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ALASKA RECONSTRUCTION

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HEARING BEFORE THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS
SECOND SESSION

ON

S. 2881

A BILL TO AMEND THE ALASKA OMNIBUS ACT TO PROVIDE ASSISTANCE TO THE STATE OF ALASKA FOR THE RECONSTRUCTION OF AREAS DAMAGED BY THE EARTHQUAKE OF MARCH 1964 AND SUBSEQUENT SEISMIC WAVES, AND FOR OTHER PURPOSES

JUNE 3, 1964



Printed for the use of the
Committee on Interior and Insular Affairs

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ALASKA RECONSTRUCTION

WEDNESDAY, JUNE 3, 1964

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The committee met, pursuant to call, at 8:33 a.m., in room 3110, New Senate Office Building, Senator Clinton P. Anderson, presiding.

Present: Senators Anderson, Jackson (chairman of the full committee), Bible, Gruening, Moss of Utah, Burdick, McGovern, Walters, Allott, and Jordan.

Also present: Senator Bartlett, of Alaska.

Staff members present: Jerry T. Verkler, staff director; Stewart French, chief counsel; and Richard W. C. Falknor, professional staff member.

Senator ANDERSON. This is an open public hearing by the Senate Committee on Interior and Insular Affairs on S. 2881, a bill to amend the Alaska Omnibus Act to provide further assistance to the State of Alaska and its citizens for reconstruction of areas damaged by the March 1964, earthquake and subsequent seismic waves.

S. 2881 was introduced by the senior Senator from Alaska, Senator Bartlett, for himself and Senators Jackson, Magnuson, and Gruening. The measure was submitted to the Congress by President Johnson upon the recommendation of the Federal Reconstruction and Development Commission for Alaska, of which I am Chairman.

Without objection, the text of S. 2881, of President Johnson's executive communication, and the accompanying letter of the Commission to the President submitting the draft of the proposed legislation, will appear in the record of these hearings at this point.

(The documents referred to are as follows:)

[S. 2881, 88th Cong., 2d sess.]

A BILL To amend the Alaska Omnibus Act to provide assistance to the State of Alaska for the reconstruction of areas damaged by the earthquake of March 1964 and subsequent seismic waves, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "1964 Amendments to the Alaska Omnibus Act".

SEC. 2. The Congress hereby recognizes that the State of Alaska has experienced extensive property loss and damage as a result of the earthquake of March 27, 1964, and subsequent seismic waves, and declares the need for special measures designed to aid and accelerate the State's efforts in providing for the reconstruction of the areas in the State devastated by this natural disaster.

SEC. 3. Section 21 of the Alaska Omnibus Act (73 Stat. 145) is amended by adding a new subsection (f) to read as follows:

"(f) Notwithstanding the limitation contained in subsection (f) of section 120 of title 23, United States Code, the Secretary of Commerce is authorized to make expenditures from the emergency fund under section 125 of such title for

the repair or reconstruction of highways on the Federal-aid highway systems of Alaska which have been damaged or destroyed by the 1964 earthquake and subsequent seismic waves, in accordance with the Federal share payable under subsection (a) of section 120 of such title. The increase in expenditures resulting from the difference between the Federal share authorized by this subsection and that authorized by subsection (f) of section 120 of such title shall be reimbursed to the emergency fund by an appropriation from the general fund of the Treasury: *Provided*, That such increase in expenditures shall not exceed \$15,000,000 in the aggregate."

SEC. 4. The Alaska Omnibus Act (73 Stat. 141) is amended by adding the following new sections at the end of section 50 thereof:

"NEW FEDERAL LOAN ADJUSTMENTS

"SEC. 51. (a) The Secretary of Agriculture is authorized to compromise or release such portion of a borrower's indebtedness under programs administered by the Farmers Home Administration in Alaska as he finds necessary because of loss resulting from the 1964 earthquake and subsequent seismic waves, and he may refinance outstanding indebtedness of applicants in Alaska for loans under section 502 of the Housing Act of 1949 for the repair, reconstruction, or replacement of dwellings or farm buildings lost, destroyed, or damaged by such causes and securing such outstanding indebtedness. Such loans may also provide for the purchase of building sites, when the original sites cannot be utilized.

"(b) The Secretary of Agriculture is authorized to compromise or release such portion of a borrower's indebtedness under programs administered by the Rural Electrification Administration in Alaska as he finds necessary because of loss, destruction, or damage of property resulting from the 1964 earthquake and subsequent seismic waves.

"SEC. 52. The Housing and Home Finance Administrator is authorized to compromise or release such portion of any note or other obligation held by him with respect to property in Alaska pursuant to title II of the Housing Amendments of 1955 or included within the revolving fund for liquidating programs established by the Independent Offices Appropriation Act of 1955, as he finds necessary because of loss, destruction, or damage to facilities securing such obligations by the 1964 earthquake and subsequent seismic waves.

"URBAN RENEWAL

"SEC. 53. The Housing and Home Finance Administrator is authorized to enter into contracts for grants not exceeding \$25,000,000 for urban renewal projects in Alaska, including open land projects, under section 111 of the Housing Act of 1949, which he determines will aid the communities in which they are located in reconstruction and redevelopment made necessary by the 1964 earthquake and subsequent seismic waves. Such authorization shall be in addition to and separate from any grant authorization contained in section 103(b) of said Act.

"EXTENSION OF TERM OF HOME DISASTER LOANS

"SEC. 54. Loans made pursuant to paragraph (1) of section 7(b) of the Small Business Act (72 Stat. 387), as amended (15 U.S.C. 636 (b)), for the purpose of replacing, reconstructing, or repairing dwellings in Alaska damaged or destroyed by the 1964 earthquake and subsequent seismic waves, may have a maturity of up to thirty years: *Provided*, That the provisions of section 7(c) of said Act shall not be applicable to such loans.

"MODIFICATION OF CIVIL WORKS PROJECTS

"SEC. 55. The Chief of Engineers, under the direction of the Secretary of the Army, is hereby authorized to make such modifications to previously authorized civil works projects in Alaska adversely affected by the 1964 earthquake and subsequent seismic waves as he finds necessary to meet changed conditions and to provide for current and reasonably prospective requirements of the communities they serve, at an estimated cost of \$10,000,000.

"PURCHASE OF ALASKA STATE BONDS

"SEC. 56. The Housing and Home Finance Administrator is authorized to purchase, in accordance with the provisions of sections 202(b), 203, and 204 of title II of the Housing Amendments of 1955, the securities and obligations of, or make loans to, the State of Alaska to finance any part of the programs needed to carry out the reconstruction activities in Alaska related to the 1964 earthquake and subsequent seismic waves: *Provided*, That the aggregate amount of such purchase or loan shall not exceed \$25,000,000."

APPROPRIATION AUTHORIZATION

SEC. 5. There is authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act, which shall be available for obligation until June 30, 1967. There is also authorized to be appropriated such sums as may be necessary for the expenses of such advisory commissions or committees as the President may establish in connection with the reconstruction and development planning of the State of Alaska.

TERMINATION DATE

SEC. 6. The authority contained in this Act shall expire on June 30, 1967, except that such expiration shall not affect the payment of expenditures for any obligation or commitment entered into under this Act prior to June 30, 1967.

THE WHITE HOUSE, May 27, 1964.

HON. CARL HAYDEN,
President pro tempore of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: The State of Alaska and the people of Alaska, aided by voluntary agencies and the Federal Government, have begun to rebuild from the ruins of the devastating earthquake of March 27. But new legislative authority is urgently needed to provide the additional special assistance essential to their reconstruction efforts. I am today, therefore, sending to the Congress draft legislation to provide this authority.

Immediately following the earthquake, we moved quickly to assist Alaska and its people. Under existing programs and new authorities proposed in this draft bill, the Federal Government is estimated to spend over \$275 million in Alaska in the course of the earthquake reconstruction program.

Major items in this estimate include \$80 million of grants under the existing authority of the Office of Emergency Planning for restoring public facilities and debris clearance; over \$75 million for restoration of Federal facilities; over \$60 million in grants for highway repair; and up to \$45 million in grants for urban renewal projects. Also, legislation has already been approved by the Congress—which I will sign into law today—authorizing \$23.5 million in grants to the State to make up losses of State and local tax revenues and to insure continuity of government.

In addition, under existing law, various outstanding Federal loans are being adjusted. Federal tax refunds and reductions will be based on casualty losses, and various Federal agencies are extending credit on liberal terms. The Small Business Administration, for example, will make disaster loans on very favorable terms to assist homeowners and businesses in reconstruction.

The legislation which I am proposing—based on recommendations of the Federal Reconstruction and Development Planning Commission for Alaska—will provide greater flexibility in Federal programs to cope with the extraordinary circumstances arising out of the earthquake. Included among the programs involved are highways, urban renewal, housing, and harbor improvements.

The enclosed letter from the Chairman of the Commission, Senator Clinton P. Anderson, describes the principal features of the draft bill.

Concern for our fellow citizens alone compels prompt action on this proposal. But practical considerations are also most important. The construction season in Alaska is about to begin and is of short duration. The sooner Alaska can complete its reconstruction efforts, the sooner it can begin again to devote its efforts toward the further development of the State's resources.

Accordingly, I urge the Congress to take prompt action on the proposed legislation to facilitate Alaskan planning and reconstruction efforts during this summer's construction season.

Sincerely,

LYNDON B. JOHNSON.

[Enclosure]

FEDERAL RECONSTRUCTION AND DEVELOPMENT
PLANNING COMMISSION FOR ALASKA,
Washington, May 23, 1964.

THE PRESIDENT:
The White House, Washington, D.C.

DEAR MR. PRESIDENT: I am enclosing a draft of a bill to provide assistance to the State of Alaska in providing for the reconstruction of areas damaged by the earthquake of March 1964, and subsequent seismic waves, and for other purposes, and a section-by-section analysis.

This legislation is an outgrowth of the considerations of this Commission since the Alaskan earthquake of March 1964. Its purpose is to provide needed special assistance to the State and its people in their reconstruction efforts. The Commission has found that special Federal assistance in the form of legislation is needed now for highways, urban renewal, harbors, housing, and State finances. Areas requiring additional legislation may become apparent at a later time and may be proposed then.

The draft legislation amends the Alaska Omnibus Act and is limited in scope to Alaska and the disaster area. It recognizes (1) that the recent disaster caused extensive property loss and damage in the private and public sector; and (2) that this damage has severely restricted and drained the State's resources.

HIGHWAYS

To provide the special assistance needed to repair and reconstruct the non-forest Federal-aid highways damaged by the earthquake, the draft legislation would authorize an increase in the Federal share of the cost of reconstruction from the present 50 percent to 94.9 percent as provided in the bill, and an appropriation not to exceed \$15 million to cover the increase. The higher percentage is now applicable to new Federal-aid highway construction in Alaska.

Current estimates indicate that up to \$36 million will be required to reconstruct these highways in the disaster area. Under existing law, the State's share of his estimated cost would be one-half this amount. Even with the enactment of pending legislation making transitional grants available to the State, Alaska could not pay its share of highway reconstruction and carry out its other disaster-oriented programs.

DEBT ADJUSTMENT

A preliminary private real property survey indicates that the private loss, as a result of the recent earthquake and subsequent seismic waves, is about \$77 million. The Department of Agriculture, through the Farmers Home Administration and the Rural Electrification Administration, would be authorized by this draft bill to adjust the indebtedness of some of their borrowers to enable them to overcome losses suffered from the earthquake. It would also authorize the refinancing of the outstanding indebtedness of these and other farmers and rural residents similarly damaged. This draft legislation would provide similar debt adjustment authority to the Housing and Home Finance Administrator. These provisions place the programs of the Department of Agriculture and the HHFA on the same general footing as other Federal loan programs which now are authorized to adjust their borrower's indebtedness under disaster conditions.

URBAN RENEWAL

A number of communities in the disaster area of Alaska are considering or have made applications for urban renewal projects. These are: Anchorage, Homer, Kodiak, Seldovia, Seward, and Valdez. Currently available, but very preliminary, estimates indicate that the total cost of these projects may be as high as \$59 million. The Federal share of this cost would be about \$45 million. This share is made up of 75 percent of the project costs plus 100 percent of relocation costs, which is the usual formula for cities of this size.

The Commission gave very serious consideration to the question of whether the Federal grant share should be increased above 75 percent for projects directly related to the earthquake. While recognizing the straitened circumstances of the communities themselves, I believe this increase was not justified on the basis of the available estimates of costs and resources. The preliminary cost figures, admittedly highly tentative, raise substantial questions as to whether the magnitude of the proposed projects is necessary to effect recovery from the effects of the earthquake. At the same time, it seems reasonable to expect the State to provide substantial assistance to the communities in meeting their local share. The draft bill authorizes the purchase by the Federal Government of \$25 million of State bonds for this purpose among others.

The bill would authorize the Housing and Home Finance Administrator to enter into contracts for urban renewal projects in Alaska up to a maximum of \$25 million. The recent disaster makes it essential that this additional contract authority be requested for use in Alaska at this time. To the extent that additional grant funds may be needed to carry out these projects, they would be made available from regular urban renewal grant authorizations.

LOANS

As indicated above, a number of homes in Alaska were damaged or destroyed or in some cases even lost. The Small Business Administration now has authority to make disaster loans to the homeowners with a maximum maturity of 20 years. Since these loans may include some portion of the existing indebtedness on damaged or destroyed homes, as well as the cost of rebuilding these homes, the draft bill would authorize the making of such loans for a maximum period of 30 years.

HARBORS

The draft legislation would authorize the Corps of Engineers to make modifications in previously authorized civil works projects in Alaska, where it is found that such modifications are necessary to overcome the adverse effects of the earthquake. These modifications would include such reasonable expansions in the harbors that may be economically feasible to meet the prospective needs of the communities. The estimated cost is \$10 million.

STATE FINANCES

The State legislature has authorized a \$50 million bond issue to help finance capital projects related to reconstruction from the earthquake. It is expected that for the next 2 years the State will be faced with high capital investment requirements which will add to the State's financial burden.

While the Commission does not expect that all of the \$50 million would be needed now, it appears that one-half or more may be required to supplement the State's revenues and the extended transition grants in order to meet the Federal assistance for major reconstruction and rehabilitation projects over the next 2 years. The draft bill provides Federal assistance in marketing up to \$25 million of these State of Alaska bonds. The Housing and Home Finance Administrator would purchase these bonds with funds now available in the public facility loan revolving fund. The bonds would be sold in the private market, or refunded in the private market by the State, as soon as its regular credit is restored. The State would receive from HHFA the more favorable interest rate for public bodies in redevelopment areas (currently 3% percent), and principal repayment might be deferred for a few years from the date of the loan or purchase of the bonds.

The agencies represented by the Commission have devoted considerable time and effort in developing this draft bill. There is an urgent need for this legislation. The short construction season requires the initiation of construction as soon as possible in order to permit Alaska to prepare for next winter. It is the belief of the Commission that the bill proposes fiscally responsible means of providing special assistance to the State's reconstruction efforts which must proceed as rapidly as possible. The proposed bill has been reviewed by the interested departments and agencies and the Bureau of the Budget and has received their concurrence. Pursuant to the meetings of May 8 and 22, 1964, of the Commission, it is recommended that this legislation be submitted to the Congress for early action.

Respectfully yours,

CLINTON P. ANDERSON, *Chairman.*

[Enclosures]

A BILL To amend the Alaska Omnibus Act to provide assistance to the State of Alaska for the reconstruction of areas damaged by the earthquake of March 1964 and subsequent seismic waves, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "1964 Amendments to the Alaska Omnibus Act".

SEC. 2. The Congress hereby recognizes that the State of Alaska has experienced extensive property loss and damage as a result of the earthquake of March 27, 1964, and subsequent seismic waves, and declares the need for special measures designed to aid and accelerate the State's efforts in providing for the reconstruction of the areas in the State devastated by this natural disaster.

SEC. 3. Section 21 of the Alaska Omnibus Act (73 Stat. 145) is amended by adding a new subsection (f) to read as follows:

"(f) Notwithstanding the limitation contained in subsection (f) of section 120 of title 23, United States Code, the Secretary of Commerce is authorized to make expenditures from the emergency fund under section 125 of such title for the repair or reconstruction of highways on the Federal-aid highway systems of Alaska which have been damaged or destroyed by the 1964 earthquake and subsequent seismic waves, in accordance with the Federal share payable under subsection (a) of section 120 of such title. The increase in expenditures resulting from the difference between the Federal share authorized by this subsection and that authorized by subsection (f) of section 120 of such title shall be reimbursed to the emergency fund by an appropriation from the general fund of the Treasury: *Provided*, That such increase in expenditures shall not exceed \$15 million in the aggregate."

SEC. 4. The Alaska Omnibus Act (73 Stat. 141) is amended by adding the following new sections at the end of section 50 thereof:

"NEW FEDERAL LOAN ADJUSTMENTS

"SEC. 51. (a) The Secretary of Agriculture is authorized to compromise or release such portion of a borrower's indebtedness under programs administered by the Farmers Home Administration in Alaska as he finds necessary because of loss resulting from the 1964 earthquake and subsequent seismic waves, and he may refinance outstanding indebtedness of applicants in Alaska for loans under section 502 of the Housing Act of 1949 for the repair, reconstruction, or replacement of dwellings or farm buildings lost, destroyed, or damaged by such causes and securing such outstanding indebtedness. Such loans may also provide for the purchase of building sites, when the original sites cannot be utilized.

"(b) The Secretary of Agriculture is authorized to compromise or release such portion of a borrower's indebtedness under programs administered by the Rural Electrification Administration in Alaska as he finds necessary because of loss, destruction, or damage of property resulting from the 1964 earthquake and subsequent seismic waves.

"SEC. 52. The Housing and Home Finance Administration is authorized to compromise or release such portion of any note or other obligation held by him with respect to property in Alaska pursuant to title II of the Housing Amendments of 1955 or included within the revolving fund for liquidating programs established by the Independent Offices Appropriation Act of 1955, as he finds necessary because of loss, destruction, or damage to facilities securing such obligations by the 1964 earthquake and subsequent seismic waves.

"URBAN RENEWAL

"SEC. 53. The Housing and Home Finance Administrator is authorized to enter into contracts for grants not exceeding \$25,000,000 for urban renewal projects in Alaska, including open land projects, under section 111 of the Housing Act of 1949, which he determines will aid the communities in which they are located in reconstruction and redevelopment made necessary by the 1964 earthquake and subsequent seismic waves. Such authorization shall be in addition to and separate from any grant authorization contained in section 103(b) of said Act.

"EXTENSION OF TERM OF HOME DISASTER LOANS

"SEC. 54. Loans made pursuant to paragraph (1) of section 7(b) of the Small Business Act (72 Stat. 387), as amended (15 U.S.C. sec. 636(b)) for the purpose

of replacing, reconstructing, or repairing dwellings in Alaska damaged or destroyed by the 1964 earthquake and subsequent seismic waves, may have a maturity of up to thirty years: *Provided*, That the provisions of section 7(c) of said Act shall not be applicable to such loans.

“MODIFICATION OF CIVIL WORKS PROJECTS

“SEC. 55. The Chief of Engineers, under the direction of the Secretary of the Army, is hereby authorized to make such modifications to previously authorized civil works projects in Alaska adversely affected by the 1964 earthquake and subsequent seismic waves as he finds necessary to meet changed conditions and to provide for current and reasonably prospective requirements of the communities they serve, at an estimated cost of \$10,000,000.

“PURCHASE OF ALASKA STATE BONDS

“SEC. 56. The Housing and Home Finance Administrator is authorized to purchase, in accordance with the provisions of sections 202(b), 203, and 204 of title II of the Housing Amendments of 1955, the securities and obligations of, or make loans to; the State of Alaska to finance any part of the programs needed to carry out the reconstruction activities in Alaska related to the 1964 earthquake and subsequent seismic waves: *Provided*, That the aggregate amount of such purchase or loan shall not exceed \$25,000,000.”

APPROPRIATION AUTHORIZATION

SEC. 5. There is authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act, which shall be available for obligation until June 30, 1967. There is also authorized to be appropriated such sums as may be necessary for the expenses of such advisory commissions or committees as the President may establish in connection with the reconstruction and development planning of the State of Alaska.

TERMINATION DATE

SEC. 6. The authority contained in this Act shall expire on June 30, 1967, except that such expiration shall not affect the payment of expenditures for any obligation or commitment entered into under this Act prior to June 30, 1967.

SECTION-BY-SECTION ANALYSIS OF THE “1964 AMENDMENTS TO THE ALASKA OMNIBUS ACT”

SECTION 1

The short title of the proposed bill is the “1964 Amendments to the Alaska Omnibus Act.”

SECTION 2

This section recognizes the national concern over the 1964 Alaskan earthquake and the resultant damage. It also recognizes that there is an urgent need to provide special assistance to the State in carrying out its own efforts toward reconstruction and rehabilitation.

SECTION 3

This section amends section 21 of the Alaska Omnibus Act by adding at the end thereof a new subsection (f).

It is currently estimated that the repair or reconstruction of highways in Alaska damaged by the recent earthquake may cost up to \$65 million. These highways are essential to the economic well-being of the State.

Some of the highways affected are forest highways. The cost of repair and reconstruction of these highways may run to \$29 million and can be accomplished under existing authority with 100 percent Federal funds.

