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TO PROVIDE ADDITIONAL RELIEF TO THE VICTIMS OF
HURRICANE AND TROPICAL STORM AGNES, AND TO
THE VICTIMS OF THE SOUTH DAKOTA FLOOD DISASTER

GOVERNMENT

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HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 15935

A BILL TO PROVIDE ADDITIONAL RELIEF TO THE VICTIMS
OF HURRICANE AND TROPICAL STORM AGNES, AND TO THE
VICTIMS OF THE SOUTH DAKOTA FLOOD DISASTER, AND FOR
OTHER PURPOSES

JULY 20, 1972

Printed for the use of the
Committee on Banking and Currency



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1972

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TO PROVIDE ADDITIONAL RELIEF TO THE VICTIMS OF HURRICANE AND TROPICAL STORM AGNES, AND TO THE VICTIMS OF THE SOUTH DAKOTA FLOOD DISASTER

THURSDAY, JULY 20, 1972

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Barrett, Sullivan, Moorhead, Stephens, St Germain, Minish, Hanna, Rees, Griffin, Hanley, Brasco, Koch, Cotter, Mitchell, Widnall, Dwyer, Johnson, Stanton, Blackburn, Brown, Williams, Heckler, Rousselot, and Archer.

The CHAIRMAN. The committee will please come to order. In view of the urgency of this legislation we are going to try to comply with the request of the Speaker of the House and the President of the United States and get this bill out as quickly as possible.

This morning the committee, in response to an appeal by President Nixon, is meeting to consider legislation to help victims of Hurricane Agnes and the floods in South Dakota.

Three bills have been introduced on this subject including one by myself; another cosponsored by the majority and minority leaders of the House; and a third cosponsored by Mr. Widnall, Mrs. Dwyer, Mr. Johnson, Mr. Stanton, Mr. Williams, Mr. McKinney, Mr. Lent, and Mr. Frenzel, minority members of the Banking and Currency Committee, as well as other Members of the House.

It is my intention to hold these hearings on a continuous basis until we have finished with all the witnesses and then move into executive session for a markup of the bill. Hopefully, this can be accomplished today, but if not we will meet again tomorrow morning.

When President Nixon sent this legislation to Congress, he asked that it be acted upon so that it could be law within 1 week. As chairman of the Banking and Currency Committee, I want to do everything possible to meet that timetable since this legislation affects the futures of thousands of people who suffered great losses as a result of the disasters.

While I support the principles of this legislation, I must confess that I am confused about the method the administration has used to provide relief for disaster victims. The bill before us today provides for disaster loans to be made at a 1-percent interest rate and a forgiveness of the first \$5,000 of any loan.

Yet last March President Nixon sent legislation to the Congress through the Office of Emergency Preparedness that would completely remove the existing \$2,500 forgiveness feature and make all loans at rates far in excess of the 1-percent rate now advocated. Thus, in the space of 5 months we have seen a complete reversal of the administration's position.

Even more confusing has been the role of the administration and certain members of the President's party in connection with legislation dealing with disasters that was recently passed by the House by an overwhelming vote of 325 to 9. President Nixon has set a 1-week timetable for enactment of his bill. Yet when we attempted to take the disaster bill to the floor of the House under unanimous consent shortly before the last recess, we were twice blocked in our attempts to do so by a member of the President's party. These two delays meant that the bill was not passed in enough time to allow the Senate to act on the bill prior to adjournment and caused an unnecessary delay in providing financial help to disaster victims.

Even though the bill before us today would provide more help to victims of certain disasters, passage of H.R. 15692 would have shown the victims of Agnes and those in South Dakota that help was on the way. The legislation would also have provided the same benefits for the victims of all other presidentially declared disasters on a retroactive basis to the beginning of the current fiscal year. In addition, had the administration at any time suggested the type of relief that they now seek during the consideration of the previous disaster bill, I personally would have been happy to include it in the legislation. I wonder why it took the administration so long to realize that the disaster victims needed more help instead of legislation making it more difficult to get disaster loans.

Less than 3 weeks ago, when H.R. 15692 was on the floor of the House, an amendment was offered to that legislation to reduce the rate on all disaster loans to 1 percent. The gentleman from Ohio, Mr. Stanton, warned that if such an amendment were adopted that he felt that the President would veto the bill. The gentleman from Pennsylvania, Mr. Williams argued, "The way the language in the bill now stands, one would get the \$2,500 forgiveness and when he took advantage of the forgiveness, he would get the balance of the loan, if any, at 3 percent. Certainly one cannot ask for anything more than that." Based in part on these arguments, the Republican Members of the House were successful in defeating the amendment.

Now, however, we find that both Mr. Stanton and Mr. Williams, who voted against providing loans at a 1 percent interest rate, have introduced the administration's bill which would not only make the loans at 1 percent but would double the forgiveness feature. I think it is appropriate to ask what happened to the Presidential veto and what happened to the flood victims who "could not ask for anything more."

And at the very time that this committee was debating the disaster relief bill, one of our witnesses this morning, SBA Administrator Thomas Kleppe, testified before the committee that he was in favor of a repeal of the forgiveness feature. And his agency provided information to members of the President's party in order to enable them to speak in opposition to proposals to lower the interest rate on the

loans and maintain the forgiveness feature. This morning Mr. Kleppe is back before the committee advocating not a repeal of the forgiveness feature but a doubling of it. I hope this morning that our quartet of administrative witnesses will sing in harmony while at the same time remembering the words to the song.

The tragic part of this situation is that all of the administration's proposals could have been enacted 3 weeks ago and the victims of Hurricane Agnes could have been receiving those benefits at the present time if the administration had joined with the committee in seeking prompt enactment of the legislation and had made their suggestions for improving the disaster benefits at that time.

Let me make one final observation about this legislation. The legislation before us today is a one-shot measure. It affects only disaster victims whose damage was caused by Hurricane Agnes or the Rapid City flood. If another disaster struck today as we are hearing this legislation, those victims would not be eligible for any relief under this act but instead would have to pay $5\frac{1}{8}$ percent for their loans and would be limited to a forgiveness of \$2,500. Or for that matter, none of the victims of any presidentially-declared disaster in the past would be able to get the bonus benefits.

It is argued that the special benefits are made because Agnes constituted the largest natural disaster in the history of our country.

For some unexplained reason on Tuesday the administration sent an amended bill to include the disaster in Rapid City. I am pleased that the administration has corrected its error in judgment and included the victims of that disaster, but I see no reason why the legislation should not include all presidentially declared disasters including those loans that are already on the books. Why should we exclude from these benefits the victims of future disasters? How can we justify for instance granting a Florida homeowner whose home has been damaged by Hurricane Agnes a 1-percent interest rate with a \$5,000 forgiveness and in September if another hurricane hits that State tell homeowners damaged by that disaster that they must pay $5\frac{1}{8}$ percent or perhaps even more for their loans and receive only a \$2,500 forgiveness. A disaster bill should not be used as a vehicle to pick and choose favorites. We should have meaningful and far-reaching disaster legislation on the statute books so that victims of such disasters will know that they will be able to receive the best benefits possible instead of hoping that Congress will enact new legislation to cover each disaster. Let's solve the problem once and for all, and let us do it now.

Now, first, of course, you understand from this statement that we are trying to expedite this legislation, and I know we will, receive the cooperation of those who appear before us as witnesses. So please cooperate in the best way possible in order to expedite this legislation.

(The text of H.R. 15935 follows:)

[H.R. 15935, 92d Cong., second sess.]

A BILL To provide additional relief to the victims of hurricane and tropical storm Agnes, and to the victims of the South Dakota flood disaster, 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 "Disaster Recovery Act of 1972".

PURPOSE

SEC. 2. The Congress hereby finds and declares that the untold suffering, the loss of human lives, and the interruption of life and commerce resulting principally from flooding, high waters, and wind-driven waters associated with hurricane and tropical storm Agnes, and the devastating flood disasters which struck the State of South Dakota in the month of June 1972, compels enactment of special measures designed to aid the victims of these catastrophes in their efforts to restore and rehabilitate devastated homes, farms, and businesses.

SMALL BUSINESS ADMINISTRATION DISASTER LOANS

SEC. 3. Notwithstanding any other provision of law, in the administration of the disaster loan program under section 7(b) (1), (2), and (4) of the Small Business Act, as amended (15 U.S.C. 636(b) (1), (2), and (4)), in the case of property loss or damage or injury resulting from a major disaster as determined by the President or a disaster as determined by the Administrator which occurred as a result of hurricane and tropical storm Agnes, and the flood disaster which occurred in the State of South Dakota during the month of June 1972, the Small Business Administration—

(1) to the extent such loss or damage or injury is not compensated for by insurance or otherwise, (A) shall cancel the principal of the loan, except that the total amount so canceled shall not exceed \$5,000, and (B) may defer interest payments or principal payments, or both, in whole or in part, on any loan made under this section during the first three years of the term of the loan except that any such deferred payments shall bear interest at the rate of 1 per centum per annum.

(2) to the extent such loss or damage or injury is not compensated for by insurance or otherwise, may grant any loan for repair, rehabilitation, or replacement of property damaged or destroyed, without regard to whether the required financial assistance is otherwise available from private sources.

(3) may, in the case of the total destruction or substantial property damage of a home or business concern, refinance any mortgage or other liens outstanding against the destroyed or damaged property if such property is to be repaired, rehabilitated, or replaced, except that the amount refinanced shall not exceed the amount of the physical loss sustained. Any such refinancing shall be subject to the provisions of clauses (1) and (2) of this section.

FARMERS HOME ADMINISTRATION EMERGENCY LOANS

SEC. 4. Notwithstanding any other provision of law, in the administration of the emergency loan program under subtitle C of the Consolidated Farmers Home Administration Act of 1961, as amended (7 U.S.C. of 1961-1967), and the rural housing loan program under section 502 of title V of the Housing Act of 1949, as amended (42 U.S.C. 1472), in the case of property loss or damage or injury resulting from a major disaster as determined by the President or a natural disaster as determined by the Secretary of Agriculture which occurred as a result of hurricane and tropical storm Agnes, and the flood disaster which occurred in the State of South Dakota during the month of June 1972, the Secretary—

(1) to the extent such loss or damage or injury is not compensated for by insurance or otherwise, (A) shall cancel the principal of the loan, except that the total amount so canceled shall not exceed \$5,000, and (B) may defer interest payments or principal payments, or both, in whole or in part, on any loan made under this section during the first three years of the term of the loan except that any such deferred payments shall bear interest at the rate of 1 per centum per annum.

(2) to the extent such loss or damage or injury is not compensated for by insurance or otherwise, may grant any loan for repair, rehabilitation, or replacement of property damaged or destroyed, without regard to whether the required financial assistance is otherwise available from private sources.

(3) may, in the case of the total destruction or substantial property damage of homes or farm service buildings and related structures and equipment, refinance any mortgage or other liens outstanding against the destroyed or

damaged property if such property is to be repaired, rehabilitated, or replaced, except that the amount refinanced shall not exceed the amount of the physical loss sustained. Any such refinancing shall be subject to the provisions of clauses (1) and (2) of this section.

DISASTER LOAN INTEREST RATES

SEC. 5. Any loan made under sections 3 and 4 of this Act shall not exceed the current cost of repairing or replacing the disaster injury, loss, or damage in conformity with current codes and specifications. Any loan made under sections 3 and 4 of this Act shall bear interest at the rate of 1 per centum per annum.

AGE OF APPLICANT FOR LOANS

SEC. 6. In the administration of any Federal disaster loan program under the authority of sections 3 and 4 of this Act, the age of any adult loan applicant shall not be considered in determining whether such loan should be made or the amount of such loan.

APPLICABILITY OF BENEFITS

SEC. 7. The benefits provided under this Act shall be applicable to all loans qualifying hereunder, whether approved before or after the date of enactment of this Act.

APPLICABILITY TO DISASTERS

SEC. 8. The provisions of this Act shall apply to loss or damage or injury occurring on or after June 8, 1972, as a result of hurricane and tropical storm Agnes and the flood disasters which occurred in the State of South Dakota in the month of June 1972, for major disasters determined by the President, or disasters as determined by the Administrator of the Small Business Administration, or natural disasters as determined by the Secretary of Agriculture.

The CHAIRMAN. Now we have Mr. Flood, Mr. McDade, Mr. Hastings from New York, and Governor Shapp.

Governor SHAPP. This is Secretary Wilcox, of the Community Affairs Administration.

Mr. BARRETT. Mr. Chairman, you have asked the witnesses to be brief. But I would want to welcome the greatest Governor that Pennsylvania has ever had, the Honorable Milton J. Shapp. You want to keep this meeting based on brevity. But I think that I would be remiss if I didn't say we have two of the finest Congressmen here, most knowledgeable, and very capable Members in the House dedicated to their people back home. They represent the very poor in Pennsylvania and their areas have suffered great damage. I refer of course to Dan Flood and our own Joe McDade, and of course we have Jim Hastings of New York here also, who has been calling and writing me to tell about the serious damage in his area. I think we have a very knowledgeable panel here this morning. You know Mr. Wilcox has been here before and certainly has done a splendid job. We hope that we can give the people of Pennsylvania an opportunity to get a new start, and I want to say, Mr. Chairman, that I am going to offer an amendment to this bill to see if we can't do away with all of the old debts, as they did in the RFC and HOLC.

I want to say welcome here, gentlemen, this morning.

Mr. GONZALEZ. May I ask a question? It is a procedural question.

Do we have two other bills that you contemplate bringing up this morning?

The CHAIRMAN. No, sir; this is the only one.

Mr. GONZALEZ. What about this export extension?

The CHAIRMAN. We are going to bring it up the very minute we can. We can't do it this morning.

Governor Shapp. I think we should hear from you first.

Mr. JOHNSON. Which bill are we receiving testimony on?

The CHAIRMAN. The one that was introduced by Mr. Widnall and me yesterday.

Mr. JOHNSON. The Patman-Widnall bill?

The CHAIRMAN. Yes, sir.

Mr. JOHNSON. That is not on our desk, is it?

The CHAIRMAN. Yes. Mr. Clerk, let me have a copy of the bill here, please. Here it is, H.R. 15935.

All right, Governor Shapp, we are delighted to have you. sir, and we would like to have your statement.

STATEMENT OF HON. MILTON J. SHAPP, GOVERNOR OF THE STATE OF PENNSYLVANIA

Governor SHAPP. Thank you, Mr. Chairman, Congressman Barrett and all the other Congressmen on the committee.

My statement may be a little long but I think it important to this committee of the information I have regarding the greatest disaster that hit this Nation warrants a little more than just a surface contact.

I welcome the opportunity to appear before you this morning to discuss the Federal action necessary to aid victims of Hurricane Agnes.

I need not remind you of the enormity of the task facing the Nation and Pennsylvania.

Four weeks ago today, the rains turned Pennsylvania, and other States along the eastern seaboard, into a disaster area.

Early that Thursday morning, June 22, I proclaimed a state of extreme emergency in the Commonwealth, when we had already received reports of damage from 62 of our 67 counties. Subsequently, all 67 counties reported losses and ultimately the entire State was declared a Federal disaster area.

The State Council of Civil Defense immediately went into action. The State police went on duty around the clock. Key units of the National Guard were mobilized.

Within hours, it was apparent to me that the floods were the greatest single natural disaster ever to hit Pennsylvania.

On June 30, the Pittsburgh Post-Gazette noted that "Pennsylvania is the victim of a devastation so widespread it boggles the mind."

Since the storm, the government of the Commonwealth of Pennsylvania has exerted every effort and expended every possible dollar to protect persons and property and to begin the process of rebuilding our State. Our efforts were matched by the local communities themselves and thousands of volunteers.

Initially, I estimated the damage in excess of \$1 billion.

Subsequently, I raised that figure to somewhere between \$1½ billion and \$2 billion.

Recently, as more complete reports have been submitted, I have again raised my estimate to \$2½ billion to \$3 billion in Pennsylvania alone. Each day brings new reports of damage to both public and pri-

vate sectors—to farms, homes, schools, roads, railroads, and business establishments.

Before going into detail on the Federal programs necessary to help rebuild Pennsylvania and other States affected by Agnes, I would like to mention for the record the highlights of our State's participation in rescue, cleanup, and rebuilding programs.

I do so not for the purpose of self-congratulation but because I know that you, as Members of the Federal Congress, want to know what the States are doing to help themselves as you go about trying to help us at the Federal level.

At the peak of the flooding, 6,000 Pennsylvania National Guardsmen and 4,000 State policemen were on duty around the clock.

The department and agencies of State government were on the job, in many instances before the dimensions of the disaster were fully appreciated.

As the Pittsburgh Post-Gazette again editorialized on June 27, notification was out "as early as Thursday morning by the State's Department of Environmental Resources that river trouble was mounting. But the Weather Bureau's warning did not come until Friday morning."

I initially earmarked \$1,750,000 in State funds for immediate assistance. More than 120 State flood information offices were established and the Federal agencies were urged to join with us in these centers.

Members of my cabinet were on the scene throughout the flood areas. I personally spent many days and many hours in the stricken communities and my Lieutenant Governor, Ernest Kline, who coordinates all State disaster activities, had to be ordered to bed personally by me because of the fatigue which followed days and nights of constant activity.

Subsequently, the Pennsylvania General Assembly passed, and I signed, an appropriation bill "for emergency and disaster relief in connection with flooding and tropical storm disaster in relief in connection with the Commonwealth.

A total of \$50 million in State general operating revenues was earmarked for this purpose.

One hundred and thirteen million dollars was set aside for "emergency" use in the alleviation of human hardship and suffering and for the protection of property; for the reimbursement to various departments and agencies of the Commonwealth for the participation in disaster relief activities, including, but not limited to, materials, supplies, services, food, clothing, equipment, chemicals, drugs, and medicines.

An additional \$25 million was appropriated for the Department of Public Welfare, \$10 million for the Department of Environmental Resources.

I would also remind you that our participation was not limited to this appropriation. To the best of my knowledge, no State has ever before made such a substantial and immediate commitment of its own revenues for direct relief purposes.

But that is not all.

In the near future, I will present to the Pennsylvania General Assembly a comprehensive program for rebuilding Pennsylvania which

will include major efforts on the State level to aid in the rebuilding of private housing and also to restore schools and other public facilities, commerce, and farmlands.

On the basis of these facts, I think the record is clear that we in Pennsylvania are doing our job to help ourselves.

But you know, as well as I, that State government, even with the full cooperation of local government, private resources together with the level of the present effort of the Federal Government, will not suffice.

President Nixon himself last Thursday called the recent flooding "the worst natural disaster in the whole of America's history."

Clearly, what is called for is a massive commitment by the Federal Government to the rescue of our people and to the rebuilding of the flood areas.

The victims of this tragic flood are entitled to full support from their government, for they have contributed greatly to this Nation. They are men who have long toiled in the mines and mills and women who have worked in factories and offices. They are farmers who have seen their crops, and yes, even their soil, contaminated or, worse, washed away.

Yes, they are doctors, dentists, and lawyers whose valuable equipment, records and libraries have been destroyed.

And too, they are our retired senior citizens who simply cannot refurbish their rooms or buy new clothes out of their meager social security payments.

They are women and men who have served in our Armed Forces when the Nation needed their services.

Now if we cannot offer them more than token support as they try to rebuild their lives, this Nation will indeed have failed them in their time of need.

If the United States could afford to have given Germany and Japan almost \$100 billion of preinflated dollars to rebuild their nations at the end of World War II, we cannot afford not to give our own hard-working citizens all the funds they need to rebuild their lives from this great disaster.

If the United States could afford to send billions overseas in foreign aid during the past 25 years, we cannot afford not to grant \$4 billion to \$5 billion in local aid to our own deserving citizens, if this is what it takes.

Perhaps more telling of all is the comment of Bill Ulicny of Forty Fort, Pa., who told the Wall Street Journal last week: "Why doesn't the Government call a moratorium for a week in Vietnam and turn over all the money to the people around where they really need it."

American pride rose high as we spent whatever billions were needed to accomplish the Berlin airlift or to put a man on the moon.

Our American pride should not let us permit any of our citizens to have their lives ruined by events beyond their control.

Our own communities, need rebuilding. We must help our people rebuild. Let us take pride in helping these needy Americans back on their feet.

Indeed, if we don't make this investment in making our people productive again, let's not kid ourselves. Nothing will be saved. They

will end up on welfare. The choice is clear; either we invest in the victims of the flood or we will pay for long years of dependency.

Believing, therefore, that nothing but the most massive and decisive Federal action is necessary, I have come here today to make the following suggestions for your immediate consideration.

First, I suggest that the members of this committee and other concerned Members of both the Senate and the House, hold a joint hearing on flood problems in the worst hit area of them all, the Wyoming Valley of Pennsylvania.

The devastation must be seen to be believed. Veteran Red Cross officials who have spent over a quarter of a century working in disaster areas have told me they have never seen any catastrophe its equal. In all my personal experiences overseas during World War II, only in Italy did I see so much damage.

The statistics are all too familiar.

It is one thing to say that 350,000 people are homeless.

It is something quite different to see those people as flesh and blood individuals, whose lives have been wrecked by this natural catastrophe.

It is one thing to say that 100,000 persons are temporarily or permanently unemployed. It is something else to meet a jobless person on the street who doesn't know where his next paycheck is coming from because the company for which he worked no longer exists.

It is one thing to state that the farmlands of Pennsylvania have been subjected to staggering loss in excess of \$300 million. It is much more compelling to meet one of those farmers whose entire livelihood depended upon crops which have been utterly destroyed or on livestock which was ravaged by the flood, or to talk to a farm family as I did who watched Agnes wash their farm's topsoil into the river.

It is one thing to state that industrial and commercial loss in the Commonwealth exceeds the staggering figure of \$1.1 billion. It is still another to receive a letter like I received last week from a small store owner in Wilkes-Barre who pleads that "my future in this city and the future of my employees is in your hands. I hope and pray that you can do something for me so I can reopen again."

Yes, it is one thing to think of this individual store owner in Wilkes-Barre, Kingston, and Forty Fort area of 100,000 people, almost 90 percent of the business establishments were washed away. There are few, if any pharmacies, dry cleaning stores, auto or TV repair stations, hardware, clothing or appliance stores or other kinds of local business establishments we just take for granted in our modern urban centers. There is hardly a doctor, a dentist's office or even insurance agency or law firm that did not suffer loss of equipment and records.

To put it bluntly, almost the entire infrastructure of this city's commercial and professional life was washed away by Agnes, and unless we make it financially possible for these shopowners and professional people in Wilkes-Barre area to reestablish themselves in business, the city will become a ghost town within a short time.

Few, if any, of the people in this area want to leave. They have simply been great so far in their effort to fight back and restore their community. But unless financial help is given to them on a major scale, and in a realistic basis, their morale will suffer and they will not accom-

plish the task of rebuilding. Yes, the statistics are unbelievable. But the human story is devastating.

