THE WHITE HOUSE

WASHINGTON

April 6, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Background Information - Kansas

In preparation for your upcoming trip to Kansas, we have compiled the following information from the various Cabinet Agencies and Departments.

"HOT ISSUES"

- **Treasury - Earned Income Tax Credit (EITC):** When fully phased in, the expanded EITC will benefit an estimated 117,000 Kansas families with children -- over 17 % of all the families in the State. In addition, childless workers will be eligible for the benefit for the first time. The attached chart sets forth the impact of the EITC by Congressional District in Kansas.

- **Treasury - Rural Electric Cooperatives Repricing:** The Treasury Department developed a program to reprice existing Federal Financing Bank loans to rural electric cooperatives through he Rural Electrification Administration. Under this program, Kansas rural electric cooperatives were able to reprice over $10 million in debt, lowering their interest rate from 9.4% to 6.1%.

- **Defense - Acquisition:** Kansas ranks 31st in DoD procurement spending with over $558 million in spending in FY'93. The State's top five contractors are Boeing, McDonnell Douglas, Raytheon, The Law Company, and Z.G. Holding Corp. A total of 39,878 military, civilian and other personnel are employed on Kansas military bases.

- **Defense - Reserve Affairs (Deactivations):** Kansas experienced well above average losses during the period FY'89-'93, losing 20% of its National Guard and Reserve personnel slots. The State will not experience any further FY'94.

- **Defense - BRAC '95:** The Kansas Delegation, led by Congressmen Glickman and Slattery, have expressed their concerns that Ft. Riley's size may make it a candidate for closure in the 1995 BRAC. Congressman Slattery has obtained a commitment from Secretary of the Army Togo West to visit Ft. Riley, where 18,611 are employed.

- **Commerce - Minority Business Development Center (MBDC):** The MBDC in Kansas City, Missouri (which serves individuals in both Kansas and Missouri) has facilitated almost $1 million in loans and $2.4 million in procurement contracts for their minority clients in FY'93.

- **Commerce - Mid-America Manufacturing Technology Center (MAMTC):** The MAMTC in Overland Park is the leader of a National Institute of Standards and Technology- managed Technology Reinvestment Project (TRP) development technology award.

- **Commerce - EDA Grants:** The EDA reserved a $260,000 Public Works grant and a $52,100 Bonus Grant for the Bourbon County Economic Development Council, City of Fort Scott. This grant will provide the necessary infrastructure to expand the Fort Scott Industrial Park from 62 acres to 179 acres. **This grant is not yet ready to be announced or discussed.**

- **Labor - School-to-Work:** Kansas was awarded a School-to-Work planning grant of $220,000 in February 1994. Senator Kassebaum opposed both the School-to-Work legislation and Goals 2000.

- **Labor - Re-Employment:** The Re-Employment Act recommends that consolidation of six DOL Employment and Training Programs. Senator Kassebaum will not co-sponsor the REA. This is having a negative impact on attempts gather support among Republicans.

- **HHS - Medicaid Copayment Issue:** The Kansas Medicaid Program and the Department have been sued by several Kansas hospitals and one beneficiary over the State's increase in its Medicaid inpatient hospital copayment from $25 to $325. The Federal District Court in Topeka denied an injunction to the plaintiffs and they have appealed to the Circuit Court in Denver. The Department has requested information from the State as to how it arrived at the $325 figure. No decisions are expected before June.

- **HHS - Competitive Bidding Waiver:** Kansas has request approval of a proposed two-year freedom of choice waiver program to use competitive bidding in selecting the most cost effective and efficient providers of nursing facility services. The waiver would require Medicaid recipients to obtain those services from less costly nursing facilities due to competitive bidding under the waiver. Senator Kassebaum, Representative Glickman and many nursing facility individuals have written to the

Department to express concern that access to care and quality of services would diminish under the proposed waiver. The request must be approved or disapproved by June 26, 1994.

- **HHS - Welfare Reform:** Kansas has developed a welfare reform initiative called "Actively Creating Tomorrow" which is currently under consideration by the Kansas Legislature. The initiative consists of 30 changes to the State's programs that are meant to improve the focus and administration of the State welfare system. It will not be submitted to the Department until it passes the Legislature.

- **Transportation - Aviation Equipment:** Topeka has been the world's leader in manufacturing general aviation equipment. This industry has seen tremendous cutbacks over the last 15 years, primarily due to the lack of strong product liability laws. Senator Kassebaum sponsored the General Aviation Act of 1993, adopted by the Senate. This bill provides for an 18 year Statute of liability for general aviation manufacturers. Similar legislation has been introduced by Congressman Glickman.

- **Transportation - Corporitization of Air Traffic Control:** Forbes Field in Topeka will begin to contract for services as a low level Flight Rules tower operator in the next three years. This is in response to the National Performance Review's recommendations to the FAA. The National Air Traffic Controllers Association (NATCA) has filed suit against the FAA to block agency contract to block these efforts, claiming the initiative violates federal procurement laws. NATCA claims that contracting out is an effort to prevent former union members from being rehired.

- **Interior - Kansas Department of Wildlife and Parks:** Grants to this Kansas department are in danger of being cut off in 1995 because of an unauthorized diversion of license feeds paid by hunters and fishermen from 1989 - 1992. A Interior Inspector General audit showed the department had diverted funds to unapproved state programs. To regain eligibility for Federal funding, the department must repay over $3 million to two state programs.

- **Agriculture - Flood Assistance:** As of March 31, 1994, USDA has awarded $111.1 million to Kansas in emergency assistance to help in the recovery from flood and crop damage. With the additional money from the emergency supplemental appropriation, USDA believes it will be able to repair all *major* levees in Kansas damaged in last year's flood.

- **Agriculture - Health Care:** Last year, the Community Hospital of Onaga, Kansas received a $498,000 grant from the Rural Electrification Administration Learning and Medical Link Program. The grant helped four rural communities expand the medical information link with St. Francis Hospital in Topeka. The system will provide for the sharing of clinical records, toxicology information and distance medical consultation and education.

- **Energy - Oil and Gas:** Kansas is the seventh largest producing state in the country and more than 90% of the wells in the state are "marginal," i.e, producing only 2-3 barrels a day. The entire Kansas delegation signed the letter to the President from 118 Members requesting a meeting with the President to discuss problems with the industry. The Members are most interested in the development of incentives to assist the industry in reducing the costs of exploration and production.

- **Education - School Desegregation:** Later this month, a U.S. District Court judge will face two proposals to better integrate the Topeka school system. (Just under a year ago, the U.S. Supreme Court ruled that unlawful segregation still exists in Topeka.) The proposals reject traditional methods such as busing and focus on magnet schools or a "cluster" system in which parents select schools for their children in a designated cluster.

- **EPA - Fort Reilly:** This base, located in Junction City, may be slated for closing. The base has been placed on the Superfund National Priorities List because of past industrial uses and is undergoing a joint clean up by the Army, EPA and state agencies. Some community members have expressed concern that the clean up will stop if the base closes. EPA has committed to completing the clean up not withstanding the DoD decision.

- **Veterans Affairs - Veteran Suicide in Topeka:** On April 1, 1994, veteran Arthur Clark committed suicide in the Topeka, Kansas VA Medical Center. News reports cited delays in veterans benefits as a cause of his suicide. The Department has investigated his record which indicates that he received 100% compensation for psychiatric disability and that he had not corresponded with the Department regarding benefits delays or anything else since March, 1992. The Department can find no substantiation for the newspaper reports.

GRANTS

- **HHS - AIDS:** Kansas will receive $605,000 under the Ryan White Care Act this year.

- **HHS - Immunization:** Kansas received $3 million to support "Operation Immunize," its aggressive statewide campaign. During National Infant Immunization Week, later this month, 78 counties will cooperate to sponsor free immunization clinics.

- **HHS - Head Start:** In FY'94, Kansas will receive funding increases totalling $3.7 million, resulting in an FY'94 funding level of $21.6 million.

- **HUD - Community Development Block Grant (CDBG):** The Department awarded $21.3 million to the State and $2.6 million to Topeka in FY'94 in CDBG grants which are used for a wide variety of community development activities.

- **HUD - HOME Investment Partnerships:** The Department provided $5.6 million to the State and $555,000 to Topeka in FY'94 in HOME grants which are given to state and local governments for housing rehabilitation, renovation and construction.

- **HUD - Emergency Shelter Grants:** The Department provided $661,000 to the State and $69,000 to Topeka in these grants which are used for the renovation, rehabilitation and conversion of buildings for use as emergency shelters.

- **Agriculture:** During FY'93, USDA spent over $1.4 billion in Kansas. In FY'94, both the Food and Nutrition Service and the Farmers Home Administration will spend significantly greater amounts of money in the State.

- **Energy:** During FY'93, DOE spent over $7 million in financial assistance awards and almost $900,000 in procurement awards.

- **Education:** In FY'93 Kansas received approximately $139 million in Federal education grants. The FY'94 estimate is for $152 million.

- **EPA:** Kansas will receive over $17 million in water infrastructure grants in FY'94. In addition, the State will receive approximately $6 million for other environmental programs.

TRAVEL

- **Labor:** In 1993, to promote School-to-Work, Secretary Reich visited a Cessna plant in Wichita where students are studying aircraft maintenance and repair.

- **HHS:** Secretary Shalala travelled to Kansas last week to promote the Health Security Act. She attended a health care forum with Representative Slattery and toured the Onaga Community Hospital with Representative Glickman on March 29 and 30.

