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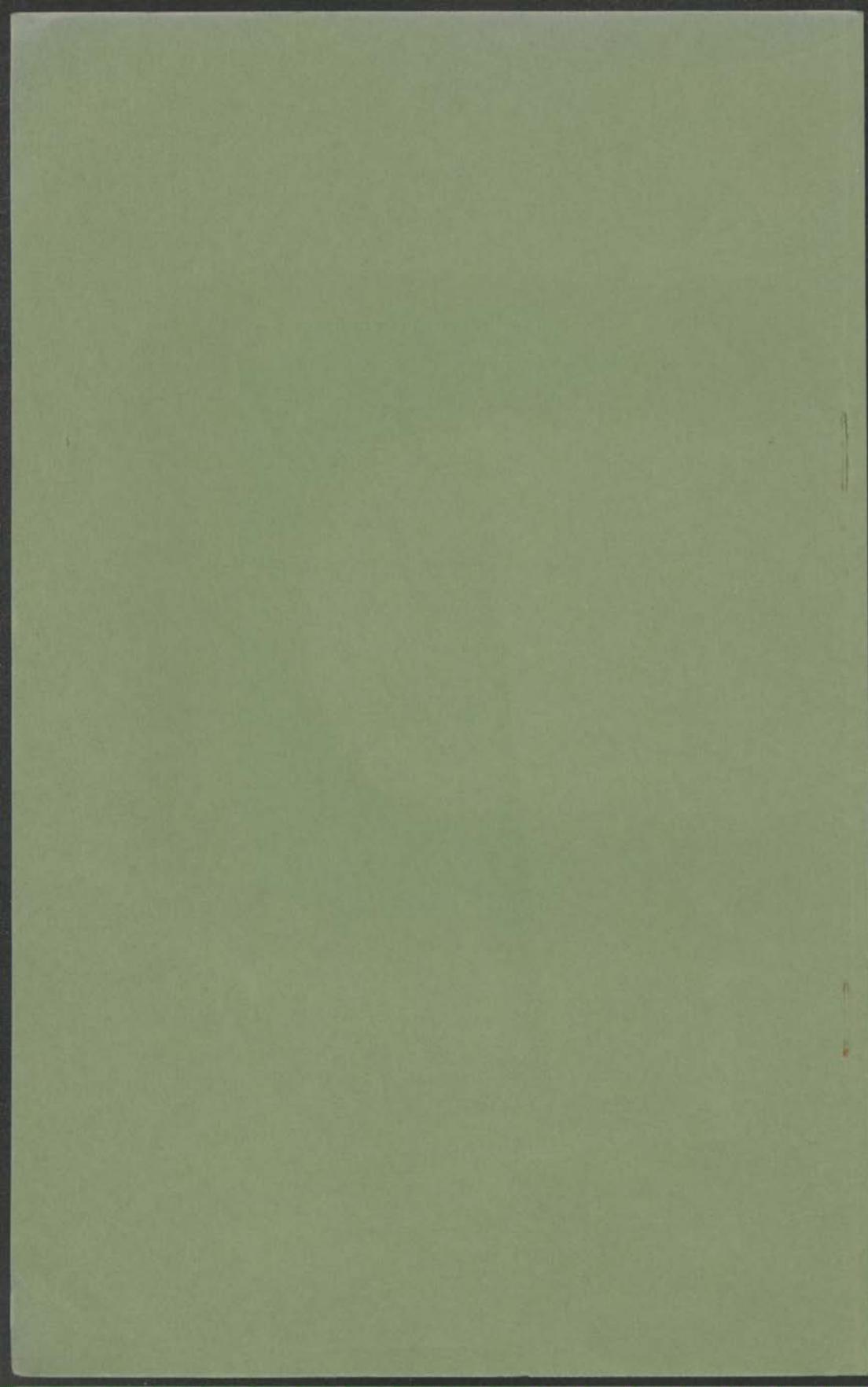
Before the Committee on Appropriations

DISASTER RELIEF SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1973

H.R. 16254

92^d CONGRESS, SECOND SESSION

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**DISASTER RELIEF SUPPLEMENTAL APPROPRIATIONS
FOR FISCAL YEAR 1973**

HEARINGS
BEFORE
SUBCOMMITTEES OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 16254

AN ACT MAKING CERTAIN DISASTER RELIEF SUPPLEMENTAL
APPROPRIATIONS FOR THE FISCAL YEAR 1973,
AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations



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(II)

DISASTER RELIEF SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1973

WEDNESDAY, JULY 26, 1972

U.S. SENATE,
SUBCOMMITTEE OF THE TREASURY,
U.S. POSTAL SERVICE, AND GENERAL GOVERNMENT,
Washington, D.C.

The subcommittee met at 2 p.m., in room 1114, New Senate Office Building, Hon. Joseph M. Montoya (chairman) presiding.
Present: Senators Montoya, Boggs, and Young.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF EMERGENCY PREPAREDNESS

STATEMENT OF G. A. LINCOLN, DIRECTOR

ACCOMPANIED BY:

RICHARD MURRAY, ASSISTANT GENERAL COUNSEL
KENNETH MOSIER, CONGRESSIONAL LIAISON OFFICER
JAMES DOKKEN, STAFF ASSISTANT
ROBERT VOLLAND, BUDGET OFFICER

BUDGET REQUEST FOR DISASTER RELIEF

Senator MONTOYA. The subcommittee will come to order.

Mr. Lincoln, we are pleased to have you appear before the subcommittee this afternoon in support of the \$200 million supplemental request for disaster relief which is contained in House Document 92-325, dated July 17, 1972. This request is to provide State and local governments as well as individual victims assistance in the form of temporary housing, unemployment compensation, and restoration of streets, roads, bridges, buildings, and utility systems.

HOUSE DOCUMENT 92-325

The sum requested is in addition to the \$292,500,000 recently appropriated in the 1972 supplemental and the regular fiscal year 1973 appropriation bills. Pertinent data from House Document 92-325 will be placed in the record at this point.

(The data follows:)

(1)

[H. Doc. 92-325, 92d Cong., first sess.]

SUPPLEMENTAL APPROPRIATIONS TO AID VICTIMS OF
TROPICAL STORM AGNESTHE WHITE HOUSE,
Washington, July 17, 1972.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I ask the Congress to consider proposed supplemental appropriations for fiscal year 1973 in the amounts of \$1,569,800,000 in budget authority and \$20,000,000 in proposals not increasing budget authority.

These appropriations, together with a \$200,000,000 Federal highway emergency relief authorization request, which will be sought separately, will provide over \$1.8 billion in Federal funds to help repair the damage caused by Tropical Storm Agnes.

These funds will help the hundreds of thousands of Americans who are struggling to rebuild their lives after the destruction wrought by Tropical Storm Agnes. From the earliest days of our Nation, whenever a disaster or hardship struck, Americans have pulled together, neighbors helping neighbors. It is fitting that we carry on this tradition now, in the wake of the worst natural disaster in American history, in terms of property damage and the extent of territory affected.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget with whose comments I concur.

Respectfully,

RICHARD NIXON.

Enclosure.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 17, 1972.The PRESIDENT,
The White House.

SIR: I have the honor to submit for your consideration proposed supplemental appropriations for fiscal year 1973 in the following amounts:

	Budget authority	Other proposals not increasing budget authority
Federal funds:		
Funds appropriated to the President:		
Appalachian regional development programs.....	\$16,000,000	
Disaster relief.....	200,000,000	
Department of Agriculture.....	1,800,000	
Department of Commerce.....	40,000,000	
Corps of Engineers, civil.....	12,000,000	
Small Business Administration.....	1,300,000,000	\$20,000,000
Total, Federal funds.....	1,569,800,000	20,000,000

This supplemental appropriation request provides more than \$1.5 billion in new appropriations to aid the victims of Tropical Storm Agnes, as announced in your radio address of July 12, 1972. The new appropriations include:

- Small Business Administration, \$1.3 billion, providing low interest loans to an estimated 115,000 home owners and 6,000 businessmen who have sustained damages from the flood waters.
- President's Disaster Relief Fund, \$200 million, providing State and local governments as well as individual victims assistance in the form of temporary housing, free food coupons, unemployment compensation, and restoration of streets, roads, bridges, buildings and utility systems.
- Department of Commerce, Economic Development Administration, \$40 million, to help in the recovery of economic activity through technical assistance and planning and selected projects in damaged communities.
- Appalachian Regional Commission, \$16 million, primarily for subsurface stabilization for communities where ground surfaces were weakened and endangered by flood waters. Funds for planning and housing grants also will be provided.
- Department of the Army, Corps of Engineers, \$12 million for flood control projects in the Susquehanna River Basin.

—Department of Agriculture, Farmers Home Administration, \$1.8 million to provide staff support for the increased number of loans being made to flood victims in rural areas.

In addition to these requests for supplemental appropriations, we are proceeding with a \$200 million program to repair and reconstruct the Federal aid highway system damaged by the flood. The proposed authorization for this program will be transmitted separately. An additional \$50 million will be provided for relief of flood victims by the reprogramming of funds by the Department of Commerce for the repair of public works, by the Department of Labor to hire workers for cleanup and restoration, and by the Department of Housing and Urban Development to assist communities in planning their reconstruction efforts.

In total, these actions will provide over \$1.8 billion in Federal funds to help repair the damage caused by Tropical Storm Agnes. This is the largest single effort ever undertaken by the Federal Government to provide aid for victims of a natural disaster.

The details of these proposed appropriations and other provisions are set forth in the enclosures to this letter. I have carefully reviewed all of the proposals contained in this document and am satisfied that the requests are necessary and urgent at this time. I recommend therefore that these proposals be transmitted to the Congress.

Respectfully,

CASPAR W. WEINBERGER.

EXECUTIVE OFFICE OF THE PRESIDENT

DISASTER RELIEF

For an additional amount for "Disaster relief," \$200,000,000, to remain available until expended: *Provided*, That not to exceed 3 per centum of the foregoing amount shall be available for administrative expenses.

This proposed supplemental will provide relief under the provisions of the Disaster Relief Act of 1970 to the areas devastated by Hurricane Agnes. The unprecedented damage, together with the uncertain schedule of Congress for the remainder of calendar year 1972 makes it prudent to request these funds to ensure that relief may be provided as expeditiously as possible.

* * * * *

GALLUP, NEW MEXICO: FLOOD DAMAGE

Senator MONTROYA. Before we proceed with your justifications with respect to this request, Mr. Lincoln, I would like to ask you something about the recent flood situation in the Gallup area of New Mexico. We have received statements from the Governor of New Mexico as well as from my New Mexico office with respect to the flood damage in the Gallup area. In the city of Gallup's urban renewal section, over 100 homes have been ruined. This damage has, in my opinion, occurred partly because of faulty engineering and planning by the Bureau of Public Roads and others. I hope I am wrong in my assumption. I mention this not by way of criticism but by way of additional justification for getting aid to the flood victims as quickly as possible.

I understand that you have looked into this situation during the last few days and are still evaluating it. What can you tell me about it at this time?

Mr. LINCOLN. We knew of the flood in Gallup, N. Mex., immediately, almost as it occurred. We have been in touch with the Governor and his authorities about the matter.

The Governor's formal request for assistance to the President is dated July 25. It was presented—as it should be under usual circumstances—to my regional director in Dallas. It arrived in my office just before I came to this meeting. I have asked the regional director for his records and an evaluation of the matter. These should get to me this afternoon. We will take action expeditiously on the Governor's request.

I will now make a few comments on what happened. Mr. Chairman, I am sure you know everything that I am about to say and more. This was in the nature of a flash flood, apparently, with damage along the riverbanks where approximately 200 families were evacuated. There were no deaths or injuries reported.

The Small Business Administration reports that 113 homes sustained major or minor damage and 37 businesses sustained such damage. The Small Business Administration has already designated McKinley County as eligible for long-term, low-interest disaster loans.

HOUSING FOR FLOOD VICTIMS

Senator MONTOYA. The immediate need is for some kind of an emergency operation for the provision of housing for the flood victims, is it not?

Mr. LINCOLN. That is correct, sir. The extent of this need is part of our survey.

Senator MONTOYA. I do hope that your office will not wait too long and will expedite this matter so that immediate arrangements can be made.

Mr. LINCOLN. Yes we will. Housing for the people comes first. Our first effort is to take care of the people. Next, we help clean up the area so that those who can get back into their homes will be able to do so.

Senator MONTOYA. If there is damage to the structures to the point where they will be rendered useless, I hope that you will look into the relocation and resettlement of these people somewhere else.

Mr. LINCOLN. I understand your point on the urban renewal aspects which could involve action to help move these people out of the flood plain. It is a very desirable thing to do if it can be accomplished.

Senator MONTOYA. I hope you will expedite your consideration of this problem.

Mr. LINCOLN. We certainly will. In fact, it is already being expedited.

Senator MONTOYA. Thank you. Please proceed with the rest of your testimony in support of the supplemental request, Mr. Lincoln. We might have to declare a recess shortly because we are expecting a rollcall vote in the Senate in a few minutes. With that understanding, you may proceed.

PREPARED STATEMENT

Mr. LINCOLN. Mr. Chairman, I can move very quickly. With your permission, I will ask that my formal testimony—which was delivered to your staff—be placed in the record and that I be permitted to make a few remarks. Then, I will attempt to answer your questions.

Senator MONTOYA. Without objection, it will be made a part of the record at this point. You may proceed to highlight it.

(The statement follows:)

Mr. Chairman, Members of the Committee, I appreciate the opportunity to testify on behalf of an exceedingly important supplemental appropriation for the President's Disaster Relief Fund.

Hurricane Agnes caused significant damage in Florida and, as it moved north with tropical storm strength, it caused devastating floods on the East Coast. Agnes has so far resulted in Presidential major disaster declarations for seven States -- Florida, Virginia, West Virginia, Maryland, Ohio, Pennsylvania, and New York. A total of 202 counties and 27 independent cities have thus far been designated as eligible for a massive program of Federal disaster assistance.

This storm generated record floods in most of the streams and rivers in the disaster area, from the James River in Virginia north to the Genesee River in New York, with resulting extraordinarily heavy damage to public facilities, homes and business establishments. These floods have placed unprecedented demands on the Federal disaster assistance program and on the President's Disaster Relief Fund. The financial impact on the President's Fund is principally the costs of temporary housing, restoration of public facilities and removal of debris.

On June 27, the President did request additional funds for the Agnes disaster to carry us over until we could make a firm estimate of our needs for Fiscal 1973. The Congress responded immediately to this request in Public Law 92-337, signed by President Nixon on July 1, with an appropriation

of \$200 million for the President's Disaster Relief Fund. We have completed the first survey on which we can now base estimates of the costs which must be borne by this Fund in executing mandatory programs. On the basis of that survey, the President did, in his message to the Congress of July 17, ask for the appropriation of an additional \$200 million to the Disaster Relief Fund to speed repair and reconstruction of public facilities and to provide other relief and recovery measures, such as temporary housing. I am here before you to support that request.

Our current estimates are that Federal aid in the form of loans and grants to this hurricane and flood-affected area will be on the order of \$2.5 billion. Of this total, over \$600 million will be drawn from the President's Disaster Relief Fund for mandatory activities. These will be, by far, the greatest sums ever provided by the Federal Government, both in total and from the President's Fund, for a single disastrous occurrence.

I have already allotted more than \$93 million from the President's Fund for recovery work in the Agnes affected States. We are going to need much more, and would already have distributed more but for the fact that we are operating in part, through assignments to other Federal Agencies, such as to HUD for housing and to the Corps of Engineers, to assist in disaster areas on a reimbursable basis. In the seven States for which the President has declared disasters because of the Agnes storms, we estimate \$400 million will be needed during FY 1973, with the major portion going to

New York and Pennsylvania. This \$200 million request, for which I am here, and the \$200 million granted at the end of FY 1972, which I mentioned earlier, should meet Agnes requirements for Fiscal Year 1973.

Information on the specific needs for disasters which will require funding in FY 1973 is contained in the material which has been submitted to the Committee.

Leaving aside the requirements, and appropriations thus far, for Agnes, the Congress did appropriate \$92.5 million in the FY 1973 appropriations bill, and about \$2 million remained from 1972. From this \$95 million, 23 already declared disasters, other than those declared for Agnes, will require funding of about \$63 million in Fiscal Year 1973 and \$32 million is planned for additional disasters that may occur in this fiscal year.

I recognize that the assumption that currently available funds plus the appropriation we request today will be sufficient both to do known work and to provide for disasters in Fiscal 1973 that have not yet been declared may prove overly optimistic. If we are proven overly optimistic, and do need additional funds, we will make a supplemental request when the need is clear.

I greatly appreciate your prompt attention in initially providing funds to meet emergency needs in the Agnes disaster areas. I urge that you approve our equally important further request, and make available an additional \$200 million to meet the continuing needs of rehabilitation and recovery.

INTRODUCTION OF ASSOCIATES

Mr. LINCOLN. Mr. Chairman, I brought with me members of my staff: Mr. Mosier of my congressional liaison staff; Mr. Volland, who handles my budget matters; Mr. Murray, my counsel; and Mr. Dokken of my disaster assistance staff.

TROPICAL STORM AGNES FLOODS

I will just make a few comments on the status of the Federal response to the tropical storm Agnes floods. These floods were extremely severe. In fact, they were record floods for the Eastern United States.

Senator MONTROYA. I might say by way of interjection that I visited the area at that particular time. I was there on Friday evening and on Saturday, when the rivers were at high stage. I am very well acquainted with what the flood did by way of damage. This is one of the few coincidental situations where a member, presiding over the hearing, has firsthand knowledge of what occurred.

Mr. LINCOLN. It is good to find the committee does fieldwork on our problems.

The storm was such that most of the rivers from the James north to the Genesee had floods of record. This is extraordinary from the standpoint of the widespread impact of the storm. There were 120 lives lost, which is too many.

RAPID CITY, S. DAK.: FLOOD DAMAGE

The widespread aspect of the storm is not comparable with disasters such as in Rapid City, S. Dak. In Rapid City, they suffered twice the number of deaths, with about one-twentieth the number of families affected. In Agnes, we estimate over 3,000 homes were completely destroyed. There were 100,000 homes damaged, of which perhaps 40,000 had major damage. Between 5,000 and 6,000 small businesses were damaged. Quite a few larger industries were severely affected. A total of perhaps 125,000 families suffered losses.

This is considerably more damage than that done by any previous large disaster. Our estimates are that over \$2 billion in Federal funds will be required on the basis of current legislation.

BUDGET REQUEST

Senator MONTROYA. I understand that this request is for \$200 million in addition to the \$200 million which we appropriated just recently in a supplemental and the \$92 million which was contained in the regular fiscal year 1973 appropriation bill.

Mr. LINCOLN. That is correct. We asked for a supplemental amount of \$100 million, and \$200 million was appropriated. I did state in my letter to the committees at that time that we did not know how much more money we would need. We knew we needed some more immediately and that we would return to the Congress when we had been able to make a more accurate estimate of what our needs would be for the remainder of the fiscal year.

Senator MONTTOYA. We now have in the developing picture a total of \$495 million, is that correct?

Mr. LINCOLN. That is correct.

Senator MONTTOYA. What other Federal funds—through loans or grants—will be available to complement this particular request?

Mr. LINCOLN. This amount of \$495 million, some part of which is already allocated, covers the continuing support of 23 disasters declared in the past, such as Rapid City. It also covers the expenditures that we anticipate for disasters yet to be declared in fiscal year 1973. And it covers what we estimate we will need for the Agnes States during this fiscal year. By the way, we currently estimate the total cost of Agnes to the President's funds for mandatory programs we support to be over \$600 million. So, we are not at this time asking for all the money we will need. We are estimating that some of it will be needed in the next fiscal year.

FUNDS REQUESTED TO AID VICTIMS OF TROPICAL STORM AGNES

Senator MONTTOYA. Let me interject that the President's request calls for the Congress to appropriate additional moneys in the following categories to aid the flood victims: Funds appropriated to the President through the Appalachian regional development programs, \$16 million; disaster relief, \$200 million; Department of Agriculture, \$1,850,000; Department of Commerce, \$40 million; Corps of Engineers, civil, \$12 million; Small Business Administration, \$1,300 million; for a total of \$1,569,850,000. Is that about it?

Mr. LINCOLN. I am here solely to present and defend the \$200 million we need for the President's Disaster Assistance Fund.

Senator MONTTOYA. I would like to put all the pieces into one picture and evaluate it all together. The sums which I mentioned amount to \$1,569,850,000.

Mr. LINCOLN. Yes, sir.

Senator MONTTOYA. This is in addition to the \$200 million which we provided for by way of a special supplemental appropriation and the \$92.5 million which was made available for disaster relief for the fiscal year starting in July and other proposals?

Mr. LINCOLN. Yes, sir.

Senator MONTTOYA. So, all together, there is approximately \$1,862 million available for disaster relief through small business loans and other categories of grants or aid, highway construction and supplemental grants by the Appalachian Regional Commission within the orbit of what I have just mentioned, is that correct?

Mr. LINCOLN. I think your total includes the \$200 million additional we are requesting.

Senator MONTTOYA. \$200 million more in addition to \$92 million.

Mr. LINCOLN. Not all of this \$492 million that could be available to the President's fund is, in fact, for the damage from Agnes. It is necessary to continue to support the other 23 open disasters that we will fund in fiscal year 1973, such as Rapid City, S. Dak.

It is also necessary to have funds on hand to finance any newly declared disaster such as the one which might be declared for New Mexico.

Senator MONTTOYA. I understand that. You can also come back for a supplemental. However, you will use these funds if you have to, will you not?

Mr. LINCOLN. Yes sir; we will use them.

Senator MONTOYA. The total figure which I now have is \$1,061,800,000. That will be the total amount available to the President through different Government agencies and through the Office of Emergency Preparedness for the flood victims in these areas?

Mr. LINCOLN. Yes, sir. If you—

Senator MONTOYA. If you will suspend for a minute, we have to go to the Senate floor for a rollcall.

(Brief recess.)

Senator MONTOYA. The subcommittee will come to order. You may proceed, Mr. Lincoln with your testimony.

REPAIRS TO FEDERAL HIGHWAY SYSTEM

Mr. LINCOLN. Thank you, very much, sir. I will comment that in addition to the total which you provided before the recess, there is a matter of \$200 million authorization for expenditures from the highway fund to assist the States in repairing the Federal aid system.

Senator MONTOYA. I understood that. So, that would make it \$2,061,800,000?

Mr. LINCOLN. Yes, sir. If I may make a few comments describing more specifically why we need, and how we will use, this \$200 million along with a large part of the remainder—

DISASTER RELIEF: EXPENDITURES AND SAFEGUARDS

Senator MONTOYA. Let us speak of how you will use the \$495 million.

Mr. LINCOLN. All right sir.

Senator MONTOYA. We should not forget the other \$200 million that is still in the till as well as the \$92 million recently appropriated. The first \$200 million supplemental appropriation was considered rather hurriedly and we had no hearings on that request. So, I would appreciate it very much if you would tell us how you are going to spend it, what safeguards you are going to impose and what criteria you are going to follow in extending this particular aid.

The Congress is interested in finding out what you are going to do because we want to avoid the situation that followed the Los Angeles earthquake in the extension of the aid now requested.

Mr. LINCOLN. Yes, sir; I think you made reference to the low interest loan situation.

Senator MONTOYA. Yes; and I think in some respects they are parallel. I want some safeguards so that I can assure the Congress that this money will be spent with prudence and with regard for the taxpayers of this country. Tell us what you are going to do and how you will spend the sums allowed and requested.

USE OF THE PRESIDENT'S DISASTER RELIEF FUND

Mr. LINCOLN. I will try my best to give this to you.

First, we have the matter of 23 open disasters, other than Agnes, requiring funds in fiscal year 1973. We have, in our estimates, provided for \$32 million during the remainder of the year to cover disasters not yet declared. I believe this is a very austere estimate. Mr. Chairman, it is below the rate which we have been expending thus far.

As for the actual handling of the funds related to Agnes, as I have said, our estimate is now that the damages which must be covered by the President's fund amount to well over \$600 million.

TEMPORARY HOUSING

We estimate, for example, that it is going to cost us \$75 million or more for temporary housing. This is an item that has to be supplied very rapidly in order to properly house the people.

Senator MONTOYA. How do you provide temporary housing?

Mr. LINCOLN. We provide temporary housing first by putting people in available rental housing of reasonable cost which is already existent, any available FHA or VA homes.

Senator MONTOYA. Is this provided until they are relocated?

Mr. LINCOLN. It is provided up to 12 months rent free. However, the requirement is so vast that only a small proportion can be met by available housing, so we turn to trailer homes.

Senator MONTOYA. Do you buy the trailers?

Mr. LINCOLN. We buy the trailers, the State provides the sites and hooks them up.

Senator MONTOYA. How do you buy them, in the open market?

Mr. LINCOLN. This is a mission assignment to the Department of Housing and Urban Development. They buy on contract in accordance with their contract provisions.

Senator MONTOYA. What happens to the trailers after you make their use available to the particular individuals?

Mr. LINCOLN. The occupant has an option to buy the trailer.

Senator MONTOYA. The occupant has an option to buy the trailer?

Mr. LINCOLN. He may.

Senator MONTOYA. Is this at the end of the period?

Mr. LINCOLN. Yes.

Senator MONTOYA. Is this less depreciation?

Mr. LINCOLN. This is less depreciation and at a reasonable cost; that is, at fair market value. He may buy it through an SBA loan. I am not completely cognizant of how HUD handles these trailers if they are left over. I do know that right now we don't seem to have any significant number left over from previous operations. We are rounding up the available trailers in Corpus Christi in case they might be needed for use in New Mexico.

We have recently moved some vacated trailers from Buffalo Creek to a new disaster in West Virginia. We have moved others into Maryland for the Agnes disaster.

Senator MONTOYA. It is more propitious and economical to move trailers into New Mexico from Corpus Christi than to buy new trailers in New York for transfer to the West.

Mr. LINCOLN. Yes, sir; that is what we would do.

I think the demand is going to be so great in the New York and Pennsylvania area that we may have to call on the trailer manufacturers outside the area to help meet the demand on time.

DEBRIS REMOVAL AND ROAD REPAIR

We have a vast cost ahead of us for the removal of debris currently estimated at \$85 million. The Corps of Engineers in the first phase

has already moved over \$15 million worth of debris, several million cubic yards.

We have an extraordinarily high cost for the destroyed and damaged bridges, roads, and streets.

Senator MONTROYA. That will come out of the highway appropriations bill, won't it?

Mr. LINCOLN. Only for the Federal aid system.

Senator MONTROYA. Give me the total requirement and what would be apportioned to the Federal system.

Mr. LINCOLN. We currently estimate that the Federal system will have to provide \$170 million and that the President's fund, which helps the State and local governments, \$236 million.

Senator MONTROYA. What do you mean by the President's fund providing State and local governments with aid? Do you mean out of that appropriation?

Mr. LINCOLN. Yes, sir. The law says that we will restore public facilities.

Senator MONTROYA. Was that \$200 million?

Mr. LINCOLN. We estimate, right now, that the cost will be \$236 million.

Senator BOGGS. That is a grant, that is not a loan.

Mr. LINCOLN. Yes, sir, that is a grant.

Senator MONTROYA. Is this for bridges?

Mr. LINCOLN. For bridges, streets, and roads.

Senator MONTROYA. Then there is \$200 million for the Federal highway system?

Mr. LINCOLN. Approximately \$170 million is my current estimate.

Senator MONTROYA. So, for all intents and purposes, we are dealing here with \$236 million for bridges and streets or roads; \$80 million for the removal of debris and \$75 million for temporary housing. Give us the other figures.

RESTORING PUBLIC FACILITIES

Mr. LINCOLN. We are dealing, according to my current estimates, with approximately \$100 million for public facilities of which the major component is to repair sewage treatment plants.

Senator MONTROYA. What do you mean by public facilities?

Mr. LINCOLN. I mean principally water works and sewage treatment plants.

Senator MONTROYA. You don't mean publicly owned?

Mr. LINCOLN. I mean publicly owned public facilities.

Senator MONTROYA. Is that municipally owned?

Mr. LINCOLN. Yes, municipally.

Senator MONTROYA. You are not extending any aid to privately owned facilities?

Mr. LINCOLN. No, sir. They have available to them the SBA loans.

Senator MONTROYA. That is \$100 million?

PUBLIC BUILDINGS: REPAIR AND REPLACEMENT

Mr. LINCOLN. We estimate approximately \$33 million for repair and replacement of public buildings.

Senator MONTROYA. What do you mean by public buildings?

Mr. LINCOLN. Courthouses and fire stations.

Senator MONTROYA. Does that include schools?

Mr. LINCOLN. We do not include those schools funded for repairs by HEW.

Senator MONTROYA. Why don't you include schools?

PUBLIC LAW 874: SCHOOL DISASTER DAMAGE

Mr. LINCOLN. Because there is a separate law for schools.

Senator MONTROYA. Is that Public Law 815?

Mr. MURRAY. It is Public Law 874, also.

Senator MONTROYA. Is that based on school population and distribution?

Mr. MURRAY. That was an amendment to the School Act which specifically covers disaster-related damage to public schools, both elementary and secondary.

USE OF PUBLIC LAW 92-874 AND 815 FUNDS

Senator MONTROYA. We are having a hard time with Public Law 874 and 815. The President has been constricting this fund and it is already committed to different schools throughout the country. If the President is going to tap it for emergency situations in the flood area, that is going to deprive other school districts in the country. Have you people looked into this and have you made allowances in your recommendations for any required funds out of the Public Law 874 and 815?

Mr. LINCOLN. I am personally not cognizant of the legal or financial situation of that particular fund. I am only cognizant that HEW is responsible for the repair and replacement of schools.

Senator MONTROYA. Public Law 874 funds are in two categories, A and B. They are funds allocated by the Federal Government to school districts that have a federally connected school population. That is, if their parents are working for the Federal Government and if those students—those in the A category—live within the Federal compounds. The second category consists of those students who live outside of the Federal compound whose parents are federally connected or employed. Those are the two categories.

The budgets have already been made by all these school districts. Their budgets depend on Federal funds. The budgets are premised upon the allocations and appropriations by the Congress for the ensuing fiscal year. If you are going to tap that fund structure for emergency situations in the relief area, you are going to have to rob Peter to pay Paul.

Mr. LINCOLN. At some time the Congress—I regret that I don't have detailed knowledge of this—provided in the law that HEW will repair and replace schools.

Senator MONTROYA. I am fully aware of that. However, Congress never anticipated, in that legislation, that we should establish a priority because of a flood situation and rob the school districts in the country to take care of this emergency situation. I think the President should come in and ask for separate funds to complement the existing fund structure under Public Law 874 and 815. He could earmark it especially for the flood disaster areas.

Mr. LINCOLN. All our estimates are rough.

Senator YOUNG. We understand that.

Senator MONTOYA. Senator Young and I are on the committee that funds the schools under Public Law 874 and 815. That is why I speak as I do. We have experienced the limitations placed by the administration on helping these school districts in the country.

Mr. LINCOLN. You can clearly see what the problem is. Our current estimates are that this requirement might run as high as \$60 million.

Senator MONTOYA. \$60 million?

Mr. LINCOLN. This is rough because the detailed surveys have not yet been made by the Office of Education.

Senator YOUNG. Perhaps we should make inquiry of HEW?

