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BIKINI ATOLL AND GUAM AUTHORIZATIONS—Part 2

GOVERNMENT

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HEARING

BEFORE THE

COMMITTEE ON

ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

HOUSE AMENDMENTS TO S. 2821, A BILL TO AUTHORIZE AP-
PROPRIATIONS FOR CERTAIN INSULAR AREAS OF THE
UNITED STATES AND FOR OTHER PURPOSES

JULY 18, 1978

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APPENDIX

1. The first part of the appendix contains a list of the names of the persons who have been appointed to the various offices of the government since the year 1800. The names are arranged in alphabetical order, and the year of appointment is given in parentheses after each name.
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BIKINI ATOLL AND GUAM AUTHORIZATIONS— PART 2

TUESDAY, JULY 18, 1978

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 8 a.m., in room 3110, Dirksen Office Building, Hon. Henry M. Jackson, chairman, presiding.
Present: Senators Jackson and McClure.
Also present: James P. Beirne, counsel.

OPENING STATEMENT OF HON. HENRY M. JACKSON, A U.S. SENATOR FROM THE STATE OF WASHINGTON

The CHAIRMAN. Our first witness this morning is the Honorable Ron de Lugo, Representative of Congress from the Virgin Islands. We are delighted once again to welcome you to the committee.

Mr. DE LUGO. Thank you very much, Mr. Chairman. Before I begin, I want to thank you on behalf of the people of the Virgin Islands, once again, for all the help you have given to the Virgin Islands over the many years that I have known you here in Congress.

And, I want to thank you for the courtesy that you have extended me as a delegate from the Virgin Islands for those years that I've served in the House. And, I would like to introduce Dr. Roy Schneider who is our commissioner of health. I asked Dr. Schneider to fly from the Virgin Islands to be with us this morning should the committee have any questions they would like to direct to the commissioner relative to the proposal for new health facilities for the islands.

The CHAIRMAN. Dr. Schneider, we are delighted to welcome you to the committee this morning.

Dr. SCHNEIDER. Thank you, sir.

Mr. DE LUGO. I thought that if the chairman would agree to this procedure, I would go quickly through my statement so that I might yield to Dr. Schneider for his statement on the health situation.

The CHAIRMAN. Very good. We are under a time constraint this morning. We have another meeting starting at 9 o'clock. And I don't want to be unfair. I think to the extent, Ron, you can put your statement in the record, it will help to expedite matters and you can ad lib, and so on.

It's very informal. Go ahead.

STATEMENT OF HON. RON de LUGO, DELEGATE TO CONGRESS FROM THE VIRGIN ISLANDS

Mr. DE LUGO. Thank you, Mr. Chairman. I am grateful for this opportunity to be here and to testify on House-passed territories legislation. Owing to the overwhelming demonstration of support that this legislation has already received on the House side as well as the time constraints this morning, I will be very brief.

Section 4(a) of the bill, as amended by the House, authorizes \$1 million a year over the next 5 years to fund an economic development program in the Virgin Islands. Under the terms of the legislation, the Secretary of the Interior shall, by regulations, prescribe the types of programs and economic development projects for which such sums may be used.

This provision, which is similar to the one Congress has already enacted for Guam, is critically important to the efforts of the Virgin Islands Government as it attempts to stimulate and diversify our local economy.

I should point out that private and governmental studies have uniformly concluded that additional growth in the private sector is essential to the future prosperity of the Territory, both to liberate it from its present heavy dependence on tourism, as well as to generate the needed tax revenues to sustain adequate public services for a population that has tripled in the last 18 years.

This provision, then, will enable the Virgin Islands to develop a coherent and comprehensive approach to attract private investment, to encourage local entrepreneurialship, and to generate reasonable economic growth.

In its wisdom, I understand that the committee staff may recommend that the 5-year authorization, as provided for in the House amendment, be converted to a single year \$5 million authorization. I would support such a conversion in order to insure increased flexibility on the part of the local government as it develops this important program in conjunction with the Department of the Interior.

Section 4(b) of the bill, as amended, contains \$52 million in new authorizations for the replacement of the aging and inadequate health care facilities in the Virgin Islands. The House provision authorizes \$4 million in fiscal year 1979 and \$12 million annually thereafter for the next 4 years for the construction of modern new hospitals on St. Croix and St. Thomas, as well as the construction of a new health clinic on the island of St. John.

Mr. Chairman, you are familiar with the facilities of the islands, and I'm sure you would agree that they are in need of replacement.

The health care system in the territory has been the object of numerous private and governmental studies, all of which have found that growing demand has far outpaced the capability of existing facilities to provide modern health care services. At this point I will suspend the rest of my statement relative to the health care facilities since I have the Commissioner with me to answer any detailed questions. I would only like to add that it is my understanding that staff may recommend that, should the committee decide to authorize the full \$52 million construction program, the House language be converted to a single-year authorization.

I would strongly support such a change to increase the flexibility of the local government in letting construction contracts. Commissioner Schneider also strongly urges that this be done.

Section 4(c) of the bill, as amended, provides for prepayment of taxes collected under sections 28(b) and 28(a) of the Revised Organic Act of the Virgin Islands, provided that the Legislature of the Virgin Islands changes its fiscal year to correspond to the newly established Federal fiscal year commencing October 1.

This provision is intended to avoid serious cash flow problems such as the one the Virgin Islands has just experienced in the fiscal year just ended. As you know, the territory has experienced serious fiscal problems in recent years, largely as a result of Federal actions over which we have no control.

Congress has assisted the Government of the Virgin Islands in addressing these problems, most recently by authorizing a grant of \$14 million under Public Law 95-134. However, since the local government is still on the old fiscal year commencing July 1, the actual appropriation will not be available until the beginning of the next fiscal year later this summer.

This provision would make two important changes to avoid this kind of problem in the future. One, it would require the Virgin Islands Government to change its fiscal year to correspond to that of the Federal Government, and, two, it would authorize the Secretary of Treasury to advance payment of excise taxes, customs duties and other taxes which are otherwise owable to the Virgin Islands under sections 28(b) and 28(a) of the Revised Organic Act, in one lump sum, at the beginning of the fiscal year.

Such a lump sum payment would avoid the kind of cash flow problems just mentioned, enable the local government to control its budget expenditures more efficiently, and allow the territory to collect interest on funds that would otherwise sit in various government accounts.

Prepayment of excise taxes under section 28(b) would also enable the Virgin Islands to pick up an extra quarter of rum taxes the first year the provision becomes effective. It is estimated that the provision would generate up to an additional \$7 million the first year, thus giving the territorial government time to deal more effectively with its continuing fiscal problems.

I would like to emphasize that section 4(c) of this bill does not increase, change or otherwise modify the amounts of such taxes or duties which are owed to the Virgin Islands; rather, it merely changes the way in which such taxes and duties are collected and paid over to the territory.

I would like to suggest, however, that the authority for the prepayment provision be made permanent to prevent the need for reauthorization or a bridge loan to cover the quarter that would be lost at the end of present 5-year authorization.

Mr. Chairman, at this time I would like to bring up an issue which is presently before the executive and judicial branches of the Federal Government which could provide a permanent solution to the fiscal problems of the Virgin Islands. I might also note that this issue was the subject of hearings held by this committee, as well as legislation introduced by the distinguished chairman and Senator Johnston in 1976.

As you know, section 28(b) of the Revised Organic Act provides that all taxes collected under the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States shall be covered into the treasury of the Virgin Islands.

You and I have discussed this on a number of occasions. Under this provision, internal revenue taxes collected or rum manufactured in the Virgin Islands and shipped to the United States have, for several years, been covered into our local treasury.

However, since 1966, substantial volumes of gasoline refined on St. Croix have been shipped to the mainland for consumption but the U.S. Treasury has never rebated the four cents per gallon manufacturers' excise tax.

As correspondence from the chairman and Senator Johnston makes clear, there is nothing in the language or legislative history of section 28(b) which suggests that Congress ever intended that this provision be applied to certain products but not to others.

The language of the law clearly states that the Secretary of the Treasury shall transfer to the Government of the Virgin Islands, and I quote, "all taxes imposed by the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States", at least to the extent that such revenues are matched by the Government of the Virgin Islands.

The plain meaning of the language simply does not support a distinction between types of internal revenue taxes or types of products. While there is some disagreement within the executive agencies on the scope of this provision, the Justice Department excepted to the plain meaning rule when a legal opinion on the issue was requested by the Virgin Islands Government back in 1975.

Instead, the Justice Department relied on the longstanding interpretation of the Treasury Department, which literally rewrites the words of Congress, and denied the Virgin Islands claim. Accordingly, the Virgin Islands Government has taken this matter to court where the issue is now being litigated.

Pending submission of the administration's tax reform package last fall, which would have wreaked further havoc on Virgin Islands finances, as well as a Federal court decision overturning a Virgin Islands tax on U.S. investment income earned in the territory, I wrote to President Carter last September 16th urging that he give consideration to clarifying Virgin Islands claims to the gasoline excise taxes as a long-term solution to our fiscal difficulties and revenue needs.

Recognizing the responsibility of the Federal Government, in part, for the Virgin Island fiscal situation, the White House has agreed that our excise tax claims represent a viable way of making the territory whole on a long-term basis. Accordingly, the White House has encouraged settlement negotiations between the parties to give effect to this policy.

I would only wish to point out, however, that settlement negotiations between the actual litigants seem to have stalled at this point. Should these negotiations fail to reach a settlement acceptable to all of the parties, I would respectfully suggest that the legislation currently pending before this committee, which addresses itself to section 28(b), might prove to be a useful vehicle to clarify this matter once and for all.

I can assure the chairman and distinguished Senators of this committee that a long-term solution to our fiscal problems would be preferred to interim patchwork solutions, both in terms of public policy as well as insuring a stable climate for future economic, social, and political progress in the Virgin Islands.

I want to thank you, Mr. Chairman, for your courtesy this morning.

The CHAIRMAN. Thank you, Mr. de Lugo.

[The prepared statement of Representative de Lugo follows:]

STATEMENT OF HON. RON DE LUGO, DELEGATE TO CONGRESS FROM THE
VIRGIN ISLANDS

Mr. Chairman and distinguished Members of the Senate Committee on Energy and Natural Resources, I am grateful for this opportunity to testify in support of S. 2821, omnibus territories legislation which contains a number of provisions designed to sustain the economic and social progress of the United States Virgin Islands and to provide our Territorial Government with increased flexibility as it attempts to resolve our continuing fiscal difficulties. Owing to the overwhelming demonstration of support this legislation has already received on the House side, as well as the crowded legislative schedule of this Committee, I will try to be as brief as possible.

Section 4(a) of the bill, as amended by the House, authorizes \$1 million a year over the next five years to fund an economic development program in the Virgin Islands. Under the terms of the legislation, the Secretary of Interior shall by regulations prescribe the types of programs and economic development projects for which such sums may be used.

This provision, which is similar to the one Congress has already enacted for Guam, is critically important to the efforts of the Virgin Islands Government as it attempts to stimulate and diversify our local economy. I should point out that every private and governmental study has concluded that additional growth in the private sector is essential to the future prosperity of the Territory, both to liberate it from its present heavy dependence on tourism, as well as to generate the needed tax revenues to sustain adequate public services for a population that has tripled in the last 18 years. This provision, then will enable the Virgin Islands to develop a coherent and comprehensive approach to attract private investment, to encourage local entrepreneurialship, and to generate reasonable economic growth.

In its wisdom, I understand that the Committee staff may recommend that the five year authorization, as provided for in the House amendment, be converted to a single year \$5 million authorization. I would support such a conversion in order to insure increased flexibility on the part of the local Government as it develops this important program in conjunction with the Department of Interior.

Section 4(b) of the bill, as amended, contains \$52 million in new authorizations for the replacement of the aging and inadequate health care facilities in the Virgin Islands. The House provision authorizes \$4 million in Fiscal Year 1979 and \$12 million annually for Fiscal Years 1980, 1981, 1982 and 1983 for the construction of modern new hospitals on St. Croix and St. Thomas, as well as the construction of a new health clinic on the Island of St. John.

The health care system in the Territory has been the object of numerous private and governmental studies, all of which have uniformly found that growing demand has far outpaced the capability of existing facilities to provide modern health care services. A number of patchwork improvements have been instituted in recent years, but they have only served to slow the decline in our service capability. Rather, these studies have concluded that the tremendous growth in our population since 1960, particularly with the entry of thousands of non-resident aliens and their dependents into the Islands during the boom years at the end of this last decade, has simply overwhelmed the capacity of our hospital system which was planned for an earlier and simpler era.

It is also my understanding that the staff may recommend that, should the Committee decide to authorize the full \$52 million construction program, the House language be converted to a single year authorization. I would also support such a change to increase the flexibility of the local Government in letting construction contracts.

Section 4(c) of the bill, as amended, provides for pre-payment of taxes collected under Sections 28(b) and 28(a) of the Revised Organic Act of the Virgin Islands, provided that the Legislature of the Virgin Islands changes its fiscal year to correspond to the newly established Federal fiscal year commencing October 1st.

This provision is intended to avoid serious cash flow problems, such as the one the Virgin Islands has just experienced in the fiscal year just ended. As you know, the Territory has experienced serious fiscal problems in recent years, largely as a result of Federal actions over which we have no control. Congress has assisted the Government of the Virgin Islands in addressing these problems, most recently by authorizing a grant of \$14 million under Public Law 95-134. However, since the local Government is still on the old fiscal year commencing July 1st, the actual appropriation will not be available until the beginning of the next fiscal year later this summer.

This provision would make two important changes to avoid this kind of problem in the future. One, it would require the Virgin Islands Government to change its fiscal year to correspond to that of the Federal Government, and two, it would authorize the Secretary of Treasury to advance payment of excise taxes, customs duties and other taxes, which are otherwise owable to the Virgin Islands under Section 28(b) and 28(a) of the Revised Organic Act, in one lump sum at the beginning of the fiscal year. Such a lump sum payment would avoid the kind of cash flow problems we are presently incurring, enable the local Government to control its budget expenditures more efficiently, and allow the Territory to collect interest on funds that would otherwise sit in various government accounts. Pre-payment of excise taxes under Section 28(b) would also enable the Virgin Islands to pick up an extra quarter of rum taxes the first year the provision becomes effective. It is estimated that the provision would generate up to an additional \$7 million the first year, thus giving the Territorial Government time to deal more effectively with its continuing fiscal problems.

I would like to emphasize that Section 4(c) of this bill does not increase, change or otherwise modify the amounts of such taxes or duties which are owed to the Virgin Islands; rather it merely changes the way in which such taxes and duties are collected and paid over to the Territory by the Federal Government. I would like to suggest, however, that the authority for the pre-payment provision be made permanent to prevent the need for re-authorization or a bridge loan to cover the quarter that would be lost at the end of present five year authorization.

Mr. Chairman, at this time I would like to bring up an issue which is presently before the executive and judicial branches of the Federal Government which could provide a permanent solution to the fiscal problems of the Virgin Islands. I might also note that this issue was the subject of hearings held by this Committee, as well as legislation introduced by the distinguished Chairman and Senator Johnston in 1976.

