

Executive Summary

Flood Mitigation for Pennsylvania's Rural Communities: Community-Scale Impact of Federal Policies

By:

**Dr. Lara B. Fowler, Dr. Ryan Baxter, Dr. Scott J. Colby, Dr. Maurie Kelly, Kayla Kelly-Slatten,
and Dr. Katherine Y. Zipp, Pennsylvania State University;
Dr. L. Donald Duke, Florida Gulf Coast University and Bucknell University;
and Michele Weitzel, Florida Gulf Coast University.**

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Introduction

Changes to the National Flood Insurance Program (NFIP) are critically impacting Pennsylvania because of its history of flooding, its pattern of development along rivers and streams, the age of its structures, and its system of local government.

In the Biggert-Waters Flood Insurance Reform Act of 2012, Congress mandated that the Federal Emergency Management Agency (FEMA) adopt “full risk” or “actuarial” rates for flood insurance to address what was then a \$20 billion budget shortfall caused by damage from recent storms. This resulted in sharp premium increases, especially for those whose rates had been subsidized.

In response, Congress then passed the Homeowner Flood Insurance Affordability Act of 2014, which delayed the rate increases until September 2017. Despite the 2014 legislation, the move away from subsidized federal flood insurance remains a fundamental shift

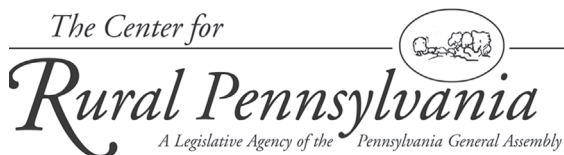
with profound community-scale impacts across Pennsylvania.

This research explores the impacts of these changes on Pennsylvania's rural communities in the following four ways: reviews the legal and policy framework at a federal, state, local and individual level; examines the demographic and geospatial information associated with flood-impacted communities in Pennsylvania; examines the economic impacts to the housing market in floodplains; and explores how flooding, flood insurance, and other federal and Commonwealth programs have impacted Pennsylvania's rural communities by focusing closely on eight communities as case studies. The research offers a number of recommendations.

Summary of Findings

Many Pennsylvanians are facing future flood risk

Flooding in Pennsylvania, already the “most frequent and damaging natural disaster that occurs throughout



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The Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy within the Pennsylvania General Assembly. It was created in 1987 under Act

16, the Rural Revitalization Act, to promote and sustain the vitality of Pennsylvania's rural and small communities.

Information contained in this report does not necessarily reflect the views of individual board members or the Center for Rural Pennsylvania. For more information, contact the Center for Rural Pennsylvania, 625 Forster St., Room 902, Harrisburg, PA 17120, telephone (717) 787-9555, email: info@rural.palegislature.us, www.rural.palegislature.us.

the Commonwealth,” (PEMA, 2017) may get worse. The Northeast region of the U.S., which includes Pennsylvania, has already seen a 71 percent increase in “very heavy precipitation,” defined as the heaviest 1 percent of all events, from 1958 to 2012 (See Figure 1). Flooding is expected to increase in the future, and precipitation is expected to be more variable, which means more floods, and more drought (Pennsylvania State University, 2015).