(Response to inquiry follows:)

OFFICE OF EDUCATION—DISASTER AID

1. PROGRAM PROVIDING ASSISTANCE

School Assistance in Federally Affected Areas:

Public Law 874—Assistance for current school expenses in disaster areas.

Public Law 815—Assistance for construction in disaster areas.

This assistance has top priority for funding and amounts required have first claim on appropriations available for Public Law 874 and Public Law 815.

Nature of Assistance

Where a major disaster has been declared by the President, Federal grants are made directly to local school districts: to finance normal operation of elementary and secondary schools; to repair damaged facilities, replace or repair equipment, books, and teaching supplies; and to repair or replace school facilities destroyed or damaged by a disaster. Under certain conditions aid may be provided to private schools serving children who cannot be accommodated in public schools which have been destroyed and will be replaced.

How to Apply

Local school officials submit application through their State educational agency to the HEW regional office. Federal staff in regions will provide on-site technical assistance in preparing and filing applications.

Estimate of Assistance Required for Schools Damaged by Hurricane Agnes

Based upon estimates for repair, replacement, or restoration of school facilities to permit normal operations (funded under Public Law 874, \$43 million.

For replacement of school facilities (funded under Public Law 815), \$3 million.

FEDERAL GRANTS

Senator MONTOYA. I am trying to cover the whole funding which now totals, Senator Young, according to my figures, \$2,061,800,000. This is including \$495 million under disaster relief.

Senator YOUNG. I would like to know what percentage of local funds are being used, or, do you bear all the costs of repairing a bridge or a road?

Mr. LINCOLN. We do not operate on a matching fund basis with the President's disaster relief fund for restoring damaged facilities.

Senator MONTOYA. As I understand your testimony and the law, your authority is confined to temporary housing and removal of debris, the repair of streets and other public facilities, highways and bridges?

Mr. LINCOLN. Yes, the repair of all public facilities.

Senator MONTROYA. Are those on a 100-percent grant basis from your agency?

Mr. LINCOLN. We supervise the repair and restoration and, in this particular case, we are operating with a major mission assignment to the Corps of Engineers to get things started quickly. They have a vast organization.

BUILDING AND BRIDGE REPLACEMENT

Senator YOUNG. For example, if a courthouse or a public building were almost totally destroyed and they wanted to build a new one, could you give them a grant as a part of that construction?

Mr. LINCOLN. If they wish to build a bigger one, they will be given the funds equal to the price of the old one.

Senator MONTROYA. What about bridges?

Mr. LINCOLN. The same goes for bridges.

Senator MONTROYA. In other words, you would take into consideration the age of the bridge and when it was constructed?

Mr. LINCOLN. We operate simply by repair or replacement.

Senator MONTROYA. Would you replace it as new?

Mr. LINCOLN. Yes. We don't operate on a depreciated value basis for bridges.

Senator MONTROYA. Would you with respect to public buildings?

Mr. LINCOLN. No sir, a courthouse is a courthouse.

Senator MONTROYA. If your courthouse was built 20 years ago for \$1 million and the cost to repair it today was \$2 million, what kind of of a grant would you make?

Mr. DOKKEN. We would put back a comparable facility. However, we would not put back a facility that provides additional space.

Senator MONTROYA. Would you provide \$2 million, if that is what it would cost today?

Mr. DOKKEN. Yes, if that is what it would cost today.

Senator MONTROYA. You would replace it as new?

Mr. DOKKEN. It is not a betterment though.

UNEMPLOYMENT AND MEDICAL CARE

Mr. LINCOLN. May I mention a couple of programs that are relatively small, in dollar terms, but are important? There is disaster unemployment assistance. We will assist individuals who are unemployed by the disaster situation and who are not covered by the regular State program. There are also private, nonprofit medical care facilities for which we estimate about \$20 million to replace. We will restore these.

Our largest expense thus far in this category is the loss experienced in the San Fernando earthquake.

PREVENTIVE HEALTH MEASURES

Senator MONTROYA. What about hospital and medical charges resulting from disease caused by the flood?

Mr. LINCOLN. I would say no, these have not been funded; not in my experience. We do have preventive health measures, such as mosquito spraying.

Senator MONTROYA. What about people who have gone to the hospital after a night of exposure?

Mr. LINCOLN. No sir. This is often covered by the Red Cross.

LOANS AND GRANTS

Senator BOGGS. That \$2,061 million figure is not total grants, is it?

Mr. LINCOLN. No, sir.

Senator BOGGS. Will you indicate what percentage is in grants?

Mr. LINCOLN. \$1.3 billion is for appropriation for SBA loans. Then, the FHA portion of that is only \$1.8 million.

Senator BOGGS. The \$1.8 million of administrative money will support up to \$170 million of loans to farmers?

Senator MONTROYA. Guaranteed loans? \$2,500 of each loan is subject to forgiveness. Actually, it is a gift.

Senator YOUNG. Isn't this being increased to \$5,000?

Senator MONTROYA. Yes, under proposed legislation. It has already passed the Senate. What would you estimate the average loan to be?

Mr. LINCOLN. The average loan varies with the locality. As I recall, it has not been much more than \$4,000 in places like Buffalo Creek, where we had bad floods. I was told by SBA that they estimated the average loan in Pennsylvania and in southwestern New York would be close to \$8,000 because of the heavier damage done, and the heavier form of construction and that sort of thing.

Senator MONTROYA. The changes are that five-eighths of the loan would be forgiven if \$8,000 was loaned out.

Mr. LINCOLN. That may be one of the most massive grant program that the United States has ever had.

Senator BOGGS. When is it forgiven?

Senator MONTROYA. It is immediate.

Mr. LINCOLN. If it has been justified by damage.

Senator MONTROYA. It is forgiven immediately after \$500 of the loan is repaid. The proposal is that the \$500 provision be eliminated so that you could start with a grant on the first dollar.

Senator YOUNG. Forgiveness would apply immediately?

Mr. LINCOLN. Yes, sir.

Senator BOGGS. How do you mean that, depending upon the damage?

Mr. LINCOLN. When considering a grant, SBA makes a final appraisal of damages. The amount of the loan, including the grant, cannot be in excess of the damage.

DAMAGE ASSESSMENT

Senator MONTROYA. Do you cooperate with them in the assessment of the damage?

Mr. LINCOLN. They handle their own damage assessment with their own appraisers. In this particular situation, they have gone to a contract with a large appraisal firm which does work for insurance companies.

Senator MONTROYA. Have they changed their procedures since the earthquake in Los Angeles?

Mr. LINCOLN. I would say yes. They have gotten a much more effective and larger appraisal service. The bottleneck in this business is appraising.

Senator MONTROYA. Charges were made that in the Los Angeles area, people called in and said they had cracks all over the walls. They were taken at face value and loans given based on the appraisal.

Mr. LINCOLN. This charge was made. I think it was exceptional, rather than the rule.

Senator MONTROYA. I don't think so. Several people told me about it. I am told the damage claimed included cracks on the wall that antedated the earthquake.

Mr. LINCOLN. Sometimes it is hard to tell when the crack got there. However, it is a bit easier to appraise a flood.

Senator MONTROYA. The person who lived in his own home would know when the crack occurred.

Mr. LINCOLN. But, he might not always tell you.

Senator MONTROYA. I don't want a situation like that occurring here under this appropriation. Certainly, if we had any jurisdiction over the SBA lending, I would insist on the same thing there, too.

I think the taxpayers are entitled to more prudence with respect to the expenditure of their money.

Mr. LINCOLN. I assure you, Mr. Chairman, we are trying to be prudent in the expenditure of these funds. At the same time we are trying to expedite this. We are trying to take care of the people.

EXPENDITURE SAFEGUARDS

Senator YOUNG. Now when we have this \$5,000 forgiveness, I wish some good safeguards could be placed around it.

Senator BOGGS. That \$5,000 has not been enacted yet.

Senator YOUNG. The Senate has acted on it. The other bill has come from another committee and it hoped to have the same provision in both bills.

Senator BOGGS. Put them together you mean?

Senator YOUNG. Yes, so they both provide the same thing.

Senator MONTROYA. I just want to express our concern and inform you that we will followup on the expenditure of these funds. We are certainly going to ask how this money was spent later on.

Mr. LINCOLN. I assure you, Mr. Chairman, we have very precise procedures for the expenditure of these funds. These are tried procedures and we are specialists in the business. Among other things, I will say we have a good auditing staff.

ADMINISTRATIVE COSTS

Senator MONTROYA. You are asking for special language in this appropriation so that not to exceed 3 percentum of the amount appropriated shall be available for administrative expenses.

Mr. LINCOLN. This language is not special to this request. It has been a standard item in appropriations requests for the President's fund.

Senator MONTROYA. Three percent of the total amount requested is nearly \$15 million. You also have available to you funding for the present personnel which you have. The Corps of Engineers is going to do part of this work of appraisals and evaluations of the damage.

You are going to have the highway department in there as well as the Bureau of Public Roads expending their own funds for whatever services their personnel lend. You are going to have the Agriculture Department do the same thing. You are also going to have the Small Business Administration doing a lot of this work too. Why do you need \$15 million to administer 118 positions which you now have on board? Isn't that too large an amount?

Mr. LINCOLN. First, the personnel of my agency who operate the disaster assistance program are paid from this fund as are all other administrative expenses associated with our work in disasters. We also pay salaries of persons that we hire temporarily. In fact, last week I had probably 100 additional individuals on the payroll for the Agnes disaster areas.

Senator MONTROYA. The average number of all employees you have had during severe disasters is 118 positions. That is the average that I come up with in evaluating your men on board during these periods.

Mr. LINCOLN. I will ask Mr. Dokken to comment on the administrative expenses.

Senator MONTROYA. I have the figures right here in front of me.

Mr. LINCOLN. The administrative expenses are much more than payments to personnel.

Senator MONTROYA. I thought administrative expenses encompassed more wages than anything else. I thought that would be a substantial part of it.

Mr. LINCOLN. Wages and salaries, office space and travel are examples of the very considerable costs we have.

Senator MONTROYA. You have a 3-percent allocation for administrative expenses in prior appropriations.

Mr. LINCOLN. Yes, sir.

Senator MONTROYA. That is why I question the need for this language at this time.

Mr. LINCOLN. This is the source of funds to administer the grant aspects of the President's program and it has been authorized in every previous appropriation. We don't spend any more than is required by the situation, and law states "not to exceed 3 percent" will be used.

Senator MONTROYA. But, you have never asked for more than \$100 or \$200 million.

Mr. LINCOLN. I am sure we did not ask for more than that before.

Senator MONTROYA. This is \$400 million. Shouldn't there be a corresponding reduction in that percentage?

PERSONNEL

Mr. LINCOLN. I can assure you we are not going to expend more than we need. In the past we have returned funds to program elements under the "not to exceed 3 percent" provision.

Senator MONTROYA. How many positions do you figure you will need in addition to what you have on board?

Mr. LINCOLN. Currently, I am considering that we may need an additional 25 individuals, which is an administrative expense.

I point out that the administrative expenses go far beyond just the payment of personnel.

Senator MONTROYA. Give me a listing of the categories of the administrative expenses that you anticipate and the cost of the new positions and maybe we can arrive at some medium here. I don't think we should apply the previous formula to this huge amount. The previous formula of 3 percent was on the basis of an average appropriation of approximately \$100 million.

Then, you would come in for an additional \$100 million as you did in the Los Angeles situation. But we have never had to cope with the funding of approximately \$500 million. That is why I think it calls for a different gaging now.

EXPENDITURES: ADMINISTRATIVE AND OPERATION

Mr. LINCOLN. We will give you a statement of the types of items that fall under the administrative category. I will repeat my statement that we are not looking to expend all of the 3 percent funds. We expect to administer this prudently and if it costs less than 3 percent, that money will become available to the program. If it costs more than 3 percent, we will come and ask for a change.

Senator BOGGS. Does that include administrative costs to the Corps of Engineers, to the FHA, to the SBA?

Mr. LINCOLN. The FHA and SBA receive appropriations for, and finance their own programs. The highway people finance their own program. We are in the business of giving mission assignments to HUD and others and funding their activities from the President's fund. It is a matter of some judgment where to cut the line between administration and operation.

I will not try to list the items that we consider administrative, but will provide them for the record.

(The information follows:)

PROJECTED ADMINISTRATIVE COSTS

Recently declared major disasters, including the seven declared as the result of Agnes, will result in an expansion of the OEP administrative base, the maintenance costs of which have been approximately \$3 to \$4 million per year in recent years. This expansion will result from the high incidence of disasters in a short period of time, 30 in the last six months compared to a previous average of 20 or so per year; and the very large amounts of damage resulting from the widespread devastation caused by Agnes.

The administrative expenses resulting from a disaster declaration continue for many months, and sometimes years, after the occurrence itself.

Since July 1, 1971, there have been 38 declared major disasters, affecting 27 States. This is the largest number of declarations for any comparable period of time in the 22-year history of the disaster relief program. A significant part of the workload will continue into FY 1973 and beyond. Administrative cost estimates provided in the justification material transmitted to the Committee on July 20 were necessarily based on preliminary and fragmentary data as to what will be needed for Agnes and other disasters. These needs may well be greater than the amounts reflected in this material.

OEP is currently examining the possibility that additional permanent personnel may be required to meet the increased administrative workload which has been generated.

A list of the general categories for which administrative expenses are incurred is as follows:

- (a) Pay and travel allowances of OEP permanent and temporary employees engaged in disaster tasks, and expenses of personnel on invitational travel orders issued by OEP.
- (b) Costs of audits of disaster accounts.

(c) Costs of studies or research relating to the administration of the program, such as contract studies on disaster audit procedures and a clearing-house for disaster accounts.

(d) Costs of conducting preparedness conferences related to the Disaster Assistance Program.

(e) Activities such as information media advertisements in disaster areas.

(f) Training activities such as the film "Date with Disaster."

(g) A pro-rated share of the overhead expenses of operating the OEP National Office and OEP Regional Offices.

FUNDING REQUIRED BY DISASTER AREA STATES

Senator MONTROYA. Would you insert, in the record, an estimated allocation of requested funds for each of the seven States declared disaster areas?

Mr. LINCOLN. Yes, sir, they are: Florida, West Virginia, Virginia, Maryland, Ohio, Pennsylvania, and New York. This is with the understanding that these are preliminary because the damage surveys have not been completed.

Senator MONTROYA. Yes, this is tentative. You might also try to gather some data as to what SBA might be doing here by way of complementary relief through loans. Can you do that or should we direct this to SBA?

Mr. LINCOLN. I apologize, but I am unclear at the thrust of the question. We can tell you the SBA estimate.

Senator MONTROYA. Can you break it down by States?

Mr. LINCOLN. We can give you a preliminary estimate by State of SBA and FHA loans if you will accept that. This estimate has to be guarded very carefully because they are very rough, ball park estimates.

Senator MONTROYA. That is all right. I will be asked on the floor by Members who are interested what their State will receive and I want to be prepared to give them your estimate. I will explain that it is not a fixed figure.

Mr. LINCOLN. It is very preliminary. You can only know when you try. When the people come in, a person at a time, to make their loan application.

Senator MONTROYA. If you would like, please submit the estimated expenditures by State and category. I would appreciate that.

Mr. LINCOLN. If I may give you the categories, it would be accepted for making guesses as to numbers?

Senator MONTROYA. Fine.

Mr. LINCOLN. I assure you we are not going to spend a dollar more than we need.

I understand that one of the reasons the Congress adopted the 3-percent rule was that it gave latitude to react to a serious disaster immediately, without any concern.

Senator MONTROYA. We don't want to compound another disaster. (The information follows:)

HURRICANE AND TROPICAL STORM AGNES

[Preliminary cost estimates by category of work—Public Law 91-606 assistance, administered by the Office of Emergency Preparedness and funded by the President's Disaster Relief Fund]

	Florida	New York	Virginia	Pennsylvania	Maryland	West Virginia	Ohio	Totals
PUBLIC								
Debris clearance (public and private).....	98,500	44,122,700	1,018,500	34,899,800	5,000,000	248,000	210,000	85,597,500
Protective health and sanitation measures.....	700	10,945,000	160,000	3,200,000	50,000	42,000	0	14,397,700
Streets, roads, and bridges (non-FAS).....	420,200	36,587,000	3,951,000	184,468,000	11,000,000	196,000	20,000	236,642,200
Dikes, levees, irrigation, and drainage.....	0	46,755,000	687,500	11,286,700	350,000	0	450,000	59,529,200
Public buildings and related equipment.....	6,200	8,100,000	88,000	25,000,000	200,000	56,000	180,000	33,630,200
Public utilities.....	0	17,267,000	15,500,000	61,000,000	5,000,000	337,000	0	99,104,000
Projects under construction.....	0	2,174,800	NA	6,023,600	NA	0	NA	8,198,400
PRIVATE								
Temporary housing.....	299,600	21,880,000	2,750,000	52,000,000	1,750,000	200,000	NA	78,879,600
Disaster unemployment assistance.....	45,000	7,750,000	432,000	3,000,000	1,100,000	63,000	NA	5,390,000
Private, nonprofit medical care facilities.....	0	7,210,000	3,000	11,175,000	150,000	NA	NA	18,538,000
Total	870,200	195,791,500	24,590,000	392,063,100	24,600,000	1,142,000	860,000	639,906,800

HURRICANE AND TROPICAL STORM AGNES DISASTER

[Preliminary cost estimates—Small Business Administration (SBA) and Farmers Home Administration (FHA) disaster loan programs]

	Florida	New York	Virginia	Pennsylvania	Maryland	West Virginia	Ohio	Total
SBA:								
Homes.....	2,100	36,030	5,500	56,924	3,200	900	94	104,748
Amount.....	3,800,000	280,242,000	23,000,000	453,645,500	9,000,000	2,214,000	170,000	772,071,500
Business.....	100	2,012	500	2,400	350	360	6	5,728
Amount.....	4,000,000	135,389,000	22,000,000	180,000,000	12,100,000	1,426,000	280,000	355,195,000
FHA:								
Total	2,200	38,042	6,000	59,324	3,550	1,260	100	110,476
Amount.....	7,800,000	415,631,050	45,000,000	633,645,500	21,100,000	3,640,000	450,000	1,127,266,500
Total	2,800,000	30,000,000	10,399,700	84,500,000	12,800,000	500,000	70,000	144,395,700

Senator MONTROYA. Pertinent data from the justifications will be placed in the record at this point.

(The data follows:)

SUPPLEMENTAL REQUEST FY 1973— NARRATIVE JUSTIFICATION

The Disaster Relief Act of 1970, Public Law 91-606, as amended, has substantially broadened the benefits available to disaster-stricken communities and individuals. This fact, combined with acts of nature, has resulted in more frequent and costly disaster declarations. Since the Act was passed in December of 1970, there have been 47 declared major disasters. Thirty-five of these were declared in fiscal year 1972, with 27 falling between January 1 and June 30. OEP is currently administering 77 disaster agreements and 32 contracts for pre-disaster and fire suppression assistance, and for State disaster plan development and maintenance.

Adequate funds are currently available for 47 of the 77 disaster agreements presently in effect. OEP estimates that FY 1973 funding for the remaining 30 disasters will require approximately \$460 million. Of this amount, \$200 million became available through the FY 1972 supplemental, enacted by the Congress on June 30, and \$92.5 million was appropriated in the regular FY 1973 appropriations bill. The remainder of the projected requirements will be met by carryover of funds from FY 1972, and by funds contained in this supplemental request. With this request, \$32 million will be available as a contingency for possible disaster declarations during the remainder of fiscal year 1973 from funds previously appropriated. The total of new budget authority being requested is \$200 million.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PREPAREDNESS
DISASTER RELIEF

Major Disaster Declarations
and Funds Committed
FY 1972 and FY 1973 to Date
(in thousands of dollars)

<u>State</u>	<u>Type</u>	<u>Date Declared</u>	<u>Funds Committed</u>
Nebraska	Severe storms and flooding	July 7, 1971	\$ 400
Maryland	Severe storms and flooding	August 17, 1971	4,450
New Jersey	Heavy rains and flooding	September 4, 1971	14,300
New York	Severe storms and flooding	September 13, 1971	5,300
Pennsylvania	Heavy rains and flooding	September 18, 1971	5,000
Texas	Heavy rains, high winds and flooding	September 18, 1971	5,690
Oklahoma	Heavy rains and flooding	September 28, 1971	490
Louisiana	Hurricane Edith	October 13, 1971	1,286
California	Heavy winds, rains, flooding, and runoff of mud and silt	January 11, 1972	250
Oklahoma	Severe storms and flooding	January 14, 1972	550
Mississippi	Heavy rains and flooding	January 19, 1972	679
Oregon	Severe storms and flooding	January 21, 1972	7,400
Texas	Heavy rains and flooding	January 27, 1972	250
Arkansas	Severe storms and flooding	January 27, 1972	400
Washington	Severe storms and flooding	February 1, 1972	2,100
West Virginia	Severe storms and flooding	February 27, 1972	2,400
Idaho	Severe storms and flooding	March 2, 1972	403
Massachusetts	Severe storms and flooding	March 6, 1972	2,500
Maine	Severe storms and flooding	March 7, 1972	600

<u>State</u>	<u>Type</u>	<u>Date Declared</u>	<u>Funds Committed</u>
New Hampshire	Severe storms and flooding	March 18, 1972	\$ 350
Washington	Heavy rains and flooding	March 24, 1972	2,300
California	Severe storms and flooding	April 5, 1972	50
Michigan	Severe storms and flooding	April 5, 1972	1,400
Tennessee	Flooding	May 15, 1972	400
Kentucky	Severe storms and flooding	May 15, 1972	525
Texas	Severe storms and flooding	May 20, 1972	1,692
Washington	Flooding	June 10, 1972	1,100
North Dakota	Severe storms and flooding	June 10, 1972	300
South Dakota	Severe storms and flooding	June 10, 1972	20,000
Florida	Hurricane Agnes	June 23, 1972	1,300
New York	Severe storm and flooding	June 23, 1972	30,500
Virginia	Severe storm and flooding	June 23, 1972	5,500
Pennsylvania	Severe storm and flooding	June 23, 1972	51,000
Maryland	Severe storm and flooding	June 23, 1972	5,500
California	Levee break and flooding	June 27, 1972	500
Arizona	Severe storms and flooding	July 3, 1972	---
West Virginia	Severe storms and flooding	July 3, 1972	---
Ohio	Severe storms and flooding	July 19, 1972	---
TOTAL			\$176,865

FY. 1973 DISASTER FUNDING REQUIREMENTS
(Dollars in Thousands)

<u>State and OEP Number</u>	<u>Total Estimated Requirements</u>	<u>Less: Future Years' Requirements</u>	<u>Less: Funds Available</u>	<u>FY 1973 Requirements</u>
Mississippi 271	\$ 74,450	\$ ---	\$ 74,150	\$ 300
Puerto Rico 296	19,220	---	18,720	500
Virgin Islands 298	2,540	---	1,320	1,220
California 299	149,700	80,300	36,700	32,700
Trust Territory 307	4,010	---	2,095	1,915
Texas 313	5,790	---	5,690	100
California 316	1,550	---	250	1,300
Texas 320	450	---	251	199
Arkansas 321	450	---	400	50
Washington 322	2,200	---	2,100	100
West Virginia 323	4,800	---	2,400	2,400
Massachusetts 325	5,200	---	2,500	2,700
Maine 326	1,000	---	600	400
New Hampshire 327	500	---	350	150
Washington 328	4,500	---	2,300	2,200
California 329	2,000	---	50	1,950
Kentucky 332	525	---	25	500
Texas 333	2,000	---	1,691	309
Washington 334	2,200	---	300	1,900
North Dakota 335	300	---	200	100
South Dakota 336	30,000	---	11,000	19,000
Florida 337	3,500	---	300	3,200
New York 338	193,000	78,500	500	114,000
Virginia 339	24,400	4,070	500	19,830
Pennsylvania 340	388,000	160,000	1,000	227,000

FY 1973 DISASTER FUNDING REQUIREMENTS - continued
(Dollars in Thousands)

State and OEP Number	Total Estimated Requirements	Less: Future Years' Requirements	Less: Funds Available	FY 1973 Requirements
Maryland 341	\$ 24,200	\$ 4,200	\$ 500	\$ 19,500
California 342	3,000	---	500	2,500
Arizona 343	1,100	---	---	1,100
West Virginia 344	2,100	---	---	2,100
Ohio 345	800	---	---	800
	<hr/>			
Subtotal, Estimated Program Costs	\$ 953,485	\$ 327,070	\$ 166,392*	\$ 460,023
Plus: Reserve for New Disasters.....				32,000
Plus: Administrative Expenses.....				<u>14,737</u>
Total FY 1973 Requirements.....				\$506,760
Less: Available Funds				
Balance in President's Fund, June 30.....				1,717
FY 1972 Supplemental.....				200,000
FY 1973 Appropriation.....				92,500
Estimated Recoveries of Prior Years' Obligations.....				<u>12,543</u>
SUPPLEMENTAL REQUEST.....				\$200,000

*As of June 30, 1972. Consists of \$147,013,000 in obligations and \$19,379,000 in unobligated allotments.

FUNDS APPROPRIATED TO THE PRESIDENT
DISASTER RELIEF

Program and Financing (in thousands of dollars)

Identification code	19 actual	19 estimate	19 estimate
	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
<u>Program by Activities:</u>			
1. Administration.....	3,849	4,000	151
2. Aid to disaster areas.....	311,861	511,710	199,849
Total program costs funded, (obligations).....	315,710	515,710	200,000
<u>Financing:</u>			
Unobligated balance available, start of year.....	-32,300	-32,300	---
Unobligated balance available, end of year.....	9,090	9,090	---
Budget authority (appropriation)	292,500	492,500	200,000
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net.....	315,710	515,710	200,000
Obligated balance, start of year	197,137	197,137	---
Obligated balance, end of year...	-240,847	-312,847	-77,000
Outlays.....	272,000	400,000	128,000

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 actual	19 estimate	19 estimate
	Presently Available	Revised Estimate	Proposed Supplemental
Personnel compensation:			
11.1 Permanent positions.....	1,761	1,761	---
11.3 Positions other than permanent.....	182	242	60
11.5 Other personnel compensation.....	20	25	5
11.8 Special personal services payments.....	75	75	---
Total personnel compensation.....	2,038	2,103	65
Personnel benefits:			
12.1 Civilian.....	173	173	---
21.0 Travel and transportation of persons.....	431	431	---
22.0 Transportation of things.....	7	7	---
23.0 Rent, communications, and utilities.....	299	305	6
24.0 Printing and reproduction.....	25	25	---
25.0 Other services.....	191,095	313,083	121,988
26.0 Supplies and materials.....	12	12	---
31.0 Equipment.....	4	4	---
41.0 Grants, subsidies, and contributions.....	121,626	199,567	77,941
99.0 Total obligations.....	315,710	515,710	200,000
Total number of permanent positions.....	100	100	---
Full-time equivalent of other positions.....	15	20	5
Average paid employment.....	113	118	5
Average GS Grade.....	11.4	11.4	---
Average GS Salary.....	\$18,984	\$18,984	---

SUBCOMMITTEE RECESS

Senator MONTONA. Gentlemen, thank you very much. The subcommittee will recess.

(Thereupon, at 3:10 p.m., Wednesday, July 26, the subcommittee was recessed to reconvene at the call of the Chair.)

DISASTER RELIEF SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1973

FRIDAY, JULY 28, 1972

U.S. SENATE,
SUBCOMMITTEE OF DEPARTMENTS OF STATE, JUSTICE,
COMMERCE, THE JUDICIARY, AND RELATED AGENCIES,
Washington, D.C.

The subcommittee met at 10 a.m., in room S-128, the Capitol, Hon.
Ernest F. Hollings, presiding.

Present: Senators Hollings, Smith, Hruska, and Young.

DEPARTMENT OF COMMERCE

STATEMENT OF WILLIAM W. BLUNT, JR., DEPUTY ASSISTANT SEC-
RETARY FOR ECONOMIC DEVELOPMENT

ACCOMPANIED BY:

GUY W. CHAMBERLIN, JR., ACTING ASSISTANT SECRETARY
FOR ADMINISTRATION

DAVID S. NATHAN, ACTING DIRECTOR, OFFICE OF BUDGET AND
PROGRAM ANALYSIS

THOMAS P. DUNNE, DEPUTY ASSISTANT SECRETARY FOR ECO-
NOMIC DEVELOPMENT OPERATIONS

RICHARD L. SINNOTT, DEPUTY ASSISTANT SECRETARY FOR
POLICY COORDINATION

EDWARD G. CONROY, CHIEF COUNSEL, ECONOMIC DEVELOP-
MENT ADMINISTRATION

LORIN L. GOODRICH, CHIEF, BUDGET DIVISION

BUDGET ESTIMATE AND JUSTIFICATION

Senator HOLLINGS. The subcommittee will please come to order. This morning the committee will consider the 1973 supplemental requests submitted in House document 92-325 dated July 17, 1972, to aid the victims of tropical storm Agnes. The sum of \$40 million is requested for the Economic Development Administration, and \$1,300 million for the Small Business Administration disaster loan fund.

Our first witness is the Deputy Assistant Secretary for Economic Development, Mr. William W. Blunt, Jr. Mr. Blunt, we welcome you to the subcommittee. You may proceed with your statement on the EDA request of \$40 million. The budget estimates and justifications sheets filed in support of the items will be made a part of the record.

(The documents follow:)

SUPPLEMENTAL ESTIMATE

(H. Doc. 92-325)

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

DEVELOPMENT FACILITIES

For an additional amount for "Development facilities," \$30,000,000: *Provided, That such additional amount shall not be subject to the restrictions of the last sentence of Section 105 of the Public Works and Economic Development Act of 1965, as amended.*

PLANNING, TECHNICAL ASSISTANCE AND RESEARCH

For an additional amount for "Planning, technical assistance and research," \$9,100,000.

OPERATIONS AND ADMINISTRATION

For an additional amount for "Operations and administration," \$900,000. These proposed supplementals will provide funds for public works, planning and technical assistance, and for operations and administration for economic reconstruction. These funds would assist those affected by the Hurricane Agnes disaster.

DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION

SUMMARY SUPPLEMENTAL BUDGET REQUEST, FISCAL YEAR 1973, FUNDING

	1973 presently available	Revised estimate	1973 proposed supplemental
Development facilities.....	\$160,000,000	\$190,000,000	\$30,000,000
Planning, technical assistance and research.....	22,368,000	31,468,000	9,100,000
Operations and administration.....	23,363,000	24,263,000	900,000
Total.....	205,731,000	245,731,000	40,000,000

STATEMENT OF PURPOSE AND NEED

The purpose of this supplemental is to help in the recovery of economic activity through technical assistance, planning, and selected public works projects in communities damaged by Hurricane Agnes.

Development facilities—Supplemental budget request, fiscal year 1973 (Funding)

Presently available, fiscal year 1973.....	\$160,000,000
Revised estimate.....	190,000,000
Proposed supplemental, fiscal year 1973.....	30,000,000

STATEMENT OF PURPOSE AND NEED

The purpose of this supplemental is to provide funds for public works and development facilities projects in areas devastated by Hurricane Agnes.

Development facilities.—For an additional amount for "Development facilities," \$30,000,000: *Provided, That such additional amount shall not be subject to the restrictions of the last sentence of Section 105 of the Public Works and Economic Development Act of 1965, as amended.*

EXPLANATION OF LANGUAGE CHANGES

"Provided, That such additional amount shall not be subject to the restrictions of the last sentence of Section 105 of the Public Works and Economic Development Act of 1965, as amended." Section 105 of the Act requires EDA to use at least 25 percent but not more than 35 percent of its Title I funds in areas designated under section 4.01(a)(6) of the Act. Most of the areas devastated by Hurricane Agnes will be designated under that section. This language will permit all of the supplemental funds to be used in those areas if necessary without regard to the 35 percent limitation.