As you know, Section 28(b) of the Revised Organic Act provides that *all* taxes collected under the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States shall be covered into the Treasury of the Virgin Islands. Under this provision, internal revenue taxes collected on rum manufactured in the Virgin Islands and shipped to the United States have for several years been covered into our local Treasury. However, since 1966, substantial volumes of gasoline refined on St. Croix have been shipped to the mainland for consumption, but the U.S. Treasury has never rebated the 4¢ per gallon manufacturers' excise tax.

As correspondence from the Chairman and Senator Johnston makes clear, there is nothing in the language or legislative history of Section 28(b) which suggests that Congress ever intended that this provision be applied to certain products but not to others. The language of the law clearly states that the Secretary of the Treasury shall transfer to the Government of the Virgin Islands "*all taxes imposed by . . . the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States*" (emphasis added), at least to the extent that such revenues are matched by the Government of the Virgin Islands. The plain meaning of the language simply does not support a distinction between types of internal revenue taxes or types of products.

While there is some disagreement within the executive agencies on the scope of this provision, the Justice Department excepted to the plain meaning rule when a legal opinion on the issue was requested by the Virgin Islands Government in 1975. Instead, the Justice Department relied on the long-standing interpretation of the Justice Department, which literally rewrites the words of Congress, and denied the Virgin Islands claim. Accordingly, the Virgin Islands Government has taken this matter to court, where the issue is now being litigated.

Pending submission of the Administration's tax reform package last Fall which would have wreaked further havoc on Virgin Islands finances, as well as a Federal court decision overturning a Virgin Islands tax on U.S. investment income earned

in the Territory, I wrote to President Carter last September 16th urging that he give consideration to clarifying Virgin Islands claims to the gasoline excise taxes as a long term solution to our fiscal difficulties and revenue needs. Recognizing the responsibility of the Federal Government in part for the Virgin Islands fiscal situation, the White House has agreed that our excise tax claims represent a viable way of making the territory whole on a long term basis. Accordingly, the White House has encouraged settlement negotiations between the parties to give effect to this policy. I would only wish to point out, however, that settlement negotiations between the actual litigants seem to have stalled at this point.

Should these negotiations fail to reach a settlement acceptable to all of the parties, I would respectfully suggest that the legislation currently pending before this Committee might prove to be a useful vehicle to clarify the law in this case once and for all. I can assure the Chairman and distinguished Senators of this Committee that a long term solution to our fiscal problems would be preferred to interim patchwork solutions, both in terms of public policy as well as insuring a stable climate for future economic, social and political progress in the United States Virgin Islands.

Thank you very much.

The CHAIRMAN. At this point I will insert in the record statements from Representatives Won Pat and Edward Pangelinan.

[The statements follow:]

STATEMENT OF HON. ANTONIO B. WON PAT, DELEGATE TO CONGRESS FROM GUAM

Mr. Chairman, although Congressional business requires that I not attend this hearing today, I appreciate the opportunity of being permitted to submit this formal statement of support of the House-substituted version of S. 2821, which is identical to language contained in H.R. 12481.

H.R. 12481, as passed by the House of Representatives, authorizes several major new actions by the Federal Government that would greatly enhance the Government of Guam's ability to deal with its current fiscal problems. As this Committee well knows, Guam has been hard hit in recent years by inflation, the oil crisis, and of course, the devastating impact of the 1976 typhoon which caused more than \$500 million in damage to island facilities.

H.R. 12481 is a by product of long and careful deliberation by my colleagues on the House Interior Committee. They are to be richly congratulated for their efforts to produce legislation which is aimed at providing a comprehensive base of financial support to all insular possessions and territories of this great nation.

Section 1 of the measure offers a much needed solution to Guam perennial shortage of Capital development funds. This section authorizes for the island government \$13,868,000 for FY 1979 and \$9.9 million for fiscal years 1980, 1981, 1982, and 1983 for construction of public facilities.

The Government of Guam has for years labored under a severe lack of funding capability to support even a minimum of long-range planning to develop the island's infrastructure. As passed, H.R. 12481 would resolve this major problem by providing over \$53 million in funding authority over the next five years for such purposes.

I fully recognized that this is a sizable amount, particularly in these times of tight budgets. Yet, even the most casual tour of Guam would reveal the dearth of public facilities, particularly in the southern part of the island. The residents of this area must contend with outmoded schools, totally inadequate water delivery systems, a lack of sewage lines, no medical facilities, and roads that are over 30 years old and highly dangerous because of archaic design and poor construction.

Yet, without the funds provided by Section 1 of this bill, it is unlikely that Guam will ever find long-term financing to supply the resources necessary for development of the island. As a consequence of our inability to provide the fundamental infrastructure for most of the island, we in turn find that we continue to find it difficult to attract even the substantial commercial industrial activity from the states or abroad.

For many years now Guam has requested various administrations to support a proposition such as this. Yet, we have with an apparent unwillingness to do so. When this situation is coupled with Guam's inability to seek even one penny in development funds from economic channels normally open to undeveloped areas through the World Bank or the Asian Development Bank, you perhaps begin to perceive the extent of our despair over the future.

We seek only the opportunity to help ourselves. We gladly accept the challenges of developing Guam to meet the demands of this technical age. But we cannot do the job alone and your support is thus requested to provide the financial backing we must have to ensure that Guam can cope with the demands of future generations.

Subsection 5(c) is another step in the direction of enlightened legislation that can contribute to the lessening of financial burden for the local Government. Under this section, Guam would receive a prepayment of estimated duties and taxes collected under Section 30 of the Organic Act of 1950. This would be achieved via a proposal that permits the Governor and Federal Comptroller to estimate receipts under this section for the coming year. The funds would in effect be advanced to Guam by the Federal Treasury from sources such as customs duties and income taxes. These prepayments obviate the need to borrow funds for the operations of the Government.

I call to your attention that this amendment is for a period of only five years. I recognize that the present language is so worded as to leave a potential gap of 24 months at the end of the five year period before Guam again receives Section 30 rebates. I thus propose that the Committee consider language which would rectify this minor oversight by either permitting a continuation of the program for five additional years or some means of phasing out the program slowly should Congress not desire to extend this section for an additional time.

In any event, the goal here is only to provide the Territorial Government with the revenues it already has coming. At stake here is an estimated \$13 million per year, not an inconsequential sum in an island budget of approximately \$120 million per year. Given the extreme variable of our budgeting, it is crucial that Congress join with us to design federal support in such a manner that will offer the maximum benefits through advanced economic planning.

Section 5(d) amends Section 205 of Public Law 95-134 to increase the authorization for Guam to purchase facilities formerly occupied for the Medical Center of the Marianas from \$25 million to \$35 million. The additional \$10 million is simply to offset additional expenses associated with the transaction such as high interest costs that were not foreseen when the original authorization measure was passed. I want to assure the Committee at this time that the facility is presently being operated by the Government of Guam as the island's only major medical facility. This has resulted in the people of Guam enjoying for the first time a modern hospital fully capable of meeting their present and future medical needs. The financial posture of the hospital is still critical and your favorable action on H.R. 12481 will help alleviate the situation. I know the important role that this Committee had in the passage of Section 205 of Public Law 95-134 and you are to be deeply congratulated for this far-sighted and generous action.

Finally, I ask your support for Section 6 of the bill which calls for establishment of a War In the Pacific Historical Park in Guam. It is ironic that while tens of thousands of Americans died in the Pacific during W.W. II, there exists not one monument to their bravery outside of Hawaii. Yet, the Japanese have had for years memorial to their war dead on Guam. I urge you to join with my colleagues and I in the House to correct this grievous slight to the memories of those who gave their lives for liberty and freedom.

It should also be noted that the proposed park will offer a much desired tourist attraction for the thousands of tourists who annually come to Guam and the surrounding islands. Recently, a number of former U.S. Army and Marines who participated in the liberation of Guam came back to the island and were deeply shocked at the lack of any effort by this country to honor their role.

I believe that the proposed park would meet this need and at the same time certainly enhance Guam's attraction as a tourist facility. Tourism is the island's prime commercial activity and we are deeply concerned that every step must be taken to protect this fragile business from encroachment by foreign areas. Again, this section of the bill would be another step towards putting the Guam in a better position to provide for its own needs through the development of logical local resources.

I thank you for your past support and trust that this statement will offer a meaningful insight into my position. As always, my office is fully prepared to offer whatever supporting documents and statistics required by this committee in its deliberations. Thank you.

STATEMENT OF HON. EDWARD DLG. PANGELINAN, DELEGATE TO CONGRESS
FOR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Mr. Chairman and distinguished members of this committee: I am Edward Pangelinan, the elected Representative to the United States for the Commonwealth of the Northern Mariana Islands. I thank you for the opportunity to appear today and testify before your committee.

My principle purpose in appearing today is to urge favorable consideration of S. 2821, and in particular sections 3 and 5 of the Bill.

Section 3(a) of this Bill provides for the authorization of funds in the amount of \$12 million to assist in the acquisition and construction of a permanent power plant for the Northern Mariana Islands together with upgrading, rehabilitation, or replacement of distribution facilities. The early construction of the power plant is of vital importance to the Northern Mariana Islands.

Construction of a permanent power plant on Saipan has been planned for several years, but has not been carried out because of lack of funds. Construction must be undertaken to satisfy the growing demand for power on Saipan, the population center as well as the industrial and economic center for the commonwealth. A new power plant would alleviate the recurring electrical generating problems associated with the operation and maintenance of the present power plant, a 35 year old military power barge on loan to the commonwealth from the United States Army Corps of Engineers on a year to year lease agreement. In 1979, the barge must be dry docked and overhauled and is subject to be returned to the Army. This transfer will leave the island of Saipan without a reliable and adequate power generating plant capable of providing the minimum power demand of existing consumers. Power would have to be drawn from the existing standby plant, which consists of an assortment of aged, power production capabilities from 450 to 2240 kilowatts (kW). Collectively, these units can produce a theoretical peak demand of less than 10,000 k.W. kilowatts. However, because of old age and chronic maintenance problems, the standby source can only produce a peak demand of 9000 kW or approximately 6000 kW less than the anticipated peak power demand in 1979. Present peak power demand is nearly 12,000 kW but within a few months, with the completion of several commercial buildings and new residences, the peak demand will approach between 13,000 kW to 14,000 kW.

It is estimated that by 1984-1985, the peak demand will reach approximately 23,000 KW as a consequence of the accelerated growth in the commercial, industrial and residential sectors. Our economic development depends heavily on the availability of sufficient power.

We are very pleased with the authorized funding, contained in section 5 of the bill, for the American National Park in the Tanapag Harbor area for the use as a memorial to American and Marianas people who were killed or wounded in the Marianas campaign during World War II.

During this campaign United States military forces invaded our islands and engaged in some of the bloodiest fighting of the war. At Saipan and Tinian, in a successful effort to secure the islands from its Japanese occupiers; thousands of American military men perished in these battles.

It was from Tinian that United States B-29 bomber aircraft took off on the missions to drop the atomic bomb on Hiroshima and Nagasaki and accelerate the end of the war.

Our Islands are the site of United States military activities which must rank in significance with the battles of Yorktown, Gettysburg, Antietam, Bunker Hill, Valley Forge, Verdun, as well as the North African Campaign and the Battle of the Bulge to mention a few.

We wish to see not the glorification of battle and destruction in our truly Pacific Islands, but the commemoration of those who lost their lives, to bring freedom and democracy to the Northern Marianas. Our people, whether living or dead, shared disproportionately in the damage wrought by this global conflict.

It is our profoundest hope that the "peaceful ocean" shall never again be the scene of such great bloodshed, loss of life and destruction of property. It is for this reason that we gladly agree to devote a portion of our limited land resources to an American memorial park given over to purely peaceful purposes.

Some of the peaceful purposes to which the park is to be put include various active and passive recreation facilities for visitors and the local citizens, such as sports facilities, a marina, an amphitheater, monument and botanical garden. We hope these facilities would serve as a living monument, contributing to the welfare of our people socially and economically by attracting visitors to our islands.

In conclusion, while we fervently desire peace, we are fully aware of the need for American military installations on our land and are proud that we stand ready to make that land available for the defense of our great Union under the covenant between the United States and the Northern Mariana Islands.

Gentlemen, on behalf of the citizens of the Northern Marianas, I thank you for your generous help and consideration in making available to us the assistance we so need to become a viable contributing member of the great American Union, and for according me the privilege of appearing before you today.

The CHAIRMAN. Dr. Schneider, did you wish to comment at this point?

Dr. SCHNEIDER. Yes, Mr. Chairman.

The CHAIRMAN. All right. Then I will ask a couple of questions.

STATEMENT OF DR. ROY SCHNEIDER, COMMISSIONER OF HEALTH OF THE UNITED STATES VIRGIN ISLANDS

Dr. SCHNEIDER. Thank you Mr. Chairman, distinguished members of the committee. First, I would like to make a few statements on the type of appropriation for the hospital, mainly a lump sum appropriation. Our reasons for wanting the lump sum appropriation are the following:

One, should design of preconstruction work be accomplished in less than a year, moneys would be at hand immediately to commence with the securing of construction contracts. Two, the strong desire and the need of the Virgin Islands for the new facilities, together with the requirement to immediately become in compliance with accreditation standards and Federal regulations, make it essential for us to strive for expeditious, fast track 18- to 24-month construction.

The remoteness of the Virgin Islands to manufacturing sources (our principal suppliers of construction materials), the ever-rising cost of construction materials, and the annual increases in freight charges and labor costs suggest that expeditious construction would lower costs and, therefore, promote cost containment and economy.

Based on accurate information obtained from banking and mortgaging circles, construction costs for the Virgin Islands are 37 to 45 percent higher than other areas—Puerto Rico and the United States.

The capability of simultaneously constructing facilities on both islands, thus encouraging subcontracting to small construction companies and reducing construction time also argues in favor of the lump sum approach. Any alternative for a lump sum appropriation may further delay the completion of the project and continue the present dilemma.

We suggest that the modern facilities which offer an atmosphere conducive to high quality patient care are long overdue in the Virgin Islands. The dilapidated pre-World War II public health facilities have devastating effects not only in the administration of the health delivery system, but in the economic growth of the Islands.

In planning the new facilities, we considered that the Government owns and operates all hospitals and major health facilities. It is peculiar to the geographic isolation of the Virgin Islands that we need a certain number of beds to fill our immediate needs, to respond to the anticipated population growth with increasing demands for services, and to respond to health crises.

Our major need is for accreditation, which is continually jeopardized because of existing facilities which are not functional. The Govern-

ment does have the financial capability to build the required health facilities.

The new facilities will act as a focal point around which other related activities will gain: mental health, elderly care, and other services. A look at cost/benefit analysis would favor constructing new facilities with an estimated cost of \$50 million, when an estimated \$15 million would be required to renovate each existing facility, while retaining present limitations in terms of basic structures and bed capacity. The national trend of cost containment, rehabilitation of health care delivery, reduction of inappropriate use of health services and national health insurance could not be addressed in a system that is not even at a minimum level of standard.

