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82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT  
1st Session } No. 1092

REHABILITATION OF FLOOD-STRICKEN AREAS

OCTOBER 3, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. NORRELL, from the Committee on Appropriations, submitted the following

REPORT

[To accompany H. J. Res. 341]

The Committee on Appropriations submits the following report in explanation of the accompanying joint resolution making appropriations for flood disaster relief and rehabilitation.

The Committee has considered at length House Document No. 228, a message from the President of the United States relative to the recent flood disaster suffered in the Middle West and a budget request of \$400,000,000 for relief and rehabilitation in this disaster area. The President in four official declarations has defined the flood disaster area to include the States of Kansas, Missouri, Oklahoma, and certain counties in Illinois.

A special subcommittee held thorough and extensive hearings on this appropriation request beginning on Wednesday morning, September 19, 1951—less than 48 hours after all of the justifications and other supporting information required by law were received—and ending on Wednesday, September 26, 1951, after all who had requested to testify had been heard. Witnesses included the personal representative of the Director of the Office of Defense Mobilization, the Secretary of Agriculture, the Administrator of the Housing and Home Finance Agency, the Deputy Administrator of the Reconstruction Finance Corporation, and members of their respective staffs; the Governor of the State of Kansas and the official representatives of the governors of the States of Missouri, Oklahoma, and Illinois; interested Members

of Congress; the General Counsel of the National Board of Underwriters and the Executive Vice President of the America Fire Insurance Group of New York.

There is no question whatsoever in the minds of the Committee as to the seriousness and magnitude of the disaster or the suffering and damage which resulted from this flood. The loss to home owners, farmers, business and industry, and government is estimated at approximately 2½ billion dollars, and it is impossible to place any monetary value on the suffering and anxiety of victims of the flood. Among the most tragic losses are the completely destroyed or seriously damaged 45,000 urban and rural homes, crop losses, and the damaged farm lands, part of which can never be put back into production.

Many Federal agencies including the Department of Defense, the Corps of Engineers and the Coast Guard, moved into the disaster area with such speed that the loss of life among some 385,000 persons displaced by the flood water was remarkably low.

Altogether, more than 60 Federal agencies rendered assistance during the emergency, and all are providing rehabilitation assistance. This assistance embraces a wide variety of activities ranging from evacuation of the flood victims, distribution of food and medicine during the peak of the emergency and providing temporary housing, to furnishing of unemployment insurance and placement service to unemployed victims.

On July 18, 1951, Congress appropriated \$25,000,000 for direct relief in the disaster area, which amount has been supplemented by \$800,000 from the emergency funds of the President. The status of these funds on September 24, 1951 is as follows:

Total funds available.....		\$25, 800, 000
Amounts allocated to date:		
To Kansas for clean-up and rehabilitation.....	\$7, 075, 000	
To Missouri for clean-up and rehabilitation.....	2, 525, 000	
To Oklahoma for clean-up and rehabilitation.....	225, 000	
To Housing and Home Finance Agency for temporary housing.....	4, 250, 000	
To Department of Agriculture for livestock feeding.....	1, 000, 000	
To Federal Security Agency for medical and sanitary services.....	228, 600	
		<u>15, 328, 600</u>
Unallocated balance.....		<u>10, 471, 400</u>

The following additional requests for allocations are pending:

Requested by Corps of Engineers.....	\$2, 800, 000
Requested by State of Kansas.....	8, 000, 000
Additional temporary housing.....	750, 000

Total requests pending..... 11, 550, 000

The Committee recommends the following with respect to the various items covered by the estimate:

1. Appropriation of an additional \$18,440,000 to the regular activities of the Department of Agriculture for restoration of productive capacity of farms through clearing sand, water, and

debris from flooded lands, reestablishing pastures, stock water facilities, terraces and other conservation measures, and clearing tributary streams and waterways.

2. Appropriation of an additional \$30,000,000 to the Disaster Loan Revolving Fund of the Farmers Home Administration of the Department of Agriculture to provide funds to replace or repair farm homes, buildings, equipment, furnishings, livestock, etc. This will supplement \$13,000,000 now available from the Disaster Loan Fund, plus \$14,100,000 available from the regular FHA lending programs.

3. Appropriation of an additional \$5,000,000 for disaster relief activities to supplement the \$25,800,000 previously appropriated. This additional amount will be available for direct relief and rehabilitation activities in the area under the provisions of Public Law 875, Eighty-first Congress.

4. Increase of the limitation on RFC disaster loans from \$40,000,000 to \$100,000,000 to provide funds to rehabilitate business and home owners, and extension from 10 to 20 years of the time limit fixed by law on loans for acquisition or construction of housing. This will enable the RFC to make liberal loans to home owners whose property was destroyed or damaged by the flood and thereby restore their equity to the extent that they will be placed in position to obtain additional credit if needed from regularly established institutions that finance home construction.

