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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1982

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

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PART 12

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1982

MONDAY, MAY 18, 1981.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

WITNESSES

MAX N. BERRY, CHAIRMAN
W. ANDERSON BARNES, EXECUTIVE DIRECTOR
F. DAVID HARRIS, ASSISTANT DIRECTOR, FINANCE
CHARLES GUELI, DEVELOPMENT DIRECTOR

Mr. YATES. This is a hearing on the budget of the Pennsylvania Avenue Development Corporation for fiscal year 1982. Appearing in support of that budget is Mr. Berry, the new Chairman; Mr. Barnes, the old Executive Director; Mr. Harris, the old Assistant Director for Finance; and Mr. Gueli.

Mr. Berry, your statement may go into the record.

[The statement and appropriations request follow:]

Mr. Chairman and Members of the Committee:

My name is Max N. Berry, and I am Chairman of the Pennsylvania Avenue Development Corporation. Appearing with me today is W. Anderson Barnes, Executive Director. Other members of the Corporation's senior staff who are present at the witness table are Thomas Regan, Director of Operations, and F. David Harris, Assistant Director, Finance. Several other senior staff members of PADC are in attendance today, including Charles Gueli, Development Director; Peter Meszoly, General Counsel; Jerry Smedley, Director of Real Estate, and Alexander Milin, Financial Manager.

Today is the first opportunity I have had to appear before the Subcommittee since my appointment as Chairman on July 23, 1980. As the third permanent chairman since the Pennsylvania Avenue Development Corporation was created by an act of Congress in 1972, my tenure begins at an exciting stage of the program for modernizing and upgrading Pennsylvania Avenue and rebuilding and revitalizing its adjacent squares.

I welcome the opportunity to serve in this new capacity, and hope to build upon the contributions of previous chairmen of PADC. As a resident of Washington, D. C. for the past 21 years, I have long had an intense interest in the City, and appreciate the symbolic importance of Pennsylvania Avenue. Pennsylvania Avenue, which has been described as the "Avenue of the Presidents" and the "Main Street of the Nation," is fresh in the minds of everyone who witnessed personally or through television the recent Presidential Inaugural procession along this thoroughfare, as well as the spontaneous celebration occurring here on the occasion of the visit to the White House of the Americans who had been released from captivity in Iran. The Nation's most important thoroughfare, connecting the Capitol and the White House, should be a source of pride to all citizens of this Nation.

Because of the support of this Subcommittee, the Congress, and past administrations, the Pennsylvania Avenue Development Corporation has made what I consider to be commendable progress in making the Avenue attractive and lively. The FY 1982 budget request now before you will permit the process of rebuilding the project area to continue forward toward its completion.

The Pennsylvania Avenue Development Corporation budget request totals $19,040,000 for FY 1982, with such sums to be utilized for public development activities, land acquisition, and the salary and administrative expenses of the agency.

The Public Development component of PADC's FY 1982 request totals $14,200,000. The bulk of these funds--$12,850,000--are needed for continued public improvements work on the Avenue and adjacent public spaces. The requested appropriation will provide for the completion of construction to the Avenue's sidewalks and roadway between 9th and 10th Streets; construction of similar improvements in the 7th through 9th Streets area; creation of a planned new park at what is now John Marshall Place; improvements to 11th Street, and F Street between 13th and 14th Streets; and partial construction of improvements to the Avenue between 3rd and 6th Streets. The balance of the Public Development request would be utilized for support costs of the program and include demolition, interest on U. S. Treasury borrowings, and various study costs.

The Land Acquisition component of this total budget request is $2,500,000 in additional borrowing authority from the U. S. Treasury. The requested borrowing authority would be utilized for acquisition of a portion of the site on Square 408 which is to become part of the major public plaza planned as Market Square.

The Salary and Expenses component of the budget request is $2,340,000, an amount sufficient for the administrative expenses of an agency having a somewhat reduced staffing level in FY 1982.

The basic thrust of the activities planned with the requested FY 1982 budget authority is continued development of the eastern project area, east of the FBI Building. While on this subject, I would like to briefly summarize development progress that has occurred in the western portion of the project area through 1981.

The public areas are being vastly improved between 10th and 15th Streets. Already completed and open for public use since November, 1980 is the rectangular Western Plaza, which highlights the Avenue between 13th and 14th Streets. Adjacent to it and substantially complete is Pershing Park, which will have extensive new plantings, landscaping, reflecting pool and food kiosk attractions which substantially improve upon what formerly existed there. Pershing Park's opening ceremony took place on May 14, 1981. The new sidewalks now completed or approaching completion on the south side of the Avenue between 10th and 15th Streets offer attractive new paving materials, trees, and a much-improved street and sidewalk lighting system. During FY 1981, substantial portions of the Avenue roadways will have been rebuilt between 10th and 15th Streets.

On the squares in the western project area, four new projects are completed or underway. Two new office buildings developed privately on Squares 291 and 254 are completed or substantially completed (and have been fully leased to high-quality tenants). The PADC-sponsored Willard Hotel renovation and addition on Square 225 is scheduled to commence in June, 1981. The Quadrangle/Marriott companies' office, hotel, and retail project on Square 254 is already underway. These latter two projects are situated on PADC-owned land, which is leased to the developers on a long-term basis. Together these four square projects signal a major economic revival on the west end of Pennsylvania Avenue. Additional development projects on adjacent Squares 348 and 322 appear likely in the near future.

Together, the public area improvements and the new square projects are transforming Pennsylvania Avenue from the drab and worn street that it once was to the interesting and attractive area that it can--and should--be. In short, the combination of Federal Government and private investment is working to produce the kind of setting that is appropriate for this symbolic, historic thoroughfare.

The budget request now before you for consideration will further the rebuilding and revitalizing of the Pennsylvania Avenue corridor.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION
425 THIRTEENTH STREET N.W. WASHINGTON D.C. 20004

March 24, 1981

Honorable Sidney R. Yates
Chairman
Subcommittee on the Interior
Committee on Appropriations
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Yates:

I am writing to transmit to you the enclosed summary of the revisions to PADC's FY 1982 Budget, as reflected in the 1982 Budget Revisions document released March 10, 1981, and the proposed rescission to the FY 1981 Salaries and Expenses appropriation. By my letter to you of March 10, 1981, I have previously forwarded certain tabular material which reflects the respective FY 1982 revisions and proposed FY 1981 rescission.

The proposed rescission to PADC's FY 1981 Salaries and Expenses appropriation is $60,000. The overall reduction to our FY 1982 budget totals $11,772,000, the majority of which ($10,000,000) has been applied to PADC's Land Acquisition and Development request.

If you require further detail on the budget changes, I or my staff would be happy to respond.

Sincerely,

Max N. Berry
Chairman

Enclosures

FY 1982 BUDGET REVISION AND
FY 1981 PROPOSED RESCISSION
PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

1. FY 1982 Budget Revision

The revised FY 1982 budget of the Pennsylvania Avenue Development Corporation is $19,040,000, a reduction of $11,772,000 from the budget previously transmitted to Congress. A comparison of previous and revised budgets is as follows:

($ in thousands)

Fund and Activity	Jan. 15, 1981 Budget Request	Revisions	Mar. 10, 1981 Budget Request
Salaries and Expenses	$ 2,562	-$ 222	$ 2,340
Land Acquisition and Development	12,500	- 10,000	2,500
Public Development			
Public Improvements	14,400	- 1,550	12,850
Program Support Costs	1,350	--	1,350
Subtotal- Public Development	$15,750	-$ 1,550	$14,200
Total - All Funds	$30,812	-$11,772	$19,040

Salaries and Expenses

The Salaries and Expenses appropriation request for FY 1982 has been reduced by $222,000. All the reductions occur in the personnel object classes, as shown on Table I on the next page. The reductions to permanent position salaries and personnel benefits, totalling $172,000, reflect the new, reduced permanent position ceiling of 39 positions (on a full-time equivalent basis). The FY 1982 Budget Appendix, transmitted to the Congress in January, 1981, displayed 45 permanent positions for PADC.

A $50,000 reduction to the previous budget for non-permanent position employees completes the Salaries and Expenses budget revisions.

TABLE I
FY 1982 Salaries and Expenses Revision

Object Class	Previous Budget	Revised Budget	Reductions
Personnel compensation:			
11.1 Permanent positions.....	1,412	1,262	-150
11.3 Positions other than permanent.....	160	110	- 50
11.5 Other personnel compensation.....	31	31	---
12.1 Personnel benefits: Civilian.....	142	120	- 22
21.0 Travel and transportation of persons.....	40	40	---
22.0 Transportation of things...	7	7	---
23.1 Standard level user charges	125	125	---
23.2 Communications, utilities, and other rent.....	95	95	---
24.0 Printing and reproduction..	70	70	---
25.0 Other services.....	345	345	---
26.0 Supplies and materials.....	85	85	---
31.0 Equipment.....	50	50	---
Total obligations.....	2,562	2,340	-222

Land Acquisition and Development

The Land Acquisition and Development budget for FY 1982 has been reduced from $12,500,000 to $2,500,000. The previous budget would have permitted the Corporation to purchase selected sites on Squares 408, 432, 457, and 458. The current budget will allow only the purchase of a portion of the Square 408 site.

Public Development

The Public Development budget for FY 1982 has been reduced from $15,750,000 to $14,200,000. The reduction affects the public improvements activity entirely, rather than program support costs. In the January 15, 1981 appropriation request, the amount for public improvements ($14,400,000) would have permitted the completion of Avenue improvements between 9th and 10th Streets; construction of Avenue improvements between 7th and 9th Streets; construction of improvements to that portion of 11th Street and F Street lying within the project area; the completion of Avenue improvements between 3rd and 6th Streets; and the construction of a park at John Marshall Place.

The reduced budget ($12,850,000) will mean that the 3rd and 6th Streets construction will not be completed with the requested funding. Additional funds will have to be made available in FY 1983 to complete this project.

2. FY 1981 Proposed Rescission

A proposed rescission of $60,000 to the Salaries and Expense appropriation has been transmitted previously. Table II on the following page details the object classes which would be affected by the recission. In summary, a reduction of $30,000 in the rental and purchase of equipment is proposed, as well as a reduction of $30,000 in personnel compensation. The personnel funding reduction is made possible because PADC's end-of-year employment ceiling for full-time permanent position employees has been reduced by O.M.B. from 45 to 42.

TABLE II
FY 1981 Proposed Rescission
Salaries and Expenses

Object Class		Previous Budget	Proposed Rescission	Proposed Budget After Rescission
	Personnel compensation:			
11.1	Permanent positions.....	1,407	-27	1,380
11.3	Positions other than permanent.....	132	---	132
11.5	Other personnel compensation.	30	---	30
12.1	Personnel benefits: Civilian.....	140	-3	137
21.0	Travel and transportation of persons.....	40	---	40
22.0	Transportation of things.....	4	---	4
23.1	Standard level user charges..	125	---	125
23.2	Communications, utilities, and other rent.....	90	-20	70
24.0	Printing and reproduction....	70	---	70
25.0	Other services.....	270	---	270
26.0	Supplies and materials.....	85	---	85
31.0	Equipment.....	50	-10	40
	Total obligations	2,443	-60	2,383

OPENING COMMENTS

Mr. YATES. I see you are glad to serve in this new capacity. What are your reactions to your job? Have you had a chance yet to absorb enough to tell the committee how it looks?

Mr. BERRY. Yes, Mr. Chairman.

It is a pleasure for me and the other gentlemen to be here today and discuss this with you. I have lived in Washington, D.C. for 21 years and have done a variety of different things both in and outside of the government.

To me, this is the most exciting challenge and opportunity that I have ever had in my life, the reason being that as part of a team of staff and others interested in the PADC—and we appreciate your interest in the past very much—we can see not just the plans of our agency going down on paper, but we can see the results taking place, sometimes slowly, but day-by-day.

It was a pleasure for me just this past week to lead the effort that brought Pershing Park officially into the public limelight. To me, that park is representative of what the agency is all about.

To me, it is a park that resembles a little bit of Tivoli, and a little bit of the original Pennsylvania Avenue atmosphere. It is something that serves people in this city from wherever they may come in a very constructive and healthy manner and will improve, I think, their lives.

Sunday morning I was out early on Western Plaza for the Urban League's marathon run, which drew over 1,000 people to the Plaza, some in jogging uniforms, some in costumes, to enter this contest.

In addition, we had the merchants around, as we did at the opening of that Plaza, as well as clowns and mimes for the children. It was a gala day.

If we can continue in this vein, we will have two or three more exciting parks we would like to tell you about later—and we just acquired by donation an English antique bandstand to have music. It was a donation, which I think is good. If we can continue to serve the public in this kind of constructive way and, at the same time, help the developers in our country and of other countries such as from Canada, where we have some developers interested, in developing the bricks and mortar, so to speak, in a way that keeps the dignity of the Avenue, improves the Avenue and, at the same time, continues this life during the day and life at night, which we hope to generate, then that is what we are all about and why I find it is such an exciting challenge.

I could go on.

FISCAL YEAR 1982 BUDGET REQUEST

Mr. YATES. Tell us about the budget. Where are you? You started out with a request for $30,812,000 and that was cut by $11,772,000.

Mr. BERRY. That is correct. We now have a $19,040,000 budget—$14,200,000 for public development, which is what I have spoken about; $2.5 million for land acquisition; $2,340,000 for salaries and expenses.

That is the breakdown of the figures.

Mr. YATES. How did you get this back? Was this an appeal to OMB?

Mr. BERRY. How did we get——

Mr. YATES. The $19 million.

Mr. BERRY. No. The previous year it had been $32 million, and this has been a reduction.

Mr. YATES. I know. I am sorry. I looked at the wrong figure. You have a reduction of $11,772,000.

Mr. BERRY. Yes.

Mr. YATES. How badly will that hurt you?

Mr. BERRY. Well, I think, first of all, we will continue to operate in a constructive and beneficial manner.

Mr. YATES. Of course you will. But how badly will it hurt you?

Mr. BERRY. It will slow us down. Whenever you have a cut in salaries and expenses, an overall cut like this, it is bound to slow our work down, which could in the long run cost the government money by slowing us down in a time of inflation and higher costs every day.

Mr. YATES. Well, almost the entire amount, of course, represents land acquisition and development. That is a $10 million loss in the budget.

The rest of it, I suppose, is probably acceptable, isn't it?

Mr. BERRY. We will work hard with the rest of it to do the best job we can.

STAFF REDUCTIONS

Mr. YATES. Your staff is reduced to 39. Are you frozen at 39 now?

Mr. BERRY. No. We are right now at 44 full-time and five temporary. That will go down to 39 permanent.

Mr. YATES. Will that require you to contract outside, then?

Mr. BERRY. If that is legally possible, but under the current laws or constraints on how you contract out—we find that is a little bit difficult to do.

LAND ACQUISITION

Mr. YATES. Tell us about what you had intended to do with the $11 million and will not be able to do now.

Mr. BERRY. I would like to call on Andy Barnes for that.

Mr. BARNES. There are several properties designated for acquisition in 1982 that Mr. Harris can show you on the map.

Mr. HARRIS. We had originally requested to acquire portions of squares 432 and 408, a site on square 458 in the middle of the block, and a site on square 457 along 7th Street. I should note that the $2.5 million that is being requested uses up a 100 percent of the present authorized ceiling of a $100,000,000.

Mr. YATES. How far have you progressed so far with the plan?

Mr. BARNES. We are about 50 percent.

Mr. YATES. Are you that much through? Okay.

Mr. BARNES. We still have our big housing area that hasn't begun yet.

Mr. YATES. Where is that located?

Mr. BARNES. [Indicating.]

Mr. YATES. When do you get to that?

Mr. BERRY. Well, we have studies going on right now, Mr. Chairman, by Ed Barnes, the architect. We think that sometime this

year we will be probably bringing out a plan on that for public scrutiny.

Mr. YATES. Do you have a request for an increase in authorization?

Mr. HARRIS. There was one contained in the Carter proposed budget, Mr. Chairman.

Mr. YATES. And dropped in the latter budget?

Mr. HARRIS. Yes sir.

PARKING IN PADC PROJECT AREA

Mr. YATES. What about the parking problems that you have? Apparently there are some complaints about parking.

Mr. BERRY. Yes.

Mr. YATES. I see The Washington Post has you shrinking the world of downtown parking.

Mr. BERRY. Whenever we have had a new project completed, such as the new League of Cities Building that was just completed, we have a new parking facility. At 14th Street and Pennsylvania Avenue, where Quadrangle/Marriott is going to build a new building and refurbish the National Theater, there is a temporary disruption to parking. When you have construction going on, it is disruptive temporarily for parking. When we are through we will bring more parking into the area than it has ever had before. It is a temporary inconvenience we feel is unavoidable.

Returning to the subject of housing, I was talking previously just of the superblock. Additionally, we have granted a preliminary approval in concept to a mixed commercial/housing project to be developed by the Westminster Investors Corporation, a project which will be just behind the Apex Building, extending out to Indiana Avenue. That project which is going forward, and we are working on it daily with the developers, will contain housing as well as a hotel and office space. That will probably be our first housing project.

WILLARD HOTEL

Mr. YATES. What is the status of the Willard Hotel?

Mr. BERRY. The Willard Hotel is under, as you know, contractual lease agreement with the Golding-Fairmont team. Pursuant to that legal agreement, that team is supposed to, on or before June 7th of this year, have financing in place and construction underway. As of this moment, we have not seen hard evidence that the financing is in place. It is a matter I am personally involved with every week, and sometimes daily, with the staff and other members of our board.

As of this moment, the Golding-Fairmont team has not shown us that the financing is in place. We are hopeful that they will do so in the near future. I know they are working extremely hard throughout the country to arrange this. We have hopes that they can do so. But June 7th is the contractual date we must wait for.

Mr. BARNES. There are two points to add to that. As of December 1980 the Golding-Fairmont team did start paying rent. They have paid rent on time each month since then.

Number two, they started a limited amount of demolition work on some of the interior portions that have to be taken out in preparation for the next steps of construction. With that, there is some beginning evidence of intent to move ahead.

Mr. YATES. What happens if the June deadline isn't met?

Mr. BARNES. Well, the contract calls for a 90 day cure period.

Mr. YATES. After the June deadline?

Mr. BERRY. Yes, that is correct, for the cure of the default, cure period of time. I think during that time our board of directors will be meeting to decide what steps would be taken if that 90 day period isn't adequate.

Mr. YATES. What is your guess? Do you have any way of knowing what is going to happen?

Mr. BERRY. At this moment, I am hopeful that the Golding-Fairmont team will succeed. I am impressed with the day-to-day hard amount of work that they are doing. As Mr. Barnes said, they are working on the building. Both the Fairmont and the Golding team have put approximately $2 million of their own money into the deal at the moment, and I think that is a good sign that, where anybody has that kind of money invested, that there is a fighting chance. We are hopeful that they will succeed.

EASTERN PROJECT AREA STUDIES

Mr. YATES. What about the eastern project area? How far along is reconsideration on that? We gave you the reprogramming for that last year. So you want additional money in 1982?

Mr. BARNES. I think you are referring to the work we are doing with Edward Barnes and Hammer-Siler.

Mr. YATES. Yes.

Mr. BARNES. To accomplish updating of the 1974 plan for all of the areas east of the FBI Building.

Mr. YATES. Right.

Mr. BARNES. That work has been underway about nine months. It appears it has several more months ahead of it before completion. The next step would be board review and policy determinations. Then we would have a board-approved, updated plan. It will be updated with respect to historic preservation, respecting wherever possible buildings in the area that contribute to the urban fabric.

It will be up to date in terms of economics, so whatever is proposed in terms of a mixed use plan is one that can work without large federal subsidies. And it will be one that to the greatest extent possible maximizes housing consistent with good design and other criteria that are set forth in the general plan.

Mr. YATES. Are you going to use the reprogrammed money for this?

Mr. BARNES. Yes.

Mr. YATES. You are? Does this relate to the money you are requesting for 1982, too?

Mr. HARRIS. Yes, and possibly for one or two other general studies.

Mr. YATES. When do you expect to receive the results of these reviews?

Mr. BARNES. Of the Barnes study?

Mr. YATES. Yes.

Mr. BARNES. The results of the Edward Barnes, Hammer-Siler work should be in in another couple of months, as I mentioned earlier. What inevitably happens is that there are follow-on issues and questions that come out of that that then require some limited further study. We fear that is going to happen. Thus, we would not be surprised if we need to do some further work next fall, bringing us, of course, into fiscal 1982.

Mr. YATES. What does this do to your original timetable for completion?

Mr. BARNES. Completion of construction of housing?

Mr. YATES. Yes, for the development of Pennsylvania Avenue now?

Mr. BARNES. We think we are going to make the timetable in 1992.

AUTHORIZATION

Mr. YATES. What about the question of your authorization and funding, will you complete that, too? Is that an unfair question?

Mr. HARRIS. No sir. As you know, 1983 is the last year of our salaries and expenses authorization. Congress had the wisdom fortunately in the land fund and public development funds to provide us with no year money. So there is some capability to finance the program. We will be working with OMB in the best way we can to get us some additional authorizing language.