It is estimated that up to \$36 million will be required to repair or reconstruct the Federal-aid highways in the disaster area of the State. Under existing law the cost of repair or reconstruction of Federal-aid highways is shared on a 50-50 basis by the Federal and State Governments. Thus, Alaska's share of the highway reconstruction cost would be \$18 million. If this were new construction,

the Federal share would be 94.9 percent because of the so-called "sliding scale provisions" applicable to Federal-aid highways located in States wherein the unappropriated and unreserved public lands and nontaxable Indian lands, individual and tribal, exceed 5 percent of the total area of all lands therein (1961 statistics show the total acreage of Alaska to be 365,481,600 acres of which 337,497,545 acres are part of the public domain or about 90 percent of the total acreage in the State).

This new subsection is designed to increase the Federal share of reconstruction from 50 to 94.9 percent of the total cost by making the "sliding scale provisions" of section 120(a) of title 23 applicable to these Federal-aid highways in Alaska. It limits the increase in the Federal share to not more than \$15 million in the aggregate and provides that the amount of the increase shall be reimbursed to the highway emergency fund by an appropriation from the general fund of the Treasury. This initial 50 percent of the Federal share would continue to be financed in the presently authorized manner.

In view of the dimensions of the recent disaster in Alaska and the resulting drain on the State's resources, it seems appropriate to increase the Federal share in the manner proposed in this case.

SECTION 4

This section of the proposed bill amends the Alaska Omnibus Act by adding six new sections to the existing provisions of that act.

Federal loan adjustments

Section 51(a) would authorize the Secretary of Agriculture to make adjustments in indebtedness of farmers and rural residents who are borrowers of the Farmers Home Administration to enable them to have a reasonable opportunity to overcome losses suffered from the earthquake and become reestablished on a sound basis. It would also provide authority for refinancing these and other farmers and rural residents similarly damaged. This authority is intended to apply to communities of 2,500 persons or less, as the Small Business Administration will handle such refinancing in larger communities.

When geological surveys determine the original building site to be unusable, Farmers Home Administration would be authorized to include funds in the loans for purchase of a replacement building site.

The Farmers Home Administration has loans outstanding with 200 families in Alaska, totaling approximately \$4 million. These families could not obtain credit from other sources at the time they received their loans. Therefore, such families who suffered damage or loss to their real or chattel property and partial or total loss of income for an indefinite period ordinarily would be unable to recover from their losses without an adjustment in their debts. Special assistance of the type provided in this section of the proposed bill would be necessary for some of these families to recover from this disaster.

Section 51(b) would authorize the Secretary of Agriculture to adjust indebtedness of borrowers in Alaska from the Rural Electrification Administration as he finds necessary because of property loss directly resulting from the earthquake. It is intended that such adjustments would not take into account loss of revenue.

The Rural Electrification Administration has loans outstanding in Alaska to nine electric cooperatives aggregating \$76,362,468, and to two public bodies aggregating \$2,479,000. There is also one loan outstanding to a telephone cooperative in the amount of \$1,863,000. Preliminary reports indicate that substantial damage has been sustained by two electric cooperatives—Chugach Electric Association, Anchorage, with a loan commitment in the amount of \$47,494,000 and Kodiak Electric Association, Kodiak, with a loan commitment in the amount of \$1,553,000. Funds actually advanced to these two systems total \$31,957,436, and the outstanding balance of principal and accumulated interest owed by them is \$29,322,611.

An appraisal of the damage is now underway as is a determination of their ability to repay the outstanding balances of their loans and to carry the additional debt which will be required to finance the reestablishment of their systems on an economically feasible basis. Special assistance of the type provided in this proposal in an amount not yet determined may be necessary to facilitate the restoration and repair of facilities damaged or destroyed as a result of the earthquake.

It is intended that the authorities in section 51 would be used despite any restrictive provisions of existing law relating to compromises, settlements, or adjustments of borrower's indebtedness under these programs.

Section 52 would authorize the Housing and Home Finance Administrator to compromise or release such portion of any obligations which he holds in Alaska under the public facility loan program or under the revolving fund for liquidating programs, to the extent he finds that such relief is necessary because the facilities securing these obligations have been substantially damaged by the recent earthquake. Presently, the Administrator has no authority to provide any relief in situations such as this, beyond the rescheduling of required loan payments.

Under the revolving fund for liquidating programs, the Housing Administrator holds obligations received in three programs which are now no longer operative: The Alaska housing loan program, the public agency loan program (RFC), and the prefabricated housing loan program. There has been extensive damage, estimated to total about \$1.5 million, to two projects financed under the Alaska housing loan program. These are the McKinley Apartments and the "1200 L" Apartments, high-rise projects in downtown Anchorage. The mortgages on these properties are pledged by the Alaska State Housing Authority to the Administrator as part of the security for the Federal loan it received under the Alaska housing loan program for the financing of these apartments. It is not yet certain whether the damage to these properties will prevent the authority from making full payment of its Federal obligation.

The effect of sections 51 and 52 will be to place these programs in Alaska on the same general footing as other Federal loan programs which presently adjust their borrowers' indebtedness under disaster conditions.

It should be noted that the disaster relief authority of the Office of Emergency Planning may be able to accomplish some of the objectives of sections 51(b) and 52 and section 53 below. It is expected that such authority would be used to the maximum extent possible in such cases.

Urban renewal

Section 53 would authorize the Housing and Home Finance Administrator to enter into contracts for urban renewal projects in Alaska up to a maximum of \$25 million under title I of the Housing Act of 1949. This authorization would be available only in connection with projects which he finds will directly aid in the reconstruction and redevelopment of the areas in Alaska that were substantially damaged or destroyed by the recent disaster. While housing legislation pending in the Congress provides for an increase in existing urban renewal grant authority, the recent disaster makes it essential that some additional contract authority be requested for use in Alaska in advance of the enactment of the pending legislation.

A number of communities in the disaster area of Alaska are considering or have made applications for urban renewal projects. These are Anchorage, Homer, Kodiak, Seldovia, Seward, and Valdez. Currently available estimates indicate that the total cost of these projects may be \$59 million. The Federal share of this cost would be about \$45 million. This share is made up of 75 percent of the project costs plus 100 percent of relocation costs, which is the usual formula for cities of this size.

Since planning of all these projects is still underway by the local communities, the estimates of costs are highly tentative and may be revised substantially downward. In any event the \$25 million additional grant authority proposed in the bill would be sufficient to proceed on a timely basis and to take advantage of the forthcoming construction season which in Alaska is extremely short. To the extent that additional grant funds may be needed to carry out these projects, they would be made available from regular urban renewal grant authorizations.

While it is recognized that these communities may lack sufficient funds as a result of the earthquake to meet the local share, it is expected that the State will assist these communities in meeting their share through the marketing of its bonds. In this connection, provision is made in section 56 of this bill for the Housing and Home Finance Administrator to purchase up to \$25 million of Alaska State bonds or to make loans in that amount to assist the State's reconstruction effort.

The earthquake has created exceptional circumstances which may make it necessary to relocate the town of Valdez on open land some distance from the present site. Existing urban renewal law does not authorize the making of grants for projects consisting of open land, since it was anticipated that such projects, not involving any demolition of structures, could be carried out without cost. It is possible, however, that grants may be required if Valdez is relocated.

Section 53 would therefore authorize the Administrator to make grants for

urban renewal projects consisting of open land in the disaster area. It is expected that the use of this authority will be limited to the possible relocation of Valdez.

Extension of term of home disaster loans

Section 54 would authorize the Administrator of the Small Business Administration to make loans, in accordance with the provisions of section 7(b)(1) of the Small Business Act, for the repair or reconstruction of homes destroyed or damaged in Alaska by the recent earthquake for a maximum period of 30 years. In making such loans, however, the Administrator could not extend the maturity date, as provided in section 7(c) of the act, for an additional 10 years. Presently all loans made under section 7(b)(1) of the act must mature in 20 years or less; section 7(c) authorizes an extension for an additional 10 years or less for the orderly liquidation of the loan, if needed.

Modification of civil works projects

Section 55 would authorize the Secretary of the Army through the Chief of Engineers to modify existing civil works projects in Alaska to meet the changed conditions brought about by the recent earthquake and the current and prospective needs of the communities affected by these projects. Existing projects may be expanded where economically feasible and if the most economic method for construction of the expansion is concurrent with, or in lieu of, replacement of the damaged installation.

Purchase of State bonds

Section 56 would authorize the Housing and Home Finance Administrator to purchase, in accordance with the applicable provisions of the existing public facility loan program and from funds available in the public facility loan revolving fund, up to \$25 million of State of Alaska bonds issued to finance the State's share of earthquake reconstruction projects. Alternatively, the Administrator could make a loan to the State for this purpose.

These bonds would have a maximum maturity of 40 years. It is contemplated that the State would receive the more favorable interest rate available to public bodies in redevelopment areas from HHFA (currently 3½ percent), and that the State would be able to improve on this rate in the private market within 2 years. It is further contemplated that the first principal repayment might be deferred for a few years after the granting of the loan or the purchase of the bonds. The exact repayment schedule would be determined by the Administrator, taking into account the probable future capacity of Alaska to meet these principal repayments. As soon as the State's regular credit standing is restored, the bonds would either be sold in the private market by the Federal Government, or refunded in the private market by the State.

Shortly after the Alaskan earthquake, the State legislature authorized a \$50 million bond issue to help finance reconstruction, recovery, and some other capital projects. Since this action, the State authorities have tended to the view that the authorized bonds are unmarketable except at prohibitive interest costs.

There is no question that the State of Alaska—even with the favorable proposals for Federal assistance—will be faced in the next 2 years with abnormally high capital investment requirements, but with a temporary decline in investor interest in the State's obligations. The result, without further assistance, would be to require the State to pay high interest rates which cannot be justified over the long run and which would add to the State's financial burdens.

While it is not expected that all of the \$50 million would have to be offered in connection with the present disaster, it appears that one-half or more may be required to supplement the State's revenues and extended transition grants in order to carry out its share of major reconstruction and rehabilitation projects, such as highways and urban renewal. It is expected that up to \$14 million of the bonds would be used by the State to assist the local communities in meeting their share of urban renewal projects contemplated in the disaster area. Federal assistance in marketing this portion of the \$50 million seems warranted to insure the success of other Federal proposals to aid the State's reconstruction efforts.

If the bonds are bought by the Federal Government as proposed in this bill, it should be possible within a reasonably short time for them to be resold or refinanced in the private market. As a result:

- (a) Alaska's temporary needs would be met;
- (b) No penalty interest costs would be involved; and
- (c) The Federal Government's cost could be recovered as soon as it was no longer needed.

SECTION 5

This section authorizes the appropriation of necessary funds to the various agencies to carry out the provisions of this bill. The appropriations would be made available for obligation until June 30, 1967. This should provide sufficient time for the State to take advantage of the special Federal assistance made available by this bill.

Section 5 would also authorize appropriations for such advisory commissions or committees as the President may establish in connection with Alaskan reconstruction and development planning. It is intended that this authority would be available for the expenses of the existing Federal Reconstruction and Development Planning Commission for Alaska.

SECTION 6

This section provides for the termination on June 30, 1967, of the authorities contained in this bill. It is recognized, however, that certain projects may not be completed then, and provision is made for expenditures on approved projects beyond that date.

Senator ANDERSON. It should be noted that I am chairing these hearings at the request of Senator Jackson, the duly elected chairman of the Interior Committee. The reason is that, since I am Chairman of the Federal Reconstruction and Development Commission for Alaska, serving by appointment of President Johnson, it was deemed desirable that Federal legislative and executive action for earthquake relief and rehabilitation in Alaska should be coordinated. The committee this morning is sitting as a Special Committee of the Whole.

The pending legislation is the latest in a series of Federal actions to give aid to Alaska in its hour of need. It will be recalled that within a very few days after the disaster, the Congress approved an appropriation of \$50 million to the Federal disaster relief fund administered by the Office of Emergency Planning. Then last month we approved S. 2772, also an administration bill to amend the Omnibus Act, to authorize appropriations of an additional \$23.5 million in transitional grants to the State. This measure was signed into law on May 27 by President Johnson, becoming Public Law 88-311. Both of these legislative enactments were designed to help the public, as distinct from the private, sector of the Alaskan economy.

S. 2881, however, would extend Federal aid to private individuals and businesses in Alaska as well as providing additional authority and additional funds for the public sector. This help is spelled out clearly, I believe, in the Commission's letter to the President, which already has been made a part of this record.

Before bringing these brief opening remarks to a close, and calling on the Senators sponsoring the legislation and other witnesses, I would like to emphasize a statement in President Johnson's letter by quoting it. The President said:

Under existing programs and new authorities proposed in this draft bill, the Federal Government is estimated to spend over \$275 million in Alaska in the course of the earthquake reconstruction program.

Just as no State ever has suffered as great blows to its economy, proportionately, as has Alaska from a natural disaster, so, too, no State ever has received as much help from the Federal Government for relief from the effects of such a disaster.

Senator Bartlett, the senior Senator from Alaska and primary sponsor of the bill, is with us today. Senator Bartlett, would you care to make a comment?

Senator BARTLETT. Thank you very much, Mr. Chairman. I will not take the time of the committee at this time to make a statement. I am for the legislation, and since time is so limited, with the Senate going into session at 9, I believe, with so many witnesses to be heard, I at least will defer my statement until a later date.

Thank you.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. Thank you. I also think the time being limited I would prefer to yield to the various witnesses. I am in favor of this legislation, but I am also in favor of some amendments which I think will strengthen and improve it.

Thank you.

Senator ANDERSON. Mr. Seidman?

Mr. Seidman is Assistant Director for Management and Organization, Bureau of the Budget. He has certain other representatives with him.

STATEMENT OF HAROLD SEIDMAN, ASSISTANT DIRECTOR FOR MANAGEMENT AND ORGANIZATION, BUREAU OF THE BUDGET; ACCOMPANIED BY DWIGHT INK, EXECUTIVE DIRECTOR, ALASKA RECONSTRUCTION COMMISSION; DAVID FINNEGAN, ALASKA RECONSTRUCTION COMMISSION; AND HOWARD SCHNOOR, BUREAU OF THE BUDGET

Mr. SEIDMAN. Mr. Chairman, I am accompanied this morning on my right by Mr. Dwight Ink, Executive Director of the Alaska Reconstruction Commission. On my left, Mr. David Finnegan, on the staff of the Alaska Reconstruction Commission, and on his left—

Senator ANDERSON. I am sorry, Mr. Seidman. It is hard to hear. Will you talk into the microphone. Your voice was lost up here. Will you again introduce your aids.

Mr. SEIDMAN. On my right is Mr. Dwight Ink, Executive Director of the Alaskan Reconstruction Commission. On my left, Mr. David Finnegan, and on his left, Howard Schnoor of my staff of the Bureau of the Budget. We also have present here the representatives of the various agencies here concerned. If there is detailed questioning, I may call on them for assistance in providing the answers to the committee.

Mr. Chairman, I have a statement, and with your permission I will proceed.

Mr. Chairman and members of the committee, I am pleased to appear before this committee in support of S. 2881.

The draft of this legislation was transmitted to the Congress on May 27, 1964, by the President. The legislation is based on the recommendations of the Federal Reconstruction and Development Planning Commission for Alaska which was established by Executive order on April 2, 1964.

As the President stated in his letter of transmittal, new legislative authority is urgently needed to provide the additional special assistance essential to Alaska's reconstruction. S. 2881 will provide greater flexibility in Federal programs to deal with a number of extraordinary problems resulting from the disaster, such as the repair and reconstruction of highways and harbors, the rebuilding of communities, the adjustment of debts, and facilitating the sale of State bonds for reconstruction purposes.

Here, it should be emphasized that S. 2881 is—

- (1) Limited in scope to Alaska and in particular to the disaster area;
- (2) It is aimed only at the State's reconstruction efforts; and
- (3) It is temporary, as the authority contained in the bill will terminate on June 30, 1967.

The tragic earthquake which struck south-central Alaska on Good Friday left 115 persons dead or missing and caused over \$300 million worth of damage based on the latest Federal estimates. This damage estimate includes losses to Federal facilities, such as the Alaska Railroad, amounting to about \$71 million; State and local public property losses totaling about \$148 million; and in the private sector, real property losses of about \$77 million. This damage estimate, however, does not include personal property losses which we have not surveyed.

The Alaskan people have faced the complex and difficult problems resulting from this devastation with courage and determination. The State has pledged that it will do all it can to carry a fair share of the recovery effort. The Federal Government has also pledged to do its share.

The Federal Government is now able to do a great deal under existing authorities.

The Office of Emergency Planning has aided the disaster area by providing assistance in clearing rubble, in providing shelter and supplies, and in the emergency repair and restoration of needed services, including public facilities. It is estimated that the work eligible for grants under Public Law 875 will total about \$80 million.

In the private sector, the Small Business Administration is making favorable disaster loans to help individual homeowners and businessmen in the stricken area. Commercial fishermen are being aided by the Department of the Interior with loans made from the fisheries loan fund to finance the repair of vessels. The Housing and Home Finance Agency and the Veterans' Administration are adjusting outstanding loans to homeowners whose houses were lost or destroyed.

Individuals and corporations will be entitled to tax refunds or reductions based on their casualty losses. Needed Federal facilities are being restored. Regular Federal programs are continuing to supply aid to the State; in some cases they are being expanded to provide additional aid. The Congress has already passed legislation authorizing an additional \$23.5 million in transitional grants to Alaska. These transitional grants, the grants available under Public Law 875, and the grants for the reconstruction of forest highways, all of these grants totaling about \$130 million, will be 100 percent Federal funds.

S. 2881 is a vital part of this total Federal effort. It is an outgrowth of the deliberations of the Federal Reconstruction and Development Planning Commission for Alaska, in cooperation with the various Federal agencies and the State of Alaska.

The bill provides special Federal assistance for highways, urban renewal, debt adjustments, loan maturity extensions, harbors, and State finances. This assistance is in addition to that now available under existing authority.

The earthquake damage disrupted highway service in the general area south of Anchorage, in the vicinity of Cordova, and on Kodiak Island, but did not seriously affect other highways of Alaska. The State highway department and the regional staff of the Bureau of Public Roads estimate that the replacement of all highway to present design standards will cost about \$65 million.

Since temporary repairs will restore all necessary traffic service this summer, the reconstruction work may be carefully scheduled over a period of approximately 3 years. This will avoid "crash" programing and excess costs. Individual projects for reconstruction must be designed by the State and approved by the Bureau of Public Roads before funds will be allocated for initiating construction. Under normal procedures the Bureau of Public Roads should be able to assure that only justifiable restoration expenses are authorized from emergency relief funds. This is an important control which may result in final costs below present estimates.

Under the Federal-Aid Highway Act there is annually available \$30 million for emergency highway repair and reconstruction. These funds may be spent without matching by the State on the forest highways and on a 50-50 matching basis on the Federal-aid system. Some of the highways affected by the earthquake are forest highways. The cost of repair and reconstruction of these highways may run to \$29 million.

Under existing law, Alaska's share of the cost of repair or reconstruction of nonforest Federal-aid highways would be \$18 million. If this were new construction, the Federal share would be 94.9 percent, because of the so-called sliding scale provisions applicable to Federal-aid highways located in States wherein the unappropriated and unreserved public lands and nontaxable Indian lands, individual and tribal, exceed 5 percent of the total area of all lands therein.

S. 2881 is designed to increase the Federal share of reconstruction from 50 to 94.9 percent of the total cost by making the "sliding scale provisions" of section 120(a) of title 23 applicable to these Federal-aid highways in Alaska. The bill limits the increase in the Federal share to not more than \$15 million in the aggregate and provides that the amount of the increase shall be reimbursed to the highway emergency fund by an appropriation from the general fund of the Treasury. The initial 50 percent of the Federal share would continue to be financed in the presently authorized manner.

In view of the dimensions of the recent disaster in Alaska and the resulting drain on the State's resources, it seems appropriate to increase the Federal share in the manner proposed in this case.

S. 2881 would authorize the Secretary of Agriculture to make adjustments in the amounts owed the Farmers Home Administration by farmers and rural residents in the disaster area of Alaska. It is estimated that there are about 82 loans made by the Farmers Home Administration in this area averaging \$18,000 each.

The bill would also authorize the Secretary of Agriculture to provide refinancing on highly favorable terms to borrowers of the Farmers Home Administration and to other farmers and rural residents

who have been similarly damaged and who live in communities of 2,500 persons or less. This authority is comparable to that of the Small Business Administration. It is expected that the SBA will provide refinancing in the larger communities.

Many families who suffered damage or loss to their real or chattel property and partial or total loss of income for an indefinite period ordinarily would be unable to recover from their losses without an adjustment in their debts. Special assistance of the type provided in this bill would be necessary for some of these families in Alaska to recover from this disaster.

In addition, the Secretary of Agriculture under this bill is authorized to adjust in Alaska the indebtedness of borrowers from the Rural Electrification Administration to the extent such borrowers are directly damaged by the earthquake. This is designed to facilitate the restoration and repair of facilities damaged or destroyed by the disaster. It is intended that these adjustments would not take into account loss of revenue.

The Rural Electrification Administration has loans outstanding in Alaska to nine electric cooperatives aggregating \$76,362,468, and to two public bodies aggregating \$2,479,000.

