Two years ago, lawmakers fixed our broken flood insurance system. Then they broke it all over again.

Here’s a rainy-season parable about cooperation in American politics: In July 2012, Republicans and Democrats came together during a bitter campaign season to enact sweeping reforms to the National Flood Insurance Program, phasing out subsidies for hundreds of thousands of property owners in flood-prone areas, dragging a debt-ridden program toward fiscal and ecological sustainability. The reforms attracted a genuine bipartisan coalition, with groups like the Heritage Foundation on the right and the Nature Conservancy on the left joining forces with Realtors, bankers and insurers. The simple notion that insurance rates should reflect risk was so compelling that the usually polarized House passed the reforms by a 406-to-22 vote. “Everyone was like,
Wow,” says David Conrad, a consultant for the Association of State Floodplain Managers. “We had been talking about reform for 15 years, and rationality finally caught up to Congress.”

It was a rare moment of unity, and in March 2014, the two parties came together for another festival of bipartisanship. This time, they gutted the reforms they had passed less than two years before.

Representative Maxine Waters, a liberal California Democrat who co-sponsored the original bill, worked with House majority leader Eric Cantor, a conservative Virginia Republican, to make sure most subsidized homeowners in floodplains could keep their taxpayer subsidies. Beneficiaries whose premiums had increased because of the reforms were promised refunds. And now, even after a storm swamped northern Florida and southern Alabama with 22 inches of rain in April, Congress no longer has a plan to address the program’s escalating debt.

This is the story of a dysfunctional federal program, Washington’s unlikely efforts to cross party lines to fix it and Capitol Hill’s mad scramble to undo the fix after homeowners started griping. Ultimately, the notion that insurance rates should reflect real risk proved less compelling than the notion that squeaky wheels should get grease. The story is a reminder that it’s easier for politicians to attack government subsidies in the abstract than to take them away in real life. Given the inability of Congress to stand behind its bipartisan reforms to a program just about everyone agreed was broken, it’s hard to imagine our leaders’ ever making progress on much tougher tax or entitlement reforms.

“We had an amazing coalition to improve the program. Too bad it wasn’t sustainable,” says Mark Calabria, who pushed for reform as a senior aide to Republican Senator Richard Shelby and is now at the libertarian Cato Institute. “Once the politics got ugly, people lost their religion.”

“It’s Plain Ridiculous”

Congress created the National Flood Insurance Program (NFIP) in 1968, a few years after America’s first billion-dollar storm, Hurricane Betsy, clobbered New Orleans. Private insurers weren’t writing policies in areas vulnerable to floods, so the program offered taxpayer-assisted protection for existing structures. At the same time, it aimed to limit construction in floodplains by charging risk-based rates for new homes and by requiring some buildings to be constructed in more resilient ways to qualify for insurance.

Robert Hunter, the program’s first administrator, says it worked well for a while. But over time, it became less rigorous about risk and more generous about rates. For example, the Federal Emergency Management Agency drew its flood maps after discarding “outliers,” which meant the most damaging storms were omitted from its calculations. “It was a fantastic idea, but it’s plain ridiculous to have a program that just encourages people to live in high-risk areas,” says Hunter, who is now 77 and oversees insurance issues for the Consumer Federation of America.

More than 5 million property owners participate in the NFIP, and about one-fifth enjoy generously subsidized rates. I happen to be one of them. I paid $497 this year for flood insurance for my Miami Beach home, one-eighth of what I paid for windstorm insurance, even though at eight feet above sea level, I face a lot more risk from floods than winds. And unlike unsafe drivers, who can lose their auto insurance after multiple accidents, thousands of homeowners in flood-prone areas have cashed multiple checks without consequence. A 1998 report documented that one Houston-area home had filed 16 separate flood-insurance claims. In the U.S., waterfront living really has its benefits.