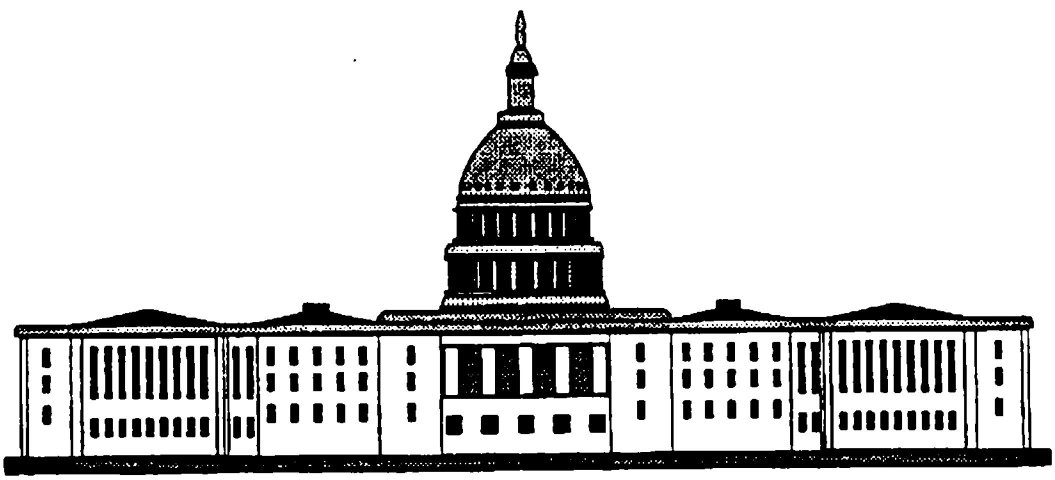
- **Agriculture:** Secretary Espy has visited Kansas three times in the last three months: in February as a guest lecturer at Kansas State; last week as the keynote speaker at the Mid America Dairyman Annual Convention in Kansas City; and, yesterday, he toured a levee site outside of Kansas City damaged in the flood.

- **Energy:** Secretary O'Leary visited Kansas in February to address the state Democratic Convention and participate in events with Congressman Glickman and Congressman Slattery.

- **Education:** Secretary Riley was in Wichita in January to visit a school and to promote Goals 2000 with Senator Kassebaum (who subsequently voted against the bill).

Estimates of the Earned Income Tax Credit By Congressional Districts

July 29, 1993



Office of Economic Policy
Department of the Treasury

Estimation Procedures

Estimated Distribution Across Congressional Districts of Earned Income Tax Credit Recipients and Amounts

The following district-by-district analysis provides an approximate estimate of how many families with children in each Congressional district will receive the Earned Income Tax Credit (EITC) once the President's proposal is fully phased-in. The estimate does not include the seven million American workers without dependent children who would be eligible under the President's proposal.

The distribution across Congressional districts of EITC recipients and amounts was estimated with the following steps:

1. The Office of Tax Analysis, Department of the Treasury, has estimated the following national totals for 1994 for the current-law EITC and the President's proposal (fully phased in 1994 levels):

	Families	Childless Workers	Total
Current Law			
Recipients	14 million	NA	14 million
Amounts	$19.1 billion	NA	$19.1 billion
President's Proposal			
Recipients	15 million	7 million	22 million
Amounts	$25.4 billion	$1.3 billion	$26.7 billion

2. We allocated the totals for families by state, using the distribution across states of recipients and amounts in tax year 1991 from *SOI Bulletin*, Spring 1993.
3. We distributed the state estimates (for both families and amounts) across Congressional districts according to the proportion of the state's nonelderly (householder under 65) households with incomes under $25 thousand residing in that district (as of the 1990 Census).

Caveats: The Congressional district estimates do not include the number of low-income workers without children that would receive the credit or the amounts they would receive. Since the proposed credit for childless workers is new, there are no historical data on which to I district-by-district estimates for these workers.

All state totals are assumed to grow at the same rate as the national total between 1991 and 1994. Consequently, variations across states are rooted in the 1991 distribution.

These data on the number of EITC families and payment amounts by Congressional district somewhat overstate the number of recipients in metropolitan districts. This is because the proportion of poor households with earnings is higher than average in rural areas and somewhat lower than average in cities.

Office of Economic Policy, Department of the Treasury

Kansas

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Pat Roberts	35.0	56.5	20.6
2	Jim Slattery	32.2	52.0	19.9
3	Jan Meyers	22.0	35.5	13.4
4	Dan Glickman	28.3	45.7	16.7
Total		*117.4*	*189.7*	*17.7*

1993 FLOODS: REPORT

SUMMARY OF STATE ACTIVITIES THROUGH OCTOBER 15

STATE	TOTAL FUNDS	EXPENDITURES TO DATE (THRU 9/30)	CURRENT ENROLLMENTS IN TEMPORARY JOBS	ENROLLMENTS TO DATE	COMMENTS
ILLINOIS	$10,000,000	$844,922	569	694	Additional worksites and participates being identified
IOWA	$15,000,000	$562,376	571	709	Standing water preventing work in certain areas
KANSAS	$10,000,000	$45,600	128	128	Worksites and participants being identified
MINNESOTA	$5,000,000	$565,885	437	1,046	State monitoring of projects has begun.
MISSOURI	$15,000,000	$506,161	529	640	Rain and standing water delaying projects
NEBRASKA	$3,000,000	$41,128	57	59	Substate grantees are receiving very few project requests
NORTH DAKOTA	$2,000,000	$21,386	32	42	75 worksites have been identified ; additional rain causing problems
SOUTH DAKOTA	$3,100,000	$35,020	54	65	Outreach efforts are continuing and project sites are being added
WISCONSIN	$1,500,000	$28,529	55	60	Work has begun at 9 sites
TOTALS	**$64,600,000**	**$2,651,007**	**2,432**	**3,443**	

MEMORANDUM

State of Missouri
OFFICE OF ADMINISTRATION

TO: Dick Hanson

FROM: John Boehm

DATE: September 21, 1993

RE: Flood Response

The following information concerning flood response efforts involves only the divisions in OA that did emergency work or experienced flood related expenses. I understand Budget and Planning's flood response efforts will be communicated in a separate memo.

Our relations with the federal government have been through the State Emergency Management Agency (SEMA) and have dealt primarily with applying for public assistance for flood related expenses.

> Question #1. OA has met with SEMA representatives and will be meeting with FEMA concerning public assistance funding. At this point in that process there have been minimal problems.
>
> Questions #2 & #3. We have not experienced difficulty in getting answers or receiving inconsistent information.
>
> Questions #4. Capital Improvement projects will be delayed as a result of loaning D&C personnel to SEMA for estimating flood related damage.

Our contact with the federal government has been minimal and would not be an appropriate gauge ~~on~~ of their effectiveness in dealing with flood related issues.

JB/ds

TO: Dick Hanson
FROM: Mark Ward
DATE: September 22, 1993
RE: Flood Response

I have several concerns relating to federal agencies and the flood response effort and have listed them in priority order:

1. Public Assistance for State Facilities

At a public assistance meeting held by FEMA and SEMA for state agencies, FEMA officials (in response to direct questions about Renz) informed the state that flood-damaged facilities relocated out of the flood plain would qualify for 90% of the federal share of public assistance required to rebuild the facility in the current location. No mention was made of a deduction for what would have come from insurance. Further research with FEMA reveals a federal regulation (Attached Section 206.252 of 44 CFR Chapter 1) that deducts hypothetical insurance proceeds for "insurable buildings". We need clarification or possible waiver.

2. Levy Repair

A single, consistent federal response is needed to questions regarding levy repair funding available through the Corps of Engineers, ASCS and FEMA's public assistance program.

3. Public Assistance and Individual and Family Grant Estimates

A routinized, periodic updating and sharing of estimates and projections of PA and IFG costs would be very useful but seems to be lacking. Information needs to be shared with SEMA and OA Budget and Planning.

4. Macro and Regional Economic Forecasting of Disaster Affects

No assistance was available from the Department of Commerce despite advertised services and presumably the presence of vast forecasting resources.

TIMOTHY D. DAWSON
Director
APPROPRIATIONS COMMITTEE STAFF
ROOM B-8 STATE CAPITOL
JEFFERSON CITY, MO 65101

MISSOURI SENATE

MEMORANDUM

TELEPHONE
(314) 751-2893
FAX
(314) 751-2745

TO: Senator Steve Danner

FROM: Steve Dinolfo

SUBJECT: Federal Funds to Move Renz Correctional Facility From the Flood Plain

DATE: September 21, 1993

Per your request, I am preparing this memorandum in an attempt to clarify the amount of federal monies available if the Renz Correctional Facility is moved from its current location to a new location outside the flood plain. There are two types of federal projects that could be used to ameliorate the Renz situation. These two types of projects are called "improved projects" and "alternate projects." I have included a copy of the Code of Federal Regulations (CFR) which describes these two types of projects as attachment "B."

Improved projects allow improvements to or design changes to a disaster-damaged facility. This type of project would not apply since the state is vacating the Renz facility.

Alternate projects allow the state to receive the 90% of the 90% federal match funds for work not approved in the Damage Survey Report (DSR). The project may only be approved if the " facility represents excess capacity for the service it was providing or is no longer needed for some other reason."

Presently, the Department of Corrections has filed a "Notice of Intent" (NOI) with the Federal Emergency Management Agency (FEMA). An assessment of the damage must yet be prepared and put in the form of a DSR and then be submitted to FEMA. Figures within the DSR can change and are not necessarily the final cost approved for the project. Damage Survey Reports for state facilities will not be performed until FEMA finishes the local governments' assessments.

The estimate of the amount of federal funds the state will receive if we move Renz from the flood plain ranges from $5.4 to $6.5 million; however, I have been unable to find out if this figure has been reduced by the amount of flood insurance proceeds for the property and contents of the Renz facility. It appears the CFR requires this amount to be deducted from the amount of public assistance received. I have provided a copy of the CFR as attachment "B." Also, below is a brief summary of this section of the code.

According to §206.252 (a), of the Code of Federal Regulations, there are insurance requirements for facilities damaged by the flood. To summarize this section of the federal code, the amount of public assistance will be reduced by the amount of the insurance proceeds which would have been received if the building and its contents were fully covered by a standard flood insurance policy.

If the public assistance funds are reduced by the amount of insurance proceeds that would have been received for the damage to Renz, the amount received could be less than the $5.4 to $6.5 million originally anticipated. At this time I have been unable to find anyone who will verify this. When I find out how this will affect the amount of federal funds the state will receive, I will contact you.

If you need additional information, please contact me.

rab

NATIONAL GOVERNORS' ASSOCIATION

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Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

NGA FAX TRANSMISSION FORM

DATE: 10/5/93

TO: Kathi Way

FAX NUMBER: 456-7028

FROM: **MARGARET SIEGEL**

202-624-5340 (Commercial)

202-624-5313 (fax)

NUMBER OF PAGES: 4 **(including this page)**

REMARKS: DOB list
my last memo summarizing last meeting

PLEASE CALL JACKIE HALL AT 202-624-5341 WITH ANY PROBLEMS.