There is also one loan outstanding to a telephone cooperative in the amount of \$1,863,000. Preliminary reports indicate that substantial damage has been sustained by two electric cooperatives—Chugach Electric Association, Anchorage, with a loan commitment in the amount of \$47,494,000 and Kodiak Electric Association, Kodiak, with a loan commitment in the amount of \$1,555,000. Funds actually advanced to these two systems total \$31,957,436, and the outstanding balance of principal and accumulated interest owed by them is \$29,322,611.

An appraisal of the damage is now underway as is a determination of the ability of these cooperatives to repay the outstanding balances of their loans and to carry the additional debt which would be required to finance the reestablishment of their systems on an economically feasible basis. Special assistance of the type provided in this bill in an amount not yet determined may be necessary to facilitate the restoration and repair of facilities damaged or destroyed as a result of the earthquake.

S. 2881 would also authorize the Housing and Home Finance Administrator to compromise or release obligations which he holds in Alaska under the public facility loan program or under the revolving fund for liquidating programs, to the extent he finds that such relief is necessary because the facilities securing these obligations have been substantially damaged by the recent earthquake. Under the revolving fund for liquidating programs, the Housing Administrator holds obligations received in four programs which are now no longer operative: The Alaska housing loan program, the public agency loan program (RFC), the prefabricated housing loan program, and the war public works program under the Lanham Act. Except for the war public works program, the Administrator now has authority to revise these obligations only through the rescheduling of required loan payments.

The purpose of these debt adjustment provisions of the bill is to place these programs in Alaska on the same general footing as other

Federal loan programs which presently adjust their borrowers' indebtedness under disaster conditions.

The earthquake caused extensive property damage in Alaska. In at least one case—Valdez—there is a real possibility that the townsite will be relocated because the present site is geologically unsafe.

Since the earthquake a number of communities in the disaster area are considering or have made application for urban renewal projects. S. 2881 would authorize an increase of \$25 million in the contract authority of the Housing and Home Finance Administrator to carry out urban renewal projects in the disaster area of Alaska. Currently, it is estimated that the Federal share which is limited by existing law to three-fourths of the aggregate net project costs may be as high as \$45 million. The local share of these projects based on preliminary estimates would be about \$13 million. There is every indication, however, that these estimates will be scaled downward, and the most recent estimate I have, it is now somewhat below \$30 million. It is expected that if any additional Federal funds are needed over and above the \$25 million authorized in the bill, these funds would come from regular urban renewal grant authorizations.

Consideration was given by both the Commission and the executive branch to increasing the Federal share of these projects above the normal 75 percent authorized by existing law. It was, however, determined that such an increase was not justified on the basis of the available estimates of costs and resources. Also, it was determined, in consonance with the disaster provisions of existing urban renewal law, that the State or the local communities should have a substantial financial interest in these projects. To provide necessary assistance to the State and communities, the bill would authorize the making of a loan or the purchase of up to \$25 million of State of Alaska bonds for the purpose of assisting the communities in meeting the local share of these projects and for other purposes.

As I have indicated, the earthquake has created exceptional circumstances which may make it necessary to relocate the town of Valdez on open land some distance from the present site. Existing urban renewal law does not authorize the making of grants for projects consisting of open land, since it was anticipated that such projects, not involving any demolition of structures, could be carried out without cost. It is possible, however, that grants may be required if Valdez is relocated.

S. 2881 would, therefore, authorize the Administrator to make grants for urban renewal projects consisting of open land in the disaster area. It is expected that the use of this authority will be limited to the possible relocation of Valdez.

Presently, the Small Business Administration makes loans under its disaster authority to homeowners, among others, for a term of 20 years. To aid the Alaskan disaster victims, the SBA provides that these loans may be amortized on a 30-year basis although the maturity of the loan is 20 years. This may result in a balloon payment for the balance of the loan at the end of 20 years.

S. 2881 would authorize the making of a maximum of 30-year disaster loans for the repair or reconstruction of homes destroyed or damaged by the disaster. While these loans would not be amortized beyond the 30-year period, under this authority, the Small Business

Administration could make the loans without a balloon payment at the end of the term. Thus, the borrower would not be required to obtain additional financial assistance to pay this balloon payment.

S. 2881 would authorize the Secretary of the Army through the Chief of Engineers to modify existing civil works projects in Alaska to meet the changed conditions brought about by the recent earthquake and the current and prospective needs of the communities affected by these projects. Existing projects may be expanded where economically feasible and if the most economic method for construction of the expansion is concurrent with, or in lieu of, replacement of the damaged installation.

The authorized harbor projects at Homer, Valdez, and Seward were completely destroyed and, because of changed physical conditions, reconstruction of the harbors at the original sites is not feasible. As a result, the construction of modified projects which will meet the changed conditions and current and prospective needs of these three communities is proposed. Also, the entrance channel at Cordova requires dredging to restore previous depths, and miscellaneous damage to various harbors expected to be found in the course of hydrographic surveys will need to be repaired. In view of the importance of small boat harbors to the fishing industry in Alaska, it is urgent that the restoration of these projects begin as soon as possible.

After the earthquake, the Alaskan Legislature authorized a \$50 million bond issue to aid in financing the State's reconstruction efforts. One investment house indicated that these bonds could be sold at an interest rate between $4\frac{1}{4}$ and $4\frac{1}{2}$ percent maturing in not to exceed 25 years. Immediately before the earthquake State of Alaska bonds sold at 3.56 percent interest.

S. 2881 would authorize the Housing and Home Finance Administrator to purchase, in accordance with the applicable provisions of the existing public facility loan program and from funds available in the public facility loan revolving fund, up to \$25 million of State of Alaska bonds issued to finance the State's share of earthquake reconstruction projects. Alternatively, the Administrator could make a loan to the State for this purpose.

These bonds would have a maximum maturity of 40 years. It is contemplated that the State would receive the more favorable interest rate available to public bodies in redevelopment areas from HHFA (currently $3\frac{5}{8}$ percent), and that the State would be able to improve on this rate in the private market within 2 years. It is further contemplated that the first principal repayment might be deferred for a few years after the granting of the loan or the purchase of the bonds. The exact repayment schedule would be determined by the Administrator, taking into account the probable future capacity of Alaska to meet these principal repayments. As soon as the State's regular credit standing is restored, the bonds would either be sold in the private market by the Federal Government, or refunded in the private market by the State.

There is no question that the State of Alaska—even with the favorable proposals for Federal assistance—will be faced in the next 2 years with abnormally high capital investment requirements, but with a temporary decline in investor interest in the State's obligations. If special assistance were not provided, the State would be required to

pay high interest rates which cannot be justified over the long run and which would add to the State's financial burdens.

While it is not expected that all of the \$50 million would have to be utilized in connection with the present disaster, it appears that one-half or more may be required to supplement the State's revenues and extended transition grants in order to carry out the State's share of major reconstruction and rehabilitation projects, such as highways and urban renewal. Federal assistance in marketing this portion of the \$50 million seems warranted to insure the success of other Federal programs to aid the State's reconstruction efforts.

If the bonds are bought by the Federal Government, as proposed in this bill, it should be possible within a reasonably short time for them to be resold or refinanced in the private market. As a result:

- (a) Alaska's temporary needs would be met;
- (b) No penalty interest costs would be involved; and
- (c) The Federal Government's cost could be recovered as soon as it was no longer needed.

As the President stated in his letter of transmittal:

Concern for our fellow citizen alone compels prompt action on this proposal. But practical considerations are also most important. The construction season in Alaska is about to begin and is of short duration. The sooner Alaska can complete its reconstruction efforts, the sooner it can begin again to devote its efforts toward the further development of the State's resources.

Senator ANDERSON. Senator Jackson?

Chairman JACKSON. I have no immediate questions.

Senator ANDERSON. Senator Jordan?

Senator JORDAN. No question. I yield to the Senator.

Senator ANDERSON. Senator Bible?

Senator BIBLE. I yield to the Senator from Alaska.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. Mr. Seidman, on page 9 you mention that consideration was given both by the Commission and the executive branch to increasing the Federal share of these projects above the normal 75 percent authorized by existing law. In other words, that on urban renewal you recommend the 75-25 proportion rather than the 90-10 originally proposed by the Administrator of the Home Finance Agency.

Now, Senator Bartlett and I are in receipt of telegrams from various mayors of cities grievously damaged by earthquake and tidal waves. Mayor Stockton of Seward sent a wire to Senator Bartlett. I have received a wire from the acting mayor of Anchorage, a wire from the mayor of Valdez, and the mayor of Kodiak, Peter Deveau, all saying their cities cannot afford the 75-25 percent ratio and asking for the 90-10.

I am going to ask that these be included in the record.

(The documents referred to follow:)

SEWARD, ALASKA.

HON. E. L. BARTLETT,
U.S. Senator.

City of Seward urgently requests change in Federal participation in urban renewal project for Seward work caused by disaster from 75 to 90 percent. City absolutely financially unable to raise 25 percent due to complete loss of industry. Greatly appreciate your fine efforts in our behalf.

PERRY R. STOCKTON, Mayor.

ANCHORAGE, ALASKA, *May 30, 1964.*

SENATOR ERNEST GRUENING,
U.S. Senate, Washington, D.C.

Review of city's financial situation indicates use of urban renewal process to reconstruction devastated areas of city extremely difficult under normal 75-25 formula. City council and administration urge serious consideration of 90-10 formula. Anchorage debt service already at maximum feasible limit. Taking 25 percent of general fund operating revenue for next 2 fiscal years. Previous 6-year capital improvement program indicated serious difficulty meeting ordinary capital needs. Tax anticipation from renewal project is no help since restored slide areas probably will have to be used for parks or public space, and tax return will be much less than before disaster. Urban renewal appears to be the only method for redevelopment of slide areas. Local share of cost, however, will not be available for many years. The 90-10 formula would minimize burden on Alaskan cities if State assumes 10 percent of cost as now planned.

JOE YESENSKI, *Mayor Pro Tem*
(For the City Council.)

VALDEZ, ALASKA, *May 30, 1964.*

Senator GRUENING,
U.S. Senate, Washington D.C.:

We urge your support for 90 percent Federal urban renewal matching funds for disaster torn Alaska cities. Valdez has been left with the necessity for increased expenditures and virtually no tax base. Difficult even with State aid to raise 10 percent of urban renewal project cost. Twenty-five percent would be almost impossible.

Respectfully,

BRUCE WOODFORD,
Mayor, City of Valdez.

KODIAK, ALASKA, *May 30, 1964.*

U.S. Senator ERNEST GRUENING,
Senator Office Building, Washington, D.C.:

Understand Alaska omnibus bill does not contain provision for 90-10 matching ratio for disaster urban renewal projects. This will make it impossible for our community to proceed with rebuilding our downtown business district which was almost totally destroyed. Urgently request you work for 90-10 matching ratio so we may proceed with the rebuilding.

PETER DEVEAU,
Mayor, City of Kodiak.

Senator GRUENING. It would seem to me that the testimony of these mayors, who are familiar with the financial situation in the cities, should be given considerable weight in determining this percentage of participation.

How was this 75-25 decision arrived at?

Mr. SEIDMAN. Senator Gruening, I think I can respond to the telegrams from the mayors. Under the provisions in this bill it is contemplated that where the local communities cannot afford the 25-percent contribution, this would be provided by the State of Alaska. This was one of the reasons why the authority was provided in the bill for the Federal Government under the community facilities program to purchase up to \$25 million of the State's bonds. It was the intent that in those cases where the local community was not in a position to finance either all or part of the 25-percent share in the urban renewal projects, that this would be provided by the State through the borrowing under the provisions of the bill.

Senator GRUENING. Do you assume that the State of Alaska will be able to afford to do that?

Mr. SEIDMAN. Yes, we do.

Senator GRUENING. Well, I think that is very much of a question.

Now, later when you talk about the purchase of bonds by the Federal Government, are you familiar with the terms of the grants and loans made to Chile after the earthquake down there?

MR. SEIDMAN. I have read some of Senator Gruening's statements in this regard. I have not personally looked into it.

Senator GRUENING. Well, it would be useful I think for the committee if you would provide for the record the terms on which the grant and loans were made to Chile after the earthquake disaster. I would like to suggest that similar terms be available to Alaska.

MR. SEIDMAN. In this regard, I might point out, as I understand it—and as I say, I have not personally gone into any detail in this—a good part of the Chilean loan was for the purpose of restoring facilities and clearing of rubble. Funds for this purpose are provided to the State of Alaska under Public Law 875 as an outright grant. As I indicated earlier in my statement, there is \$130 million of assistance being provided to the State of Alaska now for reconstruction which is all 100 percent Federal money. This is an outright grant. There is no question of a loan or any interest rate on that part of the Federal funds that are going into reconstruction of Alaska, and in some degree what was done for Chile as a loan under a very low interest rate is comparable to that which is done for States under Public Law 875.

Senator GRUENING. What was the interest rate to Chile? Do you recall?

MR. SEIDMAN. What was that?

Senator GRUENING. What was the interest rate to Chile on the \$100 million loan?

MR. SEIDMAN. I think it was something less than 1 percent. The loan terms called for repayment in dollars over a 40-year period with a service charge of three-quarters of a percent and no interest.

Senator GRUENING. A service charge of three-quarters of 1 percent but no interest at all on the loan. And this was following a grant of \$20 million which was not repayable at all; isn't that correct?

MR. SEIDMAN. Yes. You are correct. There was a direct \$20 million grant, and there was a \$100 million, 40-year, no-interest loan with a three-quarters of 1 percent service charge.

Senator GRUENING. I think it is important to have these facts in the record because when the committee considers this bill and possible amendments, I shall propose a treatment of Alaska corresponding to that which was received by Chile after the earthquake.

Thank you very much.

Senator ANDERSON. Would that mean that instead of giving the grant of \$80 million, that we loan the money to Alaska.

Senator GRUENING. That might be a good idea; yes.

Senator ANDERSON. I do not think the Alaskan people would like that. Those I talked to, they were pretty happy. Ask the attorney general who represents the Governor. But nobody has represented to me that they would prefer to have a loan instead of a grant of some \$80 million.

Senator GRUENING. I am talking about the bonds which the Federal Government is going to buy from Alaska and if those are to bear interest at 3 to 4 percent, I think we could have more generous terms, based on the Chilean precedent.

I have no further questions.

Senator ANDERSON. Senator Allott?

Senator ALLOTT. I have just one question at this time. I will have several later. I notice that you have an open end authorization in this bill. Do you believe that this bill justifies an open end authorization?

Mr. SEIDMAN. The open end authorization, Senator Allott, just covers relatively minor amounts. It would cover the cost of the Alaska Reconstruction Commission—you will note that there are limitations on funding under each of the provisions where they would be applicable. For example, in section 2 on highways, the limitation is \$15 million. On loan readjustments, this would not involve any new appropriations. We cannot estimate what the amount of that might be. In the section on urban renewal there is the limit on new contract authority of \$25 million specifically set forth. On the modification of civil works projects there is a net cost included here of \$10 million, and, of course, the purchase of State bonds is limited to \$25 million. So there is specific limiting language in each of the sections, and the general authorization would apply basically only to the cost of the Alaska Reconstruction Commission.

Senator ALLOTT. We do not have the time to go into this matter here, but, for example, section 55, where it says an estimated cost of \$10 million, this is not a limitation of authorization.

I would like to ask, Mr. Chairman, that we—I know we want to give this careful consideration, and our people in Alaska deserve it. I wonder if in the next session on this bill we could have before us in a composite form by the Director of the Budget or whoever is going to do it a statement as to what has been done and what is contemplated so that we can look at it all together and then analyze each thing. Much of what is going to happen in Alaska depends upon regulations to be promulgated here by one or more of the agencies. So we really have no basis here so far as to what we are actually doing. Are we, for the most part, retroactively completely insuring the losses or not? This is a question that I want to go into, and how much are the people able or willing to bear up there?

Senator ANDERSON. In that connection, before you answer, I wonder if I could put into the record my reply to one of these mayors. I wrote them all about the same day. I think if I would read that you might get an idea of what the problem is. I won't read the telegram from Kodiak, but the mayor of Kodiak says the 75-25 basis would make it impossible for their community to rebuild the downtown business district which was almost totally destroyed.

Urgent. Request you work for 90-10 ratio so we may proceed with the rebuilding.

I answered as follows:

I am not sure how a telegram like that should be answered. You doubtless are familiar with the fact that the urban renewal program prepared for Alaska grew to some fantastic figures—a total of \$69,580,673.

I just want to stop and say I have a table here which shows this whole story and in the city of Anchorage, a city of 45,000, maybe 50,000 people, they put in a figure of \$24 million to buy the land that they say is necessary to be retired. But the fee to the planner-surveyor is \$719,000 in downtown Anchorage, \$300,000 for the Turnagain Area No. 1, in which the total real estate is only \$380,000. In other words,

the planner gets as much money as all the owners of the property, and the planners are going to get \$2,134,000 out of the program, and that is why the program has been changed to a 75-25 percent basis, I am quite sure, because if the program gets that far out of line, it becomes a little dangerous. Total Federal grants on a 90-percent basis would still be \$53,145,305, but on the 75-percent basis as they outline in the city of Anchorage it will run \$44,262,652.

I think almost anyone would have concluded these figures were too high and that people could not justify the spending of any such sums. Your community of Kodiak is a community of less than 5,000 people, and yet the total project expenditures for urban renewal run \$9,280,083, and on a 90-percent basis the Federal Government would be putting up \$7,404,240. It seemed apparent that unless the people of the Alaskan communities are asked to put up a fair share of the money themselves, they would advocate programs all out of reason, and it was, therefore, decided that the President's message submitting the bill would carry a 75-25 percent formula. It is not required, of course, that the city of Kodiak put up the 25 percent. The State of Alaska has approved a \$50 million bond issue, and we are not sure how it intends to dispose of that sum of money.

When the representative of the State of Alaska appears this morning, I hope he will tell us what the plans now are of disposing of this \$50 million. The State of Alaska approved this bond issue.

Therefore, it might not be out of order if it contributed 15 percent of the urban renewal cost and the city of Kodiak put up 10 percent. Your telegram indicates it is impossible for your community to proceed with the rebuilding of your downtown business district unless it is done on a 90-10 matching ratio. In view of the bill submitted by the President, I would think this would delay, if not prevent, urban renewal projects. You realize that the amount of Federal money listed in the President's message was a huge sum, and the President pointed out that the Federal Government is planning to spend over \$275 million in Alaska in the course of the reconstruction program. In reality we found that the sum might be even substantially more, and in the statement which I released on May 28 we estimated that Federal assistance to Alaska homeowners, businessmen, and local and State governments for earthquake recovery is calculated to range between \$236 and \$337 million. In addition the Federal Government will spend about \$76 million on reconstruction of Federal facilities and on operating Federal disaster-related programs.

I think a program that runs from \$310 to \$410 million is a rather large program. And when it is proposed that millions more be added so that urban renewal can be done on a basis of 5 percent to the community, 5 percent to the State, and 90 percent to the Federal Government, it may cause some members of Congress to become alarmed.

I think that is what started all the difficulty in this situation. I will put one of the letters in the record.

(The document referred to follows:)

U.S. SENATE, June 1, 1964.

HON. PETER DEVEAU,
Mayor of Kodiak, Alaska.

DEAR MAYOR DEVEAU: I have your telegram reading:

"Understand Alaska omnibus bill does not contain provision for 90-10 matching ratio for disaster urban renewal projects. This will make it impossible for our community to proceed with rebuilding our downtown business district which was almost totally destroyed. Urgently request you work for 90-10 matching ratio so we may proceed with the rebuilding."

I am not sure how a telegram like this should be answered. You doubtless are familiar with the fact that the urban renewal program prepared for Alaska grew to some fantastic figures—a total of \$69,580,673. From that were to be deducted proceeds from the sale of project land and things of that nature. But the total Federal grant on a 90-percent basis was \$53,145,305 and on a 75-percent basis was still \$44,262,652.

I think almost anyone would have concluded that these figures were too high and that people could not justify the spending of any such sums on urban renewal.

Your community of Kodiak is a community of less than 5,000 people and yet the total project expenditures ran \$9,280,083 and on a 90-percent basis, the Federal Government would be putting up \$7,404,240. It seemed apparent that unless the people of the Alaskan communities are asked to put up a fair share of the money themselves, they would advocate programs all out of reason and it was, therefore, decided that the President's message submitting the bill would carry a 75-25 percent formula.

It is not required, of course, that the city of Kodiak put up the 25 percent. The State of Alaska has approved a \$50-million bond issue and we are not sure how it intends to dispose of that sum of money but it ought to be spending some of it in the rebuilding of Alaska. Therefore, it might not be out of order if it contributed 15 percent of the urban renewal cost and the city of Kodiak put up 10 percent.

Your telegram indicates that it is impossible for your community to proceed with the rebuilding of your downtown business district unless it is done on a 90-10 matching ratio. In view of the bill submitted by the President, I would think this would delay, if not prevent, your urban renewal projects. You realize that the amount of Federal money listed in the President's message was a huge sum and the President pointed out that the Federal Government is planning to spend over \$275 million in Alaska in the course of the reconstruction program. In reality, we found that the sum might be even substantially more and in the statement which I released on May 28, we estimated that Federal assistance to Alaska homeowners, businessmen, and local and State governments for earthquake recovery is calculated to range between \$236 and \$337 million. In addition, the Federal Government will spend about \$76 million on reconstruction of Federal facilities and on operating Federal disaster related programs.

