

EPISODE 2: The Cost of Floods

Senator Kennedy: If you get 20+ inches of rain in 3 days, I don't care where you live, you can live on Pike's Peak and you're gonna flood.

PRIYA: From The Economist Intelligence Unit, welcome to Flood Flash: a podcast on investment in flood mitigation and what it means for communities across America.

You just heard Senator John Kennedy of Louisiana talking about the risks of flooding in the United States. A risk... and a reality that has become more evident with the flooding and destruction brought on by Hurricanes Harvey, Irma and Maria. What can we learn from these disasters and what can communities do to mitigate against the risks that future storms pose?

I'm your host, Priya Bapat. On today's episode, we'll first hear from Mayor Tom Stiehm of Austin, Minnesota. Last time, he told us about the continual flooding his community faces, and the things that concern people the most.

Mayor Stiehm: I think the concerns with people are a lot of 'em is are they gonna be able to stay in their house, are they gonna have to move, are they gonna be able to get to work today, is work gonna be open, and things like that, plus are we gonna get state aid, will it be federal, you know? Are we gonna be declared a Federal Emergency Area so we can tap into the federal aid? Those are our concerns.

PRIYA: Money. Inevitably, it plays a major part in a community's recovery and mitigation efforts. Austin, Minnesota knew they had to do something since the flooding wasn't going away. Here's Mayor Stiehm...

Mayor Stiehm: Approximately every four years we've had a major – what we would call a major – flood and in approximately 2006, the city passed a half-cent sales tax referendum for flood control and that flood control entails buying out a lotta the houses in the flood area, some of the businesses we've located – relocated a lotta businesses.

Mayor Stiehm: It's a half-a-cent sales tax and we collect so much money every year and then what we do when we have the projects is we look for matching grants from the state or federal government, a lot of 'em have come from the state, you know, most of 'em I think from the State DNR, a lot of 'em have come—and when they give us the matching grants and then we go ahead with the project so that's how it's funded. I mean we've never had to just tap into our general fund for it.

Mayor Stiehm: And we figure you know what with sales tax we have I think I wouldn't say we're a big tourist town but since we figure we have, you know, 60 per 60, 65-percent of our sales tax comes from outside people that don't live in Austin so it's kind of easy to sell your sales tax when you talk about this is the way our flood

projects are gonna be funded but we do get matching grants. I don't think we've done anything without a matching grant.

PRIYA: Austin's solution to finding funds to invest in flood mitigation represents just ONE of many options for communities. There are many ways to mitigate against risk, and resources like federal and state grants can help, but individuals can take action now by investing in flood insurance before a flood strikes.

Interestingly, many Americans at high-risk of flooding either do not have flood insurance or do not have enough coverage -- One study researched by Erwann Michel-Kerjan, found that only about 50% of those who live in high risk areas in the US have flood insurance... The Washington Post reported that in Harris County, Texas, where Houston is located, only about 15% of all structures are covered by flood insurance.

We spoke to US Senator John Kennedy of Louisiana about flood insurance in the US and on the importance of preparing for floods.

Senator Kennedy: Louisiana and quite a few states actually -- Florida, California, The Carolinas, New Jersey -- based on past experience, their economies would come to a halt without flood insurance. Many mortgage companies require it.

Senator Kennedy: They're prone to flooding, everybody's prone to flooding. This past August a year ago in Louisiana we had homes flood after receiving 20+ inches of rain in 3 days. If you get 20+ inches of rain in 3 days, I don't care where you live, you can live on Pike's Peak and you're gonna flood.

PRIYA: Anywhere it can rain, it can flood. The damage experienced in Senator Kennedy's home state and community is similar to many other stories heard around the US from the wake of recent hurricanes and flood events.

We talked to the Senator about his legislative priorities for the year.

Senator Kennedy: Number 1, shore up the National Flood Insurance Program, try to maintain its fiscal integrity. Number 2, make the insurance affordable. It doesn't do any good to give somebody a bus ticket if there's no bus and it doesn't do any good to give people insurance if they can't afford it. Number 3, I think ultimately we would like the private sector to play a role in insuring homes and businesses for flood.

PRIYA: After every flood event there's always a discussion of how many homeowners have flood insurance. Much of that insurance comes from the National Flood Insurance Program (or NFIP). We spoke with the Senator about the NFIP and what happens if Americans are not insured.

Senator Kennedy: Well you'll have homeowners turn in their keys. We have about 450,000 policies in Louisiana. Only 20 percent of our homes actually have flood insurance. More

should carry it. The mortgage company generally requires it when people pay off their mortgage and a lotta folks don't carry it.

PRIYA:

Mitigation projects that can protect against flooding not only can protect the lives of citizens and keep recovery costs down... they also can lower flood insurance rates.

So, how do mitigation projects get off the ground? We'll look into this in our next episode of Flood Flash.

We'd like to thank Senator John Kennedy of Louisiana and Mayor Tom Stiehm of Austin, Minnesota for joining our program. We'd also like thank our sponsors Resilience Action Partners and FEMA.

For more information on other communities across the US and how you can help your own community, visit floodeconomics.com.