InterOffice Memo

To: Phil Smith, Kathee McCright, Mary Sheehy, Terri Moreland/Maureen Crocker, Jill Friedman, Tom Litjen, Carol Olson, Kelly Wheeler, Mary Holladay

From: Margaret A. Siegel

Date: ~~October 5, 1993~~ 9/30/93 - computer is too cute!

Subject: Hawaii conference; summary of this morning's meeting

The Conference in Hawaii will be held January 12-15,1994 and is co-sponsored by the Recycling Association of Hawaii and EPA. It deals with "Disaster Response Debris Management: Pre-disaster Planning to Policy Development. The current conference program, which focuses on steps in disaster debris management, such as assessment, objective development for debris management and removal, and development of a management action plan, does not include any participation from the midwestern flood states, and the conference organizers would very much welcome participation by the Governors, emergency management people, and others dealing with debris removal during the flood. If interested, see me for more details about the program, or call Summer Harrison in Hawaii at 808/599-1976.

The issues we discussed today, and which need to be raised at a meeting with Kathi Way, include:

LIHEAP - whether any funds can be released this fiscal year, and whether the Labor/HHS Appropriations bill provides a good vehicle for moving release of the funds, since the Administration is not responding. (Attached are copies of the Shalala/O'Leary letter and the colloquy on the Senate floor.)

Hazard mitigation - what the status is of Administration action on the Finney plan and other suggestions; whether the Volkmer bill would provide some guidance and support to states for buyouts.

North Dakota's concern about DUA for self-employed farmers, and what problems other states are having, and what Secretary Reich is prepared to do. (Governor Schafer's letter is also attached.)

Levee dewatering - who is paying for the dewatering,.and what policy is operative. This is of particular concern to Illinois.

Impact aid funding -- whether states have received any, and how it will be distributed.

Strategic plans due to HUD by October 10 to ensure release of two-thirds of the HUD funds. Issues include questions of state prioritization and relationship between HUD and FEMA

status of Administration chart outlining outlays to date, and process for ensuring states get funds in a coordinated way.

waivers-- how documents received by states can be refocused to make more helpful, more positive, more in line with President's commitment to ensure speedy and efficient release of funds.

contact with the states by agencies -- USDA staff calls weekly to inquire how things are, and then does not follow through to resolve problems raised in calls.

a meeting with FEMA to try to resolve some issues, at which state directors would attend, and James Lee Witt would work with states to enhance coordination and ensure clear communications.

We agreed to hold regular weekly meetings -- Wednesdays at 9:30 in the Illinois Conference room. If anyone wants to be "conference called "in, just let us know in advance.

Federal Emergency Management Agency

Washington, D.C. 20472

STATE AND LOCAL PROGRAMS AND SUPPORT DIRECTORATE

Telecopier Transmittal Header

Telecopy Number: (202) 646-4060 Verification Number: (202) 646-3692

September 30, 1993

TO: Kathi Way
Special Assistant to the President
The White House
Fax: 456-7028

FROM: James L. Witt
Director
Federal Emergency Management Agency

James L. Witt

Remarks:

Attached is the memorandum on Acquisition of Properties Affected by the Midwest Floods which is being circulated to the other involved Federal agencies for comment. Comments are due by Monday, October 4th. I should be able to forward the memorandum to the President through you by Wednesday, October 6th.

DRAFT
NOT FOR
CIRCULATION

Federal Emergency Management Agency

Washington, D.C. 20472

SEP 30 1993

MEMORANDUM FOR: Kathi Way
Special Assistant to the President

FROM: James L. Witt
Director

SUBJECT: Acquisition of Properties Affected by the Midwest Floods

A priority for FEMA in the recovery from the midwestern flooding continues to be the use of our own and other available Federal programs, consistent with State priorities and in conjunction with their authorities, to facilitate either the elevation of flood damaged structures in identified flood hazard areas or the public acquisition (for open space use) of flooded property and the relocation of affected homes or businesses to areas outside of flood hazard areas.

FEMA estimates that a total of $27.5 million will be available to the nine affected States through its Hazard Mitigation Grant Program. These funds (which require a 50 percent non-Federal match) can be used independently or as part of a package comprised of additional programs. FEMA will expedite the processing of grant applications for these particular disasters. In addition to these Grant funds, $5 million is already available for acquisition of insured properties under section 1362 of the National Flood Insurance Act, $200 million is available in the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program, and $50 million is available in HUD HOME funds. The CDBG and HUD HOME funds can be used by States and local governments for acquiring property in the floodplain.

These projects can be complex and expensive, and FEMA has been working closely with other Federal agencies to establish consistent and constructive policies and guidelines for their implementation. Because the funding that has been appropriated by Congress to agencies for recovery from this disaster is insufficient to make all the victims whole, we must assure that these funds are spent in the most cost-effective manner to reduce the region's long-term vulnerability to similar floods.

A number of principles have guided our approach to this effort:

1. Consideration will be given to flood damaged properties, even if they are outside of the 100 year floodplains identified through the National Flood Insurance Program (NFIP). While in many cases, the extent of flooding correlated fairly closely with the NFIP maps, a considerable number of properties outside of the 100 year floodplain may have been affected. Priority should still be given to those properties subject to the most frequent

flooding, i.e. a property in the 25 year floodplain would be acquired before one in the 100 year floodplain, which should be acquired before one in the 500 year or larger floodplain.

2. If possible, "checkerboard" patterns of acquisition will be avoided, in favor of projects wherein contiguous parcels can be acquired. This will facilitate more effective open space use of the acquired property. This is not to preclude the acquisition of properties that are not contiguous, however, if a particular situation warrants it. The mitigation of hazards is often an incremental process, taking advantage of particular opportunities as they develop.

3. Financing of levee repairs is being coordinated closely with relocation efforts to ensure that these two processes are not in conflict.

4. Federal loan forbearance, rather than loan forgiveness, should be applied as appropriate.

5. All property owners will be treated fairly and, to the extent possible, will be offered comparable packages of benefits. Because the programs offering acquisition assistance differ this is not always possible. However, FEMA is coordinating closely with the other agencies involved to standardized policies and procedures where possible and ensure smooth implementation.

6. Recognizing that each property owner and each community interested in acquisition may have a unique combination of circumstances related to financial capability, to the extent possible, holders of flood insurance policies should receive a more advantageous package of benefits than individuals who chose not to purchase the insurance.

7. Packages of assistance should be "layered," meaning that the first assistance offered should be SBA loans, supplemented by grants from FEMA, HUD, and other appropriate agencies as necessary. As always, duplication of benefits is to be avoided.

8. Priority should be given to projects where homeowners voluntarily elect to participate.

I have established the goal of having 100 percent of the communities, and the individuals in those communities, that are potential candidates for property acquisition, notified of the availability of programs that can assist in funding such projects (list attached), and how these programs may be used singly or in combination to effect a recovery that significantly reduces the likelihood of future flood losses. At this time, about 100 communities have expressed some level of interest. The number of potential properties in each ranges from two or three to close to 100. These numbers are continually being refined as FEMA continues the detailed, hands-on technical assistance to States and communities that such projects require.

The State-by-State information below will discuss specific actions that have been taken by FEMA to initiate discussions with communities on potential acquisition projects. If a community is interested, it should contact FEMA's Hazard Mitigation (HM) Officer at the Disaster Field Office to discuss needs and mitigation approaches. The HM Officer will:

1. Arrange for the development of site-specific technical guidance for mitigation opportunities and identify sources of further technical assistance, such as universities, regional planning commissions, councils of government, etc.;

2. Advise on the range of Federal and State financial assistance to meet individual community needs, including acting as a broker among Federal and State agencies as needed to package available programs most effectively;

3. Arrange for advice from State and local officials who have managed successful relocation projects of their own, as needed; and

4. Help communities and individuals to implement the mitigation measures, monitor progress, and ensure completion of projects.

A synopsis of mitigation assistance activities on a State-by-State basis is provided below, and a list of Federal programs available to fund property acquisition projects follows the synopsis.

I would be pleased to discuss the efforts of FEMA, and our coordination with the other Federal agencies involved in the midwest flood recovery effort, with you. Please contact me with any questions regarding the information provided in this document.

ILLINOIS

Community Outreach:

- FEMA has contracted with the University of Illinois to provide on-site evaluations and technical assistance to communities with severe, recurrent flooding. The University's involvement is comprised of the following steps: 1) collect data on individual structures; 2) analyze and organize that data; 3) identify mitigation opportunities; and, 4) develop individual community plans that outline the necessary steps for recovery.

- The Village of Valmeyer has developed long term recovery plans. FEMA is providing technical assistance to the community on how to submit applications for funding.

- A meeting was held with the Town of Grafton on September 28, 1993, to discuss the completed University of Illinois recovery report. The Town must decide on the mitigation measures it wishes to pursue. The Regional Planning Commission and FEMA staff are working together with the Town to determine the best strategy for recovery.

- Personnel from the Tennessee Valley Authority (TVA) are working out of the Illinois Disaster Field Office lending technical assistance to local communities.

- The Interagency Hazard Mitigation Team met in late August to identify State priorities and potential mitigation projects, including acquisition and relocation.

Potential for Acquisition and Relocation:

- FEMA is working with six communities on relocation, acquisition, and elevation projects: Grafton, Hull, Keithsburg, Kampsville, Hardin, and Quincy.

- Recovery plans will address the alternatives available for each community. Regional planning commissions have also adapted this approach to coordinate available mitigation resources.

- An additional 14 communities are also interested in relocation programs and will be assisted by the University of Illinois teams.

- Field staff estimate that up to 106 more communities, with populations under 1,000, may ultimately be interested in relocation or acquisition programs: Town meetings to explain acquisition and relocation were held for 100% of the communities affected.

IOWA

Community Outreach:

- FEMA has identified a list of homeowners whose property damage indicates a potential interest/need in either elevation or property acquisition. FEMA and the State are using this information as a basis for community and individual outreach efforts.

- FEMA contracted with Iowa State University to develop long-term mitigation strategies for seven seriously flood-prone communities. The University will deliver strategies to FEMA on all seven areas by mid-December. The strategies are expected to lead to applications for grants from FEMA and other agencies.

- FEMA and SBA are operating a Mitigation Packaging Center which is offering individual counseling on mitigation alternatives and available funding.