I think a program that runs from \$310 to \$410 million is a rather large program. And when it is proposed that millions more be added so that urban renewal can be done on a basis of 5 percent to the community, 5 percent to the State and 90 percent to the Federal Government, it may cause some Members of Congress to become alarmed.

Sincerely yours,

CLINTON P. ANDERSON, *Chairman.*

Senator ANDERSON. I think the people of Alaska would recognize that these plans were pretty elaborate. I saw the plans that Mr. Brademas has drawn for some of the areas. I know nothing of Mr. Brademas. I know he is a brother of the Indiana Congressman and probably is a very good man, but he has beautiful pictures. No community would want to do that, I think. In Anchorage they have arcades where you can walk under cover. This is hardly the way buildings are ordinarily done in Alaska and when I talked to people in Anchorage, they assured me they would never stand for cutting off a Federal building and making a park all around the town. This is in the figure for Anchorage which runs for Anchorage alone \$36 million for urban renewal. The Office of Emergency Planning is going to spend \$80 million. If we take the highways in the State of Ohio where we have had floods, the disaster loan provisions prevail, and the State of Ohio put up 50 percent of the money under repairs, 50 percent of the money, and the Federal Government put up 50 percent. In the case of Alaska instead of requiring them to put up 50 percent of the money, we are letting them put up 5.1 percent and the Federal Government 94.9 percent on a \$65 million program.

I picked up this morning a copy of a paper from my hometown where it says half the town of Maxwell was wiped out. One person killed. They tried to find out if any disaster money is available to them. It isn't. They do not qualify. But when you talk about putting \$69 million in urban renewal in 5 Alaska communities, only one of them over 5,000 people, and that is 45,000 people, you realize the extent to which this program is going.

(Senator Anderson subsequently submitted the following letter:)

U.S. SENATE, June 12, 1964.

Mr. T. BROOKS BRADEMAs,
President, Director of Planning,
City Planning Associates, Inc.,
Mishawaka, Ind.

DEAR MR. BRADEMAs: I understand there have been questions raised as to comments I have made in and outside of meetings of the Federal Reconstruction and Development Planning Commission for Alaska, concerning urban renewal and the plans that have been prepared for it. My attention has been particularly called to page 29 of the transcript for Wednesday, June 3, 1964, in which I said that the plans are pretty elaborate and that I have seen the plans to be drawn for some of the areas.

I then went on to say that in Anchorage they have arcades where you can walk under cover, and that this is hardly the way buildings are ordinarily completed in Alaska.

There was, in my mind, no connection between the plans which your firm has drawn for Seward and Valdez and the plans which are prepared by another firm for Anchorage, which included arcades. I knew that your firm had not designed the arcades for Anchorage, but my language which I used in the hearing did not make that clear. I have no intention of criticizing your firm for what another firm has done. I have felt and still feel that the work of your firm has been good, even though I question some of the things now planned for the old area of Valdez.

This letter is written purely to correct the record as far as I am concerned and to assure you that I, as Chairman, appreciate, and I believe other members of the Commission appreciate the effort you and your firm are now making to keep the cost of urban renewal in the disaster area of Alaska at a reasonable figure.

Sincerely yours,

CLINTON P. ANDERSON.

Senator GRUENING. Mr. Chairman, I think it might be appropriate at this time to introduce in the record these various telegrams from the mayors.

Senator ANDERSON. I will put them all in. The mayor of Seward has sent one, and I replied to him and said—

Urban renewal for your city of Seward is \$6,566,183 and to put this on a 90-percent basis, a total Federal capital grant would be \$5,832,513. There were reports that fire broke out in Seward and, therefore, some of your losses might have been covered by fire insurance policies, but even so, the urban renewal proposal lists \$1,543,514 for real estate purchases and \$2,897,104 for project or site improvements. When you compare these figures to the population of Seward—

I will be happy to have the Senator from Alaska tell us what that population is—

you recognize that they are very high.

That is a pretty stiff load. In addition to that, the Federal Government has decided to rebuild the railroad down to Seward. It has offered to undertake at Federal cost the construction of a new terminal at Seward at a cost of \$7,800,000, and yet the town needs \$6 million for urban renewal. It is just hard to understand. I will have all the wires and letters go in if desired.

(The letters referred to follow:)

U.S. SENATE, June 2, 1964.

Hon. PERRY R. STOCKTON,
Mayor of Seward, Seward, Alaska.

DEAR MAYOR STOCKTON: I have your telegram reading:

"City of Seward urgently requests change in Federal participation in urban renewal project for Seward work caused by disaster from 75 to 90 percent. City absolutely financially unable to raise 25 percent due to complete loss of industry. Greatly appreciate your fine efforts in our behalf."

I am not sure how a telegram like this should be answered. You doubtless are familiar with the fact that the urban renewal program prepared for Alaska grew to some fantastic figures—a total of \$69,580,673. From that were to be deducted proceeds from the sale of project land and things of that nature. But the total Federal grant on a 90-percent basis was \$53,145,305 and on a 75-percent basis was still \$44,262,652.

I think almost anyone would have concluded that those figures were too high and that people could not justify the spending of any such sums on urban renewal.

To show how large these figures run, the urban renewal for your community of Seward is \$6,566,183 and to put this on a 90-percent basis a total Federal capital grant would be \$5,832,513. There were reports that fire broke out in Seward, and, therefore, some of your losses might have been covered by the fire insurance policies, but even so, the urban renewal proposal lists \$1,543,514 for real estate purchases and \$2,397,104 for project or site improvements. When you compare these figures to the population of Seward, you recognize that they are very high and possibly the only way of bringing them into reasonable proportions would be to insist that Seward bear a part of the expense. We have proposed the rebuilding of the railroad to Seward and the construction of a terminal and dock at a Federal cost of \$7,800,000. A great many other expenses will be made at Seward and then to add \$6½ million for urban renewal seems like quite a burden.

I hope you will discuss this with your people because I have grave doubts that the Congress will want to go on a program of urban renewal as elaborate as is now planned unless there is a large participation by the State of Alaska or the city of Seward.

Sincerely yours,

CLINTON P. ANDERSON, *Chairman.*

U.S. SENATE, June 1, 1964.

HON. JOE YESENSKI,
Mayor Pro Tem,
Anchorage, Alaska.

DEAR MAYOR YESENSKI: I have your telegram reading:

"Review of city's financial situation indicates use of urban renewal process to reconstruct devastated areas of city extremely difficult under normal 75-25 formula. City council and administration urge serious consideration of 90-10 formula. Anchorage debt service already at maximum feasible limit, taking 25 percent of general fund operating revenue for next 2 fiscal years. Previous 6-year capital improvement program indicated serious difficulty meeting ordinary capital needs. Tax anticipation from renewal project is no help since restored slide areas probably will have to be used for parks or public space, and tax return will be much less than before disaster. Urban renewal appears to be the only method for redevelopment of slide areas. Local share of cost, however, will not be available for many years. The 90-10 formula would minimize burden on Alaskan cities if State assumes 10 percent of cost as now planned."

I am not sure how a telegram like this should be answered. You doubtless are familiar with the fact that the urban renewal program prepared for Alaska grew to some fantastic figures—a total of \$69,580,673. From that were to be deducted proceeds from the sale of project land and things of that nature. But the total Federal grant on a 90-percent basis was \$53,145,305 and on a 75-percent basis was still \$44,262,652.

I think almost anyone would have concluded that these figures were too high and that people could not justify the spending of any such sums on urban renewal.

Your community of Anchorage was listed on the urban renewal sheet for \$44,495,357 of the \$69,580,673. Even after the credits on a 90-percent basis, it was scheduled to receive from the Federal Government \$32,864,189 and on the 75-percent basis it came to nearly \$28 million. I need not tell you that that scared a great many people and made them think that the city of Anchorage was pretty free with Federal money.

If Anchorage alone was putting up the money, do you think it would have allotted \$28,048,420 for real estate purchases in the Anchorage downtown area or \$380,000 for Turnagain Area No. 1 or \$4,500,000 for Turnagain Area No. 2? I have grave doubts if it would and I think a great disservice will be done to the people of Alaska and particularly to the people of Anchorage if you do not bring these programs down to reasonable levels and reasonable costs.

Your telegram says that the 90-10 formula would minimize the burden on Alaskan cities if the State assumes 10 percent of the cost as now planned. I agree with you; it would not only minimize it, it would completely absorb it and the city of Anchorage would have a chance to get its \$32 million for urban renewal without putting up a penny. I know many public buildings were destroyed in Anchorage but many public buildings remain in good shape. I cannot see why the entire community should avoid making any contribution to restoration and should expect the Federal Government to take 90 percent of it and then buy the bonds at low interest rates from which the remainder is to be financed.

It would be very helpful, I think, if the people in Anchorage would take a good look at this matter and see if they really believe that the treatment they are favoring is fair and just to the rest of the country.

Sincerely yours,

CLINTON P. ANDERSON, *Chairman.*

U.S. SENATE, June 2, 1964.

HON. BRUCE WOODFORD,
Mayor, City of Valdez, Alaska.

DEAR MAYOR WOODFORD: I have your telegram reading:

"We urge your support for 90 percent Federal urban renewal matching funds for disaster-torn Alaska cities. Valdez has been left with the necessity of increased expenditures and virtually no tax base. Difficult even with State aid to raise 10 percent of urban renewal project cost, 25 percent would be almost impossible."

I am not sure how a telegram like this should be answered. You doubtless are familiar with the fact that the urban renewal program prepared for Alaska grew to some fantastic figures—a total of \$69,580,673. From that were to be deducted proceeds from the sale of project land and things of that nature. But the total Federal grant on a 90-percent basis was \$53,145,305 and on a 75-percent basis was still \$44,262,652.

I think almost anyone would have concluded that these figures were too high and that people could not justify the spending of any such sums on urban renewal.

Take your own city of Valdez where you have two projects—the first, to improve the existing location, and the second, to improve the Mineral Creek site. There was listed in the urban renewal proposal \$1,800,000 for the purchase of real estate in the existing town and \$500,000 to buy land in the new site. Included in the figures are also \$500,000 for site clearance and \$500,000 for site improvements at the existing site and \$750,000 for project or site improvements at the new location. I just cannot find it possible to believe that these are not heavily inflated figures and the only way we will ever find out whether or not they are inflated is by suggesting that the Alaskan communities bear the same proportion of cost for urban renewal that the remainder of the United States must bear.

The statement in your telegram that "25 percent would be almost impossible" would seem to indicate that you are willing to take the work as a gift but would not take it if you have to pay one-fourth of it and that, it seems to me, is a rather severe indictment of the program.

We have been suggesting that someone make an examination of the new location to see how much it would take to grade in a few streets for the limited number of houses that Valdez ordinarily has and that perhaps some of the existing houses can be removed from the danger area to the new site at a minimum of cost. Certainly, it would be difficult to justify spending \$3,800,000 for urban renewal at Valdez and several million more for a new dock if the population were to remain at the existing level. We hope you will take another look at bids.

Sincerely yours,

CLINTON P. ANDERSON, *Chairman.*

Senator GRUENING. Mr. Chairman, this renewal is replacement of communities almost totally destroyed. Now, here the mayor of Valdez wires:

We urge your support for 90-percent Federal urban renewal matching funds for disaster-torn Alaska cities. Valdez has been left with the necessity for increased expenditures and virtually no tax base. Difficult even with State aid to raise 10 percent of urban renewal project cost, 25 percent would be almost impossible.

Now, you have a city in which the business district has been totally destroyed as it has in Kodiak, almost totally in others. So urban renewal in the accepted sense does not apply there. This is a very different type of project. We are in this situation restoring something that is gone. It is not just ordinary urban renewal of the kind we have in our cities not struck by disaster.

Senator ANDERSON. I would like to comment on Valdez because that is a very interesting situation. But the urban renewal figures for Valdez. [Reading:]

Take your own city of Valdez where you have two projects: The first, to improve the existing location and the second, to improve the Mineral Creek site. There was listed in the urban renewal proposal \$1,800,000 for the purchase of real estate in the existing town and \$500,000 to buy land in the new site—

Of course, we had testimony that the new site was going to be given, but it has not been.

Included in the figures are also \$500,000 for site clearance and \$500,000 for site improvements at the existing sites and \$750,000 for project or site improvements at the new location.

Now, here is a community I do not think had a thousand people in it—600 or 700 is probably a more accurate figure—and the urban renewal figure is a total of \$5,400,000 in a town of way less than a thousand people with a hundred houses. Now, we propose that maybe they ought to take a look at the new location and put in a couple of roads, and let the Office of Emergency Planning put down all facilities which it will do without charge for every community. It will grade the streets and lay water mains without charge to the community. Yet they have a \$6 million figure for urban renewal. And it is pretty—\$5.5 million—it is pretty hard to understand.

Senator BIBLE. Might I ask just one question for the record, Mr. Chairman? I am wondering if you could supply for the record, Mr. Seidman, what period you use as the time when construction begins in Alaska and when it ends. Are we talking about a 5-month period of time, and how much of that time has already commenced? There is urgency in this. I recognize that. And I am wondering what period of time you were talking about.

Mr. SEIDMAN. I think it is approximately from May to October, but Mr. Ink has just been to Alaska.

Mr. INK. Yes. It, of course, varies with the weather conditions, but the construction season for all practical purposes will end in October.

Senator BIBLE. October 1 or October 31?

Mr. INK. No. More toward the end of October.

Senator BIBLE. Then we are actually talking about June, July, August, September, October. We are talking about 5 months at the most. Is this correct?

Mr. INK. Four to five months, I would say.

Senator BIBLE. Taking it from today.

Mr. INK. Yes. I should point out that part of this construction season, of course, is in many of these areas utilized in part through the completion of the soil studies that are necessary to determine geological conditions and the design of facilities that are required. So that the amount of time which can actually be devoted to the construction of the facilities is not as great as one might suspect. So they

do have a very difficult time period, and I would say that the provision here which relates to the harbor facilities, modification of the Corps of Engineers project, is particularly critical in that, in order to get the design completed and substantial construction underway this season, early, very early passage would be necessary. And this, of course, is vital to several of these communities because of the key importance of fishing to the economy of these towns, particularly in several of the small towns such as Kodiak and Valdez. Their recovery is heavily dependent upon the early passage of this legislation.

Senator BIBLE. Thank you, and thank you, Mr. Chairman, I wanted to get that in the record.

Senator ANDERSON. We will be right back.

(Whereupon, a short recess was taken after which the hearing was resumed.)

Senator ANDERSON. Just as we agreed to take a temporary recess for quorum call, there was some question about what had been done in Alaska, and I think it might be well to put in the record at this time the press release of May 28 which I have here showing these expenditures by categories, and how much we have provided in various ways, loans and various other things, and without objection the entire statement will go in the record at this point.

(The document referred to is as follows:)

STATEMENT OF SENATOR CLINTON P. ANDERSON, DEMOCRAT, OF NEW MEXICO,
CHAIRMAN, FEDERAL RECONSTRUCTION AND DEVELOPMENT PLANNING COMMISSION
FOR ALASKA

Federal assistance to Alaska homeowners, businessmen and local and State governments for earthquake recovery is estimated to range between \$236 and \$337 million. Part of these funds are contingent on congressional approval.

In addition, the Federal Government will spend about \$76 million on reconstruction of damaged Federal facilities and on the cost of operating Federal disaster-related programs. These funds will have an impact on the private economy of Alaska.

All of these funds are in addition to Federal expenditures which would have gone to the State and for normal Federal programs in Alaska had there been no disaster.

1. Federal aids to private individuals and groups

Three major types of direct Federal assistance to private individuals and groups have been authorized or proposed. The total amount of such assistance is difficult to pin down exactly in dollar terms because it depends primarily on the number of eligible applications received, but according to current estimates it could range in total from \$56 to \$101 million.

First, several Federal agencies will make loans on very favorable terms to help refinance business and homeowners who suffered losses in the disaster. It is now estimated that these loans in total will amount to between \$30 and \$60 million. The bulk of the funds will be provided by the Small Business Administration; in addition, the Bureau of Commercial Fisheries in the Department of the Interior has received broader authority to make needed loans to the commercial fishing industry, and the Rural Electrification Administration and the Farmers Home Administration are also actively providing special assistance in their areas of responsibility.

Most of the loans made will be at an interest rate of 3 percent. This is substantially below the cost to the Federal Government for the money it is making available as loans. It is also considerably below interest rates Alaskan borrowers must pay in the private market if they could qualify for private loans. Interest rates in Alaska are commonly in the neighborhood of 7 and 8 percent on private loans. As a case of how an SBA disaster loan is a real aid:

"A homeowner who replaces his destroyed home by borrowing \$30,000 from SBA at 3 percent interest for 30 years will pay \$48 less each month, or \$17,300

less over the term of the loan than he would have paid with an FHA-insured loan for 30 years, bearing the normal 5¼ percent interest and premium charges."

Second, all Federal agencies operating in Alaska either have or would obtain authority under currently proposed legislation to relieve owners of earthquake-damaged property of the major portion of their outstanding obligations to the Federal Government. The potential forgiveness on such outstanding loans is currently estimated at \$6 million—the largest portion of it for REA facilities.

Third, tax refunds for losses related to the earthquake to be paid out by Internal Revenue Service are estimated to range between \$20 and \$35 million. By extending the period during which taxpayers may file amended returns in 1964, the Internal Revenue is making it possible for all Alaskans who suffered disaster losses on March 27 and in subsequent tidal destruction to apply for immediate tax refunds against tax payments made over the past 3 years, or for tax credits against earnings in the next 5 years.

Apart from the various direct forms of assistance in the private sector, an incalculable amount of indirect assistance is being given Alaskans by the Federal Government in the form of community facilities, reconstruction, urban renewal, etc. By rebuilding vital transportation facilities, such as the Alaska Railroad, air and seaports, docks, roads, bridges, utility lines, etc., the Government is making possible the regrowth and renewal of communities which, were they not being so assisted, might never be able to recover from the effects of the earthquake.

2. Federal aids to State and local governments in Alaska

Between \$181 and \$236 million in Federal aid is now available to the State of Alaska and to the local governments in the disaster areas, or is anticipated will become available under proposed appropriations and pending legislation. Of this total \$50 million can be financed from funds already available and the remainder will require new appropriations or other obligations authority.

Disaster relief funds already appropriated to the President to be administered by the Office of Emergency Planning include approximately \$60 million which is available for restoration of public facilities in Alaska. Another \$20 million has been requested for fiscal 1965 which will be available for Alaska and for other possible disaster areas designated in that year.

New transitional grants of \$23.5 million have been authorized by the Congress; appropriations of \$17 million of these funds has already been requested. New legislation sent up yesterday by the President and being introduced in Congress today will authorize several other types of assistance to State and local governments, including:

(a) Authorization for the HHFA to make urban renewal capital grants specifically for use in the earthquake disaster areas. These grants may amount to as much as \$44 million, of which \$25 million would be specifically authorized in the pending legislation.

(b) Authorization for the Housing and Home Finance Agency to purchase up to \$25 million in State obligations (Alaska bond issue) to help finance earthquake-related requirements of the State.

(c) Liberalization of the formula for disaster aids to Alaska highways, and provision of funds for replacement of damaged highways and bridges involving a total Federal cost estimated at between \$54 and \$63 million.

The components of this are aid to highways within the national forests, the present 50-50 matching formula for disaster aid to rebuild public roads, and the proposed increase to lift this Federal share to 94.9 percent, a special aid to Alaska. The roads affected by the earthquake will be rebuilt to modern standards consistent with needs.

3. Restoration of Federal facilities and direct Federal operations

The cost of restoring Federal facilities and the additional cost of operating Federal programs in Alaska to help meet earthquake-caused problems are estimated at over \$76 million. Approximately \$40 million is available from existing funds, leaving the remainder to be requested as new obligational authority. The largest single item is the sum of \$35.6 million representing expenditures by the Defense Department primarily to restore damaged installations at Fort Richardson, Elmendorf Air Force Base, and Kodiak Naval Station. A second major item is \$27 million for the restoration of the Alaska Railroad. Additionally, 15 other Federal agencies and bureaus are expected to expend approximately \$13.6 million.

Senator ANDERSON. Senator Jackson, do you have some questions?
 Senator JACKSON. Yes. Mr. Seidman, I would like to turn to assistance for the private sector of the Alaskan economy for a moment.

Referring now to the homes that were destroyed in the earthquake, what percentage would come under the Farmers Home Administration, what percentage under the Veterans' Administration, and what percentage would be completely in the form of private loans of FHA-guaranteed loans, if you have those figures?

Mr. SEIDMAN. I do not know whether—I would like to ask my colleague, if he has such figures available.

Senator JACKSON. Or could you give me dollar figures.

Mr. SEIDMAN. In my statement, I indicated there were 82 loans by the Farmers Home Administration.

Senator JACKSON. Out of how many homes destroyed? Do we have that figure? 300?

Mr. SEIDMAN. Pardon me just a minute.

Senator JACKSON. Yes.

Mr. SEIDMAN. We do not have it. Could I send that in for the record? I do not have available the actual breakdown by categories—how many VA, how many Farmers Home Administration.

Senator JACKSON. You see, what I am desirous of obtaining is just how much relief can be granted through forgiveness on direct Veterans' Administration loans and on the Farmers Home Administration loans and then see where we end up when we add this all up.