DEVELOPMENT FACILITIES—SUMMARY OF REQUIREMENTS: COMPARISON OF 1973 APPROPRIATION, 1973 REVISED ESTIMATE, AND 1973 PROPOSED SUPPLEMENTAL BY ACTIVITIES

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Redevelopment area assistance:						
Public works grants and loans.....		\$58,560		\$63,560		\$5,000
Economic development districts and centers assistance: Public works grants and loans.....		74,440		79,440		5,000
Public works impact program: Public works grants.....		27,000		47,000		20,000
Increase.....						30,000
Total requirements.....		160,000		190,000		

PUBLIC WORKS GRANTS AND LOANS—JUSTIFICATION OF PROPOSED SUPPLEMENTAL

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Redevelopment area assistance.....		\$58,560		\$63,560		\$5,000
District and center assistance.....		74,440		79,440		5,000
Public works impact program.....		27,000		47,000		20,000
Total requirements.....		160,000		190,000		30,000
Increases for fiscal year 1973:						
Redevelopment area assistance.....		58,560		63,560		5,000
District and center assistance.....		74,440		79,440		5,000
Public works impact program.....		27,000		47,000		20,000
Total requirements.....		160,000		190,000		30,000

Hurricane Agnes dealt a severe blow to the industrial heartland of the Middle Atlantic States, an area traversed with major rivers and their tributaries. It is along these waterways that manufacturing establishments exist. Although the damage is estimated to be in the billions of dollars covering hundreds of counties in highly dispersed areas over several States, the economic recovery of the area depends to a large degree on the economic recovery of the manufacturing establishments shut down by the disaster, and the concomitant return of their employees left jobless because of the current shutdowns. It can be safely assumed that major companies are now considering moves to consolidate their facilities, move to other locations, or reduce operations with the expectation of moving to another area in the near future. The issue of economic recovery, therefore, has both the compelling purpose of getting jobs and income to flow again as well as the preservation of the industrial economic base of this area.

This appropriation is specifically designed to respond to those projects that directly relate to the economic recovery of the areas affected by Hurricane Agnes. Included will be water and sewer projects, waste and sewage treatment, streets and roads, industrial parks, pollution control, public buildings, and health and educational facilities. This assistance should enable the communities involved to reassess their economic future and develop those programs and undertake those projects that provide immediate relief to the unemployed and underemployed and determine those programs which can have the long range developmental effects for establishment of stable and diversified local economies.

PROGRAM AND PERFORMANCE—OBLIGATIONS BY PROGRAM

[In thousands of dollars]

	1973		
	Presently available	Revised estimate	Proposed supplemental
1. Redevelopment area assistance.....	58,560	63,560	5,000
2. Economic development districts and centers assistance.....	74,440	79,440	5,000
3. Public works impact program.....	27,000	47,000	20,000
Total obligations.....	160,000	190,000	30,000
Change in selected resources.....	16,000	-5,700	-21,700
Total program costs, funded.....	176,000	184,300	8,300

The additional appropriation will provide public works and development facilities assistance for the economic recovery of areas devastated by the Hurricane Agnes disaster. This additional assistance will help build, rebuild and expand vital public facilities in the affected areas so that industry already situated there will become operational again and so that economic development programs can be developed for the establishment of stable and diversified local economies.

Of the \$30,000,000 in additional appropriation, \$5,000,000 will be obligated in the *redevelopment area assistance* activity, \$5,000,000 will be obligated in the *economic development districts and centers assistance* activity and \$20,000,000 will be obligated in the *public works impact program* to provide immediate useful work to the unemployed and underemployed of the local area.

PROGRAM AND FINANCING

[In thousands of dollars]

	1973		
	Presently available	Revised estimate	Proposed supplemental
PROGRAM BY ACTIVITIES			
Operating costs, funded:			
1. Redevelopment area assistance.....	60,491	61,241	750
2. Economic development districts and centers assistance.....	72,700	73,450	750
3. Public works impact program.....	24,000	30,800	6,800
4. Regional development assistance.....	4,300	4,300	
Total operating costs.....	161,491	169,791	8,300
Capital outlay, funded:			
1. Redevelopment area assistance.....	6,675	6,675	
2. Economic development districts and centers assistance.....	7,834	7,834	
Total capital outlay.....	14,509	14,509	
Total program costs, funded ¹	176,000	184,300	8,300
Change in selected resources ²	-16,000	+5,700	+21,700
Total obligations.....	160,000	190,000	30,000
FINANCING			
Budget authority (appropriation).....	160,000	190,000	30,000
Relation of obligations to outlays:			
Obligations incurred, net.....	160,000	190,000	30,000
Obligated balance, start of year.....	465,557	465,557	
Obligated balance, end of year.....	-448,857	-470,557	-21,700
Outlays.....	176,700	185,000	8,300

¹ Includes capital outlay as follows: 1973 presently available, \$14,509,000; 1973 revised estimate, \$14,509,000; 1973 proposed supplemental, \$0 thousand.

² Selected resources as of June 30 are as follows (thousands of dollars):

	1972	1973		
		Presently available	Revised estimate	Proposed supplemental
Unaccrued grant obligations.....	394,193	376,062	397,762	21,700
Undisbursed loan obligations.....	36,234	38,365	38,365	
Total selected resources.....	430,427	414,427	436,127	21,700

*Planning, technical assistance and research—Supplemental budget request,
fiscal year 1973 (funding)*

Presently available, fiscal year 1973.....	\$22,368,000
Revised estimate.....	31,468,000
Proposed supplemental, fiscal year 1973.....	9,100,000

STATEMENT OF PURPOSE AND NEED

The purpose of this supplemental is to provide funds for technical and planning assistance to the areas devastated by Hurricane Agnes.

APPROPRIATION LANGUAGE

Planning, technical assistance and research.—For an additional amount for "Planning, technical assistance and research," \$9,100,000.

PLANNING, TECHNICAL ASSISTANCE AND RESEARCH—SUMMARY OF REQUIREMENTS

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Comparison of 1973 appropriation, 1973 revised estimate, and 1973 proposed supplemental by activities:						
Redevelopment and other area assistance:						
Area planning assistance.....		\$3,253		\$3,703		\$450
Technical assistance.....		8,170		14,270		6,100
Subtotal.....		11,423		17,973		6,550
Economic development districts and centers assistance:						
District planning assistance.....		5,455		6,505		1,050
Technical assistance.....		3,590		5,090		1,500
Subtotal.....		9,045		11,595		2,550
Development research.....		1,900		1,900		
Increase.....						9,100
Total requirements.....		22,368		31,468		

AREA AND DISTRICT PLANNING ASSISTANCE—JUSTIFICATION OF PROPOSED SUPPLEMENTAL

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Redevelopment and other area assistance.....		\$3,253		\$3,703		\$450
Economic development districts and centers assistance.....		5,455		6,505		1,050
Total requirements.....		8,708		10,208		1,500
Increases for fiscal year 1973:						
Redevelopment and other area assistance.....		3,253		3,703		450
Economic development districts and centers assistance.....		5,455		6,505		1,050
Total requirements.....		8,708		10,208		1,500

Agency experience in other disasters points up the need for long-range planning for economic recovery. Planning assistance grants will be made available principally to existing and functioning local institutions such as Economic Development Districts, Local Development Districts, Regional Planning Commissions and Councils of Governments. Grants will also be provided to augment the recovery planning needs of the larger, hard-hit cities and counties. This effort will be coordinated with the State, HUD, and Federal Regional Councils where appropriate. The grants will assist in coordinating the immediate recovery efforts and planning and implementing the long range economic recovery of the afflicted areas within their regional setting by providing increased staff capability. The current plan is to award grants which will make possible the following three-phase work program:

Phase I: Aid in the coordination of information and the extension of services to private and public sectors to assist in the initial recovery efforts.

Phase II: Aid local, county and State public and private representatives to identify, inventory and estimate the extent and dollar value of damages. Provide guidance and assistance directly, and through recruiting and training all available volunteer help, to individuals and representatives of public and private institutions in seeking and applying for all available State, Federal and private financial and technical assistance.

Phase III: Through a broad-based public and private governing body, grantees shall prepare overall economic development programs (OEDP) with attention to the short, intermediate and long range economic recovery and redevelopment of the district, county and/or area. Attention also will be focused on the formulation of a disaster assistance plan that will become part of a regional and statewide disaster relief plan.

It is estimated that of the \$1.5 million requested, \$1,050,000 will be used in the District program, and \$450,000 will go to individual redevelopment areas.

TECHNICAL ASSISTANCE—JUSTIFICATION OF PROPOSED SUPPLEMENTAL

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Redevelopment and other area assistance.....		\$8, 170		\$14, 270		\$6, 100
Economic development districts and centers assistance.....		3, 590		5, 090		1, 500
Total requirements.....		11, 760		19, 360		7, 600
Increases for fiscal year 1973:						
Redevelopment and other area assistance.....		8, 170		14, 270		6, 100
Economic development districts and centers assistance.....		3, 590		5, 090		1, 500
Total requirements.....		11, 760		19, 360		7, 600

Short range technical assistance efforts will be aimed at providing support to local on-the-scene efforts. Information available indicates that not only was existing major industry heavily impacted by the Agnes flood, but that many communities suffered extensive damage to business and service establishments making it all but impossible for them to function on a day to day basis. Data available indicates that in the five state area, ten key municipal areas and one hundred counties received heavy damage.

To help alleviate the economic dislocation being experienced in these communities, it has been proposed that assistance be made available through local, non-profit, group administrative grants. Staffs drawn from dislocated business and industry will carry out the day-to-day tasks needed to get the business community back on its feet, and reestablish employment opportunities. Employing local staff will provide a wide range of benefits including the creation of local

payroll, which generates feelings of self sufficiency and the morale life which results in the community when business and industry start rehabilitation efforts. These accomplishments can restore confidence in the community to the point that possible rapid out-migration is offset or at least reduced, and that local markets for goods and services are maintained.

The staff employed through this grant assistance would have responsibility for assisting the community in identifying problems affecting economic recovery, establishing priorities for investments to overcome these problems, coordinating development activities on the local level with field representatives of appropriate federal agencies, e.g., OEP, BPR, HUD, DHEW, USDA, EPA and the Federal Regional Councils. The staff will also be involved in a variety of activities including, but not limited to:

- (a) Management assistance to affected businesses to identify needs and methods to achieve operational status.
- (b) Reestablishing financial records of damaged firms.
- (c) Evaluate condition of machinery and equipment to determine future usefulness, services and costs of replacements.
- (d) Locate source(s) of needed supplies, with aggregate purchasing where possible.
- (e) Identify training needs, follow-up for training support through Section 241 MDTA or other alternatives.
- (f) Locate new physical facilities if current facilities cannot be rehabilitated.

The cost of providing such staff support services is estimated to cost \$50,000 for a 12-month period for each disaster county (total cost \$4,000,000). Similar economic recovery work in key municipal areas will require an estimated \$100,000 each (total cost \$1,000,000).

Administrative grants will be provided to appropriate state agencies to promulgate the Emergency Employment Act program with emphasis on the flood disaster area. Cost of such a program in the five state area will be about \$1,000,000.

In addition to the above on-the-scene effort, special services will be needed to develop adequate data and information to develop engineering studies to support requests for assistance by the Agency's Public Works Impact Program and regular public recovery investments. We expect that there will be a minimum of 50 requests for these services, the total cost is estimated at \$1,600,000.

PLANNING, TECHNICAL ASSISTANCE AND RESEARCH PROGRAM AND PERFORMANCE (OBLIGATIONS BY PROGRAM)

[In thousands of dollars]

	1973 presently available	1973 revised estimate	1973 proposed supplemental
1. Redevelopment and other area assistance.....	11,423	17,973	6,550
2. Economic development districts and centers assistance.....	9,045	11,595	2,550
3. Research.....	1,900	1,900	.....
Total obligations.....	22,368	31,468	9,100
Change in selected resources.....	-947	-4,547	-3,600
Total program costs, funded.....	21,421	26,921	5,500

The additional appropriation will provide technical and planning assistance for the economic recovery of areas devastated by the Hurricane Agnes disaster. Short-range technical assistance will be used to restore the business community and to reestablish employment opportunities. In addition, engineering studies will be financed with technical assistance funds. Planning grants will be made available so that planning units can hire staff to coordinate immediate recovery efforts as well as long-range economic recovery strategies.

Of the \$9,100,000 in additional appropriation, \$6,550,000 will be obligated in the *redevelopment and other area assistance* activity and \$2,550,000 will be obligated in the *economic development districts and centers assistance* activity.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1973 presently available	1973 revised estimate	1973 proposed supplemental
Program by activities:			
1. Redevelopment and other area assistance.....	13,391	17,426	4,035
2. Economic development districts and centers assistance.....	6,495	7,960	1,465
3. Research.....	1,528	1,528	
4. Regional planning and technical assistance:			
(a) Expenses of regional action planning commissions.....			
(b) Expenses of the Federal cochairmen.....			
(c) Other planning and technical assistance.....	7	7	
Total program costs, funded.....	21,421	26,921	5,500
Change in selected resources ¹	947	4,547	3,600
Total obligations.....	22,368	31,468	9,100
Financing: Budget authority (appropriation).....	22,368	31,468	9,100
Relation of obligations to outlays:			
Obligations incurred, net.....	22,368	31,468	9,100
Obligated balance, start of year.....	14,623	14,823	
Obligated balance, end of year.....	-15,529	-19,129	-3,600
Outlays.....	21,662	27,162	5,500

¹ Selected resources as of June 30 are as follows (thousands of dollars):

	1972	1973		
		Presently available	Revised estimate	Proposed supplemental
Unpaid undelivered orders.....	14,823	15,529	19,129	3,600
Undisbursed accruals.....	-1,250	-1,009	-1,009	
Total selected resources.....	13,573	14,520	18,120	3,600

OPERATIONS AND ADMINISTRATION, SUPPLEMENTAL BUDGET REQUEST, FISCAL YEAR 1973

	Funding	Employment	
		Permanent positions	Average employment
Presently available, fiscal year 1973.....	\$23,363,000	926	938
Revised estimate.....	24,263,000	926	973
Proposed supplemental, fiscal year 1973.....	900,000		35

STATEMENT OF PURPOSE AND NEED

The purpose of this supplemental is to provide funds for EDA's administrative costs of assisting the areas devastated by Hurricane Agnes.

APPROPRIATION LANGUAGE

Operations and administration.—For an additional amount for "Operations and administration," \$900,000.

OPERATIONS AND ADMINISTRATION—SUMMARY OF REQUIREMENTS: COMPARISON OF 1973 APPROPRIATION 1973 REVISED ESTIMATE, AND 1973 PROPOSED SUPPLEMENTAL BY ACTIVITIES:

(DOLLAR AMOUNTS IN THOUSANDS)

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Development facilities.....	216	\$4,829	216	\$5,273		\$444
Industrial development loans and guarantees, EDA.....	95	2,366	95	2,366		
Industrial development loans and guarantees, SBA.....		350		350		
Planning, technical assistance and research.....	176	5,217	176	5,514		297
Executive direction, administration and supporting services.....	439	10,601	439	10,760		159
Increase.....						900
Total requirements.....	926	23,363	926	24,263		

JUSTIFICATION OF PROPOSED SUPPLEMENTAL

A total of \$900,000 for administrative support of this supplemental appropriations proposal is requested. This amount is needed for the costs of temporarily detailing EDA employees to areas affected by Hurricane Agnes (\$54,000) and to subsequently hire 45 temporary employees (\$846,000). The request is based on the following requirements:

Personnel compensation and benefits.....	\$508,000
Travel.....	105,000
Rent, communications and utilities.....	93,000
Printing and reproduction.....	8,000
Other services.....	133,000
Supplies and materials.....	8,000
Equipment.....	45,000
Total	900,000

The staff is needed to:

- Determine areas eligible for EDA assistance.
- Work with the residents of the devastated areas to assess the extent of need for EDA help.
- Assist localities in developing applications for EDA help.
- Coordinate EDA efforts with HUD, OEP, SBA, DOL, and the Regional Councils.

DEVELOPMENT FACILITIES

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Total requirements.....	216	\$4,829	216	\$5,273	.....	+\$444
Increase for fiscal year 1973: De- velopment facilities.....	216	4,829	216	5,273	.....	+444

An additional amount of \$444,000 is needed for 21 temporary positions to assist the devastated areas in assessing their needs for EDA public works and development facilities assistance for economic recovery. This staff will help to assure that the applications for EDA funds will support local development objectives and that these objectives are implemented locally through effective management procedures. The staff will advise the localities on project scope, engineering feasibility, program and statutory requirements and financial considerations. Actual applications will be reviewed for financial and engineering feasibility as well as their economic impact. Approved projects will be monitored for their construction, financial, administrative and statutory aspects.

PLANNING, TECHNICAL ASSISTANCE AND RESEARCH

[Dollar amounts in thousands]

	1973 appropriation		1973 revised estimate		1973 proposed supplemental	
	Permanent positions	Amount	Permanent positions	Amount	Permanent positions	Amount
Total requirements.....	176	\$5,217	176	\$5,514	.....	+\$297
Increase for fiscal year 1973: Planning, technical assistance and research.....	176	5,127	176	5,514	.....	+297

As additional \$297,000 is needed for 16 temporary positions to administer EDA's technical and planning assistance activities in the disaster areas. The staff will help the localities in preparing appropriate responses with technical assistance funds to accomplish required immediate economic development actions which will reestablish their economic well-being. Many of these responses are implemented

through local economic development institutions such as the local government or a nonprofit local development corporation. In addition, this staff will work with made available by this supplemental, developing applications and monitoring the progress of planned recovery.

EXECUTIVE DIRECTION, ADMINISTRATION, AND SUPPORTING SERVICES

Total requirements.....	439	\$10,601	439	\$10,760	+ \$159
Increase for fiscal year 1973: Field coordination.....	111	2,425	111	2,584	+159

The increase of \$159,000 is needed to hire four temporary Economic Development Representatives and four temporary secretaries to coordinate EDA assistance to areas affected by Hurricane Agnes. These individuals will be EDA's frontline contacts with the State and local officials and will coordinate all EDA activities with respect to (1) informational assistance and preliminary technical support to applicants in the preparation and submission of project applications, and (2) assistance to local citizens and officials in the planning of economic development programs.

OPERATIONS AND ADMINISTRATION

PROGRAM AND PERFORMANCE

The proposed supplemental will fund 45 temporary positions during fiscal 1973 to enable EDA to respond to the needs of areas devastated by Hurricane Agnes.

Development facilities.—Twenty-one temporary positions will enable EDA to process and approve \$30 million in public works projects in areas devastated by disasters.

Planning, technical assistance and research.—Sixteen temporary positions will enable EDA to administer \$9.1 million in technical and planning assistance.

Executive direction, administration and supporting services.—Eight temporary positions will enable EDA to hire four Economic Development Representatives and four secretaries in the distressed areas.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1973		
	Presently available	Revised estimate	Proposed supplemental
Program by activities:			
1. Development facilities.....	4,850	5,294	444
2. Industrial development loans and guarantees, EDA.....	2,376	2,376	
3. Industrial development loans and guarantees, SBA.....	350	350	
4. Planning, technical assistance and research.....	5,239	5,536	297
5. Executive direction, administration and supporting services.....	10,648	10,807	159
Total program costs, funded ¹	23,463	24,363	900
Change in selected resources ²	-100	-100	
Total obligations.....	23,363	24,263	900
Financing: Budget authority (appropriation).....	23,363	24,263	900
Relation of obligations to outlays:			
Obligations incurred, net.....	23,363	24,263	900
Obligated balance, start of year.....	2,385	2,385	
Obligated balance, end of year.....	-2,405	-2,486	-81
Outlays.....	23,343	24,162	819

¹ Includes capital outlay as follows: 1973 presently available, \$26,000; 1973 revised estimate, \$71,000; 1973 proposed supplemental, \$45,000.

² Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1973 presently available, \$411,000; 1973 revised estimate, \$411,000; 1973 proposed supplemental, \$0 thousand.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1973		
	Presently available	Revised estimate	Proposed supplemental
Personnel compensation:			
Permanent positions.....	15,433	15,433	.....
Positions other than permanent.....	558	1,027	469
Other personnel compensation.....	95	95	.....
Total personnel compensation.....	16,086	16,555	469
Personnel benefits.....	1,327	1,366	39
Benefits for former personnel.....	7	7	.....
Travel and transportation of persons.....	1,222	1,327	105
Rent, communications, and utilities.....	1,444	1,537	93
Printing and reproduction.....	184	192	8
Other services.....	2,882	3,015	133
Services of other agencies.....	.....	.....	.....
Supplies and materials.....	185	193	8
Equipment.....	26	71	45
Lands and structures.....	.....	.....	.....
Investments and loans.....	.....	.....	.....
Grants, subsidies, and contributions.....	.....	.....	.....
Insurance claims and indemnities.....	.....	.....	.....
Interest and dividends.....	.....	.....	.....
Refunds.....	.....	.....	.....
Total obligations.....	23,363	24,263	900

PERSONNEL SUMMARY

	1971 actual	1972 estimate	1973 estimate
Average GS grade.....	10.6	10.6	10.6
Average GS salary.....	\$16,061	\$16,429	\$16,748

INTRODUCTION OF ASSOCIATES

Senator HOLLINGS. Please proceed Mr. Blunt.

Mr. BLUNT. Thank you very much, Mr. Chairman. I would like to introduce Lorin Goodrich, from our Budget Division; Tom Dunne, our Deputy Assistant Secretary for Economic Development Operation; and Edward Conroy, our chief counsel.

DEATH OF SENATOR ELLENDER

Before I read my statement, I would like to express our shock at the surprise death of Senator Ellender. I know his passing is going to be a great loss to the committee.

Senator HOLLINGS. It certainly will be. There was no harder working or better leader of this committee.

ASSISTANCE TO AREAS RAVAGED BY TROPICAL STORM AGNES

Mr. BLUNT. Mr. Chairman, and members of the committee, it is my privilege to appear before you to present a request for a supplemental appropriation of \$40 million for the Economic Development Administration to assist in the economic recovery of areas ravaged by tropical storm Agnes.

Although the disaster struck only about a month ago, we have already established EDA teams in Wilkes-Barre and Harrisburg, Pa.; Horesheads, N.Y., and Richmond, Va. All team members were onboard by July 12, a total of 19 people. These staffs are working with the communities to determine the exact need for EDA help and to assist them in the development of project applications. In all cases, EDA efforts will be coordinated with other Federal agencies, the Federal Regional Councils and State and local organizations.

DEVELOPMENT FACILITIES

In this supplemental, we are requesting an additional \$30 million in the development facilities appropriations. Although the most pressing immediate need in the flood ravaged areas is obviously for shelter and life support services, the impact on industrial capacity from this disaster has been especially severe. In the Middle Atlantic States, the major rivers and their tributaries are the major centers of industrial activity. In many previous natural disasters, pockets of industry have been incapacitated, but generally the more significant damage has been to residential areas. Tropical storm Agnes has brought unprecedented damage to vast areas of industrial activity. The economic recovery of these areas and their long term well-being depends to a large degree on the resumption of activity by the plants which have been shut down by the disaster. For example, we estimate that about 9,000 jobs were lost in the Wilkes-Barre area alone.

Unless job opportunities are restored, the scars of the flood will become permanent. This request is designed to encourage employers to stay in these areas and by doing so retain the employment potential, and to create a base for long term economic recovery.

EDA proposes to fund water and sewer projects, waste and sewage treatment facilities, industrial parks, and similar industry-supporting facilities to be located out of the flood plain to enable communities to build their own economic futures. Projects will also provide immediate relief to the unemployed and underemployed during the rebuilding period, particularly those funded under the agency's public works impact program.

PROJECT EXEMPTIONS

We are asking that the additional development facilities funds be exempt from the provision of section 105 of the Public Works and Economic Development Act which requires that at least 25 percent but not more than 35 percent of title I funds be used in areas designated under section 4.01(a)(6) of the act. We would be able to provide, without the exemption, only between \$7.5 million and \$10.5 million of the \$30 million under our PWIP program to eligible areas if appropriate language in the appropriation act were not enacted to permit us to make grants as needed without regard to percentage limitations. We feel that the disaster situation requires a more flexible response by EDA through its public works impact program.

For example, we will have to respond to the public facility needs of certain communities in which the tax base will not exist to the extent that we can expect them to share in the costs of the project. In these cases, we should be able to offer 100-percent grants which is permissible under the PWIP program. Moreover, we expect that we will have to

respond to applications to provide immediate jobs and to a much broader scope of projects than we do under the regular development facilities program.

PLANNING TECHNICAL ASSISTANCE AND RESEARCH

We propose a program of \$9,100,000 for planning and technical assistance to create or to help restore institutional support for reestablishing employment opportunities and insuring an orderly and meaningful process of long-range development.

Planning grant assistance will be directed primarily toward existing local institutions such as economic development districts, local development districts, and regional planning commissions, and will provide support for State efforts to plan for long-term economic recovery from Agnes on a statewide basis. This planning will be coordinated through the Federal regional councils.

Technical assistance efforts will provide immediate support to local on-the-scene recovery efforts as well as longer range assistance. In the many communities which suffered damage to business and service establishments, technical assistance grants will be made available to local nonprofit groups so they may assemble the staffs needed to get the business communities back on their feet. Other assistance will include support to local governments for economic recovery activities and financing of engineering feasibility studies.

OPERATIONS AND ADMINISTRATION

The requested supplemental appropriation provides \$900,000 for support of 45 temporary positions: 29 professional and 16 clerical.

In this emergency situation, as with our basic programs, EDA's objective will be to provide the physical facilities and the planning and technical assistance which will enable communities to build stable and diversified local economies.

Thank you, Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions the committee may have.

WATER AND SEWER PROJECTS

Senator YOUNG. In the first part of your statement, you listed assistance to cities and communities to repair their sewer and water systems. The Farmers Home Administration has done something in this area. In fact, in the appropriations bill passed last night, there was included the sum of \$100 million for this purpose. Is this a duplication of effort?

Mr. BLUNT. Over the years, we have worked with Farmers Home and, also, Housing and Urban Development.

Senator YOUNG. Does the Office of Emergency Preparedness do any repairing of flood damage to sewer and water systems?

Mr. BLUNT. Yes, I believe they do.

Senator YOUNG. Then we have four agencies in this one area?

Mr. BLUNT. I think the real difference is the program goals that this money is spent for. Our focus is on industry, and I believe the main focus of Farmers Home and also HUD programs are to complement housing and residential areas.

When we work with them—in fact, we have supplemented many of their programs over the years—we combine so that certain projects will serve industry as well as residential areas.

Senator YOUNG. Is the FHA limited to towns and cities of less than 5,000 population?

Mr. BLUNT. Yes, they have a limitation of that nature. Our limitations are complicated, but they allow us to operate in much larger cities and over a much broader area.

COORDINATION BETWEEN AGENCIES

Senator YOUNG. One of the problems we, as Members of the Senate, have is when a community has problems with its water and sewer systems. They come to us and ask where they should go for help. We have to deal with four agencies before anything can be done.

Mr. BLUNT. Perhaps the long-range solution to this lies in revenue sharing or some other similar device to consolidate these programs. As far as the response to Hurricane Agnes is concerned, I think what we are doing in the field is coordinating as quickly as possible with other agencies and working with the Office of Emergency Preparedness, Farmers Home, Housing and Urban Development, and also any other agencies which are involved in this area.

Senator YOUNG. Which agencies are you designating as coordinating agencies?

Mr. BLUNT. The principal coordinating agency in the very initial recovery area is the Office of Emergency Preparedness. After that, the basic agency is the Federal Regional Council, which includes EDA for the purposes of this hurricane but not otherwise. I believe the Labor Department and other agencies have already established some field offices in the flood-ravaged areas.

Senator HOLLINGS. I think Senator Young has reached right down to the main point of concern of when do we provide for the disaster victims of Agnes. You said that the Office of Emergency Preparedness is the coordinating agency. Perhaps we could put some provision in here to make certain it was provided. Do you have any specific directive or any overall coordinator or overseer?

Mr. BLUNT. Perhaps I was not strong enough when I referred to the OEP role. The OEP—at the initial impact stage when the flood first hurt these areas—was designated as the coordinating agency.

Senator HOLLINGS. Are they exercising that authority?

Mr. BLUNT. Yes, they definitely have exercised it. They will probably be very active in these areas for another month or two. Their role is to coordinate the immediate restoration of the life-and-limb stage. We have to be concerned about the long-range coordination of that program. The Office of Management and Budget has been very concerned about coordination problems. In fact, we have attended meetings with them and many other Federal agencies to enhance coordination among the agencies.

They are looking toward the Federal regional council in the Pennsylvania area, which is based in the Philadelphia area. In the New York area, it is based in New York City. These are regions 3 and 2, respectively. These are the main coordinating forces.

Most of the Federal agencies which are active in these areas are either on an ad hoc basis or regularly involved in this coordinating effort. Those that aren't are certainly constrained to be mindful of

what the Federal regional councils are doing and coordinate in that fashion.

When you have this kind of an impact and as many people in the field trying to do the job, there is bound to be a certain amount of confusion. However, definite efforts are being made to correct that and to coordinate.

Senator HOLLINGS. Do you have enough inspectors and auditors to make certain that the intent of the Congress is carried out?

Mr. BLUNT. In the positions that we have asked for under our request for "Operations and administration," we have not asked for auditors as such. We have increased the field staff to a point where they will be able to be on top of everything that the agencies are doing. We rely on our existing regulatory procedures as well as the vigilance of our regional offices to insure that we don't have slippage.

FUNDS AVAILABLE FOR STORM AGNES DISASTER

Senator HOLLINGS. At this point I would like to include in the record tables of the regular and proposed supplemental appropriations for 1973 which is really a summary of your EDA requests to date.

(The tables follow:)

Summary of Economic Development Administration assistance to aid victims of tropical storm Agnes

Proposed supplemental appropriation for 1973: ¹	
Development facilities.....	\$30,000,000
Planning, technical assistance and research.....	9,100,000
Operations and administration.....	900,000
Total, proposed supplemental appropriations.....	40,000,000
Proposed earmarking of regular appropriation for 1973: ²	
Development facilities:	
Regular public work.....	10,000,000
Public works impact program.....	5,000,000
Subtotal.....	15,000,000
Planning, technical assistance and research: Technical assistance.....	1,500,000
Total, proposed earmarking of regular appropriation.....	16,500,000
Total, EDA assistance.....	56,500,000

¹ Proposed in House Document No. 92-325.

² House document No. 92-325 contains the following statement on pp. 2-3: "An additional \$50 million will be provided for relief of flood victims by the reprogramming of funds by the Department of Commerce for the repair of public works, by the Department of Labor to hire workers for cleanup and restoration, and by the Department of Housing and Urban Development to assist communities in planning their reconstruction efforts."

