

Testimony of Robert David Paulison

**Former Director, Federal Emergency Management Agency,
before the House Subcommittee on Economic Development,
Public Buildings, and Emergency Management**

Tuesday, January 27, 2015, 10:30 a.m.

Chairman Barletta, Ranking Member Carson, and members of the Subcommittee, I want to thank you for holding this hearing to examine and identify the troubling trends in the way we as a country are managing the high costs of natural disasters. The leadership you and Chairman Shuster have shown on these tough issues is important and very much appreciated. Your mission in tackling this tough issue is clear: we must find a way to bend the cost curve of disasters for American taxpayers. In pursuit of this mission, I believe we can save additional lives.

My name is David Paulison. I am the Senior Partner of Global Emergency Solutions.

I was proud to have spent seven years in federal service to our nation, culminating as Administrator of the Federal Emergency Management Agency (FEMA) from 2005 to 2009.

My appointment to Administrator was preceded by a 30-year career in emergency management and emergency service. I was responsible to the President of the United States, the Secretary of Homeland Security and the American people for stewardship of FEMA's \$9.6 billion annual budget, a 16,000 plus member workforce and mission profile to prepare for, mitigate against, respond to, and recover from domestic disasters and emergencies.

Additionally, I served as Administrator of the United States Fire Administration from 2001-2005. During this time, I served as the Director for Preparedness for FEMA from 2003 - 2004. I also served on the transition team during the design of the Department of Homeland Security.

Mr. Chairman, I have seen disaster preparation and policy development from the national, state and local levels. I served as Fire Chief of Miami-Dade County until 2001 after 30 years in the fire service and nine years as Chief. During his time, I was responsible for the Office of Emergency Management (OEM) and the Urban Search and Rescue Team.

I began my career as a rescue firefighter and rose through the ranks to become the Miami-Dade Fire Chief. I have dedicated my career to emergency management and have been involved, as an emergency responder and manager, in emergencies big and small. From a local firefighter to the nation's top emergency official, I have had a front row seat to how we as a nation have prepared for and dealt with disaster. I have seen tremendous public servants at work, saving lives and making a critical difference. I have also witnessed unfortunate policy errors and a waste of taxpayer money. In most cases, this waste is not due to incompetence or negligence. The waste was merely a result of insufficient investment in mitigation before the disaster hit, and select federal programs which did not have enough accountability to ensure that the money they received was spent in an efficient and effective manner post-disaster.

As such, I appreciate the chance to be here today to begin a dialogue on these important issues – and frankly, how we as a country can do a better job saving money and lives.

The new Congress has a golden opportunity to advance a new bi-partisan national disaster strategy that will better protect the American people and save taxpayer dollars.

With the Senate and the House of Representatives working together, across party lines, now is the time to address the failed status quo of waiting for storms to hit and then passing massive supplemental appropriations bills. Many times these post-disaster spending bills are reactive and poorly constructed, without the proper criteria and controls to guide efficient allocation of money. Not enough resources are being allocated to pre-storm mitigation.

Director Craig Fugate has done a tremendous job fostering resiliency and a community-oriented approach to emergency management since he took the reins of the Federal Emergency Management Agency (FEMA) in 2009. However, I'm sure even Director Fugate would admit that there is still much work to be done to build a more resilient country and shift more money into pre-disaster federal incentive programs. But federal investment with on-budget enhanced spending initiatives requires political courage that seldom exists before the storm. Hopefully, understanding the realities we face regarding the exploding costs incurred post-disaster can serve as a motivator.

THE SIZE OF THE PROBLEM

Mr. Chairman, any attempt to change the status quo must ultimately begin with an understanding of the nature of the problem. While there is a lot of raw information in the public domain about disaster losses and spending, there is very little analysis and solution. In fact, one initial recommendation I have is for the federal government to place a greater emphasis on tracking the true cost of natural disasters to taxpayers.

