



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

109305



COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

MAY 2 1979

Gerald Seinwill, Deputy Director
Water Resources Council *AGC 00020*
2120 L Street, NW
Washington, DC 20037

Dear Mr. Seinwill:

We recently performed a limited survey of the use of nonstructural measures for solving or minimizing flooding problems. Such measures were encouraged by Section 73 of the Water Resources Development Act of 1974 (Public Law 93-251). In order that full consideration be given to nonstructural alternatives, the Corps of Engineers developed proposed Engineering Regulation 1105-2-353. This regulation provides instructions for evaluation of the National Economic Development (NED) benefits and costs of nonstructural measures involving evacuation and relocation.

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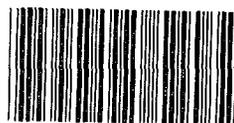
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We recommended to the Corps (see enclosure) that they include in their proposed regulation the (1) loss of tax revenue resulting from flood victims claiming casualty losses on their income tax returns, and (2) cost to the Federal Government of providing low-interest disaster loans from the Small Business Administration (SBA) for the repair or replacement of damaged homes and businesses. They said that the draft would be revised to include lost income tax revenue resulting from deductions for flood casualty losses as an external cost of flood plain occupancy but questioned the significance of classifying as external costs the Federal costs associated with low-interest SBA disaster loans.

We understand that the Corps of Engineers regulation will probably be superseded by a manual now being drafted under the direction of the Water Resources Council. We recommend that the manual include provisions for declaring both casualty losses and low-interest SBA loans as external costs of floodplain occupancy.

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We would be happy to discuss this in further detail should you so desire. We would appreciate being advised on what final actions are taken on our recommendations.



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Sincerely yours,

Don B. Cluff
Don B. Cluff
Assistant Director

Group III Report

Enclosure

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