DEVELOPMENT FACILITIES—SUMMARY OF 1973 ESTIMATES, HOUSE AND SENATE ACTION

[In thousands of dollars]

	1973 original estimate	House bill	Senate bill	Change Senate from House	Supplemental request; H. Doc. 92-325
Development facilities:					
Redevelopment area assistance.....	58,560	58,560	68,635	+10,075	5,000
Economic development districts and centers assistance.....	74,440	74,440	87,240	+12,800	5,000
Public works impact program.....	27,000	27,000	34,125	+7,125	20,000
Total.....	160,000	160,000	190,000	+30,000	30,000

DEVELOPMENT FACILITIES TITLE I FUNDS FOR PWIP

[In thousands of dollars]

	Request	25 percent PWIP	35 percent PWIP
1973 request.....	106,500	26,625	37,275
House allowance.....	106,500	26,625	37,275
Senate allowance.....	138,500	34,125	47,775
Supplemental request ¹	30,000		20,000

¹ Assumes supplemental exempted from 25 percent to 35 percent provision.

PLANNING, TECHNICAL ASSISTANCE AND RESEARCH, SUMMARY OF 1973 ESTIMATES, HOUSE AND SENATE ACTION

[In thousands of dollars]

	1973 original estimate	House bill	Senate bill	Change Senate from House	Supple- mental request; H. Doc. 92-325
Redesignated and other area assistance:					
Area planning assistance.....	3,253	3,253	3,253		450
Technical assistance.....	8,170	8,170	8,170		6,100
Subtotal.....	11,423	11,423	11,423		6,550
Economic development districts and centers:					
District planning assistance.....	5,455	5,455	5,455		1,050
Technical assistance.....	3,590	3,590	3,590		1,500
Subtotal.....	9,045	9,045	9,045		2,550
Development research.....	1,900	1,900	1,900		
Total.....	22,368	22,368	22,368		9,100

OPERATIONS AND ADMINISTRATION, SUMMARY OF 1973 ESTIMATES, HOUSE AND SENATE ACTION

[In thousands of dollars]

	1973 original estimate	House bill	Senate bill	Change Senate from House	Supple- mental request; H. Doc. 92-325
Development facilities.....	4,829	4,829	4,829		444
Industrial development loans and guarantees, EDA.....	2,366	2,366	2,366		
Industrial development loans and guarantees, SBA.....	350	350	350		
Planning, technical assistance and research.....	5,217	5,217	5,217		297
Executive direction, administration and supporting services.....	10,601	10,601	10,601		159
Total.....	23,363	23,363	23,363		900

ECONOMIC DEVELOPMENT ADMINISTRATION: FUNDS AVAILABLE FOR
DISASTER RELIEF

Senator HOLLINGS. The Senate approved \$190 million in its bill for Economic Development Administration which is \$30 million over the House bill. What portion of the Economic Development Administration funds in our regular 1973 appropriation passed by the Senate is available for the devastated areas of Hurricane Agnes?

Mr. BLUNT. \$15 million worth of title I appropriations has been earmarked.

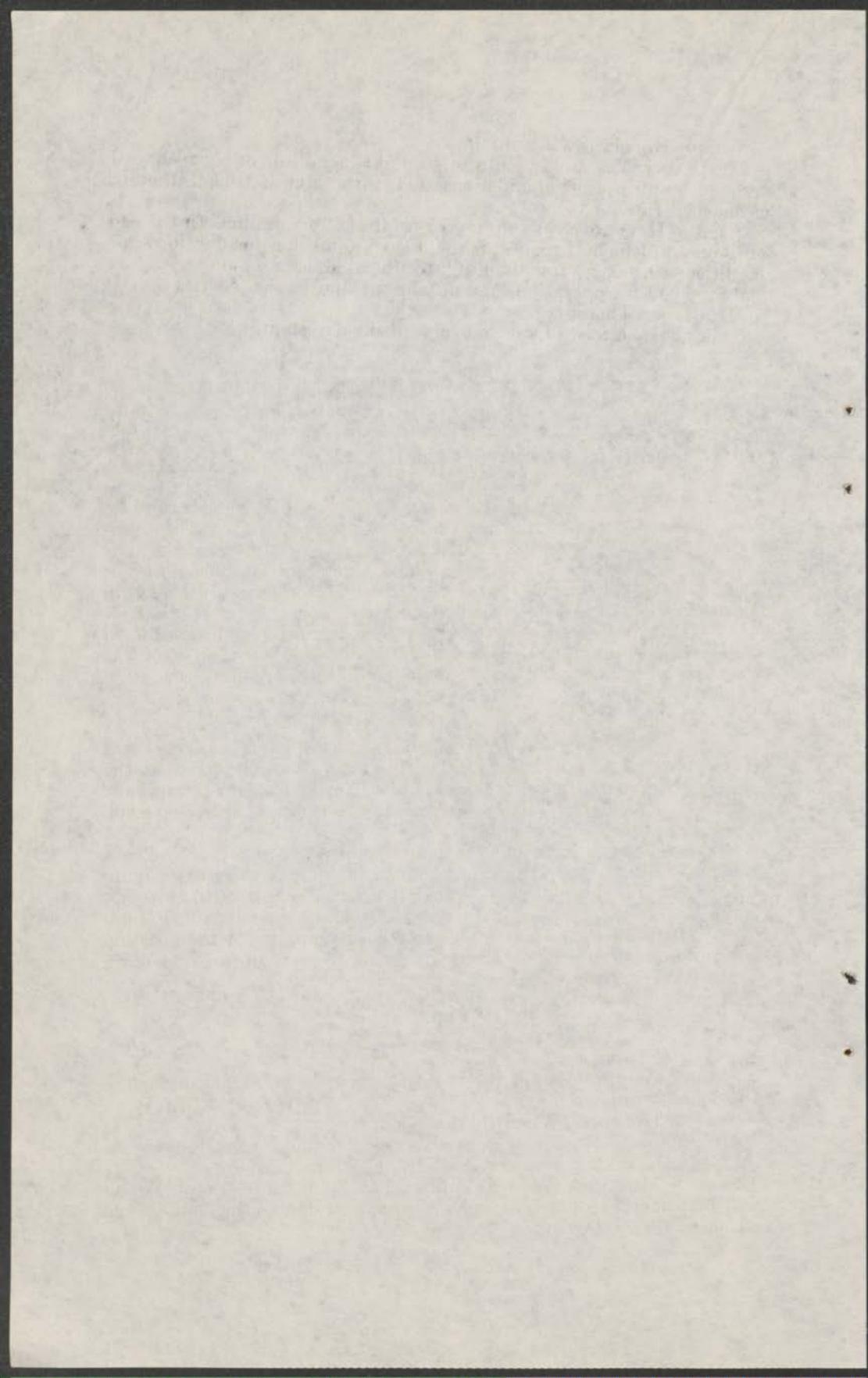
Senator HOLLINGS. \$15 million.

Mr. BLUNT. Yes, and in addition to that \$1.5 million of our technical assistance appropriation under title III, for a total of \$16.5 million in earmarked funds.

Senator HOLLINGS. So you have a total of \$16.5 million. In the \$40 million supplemental request is included \$30 million for development facilities; \$9,100,000 for planning, technical assistance, and research; and \$900,000 for operations and administration; is that correct?

Mr. BLUNT. That is correct.

Senator HOLLINGS. Thank you very much, Mr. Blunt.



SMALL BUSINESS ADMINISTRATION

STATEMENT OF THOMAS S. KLEPPE, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

ACCOMPANIED BY:

JOHN A. KNEBEL, GENERAL COUNSEL

HERBERT T. MILLS, DIRECTOR, OFFICE OF BUDGET AND
FINANCE

LIEN FOR UNPAID EXCISE TAXES

Senator HOLLINGS. I welcome the Director of the Small Business Administration, Mr. Thomas Kleppe.

Last night, on the TV, I saw a report that in Los Angeles the IRS had filed a lien or claim against a man's automobile for \$1.63 in unpaid excise tax. The taxpayer had refused to pay it on the basis that the war in Vietnam was illegal and immoral, and IRS brought suit for the \$1.63. Aren't you the gentleman who said you could not bring a claim for less than \$500 in the Los Angeles area?

Mr. KLEPPE. I think you will recall that I said we could not afford the luxury of instituting a lawsuit for amounts less than \$500. At that time we did not have the proof we thought we needed.

EARTHQUAKE DAMAGE LOANS

Senator HOLLINGS. You had about 120 such claims as a result of that earthquake, and close to \$60 million ran down the drain in the months of September, October, November, and December. It was your testimony that 70 or 80 percent of them were right at the \$3,000 level.

Mr. KLEPPE. 52 or 53 percent.

Senator HOLLINGS. Is not that enough proof to you that the contractors went around soliciting business in the affected area, saying they could get the homeowner an SBA loan because SBA was not going to follow up? What we were really doing was distributing undeserved money in the Los Angeles area. The reason for my question is to find out if those contractors are going to move up to New York.

Mr. KLEPPE. I wouldn't know.

Senator HOLLINGS. I am dead serious about this matter.

PROPOSED FORGIVENESS LEGISLATION

Senator YOUNG. Would the basic forgiveness be \$5,000 under the President's proposal?

Senator HOLLINGS. When did that occur?

Mr. KLEPPE. It has not occurred yet. It is under consideration in the Senate Banking, Housing and Urban Affairs Committee.

Senator HOLLINGS. We will oppose that. I am sure Senator Young will help me. You don't recommend that you double the clause from \$2,500 to \$5,000, do you?

Mr. KLEPPE. The administration sent up a bill for Hurricane Agnes and Rapid City which allows \$5,000 forgiveness and 1 percent interest.

The House passed a bill providing for \$2,500 forgiveness and 3 percent interest. The whole question has been on the retroactivity or how far back or forward to go. The Senate proposal, as I understand it, brings the forgiveness up to the \$5,000 level.

Senator YOUNG. It was put in there a few days ago.

Mr. KLEPPE. This would be with 1-percent interest and would go back 1 year and forward 1 year.

Senator HOLLINGS. Do you recommend that?

Mr. KLEPPE. This was not part of the recommendation of the administration. That was completely a temporary bill for Agnes and Rapid City.

The Senate committee has been trying to determine a time frame.

Senator HOLLINGS. If the retroactivity were to go back to January 1, it would include the California earthquake, wouldn't it?

Mr. KLEPPE. Yes; the grant of \$2,500 would be raised to \$5,000 if that became law.

Senator YOUNG. That would be a serious matter. I would like to add that the aim was to coordinate that with the other bill. We ought to do it so that both bills would have the same provisions.

Mr. KLEPPE. It is important to us that the provisions of FHA and SBA be the same. Otherwise, it would promote loan shopping. We testified to that before the Senate Banking, Housing and Urban Affairs Committee and we indicated our same feelings before the House. The provisions should be the same or it will promote loan shopping and we are not going to compete.

Following the 13 inches of rain in Brainerd, Minn., the Senate took some action on the farm home loan provisions.

Senator YOUNG. The Banking, Housing and Urban Affairs Committee will report the bill next Tuesday.

Mr. KNEBEL. The plan is still to try to smooth them out. They are going to have to further amend the FHA legislation. It is very awkward from the standpoint of compatibility as far as the SBA is concerned.

SUPPLEMENTAL REQUEST

Senator HOLLINGS. I did not mean to get off the track. Let me, without objection, refer back to the very initial stage of this transcript.

The subcommittee will now consider the supplemental request of \$1.3 billion for the disaster loan fund, and the request for language to transfer \$20 million from such fund to the "Salaries and expense" account of the Small Business Administration to cover assistance expenses to be incurred under the Hurricane Agnes program.

The budget estimates and supporting justifications will be placed in the record.

(The estimate and justifications follow:)

SUPPLEMENTAL ESTIMATE

(H. Doc. 92-325)

SMALL BUSINESS ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses," \$20,000,000, to be transferred from the "Disaster loan fund."

DISASTER LOAN FUND

For additional capital for the "Disaster loan fund," authorized by the Small Business Act, as amended, \$1,300,000,000, to remain available without fiscal year limitation.

This supplemental appropriation will provide funds necessary to provide relief to the victims of Tropical Storm Agnes. These include an estimated 115,000 home owners and 6,000 businesses.

SMALL BUSINESS ADMINISTRATION

DISASTER LOAN FUND

JUSTIFICATION FOR SUPPLEMENTAL APPROPRIATION FISCAL YEAR 1973

This supplemental request for \$1.3 billion is required to provide for the victims of the damage caused by Hurricane Agnes. The request also provides for the authority to transfer an additional \$20 million from the Disaster Loan Fund for Administrative Expenses. The supplemental request was developed based upon the Disaster Relief Act of 1970.

As of June 30, 1972, the balance in the Disaster Loan Fund was approximately \$70 million. Also, there is \$80 million additional capital in our FY 1973 budget request now pending before Congress, making \$150 million currently available to approve loans in 1973. While this \$150 million is sufficient to approve loans for existing disasters including Rapid City, South Dakota, because of the heavy urgent demands associated with Hurricane Agnes, these funds will be exhausted prior to the end of July.

The current estimate of damage as coordinated with the Office of Emergency Preparedness for the six states affected is \$1,361,717,000. It is estimated that this will result in approximately 115,000 loans at \$1,148,000,000. Not included in the \$1,148,000,000 are the requirements that will come in under Section 237 of the 1970 Disaster Relief Act, which enables an industrial or commercial enterprise which has constituted a major source of employment in an area suffering a major disaster declared by the President, and which is no longer in substantial operation as a result of the disaster, to resume operations in order to assist in restoring the economic viability of the area. We are providing approximately \$150 million for these types of loans which brings us to our total of \$1.3 billion.

Authorized Appropriations

This fund was initially capitalized by the transfer of an applicable portion of the assets, liabilities, and unexpended balance of the Revolving Fund, Small Business Administration on July 1, 1966. Appropriations are authorized to be made to the fund as capital to the extent required to carry out the authorized functions. The estimated balance of the fund at June 30, 1972, is \$73.5 million. The \$1.3 billion capital appropriation, along with the \$80 million appropriation contained in the FY 1973 budget estimates and the current balance will be sufficient to provide a loan level of \$1.45 billion in FY 1973.

Administrative Expense

The requirements to provide support as a result of the damage done by Hurricane Agnes and other disasters, existing and future, are estimated to be \$29.7 million. There is \$9.7 million presently available for this purpose, leaving a net requirement for the \$20.0 million contained in this request. The estimate is as follows:

I. Disaster Loanmaking

A. Agnes—\$21,744,000.—This will provide for 654.7 man-years of support in the 79 offices that have been opened in the 6-state area affected by the storm. Also included is \$7.0 million to provide for damage evaluation reports on a contract basis. This contract with the General Adjustment Bureau, a professional appraisal organization, will enable the Agency to eliminate redtape and speed up the processing time by waiving the requirement to have a contractor's estimate prior to our accepting the loan application.

Funds for this purpose are being initially advanced by the Office of Emergency Preparedness. This request will enable us to reimburse them. The request provides for travel and all other items of administrative expense required to provide this assistance.

B. Existing Disasters—\$3,000,000.—This will provide for the support to the other active disaster operations in Rapid City, South Dakota; Phoenix, Arizona; Corpus Christi, Texas; New England, California, and the other smaller declarations throughout the country.

C. Contingency for Future Disasters—\$3,000,000.—This would provide the funding for the administrative support required for any future disaster. As indicated, the requirements of existing disasters would leave no funding available to provide assistance if and when a disaster should occur in the future. This would enable us to respond promptly to the needs of the victims of such a disaster.

II. Disaster Loan Servicing—\$2,000,000

As of June 30, 1972, the disaster loan portfolio consisted of 160,007 loans with a net loan balance outstanding of \$632.4 million. The loan portfolio was made up of 145,363 home loans with an outstanding balance of \$295.4 million and 14,644 disaster business loans with a loan balance outstanding of \$337 million. In numbers, our disaster loan portfolio has increased more than 300 percent over the portfolio in existence on June 30, 1969. During the same period of time, our permanent employment ceiling has decreased from 4,250 to 4,019 at June 30, 1972. In addition to the portfolio, as of June 30, 1972, there will be an additional 25,600 loans to be added as a result of the Los Angeles earthquake, the flooding in New York and New Jersey, and other smaller disasters. The Rapid City, South Dakota disaster will add another 4,000 loans, and we are currently estimating that Hurricane Agnes will produce nearly 115,000 loans. Taking into account Hurricane Agnes, the Agency's disaster loan portfolio will exceed 300,000 loans representing a net collectible balance outstanding after application of forgiveness credits of over \$1.6 billion.

Increases in workload of this magnitude just cannot be accommodated within existing staffing levels. An increase of 340 permanent personnel is necessary if we are to provide the necessary servicing and collection followups in order to minimize losses in this large loan portfolio. This requirement was developed using productivity standards and based upon our experience in the offices which already have a high volume of disaster loans.

The inordinately high delinquency, liquidation and charge-off activity, experienced in New Orleans following Hurricane Betsy, in which the staffing was both inadequate and too late, is being reflected in subsequent disaster operations, particularly Gulfport, Louisiana, and Corpus Christi, Texas. We expect the same in Los Angeles. The level of effort represented by the 340 personnel space increase can be expected to be highly cost effective in reducing to an absolute minimum charge-offs in the disaster loan portfolio.

The status of our disaster loan portfolio is one of our prime concerns. Eight of our offices have been designated as high volume disaster loan offices and are employing specially designed computer-assisted collection techniques. These offices are New York, New York; Newark, New Jersey; Hato Rey, Puerto Rico; Gulfport, Mississippi; New Orleans, Louisiana; Corpus Christi and Harlingen, Texas; and Los Angeles, California. The rate at which accounts in past due status is growing is illustrated by the fact that these past due accounts have increased by 80 percent in the period September 1971 to June 1972. As of September 30, 1971, there were 12,978 accounts past due, 7,300 of which were past due 60 days or more. On June 30, 1972, there were a total of 23,393 past due accounts (14%) 10,658 of which were past due 60 days or more. Of the past due accounts, 19,963 were held by our eight high volume disaster offices. The dispersion of lending activity caused by Hurricane Agnes can be expected to result in a minimum of three additional high volume offices in Philadelphia and Pittsburgh, Pennsylvania and Syracuse, New York.

Not considering the current disasters such as Rapid City, South Dakota and Hurricane Agnes, since July 1969, we have had five other major disasters: Hurricane Camille, Hurricane Celia, Los Angeles Earthquake, the flooding in New Jersey and New York, and Hurricane Fern. In these five disasters alone, we have approved over 145,000 loans, and we have not been able to add additional personnel to service these loans. As stated before, the permanent personnel ceiling of the Agency has decreased from 4,250 at the end of Fiscal Year 1969 to 4,019 currently authorized. These additional employees are essential to provide servicing to the borrower and to followup to assure that collections of outstanding balances are received. They are essential not only because of the increase due to Hurricane Agnes, but because of the already large outstanding loan portfolio.

SMALL BUSINESS ADMINISTRATION, DISASTER LOAN FUND
 PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

32-45-4153-0-3-506	Administrative reservations			Cost and obligations		
	1972 estimate	Prior 1973 estimate	Revised 1973 estimate	1972 estimate	Prior 1973 estimate	Revised 1973 estimate
Program by activities:						
Capital outlay:						
Disaster loans:						
Direct and immediate participation:						
Home.....	251,200	65,800	1,000,000	254,300	82,300	926,000
Business.....	70,908	34,200	450,000	71,700	40,572	416,000
Guaranteed.....	2,150					
Total disaster loans.....	324,258	100,000	1,450,000	326,000	122,872	1,342,000
Guaranteed loans not expected to be purchased (90 percent).....	-1,935					
Total loans.....	322,323	100,000	1,450,000	326,000	122,872	1,342,000
Administrative reservations:						
Start of year.....	71,853	71,853	71,853			
End of year.....	-71,853	-71,853	-71,853			
Change in selected resources.....				-14,677	-33,072	68,029
Adjustment in selected resources (loan obligations).....				11,000	10,200	39,971
Total capital outlays.....	322,323	100,000	1,450,000	322,323	100,000	1,450,000
Operating costs, funded:						
(a) Interest expense to Treasury.....				45,600	60,751	100,290
(b) Interest expense on participation certificates.....				7,395	5,725	5,725
(c) Administrative expense.....				16,283	17,352	37,646
(d) Other costs and expenses.....				750	1,000	4,000
Total operating costs, funded.....				70,028	84,828	147,661
Total obligations.....				392,351	184,828	1,597,661
Financing:						
Receipts and reimbursements from:						
Federal funds:						
Investment income from participa- tion sales fund.....				-1,225	-192	-192
Non-Federal sources:						
Loan repayments.....				-61,028	-60,000	-86,000
Sale of acquired collateral.....				-270	-100	-100
Repayments on judgments and notes receivable.....				-550	-500	-500
Revenue.....				-20,950	-22,000	-78,150
Recovery of prior year obligations.....				-11,000	-10,200	-39,971
Unobligated balance available, start of year:						
Reserved.....				-71,853	-71,853	-71,853
Unreserved.....				-211,756	-24,500	-73,500
Unobligated balance transferred from Partici- pation Sales Fund (retirement of participa- tion certificates).....				-34,000	-8,000	-8,000
Unobligated balance transferred to Partici- pation Sales Fund (principal collections from pooled obligations).....				13,000	11,000	11,000
Unobligated balance, end of year:						
Reserved.....				71,853	71,853	71,853
Unreserved.....				73,500	4,300	52,388
Redemption of Agency debt (participation certificates).....				34,000	8,000	8,000
Budget authority.....				172,072	82,636	1,382,636
Budget authority:						
Current:						
Appropriation (definite).....				170,000	80,000	80,000
Proposed supplemental for additional capital (definite).....						1,300,000
Permanent: Appropriation (indefinite).....				2,072	2,636	2,636
Relation of obligations to outlays:						
Obligations incurred (net).....				297,328	91,836	1,392,748
Obligated balance, start of year.....				42,073	75,788	46,576
Obligated balance, end of year.....				-46,576	-53,763	-154,617
Outlays.....				292,825	113,861	1,284,707

INTRODUCTION OF ASSOCIATES

Senator HOLLINGS. Mr. Kleppe, the subcommittee will be pleased to hear from you and your associates on the need for the additional funds.

Mr. KLEPPE. I have a short statement which I would like to read in which there is a terse description of this.

First, I would introduce Mr. John A. Knebel, our General Counsel; and Mr. Herbert T. Mills, the Director of the Office of Budget and Finance.

Senator HOLLINGS. Mr. Knebel is a high-priced lawyer. He does not bring claims unless they are over \$500, but the fellows at IRS bring claims for \$1.63.

Mr. KLEPPE. I question the validity of the comparison between the situations.

Senator HOLLINGS. Why do you question it?

POSSIBLE FRAUD

Mr. KLEPPE. At that time there was a statement in the Los Angeles Times about fraud. I said they can afford the luxury of a statement without proof and we couldn't. Consequently, having referred these matters to the Department of Justice, and considering the amounts of money involved, they chose not to proceed. This is not to say that some of them would not have been found guilty. We might have won. What we did was to plug up the holes administratively.

Mr. KNEBEL. At the time, we were defending a case which has subsequently been dismissed. Additionally, as the administrator has pointed out, we do not have the authority to bring either civil or criminal proceedings in our own right.

We must, therefore, go to the U.S. Attorney. Under the pending legislation in the Senate—now reported by the Senate Banking and Currency Committee—we will have the authority to seek one and a half or two times as a civil penalty for the misuse of funds. We have strongly advocated this thing. Frankly, it is a problem which you pinpointed very well in the Los Angeles area.

Senator HOLLINGS. Did your office investigate the contractors involved and find there were only two or three contractors in on this? Did you investigate? What did your investigation show?

Mr. KNEBEL. We do indeed investigate every single allegation about any contractor. We did this on our own and in conjunction with the local authorities who licensed the contractors. We have no control over the licensing of California contractors. We did take these things up with the California authorities.

Senator HOLLINGS. How many contractors were involved?

Mr. KNEBEL. Offhand, I don't really know, sir. I know personally, that at least a half dozen were involved. I don't know how many more were brought in. The Governor had a group looking at this. The Better Business Bureau was contacted, as was the State authority which did the licensing. I know that we are looking at a group of at least a half a dozen.

Senator HOLLINGS. I have never heard of such a convenient earthquake. Millions were spent in payments and the majority of the loans were at the \$3,000 level.

Mr. KLEPPE. You have got to accept the fact that a great deal of that is brought about by the law itself.

Senator HOLLINGS. I want to be certain that with this supplemental appropriation you will have some kind of audit or investigatory practice, or some check that would nip violations in the bud. California is the only instance where this has been abused. However, the fact is that you did nothing about it.

Mr. KLEPPE. We did a lot about it and we will not accept that statement.

Senator HOLLINGS. The statement is in the record already. How many millions did you lose for the Government through loose administration?

Mr. KLEPPE. I wouldn't say how many millions should not have been disbursed. However, when you say we did not do anything about it, I do not accept that because we did a lot of things about it and we have continued to do a lot of things about it.

Senator HOLLINGS. I will let you proceed with your statement.

EVALUATION OF CLAIMS

Senator YOUNG. When I asked Mr. Lincoln of the Office of Emergency Preparedness how you were going to appraise all of the claims—and there will be thousands of them—that they will get in the future, he said they were going to hire professional appraisers to appraise these claims to the fullest possible extent. Do you agree with that idea? Will you get into that area, or will you have enough people to appraise these claims?

Mr. KLEPPE. I address that in my statement.

Senator YOUNG. Will you hire professional appraisers?

Mr. KLEPPE. We have contracted for exactly what you are talking about. This is where most of our trouble came from in California. We hired appraisers, and we could not get the qualified people we needed. We are going to use an entirely different approach to this in New York and Pennsylvania.

Senator YOUNG. If this legislation goes through as it is presently written under the \$5,000 forgiveness, you will be starting at the top.

Mr. KLEPPE. We have 500 people assigned in those State areas of Agnes right now. This is one of the things that brought this out. These are holes that I want to talk about and I will talk about in my statement.

EMERGENCY SUPPLEMENTAL

Mr. Chairman and members of the committee, I would like to thank you for allowing us to appear before you on such short notice to explain our need for an emergency supplemental of \$1.3 billion for the Disaster Loan Fund, and authority to transfer an additional \$20 million for use as salaries and expenses associated with the disaster loan program.

DEATH OF SENATOR ELLENDER

May I interject at this point and go on the record as indicating our deep regret at SBA over the loss of Senator Ellender. Our association with him through the Appropriations Committee has always been a very close one, and we share the loss of this fine man with the committee.

Senator YOUNG. He was a great member of this committee.
 Senator HOLLINGS. There is no question of that.

RELIEF FOR VICTIMS OF STORM AGNES

Mr. KLEPPE. This is, of course, the largest request that we have ever submitted, and it is extremely urgent since, without this supplemental appropriation, we will be out of funds prior to July 30, 1972, and we cannot discontinue approving loans for the victims of Agnes, the worst disaster in the history of our country. The supplemental is strictly for the victims of tropical storm Agnes.

But for Agnes, we would have had sufficient loan funds to handle all declared disasters including Rapid City, S. Dak. At the end of June 1972, we had \$70 million in the fund, and another \$80 million in the fiscal year 1973 appropriation request has been approved by both the House and the Senate.

We know and understand that we can use that \$80 million if need be.

I know I do not need to describe to the members of this committee the terrible destruction and devastation caused by tropical storm Agnes. You are all well aware of its widespread effect in the six-State area. More than 128,000 homes and businesses were damaged and destroyed and whole communities were dealt a heavy blow. Our current estimate is that we will approve approximately 115,000 loans at \$1.3 billion in the six-State area as set forth in my statement as follows:

ESTIMATED NUMBER AND LOAN LEVELS

State	Number of loans	Amount
Virginia.....	10,068	\$65,872,000
Florida.....	2,300	7,800,000
West Virginia.....	1,260	3,640,000
Maryland.....	3,750	21,100,000
Pennsylvania.....	59,324	633,645,500
New York.....	38,042	415,631,000
Economic injury loans and disaster business loans under sec. 237.....		153,000,000
Total.....	114,744	\$1,300,688,500

These figures are the best estimates we have at this time. If they prove to be understated, or if we have another major disaster, we will just have to come back for more funds.

79 DISASTER OFFICES

In conjunction with Agnes, we have opened 79 disaster offices in the six States in order to speed relief to the victims. We have staffed these offices with over 900 people. I would add that we have sent hundreds of SBA people into these offices to get them going. We have received 130 to 140 employees from other Federal agencies for us to use. It is difficult to make maximum use of them because we have them only on a 2- or 3-week turnaround basis and then we have to train new ones. The rest of the people we have are temporary.

Our plan is to move our permanent people into their permanent location as fast as we can. The reason I interject that here is, because we are raiding our regular offices throughout many parts of the Nation very seriously, our other SBA activities are going to move at a greatly reduced rate.

Over 5,000 loans have already been approved. We are now getting into high gear, as you can see, these supplemental funds are urgently required in order to continue this rate of operation.

We have a problem and we must address ourselves to it and other things have to go by the wayside as we are doing this. I would also add in here that our goal is to be approving 1,000 loans a day in the State of Pennsylvania and between 400 and 500 a day in the State of New York within a week.

CONTRACT APPRAISALS

We have also done still other things. For instance, in answer to the President's call to cut redtape and speed disaster aid to flood victims, we have revised our procedures so that we could accept applications without a contractor's estimate. The reason we can do this is because of the extra GAB people added in there doing appraisal work.

Senator HOLLINGS. What does GAB stand for?

Mr. KLEPPE. General Adjustment Bureau.

Senator HOLLINGS. How much is that contract?

Mr. KLEPPE. That is at \$70 each for a minimum of 50,000 units.

Senator HOLLINGS. \$70 each for a minimum of 50,000?

Senator YOUNG. What do you mean by that?

Senator HOLLINGS. Is that \$3.5 million?

Mr. KLEPPE. Yes, that is the minimum contract.

Senator HOLLINGS. You are requesting double that amount in your budget.

Mr. KLEPPE. Yes, because we are projecting approximately 100,000 loans in New York and Pennsylvania. The 50,000 was only to determine a minimum base.

Senator HOLLINGS. When I am hired by you to work with the General Adjustment Bureau, am I appraising just the cost of repair or am I also appraising the damage and the estimate of loss? Am I making the causal connection between Hurricane Agnes and the damage I am looking at?

Mr. KLEPPE. That is correct.

Senator HOLLINGS. The GAB people are going to look not only at the amount of the loss but also at the causal connection between the hurricane itself and the damages claimed?

Mr. KLEPPE. Yes, that is their business. They do this all the time. This is why we are going this professional route instead of getting into the same problems we had in California. We are doing this on a test basis. We believe we can find our answers here better than we could under a lot of other circumstances due to the size of the problem in those two States.

EXTENT OF RESTORATION

Senator YOUNG. Another problem arose when Mr. Lincoln of the OEP testified. He said in the case of a public building, for instance, a courthouse, where the damage was \$1 million and the people wanted to build a new building, they would be reimbursed for the amount of the damage and they could put up the rest of the money themselves. In other words, the obligation they had was to restore the building as it was.

In the case of a home under your program—if the appraisal values the loss at \$4,000—can you take that money and build a new home?

Mr. KLEPPE. We would replace the loss that they suffered. If he is going to put a new room on, he can do that. If he wants, at the same time, a remodeling job he can do that too; however, that would take extra funds. All we do is make him a loan—based on his loss—to repair the damage and not to improve or add anything. We only replace the loss he suffered. This is consistent with the policy of the OEP.

ADMINISTRATION PROPOSAL

Senator YOUNG. Did the administration propose the \$5,000 forgiveness rate?

Mr. KLEPPE. Only on the temporary Agnes bill.