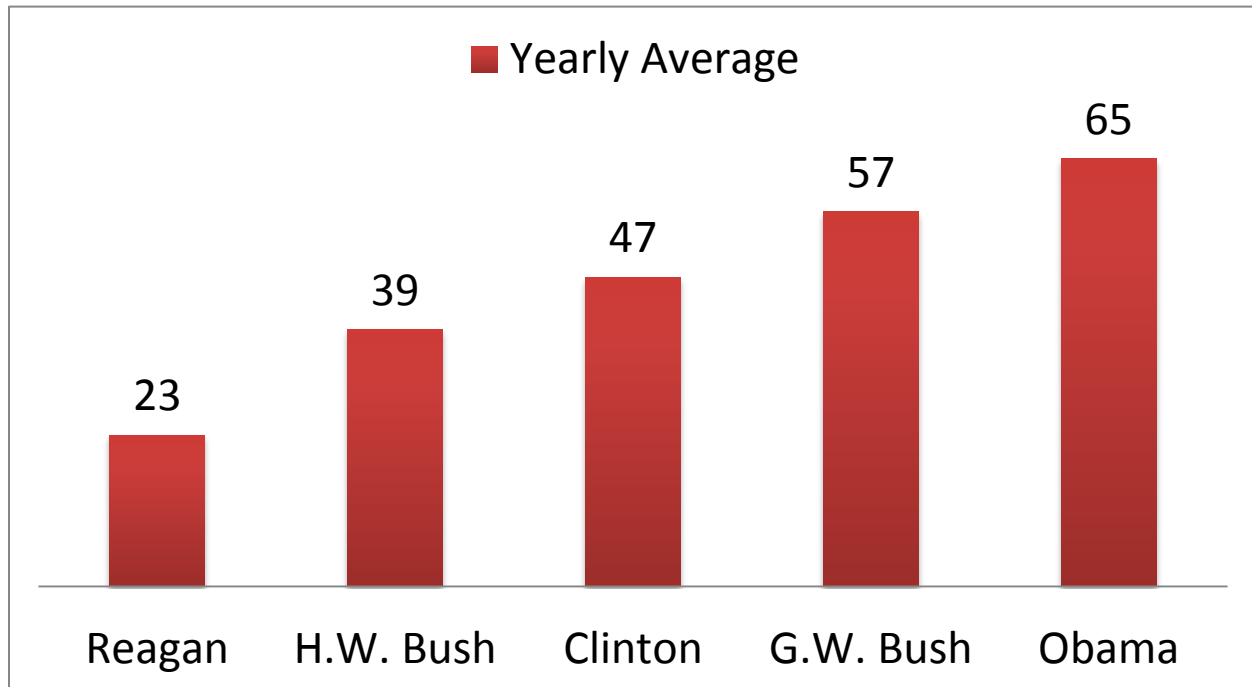
Policymakers cannot rely solely on private think tanks on the left or the right to present an overall analysis of federal spending and its effectiveness. Policymakers clearly cannot adopt solutions designed by these organizations alone. Policymakers must have Congress provide a balanced study and provide a range of solutions.

This is where your Subcommittee's work can play a major role. I stand ready to assist you in any way possible as the Subcommittee begins this process.

In the interim, let me attempt to begin to describe the size and nature of the problem we face.

To illustrate, I brought along some slides.

