

12K

July 9, 1972

MEMORANDUM FOR KEN COLE

SUBJECT: OPTIONS FOR DISASTER RELIEF

As a result of today's Task Force exercise, we have come up with four broad options, all of which require considerably more staff work. Option 1 could be used in conjunction with all others. Only Option 3 at high levels and Option 4 are mutually exclusive.

OPTION 1

Make maximum use of existing programs to divert funds into disaster area - see Whitaker memo for examples. Some of what we could do would be reasonably innovative and would bring about real improvement. The most eye-catching part of this package would be the dollar figure attached to the supplemental request. Our estimate is in the \$1.5 billion range.

Pro: 1. Relatively easy to implement

Con: 1. Is not a major new initiative in spite of substantial sums involved and does not create great political splash.

2. Does not solve problem of homeowner who ends up with double mortgage.

OPTION 2

Use urban renewal program for massive rebuilding of devastated communities. We have no cost estimate, although presumably it would run into several billions of dollars if a comprehensive job is to be done.

Pro: 1. Enables us to make people whole and still remove them from the flood plain. Solves double mortgage problem. Gives UR a mission.

Con: 1. Has "Great Society" image.

2. Is typical government-run program.

3. Relocation generates considerable local resistance.

OPTION 3

Increase SBA forgiveness feature and/or lower interest rate. If forgiveness is raised to substantial amounts, this becomes the equivalent to a massive grant program. We are staffing out forgiveness levels of \$5,000 and total loss (100% equity).

Pros: 1. Would be relatively easy to get through the Hill.

2. Administrative mechanism already in place.

3. At higher levels solves all individual and political problems.

Cons: 1. Creates helluva precedent. We would have a Federal grant program for every disaster, large or small. Best estimate is that this would add at least \$5 billion annually to the budget.

2. Provides no incentive for relocation. Would kill the flood insurance program.

OPTION 4

Retroactive and prospective flood insurance. The idea here is to distribute benefits to people in the same way they would have received them had they taken out flood insurance. At the same time, a requirement would be levied to force home owners generally to take out flood insurance to avoid a recurrence of the same situation. A fund of money would be made available (over a billion dollars) to pay for a percentage of the rehabilitation cost of homes (and perhaps small businesses). A deduction would be made for premiums that would have been paid. Incentive would be provided for those who move out of the flood plain. In addition, a penalty could be levied on those who remain. We would call for a state share but not make the flow of Federal funds contingent on it. Measures to force all home owners to take out flood insurance might include requiring it for eligibility for federally-insured loan programs and/or state legislation requiring insurance prior to granting building permits.

*- cutting payments
- where are the flood plains
red lining. (studies)*

For example, payment could be made for 65% of rehabilitation costs. A call can be issued for the state to provide an additional 35%. 3% would be deducted for retroactive premiums. A penalty of 10% would be applied if reconstruction takes place on the same location with a bonus of 5% if the owner relocates.

Pros: 1. Maintains insurance principle and may keep government out of permanent grant relief for disasters.

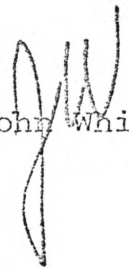
2. Provides best hope for long run solution to flood problems.

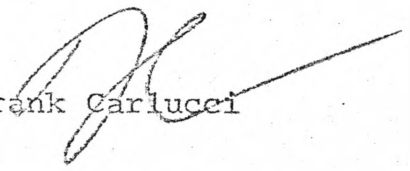
3. Is more consistent with Republican principles.

Cons: 1. Is obviously complex and will require more time to staff out. We don't yet know if it will work.

2. Unless State participates, could be underfunded.

Attached is a paper indicating what has been done to date. The number of mobile homes provided has risen since these data came in and will continue to accelerate.