Senator HOLLINGS. This would be a loan and not a grant, is that correct?

Mr. KLEPPE. What?

Senator HOLLINGS. Is it correct that this would be a loan and not a grant?

Mr. KLEPPE. We are talking about loans but the grant is a part of the loan. Under the present law there is a \$500 loan on the front end, after which up to \$2,500 is forgiven. The proposal pending before the Senate is that the first \$5,000 be a grant with no front end loan of \$500. In this way, a loan would only take place beyond the first \$5,000.

Senator YOUNG. So, if he had \$7,000 of repairs it would amount to the same thing as having a \$2,000 loan?

Mr. KLEPPE. Yes, that is the proposal.

AGENCY RECOMMENDATION

Senator HOLLINGS. What is your recommendation?

Mr. KLEPPE. Our recommendation is substantially that for Agnes but not for permanent legislation.

Senator HOLLINGS. What is the rationale for putting the \$5,000 forgiveness in there?

Mr. KLEPPE. The President recommended it.

Senator HOLLINGS. What was his rationale?

Mr. KLEPPE. The seriousness of the disaster. In this disaster, we have probably got more homes and businesses that have suffered substantial damage than in any disaster we have had. By this I mean people who have suffered in excess of 50-percent loss. Many homes and businesses have suffered close to 100-percent losses.

Another reason behind the President's recommendation is the commercial impact of this disaster. Many businesses have been wiped out and many people have lost jobs. I am sure this was another part of his consideration.

Senator YOUNG. With all the rebuilding, the employment will be better.

Senator HOLLINGS. Has this been done before?

Mr. KLEPPE. Do you mean the \$5,000 forgiveness?

Senator HOLLINGS. Yes, and also the type of approach.

Mr. KLEPPE. No, this is a different approach. I would add in here SBA's major recommendation along the line of this legislation is to get rid of that \$500 loan because it is an administrative nightmare that is not worth the cost it takes to put it on the books.

Senator HOLLINGS. How would you write it off?

Mr. KLEPPE. I would not have the loan on the front end. I would have the grant and then let the loan take place afterward. That is the Senate committee's proposition and the House has already passed a similar version.

HOUSE-PASSED LEGISLATION

Senator HOLLINGS. I would ask again, has the House passed it with the grant at the front and the loan thereafter with \$2,500 forgiveness?

Mr. KLEPPE. They passed it with \$2,500 and 3 percent.

Senator HOLLINGS. A \$2,500 grant and from then on 3-percent interest is that it?

Mr. KLEPPE. Yes, that is the proposed legislation.

Mr. KNEBEL. You also have the option of having a straight 1-percent loan in the House-passed legislation if you forgo forgiveness.

Senator HOLLINGS. Do you have any recommendation on that?

Mr. KLEPPE. I do not like the option idea. I think we ought not to mess with the option plan.

Senator HOLLINGS. What was the rationale behind the option plan?

Mr. KNEBEL. According to Mr. Patman's speech on the floor, he felt that the 1-percent interest rate for large loans was good. He felt the \$2,500 forgiveness would mean nothing to a large loan but that a 1-percent interest rate would be very fair.

Mr. KLEPPE. When I refer to Hurricane Agnes I want to include the Rapid City flood. That is a part of this emergency legislation that was considered by the Senate Banking Committee.

EXTENT OF COVERAGE

Senator HOLLINGS. The way it is now being presented, next week it would include not only the Hurricane Agnes and Rapid City disasters but also all the disasters dating back to the California earthquake.

Mr. KLEPPE. Yes, this legislation would go back to January 1, 1971.

Senator HOLLINGS. We would include all the disasters back to February including Agnes and Rapid City?

Mr. KLEPPE. Yes.

Senator HOLLINGS. You may proceed with your statement.

Mr. KLEPPE. The sheer magnitude of Agnes precluded us from handling appraisals internally. It necessitated contracting with the General Adjustment Bureau, a professional appraisal organization servicing the insurance industry. This service is provided the applicants without cost to them; however, they are not relieved of the requirement to show proof of their loss. All borrowers will be required to present SBA with a certification from the contractor when the work is completed.

SALARIES AND EXPENSES

Mr. Chairman, I would now like to turn to our request for an additional \$20 million to be transferred to salaries and expenses for disaster loanmaking. The greatest portion of these funds is to provide for 655 man-years of support in the disaster field offices located in the six-State area. These are people who interview, screen, and process the loan application. Travel costs, per diem, supplies, equipment and other contractual services associated with the operations of the offices

are also covered. Additionally, 340 permanent positions are being sought to provide loan servicing and to collect the outstanding loans.

LOAN PORTFOLIO

I want to say here that we presently have 160,000 disaster loans on the books and we are projecting another 128,000 here. When you add that together with other disasters we are going to end up next year with probably 300,000 disaster loans in our portfolio.

Mr. Chairman, our disaster loan portfolio has increased by more than 300 percent since June 30, 1969. During this same period, our permanent staff has decreased from an authorized ceiling of 4,250 at June 30, 1969, to 4,019. In addition to the loans that will be added as a result of tropical storm Agnes, we are adding some 4,000 loans in Rapid City, S. Dak., and are continuing the processing of loans in the other disaster areas declared prior to tropical storm Agnes. By June 30, 1973, we estimate that our disaster portfolio will exceed 300,000 loans with a net balance, after application of forgiveness credits, of over \$1.6 billion. Increases in workload of this magnitude just cannot be accomplished within our existing staffing levels—the additional 340 permanent positions are urgently needed.

Mr. Chairman, and members of the committee, I thank you for your attention, and we will be pleased to answer any questions you may have.

CLAIMS IN LOS ANGELES

Senator HOLLINGS. Has your office brought any claim whatever in the Los Angeles earthquake disaster loan program?

Mr. KLEPPE. We turned some over to Justice. To my knowledge none have been prosecuted nor has there been any decision made along that line.

Mr. KNEBEL. They still have some active cases.

Senator HOLLINGS. How many loans did we give on that?

Mr. KLEPPE. About 55,000.

Senator HOLLINGS. Do you mean that out of approximately 55,000 loans all you have is six or seven under investigation?

Mr. KLEPPE. Yes, we have six or seven active ones which we thought had enough substance that might justify prosecution.

Senator HOLLINGS. No claim was brought in?

Mr. KLEPPE. I don't know if the claim action has been brought up. We have given them to Justice.

We looked at a lot more in trying to gather enough evidence that would be worthy of anything that could be prosecuted and hopefully to win one.

Senator HOLLINGS. In your looking at it and trying to gather evidence you did not find any?

Mr. KLEPPE. It was difficult to find the proof.

Senator YOUNG. Presently you have to go to the U.S. attorney if you want to prosecute a case but under the new legislation you are seeking SBA could do the prosecuting themselves.

Mr. KLEPPE. The House has some provisions in it for proof of loss and they have some penalties in there. As I understand it, we would have more muscle than we have today.

Senator YOUNG. Would you have a prosecuting attorney in the SBA?

Mr. KNEBEL. Sir, that is not clear.

Mr. YOUNG. If you entered the prosecuting area you would have a staff of attorneys, wouldn't you?

Mr. KLEPPE. Yes, we would have to have more people than we have now.

Mr. YOUNG. Do you have a staff of attorneys now?

NUMBER OF ATTORNEY PERSONNEL

Mr. KNEBEL. Yes, sir. We have 185 attorneys in 63 offices.

Senator HOLLINGS. Are they on the regular payroll?

Mr. KNEBEL. Yes.

Senator HOLLINGS. Other than the closing cases there are only six or seven cases in the entire number?

Mr. KLEPPE. It is a few. We have turned them over and they are still active, because Justice has not said, we are not going to do anything.

Mr. KNEBEL. We have litigation, Senator, at this time in excess of \$100 million in courts in several jurisdictions around the country, most of which is bankruptcy litigation.

Senator HOLLINGS. These are not losses due to the California earthquake?

Mr. KNEBEL. No, sir.

RATE OF LOAN APPROVALS

Senator HOLLINGS. You state that over 5,000 loans have already been approved. How much has been disbursed to date under the Hurricane Agnes assistance program?

Mr. MILLS. We are approving between \$8 and \$10 million per day, currently.

Mr. KLEPPE. Just under \$15 million has been disbursed so far.

Senator HOLLINGS. You estimate you will run out of funds on Monday?

Mr. KLEPPE. We very well could be out of money on Monday.

Senator HOLLINGS. Isn't that your statement?

Mr. KLEPPE. Yes, sir. Mr. Chairman, our money is based on loans approved. We have accepted applications for \$282 million.

Senator HOLLINGS. But you will be out of money on Monday?

Mr. KLEPPE. Yes, or right close to it. The \$80 million which is covered in the resolution could carry us another week. At the rate of \$10 million a day that could carry us another week.

Senator HOLLINGS. Would you be paying out \$10 million a day?

Mr. KLEPPE. We are approving between \$8 million and \$10 million a day.

DISASTER COVERAGE PROVIDED BY SUPPLEMENTAL

Senator HOLLINGS. How long would the \$1.3 billion last?

Mr. KLEPPE. It is our testimony that this is strictly for Agnes. We project the best estimates we can. This will cover the six-State areas for Agnes. That leaves us the \$80 million for the other disasters we

have and whatever might occur that is going to eat that up. These are our best estimates.

Senator HOLLINGS. At \$10 million a day, you would be out of money in about 25 weeks—approximately a 6-month period?

Mr. KLEPPE. We hope it will take care of this disaster. As I indicated, if we have another disaster, we will be right back up here.

Senator YOUNG. How can you approve loan and grant applications for Agnes and Rapid City when the law is still pending and you don't know whether it will be \$2,500 or \$5,000?

Mr. KLEPPE. All of my requests in this statement are based on the present law.

Senator YOUNG. The \$2,500 law?

Mr. KLEPPE. Yes, based on the \$500 loan on the front end and the \$2,500 forgiveness. Whatever implications new legislation will have can, obviously, make some changes. I am here today testifying solely on the basis of what we have and the situation we are in from the emergency standpoint.

Senator YOUNG. If you went to the \$5,000 forgiveness would it then cost more than \$1.3 billion?

DISASTER COVERAGE UNDER NEW LEGISLATION

Mr. KLEPPE. No, the estimates are that this will still take care of us. This is our best estimate; even though the loans will be cut down the dollar exposure will not be cut.

Senator HOLLINGS. Assuming the \$2,500 forgiveness is enacted into law, could you give the committee a breakdown of the \$1.6 billion?

Mr. KLEPPE. What is the \$1.6 billion?

Senator HOLLINGS. I thought it was \$1.6 billion for the overall forgiveness, the estimate for the earthquake in Los Angeles, the Rapid City disaster, and now Hurricane Agnes.

Mr. KLEPPE. The \$1.6 billion is the projected value of the disaster loan portfolio. Do you want a breakdown of the forgiveness?

Senator HOLLINGS. Yes, in connection with the present law.

Mr. KLEPPE. We will do our best to supply that to you.

Senator HOLLINGS. Yes, I would like to have that for the record. (The information follows:)

TOTAL FORGIVENESS UNDER 1969 AND 1970 DISASTER ACTS WITH ESTIMATE FOR FISCAL YEAR 1973

[In thousands]

	Prior to fiscal year 1973	Estimate for fiscal year 1973 ¹	Total
Celia.....	\$36,942	\$27,500	\$64,442
Camille.....	24,572	3,100	27,672
Los Angeles.....	110,337	45,100	155,437
Fern.....	12,396	11,400	23,796
New Jersey and New York floods.....	25,014	15,800	40,814
Other.....	40,911	9,400	50,311
Agnes.....		250,371	250,371
South Dakota.....		10,000	10,000
Total.....	250,172	372,671	622,843

¹ Estimates are based on the present level of \$2,500 maximum forgiveness. Forgiveness credits are recorded at time of disbursement and not at time of approval.

FEDERAL FLOOD INSURANCE PROGRAM

What is the relationship of the Federal flood insurance program to this supplemental request?

Mr. KLEPPE. There is no direct relationship.

Senator HOLLINGS. There is none at all?

Mr. KLEPPE. No.

Senator YOUNG. If they had flood insurance would they be doubly paid?

Mr. KLEPPE. No; its proceeds are looked at like insurance and not included as part of their loss.

Senator YOUNG. What if they have insurance and the SBA does not get into it?

Mr. KLEPPE. If they had insurance for flooding, they could qualify for \$17,500. What is happening to us is that we have some large business loans in Agnes that are involved. We have already approved one and we have more applications.

Senator HOLLINGS. Is there no limitation on this?

Mr. KLEPPE. There are no limits under section 237. That adds up pretty fast once you start getting those types of loans.

Senator HOLLINGS. But, the Federal flood insurance program does not have any relation whatever to this program.

Mr. KLEPPE. There is no direct relationship to this request.

Senator HOLLINGS. What is the direct relationship to your general program?

RELATIONSHIP OF FLOOD INSURANCE PROGRAM TO LOAN PROGRAM

Mr. KLEPPE. It is related to the extent that if there is flood insurance, the loan comes in after the amount of insurance has been deducted.

Mr. KNEBEL. The Congress passed a joint resolution wherein they extended by 2 years the grace period which would require you to have flood insurance. There is a provision in the flood insurance law that says if you live in an area that is declared eligible for flood insurance and you don't take that insurance within 1 year of the time it becomes eligible, you will not be entitled to any benefits under the disaster law. The effective date was to have been December 31, 1971, but the Congress set that off until December of 1973. At the present time we have no current relationship with the flood insurance program.

Senator YOUNG. We don't know the way we do things. Do they last for 6 months?

Mr. KLEPPE. The loans will not last for 6 months.

LOCATION OF PERSONNEL

Senator HOLLINGS. Where are you going to put all the people?

Mr. KLEPPE. If we go up to where we were 3 years ago, we would only be adding 100 people. There are all kinds of places to put them. We are lowly staffed.

Senator HOLLINGS. Does the Hurricane Agnes program cover the District of Columbia?

COVERAGE OF PROGRAM

Mr. KLEPPE. That was not declared by the President.

Senator HOLLINGS. Where does it apply, in Virginia, Florida, West Virginia, Maryland, Pennsylvania, and New York?

Mr. KLEPPE. Yes, sir.

Senator HOLLINGS. If a man lived in Maryland and his cellar was flooded and furniture ruined could he come in and get his grant?

Mr. KLEPPE. Yes, if he lived in Maryland and he suffered a loss.

Senator HOLLINGS. I assume if you lived right over the line, in the District of Columbia, you would not be covered?

Mr. KLEPPE. That is right. Under the present law, if you lived across the State line you would not get the grant.

Senator HOLLINGS. So, if I lived one block into the District of Columbia, and my neighbor lived one block into Maryland, he would be covered and I would not?

Mr. KLEPPE. We might declare your area as an SBA disaster area—our standards are different from the President's—and therefore, you would qualify for a loan; however, you would not get a grant.

The legislation that the House has passed and which is before the Senate allows for those contiguous areas to be included in the presidentially declared area, if they suffered their damage from the same storm.

Senator HOLLINGS. Is it planned then, that the District will be covered?

Mr. KLEPPE. If they suffered damage from the same storm they would be eligible under the new legislation but not under the present legislation. This is the way in which the disaster program has been discriminatory. We, as human beings, can try to make it as non-discriminatory as possible. This is one area which we can improve by allowing these contiguous areas to be included.

Under the SBA Act, we would have the authority to include these people. I think that adds a degree of fairness.

Senator YOUNG. The Farmers Home Administration has done that in a few cases, as I understand.

There was a disaster area declared in Nebraska and the State administration in Kansas declared some area over there eligible.

Mr. KLEPPE. The difference is that the \$2,500 forgiveness does not apply. However, the low-interest rate does.

MONETARY ADVANCE FROM OEP

Senator HOLLINGS. Did you ask the OEP for an advance to cover some of the expenses?

Mr. KLEPPE. Yes, an initial \$3 million.

Senator HOLLINGS. Do you have anything further?

Mr. KLEPPE. Could I add one thing? I want to return to our conversation about why many of the Los Angeles loans were \$3,000 or less.

I don't know how many of those loans were kept at \$3,000 by the borrower because he wanted the maximum grant and did not want to borrow any more than he thought he needed.

Senator HOLLINGS. I understand, and you have probably noticed from the history of this thing, that there was some obvious conspiracy.

Mr. KLEPPE. I don't know if it is obvious or not. I am not a lawyer.

Senator HOLLINGS. If you have good judgment and you have about 200 to 400 claims in September and then, in October, you have 4,000, you would know something was wrong. It was your story that the contractor started going through and took a picture with a camera and all they did was stamp it and it went right on through as approved.

Senator YOUNG. Would hiring these professional appraisers help some?

IMPACT OF CONTRACT APPRAISERS

Mr. KLEPPE. We think this is ultimately going to be of benefit in administering this program. This is a very difficult program to administer.

I get the hide skinned off of me at all levels. Nothing except these disasters bothers us.

Senator YOUNG. Does the beneficiary of this program, the applicant, have an appeals procedure?

Mr. KLEPPE. He has a procedure whereby he can present his case to SBA if he has a civil engineer's certification or if he has proof that the damage was caused by the disaster.

Senator YOUNG. It seems to me that you might have a little problem monitoring these appraisers. One might be more liberal than another.

Senator HOLLINGS. Would this be an appraiser who normally represents regular flood insurance claims in that whole area? Do you think your investigators would have any conflict of interest, such as wanting to have all covered by SBA instead of his floor insurance company client?

INSURANCE COVERAGE

Mr. KNEBEL. Senator, we have looked very closely at the homeowner policies issued in Pennsylvania and New York and Maryland. We find, without exception, that the normal homeowner policy excludes wind-driven water—which is flooding—and which was the root cause of the damage from Agnes.

There would be no conflict of interest because they have an exclusion in the policy themselves. Therefore, adjusters who worked for general adjustment the day before the flood and worked for us the next day would have no conflict because if the insurance policy excludes it, then we pick it up.

Senator HOLLINGS. Specifically, I know of cellar cases where the water came up under the storm drain. But, the adjuster coming around can say, we don't cover it because it was wind-driven. Then the adjuster can say, why go into that when all you have to do is file with SBA and they will give you the money. That is my point.

Mr. KNEBEL. The policies authorized by the State insurance commissioners in the Agnes States, exempt flooding.

Senator HOLLINGS. I know the terms of the policy but evidently, you have not been out in the practice of law. They will simply say that they were wind-driven and not flooded.

Mr. KNEBEL. I feel we have looked at it quite closely and it is indeed caused by a flood.

Senator HOLLINGS. I am not arguing the point that it was a flood. I had a flood in the District of Columbia. I am talking about the practice and you are going right to the terms of the policy. I am an

adjustor for the X, Y, and Z insurance companies. All of a sudden I am hired by Mr. Kleppe and the SBA. I say, this is great, all I have to do is put all of my individual insurance company claims over in this particular file. If they want to make a claim, I can say I am going with SBA and I don't want to fall into that.

I don't say that that is going to occur but are you looking into it? You don't seem to understand.

Mr. KNEBEL. I don't understand your point, Senator.

Senator HOLLINGS. That is why I made my comment about your practice of law.

Mr. KLEPPE. The insurance does not cover flood damage. The SBA activity is flood damage. Therefore, I cannot see the possibility of a conflict of interest with the GAB people in that regard.

Senator HOLLINGS. What does the insurance cover?

Mr. KLEPPE. It covers tornadoes and fires, but not floods.

Mr. KLEPPE. This is comparable to floods. This is why I think we have a good test going and a fair approach.

Senator HOLLINGS. How about the homeowner's policy whereby flooding is covered but—as you say—not wind-driven water? The dispute is between those two.

Mr. KNEBEL. In all of the Agnes States, State insurance commissioners exempted flood or wind-driven water.

Mr. KLEPPE. I think that eliminates the possibility of conflict. However, this is also the reason why I don't think we have too much of a multiplying factor in using GAB on other types of disasters where you have a conflict.

Senator HOLLINGS. Thank you, gentlemen.

SUBCOMMITTEE RECESS

The subcommittee will be in recess, subject to the call of the Chair. (Whereupon, at 11:50 a.m. Friday, July 28, the subcommittee was recessed, to reconvene at the call of the Chair.)

DISASTER RELIEF SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1973

TUESDAY, AUGUST 8, 1972

U.S. SENATE,
SUBCOMMITTEE OF PUBLIC WORKS,
Washington, D.C.

The subcommittee met at 10 a.m. in room S-126, the Capitol, Hon. Alan Bible presiding.

Present: Senators Bible, Pastore, Hatfield and Young.

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS

STATEMENT OF MAJ. GEN. J. W. MORRIS, DIRECTOR OF CIVIL
WORKS, CORPS OF ENGINEERS

ACCOMPANIED BY:

COL. FREDERICK R. IRVING, ASSISTANT DIRECTOR OF CIVIL
WORKS FOR ATLANTIC DIVISIONS

AUGUST J. SMET, ACTING CHIEF, PROGRAMS DIVISION, CIVIL
WORKS

GEORGE BRAZIER, ACTING CHIEF, OPERATIONS DIVISION,
CIVIL WORKS

BORY STEINBERG, ACTING CHIEF, EASTERN BRANCH, PRO-
GRAMS DIVISION, CIVIL WORKS

SUPPORT OF SUPPLEMENTAL BUDGET REQUEST

Senator BIBLE. The subcommittee will come to order. Our first witness this morning will be Major General John W. Morris Director of Civil Works, Corps of Engineers. General Morris, and his associates, will speak in support of supplemental budget requests for fiscal year 1973 resulting from the devastation caused by tropical storm "Agnes". Agnes turned out to be quite a bad girl, didn't she?

General MORRIS. Yes, sir. Mr. Chairman, I would like to introduce Mr. George Brazier, Colonel Frederick Irving, August Smet, and Bory Steinberg.

JUSTIFICATION

Senator BIBLE. We are happy to have you with us.
The justification will be inserted in the record at this point.
(The justification follows:)

APPROPRIATION TITLE: Construction, General, F. Y. 1973

PROJECT: Tioga-Hammond Lakes, Pennsylvania

LOCATION: The Tioga Dam is located in Tioga County, Pennsylvania, on the Tioga River about 1.7 miles above its junction with Crooked Creek, and the companion Hammond Dam is located on Crooked Creek approximately 3.3 miles above its confluence with the Tioga River.

AUTHORIZATION: 1958 Flood Control Act

SUMMARIZED FINANCIAL DATA:

Total Estimated Federal Cost	\$107,100,000
Allocations Thru FY 1972	8,212,800
FY 1973 Budget Request	10,800,000
FY 1973 House and Senate Allowance	10,800,000
FY 1973 Supplemental Request	2,000,000

JUSTIFICATION: The Tioga-Hammond Lakes project is an integral unit of the comprehensive plan for flood control in the North Branch Susquehanna River basin, consisting of 13 flood control reservoirs and 24 local protection projects. The project is urgently needed for control of the flood-producing Chemung River and fits well into the over-all plan of water resources development for the entire Susquehanna River basin. This reservoir will control a drainage area of 402 square miles in the Chemung River watershed and will furnish additional protection needed at Corning and Elmira, New York, and at the highly developed and densely populated Wyoming Valley region of Pennsylvania. Coupled with the other authorized reservoirs, it would control runoff from an appreciable portion of the drainage area of the North Branch. Benefits would extend downstream to localities along the lower Susquehanna River.

With Tioga-Hammond and Cowanesque Lakes projects in operation during tropical storm Agnes, an estimated \$345 million in damage reduction benefits would have been attributed to these projects. This amount includes \$132 million in the Chemung River Basin, \$126 million in the Susquehanna River Basin Reach from Athens to Sunbury and an additional \$87 million damages that would have been prevented by existing local protection projects with the dams in place.

PROPOSED APPLICATION OF SUPPLEMENTAL FUNDS: The supplemental amount of \$2 million will accelerate land acquisition of hardship cases stemming from "Agnes" and accelerate relocation of Highway 15 to assure that the highway will not impede Tioga Dam construction for which stream diversion is scheduled for May 1976.

APPROPRIATION TITLE: Flood Control and Coastal Emergencies, F. Y. 1973

Emergency activities pursuant to Public Law 99, 84th Congress as amended by Section 206, Flood Control Act of 1962, includes the following work whenever and wherever required: flood emergency preparation; flood fighting and rescue operations; emergency repair and restoration of flood control works such as levees which are threatened or destroyed by flood; emergency protection of existing Federal hurricane and shore protection works; and the repair or restoration of Federal hurricane or shore protective structures damaged or destroyed by wind, wave, or water action of other than an ordinary nature. Authorized emergency work is financed from an Emergency Fund authorized by Public Law 84-99 in the amount of \$15,000,000 to be replenished on an annual basis.

As of 1 July 1972, the sum of \$214,000 was available for obligation. Upon appropriation (by continuing resolution of the Congress) of the sum of \$7,000,000 for replenishment of the Emergency Fund in accordance with the Fiscal Year 1973 Budget request, a total of \$7,214,000 became available for obligation in fiscal year 1973. As a result of a series of disasters requiring extensive emergency programs, fiscal year 1973 requirements are presently estimated at \$17,214,000 which sum has been or will be committed as follows:

a. Principal Items

Advance Preparation for Flood Emergencies	\$ 1,000,000
Texas Floods of October 1971 and December 1971 (continuing work)	725,000
California Floods of January-March 1972 and June 1972	600,000
Washington, Oregon, and Idaho Floods of May 1972	1,240,000
Pennsylvania (Wilkes Barre) Flood of June 1972	<u>10,000,000</u>
Subtotal	\$13,565,000

b. Miscellaneous Items

Emergency activities at various locations	Subtotal	\$ 3,649,000
	TOTAL	<u>\$17,214,000</u>

With requirements estimated to be at least \$17,214,000, there is an indicated deficit of \$10,000,000. Accordingly, it is requested that the sum of \$10,000,000 be appropriated to replenish the Emergency Fund.

Senator BIBLE. Your opening statement is short. Why don't you just read it?

General MORRIS. Yes, sir.

GENERAL STATEMENT

HURRICANE AGNES

A month and a half ago Hurricane Agnes was born as a tropical depression off the northeast coast of the Yucatan peninsula in the Caribbean Sea. Before it was a week old it wreaked havoc over a vast area from Florida to New England.

Most rivers along the Eastern seaboard reached or exceeded flood stage during the passage of Hurricane Agnes. Record breaking floods occurred on major streams in Pennsylvania, New York, Maryland and Virginia. The precipitation in the Susquehanna and Allegheny River Basins in Pennsylvania and New York and over the lower Genesee River Basin in New York caused flooding far exceeding previous maximum floods of record. For example, at Wilkes-Barre, perhaps the hardest hit area of all, the river stage exceeded the previous flood stage of record, which occurred in 1936, by more than seven feet. At Corning and Elmira, N.Y., the flood crest was more than 10 feet higher than during the 1946 flood of record. The devastation left behind by the flood waters were, in terms of property damage and size of area affected, the worst natural disaster in American history. Damage estimates as high as \$3.5 billion have been cited, and we are now trying to determine a more accurate assessment of those damages.

DECLARATION OF MAJOR DISASTER

On June 23, 1972, President Nixon declared a major disaster to exist in the States of Florida, Virginia, Maryland, Pennsylvania, and New York. Subsequently, West Virginia and Ohio were added. Currently, a total of 233 counties and cities have been declared disaster areas. The Corps of Engineers immediately mobilized for the enormous task ahead. In addition to the corps mission to repair and restore damaged flood control works, we were assigned a principal disaster relief mission in the States which had been declared major disaster areas. The directive to the Chief of Engineers from the Director, Office of Emergency Preparedness of the President included the task of clearance and removal of debris and wreckage, repair or restoration of essential utilities and, as requested by appropriate Federal or non-Federal officials, repair or restoration of street, road, and highway facilities.

CORPS OF ENGINEERS' RESPONSE

By the first of July, over 120 military officers and 300 civilian employees had been sent from throughout the United States to the disaster areas to assist in debris removal, road repair and water supply restoration activities, with emphasis on communities in Pennsylvania and New York. In addition, approximately 300 civilians within the North Atlantic Division and several active and National Guard Army troop units were spending a major portion of their time in the recovery operation.

In the 6 weeks since Agnes struck, the corps has awarded over 2,400 contracts costing in excess of \$44 million. The greatest effort has been expended in debris removal and restoration of essential utilities. In addition, 18 Bailey bridges have been installed by military units or by contract for vehicular traffic; four other Bailey bridges are under construction. Flood control structures damaged by the flood are being restored, at least on a temporary basis, and the corps is providing related technical advice and engineering services.

The most complex task, and that of longest duration, will be providing suitable housing for the vast numbers of people who lost their homes or whose homes were damaged to the extent that they are not presently habitable. The corps has completed 800 trailer sites and has under construction or under design over 7,000 trailer sites, with the majority being in the Wilkes-Barre area. In addition, the corps will provide temporary repairs to dwelling units to make them habitable where this can be accomplished for under \$3,000 per unit, with an average of \$1,500 for all dwellings.

HOUSING SITUATION IN WILKES-BARRE

Senator PASTORE. I noticed in the newspaper today, that the President has ordered the head of HUD, Mr. Romney, to go to the Wilkes-Barre area because of the housing situation there. Are you, personally, familiar with that?

General MORRIS. Yes, sir; I have been to Wilkes-Barre on several occasions.

Senator PASTORE. The claim is that there is a slowness, not only in the distribution of food but also in the housing situation. Can you affirm that, General Morris?

General MORRIS. Sir, we have no doubt that the people who are homeless need to be satisfied rapidly. We have a schedule to fulfill and we are proceeding to install 5,000 mobile homesites in Pennsylvania which is our part of the project. We have done quite well, in general, in fulfilling that schedule. We expect we will have completed it by the first week of September. We are doing everything we can to go as fast as possible. The need for the mobile homesites is only a part of the total relief from the housing problem.

I am not aware of exactly what the solution is to the other parts which concern other agencies.

Senator PASTORE. I would assume from the story—because the word bureaucracy was used by the President—that we are stepping on one another's toes out there?

General MORRIS. Sir, I just don't believe so. Our role is to prepare homesites. HUD has to acquire the trailers, bring them to the site, hook them up to the units that we provide and, of course, move the people in.

I am only qualified to speak about the preparation of the sites.

COORDINATION

Senator PASTORE. How about coordination between the various agencies?

General MORRIS. The OEP has established a coordination group on the site, which includes not only HUD and ourselves, but other Federal agencies such as the Small Business Administration and State

representatives. We have a very close relationship between agencies at the disaster site. I don't feel there is any difficulty on that point up there. Acquiring the trailers is probably the biggest problem. Within the corps' responsibilities, the problem lies in administration associated with getting work defined and the contractors on the job. In other words, getting the contracts drawn, prices established, and getting the people to work.

The magnitude of the problem in terms of mobile homesites was developed in detail after mid-July. It presently is about 7,000 mobile homesites with 5,000 in Pennsylvania mostly in Wilkes-Barre.

Senator PASTORE. The thing that amazes me is that in time of war we seem to be so expeditious in things that almost look impossible. If we need a runway, we have a way of implementing it. However, if we have a natural catastrophe that involves civilians, we all take the position that we are doing pretty well, but we need more time.

Also, it seems we are always running to somebody else's rescue. But when it involves our own people, in our own country, we get into this maze of departments.

According to this morning's newspaper, it was almost a slap at Mr. Romney. The President ordered him to go there and he wants an immediate report. Mr. Romney is leaving this morning. I wonder what is really happening out there?