Federal funding of our long-pursued health facilities in a lump sum, or two installment payments, of \$52 million would immediately solve many of the chronic ills in the health system of the Virgin Islands. The Government is committed, along with the staff of the Department of Health, to provide the U.S. citizens and our residents with quality health care.

Moreover, the image of the United States in the Caribbean and the advancement of rights would be enhanced. I would be happy to answer questions.

The CHAIRMAN. Doctor, a couple of questions. To build the facilities, and I think it makes more sense, by the way, to handle this authorization in a lump sum rather than stringing it out over 5 years, do you have a medical—the medical personnel, both the doctors, nurses, technicians, and so on, to man the facility?

Dr. SCHNEIDER. Yes, sir. We have started to recruit. Before I got there, there were six specialized doctors on the Island. In a matter of 7 months, there were two dozen. We have recruited nurses, we have recruited all the other supporting staff.

The CHAIRMAN. See, this is very important. We get hospitals with empty beds. We don't have the people. People are more important sometimes than facilities. And we get the facilities without people. But you feel confident you can really do it?

Dr. SCHNEIDER. I do, sir. I think that with new facilities coming, it makes it easier to attract qualified personnel.

The CHAIRMAN. I've got a long memory. I was on the House Appropriations Committee back in 1950 when Congressman Curwin was the Chairman of the Interior Subcommittee. We built a hospital there in Charlotte Amalie, right? And in a relatively short period of time, it sort of all fell apart.

And I was aghast when I came down a few years later. What happened?

Dr. SCHNEIDER. Poor construction.

The CHAIRMAN. Well, that's a candid answer, I think. It didn't take you long to come to the point, but it took a great deal of time in getting the funds for it. And then when I came back to see it, I couldn't believe it. I had seen the old facility which was a disaster, and then the new facility a few years later was an equal disaster.

Dr. SCHNEIDER. Poor construction, sir, and, perhaps, poor maintenance. What I have done is increased, but only the medical staff—my medical-type personnel—but the maintenance staff and hired hospital architects to advise us in all of our departments within the hospital facilities.

Mr. DE LUGO. Mr. Chairman, if I may, I would like, for the record, to commend Commissioner Schneider for the job that he has done. He returned home to the Virgin Islands to head up the department of health. He is an outstanding physician who has practiced on the mainland and who is recognized in the cancer field. He has done an outstanding job on the mainland as well as in the islands, revitalizing the department of health down there.

The hospital that you referred to actually is the same hospital we are operating with today, just with a new wing added here and there. I can't recall when that hospital was originally built. It was poor construction. And that is what we would like to replace.

The CHAIRMAN. I want to be helpful and I commend the doctor for his statement about the planning in the way of people. But I want to emphasize that, very strongly, without putting the cart before the horse, that we can't put a fine facility there and then, you know, have inadequate personnel. I'm sure you would agree with me that is the top priority.

And I am sure you can encourage people to come down there to man the facilities. And it's obvious that there's a real need in both St. Croix and St. Thomas for adequate facilities which they do not have in the medical area.

Mr. de Lugo, do you endorse the park provisions of the House bill?

Mr. DE LUGO. Yes; I do. That would be the Hassel Island. I support that. Hassel Island, as you know, is located right in the harbor of Charlotte Amalie. It's a very beautiful and unspoiled island that has historic significances in that it has a small Danish port located on the island.

It has been partially restored. It also has a barracks that was used by Danish gendarmes. And the hill on Hassel Island is referred to as Signal Hill. Until recently, this was used to signal the approach of ships at sea.

The CHAIRMAN. Well, it has a lot of historic interest, but I wanted to ask you why you retain right-of-use and occupancy regarding the Royal Mail?

Mr. DE LUGO. The Royal Mail Inn.

The CHAIRMAN. For 10 years, which is rather unusual.

Mr. DE LUGO. That is no longer a hotel. It is out of business. It is owned by the family that owns most of the island. And they would like to retain the use of it and to live there as they are using it at the present time.

Members of the family live over there on the island. I understand that one of the brothers is considering relocating over there.

The CHAIRMAN. Well, there is a real question in my mind about the aspect of it—

Senator McCURE. Mr. Chairman, I hadn't intended to ask any questions. I know we are in a hurry to finish this hearing because we are very limited in time this morning. But I am concerned about this provision. There were no hearings on it; it was my understanding there had been no testimony at all taken with regard to it.

One of the questions that I have in regard to the retention of use, there is a provision that the Government would buy is, at least as the right of first refusal, to purchase at whatever the value may be on July 1, 1978. Now, what is its value? Do you know?

Mr. DE LUGO. No; I think that that question, perhaps, might best be directed toward the departments.

Senator McCLURE. It seems to me we're sort of writing a blank check that says whatever the amount is, fill in here. And I'm a little concerned that we should have more knowledge.

Mr. DE LUGO. I would agree with that, if the language were whatever the value may be at the date it was sold. But the 1978 date in the language would seem to me that we are dealing with today's value.

Senator McCLURE. We're dealing with present value but—

Mr. DE LUGO. Rather than any improvements that might be made or that might increase value down the line.

Senator McCLURE. It ought to be fixed and I will ask the departmental witnesses concerning that. The second question is the provision that, as I understand it, we are going to pay the government of the Virgin Islands more than \$500,000, and then we make a provision that they can buy it all back and pay back whatever the Government has paid.

And I'm not sure that that provision covers the \$500,000, does it?

Mr. DE LUGO. Again, I would like that question to be directed toward the department. But we did want that provision in there that the Virgin Islands' Government be able to obtain Hassel Island. I think there's a provision in which they would have 5 years to exercise this option.

We are developing a territorial park system now. At the present time, we do not have the capacity to acquire Hassel Island, and it's questionable whether we would be able to during the next 5 years, but we did want that option in there.

Senator McCLURE. I would assume that if that option is to be exercised and if this provision is to be genuinely reimbursed to the U.S. Government, that it would include the retainment of the \$500,000 if that were expended. Is that correct?

Mr. DE LUGO. Senator McClure, that would seem reasonable.

Senator McCLURE. One final question, and, again, I don't mean to extend this unnecessarily. But, we have a tremendous problem in this country today with the flood of illegal aliens. And it has been widely stated by many that the Virgin Islands and Puerto Rico are the gateways through which many of these people come to the United States.

I noticed that one of the justifications, reasons for the expanded health care facilities is the great number of nonresident aliens. If I recall correctly, the nonresident status of people in the Virgin Islands would be governed by the general immigration laws. Is that correct?

Mr. DE LUGO. That is correct, Senator. The immigration problem of the Virgin Islands is not one of illegal aliens; rather, it is the large number of aliens who came in as bonded workers during the sixties and whose status has not been adjusted to permanent residence yet.

In fact, there is legislation pending, in both the Senate and the House, to address itself to this question.

Senator McCLURE. Was that the general legislation that says that anybody that is present gets to stay, regardless of the manner in which they arrived?

Mr. DE LUGO. Yes, Senator. But, there was agreement that that provision would not apply to the Virgin Islands. That is, the amnesty for illegals would not apply to the Virgin Islands. Rather, the Whitt House has proposed instead legislation which would address the problems of those who are there legally, but who have not obtained permanent residence because of the quota for the down islands.

Senator McCCLURE. It seems a little anomalous to me that we would be making a provision for additional immigration or to ratify past immigration under special provisions but of a temporary nature at the same time that we are trying to solve an illegal alien problem that is largely brought to our attention because of the concern of the people who are displaced in the employment market.

And you've already addressed yourself to the question that the Virgin Islands has a severe economic problem. It needs diversification of employment opportunities; that tourism, alone, is not sufficient to sustain the economy of that island and support all the people that are there.

And then, you suggest that we ought to make permanent the status of people temporarily present.

Mr. DE LUGO. No, Senator. I don't suggest it. The President of the United States suggested it.

Senator McCCLURE. All right. I apologize for putting his words in your mouth.

Mr. DE LUGO. However, let me say that we are not talking about additional immigration into the Virgin Islands. We are talking here about adjusting the status of persons and families who are in the Virgin Islands at the present time and who have been legally in the Virgin Islands for 15 to 20 years.

Senator McCCLURE. But they were legally there under a temporary status and they are still legally there under a temporary status.

Mr. DE LUGO. That is correct.

Senator McCCLURE. They came with the expectation that it was temporary and that they would not remain.

Mr. DE LUGO. However, we have a legal problem here, Senator, which was analyzed in some depth. A report was written by the House Judiciary Committee on this matter. The report's main conclusion is that the problem unfortunately has been a matter of Federal neglect.

Senator McCCLURE. The whole question has been.

Mr. DE LUGO. We feel it should be set straight. We would not support, in anyway, additional persons coming into the Virgin Islands. But we do feel that those who have been there for a long term deserve to have their status adjusted. Their children are U.S. citizens; they were born there. They, themselves, are de facto Virgin Islanders. They are tied there.

Their property is there. They've been there for 20 years. And they should have their status adjusted. They did not come in illegally.

Senator McCCLURE. So, your reference to the nonresident alien question, then, is confined to that?

Mr. DE LUGO. To that group of people.

Senator McCCLURE. Well, I'm concerned because the eastern coast of the United States has been flooded by illegal aliens. The service trades industry is staffed almost entirely by illegal aliens throughout the entire east coast of the United States.

And, because of that pressure, there is a great deal—there is a movement now to deal with the illegal alien question in a manner which also inhibits the seasonal migrant worker question on the irrigated agricultural lands of the Western United States where there are separate problems.

And I don't know that we would make it better by leaving the gateways open so more come through.

Mr. DE LUGO. The gateways would not be opened, and it is not open at the present time as far as the Virgin Islands go. The Immigration Service keeps a very tight lock on the door there as far as the passthrough from the other Caribbean islands to the mainland.

Senator McCLOURE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen. We appreciate your coming at this early, early hour.

Mr. DE LUGO. Thank you, Mr. Chairman.

[The prepared statement of Dr. Schneider follows:]

STATEMENT OF DR. ROY L. SCHNEIDER, COMMISSIONER OF HEALTH OF THE UNITED STATES VIRGIN ISLANDS

Mr. Chairman: I appreciate the opportunity to appear before this Committee to present comments on federal funding of health facilities in the Territory of the United States Virgin Islands.

The present hospital facilities in the Virgin Islands were constructed in 1951. They were developed for a population of about 24,000. The hospitals were built without considering: (1) The 1940's increase in population, (2) Estimated peak risk load, (3) Bonded aliens, (4) Contract workers, (5) Tourists and (6) Other permanent residents. The hospitals were outmoded when built. It must also be noted that provision was not made for the construction of public health facilities—a recognized resource when supporting outpatient health facilities to assure a decreased load and requirement for hospital beds.

Some of the public health facilities utilized today are "vestiges" from the Danish colonial government which utilized converted buildings and warehouses and even school buildings as hospital facilities. Although inadequate, some of these early buildings are still occupied by Community Health Services.

New hospital public health facilities are needed to meet the demands of a population more than four times the 1940 census. These requirements extend to the quality of staff we are committed to recruit and hold. It is impossible to attract highly qualified personnel to work in an environment that is not itself of a high quality. The requirement is all the more important since so many more modalities of service have been developed in the past thirty years. Not the least of the pressures for new and improved facilities, is the widening demands of regulatory agencies as the Hospital Accreditation and Medicare Survey teams.

☛ The economic future of the islands now rests on tourism, small industry development and the two major industrial companies in St. Croix. There will be continued migration of people from nearby Caribbean islands because of the advantages of greater economic opportunity, and the additional health needs of these aliens, too, must be fulfilled by the lone hospital facility which each island district will provide. In addition, the tourist is ready to avail himself of local health facilities should he need them, if the services are adequate. This has already been demonstrated in request for renal dialysis on the part of travelers who must have this service.

☛ Our concern for immediately obtaining adequate facilities is heightened by the fact that the Virgin Islands' eligibility for Federal funding as a health provider with Medicare, Medicaid and the Veterans Administration is in constant jeopardy. This primarily is on the basis of our non-compliance with physical plant and life Safety Code Standards. Because of their substandard physical condition, both hospitals are on the thread-mill of annual accreditation surveys by the Joint Commission on the Accreditation of Hospitals. Despite an estimated 30 million dollar expenditure to bring them near to today's physical standards, this unenviable status will remain and make suspect our ability to provide quality health care.

☛ The need for new acute care and public health facilities to accommodate the increased bed utilization rates and increased outpatient load becomes quite evident when we examine population data. There is an increasing rate of population growth (an increase of 34 percent between 1970 and 1976, and a projected 58 percent increase 1976 to 1983—U.S. Census estimates a population of 161,000 in 1983).

Tourist visits are increasing and with the completion of the new airport the visitor population is expected to be significantly increased (tourist population presently is as much as 16,700 per day in the peak season). The recent efforts to provide new specialized care programs in an attempt to respond to priority medical needs, and to decrease the large number of persons going off-island for care will realize increasing revenue for our facilities and alleviate the many socio-economic difficulties inherent in seeking medical care outside of the Virgin Islands.

Our goal to construct new hospitals, to obtain more hospital beds and to acquire suitable facilities from which to deliver viable and comprehensive Community and Public Health Services can be best immediately achieved by making a lump-sum appropriation available to the Virgin Islands. Other factors that warrant favorable consideration of lump-sum appropriation include:

1. Should design and pre-construction work be accomplished in less than a year, monies will be on-hand to immediately commence with the securing of construction contracts. Likewise, annual allocation of funds may possibly cause suspension of work at the end of a fiscal year while awaiting such monies.

2. The strong desires and need of the people of the Virgin Islands for new facilities together with the requirement to immediately become in compliance with accreditation standards and Federal Regulations make it essential for us to strive for expeditious ("Fast-Track: 18-24 months") construction.

3. The remoteness of the Virgin Islands to manufacturing sources (our principal suppliers of construction materials), the ever rising costs of construction materials, and the annual increases in freight charges and labor costs suggest that expeditious construction will lower costs and, therefore, promote cost containment and economy. Based on accurate information obtained from banking and mortgaging circles construction costs for the Virgin Islands is 37-45 percent higher than other areas—Puerto Rico and the United States.

4. The capability of simultaneously constructing facilities on both islands, thus encouraging subcontracting to smaller construction companies and reducing construction time.

Any alternative to lump-sum appropriation may further delay the completion of the project and continue the present dilemma.

In summary, then, modern facilities which offer an atmosphere conducive to high quality patient care are long overdue in the Virgin Islands. The dilapidated pre-World War II public health facilities and patched-up hospitals have devastating effects not only in the administration of the health delivery system, but in the economic growth of the islands. In planning for new facilities, we considered that:

The government owns and operates all hospitals and major health facilities. The peculiar geographic isolation of the Virgin Islands necessitates a certain number of beds to fulfill our immediate needs, to respond to anticipated population growth, with increasing demands for services and to respond to health crisis.