- The Interagency Hazard Mitigation Team met in late September and conducted site visits to identify alternatives to levee repairs in hard-hit areas.

Potential for Acquisition and Relocation:

- Fifteen counties have indicated interest in acquisition or elevation programs. This would involve 19 separate projects in various communities, including Des Moines, Hamburg, Chelsea, Ames, Ottumwa, Eddyville, and Tama.

- FEMA is holding a seminar to educate State and local agency staffs on acquisition and relocation procedures.

- The Department of Economic Development has developed a proposal to fund acquisition and elevation through regional councils of government. The Department is already providing technical assistance to the councils on a continuing basis.

Substantial Damage and Elevating Structures:

- FEMA has approved a $300,000 Hazard Mitigation Grant to the Neighborhood Housing Services of Des Moines, Inc. for the purpose of elevating substantially damaged houses in Des Moines.

- FEMA has given preliminary approval to a similar grant for the State of Iowa Emergency Management Division to offer elevation assistance in other areas of the State. A conservative estimate is 400 structures across the State.

KANSAS

Community Outreach:

- The Interagency Hazard Mitigation Team has completed its initial findings and recommendations. These will provide a basis for the State's mitigation strategy.

- FEMA and State staff are attending town meetings throughout the State to inform communities about mitigation alternatives and available funding.

Potential for Acquisition and Relocation:

- FEMA and the State have identified ten counties interested in property acquisition assistance. Approximately 130 properties are involved. Interested communities include Manhattan, Easton, Marysville, and parts of Kansas City.

- The Wolcott area (western Wyandotte County) of Kansas City is preparing an application for Hazard Mitigation funds to acquire 41 houses. These are low-income families whose homes were under water for eight weeks. The application is expected to be submitted to the State by the first week in October.

- Also under consideration for acquisition is the A-1 Mobile Home Park in Kansas City, containing 262 mobile homes in the 100-year floodplain. Some specific issues are being worked out prior to the submission of an application for Hazard Mitigation funding.

- Funding for acquisition projects will primarily come from FEMA's Hazard Mitigation Grant Program, with matching funds coming from HUD Community Development Block Grants.

Substantial Damage and Elevating Structures:

- The Kansas Donation Group has been successful in obtaining donations of building materials and services which may be applied to structures required to elevate.

MINNESOTA

Community Outreach:

- The State and FEMA have developed a strategy to work together with the regional planning commissions on all long-range recovery issues, including community outreach, project development, and identification of funding sources.

Potential for Acquisition and Relocation:

- Six communities are interested in acquiring a total of about 60 structures for a total cost of $4 million. FEMA estimates approximately $1 million in Hazard Mitigation Grant funds will be available.

- One community, Springfield, has submitted a proposal to acquire 13 properties for an estimated total of $750,000. About $50,000 in Hazard Mitigation funds will be requested, with CDBG and HOME funds to help make up the remainder needed. FEMA Individual Assistance will provide up to $1500 to each family for relocation (not acquisition) expenses, and Temporary Housing will be provided.

MISSOURI

Community Outreach:

- FEMA and the State have been holding nightly meetings with most of the affected communities regarding the mitigation alternatives available and potential funding sources.

- Representatives from the Missouri State Emergency Management Agency, Department of Economic Development, and Housing Development Commission; and FEMA, HUD, and SBA conducted workshops throughout the State to discuss programs available to acquire flood-damaged properties and elevate homes.

- FEMA is contracting with the regional planning commissions to provide technical assistance to communities in evaluating alternatives and preparing program applications. Training for the commissions was held September 16.

- The State Emergency Management Agency sent application packages for the FEMA Hazard Mitigation Grant Program to all counties and cities in the declared disaster area. State and Federal agencies will meet October 19 to determine the criteria for funding Hazard Mitigation Grants. The State has set November 1, 1993 as the deadline for applications to be submitted.

- The Interagency Hazard Mitigation Team met September 14 to discuss issues and priorities and make recommendations for the implementation of mitigation measures. The Team will be a primary reviewer of Hazard Mitigation Grant Program project applications.

Potential for Acquisition and Relocation:

- Twenty-five communities have indicated interest in acquisition or relocation projects. Each would involve between 25 and 100 homes. Interested communities include the Counties of Jefferson, St. Charles, St. Louis, Cape Girardeau, Lincoln, Perry, Platte, and Warren; and the cities of Arnold, Cape Girardeau, Hannibal, Jefferson City, Ste. Genevieve, Bellefontaine Neighbors, Chesterfield, Commerce, Fenton, Festus, Crystal City, Hermann, Marthasville, Portage De Sioux, Riverside, Annada, and Washinton.

Substantial Damage and Elevating Structures:

- Representatives from the National Flood Insurance Program have been participating in workshops throughout the State on elevating flood-damaged homes.

NEBRASKA

Community Outreach:

- FEMA and the State are contacting all affected communities and explaining available programs and alternatives, and are providing direct assistance to communities who are further interested in developing proposals and preparing grant applications.

- The Governor of Nebraska issued a letter transmitting the list of "Federal Programs for Relocation and Elevation of Flood Damaged Property" to all Mayors and County Commission Chairs in the affected areas.

Potential for Acquisition and Relocation:

- FEMA Hazard Mitigation staff and a representative from HUD have been meeting with Sarpy County (south of Omaha) and the Papio-Missouri River Natural Resources District to discuss potential acquisition projects in Iskey Park, Hollubs Place, and Elbow Bend areas of the County. The County is currently preparing a Hazard Mitigation Grant application for the project. While the exact total number of properties is still being identified (between 50 and 100), the estimated cost of the project is $1.2 million.

- The Crowell area of Dodge County is also considering the option of acquisition for five properties that flood several times a year.

NORTH DAKOTA

Community Outreach:

- A joint team of Federal and State mitigation staff presented Hazard Mitigation Grant Program applicant briefings in Valley City, Devils Lake and Bismarck. Over 100 potential applicants attended the briefings, indicating a high interest level and the importance of packaging programs to fund as many projects as possible.

- Several State agencies are developing and implementing a recovery strategy to identify needs prior to the winter freeze.

- The State and FEMA are providing acquisition and reconstruction information and on-site technical assistance to interested individuals.

- The State is initiating a public awareness, information, and outreach program regarding flood preparedness, response, recovery, and mitigation responsibilities of governments and individuals.

- The Interagency Hazard Mitigation Team met in August and is making recommendations for Statewide mitigation activities.

Potential for Acquisition and Relocation:

- One community, Valley City, has expressed interest in a Hazard Mitigation Grant for property acquisition. CDBG funds may also be available to fund any other potential relocation projects identified.

Substantial Damage and Elevating Structures:

- Substantial damage does not appear to be an issue in North Dakota since the flooding was mostly limited to basements.

SOUTH DAKOTA

Community Outreach:

- FEMA is working closely with State and other agencies to identify communities interested in acquisition or relocation projects.

- All Disaster Application Center had mitigation experts in place to counsel disaster victims and to identify opportunities to reduce future losses.

Potential for Acquisition and Relocation:

- Two communities are interested in acquisition or relocation projects; five homes in Madison and ten homes in Montrose. Hazard Mitigation and CDBG funds will probably be sufficient to handle relocation needs.

- A contractor has provided on-site support to two communities (i.e., Montrose and McCook Counties) and assisted in developing plans and grant applications. High water marks have been recorded, base flood elevations determined, the floodplain mapped, flood-damaged properties inspected to identify mitigation options, information provided to property owners, and coordination facilitated between State, Regional, County, and local officials.

- Reconstruction and acquisition information is being provided to interested individuals.

- The community of Montrose is annexing additional land so that citizens can relocate out of the floodplain. The town has applied for $400,000 in CDBG funds for the project. The groundbreaking for the first new home to be built out of the floodplain will take place the first week of October.

Substantial Damage and Elevating Structures:

- It is anticipated that some property owners will choose to elevate their homes rather than relocate. FEMA Hazard Mitigation Grants are a potential source of funding for interested communities.

WISCONSIN

Community Outreach:

- Involved agencies are meeting periodically to discuss the most beneficial use of potential funding sources. Federal agencies include EDA, FmHA, SBA, USACE, SCS, HUD, and FEMA. State agencies include the Departments of Development, Natural Resources, Industry, Labor and Human Relations, Health and Social Services, and the Wisconsin Trust Fund. At the local level, regional planning commissions, municipal and county government officials are involved.

Potential for Acquisition and Relocation:

- Four communities have expressed interest in acquiring a total of approximately 142 structures. The total cost is estimated at about $10 million.

- One of these communities, the City of Darlington, has developed a property acquisition plan with funding from a previous FEMA planning grant, and is preparing an application for a Hazard Mitigation Grant for the project.

Substantial Damage and Elevating Structures:

- Only a few communities have identified substantially damaged structures. One of the hardest hit, Darlington, is planning to acquire the substantially damaged structures.

Federal Programs For Relocation And Elevation

FEMA Programs:

• The **Hazard Mitigation Grant Program (HMGP)** is authorized by Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act 93-288, as amended. HMGP can provide 50% of the cost of elevating structures in compliance with NFIP standards, and/or for acquiring properties in a floodplain, providing relocation assistance as necessary. Communities can apply through the State for the HMGP following a Presidential disaster declaration. The State, as HMGP grantee, is responsible for identifying and prioritizing projects. Although State and local units of governments are the eligible applicants, funds can be provided to individuals for these projects.

• Through **Section 1362 of the National Flood Insurance Program**, FEMA can purchase flood-damaged property and provide property owners the opportunity to relocate in areas not prone to flooding. To be eligible the property owner must have a flood insurance policy in force when the damage occurs and meet one of three other program criteria. In addition, the community must agree to accept title to the purchased property and manage it for open space purposes. Currently, the 1362 program is expecting to have a budget of $5 million for FY 1994 for all 50 States. Because funding is limited, this program expects a shortfall in relation to eligible properties in the Midwest.

• Several **Individual Assistance** programs can also be used to facilitate elevation or relocation out of a floodplain. **The Individual and Family Grant (IFG)** program can be used in conjunction with other programs to elevate or relocate individual structures, although funding is limited. The maximum grant is $11,900. In addition, **Disaster Housing** assistance can be provided to individuals for up to 18 months while relocation and elevation programs are being developed and implemented. Program regulations for use of the special **Cora Brown Fund** specifically refer to relocation out of hazardous areas, and to hazard mitigation and floodplain management purposes.