Mr. BARNES. I think we can say our historical rates of operation give us confidence we can complete all the work in 1992 unless new factors come along and slow the present rate.

DEFERRALS OF FUNDING

Mr. YATES. The Carter budget wanted you to defer at $30.8 million for land acquisition and development, didn't they?

Mr. HARRIS. That has been a question handled by OMB.

Mr. YATES. OMB cut that to $11, didn't they, or was it $19?

Mr. HARRIS. The original request was $12.5.

Mr. YATES. That is a combination. Carter/Reagan combination. What is the effect of the deferral on your development plan?

Mr. HARRIS. In the land area?

Mr. YATES. Yes.

Mr. HARRIS. Of course, OMB requested $12.5 million in the first budget. They held back some amounts consistently with us, but they have gone along with reapportionments as appropriate when we have requested them. The effect has been that they have gone right along up until now.

HISTORIC PRESERVATION

Mr. YATES. The National Historic Preservation Act Amendments of 1980 require review of development plans. How are you meeting this requirement?

Mr. BERRY. Actually, shortly—a few months before that was passed into law, we had a study underway on historic preservation. We think that will be ready by the end of the summer, which will meet the requirement of the law. Actually a little in front of it.

At the same time, on the subject of historic preservation, we are working closely with public interest groups in the area that we meet with frequently, and communicate with frequently. Also, with Anderson-Notter, our consultant, we are working with them.

I don't think we will please everybody, but I think when we finally come in with our revised housing plan, it will at least exemplify that we have abided by the current general plan, and show concern for historic preservation. We hope to do even a little better than that.

Mr. YATES. What area is covered by this?

Mr. HARRIS. The law indicated all areas of the plan that were not under development already or committed for development. That would include most of the eastern site.

Mr. BERRY [indicating on the map]. Most of the eastern site. Also, the Willard is preserved, as is the Washington Star Building and the Post Office. When you get down further east, I think you are in the Market Square area, housing area.

LAND ACQUISITION AND DEVELOPMENT

Mr. YATES. The $11 million that was stricken out of your budget primarily for land acquisition, will that interfere with any of your present negotiations?

Mr. BERRY. I don't think it will with our present negotiations. It probably would be a definite factor in the future. Would you agree with that?

Mr. BARNES. I think so, Mr. Chairman. I think at some point we are going to run into the reprogramming issue, and clearly, in looking ahead——

Mr. YATES. What do you mean by reprogramming issue? Are you going to need some reprogramming in order to have funding?

Mr. BARNES. We may run into a situation where there is sufficient money appropriated but not identified for a particular parcel that would have been covered had the original acquisition amount been granted. We would then be in a position to ask to switch monies from one property to another. A year and a half out it will probably be more difficult, obviously, as that resource gets used up.

Mr. YATES. Is the Quadrangle Marriott group project on schedule?

Mr. BERRY. Yes, it is. If you go by that site at 14th Street and Pennsylvania Avenue, you will see where the land was leveled in December. They have built a wall around it, and they are actually working everyday. In fact, they are working so fast and furious that they postponed an opening ceremony. We are working closely with them, and also with all the ramifications of that project, including refurbishing of the National Theater, which is part of that deal.

Mr. YATES [pointing to the map]. Is that the National Theater in the center?

Mr. BERRY. Right next to it, yes. The Quadrangle/Marriott project is an office building, a hotel of 800 rooms and a three story atrium shopping facility, the latter to be developed by the Rouse Company.

Going northwesterly from Pennsylvania Avenue to F Street, in the latter part of that arcade, will be the responsibility of the

National Press Club, which received approval at our last board meeting for their proposed project to refurbish the Press Building. So that whole area in two or three years is not only going to look good, but bring life back to this area of the city.

Refurbishing to the National Theater will involve $2 and $3 million, even up to $3 and a half million depending on the costs.

Mr. YATES. Is it optimistic for the government to think of any return on its investment?

Mr. BARNES. I think we expect to get a full return on the investment. And a reasonable factor for risk and the time the money was put to use in the case of the Quadrangle/Marriott project, very definitely, particularly in light of inflation, what that has done to expected room rates, office rents and so forth.

Mr. BERRY. I would say it is reasonable for the government to expect a fair return. That wouldn't be overly optimistic.

Mr. YATES. Your justification indicates that you are moving slowly in acquiring squares 322, 348, 406, 459 and 460. That is for private investors? What is the cost likely to do on those? Isn't the cost going to escalate while we wait?

Mr. HARRIS. The policy has been to try to encourage the private developers to move as much as possible. We have been able to do that up until now with a substantial backlog of specifically approved projects, encouraging them to move. In the case of 348 and 459 and 460 we have executed agreements. We have picked up the last pieces the developer could not pick up and will be reimbursed entirely for those.

In the case of the properties the cost of which we incurred some years back, most particularly for other reasons, such as avoiding litigation, those have increased in value at a rate substantially greater than the rate of inflation or the interest on federal borrowings for that matter, so that those acquisitions turned out to be reasonably good.

TEMPORARY PARK

Mr. YATES. Who maintains the area near the Kann's Department Store until that is constructed?

Mr. BERRY. A function of PADC.

Mr. YATES. What is the cost?

Mr. HARRIS. I would have to supply that for the record.

[The information follows:]

COST OF MAINTAINING TEMPORARY PARK

The estimated cost of maintaining the temporary park on the site of the former Kann's Department Store is $6,500-7,000 per year, based upon the rate of expenditures experienced in recent months.

Mr. YATES. How long will the temporary park be in place?

Mr. BERRY. Two years approximately. We are going to temporarily put in that bandstand I told you about.

RELOCATION

Mr. YATES. How successful has the public development fund been in relocating businesses?

Mr. BARNES. So far, we have not had a great number of businesses to relocate other than those that once existed in the square bounded by 13th and 14th Streets. That relocation effort was quite successful.

Mr. YATES. What about the Locker Room?

Mr. BARNES. The Locker Room people, as you may know, are not happy with the services they received from the corporation. The record shows that extensive and painstaking arrangements were made to accommodate their every interest. They allege to the contrary in their letters to us. Currently, their lawyer and our staff people are talking once again, and I believe the outcome of that dialogue is going to be one of successful accommodation.

Mr. HARRIS. Could we submit for the record, Mr. Chairman, our reply?

Mr. YATES. Both may go into the record.

I suppose not. We don't have to put that in the record.

NEWS ARTICLES

[Reading from The Washington Post news article dated February 23rd:] "Along the Avenue—Pennsylvania Avenue Plan Grows Weeds in the Tracks as D.C. Waits." Do you want to comment on that?

Mr. BERRY. I don't agree with it. The journalist called me afterwards and said he didn't really intend it to sound like that, but when it got edited it took a different slant.

Mr. YATES. It looked pretty good then?

Mr. BERRY. No, I don't agree with that. I think anybody who has been in the city for a few years and walked down the Avenue now I think they would find that wasn't an accurate statement. I think if they would walk down the Avenue two years from now that would prove again it wasn't an accurate statement.

Mr. BARNES. As it turns out, this year is probably the year in which we are going to experience the most activity in the history of the corporation, so the article couldn't have been more mis-timed. By calculation just the other day, we figured there is going to be $446 million worth of private construction starting along the Avenue during calendar year 1981.

In addition, there will be another $10 to $12 million of public improvements started on the Avenue which follows $30 to $35 million now in place.

As our chairman mentioned earlier, we are virtually at the halfway mark, although we are not at the halfway mark in terms of the total years that have gone by for the corporation to finish its job. Basically, we are slightly ahead of schedule. For the most part, we are completely within budget.

Mr. YATES. "Rich Men Feud and the District Waits." How accurate is that?

Mr. BERRY. I didn't hear what you said.

Mr. YATES. The headline of the article of February 23rd says "Avenue Plan. Rich Men Feud, and the District Waits." I guess this is Carr and Golding, is it?

That is right. They are the rich men who are feuding?

Mr. BERRY. Yes, that is the subject of the headline, and the District is waiting. I don't have any comment on the headline. I would just refer back to my testimony on the status of the work.

Mr. YATES. Did you give Golding $5 million? Carr says he can do it without any government help. But Carr is an outsider at the moment, isn't he?

Mr. BERRY. Yes. The Board of Directors selected the Golding proposal as being the most meritorious. Mr. Carr also participated in the bidding, but was not selected. His plan had called for an office building on the infill site of the property where The Occidental used to be. I think the Board felt at that time that continuation of the old Willard Hotel, both architecturally and in land use, was more proper for the Avenue. So Mr. Carr's plan, and others, did not prevail.

CREATION OF A PRIVATE FOUNDATION

Mr. YATES. The Washington Post says that you want to organize a Pennsylvania Avenue Foundation to raise money for arts on the avenue?

Mr. BERRY. That is correct, sir.

Mr. YATES. How are you going to do it?

Mr. BERRY. Well, we are in the process of doing it. It will be a private 3(c) foundation. At our February Board meeting we approved the concept. At our last meeting last week, we went further and blessed the creation of such a foundation which would be private, and by charter, seek contributions from private entities in the United States, mainly corporations and other foundations.

In the charter there is a clause that says that the foundation will not seek federal monies. The purpose is to form a board of directors of individuals, three of whom are from the PADC board and up to 22 others to form sort of private enterprise throughout our country. They will come in and hopefully begin to raise seed money for a small staff and hopefully raise money for the foundation.

What the corporation can't do at this time is the expensive job of purchasing, after it has gone through a procedure of debate as to what should grace the avenue, actually purchasing a piece of art. Maybe a sculpture work by a famous sculptor. Always there will be a need for foundation work, while the PADC is in existence and after we self-destruct, whenever that year is, for someone during both periods of time has to mind the job of creating the life on the avenue. That becomes expensive.

If we have a national festival of the arts, or music, or an ethnic festival, it is expensive. Temporary art shows, again, are expensive. In other cities, like San Francisco, Baltimore, Boston and Philadelphia, others in Europe, they actually pay street entertainers to perform, to pull the people into the area. We would like to do that. Magicians, jugglers, mimes, poets, whatever. Here again, it would be a job of this foundation.

So, in other words, the foundation can do much culturally and entertainment-wise for the avenue, on a constant basis to help people while they are there, make them happier, enjoy life more, and pay for that, whereas we don't have any money for that in our budget. That is the whole purpose.

NAVAL MEMORIAL

Mr. YATES. What is the extent of PADC's involvement in the Naval Memorial in Market Square?

Mr. BERRY. Well, we applaud the Congress and the Naval Memorial Foundation for the idea. We have approved the location, which was our first major involvement with the Naval Memorial Foundation. Approved the location right in the housing area, the Market Square area. We don't know exactly what location it will be on, but we have approved the concept that it should be there in front, entertaining people. The concept is that it will be for the Navy band and others who want to use that facility when the band isn't using it.

We wish them now the very best of luck in raising the money nationally, which they are now seeking at the moment.

EMPLOYEE AWARDS

Mr. YATES. Let's talk about employee awards for a moment. Are you still making employee awards?

Mr. BERRY. We certainly intend to, Mr. Chairman. I came on board late in the summer, or late summer of last year. It took me a few weeks to get involved with the corporation, to begin to know its workings. Because of that late entry on my part, and the timing of the merit awards, we didn't give any awards last year. Now I am going to quickly go into a process of reviewing candidates for them this year, and fully expect to make some awards this year.

Mr. YATES. How many awards do you expect to make in 1982 compared with 1981 and 1980?

Mr. BERRY. Well, 1981 was zero, so I would expect it would be better.

Mr. YATES. What was done in 1980?

Mr. BERRY. 1980 was zero—I am sorry.

Mr. HARRIS. In 1981, $16,500 is budgeted for this purpose.

Mr. BERRY. We have guidelines which are in compliance with the OMB standards.

Mr. YATES. For those who are eligible in the corporation?

Mr. BERRY. Yes.

Mr. YATES. Who selects the recipients?

Mr. BERRY. Well, I will be, I think, the final voice for any senior officers who receive awards. I will make the final decisions on that.

Mr. YATES. Is the board consulted?

Mr. BERRY. I don't think it has been consulted. I have been consulting the board on many things and find I have a much more active board now than ever before. So I am very likely to consult the board on almost anything.

Mr. BARNES. Under our new policy, Mr. Chairman, which we are presently considering to replace and update the old one, there would be a procedure whereby the Chairman would consult with a special awards committee of several people on the board to make any determinations for awards for top officers in the corporation.

Mr. YATES. This is for the top officers?

Mr. BARNES. Yes, the Chairman would approve any awards for senior officers, as well as be closely involved in the selection and

approval process for all other staff members who are rewarded for their good work.

TRAVEL

Mr. YATES. Your travel expenses are double 1981 and 1982. Where do you travel, incidentally? Why do you need travel money?

Mr. BARNES. We periodically have meetings with developers in other cities in which our presence is required. We sometimes have to work out business arrangements. Just to give you an example, for instance, in working out a legal agreement with the Washington Hotel owners to enable the Willard project to proceed, we had to go to Houston several times, as the owners of that hotel reside in Houston. It is that sort of thing.

I think also when our board comes to town——

Mr. BERRY. Their travel is in there. We are having board meetings more frequently. About every two months now. Except this summer I expect only one board meeting, or perhaps two.

FUTURE OFFICE SPACE

Mr. YATES. Have you a new office location?

Mr. BERRY. No, and we are about to get thrown out on the street not too far from now next year. So we have a request, and I have been personally sort of lobbying the good friends at the GSA that the most likely place and most deserving place for the PADC to go would be a floor of the Old Post Office Building when that opens up. I have been encouraged that that might take place. I think it is only fitting that while we are in existence, we ought to be in the Old Post Office Building, since we have done all we can to assist the GSA in bringing forth the bottom two layers of retail usage, and the tower which is progressing.

Mr. YATES. Do you have any idea what the cost will be to move?

Mr. HARRIS. Variously estimated around $50,000 for the move itself. But as you know, the building contains systems furniture, and no interior lighting. I believe the bare bones package that was given to the GSA was $2 billion to provide the basic package of furniture for moving into the building. You can't move in without the stuff, because there is no light in the work areas if it doesn't come from these systems furniture units. Our present SLUC rate is $8.44 in our building. Next year it will go to $15 plus.

Mr. YATES. Why are you getting out of your old one?

Mr. HARRIS. The owner has notified all tenants, including GSA, that he is not renewing GSA options as of next March. He is going to renovate the building in accordance with the PADC plan, I suppose.

Mr. BERRY. That is the price of being successful. We have gotten ourselves evicted.

Mr. YATES. Will any of the costs be recovered in the 1982 budget?

Mr. HARRIS. We are seriously underfunded, because we know the SLUC rate is going up. We have been in consultation with both GSA and the Executive Branch and we have been informed that when the pieces fall together, provision will be made for us. We must rely on that.

COMPLETION OF PLAN

Mr. YATES. When are you going to be through with all this?

Mr. BERRY. We think probably in 1990, 1992. Maybe it could be a little sooner.

Mr. GUELI. I wanted to make a distinction. The public improvements area should be done by 1984. The public work, streets, sidewalks, and so on. There may be some projects that lag beyond that. By 1984 we should have—the Canadian Chancery——

Mr. YATES. Where is that located?

Mr. GUELI. Square 491.

Mr. BERRY. We will put John Marshall Park right next to it, which we now have the drawings for. We will be in construction with that next February, which is going to be a beautiful park, stepping up toward the Court House, with beautiful trees and a lot of green and fountains.

Mr. YATES. What is that area to the right of the park [pointing to a map]?

Mr. GUELI. The U.S. Court House.

Mr. BERRY. That is the park I was mentioning, for which we have requested funds in 1982.

Mr. YATES. Is that Constitution Avenue starting there [pointing to a map]? Yes, okay. Anything else you want to tell us?

Mr. BERRY. Well, since it is our newest thing, especially at night time, I took my wife after the National Theater show the other night to Pershing Park. At night time it is really glorious. If you are in that neighborhood, day or night, we would all love for you to see it. If you wanted to, we would love to give you a sort of walking tour of our avenue to show you some of the things we are doing. I would welcome that.

Mr. YATES. I would look forward to it.

We have some additional questions that we would like you to answer for the record.

Thank you all very much.

[The questions and answers follow:]

Additional Committee Questions

HISTORIC PRESERVATION

Question. You are not requesting any additional historic preservation funds for fiscal year 1982; instead, you will be using previously appropriated funds. Please describe the historic preservation activity you have underway in fiscal year 1981 and what you have planned for fiscal year 1982.

Answer. During fiscal year 1981, we are continuing our documentation efforts to meet all federal and local historic preservation requirements. This work entails detailed research in the history of buildings within the PADC area and then a compilation of the research suitable for archival storage. In addition, we are reviewing all elements of our Historic Preservation Plan as directed by the Congress last year. We will submit a report to Congress concerning the Plan as required by the Congressional directive.

Historic preservation is or will be occurring on four development sites in the PADC area in fiscal year 1981. Working with developers whose projects have received either final or preliminary approval from the Board of Directors, PADC has ensured that the following properties will be preserved commencing this year: a row of historic building facades on Corporation-owned properties on Square 457, facing 7th Street; the preservation-in-place of 5 buildings and the facade relocation of 5 others as part of large-scale, mixed-use development project to occur on Square 348; the National Theatre Building, which will be retained and improved as a part of the comprehensive Quadrangle/Marriott project now underway on Square 254; and the

in-place restoration of the Central National Bank Building and Mathew Brady studio property on Square 460.

In fiscal year 1982, current plans call for working with developers who have received preliminary approval for development projects on squares 322 and 459/460 to retain, respectively, the Evening Star Building and Atlantic Coastline Building. This work will consist of drawing review, design, and on-site inspection services.

All of the subject properties are ones that PADC's Historic Preservation Plan identifies for preservation.

SALARIES AND EXPENSES

Question. The budget notes that your full-time permanent positions have been reduced from 50 to 39. In what areas will you reduce your efforts in order to meet the new employee level?

Answer. During fiscal year 1981, O.M.B. has reduced PADC's authorized end-of-the-year level for permanent position employees first from 50 to 45, and then from 45 to 42. At the present time, PADC has 44 employees occupying permanent positions; at least one and perhaps two employees may have to be released by the end of fiscal year 1981. Since PADC has to still further reduce its average on-board permanent staffing to 39 positions next year, a forced reduction in fiscal yer 1982 will also be necessary.

PADC will have to identify the functional area or areas where a loss of manpower will be least injurious to the progress of the overall program. Since staffing is already below the level considered desirable for the workload, the determination of that area is difficult and is not known at this time.

Question. You request $345,000 for other services in fiscal year 1982, an increase of $75,000 over the fiscal year 1981 level. What is this increase to cover? Why has the volume of personnel actions increased?

Answer. Other services costs consist of expenditures for those goods and services not readily classifiable in other object classes, and include training, the continuing management assistance contract with the G.S.A., office equipment repairs, cleaning not covered by the lease with PADC's landlord, the G.A.O. audit of financial records, news services, messenger services, transcribing services for the meetings of the Board of Directors, software, any outside legal services which must be obtained for administrative matters, and a host of other miscellaneous goods and services which are needed each year.

The $75,000 increase is needed to provide funding for the anticipated move of PADC's office to another building, since the current landlord has indicated his intention to undergo an extensive renovation and upgrading of the building, which would preclude continued occupancy. The amount represents a minimum budget for the expense of moving furniture, equipment and materials to a future location—perhaps, as O.M.B. is suggesting, the Old Post Office Building—and for renovations and partitioning of the new office space as will be necessary

The cost of personnel actions will likely increase as a component of PADC's management assistance contract with the G.S.A. in 1982 because of the implementation of the Merit Pay Plan required by the Civil Service Reform Act, and also because of the additional time expected to be spent in the processing of Reduction-in-Force actions resulting from PADC's lower permanent position ceiling next year.