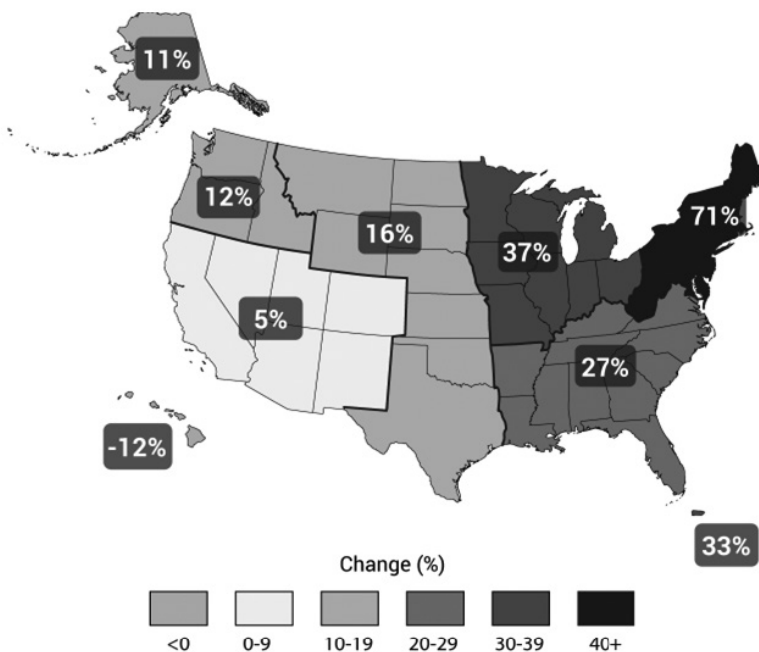
This research estimates that, out of Pennsylvania’s 12.8 million people, there are about 831,000 living in floodplains, or 6.5 percent of Pennsylvania’s population. This is more than double the population identified in a recent Pew Charitable Trust report, which estimated around 400,000 people living in floodplains. In addition, the spatial analysis of this research found that roughly 374,000 housing units are in floodplains, or 6.7 percent of the Commonwealth’s total housing units.

Of the citizens affected, many are “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 Department of Community and Economic Development, 2014).

Many properties have been flood-proofed but still face high flood insurance premiums, a challenge for smaller, more rural communities.

The Federal Emergency Management Agency (FEMA) has been

Figure 1: Observed Change in Very Heavy Precipitation, NCA, 2014



updating its Flood Insurance Rate Maps (FIRM) to more accurately reflect changing floodplains, land use, and flood risk. At the time of the research, all but three Pennsylvania counties have been updated, covering 96 percent of the Commonwealth’s land area and population. Homes or businesses now mapped in the floodplains must purchase flood insurance at new rates. However, even people living outside mapped floodplains are also vulnerable to flooding; for example, recent floods in places such as North Carolina highlighted the risk to those well beyond the floodplain.

Rising flood insurance rates are impacting Pennsylvania’s citizens and communities

Coverage under the NFIP is significant within the Commonwealth. Of Pennsylvania’s 2,562 municipalities, 2,467 participate in the NFIP, but only 28 are enrolled in the Community Rating System, a program that promotes flood mitigation and reduces individual premiums (See Table 1).

NFIP payments have been crucial to recovery from flooding in Pennsylvania. From 1978-2015, there were 69,055 NFIP claims filed in 1,982 different jurisdictions (55 cities, 685 boroughs, 1,242 townships). The total value of claims was

Table 1: NFIP Policies in Force for Pennsylvania (FEMA, 2012 and 2016)

Year	Policies in Force	Insurance in Force (Whole Coverage)	Written Premiums in Force
2012	73,693	\$13.5 billion	\$68 million
2016	61,975	\$12.6 billion	\$66.5 million

around \$1.134 billion, with an average value of \$16,400 per claim (not adjusted for inflation). The largest number and value of claims have been filed in Bucks, Montgomery, Luzerne, Dauphin, and Allegheny counties.

Many properties that pre-date the development of FIRM have been paying subsidized “pre-FIRM” rates. As of 2012, about 20 percent of policyholders nationwide received subsidized rates (Denk, 2014). Pennsylvania had more than double that with 46.7 percent of policyholders subsidized: of its 34,477 subsidized policyholders, there were 21,423 primary residential properties, 4,934 businesses, 3,798 second homes, and 613 homes in severe repetitive loss areas. It is unclear how many policies remain subsidized as this information is not currently available from FEMA.

