



FEMA

September 8, 2016

MEMORANDUM FOR: James Featherstone
Chairman, National Advisory Council

FROM: W. Craig Fugate 
Administrator

SUBJECT: Response to National Advisory Council Recommendations from
May 2016 Meeting

Thank you for your June 2, 2016, memorandum regarding the National Advisory Council (NAC) recommendations from its May 10-12, 2016, meeting in San Antonio, Texas. FEMA's responses to the recommendations are below.

I. Community Rating System Participation

Issue: The Community Rating System (CRS) is a proven program that recognizes and incentivizes local and tribal governments that voluntarily undertake floodplain management activities that minimize the flood risk to their communities and reduce policyholder premiums. However, while 69 percent of all current policies are written in CRS communities, only approximately 1,400 local and tribal governments participate in the program.

NAC Recommendation 2016-30: FEMA should identify the highest risk communities (local and tribal governments nationwide) in each state and work with the communities through the state (or directly with the tribal government) to identify and implement floodplain mitigation projects to improve the community's CRS class. Cost/Benefit Analysis and/or Return on Investment for hazard mitigation grants for floodplain mitigation projects should include the savings on premiums of policy holders who will receive higher discounts as a result of an improved CRS class.

FEMA Response 2016-30: FEMA partially agrees with this recommendation. FEMA agrees with the suggestion to identify and contact the highest risk communities in each state and work with them to suggest floodplain management practices that would contribute to a CRS class improvement. These practices may include activities such as providing public information, establishing higher regulatory standards, acquiring and/or relocating flood-prone buildings, and various flood preparedness activities. FEMA may also provide technical assistance on designing and implementing some activities at no charge.

However, FEMA disagrees with integrating CRS premium discounts into the benefit cost analysis. Insurance premiums paid into the NFIP for flood insurance are "transfer payments." In guidance to Federal Agencies regarding how to measure and report the benefits and costs of potential Federal

regulatory actions, the Office of Management and Budget states that Federal agencies should avoid classifying transfer payments as benefits or costs in analysis. It says in part,

“You should not include transfers in the estimates of the benefits and costs of a regulation. Instead, address them in a separate discussion of the regulation’s distributional effects.

Examples of transfer payments include the following:

- Scarcity rents and monopoly profits;
- Insurance payments, and;
- Indirect taxes and subsidies.”¹

FEMA consulted external economists during the benefit cost reengineering effort who confirmed that stated insurance premiums are a form of transfer payment. Including insurance premiums in the benefit cost analysis could double count the benefits calculated during analysis.

NAC Recommendation 2016-31: FEMA should, utilizing the “What If” model, identify the top 50 non-CRS participating communities (local and tribal governments nationwide), as defined by savings that can be achieved by participating in the CRS program, and develop an outreach strategy to encourage these communities to voluntarily apply to join the CRS Program within the next 12 months. FEMA should report back to the NAC the success of this effort.

FEMA Response 2016-31: FEMA agrees with this recommendation and can develop an outreach strategy intended to encourage CRS application within the next 12 months.

NAC Recommendation 2016-32: FEMA should ensure that communities that desire to participate in the CRS program are not penalized in their participation in the National Flood Insurance Program (NFIP) due to findings of “non-compliance” or other violations of the NFIP that are discovered as a result of the assessment/review conducted as part of the community’s CRS application. The NAC recommends that nothing in this recommendation should imply that a community should not come into compliance with NFIP standards within a reasonable period of time.

FEMA Response 2016-32: FEMA disagrees with this recommendation. When FEMA discovers that a community has potential problems with or violations of NFIP requirements, FEMA commits to working with that community and providing technical assistance to help bring their floodplain management programs into compliance with NFIP requirements. However, when a community does not take action to come into compliance FEMA is required to implement an orderly sequence of enforcement actions.² Findings of noncompliance indicate that a community may be unprepared to assume the work of implementing a floodplain management program with higher standards and participating in CRS. However, by helping to bring communities into compliance with NFIP requirements FEMA is also assisting these communities in becoming CRS eligible.