General MORRIS. Senator, I would like to address myself to the first part of your comment. We did and are taking extraordinary measures in this disaster area. We have \$44 million of contract work accomplished and underway for removing debris, putting utilities back in operation and getting sewage and water hooked up and relieving the immediate suffering of the people.

We were up at the area before the floodwaters reached their crest. We have been on the job since then. The matter of preparing sites for mobile homes is the issue that seems to be most critical at the moment. I think, in fairness to those who were immediately involved, there was first, a problem of determining what the requirement was, how many families were homeless and second, getting the sites available. The States provide the sites on which to place these mobile homes. That was a complicated problem, sir. After having determined the needs and obtained the sites came the problem of getting to the actual work. We have used every expedient method to meet our task in the Susquehanna Basin. Architect firms have worked night and day to do the design work. There has been a magnificent effort on the part of the construction people to do, in a matter of a few weeks, what ordinarily takes a year. I know that many people up there are still in desperate straits.

Senator PASTORE. Are they living in tents?

General MORRIS. They are living in schools and public buildings. The immediate, critical problems have been dealt with but the longer-term problems of providing temporary housing is just now reaching full blossom.

MOBILE HOMES INSTALLATION SCHEDULE

Our objective is to get the people in the homes before school starts.

Senator PASTORE. You know that the committee thinks that the Corps of Army Engineers has always done a wonderful job. I was wondering what this very strong admonition on the part of the President would do.

Senator BIBLE. General, the only thing I wanted to develop was a little more detail—beyond what Senator Pastore has indicated—of your mission, namely the preparation of the trailer sites.

General MORRIS. We have other tasks at hand. The preparation of trailer sites is the most pressing, we feel.

Senator BIBLE. It is your top priority?

General MORRIS. At the moment.

Senator BIBLE. How soon they will be livable becomes a HUD responsibility, correct?

You will get your 7,000 additional sites completed or located in a position to put mobile homes or trailers on them by September 1, do I understand that?

General MORRIS. For sites now assigned for the Wilkes-Barre area, that is correct, sir.

Senator BIBLE. What is the actual requirement in the Susquehanna Basin? How many people are homeless there today, how many families?

General MORRIS. Sir, I would have to estimate that.

Senator BIBLE. I understand that.

General MORRIS. For the Susquehanna Basin, I have heard figures of 30,000 families total, with 15,000 homeless in the Wilkes-Barre area. That is, their own homes have been destroyed. There are approximately 10,000 families who are living in other communities, with relatives, in public buildings or other, less acceptable facilities.

Senator BIBLE. Out of 10,000 families who need a place to go, you can only find 7,000 places by September 1? Where will the others go?

General MORRIS. We are also repairing some of the homes. The corps trailer sites is only one means of providing homes.

Senator BIBLE. Under your timetable, when will you complete your part of the responsibility of taking care of these homeless people in the Susquehanna Basin?

General MORRIS. The present scope of work we intend to finish by the first week of September. I now understand there may be up to 2,000 additional homesite requirements coming which will have to be scheduled.

Senator BIBLE. Then you are not knowledgeable—or, maybe you are—about when HUD will complete their part of the responsibility? Should they be done by September 1?

General MORRIS. Indications are that they intend to be done when we are.

Senator BIBLE. They will meet the September 1 deadline, as you understand it?

General MORRIS. Yes, sir; the first week of September was the schedule as I understand it.

Senator PASTORE. Is General Lincoln the bossman?

General MORRIS. Yes.

Senator PASTORE. I mean, does he tell you what to do? Do we have one individual there who has the power of command?

General MORRIS. General Lincoln has a representative in each of the States who calls the shots.

Senator BIBLE. You may proceed, General. You were in the middle of your statement, on page 3.

DAMAGES AVERTED BY COMPLETED PROJECTS

General MORRIS. Although the damage to property resulting from Agnes has been enormous, I would like to mention some of the damages averted by completed corps flood control projects. Our latest analysis indicates that more than \$1.5 billion in damages were prevented by these projects. Ten completed reservoirs in the Allegheny and Monongahela River Basins above Pittsburgh averted an estimated \$800 million in damages. The Mount Morris Lake project on the Genesee River alone prevented damages of about \$140 million. Eight reservoirs and four local protection projects in the Susquehanna River Basin prevented an additional \$500 million in damages.

SUPPLEMENTAL REQUEST, FLOOD CONTROL AND COASTAL EMERGENCIES

The supplemental request before you requests \$10 million for our Public Law 84-99 activities under the appropriation title "Flood Control and Coastal Emergencies." This is for flood fighting, rescue work and the repair, restoration and strengthening of flood-damaged structures. At the start of fiscal year 1973, we had \$7,214,000 available under that title, consisting of a fiscal year 1972 uncommitted carry-over of \$214,000, and \$7 million for fiscal year 1973, as approved by both Houses of Congress. With the continuing requirements of other flood emergencies that occurred prior to Agnes and with the enormous task of repairing Agnes-damaged flood control structures such as levees, flood walls and pumping plants, we estimate an additional requirement of \$10 million to restore the Wilkes-Barre and contiguous levees to authorized heights and to strengthen them.

SUPPLEMENTAL REQUEST, TIOGA-HAMMOND LAKES, PA.

In addition to the \$10 million for flood control and coastal emergencies, the supplemental request also includes \$2 million for the Tioga-Hammond Lakes project in northcentral Pennsylvania. This project, presently under construction, will provide urgently needed protection in the Chemung River watershed, including Elmira and Corning, N.Y., both hard hit by Agnes, and at the highly developed and densely populated Wyoming Valley region of Pennsylvania, which includes Wilkes-Barre. The additional \$2 million will be used to accelerate land acquisition of hardship cases stemming from Agnes, and to accelerate relocation of Highway 15 to insure that the highway will not impede Tioga Dam construction, for which stream diversion is scheduled for May 1976.

We estimate that the Tioga-Hammond project would have prevented about \$200 million in damages had it been in operation when the flood struck.

We urge the Congress to give favorable consideration to the supplemental request of \$12 million—\$10 million for restoration work under Public Law 99 and \$2 million to accelerate the Tioga-Hammond Lakes project.

That concludes my prepared remarks, sir.

EMERGENCY FUND REQUIREMENTS

Senator BIBLE. Senator Pastore?

Senator PASTORE. We have the printed House hearings before us in which you state that you could use \$26 million instead of \$10 million; is that correct?

General MORRIS. Yes, sir.

Senator PASTORE. Let us assume you get this \$26 million request. Would you use it?

General MORRIS. Yes, sir.

Senator PASTORE. Wisely?

General MORRIS. Yes, sir.

Senator PASTORE. Can you expedite the relief of the tragedy?

General MORRIS. Sir, if we have the \$26 million and it is made available in the months ahead, it will not directly relate to expediting the relief of the present tragedy. However, it will provide for restoration and strengthening flood control facilities which would reduce future tragedies in the event of another flood. The money we need to provide relief of the tragedy is available under Public Law 91-606 and is being provided by the Office of Emergency Preparedness.

Senator PASTORE. What do you mean, will avoid future tragedies?

General MORRIS. Sir, if the uncompleted projects such as Tioga-Hammond had been in place, they could have significantly reduced the damages to the Susquehanna Basin from Agnes or similar storms. Also, we must repair damaged flood control structures such as the levees in the Wilkes-Barre area, to provide protection in the event of future floods.

Senator PASTORE. If you have the money now plus the avoidance of future trouble and coordinated work efforts, wouldn't it be cheaper for the Government to do this at the same time?

General MORRIS. Yes, sir; we think there would be advantages to doing this.

Senator PASTORE. In other words, it would be a wise thing to do?

Senator BIBLE. Senator Hatfield?

CORPS ADDITIONAL CAPABILITY IN AREA AFFECTED BY AGNES

Senator HATFIELD. What is the Corps capability in the overall area which we are discussing today? I think it might be interesting for the committee to see what would have happened if we had appropriated the funds, as compared to having to come around now and appropriate money to relieve the disasters that just occurred.

General MORRIS. We can provide you those figures. In general, our capability can be broken into three categories. Under general investigations, which would be the acceleration and completion of those studies which could result in projects that would have influenced the extent of damage from this particular storm, we have a total capability of \$1.6 million. One of those studies is for the Cheyenne River, incidentally, which was associated with the Rapid City disaster.

Our construction capability on those projects associated with Agnes would be \$6,310,000.

Senator HATFIELD. That is just in this area? Mr. Chairman, why I bring this up is because we had the chief of the Corps up before a

subcommittee and he told us we had, in the pipeline of authorized projects, somewhere in the neighborhood of \$10 billion in projects.

Senator BIBLE. Authorized?

Senator HATFIELD. We see how much was averted here, by the existing projects, and what additional projects might be able to prevent disasters in the future. It seems to me that we will again be closing the barn doors after the horses have escaped, if we cannot find enough money to prevent or minimize these disasters.

Senator PASTORE. This is the item that has always been called the "pork barrel" as though you were stealing the money out of the U.S. Treasury. You have pretty well demonstrated what this disaster would have been, the aggravation of it, had we not done many of the things that we have done. Some people are led to believe, through the press, that this money is ill-spent. It is not at all. This is an investment in the safety and development of America.

Senator HATFIELD. That takes into account the \$1.5 billion damage to physical property. We cannot put a pricetag on the human element of loss and suffering.

LEADERSHIP IN THE RELIEF EFFORT

I have one other question. Pursuing Senator Pastore's question of leadership, you say General Lincoln is in overall command out there. How do you then explain why the President found it necessary to send Secretary Romney out there. If General Lincoln is in command, why didn't the President telephone him to find out? Is this a paper organization that merely says this is the top man, or is there real authority and command to act?

I am trying to find, actually, whether or not we have real authority vested in General Lincoln or just a title vested in him.

General MORRIS. Sir, General Lincoln, from my observation, has the authority and exercises it vigorously to direct the relief required of the various Federal agencies in this particular instance. His office is in Washington. He has subdivided the disaster areas and placed at Harrisburg and in Horse Heads near Corning and Elmira, his subordinate officers. They, likewise, have this control. I cannot answer your first questions concerning the President's phone call.

Senator HATFIELD. Where is General Lincoln at this point?

General MORRIS. He is in Washington; his office is here.

Senator HATFIELD. Where is he, physically, this morning?

General MORRIS. I am not sure. His headquarters are here although he has been at the site several times that I am aware of and probably many times that I am not aware of.

ADMINISTRATION OF RELIEF

Senator HATFIELD. There have been a number of outstanding studies done on the administration of relief, and without exception, they come to one conclusion. That is, that a man by the name of Herbert Hoover probably had the most effective relief program in history after World War I. Sometimes I think we ought to go back and reread about that organization that he had functioning then, because we seem to bog down in our programs. Even Nikolai Lenin, in the 1922 famine of the Soviet Union, asked the United States to lend them Mr. Hoover.

Senator Pastore was pointing out a little while ago that we bog down into a great deal of competing interagency relationship or other problems.

I am not being critical, because I don't have enough of the details of this situation to be critical if I chose to be, but I am merely commenting that we have had one example in history, according to the people of scholarly background, of an organization that worked and that was Mr. Hoover's.

Senator PASTORE. He was an engineer.

Senator HATFIELD. Yes; and he was on the scene.

Senator BIBLE. General Morris?

General MORRIS. The Chief of Engineers did establish a district in Harrisburg to deal similarly, with this disaster relief program. We have found the field of coordination among the agencies to be very good.

Senator BIBLE. I have a few further questions.

Will you discuss the magnitude of Hurricane Agnes and compare it with other recent experiences of the eastern seaboard? Did you say it has caused more damage than any natural disaster in the history of the United States?

Senator BIBLE. Does that include the 1906 San Francisco earthquake?

General MORRIS. Yes, sir.

Senator BIBLE. Does that include the loss of lives?

General MORRIS. No; not in loss of lives.

Senator BIBLE. What was the total number of lives lost?

General MORRIS. The number of lives lost was approximately 120.

Senator BIBLE. But in terms of the property damage, this is the all-time high in the annals of American history for any natural disaster?

COMPARISON OF AGNES WITH OTHER STORMS

General MORRIS. Yes, sir. I will compare for the record, Agnes with others experienced on the eastern seaboard.

(The information follows:)

Hurricane Agnes was a minimal hurricane insofar as winds were concerned, reaching hurricane force only while passing through the Gulf of Mexico. Hurricane Agnes developed on 17 June 1972 as a tropical depression of the northern coast of the Yucatan Peninsula in the Caribbean Sea. The depression became a tropical storm and finally the first hurricane of the season, reaching hurricane strength on 17 June, about 300 miles southwest of Key West, Florida. Agnes crossed the Florida Panhandle on 19 June, and with decreasing winds was downgraded to "Tropical Storm" Agnes. The storm continued north-northeastward dumping 4 to 16 inches of rain over the Appalachians and eastward to the Atlantic Ocean. Agnes deluged the central and southern Appalachians and their eastern slopes and foothills early in the week before moving into northern Virginia, Maryland, Pennsylvania and New York. The tropical storm moved up along the coast to the vicinity of Long Island, New York, and then started a slow westward movement cross Pennsylvania. The path was very unusual, being the first tropical storm of record to make a loop over land as far north as Pennsylvania. Torrential rains caused widespread flooding from North Carolina to New York State. The heaviest concentrations occurred in Pennsylvania where flood losses were estimated at over \$2 billion.

At some points the storm produced rains which reached the rate of 1 inch an hour for as many as 12 consecutive hours. Hurricane Agnes and Hurricane Diane, the August 1955 New England hurricane, were similar in that they were note-

worthy for their high amounts of precipitation rather than high winds. Hurricane Diane, the most severe storm in respect to intensity of precipitation, magnitude and destruction ever recorded in New England, produced total rainfall amounts up to 20 inches and sustained rates of 1.0 to 1.5 inches per hour. Diane like Agnes produced widespread major flooding. In contrast Hurricane Camille, in August 1969, had winds up to 175 miles per hour as she crossed the Mississippi coastline. Damage from winds and tidal flooding was extremely heavy, while rainfall was relatively nondamaging until the weakened center moved across the Blue Ridge Mountains in southwestern Virginia. Over a small area in southwestern Virginia, rainfall reached catastrophic proportions with a maximum 27 inches reported in an 8-hour period in Nelson County, Va. The Virginia part of Camille was one of nature's rare events and was not equalled by Agnes insofar as maximum rate of rainfall was concerned. Damages experienced approached or exceeded \$1 billion in each of the three hurricanes. However, the major portion of the damage from Camille was wind associated, while the damage from Agnes and Diane was primarily rain associated.

DAMAGES PREVENTED BY EXISTING CORPS PROJECTS

Senator BIBLE. During the Senate floor passage of the Fiscal Year 1973 Public Works-AEC appropriations bill, Senator Stennis, who is the chairman of this subcommittee, included, for the record, a tabulation which showed an estimated total of \$1.32 billion in damages prevented by existing Corps of Engineers projects, and an estimate of \$290 million in damages which could have been prevented by authorized, recommended, or under study projects had they been in being. This is somewhat along the line of Senator Pastore's interrogation. Will you please up-date this tabulation, if necessary, and identify those projects which are authorized, and the current status of each? The information will be included in the record.

General MORRIS. Yes, sir; I will provide the details. However, the totals now are \$1.5 billion damage prevented and \$700 million which could have been prevented.

Senator BIBLE. \$700 million could have been prevented?

General MORRIS. Yes, sir; the total was \$2.2 million.

(The information follows:)

FLOOD DAMAGES PREVENTED BY EXISTING
CORES PROJECTS IN OPERATION

<u>Project</u>	<u>Damages Prevented (\$ Millions)</u>
<u>Susquehanna River Basin</u>	
Addison, N.Y.	1.8
Almond Lake, N.Y. } Arkport Lake, N.Y. }	34.2
Bath, N.Y.	0.6
Bush Dam, Pa.	
Sayers Dam, Pa. } Curwensville Lake, Pa. } G. Stevenson Dam, Pa.* }	193.0
Williamsport, Pa.	123.8
Sunbury, Pa.	43.3
Raystown Lake, Pa.	74.0
Triple Cities, N.Y.	1.5
Nichols, N.Y.	0.6
Hornell, N.Y.	27.0
Canistota, Pa.	2.0
Elkland, Pa.	1.0
Stillwater Lake, Pa.	-
Indian Rock Dam, Pa.	<u>23.0</u>
Sub-Total	525.8
<u>Allegheny, Monongahela And The Beaver River Basin</u>	
Crooked Creek Lake, Pa.	46.8
Conemaugh River Lake, Pa.	245.3
East Branch Clarion River Lake, Pa.	19.8
Kinzua Dam & Allegheny River Reservoir, Pa. & N.Y.	224.7
Loyalhanna Lake, Pa.	77.9
Mahoning Creek Lake, Pa.	60.9
Shenango River Lake, Pa. & Ohio	1.8
Tionesta Lake, Pa.	60.2
Tygart Lake, W. Va.	49.4
Youghiogheny River Lake, Md. & W. Va.	<u>25.0</u>
Sub-Total	811.8

<u>Project</u>	<u>Damages Prevented</u> (\$ Millions)
<u>Potomac River Basin</u>	
Anacostia River, D.C.	4.5
Sub-Total	4.5
<u>Delaware River Basin</u>	
Allentown, Pa.	.5
Beltzville Dam, Pa.	.6
Bethlehem, Pa.	22.5
F. E. Walters Dam, Pa.	2.4
Sub-Total	26.0
<u>Genesee River Basin</u>	
Mount Morris Lake, N.Y.	140.0
Sub-Total	140.0
<u>Roanoke River Basin</u>	
John H. Kerr Dam and Reservoir, Va.	9.0
Philpot Lake, Va.	1.0
Sub-Total	10.0
<u>Other Local Protection Projects</u>	
10 Projects	5.5
Sub-Total	5.5
Total Prevented By Existing Projects	1,523.6

* George Stevenson Dam is owned by State of Pennsylvania but is operated by Baltimore District during floods.

ESTIMATED AGNES DAMAGES PREVENTABLE BY AUTHORIZED,
RECOMMENDED OR UNDER STUDY PROJECTS

<u>Project</u>	<u>Status</u>	<u>Damage Prevented (\$ Millions)</u> §
<u>Susquehanna River Basin</u>		
Cowanesque Lake, Pa.	Authorized	145.0
Tioga-Hammond Lakes, Pa.	do	200.0
Mud Creek Lake, N.Y.	Survey stage	74.0
Five Mile Creek Lake, N.Y. }		24.0
Lock Haven (local protection)	do	65.0
Harrisburg, Pa. (local protection)	do	65.0
	Sub-Total	508.0
<u>Delaware River Basin</u>		
Blue Marsh Lake, Pa.	Authorized	8.4
Maiden Creek Lake, Pa.	do	6.8
Pottstown, Pa. (Survey	Survey stage	3.5
Tamaqua, Pa. (Appalachia Report)	do	.2
Trexler Lake, Pa.	Authorized	9.0
	Sub-Total	27.9
<u>Potomac River Basin</u>		
Anacostia River & Tributaries, Md.	Authorized	2.2
Fourmile Run, Va.	do	14.3
Seneca Reservoir	Survey stage	6.0
	Sub-Total	22.5
<u>Monongahela and Allegheny River Basins</u>		
Rowlesburg Lake, W. Va. }	Authorized	80.0
St. Petersburg, Pa.	Survey stage	80.0
	Sub-Total	80.0
<u>Genesee River Basin</u>		
East Lake, Ohio	Authorized	.6
Stannard Reservoir Canaseraga & Wellsville (local protection)	Survey stage	20.0
	Sub-Total	20.6

<u>Project</u>	<u>Status</u>	<u>Damage Prevented (\$ Millions)</u> \$
<u>James and Rappahannock River Basins</u>		
Gathright Lake, Va.	Authorized	3.5
Pipes Lake, Va.	Survey stage	6.0
Salem Church Lake, Va.	Authorized	1.0
	Sub-Total	10.5
<u>Passaic, Wallkill, and Saw Mill River Basins</u>		
Passaic River, N.J. (Survey)	Survey stage	4.5
Wallkill River, N.J. (Survey)	do	9.0
Saw Mill River - 3 Local Protection		5.0
Ardsley	Survey stage	
Chappaqua	Authorized	
Yonkers	do	
	Sub-Total	18.5
<u>Yadkin-PeeDee River Basin</u>		
Reddies River Lake, N.C.	Authorized	0.6
	Sub-Total	0.6
Total Preventable Agnes Damages		688.6

TIOGA-HAMMOND LAKES, PA.

Senator BIBLE. Now, on the Tioga-Hammond Lakes area, please discuss the plan of improvement and the benefits expected to be derived from the Tioga-Hammond Lakes, Pa., project.

General MORRIS. Sir, these are two lakes which are one project located in Tioga County, Pa. I have a statement on the justification. (The information follows:)

JUSTIFICATION

The Tioga Dam is located in Tioga County, Pennsylvania, on the Tioga River about 1.7 miles above its junction with Crooked Creek, and the companion Hammond Dam is located on Crooked Creek approximately 3.3 miles above its confluence with the Tioga River.

The Tioga-Hammond Lakes project is an integral unit of the comprehensive plan for flood control in the North Branch Susquehanna River basin, consisting of 13 flood control reservoirs and 24 local protection projects. The project is urgently needed for control of the flood-producing Chemung River and fits well into the over-all plan of water resources development for the entire Susquehanna River basin. This reservoir will control a drainage area of 402 square miles in the Chemung River watershed and will furnish additional protection needed at Corning and Elmira, New York, and at the highly developed and densely populated Wyoming Valley region of Pennsylvania. Coupled with the other authorized reservoirs, it would control runoff from an appreciable portion of the drainage area of the North Branch. Benefits would extend downstream to localities along the lower Susquehanna River.

Average annual benefits are as follows:

Flood damages prevented	\$6,860,000
Recreation	670,000
Total annual benefits	7,530,000

The benefit-to-cost ratio is 2 to 1.

BENEFITS AND COSTS

Senator BIBLE. Is that on the map?

General MORRIS. Just below the New York line.

This is a part of the total plan for controlling this river. The plan consists of the reservoir which controls four watersheds and will furnish great protection which is needed for Corning and Elmira, N.Y., and to the high redeveloped valley regions of Pennsylvania.

These tributaries of the Susquehanna River run up into New York and back down into Pennsylvania. The annual benefits from these lakes we estimate flood damages prevented of \$6.8 million, each year, a recreation of \$670,000 for a total annual benefit of \$7.5 million, which gives a ratio of benefits to cost of 2 to 1.

Senator BIBLE. I am told that this project has increased in cost by about \$10 million since your submission in the start of the fiscal year. What accounts for that, redesigning?

General MORRIS. The biggest increase, or over \$7 million, was adjusting the prices upward from July 1971 to July 1972 figures. Detailed design resulted in another major increase. However, these increases were partially offset based on acquiring rather than relocating the Tioga branch of the Erie-Lackawanna Railroad.

Senator BIBLE. If the Tioga-Hammond Lakes project had been in operation during tropical storm Agnes, what do you estimate the damage reduction benefits would have been?

General MORRIS. \$200 million by this project alone.

Senator BIBLE. If this project had been completed, you would have saved that much.

USE OF SUPPLEMENTAL REQUEST

How will the supplemental request of \$2 million be used, and how will this affect the completion schedule for the project?

General MORRIS. This money will be used to acquire additional land for the hardship cases which developed as a result of Agnes, and to accelerate the relocation of highway 15.

We do not believe, at this time, that the \$2 million would change the completion schedule of the total project, however, by relocating this highway we can be sure and avoid delay.

Senator BIBLE. What is the completion schedule?

General MORRIS. November 1977.

COWANESQUE LAKE, PA.

Senator BIBLE. Moving now to the Lake Cowanesque area in Pennsylvania, the justifications refer to the Lake Cowanesque project. Describe the project and the benefits expected to be derived.

General MORRIS. This project is also in Tioga County, Pa., on the Cowanesque River. The plan of improvement thus far, is as follows.

The reservoir would be about 8 miles long and would provide 82,000 acre-feet of flood control storage out of a total of 89,000 acre-feet. The total cost of the project—and these are 1971 prices—would be \$49,300,000. The benefit-to-cost ratio is 3 to 1 based upon average annual benefits from flood control of \$5.8 million and \$130,000 for recreation, for a total of \$5.93 million annually.

Senator BIBLE. What is the status of this project?

General MORRIS. This project is in the final stages of design. We will have the general design memorandum finished in the second quarter of the current fiscal year, the draft environmental impact statement is on file and the final will be submitted next calendar year.

Senator BIBLE. Have you requested funds from the Office of Management and Budget for Lake Cowanesque?

General MORRIS. We are considering a request at this time.

Senator BIBLE. If you had the funds, when would the project be completed?

General MORRIS. The completion date scheduled is fiscal year 1979.

Senator BIBLE. Fiscal year 1979?

General MORRIS. Assuming we get started.

Senator BIBLE. I understand that is an estimate. If the project had been in operation during tropical storm Agnes, what do you estimate the damage reduction benefits would have been?

General MORRIS. This project's damage reduction would have been \$145 million. This combines directly with the Tioga-Hammond Lakes project for a total of \$345 million.

Senator BIBLE. Do you have a capability on this project?

General MORRIS. Yes sir, we have a capability of \$1.5 million to commence construction this fiscal year.

EMERGENCY FUND

Senator BIBLE. How much was available in the emergency fund as of June 30, 1972?

General MORRIS. We had an uncommitted carryover of \$214,000 on June 30, 1972.

Senator BIBLE. You testified to that in your statement. What was the fiscal year 1973 original budget request?

General MORRIS. \$7 million.

Senator BIBLE. How will this money be used?

General MORRIS. I testified before the House for \$10 million and for an additional \$16 million.

Senator BIBLE. You testified in the House for \$10 million but then you were questioned and you said you had a capability for another \$16 million?

General MORRIS. Correct, sir.

Senator BIBLE. You have a capability for it. Assuming you get the \$26 million, what will it be used for?

General MORRIS. We will talk about the \$10 million first. It would be used to restore and strengthen levees in the vicinity of Wilkes-Barre. There are four units: one across the river, two upstream and there is one downstream. I mention this because it is important that we do these in a group. All four of those would take approximately \$7 million. Included also is \$2 million to restore certain levees to their authorized height because of subsidence. The remaining \$1 million is for damage and hydrologic data collection in the Wilkes-Barre area, temporary repair measures, and postdisaster reports.

Senator BIBLE. Do you have any other requirements on the emergency fund in connection with the disaster which are not reflected in this estimate?

General MORRIS. That is the \$16 million.

Senator BIBLE. That is the \$16 million; now, explain that.

General MORRIS. \$7 million of the \$16 million is to replace the funds we had at the beginning of this fiscal year. That money has been used on other emergencies throughout the United States unrelated to Agnes. There is a need for \$9 million in additional funds for damages outside of the Wilkes-Barre area.

Senator PASTORE. Are they related to Agnes?

General MORRIS. Yes, sir.

Senator BIBLE. Is there enough money included in this estimate to replenish the emergency fund?

General MORRIS. Yes, sir; in the additional \$16 million figure.

Senator BIBLE. What you are saying is you need \$10 million plus \$16 million which is \$26 million. I have no further questions. Senator Pastore?

Senator PASTORE. No; that is all I have.

Senator BIBLE. Senator Hatfield?

Senator HATFIELD. No questions.

Senator BIBLE. Senator Young?

Senator YOUNG. No questions.

Senator BIBLE. Thank you, General, we appreciate your appearance very much.

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APPALACHIAN REGIONAL COMMISSION

STATEMENT OF DONALD W. WHITEHEAD, FEDERAL COCHAIRMAN

ACCOMPANIED BY:

ORVILLE H. LERCH, ALTERNATE FEDERAL COCHAIRMAN
BRINLEY J. LEWIS, BUDGET OFFICER

INTRODUCTION OF ASSOCIATES

Senator BIBLE. The next witness will be Mr. Donald W. Whitehead, Federal Cochairman of the Appalachian Regional Commission. Mr. Whitehead, and his associates, will testify in support of the fiscal year 1973 supplemental request in the amount of \$16 million for Appalachian regional development programs.

Mr. Whitehead, will you introduce those with you?

Mr. WHITEHEAD. Yes, sir. I am accompanied, this morning, by the Alternate Federal Cochairman, Mr. Orville Lerch and, to my extreme left, by my budget officer, Mr. Brinley Lewis.

JUSTIFICATION

Senator BIBLE. The justification will be inserted in the record at this point.

(The justification follows:)

(85)

APPALACHIAN REGIONAL DEVELOPMENT PROGRAMS

Supplemental 1973 Request

Request is made for a supplemental appropriation of \$16,000,000 for Appalachian Development programs which can be of special assistance to many areas of the Appalachian Region which have been damaged by flooding resulting from Hurricane "Agnes".

Assistance is proposed under three activities of the Appalachian Regional Development Programs as summarized below. All appropriation requests are within authorizations for the FY 1972-1973 period as provided by P.L. 92-65 and accompanying Reports of the House and Senate Public Works Committees.

(thousands of dollars)

	1973 Budget	1973 Revised	Proposed Supplemental
Sec. 205, Mine Area Restoration Mine area subsidence control	<u>\$ 2,000</u>	<u>\$ 13,000</u>	<u>\$ 11,000</u>
Sec. 207, Appalachian Housing Fund, Housing Site Develop- ment grants	<u>\$ 2,000</u>	<u>\$ 3,500</u>	<u>\$ 1,500</u>
Sec. 302, Research & Local Development District Program:	<u>\$ 7,500</u>	<u>\$ 11,000</u>	<u>\$ 3,500</u>
(a) additional area planning support.....			1,500
(b) special new town planning support.....			500
(c) special research on sub- sidence risk, adjustment, and prevention.....			1,500
Subtotal A,B,C,			\$ 3,500
SUBTOTAL	<u>\$11,500</u>	<u>\$ 27,500</u>	<u>\$ 16,000</u>
Other Appalachian Programs:			
201-Appalachian Development Highway System	180,000	180,000	--
202-Demonstration Health Program	48,000	48,000	--
211-Vocational Education Facilities	25,500	25,500	--
214-Supplemental Grants	<u>37,000</u>	<u>37,000</u>	--
GRAND TOTAL	<u>\$302,000</u>	<u>\$318,000</u>	<u>\$ 16,000</u>

The details of the request follow:

1. Section 205 - Mine Area Restoration.....\$ 11,000

An amount of \$11 million is requested for sub-surface restabilization of anthracite mine areas affected by mine subsidence danger which have been aggravated by the recent heavy floods in the Pennsylvania anthracite area.

Under the Section 205 Mine Area Restoration Program, the Commission may provide up to 75 percent of the cost of alleviating mine subsidence and controlling mine drainage. Information from the Pennsylvania anthracite region indicates considerable damage to abandoned mines may have been caused by the weakening of coal pillars, raising waters to excessive levels resulting in improper drainage, and destroying mine seals. The Commission would propose to initiate action on the most urgent of these projects with the \$11 million requested.

Background

The Wilkes-Barre - Scranton area represents a set of complex relationships between present land use, mining impacts, and natural geologic and hydrologic conditions. The original site of Wilkes-Barre, a city of 60,000, was meadow and swamp. The water table was close to the surface. As the area began to be mined for anthracite coal, it was necessary for the coal companies to pump water continually out of the mines and dump it in the Susquehanna River. As this pumping began back before the turn of the century, its long term effect was to drain the surface of the land through the minute fractures which developed throughout the overburden overlying the coal seams. This drained land was subsequently developed without the use of fill to raise elevations relative to natural ground water levels or river levels.

