WRITTEN STATEMENT FOR THE RECORD

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COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

EXAMINING INSURANCE MARKETS AND THE ROLE OF MITIGATION POLICIES

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Thank you, Chairman Scott, Ranking Member Warren, and Members of the Committee, for the opportunity to testify today.

My name is Jessica Pyska, and I serve on the Board of Supervisors for Lake County, California. It is an honor to be here today, speaking on behalf of my constituents and sharing the stories of rural California and our experiences with wildfires and other natural disasters, the growing insurance crisis, and how we are working to build resilience in the face of a changing climate.

Beyond my work at the local level, I chair the Agriculture, Environment, and Natural Resources Policy Committee for the California State Association of Counties (CSAC) and served as a member of CSAC's Insurance Working Group.

I am also actively involved with the National Association of Counties (NACo) and currently serve on NACo's Intergovernmental Disaster Reform Task Force, where I work closely with county leaders across the country to strengthen local resilience and advocate for federal policy solutions.

LAKE COUNTY: A COMMUNITY AT THE CROSSROADS OF THE CLIMATE AND INSURANCE CRISIS

Lake County is a predominantly rural county located in Northern California's Coast Range, approximately 100 miles north of San Francisco, 90 miles northwest of Sacramento, and 35 miles east of the Pacific Ocean. It is home to approximately 68,000 residents, with many communities clustered around Clear Lake – the largest natural freshwater lake entirely within California and one of the oldest lakes in North America. Approximately 51 percent of the county's land is public, and the terrain is primarily hilly and mountainous, interspersed with several fertile agricultural valleys.

Historically, Lake County's economy has been anchored by agriculture – particularly wine grapes, pears, and walnuts – along with tourism and outdoor recreation. In recent years, however, the county has faced profound challenges stemming from a series of devastating natural disasters.

Lake County's extensive wildland-urban interface (WUI) – where homes and natural vegetation intermingle – makes it exceptionally vulnerable to wildfire. More than 60 percent of our residents live in areas designated by CAL FIRE as having high or very high wildfire risk. At the same time, communities surrounding Clear Lake face chronic flood threats, exacerbated by increasingly extreme weather events and aging water infrastructure.

Lake County is also among California's most disadvantaged communities by state metrics, with higher-than-average poverty rates and lower median incomes than the state overall. Repeated disasters have placed extraordinary financial strain on residents, small businesses, and local governments alike. Yet despite these hardships, our community continues to invest in wildfire mitigation, home hardening, emergency preparedness, and environmental restoration, working tirelessly to build a more resilient future in the face of mounting climate risks.

The level of destruction our community has faced is almost unimaginable. Since 2015, nearly 70 percent of Lake County's land has burned, resulting in the loss of more than 2,000 homes, which is over 5.5 percent of our total housing stock. To put that into perspective: if Washington, D.C. lost 5.5 percent of its homes, it would amount to the destruction of more than 20,000 residences. In any major urban center, such devastation would rightly be recognized as a humanitarian crisis.

The aftermath of these disasters has triggered cascading challenges. Homeowners, even those who have rebuilt to the latest fire-safe codes now face insurance premiums that have doubled or tripled in cost. That's if they can secure coverage at all. Many have been forced onto the California FAIR Plan, the state's insurer of last resort, which provides limited and costly protection. Others remain entirely uninsured, unable to meet mortgage requirements or sell their homes.

This growing insurance crisis threatens to unravel Lake County's recovery and resilience efforts. New housing development is stalled as financing becomes more difficult. Families are discouraged from relocating to the region. Small businesses grapple with escalating operational costs. Property values stagnate or decline, which will ultimately erode the tax base that funds critical public services such as fire protection, law enforcement, and emergency response.

Lake County's experience is not an anomaly. It's an early indicator of the escalating risks communities across the country will encounter as climate impacts intensify. Without timely intervention, the hardships we face today will evolve into a widespread national crisis.

THE CRITICAL ROLE OF FEDERAL MITIGATION PROGRAMS

Despite significant staffing limitations and a constrained budget, Lake County is taking decisive action to strengthen its resilience. We have made substantial investments in wildfire mitigation and resilience, frequently leveraging critical federal partnerships and programs to amplify local efforts.