Everyone knew the program was a disaster waiting to happen. Before Hurricane Katrina hit in 2005, NFIP subsidies cost taxpayers more than $1 billion a year, but the program didn’t require additional bailouts to cover its claims. After Katrina, however, the program had to borrow $18 billion from the Treasury, and it had no realistic prospects of ever paying back taxpayers through its premiums. “We had been whistling in the wind for years, and then suddenly all our predictions of doom came true,” says Steve Ellis of Taxpayers for Common
Reform did not come right away. The program’s normal five-year funding did not expire until 2008. Although its supporters in coastal and riverine communities no longer had the votes for another long-term renewal without major changes, over the next four years they pushed 18 short-term funding renewals through Congress. But it wasn’t as easy as it used to be, and the program temporarily lapsed several times, wreaking havoc on real estate markets in waterfront communities. The National Association of Realtors calculated that the lapses delayed or scuttled 1,300 home closings per day, because flood insurance is required for mortgages in the 100-year floodplain.

The program’s critics on the right (who hated the taxpayer subsidies) and left (who hated its incentives for building in floodplains) formed a coalition called Americans for Smart Natural Catastrophe Policy to push reform, and lawmakers like Senator Shelby threatened to let the program die unless it shifted toward actuarially sound rates. The NFIP’s defenders—especially the powerful National Association of Realtors, which had members in every congressional district—were so desperate for a long-term solution that they eventually agreed to go along.

In 2012 the stars aligned for a reform bill sponsored by Judy Biggert, a suburban Illinois Republican, and Representative Waters of South Central Los Angeles, the ranking Democrat. Biggert-Waters renewed the NFIP for five years but slowly phased out subsidies for second homes, commercial buildings and properties with repetitive losses. It launched a much faster phaseout for properties where updated maps showed more-severe risks, and it modernized the flood maps so that damaging storms could no longer be ignored. And it immediately ended subsidies for properties once they were sold. Overall, it pushed a broken program toward its original goal—providing insurance in communities that private firms avoided while minimizing costly subsidies that created perverse incentives for dangerous development.

Not everyone liked the new austerity. Senator Mary Landrieu, a Louisiana Democrat, warned that it would punish her coastal constituents in the fishing and drilling industries. But the measure was tucked into a must-pass transportation bill, along with a must-pass provision for Louisiana that steered fines from the BP oil spill to the Gulf Coast states. In a letter, the Realtors urged lawmakers to “SUPPORT the Conference Report and OPPOSE any point of order to strike flood reform, in part or whole.” They did. Landrieu thought the reforms were too harsh—"I am certain we will be back here after the elections, fixing some provisions that should have been fixed," she said on the Senate floor—but even she voted yes.

After President Obama signed the bill in July, the reform coalition gathered for a happy hour at a rooftop bar near the Capitol. It was a very happy hour. Over margaritas and beer, the budget hawks and eco-activists brainstormed about a follow-up campaign to reform disaster aid. “Everyone was thrilled with what we achieved,” recalls Conrad, the consultant for the floodplain managers. “We didn’t see the political tsunami coming.”

Coastal Erosion

Michael Hecht, the CEO of the economic-development group Greater New Orleans Inc., got a text from a board member last spring, warning that the NFIP changes would be a problem for coastal Louisiana. “I didn’t even know what NFIP stood for,” Hecht recalls. But he soon spoke to a Plaquemines Parish insurance agent whose premiums on his own home were about to soar from $633 a year to nearly $18,000. A Belle Chasse hotel owned by a state legislator was in line for a 7,000% rate increase. Hecht soon organized a Washington trip for 14 parish presidents, who lobbied Louisiana’s congressional delegation to undo the reforms. “They were done with the best of intentions,” Hecht said. “But the rate increases were just brutal. They were going to destroy communities.”

Landrieu began pushing an amendment briefly delaying some reforms. Republican Congressman Bill Cassidy,
who was running for Landrieu’s Senate seat, pushed a similar amendment in the House. Superstorm Sandy had driven the NFIP’s debt up to $24 billion, but the steep rate increases—for ordinary homeowners, including many Sandy victims, not just millionaires with beachfront mansions—were killing any enthusiasm for addressing that shortfall.

A new Coalition for Sustainable Flood Insurance quickly brought together 250 groups in 35 states to attack the reforms as an assault on middle-class pocketbooks. The Realtors, whose support had been vital to passing the reforms, now began clamoring to repeal them or weaken them, warning that they would paralyze the market in affected communities. “It doesn’t matter if you’re a Democrat or a Republican—nobody wants a big increase in their insurance rates,” says National Association of Realtors president Steve Brown. “This was a threat to the American Dream.”