The shift from subsidized rates to “full risk” or “actuarial rates” has been significant. In 2012, FEMA provided an example of how rates could increase from \$819 to more than \$25,000 a year. Such dramatic increases are not hypothetical. For example, one Lycoming County family saw its rates jump from \$591 per year to \$9,300 per year in 2013. Others saw actual rate increases of \$7,000 to \$10,000 per year. Such increases occurred across the U.S., leading to voter pushback and a decrease in policyholders. Since 2012, there are more than 500,000 fewer NFIP policies across the U.S., and more than 11,700 fewer in Pennsylvania. This erodes the NFIP’s ability to cover future losses, and it erodes communities’ and individuals’ ability to recover from flood damages.

In 2014, Congress reinstated pre-FIRM rates for some primary residences and delayed other rate

increases; however, FEMA is still mandated to increase rates and decrease subsidies to address a now \$25 billion deficit. Even with the 2014 modifications, these changes have and will impact Pennsylvania. For example, increased rates will lead to: decreased housing prices and short-term loss in property values; changes in the amount of housing stock; higher impacts to lower income households; and declines in overall household wealth. Even a doubling of flood insurance rates would lead to a 4 percent decrease in lifetime net wealth; rate increases of up to 1,000 percent would have a staggering effect for both individuals and their communities.

While policyholders with subsidized rates may still be paying lower rates, a trigger event, such as change in ownership, would result in a jump to full actuarial rates. This is already affecting property sales and/or leading to abandonment of property. Loss in property values then impacts property tax revenue.

Federal and Commonwealth programs are critical to Pennsylvania’s rural communities

Federal and state programs help communities mitigate flood risk; however, community needs and priorities are tremendously diverse. Many communities actively seek to reduce risk to their residents and businesses by taking advantage of available federal and Commonwealth programs. However, many are not aware of available resources, have expressed a need for increased resources and institutional support from those programs, and desire additional programs.

Research Recommendations

Without further Congressional action, the NFIP will expire in September 2017. Congress is currently considering several bills. As these bills are being considered, Pennsylvania may be able help its rural communities through policy changes at several levels.

Federal Level Recommendations

As federal legislation is being considered, Congress should ensure a balanced approach to address the economic impact on Pennsylvania while addressing the NFIP’s insolvency. Legislation should: explore ways to offer rate reductions, such as credit for structural mitigation measures; modify community-scale activities like the Community Rating System (CRS) so compliance can be done at a regional level; and identify other actions to improve flood risk and reduce future payouts.

FEMA should also provide accessible information about insurance rates, including subsidized rates, complete the FEMA affordability study, and continue to partner with state and local agencies on important flood risk/mitigation studies, weather/hydrologic forecasting and warning systems, and information sharing.

State Level Recommendations

Pennsylvania should: create a “comprehensive, integrated statewide floodplain management” program that addresses both flooding and stormwater and sets priorities on a statewide basis; significantly increase financial, staffing, and training support to meet statewide needs; create a center of excellence; provide for county-level coordination and local implementation, including CRS and Hazard Mitiga-

tion Plan actions; provide more funding for flood mitigation grants, loans, and/or tax credits; create robust data sharing and communication systems; update the “flood mapper” program; raise awareness of flood risk and mitigation options; and work to increase coverage through the NFIP/private insurance markets.

County/Local Recommendations

Where appropriate, county and local governments are encouraged to: participate to the fullest extent in NFIP, CRS, Hazard Mitigation Plans, and other programs; help local municipalities implement flood mitigation; share county level data with state, federal, and local entities; work with local communities to alleviate impacts to the tax base; and bolster land use planning to alleviate flood risk.

Individual Recommendations

Individuals are encouraged to: access funding to mitigate flood risk by modifying structures and moving key utilities; participate in informational programs and be prepared for emergency response; and purchase NFIP or private flood insurance.

Report Available

A copy of the report, *Flood Mitigation for Pennsylvania’s Rural Communities: Community-Scale Impact of Federal Policies*, is available at www.rural.palegislature.us.

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The Center for Rural Pennsylvania
625 Forster St., Room 902
Harrisburg, PA 17120
(717) 787-9555
www.rural.palegislature.us
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