MONDAY, MAY 11, 1981.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

WITNESSES

RUTH G. VAN CLEVE, DEPUTY ASSISTANT SECRETARY—POLICY, TERRITORIAL AND INTERNATIONAL AFFAIRS
JOHN E. DeYOUNG, SENIOR STAFF ASSISTANT, PACIFIC AFFAIRS—TERRITORIAL AND INTERNATIONAL AFFAIRS
MATTHEW N. NOVICK, DIRECTOR, FEDERAL COMPTROLLER'S OFFICES AND FINANCIAL MANAGEMENT, TECHNICAL ASSISTANCE—TERRITORIAL AND INTERNATIONAL AFFAIRS
FRANK X. SOLOMON, SYSTEMS ACCOUNTANT—TERRITORIAL AND INTERNATIONAL AFFAIRS
HUGH J. GALLAGHER, BUDGET OFFICER—TERRITORIAL AND INTERNATIONAL AFFAIRS
DANIEL MacMEEKIN, EXECUTIVE DIRECTOR OF THE NORTHERN MARIANA ISLANDS COMMISSION ON FEDERAL LAWS
WILLIAM D. BETTENBERG, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF INTERIOR

FEDERAL COMPTROLLER REPRESENTATIVES

BEN FUKUTOME, U.S. GOVERNMENT COMPTROLLER FOR GUAM/TTPI/NMI
STEPHEN D. JONES, U.S. GOVERNMENT COMPTROLLER FOR AMERICAN SAMOA
WILLIAM E. CATON, ACTING U.S. GOVERNMENT COMPTROLLER FOR THE U.S.VIRGIN ISLANDS

DELEGATE FROM GUAM

HON. ANTONIO B. WON PAT, DELEGATE TO CONGRESS, GUAM

VIRGIN ISLANDS

HON. JUAN LUIS, GOVERNOR, U.S. VIRGIN ISLANDS
HON. RON DE LUGO, DELEGATE TO CONGRESS, VIRGIN ISLANDS
STEPHANOS A. O'REILLY, DIRECTOR OF BUDGET
CLAUDE CHRISTIAN, ACTING COMMISSIONER OF FINANCE
LEROY A. QUINN, DIRECTOR OF INTERNAL REVENUE
ROY L. SCHNEIDER, COMMISSIONER OF HEALTH
THOMAS R. BLAKE, EXECUTIVE DIRECTOR, WATER AND POWER AUTHORITY

U.S PUBLIC HEALTH SERVICE

KARST BESTEMAN, REGIONAL HEALTH ADMINISTRATOR, PUBLIC HEALTH SERVICE, U.S. DEPT. OF HEALTH & HUMAN SERVICES, NEW YORK

OTHER WITNESSES

HON. ROBERT J. LAGOMARSINO, U.S. CONGRESSMAN FROM THE STATE OF CALIFORNIA

THOMAS DUNMIRE, STAFF ASSISTANT, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Mr. YATES. The hearing will come to order.

This is the hearing on the appropriation for fiscal year 1982 for the Territories. We have a number of people who are appearing in support of the appropriations.

First, is our long-time friend, Mr. Won Pat.

Mr. Won Pat, we would be very glad to receive your testimony now.

Are you going to talk about the Virgin Islands or Guam?

STATEMENT OF HON. ANTONIO B. WON PAT

Mr. WON PAT. Mr. Chairman, I'll be talking about all of the territories.

Mr. YATES. This is overall then.

Mr. WON PAT. Yes, indeed.

Mr. YATES. We'll just sit back and wait expectantly then.

Mr. WON PAT. Mr. Chairman, if I may, I would like to read my statement because it will cover all the territories under my jurisdiction as Chairman of the Subcommittee on Insular Affairs.

Mr. YATES. You may read your statement, or whatever you want to do.

Mr. WON PAT. Thank you.

Mr. Chairman, let me say that it is a great honor for me to be the first witness in your three days of hearings on the fiscal 1982 budget for the insular areas of American Samoa, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands and the Virgin Islands.

You and the members of your subcommittee have long been friends of all of us who are from the insular areas, and we are deeply grateful for everything that you have done in seeing that our needs are met.

It would be wonderful if I could say that we have no new requests, and that I simply am here to thank you for your outstanding past efforts in our behalf.

Mr. YATES. You don't have to do that. Just tell us what you want us to do in the future.

Mr. WON PAT. But, of course, that is not the case, as each new year brings new problems and challenges to the offshore areas.

As the new Chairman of the Interior Subcommittee on Insular Affairs and as the Delegate from Guam, I wear two hats, so to speak, in my appearance today before you.

It has been my privilege this year to become the first islander, to my knowledge, to be chairman of any subcommittee in the U.S. House of Representatives.

Mr. YATES. It is a great honor.

Mr. WON PAT. This new position which I hold is one that brings with it responsibility for the insular areas of American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands. And, believe me, although I am a Guamanian, that in no way lessens my sense of responsibility towards these other areas within my jurisdiction.

In fact, by virtue of the fact that I am an islander, I believe I can bring to each government's problems a special understanding based on firsthand experience that I have gained from working with the Government of Guam.

Today I would first like to discuss with you the budget that the Interior Committee recommended on March 15, 1981, for those matters under the jurisdiction of my subcommittee.

On that day, a total budget of $144,583,000 was approved, which reflected the $105,908,000 that was in the Carter budget for fiscal 1982, along with additional funding of $38,675,000 for a variety of urgently needed projects.

Additionally, I had to file a supplemental report with the Budget Committee because, as it turned out, neither the Carter nor the Reagan budget contained the $4,074,000 needed in fiscal 1982 to cover the inflation adjustment for the Northern Mariana Islands, government as required under Public Law 94-241.

This amount—the equivalent of an entitlement—must be added to the total of $144,583,000 to cover everything under my jurisdiction. This brought the total recommended amount of funding to $148,657,000.

In addition to everything that was contained in the Carter budget for the insular areas, I will now explain how the additional $38,675,000 added by my subcommittee breaks down.

First, American Samoa: For American Samoa, $1,637,000 was added to bring its capital improvement funding in the budget to the full funding level, rather than keeping it at the 75/25 level recommended by the Reagan Administration.

When the overwhelming percentage of CIP funding comes from the Federal Government to begin with, it makes no sense to me nor to the members of my subcommittee to match Federal funds with Federal funds.

Hence, we are opposed to the Administration's proposals. In fact, we are so concerned in general about the impact of budget cuts on the insular areas, that we have included in an omnibus insular areas bill that I intend to introduce this week, a provision to deny this proposed matching requirement.

We also request $8 million for power generation equipment.

Since August of 1980, power outages have been the rule rather than the exception. The reason for this crisis situation, as I understand it, is that six of the ten power generators are at least 16 years old.

Shutdowns, combined with a tropical environment and delays in receiving spare parts, have proved disastrous for American Samoa.

I also ask $1 million to fund the housing construction loan program in American Samoa. The two commercial banks in the territory at the present time do not provide home loans to the local residents.

Currently, over 1,500 applications are pending for home loans, for a total of about $10 million. $1 million would take care of over 100 loan applications on a first-come, first-served basis.

$900,000 is sought to purchase a deep-draft tugboat to ship fuel, food, medical supplies, and heavy equipment to the outer islands which are located 60 miles north of the main island.

The tugboat can also be utilized to assist in the berthing of cargo vessels, as well as fighting fires on vessels and in harbor facilities in the Pago Pago harbor area.

I might note here that this tugboat represents a change in the type of boat needed by the American Samoa government from the request we made earlier this year to the Budget Committee for a landing craft unit—LCU.

It has been determined by those who know best that a tugboat is needed, and that is why it is being requested.

Finally, we recommend that $300,000 be appropriated to provide assistance for the Western district residents whose homes and water catchment systems were either totally destroyed or severely damaged due to heavy rains and mudslides that occurred in November of 1979.

The committee previously requested this funding in an earlier Congress, and we are still hopeful that your subcommittee can see its way to allocating some money to help these mudslide victims.

Commonwealth of the Northern Mariana Islands:

For the Commonwealth of the Northern Mariana Islands, as I said earlier, a sum of $4,074,000 needs to be included in the fiscal 1982 budget to cover the inflation adjustment required under the covenant.

I might say here, although I know it will be gone into at great length when Governor Camacho testifies, that the two major items that have sent the Northern Mariana's government's costs soaring are the constantly rising price of oil and medical referrals.

Since these are problems not unique to the Northern Marianas but shared with other insular areas, I would plead with you to do whatever your committee can do to help all of the governments cope with these energy-related problems that engulf us all and for which no relief seems to be in sight.

Given the fuel cost crisis, we would like to be able to say that the Energy Department, with its mandate from Public Law 96–597, has embarked on a vigorous campaign to complete as quickly as possible the comprehensive renewable energy plans authorized for each of the offshore areas. However, this is not the case.

While the Department of Energy has begun studying the problem, we are concerned that DOE did not budget any money at all for fiscal 1982 for this project, and that it has only come up with between $100,000 and $200,000 in reprogrammed money to launch this study.

We are, therefore, including in the omnibus bill I spoke of earlier a provision that would transfer prime responsibility for this project from the Secretary of Energy to the Secretary of the Interior.

Since we have jurisdiction over Interior, we believe we can better control the speed and the efficiency with which these plans could be readied for the Congress and, hence, for implementation.

Too much time has been lost in seeking out these alternative solutions, and we hope we can make up for some of it by authorizing this change.

Now the Virgin Islands: For the Virgin Islands, we seek $10 million for each of five fiscal years for construction of water and power generation and distribution facilities. Power outages and a

shortage of water—water has to be barged in at great cost—are commonplace in the Virgin Islands.

A completely new system, one that is integrated within a single agency or entity, needs to be funded in order to provide the Virgin Islands with sufficient water and power capacity for the years ahead.

In 1978, an authorization was approved by the Congress to provide for an economic development fund for the Virgin Islands, which was the only insular area at that point that did not have such a fund in existence.

To date, it has not been funded.

We, therefore, request $1 million for this item to enable the Virgin Islands' economy, which is primarily dependent on tourism, to become more diversified. This money would also act as a stimulus to local entrepreneurs who need financial assistance in starting up or expanding their small businesses.

Finally, we seek $3 million to provide full funding in fiscal 1982, as opposed to the 75/25 match for the Virgin Islands 'hospitals, clinics, and community health centers that are currently being constructed as authorized in Public Law 95-348.

Now for Guam, my territory: I now call your attention, Mr. Chairman, to our budget requests for the Territory of Guam.

In the final days of the Carter Administration, a total of $11.7 million was approved for Guam's CIP projects. This amount was later reduced by the incoming Reagan Administration to $10 million.

It is the belief of my subcommittee that while we support the larger amount, neither figure can adequately address the real economic problems facing the people of that island. For this reason, we ask that your subcommittee consider adding the following amounts to Guam.

The subcommittee seeks $1,388,000 to provide full funding for Guam's CIP projects, rather than the lesser amount requested in the budget.

Again, I note that the island is suffering serious economic problems and cannot be expected to bear an increased financial burden in these projects.

In this regard, the omnibus bill which I mentioned earlier will make certain that local territorial governments are not expected to match federally funded CIP projects.

It is my hope that such action will put an end to any future efforts to shift the burden to these local governments which are hard-pressed to meet their current problems.

The subcommittee also requests $700,000 to provide for water and sewer line hookups to the new prison in Guam.

We also seek an increase in funding for the Guam Economic Development Fund. The Reagan Administration request for GEDA is $250,000.

We believe that a much greater amount is needed to assure that this program can operate at an appropriate level and, therefore, recommend that $750,000 be provided for GEDA in fiscal 1982.

It was the intent of Congress to appropriate $1 million annually for this program. But in fiscal 1981, no funds were forthcoming for GEDA.

Guam's economy cannot be diversified and expanded as it should be without continued assistance from this particular fund. We hope you will agree and support our request for additional funding for this worthwhile program.

Lastly, we believe that $10 million should be added to the Guam request for health care under Public Law 95–348. This money would be used as follows:

One, $5 million to rehabilitate and upgrade the old Guam Memorial Hospital. With the Medical Center of the Marianas (MCM) to be used to provide acute health care, Guam Memorial Hospital becomes a hospital for long-term patients. In order to bring this about, money is needed to renovate the old structure.

Two, $3 million to enable the Government of Guam to purchase new equipment and make minor modifications on the MCM building.

Three, $2 million for dispensary and health clinic needs on the island.

As we set forth in our recommendations to the Budget Committee, we repeat here that MCM is deeply in debt, because it is not collecting the millions of dollars owed to it.

Mr. YATES. By whom?

Mr. WON PAT. By the patients—those who were serviced.

We would encourage you, Mr. Chairman, if you appropriate any of this health care money, to require the hospital to improve its debt collection system, perhaps hiring professionals to do the job, and to report back to your committee from time to time so that you can ascertain that this is being complied with.

The health care of all Guamanians, as well as the medical referrals from the other areas, is jeopardized as long as this impossible situation remains unresolved.

In Public Law 96-597, the Congress authorized a four-year program to provide financial incentives to the governments of Guam and the Virgin Islands to eliminate their general fund deficits and balance their budgets.

The Government of Guam has submitted to the Department of the Interior a plan as required under Public Law 96-597. I urge the committee to review the plan. I hope it will see its way to approving funding for the first year of this deficit elimination program.

I would also urge it to do the same for the Virgin Islands if that government has also completed its plan at this time.

Technical assistance money in the budget will also help Guam and the other islands to improve their auditing and financial departments, and I fully support this proposal.

As far as alternative sources of power, one proposal that is currently being explored by Governor Calvo of Guam and myself has to do with the Ocean Thermal Energy Conversion, OTEC, and could be the answer to providing at least 40 percent of Guam's energy supply through the harnessing of the ocean's power.

This would vastly reduce Guam's current dependence on oil and, furthermore, the cost of funding such a feasibility study would be primarily borne by industry.

Under the current proposal before the Guam Government, only some $800,000 would need to be put up by the Government.

I also favor exploring other alternate sources of energy for the islands, including wind and solar, if private industry is willing and able to provide capital development funds.

In discussing the budget for Guam, I have addressed only the highlights. I am certain that Governor Calvo will elaborate on the fine points in his budget request.

Speaking now as the Delegate from Guam, let me add that I do support Governor Calvo's budget requests, and I hope that his requests will be given every consideration.

There are a number of matters I would like to touch on here that are related to the budgets for Guam and the other areas.

Insofar as these are very difficult times and budget constraints are formidable, I thought I might cite some examples of items that may impact on the future budgets of all the insular areas.

First and foremost in our minds at this time is the possibility that Congress will enact a tax reduction bill. Federal tax reductions, as you know, have had an adverse impact on our economies, because under the mirror system valuable revenues are lost to the territories.

If Congress enacts the proposed three-year tax cut, the revenue reduction will be devastating and will need to be offset in some manner, as for example by funding the deficit elimination plan.

If there is anything your committee can do to encourage the Administration to consolidate Federal grants and waive matching funds to all the insular areas, as provided for in the 1977 omnibus bill, which is Public Law 95–134, we would urge you to do so.

Recently, the U.S. General Accounting Office in studying this law and its effects on the insular areas has found that very few departments and agencies have responded to the Act, which only made consolidation of grants discretionary.

More cooperation on the part of the Federal agencies in complying with Public Law 95–134 would help ease the financial and administrative burdens which the insular areas' governments currently experience and which can only increase with any budget cuts.

The Coastal Zone Management Program out of the Department of Commerce, which affects all the islands, may be phased out in the next year if the Administration has its way.

CETA, funded by the Labor Department, and the Youth Conservation Corps, funded by the Interior Department, provide thousands of jobs for people in Guam and the Trust Territory and the other territories. The Administration is seeking an end to those programs.

These are but two of many Federal programs beneficial to the territories that may be phased out by the Congress in the next year or so. If this comes to pass on top of a federal tax reduction and operation cuts and various other cutbacks, the people of Guam and American Samoa and the Northern Mariana Islands and the Virgin Islands, as well as the Trust Territory, will experience greater hardships.

I beseech you, Mr. Chairman, and your subcommittee to carefully weigh the total impact of all these separate proposals on our insular areas and urge you to do everything within your power to ease the effect on our people.

We realize that all of us must share the burden of budget cutbacks with the rest of our fellow Americans on the mainland. As we have never shirked our shared responsibilities in the past, we would not intend to do so in the future.

Our subcommittee fully recognizes the awesome burden you face this year. We appreciate that the political climate has changed. It is not our intention to suggest in any way that the territories should receive more than their fair share of the Federal funds.

I and my subcommittee colleagues are determined to work with this subcommittee in every way possible to assure that the funds which are allocated to the various territories are used in accordance with the manner and intent in which they were provided by this Congress.

I do not condone waste or fraud, and my subcommittee will do everything it can to make certain that these funds are used to the best possible advantage of the islands.

But we ask that you take into consideration the fact that our problems and our economic situations are unique to our island environments; that our resources are far more limited than any of the states; and that we fear that the Administration's economic proposals will have an unforeseen total impact on the insular areas that will be nothing short of devastating.

I am confident that you, Mr. Chairman, and your subcommittee will do everything you can to prevent any dire consequences from occurring in our islands.

Thank you, Mr. Chairman. You have been very kind and gracious.

Mr. YATES. We are happy to have you before us.

Mr. WON PAT. Now I will be pleased to answer any questions you may have.

Mr. YATES. The big question is what is going to be the effect of Gramm-Latta on your appropriations. We don't know the answer to that yet, do we? Are you going to have to reduce territorial appropriations as a result of Gramm-Latta? Won't Interior have to reconcile? You haven't met on that yet have you?

Mr. WON PAT. No, not yet.

Mr. YATES. So that is still an unknown?

Mr. WON PAT. It is still an unknown factor.

I believe though that it is the very specific committees of Congress which will have to deal with this.

Mr. YATES. You are going to have to make your first plea in your own committee. You are going to be faced with cutting back on all kinds of things.

Mr. WON PAT. I simply know the Reagan proposal went ahead with what I thought was unjustified.

Mr. YATES. Thank you. Mr. Won Pat, your statement will be made part of the record.

[The statement follows:]

HONORABLE ANTONIO B. WON PAT
FROM THE TERRITORY OF GUAM

TESTIMONY BEFORE THE SUBCOMMITTEE
ON INTERIOR APPROPRIATIONS

MAY 11, 1981

MR. CHAIRMAN, AND MEMBERS OF THE INTERIOR APPROPRIATIONS SUBCOMMITTEE, LET ME SAY THAT IT IS A GREAT HONOR FOR ME TO BE THE FIRST WITNESS IN YOUR THREE DAYS OF HEARINGS ON THE FISCAL 1982 BUDGET FOR THE INSULAR AREAS OF AMERICAN SAMOA, GUAM, THE NORTHERN MARIANA ISLANDS, THE TRUST TERRITORY OF THE PACIFIC ISLANDS AND THE VIRGIN ISLANDS. YOU AND THE MEMBERS OF YOUR SUBCOMMITTEE HAVE LONG BEEN FRIENDS OF ALL OF US WHO ARE FROM THE INSULAR AREAS, AND WE ARE DEEPLY GRATEFUL FOR EVERYTHING THAT YOU HAVE DONE IN SEEING THAT OUR NEEDS ARE MET. IT WOULD BE WONDERFUL IF I COULD SAY THAT WE HAVE NO NEW REQUESTS AND THAT I SIMPLY AM HERE TO THANK YOU FOR YOUR OUTSTANDING PAST EFFORTS IN OUR BEHALF. BUT, OF COURSE, THAT IS NOT THE CASE, AS EACH NEW YEAR BRINGS NEW PROBLEMS AND CHALLENGES TO THE OFFSHORE AREAS.

AS THE NEW CHAIRMAN OF THE INTERIOR SUBCOMMITTEE ON INSULAR AFFAIRS AND AS THE DELEGATE FROM GUAM, I WEAR TWO HATS, SO TO SPEAK, IN MY APPEARANCE TODAY BEFORE YOU.

IT HAS BEEN MY PRIVILEGE THIS YEAR TO BECOME THE FIRST ISLANDER, TO MY KNOWLEDGE, TO BE CHAIRMAN OF ANY SUBCOMMITTEE IN THE U.S. HOUSE OF REPRESENTATIVES.

THIS NEW POSITION WHICH I HOLD IS ONE THAT BRINGS WITH IT RESPONSIBILITY FOR THE INSULAR AREAS OF AMERICAN SAMOA, GUAM, THE NORTHERN MARIANA ISLANDS, AND THE VIRGIN ISLANDS. AND BELIEVE ME, ALTHOUGH I AM A GUAMANIAN, THAT IN NO WAY LESSENS MY SENSE OF RESPONSIBILITY TOWARDS THESE OTHER AREAS WITHIN MY JURISDICTION. IN FACT, BY VIRTUE OF THE FACT THAT I AM AN ISLANDER, I BELIEVE I CAN BRING TO EACH GOVERNMENT'S PROBLEMS A SPECIAL UNDERSTANDING BASED ON FIRSTHAND EXPERIENCE THAT I HAVE GAINED FROM WORKING WITH THE GOVERNMENT OF GUAM.

TODAY I WOULD FIRST LIKE TO DISCUSS WITH YOU THE BUDGET THAT THE INTERIOR COMMITTEE RECOMMENDED ON MARCH 15, 1981, FOR THOSE MATTERS UNDER THE JURISDICTION OF MY SUBCOMMITTEE. ON THAT DAY A TOTAL BUDGET OF $144,583,000 WAS APPROVED, WHICH REFLECTED THE $105,908,000 THAT WAS IN THE CARTER BUDGET FOR FISCAL 1982 ALONG WITH ADDITIONAL FUNDING OF $38,675,000 FOR A VARIETY OF URGENTLY NEEDED PROJECTS.