The CHAIRMAN. Governor, we will have to have an understanding about the time. We, of course, feel that you should have more time and you had 10 minutes. If we are going to carry out the President's recommendations and the Speaker of the House we will have to confine the witnesses to about 5 minutes. You are entitled to more than that and you have been granted more because your State has suffered the greatest loss, I think, of any State in the Union, and for that reason you are entitled to more consideration. At this time, if you believe that we should have more time for witnesses, we should decide that in advance so we could give all witnesses the same amount of time.

Governor SHAPP. Sir, I was not told that there was a limit on my time.

The CHAIRMAN. Well, of course, the fact we are trying to do it in 1 day indicates very much that we will have to have witnesses shorten their time, Governor Shapp. We are very much in sympathy with you. We want to help you. We don't want to harm you. And if you put your statement in the record just like it is and then if any member wants to ask you questions they will ask you questions and then we will have the other panel. We can't possibly get through unless we have a limitation on time. Then we would be accused of not carrying out the President's recommendations or the Speaker of the House to hasten this legislation. I have permission obtained by unanimous consent yesterday on the floor to take this bill up tomorrow or any subsequent day, and that could mean Saturday or Sunday, if we don't get it through tomorrow. And if we can't do it in that time we just can't do it. We will do our very best though and I think that if you would put your statement in the record, which you may, and you may supplement it with any additional remarks that you desire.

Governor SHAPP. Could I have about 5 minutes to highlight some of the things I would like to say?

The CHAIRMAN. Go ahead.

Governor SHAPP. I would like to say this: Although I am pleased that the Federal Government has started to move on the \$1.7 billion, I do not believe the provisions for homeowners and business are flexible enough to provide the help really needed. The idea of making a homeowner or a businessman still owe for the debt that Congressman Barrett was talking about before, is going to inhibit many people from getting homes and businesses back into operation.

Second, I don't think the amount of money talked about, \$1.7 billion, is anywhere near sufficient to do this job.

The CHAIRMAN. We can take that up in the markup of the bill in executive session.

Governor SHAPP. Third, I think that what is absolutely essential is that under the present program we step up some of the programs. That isn't what you are interested in. But I think that we have to realistically look at the debt that has been accumulated in the past and set up some kind of RFC type of program to take this subordinated and allow the fresh money to be used for business and homes otherwise you are not going to be able to really solve this problem.

The CHAIRMAN. Without objection you may extend your remarks as you desire on anything that is related to this subject. Will that be satisfactory?

Governor SHAPP. Yes. You have a copy then of my statement?

The CHAIRMAN. Yes, the entire statement will be put in the record.

Governor SHAPP. Thank you.

(Governor Shapp's prepared statement follows:)

PREPARED STATEMENT OF HON. MILTON J. SHAPP, GOVERNOR OF THE STATE OF PENNSYLVANIA

I welcome the opportunity to appear before you this morning to discuss the federal action necessary to aid victims of Hurricane Agnes.

I need not remind you of the enormity of the task facing the nation and Pennsylvania.

Four weeks ago today, the rains turned Pennsylvania, and other states along the Eastern seaboard, into a disaster area.

Early that Thursday morning, June 22, I proclaimed a state of extreme emergency in the Commonwealth, when we had already received reports of damage from 62 of our 67 counties. Subsequently, all 67 counties reported losses and ultimately the entire state was declared a federal disaster area.

The State Council of Civil Defense immediately went into action. The State Police went on duty around the clock. Key units of the National Guard were mobilized.

Within hours, it was apparent to me that the floods were the greatest single natural disaster ever to hit Pennsylvania.

On June 30th, the Pittsburgh Post-Gazette noted that "Pennsylvania is the victim of a devastation so widespread it boggles the mind."

Since the storm, the Government of the Commonwealth of Pennsylvania has exerted every effort and expended every possible dollar to protect persons and property and to begin the process of rebuilding our state. Our efforts were matched by the local communities themselves and thousands of volunteers.

Initially, I estimated the damage in excess of one billion dollars.

Subsequently, I raised that figure to somewhere between 1½ and 2 billion dollars.

Recently, as more complete reports have been submitted, I have again raised my estimate to \$2½ to \$3 billion in Pennsylvania alone. Each day brings new reports of damage to both public and private sectors—to farms, homes, schools, roads, railroads and business establishments.

Before going into detail on the federal programs necessary, to help rebuild Pennsylvania and other states affected by Agnes, I would like to mention for the record the highlights of our state's participation in rescue, clean up and rebuilding programs.

I do so not for the purpose of self congratulation but because I knew that you, as members of the federal Congress, want to know what the states are doing to help themselves as you go about trying to help us at the federal level.

At the peak of the flooding, 6,000 Pennsylvania National Guardsmen and 4,000 State Policemen were on duty around the clock.

The department and agencies of state government were on the job, in many instances before the dimensions of the disaster were fully appreciated.

As the Pittsburgh Post-Gazette again editorialized on June 27th, notification was out "as early as Thursday morning by the State's Department of Environmental Resources that river trouble was mounting. But the Weather Bureau's warning did not come until Friday morning."

I initially earmarked \$1,750,000 in state funds for immediate assistance. More than 120 state flood information offices were established and the federal agencies were urged to join with us in these centers.

Members of my cabinet were on the scene throughout the flood areas. I personally spent many days and hours in the stricken communities and my Lieutenant Governor, Ernest Kline, who coordinates all state disaster activities, had to be ordered to bed personally by me because of the fatigue which followed days and nights of constant activity.

Subsequently, the Pennsylvania General Assembly passed, and I signed, an appropriation bill "for emergency and disaster relief in connection with flooding and tropical storm disaster in the Commonwealth.

A total of \$150 million in state general operating revenues was earmarked for this purpose.

One hundred and thirteen million dollars was set aside for "emergency" use in the alleviation of human hardship and suffering and for the protection of property; for the reimbursement to various departments and agencies of the Commonwealth for the participation in disaster relief activities, including, but not limited to, materials, supplies, services, food, clothing, equipment, chemicals, drugs and medicines.

An additional \$25 million was appropriated for the Department of Public Welfare, \$10 million for the Department of Health and \$2 million for the Department of Environmental Resources.

I would also remind you that our participation was not limited to this appropriation. To the best of my knowledge, no state has ever before made such a substantial and immediate commitment of its own revenues for direct relief purposes.

But that is not all.

In the near future, I will present to the Pennsylvania General Assembly a comparative program for rebuilding Pennsylvania which will include major efforts on the state level to aid in the rebuilding of private housing and also to restore schools and other public facilities, commerce, and farm lands.

On the basis of these facts, I think the record is clear that we in Pennsylvania are doing our job to help ourselves.

But you know, as well as I, that state government, even with the full cooperation of local government, private resources together with the level of the present effort of the federal government, will not suffice.

President Nixon himself last Thursday called the recent flooding "the worst natural disaster in the whole of America's history."

Clearly, what is called for is a massive commitment by the federal government to the rescue of our people and to the rebuilding of the flood areas.

The victims of this tragic flood are entitled to full support from their government, for they have contributed greatly to this nation. They are men who have long toiled in the mines and mills and women who have worked in factories and offices. They are farmers who have seen their crops, and yes, even their soil, contaminated or, worse, washed away.

Yes, they are doctors, dentists and lawyers whose valuable equipment, records and libraries have been destroyed.

And too, they are our retired senior citizens who simply cannot refurnish their rooms or buy new clothes out of their meager Social Security payments.

They are women and men who have served in our armed forces when the nation needed their services.

Now if we cannot offer them more than token support as they try to rebuild their lives, this nation will indeed have failed them in their time of need.

If the United States could afford to have given Germany and Japan almost \$100 billion of pre-inflated dollars to rebuild their nation at the end of World War II, we cannot afford not to give our own hard working citizens all the funds they need to rebuild their lives from this great disaster.

If the United States could afford to send billions overseas in foreign aid during the past 25 years, we cannot afford not to grant \$4 to \$5 billion in local aid to our own deserving citizens, if this is what it takes.

Perhaps more telling of all is the comment of Bill Ulicny of Forty Fort, Pennsylvania who told the Wall Street Journal last week: "Why doesn't the government call a moratorium for a week in Vietnam and turn over all the money to the people around here who really need it."

American pride rose high as we spent whatever billions were needed to also appropriate the funds to get our men back from the moon.

Our American pride should not let us permit any of our citizens to have their lives ruined by events beyond their control.

Incidentally, no one spoke of half-way measures for these projects; for we also appropriated the funds to get our men back from the moon.

Our own communities, need rebuilding. We must help our people rebuild. Let us take pride in helping these needy Americans back on their feet.

Indeed, if we don't make this investment in making our people productive again, let's not kid ourselves. Nothing will be saved. They will end up on welfare. The choice is clear: either we invest in the victims of the flood or we will pay for long years of dependency.

Believing, therefore, that nothing but the most massive and decisive federal action is necessary, I have come here today to make the following suggestions for your immediate consideration.

First, I suggest that the members of this committee and other concerned members of both the Senate and the House, hold a joint hearing on flood problems in the worst hit area of them all, the Wyoming Valley of Pennsylvania.

The devastation must be seen to be believed. Veteran Red Cross officials who have spent over a quarter of a century working in disaster areas have told me they have never seen any catastrophe its equal. In all my personal experiences overseas during World War II, only in Italy did I see so much damage.

The statistics are all too familiar.

It is one thing to say that 350,000 people are homeless.

It is something quite different to see those people as flesh and blood individuals, whose lives have been wrecked by this natural catastrophe.

It is one thing to say that 100,000 persons are temporarily or permanently unemployed. It is something else to meet a jobless person on the street who doesn't know where his next paycheck is coming from because the company for which he worked no longer exists.

It is one thing to state that the farmlands of Pennsylvania have been subjected to staggering loss in excess of \$300 million. It is much more compelling to meet one of those farmers whose entire livelihood depended upon crops which have been utterly destroyed or on livestock which was ravaged by the flood, or to talk to a farm family as I did who watched Agnes wash their farm's top soil into the river.

It is one thing to state that industrial and commercial loss in the Commonwealth exceeds the staggering figure of \$1.1 billion. It is still another to receive a letter like I received last week from a small store owner in Wilkes-Barre who pleads that "my future in this city and the future of my employees is in your hands. I hope and pray that you can do something for me so I can re-open again."

Yes, it is one thing to think of this individual store owner in Wilkes-Barre, but it's also important to consider that in the Wilkes-Barre, Kingston and Forty Fort area of 100,000 people, almost 90 percent of the business establishments were washed away. There are few, if any, pharmacies, dry cleaning stores, auto or TV repair stations, hardware, clothing or appliance stores or other kinds of local business establishments we just take for granted in our modern urban centers. There is hardly a doctor, a dentist's office or even an insurance agency or law firm that did not suffer loss of equipment and records.

To put it bluntly, almost the entire infra-structures of this city's commercial and professional life was washed away by Agnes, and unless we make it financially possible for these shop owners and professional people in Wilkes-Barre area to re-establish themselves in business, the city will become a ghost town within a short time.

Few, if any, of the people in this area want to leave. They have simply been great so far in their effort to fight back and restore their community. But unless financial help is given to them on a major scale, and on a realistic basis, their morale will suffer and they will not accomplish the task of rebuilding. Yes, the statistics are unbelievable. But the human story is devastating. The statistics cannot bring home to you the homelessness, despair and mental anguish of so many of our people whose lives have been destroyed. The statistics will not detect the elderly who do not know how to get help. Nor will they tell the story of so many families who are still not reunited.

I urge you to go to the Wyoming Valley. Only then will you realize the full dimensions of the problem. See the people. Talk to them. Discover first hand what they need. Then return to Washington and enact the strongest possible measure to help them.

Last Thursday, I was pleased by the President's decision to seek \$1.7 billion in flood relief measures.

However, on Friday, when I went to the White House Conference on Flood Relief, I was disturbed by three things:

First, I do not believe that the provisions for homeowners and businesses are flexible enough to help where help is really needed.

Second, I do not believe that \$1.040 billion is sufficient to do the job in Pennsylvania. That is the figure which has been quoted to me as Pennsylvania's share of the total program.

And third, there is no discussion yet on the federal level for financing the rebuilding of our railroads. Pennsylvania lost over \$50 million of railroad tracks and switching yards. Without restoration of these railroads, the future economic development of our state is jeopardized.

Yet all—I repeat—all of the railroads that operate in Pennsylvania are in bankruptcy. They are not eligible to receive any of the SBA of other types of federal financing to rebuild from the flood. They are already curtailing freight service to shippers.

Somehow the federal government must devise a financial plan to restore the damaged property of these railroads or else severe damage to the economy of Pennsylvania will result.

Pennsylvania was the victim of 80 percent of the total damage inflicted by Agnes. One billion, forty-one million dollars represents only a portion of the \$1.7 billion figure and as I have indicated even this total is far too low to do the required job.

Clearly, a great federal effort must be made.

At the beginning of the disaster, I was not satisfied with the federal response.

It is, perhaps, understandable that officials in Washington did not quickly realize the dimensions of the tragedy.

Vice President Agnew, for example, claimed that I was "excitable" and said that my initial estimate of over \$1 billion in damage and losses was "probably ridiculous."

However, as the impact was felt more deeply, the federal agencies did swing into action more quickly so that the situation is now greatly improved. I am pleased with the manner in which the Corps of Engineers tackled the project of cleaning up the debris in our state.

At the same time, I must reluctantly report that we are still receiving daily complaints that the Small Business Administration is not moving swiftly enough to get the money into the hand of the people. Indeed, in some instances, it is reported that slavish adherence to red tape rather than the spirit of the law is preventing instant relief to some of our citizens, particularly the elderly.

This is not only my opinion. In the same Wall Street Journal article of July 17th which I quoted to you earlier, the following report of SBA activity is given: "The Small Business Administration has been able to dispense only 20 loans totaling \$53,900 of the more than 14,000 applications it has received in its Wilkes-Barre office; it has, however, processed more than 4,200 loans."

On Tuesday, Mr. Frank Carlucci of the Office of Management of Budget, informed me that he was dispatching an SBA Ombudsman to Pennsylvania to clear up some of the problems and I hope that this will be done.

Now that the rescue and clean up operations have been completed, we face two immediate and pressing problems.

First, we must make sure that all who have been made homeless by the flood are placed quickly into temporary housing, which is fit for human habitation.

The second aspect of our immediate responsibility must be to get money—and get it fast—into the hands of people who are homeless; to help businessmen whose job-producing facilities have been destroyed, and farmers whose crops and livestock have been wiped out.

The President's proposal to set aside \$1.3 billion the new loans for the Small Business Administration to issue long-term loans at 1 percent interest, is a step in the right direction. But it won't solve the problem. His plan would be improved by adopting the proposals of Senators Schweiker and McGovern to raise the forgiveness level to \$15,000, but even this will not handle all the requirements.

I fear that the SBA loan approach only meets a small part of the problem.

The essential fact is this.

Tens of thousands of home owners have suffered total or almost total loss of their properties. Yet they are still responsible for and must pay off existing mortgages on these merchandise.

Under the President's plan, 1 percent loans would be made by the SBA to help these home owners and businessmen rebuild. However, they would first repay existing mortgages and bank loans out of these new SBA loans. This is too much of a burden, even at 1 percent interest.

Take a specific case of a home owner who had a home valued at \$20,000 with a \$15,000 mortgage. To rebuild this home today would cost \$30,000, and he would need a \$25,000 mortgage. So to get a new \$30,000 home, the individual winds up with a \$40,000 mortgage on his property; the old plus the new. He has lost his equity in his old home and even with the \$5,000 forgiveness he is farther behind the eight ball.

What happens if he wishes to sell the property, or for that matter could it be sold with such a large mortgage?

A businessman who owes \$50,000 and now needs \$75,000 to get back in business winds up owing \$125,000, even though his after-flood net worth may be zero or below. Like many small businessmen, he was struggling to make ends meet before the flood. What expectation for profitable operation can he expect to be burdened with his new large loan?

Realistically, it is essential that the debt that existed on property washed away must be forgiven, or at least placed in a long-term subordinate position. The home owner or businessman should be concerned only with a mortgage on his new home or for new loans to support the re-establishment of his new business.

If we do not do this, there are many thousands of home owners and businessmen who will simply have no choice but to "walk away" from their present homes and businesses, leaving the banks to hold the present paper—for which there is no longer any collateral.

During the administration of Herbert Hoover, when banks and other institutions were suffering great losses due to foreclosures on property, the federal government established the RFC. The RFC picked up this paper from the banks and arranged long term repayment schedules.

We need a modern type of RFC, not just to protect the banks but to help victims of floods and other disasters in this Nation become self sufficient once again and not become paupers.

Hurricane Agnes by its very dimensions has highlighted a human and business problem that has been with us on a smaller scale many years. But who knows where or when the next great disaster may strike, and how many of our citizens in all of our 50 States can be made destitute overnight by a flood, hurricane, earthquake or some other catastrophe.

Therefore, I propose that Congress act boldly and adopt financial measures that would make it possible for our citizens to return to their normal life patterns as quickly as possible whenever a disaster strikes.

This can be done in one of three ways, or by using all of the methods suggested.

1. Establish a new RFC to pick up all the present bank held mortgages and business loans on washed away properties. Turn this current debt into long term, no interest subordinate paper. This will permit all new SBA loans issued to be used for rebuilding purposes and still protect the lending agencies from losses on their previous loans. This will make it possible for people to finance new homes and refinance their new businesses without being hopelessly in debt.

2. Use provisions of the 1968 Housing Act and have the Federal Government condemn flood ravaged property at pre-flood prices. Restore relocation cost under this Act to pre-July 1st to 100 percent figure. Appropriate sufficient funds to HUD to enable this department to condemn large tracts or even all of the flooded areas and then redevelop these areas as Urban Renewal projects. This plan would enable the local, state and federal agencies to develop major redevelopment programs that would prove greatly superior to house by house or business by business replacement.

3. To go along with the first two suggestions, we should also establish a National Catastrophe Fund, by collecting a small surcharge on every property damage insurance policy that is sold in the Nation.

Insurance Commissioner Denenberg of Pennsylvania has calculated that for each one percent surcharge on standard property damage policies sold in this country, \$300 million could be put into the National Catastrophe Fund to provide complete protection for any type of damage, whether it be flood, hurricane, earthquake, subsidence gypsy moth infestation or other. Under such a plan, insurance surtax rates could be adjusted as needed in the future and no home owner or business enterprise would have to worry about future losses. It would be his right to collect on his insurance for these damages rather than have to come to government, hat in hand, asking for aid.

In short, while the SBA 1 percent loan approach recommended by the President is helpful, I strongly believe that you must find the means not only to recover past losses, but to help our people invest in the future. In connection with loans to business, it is essential that this Congress work into the law a firm requirement that any business which receives a Federal loan for reconstruction be required to relocate in the same labor market.

If a company that has suffered a loss in one area receives federal assistance funds and via these, funds to relocate in another area, that is certainly not helping the disaster area in its recovery efforts.

Other provisions of the President's program concerning flood control projects, temporary employment and public works development, are positive steps in the right direction.

I would also urge you to consider favorably the 7-point legislative program introduced on Tuesday by Senator Schweiker, which would include progress payments to those engaged in recovery work, disaster loans for working capital, Federal aid to private institutions of higher education and Federal tax reimbursement for other local taxes in addition to the property tax.

Beyond these measures, it is vitally necessary to place on the record the following points which directly involve Federal participation.

When considering the appropriation of new money, I strongly urge the Congress to impress upon the Administration the advisability of releasing billions of dollars of impounded funds which have already been appropriated by the Congress, but which the Administration had not seen fit to use.

There is money presently sitting in the Appalachian Regional Development Program, the Farmers Home Administration, the Department of Housing and Urban Development, the Department of Transportation and other agencies, for the purposes of economic development, sewer and water grants, highway construction, and numerous other relevant programs which could be in use today, if the President would release them.

It is not telling the whole story to ask for \$1.7 billion in money for flood disaster programs when large amounts of funds already in the Federal Treasury can be made immediately available for many of these purposes.

I also urge the Congress to make sure that the Federal unemployment compensation coverage for disaster victims is being fully implemented.

The Federal Government is presently taking the position that only those flood victims who do not qualify for the State Unemployment Compensation Program will be compensated by the federal program.

It has been my understanding from reading the law that the Disaster Relief Act includes Federal unemployment compensation for all victims, unemployed due to the flood disaster, regardless of whether or not they qualify for the State program.

The State program, as you know sets tax rates on businesses through the unemployment experience of a particular firm. It is inconceivable to me that we must rely on the State program, thereby increasing the tax burden on businesses hit by the flood, and consequently compounding their own financial problems, when they should be getting our help instead of a future heavier unemployment compensation tax bill.

Time and again I have expressed a deep concern about the problems of the elderly caught in this disaster. Many of them have lost everything.

Large numbers of the elderly do not even have the ability to deal with Federal or State officials because of lack of transportation and lack of awareness for the Federal programs.

I believe it will be necessary for the Federal Government to join us in a combined effort to seek out the elderly victims of this flood and to do for them what they cannot do for themselves.

It may indeed be necessary to go door to door to make sure that the services we have to offer become available to them.

A few moments ago I endorsed Senator Schweiker's proposals to include private higher educational facilities under provisions of the Federal Disaster Relief Act. I am now urging you to make sure that private institutions on the elementary and secondary levels are also included.

Throughout the State of Pennsylvania many flooded communities and neighborhoods had their lives centered on the local church and school.

In some cases these buildings were the hardest hit. Their immediate rehabilitation will help greatly to restore the community to a full and rounded life.

Finally, we must make absolutely certain that the rains which are certain to happen again no longer contain the potential for flooding out an entire section of our country.

Massive public works programs for flood control must be undertaken by the Federal Government.

And with the undertaking of these projects, it is vitally important that the Federal Government make a decision as to what actually constitute a flood plain. Thus far, I have been unable to get a clear and precise definition of a flood plain area from the Federal officials, nor has any decision been made as to what type of reconstruction can be initiated in the as yet undefined flood plain areas.

While we rebuild for the future, let's make sure that our people are protected from disasters like that which began four weeks ago.

As you can see, the task we face is enormous. But I have every confidence that, working together, the wealthiest nation that the world has ever seen can surely find it possible to help its own people in their hour of greatest need.

Thank you.

The CHAIRMAN. Now, we have Mr. Flood. Congressman, I believe you will agree that we must confine the witnesses to a short time.

Mr. FLOOD. Of course we agree with that.

Keeping that in mind under the circumstances, I have joined with Congressman McDade of Pennsylvania whose district is adjacent and contiguous to mine and damaged as well, so we have prepared a joint statement and we will submit the joint statement for the record.