Meeting standards for accreditation and federal funding of programs are continually being jeopardized because of old facilities which are non-functional.

The V.I. Government does not have the financial capability to build required health facilities.

The facilities will serve to act as a focal point around which other related activities will gain services—mental health, care to the elderly and others.

A look at cost/benefit would favor constructing new facilities when an estimate of \$15,000,000 each hospital is required to renovate present facilities resulting in still limitations of basic structure and bed capacity.

The national trends of cost containment, regionalization of health care delivery, reduction of inappropriate use of health services, and, national health insurance could not be addressed in a system that is not even at a minimal level of standard.

Federal funding of our long pursued health facilities in a lump-sum or two installment payments of 52 million dollars would immediately solve many of the chronic ills in the health system of the Virgin Islands. The Governor is committed, along with the staff of the Department of Health, to provide United States citizens and immigrants with quality health care. Moreover, the image of the United States in the Caribbean and the advancement of the precepts of human rights will be enhanced.

I will be happy to answer any questions.

The CHAIRMAN. The Chair will suggest that all of the departmental people, first, Mrs. Ruth Van Cleve, Director, Office of Territorial Affairs; Mr. William Whalen, Director of the National Park Service; Mr. David Rosenbloom, International Tax Counsel, Department of Treasury; Mr. Lewis Straus, Administrator, Food and Nutrition Service, Department of Agriculture, I think if you could all be at the head table, we will bring your chairs around.

I think, in the interest of time, ladies and gentlemen, I would suggest that the statements go in the record and will be treated as if read. And, maybe, give us a synopsis, a summary of your position. And in that way, we can move more expeditiously.

We are under a time constraint. Do you want to start off, Mrs. Van Cleve?

**STATEMENT OF HON. RUTH G. VAN CLEVE, DIRECTOR, OFFICE OF
TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR**

Mrs. VAN CLEVE. I will be glad to, Mr. Chairman. Perhaps, in the interest of your time, it would be wisest for me to point out those sections which present problems, so far as we are concerned, rather than to recite those that we agree with.

The CHAIRMAN. That would be good.

Mrs. VAN CLEVE. We are supportive of the bulk of the bill, as my statement makes clear. We defer as to details to the Internal Revenue Service with respect to the tax collection provision for the Northern Marianas. We defer to the Agricultural Department in connection with the food stamp provision.

And I'm pleased that Mr. Whalen is here to speak to the parks provisions. I'm prepared to speak in whatever detail you prefer with respect to all of the others. But I will, for the moment, confine myself to pointing out quickly the six sections of the bill that we think may contain shortcomings.

The CHAIRMAN. Why don't you address that part of it, and I think it will save a lot of time.

Mrs. VAN CLEVE. Very well, I would first point to section 1(a)(1), the provision authorizing appropriations for Guam for the years 1979 to 1983. The bill, as written, provides \$13,868,000 for fiscal year 1979, and \$9.9 million for succeeding fiscal years.

The administration is clear that Guam will require further authorization for capital improvement in the upcoming years. We are not, at this time, prepared to support a figure higher in the years 1980 through 1983 than \$5 million. I should also say what I believe is well-known to this committee, and that is that I cannot, now, commit the administration to seeking funds in precisely those amounts.

That is a consequence of the budgetary process. And we will have to go through that process before we can state exactly what we will seek in the upcoming years.

Turning, then, to section 1(c), this is the provision by which so-called section 30 money in Guam would, under the bill, be susceptible to being paid over on the basis of estimates rather than actual collections.

We do not oppose this section, but I would simply point out that it seems to us that its value is relatively slight. As Mr. DeLugo made clear in connection with the companion section in the case of the Virgin Islands, it would have an impact for one quarter only.

It poses the problem of what occurs after the 5-year period, stated in the bill, expires. There would be a period when no funds would be forthcoming. The Interior people would be pleased to work with your staff in devising a solution to that problem, if that is your pleasure. But there would be one blank period 5 years hence.

Third, I would like to turn to section 2(b), which has to do with the authorization to the Secretary of Interior to pay attorneys for work associated with Bikini. Section 2(a) provides the \$15 million authorization that Interior earlier sought for Bikini.

It adds provisions for the payment of \$1.5 million into the Bikini Trust Fund, and for ex gratia payments to Bikini Islanders, also, in the amount of \$1.5 million. We support those provisions.

However, 2(b) contains an open ended authorization to the Secretary of the Interior to pay legal fees for work associated with obtaining those ex gratia payments. We are troubled by 2(b) because it contains no guidelines, and because it would require the Secretary of the Interior to establish whether the intent of the lawyer was to perform the service voluntarily.

We think it would be extremely difficult to administer. I may say we are unfamiliar with the background giving rise to this

The CHAIRMAN. I was going to say, how do you determine when the service was pro bono?

Mrs. VAN CLEVE. That's exactly the problem that concerns us. We think it would be very difficult to do.

The CHAIRMAN. When they discover it's Federal money, it is retroactively, you know, something else.

Mrs. VAN CLEVE. That is also our concern. I may say that the initial words in section 2(b), the first two and a half lines, we think, would be well to retain. These are the words that state, "None of the funds authorized pursuant to subsection (a)(2) above shall be available for payment of any attorneys fees." We think it would be well to retain that much of the language.

I would then turn to section 4(b) which the Virgin Island witnesses have identified as giving them difficulty because of the breakdown of the \$52 million.

We share their concern, as my statement suggests. Because each of the major hospitals would cost \$23 million, it is difficult to see how the breakdown of \$4 million, followed by four components of \$12 million, would permit the construction of these hospitals on a full funding basis. And that tends to be the only way we choose to proceed with respect to federally funded projects.

So, we would like either to have available the entire \$52 million at the outset, or a breakdown which is more realistic in terms of the task to be done. Then section 4(c)(2), we would mention to you, as creating, we think, two difficulties, both of which are readily surmountable.

As drafted, we read section 4(c)(2) as having the effect of terminating the payment to the Virgin Islands of the excise taxes it now receives. We are confident that that was not the draftsman's intent. But because of the peculiarity of drafting, and it's a very tricky section to work with, that seems to be the result.

So, again, we would be pleased to work with, and I feel sure the Treasury people would be pleased to work with, the staff in correcting that error. The second problem that we see in 4(c)(2) has to do with the termination of the authority conferred on the Secretary of the Interior to approve the use of matching funds.

This troubles us because the Secretary is now vested with the authority to approve loans to the Virgin Islands under a recently enacted statute permitting Federal loans, but with the understanding that he will protect the United States by guaranteeing that the

Virgin Islands' matching funds will be available for purposes of payback. Absent his authority to approve the use of matching funds, we are fearful that that protection would evaporate.

Finally, we would call attention to section 4(c)(3) which is the companion Virgin Islands' provision for the payment of estimated taxes to the Virgin Islands rather than actual collection. Again, as in the case of Guam, we think this is of relatively little value compared with the administrative chore involved.

Apart, Mr. Chairman, from those provisions, we have no difficulty with the bill, and we are, in fact, supportive of it.

The CHAIRMAN. Thank you.

[The prepared statement of Mrs. Van Cleve follows:]

STATEMENT OF HON. RUTH G. VAN CLEVE, DIRECTOR, OFFICE OF TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. Chairman, I appear before you to testify on S. 2821, a bill passed by the House on June 7, 1978, and now pending before this Committee. With limited exceptions set forth below, the Department of the Interior supports the bill. The bill would, in large measure, provide funding authorizations for the territories and the Trust Territory. As I shall explain, we know with certainty that further funding is necessary to meet the needs of those areas.

The Interior Department has not before this expressed its views on this legislation. The bill before you, as we understand it, is an outgrowth of two relatively modest proposals, sent forward earlier this year by Interior as administration proposals and introduced in the Senate as S. 2821 and S. 2822. The first of these would have authorized \$8,868,000 for capital improvements in Guam for the fiscal year 1979; S. 2822 would have authorized \$15 million for a Bikini resettlement program. In the course of the legislative process, these two proposals have experienced substantial growth, and they now, with extensive additions and modifications, constitute the major legislative proposal that is before you.

I will discuss the bill, section by section.

GUAM

Section 1 concerns Guam, and subsection (a)(1) provides an authorization for capital improvements for the fiscal years 1979 through 1983. The sum of \$13,868,000 would be authorized for the fiscal year 1979, and \$9.9 million for the four fiscal years thereafter. The Department of the Interior is seeking through the budgetary process for the fiscal year 1979 the sum of \$8,868,000 for capital improvements for Guam, and it is for that reason that our initial proposed authorization (S. 2821, in its original, leaner form) was in that amount. The bill now before us adds \$5 million to that amount, and also adds \$9.9 million for specified succeeding years. We cannot now say that we will seek appropriations in precisely those amounts for any of the years involved.

While we believe that some level of capital funding for Guam will be necessary beyond 1979, we are not prepared to support at this time annual authorization levels through 1983 for more than \$5 million. Our particular requests for funds for Guam will need to be examined through the usual budgetary process, and particular projects will be identified as a result. Following that process, we will seek funds from the Congress in such amounts as have been found justified.

Section 1(a)(2) authorizes the Secretary of the Interior to place stipulations upon the use of section 1(a)(1) funds, and that seems to us desirable. Section 1(a)(3) permits funds appropriated to remain available until expended, and we think this also desirable. Under section 1(a)(4), the funds earlier authorized can be used for matching in connection with Federal programs, and this would be helpful, given the frequent bar to the use of Federal funds to match Federal funds.

Section 1(b) permits the Government of Guam to use the services and facilities of Federal agencies, on a reimbursable basis. We endorse this subsection.

Section 1(c) concerns section 30 of the Guam Organic Act, the provision under which certain Federal duties, taxes, and fees collected in Guam are covered into the treasury of Guam. As a practical matter, section 30 principally involves the payment to Guam of Federal income taxes, collected by the United States, and paid by United States citizens in Guam. The taxpayers, in turn, are very largely military personnel and other Federal employees. Such taxes are now paid over to

Guam by the U.S. on a quarterly basis after they are actually received. Section 1(c) would permit them to be paid over at the beginning of the fiscal year, on the basis of estimates of likely collections, with the estimates to be made by the Governor with the concurrence of the Federal comptroller. Adjustments for errors in the estimates would be made the following year. The authority contained in section 1(c) would continue for five years, and would be contingent upon Guam's adoption of the U.S. fiscal year of October 1 through September 30. Guam, like the Virgin Islands, continues to utilize the former U.S. fiscal year of July 1 through June 30.

While we have no objection to section 1(c), we question its long-term value to the territory, and we perceive one problem implicit in it. The value seems to us in doubt, inasmuch as actual section 30 payments are now made to Guam quarterly. Hence, Guam's ability to obtain section 30 money on the basis of estimates would be of real value for the first quarter only—when it obtains the actual amounts due for the prior quarter as well as the amount due under the estimate for the coming fiscal year. In due course there would arrive the time, after the expiration of the five fiscal year's during which the estimate procedure was in effect, when there would be a delay of a quarter before any money could be transferred to Guam. Actual collections would not yet have occurred, and authority to pay on an estimated basis would have expired. Clearly the problem is not insurmountable, and we would be glad to work with your staff on language to remedy it. In any event, we do applaud the incentive that section 30 would employ to cause Guam to embrace the new Federal fiscal year. Its dealings with the Federal establishment, and ours with it, would be facilitated thereby.

Section 1(d) would increase from \$25 million to \$35 million the authorization contained in section 205 of Public Law 95-134 "to meet the health care needs of Guam". As in the case of other authorizations contained in S. 2821, we cannot now say that we would seek funds to match the full authorization, but we believe an authorization for this purpose is absolutely essential. As this Committee knows, great difficulty has lately been encountered in Guam in connection with hospital facilities. The Government-owned Guam Memorial Hospital, badly battered in a 1976 typhoon, is inadequate to meet the needs of the civilian population.

The privately-owned Medical Center of the Marianas, which opened in early 1977, is a modern, recently-accredited hospital, but it is virtually bankrupt, because it apparently cannot become a financial success in the face of competition from the Government facility. The Government of Guam leased the Medical Center of the Marianas in early 1978 and it is now being operated by the Government, but its debts are great and they are increasing at a rapid rate. It is expected that when funds are appropriated pursuant to section 205 of Public Law 95-134, the Government of Guam will seek to buy the Medical Center of the Marianas.

In recent weeks, we have received both an audit report concerning the Medical Center of the Marianas (MCM), and an appraisal of the value of its property. The audit report shows that the hospital's debts are currently in excess of \$30 million. The appraisal report shows its facilities, excluding land but including equipment, to be worth \$16,060,000, the land on which it is located to be worth \$1,800,000. The appraisal has been criticized by some in Guam as producing an insufficient valuation, but we are aware that appraisals are invariably subject to this criticism. In any event, there has been no other appraisal, and the one conducted was performed by the American Appraisal Company, a well-regarded firm.

The Administration has not yet sought funds pursuant to section 205 of Public Law 95-134. Very recently, however, the Appropriations Committee of the House has added \$25 million, pursuant to that section, to a fiscal year 1978 supplemental appropriation for the Interior Department. In response to questions in hearings before the pertinent subcommittee, I referred to the appraisal value of the MCM property (\$17,860,000), to our estimate of \$1.8 million that would be necessary for improvements to that property that would permit it to be fully usable as an acute care facility by the Government of Guam, and to our further estimate of \$4,005,000 that would be necessary to improve portions of the Guam Memorial Hospital, to permit its use as a long-term care facility. These components total \$23,665,000.

TRUST TERRITORY

Section 2, concerning the Trust Territory, derives from our bill that became S. 2822. It has been our belief that \$15 million would be necessary for a program to relocate and settle, finally, the displaced people of the Bikini Atoll. We are today less certain of that figure, however than we were when the proposed bill went

forward, because we have, as you know, lately discovered that islands of the Marshalls that we thought would be available for resettlement almost certainly will not be. We will not know with reasonable certainty what kind of program will be feasible until we obtain, early in calendar year 1979, the results of the aerial radiological survey that is now underway. That will tell us, we hope with finality, what islands of the Marshalls are and are not suitable for human habitation. Then only will we be able, once again, to develop resettlement plans and to estimate their costs. In the circumstances, we can confidently endorse that funds of this order of magnitude will be needed, but we cannot assure the Congress that the \$15 million will be sufficient.

We welcome the revised language in the first portion of section 2(a), that would permit the use of a portion of the funds for the temporary relocation of the current Bikini Island residents. We are now engaged in that temporary move, so as to remove them from a site that has been shown to be damaging to them. That move, together with the temporary facilities now being constructed for them on Kili, is likely to cost about \$500,000.

The new provisions of section 2(a), by which the existing trust fund of \$3 million for the Bikini people would be increased by \$1.5 million, and by which they would receive ex gratia payments totalling \$1.5 million (or just under \$2,000 per person) seem to us appropriate. We understand that the latter were motivated by the likely need of such people, during their forthcoming relocation, to have resources available to facilitate their move. This seems to us reasonable. Similarly, the trust fund, under which each Bikinian now derives about \$18 per month, could reasonably be increased.