Home Hardening

Through partnerships with nonprofits such as After the Fire USA and North Coast Opportunities – and with support from FEMA's Hazard Mitigation Grant Program – Lake County has prioritized home hardening as a frontline wildfire mitigation strategy. Our efforts focus on retrofitting homes with proven fire-resistant measures, including ignition-resistant roofs, ember-resistant vents, noncombustible siding, and defensible space improvements.

In fact, Lake County is piloting an innovative cluster hardening initiative in partnership with CAL FIRE, Cal OES, and FEMA. This program targets the Kelseyville Riviera community, where we are investing approximately $55,000 per home to harden 350 homes using the latest wildfire science and defensible space standards. The objective is not only to protect individual structures but to significantly lower risk across the entire community and improve access to private insurance coverage.

By strategically leveraging federal and state grants, this pilot is establishing a model that can be replicated by other counties, demonstrating how targeted investments can strengthen older housing stock, reduce long-term disaster recovery costs, and stabilize local housing and insurance markets.

Programs like these clearly show that well-structured federal investments can dramatically enhance community resilience, protect property values, and reduce the federal government's financial exposure to escalating climate-driven disasters.

Shaded Fuel Breaks

In partnership with CAL FIRE and local fire districts, Lake County has implemented extensive shaded fuel breaks across high-risk communities to reduce wildfire intensity and protect critical infrastructure. In 2022, one of these strategically placed fuel breaks successfully halted a fast-moving wildfire advancing toward the community of Clearlake Oaks, preventing significant property loss and potential loss of life. This real-world success underscores the critical importance of proactive, science-based mitigation efforts in safeguarding communities before disaster strikes.

Challenges to Continued Progress

These efforts are making a tangible difference. However, recent shifts in federal funding priorities – combined with significant staff reductions – now threaten to undermine the progress we have worked so hard to achieve. One of the most immediate impacts is the pause and review of funding under the *Infrastructure Investment and Jobs Act* (IIJA) and the *Inflation Reduction Act* (IRA), which has sharply curtailed resources for key mitigation programs.

For example, USDA’s Environmental Quality Incentives Program (EQIP) – one of the few federal programs that directly supports private landowners in wildfire-prone areas – has become dramatically more competitive. In 2023, 100 percent of Lake County’s forestry applicants received EQIP funding. This year, only 1 in 20 received support. Longtime Natural Resources Conservation Service (NRCS) staff have described the situation as “unprecedented.” As a result, high-priority fuels reduction and defensible space projects are going unfunded, and vulnerable landscapes will be left untreated.

Similarly, funding from the Community Wildfire Defense Grant (CWDG) program has also been frozen pending federal review. Lake County-based entities, including the Clear Lake Environmental Research Center, the Lake County Resource Conservation District, the Seigler Springs Community Redevelopment Association, and the Scotts Valley Energy Corporation, were awarded $16 million in CWDG funding to support urgently needed wildfire mitigation projects. However, these dollars are now in limbo, stalling shovel-ready efforts that would otherwise be underway to reduce wildfire risk and protect vulnerable communities.

At the same time, reductions in AmeriCorps capacity are jeopardizing critical components of our wildfire resilience efforts. Programs like CivicSpark have been instrumental in helping rural, under-resourced counties like Lake County expand capacity where it is most needed. These programs represent a modest federal investment with a high return, enabling communities to stay ahead of disaster rather than relying solely on post-disaster response.

Additionally, staffing reductions at key federal land management agencies – including the U.S. Forest Service and the Bureau of Land Management (BLM) – pose another significant threat. Lake County contains vast tracts of federally managed land, and collaboration with federal partners is essential to reduce wildfire risk at a landscape scale. As staffing levels decline, project backlogs grow, prescribed burns are delayed, and the implementation of fuels management projects slows, leaving communities like ours more vulnerable to catastrophic wildfire. Without sufficient staffing and on-the-ground capacity, even well-planned mitigation strategies will falter.

Without sustained federal investment – in funding, staffing, and program capacity – the window for effective mitigation is closing. The risks to life, property, and federal disaster costs will only continue to grow. Strategic, consistent support today is essential to avoid far greater losses tomorrow.