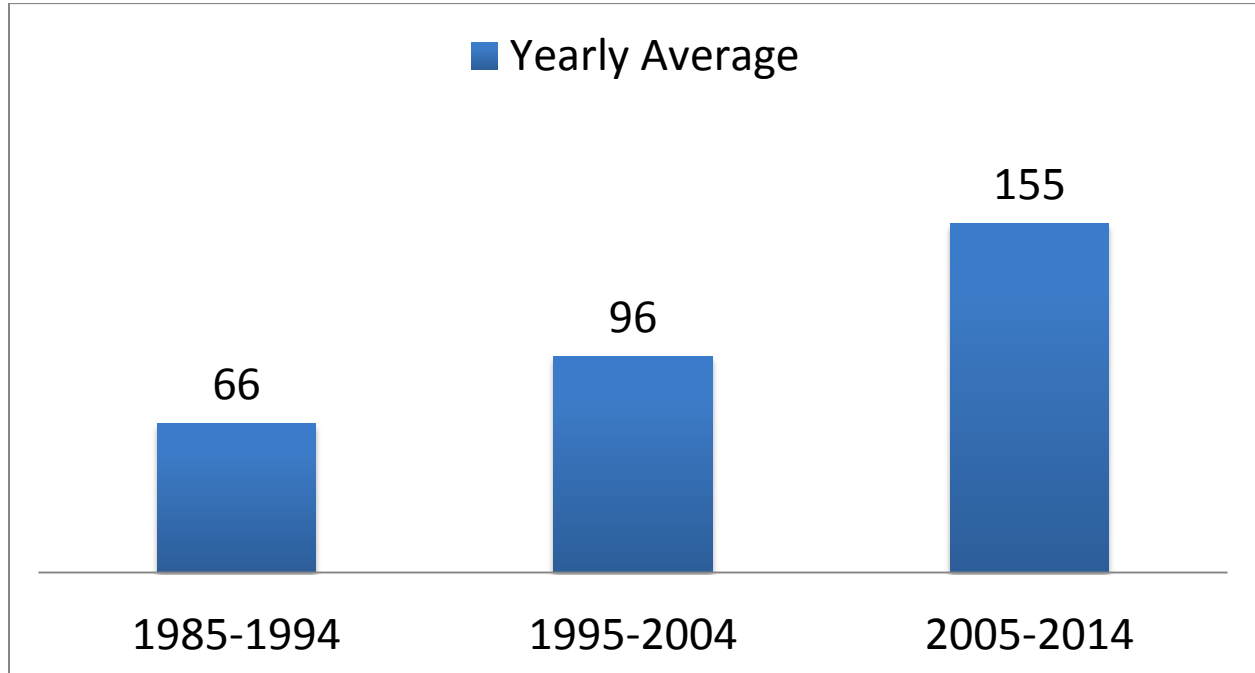
SLIDE 1 – FEDERAL MAJOR DISASTER DECLARATIONS BY ADMINISTRATION



According to FEMA, federal major disaster declarations have jumped from a yearly average of 23 under President Reagan to an average of 65 under President Obama. The trend is undeniable and also non-partisan as the yearly average has continued to increase under both Democratic and Republican Administrations alike. The average number of disaster declarations per year under Presidents H. W. Bush, Clinton and George W. Bush was 39, 47, and 57 respectively.

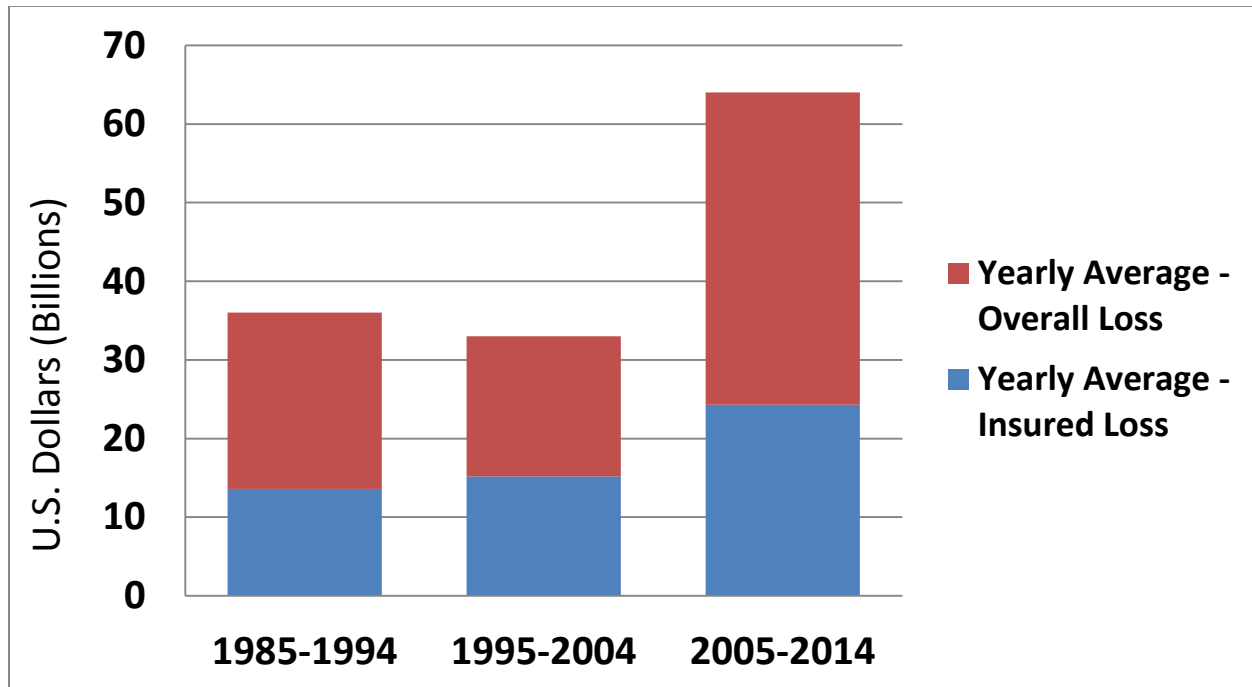
What is causing this explosion of major disaster declarations? Increased disaster activity? Population growth? Politics? What relationship exists between these variables and the skyrocketing costs of disasters? Whatever the root cause, the trend of increasing federal disaster declarations will likely continue to climb – at great costs to taxpayers.