As for section 2(b), pertaining to attorney's fees, we have substantial misgivings. The subsection would provide an open-ended authorization to the Secretary on the Interior for the payment of attorneys' fee in connection with the ex gratia payments provided for in section 2(a), except that fees could not be paid if the attorney has "otherwise been compensated" or reimbursed, or if the attorney's service "was intended to be a voluntary public service". We are unaware of any similar provision of law, and it seems to us that it would be a difficult provision to administer—intent being notoriously difficult to establish. Nor are we aware of who the intended beneficiaries of this subsection are. We would prefer to have this subsection eliminated.

NORTHERN MARIANAS

Section 3 concerns the Northern Marianas, with subsection (a) authorizing \$12 million for the acquisition and construction of a powerplant, together with the rehabilitation and replacement of distribution facilities. We support this subsection. Our own analysis has persuaded us that the Northern Marianas will be unable, at least for many years to come, to finance power facilities from the resources otherwise available to it; we know that improved power facilities are sorely needed; and expert advice we have received from Interior Department engineers supports the reasonableness of the figure. This amount, along with the \$3.3 million already appropriated for this purpose, appears adequate for the purpose intended.

Subsection (b)(1), allowing services from Federal agencies, subject to reimbursement, is desirable. Subsection (b)(2), providing that grants to the Northern Marianas under section 502 of the Covenant would remain available until expended, is beneficial. It would be a counterpart to section 704(a) of the Covenant which has the same effect in connection with funds provided under section 702. Section (b)(3) provides that authorizations for appropriations for the Northern Marianas remain available until appropriations are made to match them. This provision seems to us helpful.

With respect to the language of section 3(c), concerning the Food Stamp Act, we defer to the Department of Agriculture. We understand the purpose of the section to be to permit a modification of standards for eligibility for food stamps in the Northern Marianas, if the Governor so requests, in order to reduce the proportion of the population that would otherwise be eligible. That purpose seems to us laudable.

With respect to the language of section 3(d), which could result in the collection of income taxes in the Northern Marianas by the Federal Internal Revenue Service, we defer to the Treasury Department. Because early estimates have suggested that the taxes imposed under section 601 of the Covenant may not equal the costs of collection, this provision is clearly of benefit to the Northern Marianas. Additionally, the even-handed tax administration that would thereby result would also be of great benefit to the new government, and to those, particularly business people, who it hopes will settle there.

VIRGIN ISLANDS

Section 4 concerns the Virgin Islands. Subsection (a) provides a five-year, \$1 million a year economic development fund, one that would parallel similar funds in other territories. Although among the territories the Virgin Islands is particularly advanced economically, it would unquestionably profit from this additional resource, and we would welcome enactment of the subsection.

Section 4(b) relates to hospital facilities in the Virgin Islands, and would authorize \$4 million for their construction in the fiscal year 1979, and \$12 million annually for the following four fiscal years. With the cooperation of the Government of the Virgin Islands, we have for some months been exploring the need for new hospital facilities on all three islands. The need for them is unquestionably very great. Our most recent estimate is that the needed facilities would cost a total of about \$51.5 million, including about \$3.5 million as the initial design cost. The total authorized by section 4(b)(1) clearly matches our estimates. At the same time, the division within the five years specified could pose difficulties. The major hospitals for St. Thomas and St. Croix are expected each to cost about \$23 million, so that appropriations for each year, even at the maximum, would not be sufficient for the full funding of either facility. A different breakdown of the \$48 million could meet this problem, either with the full sum authorized for fiscal year 1980, or with larger sums (perhaps \$16 million per year) for the first two years, and lesser sums (\$8 million per year) for the last two. The problem could also be met by the use of section 4(b)(2), which permits authorizations to remain available until appropriations are actually made, but that would require the deferral of appropriation requests for construction for several years, and the need is urgent now.

Section 4(c)(1) would allow the Virgin Islands to modify its current July 1-June 30 fiscal year which, as in the case of Guam, is clearly desirable.

Section 4(c)(2), containing amendments to the fiscal provisions of section 28 of the 1954 Virgin Islands Organic Act, seems to us to pose a number of difficulties, largely technical in nature. As currently drafted, the new section 28(b) would appear to repeal subsections (1), (2) and (3) of section 7652(b) of the Internal Revenue Code. The law that appears at 26 U.S.C. 7652(b)(1) imposes a tax on articles coming into the United States from the Virgin Islands equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture, and it is these taxes that are paid into the Virgin Islands treasury by section 7652(b)(3)(A). We believe that repeal was not intended. It results, however, from the fact that section (4)(c)(2), as written, appears to amend all of section 7652(b) by substituting the new language in section 4(c)(2). This is a technical matter and can be easily corrected by inserting on line 2 between the work "Islands" and the word "is", "26 U.S.C. 7652(b)(3)(A)" which is the citation to the section of the Internal Revenue Code being amended.

The statutory citation has a misprint. This citation should be 68A Stat. 906, not 68A Stat. (3).

Another product of the amendments proposed by section (4)(c)(2) is the elimination of the requirement for the prior approval by the Secretary of the Interior (as delegate of the President) for the expenditures of the monies which have been paid over and deposited in the Virgin Islands treasury before they may be obligated or expended. Not only does this create an anomaly with regard to the approval that will continue to be required for the obligation and expenditure of these Federal contributions which remain unobligated and unexpended in the fiscal year following the fiscal year in which the contribution was initially made, but it also removes from the Secretary an important control over the obligation and expenditures of these contributions.

This control is important because Public Law 94-392 (48 U.S.C. 1574 a) authorizes the Virgin Islands Government to issue general revenue bonds or other obligations in anticipation of revenues to be received under section 28(b) of the Revised Organic Act of the Virgin Islands. These are the Federal contributions referred to above under 26 U.S.C. 7652(b)(3). Section 2 of the Act (48 U.S.C. 1574 b), under the conditions specified therein, authorizes the Secretary of the Interior to guarantee payment of principal and interest of up to \$61 million in borrowings by the Virgin Islands Government for public works or other capital projects. The Secretary has already guaranteed \$32 million of such borrowings. Pursuant to section 3 of the Act (48 U.S.C. 1574 c), each issue of general revenue bonds made under the authority of the Act has priority for payment of principal and interest out of revenues received under section 28(b), in order to date of issue; except that issues guaranteed by the Secretary have priority according to date of issue over issues not so guaranteed, and the revenues received under 28(b) are pledged to the payment of such bonds.

Under the circumstances, it seems readily apparent that the approval authority of the Secretary over the obligations and expenditures of these section 28(b) revenues should be retained, to insure that other obligations or expenditures of these funds will not jeopardize the integrity of his guarantees.

Section 4(c)(3) would amend section 28(a) of the Organic Act, and in so doing would effect two changes. First, there would be deleted from the existing language the words "less the cost of collecting all of said duties, taxes, and fees"; so that the Federal Treasury Department, which now obtains reimbursement for its administration of the Virgin Islands customs laws from the duties actually collected, would no longer do so. Further, the new language would permit payment to the Virgin Islands, on the basis of estimates, of the amounts due under section 28(a), in a manner parallel to that provided for the excise taxes dealt with in section 28(b).

NATIONAL PARKS

Sections 5 through 7 concern three parks, an American Memorial Park in Saipan, a War in the Pacific National Historical Park in Guam, both of which would be new, and the existing Virgin Islands National Park, which would be expanded. The National Park Service will be prepared to speak further with respect to these provisions. I note only that parks are an obvious asset to any territory, and because of the interest in all three affected territories in developing tourism as a source of economic activity, we support the general purposes of the sections.

FINAL SECTIONS

Section 8 provides that authorizations under the bill, as well as under Public Law 95-134, remain available until appropriations are made pursuant to them. Section 9 contains amendments to the grant consolidation language of Title V of Public Law 95-134, which we read as designed to strengthen the authority therein granted to Federal agencies to engage in grant consolidation. The final section provides October 1, 1978, as an effective date.

The CHAIRMAN. I think we will hear the witnesses and then, maybe, ask questions.

Mr. Whalen, we are delighted to have you here this morning. And would you comment on the park provisions. Your entire statement will go in the record. But if you would raise questions that you may have.

STATEMENT OF HON. WILLIAM J. WHALEN, DIRECTOR, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR

Mr. WHALEN. Thank you, Mr. Chairman. The bill, of course, S. 2821, would make certain additions to our National Park Service; namely, the Hassel Island addition to the Virgin Islands National Park and would allow us to administer the American Memorial Park of Saipan.

We would recommend that the bill be amended to conform with the Senate provisions of H.R. 12536 as passed by the House on July 16, and this has been supported by the administration. That would be my summary, Mr. Chairman. I would be very happy to answer any questions.

The CHAIRMAN. In other words, the provision in the omnibus bill. Is that in the omnibus bill?

Mr. WHALEN. No, Mr. Chairman. Well, there are parts of it in the omnibus bill. Excuse me.

The CHAIRMAN. I mean, we've got parks all over the place these days.

Mr. WHALEN. I didn't catch up with the omnibus bill, Mr. Chairman; yes.

The CHAIRMAN. It is in the omnibus bill?

Mr. WHALEN. Yes.

The CHAIRMAN. And you want to support the language of the omnibus bill?

Mr. WHALEN. That is correct.

The CHAIRMAN. In lieu of the language of the bill before us?

Mr. WHALEN. That is correct, Mr. Chairman. I would be very happy to support that.

The CHAIRMAN. All right.

[The prepared statement of Mr. Whalen follows:]

STATEMENT OF HON. WILLIAM J. WHALEN, DIRECTOR, NATIONAL PARK SERVICE,
DEPARTMENT OF THE INTERIOR

Mr. Chairman, I am pleased to appear this morning to testify concerning certain aspects of S. 2821, as amended, as it pertains to the National Park System.

The bill would make certain additions to the National Park system—namely the War in the Pacific National Historical Park in Guam, and the addition of Hassel Island to the Virgin Islands National Park, Virgin Islands. Further, the bill would authorize the American Memorial Park on Saipan to be administered by the National Park Service for future transfer to the Government of the Northern Mariana Islands.

Mr. Chairman, this department supports the enactment of this legislation as enhancing the recreational opportunities of the residents and visitors to these territories. However, we recommend that the bill be amended to conform with similar provisions in H.R. 12536 as passed by the House on July 16, which have been supported by the administration. Briefing statements on each of these areas are attached for your information.

Mr. Chairman, This concludes my testimony. We will be happy to answer any questions that you or members of the Committee may have.

SECTION 6.—WAR IN THE PACIFIC NATIONAL HISTORICAL PARK

Section 6 would authorize the Secretary to establish and develop a national historical park on Guam to commemorate those participating in the Pacific theater during World War II, and to interpret this significant period in our history. The section specifies that the park shall include, but not be limited to, the Asan beachhead and adjacent mountain and plateau. Other sites on Guam can be included in the park upon written agreement by the Governor of Guam. The Secretary is authorized to appropriately develop the park, and in doing so, to cooperate and consult with the Governor of Guam, military historians, the American Battle Monuments Commission and other Federal agencies. The bill would authorize appropriation of such sums as necessary to carry out the provisions of the legislation.

We believe the need for this section is sufficiently documented. World War II is now represented in the historical aspect of the National Park System. Guam, being U.S. soil, provides a unique opportunity to tell the epic story of the Pacific theater of operations during the war. The battle of Guam is a classic example of the island-by-island fighting, which was an important factor in the prolonged struggle for control of the immense expanse of the Pacific Ocean, and affected the final outcome of the war.

The Park Service initially indicated an estimated cost of \$25 million for acquiring some 204 acres of private lands within the proposed historical park on Guam. Since then, the National Park Service has again reviewed the data used to arrive at this estimate, including an extensive field examination of the proposal.

They found that a softening in the economy for Guam and recent court experience on similar projects has resulted in a decrease in the escalation rate for real estate on Guam and a more favorable court award in the cases where condemnation may be necessary. Accordingly, the Service now estimates that acquiring about 236.64 acres of private lands for the proposal would cost an estimated \$16 million. The acreage difference from the earlier estimate is due to more exacting review of ownership records and a recent finding that a private individual, rather than the Government of Guam, was the owner of a particular tract.

SECTION 5.—AMERICAN MEMORIAL PARK

Section 5 of S. 2821 authorizes the Secretary of the Interior, through the National Park Service, to develop, maintain and administer the existing American Memorial Park located at Tanapag Harbor Reservation, Saipan, as established under Public Law 94-241; which approved the "Covenant to Establish a Com-

monwealth of the Northern Mariana Islands in Political Union with the United States of America." To the maximum extent feasible, Mariana Island residents are to be trained to develop, maintain and administer the park. Interpretive activities are to be quadrilingual. The bill prohibits charging entrance fees for residents of Guam or the Northern Mariana Islands, or for military personnel or their dependents. Administration of the park is to be transferred to the Governor. The bill authorizes \$3 million for development, maintenance and operation of the park.

This area is known as Micro Beach and consists of about 133 acres. Public Law 94-241 provides that the United States lease the area from the Government of the Northern Mariana Islands for \$2 million which is to be placed in a trust fund and used for the development and maintenance of the park. In addition to, or in conjunction with memorials to American war dead from World War II, the site is apparently to also include some recreational facilities.

SECTION 7.—HASSEL ISLAND

Sec. 7 of S. 2851 would add Hassel Island, located in the St. Thomas Harbor, Virgin Islands, to the Virgin Islands National Park. The island consists of about 135 acres. The bill would also authorize the Secretary, in acquiring lands, to defer payment for up to 6.6 acres, when agreed upon by the landowner, over a period of 10 years, and to pay interest on the unpaid balance not to exceed the prevailing commercial rate. The Secretary is further directed to the maximum extent feasible to employ and train residents of the Virgin Islands to develop, maintain, and administer the Virgin Islands National Park. The bill also authorizes the Territory to acquire Hassel Island from the United States within 5 years from enactment, subject to duly enacted territorial legislation and reimbursement to the United States for the cost of acquisition and construction of permanent improvements, if any. The bill contains standard rights of use and occupancy language for acquisition. It also precludes any entrance fees being charged to residents of the Virgin Islands or military personnel for entry into the park. The bill authorizes such sums as necessary to be appropriated to acquire Hassel Island, and \$1 million for historic restoration and development of facilities on Hassel Island. Of the \$1 million for development, the bill authorizes that \$500,000 may be paid to the Virgin Islands Government for Land and Water Conservation Fund or Historic Preservation Act purposes, following the transfer of any Territorial lands on Hassel Island to the United States.

Hassel Island was occupied by the British in 1801 who took it from Denmark during the Napoleonic Wars. The ruins of three fortifications built by the British to protect the harbor still exist. There are also remains of several coaling and shipping stations that prospered in St. Thomas from 1801 to the First World War. The island also includes the Creque Marine Railway, containing a well-preserved Bolton beam engine from the 1840's that was used until the early 1960's and is one of the oldest surviving facilities of its kind in the Western Hemisphere. The housing for the engine and related facilities have deteriorated greatly, however. There may be pre-Columbian sites located on the western side of the island. The southern one-third of the island has been entered in the National Register of Historic Places. The northern two-thirds has been nominated for such inclusion, the whole to be designated a historic district by the Virgin Islands Government. The marine railway facilities have been documented by the Historic American Engineering Record staff.