Senator ANDERSON. We do have a record on Farmers Home. I am just quoting from memory now. They had something like 78 loans on farms in the area; three of the farms covered were destroyed, and several others were damaged. They were very fortunate. There was very small loss in the Farmers Home Administration.

Mr. SCHNOOR. The Veterans' Administration losses were also only in the neighborhood of \$40,000 or \$60,000, as I recall it.

Senator JACKSON. Total loss.

Mr. SCHNOOR. Total major damage.

Senator JACKSON. That is, the loss is about \$40,000. Let's see. I think in your statement you have—it is estimated about 82 loans were made by the Farmers Home Administration in this area—that is found on page 6—in this area, averaging \$18,000 each.

Senator ANDERSON. Those figures also cover the farms. They do not cover just the farm houses.

Senator JACKSON. Yes. That is the whole business. Well, how many homes were destroyed?

Mr. SEIDMAN. I have a figure here for the Farmers Home Administration, just given me. It is estimated the damage to houses under Farmers Home Administration and rural loan program will amount to \$300,000, and this amount would be charged off if the proposed legislation is enacted.

Senator JACKSON. \$300,000 in loans—

Mr. SEIDMAN. Yes.

Senator JACKSON (continuing). That were outstanding in which the houses were totally destroyed.

Mr. SEIDMAN. Well, I have here—

Senator JACKSON. Partial or total?

Mr. SEIDMAN (continuing). Of the 82 housing loans, 35 of these houses have been damaged in varying degrees from complete to minor damage. The reports show that two houses in Valdez were completely destroyed and three others severely damaged. So 35 out of the 82 were damaged in varying degrees.

Senator JACKSON. Now, do you have a figure as to the number of private homes destroyed?

Mr. INK. We have a total of about 1,300 properties that were damaged in selected urban renewal areas. I will have to check here to see if I have a figure on private homes.

Senator ANDERSON. Of which 946 were damaged.

Mr. INK. These homes are seriously damaged or nonrepairable.

Senator ANDERSON. If my memory serves me, 27 percent had less than 20 percent damage, 30 percent had between 20 and 60 percent damage, and 42 percent sustained in excess of that.

Mr. INK. Yes. Now, Senator, in that respect, we were in Alaska last week, and in some of those homes it appears that the amount required to repair the house will be somewhat less, in some cases substantially less, than the preliminary reports on assessed damage would indicate. We are drawing together some additional estimates on damage figures this week.

Senator JACKSON. There are 35 damaged homes under the Farmers Home Administration. How many are involved in direct loans?

Mr. SCHNOOR. The VA had 15 homes with major damage, totaling \$41,712. And 112 homes with minor damage, totaling \$17,628.

Senator JACKSON. What I am getting at is that out of this 946 that are seriously damaged, a portion of them will get assistance through the forgiveness under the Farmers Home Administration program and under the direct VA program; right?

Mr. SEIDMAN. That is correct.

Senator JACKSON. There are 35 covered by Farmers Home; with the 15 VA ones, we have a total of about 50. Now, into what category did the balance fall? Some of them, of course, did not have any indebtedness. What category or what portion of the remainder were private loans insured by the Federal Housing Administration as distinguished from the Farmers Home Administration?

Mr. SEIDMAN. A number of them were FHA insured. Of course there were a number of others with conventional mortgages not insured by the Federal Housing Administration. As I said, I do not think we have a complete breakdown here. We can try to get that for you.

(The information requested is as follows:)

FEDERAL RECONSTRUCTION AND
DEVELOPMENT PLANNING COMMISSION FOR ALASKA,

Washington, June 12, 1964.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: During the recent hearings on S. 2881, a bill to amend the Alaska Omnibus Act to provide assistance to the State of Alaska for the reconstruction of areas damaged by the earthquake of March 1964 and subsequent seismic waves, and for other purposes, before your committee, we were requested to furnish information on (1) the number of properties damaged in the disaster area of Alaska; (2) the amount of damage in dollars; (3) the mortgage loans on damaged homes held by Federal agencies; and (4) the percentage of FHA-insured residential properties that were damaged.

Enclosed is a table entitled "Private Real Property Damage Sustained in Earthquake Affected Areas of Alaska." This table sets forth the total damage estimates obtained from a property damage survey conducted by the Alaska State Housing Authority. This survey covered all real private properties which sustained earthquake losses of more than \$1,000 per property. The total damage figure of \$62.8 million compares very closely with the estimate of \$64.1 million previously furnished the Commission. The difference is attributable to greater precision obtained from a "rerun" of available damage information sheets covering individual properties in the five most severely stricken areas of Anchorage, Kodiak, Seward, and Valdez. There is no "contingency" estimate for damage, as contained in earlier estimates. The earlier estimates contained a "contingency" factor of 20 percent. This included such factors as (1) inability of the appraisers to obtain complete coverage of all real private property during the approximately 1-week survey period; (2) possible overlooking of damage not immediately discernible during the inspection; (3) possible additional deterioration of structures during an interim period when they were not weathertight; and (4) possible additional damage which would evidence itself during the spring thaw; e.g., damaged sewer and water connections and additional settling and movement of the structure.

Also, there is enclosed a table entitled "Mortgage Loans on Damaged Home Properties Held by Federal Agencies."

The following table of damaged (in excess of \$1,000) and destroyed one- to four-family properties indicates the percentage of such properties that are FHA insured:

Area	All individually reported damaged and destroyed properties	FHA-insured 1- to 4-family damaged and destroyed properties	FHA as a percent of total
City of Anchorage and environs.....	1,186	709	60
City of Kodiak.....	36	1	3
Kenai Peninsula:			
City of Seward.....	73	19	26
Rest of peninsula.....	97	0	0
Prince William Sound area:			
City of Valdez.....	102	14	14
Rest of sound area.....	5	0	0

The material in these tables has been assembled by HHFA. A copy of this letter and enclosures are being submitted to Senator Gruening and Senator Bartlett at their request.

Sincerely yours,

DWIGHT A. INK, Executive Director.

ENCLOSURES

Private real property damage sustained in earthquake-affected areas of Alaska

[Damage amounts in thousands of dollars]

Area of locality	Number of properties with damage over \$1,000	Dollar damage
Greater Anchorage Borough:		
Downtown area of Anchorage City	242	\$11,716
Turnagain area of Anchorage City	670	12,905
Rest of city	320	9,678
City, total	1,232	34,299
School district, outside city		
Portage	146	1,103
Girdwood	20	262
Eagle River-Chugiak	7	122
Basher	13	555
Private utilities	3	35
	3	3,656
Subtotal	192	5,233
Total	1,424	39,532
Kodiak Island Borough:		
City, downtown	110	2,286
City, remainder and vicinity	13	2,286
Rest of borough	132	5,686
Private utilities	1	482
Total	256	8,670
Kenai Peninsula Borough:		
City of Seward	110	4,543
Homer	52	1,113
Hope	23	233
Kenai	7	62
Sildovia	93	1,040
Soldotna	5	18
Other	10	385
Total	300	7,394
Prince William Sound area:		
City of Valdez	237	2,911
Cordova and vicinity	85	683
Whittier	4	2,396
Canneries (all of sound area)	17	1,019
Total	343	7,009
Glenn and Richardson Highway areas	8	86
Matanuska-Susitna Borough	27	117
Grand total	2,398	62,808

Source: Property damage survey, Alaska State Housing Authority, April 1964.

Mortgage loans on damaged home properties held by Federal agencies

Loans held by VA :	
113 on properties sustaining minor damage in aggregate amount of-----	\$17,253
14 on properties sustaining major damage in aggregate amount of-----	37,160
Loans held by FNMA :	
On 1 to 4 family properties :	
34 on properties that were destroyed or irreparably damaged, with aggregate outstanding mortgage amount of-----	605,000
11 on properties that suffered major damage, with aggregate outstanding mortgage amount of-----	198,000
63 on properties that suffered minor damage, with aggregate outstanding mortgage amount of-----	937,000
On multifamily properties :	
2 on properties with major damage, which were assigned to FHA, with aggregate mortgage amount of-----	1,175,000
1 on property with estimated damage of-----	85,000
1 on property with estimated damage of-----	15,000-30,000
1 on property with estimated damage of-----	10,000-20,000
1 on property with estimated damage of-----	(¹)
Loans held by Farmers Home Administration on 35 homes with estimated aggregate damage of-----	300,000

¹ Less than \$500.

Source: VA, FNMA, and Farmers Home Administration.

Senator ANDERSON. Perhaps one answer might be helpful. The Bureau of Internal Revenue has been pointing out that you can carry back these payments of taxes for several years and carry them ahead several years, so those people who had homes that are paid for, who are in the high-income tax brackets, will be able to get some very substantial relief over a period of time.

Mr. INK. Senator, with respect to the figures we were talking about a moment ago, I would guess, based upon the properties that we visited last week, that quite a number of these which were initially thought to be not repairable are repairable.

Senator JACKSON. Well, what I am getting at here, of course, is the person who had a direct loan, either Farmers Home Administration or Veterans' Administration loan, they are given direct assistance through the forgiveness route; right?

Mr. SEIDMAN. It is not forgiveness in all cases. Forgiveness is authorized, but the administrative agency can compromise and adjust. Actions will depend on the circumstances. I do not want to anticipate your question, Senator Jackson, but there are going to be certain individuals who are not covered under the existing programs because they have not borrowed from a Federal agency or are not FHA insured. The Small Business Administration is extending the maturity on its loans for homes to 30 years, partly for the purpose of assisting individuals in this situation. It is contemplated that the Small Business Administration will refinance part of the loss of that individual and pick that up in the loan. This is rather an unprecedented action that SBA is taking, but Mr. Foley has indicated they are prepared to do this depending on the circumstances of the case. So they would be able to get a 3-percent loan from the Small Business Administration if the legislation is enacted with a 30-year maturity which would enable them to partly refinance the loss and spread it out over the 30-year period.

Senator JACKSON. How do we distinguish, though, logically here between the homeowner who has a conventional loan who gets no adjustments other than what any of them can get through a tax write-off and the homeowner who got a direct loan? I mean, what is the reasoning?

Let's take a fellow who has a Federal Housing Administration guaranteed loan. It is a private loan, but the FHA, again, because the other is Farmers Home Administration, I want to say the Federal Housing Administration has insured him. That fellow has no opportunity for any relief, but the fellow across the street who got a direct VA loan or a Farmers Home Administration loan, because it is direct from the Government, will get relief.

Now, this is what I want to get clear.

Mr. SEIDMAN. This is a difficult situation, of course. The Federal Government in its own programs is in a position to control what it does. We cannot control what private lenders or private financial institutions do. The intent, however, of these actions by the Federal Government is in part to set the pace and example for these private institutions. For example, in the housing area, the Federal National Mortgage Association and the Veterans' Administration will accept \$1,000 in total settlement of their interest. It is hoped that this will be emulated by some of the private financial institutions and that they, too, will follow the example of the Federal Government and settle for \$1,000 and that that would be picked up in the SBA loan.

So the Small Business Administration loan will be available to all people who require it in Alaska for new housing, regardless of whether they were previously financed by a Federal agency or by a private institution.

Senator JACKSON. Well, if it is done, I agree, but it does create a rather unique situation. The fellow who is the poorest credit risk gets the best relief. The direct loans would have gone primarily to those who cannot qualify for a private loan. This is my only point of real concern here. In the end the one who may have been improvident gets the thing written off, but the person who went through conventional sources has to repay his loan. How do we explain that?

Mr. SEIDMAN. Well, of course, there are two areas where he will be getting some assistance. One, as you indicated, Senator Jackson, through the casualty refund on his income tax. This may be quite substantial if he has a high equity in his home. He can write off this loss retroactively for 3 years at the higher rates.

Senator JACKSON. But it still won't be as much as the one who gets it all forgiven.

Mr. SEIDMAN. This is the problem. Of course, the one who has conventional financing or owns his own home is perhaps in a somewhat better financial condition, but there are gaps here. I think we are aware that what is proposed in this bill does not—and I do not think it conceivably could—cover every possible situation. We have similar situations in the other States today—disasters from floods, tornadoes—where the Federal Government does not even do what is done under this proposed program, and I am sure there will be individual hardship cases in Alaska. Some of these I think will be taken care of by the Red Cross and by the Governor's reconstruction fund, though I understand contributions to that have not been very high. These are

rather special cases and it would be very difficult to develop general legislation to deal with them.

Senator JACKSON. I would hope we could get a chart just in the private sector dealing first with loss of homes, what relief is being granted through the Federal agencies, and then any indication of what is happening through the private lending institutions. I think it would be a little—

Senator ANDERSON. I think we ought to explain we would like to have had that in the Commission, but unfortunately the banking business is a private business, and when we ask the banks for this information, they say it is a matter of concern to ourselves and our customers. When we ask about writing off a mortgage, they say how can you write off a mortgage when the fellow has \$250,000 worth of negotiable stocks? Why can't he pay? Then you are in a wholly different field. It is pretty difficult.

Senator JACKSON. Right. Well, of course, I am concerned here about getting the facts just where we stand on this because it does concern me that the person who is the poorest credit risk can end up getting the most relief. It would appear that those who obtained direct loans are not as good credit risks as the more thrifty persons, but the thrifty person may be hit just as hard. He is an industrious, hard worker, who saved his money. The bank says, "Sorry, you are not eligible for a direct loan. You will have to go the conventional route." Now, if he had a big mortgage and lost his home, it is pretty rough. I would like to see a breakdown on this if we could, Mr. Chairman.

Senator ANDERSON. Well, I want to say—

Senator JACKSON. To the extent that we can obtain it.

Senator ANDERSON. We have asked for it. While Mr. Ink was in Alaska this last weekend, he had further interest in trying to find out about it, and we are going to be able to get it, I think, on a statistical basis, that is, so many houses had so much mortgages against them. The banks will not give us the names of the persons who have the debts.

Senator JACKSON. Will the banks give a statement of policy? Have they indicated what their policy is going to be?

Senator ANDERSON. The Bank of Alaska does not own Alaska paper as compared to the Bowery Bank. The Bowery Bank in New York owns more paper than the Bank of Alaska. The question is, does the Bowery Savings Bank have disaster insurance? They do not care to answer that question. Some of us have been informed they do have disaster insurance, from Lloyds, of London. And if they wrote off this loss, they have a right to come back on their insured, but they have to make an individual deal with that insured first.

Senator JACKSON. I think it might help the picture here if we had this story, that is all. If they are getting relief, via a writeoff, compromise settlement route, it would be helpful if we were aware of that fact. That is all.

Mr. INK. Senator, we can provide information on damages, and I think that the amount of homes that are seriously damaged or destroyed will come down over even the more recent estimates that we have had. The Alaskan banks I think have been quite cooperative, but as Senator Anderson indicated, our problem is that most of the

paper is held by numerous banks outside of Alaska, and I think we can give you that only on a statistical basis. But I think that might be of some help to you.

Senator JACKSON. What about in the commercial area? The private commercial area as to the damage of the total of—what was it, \$74 million in the private sector?

Mr. SEIDMAN. \$77 million in the private sector. That is the coverage on real property.

Senator JACKSON. Approximately how much of that is commercial and how much residential?

Mr. INK. The latest figures that I have show in nonresidential properties, the damage which is—well, I think I had better supply that for the record because the figure is changing. We have had people in Alaska the last few days who indicate that it is coming down. I think I would rather supply that for the record if I might.

Senator JACKSON. If you would do that—

Mr. INK. There were some 311 properties, nonresidential properties, which suffered damage of some substantial nature.

Senator JACKSON. Say that again. I could not hear that.

Mr. INK. About 311 nonresidential properties as compared with 946 residential properties.

Senator JACKSON. So we are talking about 1,200 or 1,300 properties in the private sector.

Mr. INK. Yes. About that total.

Senator ANDERSON. I think we ought to have a statement by Mr. Hayes. I think we had better hear him next because in a few minutes we are up against the Senate rule against committees meeting while the Senate is in session. That is, unless there are additional questions.

Senator JORDAN. Mr. Chairman, I would just like to add a comment at this point to shore up the line of questioning that Senator Jackson is pursuing here. I think we need a composite picture here of the inventory of losses in commercial and residential areas of the private sector. We need to know the extent of the coverage of those losses covered by fire insurance or long-term forgiveness to know what the net irrecoverable from any other source is.

Then, too, there enters here an element of national policy. To what extent are we going to make whole those people who are well able to sustain the loss which might happen in Alaska or elsewhere?

Senator JACKSON. I agree.

Senator JORDAN. I think we need this composite table to clear up any misunderstandings.

Senator ANDERSON. May I state to the Senator from Idaho that a group of us were in Alaska more than a month ago. At that time an effort was made to get the losses lot by lot in each block that was damaged, the amount of the mortgage and to whom it was due, and I want to say for Mr. Ink and his associates they tried hard to get that very sort of information, but they could not get it. You can get the lot and the block number and who owns the house or building and what sort of property was there. When you say how much did you owe on it, the answer is that it is none of your business. And it is none of our business.

Mr. SEIDMAN. Senator, I want to clear up one point with respect to Senator Jordan's question before Mr. Hayes comes on. The intent of

this provision of the bill is not to provide 100 percent forgiveness on all these loans where there is damage. There is merely authorized adjustment and compromise based on the facts of each case. What it does do is put all these programs on the same footing. For example, it gives the Farmers Home Administration the same authority and flexibility to deal with disaster losses as the VA. What we are doing here is putting all the Federal programs on the same basis so we will have equity.

Senator JORDAN. I am glad to know that. I would like to see the same application across the board on all of the losses.

Senator ANDERSON. At this time I would like to put in the record a statement on the position of Federal agencies with respect to mortgages which was issued by the chairman on May 28. Also Senator Magnuson has a statement which he would like to put in the record this morning.

(The documents referred to are as follows:)

STATEMENT BY SENATOR CLINTON P. ANDERSON, DEMOCRAT OF NEW MEXICO, CHAIRMAN OF THE FEDERAL RECONSTRUCTION AND DEVELOPMENT PLANNING COMMISSION OF ALASKA

The Federal agencies which hold mortgages on homes in Alaska agreed on May 6 to accept a token \$1,000 payment from owners whose homes were totally destroyed or irreparably damaged by the earthquake. The way was then clear for these owners to refinance under very liberal terms and through Federal agencies a loan covering a new home and the token payment.

By the Federal Government taking the initiative on mortgages which it held, it was considered by the Federal Commission that private lending institutions might follow suit. While we did not expect that these institutions, which have an obligation to their stockholders, would simply write off the outstanding indebtedness by a blanket forgiveness, we did hope that they would act with speed on a case-by-case settlement.

Our information is that they are proceeding on an individual basis. My concern is with the pace of this effort. The Small Business Administration and other Federal agencies stand ready to make low-interest, long-term loans to affected individuals. But they cannot do so until the private mortgage-holders resolve their end of this problem. The Federal Government quite obviously cannot—and it should not—compel action by the private mortgage-holders. But it should be clear that the Government has been keeping faith with its responsibilities to the people in Alaska, and the Government is ready to aid those whose mortgages are privately held—but only to the extent made evident by existing law or by the provisions in legislation now before the Congress. This should be a matter for cooperative action by both the private and Government sides.

STATEMENT BY HON. WARREN G. MAGNUSON, A U.S. SENATOR FROM THE STATE OF WASHINGTON

Mr. MAGNUSON. Mr. Chairman, the administration and the Congress have acted speedily in enacting legislation and appropriation measures to assist the people of Alaska to recover from the disastrous March 27 earthquake and subsequent seismic waves. These measures will help. However, without passage of the bill before you now, S. 2881 of which I am a cosponsor, that recovery will be jeopardized.

S. 2881 deals with vital areas more than merely touching the economic well-being of the State of Alaska. The provisions of the bill go to the very heart of the problem as we seek to find ways and means to restore functions of the communities crippled on Good Friday. Those provisions deal with small-boat harbor and other navigation problems, with roads, with marketing of the State's bonds or loans to the State, with urban renewal and with several Federal programs which we seek to liberalize to meet the needs.

There is an imperative requirement that we approve these provisions without delay because the construction season—all too short in Alaska—is at hand. Every day which passes without the authority contained in this bill carries with it a threat to the reconstruction effort.

Mr. Chairman, 6 years ago, lacking but a few days, the Senate was debating the merits of the Alaska statehood bill and on the final day of June in that year 1958 passed the measure and sent it to the White House. The advocates of the statehood movement—and certainly this committee which had jurisdiction over that measure—had a devotion to the cause for many reasons, principal among them being the desire to promote the economic growth of this great area of ours. Such growth did result. But that growth was dealt a devastating blow 68 days ago when the very economic heart of Alaska was bruised and damaged by a catastrophe of a kind greater than experienced anywhere in our country by forces outside our control.

I contend that what has already been done for Alaska and what we are seeking here with S. 2881 is the very least, not the maximum of what should be done. Expansion of the provisions of this bill may be desirable, and in one area particularly is imperative. I speak now to the matching provisions for urban renewal projects. Such projects will permit a relocation of homes and businesses and comprise a program which offers major assistance. Under existing law, the maximum matching is on a 75 Federal-25 local basis. Perhaps in some of the communities in the disaster areas the local share can be met but certainly this is not true in all of them. These communities have lost considerable sums in tax revenues and even if reimbursed through transitional grants voted by the Congress, the costs of local shares in urban renewal are far above revenues necessary for normal operations. I urge, therefore, that consideration be given by this committee to permit when necessary a 90-10 matching formula in connection with urban renewal projects. This is an area where a liberal approach is logical and should be taken.