SLIDE 2 – LOSS EVENTS IN THE UNITED STATES BY DECADE



According to several private risk analyses, the number of loss events in the United States is exploding. From 1985 until now, the upward trend is undeniable and the costs are escalating. The chart shows the average growth in three decades from 1985-2014. You can see that the approximate average grew from 66 loss events in 1985-1994 to 155 loss events in 2005-2014. The vast majority of these events are categorized as meteorological events – hurricanes and tropical storms – or hydrological events like floods. Again, the root cause of the rise in loss events is an issue the committee should study.

SLIDE 3 – LOSS EVENTS IN THE US BY DECADE: YEARLY AVERAGE OF OVERALL AND INSURED LOSSES



The third slide is a representation of the average overall and insured losses over the same three decade time frame. As you can see the spike in cost is dramatic over the last two decades, increasing from an average of \$33 billion per year from 1995-2004 to \$65 billion per year from 2005-2014. The federal government and insurers have borne the overwhelming majority of these losses. This past decade the cost share was about 60% federal government and 40% private sector losses.

Office of Management and Budget statistics reveal that the average funding provided for disaster relief from 2001-2011 was \$11.5 billion a year. In 2012, the average jumped to almost \$13 billion. Since 2011, \$137 billion has been spent – roughly \$400 a household annually - with over \$60 billion spent on Super Storm Sandy.

Between 2011 -2013, the federal government spent a total of only \$22 billion on pre-disaster mitigation and resiliency efforts. This means that the federal government invested only \$1 on preventive measures for every \$6 dollars spent on recovery. Of this amount, a private study showed that only \$10 billion was spent on FEMA-based mitigation activities. The other \$12 billion was spent on agriculture-based disaster measures. In the U.S., the majority of losses result from hurricanes and tropical storms. Ironically, the losses from these types of disasters are the most preventable with proper pre-storm mitigation and resiliency tools like modern building codes. Studies have shown that building codes are the most effective mitigation measure. In my view, providing incentives for states and localities to adopt and enforce modern building codes is the most effective mitigation tool. Any future savings that result from the elimination of wasteful

post-disaster spending should be reinvested into a pre-disaster incentive to facilitate modern building codes in states and communities across the country.

This low pre-disaster investment is an important factor when we consider that FEMA studies have shown that every \$1 invested in mitigation saves taxpayers \$4 on recovery.

It seems to me the critical question is, “what can Congress do to bend this runaway cost curve?” One answer is to dramatically change the allocation of federal resources to incentives for pre-disaster mitigation. As a former firefighter, I am always reminded of the advice given by America’s most famous firefighter, Ben Franklin, “An ounce of prevention is worth a pound of cure.”

RESILENCY AND BUILDING CODES

The vast majority of recent damage is related to recent hurricanes that pounded the eastern seaboard. Superstorm Sandy and Irene inflicted a devastating toll on a number of states, costing lives, destroying homes and ruining small businesses.