The island is located only a few hundred yards across the harbor from the port of Charlotte Amalie, a port of call for many Caribbean tour cruise ships. These visitors normally spend only a few hours touring the port. The Antilles Airlines amphibious airplanes land on or take off from the harbor immediately adjacent to Hassel Island, with a great roar of sound every 15 minutes during the day. The possibility of enticing the tourist groups to visit Hassel Island has not been explored by the National Park Service. Using the island as an urban park unit for Charlotte Amalie could be considered. The nomination form dated July 19, 1976, entering the southern part of Hassel Island on the National Register states that the government of the Virgin Islands has initiated discussions with the landowners with the intention of acquiring all or part of the historic district in order to establish an historic park, restore the structures and initiate an interpretive program. Although the properties have been entered on or nominated to the National Register, they have not been declared landmarks and cannot be considered at this time as of national significance.

An acquisition cost estimate of approximately \$6,041,000 has been established for the largest parcel of about 114 acres, for the Royal Mail Inn, and for the Creque Marine Railway properties. The remaining properties of about 11 acres have not been evaluated.

We are concerned with the language of the bill wherein the Secretary would be given the right of first refusal within 90 days of the date of enactment to purchase the Royal Mail Inn at a price not exceeding the fixed value of said property on July 1, 1978. We recommend the bill be amended to state that the property would be purchased at the fair market value to be mutually agreed upon between the Secretary and the landowner.

With the amending of this section as described above, we recommend the enactment of this addition to the Virgin Islands National Park.

The CHAIRMAN. Mr. Rosenbloom, would you wish to comment on the Treasury affected provision, and I will ask Mr. Straus on the food stamp provision.

STATEMENT OF H. DAVID ROSENBLOOM, INTERNATIONAL TAX COUNSEL, DEPARTMENT OF THE TREASURY

Mr. ROSENBLOOM. Thank you, Mr. Chairman. My comments are principally addressed to section 3(d) of the bill involving the administration of the tax laws of the Northern Mariana Islands. We have some concerns at the Treasury Department with regard to these provisions.

First of all, the administration by the Internal Revenue Service is likely to draw the Service into a variety of taxes with which it has little familiarity or experience. For example, customs' duties and certain other excise taxes not covered by the Internal Revenue Code.

In addition, the administration of these loans by the Internal Revenue Service is likely to involve a not inconsiderable expense, particularly in terms of the unit cost involved. The direction to administer taxes measured by income bears a potential for involving the Revenue Service in administering taxes with which it has no experience and which will take some time to develop standards under.

The Island, of course, is being located 5,500 miles from the mainland which, of necessity, would entail considerable communications and travel expenses. Nevertheless, Mr. Chairman, the Treasury does recognize that there is some merit in service participation of the administration of the Mariana Islands' taxes, especially in the early years of the commonwealth. With the complexity of the Internal Revenue Code and the added complexity of the Mariana image concepts, we would be willing to accede to the use of the Revenue Service in line with the terms of the trusteeship agreement with the United Nations incumbent with the islands to promote economic development of the islands and the progress of the islands toward political independence.

We believe, however, in light of the expensive burden involved and the likelihood that the expenses part will be especially great overtime, that it might be appropriate to limit the IRS' responsibility in the Marianas to a fixed period of time.

We would suggest that 5 years of administration might be an appropriate limit. And we would accordingly propose amending section 3(b) of the bill, as adopted by the House, to limit IRS responsibility for administration to that time.

The CHAIRMAN. Thank you, Mr. Rosenbloom. We will defer questions and your entire statement will be put in the record.

[The prepared statement of Mr. Rosenbloom follows:]

STATEMENT OF H. DAVID ROSENBLUM, INTERNATIONAL TAX COUNSEL AND
DIRECTOR, OFFICE OF INTERNATIONAL TAX AFFAIRS, DEPARTMENT OF THE
TREASURY

Mr. Chairman and members of the committee; thank you for the opportunity to appear here this morning to present the views of the Department of the Treasury on S. 2821, a bill "to authorize appropriation for certain insular areas of the United States, and for other purposes."

As originally introduced in the Senate, S. 2821 provided only for the authorization of approximately \$8.9 million for the construction of public facilities in Guam. As you know, the bill has been considerably expanded, first in this Committee and later by House amendment, to provide grants to the Northern Marianas, the Virgin Islands, and the Trust Territory of the Pacific and to extend substantial federal assistance to these areas in the administration of grant programs and the collection of taxes.

Upon the enactment of appropriate legislation by the Marianas legislature, the House amendment provides for the detail of Internal Revenue Service personnel to administer and enforce sections 601, 602 and 604 of the Covenant to Establish a Commonwealth of the Northern Marianas Islands in Political Union with the United States, and to enforce and administer any tax measured by income that might be imposed by the Northern Marianas under the powers conferred upon it by Section 602 of the Covenant. This service, by the terms of the House amendment, is to be provided without reimbursement to the Internal Revenue Service, and without cost to the government of the Northern Marianas. The IRS is required to detail personnel to the Islands until the Governor of the Northern Marianas, acting pursuant to legislation adopted by the Legislature, requests the Secretary of the Treasury to discontinue the administration and enforcement of the taxes.

The Treasury Department is concerned about the expense and administrative burden on the Internal Revenue Service that this provision would entail. Under the bill, the IRS would be charged with administering a wide variety and number of different taxes some of which would be taxes with which the IRS has no experience. For example, Section 603 authorizes the Northern Marianas to impose customs duties. But the IRS has no authority to administer, and is not involved in administering, the customs laws of the United States. Section 604 gives the Northern Marianas government authority to impose excise taxes on any products manufactured, sold, or imported into the islands. This authority is not limited to the type of products on which United States excise taxes are imposed. Thus, the IRS could and probably would become involved in administering excise taxes in industries with which it has no familiarity. Finally, the direction to administer Section 602 taxes "measured by income" bears the potential for involving the IRS in administering taxes wholly different from those with which the Service is familiar as well as for producing administrative disputes about what constitutes a tax "measured by income."

In addition, the administration even of the taxes with which the IRS is familiar will entail considerable expense and impose considerable burdens upon the IRS. The islands are located 5,500 miles from the mainland. This will mean that tax administration there will involve considerable travel costs, communications costs, and program management costs. Tax administration by the Service will be more costly than local administration because of differences between the salary levels of the personnel who would be involved. The first few years of administration are likely to be especially costly.

Nevertheless, the Treasury recognizes that there is some merit in IRS participation in the administration of the NMI taxes in the early years of the Commonwealth. The Internal Revenue Code is complex—although it is likely that a number of its complexities will be irrelevant to Northern Marianas taxpayers—and the application of the "mirror system" has proved to have added complexities in the experience with it in Guam and in the Virgin Islands. The United States is committed, under the terms of the trusteeship agreement with the United Nations and the Covenant with the islands, to promoting the economic development of the islands, and the progress of the islands toward political independence and self-determination. Accordingly, the Treasury and the IRS are willing to accede to the use of IRS in the administration of the Northern Marianas tax laws if it is believed that that will promote these objectives.

We believe, however, that in light of the expense and burden involved it would be desirable to limit IRS responsibility in the Marianas to a fixed period of time. We suggest that five years would be an appropriate limit, and we would accordingly propose amending section 3(d) of the bill as adopted by the House to limit the responsibilities imposed upon the IRS by that section to five years, from the effective date of the covenant.

Once again, Mr. Chairman, I would like to thank you and the members of the committee for the opportunity to present these views.

The CHAIRMAN. Now, Mr. Straus.

STATEMENT OF LEWIS B. STRAUS, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE

Mr. STRAUS. Thank you, Mr. Chairman. I would like to speak to section 3(c) of the Act, that part dealing with the operation of the food stamp program in the Northern Marianas Islands.

As you know, the Northern Marianas became a Commonwealth at the beginning of this year, and, hence, were eligible to participate in the program. Heretofore, they had had a food distribution program on the islands. Some 6,000 citizens of the islands were receiving food under the commodity distribution program.

The CHAIRMAN. Which islands?

Mr. STRAUS. The islands of Saipan, Rota and Tinian.

The CHAIRMAN. What about Guam?

Mr. STRAUS. No; Guam is already a participant in the food stamp program and it is tied to Guam in section 3(c). There's a point that I would like to speak to if I could. We have two concerns on this section. First, it would allow dual operation of the program on a particular island in the Northern Marianas, meaning both programs.

Food distribution and food stamps could be operated on the same island. We feel that this is a mistake. Administratively, it would be a nightmare. And it also is inequitable in that this provision is not permitted in Puerto Rico, in the Virgin Islands or in the Trust Territories.

Second, we are very worried about the provision which ties the food stamp program in the northern Marianas to the program as it is required in Guam because the cost of living in Guam is higher than that of the Northern Marianas and the income levels in Guam are roughly double those of the Northern Marianas.

It is our feeling that under the legislation as proposed, there would be, perhaps, serious and, quite possibly, disastrous cultural implications as a result of this kind of an eligibility standard in those islands. So, we would propose the language, as shown in my statement, which gives the islands the opportunity to—and if I may quote: “* * * to implement a food stamp program in part or all of the Northern Mariana Islands with such income and households standards of eligibility, deductions, and allotment values as the Secretary determines, after consultation with the Governor, to be suited to the economic and social circumstances of such islands, provided that in no event shall such income standards of eligibility exceed those in the 48 contiguous States * * *” meaning that the Secretary would examine the special economic conditions of the islands.

Second, part two, we would like to distribute or permit distribution of federally donated foods in any part of the Northern Mariana Islands in which the Governor is not requesting that the food stamp program be implemented. In other words, there could be, one of the two programs on any particular island.

And there would be eligibility standards established which have a clear relationship to the economic needs and standards of the islands.

The CHAIRMAN. Well, I must say that is a good statement. I am concerned here about both programs being imposed, the commodity distribution program and the food stamp program. And, in certain areas, you do not have the infrastructure, do you?

Mr. STRAUS. Exactly right, sir. In four of the less inhabited islands, there's a food distribution program with distribution made quarterly. In the larger islands, there are food markets. There is a food marketing infrastructure, but you must be fairly selective, we feel, in installing these programs.

The CHAIRMAN. Well, I think the Department really needs to closely supervise a program of this kind because, outside of Guam, when you get into the outer islands, there's a barter system.

Mr. STRAUS. Yes; we realize that.

The CHAIRMAN. And, to bring in a food stamp program, you will have everybody on food stamps.

Mr. STRAUS. We estimate that 13,000 of the 15,000 residents of the islands could, under stateside eligibility standards, be eligible to participate. We feel that if the standards were set even higher, there could be some severe social consequences that would not be desirable.

The CHAIRMAN. I appreciate your candid statement. We want to help the people out there. At least I want to provide them some incentive to work. And, we want them to have a good diet. But to suddenly bring in both, I think, would be a disaster. Would you agree on that?

Mr. STRAUS. I think there would be unfortunate consequences. Yes, sir.

The CHAIRMAN. Well, you are being rather gentle.

Senator McClure. Mr. Chairman, might I ask—

The CHAIRMAN. I don't want any, you know, this kind of adverse reaction that certainly could cause a lot of problems. And I would hope that whatever we work out, that there would be appropriate standards set out by the Secretary of Agriculture so that we don't run into, rather, shall we say, a situation in which we could get a lot of bad publicity. Let's face it. Senator McClure.

Senator McClure [presiding]. I have a concern that goes a little beyond just the food stamp program and a concern that I've had for a long time that Congress has been very improvident and somewhat careless in extending Federal programs to these areas without a special concern as to whether or not they are applicable.

They could just be transposed without change. The minimum wage standards in Micronesia, for example, have created violent social distortions within the trust territories. And it was done with all of the very best intentions, but with very little attention by the Congress.

I'm not sure that just setting up special standards for the food stamp program does anything more than deal with, perhaps, one of the most obvious of those problems. I have no objection to the extension of these programs, but I do think that we have to take a look to see whether or not the standards by which they are applied are appropriate to the society and economic structure in these areas.

I have a little concern that you've drawn an arbitrary line between Guam and the Northern Marianas, however, and saying that in Guam the basic program is exactly applicable and in the Northern Marianas we have to have something that is quite different.

Why not extend the same authority to Guam?

Mr. STRAUS. Senator, the—

Senator McCCLURE. After all, they are the same people; the same group of islands. It's only an accident of history that separates them by a political line and not a geographic line.

Mr. STRAUS. In fact, Senator McClure, I believe that the Food Stamp Act of 1977 does allow the Secretary to set appropriate income levels, eligibility levels, for the citizens of Guam.

Senator McCCLURE. And what has been done with respect to such authority?

Mr. STRAUS. We will examine the cost of living in those islands and establish the allotments based on that cost of living.

Senator McCCLURE. Well, as a matter of fact, is there any difference between the application in Guam and in the 48 contiguous States?

Mr. STRAUS. Not in the application procedure, but I believe that the eligibility levels will be different. I would like to check that, if I could, with staff. Yes, the coupon allotment will be different.

Senator McCCLURE. The coupon allotment will be different but is the eligibility standard different?

Mr. STRAUS. Not necessarily. I would like to submit, if I could, for the record, our latest calculations in the 48 States effective July 1, the monthly—maximum monthly income for a family of four in the basic program is \$607.

Senator McCCLURE. In Guam?

Mr. STRAUS. And in Guam, it would be \$840, based on the higher cost of living in Guam.

[The coupon allotments follow:]

FOOD STAMP PROGRAM, JULY 1978—COUPON ALLOTMENTS AND MAXIMUM ALLOWABLE MONTHLY INCOME STANDARDS FOR 48 STATES AND DISTRICT OF COLUMBIA, AND OUTLYING AREAS

Household size	48 States and District of Columbia		Alaska		Hawaii		Puerto Rico		Virgin Islands		Guam	
	Coupon allotment	Maximum monthly income	Coupon allotment	Maximum monthly income	Coupon allotment	Maximum monthly income	Coupon allotment	Maximum monthly income	Coupon allotment	Maximum monthly income	Coupon allotment	Maximum monthly income
1-----	\$54	\$277	\$76	\$343	\$72	\$301	\$54	\$277	\$70	\$277	\$76	\$301
2-----	100	363	138	460	132	440	100	363	128	427	138	460
3-----	144	480	198	660	180	633	144	480	184	613	198	660
4-----	182	607	252	840	240	800	182	607	234	780	252	840
5-----	216	720	300	1,000	286	953	216	720	278	927	300	1,000
6-----	260	857	360	1,200	342	1,140	260	857	334	1,113	360	1,200
7-----	286	953	396	1,320	378	1,260	286	953	368	1,227	396	1,320
8-----	328	1,093	454	1,513	432	1,440	328	1,093	422	1,407	454	1,513

Senator McCCLURE. What's the per capita income in Guam? How many of the residents of Guam would be eligible under that standard?

