had been paid out.

On top of this, the lack of cost controls leads to more waste, fraud and abuse. The office of Inspector General since January 2013 had opened 225 investigations and initiated 72 audits across various agencies concerning Hurricane Sandy supplemental appropriations. From those investigations, the various OIGs identified $226.9 million in questioned costs and recommended $76.7 million be reprogrammed for better use of funds. Of the $76.7 million recommended for better use of funds, $53.2 million was recommended from HUD's Community Development Fund (CDF) alone.

Inefficiencies were found in use the CDFs by cities large and small. The Department of Housing and Urban Development OIG completed an audit of the New York City Office of Management and Budget's administration of the Community Development Block Grant Disaster Recovery Assistance (CDBG-DR) funds awarded to the city as a result of damages caused by Hurricane Sandy, and found that funds designated for the city went to a sub-recipient without adequate objectives or monitoring for its use. As a result, city officials could not assure HUD that the CDBG-DR funds were disbursed for eligible, reasonable, and necessary program expenses in compliance with HUD rules and regulations. Further, the remining allocation of $40 million would be considered funds put to their intended use only if city officials established adequate monitoring controls.

A similar review of Minot, North Dakota's CDBG-DR program determined that the city did not fully comply with federal and local procurement requirements. The audit determined that this was because the city lacked detailed operational procedures and checklists for implementing applicable procurement regulations. As a result, HUD was not assured that the city received the best value and the greatest overall benefit for more than the $11.6 million in various CDBG-DR procurement contract, amendments, and change orders.

These projects are examples of money flowing to non-FEMA programs that had no cost-benefit analysis attached to them before they were allocated for disbursement. This lack of accountability to the taxpayer must end. That is why I am calling for consolidating disaster spending under FEMA and ensuring that a cost-benefit analysis that shows the spending is directly related to disaster damages be adopted by this committee.

My 35 years working in emergency preparedness tells me we simply are not doing enough for our country. There is no excuse to not demand that states enforce building codes when it is the federal taxpayer who must foot the bill. Federal policymakers must stop this terrible deal for the taxpayer and make America resilient.

These measures will save lives and save taxpayer dollars. They force states that are not achieving a level of efficiency in their structures to improve or lose access to millions of dollars in disaster relief. I encourage the committee to take this opportunity and act.

Thank you and I look forward to continuing to work with the committee on this important issue.