Note to NHMA on the Disaster Deductible proposal from FEMA:

HEADLINE FOR THOSE PRESSED FOR TIME (Who isn't?)

GOOD IDEA BUT A LOT OF ISSUES IN HOW TO DO IT.

There is considerable pressure to reduce Federal spending on disaster relief, (e.g. the Heritage Foundation has short postings on their website and a long report as well, urging cuts). They follow the GAO reports which are said to call for changing the threshold for a disaster declaration by increasing the measure of capacity of states to pay. FEMA has instead proposed a "DISASTER DEDUCTIBLE" which would be an incentive to mitigate risks. This was in 2016 and again in 2017 with a much more detailed model.

If the deductible has been met, there would be no reduction in the Public Assistance pay-out. If the deductible has not been met, then part of what is needed in the event of declaration would have to be state or non-federal funding. The model has a lot of detail, and a lot of decisions that elicited some very detailed responses. NHMA comments were based on Lawrence Frank's work in 2016 and advice from Jim Mullen and others in and out of NHMA.

They approve the idea but raise concerns with a lot of the model; in essence, fairness in estimating the deductible is a rat nest of issues and so is the calculation of risks, which FEMA modeled as an adjustment to the deductible. As Larry Larson said, if this goes anywhere, it will be through more rule-making, so this is preliminary.

The best outcome, many think, is a bigger discussion of how to make states invest more. There are also serious problems with the idea of cost-reduction at the Federal level which may simply shift costs to states and local governments. Given the self-crippling fiscal policies many governments have adopted, there is reason to fear that costs would simply not be paid adequately.

Two points on cost: it may be systematically underestimated because of cost-shifting to other long-term programs such as social security, disability supports (Deryugina 2016 paper), and there is evidence that delayed and poor recovery drags down the regional economy – so far, for a decade of measurement. On the other hand, if any government actually goes for fiscal conservatism, the very high benefit to cost paybacks for mitigation make it an investment with extraordinary returns. A third interesting point on total costs is that taking out Hurricane Katrina, "Superstorm" Sandy and 9-11 takes out half the total payout in recent times, as shown by Resources for the Future in a policy briefing from 2016, available on their website. But that report had no information on the future costs and what they will do to everyone's budgets without taking mitigation seriously.

For the full detail, the docket for the Supplemental Advance Notice of Proposed Rule-making (SANPRM) 463 results for comments from the 2016 Advance Notice and the 2017 Supplemental Advance Notice.

https://www.regulations.gov/docketBrowser?rpp=25&so=DESC&sb=commentDueDate&po=50&dct=PS&D=FEMA-2016-0003

The comments are quite varied, from individuals to NGOs and associations, and they are not at all uniform. Recommended for NHMA folks: The Nature Conservancy, 2016 and 2017, Union of Concerned Scientists, 2016 and 2017, NRDC-American Rivers 2017, University of Pennsylvania Law School, and of course, ASFPM, from 2016 and 201. NHMA did not orient comments to climate change, because of the conviction that mitigation is critical regardless of climate. The TNC, UCS and NRDC-AR comments refer to issues of climate change and the 2016 UCS and TNC comments, as well as 2017 comments are very good sources for work on "green infrastructure", or nature-based non-structural mitigation measures. NHMA took a somewhat generalized approach on the issues.

The GAO and others have urged that the Stafford Act has not been faithfully followed because the threshold for a federal disaster declaration has only relatively recently been escalated for inflation, and has not been escalated to account for increased personal income. The discussion of these issues in FEMA's SANPRM is good, but the discussion (in the opinion of your correspondent) does not adequately address the increasing disparity in income, the housing cost increases, and the issues of social equity.

Many comments were thoughtful on weighting various kinds of mitigation, as suggested by FEMA; for instance, some recommend a 3 to 1 credit for investment in green infrastructure, and high weighting for social equity remediation projects, and lower weighting for ephemeral efforts such a rainy day fund for individual assistance and non-declaration emergency costs, because these funds tend to be redirected.

The comments on a much less detailed idea in the 2016 ANPRM issued by FEMA from NHMA were re-affirmed and we added some discussion on a range of issues. The most important may be that the NHMA supports efforts to provide incentives for mitigation, and for state efforts to provide stronger support for local governments mitigating risk. But, NHMA comments noted a variety of issues. Here are some of them:

- The Stafford Act creates a national risk pool and catastrophic insurance program but lacks incentives to reduce risk. The insurance model is appropriate, since there are national interests and the national economy is integrated, but the taxpayer as insurer is not following the private insurance model in either actuarial risk premiums or in incentives for improvement.

- Success in mitigation has been achieved in urban fire reduction, and in the National Flood Insurance Program Community Rating System, showing the value of incentives and the combination of financial tools and public safety regulations.

- There are serious concerns raised in the issues of cost-shifting from the federal level to the state level, and complex problems over whether the costs of disaster can be or would be reduced by any means other than genuine mitigation, risk avoidance, retrofitting and the menu that NHMA has always promoted.

- Relatively new evidence suggests that delayed and poor recovery from disasters can impose a very long-term drag on local and regional economies, and that shifted costs to social safety net programs can be, over the long term, perhaps as great a cost as the direct the difficulty disaster costs. Shifting costs that are not adequately addressed may therefore result in hidden but actually potentially substantially increased costs for all taxpayers at all levels.

- An additional issue is that the cost-effectiveness of mitigation may have been significantly underestimated, because of the difficulty of measuring lost chances for progress, the difficulty of measuring environmental and no-market values such as quality of life changes, and the difficulty of valuing human misery and loss. An additional issue is that as frequency and intensity of events which impose costs increase, the number of times will increase when a loss is avoided by good land use and design without additional cost, so the expected value of mitigation increases as the probability of potentially harmful events increases.

- The FEMA SANPRM describes (well and carefully) a model for establishing the deductible for each state, but it is based on historic public assistance awards with elaborate adjustments. NHMA has commented that there are many questionable aspects of using past PA awards as a basis, including uncertainties about why disaster losses have been incurred. We are concerned that state policies for and in discouragement of mitigation are important and highly varied and should not be the basis for future policy.

- The state deductible is adjusted by the risk estimation for a state, and NHMA comments suggest that there are problems with treating past events in isolation as good indicators, since future conditions may involve cumulative impacts which ret qualitatively different risks for response and recovery capacity, while exposure to harmful events increases.

- The failure to exercise Stafford Act Sec. 423 authority to require adequate building codes and land use requirements was noted; the federal fisc has been used without much of a quid pro quo. States and others made many comments about the very large burdens already borne for what are often said to be 99% of emergency events. These comments seemed to overlook the unused capacity to reduce hazard exposures.

- The poor public information about hazards, including lack of good mapping and disclosure, was noted.

- The summary and points made by Lawrence Frank, for NHMA in 2016, were reaffirmed and reproduced.

The comment is easily found on the search function on the docket by looking for “Shannon Burke”, our Board member who formatted, edited, and submitted the comments on which there were good inputs by Jim Mullen, Barry Hokanson, and Ed Thomas, and drafting by John Wiener (who is responsible for mistakes and missing citations!). It was possible to do this with the help, also, of the large number of comments from 2016, and some discussions and phone calls; big thanks to Shana Udvardy, Rachel Cletus, Larry Larson and others.