TESTIMONY ON IMPACTS OF THE

BIGGERT-WATERS FLOOD INSURANCE REFORM ACT OF 2012

PRESENTED TO THE

SENATE ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE

AND

SENATE BANKING AND INSURANCE COMMITTEE

By

Jeff C. Wheeland, Chairman

Lycoming County Commissioners

County of Lycoming

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Economic Impacts of Biggert Waters in Lycoming County of Lycoming

Lycoming County was formed from Northumberland County on April 13, 1795. The first settlements were in the Muncy Area with development moving west along the West Branch of the Susquehanna River to Jersey Shore. Today, Lycoming County's growth area still follows the West Branch of the Susquehanna with a significant population protected by a levee system. We still have, however, communities which are vulnerable to flooding on either end of the County and along Lycoming Creek.

To understand the economic impacts of BW 12 to these communities and the county as a whole we have to first look at the Act. BW12 requires older housing stock to be rated the same way as new construction in the floodplain. In Lycoming County, 90% of the structures in the floodplain were built before the communities joined the National Flood Insurance Program. Fifty percent were built before 1900; and 25% of the construction was immediately after WWII.

To entice communities to join the National Flood Insurance Program, Congress agreed to provide special treatment that would be known as Pre FIRM (Flood Insurance Rate Maps) rating. These were rates that were not dependent on the base flood elevations and housing construction. There would be certain threshold which would require the homes to meet the floodplain regulations but for communities without regular and significant flooding, these thresholds are often not met.

Beginning October 1, 2014, homeowners that are moving to the full actuarial rates began seeing their premiums soar from $500 to $800 per year to $8,000.00 to $10,000 per year. The rating based on how far below the base flood elevation the house sits is exacerbated by the fact that almost all have basements of some kind. Since new policies are now at full actuarial rates, housing sales in these areas have come to a complete halt. Homes purchased after July 6, 2012 have started to move to full rates with their annual renewal. Homeowners, who purchased a property with no knowledge of BW 12 are finding themselves unable to make the premium payment. Business owner are seeing, for the first time, what their premiums will become.

We immediately knew that this would be a problem for the home values in our floodplains. The harsh premium increases, coupled with a lack of understanding as to how often the flooding occurs, are making the matter worse. Here is my example:

We have a community with almost half of their property in the floodplain on the river. The average residential assessment is $75,000.00. There is no discernable difference, on average, between the floodplain properties and non- floodplain due to the infrequency of flooding. From a sales perspective, we see no discount in the floodplain. If we look at the history of flooding in this area, it only floods every 40 to 50 years. If the residents appeal their assessments and they were reduced by 50% due to the collapse of the real estate market in the floodplain, the revenue to the community would be significantly reduced. Depending on the case made for a reduction in the assessed value, the community could lose 25 to 50 percent of its tax base. The property owners in the floodplain would realize very little tax savings when compared to their premium increases. Non-floodplain residents would see a substantial tax increase.

Lycoming County was half way through a County wide reassessment when BW 12 began to roll out. Since October 1, 2013 we have heard reports of buyers leaving the closing table when flood insurance rates were quoted. The biggest shock came to homeowners and business people who purchased in good faith after July 6, 2012 only to find out the premium quoted upon renewal AFTER October 1, 2012 was 1000% higher than the quote they received at their original closing.

Baring full repeal of this law, what do we do as community officials? What is the path out for our constituents? The immediate response of, “I’ll just pay off my mortgage so I don’t have to carry flood insurance” is short sighted. What do we do in the next flood, and there will be one, when we see that resident knee deep in mud and no way to repair? What do we do when the rules of the game are completely changed half way through?