



TESTIMONY

presented to

Pennsylvania Senate

Banking and Insurance Committee
and
Environmental Resources and Energy Committee

Biggert-Waters Flood Insurance Reform Act of 2012

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Tuesday – January 28, 2014

Introduction

Good Morning Chairmen White, Yaw, Yudichak and Stack, and members of the Banking and Insurance and Environmental Resources and Energy Committees and other Senate Members.

Thank you for inviting the Center for Rural Pennsylvania to offer comments on the issue of Biggert-Waters Flood Insurance Reform Act of 2012 and Pennsylvania communities.

I am Barry Denk, the Center's Executive Director. As you know, the Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy and data analysis within the Pennsylvania General Assembly.

On the monitors/easels are a few of the maps prepared by the Center that provide data on National Flood Insurance Program policyholders in Pennsylvania. Map 1 shows that every county in the commonwealth has households enrolled in the program. From the highs of 8,676 policyholders in Luzerne County, 4,783 in Bucks, and 3,924 in Allegheny to the lows of 112 in Sullivan County, 46 in Forest County, and 36 policyholders in Fulton County, Pennsylvania ranks 12th in the nation with more than 73,000 policyholders, according to the Federal Emergency Management Agency, as of December 2012. The impact of Biggert-Waters, with increased flood insurance premiums of up to 25 percent each year over a 5 year period for some policyholders, is clearly an issue not just affecting rural Pennsylvania. It will affect policyholders in all 67 counties.

The second map prepared by the Center shows the breakout of subsidized National Flood Insurance Program policyholders by county. Again, the map depicts that this is an issue affecting all of Pennsylvania. Across the commonwealth, there are 24 counties that have more than 500 subsidized policyholders. These are the orange shaded counties on the map. Nationwide, according to FEMA, there are 1.04 million subsidized policyholders, or 19 percent of the 5.49 million policyholders (Map 3 provided with the written testimony). The three states with the highest number of subsidized policyholders are: Florida (268,600), New Jersey (88,600), and Louisiana (82,000). The three states with the fewest number of subsidized policyholders are Wyoming, Utah, and Alaska, each with less than 1,000. Pennsylvania has the nation's seventh highest number of subsidized policyholders with just under 34,500.

While this issue affects all counties, if we dig deeper into the numbers, we clearly find that, within Pennsylvania, some counties are more affected than others.

When looking at just the number of subsidized policyholders, according to FEMA's records, the three counties with the highest number of subsidized policyholders are: Bucks (2,315); Dauphin (1,983); and Lycoming (1,961). The three counties with the fewest number of subsidized policyholders are Sullivan (59) Forest (31) and Fulton (17). When comparing the percentage of subsidized policyholders to total policyholders at the county level, the counties with the highest percentage of subsidized policyholders are Cameron at 79 percent, followed by Schuylkill and Lycoming at 76 percent each, and Mifflin at 72 percent.

From a rural and urban perspective, a bit more urban policyholders are subsidized (17,425) than rural (16,470). This is not surprising when one looks just at housing units. There are 2.6 times more housing units in urban counties than in rural counties. A more apples-to-apples comparison would be to look at the number of subsidized policyholders compared to the number of housing units. In rural counties, there are 10.1 subsidized policyholders per 1,000 housing units. In urban counties the ratio is 4.4 per 1,000 housing units¹. (Map 4 shows the number of subsidized policyholders per 1,000 housing units by county).

Flood Insurance Policyholders: Municipal Profile

Earlier, you heard from a panel of county government officials and representatives. To provide you with a municipal level perspective, the Center looked at subsidized and unsubsidized policyholders, by municipality. The purpose of this comparison is to identify if there are any unique demographic and socio-economic characteristics in municipalities with a high percentage of policyholders.

Data for this comparison came from U.S. Census Bureau, Pennsylvania Governor's Center for Local Government Services, and FEMA. The FEMA data represent the number of policyholders as of October 31, 2013.

¹ It is important to point out that subsidized policyholders include both residential as well as commercial. A more accurate measure would be to compare the number of policyholders to property parcels. This information, however, is not readily available statewide.

To identify municipalities with a high percentage of policyholders, the ratio of policyholders to housing units was calculated. Municipalities with 5 percent or more policyholders were identified as “high” given that the statewide average is 1.3 percent.

Comparison of Municipalities with a High Percentage of Policyholders to the Statewide Average

Among Pennsylvania’s 2,562 municipalities, 218 (9 percent) have a high percentage of flood insurance policyholders, 1,998 (78 percent) have less than 5 percent, and 346 (13 percent) have no policyholders. Map 5 shows the location of municipalities with 5 percent or more of policyholders.

Table 1 in your handout shows the characteristics of municipalities with 5 percent or more policyholders compared to the statewide average.

Compared to the statewide average, municipalities with a high percentage of policyholders have:

- Lost population between 2000 and 2010
- Had very little change in the number of housing units
- Higher percentages of single person households
- Lower rates of homeownership

- Larger percentages of housing units built before 1950
- Lower housing values
- Lower household incomes and higher poverty rates
- More adults with disabilities

In addition to looking at municipalities through the lens of NFIP policyholders, the Center examined those municipalities where 25 percent or more of the municipality is located in at-risk flood zones.

Data for this analysis came from FEMA's Digital Flood Insurance Rate Maps. Currently, data are only available for 49 of Pennsylvania's 67 counties. While not complete, these data represent 70 percent of the commonwealth's land area and 84 percent of the state's population. Map 6 shows the location of the 123 municipalities where 25 percent of their area is in a flood zone.

Table 1 shows the characteristics of these municipalities. Among the key differences are:

- Population decline
- High percentage of non-whites
- Mix of rural and urban
- Large percentage of persons living alone
- Low homeownership rates
- Older housing stock

- Low housing values
- Lower household income
- Higher poverty rates

Summary

No doubt, the numbers and percentages I've talked about and provided in the handouts can be a bit overwhelming.

However, our analysis is intended to show that the Pennsylvania citizens and their communities most affected by the enactment of the Biggert-Waters Flood Insurance Reform Act of 2012, in its current form, are in large part much older, less financially able to absorb the increased premiums, living in homes less valuable, and in communities where any negative effect on the tax base will have a serious multiplier impact.

Pennsylvania's geography is not the sandy coastlines of Florida, North Carolina or New Jersey or the sea-level topography of Louisiana. The overwhelming majority of Pennsylvania homes covered by federal flood insurance are primary residences and not secondary resort homes.

The National Flood Insurance Program is clearly not sustainable with a deficit of over \$28 billion; however, the reforms enacted by the Biggert-Waters Act have resulted in unforeseen

economic and social consequences for our residents, our communities and the commonwealth as a whole.

As you know, there is serious conversation and pending legislation that would amend and possibly repeal the Biggert-Waters Flood Insurance Reform Act of 2012. Increased awareness in Congress of how the legislation is playing out across the country must continue, particularly from states like Pennsylvania. I hope that the maps and data provided to you today can assist in presenting that message to Congress.

Thank you.