ADDITIONALLY, I HAD TO FILE A SUPPLEMENTAL REPORT WITH THE BUDGET COMMITTEE BECAUSE, AS IT TURNED OUT, NEITHER THE CARTER NOR THE REAGAN BUDGET CONTAINED THE $4,074,000 NEEDED IN FISCAL 1982 TO COVER THE INFLATION ADJUSTMENT FOR THE NORTHERN MARIANA ISLANDS' GOVERNMENT AS REQUIRED UNDER PUBLIC LAW 94-241. THIS AMOUNT -- THE EQUIVALENT OF AN ENTITLEMENT -- MUST BE ADDED TO THE TOTAL OF $144,583,000 TO COVER EVERYTHING UNDER MY JURISDICTION. THIS BROUGHT THE TOTAL RECOMMENDED AMOUNT OF FUNDING TO $148,657,000.

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In addition to everything that was contained in the Carter budget for the insular areas, I will now explain how the additional $38,675,000 added by my subcommittee breaks down:

AMERICAN SAMOA

For American Samoa, $1,637,000 was added to bring its capital improvement funding in the budget to the full funding level, rather than keeping it at the seventy-five/twenty-five level recommended by the Reagan Administration.

When the overwhelming percentage of CIP funding comes from the federal government to begin with, it makes no sense to me nor to the members of my subcommittee to match federal funds with federal funds. Hence we are opposed to the Administration's proposal. In fact, we are so concerned in general about the impact of budget cuts on the insular areas that we have included in an omnibus insular areas bill that I intend to introduce this week a provision to deny this proposed matching requirement.

We also request $8 million for power generation equipment. Since August of 1980 power outages have been the rule rather than the exception. The reason for the crisis situation, as I understand it, is that six of their 10 power generators are at least 16 years old. So shutdowns, combined with the tropical environment and delays in receiving spare parts, have proved disastrous for American Samoa.

I ALSO ASK $1 MILLION TO FUND THE HOUSING CONSTRUCTION LOAN PROGRAM IN AMERICAN SAMOA. THE TWO COMMERCIAL BANKS IN THE TERRITORY AT THE PRESENT TIME DO NOT PROVIDE HOME LOANS TO THE LOCAL RESIDENTS. CURRENTLY, OVER 1500 APPLICATIONS ARE PENDING FOR HOME LOANS, FOR A TOTAL OF ABOUT 10 MILLION DOLLARS. $1 MILLION WOULD TAKE CARE OF OVER 100 OF THE LOAN APPLICATIONS ON A FIRST-COME, FIRST-SERVED BASIS.

$900,000 IS SOUGHT TO PURCHASE A DEEP-DRAFT TUGBOAT TO SHIP FUEL, FOOD, MEDICAL SUPPLIES AND HEAVY EQUIPMENT TO THE OUTER ISLANDS, WHICH ARE LOCATED SIXTY MILES NORTH OF THE MAIN ISLAND. THE TUGBOAT CAN ALSO BE UTILIZED TO ASSIST IN THE BERTHING OF CARGO VESSELS, AS WELL AS FIGHTING FIRES ON VESSELS AND IN HARBOR FACILITIES IN THE PAGO PAGO HARBOR AREA. I MIGHT NOTE HERE THAT THIS TUGBOAT REPRESENTS A CHANGE IN THE TYPE OF BOAT NEEDED BY THE AMERICAN SAMOA GOVERNMENT FROM THE REQUEST WE MADE EARLIER THIS YEAR TO THE BUDGET COMMITTEE FOR A LANDING CRAFT UNIT (LCU). IT HAS BEEN DETERMINED BY THOSE WHO KNOW BEST THAT A TUGBOAT IS NEEDED AND THAT IS WHY IT IS BEING REQUESTED.

FINALLY, WE RECOMMEND THAT $300,000 BE APPROPRIATED TO PROVIDE ASSISTANCE FOR THE WESTERN DISTRICT RESIDENTS WHOSE HOMES AND WATER CATCHMENT SYSTEMS WERE EITHER TOTALLY DESTROYED OR SEVERELY DAMAGED DUE TO HEAVY RAIN AND MUDSLIDES THAT OCCURRED IN NOVEMBER OF 1979. THE COMMITTEE PREVIOUSLY REQUESTED THIS FUNDING IN AN EARLIER CONGRESS AND WE ARE STILL HOPEFUL THAT YOUR SUBCOMMITTEE CAN SEE ITS WAY TO ALLOCATING SOME MONEY TO HELP THESE MUDSLIDE VICTIMS.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

FOR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, AS I SAID EARLIER, A SUM OF $4,074,000 NEEDS TO BE INCLUDED IN THE FISCAL 1982 BUDGET TO COVER THE INFLATION ADJUSTMENT REQUIRED UNDER THE COVENANT.

I MIGHT SAY HERE, ALTHOUGH I KNOW IT WILL BE GONE INTO AT GREATER LENGTH WHEN GOVERNOR CAMACHO TESTIFIES, THE TWO MAJOR ITEMS THAT HAVE SENT THE NORTHERN MARIANAS GOVERNMENT'S COSTS SOARING ARE THE CONSTANTLY RISING PRICE OF OIL AND OF MEDICAL REFERRALS. SINCE THESE ARE PROBLEMS NOT UNIQUE TO THE NORTHERN MARIANAS, BUT SHARED WITH OTHER INSULAR AREAS, I WOULD PLEAD WITH YOU TO DO WHATEVER YOUR COMMITTEE CAN DO TO HELP ALL OF THE GOVERNMENTS TO COPE WITH THESE ENERGY-RELATED PROBLEMS THAT ENGULF US ALL AND FOR WHICH NO RELIEF SEEMS TO BE IN SIGHT.

GIVEN THE FUEL COST CRISIS, WE'D LIKE TO BE ABLE TO SAY THAT THE ENERGY DEPARTMENT, WITH ITS MANDATE FROM PUBLIC LAW 96-597, HAS EMBARKED ON A VIGOROUS CAMPAIGN TO COMPLETE AS QUICKLY AS POSSIBLE THE COMPREHENSIVE RENEWABLE ENERGY PLANS AUTHORIZED FOR EACH OF THE OFFSHORE AREAS. HOWEVER, THIS IS NOT THE CASE. WHILE THE DEPARTMENT OF ENERGY HAS BEGUN STUDYING THE PROBLEM, WE ARE CONCERNED THAT DOE DID NOT BUDGET ANY MONEY AT ALL FOR FISCAL 1982 FOR THIS PROJECT AND THAT IT HAS ONLY COME UP WITH BETWEEN $100,000 AND $200,000 IN REPROGRAMMED MONEY TO LAUNCH THE STUDY. WE ARE THEREFORE INCLUDING IN THE OMNIBUS BILL I SPOKE OF EARLIER A PROVISION THAT WOULD TRANSFER PRIME RESPONSIBILITY FOR THIS PROJECT FROM THE SECRETARY OF ENERGY TO THE SECRETARY OF INTERIOR.

SINCE WE HAVE JURISDICTION OVER INTERIOR, WE BELIEVE WE CAN BETTER CONTROL THE SPEED AND THE EFFICIENCY WITH WHICH THESE PLANS COULD BE READIED FOR THE CONGRESS AND, HENCE, FOR IMPLEMENTATION. TOO MUCH TIME HAS BEEN LOST IN SEEKING OUT THESE ALTERNATIVE SOLUTIONS, AND WE HOPE WE CAN MAKE UP FOR SOME OF IT BY AUTHORIZING THIS CHANGE.

VIRGIN ISLANDS

FOR THE VIRGIN ISLANDS, WE SEEK $10 MILLION FOR EACH OF FIVE FISCAL YEARS FOR CONSTRUCTION OF WATER AND POWER GENERATION AND DISTRIBUTION FACILITIES. POWER OUTAGES AND A SHORTAGE OF WATER (WATER HAS TO BE BARGED IN AT GREAT COST) ARE COMMONPLACE IN THE VIRGIN ISLANDS. A COMPLETELY NEW SYSTEM, ONE THAT IS INTEGRATED WITHIN A SINGLE AGENCY OR ENTITY, NEEDS TO BE FUNDED IN ORDER TO PROVIDE THE VIRGIN ISLANDS WITH SUFFICIENT WATER AND POWER CAPACITY FOR THE YEARS AHEAD.

IN 1978 AN AUTHORIZATION WAS APPROVED BY THE CONGRESS TO PROVIDE FOR AN ECONOMIC DEVELOPMENT FUND FOR THE VIRGIN ISLANDS, WHICH WAS THE ONLY INSULAR AREA AT THAT POINT THAT DID NOT HAVE SUCH A FUND IN EXISTENCE. TO DATE IT HAS NOT BEEN FUNDED. WE THEREFORE REQUEST $1 MILLION FOR THIS ITEM TO ENABLE THE VIRGIN ISLANDS' ECONOMY, WHICH IS PRIMARILY DEPENDENT ON TOURISM, TO BECOME MORE DIVERSIFIED. THIS MONEY WOULD ALSO ACT AS A STIMULUS TO LOCAL ENTREPRENEURS WHO NEED FINANCIAL ASSISTANCE IN STARTING UP OR EXPANDING THEIR SMALL BUSINESSES.

AND FINALLY, WE SEEK $3 MILLION TO PROVIDE FULL FUNDING IN FISCAL 1982, AS OPPOSED TO THE 75/25 MATCH, FOR THE VIRGIN ISLANDS' HOSPITALS, CLINICS AND COMMUNITY HEALTH CENTERS THAT ARE CURRENTLY BEING CONSTRUCTED AS AUTHORIZED IN PUBLIC LAW 95-348.

GUAM

I NOW CALL YOUR ATTENTION TO OUR BUDGET REQUESTS FOR THE TERRITORY OF GUAM. IN THE FINAL DAYS OF THE CARTER ADMINISTRATION, A TOTAL OF $11.7 MILLION DOLLARS WAS APPROVED FOR GUAM'S CIP PROJECTS. THIS AMOUNT WAS LATER REDUCED BY THE INCOMING REAGAN ADMINISTRATION TO $10 MILLION. IT IS THE BELIEF OF MY SUBCOMMITTEE THAT WHILE WE SUPPORT THE LARGER AMOUNT, NEITHER FIGURE CAN ADEQUATELY ADDRESS THE REAL ECONOMIC PROBLEMS FACING THE PEOPLE OF THAT ISLAND, AND FOR THIS REASON WE ASK THAT YOUR SUBCOMMITTEE CONSIDER ADDING THE FOLLOWING AMOUNTS FOR GUAM.

THE SUBCOMMITTEE SEEKS $1,388,000 TO PROVIDE FULL FUNDING FOR GUAM'S CIP PROJECTS RATHER THAN THE LESSER AMOUNT REQUESTED IN THE BUDGET. AGAIN, I NOTE THAT THE ISLAND IS SUFFERING SERIOUS ECONOMIC PROBLEMS AND CANNOT BE EXPECTED TO BEAR AN INCREASED FINANCIAL BURDEN IN THESE PROJECTS. IN THIS REGARD, THE OMNIBUS BILL WHICH I MENTIONED EARLIER WILL MAKE CERTAIN THAT LOCAL TERRITORIAL GOVERNMENTS ARE NOT EXPECTED TO MATCH FEDERALLY FUNDED CIP PROJECTS. IT IS MY HOPE THAT SUCH ACTION WILL PUT AN END TO ANY FUTURE EFFORTS TO SHIFT THE BURDEN TO THESE LOCAL GOVERNMENTS WHO ARE HARD-PRESSED TO MEET THEIR CURRENT PROBLEMS.

THE SUBCOMMITTEE ALSO REQUESTS $700,000 TO PROVIDE FOR WATER AND SEWER LINE HOOKUPS TO THE NEW PRISON IN GUAM.

We also seek an increase in funding for the Guam Economic Development Fund. The Reagan Administration request for GEDA is $250,000. We believe that a much greater amount is needed to assure that this program can operate at an appropriate level and therefore recommend that $750,000 be provided for GEDA in FY 1982. It was the intent of Congress to appropriate $1 million annually for this program but in fiscal 1981 no funds were forthcoming for GEDA. Guam's economy cannot be diversified and expanded as it should be without continued assistance from this particular fund. We hope you will agree and support our request for additional funding for this worthwhile program.

Lastly, we believe that $10 million should be added to the Guam request for health care under Public Law 95-348. This money would be used as follows:

1) $5 million to rehabilitate and upgrade the old Guam Memorial Hospital. With the Medical Center of the Marianas (MCM) to be used to provide acute health care, Guam Memorial Hospital becomes a hospital for long-term patients. In order to bring this about, money is needed to renovate the old structure.

2) $3 million to enable the Government of Guam to purchase new equipment and make minor modifications on the MCM building.

3) $2 million for dispensary and health clinic needs on the island.

As we set forth in our recommendations to the Budget Committee, we repeat here that MCM is deeply in debt because it is not collecting the millions of dollars owed to it. We would encourage you, Mr. Chairman, if you appropriate any of this health care money, to require the hospital to improve its debt collection system, perhaps hiring professionals to do the job, and to report back to your committee from time to time so that you can ascertain that this is being complied with. The health care of all Guamanians, as well as the medical referrals from the other areas, is jeopardized as long as this impossible situation remains unresolved.

In Public Law 96-597 the Congress authorized a four-year program to provide financial incentives to the governments of Guam and the Virgin Islands to eliminate their general fund deficits and balance their budgets. The Government of Guam has submitted to the Department of Interior a plan as required under Public Law 96-597. I urge the committee to review the plan and, I hope, see its way to approving funding for the first year of this deficit elimination program. I would also urge it to do the same for the Virgin Islands, if that government has also completed its plan at this time.

Technical assistance money in the budget will also help Guam and the other islands to improve their auditing and financial departments, and I fully support this proposal.

As far as alternative sources of power, one proposal that is currently being explored by Governor Calvo of Guam and myself has to do with Ocean Thermal Energy Conversion (OTEC) and could be the answer to providing at least 40 percent of Guam's energy supply through the harnessing of the ocean's power. This would vastly reduce Guam's current dependence on oil and, furthermore, the cost of funding such a feasibility study would be primarily borne by industry. Under the current proposal before the Guam government, only some $800,000 would need to be put up by the government.

I also favor exploring other alternate sources of energy for the islands, including wind and solar, if private industry is willing and able to provide capital development funds.

In discussing the budget for Guam, I have addressed only the highlights. I am certain that Governor Calvo will elaborate on the fine points in his budget request. Speaking now as the Delegate from Guam, let me add that I do support Governor Calvo's budget requests and I hope that his requests will be given every consideration.

There are a number of matters I would like to touch on here that are related to the budgets for Guam and the other areas. Insofar as these are very difficult times and budget constraints are formidable, I thought I might cite some examples of items that may impact on the future budgets of all the insular areas.

FIRST AND FOREMOST IN OUR MINDS AT THIS TIME IS THE POSSIBILITY THAT CONGRESS WILL ENACT A TAX REDUCTION BILL. FEDERAL TAX REDUCTIONS, AS YOU KNOW, HAVE HAD AN ADVERSE IMPACT ON OUR ECONOMIES BECAUSE UNDER THE MIRROR SYSTEM VALUABLE REVENUES ARE LOST TO THE TERRITORIES. IF CONGRESS ENACTS THE PROPOSED THREE-YEAR TAX CUT, THE REVENUE REDUCTION WOULD BE DEVASTATING AND WILL NEED TO BE OFFSET IN SOME MANNER AS, FOR EXAMPLE, BY FUNDING THE DEFICIT ELIMINATION PLAN.

IF THERE IS ANYTHING YOUR COMMITTEE CAN DO TO ENCOURAGE THE ADMINISTRATION TO CONSOLIDATE FEDERAL GRANTS AND WAIVE MATCHING FUNDS TO ALL THE INSULAR AREAS AS PROVIDED FOR IN THE 1977 OMNIBUS BILL (P.L. 95-134), WE WOULD URGE YOU TO DO SO. RECENTLY, THE U.S. GENERAL ACCOUNTING OFFICE, IN STUDYING THIS LAW AND ITS EFFECTS ON THE INSULAR AREAS HAS FOUND THAT VERY FEW DEPARTMENTS AND AGENCIES HAVE RESPONDED TO THE ACT WHICH ONLY MADE CONSOLIDATION OF GRANTS DISCRETIONARY. MORE COOPERATION ON THE PART OF THE FEDERAL AGENCIES IN COMPLYING WITH P.L. 95-134 WOULD HELP EASE THE FINANCIAL AND ADMINISTRATIVE BURDENS WHICH THE INSULAR AREAS' GOVERNMENTS CURRENTLY EXPERIENCE AND WHICH CAN ONLY INCREASE WITH ANY BUDGET CUTBACKS.

THE COASTAL ZONE MANAGEMENT PROGRAM OUT OF THE DEPARTMENT OF COMMERCE WHICH AFFECTS ALL THE ISLANDS MAY BE PHASED OUT IN THE NEXT YEAR IF THE ADMINISTRATION HAS ITS WAY. CETA, FUNDED BY THE LABOR DEPARTMENT, AND THE YOUTH CONSERVATION CORPS, FUNDED BY THE INTERIOR DEPARTMENT, PROVIDE THOUSANDS OF JOBS FOR PEOPLE IN GUAM AND THE TRUST TERRITORY AND THE OTHER TERRITORIES. THE ADMINISTRATION IS SEEKING AN END TO THAT PROGRAM.

THESE ARE BUT TWO OF MANY FEDERAL PROGRAMS BENEFICIAL TO THE TERRITORIES THAT MAY BE PHASED OUT BY THE CONGRESS IN THE NEXT YEAR OR SO. IF THIS COMES TO PASS ON TOP OF A FEDERAL TAX REDUCTION AND OPERATIONS CUTS AND VARIOUS OTHER CUTBACKS, THE PEOPLE OF GUAM AND AMERICAN SAMOA AND THE NORTHERN MARIANA ISLANDS AND THE VIRGIN ISLAND (AS WELL AS THE TRUST TERRITORY, WHICH MR. SEIBERLING'S STATEMENT WILL ADDRESS), WILL EXPERIENCE GREATER HARDSHIPS.

I BESEECH YOU, MR. CHAIRMAN, AND YOUR SUBCOMMITTEE TO CAREFULLY WEIGH THE TOTAL IMPACT OF ALL THESE SEPARATE PROPOSALS ON OUR INSULAR AREAS AND URGE YOU TO DO EVERYTHING WITHIN YOUR POWER TO EASE THE EFFECT ON OUR PEOPLES.

WE REALIZE THAT ALL OF US MUST SHARE THE BURDEN OF BUDGET CUTBACKS WITH THE REST OF OUR FELLOW AMERICANS ON THE MAINLAND, AND, AS WE HAVE NEVER SHIRKED OUR SHARED RESPONSIBILITIES IN THE PAST, WE WOULD NOT INTEND TO DO SO IN THE FUTURE.

OUR SUBCOMMITTEE FULLY RECOGNIZES THE AWESOME BURDEN YOU FACE THIS YEAR. WE APPRECIATE THAT THE POLITICAL CLIMATE HAS CHANGED. IT IS NOT OUR INTENTION TO SUGGEST IN ANY WAY THAT THE TERRITORIES SHOULD RECEIVE MORE THAN THEIR FAIR SHARE OF THE FEDERAL FUNDS. I AND MY SUBCOMMITTEE COLLEAGUES ARE DETERMINED TO WORK WITH THIS SUBCOMMITTEE IN EVERY WAY POSSIBLE TO ASSURE THAT THE FUNDS WHICH ARE ALLOCATED TO THE VARIOUS TERRITORIES ARE USED IN ACCORDANCE WITH THE MANNER AND INTENT IN WHICH THEY WERE PROVIDED BY THIS CONGRESS. I DO NOT CONDONE WASTE OR FRAUD AND MY SUBCOMMITTEE WILL DO EVERYTHING IT CAN TO MAKE CERTAIN THAT THESE FUNDS ARE USED TO THE BEST POSSIBLE ADVANTAGE OF THE ISLANDS.

BUT WE ASK THAT YOU TAKE INTO CONSIDERATION THE FACT THAT OUR PROBLEMS AND OUR ECONOMIC SITUATIONS ARE UNIQUE TO OUR ISLAND ENVIRONMENTS; THAT OUR RESOURCES ARE FAR MORE LIMITED THAN ANY OF THE STATES; AND THAT WE FEAR THAT THE ADMINISTRATION'S ECONOMIC PROPOSALS WILL HAVE AN UNFORESEEN TOTAL IMPACT ON THE INSULAR AREAS THAT WILL BE NOTHING SHORT OF DEVASTATING.

I AM CONFIDENT THAT YOU, MR. CHAIRMAN, AND YOUR SUBCOMMITTEE WILL DO EVERYTHING YOU CAN TO PREVENT ANY DIRE CONSEQUENCES FROM OCCURRING IN OUR ISLANDS.

THANK YOU FOR GIVING ME YOUR ATTENTION AND YOUR TIME.

Mr. YATES. We will next hear from Mr. Lagomarsino.

Your statement will be made a part of the record at the completion of your oral testimony.

STATEMENT OF HON. ROBERT J. LAGOMARSINO

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

I am pleased to appear before you and the members of the subcommittee to express my concern for the welfare of the people residing in the insular areas.

As the Ranking Minority Member of the Subcommittee on Insular Affairs, I realize many of the severe problems confronting Americans living in these areas—a principal one of which is their almost total dependence on Federal funding decisions, which are rendered here in Washington.