Pre-storm mitigation efforts such as promoting model building codes can greatly lessen the damage of hurricanes. However, only 11 states nationwide have adequate building codes and enforcement mechanisms in place. Many of the states without proper building codes are directly in harm's way when it comes to hurricanes and other natural disasters.

According to the Insurance Institute for Business and Home Safety, Gulf and Atlantic Coastal counties equal 15% of the U.S. population but only 3% of our land mass. These population trends need to be taken into account as we craft a solution. The over \$10 trillion in coastal property values are a ticking time bomb for taxpayers. Moreover, we have seen that the damage from these storms has the potential to extend over 100 miles inland.

Since 1980, natural disasters have cost the United States more than \$1 trillion in economic losses, with hurricanes responsible for the vast majority of the costs. . Since 1980, there have been 151 natural disaster events that exceeded \$1 billion.

Without greater adoption of strong building codes, the amount of federal spending committed to disaster cleanup and relief will continue to spiral upward.

Furthermore, in a landmark study conducted by the Louisiana State University Hurricane Center, researchers found that strong building codes, had they been in widespread use throughout the Gulf Region, would have reduced wind damage from Katrina by 80%, saving \$8 billion dollars.

CONGRESSIONAL LEADERSHIP – NATIONAL MITIGATION STRATEGY

In addition to this Subcommittee’s leadership, there are several lawmakers in Congress who have dedicated themselves to addressing this serious national problem. Many have properly focused on incentivizing states, communities, builders and individuals to construct more resilient homes

and buildings. The BuildStrong Coalition, a coalition of national business and consumer organizations, companies, and emergency management officials dedicated to promoting stronger building codes, to which I serve as a Senior Advisor, urges enactment of a suite of bills that would serve as a multifaceted natural disaster mitigation strategy that would provide tax credits and other incentives for homeowners to retrofit their homes with strong building codes and take other mitigation actions. These bills include:

The Safe Building Code Incentive Act of 2013 (H.R. 1878 & S. 924) – Introduced last Congress by Mario Diaz Balart and Sen. Robert Menendez, the Safe Building Code Incentive Act is a bipartisan bill that would provide states that adopt and enforce strong building codes with an additional four percent of post-disaster grants. This legislation has broad support among first responders and emergency management experts. The legislation finished the 113th Congress with 53 co-sponsors:

Rep. Diaz-Balart, Mario [R-FL-25], Rep. Sires, Albio [D-NJ-8], Rep. Blumenauer, Earl [D-OR-3], Rep. Norton, Eleanor Holmes [D-DC-At Large], Rep. Denham, Jeff [R-CA-10], Rep. Fitzpatrick, Michael G. [R-PA-8], Rep. Connolly, Gerald E. [D-VA-11], Rep. Gibson, Christopher P. [R-NY-19], Rep. Palazzo, Steven M. [R-MS-4], Rep. Tonko, Paul [D-NY-20], Rep. King, Peter T. [R-NY-2], Rep. Shea-Porter, Carol [D-NH-1], Rep. Kilmer, Derek [D-WA-6], Rep. Owens, William L. [D-NY-21], Rep. Young, Todd C. [R-IN-9], Rep. Bucshon, Larry [R-IN-8], Rep. Lofgren, Zoe [D-CA-19], Rep. Pascrell, Bill, Jr. [D-NJ-9], Rep. Stivers, Steve [R-OH-15], Rep. Andrews, Robert E. [D-NJ-1], Rep. Ross, Dennis A. [R-FL-15], Rep. Clarke, Yvette D. [D-NY-9], Rep. Rooney, Thomas J. [R-FL-17], Rep. Miller, Candice S. [R-MI-10], Rep. Esty, Elizabeth H. [D-CT-5], Rep. Cartwright, Matt [D-PA-17], Rep. Loebsack, David [D-IA-2], Rep. Buchanan, Vern [R-FL-16], Rep. Southerland, Steve II [R-FL-2], Rep. Michaud, Michael H. [D-ME-2], Rep. Cole, Tom [R-OK-4], Rep. Israel, Steve [D-NY-3], Rep. Radel, Trey [R-FL-19], Rep. Frankel, Lois [D-FL-22], Rep. Kuster, Ann M. [D-NH-2], Rep. Castor, Kathy [D-FL-14], Rep. McCarthy, Carolyn [D-NY-4], Rep. LoBiondo, Frank A. [R-NJ-2], Rep. Murphy, Patrick [D-FL-18], Rep. Davis, Susan A. [D-CA-53], Rep. Brown, Corrine [D-FL-5], Rep. Crenshaw, Ander [R-FL-4], Rep. Vargas, Juan [D-CA-51], Rep. DelBene, Suzan K. [D-WA-1], Rep. Jolly, David [R-FL-13], Rep. Ros Lehtinen, Ileana [R-FL-27], Rep. Heck, Denny [D-WA-10], Rep. Rogers, Mike J. [R-MI-8], Sen. Menendez, Robert [D-NJ], Sen. Lautenberg, Frank R. [D-NJ], Sen. Schumer, Charles E. [D-NY], Sen. Gillibrand, Kirsten E. [D-NY], Sen. Tester, Jon [D-MT]