The Committee believes that these recommendations will fully meet the needs of all classes of victims in the area—the farmer, the home owner, and the businessman. They represent a carefully worked out arrangement which will (1) make adequate credit available to all individuals and business concerns on the most liberal and generous terms through the Farmers Home Administration and the Reconstruction Finance Corporation; (2) restore the productivity of both agriculture and industry in the area; and (3) provide in excess of \$30,000,000 for relief activities and immediate rehabilitation assistance for the more destitute victims.

Subsequent to the submission of House Document 228 to the Congress on August 20, 1951, Public Law 139 was enacted, which authorizes the Federal National Mortgage Association to make advance commitments up to two hundred million dollars to purchase certain eligible mortgages including those covering housing for victims of a major disaster. The Association has allocated twenty five million dollars of this authorization for housing in the disaster area which will come from the fifty million dollars of purchasing authority that the Association reserved out of its general mortgage-purchasing authority in August of this year for housing for victims of the flood disaster.

With the funds provided in the accompanying resolution, together with amounts already available through presently authorized pro-

grams in existing agencies, total financial aid will be available to the disaster area as follows:

	Estimate	Recommended or otherwise available
Aid to farmers:		
On-farm assistance.....	\$16,480,000	\$10,480,000
Grants to farm families.....	1,750,000	
Restoration of streams.....	1,960,000	1,960,000
Indemnities.....	34,810,000	
Indemnities to home owners.....	60,000,000	
Indemnities to business and industry.....	75,000,000	
Disaster relief.....		30,800,000
Farm credit, Farmers Home Administration.....	30,000,000	57,100,000
Home owners' credit, Housing and Home Finance Agency.....	35,000,000	50,000,000
Commercial and industrial credit, Reconstruction Finance Corporation (also available to farmers and home owners where needed to supplement other specific programs).....	95,000,000	101,250,000
Flood insurance revolving fund.....	50,000,000	
Grand total.....	400,000,000	257,500,000

#### FLOOD DISASTER ADMINISTRATION

The President's message proposed the establishment of a new agency to be known as the Flood Disaster Administration to administer the program. This was to be a small policy and control body which would coordinate the activities of the various Federal agencies for which funds were requested in the estimate. After a careful study of all problems involved in such an arrangement, the Committee recommends that the additional funds required to meet this problem be made available to the regular existing agencies of Government to supplement appropriations for regular activities now available in the disaster area.

The Committee was confronted with a most unsatisfactory and inadequate presentation of the entire proposal. At the time the estimate was submitted to Congress, August 20, no one was able to furnish any breakdown of the proposed appropriation of \$400,000,000 among the various purposes described in the general language of the estimate. This breakdown was not supplied until September 14, and then on an incomplete basis. On September 17, nearly a month after submission of the estimate, final data was submitted. Even then, however, it was wanting in many details, and agencies of the Government to which phases of the program were to be assigned were not informed as to what work they were to undertake nor as to what was expected of them in presenting material to the Committee. Some matters still remain unexplained, and the Committee is not yet informed as to which agencies would handle certain programs for which the Congress is requested to appropriate many millions of dollars.

The officials of the Office of Defense Mobilization, charged with responsibility for presenting the estimate and the President's program to the Committee were not fully informed as to what facilities for relief and rehabilitation were available in existing agencies of the Government under current law and the Committee found it necessary to get such information, in large part, direct from the agencies concerned. For example, in requesting additional authority and funds to be expended through the Reconstruction Finance Corporation, Mr.

Howse testified (p. 70 of the hearings) that the Reconstruction Finance Corporation "have certain legislative restrictions on their authority" whereas Mr. Bukowski of the RFC testified (p. 70 of the hearings) that not a single application for loan to date—and 840 applications have been approved—has been rejected because of legislative restriction. It was finally developed by the Committee that the RFC needed no change in its law except to extend the time for repayment of housing loans and this fact was brought out through inquiry by the Committee after the hearings had been concluded.

Testimony definitely established the fact that there is no legal authority for the appropriation of \$400,000,000 to a new and separate agency, as proposed in House Document 228. Therefore, the recommendations of the Committee are limited to the provision of funds to those agencies for which basic authority presently exists.

The Committee has been assured by the agencies concerned that the appropriations and increased authority recommended in the accompanying resolution are sufficient to enable them to expand during this emergency their presently authorized assistance and rehabilitation programs to meet the major needs of the disaster area on the basis of their present operations.

#### INDEMNIFICATION

The budget request includes a proposal to indemnify flood victims for physical loss of or damage to tangible real or personal property up to 80 percent of the amount of such loss, provided that the amount to be paid any one person submitting such a claim does not exceed \$20,000. The Committee heard considerable testimony on this recommendation, and after careful deliberation has not approved it for several important reasons.

Congress has never appropriated funds for indemnities such as have been proposed here in any previous disaster of this kind, and no legislation has ever been enacted by Congress authorizing such appropriations. This would be a major departure from the present concept of Government and, therefore, must be given more extensive study than is now possible under emergency conditions that demand prompt action on the part of the Congress. The Committee believes that the approval of the proposed indemnification program would commit the Federal Government to a new concept of Federal responsibility which would result in an almost unlimited number of claims from victims of every "Act of God" disaster throughout the country regardless of the type or size of the disaster. The financial implications inherent in such an action would be enormous.