Initially, it looked as if the new lower-the-rates “flood caucus” would face an uphill battle in the Republican-controlled House. Speaker John Boehner suggested publicly that he saw no need to revisit the reforms. And Jeb Hensarling, the Tea Party–friendly chairman of the House Financial Services Committee, thought the push to restore subsidies smacked of Big Government liberalism. “Finally we had gotten something done,” says one Republican congressional aide. “It made no sense to undo it.”

But if it made no sense on the merits, it made plenty of political sense for lawmakers with angry constituents. Landrieu began pushing to delay reform for four years, almost tantamount to repeal, since the program would have to be renewed before then. She told Senate majority leader Harry Reid the bill was vital to her re-election in 2014, and Reid told the Democratic caucus that Landrieu’s re-election was vital to keeping the Senate majority. After the Senate approved the delay, Waters and Congressman Michael Grimm, a Republican whose Staten Island, N.Y., district was battered by Sandy, rounded up enough co-sponsors to pass a similar bill in the House.

The House Republican leadership didn’t want to pass a “Landrieu bill” that would boost her campaign at Congressman Cassidy’s expense. But it didn’t want to ignore the clamor for relief from homeowners and Realtors, either. On a campaign trip to Florida, Cantor saw that Democrat Alex Sink was attacking Republican David Jolly over flood-insurance premiums in their special election for a House seat. A local Chamber of Commerce, for example, was facing a rate increase of more than 600%. “We were ground zero for the flood-insurance crisis,” Jolly says. “I told the majority leader, If you’re going to provide relief, do it now!”

Neither party wanted to pay the political price of reform. Republicans had hailed the initial reforms as a victory for fiscal conservatism, but at a contentious Republicans-only meeting, Cantor sided with the flood caucus, rejecting Hensarling’s limited-government arguments. Geography trumped ideology; Louisiana Congressman Steve Scalise, head of the GOP’s conservative caucus, was a leading voice for restoring the subsidies. With March approaching, Cantor and Waters then negotiated a final deal that repealed the key Biggert-Waters reforms, preserving subsidies for properties that were remapped or sold. The negotiations were so pleasant that Cantor told Waters his wife wanted to know if she still considered him a “demon,” as she had said in a stemwinder at her state convention; Waters said no, that was just politics. Most Republican committee chairmen voted against the deal, a rare protest against the House leadership for rolling Hensarling, but it still received almost as much support as the original reforms.

The White House initially warned that eroding the Biggert-Waters reforms would endanger the entire flood-insurance program, but it caved to politics as well. Landrieu confronted President Obama at a Senate Democratic retreat, and he promised he wouldn’t veto a bipartisan fix. Not only did he sign the final measure worked out by Cantor and Waters, but the White House gave Landrieu an early heads-up so she could announce the news.

Former Congressman Barney Frank, who helped pass the reforms as the ranking Democrat on the Financial Services Committee, says it’s too easy to blame finger-in-the-wind politicians for their repeal. He argues that
voters like reform better in theory than in reality. That’s why he doubts Washington can pass bipartisan tax reform. Americans complain about Big Government but recoil when their benefits are threatened. Frank recalls a chat he had long ago with Freddie Langone, a cigar-smoking Boston city councilor. Langone’s constituents had demanded a swimming pool—and once it was being built, they were demanding relief from the construction noise. “Hey, kid, ain’t ya heard the news?” Langone told Frank. “Everyone wants to go to heaven, but nobody wants to die.”

Everyone wants a stable flood-insurance program too, but nobody wants to pay for it. In fact, Jolly, who won his special election in March and is now a freshman House Republican, is now pushing to repeal most of what’s left of the Biggert-Waters reforms, the slow phaseout of subsidies for second homes and commercial buildings. He says he’s normally a free-market guy but many snowbirds who winter in his district are facing unaffordable rate increases.

Which means in an era of steadily rising seas and increasing coastal development, reformers are more or less back where they started. “It breaks my heart,” says Congressman Earl Blumenauer of Oregon, a liberal Democrat who has pushed to fix the NFIP for over a decade. “We’ll keep trying, but I don’t know if we’ll have another opportunity like this.”

This appears in the May 19, 2014 issue of TIME.