

**Evaluation of the
National Flood Insurance Program**

Annual Report for Fiscal Year 2002

American Institutes for Research

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The American Institutes for Research (AIR) and its core subcontractors, the Pacific Institute for Research and Evaluation (PIRE) and Deloitte and Touche LLP, are pleased to submit the first annual report on the evaluation of the National Flood Insurance Program (NFIP). AIR has made significant progress in the past year. We have worked effectively with FEMA and the members of the national steering committee to focus the evaluation on 28 primary questions, from nearly 60 identified during the design phase. We are also accommodating changes in the primary questions as well as a series of new questions and issues. In addition, AIR and its core subcontractors prepared detailed scopes of work (SOW) for ten studies, all of which address one or more of the primary evaluation questions. AIR has worked closely with FEMA and other stakeholders to fine-tune the scopes of work and to ensure the agency's complete satisfaction with them before we begin their implementation. Of the ten studies, we initiated four in 2002, and we will begin the others in the coming months.

AIR has also begun to issue requests for proposals (RFP), manage the review of the proposals received (in collaboration with FEMA), and award subcontracts for sub-studies according to approved procedures. In 2002, AIR issued three RFPs and issued subcontracts to address minimal building standards (RFP 1) and market penetration (RFP 2). We will soon begin negotiations with a potential contractor for the third RFP, involving a study on the feasibility and consequences of reflecting anticipated development in Flood Insurance Rate Maps. In addition, AIR and PIRE began work on three studies related to evaluating community compliance, crosscutting measures for assessment, and marketing and risk communication. Throughout this multifaceted process we continue to apply a cohesive vision to the effort. Table 1 summarizes work completed in the past year.

AIR and its partners also completed major design work for the evaluation and, as discussed, began implementation of four substudies. In January 2002, AIR submitted the *Design for the Evaluation of the National Flood Insurance Program*. AIR produced and published a comprehensive chronology and a searchable annotated bibliography of the NFIP, both of which are posted on FEMA's web site. AIR updated the annotated bibliography and chronology (through September 30, 2002) and provided these updates to FEMA.

AIR has worked with many stakeholders to design and apply appropriate methodologies to address the evaluations' primary questions. The AIR team has discussed the evaluation and its objectives with staff of the General Accounting Office (GAO), Congressional Research Service, and FEMA's Office of Inspector General in order to avoid duplication of studies or evaluation tasks. In addition, we met with stakeholders, including policyholders and state and local officials with responsibility for floodplain management. As required by our contract, AIR successfully created a national steering committee with members whose expertise on the NFIP will prove invaluable to the success of the evaluation. Thus far we conducted two meetings of the steering committee to assign priority levels to the research questions and to review the research designs.

Table 1: Summary of Work Completed FY 2002

Topic	Scope of Work Prepared	Issued as an RFP	Work Initiated
Evaluating Community Compliance and of Structures in Special Flood Hazard Areas	X ¹		X
Crosscutting Measures for Assessment	X		X
Marketing and Risk Communication	X		X (on initial task only)
Benefits of NFIP Coverage	X (draft)		
Mandatory Purchase Requirements	X (draft)		
Unified National Program; Coordination of Federal Flood-related Programs	X (draft)		
The NFIP's Environmental and Developmental Impacts	X (draft)		
Minimal Building Standards	X	X RFP# 1	X
Market Penetration	X	X RFP #2	Subcontract issued in September 2002.
Mapping Anticipated Development	X	X RFP #3	Subcontract to be issued in fall 2002.

AIR has incorporated comments and suggested changes made by stakeholders. We revised the design of the evaluation and narratives based on comments from NFIP staff and members of the steering committee. We also received approval from the steering committee and FEMA's Task Order Officer for the proposed research designs for all questions in each of the original areas of inquiry. As a result of such collaboration, we submitted a *Design for the Evaluation of the NFIP* to FEMA. At FEMA's request many changes have also been implemented to the original evaluation design. We incorporated eight additional questions to our evaluation, including related questions already part of the evaluation. One topic, mandatory purchase requirements that affect mortgages from federally insured lending institutions, was moved to the primary group of questions. GAO issued a report on this topic in June 2002, and AIR met with GAO staff to benefit from its work and avoid replication. As a result of GAO's

¹ The scope of work associated with this issue proposes two related studies.

recommendations, AIR revised the research design and drafted a detailed scope of work focusing on nonrenewals of flood insurance coverage.

The creation of the *Design* and the completion of design work has been a collaborative process. After receiving FEMA’s approval of the initial design in January 2002, AIR began work on expanding the narratives into complete and detailed scopes of work. AIR believes that it should have FEMA’s full approval before AIR initiates any study. Not only does AIR thoroughly review draft scopes of work but FEMA also provides detailed comments and feedback to AIR and its partners. Often this has required multiple drafts of scopes of work, including significant changes to the original design, based on comments from FEMA. For example, at FEMA’s request, the study of community compliance has been expanded to include an assessment of the percentage of post-FIRM structures in Special Flood Hazard Areas that are in compliance with the NFIP’s building standards. Despite the changes, we believe the time invested in revising and reframing the scopes of work will be worthwhile. Our goal is to improve the NFIP’s effectiveness, and we can best contribute to this goal by insuring that our studies address FEMA’s most important needs.

The process of obtaining outside subcontractors to work on the NFIP evaluation is well underway. In response to FEMA’s interest in expanding the number of firms and individuals with expertise on the NFIP, we identified more than 45 firms and individuals who would like to participate in parts of the evaluation. We issued three RFPs to these firms and individuals based on their areas of expertise and after seeking and receiving FEMA’s review of the RFPs. The RFPs address primary questions on minimal building standards, market penetration, and the mapping of anticipated development. In collaboration with FEMA staff, AIR reviewed responses to all three RFPs. Subcontractors have been selected for RFPs 1 and 2, and we are in reviewing proposals for RFP 3. Table 2 illustrates the number of RFPs issued, the number of proposals received and subcontracts awarded.

Table 2: Status of Request for Proposals as of September 30, 2002

RFP	Substudy topic	Number of firms Solicited	Number of proposals received	Contractor selected
1	Minimal building standards	22	4	X
2	Market penetration	12	1	X
3	Mapping future development	20	3	

An integral part of the evaluation work will require AIR and its partners to interview private stakeholders, policy owners, and local and state government officials. In order to do so, we must obtain approval from the Office of Management and Budget (OMB). We submitted a draft package of materials to FEMA for approval of our collection of information from nonfederal stakeholders. After addressing FEMA’s comments, the package will be re-submitted to FEMA and then to the OMB.

In sum, AIR and its partners have had a full and productive year. We are well on our way to finalizing the designs for multiple sub-studies and started the implementation of four sub-studies addressing primary evaluation questions. This effort has required the collaboration and cooperation of multiple stakeholders in order to design as well as implement a successful and effective comprehensive evaluation of the NFIP. We will continue this effort in the same vigor as we begin implementation of sub-studies. In addition, we expect to complete several reports, which will be integrated into a cohesive set of final reports at the end of the evaluation. AIR and its partners look forward to future collaboration with FEMA, other stakeholders and future subcontractors.