Mr. STRAUS. I would like to check that if I could. Dr. Chai who participated in the Northern Marianas study has those figures, and I will get them for you. Dr. Chai?

Dr. CHAI. Guam's per capita income was roughly \$3,000 in comparison with the United States in 1974 of over \$4,600. Now, the per capita income in the Northern Marianas at the 1975 level was about \$1,600. So there is a difference between Guam's per capita income and the Northern Marianas per capita income of one-half.

Senator McCCLURE. But compare that to the United States per capita income.

Mr. STRAUS. I don't believe—may I submit those figures to you?

Senator McCCLURE. Of course.

[The figures follows:]

In 1974, the U.S. per capita disposable income was \$4,646, or about 54 percent higher than that of Guam. I might add that presently, about 7.4 percent of the total U.S. population and about 20 percent of the Guam citizens are participating in the food stamp program.

Senator McCCLURE. My concern is this. You say the cost of living is high but the per capita income is lower. And you're going to have a very high proportion of the resident population of Guam eligible for food stamps. And, as a matter of fact, you are going to, by this humanitarian gesture, make them wards of the government.

Is that good policy in the long run?

Mr. STRAUS. I would hope that that would not happen, sir.

Senator McCCLURE. Well, hope and doing something about it are quite different things. Now, it seems to me that you are moving directly to achieve that result, whether you desire it or not; whether you hope it or not. The Northern Marianas, we are trying to avoid that by saying let's lower the eligibility standards so that we don't get everybody living on food stamps.

In Guam, you are going to have everybody who is not on the U.S. Government payroll on food stamps. And I will bet you, I would bet my bottom dollar right now that, within 5 years, pursuing the policy that you've outlined, 90 percent of the nonresident, I mean, 90 percent of the people in Guam who are residents there who are not on Government payroll will be drawing food stamps.

And, I would not think that is a policy we wish to pursue.

Mr. STRAUS. The law, as presently written, Senator, as you know, does require those eligibility standards based on——

Senator McCCLURE. I might ask you what the law now is. What should the law be?

Mr. STRAUS. I believe there should be flexibility based on an examination of the cultural situation in the particular area as well as on cost of living and income level.

Senator McCCLURE. Now, if we, in Guam, move to set the eligibility levels higher because of the cost of living, and in the Northern Marianas, set the eligibility levels lower because of the economic and social situation, you increase the disparity between the two, although they are the same peoples in the same areas with the same ethnic backgrounds and with many of the same kinds of problems.

Mr. STRAUS. May I——

Senator McCCLURE. Of course.

Mr. STRAUS. Mrs. Snyder, who is our food stamp director, could speak to this. The law says we cannot be any higher in eligibility standards for Guam than the 48 States. And, we adjust those figures accordingly.

Senator McCCLURE. I understand that. But I still think, I don't mean to belabor it because we don't have time to this morning, but I think we are headed on a course for disaster for the people of Guam. And what will be the incentive for the people in the Northern Marianas as distinguished from the people in Guam with such a short distance between people who are of the same culture and the same background who, for many years, were seeking reunification, who now find that their desire for separate status, which was granted by the Congress results in a much different treatment with respect to a Federal, program?

I don't think that they, or the world, will look at it and say, we've given them equal treatment; we've given them special treatment, especially lower. I don't know how we pursue justice in that manner. Well, if you have further comments, I would welcome that they be supplied for the record. Because, I am not satisfied that either the implications of the policy nor the comparisons between adjacent units have been sufficiently considered by the Department.

I would invite your careful attention to whatever else you might wish to submit for the record.

Mr. STRAUS. Thank you, sir. I think that we support the notion of examining, in somewhat greater depth, the comparative income standards and eligibility standards.

[The prepared statement of Mr. Straus follows:]

STATEMENT OF LEWIS B. STRAUS, ADMINISTRATOR, FOOD AND NUTRITION SERVICE,
DEPARTMENT OF AGRICULTURE

I am Lewis Straus, Administrator of the Food and Nutrition Service of the Department of Agriculture. We appreciate the opportunity to express our views on the food stamp provisions of S. 2821 as they would apply to the Northern Marianas Islands.

As a U.S. Commonwealth, The Northern Marianas is now eligible for the food stamp program. In anticipation of the Islands becoming a commonwealth, U.S. High Commissioner, Erwin Canham of the Northern Marianas Islands requested, in mid 1977, that the Department study the potential for implementing and operating the food stamp program in the Islands. Therefore, during the week of November 1-8, 1977, a study of the feasibility and subsequent economic impacts of extending the food stamp program to the Islands was begun by personnel of USDA's Food and Nutrition Service with an on-site visit to the Islands. The study has been completed and discussed with the Governor of the Northern Marianas. I would like to submit a copy for the record.

Currently the USDA Food Distribution Program is in operation on the six inhabited islands of the Northern Marianas Islands. In our meetings with the Governor we have discussed the possibility of continuing the Food Distribution Program on those islands which have essentially no food marketing system and implementing the Food Stamp Program on those islands which do have such a system. The Governor has expressed interest in this procedure, which would mean Food Distribution on probably four islands and the Food Stamp Program on two, Saipan and Rota.

Our primary concern with S. 2821 is the provision which would allow dual operation of the Food Stamp Program and the Food Distribution Program on the same island. The Food Stamp Act, Public Law 95-113, does not allow Puerto Rico, Guam, the Virgin Islands, and the Trust Territory to have both programs operating simultaneously. Aside from the obvious inequity of letting the Northern Marianas have both programs operating on the same islands, monitoring a dual system would be an administrative nightmare. The principal problem is the administrative costs and complexities caused by families switching back and forth between programs.

We are also very concerned that the legislation allows the Governor to request the program as it will exist on Guam. By law it is the Secretary who sets the eligibility standards for the Food Stamp Program, in the 50 States and areas such as Guam, Puerto Rico and the Virgin Islands. This should hold true for the Northern Marianas, but will not be the case if the language of S. 2821 becomes law.

The Food Stamp Act of 1977, Public Law 95-113, provides that the income standards of eligibility for Guam, the Virgin Islands, and Puerto Rico shall not exceed those of the 48 contiguous states. The income standards can, of course, be less than the 48 states. The law allows the Secretary of Agriculture to set the income standards as well as deductions, and allotments for Guam, because the economic conditions differ considerably from those of the 48 contiguous states. These conditions may also differ considerably from those of the Northern Marianas Islands. Let me give you an example.

The law specifies that for the 48 contiguous states the standard monthly deduction is to be \$60, and for Guam, Puerto Rico, the Virgin Islands, Hawaii and

Alaska the standard deduction shall be determined by the Secretary based on the best available information on the relationship of actual or potential itemized deductions claimed under the Food Stamp Program in those areas to such deductions in the 48 states and the District of Columbia.

Our preliminary estimates indicate that for Guam the standard deduction could be as high as \$100 a month.

For the Northern Marianas, S. 2821 would require the Secretary to use the \$100 figure because that is the amount to which Guam would be entitled. However, that amount might not be relevant to the economic conditions of the Northern Marianas, and could raise the total income limits to such a point in the Northern Marianas that virtually all of the population would be eligible to participate. The Department of Agriculture should not be required to establish for the Northern Marianas Islands the same standards of eligibility if economic and social conditions do not warrant such action.

This position is consistent with the desire of the Governor of the Northern Marianas who has expressed his concern in our meeting that if the income eligibility standards are not adjusted to meet the economic conditions of the Northern Marianas, almost 90 percent of the population could be eligible to participate in the Food Stamp Program. The Governor fears that such a rate of participation could have a deleterious effect on the population.

In addition, the Department would support language allowing the Secretary to define household standards of eligibility. In the Northern Marianas, family organization is of the extended family pattern. One household may contain as many as three or more families; and, any one family may consist of parents, grandparents, children, cousins, etc. The family lives as a unit but because of the extended nature of the family, rather frequent changes in household size may occur.

We feel it is important that the Secretary be allowed to take this cultural situation into consideration when setting standards for the Northern Marianas. Let me add, for the record, the average size of the food stamp household in the current program is 3 persons. The average household size for the entire U.S. population in 1976 was 2.89 persons.

Mr. Chairman, I have with me language which the Department would like to see substituted for Section 3(c) of S. 2821.

"(c) Notwithstanding the provisions of the Food Stamp Act of 1977, The Secretary of Agriculture is authorized upon the request of the Governor of the Northern Mariana Islands, acting pursuant to legislation enacted in accordance with sections 5 and 7 of article II of the Constitution of the Northern Mariana Islands and for the period during which such legislation is effective, (1) to implement a food stamp program in part or all of the Northern Mariana Islands with such income and household standards of eligibility, deductions, and allotment values as the Secretary determines, after consultation with the Governor, to be suited to the economic and social circumstances of such islands, provided that in no event shall such income standards of eligibility exceed those in the 48 contiguous states, and (2) distribute or permit distribution of federally donated foods in any part of the Northern Mariana Islands in which the Governor is not requesting that the food stamp program be implemented. This authority shall remain in effect through September 30, 1981, and shall not apply to section 403 of Public Law 95-135."

Senator McCURE. Is there a reason for the base year indexing provided for in section 1?

Mrs. VAN CLEVE. Senator, as you know, the Interior Department did not prepare the legislation, and, accordingly, I cannot be precisely sure what was in the minds of the draftsmen. There has developed something of a habit of putting in indexing in connection with construction programs, particularly in the Pacific. Inflation may be even more troublesome there than it is here.

That's the only answer that I can provide.

Senator McCURE. Do you support it?

Mrs. VAN CLEVE. Yes. Yes, we certainly have no objection to it.

Senator McCURE. Paragraph a(3) provides for stipulations not inconsistent with those placed on such sums by other acts of Congress. What are those stipulations and what are the acts of Congress referred to?

Mrs. VAN CLEVE. I would have to begin with the same caveat that I just uttered in connection with your earlier question. It seems to me that these stipulations might possibly have to do with secretarial conditions imposed pursuant to, for example, a comparable section in Public Law 95-134, where the Secretary is authorized to place stipulations on the \$15 million grant to Guam for typhoon rehabilitation.

I'm not sure, but I think that is at least a possible answer to the question. The theory presumably is that it would be unwise to have a second series of Federal grants, that might be related to the same projects, and be subject to stipulations that differ from the first portion.

That is speculation, but I think it not unreasonable.

Senator McCLURE. Well, it refers, on page 2 of the bill, to stipulation placed on the use of such sums by any other act of Congress. What other act of Congress?

Mrs. VAN CLEVE. Again, I can't be sure because I'm not responsible for the language. But there are other statutes that have to do with funding for Guam. Let us take, for example, the Power Authority Statute, the one under which the United States has made some \$50-plus million available for Guam power purposes.

And that statute imposes a number of requirements upon Guam with respect to getting the money. And I suppose that could be the area of potential conflict if this were eliminated.

Senator McCLURE. Mrs. Van Cleve, I know you didn't draft this language, therefore, you are not responsible for it. But you are the departmental witness testifying with regard to the language that somebody else has drafted.

Mrs. VAN CLEVE. That is correct.

Senator McCLURE. And I would have hoped that somebody in the Department has looked at the language so you could tell us what it means.

Mrs. VAN CLEVE. Well, we have looked at the language and we are prepared to say that we can live with it. It will pose no difficulties to us.

Senator McCLURE. All right. You have looked at it, and I'm asking you if you know what that language means. And you tell me you don't know what it means but you can live with it.

Mrs. VAN CLEVE. I told you what I think it could reasonably be construed to mean. And I think that the language is acceptable.

Senator McCLURE. I would have to say, in all candor, that answer is of very little help to me.

Mrs. VAN CLEVE. Well, we will give you, for the record, a statement with respect to other statutes in addition to those that I've already cited, which were two.

Senator McCLURE. That would be helpful.

Mrs. VAN CLEVE. They could be relevant to this section.

Senator McCLURE. Thank you very much. You would do that for the record, please.

Mrs. VAN CLEVE. Yes.

Senator McCLURE. As a matter of fact, if that language is a throw-away, maybe it ought to be thrown away.

Mrs. VAN CLEVE. We would have no objection to that, either.

Senator McCLURE. The administration's proposal for S. 2821 proposed a nonreimbursable basis as well as a reimbursable basis for

the use of Federal agencies. On the basis of your support, the Senate approved that language. Why is it now limited?

Mrs. VAN CLEVE. I am informed by the Office of Management and Budget, with respect to this bill, that there was a danger that the territories would so successfully importune Federal agencies for gratuitous services that they thought it was well not to include a provision for nonreimbursable services.

Senator McCLURE. You assume that they will be less successful in importuning for the gratuity of a government?

Mrs. VAN CLEVE. I can only say circumstances change, sir.

Senator McCLURE. The same concern that I have with respect to the prepayment provision. The prepayment provision on revenues suggests that the level will be set by the Governor. And with the concurrence of the Federal comptroller. Our experience with that relationship has not always been exceedingly happy in the past.

And I assume that there is an overstatement that provides that an adjustment would be made in future payments. Is there any likelihood, really, that if there is an overpayment, that the amounts would be reduced in future years or would their ability to importune the Congress, as you have so carefully stated it, would that be evident in that case too?

Mrs. VAN CLEVE. I would not foreclose the possibility of a territory coming in for a further grant if the situation you described were to occur. Surely we would have no option but to effect a deduction in the subsequent year if there had been an overestimate.

The law would require that and is would have to be done.

Senator McCLURE. If, as a matter of fact, the law were not changed.

Mrs. VAN CLEVE. Correct.

Senator McCLURE. The question we have to address ourselves to is the likelihood of the reality of that situation. If, as a matter of fact, we are importuned now to make a prepayment because of fiscal problems, what likelihood is there that we would permit a deduction?

Mrs. VAN CLEVE. Well, Senator, I would say, firstly, that you will recall, I expressed a misgiving with respect to the concept of payments on estimated bases. But beyond that, it might be of value for you to know that we have new and extremely competent comptrollers who have developed compatible working relationships with the governors who, in each case, seem to respect their point of view.

I think this provision would not be abused.

Senator McCLURE. Mrs. Van Cleve, it seems to me that many of the problems we have in dealing with the Trust Territories, the Northern Marianas, Guam, and to a lesser degree, the Virgin Islands, and to a much lesser degree Puerto Rico, that their economic situation is determined by legislation which was enacted in the fifties.

What we need to do, it seems to me, is to do an area by area review to revise the economic funding and the constraints. We don't have the facilities to do that here and staff. I don't think we want to undertake that simply as a congressional initiative based upon our staff.

But it would seem to me that you might, in your office, undertake such an area by area review to see whether the statutes that are now 20, 25, nearly 30 years old be revised in light of changed circumstances and in light of our experience with them.

Mrs. VAN CLEVE. Well, we are doing something very like that, Senator. You may be familiar with the Guam Needs study which was performed in the late months of 1977 and early 1978, which was delivered to you only a month ago. We are following that Guam study, which gets at some of the kinds of questions you've identified, with a Virgin Island study that we have just now commenced.