The CHAIRMAN. Without objection it will be printed as submitted.

Mr. FLOOD. I will comment for a minute or two.

The CHAIRMAN. And with the permission also to extend your remarks, each one of you, to supplement the statement, if you desire.

STATEMENT OF HON. DANIEL J. FLOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. FLOOD. Yes, sir, I think that is understood. I will comment for a minute or two and I am sure Mr. McDade will. We realize the problem. The important thing is to get this thing done and get on the floor with the bill, as you know. I also cosponsored with the gentleman from Pennsylvania, Mr. Barrett, and he will discuss the bill he spoke of before the committee. I subscribe to that. That will deal a great deal with the questions raised by Governor Shapp.

If this were a movie, I imagine you would walk out. You can't imagine a Congressman named Flood coming from Wilkes-Barre, Pa., dealing with this subject. It is going pretty far.

Mr. Chairman, in 1929 there began a tragedy which saw breadlines in the streets, bankrupt businessmen by the thousands, central cities which were shadows of their former vitality, and an unemployment rate approaching 20 percent. This was the great depression. On June 23, 1972, the waters of the Susquehanna River left its banks resulting in a return of the bankrupt, the suffering, the destruction of life both mental and physical, and a return to the desperation which characterizes every disaster. Overnight the unemployment rate rose to 25 percent. This was the great flood of 1972. The size of this disaster is beyond the imagination of even the most pessimistic amongst us, and the scope of the law must meet the scope of the disaster. And I can assure you, the magnitude of the appropriations must meet the magnitude of the destruction sustained. Wilkes-Barre, Pa., and the Wyoming

Valley is the third largest marketing area in the fourth largest State in the Nation, and unless the Congress acts quickly, it will be faced with total disaster.

Mr. Chairman, in my travels I have seen the face of war and the ravages of disasters, but never have I seen the house-by-house, street-by-street, town-by-town and city-by-city destruction which Hurricane Agnes visited upon the central and northeastern portions of Pennsylvania. To give this committee a vivid example of the size of the tragedy and the numbers of people suffering in the Wilkes-Barre area, I direct the committee's attention to the following comparison. When the earthquake struck Los Angeles, Calif., some time ago, the Department of Housing and Urban Development received 1,280 applications for temporary housing. When Hurricane Camille ravaged four States, Mississippi, Louisiana, Virginia, and West Virginia, the Department of Housing and Urban Development received 5,000 applications for temporary housing. When Rapid City, S. Dak., suffered its recent flood, the Department of Housing and Urban Development received 1,500 applications. As of 9 p.m. last night, July 19, the Department of Housing and Urban Development has received 9,350 applications in the Wilkes-Barre area alone.

Governor SHAPP. Will the gentleman yield? The figure statewide is 14,600.

Mr. FLOOD. I am speaking of my area.

The above statistic is staggering, however one statistic is heartening. If this flood had occurred in Southeast Asia or in South America the loss of life would have run into the hundreds or the thousands. As it was, only six people died in Wyoming Valley. Though we sympathize with tragic loss, the task now at hand is reconstruction and rebuilding. I have spoken to farmers and homeowners, businessmen both large and small, property owners of all sorts—I have spoken to pastors of churches, priests, and rabbis—I have spoken to school principals and college presidents, and Mr. Chairman, the words on everyone's lips are, "Rebuild We Will." Now is a crucial point in time. Everyone wishes to rebuild; however, the critical question is, "Can we afford to?" You should be there and hear them.

The CHAIRMAN. Your time is up.

Mr. FLOOD. The legislation which you are considering will handle this matter.

The CHAIRMAN. Put your whole statement in the record if you desire. I apologize to you.

Mr. FLOOD. I understand. I wanted to refer to the fact that the elderly on fixed income of \$5,000 not be required to pay the principal, just the 1 percent.

May I add this as I conclude. In my district, the average age, wait until you hear this, the average age in my congressional district is 101½ percent above the national average: what more could you ask.

(Mr. Flood's prepared statement follows:)

PREPARED STATEMENT OF HON. DANIEL J. FLOOD, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

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shadows of their former vitality, and an unemployment rate approaching 20 percent. This was the Great Depression. On June 23, 1972 the waters of the Susquehanna River left its banks resulting in a return of the bankrupt, the suffering, the destruction of life both mental and physical, and a return to the desperation which characterizes every disaster. Over night the unemployment rate rose to 25 percent! This was the Great Flood of 1972. The size of this disaster is beyond the imagination of even the most pessimistic amongst us, and the scope of the law must meet the scope of the disaster. And I can assure you, the magnitude of the appropriations must meet the magnitude of the destruction sustained. Wilkes-Barre Pennsylvania, and the Wyoming Valley is the third largest marketing area in the fourth largest state in the nation, and unless the Congress acts quickly, it will be faced with total disaster.

Mr. Chairman, in my travels I have seen the face of war and the ravages of disasters, but never have I seen the house by house, street by street, town by town and city by city destruction which Hurricane Agnes visited upon the Central and Northeastern portions of Pennsylvania. To give this committee a vivid example of the size of the tragedy and the numbers of people suffering in the Wilkes-Barre Area, I direct the committees' attention to the following comparison. When the earthquake struck Los Angeles California sometime ago, the Department of Housing and Urban Development received 1,280 applications for temporary housing. When Hurricane Camille ravaged four states, Mississippi, Louisiana, Virginia and West Virginia, the Department of Housing and Urban Development received 5,000 applications for temporary housing. When Rapid City, South Dakota suffered its recent flood, the Department of Housing and Urban Development received 1,500 applications. As of 9:00 PM last night, July 19, the Department of Housing and Urban Development has received 9,350 applications in the Wilkes-Barre Area alone.

The above statistic is staggering, however one statistic is heartening. If this flood had occurred in Southeast Asia or in South America the loss of life would have run into the hundreds or the thousands—as it was, only six people died in the Wyoming Valley. Though we do not rejoice in even this small figure, the task now at hand is reconstruction and rebuilding. I have spoken to farmers and homeowners, businessmen both large and small, property owners of all sorts—I have spoken to pastors of churches, priests and rabbis—I have spoken to school principals and college presidents, and Mr. Chairman, the words on everyone's lips are, "Rebuild We Will." Now is a crucial point in time. Everyone wishes to rebuild; however, the critical question is "Can we afford to?" The legislation which this body is considering today is nothing less than historic for it will affect untold generations to come. By providing the opportunity to rebuild anew, which I can assure this body the people of the Wyoming Valley will seize, this Committee will be helping these people back to their feet once again and the benefits will accrue to untold generations to come.

It is clear that this Committee and the Congress is aware of the magnitude of what has happened along the Susquehanna River, and what is needed to serve the needs of the people there. Mr. Chairman, I commend you and the members of the Committee for your foresight in expediting the hearings today in such an unprecedented action. I trust that with efforts such as these the recovery from the greatest civic disaster in the history of the Republic will be forthright and expeditious.

The CHAIRMAN. Now, we have Mr. McDade. Do want to take your time or are you willing to let your statement be filed for the record?

Mr. McDADE. Mr. Chairman, my colleague from Pennsylvania is always articulate and magnificent and I support everything he said.

I would like very much to have a few moments to speak.

The CHAIRMAN. Your State had the greatest loss and I think entitled to the greatest consideration in this hearing, but at the same time others will have to be heard too. Now you go ahead for 5 minutes, please.

Mr. McDADE. I won't take 5 minutes.

The CHAIRMAN. We will hear Mr. Dent and that will suffice for the Pennsylvania delegation for the morning session.

STATEMENT OF HON. JOSEPH McDADE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. McDADE. I want to support the contention by my colleague that this bill has to be reported immediately. We don't have a sufficient amount of time to get into all of the niceties that we need. But perhaps I can focus in another way on the scope of the disaster that my colleague so ably articulated.

I do represent the congressional district next to him as does my colleague, Jim Hastings in New York State, where this disaster occurred as well.

For me to travel in my congressional district from my home city of Scranton, which is high and dry, to communities which have been destroyed, lock, stock, and barrel, every home, every business, every farm, every bank, every restaurant, every pharmacy, requires me or any of you, if we were to get into a car, a 6-hour turnaround time just to get there and get back. The traveling distances, the scope of this disaster, its widespread impact, over extensive geography is enormous. What Mr. Flood said is true. There wasn't a great deal of loss of life, and thank God that we didn't suffer that. But think of it this way if you will. Every one of us knows the words Hiroshima and Nagasaki. They are written forever in history. There were 74,000 housing units, according to the military, destroyed in Hiroshima and Nagasaki. We have that many, Mr. Flood and I, in our own districts, and more, destroyed right now with American citizens waiting for your help. So we beseech it, we implore it, we ask you for fast action.

I reemphasize the problem of the elderly. I hope you will find a way to treat them with special generosity. They cannot afford to begin their lives again in these circumstances, and Jim Hastings can speak to that as well.

Also the refinancing portions of this bill have to be rewritten because we have many people, for example, a young person who just got married and went out and got a \$20,000 mortgage on a \$25,000 house, and put \$5,000 in for personal furnishing and now it is all gone. And that is not all, so is the place where he worked. So when we send out the representatives of the Federal Government they say, "come in, and we are going to refinance you with 1 percent." But in order to get back to where he started, he has to go into debt to at least \$50,000, where before he was in for \$25,000. And now he doesn't have a job; and that word "debt" as the members of this committee know so well, is not one that is well appreciated by the people of our America. So we beseech you, and I implore you, to do your very best to look at those situations as well as others when you write this bill; and I say you can think of it, without any difficulty, as a calamity and catastrophe far greater than if we had received in terms of property destruction two atomic bombs and more across this Nation.

Thank you, Mr. Chairman.

(The following joint prepared statement was submitted for the record by Mr. McDade and Mr. Flood:)

PREPARED STATEMENT OF HON. JOSEPH M. McDADE AND HON. DANIEL J. FLOOD,
REPRESENTATIVES IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, members of the Committee, we are grateful for the opportunity to submit this statement in support of H.R. 15872, H.R. 15890 and related bills

also known as the Agnes Recovery Act of 1972. As Congressmen from the 10th and 11th Congressional Districts of Northeastern Pennsylvania, we are filing a joint statement to emphasize our joint efforts in flood relief that have spanned the last three weeks since the floods that accompanied Agnes struck our respective districts. We represent two districts with a combined population of nearly one million people. Most of them are suffering unique problems never before encountered. They are separated by political boundaries but joined together by the common need to rebuild their shattered homes and lives.

Virtually every segment of our population; the homeowner, the businessman, the farmer, the laborer, the housewife, the children, and the elderly, has been touched by this flood. In the 11th Congressional District the highly urbanized areas of Wilkes-Barre, Kingston and the communities down the Susquehanna River have all suffered massive devastation, perhaps the worst in the nation. 80,000 people were evacuated from their homes in the Wilkes-Barre area alone. Businesses and factories were destroyed. Fires spread by leaking gas mains burned entire city blocks. Adjacent towns were battered by the relentless water crushing homes, businesses, automobiles, and devastating cemeteries. When the waters receded they left a legacy of dead animals, mud, flies, mosquitoes, snakes, and countless other health hazards enveloped in a foul odor that made the strongest National Guard troops weak and sickly.

North of this area up the Susquehanna River in the 10th Congressional District through the normally placid Tioga and Cowanesque River Valleys, the primarily rural population suffered similar damage. Communities were isolated because of no communications. Tiny rural hamlets were in some cases totally obliterated. Bridges and highways washed out. Farm crops were destroyed. Even the farmer who did not live along the river watched helplessly as his topsoil and his crop were washed away. Indeed, our rural communities all became "little Wilkes-Barres."

Let us tell you something about these people. Whether they be rural or urban, young or old, farmer or factory worker, they need help. They need a new start. Flood insurance is virtually non-existent with these people. Many of the elderly who were looking forward to a happy and contented retirement now must start over. Young people just making their own way in life now face the prospect of new second mortgages or assuming a new mortgage for their parents to live comfortably in their remaining years. The farmer who invested thousands of dollars in this year's crop only to have it washed away must now borrow on next year's crop to regain some form of income. These people are doing these things. They are taking these risks. They are not turning away but they are staying to rebuild. Now they are looking to the Congress to make it easier to rebuild. We cannot let them down.

The legislation before this committee today would provide relief to the most critical needs of our people in Northeastern Pennsylvania. The first feature of the bill increases the loan forgiveness from \$2,500 to \$5,000; in addition, the \$500 deductible provision of present law would not have to be repaid. Second, the remainder of the money required by a homeowner or a businessman or other victim is a repayable loan at an interest rate of 1%. This compares most favorably with the current rate of 5½%.

Three weeks ago, this committee wisely responded to the needs of flood victims everywhere by its quick action on H.R. 15692, passed by the House and currently pending before the Senate. That legislation gave the homeowner the option of an SBA or FHA loan at 3% with the first \$2,500 forgiven or a loan at 1% with no forgiveness. In addition, H.R. 15692 removed the \$500 deductible payment.

The legislation before you today improves on H.R. 15692 in several ways. It simplifies the borrower's understanding of his loan opportunities. It provides substantially greater financial assistance to homeowners in replacing their lost property. It provides greater incentives for homeowners and businessmen to rebuild and to stay in their communities.

Mr. Chairman, this committee is considering the key piece of legislation in the Administration's flood relief package. We have a tremendous rebuilding responsibility in this nation as a result of this flood. Highways and bridges must be rebuilt. Communications must be restored. Sewage systems, dams, and flood prevention measures must be repaired. But our greatest challenge after cleaning away the debris is to get the homeowner back into his home. We must get the businessman ready cash to rebuild his business. We must get the schools and hospitals repaired and functioning again. And we must help the farmer rehabil-

itate his land, rebuild his home and his barns and replace his livestock. This legislation will get the enormous job done more easily and quickly.

In doing these things we will reaffirm the confidence that thousands of families have in their government. It is the confidence in knowing that when they need help they can turn to government and get help.

So far the response of the Federal government has been excellent. Federal officials have walked through the debris strewn streets bringing in some cases comfort by their mere presence. OEP centers, SBA offices, and HUD offices have all been established and are working full time to meet our people's needs. There has been a spirit of cooperation and willingness to cut red tape all along the line to speed relief to those in need. We trust that this committee and the Congress will in its wisdom act quickly and favorably by passing this legislation.

The CHAIRMAN. Thank you, Mr. McDade and Mr. Flood.
All right, Mr. Dent and then Mr. Hastings.

STATEMENT OF HON. JOHN H. DENT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. DENT. Mr. Chairman and members of the committee. I want to join the Governor and the members of the Pennsylvania delegation who have spoken before me in urging swift consideration of the plans for flood relief that have been laid out before you. I just want to point out that I came from a section of Pennsylvania where the loss is not so dramatic but just as real. I imagine that before it is all over, certain parts of my area will claim greater damage due to the loss of crops than to anything else because we are a great family farm area where I come from. You can just forget the whole corn crop in western Pennsylvania, and that means there will be no feed for their cattle all winter. There is no use trying to dramatize this kind of a calamity. Unless one has been in that particular situation himself, he can never realize what it is like.

When I went into my own home after the 3 days that it took the water to recede, I found it hard to believe the damage. I had read about and had seen floods before, and I had lived through the 1936 St. Patrick's Day and the 1954 Hazel flooding, but I had never seen it come up climbing around the doors like this one. The others never really got in and did the job.

I want to tell you that my heart goes out to these poor people in the Wyoming Valley, particularly, where water went all the way over the top of their homes and up into the second story of two-story homes.

There is nothing they are going to be able to do. It is impossible to save these buildings because of the way they are built now days. The walls are stuffed full of rock wool insulation, which is the devil's own product to make things impossible to repair. They smell worse than anything that has ever been invented once this muddy water gets in.

Can you imagine the job of trying to strip the insulation from behind the plaster, behind the painting, and behind the wall covering. That is all that any person can do. And I know because this is the case in my own home. We are not yet able to move back into the place even though we have had something like 375,000 B.t.u.'s of heat pushed into it since the day we returned after the flood in order to dry it out.

My loss is just a small one in the whole set up. The real loss is up in the valley, and the need up there is much greater. It isn't only the financial loss. There is nothing this committee can do to return 50 years of

memories and paintings and pictures, a whole family's history. I, myself, lost some which were given to me and entrusted to me by my father and my mother; and all families have problems such as this.

The young man over in the house next door to mine got married the week before the flood. He went on his honeymoon and came back, and the wedding gown, all the wedding pictures, the gifts friends had given them, just about everything that they had, were all washed down the drain; they don't have a thing to remember an occasion like that.

So I plead with you to report this bill out with as little change as possible. This bill is just a stopgap measure; do the things that they recommend that have to be done now, and then continue your hearings and amend the act later. Knowing your humanitarianism, not only that of the chairman but of this whole committee, I think the faith of the people in Pennsylvania will be rewarded with the knowledge that a good committee is doing what it can to alleviate their suffering.

The CHAIRMAN. Thank you very much.

Mr. WILLIAMS. May I ask a question?

The CHAIRMAN. We have to follow this procedure. If you want to change it—

Mr. WILLIAMS. No; I do not want to change the procedure. I want to ask the witnesses one question.

Do you have before you H.R. 15935?

The CHAIRMAN. Yes, sir.

Mr. WILLIAMS. That is the bill you have before you.

Mr. DENT. Yes, sir.

Mr. WILLIAMS. Have you had a chance to read it carefully?

Mr. DENT. Yes, sir. Some changes will have to be made, we know.

The CHAIRMAN. Mr. Hastings.

STATEMENT OF HON. JAMES HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HASTINGS. I want to thank you and the committee for your expeditious action on this most serious matter. I won't try at this time to add to what my colleagues and the Governor said about the seriousness of the problem. I am sure the committee understands that.

My district, the 38th Congressional District in New York, borders the State of Pennsylvania throughout the entire southern tier. New York State is reported to have damage of three-quarters of a billion dollars from Agnes. My district suffered \$560 million of that damage. I think you can understand my concern.

The measure before us, H.R. 15935, for the administration is one I support completely and wholeheartedly without any reservations. I would, however, call attention to the committee and repeat what my colleagues have said about two particular areas that I think should receive special consideration. One concerns the elderly, those people on limited fixed incomes, who lost all or substantially all of their household. I sincerely believe that this committee should take a look at allowing them to repay only the 1 percent rather than the principal as long as they are living. The Government could have a lien against the property at the time of the death of the individual. It is incon-

ceivable to me that two old people who are on social security, even under the lenient provision of this bill, could get themselves back into housing without facing an unbearable burden of new mortgage payments, even at a low rate of interest. I think this is a significant problem and one that your committee should pay some particular attention to.

The other situation is the question of refinancing. I have figures, actual case figures, in front of me, for example where a couple owned a home, in this case a home valued at \$18,000, has \$9,000 worth of damage and will pay \$96 a month in mortgage. Under the terms of this legislation they would be paying, refinancing what is available under this bill plus a new mortgage, they would be paying \$136 a month. They go from \$96 to \$136. We believe that that type of individual, in the discretion of the administrator, should be allowed to refinance a larger portion of his old mortgage on a destroyed asset. If, and it can be done simply in this legislation, it would take care of the other of the two most serious inequities that are going to continue to exist.

Mr. Chairman, again, in the interest of time, I am not going to proceed further, I ask this committee to seriously consider these two measures that I have discussed, I think that it will improve the bill immeasurably and take care of a great number of people in all sections of the country who were hurt by Agnes and otherwise will not be helped.

At this time I would like to highly commend the actions that have taken place in the Federal Government agencies, SBA, HUD, OEP, and certainly OMB, for the way they have responded to the problems in our respective districts.

I thank you, Mr. Chairman.

(Mr. Hastings submitted the following table for inclusion in the record:)

Home value	Predisaster				Postdisaster—Present limit on refinancing w/SBA loans at 1 percent				Maximum use of SBA loans at 1 percent if amendment is adopted—total SBA refinancing at 1 percent—25 years				
	Disaster damage	Mortgage balance at bank	Rate/term (years)	Principal and interest payment to bank (per month)	Maximum SBA loan under present law	Term (25 years)	Monthly payments at 1-percent interest	Terms at 7½ percent		Total debt	Total payment to SBA plus bank		
								Balance of mortgage due to bank	years			Monthly payment	Amount
\$28,000	\$18,500	\$20,000	7½	25	\$37,000	25	\$142	\$1,500	3	\$38,500	\$189	\$38,500	\$148
\$28,000	18,000	25,000	7½	25	36,000	25	135	7,000	10	43,000	218	43,000	161
\$32,000	9,000	28,000	7½	25	9,000	25	33	28,000	25	37,000	240	37,000	138
\$25,000	12,000	18,000	7½	25	12,000	25	45	18,000	25	30,000	178	30,000	112
\$18,000	9,000	13,000	7½	25	18,000	25	67	4,000	5	22,000	163	22,000	82
\$12,000	9,000	7,000	7½	25	16,000	25	60	None	None	16,000	60	16,000	60

The CHAIRMAN. Thank you, gentlemen, very much and keep in touch with the committee.

Governor SHAPP. May I ask one question? On page 3, in paragraph 3, the word, it talks about total destruction or substantial property damage. I would like to see if you couldn't have another word other than substantial, at least a definition of what is meant by substantial.

The CHAIRMAN. We will keep that in mind.

Governor SHAPP. This causes considerable problems in the field even at the present time.

The CHAIRMAN. Yes. You have representation from Pennsylvania and I am sure they will look after it, too.

The South Dakota witnesses please come around.

Mr. Abourezk, take your place, please; Mr. Barnett, and that will be all for South Dakota.

Mr. ABOUREZK. Yes, sir.

The CHAIRMAN. All right, Mr. Abourezk, you may proceed and we regret and we apologize not having more time, but you may extend your remarks and place such additional remarks in the record.

Mr. ABOUREZK. I would ask consent to do that. I won't need much time.

The CHAIRMAN. We will hear you for 5 minutes and hear your companion, the mayor.

Mr. ABOUREZK. Thank you. I have been before this committee—

The CHAIRMAN. Wait just a minute. Let us have attention. If you want to confer, please go outside of the committee room. Close the door, Mr. Doorkeeper.

STATEMENT OF HON. JAMES ABOUREZK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. ABOUREZK. Thank you, Mr. Chairman. First, I want to thank the committee and the chairman for their very prompt action on all of this disaster legislation that has been proposed recently. I have been before this committee prior to this, so the story of what happened in my district and my State is pretty well documented and pretty well known so I won't go back through that. What I want to do is simply ask the committee for a couple of changes in the legislation.

No. 1, make it permanent legislation rather than singling out one or two disasters. I think that the people of this country are entitled to that. I don't believe that it is proper and right to single out one or two disasters in a year and provide benefits to those people while neglecting everybody else in the country.