II. Critical Infrastructure Resiliency

¹ OMB. Circular A-4, *Regulatory Analysis*, pages 38 and 46 (September 17, 2003)

² See 44 C.F.R. § 59.24

Issue: Critical infrastructure in the U.S. is aging and at risk for failure, endangering the surrounding communities.

NAC Recommendation 2016-33: The FEMA National Advisory Council should amend its charter to include at least one member specializing in the maintenance and operation of critical infrastructure to proactively collaborate in building resiliency and elevate issues of critical infrastructure improvement.

FEMA Response 2016-33: FEMA partially agrees with this recommendation. Congress directed the Secretary of Homeland Security to establish the NAC through the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA). This law established membership categories for the NAC, including experts in infrastructure protection, cybersecurity, and communications.³ While FEMA cannot add new membership categories to the charter that are not authorized by PKEMRA, FEMA will look for individuals “specializing in the maintenance and operation of critical infrastructure” when seeking new members for the Administrator Selection membership category.

NAC Recommendation 2016-34: For the National Exercise Program (NEP) 2017-2018, FEMA National Exercise Division (NED) should include a Principle Objective that focuses on the failures of critical infrastructure.

FEMA Response 2016-34: FEMA fully agrees. On July 6, 2016, the National Security Council Principals’ Committee (NSC/PC) requested Principal input on the 2017-2018 NEP Principals’ Objectives. Based on the feedback we received from the NAC, NED requested that the NSC/PC add the following objective into the 2017-2018 NEP cycle:

“Catastrophic Incident Response: Examine the ability of the whole community to deliver life-saving and life-sustaining capabilities through all phases of a natural or man-made catastrophic incident that severely affects communities and critical infrastructure.”

This objective specifically highlights the importance of examining the effects of degraded critical infrastructure during a catastrophic incident. NED expects the NSC/PC will include this objective in the 2017-2018 NEP cycle.

NAC Recommendation 2016-35: FEMA National Exercise Division should more proactively engage with all 16 critical infrastructure sectors during all future national exercise cycles to ensure that their capabilities and gaps are addressed.

FEMA Response 2016-35: On April 18, 2016, NED briefed the 2017-2018 NEP Cycle plan of action at the NAC Protection and Preparedness subcommittee meeting. On May 10, 2016, at the NAC meeting in Austin, Texas, the FEMA National Preparedness Directorate Assistant Administrator provided the 2017-2018 NEP Cycle Plan of Action to the full NAC and requested feedback from the NAC on the prospective objectives. NED has developed an engagement strategy

³ See 6 U.S.C. § 318(c)(1)(F)

for the 2017-2018 cycle that specifically includes coordination and collaboration with the DHS Office of Infrastructure Protection to ensure the sectors are engaged as appropriate during the 2017-2018 NEP cycle.

III. Preparedness Education and Outreach for Public Health

Issue: The federal government should have consistent messaging around public health preparedness when it comes to high consequence infectious diseases, regardless of which agency is the lead for response. There is an opportunity for federal agencies to remove silos and amplify preparedness messages to stakeholders, and to improve outcomes for Zika prevention in the very short term.

NAC Recommendation 2016-36: In an attempt to reach more people, FEMA should coordinate with Centers for Disease Control and Prevention (CDC) and other appropriate interagency, public health, private sector, and medical partners to develop and immediately implement education and outreach (using all of its media capabilities) on public prevention and personal preparedness and protection from Zika and other high consequence infectious diseases.

FEMA Response 2016-36: FEMA partially agrees with this recommendation. Because FEMA has limited subject matter expertise in this area, we must work in alignment with and in support of the U.S. Department of Health and Human Services (HHS), the lead federal agency for communicating Zika health information. As an example of our ongoing coordination, FEMA's Office of External Affairs has been working closely with HHS to include Zika resource information on its Ready.gov website, FEMA's national public service announcement campaign designed to educate and empower Americans to prepare for and respond to emergencies. FEMA has also shared health information with employees and provided deployment guidance and information to address the concerns of employees deploying to areas where mosquitos are known to carry the Zika virus. Working closely within the Emergency Support Function (ESF) #15 structure, FEMA is able to coordinate communication messages with many agencies including HHS.