

ADDRESS BY GOVERNOR WILLIAM A. EGAN
SPECIAL LEGISLATIVE SESSION
AUGUST 31, 1964

Mr. President of the Senate, Mr. Speaker of the House, Members of the
Third Alaska State Legislature, Fellow Alaskans:

At the outset I want to say that I know many of you have been inconvenienced as a result of my scheduling this special session of the legislature at this time, and I regret that this is so. It was not legally possible to schedule it sooner, and the communications I received from a number of you indicated there was no ideal time for the session. No good purpose would have been served by postponing it, because it is quite likely that delay would cause a slowdown in initiating the contemplated program.

The Congress of the United States and President Johnson have acted to assist Alaskans whose homes were smashed in the great disaster of March 27th--and now it is incumbent upon us to take the steps necessary to implement the Federal Assistance Program.

As you know, few Alaskan homes were insured against the kind of catastrophe which struck our state last March. For a time, it appeared there was no way for those whose homes were left beyond repair to rid themselves of an awful mortgage burden. The State Administration, Alaska's Congressional Delegation, and others, made concerted efforts to induce Congressional enactment of retroactive earthquake insurance program to ease this burden. But almost from the beginning these efforts appeared futile.

In a speech at Anchorage, Senator Clinton P. Anderson of New Mexico, who heads the Alaska Reconstruction Commission, said he believed the program would draw little support in Congress. He was right.

In the end, the Congress provided a way for the owners of homes damaged to the extent of 60% or more, to reduce or retire their mortgages. Funds for the program would be provided on a 50-50 matching basis with the State of Alaska. Congress authorized an appropriation of five and a half million dollars as the Federal Government's share of the fund that would be needed to grant mortgage relief to many Alaskans.

And the Congress did more than this. In amending the Alaska Omnibus Act to assist Alaska to recover from the effects of the disaster, it authorized use of emergency funds for the repair and reconstruction of highways on the Federal-Aid highway systems of the state which were damaged or destroyed.

Congress added sections to the act which permit adjustments of existing federal loans to farmers, rural electrification cooperatives, and home owners. Grants are authorized up to twenty-five million dollars for disaster related urban renewal projects in Alaska. A very important feature of the act increases federal participation in such urban renewal projects to 90 per cent.

The act extends terms of federal home disaster loans to 30 years. The U. S. Army Corps of Engineers is authorized to spend an additional ten million dollars to complete civil works projects adversely affected by the earthquake and sea waves. The act authorizes federal loans to the state of up to twenty-five million dollars, or federal purchase of a similar amount of Alaska's bonds. The appropriation of fifty-five million, six hundred and fifty thousand dollars is authorized to implement these new sections of the Alaska Omnibus Act.

Now we must act to avail ourselves of this substantial assistance. Most of us recognized in the days following the disaster, when the enormity of the destruction became known, that we would have to look to the federal government for the bulk of the assistance that would be needed for the recovery effort.

It has been contended in some quarters that the proposed legislation I am transmitting to you today goes beyond the scope of my proclamation calling this special session of the legislature.

Let me make it clear that the legislation I am today recommending is either directly related to the disaster, or designed to take advantage of the special provisions of the amended Omnibus Act to bring about financial savings for the state.

My purpose in issuing the proclamation was to bring you together so that continuing, critical problems with which Alaskans are confronted as a result of the earthquake could be considered in the light of the recently enacted Omnibus Act.

Before various of the programs provided in the act can be implemented, the State of Alaska must demonstrate its willingness to take advantage of them.

Events which resulted in solving the impasse between the House and Senate of the United States Congress with respect to the Alaska Omnibus Bill, moved swiftly. Almost immediately following the submission of the 50-50 basis state-federal mortgage relief amendment to the joint House and Senate conferees, the offices of Senator Henry Jackson, Ernest Gruening, Bob Bartlett, Congressman Ralph Rivers and George Hayes, my special Washington, D. C. legal counsel on reconstruction matters, made contact with me. I directed the State Department of Law to research the constitutionality of state participation in the suggested plan.

Following receipt of a favorable opinion from the State of Alaska's Attorney General, Warren Colver, I immediately informed the members of Alaska's Congressional Delegation, Senator Jackson, and Mr. Hayes. Shortly thereafter, the congressional conferees, including Senator Gruening, Congressman Ralph Rivers and Senator Jackson, agreed to the mortgage relief amendment. A few days later, S2881, the Alaska Omnibus Act, was approved by the Congress and sent to the White House for the President's signature.

Upon being informed by Mr. Hayes and all members of Alaska's congressional delegation that presidential approval was certain, I entered into a number of conferences with the State's Attorney General and members of his staff, my staff and several state department heads. Following continual study and discussion it became obvious that legislation was needed in order to appropriate the previously authorized disaster funds which would be needed to carry out the State of Alaska's obligation of the 50-50 plan with the federal government.