Second, change the legislation to provide that people who had a mortgage or a debt on property that was totally wiped out be provided with a forgiveness, either 90 percent or total, or whatever the committee might see fit, to allow those people to start fresh and get back to where they started from.

I think Mr. Barrett spoke of that in his opening statement this morning. But I suggest to the committee that that be done because it is a good thing to have a \$5,000 forgiveness and 1 percent rate, it is a very good thing, but it really doesn't help those people who are totally wiped out.

You cannot start a business and pay a double mortgage. You cannot build a new home and pay a double mortgage on that home and still survive and have the community benefit economically or develop economically. I know that when the last bill, 2 weeks ago, went through this House, at 1 percent rates, there was talk about a raid on the Federal Treasury. I think you heard it, Mr. Chairman, as well as I did. But if this flood had happened in any country overseas, that we were friendly with, we would not have had hearings, there would have been a check written by the Federal Treasury almost instantaneously to help those people because we pride ourselves in this country on helping people who have been victims of tragedy. That is the makeup of this country, of the United States of America, and yet there seems to be some hesitancy on the part of the people in Congress to help people in the United States of America when they suffer the same kind of tragedy.

Yes, we want self-help programs. I think people will try to help themselves to the extent that they can. But the only thing that will do it all in Pennsylvania, South Dakota, New York, and whatever other State is affected, is a massive Federal commitment. That is the only way it is going to be done.

(Mr. Abourezk's prepared statement follows:)

PREPARED STATEMENT OF HON. JAMES ABOUREZK, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, members of the committee: This committee has distinguished itself in the eyes of the people of Rapid City, South Dakota, for the prompt and responsive action you have taken to date to help them. The people there are aware of your contribution, and fully grateful, as am I, for it.

More than a month has passed since my hometown of Rapid City, South Dakota, was devastated by a horrible flood. More than 230 people lost their lives. Damage exceeded \$150 million—small by dollar comparison to Agnes, but overwhelming when you consider that the damage was concentrated within a population of less than 100,000 people.

The flood wiped out rich and poor, business and residential. It cut a swath—geographically and economically—right through the middle of town. We lost hundreds of businesses, and upwards of 5,000 homes suffered major or total damage.

We are already in the rebuilding phase; Federal officials tell us that they are breaking records in getting the recovery program off the ground.

But as far as the economy is concerned, we are stuck in the mud—and unless this Congress acts quickly and fairly, we will be living in the shadow of that disaster and under its economic burden for a generation.

We cannot have people living without hope. We cannot have thousands of families living in homes mortgaged at twice their value, nor can we tolerate a business community permanently prohibited from expansion because a WPA dam broke.

Mr. Chairman, I have stacks of letters from homeowners and businessmen, letters which say in stark, cold terms that their writers cannot face the future burdened with debt from the past which now stands for nothing.

Instead of belaboring the point, I will leave it to your imagination: what would your mail look like if suddenly fate decided to eliminate 1,400 jobs in a town of 43,000 in your district? What would your mail look like if 5,000 of your constituents—rich and poor—lost their homes and businesses but still faced the mortgages and notes against them?

It would not make pleasant reading. You would be driven to use the most passionate language at your command to get help; you would be angered to see the more than \$150 million we have given to foreign countries to help their disasters in the last six years while your own constituency struggles with an incredibly backlogged, underfunded bureaucracy to get just a token of compensation.

My requests this morning are few and simple :

The first is to make sure that Rapid City is included in any disaster legislation which passes this Congress. Earlier there had been some confusion as to whether Rapid City would be eligible for benefits proposed for Agnes Disaster relief. I understand now that the President has included Rapid City in his bills. I just want to urge that we keep Rapid City in.

The second request is to pass legislation to increase the forgiveness feature on Small Business Administration Disaster loans to up to 90 per cent of the loan. The President's proposal calls for increasing the forgiveness from its present \$2,500 to \$5,000—generous, true, but still far short of what it would take to inject real hope into a situation whose long-term prospects are otherwise bleak.

We are not asking for some wild-eyed giveaway. The best estimate we have now is that the Small Business Administration will write somewhere in the neighborhood of \$50 million worth of loans to businesses and homeowners. At 90 percent forgiveness, then, we are asking for something in the neighborhood of \$45 million. By Washington standards, that is not a lot of money, but by standards in South Dakota, where the damage was heavy and concentrated within a population of less than 100,000, it means a lot.

I honestly believe that a 90- per cent forgiveness is not extreme or farfetched in a case of such terrible disaster. But if the Congress is unwilling to go with 90 per cent for whatever reason, then, by all means, we need at very least the flat \$5,000 forgiveness with forgiveness of the next 50 per cent of the balance of the loan. This is the very minimum with which we can get by. The 90 percent forgiveness proposal is much more in the ballpark and fully commensurate to our real needs.

It means that I could go back to the small businessman who came to me nearly in tears because he had lost 17 of the twenty-odd units in his motel. I could go back and tell him that we can get that loan down to a level his modest revenues can handle. It would mean he could go back into business.

Mr. Chairman, in conclusion, I believe that these requests, when measured against that stark picture of devastation, are amazingly modest. I urge action upon them in fairness and with dispatch.

Mr. ABOUREZK. I want to thank you for the time, Mr. Chairman. I would like to introduce the mayor of Rapid City, the Honorable Don Barnett.

The CHAIRMAN. Mr. Barnett, we are glad to have you, sir, and you may proceed as you desire.

STATEMENT OF HON. DON BARNETT, MAYOR, RAPID CITY, S. DAK.

MAYOR BARNETT. I am Don Barnett, mayor of Rapid City, S. Dak. In our flood 237 people have been found who died as a result of the flood in the city of Rapid in an area 10 miles long and about 4 blocks wide. About 100 people on each side of the creek died, or 1 per city block. Consequently we are in the middle of the worst disaster to hit the Midwest and I would certainly want to emphasize with all of the vigor I can find this morning, whatever bills Congress passes simply must include Rapid City. To you, Mr. Chairman and the other leadership of the Congress, we sincerely want to thank you for making this a package piece of legislation.

I don't believe that you or the Congress has the time for individual separate bills for every single disaster that might hit this country, and I think as comprehensive as we can make this legislation, the sooner these benefits can get down to the suffering families in these flood areas.

Governor Shapp spoke so eloquently about the disaster in Pennsylvania. We are in the same boat, so to speak, in South Dakota, and we see no need for two pieces of legislation, we think it should all

be the same, and we are very pleased Congress is going in that direction.

One factor I would like to expand upon in my comments here is the fact that we must increase and we must liberalize the forgiveness factor in the loans through the Small Business Administration. Now I can talk to you about the fortitude and the strength of the people in western South Dakota in the four county areas, and especially Rapid City. Nobody out there expects to get off scot-free. Everyone of them knows they are going to have to incur some additional debt, they are going to have to mortgage themselves to the hilt, but if we could try to provide some additional forgiveness it might reduce the payment period for these people and give them some peace of mind in the middle of the worst period of agonies these families have ever experienced.

We are talking about well over 2,000 families that have lost absolutely everything. They cannot stand a double mortgage, as the Congressman pointed out. If they can't stand it in Rapid City they can't stand it in Pennsylvania either. Consequently if we could liberalize the forgiveness factor, the 90 percent or 50 percent or some compromise factor in the middle, that would give these people peace of mind. I believe it is essential we try to get these people that peace of mind as soon as possible. They are in a state of flux right now. They are in a state of agony. There is so much uncertainty with the changing Federal policies and the whimsical nature of some of our Federal programs I think they need a decision right away, and I commend you and the Members of Congress for doing such a fine job in having these hearings as soon as possible. I think you people should know and you should be proud of the money appropriated thus far. The Small Business Administration has been on the job in Rapid City since the second day of the flood. Thus far they have granted over \$7 million in loans. They are there with good staff. The redtape and technicalities have been reduced to a minimum. They are doing an outstanding job. The Red Cross has been on the scene and they have given away more than a million dollars. These agencies are doing the best they can with the law they have at the present time. I am not mad at any Federal agency, at any Federal employee whatever. If you can liberalize the law to provide greater forgiveness, I think you would be helping the people in all of these disaster areas.

Mr. Chairman, I certainly thank you very much.

The CHAIRMAN. Thank you very much and if you desire to enlarge upon your testimony for the record, you may do so.

MAYOR BARNETT. Thank you.

(Mayor Barnett's prepared statement follows:)

PREPARED STATEMENT OF HON. DON BARNETT, MAYOR, RAPID CITY, S. DAK.

Mr. Chairman, Members of the Committee. My name is Don Barnett. I am mayor of Rapid City, South Dakota.

First, let me say that I want to thank you and the Committee for generously making time available to hear my presentation. The dispatch with which the Congress has acted on disaster legislation has been encouraging to those of us who face a long, uphill battle to restore a city devastated by flood.

We have a long way to go, Mr. Chairman, one very, very long way before the city fully recovers from the blow dealt by the June 9th flood. We have a long way

to go before our public facilities, our property, our business, our homes and lives get back to normal.

The debris has been cleared, for the most part. The dead have been buried. We are working on the roads and public utilities. The scar of damaged land and damaged buildings lingers, and will for some time—but I'm here today to talk about another scar—a wound that will be with us for quite some time unless this Congress takes positive action.

I'm talking about the economic scars. I'm talking about what it means when you have more than a thousand people out of work, hundreds of businesses damaged or destroyed, and thousands of homes either completely gone or severely damaged. I'm talking about the impact on our property tax base, on business and employment in general, and about the real damage done to our city's long-term prospect of attracting new jobs.

In a word, the picture is bleak.

We have thousands of homeowners for whom the task of rebuilding means taking on a mortgage for half again or twice as much what the new home would be worth—and taking the job to repay that mortgage in a depressed economy.

We have businesses for whom the task of rebuilding means reduced payrolls, reduced inventory and services—and even then against whopping mortgages and notes.

Under those conditions, it is just impossible to expect that Rapid City ever will be back where it was. For far too many of these decent, solid, hardworking people, the burden of paying old debts on top of the enormous cost of reconstruction is going to be impossible.

The bills before you, by comparison, are pretty moderate requests.

But before I begin, I want to emphasize with all the vigor I can find that whatever bills Congress passes simply must include Rapid City. The flood hit us hard, Mr. Chairman—and although the damage in the East Coast was terrible, it was spread over a much larger area. The damage to Rapid City and the area was highly concentrated, and it came right through the middle of town. I can see no reason of any kind to exclude Rapid City—and I can see every reason of simple decency and justice which argue for including us. I plead with you to include Rapid City into whatever legislation is reported out of this Committee. Our need for your help is so absolute that I am somewhat at a loss to put it in words.

The bills before you would lower the disaster loan interest rates to one per cent. This will help out a great many people, especially those who suffered only partial damage to home or business.

But for many, even a one per cent loan is not enough. That is why the Congress put the forgiveness feature into these loans in the first place. I am here to tell you that the present forgiveness of \$2,500 is simply not enough.

It is not enough for the businessman who needs several hundred thousand dollars to get back on his feet. It is not enough for the homeowners whose mortgaged home is now somewhere down the creek, or in a pile of rubble.

When you are talking about \$50 million worth of damaged homes and businesses, individual grants of \$2,500—or even \$5,000, as the President proposes—are just a drop in the bucket.

We need legislation to get these people as humanly close as possible to where they were financially before the flood struck.

Congressman Abourezk has proposed making disaster loans with 90 per cent forgiveness. Now I know that at first that sounds like a lot. But it is not a welfare giveaway to loafers. And it is not a boondoggle to the wealthy—this money would go to the people who are the very backbone of our community—the solid, hard-working people who make an average American community tick. It would not make them instantly rich. It would just put them back—reasonably—to somewhere near where they were before the flood hit. So they can get on with their jobs and on with the task of making Rapid City grow.

The proposal for 90 per cent forgiveness is fully what we need; it is not an exaggeration; it is the one sole item that would really do the trick to put Rapid City back on its feet. But I understand that compromise is the essence of politics. If 90 per cent seems to you far too unreasonable, then please, at least give us 50 per cent forgiveness, with a flat \$5,000 forgiveness at the front end of the loan. We urgently need the 90 per cent forgiveness. But if we have to, we can get by with the 50 per cent.

Mr. Chairman, in conclusion, I would like to say that the people in Rapid City have a remarkable spirit of hope. They want to rebuild. They just need the tools.

Thank you.

The CHAIRMAN. Thank you very much. Next we will have Congressman Zwach.

STATEMENT OF HON. JOHN M. ZWACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. ZWACH. Thank you, Mr. Chairman. I am Congressman Zwach of Minnesota. Thank you very much. Mr. Chairman, members of the committee, I know the value of your time. I shall be brief.

I want to support the effort to make this broad legislation that will treat everyone in our country the same way.

Very briefly, let me point out to you what is a developing disaster. There are 14 counties in western Minnesota in my district, some in southeastern North Dakota in Congressman Mark Andrew's district and some in Congressman Denholm's district in eastern South Dakota that have had the worst rains and the worst crop input conditions in the history of that whole area in a hundred years. Continuous rains had made it impossible to plant the crops on time. If we don't have a perfect fall, we will have a crop disaster. This is slower than a flood but it is just as severe.

Let me read a paragraph from one of the county agents in one of the counties. I have just asked him to summarize the situation and this is what he said.

I think with farmers hope springs eternal. They are planting soybeans at this date in July. This is July 10. I have never planted soybeans in this area as a farmer after June 15.

Some corn was planted as late as June 22. The whole crop of corn, soybeans, small grains, on the average was planted a month late. That means that 25 to 30 percent of the growing season was not utilized. So unless we have a perfect fall this is going to be a major disaster. Estimates already are that these 14 counties in my district have had a \$72.8 million loss even if we have a perfect fall.

So, Mr. Chairman, rather than ask us to bring in a special bill on this matter, I would certainly hope that the committee would treat everyone in the same category, the same way. It would be hard to go home to these people who the lending agencies say will be foreclosed by the hundreds. It will be hard to go home and say we treated certain Americans a certain way, we are doing nothing for the others. If they qualify, I would hope they would be given this kind of consideration. Thank you very much.

(Mr. Zwach's prepared statement follows:)

PREPARED STATEMENT OF HON. JOHN M. ZWACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, and members of the Committee. Thank you for this opportunity to appear before you with a brief statement in behalf of the farmers and businesses of western Minnesota and eastern North and South Dakota. I urge that this area be included in this bill.

While national attention was focused on the area hit by Hurricane Agnes, the area I mention was subjected to extended wet weather with similar disastrous results to our farm economy. Without help at the proper time, hundreds of farmers will be bankrupted and forced out of business and this will be reflected in a massive economic collapse in the stricken area.

Agricultural officials in 21 western and northern Minnesota counties have estimated that excess spring rain did \$72.8 million damage to their crops.

Another million dollars damage is estimated to public roads and bridges in the flood area, according to the State Civil Defense Director.

At the present time, 14 of these 21 counties have been put in the "economic injury" category and the Secretary of Agriculture has opened up emergency Farmers Home Administration farm operating loans to farmers in these counties. This designation also triggered emergency Small Business Administration loans to businesses directly affected by the crop loss.

In either case, borrowers must have sustained damage from abnormally wet weather. Borrowers of these loans in my area, however, are eligible only for loans at the 5½% interest rate, as compared to the \$5,000 maximum forgiveness and 1% interest rate that is contained in the present legislation under consideration.

In my area, approximately 250,000 acres remain unplanted. In addition to this, much that was planted prior to the heavy rains was flooded or washed away with the unfortunate circumstances that much of this could not be replanted. Farmers with acreage unplanted prior to the heavy rains had to switch to alternate crops with shorter growing seasons. With luck and perfect weather through the remainder of the summer and fall, these farmers might get some income. I might add that having lived and farmed in this area all my life, I cannot remember too many growing seasons with perfect weather, even when the crops were planted under good conditions.

This area has not yet been designated a Presidential or Agricultural Disaster Area because it is still unknown what the total damage and crop loss will be. However, I again urge you to broaden this current legislation to give all disaster victims the same measure of relief rather than covering only one disaster and designated area.

The CHAIRMAN. Thank you very much sir. And if you desire to extend your remarks in addition to what you have said, you may do so.

Mr. ZWACH. Thank you very much.

Mr. ROUSSELOT. Could I ask the gentleman from Minnesota one quick question?

The CHAIRMAN. For what purpose is the gentleman asking recognition?

Mr. ROUSSELOT. If he is familiar with H.R. 15935.

The CHAIRMAN. If we deviate from our program we can't possibly carry out the President's suggestion. He asked us to get this done within a week. He sent a message up Monday.

Mr. ROUSSELOT. Is the gentleman familiar with H.R. 15935?

Mr. ZWACH. That is the title of the bill before you.

Mr. ROUSSELOT. The bill before this committee.

Mr. ZWACH. Yes, sir.

Mr. ROUSSELOT. Would you give us a suggestion as to how this bill should be amended.

Mr. ZWACH. I feel that the provisions of this legislation should be broadened to include all disasters, and should be made permanent so that all disaster victims will be treated equally.

The CHAIRMAN. Mr. Foley and Mr. McCormack will be our next witnesses.

STATEMENT OF HON. THOMAS S. FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. FOLEY. Mr. Chairman, Mr. McCormack of Washington and I are here to ask the committee to extend the coverage of H.R. 15935 to major floods that occurred in north central Washington during the latter part of May of this year which was declared a major disaster area by President Nixon on June 10. Loss of life was sustained, though fortunately not as extensive a loss by any standard as what occurred

in the South Dakota disaster. Nevertheless, very substantial damage to private residences, businesses, and public facilities occurred.

Now, it would seem to me incomprehensible that the Congress should pass special disaster relief legislation for major disasters occurring in June 1972 and deny the same provisions to a major disaster in the State of Washington declared by the President on June 10, 1972.

The bill before the committee specifically mentions the disasters which struck the State of South Dakota in the month of June 1972, again the exact same month in which the Washington floods were declared a major disaster.

The CHAIRMAN. That would include your disaster, would it?

Mr. FOLEY. No, sir. The language as I read it in the bill before the committee mentions only the disasters that struck the State of South Dakota in the month of June.

The CHAIRMAN. And you want to include Washington?

Mr. FOLEY. Yes, sir; our plea is that the State of Washington, which suffered this major flood disaster—

The CHAIRMAN. And Mr. McCormack is likewise interested, is he?

STATEMENT OF HON. MIKE McCORMACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. McCORMACK. Yes, Mr. Chairman. Congressman Foley and I share this view. We have both visited the flooded areas, and we both are concerned. We request the support of the committee.

The CHAIRMAN. It certainly will be given consideration and will you submit some statement to show the extent of the damage?

Mr. FOLEY. We will submit a written statement for the record.

Mr. WIDNALL. Can we pin down the exact dates when this occurred in your district?

Mr. McCORMACK. Mr. Widnall, if I may, there were two floods that came about a week apart. The first was the result of snow runoff, and the second was the result of cloudburst in the area. The incidents overlap, and cover a period of about a week. The President declared Okanogan County a disaster area one day, about 5 or 6 days later amended it to include Chelan and Douglas Counties. This occurred mostly during the first 10 days of the month of June. We can document this in detail in a written statement.

The CHAIRMAN. To make sure it is included.

Mr. McCORMACK. Yes, Mr. Chairman.

The CHAIRMAN. June 6 was the date that we had. And if we have the month of June that should include you, shouldn't it?

Mr. McCORMACK. Yes, it should.

Mr. FOLEY. Mr. Chairman, one clarification. The floods actually began, Mr. Widnall, about the 28th of May. The designation of Washington as a major disaster area was in early June after the Office of Emergency Preparedness had made its survey and report on the extent of the damage. Even after the declaration, heavy rains exacerbated the situation, causing additional flooding in two more counties through June 17.

The CHAIRMAN. Thank you, gentlemen, very much and you may extend your remarks if you desire.

Mr. McCORMACK. Thank you, Mr. Chairman.

(The joint prepared statement of Mr. Foley and Mr. McCormack follows:)

JOINT PREPARED STATEMENT OF HON. THOMAS S. FOLEY AND HON. MIKE McCORMACK, REPRESENTATIVES IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. Chairman and members of the committee: We are appearing before the Committee today to request that H.R. 15935, which is now under consideration for the relief of victims of hurricane and tropical storm Agnes and the South Dakota flood disaster, include as well the victims of the floods occurring in the State of Washington in May and June of this year, for which President Nixon declared Washington a "Major Disaster Area" on June 10, 1972.

Severe flooding, resulting from warm weather conditions and melting of a record snow pack in the Cascade Mountain Range, began along the Okanogan and Methow rivers in Okanogan County, Washington, on May 28, 1972. On June 2, when it was believed that the flood would be shortly under control, heavy rains caused further, intensified flooding, spreading the disaster to Chelan and Douglas counties with continuous flooding through June 17 when the waters finally receded. Considered the worst such disaster since 1897, the flood resulted in the loss of five lives and caused extensive and heavy damage to public, private, and agricultural property in all three counties. In the lower Wenatchee River Valley alone, damage figures for fruit crop loss are estimated at \$2.6 million.

On June 10, 1972, President Nixon declared the State of Washington a "major disaster area" and OEP Director George A. Lincoln subsequently designated Okanogan, Douglas, and Chelan counties as eligible for Federal relief. A summary of the flood damage is as follows:

Federal Damage Estimates, updated to July 14, 1972, for Okanogan, Chelan, and Douglas Counties.

Agriculture:

Okanogan -----	\$2,000,000
Chelan -----	2,800,000
Douglas -----	90,000
Total -----	<u>4,890,000</u>

Public:

Okanogan -----	2,200,000
Chelan -----	495,000
Douglas -----	112,000
Total -----	<u>2,807,000</u>

Private:

Okanogan -----	2,000,000
Chelan -----	85,000
Douglas -----	495,000
Total -----	<u>2,580,000</u>

Grand total ----- 10,277,000

Although loss of life and personal injury were kept to a minimal, damage to public facilities and private, residential, agricultural and business property was considerable, as the foregoing figures indicate. We are deeply concerned that this legislation now under consideration will exclude from the relief it provides to victims of Agnes and the South Dakota flood, citizens of our State who are no less victimized by the flooding occurring where they live, and whose personal losses in terms of homes destroyed and damaged, farms wrecked, and crops lost are no less tragic.

We wish to emphasize that all three major disasters took place within the same time frame and for the purposes of this legislation should be considered together. It seems impossible to us that we can justify this kind of relief for our

citizens in one area of the country to the exclusion of others whose suffering and loss were of equally sufficient magnitude for the President to act. Citizens in all three major disasters occurring in June and July should benefit from this legislation, and we respectfully urge this Committee to make the appropriate changes in H.R. 15935 so this may indeed be the case.

