

Testimony of Steve Ellis, Vice President of Programs
Taxpayers for Common Sense Action

before

Subcommittee on Fisheries and Oceans
hearing on H.R. 3552, the Coastal Barrier Resources Reauthorization Act

November 8, 2005

Good morning, Chairman Gilchrest, Ranking Member Pallone, members of the Subcommittee. I am Steve Ellis, Vice President of Programs at Taxpayers for Common Sense (TCS), a national, non-partisan budget watchdog.

TCS has been a strong supporter of the John H. Chafee Coastal Barrier Resources Act (CBRA) since our organization was launched ten years ago. We are not alone: members of Congress with as disparate philosophies as Representatives Don Young, the late Bruce Vento and Senator Trent Lott have sung the program's praises. President Reagan lauded it while signing the program into law, saying that CBRA "simply adopts the sensible approach that risk associated with new private development in these sensitive areas should be borne by the private sector, not underwritten by the American taxpayer." President Reagan also stated that the program would "save American taxpayers million of dollars" – but that has turned out to be an understatement. According to a study by the Fish and Wildlife Service, the program has saved more than \$1.2 billion.

Why has the Coastal Barrier Resource System received such strong support? Because it manages by incentive, not by mandate. The program doesn't prohibit development in high-risk coastal barrier islands – it simply says if you want to build in harm's way, don't ask Uncle Sam to help you out. CBRA authorized counties, states and the federal government to designate undeveloped coastal barrier areas to be included in the system. Once designated, these lands became ineligible for federal development subsidies. To developers, the loss of federal funds is no small deal: there are scores of subsidies for development, including Farm Service Agency programs, Community Development Block Grants, Corps of Engineers beach building projects, road building subsidies, wastewater loans, disaster relief payments, and flood insurance. That is not to say that developers can't build in these areas – some have – but it hasn't been on the federal taxpayers' dime. And when the inevitable storm strikes, taxpayers aren't forced to bail developers out for their business mistakes.

One interesting measure of the value of this program is the length to which individuals and businesses go to try to weasel out of it. In the years since CBRA was passed, developers have spent unreasonable sums of money trying to get their land out of the system by hiring lobbyists, making campaign donations, traveling to Washington, and even haranguing the Fish and Wildlife Service officials.

The system has proven vulnerable to these attacks. There are a few reasons for this. One problem is that the "system" is essentially a bunch of maps and aerial photographs stored in a room over in Arlington, VA. The lines drawn on these maps designate the unit boundaries. And even though it has been 15 years since land has been added to the system, each new Congress brings several "technical correction" bills, invariably to remove land from the system or adjust lines on the map to enable someone to build or obtain federal subsidies, most often flood insurance. The much lauded Coastal Barrier Resources System is dying a death by a thousand cuts.

H.R. 3552, the Coastal Barrier Resources Reauthorization Act of 2005, attempts to address some of these shortcomings. Building off of a pilot project in the 2000 reauthorization, the bill directs the Fish and Wildlife Service to further evaluate and move closer to digitizing all of the CBRS maps. The bill also includes provisions to launch another round of evaluating coastal barriers for possible inclusion in the system. TCS urges the subcommittee to make adding land to the system a high priority.

One element the digitization report H.R. 3552 envisions poses a concern for TCS. The bill requires that the report contain: "The extent to which the boundary lines on the digital maps differ from the boundary lines on the original maps." Over the years, I have reviewed many of the maps and have been involved in several of the so-called technical correction fights. We are very concerned that the digitization process will enable further whittling away at the system. That said, we are not Luddites, we can see the value and importance of technology and increasing the reliability of the maps, but at the same time, we don't want this to become an opportunity for further loss to the system. In that vein we urge Congress to place a moratorium on technical corrections while the digital mapping process is being conducted. This will enable Fish and Wildlife Service staff to give the digitization their full attention and will reduce the likelihood that maps are being rewritten and digitized at the same time.