• FEMA's **Public Assistance** program can provide some limited assistance in the areas of elevation and relocation. For example, if entire portions of a community were to be relocated outside of the floodplain, PA can assist in rebuilding the necessary infrastructure in the new location. If a community determines that a badly damaged facility is not to be repaired, the estimated damage amount may be used to fund hazard mitigation measures.

Other Federal Programs:

HUD Programs:

- The **Community Development Block Grant** (CDBG) program can provide funds for a variety of projects, including floodplain property acquisition and relocation, or elevation. The Supplemental Appropriation Bill provided an additional $200 million for the CDBG Program, however funds are restricted to "repairing, replacing, or restoring the function of facilities damaged by or continuing services interrupted by the flood". These funds can be used for elevation of structures, or in combination acquisition/relocation projects.
- The **HOME Program** provides grants to States and larger cities and urban counties for permanent housing for low-income persons. Allocations to communities will be based on the CDBG formula. Individuals may apply for these funds if they are low income (80% of median income). There is no minimum or maximum loan amount and interest rates are determined by the recipient community. The community may decide to grant funds to individuals rather than provide loans. Funds can be used for acquisition, new construction, or elevation. $50 million was added to this program in the Supplemental Appropriations Bill. Application requirements and housing quality standards requirements have been waived and other processes streamlined.

SBA Programs:

- SBA provides disaster loans to homeowners and businesses to repair or replace property damaged in a declared disaster. Loans may be increased to cover extra costs to meet required building codes, such as the NFIP requirements. SBA may also provide loans for involuntary relocations out of special flood hazard areas, when required by local officials. In cases of involuntary relocations the entire replacement value is eligible. While SBA's legislation limits the agency's authority to make disaster loans for voluntary relocations, there are exceptions that can be made including relocations of homeowners, renters and business-owners out of special flood hazard areas. These loans would be limited to the amount necessary to repair or replace the damage at the disaster site. Loans are available for up to $120,000 for homeowners; $20,000 for renters; and, $1,500,000 for businesses. SBA loans may also be used to refinance existing mortgages in some instances.

Farmers Home Administration Programs:

- FmHA is authorized to make rural housing loans and grants to eligible applicants to buy, build, or repair housing located in a rural areas. Homes constructed or repaired through FmHA are required to meet the NFIP elevation requirements. The **Section 502 Home Ownership Loan Program**, available to low and very low income applicants

(50% and 80% respectively of the area's median income, can be used to elevate or relocate individual structures; $1.2 billion was provided in the supplemental. The maximum loan amount is $105,000, and interest rates, based on income, may be as low as 1%.

• FmHA's **Section 504 Home Improvement Loans and Repair Loans and Grants Program** can provide funds to elevate homes or farm structures; $12.5 million was added to the loan program and $12.5 million was added to the grant program in the supplemental appropriation. The grant portion of this program (up to $5,000) is made only to very low income senior citizens. The loan program may provide loans up to $15,000, with the lowest interest rate, based on income, at 1%.

• FmHA **Emergency Loans** are available to assist family sized farmers and ranchers in refinancing existing debt, as well as to cleanup and restore farms and repair farm structures. Loans can be used to elevate living areas to meet NFIP requirements or to relocate homes out of the floodplain. Loans are provided at 4.5% interest over a 30-40 year period for physical losses. The supplemental appropriation added $80 million to this program.

<u>USACE Programs:</u>

• The USACE is authorized to relocate homes out of the floodplain if it proves to be more cost effective than a structural flood control measure. However, this can be a lengthy process; the **Section 205 Program**, for projects under $5 million, can take several years to complete, while projects over this amount would take much longer.

<u>Economic Development Administration Programs:</u>

• The EDA provides funding for projects resulting in economic growth for communities. The Administration has received additional funding through the supplemental appropriation for its programs in the affected communities in the Midwest.

CORRESPONDENCE / MEMORANDUM State of Wisconsin / DILHR

Date: October 5, 1993

To: Mary Sheehy, Director, Wisconsin Washington Office

From: John J. Whalen (608) 266-1871/ David Blaska (608) 268-4400

Subject: Disaster Unemployment Assistance (DUA) Funding

With reference to our telephone conversation on 10/4/93, there was $516,120. made available for us to draw against to pay DUA benefits as of October 1, 1993. When this was requested on August 26, 1993, it was estimated to carry us thru October 15, 1993. We now do not expect it to last until that date.

At present, the Regional Office of the Department of Labor, has requested another $3,415,500. of which $2,970,000 million is designated for DUA benefits, for Wisconsin. This amount is expected to take us through November of 1993. We anticipate we will be needing these funds by October 11, 1993.

Any assistance you can obtain, to expedite the transfer of these funds, will be greatly appreciated.

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-7000

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

SEP 23 1993

MEMORANDUM FOR: Don Patch, Director, Office of Block Grant Assistance, CGB

FROM: H. J. Huecker, Director, Relocation and Real Estate Division, CGHR

SUBJECT: Comments on proposed Kansas "Finney" Flood Recovery Plan

As indicated in my cc:mail note of yesterday, OMB expects HUD to fax comments on the subject plan to OMB and FEMA. The Finney Plan description given to us is very sketchy. It is a "one-size fits everyone" plan. For CDBG, the major problems lie in FEMA's desire to see CDBG dollars used to pay "pre-flood market value" for properties acquired through the buyout process. CPD should oppose this requirement because:

1. Excessive payments will go to many homeowners who do not require that much assistance, mainly homeowners in the 100-year floodplain who refused to purchase flood insurance.

2. Many families, including low-income families, suffering substantial flood-related damage will receive no assistance because they will not be located in the "high priority" areas established by FEMA or the State. The Finney Plan does not appear to provide for assistance to families outside the 100-year floodplain.

3. There will be substantial pressures for higher appropriations to help those who did not receive assistance. It could run into the $ billions.

4. The CDBG Optional Relocation Assistance Provisions provide a far more flexible tool that can be tailored to provide assistance that takes into account both total resources and total needs.

5. Unless State Eminent Domain Law requires the payment of pre-flood value for these properties, the use of CDBG funds to make acquisition payments substantially in excess of the market value of the properties is probably illegal.

6. The proposed buyout program would set a terrible precedent for other disaster recovery programs. Won't we have to do the same for everyone else? Although the nature of the damage is different, we are not providing this level of assistance to occupants of properties damaged by Hurricane Andrew.

Attached are suggested guidelines and examples illustrating how a more cost-effective CDBG-financed Flood Recovery Program might work. It features the flexibility of the Optional Relocation Payment Provisions and provides localities with the ability to design programs that are consisent with local needs.

Attachments

cc:

C	Cuomo, 7100
CO	Gordon, 7100
CGH	Cohen, 7164
CGBS	Kennedy, 7184
CGBE	Broughman, 7282
CGB	Amon, 7186
CGHP	Kolesar, 7164
CGHF	Beale, 7172
CGH	Dodge, 7164
GCB	Polatsek, 8158
HD	Engel, 9100
SAK	Morrison, 10232
CGHR	Huecker, 7154
CGHR	Chron, 7154

SUGGESTED USE OF CDBG FUNDS IN MIDWEST FLOOD RECOVERY PROGRAM

CDBG recipients have wide latitude to design equitable, cost-effective flood recovery programs. The following information illustrates how such a program might be designed.

1. Buyouts -- CDBG recipient pays "as is" market value for flood-damaged property. Buyouts are voluntary and seller must sign waiver of URA rights and section 104(d) rights, if applicable. Property in 100-year floodplain is dedicated to use that will not permit construction of any structures that could result in claims from future floods. (Property outside designated 100-year floodplain may be either repaired or purchased and dedicated.)

2. Payments under Optional Relocation Assistance Policy (ORAP) -- For CDBG Entitlement Program, the ORAP will be locally designed. For State CDBG Program, ORAP may be locally designed or subject to State established standards. The amount of payments under ORAP would take into account the following factors:

   a. Total needs balanced against and total available resources. A door-to-door survey of owner needs must be conducted. Total available resources must be determined. The two must be balanced so recipient does not run short of money.

   b. Equity. The needs of all persons hurt by the flood must be considered, including those outside the "100-year floodplain."

   c. Cost of suitable, decent, safe and sanitary replacement housing. Replacement unit need not be "comparable" to displacement unit, but must be in standard condition and sufficient to accommodate household.

   d. Income of household. Most funds should go to low-income persons. Household that can afford to carry new mortgage should do so, although minimum relocation payment could be provided.

   e. Principal balance on old mortgage. Ordinarily, mortgage on replacement property would equal or exceed old mortgage.

   f. Flood insurance payments.

   g. Personal tax savings from owner's tax write off on displacement property.

   h. Replacement unit to be located outside 100-year floodplain.

CDBG BUY-OUT EXAMPLES

Example 1.

Mr. Smith owns a flood-damaged unit worth $5,000 ($50,000 pre-flood value) with no mortgage and no flood insurance. Suitable replacement housing costs $45,000. Purchase is financed as follows:

$ 5,000	--	"Buy-out" price of old property.
$15,000	--	Locally adopted (tax-free) CDBG relocation payment under ORAP. (Could be higher or lower.)
$ 5,000	--	Smith's income tax savings through capital loss provisions.
$20,000	--	New mortgage (monthly PITI payments do not exceed 35% of household income).
$45,000	--	Total cost of replacement unit

Mr. Smith might purchase unit that costs more than $45,000. If so, relocation payment would remain the same. If he purchases less costly unit, payment could be reduced.

Example 2.

Mrs. Jones owns flood-damaged property worth $4,000 (pre-flood value of $40,000) with no flood insurance and $30,000 mortgage. Mrs. Jones is low income and unit is overcrowded. Suitable, decent, safe and sanitary replacement housing requires upgrade by one bedroom and will cost $45,000. Since she pays no income taxes, she will not benefit through tax saving from capital loss. Financing is as follows:

$ 4,000	--	"Buy-out" price of displacement unit.
$31,000	--	Tax-free CDBG relocation payment under ORAP.
$30,000	--	Mortgage on new home equal to old mortgage.
$10,000	--	Partial write-off of old mortgage. (If mortgagee refused reasonable write-off, purchase could be structured so mortgagee would receive nothing.)
$75,000	--	Cost of replacement unit and payoff of old $30,000 mortgage.