Other liberalizing proposals may be advanced, and I know the committee will consider them in the light of the great need outstanding.

Senator ANDERSON. We may want to recall you, Mr. Seidman.

Mr. SEIDMAN. I will remain available.

Senator ANDERSON. Fine. Thank you.

I think we had better put in the record also the Table of Estimates of Renewal Disaster Projects as revised on May 20, 1964.

(The document referred to follows:)

Cost summary of Alaska urban renewal disaster projects (revised as of May 20, 1964)

Line No.	Description	Anchorage downtown area, R-20	Anchorage Turnagain Area No. 1, R-23	Anchorage Turnagain Area No. 2	Homer	Kodiak, R-19	Seldovia	Seward, R-21	Valdez existing site, R-22	Valdez Mineral Creek site, R-25	Total disaster projects
FORM H-6220 PROJECT EXPENDITURES BUDGET											
1	Total survey and planning expenditures-----	719,000	300,000	0	25,000	169,019	50,000	586,875	226,824	57,942	2,134,660
2a	Administrative overhead and services-----	276,206	93,999	108,077	108,077	100,743	4,000	144,864	108,077	36,026	1,174,146
2b	Travel-----	31,820	14,973	10,000	2,800	27,552	4,000	12,938	20,000	2,000	127,283
3	Office furniture and equipment-----	11,850	3,275	63,000	2,800	27,552	4,000	2,290	2,800	1,400	32,410
4	Legal services-----	103,475	221,237	63,000	3,000	71,229	4,000	48,983	50,000	2,000	370,924
5	Survey and planning-----	42,400	9,372	23,301	23,301	42,810	23,301	35,676	23,301	46,074	269,946
6	Acquisition expenses-----	735,102	23,724	220,000	30,000	277,877	30,000	144,044	140,696	9,500	1,600,943
7a	Temporary operation of acquired property-----	(36,414)	0	30,000	5,000	70,053	5,000	55,783	5,000	0	134,392
7b	Real estate tax credits included in line 7a-----	(31,211)	0	0	0	0	0	(3,281)	0	0	59,492
8	Relocation costs-----	230,369	2,901	65,000	4,000	92,737	4,000	32,487	64,796	0	496,510
9	Site clearance-----	2,172,837	1,382	500,000	1,000	122,304	1,000	1,154	500,000	0	3,299,700
10	Project site improvements-----	3,052,192	1,385	1,000,000	25,000	2,861,404	25,000	2,897,104	500,000	750,000	11,112,055
11	Disposal, lease, retention costs-----	574,281	9,922	15,000	25,000	127,088	25,000	106,051	2,000	5,000	889,312
12	Rehabilitation and conservation-----	144,084	40,000	19,394	19,394	35,786	19,394	69,254	19,394	0	326,710
13	Interest-----	2,520,000	40,000	356,000	80,000	525,000	80,000	280,000	160,000	45,000	4,080,000
14	Other income-----	(45,000)	(3,000)	(20,000)	(5,000)	(20,000)	(5,000)	(12,500)	(15,000)	(2,500)	128,000
15	Subtotal (2 through 14 except 7b)-----	9,863,742	220,173	2,388,572	326,572	4,426,998	326,572	3,818,138	1,581,064	894,500	23,796,331
16	Contingencies-----	1,470,561	33,025	358,286	48,986	664,050	48,986	572,721	238,360	45,000	3,479,976
17	Real estate purchases-----	24,048,420	380,000	4,500,000	1,500,000	3,980,500	1,500,000	1,543,514	1,800,000	500,000	39,722,434

18	Project inspection.....	214, 007	4, 764	54, 786	14, 142	69, 516	14, 142	44, 935	29, 399	11, 881	457, 272
19	Total project execution expenditures.....	35, 536, 730	637, 963	7, 301, 644	1, 889, 700	9, 111, 064	1, 889, 700	5, 979, 308	3, 648, 823	1, 451, 081	67, 446, 013
20	Total project expenditures.....	36, 255, 730	937, 963	7, 301, 644	1, 914, 700	9, 280, 083	1, 939, 700	6, 566, 183	3, 875, 647	1, 509, 023	69, 580, 673
	FORM H-6200 PROJECT COST ESTIMATE										
A1	Total project expenditures.....	36, 255, 730	937, 963	7, 301, 644	1, 914, 700	9, 280, 083	1, 939, 700	6, 566, 183	3, 875, 647	1, 509, 023	69, 580, 673
A7	Total noncash local grants-in-aid.....	2, 590, 000	0	0	0	223, 150	0	590, 015	0	0	3, 403, 165
A8	Gross project cost.....	38, 845, 730	937, 963	7, 301, 644	1, 914, 700	9, 503, 233	1, 939, 700	7, 156, 198	3, 875, 647	1, 509, 023	72, 983, 838
A12	Total proceeds from project land.....	12, 841, 850	48, 000	500, 000	500, 000	1, 528, 800	500, 000	738, 850	10, 000	750, 000	17, 417, 500
A13	Net project cost.....	26, 003, 880	889, 963	6, 801, 644	1, 414, 700	7, 974, 433	1, 439, 700	6, 417, 348	3, 865, 647	759, 023	55, 566, 338
A22	Total local grants-in-aid.....	6, 500, 970	200, 725	1, 700, 411	353, 675	1, 963, 608	359, 925	1, 604, 337	966, 412	759, 023	14, 539, 086
A23	Project capital grant (75 percent).....	19, 502, 910	689, 238	5, 101, 233	1, 061, 025	5, 980, 825	1, 079, 775	4, 813, 011	2, 899, 235	0	41, 127, 252
A24	Relocation grant.....	2, 478, 750	2, 000	58, 000	10, 000	227, 250	10, 000	56, 900	292, 500	0	3, 135, 400
A25	Total Federal capital grant (75 percent basis).....	21, 981, 660	691, 238	5, 159, 233	1, 071, 025	6, 208, 075	1, 089, 775	4, 869, 911	3, 191, 735	0	44, 262, 652
A25X	Total Federal capital grant (90 percent basis).....	25, 882, 242	802, 967	6, 179, 480	1, 283, 230	7, 404, 240	1, 305, 730	5, 832, 513	3, 771, 782	683, 121	53, 145, 305
	Total Federal capital grant (rounded).....	25, 900, 000	800, 000	6, 200, 000	1, 300, 000	7, 400, 000	1, 300, 000	5, 800, 000	3, 800, 000	700, 000	53, 200, 000

NOTE.—Alaska R-25, Valdez, is an open-land project. Site improvements (line 10) based on Corps of Engineers doing about \$4,400,000 of improvements for project.

Senator ANDERSON. Mr. Hayes is our next witness.

STATEMENT OF GEORGE HAYES, ATTORNEY GENERAL OF THE STATE OF ALASKA, REPRESENTING GOVERNOR EGAN; ACCOMPANIED BY R. DUANE SAUNDERS, DIRECTOR, OFFICE OF DEBT ANALYSIS, DEPARTMENT OF THE TREASURY

Mr. HAYES. Mr. Chairman, members of the committee, my name is George Hayes. I am attorney general for the State of Alaska. I am appearing here in behalf of Gov. William A. Egan of Alaska and also in behalf of Senator Gruening, Senator Bartlett, and Representative Rivers of Alaska.

Mr. Chairman, Governor Egan desires that I present to you his gratitude and appreciation for the efforts of the Congress and the President in behalf of the State of Alaska and its citizens. The financial, physical, and moral assistance already given our State is considerable. The assistance that is being proposed in this bill you are considering today will enable us to recover from the effects of the earthquake sooner than most of us believed possible just 2 months ago.

This omnibus bill represents only a part of the time-consuming and productive efforts of yourself and the Federal Commission for the Reconstruction and Development of Alaska. For this the State government, our citizens, and our congressional delegation are grateful. We are grateful, too, for the immediate attention given to our problems by the President of the United States. We also recognize and are indebted to the array of capable talent in the person of Mr. Dwight Ink, Executive Director of the Commission, and his fine staff. I have personally observed their hard work, their extra long hours, and their devotion to the task assigned to them by you. Further, the cooperation extended to us by all of the Federal departments and agencies could not have been better, and of course we are deeply indebted to the U.S. taxpayer.

If the aid already given together with that proposed here were to be the sum total, we could have no complaint.

The omnibus bill as drafted and presented is a good bill. It goes a long way.

The fact that we have suggestions to offer by way of amendments does not alter our respect for the great measure of aid incorporated in the present form of the bill. We all hope that the two changes I am suggesting to you will not be mistaken by you as a sign of insufficient recognition of the good already accomplished.

We would not make these requests of you if we did not firmly believe them to be essential to the rate of our recovery. If the Congress were to agree with us in these two areas, it would cost the Federal Government somewhat more than would be the case if the bill passes in its present form. While the State is participating in the cost of reconstruction, the unhappy fact is that the State government and its citizens are not presently in a position financially to assist in our own recovery to the extent we would like. If we were in a better position, we would not make this request.

Prior to outlining our suggestions, may I give you a brief history of the State's financial position.

When we became a State in 1959 our State enjoyed a gross State product in the neighborhood of some \$600 million a year. Our first State appropriation bill, excluding Federal matching funds for items such as Federal aid to highways, was in the amount of approximately \$41,600,000. In 1960 the legislature appropriated approximately \$47,200,000. In 1961, \$60,300,000. In 1962, \$67,600,000. In 1963, \$85,300,000. In 1964, \$81,200,000. It is interesting to note that the damage figures for the disaster are presently in the neighborhood of about \$300 million.

Due to sound financial management, we have always ended each fiscal year with a surplus. The State of Alaska has, in its brief history, operated in the black. In addition to these expenditures, our State legislature and our citizens have authorized a capital improvement program costing \$50,825,000—all in general obligation bonds. We have already issued \$39,201,000 of these bonds for schools, roads, ferry system, University of Alaska, and airfields, and hospital issues. We must yet issue \$11,624,000 to complete these programs already begun.

Mr. Chairman, while we take great pride in these services, these programs have never been luxury items. They provide bare essential services needed to sustain a population of 250,000 people spread over an area of nearly 600,000 square miles. We have drawn upon and continue to draw upon the resources of approximately 50,000 State taxpayers. We proved we could afford statehood—but we cannot afford an earthquake of the magnitude of the one that just occurred.

We have no alternative but to commit our financial resources to the continuation of these minimum services if we are to maintain our population—let alone grow. It is for this reason alone that we ask you to consider amendments to two areas of this bill.

Section 53 of the bill authorizes the HHFA Administrator to enter into contracts with our political subdivisions and the Alaska State Housing Authority for urban renewal projects. The U.S. share of the net costs of such projects—under the proposed omnibus bill also—under present law is 75 percent of such costs. The cities ordinarily contribute the other 25 percent. Some weeks ago it had been proposed to the commission by HHFA that the ratio for disaster-connected urban renewal projects be changed to a 90-to-10-percent basis with the Federal Government contributing 90 percent of the local costs and the State contributing 10 percent. The various members of the commission recognized that the cost of the urban renewal projects was an entirely new expenditure thrust upon our taxpayers as a result of the earthquake. They recognized, also, that we could not afford such a program if the cost to us amounted to 25 percent of the net costs. The present form of the bill reduces the total amount of moneys authorized for the URA programs over what had been originally proposed, over what had been originally discussed in commission meetings. Moreover, it does not authorize a 90-to-10-percent contributive ratio as had been proposed earlier. It is estimated by the Alaska State Housing Authority that disaster-connected URA programs could have a net project cost of approximately \$40 million.

If the present 75-to-25 ratio is not changed, the State of Alaska and its cities would have to contribute \$10 million of that cost. The U.S. portion would be \$30 million. At a 90-to-10 ratio, our cost, the State cost, would be \$4 million and the Federal cost would be \$36 million.

The present form of the omnibus bill authorizes a Federal contributive share not to exceed \$25 million. Under this limitation, of course, the actual dollar cost to both the United States and the State and local governments is less; that is, less than the figures we had originally talked about. We believe, as does the commission, that URA projects are an important part of our recovery. We earnestly request that for disaster-connected Urban Renewal Administration projects, the Federal administrator be permitted to contribute up to 90 percent of the net project costs, if, in his discretion, such a share is necessary to carry out a particular program at all. We do not request that a 90-to-10 ratio be made mandatory, but permissive only so as to enable the urban renewal authority to implement the recovery program where State and local contributive funds simply cannot be raised on a 75-to-25 basis, and by permitting him to contribute up to 90 percent this does not, of course, necessarily mean that even where he finds a greater ratio than 75-to-25 is necessary that it has to be cleared up to 90.

Under present urban renewal authority, payment for property taken for urban renewal projects is made on a basis of the value at the time of the taking. In many cases a disaster-connected urban renewal project will be based upon greatly depressed prices due to subsidence of the land taken for the project, or the ruination of the home on the land, or both. We would like to point out to the committee that if the URA administrator had the legal authority to pay prices for land condemned or purchased at a price related to the value prior to the disaster, such a measure would assist considerably in the restoration work envisioned in the urban renewal projects.

The other request we would urge the committee to consider is an amendment to section 56 of the proposed omnibus bill. According to this section, as presently written, the State of Alaska may borrow from the U.S. Government an amount not to exceed \$25 million at a present rate of interest of 3½ percent. Our legislature, convened last week, has recently authorized issuance of bonds or borrowing authority in the amount of \$12,300,000 to be used for disaster recovery purposes. This authorization by the legislature consists of three separate programs. One is to provide the State's share of matching funds for the reconstruction of our highways. A second is to provide for a State's share not to exceed 10 percent of the net project costs of disaster connected urban renewal projects in the State. Those are grants to the municipalities, not loans. The third authorizes the expenditure of up to \$2 million for rebuilding of public buildings—

Senator ANDERSON. May I stop you there a moment. Is this in addition to the \$50 million?

Mr. HAYES. No. This is a part of it, Mr. Chairman.

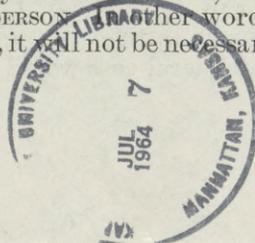
Senator ANDERSON. What about the other \$37.5 million?

Mr. HAYES. They have not as yet been authorized by the legislature. Up to now a total of—

Senator ANDERSON. They do not find a need to spend it.

Mr. HAYES. At the present time they feel that they must wait and see the development of the situation, what Federal aid will do, what Federal aid may not be able to do, and go from there.

Senator ANDERSON. In other words, if the Federal Government will pick up the tab, it will not be necessary to issue these bonds.



Mr. HAYES. No. That is not what I meant to indicate if that is what I indicated. I meant this. Up to now from what the Federal Government has done and from our present posture, we see a need immediately for the issuance of \$12,300,000 in bonds. As time passes, and we see what occurs, and we see the rate of development, the rate of restoration, then we will be in a better position to determine where further to commit more of the other \$37 million you talk about.

Senator ANDERSON. Well, now, the highway program is about \$60 or \$65 million. And a substantial portion of that is forest highways to which you made no contribution at all.

Mr. HAYES. That is correct.

Senator ANDERSON. That leaves about \$30 million which would make an increase of 5 percent.

Mr. HAYES. That is correct.

Senator ANDERSON. That is \$1,500,000. That is the first of the three items. The next item is—

Mr. HAYES. May I—

Senator ANDERSON. The State's share of the disaster urban renewal projects, and if those are held to \$35 million, that is another \$3.5 million. Then there is \$2 million for public buildings. That makes a total of \$7 million. What is the other \$5 million for?

Mr. HAYES. Mr. Chairman, on the first part, on the highway matching funds, I think that while your proportion is right, of course, it would be a 5-percent contributing proportion, there are other costs not reimbursable even on the 95-5 formula, and we have to take care of those, too. Administrative costs, for example. The legislature, for highway matching funds for reconstruction of destroyed highways, appropriated out of this \$50 million disaster bond issue a total of \$3,800,000. All of that may not be necessary. However, it will probably be that it will be closer to that figure than the figure the chairman gave which is a straight 5 percent of the cost.

Now, you mentioned also the urban renewal participation by the State. Earlier, as you recall, the figures—and they were very preliminary figures, and I do not think anyone in responsible authority urges that they were anything but very preliminary figures—the figures were \$65 million for the urban renewal project as a whole. The figure since then has come down. We began our work on the bond issues for urban renewal projects on the basis of \$65 million, now, on the basis of a 90-10 ratio, and came to the conclusion that the State ought to make available to the communities at least \$6.5 million in grants in the event it should go up as high as the \$65 million for these costs. I think these costs now are down, I know they are down, and therefore it will not take that much of the appropriation.

Senator ANDERSON. Go ahead.

Mr. HAYES. Our State commissioner of revenue has compiled a table showing the amount of interest the State would be required to pay over 40 years at a rate of $3\frac{5}{8}$ percent, assuming a loan of \$25 million. The commissioner has also compiled a table assuming a loan at $3\frac{5}{8}$ percent of \$12,300,000. The table shows a total amount of interest

ALASKA RECONSTRUCTION

the State would have to pay over 40 years on a \$25 million loan. That amount is over \$18.5 million. On a \$12,300,000 loan from the Federal Government the amount of interest over 40 years is over \$9,140,000. The commissioner of revenue has also compiled tables showing what our interest rates would be at 3¾ percent (which is the rate which will be in force on July 1 according to our understanding). Also the rates of interest at 3 percent and 2 percent.

(The tables are as follows:)

*\$12,300,000 State of Alaska general obligation bond issue, disaster issues only—
Based on: 40-year maturity, level payment basis, no deferment of principal
payment, interest rate at 3.625 percent per annum*

Year	Principal out- standing	Interest at 3.625 percent	Principal payment	Total cash requirements
1965	\$12,300,000	\$445,875.00	\$307,500	\$753,375.00
1966	11,992,500	434,728.13	307,500	742,228.13
1967	11,685,000	423,581.26	307,500	731,081.26
1968	11,377,500	412,434.39	307,500	719,934.39
1969	11,070,000	401,287.52	307,500	708,787.52
1970	10,762,500	390,140.65	307,500	697,640.65
1971	10,455,000	378,993.78	307,500	686,493.78
1972	10,147,500	367,846.91	307,500	675,346.91
1973	9,840,000	356,700.04	307,500	664,200.04
1974	9,532,500	345,553.17	307,500	653,053.17
1975	9,225,000	334,406.30	307,500	641,906.30
1976	8,917,500	323,259.43	307,500	630,759.43
1977	8,610,000	312,112.56	307,500	619,612.56
1978	8,302,500	300,965.69	307,500	608,465.69
1979	7,995,000	289,818.82	307,500	597,318.82
1980	7,687,500	278,671.95	307,500	586,171.95
1981	7,380,000	267,525.08	307,500	575,025.08
1982	7,072,500	256,378.21	307,500	563,878.21
1983	6,765,000	245,231.34	307,500	552,731.34
1984	6,457,500	234,084.47	307,500	541,584.47
1985	6,150,000	222,937.60	307,500	530,437.60
1986	5,842,500	211,790.73	307,500	519,290.73
1987	5,535,000	200,643.86	307,500	508,143.86
1988	5,227,500	189,496.99	307,500	496,996.99
1989	4,920,000	178,350.12	307,500	485,850.12
1990	4,612,500	167,203.25	307,500	474,703.25
1991	4,305,000	156,056.38	307,500	463,556.38
1992	3,997,500	144,909.51	307,500	452,409.51
1993	3,690,000	133,762.64	307,500	441,262.64
1994	3,382,500	122,615.77	307,500	430,115.77
1995	3,075,000	111,468.90	307,500	418,968.90
1996	2,767,500	100,322.03	307,500	407,822.03
1997	2,460,000	89,175.16	307,500	396,675.16
1998	2,152,500	78,028.29	307,500	385,528.29
1999	1,845,000	66,881.42	307,500	374,381.42
2000	1,537,500	55,734.55	307,500	363,234.55
2001	1,230,000	44,587.68	307,500	352,087.68
2002	922,500	33,440.81	307,500	340,940.81
2003	615,000	22,293.94	307,500	329,793.94
2004	307,500	11,147.07	307,500	318,647.07
Total	0	9,140,451.40	12,300,000	21,440,451.40

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\$12,300,000 State of Alaska general obligation bond issue, disaster issues only—
Based on: 40-year maturity, level payment basis, no deferment of principal
payment, interest rate at 3.75 percent per annum