I know of no segment of American society so reliant on Federal funds for basic necessities and governmental services.

Perhaps it shouldn't be that way, but that is the situation that we find.

Let me just illustrate.

Considering the territorial income tax as a type of Federal subsidy, the percentage of revenue derived from Federal sources to the Government of Guam is 81 percent; to the Virgin Islands, 67 percent; to American Samoa, 89 percent; Northern Marianas, 87 percent; and the Trust Territories of the Pacific Islands, 91 percent.

Consequently, in this time of budget reduction, the people of the insular areas are the ones most vulnerable and dramatically affected unless afforded special consideration.

I think that our subcommittee is attempting to give that special consideration. I know that you will, as you have done in the past.

In fiscal year 1982, the Government of Guam and the Virgin Islands are doubly jeopardized by Federal financial decisions. Having lost $20 million in the deficit elimination program, the two territorial governments face the loss of additional revenues due to the pending Federal tax reduction.

Operating under a mirror image—and you might say at this point that we don't know what that is going to be, but I think both of our committees should keep this in mind—of the Internal Revenue Code, every Federal tax reduction means a corresponding loss of revenue for the territorial governments.

Over the years, it has been the policy of the Committee on Interior and Insular Affairs, as it has been with your subcommittee, to sympathetically regard the critical needs of the offshore areas.

Too often we forget that the standard of living in the Islands approximates a level two-fifths below that of America's poorest states.

Particularly vexing is the mushrooming cost of petroleum products. For example, in the Northern Marianas, the cost of petroleum has spiraled from 45 cents per gallon in 1977 to 97 cents per gallon in 1980. The other territories are experiencing similar price increases.

I fervently believe that the answer to this outrageous situation can be found utilizing alternate energy resources, and I did cosponsor legislation to study alternatives two years ago.

Unfortunately, the Department of Energy has not responded with enthusiasm to this proposal. We are attempting to do something about that, as my chairman has just pointed out, by perhaps giving the Secretary of the Interior responsibility for this program.

Mr. YATES. That is surprising that they responded at all, rather than without enthusiasm.

Mr. LAGOMARSINO. That's correct.

That's the ultimate of lack of enthusiasm, I guess.

Mr. YATES. They testified before our committee. The Department is in a shambles now.

Mr. LAGOMARSINO. I think it is too.

Of promise, but also short of public matching funds to conduct the feasibility study, is private industry's proposal to study—and if the outcome is favorable, as they think it will be—to construct a $150 million ocean thermal energy conversion, OTEC, facility on Guam, using entirely private financing. On cursory observation, this proposal looks pretty good, with spin-off technology applicable to the other insular areas.

I would also like to call the subcommittee's attention to the deplorable health care conditions in the Trust Territory of the Pacific Islands. In Truk, for example, the hospital is in dire need of renovation.

Moreover, the cost of medical referrals—that is, the cost of transferring medical patients with complications beyond the capabilities of the territorial hospitals to installations on Guam or in Honolulu—are staggering.

In the Trust Territory and the Northern Marianas, referral cost for fiscal year 1979 was $1.3 million. For fiscal year 1981, it was $1.8 million.

For the record, I will later submit a detailed analysis of these overblown medical costs and hope to work with you in the near future to devise some type of relief.

It would appear to me that even if we have to take some funds from some other part of the program to improve those facilities—perhaps not everything they are asking for, but at least to improve them—we could save considerable sums of money and provide better care.

Mr. YATES. Is Truk the medical center for the islands?

Mr. LAGOMARSINO. I believe it is for that area.

Mr. YATES. Just for the Truk area? What about the other islands? Are there other medical centers?

Mr. DUNMIRE. Mr. Chairman, they all have hospitals at their district centers.

Mr. LAGOMARSINO. For years, the Interior Committee has advised the Administration to eliminate territorial matches in order to be eligible for Federal programs but to no avail.

This year, the Administration proposes to increase new construction cost-sharing from a 90/10 territorial match to a 75/25 percent match. In other words, it is proposing to match Federal moneys with Federal moneys.

I don't think this makes any sense at all. It doesn't save any money, and it affects flexibility.

I might also point out that an initiative of the Interior Committee, Public Law 95-134, was enacted into law on October 15, 1977.

One of the provisions of that law provides the discretionary authority for Federal departments and agencies to consolidate grants to the territories.

Unfortunately, at least up until today, the reaction to that has been very sketchy, to be optimistic about it. Many departments have absolutely refused to do anything about it.

I think there is a real chance to save some money and make the limited money that we have available go a lot further if we can do some good there.

Another area of grave concern to the committee is the fulfillment of America's special obligations to the Marshallese affected by U.S. nuclear testing. The $12 million authorized in 1978 to assist the people of Bikini to relocate will soon be expended. Funds are required to support the newly resettled on Enewetak.

I am a strong supporter of the President's economic goals, and I am not here to add my voice or to urge budget add-ons. I do think that in implementing major budget reductions, the critical needs of Americans in these offshore areas should be kept firmly in mind.

I would hope that in your overall review of the Interior fiscal year budget, as well as in our own review that we will be doing, that we assign high priority to these areas, especially to the things that are of direct and immediate need, such as the Truk hospital.

Mr. YATES. Thank you very much.

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF HON. ROBERT J. LAGOMARSINO, A U.S. CONGRESSMAN FROM CALIFORNIA

Mr. Chairman, I am pleased to appear before you and the members of the Subcommittee to express my deep concern for the welfare of the peoples residing in America's insular areas. As Ranking Minority Member of the Subcommittee on Insular Affairs, I realize many of the severe problems confronting Americans living in the territorial areas—a principal one of which is their almost total dependence upon federal funding decisions, rendered here in Washington, thousands of miles from their home islands. I know of no segment of American society so reliant upon federal funds for basic necessities and governmental services.

Let me illustrate. Considering the territorial income tax as a type of federal subsidy, the percentage of revenue derived from federal sources to the Government of Guam is 81 percent; to the Virgin Islands, 67 percent; to America Samoa, 89 percent; to the Commonwealth of the Northern Mariana Islands, 87 percent; and to the Trust Territory of the Pacific Islands, 91 percent. Consequently, in this time of budget reduction, the people of the insular areas are the ones most vulnerable and dramatically affected unless afforded special consideration. To that end, I address myself to you today.

In fiscal year 1982, the Governments of Guam and the Virgin Islands are doubly jeopardized by federal financial decisions. Having lost $20 million in the deficit elimination program, the two territorial governments face the loss of additional revenues due to the pending federal tax reduction. Operating under a "mirror image" of the Internal Revenue Code, every federal tax reduction means a corresponding loss in revenue for the territorial governments. Coupled with inflation rates significantly greater than on the mainland, the financial plight of the Islanders will be one of the severest experienced in this generation, especially when the impact of cuts in other federal programs not under the jurisdiction of the Interior Department are considered.

Over the years, it has been the policy of the Committee on Interior and Insular Affairs—as it has been with this Subcommittee—to regard sympathetically the critical needs of the offshore areas. Too often, we forget that the standard-of-living in the Islands approximates a level two-fifths below that of America's poorest state. Moreover, economic development, health care programs and educational assistance in the territories are greatly hampered by vast distances, inadequate and antiquated infrastructures and a shortage of skilled technicians.

Particularly vexing is the mushrooming cost of petroleum products. For example, in the Northern Marianas, the cost of petroleum has spiraled from 45 cents per gallon in 1977 to 97 cents per gallon in 1980; and the other territories are experiencing similar price increases. I fervently believe that the answer to this outrageous situation can be found utilizing alternate energy resources and co-sponsored legislation to study alternatives two years ago. Unfortunately, the Department of Energy has not responded with enthusiasm to this proposal, zeroing out the line items costs for this study and attempting to limp along on in-house reprograming. Since we are facing an emergency and the territorial governments are confronting large deficits resulting from fuel costs alone, I shall strive to place the responsibility of conducting these critical alternate energy studies in more responsive hands—namely, the Secretary of the Interior.

Of promise—but also short of public matching funds to conduct the feasibility study—is private industry's proposal to study—and if the outcome is favorable—to construct a $150 million ocean thermal energy conversion (OTEC) facility on Guam, using entirely private financing. On cursory observation, this proposal looks good with spinoff technology applicable to the other insular areas.

I would also like to call the Subcommittee's attention to the deplorable healthcare conditions in the Trust Territory of the Pacific Islands. In Truk, for example, the hospital is in dire need of renovation. Together with reductions in federal healthcare programs, Truk could face an epidemic of disastrous proportions. Moreover, the cost of medical referrals—that is the cost of transferring medical patients with complications beyond the capabilities of the territorial hospitals to installations on Guam or in Honolulu—are staggering. In the Trust Territory and the Northern Marianas referral cost for fiscal year 1979 was $1.3 million and for fiscal year 1980, $1.8 million. Mr. Chairman, for the record, I will later submit a detailed analysis of these over-blown medical costs and hope to work with you in the near future to devise some type of relief.

For years, the Interior Committee has advised the Administration to eliminate territorial matches in order to be eligible for federal programs with no avail. This year, the Administration proposes to increase new construction cost-sharing from a 90 percent federal/10 percent territorial match to a 75 percent/25 percent match—or in other words, it is proposed to match federal moneys with federal moneys. This is mere bookkeeping slight-of-hand with no savings to the federal government and a drastic loss of flexibility for the territorial governments. I hope the Subcommittee will intervene in this decision and impose reason.

Another area of grave concern is the fulfillment of America's special obligations to the Marshallese, affected by U.S. nuclear testing. The $12 million authorized in 1978 to assist the people of Bikini to relocate will soon be expended, and funds are required to support the newly resettled on Eniwetak.

As you know, Mr. Chairman, I am a staunch supporter of the President's economic goals and, therefore, not here to plead for budget add-ons. Rather, it is my fear that in implementing major budget reductions, the critical needs of Americans in the insular areas—which in dollar amounts are relatively insignificant—may be overlooked, draining away their very life's blood. Accordingly, in your overall review of the Interior's fiscal year 1982 Budget Request, I urge you to assign high priority to the sustenance of the offshore areas.

Mr. YATES. I understand that the Governor of the Virgin Islands has to leave, so I am going to call on Mr. de Lugo and his delegation before the Department.

Mr. de Lugo, we are glad to see you again.

Your statement is before us, and it may be made a part of the record after your oral presentation.

Would the Governor like to accompany you to the table?

Mr. DE LUGO. Mr. Chairman, the Governor has a delegation with him.

Mr. YATES. Do you want them at the table or just make note of the fact that they are here?

Mr. DE LUGO. It is not necessary unless there will be questions.

Mr. YATES. You may state for the record who they are. We are glad to have you all here and testifying on conditions in the Islands.

STATEMENT OF HON. RON DE LUGO

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

You already have my statement, and I have a summary which I have been constantly editing down, and I am going to edit it some more.

There are some very important points that I would like to touch on quickly.

It is a pleasure to be here today and to have with me the Governor of the Virgin Islands, the Honorable Juan Luis, and members of his cabinet who will testify on current conditions in the Virgin Islands and who will answer any questions that members of this committee may have.

We have had many problems in the past, as the Chairman knows full well.

I would like to thank Chairman Yates for his consistent understanding and compassion towards the Virgin Islands and our people.

Today I am very happy to say that I feel the Virgin Islands has turned the corner on many of its problems. I believe that once you hear the testimony, you will agree.

A key to this improved state of affairs has been the Hess agreement.

Late last month, the Governor and Mr. Leon Hess, Chairman of the Board of Amerada Hess, and its subsidiary, Hess Oil of the Virgin Islands Corporation, reached an agreement that will enable the world's largest oil refinery to continue and even expand its operations on the island of St. Croix and contribute new revenues to the treasury of the Virgin Islands Government.

That's one we sweated out.

On Thursday of last week, the agreement was ratified by the Virgin Islands Legislature.

Our heightened economic self-confidence is paralleled by our increasing political maturity.

Authorized by the Congress several years ago to draft our own constitution, I would like to point out that last week by a vote of 408 to 0, the House of Representatives gave its full and overwhelming approval to a Constitution drafted by the Fourth Constitutional Convention of the Virgin Islands.

Financially, usually the area of greatest concern, we have come a long way too.

I am very happy to report that late last week I was informed that the official position of the Virgin Islands Government is that there is no deficit at the current time. This, I am sure, is a welcome bit of news to the committee as it is to us.

Mr. YATES. What about the unofficial position?

Mr. DE LUGO. I choose my words very carefully, Mr. Chairman.

Thanks to the support of this subcommittee of Congress and thanks to the rapidly advancing capabilities and increasing self-confidence of the Virgin Islands people and their leaders, an annual deficit is no longer a fiscal fact of life for us, but there is one on the horizon with the tax cuts, naturally.

However, at this point, having lulled you into a sense of complacency, I must shift to a far less positive tone.

Mr. YATES. Okay. I am no longer complacent.

Mr. DE LUGO. Now it's the real me.

Going forward from here our tenuous hold on economic stability is about to be severely shaken by the budget passed by the House of Representatives last week.

As you gentlemen are aware, the economic proposals being offered by the Administration will create unique and perhaps unprecedented problems for the offshore territories.

We agree with the President on inflation, and we are willing to share in the burden of correcting that problem. But we cannot carry the double burden that tax cuts would force us to bear, as was pointed out by the Ranking Member, Mr. Lagomarsino, and also our Chairman, the distinguished Antonio Won Pat.

How can we cope with a 25 percent reduction in education assistance programs to our school population, when our school population has doubled in the past ten years? Contrary to the trend on the mainland, where school populations are decreasing, our school population continues to increase.

Mr. YATES. Is that because of people still coming over from other islands?

Mr. DE LUGO. No, the influx from the other islands has stopped. It is mainly that children are being born and going into the schools.

We celebrate Carnival and nine months later we have a baby crop.

Mr. YATES. How many carnivals do you have each year?

Mr. DE LUGO. We are a hot-blooded people.

I don't have to list these for you, Mr. Chairman, because no one is more aware of the impact of these cuts, particularly the social programs—CETA and the others—that they are having throughout the United States and on these offshore areas.

It will be impossible to even begin to compensate for these losses if we must also bear the additional loss of direct revenues through proposed tax cuts.

On the day of the inauguration, I wrote to the President and to the members of this and other committees, explaining the devastating effect that this double burden would have on the people of the Virgin Islands, asking that the tax loss reimbursement procedure that I initiated back in 1975 be again utilized.

It was very gratifying to see that the minority report on the Interior Committee budget favored the readoption of this procedure.

I was able to have it restored in the Interior Committee budget of March to the tune of $10 million to assist in the final phase of the deficit elimination or the declining deficit program, which had been authorized by Congress in 1978.

In view of the position of the Virgin Islands Government that there is now no deficit, I would respectfully request that these funds now be earmarked for the tax loss reimbursement. Without that program, we will again have a deficit.

What we need now are tools that will enable us to stand on our own two feet. The requests that I will make today are few, but they are specific.

The tools that I am going to ask for direct themselves to economic stability and self-reliance.

First of all, water and power.

In March of this year, I was successful in having included in the budget reported by the Interior Committee an authorization of $10 million for fiscal year 1982 to assist us in developing reliable water and power supplies that our economic future depends upon.

I list here, Mr. Chairman, the steps that have been taken by the Governor and his Administration to address these problems in the Virgin Islands.

It adds up that in the last two years, the Virgin Islands Government has come up with $50.5 million to address our power and water problems.

In the area where I am asking for help, we are requesting in fiscal year 1982, $6.8 million for the purchase of waste heat recovery boilers and small back pressure steam turbines to utilize waste stack heat.

The net effect will be better heat rates from the gas turbines and additional generation in steam for water production, all from the same amounts of fuel.

To supplement the output of our new locally funded desalinization plants that I mentioned in my prepared statement, and the Governor will address, we are seeking $1.5 million for the addition of new wells in the Islands and $1.2 million for a water storage tank for these wells.

To eliminate the need for costly barging of water to the Island of St. John, we are requesting $850,000 for a reverse osmosis plant for that island.

Mr. Thomas Blake, the Executive Director of the Virgin Islands Water and Power Authority, is here with the Governor today to answer your specific questions on this matter.

The tax loss reimbursement, I have addressed already so I will not address it again in the interest of time.

Health care facilities, you, Mr. Chairman, were so helpful in getting the money for us for these hospitals. I am very happy to announce that construction of the new health facilities is ahead of schedule.

Mr. YATES. And under budget.

Mr. DE LUGO. No, the good news was it was ahead of schedule.

Unfortunately, while the weather is beautiful in the Virgin Islands—and we are a paradise as far as what nature has given us—we are battered also by inflation. That inflation spills over from the mainland.

Mr. YATES. Like a tropical storm.

Mr. DE LUGO. Absolutely. But it comes from the north down.

I think it was Munos Marine who said that when Uncle Sam sneezes, Puerto Rico catches a cold.

Of course, that is the same situation we have only we get pneumonia, which can be cured with the help of your committee.

I am now asking the subcommittee to appropriate $24.6 million in order to complete our hospital projects. This is $3.4 million above the amount requested earlier.

Our Commissioner of Health, as I said, is here.

Economic development is an area that has been authorized again and again. I got it authorized when I was here previously, and it

has never been funded. It is the area that really if we are going to stand on our own two feet, we need this help.

To attract new business, the Virgin Islands Department of Commerce has developed three projects. First, an industrial park which will be on the Island of St. Croix; second, a revolving loan fund; and, third, a Government investment bank.

The industrial park would be on St. Croix, as I said. The amount that is requested for this is $850,000.

We have additional requests here for the revolving loan to be administered by the local small business development agency. This would provide capital to Virgin Islanders who are seeking to develop new businesses.

In order to seed this fund, we need $350,000. Assistance in capitalization for the Government Investment Bank is also being sought.

The Governor's legal counsel, Mr. Bill Blum, is here with the Governor to expand on these points.

I would urge the committee to consider favorably what are, in effect, investments.

The House of Representatives last week gave us our new Constitution by a record vote of 408 to 0.

I am asking this subcommittee to put the same faith in our economic future as the House has in our political future. These are the tools that we need to stand on our own two feet, as active and capable participants in the democratic way of life on America's frontier in the Caribbean.

Mr. YATES. Good for you.

Governor, we would be very glad to hear you now.

Your statement will be made a part of the record.

[The statement follows:]

STATEMENT

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE

ON INTERIOR

SUBMITTED BY

RON DE LUGO

VIRGIN ISLANDS DELEGATE

MAY 11, 1981

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE:

IT IS A PLEASURE TO BE HERE TODAY AND TO HAVE WITH ME THE GOVERNOR OF THE VIRGIN ISLANDS, THE HONORABLE JUAN LUIS, AND MEMBERS OF HIS CABINET WHO WILL TESTIFY ON CURRENT CONDITIONS IN THE VIRGIN ISLANDS AND WHO WILL ANSWER ANY OF THE QUESTIONS MEMBERS OF THE COMMITTEE MAY HAVE.

OFTEN IN THE PAST, AS THE CHAIRMAN WILL REMEMBER FULL WELL, IT WAS NOT WITHOUT SOME TREPIDATION THAT WE APPROACHED SIMILAR HEARINGS. TO SOME IT MIGHT HAVE SEEMED THAT THE VIRGIN ISLANDS HAD ENDLESS REQUESTS FOR ADDITIONAL FUNDING AND AN INSATIABLE NEED FOR FISCAL TRANSFUSIONS THAT NEVER SEEMED TO COMPLETELY CURE THE PATIENT.

WE HAVE HAD MANY PROBLEMS IN THE PAST, AS THE CHAIRMAN KNOWS FROM HIS MANY YEARS ON THIS SUBCOMMITTEE AND I WOULD LIKE TO THANK CHAIRMAN YATES FOR HIS CONSISTENT UNDERSTANDING AND COMPASSION TOWARDS THE VIRGIN ISLANDS AND ITS PEOPLE.

TODAY, I AM VERY HAPPY, AND INDEED PROUD, TO SAY THAT I FEEL THE VIRGIN ISLANDS HAS TURNED THE CORNER ON MANY OF ITS PROBLEMS, AND I BELIEVE THAT ONCE YOU HEAR THE TESTIMONY TODAY YOU WILL AGREE.

THE KEY TO THIS IMPOVED STATE OF AFFAIRS HAS BEEN THE HESS AGREEMENT. LATE LAST MONTH, THE GOVERNOR AND MR. LEON HESS, CHAIRMAN OF THE BOARD OF AMERADA HESS AND ITS SUBSIDIARY, HESS OIL OF THE VIRGIN ISLANDS CORPORATION, REACHED AN AGREEMENT THAT WILL ENABLE THE WORLD'S LARGEST OIL REFINERY TO CONTINUE AND EVEN EXPAND ITS OPERATIONS ON THE ISLAND OF ST. CROIX, AND CONTRIBUTE NEW REVENUES TO THE TREASURY OF THE VIRGIN ISLANDS GOVERNMENT.