In my earnest and sincere conviction that early action by the state in appropriating the previously authorized state disaster funds, together with the evolving of the required plan which must be submitted for the president's approval, would quite likely enable the state to process many of the qualified mortgages before winter sets in, I issued my proclamation calling this special session of the legislature to convene at 10:00 a.m. today.

Following adoption of the legislation I have submitted, the plan for the administration of the mortgage redemption or adjustment program will be sent to the President of the United States. In addition, legislation appropriating the federal share of the funds will be introduced in Congress. Pending passage of the federal legislation, steps will be taken by the state to implement the program up to the point of disbursement and we hope very much that the appropriation of the federal funds will be accomplished before Congress adjourns.

My concern is completely with leaving no stone unturned in attempting to enable as many of our tragedy stricken fellow Alaskans as is humanly possible under the law, to be placed in a position where they might arrange for the construction of new homes this year, or for reconstruction of severely damaged homes before winter sets in too heavily. Let me re-emphasize that the proposed legislation presented to you today is intended to apply to one prime subject, that of providing a measure of relief to fellow Alaskans who suffered grievous losses in the disaster, and availing ourselves of other provisions of the Omnibus Act as amended.

We have already begun to see how the act can assist Alaska. Last Wednesday, the Urban Renewal Administration approved grants in excess of ten million dollars for urban renewal projects at Kodiak, Seward, and Valdez. The grants were computed under the special 90-10 per cent ratio authorized under the Omnibus Act. Before the act was approved, the state had entered into renewal agreements with these communities. They had drafted reconstruction plans and it was decided to go as far as we could with them, anticipating that Congress would approve 90 per cent participation in the projects. Had the state not proceeded in this manner, with respect to urban renewal and highway reconstruction projects, reconstruction progress would be in a sad state today.

Total damage resulting from the earthquake and sea waves has fluctuated considerably since the first estimates were made in early April. At the present time, this figure stands at considerably in excess of three hundred million dollars. The various federal assistance programs, including those authorized in the Omnibus Act, are expected to cover most of this estimated total damage.

Two thirds of reconstruction work scheduled by the Office of Emergency Planning under Public Law 875 is expected to be under contract by the end of this year with one-third of it completed this year.

A three-year highway reconstruction program is expected to be twenty-six per cent complete by the end of 1964.

The Alaska Railroad will have a usable facility at Seward and its track reopened to that port city by the end of the year.

New buildings are going up throughout the devastated area, testifying to the courage and spirit of Alaskans.

The Valdez urban renewal project is a unique one--involving relocation of the entire community at a new site several miles away. The move is necessitated by findings that the present townsite is dangerously unstable.

Engineering has been completed for the access road to the new townsite and for a 600-foot dock. The Army Corps of Engineers awarded a contract on July 30 for construction of harbor facilities. The bulk

of work in connection with this project will not begin until next year, but it is hoped that sewer and water mains can be installed at the new townsite before winter.

At Seward, a contract for approximately one and a third million dollars has been awarded for rehabilitation of utilities and sewers, bids for restoration of harbor facilities have been received, and planning is complete for the urban renewal project--which involves relocation of the Seward industrial area at the head of Resurrection Bay.

At Kodiak, the harbor breakwater has been restored and replacement of boat floats and other inner harbor facilities is expected to be completed by November 15th.

Planning is complete for the Kodiak urban renewal project--which will involve reconstruction of the community's commercial center.

At Anchorage, all but three schools will be in full use when the next school year begins, and completion of repairs on one of these--Denali school--is scheduled for November 30th. Restoration of water and sewer lines is proceeding ahead of schedule. Employment at Anchorage is at a higher level this year than last.

It should be emphasized that the task of rebuilding our shattered communities will not be completed this year. Work in conjunction with a number of reconstruction projects is expected to be spread out over a three-year period.

We are making substantial progress down the reconstruction road, and we must not falter now. There is still much to be done.

Today you have received nine proposed bills designed to take advantage of the federal programs contained in the Omnibus Act and thereby ease the burden of mortgage holders. You, of course, will study them thoroughly, but I want to review them generally at this time.

The principal bill provides for the state's participation in the mortgage retirement or adjustment program authorized in the Alaska Omnibus Act and specifies how the program is to be administered. It embodies much of the language of the federal act and cites the purpose of the program.

I would ask you to consider carefully the section dealing with purpose. Certain parts of this section go to the heart of the problem we must deal with.

To summarize them:

In many tragic cases no federal or state programs now exist to relieve the double economic hardship of a substantial number of Alaskans whose homes carried mortgages and were severely damaged or destroyed in the March 27th disaster.

