

Coburn Amendment 2695: Remove all remaining subsidies following the completion of the affordability framework

The impetus for a four year delay is to find a definitive solution to the affordability question

- S. 1926 provides for a lengthy implementation delay of flood insurance reform policies in order for FEMA to conduct a study and to create a framework to address affordability in the National Flood Insurance Program (NFIP)
- This bill is predicated upon a FEMA affordability study and framework to provide the definitive solution on how to adjust rates to actuarial levels while retaining affordability
- Given that this bill assumes that Congress will have the solution to the affordability issue at the end of the four year delay, there is no compelling reason to maintain explicit subsidies without regard to the tenets associated with the proposed framework

Explicit flood insurance subsidies still predominately support the well off

- Even after the passage of Biggert-Waters began the phase out of subsidies for non-primary residential, business, and severe repetitive loss properties, NFIP still explicitly subsidizes 715,000 policies that typically only pay about 40 percent to 45 percent of rates that reflect full flood risk
- GAO finds that the explicit subsidies remaining disproportionately benefit higher income households
- GAO found that more than 25 percent of the remaining subsidized policies were in counties in the top 10 percent for both median home value and median home income
- GAO also found that 43 percent of subsidized policies were in counties in the top 10 percent of median home value and 69 percent were in the top 20 percent

Congress should remove all remaining explicit subsidies following the affordability framework to maintain affordability for both taxpayers and homeowners

- After the completion of an affordability study that will potentially set up targeted voucher support, means testing, or community based flood plans, there should be no reason to keep any of the remaining subsidies that exist for well-off primary residential households
- Therefore, Coburn amendment 2695 will begin the phase-out of all remaining subsidies at a rate of 25 percent per year from current premium levels until they reach actuarial rates following the completion of the affordability framework