The testimony developed the fact that the plans for putting such an indemnification program into effect were far from complete. None of the operating agencies concerned with the rehabilitation of the disaster area participated in the preparation of the estimate for this part of the budget request. At the time of the hearings the responsibility for administering the program had not been assigned to any agency, although the Reconstruction Finance Corporation was mentioned as a possibility in spite of the fact that this agency had not been advised of even the major details of the proposed program. None of the witnesses was able to give the Committee any satisfactory information with which it could evaluate the conditions and manner in which indemnification payments would be made.

The President stated in his message that his request for the emergency appropriation was based upon two factors: first, the humanitarian aspects of the disaster; and second, the need to restore the area to full production as rapidly as possible in view of the current defense effort. Yet, the principal witness, Colonel Howse, testified that indemnities would be paid principally to those flood victims who contribute directly to the defense effort, and that persons who suffered losses but were not connected with the defense effort would not be eligible for such indemnification, regardless of their need (p. 230 of the hearings).

No plans were submitted to the Committee in support of the proposed program of private debt adjustment, although this was presented as an important part of the justifications. Neither did the Committee receive any enlightenment on the manner in which relocation in areas not subject to recurring floods would be carried out.

#### FLOOD INSURANCE

The third part of the budget request contemplates the establishment of a government administered nation-wide flood insurance program for which an initial appropriation of fifty million dollars was requested.

The Committee has considered this proposal in unusual detail because of the far reaching effects, financial and otherwise, which could result from the inauguration of such a program. In testifying in support of this request, Colonel Howse admitted that no definite plans of any kind had been formulated, although he stated the matter was being investigated by the insurance companies.

In order to obtain first hand and complete information on the subject, the Committee devoted the last day of its hearings to a discussion of the flood insurance proposal with the General Counsel of the National Board of Fire Underwriters and the Executive Vice President of the American Fore Insurance Group of New York who is also chairman of a special committee of the Insurance Executives Association formed to study the problem of flood insurance or flood damage coverage.

In their testimony these witnesses discussed the following problems and difficulties which the Committee is convinced must be resolved before any flood insurance program such as is proposed here could be carried on successfully.

Property insurance of any kind is based upon the principle that the contributions of the many take care of the losses of the few. The reason why insurance companies have not been able to write insurance to protect property owners from flood damage throughout the country is that experience has indicated that flood insurance is sought only by those who are exposed to floods. Consequently, it is not possible to spread the risk sufficiently to avoid such high premiums, if the program is to be self-sustaining, that a property owner in the "danger area" would prefer to take his own risk.

The average annual losses from flood damage in the United States have been estimated anywhere from 100 to 500 million dollars, depending upon the definition of "flood damage". The estimated property loss in the "Kansas-Missouri Flood" is 2½ billion dollars or about equal to the total value of the free assets of the stock insurance companies which write property insurance in this country. Losses of

these proportions immediately raise the question of the adequacy of the fifty million dollars requested—or even 500 million dollars.

When asked what the results would be if the Federal Government were to require insurance companies to include flood coverage with other types of insurance, one of the witnesses pointed out that there are about 3,600 mutual insurance companies in the United States that confine themselves to intrastate business, and that these companies would write flood insurance only in those areas where there is a demand for such coverage. He stated further that, were the large stock companies which write insurance on a nation-wide basis required to write flood insurance, their rates would be loaded to the extent that they would be priced out of the market entirely whenever they came into competition with these small mutual companies, with the result that such a requirement would upset the entire insurance business industry.

COMPLIANCE WITH RULE XIII—CLAUSE 2 (A)

The following is submitted in compliance with clause 2 (A), of rule XIII:

(Pending Resolution)

On page 3, lines 8 to 16 inclusive, in connection with the Reconstruction Finance Corporation:

*Section 4 (c) of the Reconstruction Finance Corporation Act, as amended, is hereby amended by striking out "\$40,000,000" and inserting in lieu thereof "\$100,000,000": Provided, That any loan, including renewal or extension thereof, under section 4 (a) (4) of such Act for acquisition or construction (including acquisition of site therefor) of housing for the personal occupancy of the applicant, may be for a period of not to exceed twenty years.*

(Present Law)

SEC. 4 (c) The total amount of investments, loans, purchases, and commitments made subsequent to June 30, 1947, pursuant to section 4 shall not exceed \$1,500,000,000 outstanding at any one time: *Provided*, That the aggregate amount outstanding at any one time shall not exceed (1) under subsection (a) (4) \$40,000,000, (Acts of May 25, 1948 and June 29, 1948)

SEC. 4 (b) (2) No loan, including renewals or extensions thereof, may be made under sections 4 (a) (1), (2), and (4) for a period or periods exceeding ten years and no securities or obligations maturing more than ten years from date of purchase by the Corporation may be purchased thereunder: (Act of May 25, 1948)