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On Thursday of last week, that agreement was ratified by the Virgin Islands Legislature. Far more than a typical tax incentive package, the Hess agreement is a partnership, a corporate-government compact that banks on the economic future of the Virgin Islands, that lets us know, for the first time, where we are going, and what resources we can count on to help us get there.

We have come a long road to have been able to negotiate such a complex package, and Governor Luis is to be highly commended for his leadership throughout those arduous months.

Our heightened economic self-confidence is paralleled by our increasing political maturity. Authorized by the Congress several years ago to draft their own constitution, the people of the Virgin Islands have not taken this responsibility lightly. Last week on a vote of 408 with no opposing votes, the House of Representatives gave its full and overwhelming approval to a constitution drafted by the Fourth Constitutional Convention of the Virgin Islands. Two Presidents, both President Carter and President Reagan, had several pages of reservations about the document. But, through the political maturity and leadership displayed by the President of the Convention and the delegates who assisted him, all questions were resolved and their efforts were fully vindicated by the unanimous House vote last week.

And fiscally, usually the area of greatest concern, we have come a long way too. I am very happy to report that late last week I was informed the official position of the Government of the Virgin Islands is that there is no deficit at the current time. This, I am sure, is as welcome news to the subcommittee as it is to us. There were several dark and harrowing years wherein it was beginning to appear that a deficit position would be permanent. But thanks to the support

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OF THIS SUBCOMMITTEE, OF THE CONGRESS, AND THANKS TO THE RAPIDLY ADVANCING CAPABILITIES AND INCREASING SELF-CONFIDENCE OF THE VIRGIN ISLANDS PEOPLE AND THEIR LEADERS, AN ANNUAL DEFICIT IS NO LONGER A FISCAL FACT OF LIFE.

HOWEVER, AT THIS POINT, I MUST SHIFT TO A FAR LESS POSITIVE TONE, FOR GOING FORWARD FROM HERE OUR TENUOUS HOLD ON ECONOMIC STABILITY IS ABOUT TO BE SEVERELY SHAKEN BY THE BUDGET PASSED BY THE HOUSE OF REPRESENTATIVES LAST WEEK. AS YOU GENTLEMEN ARE AWARE, THE ECONOMIC PROPOSALS BEING OFFERED BY THE ADMINISTRATION WILL CREATE UNIQUE AND PERHAPS UNPREMEDITATED PROBLEMS FOR THE OFF-SHORE TERRITORIES. WE FULLY SHARE THE PRESIDENT'S CONCERN ABOUT INFLATION AND ITS THREATS TO THE ECONOMIC WELL-BEING OF THE UNITED STATES. NOWHERE HAS INFLATION WREAKED GREATER HAVOC THAN IN THE OFF-SHORE TERRITORIES. THE COST OF LIVING IN THE VIRGIN ISLANDS, ALREADY SEVERAL POINTS OVER THE MOST EXPENSIVE AREAS IN THE MAINLAND, HAS SOARED, BUOYED UP HIGHER AND HIGHER BY OUR COMPLETE AND TOTAL DEPENDENCE ON IMPORTED GOODS AND FOODSTUFFS, FREIGHTED IN ON HIGH FUEL CONSUMING AIR AND SEA CARRIERS.

YES, WE AGREE WITH THE PRESIDENT ON INFLATION, AND WE ARE WILLING TO SHARE IN THE BURDEN OF CORRECTING THAT PROBLEM. BUT, WE CANNOT CARRY THE DOUBLE BURDEN THAT TAX CUTS WOULD FORCE US TO BEAR.

HOW CAN WE COPE WITH A 25% REDUCTION IN EDUCATION ASSISTANCE PROGRAMS WHEN OUR SCHOOL POPULATION HAS NEARLY DOUBLED IN THE PAST TEN YEARS; OR WITH ELIMINATION OF THE ~~CONSUMER~~ Community SERVICES ADMINISTRATION WHOSE PROGRAMS FOR THE ELDERLY, THE HANDICAPPED AND THE NEEDY HAVE

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BEEN SO EFFECTIVE AND SO VERY WELCOME IN THE VIRGIN ISLANDS? HOW CAN WE BEAR ANY MORE REDUCTIONS IN HOUSING PROGRAMS WHEN WE HAVE HAD OVER FIVE THOUSAND PEOPLE ON WAITING LISTS FOR YEARS; OR SUFFER THE LOSS OF TITLE II AND TITLE IV CETA PROGRAMS THAT HAVE BEEN LITERALLY THE ONLY HOPE FOR SO MANY OF OUR YOUNGSTERS?

IT WILL BE IMPOSSIBLE TO EVEN BEGIN TO COMPENSATE FOR THESE LOSSES IF WE MUST ALSO BEAR THE ADDITIONAL LOSS OF DIRECT REVENUES THROUGH THE PROPOSED TAX CUTS. ON THE DAY OF THE INAUGURATION, I WORTE TO THE PRESIDENT AND TO MEMBERS OF THIS AND OTHER COMMITTEES, EXPLAINING THE DEVASTATING EFFECT THIS DOUBLE BURDEN WOULD HAVE ON THE PEOPLE OF THE VIRGIN ISLANDS, AND ASKING THAT THE TAX LOSS REIMBURSEMENT PROCEDURE THAT I INITIATED IN 1975 BE AGAIN UTILIZED. IT WAS VERY GRATIFYING TO SEE THAT THE MINORITY REPORT ON THE INTERIOR COMMITTEE BUDGET FAVORED THE READOPTION OF THIS PROCEDURE. I WAS ABLE TO HAVE RESTORED IN THE INTERIOR COMMITTEE BUDGET IN MARCH $10 MILLION DOLLARS TO ASSIST IN THE FINAL PHASES OF THE DEFICIT ELIMINATION PROGRAM APPROVED BY THE CONGRESS IN 1978. IN VIEW OF THE POSITION OF THE VIRGIN ISLANDS GOVERNMENT THAT THERE IS NOW NO DEFICIT, I WOULD RESPECTFULLY REQUEST THAT THESE FUNDS NOW BE EARMARKED FOR TAX LOSS REIMBURSEMENT, FOR WITHOUT THAT PROGRAM WE WILL ONCE AGAIN BE BACK IN A DEFICIT POSITION.

WE ARE JUST GETTING OFF OUR KNEES FISCALLY. WE HAVE ALREADY DEMONSTRATED OUR INCREASING POLITICAL AND ECONOMIC MATURITY, OUR ENHANCED SELF-CONFIDENCE. WHAT WE NEED NOW ARE A FEW TOOLS THAT WILL ENABLE US TO STAND STRONGLY ON OUR OWN TWO FEET. THE REQUESTS ARE FEW, AND THEY ARE TIED TO A VERY SPECIFIC GOAL... ECONOMIC STABILITY AND SELF-RELIANCE. THESE ARE VITAL REQUESTS FOR VERY BASIC

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COMMODITIES LIKE WATER AND POWER. BUT THEY ARE INDISPENSIBLE REQUESTS, AND WITHOUT THEM, REGARDLESS OF THE PROGRESS WE HAVE ALREADY MADE, WE WILL NOT BE ABLE TO ACHIEVE THE ECONOMIC SELF-RELIANCE THAT YOU AND WE WANT FOR THE VIRGIN ISLANDS.

I. WATER AND POWER

IN MARCH OF THIS YEAR, I WAS SUCCESSFUL IN HAVING INCLUDED IN THE BUDGET REPORTED BY THE INTERIOR COMMITTEE AN AUTHORIZATION OF $10 MILLION FOR FISCAL YEAR 1982 TO ASSIST US IN DEVELOPING RELIABLE WATER AND POWER SUPPLIES THAT OUR ECONOMIC FUTURE WILL DEPEND UPON. WE SIMPLY CANNOT ATTRACT NEW INDUSTRY AND DIVERSIFY OUR ECONOMIC BASE WITHOUT THIS, AND, IN FACT, WE RUN THE CONSTANT RISK OF LOSING THE INDUSTRY WE DO HAVE BECAUSE OF THE CRITICAL WATER AND POWER SITUATION THAT NOW EXISTS. THERE ARE NO OTHER GRIDS WE CAN TAP INTO WHEN OUR OVERTAXED GENERATORS FAIL; NO NEIGHBORING RESERVOIRS OF WATER TO ASSIST WHEN OUR TANKS RUN DRY. WE ARE ISLANDS ALONE. THE LOCAL GOVERNMENT HAS EXTENDED ITS RESOURCES TO THE LIMIT IN TRYING TO COPE WITH THIS PROBLEM. DURING CRITICAL POWER FAILURES LAST YEAR, THE LOCAL GOVERNMENT WAS FORCED TO APPROPRIATE $17.5 MILLION EARMARKED FOR OTHER VITAL PROGRAMS TO PURCHASE NEW BACK-UP GENERATORS FOR ST. CROIX AND ST. THOMAS. THIS YEAR THE VIRGIN ISLANDS GOVERNMENT HAS SET ASIDE $5 MILLION TO BEGIN WORK ON MAINTENANCE AND REPAIR OF ITS POWER UNITS. TWO YEARS AGO THE LOCAL GOVERNMENT ACQUIRED THREE ONE-MILLION-GALLON PER DAY DESALINATION PLANTS COSTING $15 MILLION TO MITIGATE THE PERENNIAL WATER PROBLEMS IN THE ISLANDS. THE LOCAL LEGISLATURE IS NOW CONSIDERING PLANS TO PURCHASE AN ADDITIONAL THREE HALF-A-MILLION GALLON PER DAY DESALINATION PLANTS AT A COST OF ANOTHER $13 MILLION.

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GENTLEMEN THAT IS A TOTAL OF $50.5 MILLION, TO WHICH MUST BE ADDED OTHER MILLIONS OF DOLLARS THAT WE HAVE BEEN FORCED TO SPEND IN BARGING IN WATER DURING THE INTERIM, AND IN REPAIRING AND RE-REPAIRING OVERBURDENED GENERATING EQUIPMENT THAT OTHER JURISDICTIONS WITH A STRONGER ECONOMIC BASE AND WITH BACK-UP WATER AND POWER ASSISTANCE FROM OTHER AREAS, WOULD HAVE SCRAPPED LONG AGO.

WE SIMPLY MUST HAVE HELP. IN WHAT HAS BEEN A PAINFUL NARROWING OF PRIORITIES, WE ARE REQUESTING IN FISCAL 1982, $6.8 MILLION FOR THE PURCHASE OF WASTE HEAT RECOVERY BOILERS AND SMALL BACK PRESSURE STEAM TURBINES TO UTILIZE WASTE STOCK HEAT. THE NET EFFECT WILL BE BETTER HEAT RATES FROM THE GAS TURBINES, ADDITIONAL GENERATION AND STEAM FOR WATER PRODUCTION--ALL FROM THE SAME AMOUNTS OF FUEL. TO SUPPLEMENT THE OUTPUT OF OUR NEW LOCALLY FUNDED DESALINATION PLANTS, WE ARE SEEKING $1.5 MILLION FOR THE ADDITION OF NEW WELLS TO THE WATER SYSTEM ON ST. CROIX AND $1.2 MILLION FOR A WATER STORAGE TANK FOR THOSE WELLS. TO ELIMINATE THE NEED FOR COSTLY BARGING OF WATER TO THE ISLAND OF ST. JOHN, WE ARE REQUESTING $850,000 FOR A REVERSE OSMOSIS PLANT FOR THAT ISLAND. MR. THOMAS BLAKE, THE EXECUTIVE DIRECTOR OF THE VIRGIN ISLANDS WATER AND POWER AUTHORITY IS HERE WITH THE GOVERNOR TODAY TO ANSWER YOUR SPECIFIC QUESTIONS ON THIS MATTER.

II. TAX LOSS REIMBURSEMENT

THE PROGRESS THE VIRGIN ISLANDS HAS MADE IN ELIMINATING THE DEFICIT CREATED BY FLUCTUATIONS IN THE FEDERAL TAX CODE WILL BE TOTALLY DESTROYED IF WE ARE ONCE MORE THROWN BACK INTO A PERIOD OF DECREASED REVENUES AS A RESULT OF TAX CUTS. THE PROPOSED TAX REDUCTIONS WILL MEAN A LOST OF APPROXIMATELY $5.8 MILLION DOLLARS IN CALENDAR 1981, $15.1 MILLION DOLLARS IN CALENDAR 1982, AND PROJECTED

(/)

LOSSES OF OVER $56 MILLION IN THE YEARS 1983 AND 1984. I ASK, THEREFORE, THAT, WITH REGARD TO TAXES LOST, THE SUBCOMMITTEE ADOPT THE PROPOSAL MADE BY THE MINORITY MEMBERS OF THE INTERIOR AND INSULAR AFFAIRS COMMITTEE TO REIMBURSE THE VIRGIN ISLANDS FOR REVENUE LOST AS A RESULT OF FEDERAL TAX CUTS. AS THE REPUBLICAN INTERIOR COMMITTEE REPORT POINTS OUT, EVERY REDUCTION IN THE INTERNAL REVENUE CODE RESULTS IN AN UNPROGRAMMED LOSS IN LOCAL REVENUE. THIS COUPLED WITH PROJECTED LOSSES OF APPROXIMATELY $30 MILLION DOLLARS IN CATEGORICAL GRANTS, AND WITH RESULTING CUTBACKS IN SERVICES AND LOSS OF JOBS, WOULD TOTALLY DEVASTATE OUR LOCAL ECONOMY.

AS I STATED EARLIER, I WOULD RESPECTFULLY REQUEST THE SUB-COMMITTEE TO EARMARK THE FUNDS I HAVE ORIGINALLY INTENDED FOR THE DEFICIT ELIMINATION PROGRAM, FOR A TAX REIMBURSEMENT PROGRAM.

I CANNOT STRESS ENOUGH THAT THE VIRGIN ISLANDS ECONOMY WILLNOT BE ABLE TO WITHSTAND THE EFFECT OF THESE TAX CUTS IF WE ARE NOT REIMBUSED. OUR FRAGILE ECONOMY IS JUST GETTING ON ITS FEET. GIVEN A CHANCE, WE CAN ACHIEVE SECURITY. THE DIRECTOR OF THE BUREAU OF INTERNAL REVENUE, MR. LEROY QUINN, THE BUDGET DIRECTOR OF THE VIRGIN ISLANDS, MR. STEPHANOS O'REILLY AND THE ACTING COMMISSIONER OF FINANCE MR. CLAUDE CHRISTIAN, ARE ALL HERE WITH THE GOVERNOR TO ANSWER YOUR QUESTIONS ON THIS MATTER.

III. HEALTH CARE FACILITIES

WITH REGARD TO OUR HOSPITAL FACILITIES, I WOULD FIRST OF ALL LIKE TO THANK THIS SUBCOMMITTEE AND IN PARTICULAR YOU MR. CHAIRMAN FOR YOUR CONTINUED SUPPORT OF OUR HOSPITAL CONSTRUCTION PROJECTS. CONSTRUCTION OF THE NEW HEALTH CARE FACILITIES IS PROCEEDING AHEAD OF SCHEDULE, AND THE PEOPLE OF THE VIRGIN ISLANDS

(8)

ANXIOUSLY AWAIT THEIR COMPLETION. BUT, WHILE THESE HOSPITAL PROJECTS ARE MOVING ALONG SO RAPIDLY, INFLATION IS MOVING FASTER. BECAUSE OF INFLATION, I MUST NOW ASK THE SUBCOMMITTEE TO APPROPRIATE $24.6 MILLION DOLLARS IN ORDER TO COMPLETE OUR HOSPITAL PROJECTS. THIS IS $3.4 MILLION DOLLARS ABOVE THE AMOUNT REQUESTED EARLIER, BUT I ASK THE SUBCOMMITTEE TO FOCUS, ONCE MORE, ON THE DIRE NEED TO ALLEVIATE THE PROBLEMS OF OVERCROWDING AND OBSOLETE EQUIPMENT WHICH, UNLIKE THE MAINLAND, PLAGUE OUR HEALTH SYSTEM IN THE ISLANDS.

OUR COMMISSIONER OF HEALTH, DR. ROY SCHNEIDER IS HERE WITH THE GOVERNOR TO GIVE YOU MORE DETAILS AND TO ANSWER YOUR QUESTIONS ON THESE PROJECTS.

IV ECONOMIC DEVELOPMENT

CRUCIAL TO OUR SUCCESS IN ACHIEVING ECONOMIC SELF-SUFFICIENCY IS DIVERSIFICATION OF OUR ECONOMIC BASE. DIVERSIFICATION WOULD MITIGATE THE SEASONAL, CYCLICAL, AND HIGHLY SENSITIVE ASPECTS OF THE TOURIST INDUSTRY, WHILE CREATING JOB OPPORTUNITIES WITH CAREER DEVELOPMENT POSSIBILITIES FOR THE PEOPLE OF THE ISLANDS. IT IS IMPORTANT TO NOTE THAT UNEMPLOYMENT AMONG THE YOUTH OF THE ISLANDS IS AS HIGH AS 30%. NEW BUSINESS WOULD CREATE NEEDED OPPORTUNITIES FOR THESE YOUNG PEOPLE. TO ACHIEVE ECONOMIC SELF-SUFFICIENCY THE ISLANDS MUST ATTRACT NEW BUSINESS. IN ORDER TO DO SO, THE VIRGIN ISLANDS DEPARTMENT OF COMMERCE HAS DEVELOPED THREE PROJECTS: (1) AN INDUSTRIAL PARK; (2) A GOVERNMENT INVESTMENT BANK; AND (3) A REVOLVING LOAN FUND. THE INDUSTRIAL PARK PROJECT INVOLVES THE CONSTRUCTION OF A FACILITY ON ST. CROIX FOR USE BY SMALL INDUSTRY. SUCH A FACILITY IS SORELY LACKING ON THE ISLAND AND IS A NECESSARY PREREQUISITE TO ATTRACTING NEW BUSINESS. ASSISTANCE REQUESTED TO COMPLETE THIS PROJECT IS $850,000 DOLLARS.

(9)

FOR THE GOVERNMENT INVESTMENT BANK TO GET OFF THE GROUND, $3.8 MILLION DOLLARS IS NEEDED. WITH THIS CAPITALIZATION, THE BANK WOULD BE ABLE TO PROVIDE MEDIUM AND LONG TERM FINANCING TO INDUSTRIES DEVELOPING IN THE ISLANDS.

THE REVOLVING LOAN FUND WOULD PROVIDE THE OPPORTUNITY FOR VIRGIN ISLANDERS TO DEVELOP NEW BUSINESSES. BANKS IN THE ISLANDS ARE NOT WILLING TO RISK ASSISTANCE TO LOCAL ENTREPRENEURS, AS THE VAST MAJORITY HAVE LITTLE CAPITAL. THE RESULT HAS BEEN THAT ALMOST ALL OF THE NEW BUSINESS IS CREATED BY PEOPLE NEW TO THE ISLANDS. THE REVOLVING LOAN FUND WOULD BE ADMINISTERED BY THE LOCAL SMALL BUSINESS DEVELOPMENT AGENCY, AND WOULD PROVIDE CAPITAL TO VIRGIN ISLANDERS SEEKING TO DEVELOP NEW BUSINESSES. THE LOCAL GOVERNMENT WOULD NEED $350,000 IN ASSISTANCE IN ORDER TO SEED THE LOAN FUND. I ASK THE SUBCOMMITTEE TO APPROPRIATE THAT AMOUNT. THE COMMISSIONER OF COMMERCE, AMADEO FRANCIS, IS HERE TO ANSWER YOUR SPECIFIC QUESTIONS ON THIS PROGRAM.

V HASSEL ISLAND

FINALLY, I ASK THE SUBCOMMITTEE TO CONSIDER AN APPROPRIATION OF $3,550,000 TO COMPLETE THE PURCHASE OF HASSEL ISLAND IN THE HARBOR OF CHARLOTTE AMALIE, WHICH WAS ADDED TO THE VIRGIN ISLANDS NATIONAL PARK SERVICE HAS ALREADY PURCHASED PROPERTY ON HASSEL ISLAND AT A COST OF $1,050,000 AND HAS NEGOTIATED A TWO-YEAR OPTION PURHCASE AGREEMENT WITH THE OWNERS OF THE REMAINING PROPERTY, 114 ACRES. THE PURCHASE PRICE UNDER THE OPTION AGREEMENT IS $6 MILLION DOLLARS, OF WHICH THE OWNERS WOULD DONATE $2 MILLION DOLLARS. THE PARK SERVICE HAS PAID $450,000 IN EARNEST MONEY WHICH WOULD BE LOST IF THE OPTION, NOW EXTENDED ONE YEAR TO MARCH 1,1982, IS NOT TAKEN. THIS IS A BEAUTIFUL AND HISTORIC ISLAND WHICH IS IN THE NATIONAL AS WELL AS THE LOCAL INTEREST TO PRESERVE.