The CHAIRMAN. We have next panel three, the Deputy Director of the Office of Management and Budget, Mr. Carlucci, Mr. George Lincoln, Office of Emergency Preparedness, Tom Kleppe, Administrator, Small Business Administration, Darrel A. Dunn, Assistant Administrator for Farmer Programs, Farmers Home Administration.

Mr. KOCH. Can't we extend courtesy to our fellow colleague?

The CHAIRMAN. We will get to him.

Mr. KOCH. As everybody else.

The CHAIRMAN. We can't take them all at once.

Mr. KOCH. He came here. He was in the room before the panel was called and I just think it is a great discourtesy to a fellow colleague that he is not permitted to testify as every other Congressman.

The CHAIRMAN. I don't think you ought to put it on that basis.

Mr. KOCH. But it is a discourtesy.

The CHAIRMAN. You are charging the Chairman with the discourtesy. I have no intention of being discourteous.

Mr. KOCH. Why don't we hear him?

The CHAIRMAN. Because the program didn't include him at the time.

Mr. KOCH. Yes; it did.

The CHAIRMAN. He was not here then because his name was called. And if he is not here we have to wait.

Mr. WILLIAMS. I believe that Mr. Leggett has been in the room for some time.

The CHAIRMAN. Let's hear these four gentlemen and we will take up the others. We have no desire to leave anyone off and we want to hear them all.

Mr. KAZEN. May I at this time request I be given 2 minutes before this committee sometime during these hearings?

The CHAIRMAN. Right after these four gentlemen and the other gentlemen whose names have been mentioned, we will put you on the list.

Put him down, Mr. Clerk, and get the other members, too, that were supposed to be on and were not here this morning.

All right, now, we will first hear Mr. Frank Carlucci, Deputy Director of the Office of Management and Budget.

STATEMENT OF FRANK CARLUCCI, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY GEORGE A. LINCOLN, DIRECTOR, OFFICE OF EMERGENCY PREPAREDNESS; THOMAS S. KLEPPE, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION; AND DARREL A. DUNN, ASSISTANT ADMINISTRATOR FOR FARMER PROGRAMS, FARMERS HOME ADMINISTRATION

Mr. CARLUCCI. Thank you, Mr. Chairman. I appreciate the opportunity to appear before this committee.

The CHAIRMAN. You understand the situation under which we are working?

Mr. CARLUCCI. Yes, sir.

The CHAIRMAN. Time is of the essence.

Mr. CARLUCCI. I am the only one of this panel who has a prepared statement. I will be brief and ask that my complete statement—

The CHAIRMAN. All of them, including Mr. Kleppe and all of them? You are speaking for all four?

Mr. CARLUCCI. I am speaking for all of them.

I would ask the full text of my statement be inserted in the record.

The CHAIRMAN. Without objection, so ordered, and either one of you gentlemen may extend your remarks on the record if you have additional views to express because we want the best thinking of all you gentlemen.

Mr. CARLUCCI. Thank you.

Let me summarize my statement by going directly to some of the questions you asked in your opening statement. Those relate to the case for special treatment for the victims of Hurricane Agnes and the Rapid City disaster.

In our judgment, the case for special treatment for the victims of Agnes and Rapid City lies in the magnitude of the damage not only to individual property, but also to entire communities and to the economic base of the respective areas.

You have already received testimony on this point from the respective Congressmen.

Individuals have been faced not only with a damaged or destroyed home or a lost business or job, but often both plus seriously damaged public and private facilities which provide the basic community infrastructure.

In this kind of situation, institutions and programs which have been helpful in prior disasters are simply overwhelmed by the enormity of the task. It is not just the individual distress that makes this situation unique since other disasters may result in like individual cases, but rather the cumulative and interrelated impact on many people with respect to their job, their homes and their communities. If we do not move quickly to restore some of the lost equity on a massive scale, a "ghost town" syndrome could take hold, resulting in major stagnation in the heart of one of the Nation's industrialized areas.

Let me turn now to the retroactivity question. The present law has proved adequate in other recent disasters, but we believe that special circumstances pertain in the case of Agnes and Rapid City which distinguish them from these other disasters. This conviction in no way implies that individuals in other disasters have not suffered great losses or faced hardships. They have. It does imply that other areas can, and have been, and will be able to rebuild under existing programs; the Agnes and Rapid City areas cannot, in our judgment. A disaster is, in itself, capricious and there will always be inequities no matter what we do. Economic considerations compel special measures in this case. There must be a cutoff somewhere, and someone is bound to be on the wrong side of the date.

This kind of sui generis approach also argues against applying this Recovery Act to all disasters in the future. There is, however, a more

fundamental point involved. In the longer run, it is not the best policy solely to provide funds to help mitigate the results of disasters; rather we must be concerned with providing an adequate set of programs and incentives to preclude the need for such large-scale governmental relief. By this, I mean sound land use control in flood prone areas, other flood control measures and insurance.

If we make disaster relief too generous on a long-term basis, we remove the incentives for land use control and insurance. The Federal flood insurance program with its concomitant community planning requirements is just gaining momentum. It holds out promise of being a superior means to deal with the disaster problem in the longer term. We do neither our citizens nor the average taxpayer any favors by removing the incentives to make use of the insurance program by permanent grants and highly favorable loan terms. To the contrary, we only encourage a repetition of the tragedy we face today.

We urge the committee not to legislate now for future super disasters. We must act quickly to provide support and assistance for the people who are digging out of the mud and debris, but it is clear that for the long term, we need a better structured assistance and redevelopment approach. This administration will undertake a thorough examination of this problem with particular emphasis on the use of flood insurance. I would urge that the committee give us the opportunity to explore this and other approaches before enacting into permanent law measures designed to meet this specific situation.

Accordingly, I would ask that the committee recommend favorably the bill presently before it.

Thank you, Mr. Chairman.

(Mr. Carlucci's prepared statement and a letter submitted for the hearing record by George A. Lincoln, Director, Office of Emergency Preparedness with attached relevant information follows:)

PREPARED STATEMENT OF FRANK CARLUCCI, DEPUTY DIRECTOR, OFFICE OF
MANAGEMENT AND BUDGET

Mr. Chairman and members of the committee: I appreciate the opportunity to appear before this Committee today in support of the President's proposal to provide new measures of relief for the victims of Tropical Storm Agnes and the floods in Rapid City, South Dakota. I am particularly grateful for your willingness to convene this hearing on short notice.

The Committee, I am sure, is already well aware of the events which cause us to be before you, and of the President's three-part proposals. These proposals are unprecedented, but so is the situation we face.

The part of the proposals concerning disaster loans which we are discussing this morning is also a subject with which this Committee is familiar. In brief, the President is recommending loans at 1% interest, with up to \$5,000 forgiveness applicable to the first dollar of the loan. Since the Committee is familiar with these loan programs, I will not dwell on the detailed provisions of the President's recommendations or contrast them with existing law in my prepared statement. I have General Lincoln, Mr. Kleppe and Mr. Dunn with me to answer any questions you may have. Instead, I plan to discuss a major question which I am sure is in the minds of the Committee and other members of the Congress. That is the question of why special measures should be taken into the case of Agnes and Rapid City; and more specifically, if such measures are warranted in these two cases, why not make them part of permanent law, applicable both retrospectively and prospectively.

First, the case for special treatment for victims of Agnes and Rapid City lies in the magnitude of the damage not only to individual property, but also to entire

communities and to the economic base of the respective areas. In terms of property destruction, Agnes is the largest disaster in our country's history. More than 122,000 homes and 6,000 businesses have been damaged or destroyed. Entire communities have been disrupted, many have been devastated—their utilities out or badly damaged, transportation cut off, businesses destroyed or shut down. Individuals have been faced not only with a damaged or destroyed home or a lost business or job, but often both plus seriously damaged public and private facilities which provide the basic community infrastructure.

In the Wilkes-Barre area, there is a very real danger that a valley which sparked much of the industrial development of Pennsylvania in years past may never recover unless unusual measures are taken. Anyone who visits the area comes away shocked at the total devastation. When I was there more than a week after the flood, I did not see a single store open for business in the Wilkes-Barre or Kingston area.

In Corning, New York two major employers—Corning Glass and Ingersoll Rand—were severely damaged. An estimated 7,000 people are out of work as a result. Ninety-six other businesses were devastated—inventories lost, buildings damaged or destroyed. Rail service to the area has been disrupted, parts of a major highway washed out, and three-quarters of the bridges across the Chemung River are gone or unusable.

Lockport, a town in Pennsylvania, of approximately 25,000 population, has 1,800 unemployed as a result of the \$23 million damage to the Piper Cub Company and 400 to 500 more unemployed as a result of damage to the Hammernill Paper Company. Lewistown, a town of 12,000 population, has 2,000 unemployed due to the loss of the Avisco Corporation plant. At this time more than 100,000 people are currently drawing some kind of unemployment assistance as a result of Agnes.

In and around Rapid City, South Dakota more than 6,000 dwellings—almost one-third of the total—were destroyed or damaged, and more than 200 people died as a result of the flooding that occurred in June. The loss of life in the small community of Rapid City ranks among the highest in record.

In this kind of situation, institutions and programs which have been helpful in prior disasters are simply overwhelmed by the enormity of the task. It is not just the individual distress that makes this situation unique since other disasters may result in like individual cases, but rather the cumulative and interrelated impact on many people with respect to their jobs, their homes and their communities. If we do not move quickly to restore some of the lost equity on a massive scale, a "ghost town" syndrome could take hold, resulting in major stagnation in the heart of one of the Nation's industrialized areas.

Mr. Chairman, the only recent national disaster that compares to these in terms of individual loss coupled with overall economic damage is the Alaska earthquake of 1964. In this connection, Congress enacted special legislation applicable to that disaster only. Hence, a precedent exists for the approach the President is proposing.

Let me turn now to the retroactivity question. The present law has proved adequate in other recent disasters, but we believe that special circumstances pertain in the case of Agnes and Rapid City which distinguish them from these other disasters. This conviction in no way implies that individuals in other disasters have not suffered great losses or faced hardships. They have. It does imply that other areas can, and have been, and will be able to rebuild under existing programs; the Agnes and Rapid City areas cannot, in our judgment. A disaster is, in itself, capricious and there will always be inequities no matter what we do. Economic considerations compel special measures in this case. There must be a cut-off somewhere, and someone is bound to be on the wrong side of the date. I also must call attention to the administrative nightmare that is created for the lending agencies when significant retroactivity is involved. Renegotiation of loans becomes more difficult, complex and confusing. This would create a particularly difficult problem for SBA if it comes at a time when the agency is already severely taxed to handle the workload created by Agnes.

The *sui generis* approach also argues against applying this Recovery Act to all disasters in the future. There is, however, a more fundamental point involved. In the longer run, it is not the best policy solely to provide funds to help mitigate

the results of disasters; rather we must be concerned with providing an adequate set of programs and incentives to preclude the need for such large-scale governmental relief. By this, I mean sound land use control in flood prone areas, other flood control measures and insurance.

If we make disaster relief too generous on a long-term basis, we remove the incentives for land use control and insurance. The Federal flood insurance program with its concomitant community planning requirements is just gaining momentum. It holds out promise of being a superior means to deal with the disaster problem in the longer term. We do neither our citizens nor the average taxpayer any favors by removing the incentives to make use of the insurance program by permanent grants and highly favorable loan terms. To the contrary, we only encourage a repetition of the tragedy we face today.

We urge the Committee not to legislate now for future super disasters. We must act quickly to provide support and assistance for the people who are digging out of the mud and debris, but it is clear that for the long term, we need a better structured assistance and redevelopment approach. This Administration will undertake a thorough examination of this problem with particular emphasis on the use of flood insurance. I would urge that the Committee give us the opportunity to explore this and other approaches before enacting into permanent law measures designed to meet this specific situation.

EXECUTIVE OFFICES OF THE PRESIDENT,
OFFICE OF EMERGENCY PREPAREDNESS,
Washington, D.C., July 20, 1972.

HON. WRIGHT PATMAN,
*Chairman, Banking and Currency Committee,
Washington, D.C.*

DEAR MR. CHAIRMAN: In response to your invitation to Administration witnesses at the Committee hearings on H.R. 15935, I do submit these relevant statements and enclosures for the record of your hearings.

Brief summary statements are enclosed as appendixes A and B on the major disasters declared for the State of Washington on June 10, 1972, and for the State of California on June 27, 1972. Since these two declared major disasters were mentioned by members of your Committee, I trust that this additional information will be useful to the Committee.

I do submit as appendix C for filing in the record of your hearings, a copy of the Report to the Congress by Office of Emergency Preparedness, entitled, "Disaster Preparedness." This three-volume report, dated January, 1972, provides a comprehensive statement of the nature and scope of disaster problems. This report also discusses in considerable detail preparedness and preventative measures, such as flood insurance and flood plain management, cited by Mr. Carlucci this morning. (The documents referred to are retained in the committee files.)

In his testimony to the Committee, Governor Shapp indicated that more Federal assistance is required than is currently proposed. I submit for the record of your hearings, a press release, enclosed as appendix D, which discusses the mandatory nature of funding of Federal disaster relief programs authorized by the Congress. This statement should allay concern of some members of your Committee and of the Governor, that all eligible applicants may not be helped due to lack of funding. The Congress has always responded to our requests for supplemental appropriations when needed to fund all disaster relief requirements, determined to be eligible under existing laws.

In his remarks, Mr. Carlucci requested that the Committee allow the Administration time to explore the needs for any changes in permanent disaster legislation and to propose future legislation. He asked that the Committee not legislate now for future disasters, but concentrate on meeting the needs for temporary legislation, as now proposed in H.R. 15935. In further support of his position that existing legislation is sound, I do note the hearings, held by the Senate Public Works Committee in California during June, 1971, as the result of the San Fernando earthquake, confirm that Public Law 91-606 is sound and

had met the tests of an urban earthquake disaster. Appendix E is a brief paragraph and extract from the referenced hearings.

In summary, I do support the conclusion that H.R. 15935 should be enacted now to cope with the disaster relief problems resulting from Hurricane and Tropical Storm Agnes, and from the severe storms and flooding in and around Rapid City, South Dakota.

Sincerely,

G. A. LINCOLN, *Director.*

APPENDIX A

MAJOR DISASTER DECLARATION FOR WASHINGTON, DECLARED JUNE 10, 1972

Beginning about May 28, 1972, unseasonably warm weather caused the rapid melt of a record snowpack and extensive flooding along the Methow and Okanogan Rivers in Okanogan County. Governor Evans estimated total public, private, and agricultural damage at \$6,200,000.

The President declared a major disaster for Washington on June 10, 1972. OEP Director G. A. Lincoln designated Okanogan County as eligible for Federal disaster assistance on the same date. As a result of a series of cloudbursts occurring within a short period of time on June 9, 1972, severe flooding occurred in Chelan and Douglas Counties which resulted in destruction and damages to public, private, and agricultural property and serious damage to county road systems. The Governor estimated public, private, and agricultural damages in the two counties at \$1,397,000. The OEP Director designated Chelan and Douglas Counties as eligible for Federal assistance on June 19, 1972.

A statistical summary is attached.

Washington, OEP-334-DR, Declared June 10, 1972

1. Dead -----	1
Injured -----	3
2. Homes:	
Destroyed -----	21
Major damage -----	262
Minor damage -----	719
Mobile homes:	
Destroyed -----	5
Damaged -----	5
Small businesses, destroyed or damaged -----	70
Farm buildings:	
Destroyed -----	20
Damaged -----	125
Families sufferin gloss -----	1, 099
3. Estimate of Federal expenditures:	
Debris clearance -----	\$155, 000
Protective health and sanitation measures -----	110, 000
Streets, roads, and bridges -----	525, 000
Dikes, levees, irrigation, and drainage facilities -----	1, 330, 000
Public buildings and related equipment -----	65, 000
Public utilities -----	315, 000
Temporary housing -----	500, 000
Disaster unemployment assistance -----	10, 000
Small Business Administration -----	1, 100, 000
Farmers Home Administration -----	950, 000
Total -----	5, 060, 000

APPENDIX B

MAJOR DISASTERS DECLARATION FOR CALIFORNIA, DECLARED JUNE 27, 1972

On June 21, 1972, high winds and erosive wave action appear to have caused a break in the San Joaquin River levee, resulting in flooding of southeastern Sacramento County. Further flooding occurred on June 22, 1972, following the failure of a protective dike which had been set up after the first break. Governor Reagan estimated total public and private damage at over \$20,000,000. The President declared a major disaster for California on June 27, 1972. The Office of Emergency Preparedness Director G. A. Lincoln designated Sacramento County as eligible for Federal disaster assistance on July 6, 1972.

A statistical summary is attached.

California, OEP-342-DR, Declared June 27, 1972

1. Dead -----	0
Injured -----	200
2. Homes:	
Destroyed -----	80
Major damage -----	73
Minor damage -----	102
Mobile homes:	
Destroyed -----	150
Major damage -----	0
Small businesses destroyed or damaged -----	10
Farm buildings:	
Destroyed -----	35
Damaged -----	10
Families suffering loss -----	1,000
3. Estimates of Federal expenditures:	
Debris clearance -----	\$100,000
Emergency protective measures -----	40,000
Streets, roads, and bridges -----	420,000
Dikes, levees, irrigation, and drainage -----	1,320,000
Public utilities -----	280,000
Projects under construction -----	100,000
Temporary housing -----	574,000
Disaster unemployment assistance -----	620,000
Department of Agriculture/food stamps -----	112,000
Small Business Administration -----	4,220,000
Federal Highway Administration -----	300,000
Department of Health, Education, and Welfare -----	600,000
Corps of Engineers (PL 84-99) -----	160,000
Total -----	8,846,000

APPENDIX C

(The documents "Disaster Preparedness", a three-volume report to Congress, are retained in the committee files.)

APPENDIX D

PRESS RELEASE, JULY 20, 1972

OEP DIRECTOR ASSURES ADEQUATE RECOVERY FUNDS FOR AGNES FLOOD RESIDENTS

Families, businessmen, and communities that absorbed massive losses from Hurricane Agnes floodwaters were assured today that there will be adequate appropriated federal funds to pay for disaster recovery work authorized under provisions of the Federal Disaster Relief Act of 1970 and other Acts providing for mandatory assistance to flood victims.

George A. Lincoln, Director of the Office of Emergency Preparedness, which administers the Federal Disaster Relief Act and the President's Disaster Relief Fund, stated that the actual availability of funds can be looked at as being in three components: some available funds already appropriated to various agencies, such as the \$200 million added to the Disaster Relief Fund on July 1; secondly, the approximately \$1.8 billion in additional emergency funds requested by President Nixon on July 12, which includes an additional \$200 million for the Disaster Relief Fund; and thirdly, recovery funds for completion of some of the rehabilitation construction which may not occur until next year; these latter will be requested in next year's appropriations.

Lincoln said that the total amount of funds to be used—those already available, those requested by the President on July 12, and those for which appropriation will not be needed until next year—has not yet been determined with close precision since damage surveys are not yet complete. The preliminary estimate is that well over \$2 billion will be needed, of which by far the major part goes to the States of Pennsylvania and New York. This estimate does not include additional funds which may be provided for such long-range programs as urban renewal and assistance for industrial development.

OEP is the White House agency responsible for coordinating federal relief activities after the President makes a major disaster declaration and also administers the President's Disaster Relief Fund. The fund is used for replacing most of the damaged public facilities, provision of temporary housing, disaster unemployment compensation, and other help in the disaster-affected areas.

"In case additional funds are required in 1973 for the President's Disaster Relief Fund, a supplemental appropriation will be requested," Lincoln said. "This is common practice for administering the President's Disaster Relief Fund. Cash is advanced from the fund to State and local governments to finance their contracts for repair and other flood recovery work."

"Some construction repair projects may take more than a year to complete," Lincoln said, "but OEP pays the bills as they come in."

"Never in 22 years has Congress failed to provide OEP with adequate appropriations to fund authorized disaster relief work," Lincoln added. "This repair work, as well as the disaster loans, is mandatory by law. Furthermore, I am confident that well before our present monies are exhausted, the Congress will act speedily on the Administration's additional funding requests so that the whole thrust of flood recovery work will continue unabated."

On July 12, President Nixon asked the Congress for approximately \$1.8 billion in additional appropriations and authorizations to aid areas stricken by Agnes.

\$1.3 billion of this will be used to provide additional emergency loan funds through the Small Business Administration for homeowners and businessmen and through the Farmers Home Administration (FHA) for farmers. Because of the insured aspect of FHA an additional amount on the order of \$150 million in loans will be generated.

In summary, taking into account the insured loan aspect, the President's appropriation request of July 12, and the \$200 million already appropriated to the President's Disaster Fund on July 1, more than \$2.1 billion is being quickly made available, with more to be requested as needed to carry out the programs which are mandatory by current legislation.

"This considerable infusion of money—more than \$2.1 billion supplemented by over \$300 millions in income tax rebates made available by recent legislation proposed by the President," Lincoln commented, "will help the economy bounce back and provide thousands of needed jobs quickly."

The Director of OEP commented that the funds already available to the President's Disaster Relief Fund, plus the \$200 million requested by the President on July 12, should finance one-half to two-thirds of the Agnes-related programs for which that particular fund is responsible. If more is needed before the end of the year, a request to Congress will be made on a timely basis. These programs include the temporary housing, debris removal, reconstruction of State and local public facilities, disaster unemployment compensation, and other emergency help for the afflicted areas.

Because of the queries concerning financing of other disasters than those due to Agnes, Lincoln commented that the regular Fiscal '73 appropriation of \$92.5 million is available to the President's Disaster Relief Fund in addition to the two increments of \$200 million each mentioned above, and hence the fund will have money to continue financing Rapid City and other open disasters as well as for any new, declared natural disasters.

APPENDIX E

EXCERPT FROM HEARING HELD BY THE SENATE PUBLIC WORKS COMMITTEE IN
CALIFORNIA, JUNE 1971

Senator Bayh, in his opening statement at the hearings held by the Senate Committee on Public Works regarding the San Fernando Earthquake, stated that:

"These hearings are of particular significance because the San Fernando earthquake occurred so soon after the new comprehensive disaster assistance law became effective on January 1 of this year. The fact that this was the first major disaster in which Public Law 91-606 became fully operative makes it essentially important from a legislative oversight viewpoint." *Hearings on Governmental Response to the California Earthquake Disaster Before the Senate Committee on Public Works*, 92d Congr., 1st Sess., at p. 3 (1971)

Senator Tunney was then introduced and stated as follows:

"Thank you very much, Mr. Chairman, for coming out and sharing these hearings as the architect of the Disaster Relief Act which has provided assistance to this community. I think it is a very good act.

"I think that there are some improvements that can be made in it, but basically it is a comprehensive act which has provided substantial relief not only to this community but to other communities throughout the country. I think, as the chief architect of that act, it is most fitting that you should be here." *Ibid* at p. 7.