Year	Principal out- standing	Interest at 3.75 percent	Principal payment	Total cash re- quirements
1965.....	\$12,300,000	\$461,250.00	\$307,500	\$768,750.00
1966.....	11,992,500	449,718.75	307,500	757,218.75
1967.....	11,685,000	438,187.50	307,500	745,687.50
1968.....	11,377,500	426,656.25	307,500	734,156.25
1969.....	11,070,000	415,125.00	307,500	722,625.00
1970.....	10,762,500	403,593.75	307,500	711,093.75
1971.....	10,455,000	392,062.50	307,500	699,562.50
1972.....	10,147,500	380,531.25	307,500	688,031.25
1973.....	9,840,000	369,000.00	307,500	676,500.00
1974.....	9,532,500	357,468.75	307,500	664,968.75
1975.....	9,225,000	345,937.50	307,500	653,437.50
1976.....	8,917,500	334,406.25	307,500	641,906.25
1977.....	8,610,000	322,875.00	307,500	630,375.00
1978.....	8,302,500	311,343.75	307,500	618,843.75
1979.....	7,995,000	299,812.50	307,500	607,312.50
1980.....	7,687,500	288,281.25	307,500	595,781.25
1981.....	7,380,000	276,750.00	307,500	584,250.00
1982.....	7,072,500	265,218.75	307,500	572,718.75
1983.....	6,765,000	253,687.50	307,500	561,187.50
1984.....	6,457,500	242,156.25	307,500	549,656.25
1985.....	6,150,000	230,625.00	307,500	538,125.00
1986.....	5,842,500	219,093.75	307,500	526,593.75
1987.....	5,535,000	207,562.50	307,500	515,062.50
1988.....	5,227,500	196,031.25	307,500	503,531.25
1989.....	4,920,000	184,500.00	307,500	492,000.00
1990.....	4,612,500	172,968.75	307,500	480,468.75
1991.....	4,305,000	161,437.50	307,500	468,937.50
1992.....	3,997,500	149,906.25	307,500	457,406.25
1993.....	3,690,000	138,375.00	307,500	445,875.00
1994.....	3,382,500	126,843.75	307,500	434,343.75
1995.....	3,075,000	115,312.50	307,500	422,812.50
1996.....	2,767,500	103,781.25	307,500	411,281.25
1997.....	2,460,000	92,250.00	307,500	399,750.00
1998.....	2,152,500	80,718.75	307,500	388,218.75
1999.....	1,845,000	69,187.50	307,500	376,687.50
2000.....	1,537,500	57,656.25	307,500	365,156.25
2001.....	1,230,000	46,125.00	307,500	353,625.00
2002.....	922,500	34,593.75	307,500	342,093.75
2003.....	615,000	23,062.50	307,500	330,562.50
2004.....	307,500	11,531.25	307,500	319,031.25
Total.....	0	9,455,625.00	12,300,000	21,755,625.00

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*\$12,300,000 State of Alaska general obligation bond issue, disaster issues only—
Based on: 40-year maturity, level payment basis, no deferment of principal
payment, interest rate at 3 percent per annum*

Year	Principal outstanding	Interest at 3 percent	Principal payment	Total cash requirements
1965	\$12,300,000	\$369,000	\$307,500	\$676,500
1966	11,992,500	359,775	307,500	667,275
1967	11,685,000	350,550	307,500	658,050
1968	11,377,500	341,325	307,500	648,825
1969	11,070,000	332,100	307,500	639,600
1970	10,762,500	322,875	307,500	630,375
1971	10,455,000	313,650	307,500	621,150
1972	10,147,500	304,425	307,500	611,925
1973	9,840,000	295,200	307,500	602,700
1974	9,532,500	285,975	307,500	593,475
1975	9,225,000	276,750	307,500	584,250
1976	8,917,500	267,525	307,500	575,025
1977	8,610,000	258,300	307,500	565,800
1978	8,302,500	249,075	307,500	556,575
1979	7,995,000	239,850	307,500	547,350
1980	7,687,500	230,625	307,500	538,125
1981	7,380,000	221,400	307,500	528,900
1982	7,072,500	212,175	307,500	519,675
1983	6,765,000	202,950	307,500	510,450
1984	6,457,500	193,725	307,500	501,225
1985	6,150,000	184,500	307,500	492,000
1986	5,842,500	175,275	307,500	482,775
1987	5,535,000	166,050	307,500	473,550
1988	5,227,500	156,825	307,500	464,325
1989	4,920,000	147,600	307,500	455,100
1990	4,612,500	138,375	307,500	445,875
1991	4,305,000	129,150	307,500	436,650
1992	3,997,500	119,925	307,500	427,425
1993	3,690,000	110,700	307,500	418,200
1994	3,382,500	101,475	307,500	408,975
1995	3,075,000	92,250	307,500	399,750
1996	2,767,500	83,025	307,500	390,525
1997	2,460,000	73,800	307,500	381,300
1998	2,152,500	64,575	307,500	372,075
1999	1,845,000	55,350	307,500	362,850
2000	1,537,500	46,125	307,500	353,625
2001	1,230,000	36,900	307,500	344,400
2002	922,500	27,675	307,500	335,175
2003	615,000	18,450	307,500	325,950
2004	307,500	9,225	307,500	316,725
Total	0	7,564,500	12,300,000	19,864,500

*\$12,300,000 State of Alaska general obligation bond issue, disaster issues only—
Based on: 40-year maturity, level payment basis, no deferment of principal
payment, interest rate at 2 percent per annum*

Year	Principal outstanding	Interest at 2 percent	Principal payment	Total cash requirements
1965	\$12,300,000	\$246,000	\$307,500	\$533,500
1966	11,992,500	239,850	307,000	547,350
1967	11,685,000	233,700	307,500	541,200
1968	11,377,500	227,550	307,500	535,050
1969	11,070,000	221,400	307,500	528,900
1970	10,762,500	215,250	307,500	522,750
1971	10,455,000	209,100	307,500	516,600
1972	10,147,500	202,950	307,500	510,450
1973	9,840,000	196,800	307,500	504,300
1974	9,532,500	190,650	307,500	498,150
1975	9,225,000	184,500	307,500	492,000
1976	8,917,500	178,350	307,500	485,850
1977	8,610,000	172,200	307,500	479,700
1978	8,302,500	166,050	307,500	473,550
1979	7,995,000	159,900	307,500	467,400
1980	7,687,500	153,750	307,500	461,250
1981	7,380,000	147,600	307,500	455,100
1982	7,072,500	141,450	307,500	448,950
1983	6,765,000	135,300	307,500	442,800
1984	6,457,500	129,150	307,500	436,650
1985	6,150,000	123,000	307,500	430,500
1986	5,842,500	116,850	307,500	424,350
1987	5,535,000	110,700	307,500	418,200
1988	5,227,500	104,550	307,500	412,050
1989	4,920,000	98,400	307,500	405,900
1990	4,612,500	92,250	307,500	399,750
1991	4,305,000	86,100	307,500	393,600
1992	3,997,500	79,950	307,500	387,450
1993	3,690,000	73,800	307,500	381,300
1994	3,382,500	67,650	307,500	375,150
1995	3,075,000	61,500	307,500	369,000
1996	2,767,500	55,350	307,500	362,850
1997	2,460,000	49,200	307,500	356,700
1998	2,152,500	43,050	307,500	350,550
1999	1,845,000	36,900	307,500	344,400
2000	1,537,500	30,750	307,500	338,250
2001	1,230,000	24,600	307,500	332,100
2002	922,500	18,450	307,500	325,950
2003	615,000	12,300	307,500	319,800
2004	307,500	6,150	307,500	313,650
Total	0	5,043,000	12,300,000	17,343,000

Mr. HAYES. In a recent visit by the Treasury and the Bureau of the Budget people to Juneau, they indicated to the commissioner of revenue that beginning July 1 this $3\frac{5}{8}$ -percent interest that we have been talking about on loans by the United States to the State of Alaska will go up to $3\frac{3}{4}$. That will be the cost of money to the U.S. Government. And so the commissioner of revenue compiled a table showing what interest rates would be at $3\frac{3}{4}$. And then for the purpose of comparison, he has drafted a table of the total cost of dollars to the State if the State were to borrow moneys from the United States in the amount of \$25 million at 3 and 2 percent, and he has similar tables if we would borrow money from the United States in the amount of \$12,300,000 at the rate of 3 and 2 percent.

Although the total price in dollars over 40 years would not be high to a State more fully developed financially than we, it is high to us. We have obligated ourselves already as a State for more than \$39 million in general obligation bonds. We shall soon be paying an average of \$2 $\frac{1}{2}$ million a year principal and interest on these general obligation bonds. We do not know to what extent our growth rate has been slowed by the earthquake. We do know, for instance, that our gross tax collections for the month of May were \$1,344,000 less than May of 1963. We ordinarily would have expected an increase of gross tax collections over May of 1963 of some \$350,000. This represents the normal growth factor we have been experiencing over the years. Thus, when the gross tax collection shortfall is coupled with the gross tax collection we did not get, due to our failure to grow, it amounts to \$1,694,244, a loss this May over last May. This does not include State tax refunds which will be made due to losses caused by the earthquake. Thus our ability to pay for our own recovery is not as strong as we wish it were. We would urge the committee to amend the omnibus bill and reduce the rate of interest on any loans made by the U.S. Government to Alaska to a rate lower than $3\frac{5}{8}$ percent. As can be seen from the tables compiled by our commissioner of revenue, a difference of 1 percent over 40 years on a loan of \$12,300,000 amounts to \$2.5 million. This is a considerable amount of money.

As to our regular general obligation bonds—

Senator ANDERSON. Do you suggest what figures the interest rate ought to be? Have you a suggested figure which you think the interest rate ought to be?

Mr. HAYES. We can start from a very ideal situation and go to lesser ideal situations. We can begin, Mr. Chairman, at an interest rate of less than 1 percent. We can go to an interest rate of 1 percent or 2 percent or 2.5 percent or 3.

So far as the State is concerned, the lower the Federal Government, the Congress, can make that interest rate, the better financial position we will be in over the years.

As to our regular general obligation bonds, our financial advisers tell us that we can expect to pay a high interest rate on the open market. Their view is that we may have to pay as high as $4\frac{1}{4}$ or $4\frac{1}{2}$ percent. Members of the U.S. Treasury agree that our current credit standing has been impaired and that a sale of the remainder of our general obligation bonds now or in the near future would require us to pay an abnormally high interest rate. Our present program calls for a sale of general obligation bonds in the amount of \$7,200,000 during

the next fiscal year, probably next spring. That is \$7,200,000 of the \$11 million total we have got left in present authorization for general obligation bonds. We are hoping that our credit position will improve considerably by next spring. We believe it will. Federal aid given and proposed surely will not be lost on bond buyers. Your assistance already provided and to be provided will probably bring the interest rate we will be required to pay, down to levels we can live with. But no one can be sure. In order to make certain we can carry out our necessary, normal capital improvement program, we would like to have the assistance applied to our regular bond issue that is being presently proposed in this omnibus bill for disaster loans. This assistance may not be necessary. Hopefully we can obtain a favorable rate of interest by next spring. But, if we cannot—and if the Federal Government will submit a bid for our bonds at a rate of interest of $3\frac{5}{8}$ or $3\frac{3}{4}$ percent, or whatever rate money costs the United States at that time—we can be assured that our regular capital improvement program will continue. This type of assistance, this latter type we are proposing, should not cost the Federal Government any money, since we would pay the prevailing price of money to the United States. And, again, it may not be necessary for the United States to have to purchase any of our regular bonds. We hope we can get a lower rate of interest on the open market than the United States will ask from us. But we do need that assurance if we are to be able to continue with our planning and our building.

We are all aware that our requests to you contain an element of risk. We are concerned, for example, that some may think us to be thankless people. That, Senator, is of course not the case. We are concerned, too, that our requests may delay passage of an omnibus bill. We certainly do not want that to occur. We weighed our needs against these risks for some time before coming to a decision. If we did not believe that we needed this additional assistance, we would not have come before you.

We are not unmindful that we are not the only area the Congress and the President must consider. We are not unmindful, either, that the U.S. Treasury does have its limits, and that U.S. taxpayers have a right to demand that their dollars be spent wisely and prudently.

We believe that restoration of the State is a wise and prudent investment on the part of the United States. And we know full well that you, too, are agreed upon that.

Thank you for the opportunity to appear here before you this morning.

Senator ANDERSON. Mr. Hayes, on page 2, fourth paragraph, "Due to sound financial management we have always ended each fiscal year with a surplus."

The Treasury worked up a table of fiscal projections on a predisaster basis, paid no attention to the earthquake, what was going on, and it indicated, for example, in 1964 that revenues would be about \$133 million and expenditures would be about—well, I do not know. It says cash deficit, \$19,600,000. Does that check with your statement?

Mr. HAYES. It checks with my statement. I do not know exactly how Treasury came to that figure for this year based on predisaster compilations because our—

Senator ANDERSON. Well, they have expenditures of \$152 million and revenue of \$133. That in my book produces a deficit. How under your book does it produce a surplus?

Mr. HAYES. I have indicated, Mr. Chairman, that up to right now we have not had a deficit. Up to this very month we have not had a deficit. We would not have had a deficit—assuming the earthquake had not occurred, we would have ended this fiscal year without a deficit. We would have been in the black some several millions of dollars.

Senator ANDERSON. What is your fiscal year, calendar year?

Mr. HAYES. No. The same as the Federal Government. July 1 to June 30.

Senator ANDERSON. These figures showed if you are going to have a deficit of \$20 million, where do you get your authority for your statement that you always end up each year with a surplus.

Mr. HAYES. I know I get my authority from the commissioner of administration and commissioner of revenue. Where Mr. Saunders and Mr. Reed come to their conclusions, that I cannot say, how they come to their conclusions. I have a table here you are referring to.

Senator ANDERSON. You have the table. If you have the table there, you can look ahead to 1969, and without the disaster you would have expected in 1966, I will put it, a \$25 million, \$26 million deficit. In 1967, a \$32.7 million deficit. In 1968, a \$34.5 million deficit. And 1969, a \$40.5 million deficit. How do you call that such stable management?

Mr. HAYES. Mr. Chairman, these are years in the future. Again, I think that while I cannot testify to you as to how Mr. Saunders came to these figures, I think I can say this to you, that while in the past we have operated in the black and we were happy about that, our financial position was never so good that we could expect to do so for the indefinite future. This is one of the reasons that we are here before you now making the requests we are making. As to the particular figures that Mr. Saunders came to, the conclusions he arrived at, and he is here and perhaps can be of assistance to you, I cannot give you his reasoning or his explanation of what he thinks.

Senator ANDERSON. Mr. Saunders ought to testify. Mr. Saunders, did you find they operated in the black in 1963?

Mr. SAUNDERS. Well, sir, this involves the question of capital outlays as well as ordinary expenses. On an ordinary expense basis, against their general funds, the State of Alaska was in the black.

Senator ANDERSON. Say that again.

Mr. SAUNDERS. On their general fund operations, income and expenditures, the State of Alaska was in the black in the fiscal year 1963.

Senator ANDERSON. Didn't they spend more than they took in?

Mr. SAUNDERS. If you include their capital outlays, Senator, then they were in the red. If you include the capital outlay. This is the difference. The table we prepared included both the ordinary operating expenditures and the capital outlays. A good part of their capital outlays they had been funding through debt operations.

Senator ANDERSON. Your table which you prepared shows that in 1964 their debt would be about \$38.1 million and by 1969 the debt of the State of Alaska would have risen to \$160 million. Is that not right?

Mr. SAUNDERS. On the assumption that they funded all of the programs that were through a debt instrument.

Senator JACKSON. Funded all the deficit. If they do not fund it, they would certainly have to have repudiation; wouldn't they?

Mr. SAUNDERS. No, sir.

Senator ANDERSON. No other way to pay them.

Mr. SAUNDERS. They could have done this in a different way. We had to assume a method of funding the program of the State of Alaska through 1969. The State of Alaska could have raised their revenues by increasing their tax rates or could have cut back on their capital outlays or on their program for ordinary expenditures. I suspect they would have followed a combination of all of these procedures—

Senator ANDERSON. Did the legislature meet in 1963?

Mr. HAYES.. Yes, they did.

Senator ANDERSON. Did they raise taxes?

Mr. HAYES. Not in 1963, no.

Senator ANDERSON. That answers one of the questions. Did they cut back expenditures?

Mr. HAYES. Let me see. The figures here, 1961, \$60 million; 1962, \$67 million; 1963, \$85 million. That is for the appropriation for 1964, 1963-64.

Senator ANDERSON. As a matter of fact, Mr. Hayes, they did not increase taxes, and they did increase expenditures, did they not?

Mr. HAYES. Yes, sir. You see—all right. Yes, we did.

Senator ANDERSON. I just hate to have the statement made that due to sound financial management you always end each year with a surplus. We have people who say it is sound management on the Federal Government to run a Federal deficit. We do it all the time. How can you have a surplus when you spend more than you take in?

Senator GRUENING. First of all, I would like to congratulate Mr. Hayes, our attorney general, on a very excellent statement, and I am very happy about this colloquy that has taken place between the Chairman and the attorney general. If the figures produced by the Treasury Department contradict effectively those presented by the State, it seems to me a strong argument for greater generosity on the part of the Federal Government to meet this disaster. If there is a deficit being run, it also would indicate that the State of Alaska is following the excellent example of the Federal Government which is steadily running deficits, which has not raised taxes to meet those deficits but to the contrary has lowered them. Consequently, it seems to me that whatever the presentation, the State of Alaska emerges in a very enviable position in comparison to what its father and mother, the Federal Government, are doing, and I am hoping the results, whatever the facts may prove, will indicate that the State of Alaska needs help from the Federal Government and that that help should be forthcoming.

Senator ANDERSON. Mr. Berry, we will try to get you in here and then Mr. Smith.

STATEMENT OF DON M. BERRY, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE

Mr. BERRY. Thank you, Mr. Chairman. I am Don Berry, executive director of the Alaska Municipal League. I do have a prepared statement which I will read with your permission. First I wish to thank you for allowing me to be here to testify on this legislation. I am

particularly pleased to testify that the Alaska Municipal League generally endorses support of nearly every part of this bill.

The primary exception to this endorsement is opposition to section 4 which deals with urban renewal. It was our sincere hope that a more liberal policy could have been devised for the tragic situation facing Alaska's municipalities since the earthquake and subsequent seismic waves. The present formula of 75-to-25 matching funds has always been applied to Alaska because of the population factor and its designation as a depressed area. Until March 27, 1964, this ratio was favorable enough to enable several Alaskan cities to utilize the urban renewal program.

Now, however, it is no longer adequate to meet our needs. Of those cities which were badly damaged and now in need of renewal projects none can afford to assume an obligation of such proportions. Neither the available money nor a predictable tax base is any longer in existence. Much of the property acquired under urban renewal will have to be diverted to low-production uses such as parks and public lands. Thus there will be very little, if any, net gain accruing to the cities.

It was hoped that the legislation before us would have made some concessions in urban renewal to the present situation. Other programs have been designed, and are present in this bill, dealing with other segments of reconstruction. The application of the 75-to-25 matching ratio presents nothing new to meet the demands in the damaged areas of Alaska. No concession has been made to take care of the critical period through which we are now passing.

The Alaska Municipal League respectfully requests that this committee give serious consideration to changing the urban renewal matching formula to a 90-to-10 basis in this bill. We feel that such a change would enable all of the stricken areas to take advantage of the urban renewal program and proceed with the vast reconstruction job ahead.

We understand and have been made aware now that there are several other amendments to be proposed which would liberalize some sections of the bill. The municipal league supports these amendments because we feel they will aid in the rapid and complete recovery of all segments of our State.

Senator ANDERSON. Do you know what those amendments are?

Mr. BERRY. Those which Mr. Hayes had mentioned, the changes that he has mentioned as being—

Senator ANDERSON. There are several other amendments.

Mr. BERRY. I think he mentioned three. Those are the ones to which I am referring, Mr. Chairman.

The cities of Alaska believe that the urban renewal concept is their best solution in the present situation. However, if that solution is not placed in the realm of financial feasibility, it will have to be abandoned by those cities which so badly need it. The people in Alaska have the desire and the ability to rebuild, but at the start we need the type of assistance which would be contained in a 90-to-10 matching ratio on urban renewal.

It is a very short statement, Senator Anderson, but we do want to let you know we support the greater part of this bill. The proposed amendments we would certainly be entirely in favor of, and we want to go on record as commending the persons responsible for drafting its introduction.

Thank you.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. No questions.

Senator ANDERSON. Thank you very much, Mr. Berry.

STATEMENT OF ROBERT B. SMITH, LEGISLATIVE REPRESENTATIVE, NATIONAL RURAL ELECTRIC COOPERATIVES ASSOCIATION

Senator ANDERSON. Mr. Smith?

Mr. SMITH. My name is Robert B. Smith. I am a legislative representative for the National Rural Electric Cooperatives Association, the trade organization for over 900 rural electric cooperatives throughout the country.

We favor S. 2881 because REA electric systems are a vital part of the Alaskan economy, particularly in the area hardest hit by the earthquake. Altogether they serve about 10 percent of the State's population. They are deeply concerned with the rehabilitation of Alaska and their responsibilities in recovery from the disaster.

Ten days after the Good Friday disaster, I visited Alaska and saw with my own eyes the damage that was done to our member electric systems at Anchorage, Kodiak, and Homer. At that time, under emergency arrangements and in many cases through temporary facilities, electric service had been restored to areas that could use it. In my opinion, it is a tribute to the management and employees of the rural electric systems that they responded so quickly after the disaster in getting their systems back into operation.

Although electricity was flowing over the lines, the physical damage to powerplants, substations, transmission and distribution lines, and the other losses incurred, made it obvious that the survival of these systems was questionable unless some form of aid could be provided for them.

At this point, I would like to say that the rural electric co-ops in Alaska operate under many handicaps such as high wholesale power and operating costs, and difficult transmission and distribution problems. They are not in a position financially to absorb misfortunes of this kind and still provide the essential service they do at a cost to the consumer that is reasonable.

Alaska's recovery from the earthquake will require adequate electric service; and this is a responsibility of the rural electric co-ops in many areas. To help the economy recover and build for the future, these electric systems must be kept solvent and healthy.