(10)

I WOULD URGE THE COMMITTEE TO CONSIDER FAVORABLY WHICH ARE IN EFFECT, INVESTMENTS. THE HOUSE OF REPRESENTATIVES LAST WEEK GAVE OUR NEW CONSTITUTION A RECORD VOTE OF 408 TO ZERO. I AM ASKING THIS SUBCOMMITTEE TO PUT THE SAME FAITH IN OUR ECONOMIC FUTURE AS THE HOUSE HAS IN OUR POLITICAL FUTURE.

THESE ARE THE TOOLS WE NEED TO STAND ON OUR OWN TWO FEET, AS ACTIVE AND CAPABLE PARTICIPANTS IN THE DEMOCRATIC WAY OF LIFE ON AMERICA'S FRONTIER IN THE CARIBBEAN.

STATEMENT OF HON. JUAN LUIS

Mr. LUIS. Thank you, Mr. Chairman.

Most of the items I have here have already been covered by our Delegate; however, I may add some new information regarding the same items.

First of all, I appreciate this opportunity to appear again before this committee with key members of my Cabinet. I hope that this appearance will give you a clear understanding of the accomplishments and needs of the Virgin Islands.

Since my last appearance before Congress, the Virgin Islands government has made significant progress.

The fiscal condition of the U.S. Virgin Islands is no longer critical, since we have taken many positive steps to bring improvements to this area.

However, the future of territorial development may be adversely affected by the economic policies of the Federal Government, over which we have no control.

Moreover, we are still faced with the task of bolstering our economic base, completing the construction of sorely needed capital projects costing hundreds of millions of dollars, and meeting our financial needs.

IMPROVED FINANCIAL SITUATION

The U.S. Comptroller for the Virgin Islands in his latest report indicated that the territorial government had reduced the previously reported recurring deficit of $35 million to $12.2 million.

Even though we disagree with the Comptroller's findings of a deficit, his current report showing a greatly decreased deficit, demonstrates substantial progress in the management of our fiscal affairs.

Mandatory spending ceilings have been imposed throughout the government. We have increased the collection of taxes by creation of the Virgin Islands Bureau of Internal Revenue. Additional revenues have also been obtained through legislation requiring advance collection of local excise taxes.

In a move to improve efficiency in the management of public funds and to reduce waste, I requested the U.S. Comptroller to conduct audit investigations of several government agencies. Suspected irregularities reported by the Comptroller have been referred for further investigation and appropriate legal action.

My administration is also developing a productivity measurement improvement system to identify nonessential programs and services to be curtailed or eliminated.

Our on-going five-year capital improvement plan is intended to expand our economic base.

New construction of capital projects has increased tremendously, examples of which are two new hospitals, a criminal justice complex, the expansion of the airports on St. Thomas and St. Croix, and the building of schools to accommodate our phenomenal student population growth. Additionally, there are other major construction projects which will commence in the months ahead.

The people of the Virgin Islands are grateful to the Federal Government for all of this assistance.

I have also successfully renegotiated a tax agreement with the Territory's largest taxpayer, Hess Oil Virgin Islands Corporation—HOVIC—which will secure an assured minimum level of revenues into the Virgin Islands treasury, including payment of full corporate income taxes.

The agreement guarantees a $200 million expansion, with the further promised increase of $275 million. That is a second expansion.

I am happy to report that the construction of the two hospitals and the community health centers are about six months ahead of schedule.

In order to complete the health facilities, we request funds in the amount of $24.6 million, representing a $4.1 million increase in this year's incremental appropriation.

The Virgin Islands government is contributing funds from our limited resources to complete all of the off-site utilities for the hospital.

WATER AND POWER

A major problem of the Territory that retards all aspects of our development is the inadequate supply of water and power.

Late last year, faced with the imminent collapse of our power generating system, a state of emergency was declared. The Virgin Islands Legislature, at my request, appropriated funds totaling $17.5 million, which were used to purchase back-up generators, one each for St. Thomas and St. Croix.

The result has been a significant reduction in power outages and a marked increase in the overall reliability of the system.

To develop a long-term solution to this problem, the Virgin Islands Water and Power Authority retained the engineering firm of Reynolds, Smith, and Hill to undertake an exhaustive examination of the condition of each of the Virgin Islands Water and Power Authority's generating units. They estimate that $15 million is urgently needed for the maintenance and repair of these units.

The Territory has identified $5 million from its own resources and needs $9 million more—$5 million in fiscal 1982 and $4 million in fiscal 1983—for this purpose.

Additionally, we are in need of $6.8 million for a combined cycled conversion at Virgin Islands Water and Power Authority, which the Delegate expanded upon.

The Territory's water needs also require urgent attention. The Legislature is currently considering the purchase of three additional units which would cost $13 million.

Mr. YATES. Three additional units of what?

Mr. LUIS. Desalinization units.

The territorial government has purchased three large units of 1.2 million gallons. Before the Legislature now there is another request to purchase three small units. We have two large desalinization units for St. Thomas which will be on-stream by the end of this year and one large one on the island of St. Croix.

Before the Legislature now there are requests for three small units.

Mr. YATES. What happens to St. John?

Mr. LUIS. We have a well field there which we have completed, which is now in the process of being tied in to its distribution system. Once this is tied in, it will relieve the severe problem there.

However, as a long-term measure for St. John to be self-sufficient, we are requesting money for a reverse osmosis plant.

We have a pilot project right now in St. Thomas of a small reverse osmosis plant which will be completed. All the updated information should prove beyond any doubt that this type of innovation will probably be the answer for the future.

Last year, a request was made in the total amount of $32.7 million over three years to finance the construction of six 10 million gallon storage tanks, $7.2 million each; replacement of the inadequate distribution system which is corroded, $10 million; extension of the distribution system to rural areas, $14 million; and the addition of new wells to the system, $1.5 million.

This is an old request. We are really not asking the Congress to appropriate this in any form. We are simply stating here what is our problem and what would be required as a long-term solution. Whatever help may come in this area, we will appreciate.

Right now on the island of St. Thomas the first big plant is in operation. St. Thomas is getting water on a 24-hour basis.

In addition, we repaired two of our old plants. These are producing 1.2 million gallons on each island.

By the end of this year, we would reduce our water problem substantially. But we are looking into the future, so that we would not have to be coming back to the Congress with this problem.

ECONOMIC DEVELOPMENT FUND

In an effort to reduce the Territory's dependence on tourism, we are intensifying our efforts to attract new business. The Delegate did cover this in his statement.

The 1979 Omnibus Territories Bill provided an authorization of $5 million for the purpose of promoting the economic development of the Virgin Islands. These funds have never been appropriated, and the authorization expires at the end of fiscal year 1982.

I am requesting that the committee appropriate the entire $5 million—$3 million in fiscal 1982 and $2 million in fiscal 1983.

IMPACT OF PRESIDENT REAGAN'S PROGRAM

The President's economic and budgetary proposals will result in a significant decrease in Federal aid to the Territory. In the area of categorical grants alone, the Virgin Islands stands to lose from $23 to $30 million in Federal funds.

Vital health, educational, and social service programs lacking Federal funding will have to be severely curtailed. We project the loss of almost 900 jobs and cutbacks in services to approximately one-half of all residents of the Territory.

Moreover, because of our limited economic base, alternate sources of funding to compensate for the absence of these Federal funds cannot presently be identified or projected.

As we deal with the 1982 fiscal year budget, we see three possibilities. If we do not get reimbursed for the income tax cuts, we

stand to have a budget deficit of some $19 million. If we are reimbursed, then our deficit is projected at $4 million.

However, there is a possibility that we might have a surplus in this fiscal year, which might be raised to $4 million. This is how we stand on this situation.

The block grant system proposed by the President certainly has a sound foundation in its common sense approach to Federal aid in that it allows the recipient jurisdiction maximum flexibility in using Federal funds. Unfortunately, it comes at the cost of a 25 percent cut in funding.

A loss of such magnitude could spell virtual disaster for us in the Territory, since the infusion of Federal grant dollars is a crucial component of our economic system.

Regrettably, we do not have the capability in the private sector to adequately absorb the unemployed which will create a potential for social unrest and increase criminal activity.

This statement relates to the present; it does not relate to the near future where I have explained the new expansions coming on in the private sector. This statement does not cover additional expansion.

The government of the Virgin Islands is in the process of renegotiating a new tax agreement with Martin-Marietta, which is another large company which will bring additional expansion.

Mr. YATES. What large companies do you have besides Hess and Martin Mariettta?

Mr. LUIS. We have our rum industry, which is responsible for matching funds. Those are the three major industries right now.

Mindful of these considerations—that is, the effects of the President's proposals—I will be proposing that Congress act to implement the promise of grant consolidation contained in Title V of the 1977 Omnibus Territories Bill, with the exception of the areas of health, social services, and education, which President Reagan has proposed to merge into block grants.

Income taxes collected by the government of the Virgin Islands pursuant to the Revised Organic Act represent the most important source of money for the Territory, accounting for over 50 percent of all revenues.

The tax reduction proposal of President Reagan will substantially diminish this source and will mean a loss of approximately $5.8 million for calendar year 1981 and the much larger sum of $15.1 million in calendar year 1982. Projected losses in income tax collection to the Virgin Islands would be over $56 million for calendar years 1983 and 1984.

Traditionally, when this has happened, the Territory has always been reimbursed for these dollars. I would hope that this trend continues in this instance.

Mr. YATES. I hope so.

Mr. LUIS. Accordingly, I have requested that our Delegate to Congress seek legislation which would reimburse the Government of the Virgin Islands for any and all revenue losses related to Federal income tax cuts, as Congress has done before.

Mr. Chairman and members of the committee, I would like to thank you for this opportunity to discuss the progress and needs of the United States Virgin Islands.

In the past, the Congress has shown commendable interest in the welfare of the people of the Virgin Islands. We look forward to your continued support for the progressive development of our American democracy in the Caribbean.

I will be pleased to respond to any questions. Thank you very much.

Mr. YATES. Thank you for a very good statement, Governor.

You say that you are officially in balance on your budget. Would you care to give us anything unofficially?

Mr. LUIS. I posed the three conditions that may come about according to how they do develop. If we get reimbursed, if we have a surplus in the 1981 budget, which we do expect, then we do not have a deficit.

It boils down to conditions beyond our control.

Mr. YATES. What is the unemployment factor in the Islands?

Mr. LUIS. I think it is about 6.5 percent. Between 6.5 and 7 percent. I can't give you an exact figure.

Mr. YATES. What about tourism? Is that increasing or decreasing? That is still your basic industry.

Mr. LUIS. We have had a bad year in 1979.

Mr. YATES. That is because Florida was so cold.

Mr. LUIS. Maybe.

We have had a slight lull due to cutbacks in airline flights. The cruise ship business has been so promising that it has made up for the gap. The gap is not detrimental because the revenues have continued to increase.

Mr. YATES. How much of your daily water now is being barged in?

Mr. LUIS. Presently we do not need to barge in water for the Island of St. Thomas, which is the island primarily where this has come about. We do hold a source of water for emergencies in case there are breakdowns in the plants.

Right now, as it stands at the present moment, we are not barging in any water.

Mr. YATES. Thank you for your statement.

Mr. LUIS. Thank you very much, Mr. Chairman.

Members of my cabinet will remain in the event there are other questions by the Department of Interior.

Mr. YATES. We appreciate that very much. Your statement will be made part of the record.

[The statement follows:]

STATEMENT OF HON. JUAN LUIS, GOVERNOR, TERRITORY OF THE UNITED STATES VIRGIN ISLANDS

I appreciate this opportunity to appear again before this Committee, and hope that this appearance will give you a clearer understanding of the accomplishments and needs of the Virgin Islands.

Since my last appearance before Congress, the Virgin Islands government has made significant progress.

The fiscal condition of the U.S. Virgin Islands is no longer critical since we have taken many positive steps to bring improvements to this area. However, the future of territorial development may be adversely affected by the economic policies of the federal government, over which we have no control.

Moreover, we are still faced with the tasks of bolstering our economic base, completing the construction of sorely needed capital projects costing hundreds of millions of dollars, and meeting our financial needs.

The U.S. Comptroller for the Virgin Islands in his latest report indicated that the territorial government had reduced the previously reported recurring deficit of $35 million to $12.2 million. Even though we disagree with the Comptroller's findings of a deficit, his current report showing a greatly decreased deficit demonstrates substantial progress in the management of our fiscal affairs.

An improved accounting and financial management information system is being implemented and mandatory spending ceilings have been imposed throughout the government. We have created the Virgin Islands Bureau of Internal Revenue as a seaprate agency responsible for the assessment and collection of taxes in the Territory, which has already increased collections of income taxes. Additional revenues have also been obtained through legislation requiring advance collection of local excise taxes.

In a move to improve efficiency in the management of public funds and to reduce waste, I requested the U.S. Comptroller to conduct audit-investigations of several government agencies. Suspected irregularities reported by the Comptroller have been referred for further investigation and appropriate legal action.

To strengthen our management capabilities, my administration is developing a Productivity Measurement/Improvement System which will provide better scrutiny of government expenditures. My administration has initiated a study to identify nonessential programs and services to be curtailed or eliminated. In addition we have established a central negotiating unit for government union contracts which has enhanced our collective bargaining posture.

On April 24, 1979, the U.S. Comptroller and I signed a Memorandum of Understanding in which we agreed to work together to establish an improved centralized accounting and financial management information system for the Government of the Virgin Islands. Under the agreement, the Commissioner of the Department of Finance is given responsibility for managing the project and coordinating activities with the Director of the Budget, the U.S. Comptroller and other officers of the Territory. The Comptroller agreed to provide technical assistance to support the joint effort which over the past two years has been devoted primarily to the operations of the Department of Finance, which has produced improved efficiency.

Our ongoing five-year Capital Improvement Plan is intended to expand our economic base. New construction of capital projects have increased tremendously, examples of which are two new hospitals, a criminal justice complex, the expansion of the airports on St. Thomas and St. Croix, and the building of schools to accommodate our phenomenal student population growth. Additionally, there are other major construction projects which will commence in the months ahead.

I have also successfully renegotiated a tax agreement with the Territory's largest taxpayer, Hess Oil Virgin Islands Corporation (HOVIC), which will secure an assured minimum level of revenues into the V.I. Treasury, including payment of full corporate income taxes. The agreement guarantees a 200 million dollar expansion with the further promised increase of 275 million dollars.

I am happy to report that the construction of the two hospitals and community health centers is about six months ahead of schedule. Virgin Islands residents are already anticipating the benefits from a more modern and better equipped health care system. Our neighbors in the Caribbean are also aware of our progress and I know that the completion of our hospitals will serve to further enhance the image of the United States in this region.

In order to complete the health facilities, we request funds in the amount of $24.6 million representing a $4.1 million increase in this year's incremental appropriation. Because of higher than anticipated construction costs, the increased funding is needed for the construction of a St. John facility and for hospital equipment for both St. Thomas and St. Croix, including sterilization units, radiological machines and other vital equipment. This final appropriation will secure the completion of this comprehensive health care delivery project. Our government is contributing funds from our limited resources to complete all of the off-site utilities which include a storm drainage system, sewage conduits, domestic water lines, and electrical power.

A major problem of the Territory that retards all aspects of our development is the inadequate supply of water and power. Late last year, faced with the imminent collapse of our power generating system, a state of emergency was declared. The Virgin Islands Legislature, at my request, appropriated funds totalling $17.5 million which were used to purchase back-up generators (one each for St. Thomas and St. Croix), the result has been a significant reduction in power outages and a marked increse in the overall reliability of the system. The balance of the appropriation will be used to replace the dilapidated underwater cable which provides power for the island of St. John, construct a substation, and to provide for the urgently needed maintenance and overhaul of existing power generating units. This emergency

allocation, however, required a reshuffling of funds earmarked for other vital capital improvement projects, but represents only a short term solution to this costly long-standing problem.

To develop a long term solution to this problem the V.I. Water and Power Authority retained the engineering firm of Reynolds, Smith and Hill to undertake an exhaustive examination of the condition of each of the V.I. Water and Power Authority's generating units. They estimated that 14 million dollars is urgently needed for the maintenance and repair of these units. The Territory has identified five million dollars from its own resources and needs nine million dollars more ($5 million in fiscal year 1982 and $4 million in fiscal year 1983) for this purpose. Additionally, we need $6.8 million for a combined cycle conversion system at V.I. Water and Power Authority.

The Territory's water needs also require urgent attention. The territorial government has already acquired three desalinization plants at a cost of 15 million dollars. The Legislature is currently considering the purchase of three additional units which would cost 13 million dollars. However, funding is now required to provide additional storage and distribution facilities for the volume of water to be produced. Last year, a request was made in the total amount of 32.7 million dollars (over three years) to finance the construction of six ten-million gallon storage tanks ($7.2 million), replacement of the inadequate distribution system which is corroded ($10 million), extension of the distribution system to rural areas ($14 million), and the addition of new wells to the system ($1.5 million). Any financial assistance the Congress deems appropriate will contribute to resolving these critical problems.

In an effort to reduce the Territory's dependence on tourism and achieve a greater degree of diversification of the Territory's narrow-based economy, we are intensifying our effort to attract new businesses. There are, however, several programs that must be implemented to ensure the success of our economic promotion efforts. These include: (1) construction of industrial park facilities to accommodate the new industries, (2) capitalization of a government development bank to provide medium and long-term financing to selected industries, and (3) establishment of a revolving fund to be administered by the local Small Business Development Agency. Loan capital would be made available to local entrepreneurs to increase their participation in the economic development of the Territory.

The 1979 Omnibus Territories Bill (Public Law 95-348) provided an authorization of five million dollars for the purpose of promoting the economic development of the Virgin Islands but these funds have never been appropriated, and the authorization expires at the end of fiscal year 1982. I am requesting that the committee appropriate the entire $5 million authorized in Public Law 95-348 ($3 million fiscal year 1982 and $2 million fiscal year 1983).

The President's economic and budgetary proposals will result in a significant decrease in federal aid to the Territory. In the area of categorical grants alone, the Virgin Islands stands to lose from 23 to 30 million dollars in federal funds, almost all of which are being utilized by the Virgin Islands government to deliver basic and beneficial services to the populace. Vital health, education, and social service programs lacking federal funding will have to be severely curtailed. We project the loss of almost 900 jobs and cutbacks in services to approximately one half of all residents of the Territory. Moreover, because of our limited economic base, alternate sources of funding to compensate for the absence of these federal funds cannot presently be identified or projected.

The block grant system proposed by the President certainly has a sound foundation in its common sense approach to federal aid in that it allows the recipient jurisdiction maximum flexibility in using federal funds. Unfortunately, it comes at the high cost of a 25 percent cut in funding. A loss of such magnitude could spell virtual disaster for us in the Territory since the infusion of federal grant dollars is a crucial component of our economic system. Regrettably, we do not have the capability in the private sector to adequately absorb the unemployed which will create a potential for social unrest and increased criminal activity.

As a part of this great nation, Virgin Islanders recognize as valid and appropriate the fiscal restraint being asked of state and territorial governments. For our part we have initiated positive steps to increase our internal monitoring of the use of federal funds by in-depth training courses and the greater involvement of our newly created Federal Programs Office with the departments and agencies using federal grants. Previous audit recommendations by a special task force and the Comptroller are being reviewed and their implementation coordinated by the Federal Programs Office.

Mindful of these considerations, I will be proposing to the appropriate committee that Congress act to implement the promise of grant consolidation contained in Title V of Public Law 95-134, otherwise known as the Omnibus Territories Bill,

with the exception of the areas of health, social services and education, which President Reagan has proposed to merge into block grants.

Income taxes collected by the Government of the Virgin Islands pursuant to the Revised Organic Act represent the most important source of money for the Territory, accounting for over fifty percent of all revenues. The tax reduction proposal of President Reagan will substantially diminish this source and will mean a loss of approximately 5.8 million dollars for calendar year 1981 and the much larger sum of 15.1 million dollars in calendar year 1982. Projected losses in income tax collections to the Virgin Islands would be over 56 million dollars for calendar years 1983 and 1984.

The disruptive impact of these losses on our budgetary and economic systems would completely undo and reverse our steadily improving fiscal prospects. Accordingly, I have requested that our Delegate to Congress seek legislation which would reimburse the Government of the Virgin Islands for any and all revenue losses related to federal income tax cuts, as Congress has done before.

Mr. Chairman and members of the Committee, I would like to thank you for this opportunity to discuss the progress and needs of the United States Virgin Islands. In the past, the Congress has shown commendable interest in the welfare of the people of the Virgin Islands. We look foward to your continued support for the progressive development of our American democracy in the Caribbean.

I will be pleased to respond to any questions. I thank you.

STATEMENT OF MRS. RUTH VAN CLEVE

Mr. YATES. Mrs. Van Cleve, we are glad to see you again. Are all the problems with the Islands under control now?

Mrs. VAN CLEVE. Not entirely, but we are doing our best.

Mr. YATES. Your statement will be made a part of the record following your oral presentation and you may proceed as you wish.

You are appearing here today as the Deputy Assistant Secretary for Policy, Territorial and International Affairs. That is a very comprehensive title.