The absence of an effective program for relief of Alaskans whose homes were severely damaged or destroyed prevent home rebuilding and could thereby induce residents to leave the state.

A program of relief for mortgagors will permit substantial rebuilding which otherwise would not be done and thereby stabilize the economy.

This enabling legislation incorporates in it the limitations and requirements of federal law that a home owner must meet to qualify for mortgage relief.

Two other bills provide for the bonding, borrowing and appropriation of five and a half million dollars, the state's share of the Omnibus Act program for mortgage relief retirement.

A fourth bill would amend existing disaster loan or bonding legislation to increase the state's present disaster borrowing authority from twelve million three hundred thousand dollars, to a total of seventeen million eight hundred thousand dollars from the federal government. This increased authorization is necessary so that the state can borrow the five and a half million dollars needed to match the federal grant authorized under Section 57 of the 1964 Alaska Omnibus Act and thereby create the fund needed for the mortgage program.

A fifth bill would permit the state to borrow seven million two hundred thousand dollars from the federal government to complete capital improvements begun prior to the earthquake. State bonds in this amount were to be placed on the bond market next January, but it is possible that a more favorable interest rate can be obtained by borrowing from the federal government instead. Federal authority to meet this need is provided in the Omnibus Bill.

A sixth bill would extend from two to four years the period of time in which the state bond committee can borrow in anticipation of the sale of state general obligation bonds or borrow from the federal government for disaster related and capital improvement programs begun before the earthquake.

Interim financing will likely be cheaper, by about one and a half per cent in interest. The earthquake may have temporarily diminished the state's ability to negotiate our bonds at the highly favorable net interest rates available to us prior to March 27, 1964.

There is no doubt that within four years the state will have completely recovered from the disaster and there will be the normal favorable interest rate demand for our bonds.

Two bills, companion measures, would amend existing law to permit payments of transitional funds to municipalities and school districts as well as the state for extraordinary expenses incurred as a result of the disaster and to offset losses of revenue. The appropriation of available transitional grant monies to meet these needs is increased by the bill from three million two hundred thousand dollars to five million dollars.

A final bill would appropriate additional monies of just under four hundred thousand dollars for highway and ferry construction and Bush Airfield programs. The purpose of this appropriation is to bring the total to be spent for capital improvements begun prior to the earthquake up to the full seven million two hundred thousand dollars the state intends to borrow from the federal government under provisions of the Omnibus Act for these improvements.

Each of these proposed enactments is deemed necessary to enable the state to benefit from the federal programs.

Of prime concern at this time, and the reason for this special session, is the plight of Alaskans whose homes were wrecked in the earthquake and who, nevertheless, still are obligated to pay off mortgages on these homes.

The mortgage retirement or adjustment provision of the Omnibus Act, while not a cure-all, will enable many people to reestablish homes and rid themselves of crushing mortgage obligations.

By assisting such persons, we will be preventing the bankruptcies and defaults which would tarnish our state's reputation in financial circles.

I will today make available to you, copies of the proposed state plan for implementing the mortgage relief program. It is based, of course, on provisions of the Omnibus Act. The plan must be submitted to the president for his approval.

It is the intent of Congress that only those properties on which the physical damage suffered amounted to 60 per cent or more of their pre-earthquake value will be covered by the mortgage relief program.

It is true, as some have forcibly stated, that lenders holding mortgages of home owners who qualify under the provisions of the Alaska Omnibus Act program will be paid the money due them under the provisions of the mortgages. But we must never forget that our primary concern is with the benefit that will derive to each individual home owner who was struck such a cruel blow as a result of the 1964 Good Friday disaster and who qualifies for relief under the provisions of Section 57 of the Federal Alaska Omnibus Act.

The program will not make qualified home owners whole again but will diminish or retire their outstanding mortgage obligations. There is no provision to reimburse them for their losses. They are required, under this program, to absorb the damage loss to the entire extent of their equity in the property and also agree to pay at least one thousand dollars of the mortgage balance.

The program, while not as broad as we had hoped for, nevertheless will afford a measure of relief that is forthcoming from no other source, and we must do what is necessary to make it work--not only for the benefit of our fellow Alaskans who have suffered severe losses but to maintain the financial integrity of the state.

In closing I should like to say that I know there are those who question the advisability of social and disaster programs.

I believe that a statement made by the late great Franklin D. Roosevelt in his second presidential nomination speech adequately expresses the present situation and the need therefore:

"Governments can err, presidents do make mistakes, but the immortal Dante tells us that divine justice weights the sins of the cold blooded and the warm hearted in a different scale. Better the occasional faults of a government living in the spirit of charity than the consistent omissions of a government frozen in the ice of its own indifference."

Thank you.