Much rehabilitation work has to be done on the rural electric systems. Although service was restored with promptness and many lines and facilities are standing and being used today, heavy expenditures will be required to put them back in sound condition. Poles were weakened, lines must be resagged, hardware replaced. The earthquake developed many weaknesses that have to be corrected this summer or the lines will not be able to withstand the abuse of weather and natural depreciation when cold weather comes.

Powerplant equipment damaged or destroyed has to be replaced or repaired in time to meet the high peak demands for electricity during the winter season.

The heavy expenditures required already, and which will be required in the future to restore the systems to their former condition, imposes a burden on the co-ops that cannot be met out of their present revenue structure. Loans to help the co-ops recover is not the answer to the problem. This would only add more indebtedness on top of that already existing on damaged or destroyed property. Without assistance the operations would not longer be feasible, and Alaska reconstruction would be set back further.

Further complicating the problem is the loss in revenues resulting from the earthquake. The Chugach, Kodiak, and Homer systems all have had residences and business establishments of some of their consumers destroyed. Kodiak lost 40 to 50 percent of its total revenue. Without money coming from these former consumers, the co-ops will be hard pressed to meet their normal obligations, let alone the additional cost of reconstruction.

It was gratifying to learn not long ago that some aid to the rural electric systems will be provided under Public Law 875 administered by the Office of Emergency Planning through the State of Alaska. However, at this point, we have not learned the extent to which this assistance will meet the total needs of the co-ops to achieve full recovery.

For this reason we feel that the provision in section 51(b) of the bill before this committee is essential. It will enable the Secretary of Agriculture to cancel such indebtedness to REA as he finds necessary to meet the losses of the co-ops which are not covered by Public Law 875 or other aid programs. Thus, the REA Administrator, who is in the best position to know, can appraise the situation of each of the damaged co-ops, and can recommend to the Secretary forgiveness of loan indebtedness to the extent necessary to preserve the feasibility of the system's operations.

Passage of S. 2881 will make it possible for the rural electric systems to do their part in the reconstruction of Alaska by assuring continued reliable electric service.

On behalf of our association and our member systems in Alaska, I strongly recommend your approval of this bill, and in particular section 51(b). I am sure you will give it your very serious consideration.

Thank you.

Senator ANDERSON. I am wondering about your interpretation of 51(b). It allows the Secretary to compromise or release such portion of a borrower's indebtedness under programs administered by REA in Alaska as he finds necessary because of loss, destruction, or damage of property resulting from the earthquake. And you say:

Thus the REA Administrator can appraise the situation of each of the damaged co-ops and can recommend to the Secretary forgiveness of loan indebtedness to the extent necessary to preserve the feasibility of the system's operation.

Some of the co-ops had a difficult time before the earthquake, and there are some operations up there that are virtually insolvent.

Mr. SMITH. What?

Senator ANDERSON. Virtually insolvent.

Mr. SMITH. Yes.

Senator ANDERSON. Now, do you take this as a mandate to make them all solvent?

Mr. SMITH. Not to do other things but to make them solvent to the extent they were damaged by the earthquake.

Senator ANDERSON. Well, are you willing to stay with the language of the bill?

Mr. SMITH. Yes.

Senator ANDERSON. That confines it to loss, destruction, or damage of property resulting from the earthquake.

Mr. SMITH. That is right. We support that.

Senator ANDERSON. Your statement I think reads a little differently than that.

Mr. SMITH. That was the intent of my statement, at least, to support the language in the bill as it is written. That is what we support.

Senator ANDERSON. That is what I wanted to get. This says to preserve the feasibility of the system's operation. Now, if Chugach was in trouble before, it may be in trouble again. The total cost of lines is probably what; \$4 million? Repair work up there? Something in that neighborhood.

Mr. SMITH. Around \$5 million.

Senator ANDERSON. All right. But it might take \$50 million to make them all solvent for the future.

Mr. SMITH. Our intent was simply to bring them back to the position that they were in before the earthquake happened.

Senator ANDERSON. Loss because of the earthquake.

Mr. SMITH. Yes. We support that.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. Well, you are satisfied with the present language in 51(b)?

Mr. SMITH. Yes, sir; we are.

Senator GRUENING. Would you interpret that to include the cancellation of indebtedness which resulted from the loss of income following the destruction by the earthquake?

Mr. SMITH. Well, I understand it is not the intent of that section to cover the loss of revenue, is that what you mean?

Senator GRUENING. Yes.

Mr. SMITH. It is not the intent to cover that loss of revenue. We would like to see that loss covered, but we will go with the wording in the section as it is written.

Senator GRUENING. Isn't the loss of revenue a direct result of the earthquake disaster?

Mr. SMITH. Yes, sir; it is.

Senator GRUENING. Can you suggest some additional language? Do you think it would be necessary? I would interpret that that the Administrator could do whatever is necessary to compensate for the disaster damage, whether it was loss of revenue or whether it was physical destruction or both.

Mr. SMITH. We would certainly like to see that added so that it would cover the loss of revenue because it would mean quite a bit to several of the co-ops.

Senator GRUENING. He is authorized to compromise or release such portion of the borrower's indebtedness as he finds necessary because of loss, destruction, or damage of property. Well, if as a result of loss and destruction or damage of property there is a loss in income, it seems to me there is clearly an obligation to consider that as one of the debts he can forgive. That was my interpretation.

Mr. SMITH. It certainly follows. As I pointed out in the case of the Kodiak system, where the system was damaged probably not so much as the loss of revenue sustained because it was a business district, and the fisheries and canneries were destroyed—

Senator GRUENING. If a man loses his business, if his business is destroyed, he suffers not merely the physical loss of the building and the contents but he also may suffer a loss in income for a period of time until he manages to restore himself, and that certainly would be a direct earthquake damage, would it not?

Mr. SMITH. Yes. We would consider it so.

Senator GRUENING. I would interpret this to apply equally to this provision.

Mr. SMITH. We agree.

Senator GRUENING. Thank you very much.

Senator ANDERSON. I want to call your attention to the language sent up by the President. The very last section says:

Section 51(b) would authorize the Secretary of Agriculture to adjust indebtedness of borrowers in Alaska from the Rural Electrification Administration as he finds necessary because of property loss directly resulting from the earthquake. It is intended that such adjustments will not take into account loss of revenue.

You therefore oppose the President's program on REA; do you?

Mr. SMITH. I would not put it that way.

Senator ANDERSON. Well, you are either for or against it.

Mr. SMITH. We would like to see those losses covered, but we are satisfied with the language of the bill as it is.

Senator ANDERSON. In the electrical business when you have a loss of revenue, don't you also have a loss of bills. Chugach buys some juice in the Government plant.

Mr. SMITH. Yes.

Senator ANDERSON. When they do not use it, do they pay for it?

Mr. SMITH. No.

Senator ANDERSON. Then why should they be paid for what they do not use?

Mr. SMITH. Well, they should not be paid for what they do not use; no.

Senator ANDERSON. That is why the President probably sent it up this way.

Very well. No further questions. Thank you all for—are there any other witnesses who desire to testify on this? Do you have any further statements you wish to make, Mr. Seidman? We cut you off because I was anxious to get Mr. Hayes in.

Mr. SEIDMAN. No, I do not, Mr. Chairman. I think we covered most of the points in our prepared statement, and in the questions and answers, and we will furnish the material that was requested for the record? I think as far as the amendments proposed by the Attorney General of Alaska, their statement generally deals with that. We would have some concern about those amendments.

Senator ANDERSON. We will leave the record open in case Congressman Rivers or someone else desires to make a statement.

(Whereupon, at 10:40 a.m., the hearing in the above-entitled matter was concluded.)

(Under authority previously granted the following communication was ordered printed:)

ANCHORAGE, ALASKA, June 2, 1964.

DEAR SENATOR JACKSON: I am asking for necessary individual aid for a group of Alaskans severely crippled by the earthquake and as yet unaided. We are in real need in the midst of a confusion of well-meaning FHA, SBA, OEP, HHFA, and numerous other Federal agencies. After patiently waiting for 2 months, we end in a blind alley as we desperately search for aid through each source. There is much talk and it all sounds wonderful in the papers, but if the truth be known, help is available to a small percentage of us "forgotten ones." Many of this particular group have homes that are now mere kindling lying on the tide flats or washed out into the inlet. Homes completely demolished along with lifelong possessions or homes hanging on the edge of newly created bluffs with the land gone. Homes impossible to move yet posted "To be moved or demolished immediately" and another posting stating "Anyone found inhabiting this home will be duly penalized." Yet, impossible as it may seem, we are told that we must go on paying the mortgages on these homes. In spite of all the heavy insurance we carried on homes as well as personal properties—everything was a complete loss as we were covered for everything but earthquakes and landslides. Urban Renewal will not help us as we find it pays "post" earthquake values and for these—the most severely hurt—of course, the post value is zero. This can't even be compared to fire or tornado as we don't even have land to which to return.

There are only two concrete helps available through all these agencies.

One: We can borrow SBA money at 3-percent interest to pay off all indebtedness and start all over again. This is certainly no solace. Who wants to borrow more (no matter what interest) when we are already completely overwhelmed with debts? Bankruptcy has been suggested, but this is morally wrong and impossible for the proud and strong.

Two: FNMA and VA will allow the mortgagor with total or substantial loss to pay \$1,000 and they will take the deed without further obligation. This means the loss of all equity (which represents thousands for each family) but this would be gratefully accepted. The sad part is that this covers a mere handful of those holding FHA mortgages. If it is possible for the Government to help a few—then why not all FHA-insured mortgages. They are all federally insured loans and we had no choice as to whom they would be sold. We have made every possible effort and there is just no forgiveness on the part of private investors. Is it not right to expect our Government to practice equality and cover all these loans in the same fashion? I am sure the FHA insurance fund is ample to include homes deemed a complete loss in a catastrophe such as this. Very few people can even consider rebuilding until they are relieved of the balance of their mortgage—not a recapture of their equity loss (which you so valiantly fought for through your retroactive insurance bill) but, at least, freedom from going on paying for "nothing."

If this is not done, a rash of litigation and bankruptcy will surely be the result, plus a heavy evacuation of long-time residents and leaders out of Alaska—because this group is comprised of just such pioneers. The population of all Alaska is less than one average-size city in the States and 60 percent of our tax base is gone.

Federal funds must release us from these outstanding mortgages (in all fairness) or none of the most badly damaged can remain here to help maintain a wilderness that military leaders admit "they cannot defend alone."

Sincerely,

Mrs. CAL BASHAW.

U. S. SENATE, June 15, 1964.

Mrs. NELLIE BULLINGTON,
Secretary, Democratic Central Committee,
Grays Harbor County, Aberdeen, Wash.

DEAR NELLIE: Thank you for letting me have a copy of the Grays Harbor County Democratic Central Committee's resolution regarding Alaska reconstruction. I certainly share your concern over the grave difficulties caused by the Alaska earthquake.

My introduction of a bill to help in the reconstruction of Alaska through a retroactive insurance program got formal congressional consideration of the Alaska disaster promptly underway. I then piloted a \$23.5 million authorization

through the Senate for transitional grants to the Alaska State government, and this authorization became law on May 27, 1964.

An additional bill, S. 2881, providing relief for both the private and public sectors of the Alaska economy has just been introduced. I am pressing for fast and favorable committee action on this measure which is strongly supported by the administration.

I am convinced that the concept of my retroactive earthquake insurance proposal is sound. It would provide a fiscally responsible way for dealing with any future disasters of this nature with a coherent program. Such a program is particularly necessary for States bordering the Pacific rim. The Interior Committee heard extensive testimony on my bill which received widespread support in Washington and Alaska. But, in view of the opposition of certain segments of the insurance industry in the East, the bill's further progress at this time is doubtful.

I should like to emphasize, however, that under existing programs and new authorities likely to be approved by the Congress, the Federal Government will spend more than \$300 million in Alaska in the course of the earthquake reconstruction program.

I shall certainly see that this resolution is made a part of the Interior Committee's record of hearing on this subject.

Sincerely,

HENRY N. JACKSON, *Chairman.*

RESOLUTION OF THE GRAYS HARBOR COUNTY DEMOCRATIC CENTRAL COMMITTEE

Whereas the victims of the quake disaster in Alaska wage a mighty struggle to rebuild their homes, businesses, and way of life; and

Whereas many people were owing a substantial mortgage on their property lost or destroyed; and

Whereas Mr. Eugene Foley, Administrator of the Disaster Loan Act, announced that he was making loans to Alaska earthquake victims, who have lost their homes and contents, often the lot on which the home stood, who have lost their business with its inventory and still have outstanding loans against these vanished possessions, repayable at 5-percent interest rate, which is the maximum premitted under the Disaster Loan Act; and

Whereas Senator Gruening, of Alaska, seeks a lower rate of interest for the disaster loans and points out that loans were made and had been made, to the extent of over \$1½ billion and are continuing to be made at three-fourths of 1 percent with a moratorium of 10 years on the repayment of the principal. Loans technically made to foreign governments, who are merely acting as conduits for our American dollars and to handling the money to private enterprises in their country. The three-fourths of 1 percent is called a service charge. Thus a precedent for similar action at home has been established; and

Whereas Senator Gruening's plea is that Americans should get as good a deal as we give to foreign private enterprise under our foreign aid program and cites a partial list of 1-percent, interest-bearing loans made directly to private enterprise, which the following examples will show: Ghana, construction of smelter project made to Volta Aluminum Co., Ltd., \$55 million; Sudan American Textile, \$10 million Doro Hellenic Chemical Industry, Ltd., construction of polystyrene plastic plant, \$20 million; China Manmade Fibre Corp., \$5,300,000: Therefore be it

Resolved. That we deliver a copy of this resolution to Senator Warren G. Magnuson, Senator Henry M. Jackson, Senator Wayne Morse, Senator Maurice B. Neuberger, Senator Clinton P. Anderson, and the State convention of the Democratic Party.

NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS,
New York, N.Y., June 10, 1964.

HON. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: This is in response to your letter of June 4 and telegram of June 9 with respect to the problems and proposed legislation (S. 2881) concerning Alaskan properties damaged by the recent earthquake. I am pleased to have the opportunity to comment on these matters and to offer you precise information on the volume and status of Alaska mortgage loans held by mutual savings banks.

You will note from the attached exhibits based on a direct survey made by our national association as of April 30, 1964, that 14 mutual savings banks in 7 States held 2,778 mortgage loans in Alaska, amounting to \$61,550,000. The bulk of these loans are insured by the Federal Housing Administration and are on one- to four-family properties. Only 32 loans totaling \$884,000 were secured by properties destroyed or beyond repair. As you can see, such loans account for only a little over 1 percent of the total—both number and amount.

Our information is that 4 of the 14 savings banks, having loans in Alaska, are covered by all-risk insurance. The coverage and terms of this insurance are not precisely known to us, but in at least one case, we know that the savings bank must take every legal action to recover whatever it can directly from the borrower before insurance proceeds are disbursed.

With respect to S. 2881, we urge the adoption of the amendment offered by Senator Gruening, proposing a new section 57 authorizing the Federal National Mortgage Association to purchase FHA-insured loans, in an amount not to exceed \$10 million, on Alaskan properties destroyed or irreparably damaged as a result of the earthquake. This proposal is in line with the suggestion made in our letter of May 14, 1964, to Dr. Robert Weaver, Administrator of the Housing and Home Finance Agency, a copy of which was sent to you. As noted in that letter, current Federal actions provide relief only for those home mortgagors whose mortgage contracts happen to be held by FNMA or VA. Other home mortgagors, whose homes have been destroyed or irreparably damaged, but whose mortgage obligations are held by private lenders are being ignored. The Gruening amendment would go a long way toward correcting this inequity.

While we are aware that it is impossible to resolve all inequities arising out of tragic disasters, I hope you will agree that the Government should not knowingly discriminate among its citizens when it can readily avoid doing so. And the Gruening amendment offers an opportunity to deal more equitably with the plight of Alaskan homeowners than the proposals made and actions taken to date.

We urge the incorporation of section 57 in S. 2881, not only because of equity considerations to mortgage borrowers, but equally important because of the great needs Alaska has for expanded flows of private capital. Such capital will not be forthcoming unless private investors have confidence in the willingness and ability of the Federal Government to proceed equitably and imaginatively in dealing with emergency situations. The citizens of Alaska are able and willing to rebuild their State stronger than ever before and this can be done most effectively only through an accelerated flow of private capital.

In sum, the Gruening amendment appears eminently fair and feasible. We urge that you support it, not out of selfish concern for our industry—which you can see from the enclosed statistics stands to suffer only inconsequential losses—but out of broader considerations for the longer run welfare of Alaska and its citizens.

Thank you for your consideration of this letter.

Sincerely yours,

GROVER W. ENSLEY,
Executive Vice President.

TABLE 1.—Mortgage loans held by mutual savings banks on properties in Alaska, Oct. 31, 1962, and Apr. 30, 1964

[Dollar amounts in thousands]

Savings bank State	Number of banks	Total		Type of loan			
		Number	Amount	FHA		Conventional	
				Number	Amount	Number	Amount
Oct. 31, 1962:							
New York.....	4	911	\$23,273	911	\$23,273		
Massachusetts.....	2	46	634	46	634		
Other ¹	4	186	4,730	61	1,477	125	\$3,253
Total.....	10	1,143	28,637	1,018	25,384	125	3,253
Apr. 30, 1964:							
New York.....	5	1,489	35,153	1,489	35,153		
Massachusetts.....	3	230	6,269	230	6,269		
Washington.....	2	111	1,579			111	1,579
Other ²	4	948	18,549	415	10,444	533	8,105
Total.....	14	2,778	61,550	2,134	51,866	644	9,684

¹ Includes Alaska, Minnesota, Rhode Island, and Washington.² Includes Alaska, Minnesota, Rhode Island, and Pennsylvania.

NOTE.—There were no holdings of VA guaranteed loans reported. Data were obtained by a direct survey made by the National Association of Mutual Savings Banks.

TABLE 2.—Mortgage loans held by mutual savings banks on properties located in Alaska, total and loans affected by property damage, by type of loan, and property (Apr. 30, 1964)

[Amounts in thousands of dollars]

Type of loan and property	Total loans held		Estimated number and amount of loans affected by property damage							
	Number	Amount	Loans on property destroyed or beyond repair				Loans on property incurring lesser damage			
			Number		Amount		Number		Amount	
			Total	Percent of total held	Total	Percent of total held	Total	Percent of total held	Total	Percent of total held
FHA insured.....	2,134	\$51,866	28	1.3	\$777	1.5	147	6.9	\$3,711	7.2
1- to 4-family.....	2,132	49,496	28	1.3	777	1.6	147	6.9	3,711	7.5
Multifamily.....	2	2,370								
VA guaranteed.....										
Conventional.....	644	9,684	4	.6	107	1.1	44	6.8	826	8.5
Total.....	2,778	61,550	32	1.2	884	1.4	191	6.9	4,537	7.4

NOTE.—See note to table 1.

SMALL BUSINESS ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., June 18, 1964.

Hon. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: Pursuant to a request received from your office, we are glad to submit certain factual information concerning our disaster activity in Crescent City, Calif. This information has been obtained from our records as well as those of OEP and from one of the bankers in Crescent City whose bank participated with SBA in loans to disaster victims.

Data received from OEP indicates that 55 homes were completely destroyed and that 21 suffered serious damage. We find these figures are not out of line with our own early estimates of home damage.

Through the present date we have made three loans to homeowners who occupied their own home and one other loan to an applicant who had lost four rental properties. It should be noted that these have been the only applications filed to date and the loans were approved in each instance. No loans have been declined to a homeowner to date and no applications are pending. Other than the cases mentioned, none of our west coast offices reflects any applications for disaster loans to homeowners from the States of Washington or Oregon as a result of the Alaska disaster.

In an effort to determine the lack of applications from homeowners in Crescent City we have been informed that at least 20 to 30 of the homes destroyed or seriously damaged were substandard rental homes which, if replaced, would require much higher rental rates; that some of the properties are located in an area presently involved in an urban renewal program, and in one situation a six-unit apartment building is tied up in an estate. We also have been advised that there is some absentee ownership.

While there is no activity in applications for home loans at the present time there could be at a later date, and Mr. Eugene P. Foley, Administrator, wants to assure you that he will provide those homeowners in Crescent City, Calif., who suffered damage as a result of the March 27 earthquake with 30-year loans as has been done in Alaska for homeowners affected by the same disaster, using our 20-year maturity plus our 10 years for orderly liquidation of the unpaid balance. This will require a balloon payment of approximately 44 percent of the loan at the end of 20 years and refinancing of the amount should be available without difficulty. If it is not available for any reason, then SBA could work out an equitable repayment plan. Mr. Foley's disposition to provide this 30-year maturity to Crescent City is due to the fact that its disaster was caused by the Alaska earthquake.

A copy of the Federal Register concerning our disaster declaration is enclosed.

I trust the foregoing furnished the desired information. If we can be of further assistance, please advise.

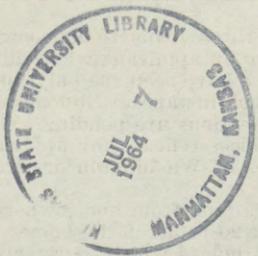
With kind regards, I am,

Sincerely,

Ross D. DAVIS, *Executive Administrator.*

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