Example 3.

Mr. Brown owns flood-damaged property worth $6,000 (pre-flood value of $52,000) with $40,000 in flood insurance and a $40,000 mortgage. Suitable, decent, safe and sanitary replacement housing costs $50,000. Financing is as follows:

$ 6,000	--	"Buy-out" price of displacement unit.
$ 4,000	--	CDBG relocation payment under ORAP.
$40,000	--	Mortgage on new home.
$40,000	--	Flood insurance payment.
$90,000	--	Cost of replacement unit and payoff of old mortgage.

STATE OF NEBRASKA

IG

EXECUTIVE SUITE
P.O. Box 94848
Lincoln, Nebraska 68509-4848
Phone (402) 471-2244

E. Benjamin Nelson
Governor

September 22, 1993

The Honorable Bill Clinton
President, United States of America
1600 Pennsylvania Avenue
Washington D.C. 20005

Dear President Clinton:

On behalf of all Nebraskans, I want to personally thank you for your decision regarding federal reimbursement for public facilities damaged in the recent disaster. This was a critical issue to our state and we thank you for your understanding and concern.

I also want to tell you how grateful I am for the federal response in the wake of these devastating events. From top to bottom, the response under your leadership was responsible, timely and rooted in a genuine concern for the citizens affected by these disasters.

As we begin the tedious process of rebuilding our lives and communities, it's heartening to know that we have a President that has pledged his support and stood by that pledge. We know we have a partner we can trust and we are truly grateful.

Again, thank you for your support and best of luck with all things. Your caring concern is greatly appreciated.

Sincerely,

Ben Nelson

E. Benjamin Nelson
Governor

Statement Of

ALLEN D. GROSBOLL
EXECUTIVE ASSISTANT TO GOVERNOR JIM EDGAR
CHAIRMAN, FLOOD RECOVERY TASK FORCE
STATE OF ILLINOIS

Subcommittee on Water Resources
Committee on Public Works
U.S. House of Representatives
October 27, 1993

Mr. Chairman, and ladies and gentlemen, on behalf of Governor Edgar and the citizens of Illinois, I am pleased to be here today to address some of the fundamental issues brought forth by the Great Flood of 1993 including what we believe to be the central issue -- hazard mitigation. Governor Edgar has some very strong feelings about these issues and had it not been for the closing days of the Illinois General Assembly's veto session, he would have been here to share them with you personally.

As Chairman of Illinois' Flood Recovery Task Force, I am pleased to express Illinois' support for two bills under consideration today, H.R. 2931 and H.R. 3012. I want to applaud Congressmen Durbin of Illinois and Congressman Volkmer of Missouri for introducing legislation that improves how the federal government responds to disasters like the flood and that rethinks the Nation's approach to floodplain management and hazard mitigation. We believe these bills can prompt positive changes in both policy and process and help prevent future disasters from having such a costly impact on lives and property.

The Great Flood of '93 represents the worst disaster in Illinois during the Twentieth Century. Sixteen thousand citizens were forced out of their homes, 872,000 acres of farm land were flooded, entire communities were inundated, hundreds of small businesses were damaged or destroyed, and, overall, millions of dollars in personal property were lost.

The full resources of the State of Illinois were used to fight the flood in the height of the disaster. Nearly 9000 National Guardsmen were activated and hundreds of prisoners were used in sandbagging and clean up efforts. Tens of millions of sand bags were used and millions of gallons of clean, safe water were distributed to our citizens.

And just as our full resources were dedicated to fighting the flood, today we are committing those same resources to recover from the flood. This has been a difficult, painful experience, but it also provides opportunities -- opportunities to employ the knowledge we gained from the flooding in an effort to reduce the impact it can have in the future. We will lose this opportunity, again, and endure significant hardship in the future, if we respond to the flood by merely repairing and replacing damaged facilities without giving consideration to mitigation.

This is why Congressman Volkmer's proposed changes are so important and deserve serious consideration. This legislation will provide additional funds for hazard mitigation projects under Section 404 of the Stafford Act. Currently, I believe the funds available for mitigation are inadequate. By increasing the 10% mitigation provision to 15%, you will make more funds available for mitigation. And by increasing the federal mitigation share from 50% to 75%, we will encourage and assist communities to move toward mitigation activities.

Mr. Chairman, in the last few months, I have spent hundreds of hours with federal and state officials, municipal and county leaders, and private citizens. There is a clear consensus that we should be encouraging flood plain communities to move from the threatened areas. And similarly there is a sense we should be considering the buyout of critical levee districts and farm lands that are particularly flood-prone.

Although we believe in mitigation and there is considerable support for buy-outs and community relocations, our federal policies do not in fact serve to encourage these outcomes. In fact, I believe we actually have disincentives in federal law. Federal requirements, hoops, and time-lag all join together to make mitigation an unappealing and often unavailable option for flood victims.

Congressman Durbin and Congressman Volkmer each are proposing measures that head us in the right direction. We agree with Congressman Durbin that the Mississippi River needs to be studied. The effectiveness of our existing system of levees should be re-examined so that our finite resources are more efficiently spent. Would the abandonment of some agricultural levees help the overall system and provide effective wetlands to abate future flooding? If so, what levees and lands should be targeted? Conversely, which levees should be our highest priorities? We applaud Congressman Durbin's efforts to answer these questions.

We also believe Congressman Volkmer's bill is critical. If we have a concern about the legislation, it is that it does not go far enough, fast enough.

Rather than discussing relaxing some of the limitations on mitigation funds, we should be asking what is the function and the effect of these restrictions in the first place. Should we not be discussing how to increase incentives for communities to move instead of merely raising existing limitations?

I hope the Durbin and Volkmer initiatives succeed, but I also hope they result in a broader discussion about of our flood recovery strategies. Let me mention a few examples of how we send mixed messages.

Illinois flood communities are receiving 90% federal reimbursement in Public Assistance funds to repair or replace infrastructure facilities affected by the flood. If a community wants to move out of the flood plain to high ground, one would assume the Public Assistance funds could be applied to new facilities. After all, this would be consistent with our consensus that such moves are good. In actuality, we penalize the community by removing 10% of their available federal Public Assistance dollars. Please, let's give consideration to removing such penalties.

My question is why aren't we substituting financial incentives to encourage mitigation to replace this 10% penalty provision. In the long run, such financial incentives could be offset by the avoided costs associated with the next flood.

When the six billion dollar flood package was passed by the Congress and signed by the President, it included funds for many agencies to carry out chores related to flood recovery. But I don't believe any single federal agency was specifically directed to move communities nor was a portion of the budget segmented specifically for this chore. Also, no specific agency was charged with responsibility to buyout levee districts and no line item was established to fund buyouts of farm land.

If we want communities moved, let's be clear -- authorize an agency to work with communities, give that agency a specific mission, provide a funding line-item and then hold that agency accountable. Similarly, we need to do the same thing for farm land and levee districts in the flood plain.

We do have Federal agencies with dollars and they are offering to help communities move. We appreciate these agencies' efforts a great deal, and this commentary is not a criticism of them. Rather, it is my point that these agencies have program requirements and hoops for communities to go through that have nothing to do with the flood.

For example, EDA has $200 million available to help communities. But a community wanting to move must prove that the EDA funds will be used to save jobs. Why create that hoop? Let's just be direct about this and say funds are available to help communities move because we want them to move -- not because we will save jobs. This example is typical of the kind of rules and hoops associated with community efforts to obtain flood mitigation funds.

I hope my comments today are not viewed as criticism of the federal agencies involved in this effort. We have had a good relationship. But there are systematic and statutory changes that could further help in the months and years ahead.

Two such measures are before you today. While Congressman Volkmer's bill will provide more funding for much-needed mitigation projects, Congressman Durbin's bill intelligently calls for studies to ensure that these mitigation projects are properly directed and designed. We urge your support of H.R. 3012 and H.R. 2931.

Let me close by expressing Governor Edgar's appreciation for the Congress' support for the Midwestern states ravaged by the flood. The Congress moved quickly and you substantially increased the funds in the flood package. Thank you for your help and thank you for taking time today to consider ways to improve our flood fighting efforts.

THE FINNEY PLAN
STATE OF KANSAS

BUY OUTS IN THE MIDWEST
MITIGATION IN THE FLOODPLAIN

AUGUST 1993

THE FINNEY PLAN
STATE OF KANSAS

CURRENT OPTIONS FOR THE HOMEOWNER
(SUBSTANTIALLY DAMAGED HOME IN THE 100 YEAR FLOODPLAIN)

1. CONTINUE TO PAY MORTGAGE ON NON-REPAIRED HOME

2. ELEVATE HOME (IN SOME CASES 8-10 FEET)

3. DEFAULT ON MORTGAGE

THE FINNEY PLAN
STATE OF KANSAS

FIVE PHASES:

1. BUY OUT SUBSTANTIALLY DAMAGED HOMES IN THE 100 YEAR FLOODPLAIN (VOLUNTARY ONLY) USE HAZARD MITIGATION/CDBG FUNDS

2. REZONE FOR NON-RESIDENTIAL OR COMMERCIAL USE; OPEN SPACE OR RECREATION

3. ASSIST IN RELOCATION

4. DEMOLISH STRUCTURE; REMOVE DEBRIS; SEED OVER PROPERTY; USE FEMA PUBLIC ASSISTANCE FUNDS (75/25)

5. DEVELOP RECREATION/PARK APPLICATION IN CONJUNCTION WITH KANSAS DEPARTMENT OF WILDLIFE AND PARKS (USING U.S. DEPARTMENT OF INTERIOR FUNDS)

THE FINNEY PLAN
STATE OF KANSAS

MAJOR ELEMENTS:

ESTABLISH BUY OUT POOL USING FEMA HAZARD MITIGATION AND CDBG FUNDS

USE POOL FUNDS TO PROVIDE EQUITY TO HOMEOWNER

USE INSURANCE REPAIR CHECKS TO BUY DOWN MORTGAGE

WHERE THE MORTGAGE IS GUARANTEED BY A FEDERAL AGENCY (FHA, FARMER HOME, VA, SBA, OR RTC) HAVE THE AGENCY FORGIVE THE BALANCE OF THE NOTE

WHERE NO FEDERAL AGENCY HAS GUARANTEED THE NOTE; USE POOL FUNDS (IF THE BANK WILL NOT FORGIVE THE BALANCE). IF THE BANK FORGIVES HALF THE REMAINING BALANCE, THIS CAN BE USED TO MATCH THE 50/50 HAZARD MITIGATION FUNDS FOR BUY OUT.

