



Mississippi River Flood Highlights Bailout Costs for Taxpayers

Near record-level cresting of the mighty [Mississippi River](#) and images of [displaced families](#) along its banks have revived criticism that U.S. taxpayers are unfairly burdened by the expense of accommodating and protecting Americans living in dangerous flood zones.

Since the devastating floods of 1927 and 1937, Congress has poured billions of dollars into a system of levees and spillways and subsidized flood insurance programs to help protect thousands of residents and businesses situated along the Mississippi.

Congress created the National Flood Insurance Program (NFIP) in 1968, designed to provide assistance to people living in flood plains. Since then, the federal government has paid out billions through the program and more in post-disaster relief.

Last year alone, the program paid \$709 million in flood insurance claims to home and business owners.

As the flood waters strike again, some critics have questioned whether the federal government is abetting the costly disasters by not imposing more stringent regulations for building on known and potential flood plains.

The insurance program, experts say, while well-intentioned, is dated and in need of an overhaul.

"We have a system of federal regulations that are inadequate for dealing with the risk," said Jeffrey F. Mount, geology professor at the University of California-Davis. "The designation of the 100-year flood plain is in and of itself highly problematic. ... They made this simplistic line in the sand ... and in the end it increased overall risk."

Additionally, the Federal Emergency Management Agency "underestimated how bad the floods are likely to be in the future," Mount said. "What we thought was based entirely on a historic record of flows and the assumption was made that the past is a predictor of the future. Now, what we're seeing over the last 20 to 30 years is that our storms are getting bigger and they're coming more often."

State and local governments are largely responsible for setting building requirements and zoning restrictions to account for floods but when disaster strikes, it's often the federal government that ends up picking up the tab.

"Over history, one reason flooding damages have gotten more expensive is that we have more people living in flood-prone areas," said Mark Calabria, a CATO Institute analyst and former Senate policy aide on housing and urban development. And many of those people, Calabria said, don't have flood insurance.

Under federal law, only homeowners with federally backed mortgages and living in high-risk areas (1 percent chance of flooding every year and 26 percent chance during the life of a 30-year mortgage) are required to buy flood insurance. People in moderate to low-risk areas are not.

About 80 percent of claims for disaster assistance that are filed with FEMA are for homes in high-risk areas.

The program, according to Mount and several reports, is facing financial stress because even though communities in high-risk areas pool money into insurance programs, it hasn't been adequate to

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fulfill the need.

"It is in the red and there is a great deal of concern about another large disaster," Mount said. "We're getting increased frequency of disasters, which are draining its resources and there are simply not enough people in the pool."

Critics say if the government broadened its insurance requirements -- and didn't offer subsidized insurance in some cases -- many developers probably wouldn't build in risky places and homeowners would shy away because of the cost.

Tens of millions of Americans live on flood plains. An estimated 5.6 million Americans had flood insurance policies last year, according to FEMA.

But some say the dangers and costs from rare floods are unavoidable and that the cost-burden on families is not worth it. Flood insurance costs on average \$600 a year.

There's No Stopping Mother Nature

Many metropolitan areas such as Vicksburg, Miss., Memphis, Tenn., and St. Louis have long been situated at riverside points strategically valuable for trade and commerce. The surrounding countryside is flat for building and fertile for farming and has been cultivated for centuries.

"A lot of the homes that are damaged have been there for years," said Ed Sutton, senior vice president at the National Association of Home Builders. People "build them close to rivers because that was at one time the only means for transporting stuff up and down."

Sutton, whose organization represents home builders, argues that the laws are in place to ensure that homes built in flood plains are safe even when waters rise. Homes are required to be built above the 100-year flood plain and, in most cities, homeowners get a break on insurance for every feet their house is elevated above that level.

Yet that hasn't prevented the destruction of hundreds of homes every year, a casualty that Sutton argues is caused by Mother Nature, not builders or authorities who approve such developments.

"If you get a thousand-year flood or a freak hurricane that's more than that, you're going to have damage," he said. "It is like a large catastrophic earthquake. You can only design for a certain level of protection and still be economically feasible for any type of

building."

FEMA is in the process of remapping U.S. flood plains and will likely expand the flood zones to increase the size of its insurance program.

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