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November 7, 2013

An Open Letter to the United States Congress:
Don't Gut Flood Insurance Reform by Extending Subsidies!

Dear Member of Congress,

On behalf of the millions of members of the undersigned organizations, we write to urge you to oppose efforts to extend wasteful flood insurance subsidies for an additional four years. Last year's overhaul of the National Flood Insurance Program (NFIP), the Biggert-Waters Flood Insurance Reform Act of 2012, included important changes to the program's structure to reduce costs to taxpayers and risks to homeowners. The crux of that reform, a phase-out of subsidies to transition more participants to risk-based rates, was a necessary improvement to a troubled program in massive debt to taxpayers. Efforts to delay these changes must be resisted.

The purpose of transitioning to market-based rates is to better align insurance costs with flood risk. Persistent subsidies for flood-prone areas will place more people and more property in the path of the next big storm, raising both the human and financial cost of any significant weather event.

At a time when our nation faces tough fiscal challenges, the market-based reforms in Biggert-Waters put the deeply indebted flood insurance program on sounder fiscal footing by scaling back huge taxpayer subsidies. NFIP is $28 billion in debt to taxpayers and without the improvements passed last year, this number will only continue to rise. Given the grueling battle Congress just held over the nation's debt ceiling, it is odd that some are pushing an extension of subsidies that would cause NFIP to more quickly hit its own borrowing cap of just over $30 billion.

Further, it is important to understand where the majority of subsidies actually flow. 29 percent of the properties located where NFIP operates are in counties with the highest 10 percent of income, and 43 percent of subsidized properties are in counties in the top 10 percent of all home values. Extending subsidies to these homes is simply not justifiable.

Finally, the recently released flood maps from the Federal Emergency Management Agency cast doubt on some of the wilder claims of massive rate increases. The universe of homes facing large hikes is very small and consists of areas with extraordinary risk resulting in a total loss roughly once every ten years, properties for which mitigation or buyouts might be appropriate.

Passage of Biggert-Waters last year was a step in the right direction of a freer flood insurance market that is not built on payouts from taxpayers. Gutting that reform by eliminating its central component of phased-out subsidies for would undo that progress and put taxpayers on the hook for billions more in NFIP costs. We urge you to resist such efforts.

Sincerely,

Andrew Moylan, R Street Institute

Larry Hart, American Conservative Union

Steve Pociask, American Consumer Institute

Christine Hanson, Americans for Prosperity

Grover Norquist, Americans for Tax Reform

John Tate, Campaign for Liberty

Chris Chocola, Club for Growth

Iain Murray, Competitive Enterprise Institute

Rob Sisson, ConservAmerica

Mattie Duppler, Cost of Government Center

Tom Schatz, Council for Citizens Against Government Waste

Matt Kibbe, FreedomWorks

Michael A. Needham, Heritage Action for America

Seton Motley, Less Government

Colin Hanna, Let Freedom Ring

Pete Sepp, National Taxpayers Union

Ryan Alexander, Taxpayers for Common Sense

David Williams, Taxpayers Protection Alliance