The Importance of the BRIC Program to Mitigation and Community Resilience

The Building Resilient Infrastructure and Communities (BRIC) program has been one of the federal government's most important investments in proactive disaster mitigation. Established by Congress through the *Disaster Recovery Reform Act of 2018*, BRIC is funded through a six percent set-aside from FEMA's disaster relief expenditures. Its mission is to help communities strengthen critical infrastructure, reduce the impacts of future disasters, and lower long-term federal recovery costs through proactive, forward-looking mitigation.

However, the future of BRIC is now in serious jeopardy. As part of a broader reassessment of FEMA's disaster response strategy, the administration has announced plans to terminate the program entirely. This includes cancelling the $750 million funding round for 2024, rescinding all pending applications from 2020 through 2023, and even revoking previously approved but undistributed grant awards. This abrupt and sweeping decision has upended mitigation efforts nationwide – leaving communities like our neighbors in Napa County, which had secured $27 million for wildfire resilience projects, scrambling to scale back or abandon critical initiatives that were years in the making.

While BRIC has been a vital tool for resilience, its structure made it difficult for smaller and rural communities to compete effectively, even before its cancellation. The application process was highly complex and resource-intensive, favoring larger, well-resourced communities. Rural counties often lacked the capacity to complete competitive applications, conduct benefit-cost analyses, and navigate extensive federal environmental reviews.

Lake County has worked diligently to become BRIC-ready, but the program's previous structural barriers – and now its sudden termination – continue to disadvantage counties like ours that are doing everything possible to mitigate risk but lack the staffing and technical capacity to navigate complex federal grant systems.

If Congress intends to uphold the goals of pre-disaster mitigation and protect communities nationwide from escalating climate risks, immediate action is needed. Congress must not only restore consistent, reliable funding for mitigation but also ensure equitable access through meaningful technical assistance, simplified applications, and dedicated rural set-asides. Without these improvements, the communities most exposed to future disasters risk will be left behind.

THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP)

Lake County's exposure to climate-related risk extends beyond wildfire. Communities along Cache Creek and the Clear Lake shoreline are also highly vulnerable to flooding. In these areas, many residents and small businesses rely on the National Flood Insurance Program (NFIP), as private flood insurance is often unavailable or prohibitively expensive.

The NFIP plays a vital role in protecting at-risk communities by ensuring access to affordable coverage where the private market is unable to provide affordable coverage. Without this federal safety net, millions of Americans – including many in Lake County – would be left uninsured, and disaster recovery costs would fall even more heavily on federal taxpayers.

However, the NFIP has been operating under a series of short-term extensions, creating uncertainty for policyholders, local governments, and lenders. Reauthorizing the program on a long-term basis must remain a top congressional priority, not only to ensure uninterrupted access to coverage, but also to provide the stability needed for communities to plan, invest, and grow.

Long-term reauthorization would also allow Congress to implement much-needed reforms to strengthen the program's financial stability and expand incentives for mitigation and resilience. While no program is without its challenges, the NFIP remains essential to protecting vulnerable communities, preserving local economies, and reducing the long-term costs of natural disasters.

THE THREAT TO MORTGAGE-BACKED SECURITIES

The impacts of rising insurance costs extend far beyond individual households and local economies. As coverage becomes increasingly unaffordable or unavailable in high-risk areas, the ripple effects could threaten the stability of the broader housing finance system, particularly the performance of mortgage-backed securities (MBS).

Property insurance is a fundamental requirement for obtaining and maintaining a mortgage, as it protects the underlying collateral for lenders and investors. When homeowners lose coverage or face prohibitively high premiums, they are more likely to default, fall behind on payments, or abandon their homes. In such cases, mortgage service providers often impose lender-placed insurance, which is typically more expensive and can further increase the risk of borrower default.

As defaults rise, the performance of MBS – complex financial instruments that played a central role in the 2008 financial crisis – can quickly deteriorate. Elevated delinquency rates, higher loss severity, and growing exposure in climate-vulnerable regions may erode the value of these securities and fuel broader market instability.

This poses particular risks to government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac, which guarantee the majority of residential mortgages in the U.S. If climate-driven insurance market failures trigger widespread mortgage distress, taxpayer-backed entities could face mounting losses, repeating some of the systemic vulnerabilities exposed during the subprime mortgage collapse.