The CHAIRMAN. I must ask you a question or two about H.R. 15935. Mr. Widnall and I introduced this bill yesterday and we have permission by unanimous consent in the House yesterday to take this bill up tomorrow, if it is ready, or if not tomorrow any subsequent date, which could mean Saturday, Sunday, or Monday. So it is ready for consideration tomorrow up to now. And you think this bill will be adequate and will do the job as we want it done?

Mr. CARLUCCI. That is correct, Mr. Chairman.

The CHAIRMAN. Fully and generously?

Mr. CARLUCCI. That is right.

The CHAIRMAN. It will include the State of Washington, if we put that language in about the month of June?

Mr. CARLUCCI. We would have some question about the advisability of that.

The CHAIRMAN. Would you submit your language that would be necessary if we desire to vote on whether or not the State of Washington should be included?

Mr. CARLUCCI. We can perform that drafting services, yes.

The CHAIRMAN. Let's see what other question do we have. We have Agnes, we have the one before, Rapid City, and then this is Washington State. What other questions arise in connection with this particular bill?

Mr. CARLUCCI. The whole question arises of retroactivity and the cutoff date.

Let me ask General Lincoln to indicate how any disasters were declared in the month of June and the kind of problem the committee may be facing if the committee chooses to write in the State of Washington.

The CHAIRMAN. We need this information now.

Mr. CARLUCCI. General Lincoln can speak to that.

The CHAIRMAN. Will you please be heard on that.

I have a list that was prepared for me about a week ago. Do you have your list before you, General Lincoln?

General LINCOLN. In the month of June, Mr. Chairman, there was declared Washington on June 10, North Dakota on June 10, South Dakota on June 10, levee break in California on June 27, then, now, not in the month of June but in the month of July—

The CHAIRMAN. California, June 27?

General LINCOLN. Yes.

The CHAIRMAN. I have June 29, California. So do you have an extra copy of your list, General Lincoln?

General LINCOLN. My notes say June 27.

The CHAIRMAN. Your list is the official list; isn't it?

General LINCOLN. This date is immaterial. It is possible for my staff to make a mistake. We will check that. And then on July 3d, Arizona was declared.

The CHAIRMAN. Yes.

Mr. WILLIAMS. Mr. Chairman are you speaking of the fiscal year 1971 or 1972?

Mr. BLACKBURN. Mr. Chairman.

The CHAIRMAN. What purpose is the gentleman from Georgia asking recognition?

Mr. BLACKBURN. I want to find out if we include the additional State of Washington, which, I understand, is not in the bill; to what extent will that dilute the effectiveness of the amount of money we have in the bill and to what extent should we increase the amount if we add these additional States? I think it is extremely important we know this.

General LINCOLN. I can comment on that. Measured moneywise, according to the notes that I have, the State of Washington disaster was not as severe as compared to the Agnes disaster or Rapid City.

The CHAIRMAN. That was our understanding.

Mr. CARLUCCI. The question of money does not directly arise under the bill as we have recommended it. This legislation is authorizing legislation which changes the structure of the SBA and Farmers Home Administration loan program. We have requested a supplemental appropriation for these programs of which we think is sufficient to cover the need if this bill is enacted without the addition of other disasters.

The CHAIRMAN. It will receive early consideration too and we would like to cooperate with you on that.

Mr. CARLUCCI. Thank you, Mr. Chairman.

The CHAIRMAN. Now, then, I believe we have the basic information we will need on the bill. If anything else comes up that you believe that you should submit something further, be sure and do it and you may extend your remarks in connection with your testimony.

Mr. WILLIAMS. Mr. Chairman.

The CHAIRMAN. For what purpose?

Mr. WILLIAMS. I want to call to your attention, Mr. Chairman, something I am sure the gentlemen at the witness table are aware of, and that is that the State of Washington had three disasters during fiscal year 1972. The first occurred on February 4, 1972, the second occurred on March 27, 1972, and the third occurred on June 6, 1972.

The CHAIRMAN. That is right, that is what I have.

Mr. WILLIAMS. There may be a little variation.

The CHAIRMAN. You have those too, don't you?

General LINCOLN. We have those dates.

The CHAIRMAN. You don't think they are so expensive? They are so severe that we should give special attention for an appropriation for that purpose?

Mr. CARLUCCI. May I comment on that point?

Mr. Chairman, we are concerned about Rapid City and the Agnes disasters in terms of their total impact. In other disasters you have individual tragedy, damage perhaps to businesses, damage to homes, but we have not had disasters of the proportions of these two which threatened to break the back of the economy of the respective areas, and if you start including all other disasters for the month of June your rationale for particular legislation breaks down. So we would be concerned about including other disasters. We would recommend that this legislation deal specifically with the Agnes and Rapid City areas.

Mr. KOCH. May I ask a question?

Mr. HANNA. Mr. Chairman.

The CHAIRMAN. Wait just a minute. I wonder if we couldn't agree that we go around. I hate to cut off the members. That is one thing we must preserve, our tradition to let each member ask questions, at least, to the panel. So let's go around one or two questions each.

This gentleman was spokesman for the panel.

Mr. CARLUCCI. I am the only one that had a prepared statement.

The CHAIRMAN. He is spokesman for the administration, as I understand it, with instructions to take as little time as possible and to help expedite the legislation. Am I correct in that?

Mr. CARLUCCI. Sir?

The CHAIRMAN. Am I correct in that statement that you are spokesman for the administration?

Mr. CARLUCCI. That is correct.

The CHAIRMAN. With instructions to take as little time as possible and be as helpful to the committee as possible?

Mr. CARLUCCI. Yes, sir.

The CHAIRMAN. Without objection we will allow each member to ask two questions and we will go around and see what happens.

Mr. Barrett will go first. I will forgo mine.

Mr. BARRETT. A parliamentary inquiry.

The CHAIRMAN. If you want to ask a question you had better do it.

Mr. BARRETT. I am going to ask a question but I want to make a parliamentary inquiry. Suppose two of my questions take 20 minutes—am I going to be allocated 20 minutes?

The CHAIRMAN. I assume you would be cooperative and not hurt your own State by delaying this legislation.

Mr. BARRETT. This is exactly what I want to do, is help my own State, and I want to ask Mr. Carlucci—

The CHAIRMAN. Therefore, you wouldn't take 20 minutes.

Mr. BARRETT. I will probably take a half-hour on the basis of your allocations of time on two questions.

Mr. Carlucci, why did the administration object to H.R. 15692, the bill we passed prior to the convention recess.

Mr. CARLUCCI. The administration—

Mr. BARRETT. Of the SBA, Mr. Kleppe was here. We considered a \$5,000 forgiveness at that time but we kept \$2,500 forgiveness on a floor amendment by me. We were told that the administration probably would recommend vetoing the bill.

What kind of games are we playing here today, 2 weeks later?

Mr. ROUSSELOT. Who said he was going to veto it?

Mr. BARRETT. I am talking about the SBA bill we voted out of here.

Mr. ROUSSELOT. There was no word they would veto it. Where did you get that information?

Mr. BARRETT. The gentleman right on this committee said on the floor.

Mr. ROUSSELOT. Who?

Mr. BARRETT. If we go back to the 1 percent straight across the board with a \$2,500 forgiveness—

The CHAIRMAN. I know you are also cooperative but let's confine our questions.

Mr. BARRETT. I want to get the answers from Mr. Carlucci. Why do they come back here now, when we offered the same thing on June 25, and now ask for the exact same thing that we asked for before?

Mr. CARLUCCI. We are not asking for exactly the same thing. We are asking for temporary legislation directed at a particular disaster which has caused unparalleled economic damage. We think that in the long—

Mr. BARRETT. Unparalleled damage—but why doesn't the administration then go to the areas where they can get money? Why doesn't the administration ask for more urban renewal funds to assist those flooded cities? Why don't they ask the House to adopt the Senate's \$1.5 billion for urban renewal? Why don't you recommend, if you are speaking for this group, for another \$400 billion that the mayors of these States, where there have been damage through Agnes floods, to put another \$400 billion and give them money immediately, rather than playing around with this type of legislation?

Mr. CARLUCCI. Mr. Barrett, we have requested a supplemental appropriation totaling some \$1.8 billion.

Mr. BARRETT. Why don't we use it?

Mr. CARLUCCI. We will use it.

Mr. BARRETT. I am talking about HUD money, money available to be used.

Mr. CARLUCCI. Money available is being reprogramed into the disaster area at this very moment, Mr. Barrett.

Let me, with regard to other legislation, let me—

Mr. BARRETT. There was only one question.

Mr. CARLUCCI. Let me indicate—

The CHAIRMAN. It is up to the gentleman. His State is involved more than any other.

Mr. BARRETT. That is why I am asking the question—

Mr. CARLUCCI. Let me restate what I stated in my prepared statement, that we are concerned that if legislation, permanent legislation is enacted, which grants very liberal grants and low, very liberal interest rates, we will destroy the incentives for long range flood prevention programs. That is, we will encourage people to build in the flood plain. We think in the long run we should move in the direction of more emphasis on Federal flood insurance and land-use control.

Mr. BARRETT. Before you take too much of my time, are you making any conditions—

The CHAIRMAN. Mr. Barrett said he would ask one question. What is your second question?

Mr. BARRETT. I want to know if you are making any arrangements for people who will have to pay a double mortgage. Those people have been wiped out. Those who paid \$25,000 or \$20,000 for their property, and have been wiped out completely, should be given funds to cancel the first \$20,000 remaining on their property rather than getting another mortgage for \$20,000 and have to have them pay on a \$40,000 mortgage?

Mr. CARLUCCI. Are you talking in terms—

Mr. BARRETT. Do things to help people, this is what we are asking for.

Mr. CARLUCCI. Are you talking in terms of permanent legislation or the temporary measures?

Mr. BARRETT. I am talking about contrary and permanent legislation to get the people back where they rightfully belong.

Mr. CARLUCCI. In terms of the temporary legislation, we think that the proposals recommended by the President are adequate to deal with the situation.

In terms of permanent legislation, we would be concerned about the incentives that would be created by having the Government pick up the total equity loss in every disaster henceforth. We think this would encourage people to build in the flood plain and ruin the flood insurance program.

The CHAIRMAN. Would you like to ask a question, Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

I am going to be very brief. I think that, as the chairman has indicated, we should get this program enacted just as soon as possible, and we can take additional time right after that when we consider permanent legislation. This is admitted to be an emergency measure, and every hour and every day counts toward getting thing moving again up in those areas. I don't think there is much time for argument. I am certainly supporting the proposed measures.

The CHAIRMAN. Mrs. Sullivan.

Mrs. SULLIVAN. Thank you, Mr. Chairman. I have a number of questions that I have to postpone, but I must have some facts in order to act intelligently on this bill, and I can't act unless we have some answers.

If a person's home is wiped out, what are they going to be able to accomplish in making a request for assistance?

Mr. CARLUCCI. They would be able to apply to the Small Business Administration or the Farmers Home Administration for a 1-percent loan. There would be a \$5,000 forgiveness provision assuming that the damage is \$5,000 or more, of course.

If there has been substantial damage to their home, the Small Business Administration and the Farmers Home Administration would also be empowered to refinance their existing mortgage at the favorable 1-percent rate with the \$5,000 forgiveness provision.

Mrs. SULLIVAN. So that if they still have a mortgage on the home that is completely destroyed, is the mortgage forgiven or can they get a loan to pay off this mortgage in full. How can they recapture their loss?

Mr. CARLUCCI. That mortgage could be refinanced.

Mrs. SULLIVAN. Refinanced at 1 percent?

Mr. CARLUCCI. That is right.

Mr. SULLIVAN. And forgiving \$5,000 of whatever the mortgage would be, if the mortgage is that much?

Mr. CARLUCCI. That is right; and the forgiveness feature would take effect immediately, there would not have to be an initial \$500 payment.

Mrs. SULLIVAN. Then they could borrow or get a mortgage at 1-percent interest on any new home that they may acquire?

Mr. CARLUCCI. Up to the extent of the damage.

Mrs. SULLIVAN. And that, of course, nothing would be forgiven on that because they took the forgiveness on the first mortgage?

Mr. CARLUCCI. If the existing mortgage is refinanced, the \$5,000 forgiveness feature would apply to that.

Mrs. SULLIVAN. Thank you.

The CHAIRMAN. Mrs. Dwyer.

Mrs. DWYER. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Moorhead.

Mr. MOORHEAD. Mr. Carlucci, I would like to ask you if you or any of the members of your panel have looked at the bill introduced, I believe, yesterday, by Mr. Barrett and Mr. Flood of Pennsylvania, and if you have, whether you think there are any features of that legislation that you would favor or why you would oppose it?

Mr. CARLUCCI. We have not seen that legislation, Mr. Moorhead. We have not had a chance to study it.

Mr. MOORHEAD. One of the significant differences between the two bills, that is, the one that Mr. Patman and Mr. Widnall have introduced and the one Mr. Barrett has introduced, the Barrett bill provides for no interest or zero interest on the loan, whereas the administration bill provides for 1 percent.

Mr. CARLUCCI. Then I take it it is just an outright grant program?

Mr. MOORHEAD. No, no, you repay the principal, but you don't pay interest on the principal.

Mr. CARLUCCI. I see. Well, my offhand reaction is that that kind of liberal situation goes further than we think desirable in terms of structuring the incentives that I talked about earlier. We would favor 1-percent interest. We would favor the 1-percent interest rate for nothing else than to maintain the concept of a loan.

Mr. MOORHEAD. I would like to ask more questions, but in the interest of getting this program moving—

The CHAIRMAN. Thank you, very much.

Mr. Johnson.

Mr. JOHNSON. Mr. Chairman, I am going to make a comment, not ask a question. I just want to say that fortunately this Congress in 1970 passed this major disaster bill, and when this tragedy occurred in Pennsylvania, we had a vehicle that the Federal Government could employ immediately, and I want to say in my district I want to commend the SBA and HUD and Mr. Lincoln's staff for moving in rapidly into my 23d Congressional District and in the little town of Eldred, Pa., with only 1,500 people, there were five representatives from HUD and SBA moved in almost overnight. That is true in Lock Haven, Pa.; it is true in Du Bois, Pa.; and I think that the way you have acted and the way you have moved in men to interview people and get a statement of their loss, I think you are to be commended for it. I read too much in the newspapers about too much redtape and so forth, but the SBA, and rightfully so, requires that a person who has a loss file a statement of that loss, a certified statement of the loss, not just a statement of their own as to the loss, so that a spontaneous loan can be made. There is nothing wrong with that.

And with regard to housing, I want to say in the town of Eldred, Pa., 31 families are dispossessed, and the Federal Government, is moving in some 30 mobile homes. Fifteen of them, I think, have already been installed. People are living in the mobile homes. They are connected into the sewers, and I understand in Lock Haven and elsewhere in my district, as fast as sewage facilities are available, mobile homes are being moved in, and these people are being installed in these homes by HUD.

So I think the Federal Government has done a tremendous job up to date, and I am glad to be a part of this action here today to report out this bill to make it an even greater contribution to try to help these people that are suffering.

The CHAIRMAN. Thank you, sir.

Mr. St Germain.

Mr. ST GERMAIN. No questions.

The CHAIRMAN. Mr. Carlucci, I wonder if you couldn't give us a telephone number that members of the committee, if they should be disturbed about any particular question, they could call you and you would give them an answer?

Mr. CARLUCCI. My telephone number can be reached through the White House switchboard. I will be in my office this afternoon. In fact, I will be meeting with Governor Shapp.

The CHAIRMAN. We must recess here at 15 to 12, and then we will come back in the early afternoon as soon as we can, depending upon the proceedings on the floor.

Mr. Blackburn.

Mr. BLACKBURN. Thank you, Mr. Chairman. Mr. Carlucci, I think when you say that appropriations we make in special legislation would have to be different from permanent legislation, because it restructures incentives, you are saying, that if we become too generous on a long-term permanent basis, then the incentive for people to carry flood insurance will be decreased, will it not?

Mr. CARLUCCI. That is correct. We are already finding people who tell us that they would prefer to wait for disaster relief than purchase flood insurance in advance, so we have a serious problem with the flood insurance program.

Mr. BLACKBURN. And the question comes to my mind as to when we forgive the first \$5,000, don't we create an incentive for people to claim at least a \$5,000 loss?

Mr. CARLUCCI. If the extent of their damage exceeds \$5,000 or is \$5,000 or more, there certainly is an incentive for them to come in and claim \$5,000. But, as Mr. Johnson pointed out, we have an independent assessment of the damage to be sure that abuse does not take place.

Mr. BLACKBURN. Still the incentive is there on the homeowner?

Mr. CARLUCCI. Yes.

Mr. KLEPPE. Could I make a comment on this?

We have hired a group of professional people to adjust and make appraisals to insure that a loss will not be justified for \$5,000 if the damage is \$2,000. This is an administrative responsibility that we have, and we are going to try to do it the best we can.

We know that we had some degree of trouble in California, but we think we have those holes plugged, and we are going to be able to keep that under administration.

The CHAIRMAN. I hope the members will hold their questions to two questions.

Mr. BLACKBURN. I have one other question I want to ask. To the extent we forgive \$5,000 to the people who suffer a \$5,000 or more loss, do we not take away the amount of money that we could give to people who have suffered greater losses?

Mr. CARLUCCI. We have requested sufficient funds to cover the entire program that we are recommending.

I am not sure I understand your question.

Mr. BLACKBURN. Well, I am assuming that there is not an infinite amount of money that is going to be available, and so to the extent that we forgive \$5,000 to everybody in the lower scale—

Mr. CARLUCCI. No one who comes in and requests a loan under the legislation we have recommended would be refused a loan for lack of funds.

Mr. BLACKBURN. I see.

The CHAIRMAN. Mr. Minish.

Mr. MINISH. Thank you.

Mr. Carlucci, would a homeowner in New Jersey be eligible for help under this law, providing he suffered the same loss as someone in Wilkes-Barre, Pa.?

Mr. CARLUCCI. There have been five counties in New Jersey included in the disaster area.

Mr. MINISH. Let's assume that he is not in the disaster county, but he suffered the same loss as anyone in Wilkes-Barre, Pa.

Mr. CARLUCCI. He would not be eligible if he is not in an area declared a disaster area by the Small Business Administration or the Farmers Home Administration.

Mr. MINISH. Notwithstanding the fact that he may be totally wiped out.

Mr. CARLUCCI. Notwithstanding that fact. I don't know how many cases we have.

Mr. MINISH. Thank you.

The CHAIRMAN. All right, Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

At the outset, gentlemen, let's clarify the geographic area covered by Agnes and the Rapid City flood.

Mr. CARLUCCI. The geographic area? Let me ask General Lincoln to respond to that.

General LINCOLN. Referring to the geographic area, what we are talking about is the formally declared disaster areas. Agnes affected severely Florida, Virginia, Maryland—

Mr. BROWN. General Lincoln, these have been declared disaster areas and will be covered by the legislation?

General LINCOLN. Yes, sir; also Pennsylvania, New York, West Virginia, and Ohio. We have declared within those States, those counties, and, in the case of Virginia, those cities that have been sufficiently severely affected to come under the definition of a major disaster.

Mr. BROWN. The District of Columbia?

General LINCOLN. The District of Columbia would come under the act because it has been declared a disaster area by the Small Business Administration, and their program applies.

Mr. BROWN. Well, this legislation covered—

General LINCOLN. There has also been one county declared in North Carolina. There are some counties in New Jersey. I am not certain about counties at this point in Delaware. I think applications have been made for three counties there.

Mr. BROWN. A further question, Mr. Carlucci. Why does this legislation not provide for a percentage forgiveness rather than the total forgiveness?

Mr. CARLUCCI. Well, we think that the total forgiveness feature is, No. 1, easier to administer, and, No. 2, we think that an amount of up to \$5,000 is necessary to deal with the peculiar nature of the total equity loss that exists in these counties. A percentage forgiveness would also tend to favor the more wealthy over the poor who tend to have lower priced homes. And \$5,000 will represent a higher percentage of equity for those in low priced homes than a flat percentage of the loss might represent.

The CHAIRMAN. Have you finished two questions?

Mr. BROWN. No.

Mr. BARRETT. A point of order. The gentleman hollered regular order when I was asking the two questions. I think in fairness to all of the other members you have asked two questions and you ought to cease.

The CHAIRMAN. I believe that you are also fair and I believe you will fairly state you have asked more than two questions and I think you ought to yield to the other members so some of them will be

included. They will not get any questions if you take the time. So I will hold regular order would be that Mr. Hanna would be recognized.

Mr. HANNA. Thank you, Mr. Chairman.

First, I will eliminate one question by making a comment. I want to personally express my appreciation to the administration of the Small Business Administration for the great job that you have done under very difficult circumstances and under the restrictions of existing law.

The second thing I want to know is, is there an insurance under the bill that we are going to have backed by the administration that the people of Isleton, Calif., will be covered?

Mr. CARLUCCI. This bill does not cover them, no.

Mr. HANNA. I hope that you will appreciate our including them because they were a town wiped out just as much as the South Dakota town except it is a smaller town. But their whole economy was wiped out, homes and jobs and the whole thing, and I think this comes with your sui generis approach.

The CHAIRMAN. Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Carlucci, on Monday I cosponsored H.R. 15890 and it was supposed to be an administration bill and was entitled the Agnes Recovery Act of 1972. Then yesterday was introduced a bill by Mr. Widnall and Mr. Patman, H.R. 15935, which was actually sent up to the Hill on Tuesday, the day after I was informed about H.R. 15890. But now H.R. 15935 calls for a substantial increase in expenditures by refinancing existing loans on property, a provision which was not contained in H.R. 15890. Only H.R. 15935 is cited as the Disaster Recovery Act of 1972.

Now, how did the Office of Management and Budget conclude in 24 hours that it was reasonable to expend this much larger sum of money?

Mr. CARLUCCI. I know of no change, Congressman, in terms of the substantive provisions between the bill we originally sent up and the bill which includes Rapid City. They both provide the same for the same changes in the loan program.

Mr. WILLIAMS. I would say to you, Mr. Carlucci, that you are wrong, that there are additional expenditures under H.R. 15935, and this is not a question, incidentally, and it also goes back to take in, to cover the Rapid City, S. Dak., disaster. So do you have any real answer to my first question?

Mr. CARLUCCI. I guess we have just got a disagreement. The only difference that I know of between the two bills the administration has recommended is the inclusion of Rapid City in the second bill, otherwise, they are both the same.

Mr. WILLIAMS. Well, then again my question is how did you manage to substantiate this within the period of 24 hours?

Mr. CARLUCCI. You mean the inclusion of Rapid City?

Mr. WILLIAMS. Yes.

Mr. CARLUCCI. We concluded after restudying the situation that the conditions which existed in the Agnes area also existed in the Rapid City area and that Rapid City should, therefore, be included.