THE FINN EY P LAN
STATE OF KANSAS

MAJOR ELEMENTS CONT'D

FEMA's I/A PROGRAM WILL WORK WITH HOMEOWNER TO FIND SUITABLE REPLACEMENT PROPERTY; PROVIDE IFG FUNDS

IF NO BALANCE IS OWED ON MORTGAGE; INSURANCE REPAIR CHECK TOTAL WILL BE DEDUCTED FROM FAIR MARKET VALUE OF HOME FOR BUY OUT

PARKS AND WILDLIFE GRANTS ARE 50/50 MATCHING. VALUE OF LAND CAN BE USED TO MATCH FEDERAL FUNDS; ONCE REZONING IS COMPLETE LAND WILL BE DEEDED TO CITY OR COUNTY.

THE FINNEY PLAN
STATE OF KANSAS

EXTRAORDINARY TIMES REQUIRE EXTRAORDINARY SOLUTIONS

NEEDS:

1. HEADQUARTER ENDORSEMENTS FROM HOUSING & URBAN DEVELOPMENT (FHA), VETERANS ADMINISTRATION, SMALL BUSINESS ADMINISTRATION, RESOLUTION TRUST CORPORATION, FARMERS HOME ADMINISTRATION.

2. GOVERNOR'S SELECTION OF BUY-OUT AS NUMBER ONE HAZARD MITIGATION PRIORITY.

3. COOPERATION WITH PRIVATE LENDING INSTITUTIONS.

MISSOURI

- MISSOURI STATE EMERGENCY MANAGEMENT AGENCY (SEMA) SENT APPLICATION PACKAGES FOR HMGP TO REPRESENTATIVES OF ALL COUNTIES AND CITIES IN THE DECLARED DISASTER AREA.

- NOVEMBER 1, 1993 IS THE DEADLINE FOR TRANSMITTAL OF APPLICATIONS TO THE STATE.

- WORKSHOPS HAVE BEEN HELD THROUGHOUT THE STATE TO DISCUSS PROGRAMS FOR ACQUISITION AND RELOCATION. REPRESENTATIVES FROM FEMA, SEMA, NFIP, HUD, SBA, MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT AND MISSOURI HOUSING DEVELOPMENT COMMISSION ARE CONDUCTING THE WORKSHOP.

- EVERY EFFORT IS BEING MADE TO COORDINATE DELIVERY OF ALL PROGRAMS AND TO ASSIST COMMUNITIES IN THE DECISION MAKING PROCESS.

- CONTRACTING WITH THE REGIONAL PLANNING COMMISSION TO PROVIDE TECHNICAL ASSISTANCE TO COMMUNITIES TO PROVIDE TECHNICAL ASSISTANCE TO COMMUNITIES IN PREPARING PROGRAM APPLICATIONS.

SOUTH DAKOTA

- WORKING CLOSELY WITH STATE AND OTHER AGENCIES TO IDENTIFY COMMUNITIES INTERESTED IN RELOCATION OR ACQUISITION PROJECTS.
- CONTRACTOR HAS PROVIDED ONE-ON-ONE SUPPORT TO 2 COMMUNITIES & ASSISTED IN DEVELOPING PLANS AND APPLICATIONS.
  - MONTROSE, MCCOOK COUNTY
  - MADISON, LAKE COUNTY
- RECONSTRUCTION AND ACQUISITION INFORMATION PROVIDED TO INTERESTED INDIVIDUALS.

NORTH DAKOTA

- THE STATE TEAM AGENCIES ARE INVOLVED IN A RECOVERY STRATEGY TO IDENTIFY NEEDS PRIOR TO THE WINTER FREEZE. APPLICANTS BRIEFINGS WERE CONDUCTED WITH NOIS TOTALLING $ 15 M.
- ACQUISITION AND RECONSTRUCTION INFORMATION AND ON-SITE TECHNICAL ASSISTANCE ARE PROVIDED TO INTERESTED INDIVIDUALS.
- COORDINATION WITH CDBG AND EDA FOR APPLICATIONS AND APPROPRIATE FUNDING RESOURCES IS A TOP PRIORITY.

IOWA

IMMEDIATE STRATEGY

- WE HAVE ALREADY APPROVED A SECTION 404 GRANT TO THE NEIGHBORHOOD HOUSING SERVICES OF DES MOINES, INC., TO ELEVATE SUBSTANTIALLY DAMAGED HOUSES IN DES MOINES FOR $ 300,000.

- THE DEPARTMENT OF ECONOMIC DEVELOPMENT HAS DEVELOPED A PROPOSAL TO FUND ACQUISITION AND ELEVATION THROUGH REGIONAL COUNCILS OF GOVERNMENTS. THE GAR AND FEMA HAVE AGREED IN PRINCIPLE TO THE PROPOSAL; HOWEVER, WILL NOT PROCEED UNTIL THE TOTAL AMOUNT OF 404 FUNDING AVAILABLE IS MORE DEFINITELY KNOWN. THIS PROJECT WILL COVER OTHER PARTS OF THE STATE WHERE ELEVATION AND ACQUISITION ARE DESIRABLE. THE DEPARTMENT WILL PROVIDE TECHNICAL ASSISTANCE TO THE COGS ON A CONTINUING BASIS AND HAS ALREADY HELD A NUMBER OF SEMINARS FOR THEM.

- WE HAVE IDENTIFIED APPLICANTS FOR FEMA ASSISTANCE WHO WILL BE IN NEED OF ASSISTANCE FOR EITHER EVALUATION OR RELOCATION. WE WILL FURNISH A LIST OF NAMES, ADDRESSES AND PHONE NUMBERS TO THE DEPARTMENT OF ECONOMIC DEVELOPMENT.

- THE FEMA HAZARD MITIGATION STAFF WILL CALL ALL APPLICANTS ON THE ABOVE LIST TO INFORM THEM ABOUT PROGRAMS AVAILABLE AND GET PARTICULARS ON THEIR NEEDS-- WHICH FEMA WILL PASS ALONG TO THE LOCAL AGENCY HANDLING ELEVATION AND ACQUISITION IN THEIR AREA.

- FEMA WILL HOLD A SEMINAR WITHIN THE NEXT TWO WEEKS TO EDUCATE STAFFS OF STATE AND LOCAL AGENCIES ON ACQUISITION PROCESSES AND PROCEDURES.

LONG TERM STRATEGY

- FEMA ENTERED INTO A CONTRACT WITH IOWA STATE UNIVERSITY TO DEVELOP LONG TERM MITIGATION STRATEGIES FOR 8 SERIOUSLY FLOOD- PRONE COMMUNITIES. THE UNIVERSITY WILL DELIVER STRATEGY PAPERS TO US ON ALL 8 AREAS BY MID-DECEMBER. SOME OF THE STRATEGIES WILL RESULT IN SECTION 404 PROPOSALS.

- THE INTERAGENCY HAZARD MITIGATION TEAM WILL BE MEETING THE WEEK AFTER NEXT TO IDENTIFY ALTERNATIVES TO LEVEE REPAIRS IN SELECTED AREAS. THE INTERAGENCY TEAM WILL BE LOOKING AT AREAS THAT ARE PREDOMINATELY AGRICULTURAL, ALTHOUGH SOME HOMES WILL BE INVOLVED WHERE ACQUISITION AND ELEVATION IS APPROPRIATE.

- FEMA INTENDS TO RESERVE 50% OF THE 404 FUNDS FOR THE LONG-TERM OPPORTUNITIES.

KANSAS

- THE PROCESS OF PLANNING FOR THE FULLEST EXTENT OF FEDERAL ASSISTANCE HAS BEEN FULLY COORDINATED WITH THE STATE OF KANSAS AND OTHER FEDERAL AGENCIES. MITIGATION/ RECONSTRUCTION EMPHASIS IS INCLUDED IN ALL ASPECTS OF OPERATIONS OUT OF THE KANSAS DISASTER FIELD OFFICE (DFO).

- THE MOST SIGNIFICANTLY AFFECTED AREAS OF KANSAS ARE THE CITY OF ELWOOD AND DONIPHAN COUNTY IN THE FAR NORTHEAST, ACROSS THE MISSOURI RIVER FROM SAINT JOSEPH, MISSOURI, KANSAS AND GEARY, LEAVENWORTH, AND RILEY COUNTIES.

- THE BASIS FOR FEDERAL ASSISTANCE IN THE RECONSTRUCTION PROCESS IS THROUGH HAZARD MITIGATION PROGRAMS. TO THIS END THE INTERAGENCY FEDERAL/STATE TEAM HAS COMPLETED ITS INITIAL FINDINGS AND IS IN THE PROCESS OF FINALIZING THEIR REPORT.

- THE OTHER ACTIVE PROCESS WILL BE THROUGH A "BUY OUT" OF HOMES LOCATED IN THE 100 YEAR FLOOD PLAIN THAT ARE NOT REPAIRABLE AND FOR WHICH IT IS NOT FEASIBLE TO REBUILD TO REQUIRED STANDARDS.

- BASED ON VARIOUS INSURANCE PAYOUT AND FEDERAL AGENCY FORGIVENESS OF OUTSTANDING MORTGAGE VALUES, THE HOMEOWNER'S EQUITY WILL BE COVERED THROUGH A "BUY-OUT" POOL. ACQUIRED LAND WOULD BE DEEDED TO THE LOCAL GOVERNMENT FOR PARKS/RECREATION USE. FEDERAL ASSISTANCE FOR THIS IS BEING WORKED THROUGH THE U.S. PARK SERVICE AND THE KANSAS DEPARTMENT OF PARKS AND WILDLIFE.

- FUNDS WILL CONSTITUTE THE PRIMARY MATCH FOR THE "BUY-OUT" AND OTHER HAZARD MITIGATION PROJECTS.

- THE CITIES OF ELLSWORTH, KANSAS CITY (KANSAS) AND MANHATTAN ARE THE PRIMARY "BUY-OUT" TARGETS AT THIS TIME.