A complex set of environmental problems ensued during and after the mining and their impacts present significant problems today and appear to extend far into the future. The water pumped from the mines was acid and it killed much of the aquatic life in the North Branch of the Susquehanna River. Waste material from the mines was dumped in enormous culm piles throughout the valley, many of which ultimately caught fire. Their burning generated serious air pollution from sulfur dioxide.

Underground coal seams occasionally caught fire. Fumes leaking up through the surface made occupancy of homes and buildings dangerous and many were permanently and temporarily evacuated.

As pillars in the mines were eroded by ground water seepage or "robbed" by later mining, and as coal seams burned out, mine subsidence led to collapse of the surface endangering most surface development including the downtown areas of Wilkes-Barre and Scranton.

Then as the anthracite industry closed down over the past 15 years, the companies were no longer able to pump the mines and the underground water table rose up to its natural level, flooding or threatening to flood the foundations and understories of commercial and residential structures in sections of the area. Most of such development was on land drained by the mining process described above.

Ground water level fluctuations in abandoned mines cause mine walls, ceilings, and pillars to collapse due to the lubricating effect of the water during alternate saturation and drainage of the shale geology and the differential pressures exerted by the water. A mine filled with water is able to carry a greater load (downward pressure) than one not filled with water, especially when mine voids are large and support pillars and walls are eroded. In addition, water moving through a mine will erode materials which have been pumped into voids to control subsidence.

Surface subsidence of land due to collapsing mines occurs continually in small increments at infrequent intervals or in dramatic cave-ins where the surface may drop 15 feet or so. Most subsidence is incremental

in nature, thus placing continuing and changing stress on surface development, especially building foundations and walls. This weakens buildings constructed with usual design and engineering. Flooding of such buildings either through raising ground water levels or by riverine causes (such as the recent Susquehanna flooding) increases in both magnitude and severity the amount of damage. In addition, the geologic strata underlying the foundations are similarly weakened and whatever movement is occurring is accelerated.

Subsidence control is quite costly. Current technology of preventing subsidence is to drill holes through the overlying surfaces to the mine voids. Incombustible material, often some of the mine refuse which is readily available, is pumped through these holes until the voids are filled. Present techniques, though, are hit-and-miss (excepting a few small research projects) with respect to the complete filling of mine voids in the intended area since it is virtually impossible to direct the fill material after pumping into the mine. Subsidence control projects funded by the Commission have cost from \$15-40,000 per acre. Most of the anthracite area has been mined on three to six levels. This control cost in some instances is for filling of the upper levels (the ones nearest the surface) and not including the lower levels. Thus some probability of future subsidence remains even in those areas which are "protected". Eventually, thousands of acres in the Wilkes-Barre, Scranton area which are undermined will need such subsidence control assuming the continuation of present types of land use with the present technology of surface development and subsidence prevention.

Current Situation

The flood filled virtually all of the underground mines in the valley, including areas which were previously dry and assumed stable. This underground mine flooding occurred through: seepage from the surface throughout the area (including from strip mines), water entering through abandoned mine portals and ventilation shafts; and actual breakthrough created by the scouring of flood waters or erosion of cover materials.

During the flood and antecedent rains ground water levels in the Wilkes-Barre, Scranton area rose 50 feet. This has flooded the basements of many commercial and residential structures. Pumping out these structures is futile since water flows back in due to the ground water levels. It has been estimated that it will take months for the ground water levels to recede, and only after the newly opened surface channels to the underground mines have been located and sealed.

Subsidence conditions in the anthracite area have been aggravated, with some instances of surface subsidence already identified.

The flooding also caused damage to several State acid mine drainage treatment plants. Also, numerous seals of underground mine portals and ventilation shafts were destroyed or damaged. Mine seal damage is reported in all coal areas throughout the State.

The Commission plans to make available its \$11 million of additional funds requested under Section 205 authority for the most urgent subsidence and mine drainage control projects which are occasioned by the flood. Projects will be limited to protecting existing housing, business and industrial and public facility improvement on affected lands where relocations are not practical or economically feasible. The Commonwealth has the funds

for matching the Commission's program by redirecting a portion of its 10 year bond issue program monies for mined land restoration. The Commonwealth program provides up to \$25 million per year for these purposes.

With State funds and funds requested here, the major emergency needs for assistance are expected to be covered.

2. Section 207 - Appalachian Housing Fund.....\$ 1,500

The floods resulting from Agnes caused extensive damage to housing throughout the northern sections of Appalachia. Most homeowner families that suffered flood damage will be able to obtain relief through the Small Business Administration disaster loan program. Also, emergency temporary housing will be made available by HUD.

In many instances, however, substantial new replacement housing will have to be constructed, presumably on new, flood-free locations. In these instances, the Commission's new housing program could be an important, if not essential, aid. This new program authorizes the Commission to approve grants for site development costs, including the extension of sewer and water services when the grant is needed to make a project feasible. The grants are made to either public agencies or nonprofit organizations sponsoring Federally-insured housing projects. Grants under normal circumstances range between \$1,000 - \$1,500 per housing unit. However, in Buffalo Creek, West Virginia, site development costs for replacement housing may range from \$2,000 to \$2,500 per unit. In all cases, site development costs are limited by law to 10 percent of the total housing cost.

Requests for the new site grants will occur after a sponsor has completed planning and engineering studies which indicate the need for grant assistance. In disaster situations, these types of studies usually follow post-emergency cleanup operations, and as a practical matter may be delayed up to several years as public facilities are repaired or installed in accordance with local redevelopment plans. Accordingly, if the usual pattern of recovery is followed, there will be a delayed demand for this type of Commission assistance.

However, it is likely that if recovery plans were initially drawn up with the site grants in mind, the entire process of re-housing could be accelerated. In short, the grant makes it possible to move forward with site preparation without awaiting conventional grant support. In addition, the Federal Housing Administration should be able to shorten its processing time of housing applications by issuing, as permitted in the ARC-HUD guidelines, commitments contingent on ARC grant support.

The request of \$1.5 million would provide assistance for approximately 1,000 to 1,500 housing units at an average grant amount of between \$1,000 and \$1,500 per unit.

3. Section 302 - Research and Local Development District Program....\$ 3,500

Assistance under this activity will be provided for three purposes:

A. Additional area planning support.....\$ 1,500

Multi-county development districts are currently established in the Appalachian areas damaged by the flood, with functions including the

planning of long-range economic development for their area. In order to assist in the efficient long-range planning of post-flood reconstruction, additional funds would be provided these areas to undertake studies and prepare development plans whereby the reconstruction may best contribute to the long-range interests of the area. The special financial assistance is being provided to accelerate this local planning which can provide the basic guidelines within which future reconstruction can most efficiently take place.

The program will be conducted in cooperation with the Departments of HUD and Commerce (Economic Development Administration). A unified approach has been adopted which will provide initial funds to the affected States for the determination of planning needs. Following the delineation in a State plan of the needs and the most appropriate groups to be responsible, financial assistance will be provided by each Federal agency to its normal local recipient agency. ARC assistance will generally be provided through the State and established multi-county local development district, with some funds provided to State planning agencies and where needed, to a limited number of local jurisdictions within the district.

The amount of \$1.5 million will provide assistance to approximately 30 Local Development Districts with 91 Appalachian counties affected by the flood. On the average, about \$15,000 per county would be available.

B. Special New Town Planning support.....\$ 500

During the past several years, the Commission has assisted in the financing of general development studies designed to examine the potential of new large-scale developments. The premise of these studies is that highway and other public investments have created a demand for housing and business activities which might best be met through the creation of new communities located in harmony with existing development. In several instances, the studies have grown out of local recognition of severe geological and environmental factors which limit opportunities for continued sound growth of existing communities.

One series of studies covering the Wilkes-Barre area was completed several weeks prior to the flood. These studies strongly support the concept of new towns as a component of overall regional development, and identified feasible locations for such undertakings. These locations were selected on the basis of approximately 80 development factors including those which would eliminate sites subject to flooding and adverse mining conditions.

The \$500,000 requested here for new town studies would be used to assist appropriate State and district organizations to carry out detailed economic and engineering studies and prepare necessary plans to initiate actual construction. The studies and plans would be conducted in cooperation with both private and public interests.

It is expected that the requested funds will permit the Commission to assist in the financing of 4 - 5 projects recommended to the Commission by the affected States.

C. Special Research on Subsidence Risk and Prevention.....\$1,500

Funds are requested to finance research into (i) land-use analysis and identification of zones of subsidence, by degree of risk and damage potential, primarily in northeastern Pennsylvania; and (ii) developing engineering criteria for building new structures or rebuilding and repair-

ing damaged structures through the modification of earthquake protection and flood-proofing techniques which are already in existence. Such building criteria for reducing subsidence and flood damage are in use in other countries. With the knowledge of appropriate land uses, the zones of subsidence and flood hazards, and the latest construction technology, the building of replacement structures or rebuilding and repairing of damaged structures can be carried out so as to minimize or eliminate damage from such hazards in the future in any area.

As indicated earlier in the justification, underground mining of up to six seams of coal (at six different and overlapping levels) in the Wilkes-Barre-Scranton area has created a surface subsidence potential. This subsidence potential is in effect a manmade "natural hazard" such as flooding is a natural hazard. Other hazards exist in the area, again primarily due to man's activities, for example, underground mine fires and burning culm (mine waste) banks.

As with floods, there is a range of ways to adjust to such hazards. One is to contain the hazard, prevent it from occurring; e.g., reservoirs for storing flood waters and filling of mine voids to prevent collapse. Both of these techniques are extremely expensive and are only really effective if other actions concerning land use and development are taken.

Another set of techniques is to adjust current activities to the hazard condition and then take specific short-term and presumably relatively inexpensive steps to rectify problems when the hazard occurs. For instance, with respect to flooding, land uses might be such that inundation causes no damage (physical or economic, such as loss of service) except for those costs of cleaning up silt. Parking lots, parking buildings, and parks are types of urban land uses and structures readily suitable for flood prone areas. Other uses, even that of office buildings and housing, are possible if appropriate first floor elevations are met and other flood proofing features are incorporated into the structures' design.

Similar adjustments are possible with respect to the subsidence and other mine-related hazards. For instance, land use can also be adjusted to reflect the probability of subsidence and the degree of risk entailed. In areas of high probability, open space land areas would minimize damage on occurrence, and thus filling of mine voids would not be required. In areas of moderate or low probability of subsidence, land uses involving intensive development (housing, commercial structures, etc.) might well be possible if such structures were modified so as to be able to undergo subsidence events without undue damage or interruption of their function.

In one sense, subsidence is like an earthquake. There are architectural and engineering modifications which can be incorporated in structures to allow survival through earthquakes with structural integrity. This technology has been developed by both American and Japanese firms. The Dutch have modified the Japanese-developed structural adjustment for earthquakes to meet their coastal subsidence problems which are caused by the deep well pumping and drainage of low-lying land. It appears that structural technology can be developed so that some type of buildings can keep their integrity and remain intact if partially undermined or tilted by subsidence. Presumably the costs of structural adjustments, and regrading land surfaces after subsidence would be less than that of filling the underground mine voids using present technology.

Another particular problem caused by subsidence concerns the integrity of utilities which are placed underground, primarily gas, water, and sewers. Consideration will be given for available technology for protecting and controlling damage to utilities.

In addition, since some adjustments to flood hazards are the same as adjustments to subsidence hazards, then such adjustments become multiple purpose in nature.

The Commission proposes to undertake an effort which will analyze the hazards of the area, present land uses, assess risk and damages from hazards (singularly and in combination), and identify those geographic areas susceptible to hazards by degree of probability.

Architectural and engineering assessments will be made of building technology to identify and develop those criteria, design specifications, and measures necessary to reduce damage to structures and utilities from subsidence hazards as well as indicating what types of structures can be so adjusted and at what costs. Co-protection from other hazards (flooding) will also be included.

Alternative land-use and economic development plans would be developed based on objectives such as:

- (a) minimization of future loss due to hazards and reducing risks on a least-cost basis:
- (b) maximizing the intensive redevelopment of the present urban areas utilizing all known control measures to reduce risk and damage of hazards.

The first objective might well involve adjusting existing land uses in the urban hazard areas and providing for urban-type development in hazard-free or low-risk areas. This is one way this effort complements the new town development activities discussed above.

Such plans should provide a basis for rational decision making concerning both the short- and long-range future of the areas as well as provide a firm basis for setting priorities on that work necessary to rectify or control damages from mining. Present public activities in this regard are reactive in nature, e.g., the control measure of filling voids are taken for individual sites after subsidence occurs. In addition, this work will provide a set of explicit building and land use adjustments that can be taken to reduce damage from these. Costs of such adjustments will be included so evaluations can be made concerning relative costs and effectiveness of these adjustments versus filling mine voids. This work should have applicability in other portions of the country since subsidence is a hazard in western Pennsylvania and other areas of underground coal mining such as Rock Springs, Wyoming.

This work will be done in coordination with appropriate Federal and State agencies. For instance, existing recent aerial photography will be used for the land use analysis. Corps of Engineers data on hydrology will be used for assessing subsidence hazard probabilities. It is anticipated that the Commission will use consultants for aspects of this work, including that of identifying criteria, design specifications, and engineering for adjustments to buildings and other structures to reduce and eliminate damage from subsidence.

FUNDS APPROPRIATED TO THE PRESIDENT
APPALACHIAN REGIONAL DEVELOPMENT PROGRAMS

Program and Financing (in thousands of dollars)

Identification code	19 73	19 73	19 73
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
<u>Program by activities:</u>			
1. Appalachian Development Highway system.....	180,000	180,000	---
2. Demonstration health projects.....	48,000	48,000	---
3. Mine area restoration.....	2,000	13,000	11,000
4. Vocational education facilities...	25,500	25,500	---
5. Supplements to Federal grant-in-aid programs.....	37,000	37,000	---
6. Research and local development district program.....	7,500	11,000	3,500
Total program costs, funded.....	300,000	314,500	14,500
Change in selected resources <u>1/</u>	---	---	---
Total obligations.....	300,000	314,500	14,500

Note: Since an enrolled bill for FY 1973 has not been received the amounts shown under "Presently available" are those in the President's Budget.

Financing (in thousands of dollars)

Identification code	19 73	19 73	19 73
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
Total obligations (from program schedule).....	300,000	314,500	14,500
<u>Financing:</u>			
Unobligated balance available, start of year:			
Appropriation.....	---	---	---
Contract authority.....	-220,000	-220,000	---
Unobligated balance available, end of year:			
Appropriation.....	---	---	---
Contract authority.....	220,000	220,000	---
<u>Budget authority</u>	300,000	314,500	14,500
Budget authority:			
Current:			
Appropriation.....	302,000	318,000	16,000
Appropriation to liquidate contract authority.....	-180,000	-180,000	---
Transferred to other accounts.....	-2,000	-3,500	-1,500
<u>Appropriation (adjusted)</u>	120,000	134,500	14,500
Permanent:			
<u>Contract authority (Public Laws 91-123 and 92-65)</u>	180,000	180,000	---

Outlays (in thousands of dollars)

Identification code	19 73	19 73	19 73
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
Relation of obligations to outlays:			
Obligations incurred, net.....	300,000	314,500	14,500
Obligated balance, start of year....	563,901	563,901	---
Obligated balance, end of year.....	-573,901	-582,401	-8,500
Outlays.....	290,000	296,000	6,000
<u>Status of Unfunded Contract Authority</u> (in thousands of dollars)			
Unfunded balance, start of year.....	220,000	220,000	---
Contract authority (Public Laws 91-123 and 92-65).....	180,000	180,000	---
Unfunded balance, end of year.....	-220,000	-220,000	---
Appropriation to liquidate contract authority.....	180,000	180,000	---

1/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1972, \$404,357 thousand; 1973, \$404,357 thousand.

Note: Obligated balance start of year under "Presently available" is adjusted to reflect reprogramming action transferring \$500 thousand to the Housing Fund in FY 1972.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	1973	1973	1973
APPALACHIAN REGIONAL COMMISSION Personnel compensation:	Presently available	Revised estimate	Proposed supplemental
25.0 Other services.....	7,290	9,290	2,000
41.0 Grants, subsidies, and contributions.....	39,700	41,200	1,500
.....			
.....			
Total obligations, Appalachian Regional Commission.....	46,990	50,490	3,500

304-103

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	1973	1973	1973
ALLOCATION ACCOUNTS	Presently available	Revised estimate	Proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	1,407	1,407	---
11.3 Positions other than permanent.....	6	6	---
11.5 Other personnel compensation.....	3	3	---
Total personnel compensation.....	1,416	1,416	---
Personnel benefits:			
12.1 Civilian.....	121	121	---
21.0 Travel and transportation of persons.....	106	106	---
22.0 Transportation of things.....	4	4	---
23.0 Rent, communications, and utilities.....	40	40	---
24.0 Printing and reproduction.....	8	8	---
25.0 Other services.....	1,422	1,422	---
26.0 Supplies and materials.....	12	12	---
31.0 Equipment.....	14	14	---
41.0 Grants, subsidies, and contributions.....	249,867	260,867	11,000
.....			
Total obligations, allocation accounts	253,010	264,010	11,000
Total obligations.....	300,000	314,500	14,500

Object Classification (in thousands of dollars)

Identification code	1973 <u>actual</u>	1973 <u>estimate</u>	1973 <u>estimate</u>
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
Obligations are distributed as follows:			
1. Appalachian Regional Commission...	46,990	50,490	3,500
2. Department of Health, Education, and Welfare.....	72,110	72,110	---
3. Department of Interior.....	2,000	13,000	11,000
4. Department of Transportation.....	178,900	178,900	---
PERSONNEL SUMMARY			
	<u>1971 actual</u>	<u>1972 estimate</u>	<u>1973 Revised estimate</u>
ALLOCATION ACCOUNTS			
Total number of permanent positions...	115	112	110
Full-time equivalent of other positions	2	3	2
Average paid employment.....	102	107	104
Average GS grade.....	9.4	9.5	9.5
Average GS salary.....	\$12,509	\$12,911	\$13,065
Average salary of ungraded positions..	\$ 8,579	\$ 8,976	\$ 9,425

FUNDS APPROPRIATED TO THE PRESIDENT
 APPALACHIAN HOUSING FUND, EXECUTIVE
 PUBLIC ENTERPRISE FUND

Program and Financing (in thousands of dollars)

Identification code	1973	1973	1973
	Presently <u>available</u>	Revised <u>estimate</u>	Proposed <u>supplemental</u>
<u>Program by activities:</u>			
Operating costs, funded:			
Technical assistance grants.....	487	487	---
Site development grants.....	743	1,743	1,000
Administrative expenses.....	20	20	---
Total operating costs	1,250	2,250	1,000
Capital outlay, funded:			
Loans.....	1,350	1,350	---
Total program costs, funded.....	2,600	3,600	1,000
Change in selected resources 1/.....	-30	470	500
Total obligations	2,570	4,070	1,500
<u>Financing:</u>			
Receipts and reimbursements from:			
Non-federal sources:			
Collection of loans.....	-590	-590	---
Interest.....	-10	-10	---
Unobligated balance available, start of year: Fund balance..	-11	-11	---
Unobligated balance available, end of year: Fund balance....	41	41	---
Budget authority	2,000	3,500	1,500

Budget Authority and Outlays (in thousands of dollars)

Identification code	1973	1973	1973
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
<u>Budget authority:</u>			
Transferred from other accounts.....	2,000	3,500	1,500
<u>Appropriation (adjusted).....</u>	2,000	3,500	1,500
<u>Relation of obligations outlays:</u>			
Obligations incurred, net.....	1,970	3,470	1,500
Obligated balance, start of year....	1,795	1,795	---
Obligated balance, end of year.....	-1,765	-2,265	-500
<u>Outlays.....</u>	2,000	3,000	1,000

1/ Balances of selected resources are identified on the statement of financial conditions

Note: Obligated balances as shown in the Presidents request are adjusted for the effect of the reprogramming action to transfer \$500 thousand to the Housing Fund in FY 1972.

Revenue and Expense (in thousands of dollars)

Identification code	1973	1973	1973
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
<u>Loan program:</u>			
Revenue.....	10	10	---
Expenses (-).....	-1,300	-2,300	-1,000
Net operating loss for the year...	-1,290	-2,290	-1,000
<u>Not for printing:</u>			
Loan program expense	1,300	2,300	1,000
Administration	20	20	---
Waiver of repayment	50	50	---
Technical assistance grants	487	487	---
Site development grants	743	1,743	1,000

Financial Condition (in thousands of dollars)

	1970 actual	1971 actual	1972 estimate revised	1973 estimate revised
<u>Assets:</u>				
Drawing account with Treasury..	1,967	2,931	1,806	2,306
Accounts receivable.....	4	1	1	1
Loans receivable, net.....	985	1,007	1,907	2,617
Total assets.....	2,956	3,939	3,714	4,924
<u>Government equity:</u>				
<u>Obligations:</u>				
Undelivered orders ^{1/}	816	1,147	1,796	2,266
Unobligated balance.....	1,155	1,785	11	41
Total unexpended balance.....	1,971	2,932	1,807	2,307
Unexpended capital and earnings..	985	1,007	1,907	2,617
Total Government equity.....	2,956	3,939	3,714	4,924

Analysis of Changes in Government Equity

<u>Non-interest-bearing capital:</u>				
Start of year.....		3,000	4,000	4,500
Appropriations transferred.....		1,000	500	3,500
End of year.....		4,000	4,500	8,000
<u>Retained earnings:</u>				
Start of year.....		-44	-61	-786
Net income for the year.....		-17	-725	-2,290
End of year.....		-61	-786	-3,076
Total Government equity (end of year)		3,939	3,714	4,924

^{1/} The "Change in selected resources" entry on the program and financing schedule relates to these items.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	1973 Presently available	1973 Revised estimate	1973 Proposed supplemental
ALLOCATION ACCOUNTS: Department of Personnel compensation, Housing and Urban Development			
11.3 Positions other than permanent.....	16	16	----
Total personnel compensation.....	16	16	----
Personnel benefits:			
12.1 Civilian.....	2	2	----
21.0 Travel and transportation of persons.....	1	1	----
25.0 Other services.....	1	1	----
33.0 Investments and loans.....	1,350	1,350	----
41.0 Grants, subsidies, and contributions.....	1,230	2,230	1,000
Total costs funded.....	2,600	3,600	1,000
Change in selected resources.....	-30	+470	+500
Total obligations, allocation accounts: Department of Housing and Urban Development			
Total obligations.....	2,570	4,070	1,500
	2,570	4,070	1,500

PERSONNEL SUMMARY

Identification code	1971 actual	1972 estimate	1973 Revised estimate
ALLOCATION ACCOUNTS: Department of Housing and Urban Development			
Full-time equivalent of other positions	1	1	1
Average number of all employees.....	1	1	1

PREPARED STATEMENT

Senator BIBLE. Your statement will be incorporated in full, in the record since it is a rather long statement.

(The statement follows:)

STATEMENT OF DONALD W. WHITEHEAD, FEDERAL COCHAIRMAN, APPALACHIAN REGIONAL COMMISSION

I had not anticipated having an opportunity to appear before this Committee on 1973 Appropriations so soon after the House and Senate had acted on our 1973 request. I am pleased, however, that the Appalachian Commission has been asked by the Administration to assist in the recovery of communities damaged by tropical storm "Agnes".

The request for supplemental appropriations is in the amount of \$16 million. This includes \$11 million for subsurface restabilization of anthracite mine areas affected by mine subsidence dangers, \$1.5 million for transfer to the Housing Fund primarily for site development grants, and \$3.5 million for the research, demonstration, and local development district programs.

The amount requested under each of these programs is the maximum amount of the 1972-1973 authorizations remaining for these programs.

The bulk of the request, \$11 million, will be to alleviate mine subsidence problems aggravated by the flood in the anthracite area of Pennsylvania principally in the vicinity of Wilkes-Barre, Pennsylvania. Under our Section 205 Mine Area Restoration Program we may provide up to 75 percent of the cost of alleviating mine subsidence and controlling mine drainage. Approvals will be limited to projects which will protect those land areas threatened by subsidence and which are built up with housing, business, and industrial and public facility improvements and where relocations would not be practical or economically feasible. The project grants would be

made through the U.S. Bureau of Mines. If I may anticipate one of your questions, we do have a current unobligated balance in the mine area restoration program of over \$8 million. The Commission, however, has approved and pending projects which are in excess of these balances and the amounts that will be available under the regular 1973 appropriation. This includes the Scranton-Hill Section Subsidence Project which this Committee has given a high priority. We also plan to initiate some special research into the problems of subsidence to see if any answers can be found for ways to minimize future subsidence damage to structures. We are estimating \$1.5 million for this latter purpose.

We are also requesting \$1.5 million to provide additional planning support and technical assistance to the States, development districts, and other local areas. The President's disaster relief program for the areas damaged by Tropical Storm Agnes includes a unified approach for providing general planning assistance by the Appalachian Regional Commission, the Economic Development Administration, and the Department of Housing and Urban Development. This is a special effort to assure that the long-range planning needs of the disaster area are served on a timely and coordinated basis so that longer range development and redevelopment objectives for the damaged areas can provide a framework for immediate recovery activities. An opportunity will thereby be provided to undertake reconstruction along lines most advantageous to the future growth of the areas, while at the same time limiting the potential impact of future disasters. Funds will be used to allow affected States and areawide planning and development agencies and the cities and counties within them to accelerate their development plans and use recovery activities to further long-range development objectives.

The request for \$1.5 million of supplemental funds to provide technical assistance for long-range planning under Section 302 of the Appalachian Regional Development Act of 1965 will complement \$1.5 million requested for similar assistance by the Economic Development Administration and \$2 million to be reprogrammed by the Department of Housing and Urban Development. Available funds will be initially allocated among the States on the basis of need, reflecting available information and preliminary assessments. These allocations would be subject to some revision and modification as additional information regarding needs and projected use of the funds becomes available. Initial funds will be provided immediately to the affected States for the determination of planning needs, the development of a long-range recovery planning program, and some limited, immediate recovery planning activities for which funding is not otherwise available through the Office of Emergency Preparedness. These uses of the funds will be limited to 10 percent of the total. The remaining funds will be used primarily for long-range recovery and development planning on an areawide basis. There are actually 84 Appalachian counties designated under the flood emergency in 23 of our planning districts.

The floods resulting from Agnes caused extensive damage to housing throughout the northern sections of Appalachia. Most homeowner families that suffered flood damage will be able to obtain relief through the Small Business Administration disaster loan program. Also, emergency temporary housing will be made available by HUD.

In many instances, however, substantial new replacement housing will have to be constructed, presumably on new, flood-free locations.

Under the proposed supplemental we would be able to provide two types of assistance. First we propose \$500,000 for new town studies that would be used to assist appropriate State and district organizations to carry out detailed economic and engineering studies and prepare necessary plans to initiate actual construction. The studies and plans would be conducted in cooperation with both private and public interests.

Secondly, we propose \$1.5 million for transfer to the Housing Fund. Under this program the Commission may approve grants for site development costs, including the extension of sewer and water services when the grant is needed to make a project feasible. The grants are made to either public agencies or nonprofit organizations sponsoring Federally-insured housing projects. Grants under normal circumstances range between \$1,000 - \$1,500 per housing unit. In all cases, site development costs are limited by law to 10 percent of the total housing cost. It is likely that if recovery plans are initially drawn up with the site grants in mind, the entire process of re-housing could be accelerated. In short, the grant makes it possible to move forward with site preparation without awaiting conventional grant support. In addition, the Federal Housing Administration should be able to shorten its processing time of housing applications by issuing, as permitted in the ARC-HUD guidelines, commitments contingent on ARC grant support.

While the budget justification indicates the primary need will be for assistance in the form of site development grants, there may be some need for assistance in the form of advance planning loans. We believe, however, that most of

these loans could be made with funds provided by the regular appropriation.

In closing, let me state that we have examined the possibilities of requesting reprogrammings or of utilizing unobligated balances to fund the special programs. It was my belief that it would not be possible to do this in the Section 205 Mine Area Restoration Program since demand clearly exceeds the funds available in the regular program. We are also going to be fully committed in our regular program for planning assistance to local development districts.

We do not have, at this time, in our housing program or in the other portions of our research and demonstration programs projects or applications that would exhaust our funds. I do not believe, however, that it would be completely fair to the expectations of the remainder of the Appalachian Region if we were to propose reprogramming of those funds solely for the use of the areas affected by the flood.

In the interests of time I won't attempt to restate here the details of our budget justification, but will close now for your questions.

MINE RESTORATION AND SUBSIDENCE CONTROL

Senator BIBLE. You are asking for \$16 million for the Appalachian regional development programs. These funds are requested to provide special assistance to many Appalachian areas which have been damaged by tropical storm Agnes.

We have had Agnes described rather dramatically and graphically. Please highlight your statement.

Mr. WHITEHEAD. Yes, sir, thank you very much. Our total request is for \$16 million in supplemental funds. That breaks down as follows: we ask for \$11 million for mine area restoration and mine area subsidence control. This is under section 205 of our act.

Senator BIBLE. May I interrupt here to ask a question?

On the subsidence damage, was that accelerated by Agnes?

Mr. WHITEHEAD. It was aggravated considerably by it. Some previous work done in connection with sealing mines has been destroyed.

Senator BIBLE. What I am trying to do is steer it back to Agnes because this is primarily the thrust of our hearing.

Mr. Young?

Senator YOUNG. Aren't these items covered by the Office of Emergency Preparedness program for small businesses?

Mr. WHITEHEAD. No.

Since the creation of the Appalachian Regional Commission in 1965, we have been the major source of funding for this kind of work. The Department of the Interior does have the authority but, for instance, they are budgeting this year \$200,000 for putting out mine fires. There is no other agency, with either authorization or funding, to do this kind of work other than the Appalachian Regional Commission.

Senator YOUNG. There is no overlapping?

Mr. WHITEHEAD. No; there is not. This is a process primarily of filling up the voids that have been left by abandoned coal mining operations in northeastern Pennsylvania. That is where the greatest portion of these requested \$11 million supplemental funds would be used.

HOUSING SITE DEVELOPMENT GRANTS

Senator BIBLE. What is your second item?

Mr. WHITEHEAD. The second item is a request for \$1.5 million under section 207, for housing site development grants.

I thought the Corps of Engineers made an excellent case for the kind of work that it has done in the past and that it can do in the future. There are other alternatives to constructing water-impoundment works, that could contribute affirmatively to eliminating this kind of tragedy. One of them is to give people an option of living up, higher than the flood plain.

Under section 207 of our act, we are authorized to provide money for housing loans. We are also authorized to make site development grants that is, to bring the cost of a federally supported housing project within the means of low and moderate income people by contributing to the cost of developing the site.

Once you get people up over the flood plains, you are oftentimes asking them to build on hillsides where the cost of site development is greater than building on the flood plain.

Under this program and this program request, we could—were the committee to provide this request—provide new starts for between 1,000 and 1,500 new housing units.

Senator BIBLE. How much do you have in your regular appropriation?

Mr. WHITEHEAD. \$2 million.

Senator BIBLE. \$2 million was in your regular appropriation?

Mr. WHITEHEAD. Yes, sir; in 1972 we requested \$500,000 in reprogrammed funds for this new authority in site development grants. Our 1973 regular budget request was \$2 million.