Mr. WILLIAMS. Suppose we were to make this bill retroactive for fiscal year 1972 and entitle it the Disaster Recovery Act of Fiscal

Year 1972 so that the other 25 States that have sustained Presidential concurred disasters, four of the States having two Presidential disasters in fiscal year 1972 and one of them having three disasters could be covered. How long would it take you to compute whether such a thing as that would be feasible?

Mr. CARLUCCI. Well, you mean in terms of outlays?

Mr. WILLIAMS. That is right.

Mr. CARLUCCI. It would, of course, increase outlays over a period of time.

The CHAIRMAN. Mr. Williams, don't you think you have asked more than two questions?

Mr. WILLIAMS. No; I do not. I just asked my second question.

Mr. CARLUCCI. We think it would be an administrative nightmare if we were to do that, to go back and remake all of the loans that have been made already.

Mr. WILLIAMS. I am not satisfied with that answer, Mr. Chairman. I want to know something about the dollar values, too.

The CHAIRMAN. Can you answer that quickly?

Mr. WILLIAMS. If you can make these calculations in 24 hours, I want to know how you, or how long it would take you, to calculate the costs for all disasters in fiscal 1972.

Mr. CARLUCCI. I will have that figure for you early this afternoon.

(Mr. Williams submitted the following articles for the record from the Lewiston, Pa., Sentinel:)

[From The Sentinel, Lewistown, Pa., July 11, 1972]

COUNTY FLOOD LOSS \$130 MILLION

Damage from Tropical Storm Agnes has been estimated in excess of \$130 million in Mifflin County.

The figure was released today by Mifflin County Civil Defense Director James A. Kepler. In commenting on the cost, Kepler said the estimate was projected by CD officials after consulting with the Army Corps of Engineers from the Baltimore District.

By today's construction standards, Kepler said estimates to repair and rehabilitate the first floor rooms of the average home have been running between \$5,000 and \$6,000. Persons residing in ranch-type homes can expect higher estimates on repairs.

Kepler said that approximately 1,000 mobilehomes and houses were destroyed by the flood. In addition, it has been estimated that between 65 and 68 per cent of the mobilehomes and houses located along the Juniata River and its tributaries in Mifflin County were damaged to some extent by the high water.

INDUSTRY COSTS

Since the tally of damage is still underway at the major industries affected by the flood, the Civil Defense office has been forced to take only what information can be furnished at this time to attempt to reach some sort of an estimate.

Kepler said it is the general consensus that industrial damage may amount to between \$75 million and \$80 million. The figure would include actual equipment loss and damage as well as rehabilitation and production loss.

In commenting on almost doubling the first damage estimate, Kepler pointed out that the \$50 million figure which was released in the early days after the initial impact of the flood was purely speculative and a definite figure cannot be reached even today.

Some of the equipment at the Standard Steel Division of Baldwin-Lima-Hamilton and FMC could be adversely affected by the silt, but the damage will not be discovered until the motors are started and the machines placed in operation.

Clair DeLong of the Mifflin County Extension Service made his tour of the county shortly after the water receded and submitted his report to Kepler for dissemination.

DeLong said he found approximately 400 riverfront cottages destroyed and approximately 200 others with 50 per cent damage for an estimated total of \$3 million.

In addition, there were 350 rural residences with 50 per cent damage for a cost of \$2,800,000; 10 rural residences with complete damage for a figure of \$150,000; 200 rural residences at 15 per cent damage for a figure of \$400,000.

On top of these figures, damage to outbuildings and machinery was projected at \$1 million; crop damage at \$1,100,000; and livestock loss at \$30,000.

The total figure was estimated at \$8,480,000.

The figure is in addition to the industrial, residential, and commercial losses.

KEPLER APPOINTED

On Friday, during the regular weekly session of the County Commissioners, Kepler was authorized to execute for and in behalf of the commissioners the application for federal financial assistance under the Disaster Relief Act.

A "notice of interest" has since been filed, showing damages in the numerous categories to be in the area of \$130 million.

The CD office is now in the process of mailing letters to the various boroughs and townships in the county, as well as to the fire departments concerning the federal assistance and disaster relief.

In the letter to the fire companies, Kepler has directed that any loss sustained because of the flood or emergency action taken should be submitted to the Small Business Administration at the Chief Logan Campus.

Accurate documented records to substantiate the claims should be completed for SBA and they should indicate the type of activity undertaken during the emergency, the equipment loss or breakage, building and grounds damage, manpower expense, emergency financial expense, excluding food; and gas and oil used during the emergency.

As for the letter to the townships and boroughs, Kepler informed the political subdivisions that the County Commissioners in the interest of all, have authorized the filing of the "notice of interest" for federal financial assistance.

The subdivisions should file a project application for the assistance, a request for advance of funds, and make a designation of the applicant's agent.

Kepler said his office is available to provide assistance to the affected parties should the various forms be unclear.

In addition, Kepler stated that \$2,500 has been received from the Commonwealth through the County Commissioners. The money is to be used in the clean-up operation of county government facilities.

Kepler said the work of the Civil Defense and the County Commissioners will continue until rehabilitation is completed. The project may take up to one year or longer.

[From The Sentinel, Lewistown, Pa., July 12, 1972]

EFFORT UNDERWAY TO SAVE VISCOS: MORE THAN 2,000 JOBS LOST IN DECISION TO CLOSE PLANT

(By Joe Rupe)

The economic stability of Central Pennsylvania was dealt a severe blow on Tuesday when the management of the FMC Corporation of San Jose, Calif., announced the permanent shutdown of the rayon plant in Lewistown.

The closing will leave in excess of 2,000 persons jobless in a five-county area comprised of Mifflin, Juniata, Snyder, Huntingdon, and Centre counties.

In making the official announcement during a news conferece called at 7:30 p.m., plant manager Robert C. Spangler said:

"Although a massive clean-up effort was begun as soon as the flood water level permitted, it has become apparent with a full evaluation of the extensive damage that restoration and maintenance of operation could be accomplished only at a tremendous cost," he said.

"Though a significant portion of the actual restoration would be covered by flood insurance, the projected expenditures for pollution controls, as well as the

rise of all operating cost and the present loss of business by the time restoration could be completed, has led to this conclusion.

"Some limited production of Polyester filament yarn will be restarted as quickly as possible and expanded within capacity limits as the market requires. Avistrap Cord Strapping production will also be restarted and continue for the present. Other manufacturing operations are subject to further study."

"Those employes not employed at this time will remain on furlough until further notice. Those employes not required for plant preservation and maintenance services nor continued operation will be furloughed.

"It is expected that approximately 2,000 employes will be affected as the details of the curtailment are developed.

"A meeting was scheduled for 2 p.m. today with the union executive committee and the company to further clarify the above.

CONSIDERATION GIVEN

Spangler said the company did give consideration to the terrific economic impact that would be suffered by the employes, their families and various communities.

He stated that a tremendous effort was made to carry out a massive cleanup operation that cost thousands of dollars per day. The cost has been borne during the past three weeks.

As the cleanup was being conducted, plant officials were actively engaged in assessing the damage done as well as evaluating the situation. Even on Monday, the atmosphere was toward reopening the plant, however, Tuesday at noon, the saddening news was forwarded to Spangler's office from company headquarters.

NUMBER OF FACTORS

A number of factors were involved in the final decision to close the operation.

The reasons included: flood damage and restoration costs, future capital expenditures which would have to be met, pollution control and the Occupational Safety and Health Act which would require million of dollars, the increased operating costs for labor and materials, nonrecoverable business loss caused by the flood, and bleak results of a market study.

The market study revealed a declining trend for rayon filament yarn. According to reports, three of the company's competitors failed in 1971 as a result of a lack of market.

Within two weeks, all customers had been contacted and the favorable response for renewed business was considerably less than anticipated. A number of buyers reportedly found substitute fibers rather than take a loss in production while the local plant was rendered inoperable by the flood waters of Tropical Storm Agnes.

Spangler stated the announcement was made to his staff at 1:30 p.m. Thirty minutes later, the Textile Workers Union of America, Local 6, was informed of the action as were all department heads.

The message was relayed by the department heads to the various foremen who worked at "The Mill."

LIMITED OPERATION

Spangler said the Polyester plant will remain open, however, the operation will be limited.

Prior to the flood, the building, which was constructed in 1966, employed approximately 600 persons. The exact number who will staff the plant from this point on is not yet known.

Both rayon and polyester production was brought to a standstill by the flood and no production has resumed as of this date.

It was indicated, however, that production in polyester may begin within three weeks, but on a very limited basis.

BUILT IN 1921

The rayon operation recently celebrated its 52nd year of production.

The massive structure was constructed at its present site in 1921 and has provided a livelihood for the 2,000 plus workers from the five county area in Central Pennsylvania.

Employees report to work from a 45 mile radius of the plant, however, the major work force resides within a 25 mile radius of Lewistown.

The rayon plant housed a number of departments and service groups including: acid department, viscose department, spinning department, cake processing, cake converting, beaming, tire fabric, Avistrap, VARI products, industrial engineers, accounting, administration, engineers, personnel, medical, stores, and shipping.

Prior to the flood, the plant was at top production. According to Spangler the increase and full production was not attributed to an increasing market, but was necessitated when competitors failed and discontinued operations.

During the flood, substitute fibers were found and purchased and as a result the loss in business was not recoverable.

According to some reports, various departments were well on their way to be ready to resume production when the shutdown was ordered by the home office of FMC in San Jose.

[From the Sentinel, Lewistown, Pa., July 13, 1972]

AIRC TO SEEK WHITE HOUSE HELP: MEETING SET WITH VICE PRESIDENT;
EFFORTS CONTINUE TO SAVE VISCOSE

Efforts to have the American Viscose Division of the FMC Corporation reopened in Lewistown will be taken to the White House on Friday.

Representing the newly formed Area Industrial Recovery Committee will be John T. Connelly, president of the First National Bank of Lewistown, and J. D. Scoggins, publisher of the Sentinel.

It is the hope of AIRC that the session will aid in obtaining flood relief and some form of modification to the decision to close the rayon plant of FMC in Lewistown.

The decision to go to the White House was reached following around-the-clock meetings of members of AIRC.

On Wednesday, AIRC met with executives from the divisional office of FMC in Philadelphia. The session was also attended by local and regional union executives, and members of the Department of Commerce in Harrisburg.

TELEGRAM SENT

On Wednesday afternoon, the offices of Sens. Richard Schweiker and Hugh Scott in Washington, sent a telegram to Robert H. Malott, president and chief executive officer of the FMC Corporation in San Jose, Calif.

The text of the message was as follows: "Extremely distressed to hear report you plan announcement of American Viscose plant shutdown in Lewistown with more than 2,000 employees. Please consider most serious holding back announcement until community leaders can meet you, in California if necessary, to explore alternatives.

Also, you may be assured of our utmost cooperation in obtaining available federal help. Assume you are already aware the Disaster Relief Act would almost certainly supply substantial loan monies in view of your position as substantial employer.

Other aid alternatives also probably forthcoming. Please advise soonest.

Signed, Schweiker and Scott"

Vice President Spiro T. Agnew will meet on Friday to explain his Disaster Relief Funding, which is considered to be the largest in history.

Nixon's plan calls for a massive response to the "worst natural disaster in the whole of American history." He has asked Congress to spend \$1.7 billion on disaster relief for Eastern States flooded by Tropical Storm Agnes.

In addition, the President has requested that loans for stricken homeowners and businessmen that could carry only one per cent interest and no repayment of the first \$5,000.

If approved, the request would be the "largest single amount ever allocated for a recovery effort and would be used for long and short term assistance.

The meeting scheduled for tomorrow is designed to expedite relief efforts. The new proposals will be discussed by Vice President Spiro Agnew and Frank Carlucci, deputy director of the Office of Management and Budget.

COMPLAINTS FILED

Some state and local officials had complained that federal assistance was slowed by red tape.

Nixon ordered the federal agencies to speed up their efforts to send Agnew on an inspection tour of the flood damaged states, and asked Congress for \$100 million in emergency relief funds.

"We must not permit the nightmare of destruction which has wrecked so many of their homes and places of business to be followed by the equally grim specter of bankruptcy or ruin," Nixon said in his statement.

The President stated that when he visited Pennsylvania he found the flood destruction "almost overpowering." Nixon said that progress since that time has been remarkable, but "the challenge we face is not an easy one."

SCOTT'S STATEMENT

Sen. Hugh Scott issued a statement concerning the President's action on obtaining additional funds.

"We must pull out all the stops and attack this recovery effort with an entirely new approach," Scott said when he learned of the request for additional funds.

After visiting the Wilkes-Barre area, Scott called Nixon and recommended an increase in the appropriations and suggested that state matching funds be authorized by the Commonwealth of Pennsylvania.

Nixon's proposal that Congress appropriate at least \$1.8 billion for the massive grant-in-aid program suggests the following avenues: \$1.3 billion for the Small Business Administration, \$200,000,000 for the President's Disaster Relief Fund, \$200,000,000 for the Federal Highway Administration, \$160,000,000 for the Appalachian Regional Commission, \$55,000,000 for the Economic Development Administration, \$12,000,000 for the Corps of Engineers, \$30,000,000 for the Department of Labor, and \$1.85 million for the Farmers' Home Administration.

At approximately noon today, The Sentinel was informed by Sen. Schweiker's office that FMC made its national announcement of the plant closing in Lewistown at 6 p.m. on Wednesday.

The announcement was made despite the fact that a telegram from the two senators had been dispatched urging reconsideration of the move.

Schweiker's office said the announcement was made prior to President Nixon's request for additional funding for flood victims. The senator's office said it is hoped the company will reconsider since every possible avenue of providing financial assistance is being followed.

NO CHANGE

The Lewistown plant reported no change in the status of the situation this morning.

Meetings with officials of the FMC Corporation will continue as AIRC members attempt to have the decision modified by the San Jose based firm.

[From The Sentinel, Lewistown, Pa., July 14, 1972]

MEETINGS BEING HELD ON FLOODING, VISCOSÉ

At least nine community leaders from Mifflin County are out of town today as they meet with officials in Philadelphia and Washington, D.C.

The Philadelphia meeting was between Richard A. Herbster, Richard Noerr, C. V. Rowland, Rep. W. Brady Hetrick, George Dillman, and officials of the Films and Fibers Division of the FMC Corporation.

The main topic of the discussion was expected to be the closing of the rayon plant in Lewistown this past Tuesday, adding over 2,000 persons to the unemployment list in the Lewistown Labor Market.

FMC's announcement to close the plant was attributed to a number of reasons including the age of the rayon facility, economic and market conditions.

Since the official statement was made by Robert C. Spangler, plant manager, community leaders comprising the Area Industrial Recovery Committee (AIRC) have been conducting numerous meetings, some of which have been around-the-clock discussions.

The purpose of the committee is to investigate all the avenues in an attempt to either locate new industry to employ the displaced workers or to have talks with FMC in hope that a modified decision can be reached.

WASHINGTON MEETING

On Thursday, several members of the community received telegrams from President Richard M. Nixon inviting them to the White House today for a meeting on the Disaster Relief Fund, which is considered to be the largest in history.

Representing Mifflin County at the White House conference are J. D. Scoggins, John T. Connelly, Mayor John J. Lawler, and James A. Kepler.

The meeting was conducted by Vice President Spiro T. Agnew and Frank Carlucci, deputy director of the Office of Management and Budget.

Nixon's proposal requested that loans for stricken homeowners and businessmen carry only one percent interest and no repayment of the first \$5,000.

If approved, the request would be "the largest single amount ever allocated for a recovery effort and would be used for long and short term assistance."

CLEANUP CONTINUES

Robert C. Spangler, plant manager, of the local FMC facility, said today that approximately 150 persons are engaged in the final cleanup and equipment preservation process.

He said the equipment is being well-oiled to prevent damaging rust as the various parts are cleaned.

In all probability, the equipment will be catalogued for reference should other plants need parts or replacement machines.

As for the polyester plant, the massive cleanup is continuing. Spangler said it is hoped that one spinning line operation will be in operation within the next three weeks.

According to the current schedule, the undrawn yarn will be shipped to Radford, Va., for processing.

The CHAIRMAN. Mr. Griffin.

Mr. GRIFFIN. I would like to ask the panel was the Federal flood insurance program available to the communities in Pennsylvania and in South Dakota?

Mr. CARLUCCI. Yes it was.

Mr. GRIFFIN. Did they take advantage of it?

Mr. CARLUCCI. Very few people took advantage of it.

Mr. GRIFFIN. Do you know why?

Mr. CARLUCCI. We don't really know why. Perhaps people weren't aware of it. Perhaps they decided to rely on disaster relief measures. In any event, we are now studying the flood insurance program very closely to see how it can be improved and I would be glad to keep this committee informed of our progress.

Mr. GRIFFIN. We need figures on how much and how many did have flood insurance and some reason why they did not participate.

Thank you.

The CHAIRMAN. Mr. Rousselot.

Mr. ROUSSELOT. Thank you, Mr. Chairman.

Mr. Carlucci, many of us on this committee are concerned about the problem we might have when our colleagues and good citizens confront us asking that their areas be included in this bill because their communities have suffered severe losses due to disasters similar to those caused by Hurricane Agnes and the floods in South Dakota.

Could you describe for us why you feel that these other presidentially declared disaster areas should not be included and why they are substantially different in nature than the areas affected by Hurricane Agnes in Wilkes-Barre, Pa., and the flood in the Black Hills, Rapid City area in South Dakota?

I know you say whole communities were wiped out, but that happened in my colleague, Mr. Leggett's, district in California. A whole

area, a whole community, was wiped out. It was smaller, but the impact on that community was as great as it was in Pennsylvania. Can you clarify more precisely how you differentiate?

The same thing happened in the California earthquake which had a whole electric system knocked out. The Northwest, Southwest Pacific Intertie, which carries power between California and Oregon, went out when the converter house in Sylmar was severely damaged affecting the southern California Edison Co. and Los Angeles Water & Power Co.'s supply for the whole Los Angeles basin and Pacific Gas & Electric Co. and Bonneville Power Administration's supply in northern California and Oregon at a replacement cost of approximately \$40 million plus loss of revenue.

Those people are going to come back and say you gave this favorable situation to the other people, why shouldn't we be included?

Mr. CARLUCCI. In Pennsylvania, in contrast to most disasters where a person will lose maybe a home, maybe a job, maybe he will have his community badly hit, in Pennsylvania people lost homes, jobs, community and then some—the railroad system, for example of Pennsylvania has been devastated, the highway system disrupted, the economy badly damaged. We don't think that the existing programs are sufficient to take care of that kind of massive problem.

Mr. ROUSSELOT. The same thing happened in the California earthquake which had a whole electric system knocked out. Those people are going to come back and say, "You gave this favorable situation to the other people, why shouldn't we be included?"

Mr. CARLUCCI. I understand the people are rebuilding very well in California.

Mr. ROUSSELOT. The conditions—

The CHAIRMAN. May I state, gentlemen, since you are the spokesman for the administration's witnesses, we would like for you to be available at the time when we have the markup session so if any question comes up like the ones that have come up during this question-and-answer period, we will be able to get information from you about what we decide to do on the markup session. Is that satisfactory?

Mr. CARLUCCI. Yes, sir.

Mr. HANLEY. Mr. Carlucci. Earlier today you said this disaster could break the back of the economic structure of the areas concerned, and I am in complete agreement with what you say. Now, with this thought in mind, is it the intent of the administration that this measure is a first step overtone in recognition of the astronomical costs associated with this disaster? Is the intent of the administration to come forth with other proposals to alleviate the plight of this disaster?

Mr. CARLUCCI. At the present time we think that the legislation which is before you coupled with the supplemental funds that we have requested will be sufficient to deal with this particular disaster. However, we are concerned with the preventative aspects of the whole disaster problem and we want to study that issue and see how we can structure the proper kind of incentives.

Mr. HANLEY. Your statement then would be inconsistent with the testimony of Governor Shapp representing one State alone. One question.

Now the House-passed measure of several weeks ago contained the provision whereas in addition to Presidential-decreed disaster areas,

the Administrator of SBA would be empowered to go into any area regardless of scope of the disaster, regardless of geographical boundary, and declare that eligible, and the applicants would be eligible for full entitlement.

As I read the language of this measure here, "Disasters as determined by the Administrator of Small Business Administration," is it the intent of the administration that this language concur with the already adopted House language?

Mr. CARLUCCI. That is our intent.

Mr. HANLEY. Thank you.

Mr. KLEPPE. That is the way I understand it.

Mr. Chairman, if I may refer back to a question of Congressman Minish. The answer in his example would be that they would qualify if they suffered loss in the same storm.

Mr. HANLEY. This is my interpretation of the already passed House bill and I am assuming it concurs with your interpretation of this language?

Mr. CARLUCCI. In that specific it does.

Mr. KLEPPE. That is correct, I understand it that way.

The CHAIRMAN. Mr. Archer.

Mr. ARCHER. I understand the important nature of this legislation but I am disturbed about the fact that we are spending \$1.8 billion and having an opportunity to ask only one question.

I am disturbed about the speed by which massive pieces of legislation go through this committee and I can't—

The CHAIRMAN. We can change it any time.

Mr. ARCHER. I think we ought to give the necessary deliberation to make these committee hearings meaningful.

The CHAIRMAN. We will have these witnesses before the markup session to make sure that we give consideration to all areas of the bill.

Mr. ARCHER. I have many questions I would like to ask. I will ask only one at this time.

My understanding, Mr. Carlucci, from your comments earlier, is that the District of Columbia is included under the terms of this bill.

Now, are you testifying to this committee that the District of Columbia has had such an economic community loss that it is on the verge of collapse, and, therefore, justifiably must be considered under this temporary liberal-type legislation?

Mr. CARLUCCI. We are testifying that the entire area effected by Agnes has suffered this kind of economic loss, and frankly for us to distinguish between areas within the Agnes range which have suffered more or less loss would not be administratively feasible.

Mr. ARCHER. But the basis on which you are justifying this legislation is the massive economic losses in these communities.

Now, I live in the area of the District of Columbia and there have been losses here but I cannot say that these losses have been any greater than they have been in my own district in Houston, Tex., earlier this year where we had homes under 2 feet of water.

How many communities within the Agnes area are actually subject to this type of great economic travail that you are talking about?

Mr. CARLUCCI. Well, I think it would be very hard for us to make that kind of a breakdown. What we have said is that the entire area

hit by Agnes, devastated by Agnes, taken as a whole, would suffer this kind of loss, and I don't know how we would break out individual communities.

The CHAIRMAN. Mr. BRASCO.

Mr. BRASCO. Yes, if I might, to follow up a question and observation that was asked by Congressman Minish. I thought I had the answer to it but now I am not clear.