- THE DONATION OF COMMODITIES SUCH AS BUILDING MATERIALS IS AN INTEGRAL PART OF THE RECONSTRUCTION INITIATIVE. THE KANSAS DONATIONS GROUP (FEDERAL LEAD AND STATE SUPPORT) HAS PROVEN VERY SUCCESSFUL IN OBTAINING LARGE OFFERS AND ARRANGING TRANSPORTATION AND TRANSFER TO VOLUNTARY AGENCIES FOR USE IN THE DISASTER AREA.

MINNESOTA

- 1 project identified in Springfield (13 properties). Appraisals are completed.
- Potential funding sources have been identified: FEMA, HUD, State DNR, and State Dept. of Trade and Economic Development.
- State and FEMA have developed a strategy to work together with the regional planning commissions on all long-range recovery issues, including community outreach, project development, and funding identification.

WISCONSIN

- A list of approximately four potential acquisition/relocation projects has been developed through the efforts of the Interagency Hazard Mitigation Team.

- The most beneficial use of potential funding sources for the projects is being discussed in periodic interagency meetings.

- Agencies are individually reviewing the potential sites to determine funding eligibility for their programs.

- Involved agencies includes: Federal > EDA, FEMA, SBA, USACE, SCS, HUD, and FEMA; State > WI Dept. of Development, DNR, Depts. of Industry, Labor and Human Relations, Health and Social Services, and the Wisconsin Trust Fund; Local > regional planning commissions, local and county government officials.

NEBRASKA

- THERE ARE 3 COMMUNITIES WHICH HAVE INDICATED AN INTEREST IN RELOCATION / ACQUISITION PROJECTS.
- FEMA AND THE STATE ARE WORKING TOGETHER TO ASSIST COMMUNITIES IN PREPARING APPLICATIONS.
- ALL OTHER AFFECTED COMMUNITIES ARE BEING CONTRACTED AND OFFERED THE SAME ASSISTANCE.
- ADDITIONAL STAFF ARE BEING RECRUITED TO ASSIST IN THIS EFFORT.

ILLINOIS

- CONTRACT WITH UNIVERSITY OF ILLINOIS TO PROVIDE ON-SITE EVALUATIONS AND TECHNICAL ASSISTANCE TO HIGH PRIORITY COMMUNITIES IDENTIFIED FOR ACQUISITION AND RELOCATION POTENTIAL.
- RECOVERY PLANS WILL ADDRESS THE ALTERNATIVES AVAILABLE FOR EACH COMMUNITY.
- REGIONAL PLANNING COMMISSIONS HAVE ALSO ADAPTED THIS APPROACH TO COORDINATE THE MITIGATION RESOURCES.

NATIONAL GOVERNORS' ASSOCIATION

Roy Romer
Governor of Colorado
Chairman

Carroll A. Campbell Jr.
Governor of South Carolina
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1572
Telephone (202) 624-5300

NGA FAX TRANSMISSION FORM

DATE: 8/6/93

TO: Kathi Way

FAX NUMBER: 456-7028

FROM: MARGARET SIEGEL

202-624-5340 (Commercial)

202-624-5313 (fax)

NUMBER OF PAGES: 3 (including this page)

REMARKS: Kathi, here's the letter to sign about detailing someone over here.

PLEASE CALL JACKIE HALL AT 202-624-5341 WITH ANY PROBLEMS.

NATIONAL GOVERNORS' ASSOCIATION

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Washington, D.C. 20001-1572
Telephone (202) 624-5300

July 22, 1993

The Honorable Mike Espy
Secretary
U.S. Department of Agriculture
12th & Jefferson Drive, S.W.
Washington, D.C. 20250

Dear Mr. Secretary:

As you are aware, during the July 9th conference call with Vice President Gore, we asked that the administration work with the National Governors' Association (NGA) as part of the overall recovery effort needed by the devastating floods in our states.

One of the immediate needs we have is to strengthen the staff capacity of NGA to aid us on agriculture recovery issues. It would be most helpful if you could assign a senior level U.S. Department of Agriculture (USDA) representative to work full time at NGA with our state Washington, D.C. offices to aid us in such areas as recovery assistance, appropriations, and structural changes in the crop insurance programs. During this period of crisis and recovery, it is imperative that a close working relationship be developed between USDA and the states as we attempt to resolve both the short-term and long-term issues associated with the floods. We believe that detailing a USDA expert will be of great assistance to your efforts, as well as to the states, as that individual could be instrumental in the coordination and streamlining of requests and fill our need for technical assistance. This is especially true now that President Clinton has designated you to lead the federal recovery effort in the Midwest.

To follow-up on this matter, we have asked Ray Scheppach, Executive Director of the National Governors' Association, to work with your office on the specific details of our proposal.

Thank you. We deeply appreciate your continued responsiveness to our needs, and look forward to working closely with you over the next few years as we move together toward recovery from the devastation of this flood.

Sincerely,

Jim Edgar

Governor Jim Edgar
State of Illinois

Terry E. Branstad

Governor Terry E. Branstad
State of Iowa

The Honorable Mike Espy
July 22, 1993
Page two

Governor Arne H. Carlson
State of Minnesota

Governor Mel Carnahan
State of Missouri

Governor E. Benjamin Nelson
State of Nebraska

Governor Edward T. Schafer
State of North Dakota

Governor Walter D. Miller
State of South Dakota

Governor Tommy G. Thompson
State of Wisconsin

STATE OF ILLINOIS
WASHINGTON OFFICE
444 NORTH CAPITOL STREET, N.W.
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WASHINGTON, D.C. 20001

202-624-7760

JIM EDGAR
Governor

FACSIMILE COVER SHEET

C ALL

NAME: KATHY WAY

DEPARTMENT:

PHONE & FAX#: 456-7739

FROM: MAUREEN CROCKET

DATE: # OF PAGES INCLUDING COVER: 4

NOTES:

FYI - THIS WAS ~~SENT~~ MESSENGERED LATE FRIDAY.

STATE OF ILLINOIS

OFFICE OF THE GOVERNOR

SPRINGFIELD 62706

JIM EDGAR
GOVERNOR

September 3, 1993

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to express my deep disappointment with the Midwest flooding funding formula announced yesterday by the Federal Emergency Management Agency. Under that formula, Illinois communities devastated by flooding will receive only 75 percent reimbursement while communities directly across the river in Missouri will receive 90 percent. With all due respect, Mr. President, that is grossly unfair and contrary to what we expected from your administration.

On July 27, when I and other governors met with you at the White House, you said you wanted to provide extra federal assistance to flood-stricken areas. You indicated FEMA would pay for 100 percent of costs associated with fighting the flood. You also led us to believe the federal government would provide funds exceeding 75 percent of costs related to cleanup and rebuilding.

FEMA has not agreed to reimburse emergency costs at 100 percent. Its decision to pick up 100 percent of costs it expended directly will not benefit Illinois. FEMA directly paid for almost no emergency work in Illinois. Even as it was supplying emergency water to Des Moines, Iowa, and St. Joseph, Missouri, it was the Illinois Department of Public Health that provided water to the 73,000 citizens served by the flooded water facility in Alton.

Regarding cleanup costs, I am astounded that the FEMA policy announced yesterday discriminates against Illinois communities. In your discussions with Midwest governors, there was never even a hint that some states might receive extra help and others would not. The policy for helping victims of this flood should be consistent.

The FEMA policy establishes a threshold of losses that states must reach before federal reimbursement may exceed the customary 75 percent share. The formula specifies that to determine the threshold, we multiply our state's population (11,630,602) by $64. This means the Illinois threshold exceeds $744 million in public assistance needs. This is a preposterous calculation and serves only to exclude Illinois communities and those in most other states hurt by the flood.

While total losses in Illinois may exceed $1 billion, we are not allowed to include farm production losses and other lost revenues in the FEMA formula. Using the criteria identified by FEMA, we can only use about $210 million in estimating our "threshold." Under no circumstances will Illinois and most of the other flood affected states meet the required threshold.

Contrary to the suggestion by FEMA that there is historic precedent for this formula, I believe the precedent set in Florida after Hurricane Andrew and in South Carolina after Hurricane Hugo was far more responsive to the citizens in need. For example, in Florida, we understand a threshold of $10 per capita was set, and any losses above that were reimbursed 100 percent by FEMA. Why is the $64 number being used arbitrarily rather than the $10 number previously applied?

If FEMA wishes to develop a new policy in castrophic situations of reimbursing at 90 percent, the policy should be applied to all areas affected by a particular disaster. FEMA has apparently agreed with you and the governors of the Midwestern states that the Great Flood of 1993 has reached catastrophic proportions. Accordingly, FEMA should apply its 90 percent formula to all losses in all states affected by this incident.

Providing 90 percent reimbursement formula in one state and 75 percent in another creates terrible inconsistencies.

- The communities of Grafton, Eldred, Nutwood, and Hillview were devastated as the Mississippi backed up the Illinois River. They will receive 75 percent federal reimbursement while similar communities on the Missouri River will receive 90 percent.

- Valmeyer a community of 900 people has been devastated by the flood. It will receive a smaller percentage of reimbursement than St. Louis, a city of 2.5 million.

- Hull, Niota, Keithsburg and Pontoosuc are Illinois communities along the Mississippi that were severely damaged by the flood. They, too, will receive the smaller federal share while communities in Missouri will receive 90 percent.

- The Sny Island Levee and Drainage District spent more than $1 million fighting the flood and is looking at high repair costs. The Sny district will be eligible for only 75 percent reimbursement. Levee Districts in Missouri will receive 90 percent for the same type of work.

- The Illinois National Guard has expended over $14 million fighting the flood. It will be reimbursed 75 percent while the Missouri National Guard will be reimbursed at 90 percent.

These inconsistencies are directly related to the fact that Illinois has a high population base. Because nearly eight million people live in northeastern Illinois, communities hundreds of miles distant along the river will not qualify for additional federal assistance. Why should the Mayor of Grafton, Illinois, be penalized because his community is in Illinois rather than Missouri? Why should Alton receive less funds because it rests on the east side of the Mississippi River rather than on its west bank?

Mr. President, I respectfully ask that you review the reimbursement policy of the Federal Emergency Management Agency and that the policy be changed to treat all areas affected by the flood equally. The current policy does a serious injustice to areas that are most in need.

Sincerely,

Jim Edgar

Jim Edgar
GOVERNOR

JE:ag