MINE SUBSIDENCE

Senator BIBLE. Is there any owner participation in this because mine subsidence is not necessarily related to Agnes?

Mr. WHITEHEAD. This request is directly attributable to Agnes. The problem is that there are abandoned mines. The coal companies that did the excavations are out of business and have been so for a generation or two.

Senator BIBLE. That is true in the West too, we have a lot of ghost towns out there. So it is really not a Pennsylvania problem alone.

I was wondering how effectively this program has worked for the Appalachian Regional Commission. How long have you been at it?

CHART ON PROGRAM EXPENDITURES

Mr. WHITEHEAD. Since 1965. We have put better than \$23 million into this program in this section of the region. I have a chart.

Senator BIBLE. It can be included in the record.

(The document follows:)

MINE AREA RESTORATION PROJECTS
IN PENNSYLVANIA ANTHRACITE AREA AS
OF JUNE 30, 1972

COUNTY	CITY	PROJECT	(000) FEDERAL SHARE OF PROJECT COST	
1. Luzerne County	Wilkes-Barre	Laurel Run Mine Fire	2,586 2/	
		Spring Street Subsidence	500 1/	
		Heights West Subsidence	775 1/	
		Wilkes-Barre Sub-Total		3,861
	Hazelton	Hazelton Mine Fire	1,333 2/	
		Swoyersville Mine Fire	940 2/	
		Warrior Run Boro Warrior Run Mine Fire	825 2/	
	TOTAL-Luzerne County			6,959
	2. Lackawanna Co.	Scranton	Cedar Avenue Mine Fire	3,121 1/
Pine Brook Subsidence			644 1/	
Morse School Subsidence			710 1/	
Scranton		Central City West	980 1/	
		Central City East	1,110 1/	
Scranton		South Side Subsidence	3,595 3/	
		Scranton Sub-Total		10,160
Carbondale		Carbondale Mine Fire	1,919 2/	
		Carbondale West	1,305 3/	
		Throop Mine Fire	570 1/	
TOTAL-Lackawanna County			13,954	
3. Schuylkill Co.		Kehley Run Mine Fire	133 4/	
		Coaldale Subsidence	116 1/	
		Delano-Surface	78 1/	
		TOTAL-Schuylkill County		327
4. Columbia Co.	Conyngham	Centralia Mine Fire	1,655 2/	
		GRAND TOTAL		22,895

1/ Projects Completed.

2/ Projects Underway.

3/ Projects Approved but not yet Underway.

4/ Projects Taken Over by State for Completion.

APPALACHIAN MINE SUBSIDENCE PROGRAM

Mr. WHITEHEAD. It shows, Mr. Chairman, that we have put almost \$23 billion in mine subsidence in the anthracite coal regions of north-eastern Pennsylvania since the Commission began in 1965. Of that amount, some \$3.8 million has gone into the Wilkes-Barre area. \$10.1 million has gone into the area in and around Scranton, Pa.

As to how effective the program has been, it is impossible to give complete assurance that subsidence will not occur in the future, even after the areas have been filled below them. Unless you can provide complete assurance that those voids are completely filled, from the floor to the ceiling of the excavated mine tunnels and filled over an area pyramid-shaped, or, cone-shaped, below the land to be developed.

The typical means of doing this work is to drill boreholes at appropriate intervals on the surface through which noncombustible mine wastes can be pumped down to the excavated mine tunnel. This is usually accomplished with fly ash or crushed coal refuse or something else in order to increase its capability to bear surface loads.

It is a blind practice; that is, you are working from the surface without being able to examine how completely you are filling up the void beneath you. The only way that you can assure complete filling is to put these boreholes very close together. However, the more you drill boreholes, the more you increase the cost of filling up the voids. Perhaps the best answer to your question, Mr. Chairman, is to say that based upon observation and experience, we have been able to have a successful program in that people have demonstrated a willingness to remain living or working above areas where we have stabilized the surface with this kind of method.

Senator HATFIELD. What is the present requirement for an operating coal company as to its participation or its responsibility for the subsidence in the future? I believe you said these are abandoned companies; what about existing companies?

Mr. WHITEHEAD. In the first place, mining is no longer permitted at all under any circumstances in the area that we have in mind for this program; that is, under the cities of Wilkes-Barre and Scranton it is no longer permitted.

Senator HATFIELD. What about in other places?

Mr. WHITEHEAD. The companies have to provide bonds that guarantee their capacity to live up to the requirements of the Pennsylvania Department of Environmental Resources and to rehabilitate the area when they are through.

Senator HATFIELD. What is rehabilitation?

Mr. WHITEHEAD. That depends upon the requirement of each State mines agency. In Pennsylvania, I am sure in cases of actual excavation underground, bonding is required for subsidence control.

OBLIGATION OF MINING COMPANIES TO MINE AREAS

Senator HATFIELD. I am reminded that the present regulations of the Bureau of Mines require a company before it leaves an area, to leave a system of supporting pillars—of a number and size to be determined by the enforcement officials—to support the mine.

Does that mean that at some future time the Federal Government and the taxpayers are going to have to come along and undertake a program of subsidence control for those areas which are now being held up by pillars?

Mr. WHITEHEAD. My understanding is yes, quite possibly.

Senator HATFIELD. You mean the coal companies get the profits out of the ground and then the taxpayers have to rehabilitate the grounds from which they have derived the profits?

Mr. WHITEHEAD. From our point of view, we are talking about the anthracite region which has very little mining going on today. Your statement is basically correct and it applies not only to underground mining but also to strip mining.

Senator HATFIELD. To me, that has about the same status as the textile mills in 1909 which were employing child labor and exploiting people and the whole economic system. Then, they were utterly aghast when the Federal Government came in with regulations governing labor. This is a nonprogressive and unenlightened view and one which invites Federal control. I cannot understand how totally archaic that type of thinking must be, and to think they can wreck the land for other purposes. We will be called upon to appropriate money to rehabilitate that land.

Mr. LERCH. It might be helpful to note that in surface mining, regulations have become more stringent in the last few years, where the coal operators must put the land back to contour upon completion of their jobs in Pennsylvania. Some of the other States do not have this.

RESEARCH AND DEMONSTRATION PROGRAM

Senator BIBLE. You have a third item for \$3.5 million. Briefly describe that.

Mr. WHITEHEAD. The \$3.5 million breaks down into three different portions for three different uses.

LONG-RANGE PLANNING

\$1.5 million of the amount would be for long-range planning. That money would be combined with a contribution of equal amount; that is, \$1.5 million from the Economic Development Administration and reprogramming of \$2 million from the Department of Housing and Urban Development into a total fund of \$5 million, all of which to be devoted to long-range planning, long-range recovery and development planning for affected areas.

SPECIAL RESEARCH INTO SUBSIDENCE PROBLEM

Another \$1.5 of the total \$3.5 million would be devoted to special research in the matter of subsidence risk adjustment prevention and minimization. Very little work has gone on in this country, Mr. Chairman, in terms of equating the type of land use with the hazard to either subsidence or flooding in terms of the type of design and construction technique and type of materials you employ in the building. We would like to examine the full range of adjustments that should be made by type of building, by degree of risk, and the costs involved. So, \$1.5 of this total \$3.5 million would be devoted to this purpose.

NEW STUDIES

The remaining amount would be devoted to new studies. In the past, the Commission has supported some new town investigations of a very general planning nature, limited primarily, to the identification of appropriate alternative sites for new towns. But, now that this terrible tragedy has occurred, we think that within the options prescribed, there ought to be made available to the residents of the most adversely effected areas the option of whether or not their future development might best occur in alternative sites up off the flood plain.

So, we would ask that \$0.5 million of these research and demonstration moneys be devoted to new community studies of the detailed type that we have not been able to do before. That is, detailed planning going right up to the point of actual construction.

MINE SUBSIDENCE

Senator BIBLE. You have requested several items in your amount of \$16 million. Are each of these amounts within the authorizations?

Mr. WHITEHEAD. Yes.

Senator BIBLE. They are. What were the fiscal year 1972 and fiscal year 1973 budget estimates for mine area restoration?

Mr. WHITEHEAD. \$2 million, both for 1972 and 1973.

Senator BIBLE. On matching funds, I observe that the Commission may provide up to 75 percent of the cost of alleviating mine subsidence and controlling mine drainage. How much in matching funds will the Commonwealth of Pennsylvania provide to complement the \$11 million supplemental estimate?

Mr. WHITEHEAD. Pennsylvania would be required to provide 25 percent of the cost. That would amount to about \$3.7 million.

Senator BIBLE. Will the funds be transferred to the Bureau of Mines in order that they may accomplish this work?

Mr. WHITEHEAD. Yes, under section 205 of our act.

Mr. LEWIS. These funds will remain in the State. The Federal grant comprises 75 percent of the total.

Senator BIBLE. So, you take 75 percent and transfer it to the Commonwealth of Pennsylvania and they are the implementing agency?

Mr. WHITEHEAD. What happens is that the Bureau of Mines administers the grant but the actual work is done under contract by contractors who are contracting with the Commonwealth of Pennsylvania. After their work is completed, the Commonwealth of Pennsylvania is reimbursed by the Bureau of Mines for 75 percent of the total cost.

WILKES-BARRE/SCRANTON AREA EXPENDITURES

Senator BIBLE. How much has previously been expended under Section 205 within the Wilkes-Barre/Scranton area for mine subsidence work?

Mr. WHITEHEAD. The chart to which I referred previously indicates that out of \$22.895 million, the Commission has expended roughly \$7 million in the county in which Wilkes-Barre is located and \$3.8 million in the city of Wilkes-Barre itself. Almost \$14 million has been expended in Lackawanna County where Scranton is located.

Senator BIBLE. What is your estimate of the cost of mine restoration in the Wilkes-Barre/Scranton area?

Mr. WHITEHEAD. The estimate would be what has been provided us by the Department of Environmental Resources of the Commonwealth of Pennsylvania which totals \$41 million. Of that, \$30 million would be required for subsidence control through subsurface re-stabilization; \$5 million would be required for reducing the level of underground mine pools by pumping; \$5 million would be required for stream-channel sealing to control the flow of rivers and streams into the underground mines, and \$1 million would be required for repairing underground mine seals that have burst during the flood.

Senator BIBLE. Assuming the appropriation of these additional amounts of money together with your previous money which you have, will it be safe to rebuild the Wilkes-Barre/Scranton area without further subsidence?

Mr. WHITEHEAD. As I indicated previously, complete assurance can only be given under those circumstances where we can be sure that all voids under the area to be redeveloped have been completely filled.

Senator BIBLE. Are you, or are you not, going to do that?

Mr. WHITEHEAD. Present techniques do not permit us to guarantee that kind of complete fill. It is for this reason that we are encouraging the Bureau of Mines in the States involved to develop new techniques that might give that kind of assurance. It is because there is always some degree of risk of future subsidence, Mr. Chairman, that I think that one of the alternatives that ought to be offered to the residents of this area is an opportunity or an option to consider living, not only out of the flood plain subject to future flooding, but also away from the danger of future subsidence.

Senator BIBLE. I don't know how you can completely protect against subsidence. I should think that the cost of filling all of the ground under the Wilkes-Barre/Scranton area would be phenomenal.

Mr. WHITEHEAD. It would be. The only areas we are going to attempt it in are those areas where there are presently homes and buildings on the surface of sufficient value to warrant it.

AVAILABILITY OF ADDITIONAL FEDERAL FUNDS

Senator BIBLE. I suppose the owner takes that chance. What other Federal funds are available for this emergency subsidence situation; who else gets into the act?

Mr. WHITEHEAD. Presently, the only one who has any authority is the Department of the Interior. They have budgeted, I understand, about \$200,000 for mine fires. The Appalachian Regional Commission itself has been—since its creation—the major source of funding.

Senator BIBLE. It is solely responsible with the exception of the Bureau of Mines?

Mr. WHITEHEAD. That is correct.

Senator BIBLE. What has been the effect of the flood on acid mine drainage?

Mr. WHITEHEAD. Initially, of course, the great rush of water acted to dilute most of the acid mine drainage. The real point, however, is that the flooding has filled up mines in the area that were dry and considered safe for years. The action of these waters in those mines is going to increase the risk of subsidence as the waters lubricate the pillars and the roof and supporting walls.

In addition, that water that is now in the mines will become acidic over a period of time. The longer it remains in the mines, the more acidic it is going to become. It is for that reason that the Commonwealth of Pennsylvania has advised us that roughly \$5 million will be required to pump out the mines and about \$1 million will be required to replace damaged mine seals.

HOUSING SITE DEVELOPMENT

Senator BIBLE. How will the \$1,500,000 in supplemental appropriations be used on the housing site grants?

Mr. WHITEHEAD. Virtually all of it will be used for site development grants to make economically feasible projects for low- and middle-income housing.

Senator BIBLE. Aren't funds available from the Small Business Administration and the Department of Housing and Urban Development to assist those who have suffered flood damage to their homes?

Mr. WHITEHEAD. Yes.

Senator BIBLE. Do you know the amounts available under those sources?

Mr. WHITEHEAD. Yes, I believe SBA would receive \$1.3 billion for new loan authority in connection with Agness and the Department of Housing and Urban Development, I believe, has \$200 million for its work in connection with Agnes.

I would emphasize, Mr. Chairman, that both of those agencies have a role, a mission a little bit different than contemplated by us. Both of them are primarily concerned with restoring damaged or destroyed housing on the site where it was damaged or destroyed. As I have indicated previously, one use we would like to make of our money is to do that kind of work that is necessary to permit people an option or alternative to simply going back and reconstituting themselves where they were before.

BUFFALO CREEK, W. VA., DISASTER GRANTS

Senator BIBLE. How many grants have you set aside under section 207, following the disaster in Buffalo Creek, W. Va.?

Mr. WHITEHEAD. We have not yet made a formal request in connection with the Buffalo Creek disaster. However, we have had an indication that we will get a request for that kind of assistance and it will be roughly in the neighborhood of \$300,000.

RESEARCH AND DEMONSTRATION PROGRAM

Senator BIBLE. What were the budget estimates for fiscal years 1972 and 1973 for the research and local development district program?

Mr. WHITEHEAD. It was \$7 million in fiscal 1972. It was \$7.5 million in fiscal 1973.

Senator BIBLE. How will the additional \$3,500,000 which you request be used?

Mr. WHITEHEAD. It will be broken into three parts. The first part of the \$1.5 million can be joined with HUD and EDA in long-range development; \$1.5 million of it would be devoted to mine subsidence research and \$0.5 million would be used for new town planning.

Senator BIBLE. In the area of additional area planning support, on page 6 of the justification, you state this supplemental request will provide assistance to approximately 91 Appalachian counties affected by the flood—on the average—about \$15,000 per county. It appears that when you spread this amount so thinly that such a relatively small amount per county might not accomplish much. Would you please discuss this?

Mr. WHITEHEAD. That is really not the case. The figure was to indicate the scope or sweep of the work to be done rather than to indicate that that is the way the money is going to be allocated. The initial allocation will be made to the States on the basis of early indications of need. The responsibility of making allocations to sub-State regional planning units would be primarily the responsibility of the States involved. Our funds will not be the only funds available for the work. It will bring with the \$2 million in contributed money from HUD's reprogramming and the \$1.5 from EDA. It will bring the total amount to \$5 million to make realistic planning possible.

ALTERNATIVE SITE PLANNING

Senator BIBLE. What has been the previous availability of funds for the special new town planning support program?

Mr. WHITEHEAD. We have, in the past, funded this kind of effort out of section 302 of our act. We have provided money to at least three States: Pennsylvania, Ohio, and Kentucky, for this kind of study in the past. They have done the very general kind of planning that I described before as essentially being alternative landsites.

We would like to provide the money necessary to do the detail work necessarily required to go right up to construction. Funds for that particular purpose have never been made available before.

Senator BIBLE. In your justification it states that the \$500,000 will permit the Commission to assist in the financing of four to five projects recommended to the Commission by the affected States. What projects have been recommended?

Mr. WHITEHEAD. We don't have a formal application before us yet, but I would expect to receive some as soon as it is known that funding moneys would be available. I would expect one of the first requests to come from Wilkes-Barre because we have given them some planning money previously to do the kind of general site identification that I mentioned before. I might submit for the record, Mr. Chairman, a copy of the planning that would be done in Wilkes-Barre. Fortunately, this was all done by the community involved before Agnes occurred.

Senator BIBLE. It shows the date of March 1972.

Mr. WHITEHEAD. They have formally adopted the concept inherent in this study before Agnes occurred. They are a long way down the road toward being able to come to grips with this proposition of mutual future development of the Wilkes-Barre area. There is some consideration given to alternative sites for future development.

Senator BIBLE. This document will be incorporated by reference in the record. It was prepared for the Office of State Planning and Development of the Commonwealth of Pennsylvania by working in conjunction with the Appalachian Regional Commission.

SUBSIDENCE RISK AND PROTECTION RESEARCH

What has previously been done in the area of special research on subsidence risk and protection?

Mr. WHITEHEAD. Very little.

Senator BIBLE. What funds have been expended?

Mr. WHITEHEAD. None by the Appalachian Regional Commission.

Senator BIBLE. It appears that the \$3,500,000 requested for the research and local development district program might possibly not be termed to fall within the emergency classification. Would you like to comment as to why this is an emergency act?

Mr. WHITEHEAD. All of these requests are entirely and directly related to Agnes and are attempts to help the area rehabilitate itself. It is true that some of the money that we are requesting would be used for long-range recovery efforts rather than the emergency short-range response of others. For instance, the Office of Emergency Preparedness would be properly concerned with the short-term recovery. We are concerned with the long-range recovery of the area. To some, this may sound like it is not attributable to Agnes but I assure you it is.

When this happened, we were confronted with a difficult decision to make. How to respond to the tremendous need in the area as a result of this flood. Our 1973 budget request had already gone forward both in the House and the Senate. Therefore, we were left with but two choices: whether to ask for some reprogramming of the 1973 budget on the one hand, or, whether to make a supplemental budget request on the other hand.

We chose to come here in the posture of asking for supplemental funds, for we did not feel it entirely fair to reprogram funds which were available for all the States in the region for the States effected by Agnes.

Senator BIBLE. Very well, I have no further questions. Senator Hatfield?

Senator HATFIELD. I have no questions.

Senator BIBLE. Senator Young?

HOUSING SITE DEVELOPMENT

Senator YOUNG. I know this Appalachian program is a very liberal one. It does more for this area than any other program does for any other area of the United States: for example, if a house was damaged to the extent that it required a Small Business Administration loan of \$7,500—\$5,000 of which could be forgiven—what more could you do for the homeowner?

Mr. WHITEHEAD. Nothing, for that particular private homeowner. Our funds would be for the sponsors of low- and moderate-housing projects, whether it be a church, a group, or a union.

We could make a grant to such an organization for up to 10 percent of the total cost of the project necessary for the preparation of the site where that housing project would be located. Since so much of Appalachia is mountainous terrain—virtually up and down—flat land is at a premium and virtually nonexistent in many areas of the region.

Therefore, to provide room to build new housing, many times we have to cut into the hillside to do it. That is expensive. That is an additional expense that is not required of most housing projects.

Under our program, we can make a grant. We can contribute to some of that excessive cost of site development in order to bring the total cost of the project within ranges that are considered economically feasible by the Department of Housing and Urban Development so that the project can qualify for HUD guaranteed financing.

Senator YOUNG. Would that include sewage and water assistance?

Mr. WHITEHEAD. Yes, sir; that would be available to help bring in the sewer and water.

Senator YOUNG. What percentage of that would the Government pay?

Mr. WHITEHEAD. We can make a grant of up to 10 percent of the total cost of the project.

Senator YOUNG. I have no further questions.

COMMUNICATIONS IN SUPPORT OF RELIEF PROGRAMS

Senator BIBLE. I have received several communications, which will be inserted in the record at this point.

(The communications follow:)

[Telegram]

WILKES-BARRE, PA., August 1, 1972.

Senator ALAN BIBLE,
Capitol Hill, D.C.

The city council of the city of Wilkes-Barre, Pennsylvania on behalf of the city of Wilkes-Barre, Pennsylvania and all of the flood area states urges you to support the flood disaster bill for relief concerning the \$5,000.00 forgiveness grant and one percent interest rate.

BERNARD J. GALLAGHER, *City Manager*.

PENNSYLVANIA CHAMBER OF COMMERCE,
Harrisburg, Pa., July 24, 1972.

Hon. ALLEN J. ELLENDER,
U.S. Senate, Old Senate Office Building,
Washington, D.C.

DEAR SENATOR ELLENDER: As you know Pennsylvania was one of the states hardest hit by Tropical Storm Agnes. The amount of personal and business property loss in our state is staggering.

The rebuilding process has begun; however, substantial amounts of Federal assistance will be required to complement our state's internal resources.

The Pennsylvania Chamber believes that the objective of Federal programs should be the restoration of a substantial percentage of the equity position of homeowners and businessmen. Meaningful grants to those affected, supplemented by loans, can achieve this objective. The magnitude of such a grant program, supplemented by loans, is justified by the scope of the losses suffered by the inhabitants of these areas.

The Pennsylvania Chamber asks your consideration of this position with regard to Federal flood relief legislation.

We deeply appreciate your assistance.

Sincerely,

ROBERT HIBBARD, *Executive Director*.

SENATE OF PENNSYLVANIA,
July 27, 1972.

HON. ALLEN J. ELLENDER,
*U.S. Senate, Senate Office Building,
Washington, D.C.*

MY DEAR SENATOR: Shortly, you will be processing legislation to provide disaster relief for the many thousands of victims of Hurricane Agnes.

Such relief is much needed by areas such as the Susquehanna Valley of Pennsylvania, where whole municipalities lie flat on their backs.

In my district, the City of Chester suffered extensive flood damage September 13, 1971. Around 300 families had their homes made unlivable.

This has been the case also in South Dakota, West Virginia and elsewhere.

It is respectfully requested that Federal flood relief be made retroactive to include the Chester flood of September 13, 1971.

With kind personal regards.

Very sincerely yours,

CLARENCE D. BELL, *Senator.*

CONCLUSION OF HEARING

Senator BIBLE. If there are no further questions, gentlemen, this hearing is concluded. Thank you, gentlemen, for appearing here this morning.

(Whereupon, at 11:30 a.m., Tuesday, August 8, the subcommittee was recessed to reconvene at the call of the Chair.)

CHRONOLOGICAL LIST OF HEARINGS

Wednesday, July 26, 1972:	
Executive Office of the President:	
Office of Emergency Preparedness.....	Page 1
Friday, July 28, 1972:	
Department of Commerce.....	29
Small Business Administration.....	47
Tuesday August 8, 1972:	
Corps of Engineers.....	65
Appalachian Regional Commission.....	85

LIST OF WITNESSES

	Page
Blunt, William W., Jr.....	29
Brazier, George.....	65
Chamberlin, Guy W., Jr.....	29
Conroy, Edward G.....	29
Dokken, James.....	1
Dunne, Thomas P.....	29
Goodrich, Lorin L.....	29
Irving, Col. Frederick R.....	65
Kleppe, Thomas S.....	47
Knebel, John A.....	47
Lerch, Orville H.....	85
Lewis, Brinley J.....	85
Lincoln, George A.....	1
Mills, Herbert T.....	47
Morris, Maj. Gen. J. W.....	65
Mosier, Kenneth.....	1
Murray, Richard.....	1
Nathan, David S.....	29
Steinberg, Bory.....	65
Sinnoth, Richard L.....	29
Smet, August J.....	65
Volland, Robert.....	1
Whitehead, Donald W.....	85

THE UNIVERSITY OF CHICAGO

Department of Chemistry
Chicago, Illinois

February 10, 1954

Dear Mr. [Name]:

I have received your letter of the 8th and am pleased to hear that you are interested in the work of the Department of Chemistry at the University of Chicago.

The Department of Chemistry at the University of Chicago is one of the largest and most active in the United States. It is headed by Professor [Name], who is a member of the National Academy of Sciences and has received the Nobel Prize in Chemistry in 1950.

The Department is organized into several divisions, each headed by a professor. These divisions are: Organic Chemistry, Inorganic Chemistry, Physical Chemistry, and Analytical Chemistry.

The Department is also home to several research centers, including the Center for the Study of Complex Systems and the Center for the Study of Biological Systems.

If you are interested in the work of the Department, I would be pleased to discuss it with you. Please contact me at the address given below.

Sincerely,
[Name]

Director, Department of Chemistry

University of Chicago

Chicago, Illinois

SUBJECT INDEX

APPALACHIAN REGIONAL COMMISSION		Page
Buffalo Creek, W. Va., disaster grants.....		114
Chester, Pa., 1971 flood, retroactive relief.....		118
Development programs, justification for.....		86
Federal funds, availability of additional.....		113
Housing site development. (<i>See also</i> Development programs, justification for.)		
Alternative site planning.....		115
Grants.....	107,	116
Low- and middle-income housing.....		114
Mine restoration and subsidence control. (<i>See also</i> Development programs, justification for.)		
Amount requested.....		107
Long-range planning.....		111
New studies.....		112
Obligation of mining companies to.....		110
Special research into.....		111
Mine subsidence. (<i>See also</i> Mine restoration and subsidence control.)		
Abandoned mines program.....		108
Appalachian area.....		110
Risk and protection research.....		116
Wilkes-Barre/Scranton area, expenditures.....		112
Pennsylvania anthracite area:		
Mine restoration projects, chart on.....		109
Program expenditures, chart on.....		108
Relief programs, communications in support of.....		117
Research and demonstration program.....		114
Whitehead, Donald W., statement.....		102

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS

Agencies, coordination between.....		69
Chester, Pa., 1971 flood, retroactive relief.....		118
Coastal emergencies. (<i>See</i> Flood control.)		
Corps of Engineers' response.....		68
Corps projects:		
Cowanesque Lake.....		82
Damages averted by.....	72,	76
Identification of, table.....		77
Tioga-Hammond Lakes:		
Request for.....		72
Susquehanna River, plan for control of.....		81
Cowanesque Lake project. (<i>See</i> Corps projects.)		

IV

	Page
Emergency fund:	
Amount available and projected use.....	82
Requirements.....	73
Flood control and coastal emergencies (Public Law 84-99).....	72
Grants and loans, communications relating to.....	117
Hurricane Agnes (<i>See also</i> Major disaster, declaration of.)	
Corps of Engineers' capability in area affected by.....	73
General statement on.....	68
Other storms, comparison with.....	75
Justification.....	65
Major disaster, declaration of (<i>See also</i> Hurricane Agnes).....	68
Relief effort:	
Administration of.....	74
Leadership in.....	74
Tioga-Hammond Lakes project (<i>See</i> Corps projects.)	
Wilkes-Barre, Pa. (<i>See also</i> Flood control and coastal emergencies.)	
Housing situation.....	69
Mobile homes installation schedule.....	70

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Agencies, coordination between.....	42
Water and sewer projects.....	41
Chester, Pa., 1971 flood, retroactive relief.....	118
Development facilities (<i>See also</i> Supplemental estimate (H. Doc. 92-325)).....	40
Economic Development Administration (<i>See also</i> Supplemental estimate (H. Doc. 92-325)).....	37, 44
Grants and loans, communications relating to.....	117
Hurricane Agnes, assistance to areas ravaged by (<i>See also</i> Supplemental estimate (H. Doc. 92-325)).....	39
Funds available for.....	43
Operations and administration (<i>See also</i> Supplemental estimate (H. Doc. 92-325)).....	41
Planning, technical assistance and research, additional amounts for (<i>See</i> Supplemental estimate (H. Doc. 92-325.))	
Program and financing. (<i>See</i> Supplemental estimate (H. Doc. 92-325.))	
Supplemental estimate (H. Doc. 92-325):	
Development facilities, additional amount for.....	30
Tables on.....	31, 37
Operations and administration, additional amount for.....	30
Tables on.....	36
Planning, technical assistance and research, additional amounts for.....	30
Tables on.....	33, 34, 35, 37
Program and financing, tables on.....	32, 36, 38
Project exemptions.....	40
Purpose and need, statements of.....	30, 33, 36
Technical assistance and research, planning (<i>See also</i> Supplemental estimate (H. Doc. 92-325)).....	41

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF EMERGENCY PREPAREDNESS

	Page
Administrative costs.....	17
Projected	19
Bridge replacement.....	15
Budget request.....	8
Chester, Pa., 1971 flood, retroactive relief.....	118
Damage assessment.....	16
Debris removal and road repair. (<i>See also</i> Federal Highway System, repairs to.).....	11
Disaster area States, funding required by.....	20
Disaster relief: expenditures and safeguards.....	10
Supplemental request for.....	1
Justification, data on.....	22
Expenditures. (<i>See also</i> President's disaster relief fund, use of.)	
Safeguards of.....	17
Administrative and operation.....	19
Federal Highway System, repairs to (<i>See also</i> Debris removal and road repair.)	10
Floods:	
Damage from:	
Gallup, N. Mex.....	8
Rapid City, S. Dak.....	8
Victims, housing for.....	4
Temporary facilities.....	11
Grants and loans, communications relating to.....	117
Health measures, preventive.....	16
House Document 92-325, pertinent data from. (<i>See also</i> Tropical Storm Agnes.)	1
Lincoln, George A., prepared statement.....	4
Loans and grants.....	16
Federal	14
Medical care.....	15
Office of Education: Program providing assistance. (<i>See also</i> School dis- aster damage.).....	14
Personnel	18
President's disaster relief fund, use of. (<i>See also</i> Expenditures.).....	10
Public buildings and facilities: repair and replacement.....	12, 14
School disaster damage (Public Law 874).....	13
Use of funds from.....	13
Tropical Storm Agnes (<i>see also</i> House Document 92-325, pertinent data from).	
Floods	8
Funds requested to aid victims of.....	4, 9, 11
Estimated expenditures by State and category, table.....	21
Unemployment and medical care.....	15
SMALL BUSINESS ADMINISTRATION	
Administration proposal. (<i>See</i> New legislation, disaster coverage under.)	
Agency recommendation. (<i>See</i> New legislation, disaster coverage under.)	
Attorney personnel, number of.....	59

VI

	Page
Chester, Pa., 1971 flood, retroactive relief.....	118
Claims, evaluation of.....	53
Contract appraisals.....	55
Impact of.....	63
Disaster :	
Coverage provided by.....	59
Loan fund.....	49
Offices.....	54
Earthquake damage loans.....	47
Fraud, possibility of.....	52
Los Angeles, claims in.....	58
Emergency supplemental. (See Supplemental estimate. (H. Doc. 92-325.))	
Excise taxes, unpaid, lien for.....	47
Flood insurance program :	
Coverage of.....	62
Extent of.....	57, 63
Federal.....	61
Grants and loans, communications relating to.....	117
Loans : (See also Supplemental estimate (H. Doc. 92-325.))	
Approvals, rate of.....	59
Portfolio.....	58
New legislation, disaster coverage under.....	60
Administration proposal.....	56
Agency recommendation.....	56
Forgiveness, table.....	60
House-passed.....	57
Proposed.....	47
OEP, monetary advance from.....	62
Restoration, OEP policy on.....	55
Salaries and expenses. (See also Supplemental estimate (H. Doc. 92-325.))	57
Supplemental, disaster coverage provided by. (See Supplemental estimate (H. Doc. 92-325.))	
Supplemental estimate (H. Doc. 92-325) :	
Disaster coverage provided by.....	59
Disaster loan fund.....	49
Loanmaking.....	49
Loan servicing.....	50
Emergency supplemental.....	53
Program and financing, table on.....	51