Recent events have demonstrated the importance of the system. The Fish and Wildlife Service's 2002 report, "The Coastal Barrier Resources Act: Harnessing the Power of Market Forces to Conserve America's Coasts and Save Taxpayers' Money," estimates that the CBRA will have saved \$1.278 billion by 2010. But by the report's own admission, this is likely a low-ball estimate. Funding for bridges and sand pumping, as well as the higher disaster costs for coastal barriers compared to inland areas, were not included. After the destruction on the Gulf Coast and the hurricanes battering Florida over the last year, it is clear that taxpayers reduced their exposure and costs through CBRA.

Furthermore, the cost of providing flood insurance in these areas was not included. Interestingly, the report concluded that while prohibiting flood insurance from these areas was significant in deterring development it was unlikely that it provided savings since the National Flood Insurance Program (NFIP) is "expected to base its rates on sound, risk-based market analyses" and that "the program is required to be self-sufficient, with income from policy holders exceeding expenses." That appears to be a fallacious assumption.

The Congressional Budget Office estimates that by year end the NFIP will owe the federal treasury \$3.5 billion. Furthermore, CBO estimates that it would take at least 10 years for NFIP to repay the federal treasury. Separately, FEMA estimates that the flood insurance claims associated with Katrina and Rita could exceed \$22 billion. The Senate Budget Committee recently pointed out, "one might also wonder whether an insurance program that has a maximum exposure of \$723 billion is actuarially sound when it has no accumulated reserves to cover future losses." I think it is clear that by not providing flood insurance, the CBRS has saved taxpayers money.

This brings me to another important question posed by the subcommittee, the impacts the hurricanes over the last 14 months have had on both the system and coastal areas. TCS believes the recent events have made it clear that our coastal policies, or lack thereof, are untenable and encourage people to move into harm's way. In some cases, federal programs to discourage high-risk development, like CBRA, are undercut by conflicting state and local programs that step into the breach and provide funding assistance. In others instances, federal programs like the Army Corps of Engineers beach replenishment programs encourage new or more intensive development along the nation's coasts. Then FEMA disaster relief funds step in to help communities rebuild in harm's way.

Alabama's Dauphin Island provides a case-in-point of CBRA's successes as well as its shortcomings. In the last 25 years, this tiny 15-mile island off of Mobile Bay has been ravaged by major hurricanes Frederick, Elena, Opal, Danny, George, Ivan and now Katrina, among others.

I visited Dauphin Island in March 1999, six months after Hurricane George had struck. It was clear to me that CBRA had worked, at least in part: the western half of the island, which was particularly vulnerable, had remained undeveloped. This was aided, in no small measure, by the state of Alabama placing the Coastal Control Line on top of the CBRA line. But, right outside the CBRA boundary, on land virtually indistinguishable from the CBRA unit, reconstruction of damaged vacation homes was well under way. Homes that have most assuredly been rebuilt a few times since.

In response to Hurricane Katrina's damage, some have suggested that Dauphin Island could finance an improved storm protection by increasing development on the island, thereby broadening the tax base. But this would merely put more development in harm's way, behind Maginot line defenses. Larger berms don't change geography or meteorology and they won't stop future hurricanes from ravaging Dauphin Island again. So CBRA worked as far it was able – at least half of Dauphin Island hasn't been built and rebuilt with federal aid, but the other half is more than making up for it.

Two conclusions TCS hopes that the nation's policymakers will draw from Hurricane Katrina and the other recent storms is that the flood insurance program has encouraged high-risk development and must be significantly reformed and that the Coastal Barrier Resources Act approach of denying federal subsidies for high-risk development should be applied to other areas. And believe me, there are plenty of high-risk-development areas that aren't covered by CBRA. There are coastal areas that don't meet the law's technical definition of a coastal barrier, high-risk inland developments, even high risk development in fire prone areas in the inland United States. A program to deny subsidies to developers in these areas clearly makes sense. Such a program wouldn't halt development, but it would shift the risk back to where it clearly belongs, the developer. Furthermore, federal funding for rebuilding in coastal areas should have significant strings attached. We need to be sure that we do not pay over and over again for destroyed developments in disaster-prone areas like Dauphin Island.

Finally, the federal government must coordinate with state and local governments to reinforce policies to deter high-risk development.

Thank you for inviting me to testify today, and again TCS strongly supports the Coastal Barrier Resources Act and would like to see it expanded. I would be happy to answer any questions you might have.