The Disaster Savings Account Act (H.R. 3989 & S. 1991) – Introduced by Rep. Dennis Ross (R-FL-15), Sen. James Inhofe (R-OK) and Sen. Mark Begich (D-AK), this bipartisan bill provides a \$5,000 tax deduction for money deposited into a savings account to offset disaster mitigation costs.

The Disaster Savings and Resilient Construction Act of 2013 (H.R. 2241) – Introduced by Rep. Mario Diaz Balart, this bill provides tax credits to homeowners and contractors who utilize modern building science when constructing and/or renovating homes and buildings.

The National Windstorm Impact Reduction Act Reauthorization of 2013 (H.R. 1786) - Introduced by Rep. Randy Neugebauer (R-TX-19), this bill authorizes funding for increased research into reducing the economic and human toll of windstorms.

CONGRESSIONAL BLUE RIBBON PANEL

Chairman Barletta, I applaud you for your announcement of a Congressional Roundtable to begin the dialogue on how to identify and quantify the factors driving disaster costs, and how to use that information to ultimately study and find solutions.

I know first-hand from my time as director of FEMA that the intentions of those on the front-lines after a disaster are good. But I also believe that we need to step back and take a hard look at our underlying policies. Even before this we need to understand exactly how much and where we are currently spending taxpayer money.

While many independent groups and the General Accountability Office have examined the different causes behind the rise in disaster relief spending, there has never been a comprehensive congressionally mandated panel to analyze what the precise costs are, how much federal spending has been wasted on efforts that aren't vital or appropriate responses to natural disasters, and how best to control disaster relief expenditures going forward.

The new Congress should pass legislation in short order to commission a Blue Ribbon Panel to explore why disaster declarations are at an all-time high, and what is really behind the dramatic increase in disaster spending.

Are the increases in spending related to population increases, changes in spending, poor construction of our homes, or mistakes in federal policy?

Where have federal dollars dedicated to disaster relief gone? Do sufficient accountability measures exist for FEMA programs, as well as for related programs administered by the Departments of Housing and Transportation, to ensure tax dollars aren't being wasted?

In addition, the panel could explore what changes in policy can be made to enhance building resiliency, strengthen building codes, and reduce disaster costs. The panel could also make recommendations concerning the proper role of federal, state, and local governments in solving this problem. Specific attention should be given to the roles of FEMA, HUD and DOT to minimize duplication of effort and waste.

Community Development Block Grants (CDBGs) are sometimes prone to waste. These grants should be closely examined by policymakers before more resources are thrown at the problem. Sometimes CDBGs are not related to the disaster itself and are not subject to rigorous cost-benefit analysis. Moreover CDBGs tend to be more susceptible to reactive forces like politics

and emotions and are not tied to a guiding strategy consistent with national priorities. Finally, policymakers should assess the current status of the U.S. housing stock, and consider which federal, state and local incentives should be utilized to encourage the implementation of model building codes.

Congress should authorize the above-mentioned Blue Ribbon Commission and use the findings to put in place a comprehensive national disaster strategy that aims to save lives and ultimately taxpayer dollars.

Thank you for allowing me to testify before the Subcommittee today.