John Whitaker


Frank Carlucci

July 9, 1972

The Federal Response to the Tropical Storm Agnes
Disaster Area

Tropical Storm Agnes has resulted in major disaster declarations for six States -- Florida, Virginia, West Virginia, Maryland, Pennsylvania, and New York. A total of 196 counties and 27 independent cities have been designated eligible for a massive program of Federal disaster assistance. More than thirty Federal agencies are providing direct or financial assistance to the flood-stricken communities and to affected individuals and business concerns.

The President's Office of Emergency Preparedness is charged with the responsibility for directing and coordinating the overall Federal response. OEP presently is operating ten field offices, sixty-three individual assistance centers, and thirteen mobile teams, staffed by appropriate agency officials, to assure that flood victims receive the Federal help that is available and to which they are entitled. In the most heavily affected State -- Pennsylvania -- over 200 different relief offices have been opened by OEP, SBA, DHUD, Agriculture, Labor, and the Corps of Engineers (COE).

On Saturday, July 1, 1972, President Nixon signed a \$200 million emergency funding bill which assures immediate Federal financial support for the disaster area. More than \$113 million already has been allocated to the flood-stricken States from the President's Disaster Relief Fund. This represents only a portion of the total Federal aid which will be supplied. Preliminary estimates place the projected overall Federal assistance on the order of \$2 billion. In addition, it is estimated that the six-State area will receive approximately \$300 million in income tax rebates, exclusive of the rebates which have not been estimated as yet for agricultural damage.

In the period during and immediately following the flooding, Federal efforts were geared to supporting the local, State, and voluntary organizations in meeting immediate emergency needs -- to shelter and feed flood victims and workers, to restore power and water and other essential facilities and services. Relief and recovery efforts have proceeded rapidly and the States less hard hit (Florida, Virginia, Maryland, and West Virginia) are substantially back to normal operations.

Current estimates indicate that thousands of families will require temporary housing. DHUD, under an OEP mission assignment, is taking applications for temporary housing, surveying available housing, purchasing mobile homes, and already has housed over 430 families. This housing, available rent free for up to a year for those whose homes were destroyed or seriously damaged by the floodwaters, will cost more than \$75 million.

The Small Business Administration (SBA) to date is furnishing disaster loan service for individuals and businesses with flood losses. To date, SBA has accepted 4,236 home applications totaling nearly \$18 million and 291 business applications totaling over \$14 million. To speed funds to loan applicants, SBA has loan certifying officers at centers in the disaster areas and Treasury officials are writing checks for the approved loans on the scene. Total SBA loans are expected to provide over \$1 billion to the more than 115,000 homeowners and small businessmen hard hit by this flood.

The U.S. Department of Agriculture has provided over \$2.3 million in food stamps and estimates emergency loan requirements and other assistance programs over \$270 million.

The Corps of Engineers has been tasked by OEP with broad responsibility for emergency work and is well under way, working from 23 new field offices on tasks including debris clearance and repairing or rebuilding roads, bridges, sewer systems, or other public facilities. This assistance will exceed \$300 million.

Other Federal agencies have been very active throughout the disaster areas. The Department of Labor, working through State Employment Security Agencies, is making unemployment assistance payments to those who have lost their jobs due to the flooding. The Social Security Administration has set up emergency drops for beneficiary checks to persons who have lost postal service. The Department of Health, Education, and Welfare is dispensing drugs and other medical supplies to replace those lost or damaged. The Federal Reserve System has established methods to facilitate the accommodation of credit needs for reconstruction and rehabilitation purposes. Internal Revenue Service representatives, in the individual assistance centers, are providing counseling service on tax problems.

These are but a few examples of the types and nature of emergency Federal assistance available in the disaster areas. In the meantime, attention is also being directed to what additional programs and funds can be utilized for the social and economic development of the disaster areas. OEP is working with the Federal Regional Councils on these longer-range recovery actions. A special White House industry task force has been established to consider and recommend planning and development funds for the areas affected by the disaster.

In summary, a great deal has been accomplished in the short time since the disaster struck. A great deal remains to be done, but the Federal team effort is off to a fast start.