Addressing the availability and affordability of property insurance is not simply about protecting families. It's critical to safeguarding the integrity of the U.S. housing finance system. Proactive federal action to stabilize insurance markets, invest in mitigation, and build long-term climate resilience is essential to preventing cascading financial disruptions across the economy.

RECOMMENDATIONS TO STRENGTHEN RESILIENCE AND STABILIZE INSURANCE MARKETS

Drawing on my experiences in Lake County and the realities we face on the ground, I respectfully offer the following recommendations to strengthen national resilience, support rural communities, and help stabilize the insurance market:

Recognize and Reward Individual Mitigation Efforts in Insurance Underwriting
Communities and homeowners who invest in making their properties more resilient should see those investments meaningfully reflected in insurance availability, affordability, and underwriting decisions. Federal action can help better align insurance markets with mitigation efforts by:

- **Incentivizing insurance companies to incorporate mitigation scoring into underwriting and rating decisions.** Recognizing hardened homes in risk assessments will encourage more proactive resilience.

- **Supporting the establishment of independent, third-party wildfire resilience certifications for homes and businesses.** A standardized, credible certification system would help homeowners demonstrate their mitigation efforts to insurers, lenders, and regulators.

- **Expanding federal support for consumer-accessible home hardening grant programs.** Targeted investments in roof replacements, ember-resistant vents, and defensible space treatments can significantly reduce wildfire risk – and should be financially supported for homeowners who otherwise could not afford these upgrades.

Expand and Sustain Federal Mitigation Funding
Resilience must be treated as a core, sustained federal investment, not as a temporary initiative or a reactive response to disaster. Congress should prioritize strengthening and expanding key pre-disaster mitigation programs, including:

- FEMA's HMGP, BRIC, and Flood Mitigation Assistance programs;
- USDA's EQIP program, with specific focus on wildfire mitigation on private and working lands;
- HUD's Community Development Block Grant–Disaster Recovery program; and,
- Hazardous fuels reduction programs administered by the U.S. Forest Service and the Bureau of Land Management.

In strengthening these programs, it is critical to ensure that small, rural, and under-resourced jurisdictions have equitable access to resources. Targeted technical assistance, simplified application processes, and rural set-asides would help ensure that mitigation dollars reach the communities most at risk.

In addition, Congress should sustain and expand national service programs like AmeriCorps, which provide critical capacity for local governments to plan, manage, and implement resilience initiatives.

Advance Bipartisan Legislation Focused on Resilience
I am also encouraged by several bipartisan proposals that would strengthen community resilience and better align insurance incentives with mitigation efforts. This includes the *Disaster Resiliency and Coverage Act* (H.R. 1105), which is spearheaded by my congressman, Representative Mike Thompson (D-CA) and Representative Doug LaMalfa (R-CA). The bill would establish a new state-administered grant program that would provide up to $10,000 for disaster mitigation work on homes. It would also offer a 30 percent tax credit for qualified risk mitigation activities undertaken by individuals and businesses.

In addition to H.R. 1105, Senators Adam Schiff (D-CA) and Tim Sheehy (R-MT) have proposed a bill – the Facilitating Increased Resilience, Environmental Weatherization, and Lowered Liability (FIREWALL) Act (S. 1323) – that would create a 50 percent refundable federal tax credit to help families offset the costs of home hardening against wildfire, hurricanes, and other natural disasters.

Finally, I would encourage Congress to swiftly approve the Fix Our Forests Act (H.R. 471; S. 1462), which would accelerate forest management projects and reduce bureaucratic delays that currently hinder critical wildfire mitigation.

These efforts are vital to reducing long-term disaster costs, protecting lives and property, and ensuring that rural and high-risk communities are not left behind as climate-driven disasters intensify.

Lake County is not asking for a handout. We are asking for a partnership. One that recognizes that resilience is built from the ground up, but requires federal leadership and support to succeed.

CONCLUSION

Lake County's experience offers a glimpse into a future that other communities are increasingly facing. We cannot outpace climate risk without bold action to invest in resilience, reform insurance markets, and empower local solutions.

We stand ready to be partners in this work, but we need a partnership with the federal government to ensure that no American family is left unprotected, either from the forces of nature or from a market that no longer serves them.

Thank you for the opportunity to share Lake County's story and perspective. I welcome any questions and look forward to continued collaboration on these critical issues.