And we will, on an inhouse basis, when our resources allow it—and I don't mean to suggest that that will be protracted. I mean only to suggest that we would prefer to do it with our own resources. I think it will be more efficient and more useful. We will attack all of the territorial areas that you have mentioned.

Senator McCLURE. My consultation with staff is only in regard to when we have to cut this off. There is another hearing scheduled for this room, another meeting scheduled at 9 o'clock. And as soon as they are ready to convene that, this will have to terminate.

But we will go until that time. What are the projects included in the additional \$5 million?

Mrs. VAN CLEVE. They are not yet identified officially. We have many projects that the government of Guam has called to our attention that it would like to have funded. We have not yet made the selections from among those projects, since we have not got, currently, an additional authorization.

It would be largely water and sewer projects.

Senator McCLURE. We are conducting a NEEDS analysis in Guam, are we not?

Mrs. VAN CLEVE. That was the document we were referring to a moment ago. Indeed we are.

Senator McCLURE. Would it not be better to wait until that analysis is done before we establish the figure?

Mrs. VAN CLEVE. We can not speak definitively to the total figures, over the several years, that needs to be authorized until we have completed that study. But we can be confident, I think, on the basis of our experience of recent years, that the figures contained in the legislation will probably be insufficient.

In any event, they would do no more than meet Guam's minimal needs.

Senator McCLURE. But if they are not, shouldn't we be in a position to ask for enough?

Mrs. VAN CLEVE. I think so, and that was why I stated I think both orally, as well as in my written statement, that \$5 million is as much as we can support at this time. The figures may need to rise in the light of the studies I've described.

Senator McCLURE. You think it may rise but will not fall?

Mrs. VAN CLEVE. I think that is likely.

Senator McCLURE. I share that belief.

Mrs. VAN CLEVE. I think the figures for the last half dozen years of Federal support for Guam show that \$5 million is on the low side.

Senator McCLURE. What has happened to Bikini since our last hearing 3 months ago? Wasn't the information available then?

Mrs. VAN CLEVE. No; the major development, since our hearing 3 months ago, that has changed the Bikini planning monumentally, is that the scientists told us, in late May, two things of consequence. The uptake of body burdens—that is a phrase of art that refers to

the radiation levels of the people in question—the uptake of body burdens had not diminished as we had hoped as a result of special feeding programs, but had, in fact, continued to rise at a very troublesome rate.

In the months between November, when the people were last checked, and April, when they were next checked, with results given to us in May, those results told us that we could no longer permit the people of Bikini Island to remain on that island. They were obviously being damaged seriously with the passage of time.

Second, we learned, also in late May, that the nearby island of Eneu, also an island of Bikini Atoll which is literally across the way from Bikini Island, which we had always understood (because, indeed, the scientists had always understood) was relatively free of nuclear problems, was, in fact, not free of such difficulty.

It turned out that coconuts grown on Eneu in recent months, when tested, showed a very high level of radioactivity. Accordingly, we concluded, to our great distress, and, obviously, very much greater distress of the people of Bikini Island, that we could not move them to Eneu as they had hoped.

So, what we have had to do is to shift gears very greatly, so as to plan to move the people of Bikini Island off that island forthwith. And they are being moved effective in August of this year.

And we could not move them to Eneu, which would have been convenient and to their liking. That's the principal development.

Senator McCCLURE. You say they will be moved. Where will they be moved?

Mrs. VAN CLEVE. We are moving them back on a temporary basis to Kili. We examined all of the options. The High Commissioner went to Bikini Island and sat with the residents there and discussed the options. The results of all this was the conclusion that the least unattractive option was returning them to Kili. And that is where they are going.

Senator McCCLURE. Do they agree with that evaluation?

Mrs. VAN CLEVE. They said that if they needed to be moved to another island of the Marshalls, they would leave the choice up to the High Commissioner. To that extent, they agreed. But what they really wanted to do was stay on Bikini. Their second choice was to move to Eneu.

Senator McCCLURE. But they didn't have a third choice?

Mrs. VAN CLEVE. Their third choice—well, their third choice, interestingly, was for us to identify public lands within the United States or Hawaii which, they said, they understood they could live on without interfering with the individual rights of others.

The High Commissioner suggested that we would explore that possibility. But for purposes of a temporary relocation (which is all we are concerned about at the moment, because we had to get them off of Bikini in a hurry), that was not a reasonable alternative.

Senator McCCLURE. How many people are involved?

Mrs. VAN CLEVE. Roughly, 150 on Bikini Island. The Bikini Atoll residents, those who are beneficiaries of the trust fund provided for in the bill, for example, number about 800, of whom about 400 are on Kili; about 150 on Bikini Island now. And the remainder in various parts of the Marshalls.

Senator McCCLURE. How much will the relocation cost?

Mrs. VAN CLEVE. We are estimating about \$500,000. We had initially testified to \$370,000, this before the House Appropriations Committee in early June. But it has developed that the logistical costs are so considerable that the figure will rise to about a half million.

Senator McCLEURE. Well, what are the logistical costs?

Mrs. VAN CLEVE. The ships that are necessary to carry, first, the raw material to construct rudimentary dwellings on Kili that are now being put up to house them. And, the ships that need to be sent to Bikini to bring the people and their possessions back to Kili.

Senator McCLEURE. There are 150 people involved?

Mrs. VAN CLEVE. That's right.

Senator McCLEURE. That's over \$3,000 per person.

Mrs. VAN CLEVE. The principal cost is \$370,000 for plywood houses and for site preparation, of course, and for additional wings on the existing school on Kili and the existing church building. Those are the two public facilities that will be expanded.

The materials have, of course, to be shipped in and they have to be carried to Kili.

Senator McCLEURE. When will they move back on Bikini?

Mrs. VAN CLEVE. They had moved back in about 1972 in small groups, first for purposes of working as laborers on the then Bikini Island resettlement program, and then to join relatives who were already there.

Senator McCLEURE. And where did they move from?

Mrs. VAN CLEVE. In most instances, Kili. Some, almost certainly, came from Ebeye as well. They went on their own on the field trip ships that visit throughout the Marshalls on a periodic basis.

Senator McCLEURE. How are you going to select the individuals and the amounts for individual payments?

Mrs. VAN CLEVE. We would proceed under that section as we have proceeded under comparable sections having to do with other victims of nuclear disasters, to simply divide the total sum by the number of people. We are sure who those people are because they are currently beneficiaries of the trust fund.

As I said, the number is something like 800.

Senator McCLEURE. Well, I have no doubt that we have the responsibility, and I want to make sure that we meet the responsibility. But I am not at all satisfied that the detail on the analysis of cost is necessary and intended and sufficient to give us any great reference.

Certainly, the logistics of \$3,000 per person seems to me to be excessive. The cost of building, certainly, yes, even though they, within the last 6 years, vacated some. They went from a place where they had facilities to a place where they had none.

And now, in a very short period of time, they go back and they ask us to spend \$500,000 to create a place for them to go.

Mrs. VAN CLEVE. In fact, they didn't leave anything very elegant in Kili. We have never spent much money improving Kili because that has always been viewed as a temporary site.

Senator McCLEURE. Is it now viewed as a permanent site?

Mrs. VAN CLEVE. Not yet. We are still awaiting the completion of the aerial survey which will tell us what islands of the Marshalls are habitable. We have had many plans for relocation of the Bikinians over the years, but the fundamental facts keep changing.

The islands that we think are habitable turn out not to be. People who we thought were healthy turn out not to be. Now, we're still

awaiting further information to base a study on. The fundamental facts keep changing.

[Subsequent to the hearing the following information was submitted for the record:]

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 21, 1978.

HON. HENRY M. JACKSON,
*Chairman, Energy and Natural Resources Committee,
U.S. Senate, Washington D.C.,*

DEAR MR. CHAIRMAN: During the hearing before your Committee on July 18, on S. 2821, a bill to authorize appropriations for the territories, I agreed to provide for the record further comment as to the meaning of section 1(a)(2). Section 1(a)(2) provides that:

The Secretary may place such stipulations as he deems appropriate on the use of funds appropriated pursuant to subsection (a)(1) hereof, which are not inconsistent with any stipulations placed on the use of such sums by any other Act of Congress.

During my testimony, I stated that the "stipulations" referred to probably relate, for example, to stipulations imposed pursuant to section 201 of Public Law 95-134, or pursuant to the last sentence of Public Law 94-395, pertaining to the Guam Power Authority.

I would now offer the view that the stipulations would most particularly include any imposed by the Congress with respect to subsequent appropriations made pursuant to section 1(a)(1) of S. 2821. The language in question would expressly permit the Congress in effect to repeal a prior Secretarial stipulation, if it chose to do so.

As I stated during the hearing, this Department does not object to section 1(a)(2).

Sincerely yours,

MRS. RUTH G. VAN CLEVE,
Director, Office of Territorial Affairs.

Senator McCCLURE. With regard to the American Memorial Park in the Northern Marianas, rather than having a limited exemption from fees here, and the war in the Pacific Park and the Virgin Islands National Park, wouldn't it make more sense to either abolish all fees or charge everyone alike?

Mr. WHALEN. Mr. Chairman and Senator, I would certainly agree with that. I would go to the direction of abolishing all fees in both areas rather than charge fees. We are primarily talking here in terms of entrance fees; user fees for campgrounds, and so forth, would be and are charged in some of the parks, in particular, the Virgin Islands.

Senator McCCLURE. In the war in the Pacific Park proposal, how many acres are involved in that proposal?

Mr. WHALEN. Senator, there are 1,792 acres involved in that proposal, 236 of which are private and the remainder owned by either the Territorial government or the Federal Government.

Senator McCCLURE. Do you have a breakdown between those two governments?

Mr. WHALEN. Yes, we do. There are 947 owned by the Territorial government and 608 by the Federal Government.

Senator McCCLURE. Do you contemplate purchase or exchange for the territorial lands?

Mr. WHALEN. Senator, we only accept those lands by donation.

Senator McCCLURE. So they would be neither purchased or exchanged?

Mr. WHALEN. We would neither purchase nor exchange lands. No, sir.

Senator McCLURE. How much of the territory of Guam is presently controlled by the U.S. Federal Government?

Mr. WHALEN. The U.S. Federal Government controls roughly one-third of Guam, and one-third is owned by the Government of Guam. It is approximately 209 square miles.

Senator McCLURE. That's about the same as my State of Idaho by proportion, I might add.

Mr. WHALEN. Yes, sir.

Senator McCLURE. Not by acres. We may ask you to apply the same formula for gratuities to the people of Idaho. There are additional sites throught the Marianas which are important to any comprehensive interpretation of World War II such as Suicide Cliff and other areas in Saipan. And there's a landing area on Tinian where the *Enola Gay* landed.

Could the Park Service use additional authority to identify and interpret additional sites of interest, or would you prefer to conduct a study of possible additions and report back to Congress?

Mr. WHALEN. Senator, at this time, we would prefer to conduct a study and report back to Congress within 5 years of any additional sites that we feel would be needed in this area.

Senator McCLURE. You want a 5-year period for such a study?

Mr. WHALEN. We would prefer 5 years based upon the present omnibus bill that is coming before you. There are so many studies that we're going to have to carry out that we would have to look ahead and say that it would take about 5 years for us to accomplish this.

Senator McCLURE. With regard to the Hassel Island proposal, doesn't the Secretary already have authority, when acquiring the lands, to defer payments or pay installments if the owner agrees to that method?

Mr. WHALEN. Yes, Senator. We do have the authority to defer payments and we have done it. To my knowledge, we're never done it beyond about a 3-year period. And, here, we're talking about a deferral of about 10 years.

Senator McCLURE. You have the authority to do it beyond the 3, do you not?

Mr. WHALEN. We feel we do have the authority, but we just never exercised it beyond the 3-year period.

Senator McCLURE. Why is that process being used here? Why do you want to defer it beyond the 3 years here?

Mr. WHALEN. In this particular case, it relates to one specific landowner that would like to sell the property to us. But if he cannot get it on a different payment schedule, he will sell to someone else and he has made this quite clear to our people.

Senator McCLURE. That is undoubtedly the result of the tax laws of the United States.

Mr. WHALEN. I would assume that it is for tax purposes, Senator.

Senator McCLURE. You haven't discussed that with the owner?

Mr. WHALEN. I have not personally discussed it with the owner, no, sir.

Senator McCLURE. Have his reasons for the desire been discussed with the owner?

Mr. WHALEN. They have been discussed with the owner by other than the National Park Service, but I cannot speak today to those exact reasons. But I could provide it if you need the answers.

Senator McCLURE. If you would, please.

Mr. WHALEN. Yes, Senator. I would be happy to.

Senator McCLURE. Why is that process restricted to 6.6 acres?

Mr. WHALEN. That's the approximate size of the property of this specific owner. I believe it's around 6.4 acres and they use 6.6.

Senator McCLURE. And it will not be applied to the other?

Mr. WHALEN. No, sir.

Senator McCLURE. The language in the bill with regard to the Royal Mail Inn, gives the United States the option of first refusal, but it does not give the right to convey, am I correct?

Mr. WHALEN. Senator, this language has been given to us and I will try to explain how we understand it. We could begin negotiating with the owner immediately on passage of the bill. If within 90 days, we could come, to a price that was agreed upon by both parties, the owner would then give us a contract that we could purchase this property at the July 1, 1978, prices 10 years later in July 1988.

Now, if we did not reach agreement during this 90-day period, then, and only then, would we have the right to move toward condemnation. And that's the way we interpret it.

Senator McCLURE. But it is your assumption that the language is intended to convey a right to condemn?

Mr. WHALEN. If we cannot reach agreement within 90 days, we would have the right to condemn is our understanding of the legislation, sir.

Senator McCLURE. And with the right to condemn the condition upon the 10-year installment payment?

Mr. WHALEN. As I read it, no, sir. We would condemn immediately if we could not reach agreement within those first 90 days. If we did reach agreement, then, of course, at the end of 10 years, we would have the first right of refusal at 1978 prices.

Senator McCLURE. Would you have any objection of clarifying the language as you understand it now?

Mr. WHALEN. Senator, I would be very happy to clarify it.

Senator McCLURE. Shouldn't the appropriation authorization, either be limited to Hassel Island or have a dollar limitation?

Mr. WHALEN. Senator, I feel it should be limited to Hassel Island, but we should not add a dollar limitation at this time.

Senator McCLURE. Would you provide for us, on a confidential basis, your estimate of the cost? I can understand why you might not wish to state it at this time on the record, but I think that this committee ought to have some idea what it is you're talking about in dollars.

Mr. WHALEN. Mr. Chairman, we would be very happy to supply that.

Senator McCLURE. All right. I might just conclude by asking if the departments, the various departments involved, would be available or have staff available to assist us in redrafting language and in marking up this bill?

Mrs. VAN CLEVE. We will be glad to.

Senator McCLURE. I thank you all. And with that, the hearing is adjourned.

[Whereupon at 9:32 a.m., the hearing was adjourned.]