Under the terms of this particular piece of legislation that we have before us, as I understand it now, pursuant to Mr. Kleppe's and Mr. Carlucci's answers to Mr. Hanley's question, that the area does not have to be declared a disaster area to get the relief under this bill, but if the SBA's Administrator so determines that the provisions of the bill would apply to a particular area, then it would apply. Am I correct now?

Mr. CARLUCCI. Yes.

Mr. KLEPPE. Could I answer that, Mr. Brasco?

First, the present Disaster Act we have only provides for forgiveness in the presidentially declared area.

Now, we, SBA, will declare disasters and we can make loans but the forgiveness does not apply.

Now, in the bill that the House passed here recently the provision was made in areas adjacent to a presidentially declared disaster where the loss was suffered from the same storm, that those would qualify for the forgiveness.

It is my understanding that the language in 15935 is the same, and therefore, the example that Joe Minish recited would qualify for the forgiveness.

Mr. BRASCO. For the forgiveness?

Mr. KLEPPE. That is right.

Mr. BRASCO. In areas not contiguous you could make the loans but they would not be eligible?

Mr. KLEPPE. Yes, if it was caused by the disasters.

The CHAIRMAN. Mr. Koch. Two questions.

Mr. KOCH. I am going to make an observation and that is this. I am going to vote for a bill in this committee because the suffering is there. We haven't suffered from Hurricane Agnes in the city of New York so we are not going to come under this bill. I know that this act refers to untold suffering and the loss in human lives and interruption. What bothers me is that that kind of untold suffering and loss of productivity of human lives takes place every day in the city of New York and in every major city. People live in slums and have no jobs and yet there is no special legislation, or special measures designed to aid the victims of those catastrophies. The administration and Congress doesn't seem to think that manmade disasters have the same priority as a disaster which is the result of an act of God.

Don't you think there is something wrong with this reasoning?

Mr. CARLUCCI. Well, the Federal Government is spending considerable amounts of money in such areas as welfare and poverty.

Mr. KOCH. Mr. Carlucci, every day in my city of New York people go home to rat-infested apartments and don't have jobs and are the victims of untold agony and suffering. You can't tell me that they are less worse off than the people who have come under the suffering

which is the subject matter of this bill. That is what is so galling to people who live in the cities and undergo this every day of their lives.

The CHAIRMAN. Mr. Mitchell.

Mr. MITCHELL. I know we are fighting time. I just have one major question and a thousand minor ones that I won't get to.

You are urging that the committee not legislate now "for future super disasters." One of your arguments for the committee not doing this is that you advocate sound land-use control in flood-prone areas and other flood control measures and insurance, as being better than permanent disaster legislation.

It is my understanding that the planning for sound land-use control must necessarily be in at least two stages. The first is the study period. Those study periods generally run anywhere from 18 months to 2 years.

Then next is the implementation period which generally runs anywhere from 2 to 3 years. So we are talking about the possibility of 5 years intervening before any of these sound land-use control programs could be implemented—roughly 5 years. In the meanwhile, if a disaster strikes during the intervening 5 years, we are faced with the same situation; namely, no legislation to be put into effect immediately to cover it.

Mr. CARLUCCI. Mr. Mitchell, there are really three aspects to that problem. There is the urban redevelopment aspect that you speak of. There is the flood prevention project, the type that the Corps of Engineers construct.

Mr. MITCHELL. I am familiar with that.

Mr. CARLUCCI. And there is the flood insurance program. So that we have to somehow mesh all three of these so that we can build in the best cost benefit ratio. In many of the areas where people have lost their homes due to Agnes there are already urban renewal plans in being or underway and we have indicated that we will work with the local communities in accelerating these plans in any way we possibly can, so I would not anticipate there would be delay of up to 5 years.

Mr. MITCHELL. What about land-use control?

Mr. CARLUCCI. Land-use control, we would work with the local communities in developing plans for that. In fact, one of the features of our flood insurance plans—

Mr. MITCHELL. Give me another minute. I think I had 5 minutes.

The CHAIRMAN. You have two questions.

Mr. MITCHELL. Let me just clear up. What is your timetable for developing the study for land-use control?

Mr. CARLUCCI. I can get that information to you this afternoon.

The CHAIRMAN. Now, may I have your attentions. We have three people here. Two have come in, and the chairman hasn't asked any questions. Mr. Rees and Mrs. Heckler, if they desire to ask questions. Would you like to, Mr. Rees?

Mr. REES. Mr. Chairman, all I want to do is say that I support the amendment that will be offered by Mr. Leggett of California to include a disaster we had in northern California in our delta area and I will be supporting the amendment by Mr. Abourezk of South Dakota to take in the Rapid City flood. Both of these occurred within the past month.

The CHAIRMAN. We expect to hear them immediately when we come back here, Mr. Kazen and Mr. Leggett. We must adjourn soon and we

will come back as soon as we can, as soon as the provisions of the House will permit. We must get through this afternoon if we can.

Mrs. HECKLER, would you like to ask two questions?

Mrs. HECKLER. Yes, Mr. Chairman.

The CHAIRMAN. We have agreed on two brief questions. We are trying to get through here.

Mrs. HECKLER. I would like to ask just one question. I would like to have, whichever witness chooses to answer, explain to me the relationship between H.R. 15935, the bill before us today, which provides relief for the victims of hurricane tropical storm Agnes, and the victims of the South Dakota flood disaster and the more basic bill, H.R. 15890, which provides broader relief and which was passed by the House on June 29. It was passed by the House as H.R. 15692.

Mr. CARLUCCI. That is the bill that has passed the House?

Mrs. HECKLER. Yes.

Mr. CARLUCCI. There are several basic differences. One is that the bill that has passed the House is permanent legislation. H.R. 15935 is temporary legislation directed at the Agnes and Rapid City area. Second, the bill that has passed the House would offer 3 percent with \$2,500 forgiveness or 1 percent with no forgiveness.

H.R. 15935 would offer 1 percent with \$5,000 forgiveness.

Mrs. HECKLER. Thank you.

The CHAIRMAN. I will forgo asking questions myself to permit these witnesses who have not been heard, Members of Congress, and be brief because we must get through, if you please, and we have Mr. Kazen and Mr. Leggett and Mr. Fisher.

The CHAIRMAN. Mr. Leggett, will you start.

STATEMENT OF HON. ROBERT L. LEGGETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LEGGETT. Mr. Chairman, I'm grateful to you for allowing me these few minutes of your committee's time. I know you'd like to move this legislation along as quickly as possible, and I'll make my remarks as brief as possible.

Congressman John E. Moss of Sacramento County, Calif., associates himself with my remarks.

The bill you are considering is an excellent one, and the committee is to be commended on it. The people of the six States struck by hurricane and tropical storm Agnes deserve this 1-percent loan and \$5,000 forgiveness program to assist them in reducing the financial impact of their loss. Likewise, the citizens of the Rapid City area in South Dakota deserve this assistance.

But the citizens of Isleton and of Andrus and Brannan Islands along the Sacramento River in California also suffered grievously from flood during the past month, and are equally in need of and equally deserving of the assistance provided by this bill.

On June 21, 1972, at approximately 1 a.m., the Andrus Island levee broke. The resulting flood injured 150 persons, of whom 20 were hospitalized, and caused roughly \$29.5 million worth of damage. On June 27, at the request of Governor Ronald Reagan, President Nixon officially declared the area to be a disaster area.

I have here a newspaper photo of the levee break, which I'll pass around to the members of the committee. It was a fearsome sight.

I also have a photo showing one of our main highways smoothly winding its way into and under the river. (The photographs referred to are retained in the committee files.)

Fortunately, the human cost was not as great as it might have been. While there are a number of mobile homes which are still submerged and which may have people trapped in them, to date we know of no fatalities as a result of the flood.

But the economic cost has been crushing.

Three thousand individuals have been displaced from their homes. Isleton is expected to be made habitable by December, but the farms will not be habitable until next spring or summer.

Eight-hundred and twenty-five individuals are unemployed as a result of the flood. Approximately half of these are agricultural workers who are not expected to be reemployed for a year. The other half are nonfarm workers whom we hope to have reemployed within 6 months.

Farm damage was initially estimated at \$12 million. This assumed a 50 percent loss to the pear orchards. But yesterday I learned that the pear orchard destruction is now estimated at 100 percent. This raises the agricultural loss \$3.5 million to \$15.5 million.

One-hundred and fifty mobile homes were destroyed, along with 80 conventional homes. Approximately 330 other homes were damaged in various degrees. Local officials estimate total residential damage at just under \$3 million.

Seventy-four businesses were damaged or destroyed, totaling a little over \$1 million.

School damage totals over \$2 million.

Damage to roads, recreational facilities and Federal facilities adds up to another \$2 million.

The flood is costing more than \$6 million in temporary housing assistance, legal services, food stamps, and lease and mortgage payments assistance to those who lost jobs.

Mr. Chairman, I realize this damage is not as widespread as that incurred on the east coast. But it is substantial nevertheless. If your home and your whole town is under muddy water, it is no consolation to know that another town 20 miles away has survived.

The 3,000 people displaced, the 570 homeowners who suffered damage or destruction, and the 58 businessmen affected are in a predicament no less serious than that of their counterparts in Wilkes-Barre or Rapid City. The benefits of this bill would go a long way to lighten the \$30 million loss these people have sustained.

I have prepared a series of simple amendments to the bill before you, H.R. 15935. All they do is to extend to California the benefits you are now seeking to provide to the Agnes areas and to South Dakota as a result of floods during June 1972.

As a matter of justice, fairness, and humanity I urge you to incorporate these amendments into your bill.

(The amendments referred to follow :)

THE LEGGETT AMENDMENTS TO THE FLOOD RELIEF BILL, H.R. 15935

Short title: line 3, after "Dakota", delete "Flood Disaster" and insert in its place, "and California Flood Disasters."

SEC. 2, lines 5 and 6 of draft copy: Delete "State of" and insert in its place, "States of California and."

SEC. 3, line 8 of draft copy: Delete "State of" and insert in its place, "States of California and."

SEC. 8, line 4 of draft copy: Delete "State of" and insert in its place, "States of California and."

The CHAIRMAN. Mr. Kazen.

**STATEMENT OF HON. ABRAHAM KAZEN, JR., A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS**

Mr. KAZEN. Mr. Chairman, I am here not to urge less national interest in the victims of hurricane Agnes in the South Dakota floods but to ask that the quality of mercy not be strained by the calendar. This legislation proposes to help victims of two recent storms but what magic supports that date?

Now, in May, just 2 weeks before these June disasters, we had a major flood in Texas. The area in my district was not as large as that struck by Agnes but the losses to individuals and communities was comparable. Who is to say that a home washed away or place of business destroyed in Pennsylvania or the District of Columbia is more significant than the same personal loss to a citizen or a storeowner in South Texas. Let me just say this. It would be most dogmatic to have a cutoff date just 2 weeks before or after the disaster happened in my area.

I have listened to the testimony here this morning from the administration. If you will read the statement that was presented for the committee, it says that tremendous paperwork would be needed if all of these recent disasters were included. I say to you that Mr. Kleppe and the SBA has done a tremendous job. I know that they want to do a job for every single person that has suffered loss through a disaster. One should not be considered greater than the other, and all should be treated equally.

Now, certainly if the District of Columbia comes in with the amount of damage that was done here, the \$8 million in my district and the loss of life which occurred in my district are just as important to my people as the losses which occurred here in Pennsylvania or anywhere else. We are talking about a disaster that occurred on the 15th of May, declared on the 20th of May, just 2 weeks before the cutoff date on this bill. All I ask for is equity for our people in all of these United States.

I agree wholeheartedly with my colleagues who appeared here from the State of Washington, from California, from some of these other States, that we should not be left holding the bag on this thing. Equity should be done just for all citizens of this country who suffered from the same type of disaster and had the same type of losses. Certainly they ought to be treated in the same way by the same Government.

The CHAIRMAN. Thank you. You and Mr. Leggett may extend your remarks, if you desire to do so. Mr. Fisher, we will hear from you now.

**STATEMENT OF HON. O. C. FISHER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS**

Mr. FISHER. Mr. Chairman I will be very brief. I will simply underscore what Mr. Kazen has just said because we are talking about the same disaster. He has referred to the town of Seguin, Tex., on the Guadalupe River, and I am referring to New Braunfels, 15 miles above Seguin on the same river.

On May 15 of this year, in 2 hours time, 12 inches of rain fell on the Guadalupe watershed, just above New Braunfels. It was the worst cloudburst in recorded history in that area. I don't recall the amount of damages suffered, but I would estimate it was more than twice the amount of damages at Seguin. Fifteen lives were lost.

Following the flood, SBA and other agencies moved in and the aid provided has been extremely helpful and deeply appreciated by the victims.

If additional assistance is to be provided for the victims of Agnes, I can see no valid reason why our area should not be entitled to comparable treatment. I urge the committee to apply the same treatment to all victims of such disasters.

The CHAIRMAN. Thank you. In accordance with the agreement hereto, the committee will stand in recess but probably will be called back at 2 o'clock, possibly before, but you will receive a telephone call as soon as we can ascertain whether or not we can call at that time.

Thank you gentlemen very much for your attendance and you may of course extend your remarks.

(The following material was submitted for inclusion in the printed record:)

STATEMENT OF HON. NELSON A. ROCKEFELLER, GOVERNOR OF THE STATE OF NEW YORK, IN SUPPORT OF LEGISLATION TO PROVIDE RELIEF FOR THE DISASTER CAUSED BY TROPICAL STORM AGNES

I am grateful for the opportunity to express my support for the legislation, now pending before the Committee, to provide greater relief for the damage caused by Tropical Storm Agnes.

Tropical Storm Agnes caused enormous damage and harm in New York. It affected millions of our citizens. It left thousands homeless. Dozens of people died as a result of the storm. Twenty-two New York counties have already been declared by the President to be major disaster areas.

New York and its localities have done, and are doing, all that they can to help those harmed by the storm, including such services as:

- provision of temporary housing;
- food inspection;
- sanitation inspection;
- road and bridge repair work;
- assistance in restoration of utilities;
- provision of National Guard troops to prevent looting;
- assisted in the distribution of surplus food; and
- distributed unemployment benefits to those made jobless by the flood.

In addition, the private sector has rallied admirably to the aid of the storm's victims. Examples of kindness and generosity by individuals are without number. The Red Cross has done a superb job. In another noteworthy example, the Savings and Loan League of New York State, representing savings and loan associa-

tions throughout New York, established a \$2.7 million fund to be used for out-right grants to needy flood victims.

But the damage in New York exceeds the resources of the State and its localities, and of the private sector.

Federal aid—already substantial and deeply appreciated by all New Yorkers—must be increased if we are successfully to rebuild the lives and communities of the storm's victims.

Prompt passage of the "Agnes Recovery Act of 1972," and related measures, would be an important step toward providing this needed additional Federal aid by expanding and liberalizing programs which aid homeowners, businessmen, farmers and all individuals who have suffered from Tropical Storm Agnes.

STATEMENT OF HON. LAWRENCE COUGHLIN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF PENNSYLVANIA

I am grateful to the Committee for this opportunity to present testimony supporting H.R. 15935, the Agnes Disaster Relief Bill. I am particularly grateful to the Committee for its prompt action in holding these hearings.

My testimony is personal both because my own District was hard hit by the floods and because my family home in which my 74-year-old mother lives was devastated.

It is difficult to describe the scene in these communities and only if you have actually seen it can you really appreciate the magnitude of the disaster.

I remember driving into one community and first being faced with a three-foot carp in the middle of the road and also a sofa in a tree in front of the Post Office so high up that you could not reach it. In fact, sofas must be the most buoyant article because there were sofas everywhere—on lawns, in the road, and half-way through doors.

The only sound was the sound of sirens and helicopters. The smell was a mixture of mud, oil, sewage, and escaping gas.

Imagine, if you will, splitting open the door of your own home in which the furniture has been floating around for three or four days. Now it has settled back in topsy-turvy fashion and everything is covered with a two-inch coating of combined slime, sewage and oil.

There is no water, electricity or gas, and the refrigerator, the stove, the washer and dryer, the furnace, the hot water heater, and the family automobile have all been under water for three or four days.

This is the predicament of thousands of families in the flood area and the one that I experienced myself.

I am proud the Administration has moved swiftly both in proposing the Agnes Recovery Act and in requesting substantial additional funding.

Under the circumstances, the present \$2,500 forgiveness after paying the initial \$500 is clearly inadequate. I wholeheartedly support the initial grant of \$5,000 with interest at the rate of 1% on borrowing in excess of a \$5,000 figure.

I know that your Committee will act swiftly and I implore it to do so.

STATEMENT OF HON. GEORGE A. GOODLING, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF PENNSYLVANIA

Mr. Chairman: The bills upon which this Committee is conducting hearings today have as their principal objects the increasing of the forgiveness feature and decreasing the interest rate on Federal Government disaster loans for victims of Hurricane and Tropical Storm Agnes. I sincerely urge that this Committee approve a "clean bill" embodying a generous and practical application of these concepts.

As was evidenced by the flood waters that recently swept across Pennsylvania, the forces of nature many times move in a relentless and devastating way, introducing chaos and confusion to the affairs of men. It is estimated, on a conservative base, that there have been 180,000 flood victims in northeastern Pennsylvania, and that it will take \$2 billion in Federal aid to reestablish all of the citizens of Pennsylvania who fell victim to the temper of Agnes.

I witnessed first hand this flood-wrought destruction, and this tragic loss manifested itself in various ways.

I have stood at a church site, on a slight elevation above the water, watching church pews bob up and down, corklike, in the deep, turbulent waters. A grand organ stood in a corner of the church with the water almost at the level of its keyboard, stark evidence that a splendid and expensive musical instrument had been completely destroyed by the waters.

I have seen bridges made impassable by the wild-rushing waters, with sections thereof being completely destroyed or supports severely weakened by the rampaging waters.

Everywhere silt and mud remained in the wake of receding waters, posing as a problem for those who owned the furniture and other property upon which it was caked and representing a great loss of valuable topsoil to the farmer.

I saw debris all about, with a refrigerator cast to the side at one point, a television set perched awkwardly against the stump of a tree where it had been washed, and odds and ends of furniture floating about in abundance in the waters. In the midst of it all, an automobile here and a small truck there would come floating by, carried by the strong force of the waters.

The losses for many citizens were of a heartbreaking wholesale nature. Consider, if you will, the instance where a man and his wife had a heavily mortgaged home, a financed automobile, and household items bought on the installment plan. All of these were washed away in the flood waters, but the man and wife were not excused from the debt on these properties they no longer owned. In some instances, too, the plant where the wage earner of the family was employed was washed away; hence, he not only lost his sorely-needed material goods but also the means by which he could satisfy his debt on them.

As every member of this Committee, knows, I am an ardent champion of economy where Federal spending is concerned. The substantial sums represented by the legislation now before this Committee cannot, however, be considered an expense but, instead, an investment in human beings. If, as the record shows, America has spent in excess of \$115 billion since the end of World War II for assistance to peoples of foreign countries who were stricken with adversities, then certainly we should be willing to spend a fraction of this amount for badly needed assistance right here at home. This assistance will help to restore some meaning and hope to innocent American citizens who have been terribly hurt by a force of nature. I strongly and sincerely urge your prompt approval of a bill designed to provide sorely-needed additional relief to victims of Hurricane Agnes.

STATEMENT OF HON. J. IRVING WHALLEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF PENNSYLVANIA

Mr. Chairman, I support H.R. 15935, a bill known as the "Disaster Recovery Act of 1972," which we feel is essential to the economic recovery of the states devastated by floods.

Our nine-county area of Central Pennsylvania was especially hard-hit, with damage estimates running as high as \$325 million.

Perry County, which lies along the Juniata River where it merges with the giant Susquehanna, suffered upwards of \$130 million in flood damage. Hundreds are still homeless, and thousands are looking to the Federal Government for aid in rebuilding their communities and restoring their industry.

Mifflin County was devastated by the overflowing banks of the upper Juniata River where the river crested at 42½ feet. It suffered \$150 million in damage.

American Viscose, Division of FMC Corp., the largest employer in Mifflin County, may lay off 2,300 employees in their rayon plant and shut-down operations because of the immense flood damage suffered. This could have disastrous effects on the county.

It would hike the unemployment figure for Mifflin County from 5.6 percent before the flood to 15.1 percent. And a Microregional Analysis of the situation conducted by Penn State University showed that the total impact to the economy of the Mifflin County area because of the shut-down would be \$58,327,000.

Mr. Chairman, passage of the Disaster Recovery Act of 1972 is necessary for the economic good of the entire Nation.

We strongly urge you to act favorably on H.R. 15935.

Thank you very much.

STATEMENT OF HON. J. J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, I would like to call to your attention and to the Members a provision of H.R. 15935 that seems to be inequitable to disaster victims of recent Texas floods and urge your consideration to correct what surely must be an oversight.

I am referring to the effective date of this legislation which currently provides relief to Hurricane Agnes flood victims in six Eastern States.

I would like to go on record as favoring a provision to make this bill retroactive to July 1, 1971. This would provide much needed help to Texas flood victims that is being extended to those victims in Eastern States.

I would think that surely the omission of relief to Texas victims was an oversight. This has been a year of disasters and all victims should be given equal opportunity to rebuild their homes, businesses and communities under federal assistance.

Flood victims in Hays, Fayette and Caldwell counties certainly had no deliberate choice in the timing of their disaster. They should not be penalized because heavy rains and flooding wrecked havoc in these communities prior to the time of the great Eastern floods. Their damage, loss and suffering is just as great and I would hope that an equitable retroactive date can be established.

AMERICAN RETAIL FEDERATION,
Washington, D.C., July 21, 1972.

HON. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
Rayburn House Office Building, Washington, D.C.

DEAR CHAIRMAN PATMAN: The American Retail Federation, representing many retailers which suffered damage during the recent floods occasioned by Hurricane Agnes, respectfully urges that your Committee take quick action on pending disaster relief legislation.

Federation contacts with state retail associations and businesses in the affected states indicates that while damage is extensive, retailer morale is currently high. However, all businessmen in these areas report that quick action by the Congress would assure that most of the retailers in these flood-hit areas do begin efforts aimed at re-establishing their stores.

We would respectfully urge inclusion of the following points in any disaster relief bills:

- (1) a reduced interest rate, to as low as 1%, on Small Business Administration and other disaster relief loans.
- (2) a "sliding scale" for loan forgiveness, based on a percentage of the loan, rather than a flat, across-the-board dollar amount.
- (3) provision for total loan forgiveness in the event a businessman is the victim of two federally-declared disasters within a specified period of time, such as four years.

The Federation would be most happy to assist you in any way possible with this legislation.

Cordially,

EUGENE A. KEENEY, *President.*

(Whereupon at 11:40 a.m. the committee was adjourned to reconvene at the call of the Chair.)