You are accompanied by Mr. DeYoung, Mr. Novick, Mr. Solomon, Mr. Gallagher, Mr. MacMeekin, Mr. Fukutome, Mr. Jones, and Mr. Caton. From the Office of Budget, we have our old friend, Mr. Bettenberg.

BUDGET SUMMARY

Mrs. VAN CLEVE. I will simply offer a quick summary of my statement, Mr. Chairman, if that is appropriate.

I am here to defend the Administration's budget request for fiscal year 1982, totaling $153 million.

Mr. YATES. How strongly do you feel about it?

Mrs. VAN CLEVE. We feel strongly that that is the appropriate figure.

Mr. YATES. All right.

Mrs. VAN CLEVE. It is a reduction, however, of some $13 million over fiscal 1981.

Mr. YATES. How do the territories feel about it?

Mrs. VAN CLEVE. In every instance, they would prefer more money than is included in this budget. I think I speak for all of them in that connection.

Mr. YATES. Do you think they deserve it?

Mrs. VAN CLEVE. I think that there are needs that are not met by this budget.

Mr. YATES. What kinds of needs?

Mrs. VAN CLEVE. A considerable number of social needs in the Trust Territory, and a considerable number of capital improvement

needs in the territories. That is, however, a situation that does not really differ from any other year.

That is to say, I think we have never represented the territories' budget as meeting all of the needs that reasonable people might suggest.

Mr. YATES. Don't you have a different situation with respect to the territories? I think the Administration budget is predicated upon the assumption that, in great measure, whatever gaps exist in Federal funding will be made up out of the private sector and out of State budgets. You don't have that in the territories do you?

Mrs. VAN CLEVE. There is a much heavier dependence on Federal funding in the territories than in any State.

Mr. YATES. So that whatever is cut out of the Federal budgets for the territories can't be made up in the same way, so they are going to be hurt much more than local governments would be hurt on the mainland.

Mrs. VAN CLEVE. I could not argue with that conclusion.

Mr. YATES. But you are here to defend the OMB budget.

Mrs. VAN CLEVE. I am indeed, sir.

The total that we are seeking is divided roughly equally between the Trust Territory and the territories.

Mr. YATES. I think it is good you use the word "roughly".

Mrs. VAN CLEVE. It is rough in the sense that the Trust Territory would receive $72 million and the territories generally about $81 million.

All of these figures represent reductions of various sorts from fiscal 1981.

The Trust Territory budget consists very largely of operations funding this year, thereby differing from the budgets you have seen in other years which requested substantial capital improvements.

Of the $72 million for the Trust Territory, some $66 million is for operations. That sum, in turn, relates very largely to grants to the three new entities. Out of that $66 million, $33 million approximately would go to the new Federated States of Micronesia, about $10 million to the Marshall Islands Government, and about $9 million to Palau.

The remaining amounts—about $6 million—would be for headquarters and about $800,000 for operations of the College of Micronesia.

LAUNCHING THE NEW GOVERNMENTS

Mr. YATES. Is this an auspicious time for the new governments of the Trust Territory to be launched in view of the budget cutbacks?

Mrs. VAN CLEVE. I think they would want to be launched with or without budget cutbacks.

Mr. YATES. But isn't it better to launch them without budget cutbacks?

Mrs. VAN CLEVE. That would inevitably have to be answered, yes.

The capital improvement portion of the Trust Territory budget is, as I say, much reduced. It represents this year——

Mr. YATES. Let me just continue that for a moment.

We have an agreement with them. Is the cutback in funding an actual repudiation of the agreement in that respect?

Mrs. VAN CLEVE. We don't yet have, I think, the kind of agreement that you have in mind. You are perhaps thinking of the Compact of Free Association. That has been initialed; it has not been signed. It is not yet in effect.

These figures are, indeed, less than would be contemplated by the Compact. Inasmuch as the agreement is not yet in effect, the United States Government retains discretion to treat these budget figures as it deems appropriate.

Mr. YATES. What is the attitude?

I assume I can ask the witnesses for the territories themselves.

I assume that they entered into initialing the Compact upon the representation of certain financial underpinnings to their government. If those are not present, if not an actual legal repudiation, is this a moral repudiation?

Mrs. VAN CLEVE. I don't think I could go that far.

Mr. YATES. No repudiation at all.

Mrs. VAN CLEVE. It depends, of course, on the manner in which you view the United States' commitment to Micronesia.

Many viewers believe that we have not done enough to meet that commitment. It is a highly subjective judgment.

Unquestionably, each of the entities, as they testify before you, will make legitimate claims that they have needs that are not met by this budget.

I think my only point would be to affirm that we do not yet have a Compact commitment for any particular sums. Were the Compact in effect, then the situation would be similar to that which applies in the Northern Marianas where we do have a binding, for-sure commitment, and this budget would meet it.

Mr. YATES. Thank you.

Mrs. VAN CLEVE. The significant capital improvement item for the Trust Territory is merely $3 million for architect and engineering services for three new capital complexes in the three entities. Otherwise, the capital improvement figures have to do solely with restoring funds that have been reprogrammed for other operation needs and $700,000 for Enewetak support.

ADMINISTRATION OF TERRITORIES BUDGET

Turning to the territories quickly, as I stated, the budget would meet our commitment to the Northern Marianas. This is where the United States has pledged its full faith and credit to pay $14 million annually, indexed upward as the years pass. That figure is now in the range of $22.5 million.

In addition, the budget contains $1.125 million for architectural and engineering services for the hospital complex on Saipan. There is uniform agreement that the hospital is in very bad condition, and that the Northern Marianas will not be able themselves to remedy the situation without Federal help.

In the case of Guam, there is a budget request in the range of $10 million, of which $250,000 would be for economic development loans. The remainder would be for particular capital improvements that have met the very stringent tests that are obviously in effect this year.

In the case of American Samoa, we are asking for $23 million, of which, about $18.5 million is for operations and $5 million is for capital improvements.

For the Virgin Islands, we seek what we believe to be the final increment of the hospital funding program on which we have been engaged, with your support, for the last three years. The figure this year would be $18.2 million.

The Comptrollers would be funded at approximately their current level with a slight increase, owing to the passage of time. The total there is $3.2 million.

The Territorial and International Affairs Office in Washington would be funded at, again, approximately the same level and the same number of personnel; but the figure has increased because of an addition of $750,000 for a technical assistance program.

Finally, there is the small item to expand the budget of the Northern Marianas Federal Laws Commission by $200,000.

That, Mr. Chairman, completes my short summary.

Mr. YATES. Thank you very much.

[The statement follows:]

Statement of Ruth Van Cleve, Deputy Assistant Secretary - Policy, Territorial and International Affairs, U.S. Department of the Interior, before the House Subcommittee on Appropriations for the Department of the Interior and Related Agencies; FY 1982 Budget Request, May, 1981.

Mr. Chairman and members of this Subcommittee:

It is a pleasure for me to appear again before this Subcommitte to speak to the FY 1982 budget request for the territories and the Trust Territory of the Pacific Islands. The budget request this year is an austerity budget, representing the concerns of the Reagan Administration for fiscal restraint.

We realize that this year, as has been the case in years past, there are many legitimate concerns and needs of our constituencies that we are simply unable to accommodate within the constraints under which we are working. What we are presenting, however, is our judgement as to how best to discharge our responsibilities within the financial resources that we seek.

FY 1982 Budget Request

The Administration's budget request for the territorial and Trust Territory governments for FY 1982 is a reduced request from FY 1981. Most of the reduction can be attributed, however, to the reduction of funding in the Trust Territory of the Pacific Islands Capital Improvement Program. All of the requests for funding from the territorial governments to the Administration could not be included in this request. The request before you, however, represents those items considered by them and by us to be of the highest priority.

The following outlines the territorial budget request for FY 1982:

The total budget authority requested for fiscal year 1982 is $153,354,000. This amount, which does not include the permanent/indefinite appropriation for fiscal assistance for the territories of Guam and the Virgin Islands, represents a net decrease of some $13.3 million from the amount appropriated to date for fiscal year 1981, and it provides funding for the Trust Territory of the Pacific Islands, the Northern Mariana Islands, Guam, American Samoa, the Virgin Islands, the Federal Comptrollers in each of the territories, the operations of the Office of Territorial and International Affairs, including technical assistance support, and for the Northern Marianas Federal Laws Commission.

$72,500,000 requested for the Trust Territory of the Pacific Islands

The United States, through the Department of the Interior, administers the Trust Territory of the Pacific Islands under a Trusteeship Agreement with the Security Council of the United Nations. As Administering Authority, the United States has obligated itself to promote political, economic, and educational development and to improve the health and well-being of the Micronesians through better community facilities and services. The Trust Territory covers a water area of three million square miles with a total land area of 516 square miles. The population (excluding the Northern Marianas) is approximately 120,000.

The FY 1982 budget proposed for the Trust Territory headquarters and the three emerging political entities is $72,500,000, a decrease $21.9 million from the appropriation for Fiscal Year 1981. Funding is included for operations, capital improvements, and the Enewetak support program.

Operations Budget

The FY 1982 budget proposed for the Trust Territory Headquarters and the three entities is $66,300,000, an increase of $10.0 million from the 1981 level. This amount would provide funding for the operations of the new governments and for the provision of local services. In addition, the operations funding will continue the headquarters support and the support of the College of Micronesia. The operations funding is to be divided as follows: for Headquarters, $6,400,000; for the College of Micronesia, $800,000 in direct funds, with an additional $600,000 to be provided by the three entities, for a total of $1.4 million; for the Marshall Islands Government, $9,843,000; for the Republic of Palau, $9,043,000; for the Federated States of Micronesia, $32,814,000; for enhanced operations and maintenance, $4,900,000; and to be held as a reserve for increased fuel costs, $2,500,000.

Other Funding

The remainder of the Trust Territory budget is comprised of capital improvement funds and the Enewetak support programs. In the area of capital improvements, $3.0 million would be the United States' contribution to the three government entities for A&E work for capital relocation. The sum of $2.5 million is requested to restore prior year construction funds reprogrammed for headquarters operations and for the translation of the initialed Compact of Free Association. Finally, the request includes $700,000 for support of the Enewetak people.

$80,854,000 requested for Administration of Territories

$23,567,000 requested for the Northern Mariana Islands

The requested funding for FY 1982 includes the Covenant grant, with an increase of $2 million, as specified by law. This funding will provide $2,805,000 for economic development, $13,225,000 for operations, and $6,412,000 for capital improvements. In addition to the Covenant funding, the request includes $1,125,000 for architectural and engineering work preliminary to the eventual construction of new hospital facilities on Saipan.

$10,047,000 requested for Guam

The requested funding includes $250,000 for the Guam Economic Development Loan Fund and $9,797,000 for capital improvements. The capital improvements are in the areas of school renovation, $1,008,000; water system development, $2,002,000; port expansion, $1,950,000; roads and bridge construction, $4,500,000; and miscellaneous small projects, $337,000.

$23,713,000 requested for American Samoa

The requested funding includes $250,000 for American Samoa's economic development loan fund, $18,400,000 for local government operations, $150,000 for the support of operations on Canton Island, and $4,913,000 for capital improvements. The capital improvements are in the areas of education, $975,000; fisheries development, $525,000; water systems development, $1,988,000; and roads and docks, $1,425,000.

$18,200,000 requested for the Virgin Islands

The requested amount represents the final increment in the three year funding for new hospital facilities in the Virgin Islands.

$3,216,000 requested for the Federal Comptrollers

This request, with an increase of $82,000 over the 1981 level, will provide direct funding for the Comptrollers' offices in American Samoa, the Virgin Islands, Guam, the Trust Territory and the Northern Mariana Islands. The functions of audit and technical assistance within the organizations have been administratively separated, with distinct lines of authority. Funding, however, has not been separated.

$1,911,000 requested for Territorial and International Affairs

The request for Territorial and International Affairs reflects an addition of $750,000 for technical assistance support costs. The 1982 program would be an extension of the 1981 program. The request includes $1,161,000 for the operations of the Washington office, an increase of $11,000 from the amount appropriated in 1981.

$200,000 requested for the Northern Marianas Federal Laws Commission

This request will provide the needed support for the completion of this Commission's work.

Local matching requirement

I should like to point out at this time that the funding for territorial construction projects, with the exception of the Trust Territory construction, funds under the NMI Covenant, and the Virgin Islands hospitals, reflects an increase in the local matching share from 10% to 25%. This increase was made necessary in order to retain substantial funding in the budget for all of the projects proposed in the January budget, and still keep within the tight constraints set for fiscal year 1982.

Lastly, Mr. Chairman, I should like to point out that the Secretary has not yet determined under what organizational structure the Office of Territorial and International Affairs will operate. You can be assured, however, that the concerns of not only the Congress, but also of the territorial governments, will be given full consideration before a final decision is made.

Mr. Chairman, that concludes my prepared remarks. I thank you for the opportunity to provide an overview of the Department's territorial budget request. My colleagues and I will be pleased to answer any questions you or other members of the Committee may have.

Mr. YATES. What is our commitment to the people of the Virgin Islands? They are a territory of the United States. Puerto Rico is a commonwealth of the United States; Guam is a territory of the United States. The Trust Territory is administered by the United States. What is our commitment to those people?

In response to my question on the Marianas, you said that we are meeting our commitment to that government. Do we have commitments to the people of the Virgin Islands?

Mrs. VAN CLEVE. We have an international commitment under the U.N. Charter.

Mr. YATES. To the Virgin Islands?

Mrs. VAN CLEVE. Yes.

Mr. YATES. Is that the only commitment?

Mrs. VAN CLEVE. We have under the Charter commitments to all of the non-self-governing territories of the U.S. Those consist of the Virgin Islands, Guam, and American Samoa.

Puerto Rico is not included in that commitment, Puerto Rico having been, in effect, voted out of non-self-governing status in 1952 by a vote of the General Assembly.

We have a different commitment to the Trust Territory, which falls under a different chapter of the U.N. Charter and is subject to a specific trusteeship agreement between the U.S. and the Security Council.

My answer to your question with respect to the Virgin Islands would be the same answer I would give in the case of American Samoa and Guam. I am speaking now of a legal commitment. We could both discuss at length the moral commitment.

The legal commitment, I believe, stems from the U.N. Charter which requires the administering authorities of non-self-governing territories to take actions to encourage the political, social, and economic development of those areas.

One further point: We could also argue as to whether these territories are truly non-self-governing in any real sense of that term. They are technically non-self-governing for U.N. purposes. Many of us feel that they are, as a practical matter, fully self-governing in any realistic sense of the term.

Mr. YATES. I'm not sure I grasp our relationship. Why do we provide funding, for example, to the hospitals that we did in the Virgin Islands? Is it only a moral commitment?

Mrs. VAN CLEVE. I think that is right.

I think if one wanted to, you could pin it to the kind of legal commitment that I have stated.

Mr. YATES. The legal commitment that you stated is to the U.N. Charter.

Mrs. VAN CLEVE. It is under the U.N. Charter. It is a commitment to encourage, among other things, social development, of which health services are customarily regarded as one aspect.

Mr. YATES. Isn't there in the relationship under which the United States acquired the Virgin Islands a commitment to the people of that territory?

Mrs. VAN CLEVE. There is, of course, the Treaty by which the United States purchased the Virgin Islands from Denmark.

Mr. YATES. But there were no commitments within that Treaty to the people themselves?

Mrs. VAN CLEVE. My best answer, without rereading the Treaty, is that I think not. I think there are no treaty commitments to the inhabitants of any of the territorial islands with which we are concerned, other than American Samoa. There are some very clear commitments about perpetuating the unusual land tenure system and about perpetuating the Samoan culture in those agreements.

I think there is nothing comparable in the case of the other territories.

Mr. YATES. We have the agreement with the Virgin Islands with respect to the income to be received under the income tax, under the matching funds, and also under the rum fund, as I remember—and under certain tariffs. Isn't that correct?

Mrs. VAN CLEVE. These are all products of particular Federal statutes. That is correct.

Mr. YATES. What if the income results in deficits, as there has been?

It was good to hear that the budget of the Virgin Islands is now officially in balance. I assume, therefore, there won't need to be any funds forthcoming from the United States if that is true. Is that correct?

Mrs. VAN CLEVE. Not precisely.

Among other things, there are hospital needs that cannot be met by the current situation.

EFFECT OF BUDGET REDUCTIONS

Mr. YATES. What happens to all these social programs in the Virgin Islands and in the other territories under the restrictions of the budget and—even greater than that perhaps—under the Gramm-Latta legislation? What happens to the social programs to which the people have not only become accustomed but for which there may be some kind of commitment by the United States—certainly moral if not legal—because they have no place else to turn?

Mrs. VAN CLEVE. I can only agree with you as to the effects.

We are trying today to assemble data that will tell us a little more clearly than we know at the moment what some of the fiscal consequences of the proposed cutbacks for the territories will be.

There are undoubtedly some cases in some of the territories where the program is just so essential that it will be perpetuated from other resources, by which I have to mean in most cases local resources that are badly deficient already.

In the bulk of the cases, our supposition is that the program will simply be eliminated. Whatever benefits the local people have become accustomed to will obviously just evaporate.

In some cases, there will be substantial unemployment.

I believe Governor Luis used a figure of 800 people unemployed as a consequence of the foreseen cutback.

We have no figures to support that independently.

Mr. YATES. You did not indicate in your statement what was happening to the nuclear people of the Islands—Bikini, Enewetak, and the other islands that were affected by the bomb blast in the Pacific. What is the situation with respect to that?

Mrs. VAN CLEVE. I will be glad to tell you.

Our particular experts on this subject will be here on Wednesday when, I believe you have the nuclear victims listed seriatim.

The situation in Enewetak is that the island improvements were completed and dedicated some many months ago—roughly a year ago. The people of Ujelang moved back in large measure to Enewetak, but a fair number have since returned to Ujelang because Enewetak is not the kind of island that can yet support in a very attractive way this very substantial population. The coconut trees are only about a foot high, rather than the many feet high that they will be in due course in seven or eight years when they are fully matured.

So the situation on Enewetak is that the Ujelang people are either on Enewetak or Ujelang.

Under Secretary Joseph, shortly before the transition, concluded that the Island of Enjebi, which has been before us as a difficult question for some years, remains too hazardous for human habitation. That is a conclusion with which some of the Enewetak people will take issue. It is, however, one that the Interior Department, at least as of January, stood behind very fully.

We had sought, without success, to obtain funding to create a trust fund by which the people of Enjebi could be assured of the construction of housing and other facilities once the island became safe for habitation. We predicted 15 to 20 years.

We were not successful in obtaining that money, but that is one of the programs that remains in our vision.

So far as Bikini is concerned, we have, as you will recall from our earlier testimony, arranged to have the Bikinians visit, so far as we know, every possible site of habitation so as to live in that site for the 50 to 60 years required until Bikini Island becomes habitable again.

They have concluded, on the basis of the several visitations—to Wake, two or three visits to Hawaii, one to Palmyra, another to an island off Ponape—that we have arranged, that they prefer Kili to the alternatives.

One question remains and that is whether they will decide that Eneu, an island in the Bikini Atoll, is a possible sight of habitation, given the stringent living conditions that we believe would need to be imposed upon them in order that they could safely live there.

They have not finally answered that question. We expect it to be answered in the course of the next few weeks, at which time we think we will finally be able to put together a definitive Bikini rehabilitation program.

We have not yet been able to do that—and that is why there is no figure in this budget for Bikini—because we haven't been able to dispose of all of the alternatives.

As I say, the last alternative is Eneu, and we have pressed the Bikini people to come to terms. We think that they will quite soon.

So that is our situation with respect to the two major areas.

We have enough money remaining from the Special Compensation Fund for the people of Rongelap and Utirik, so that it has not been necessary for us to ask for funds for them this year.

We do have, as I think I mentioned earlier, a relatively small sum for Enewetak support—$700,000. This would permit us to bring special food in for the Enewetak people. It would also permit the grove maintenance; that is to say, the watering of the coconut seedlings until they are old enough to live by their wits alone.

TAX REDUCTION EFFECT

Mr. YATES. In your judgment, what would be the effect of the passage by Congress of an income tax reduction on the territories?

Mrs. VAN CLEVE. It would unquestionably result in a material reduction of local revenues.

In both the Virgin Islands and Guam, the Federal income tax that is collected there as a local tax and that remains in the treasuries of those territories, represents something in excess of 50 percent of their local revenue, so it is a very substantial portion of local revenue.

Clearly, any reduction would have to impinge seriously upon local government programs. There is no alternative.

The alternatives that the territories and the United States would face would be perpetuating that cut and not doing anything about it or filling it in from either of the two sources that are available. That is, either the United States or the local government.

The territories have, of course, taxing power. Territorial legislatures are as enthusiastic about raising taxes as legislatures are generally. So that is perhaps not very realistic, but it is an available course.

The alternative is the one that was chosen in the mid-70s for some three years running of asking the United States and having the United States respond affirmatively to filling in the gap with a further Federal grant. That was done in the case of the both the Virgin Islands and Guam for several years.

FEDERAL PROGRAMS

Mr. YATES. Shouldn't we know about the conditions of the territories respecting social programs—education and health, transportation, and all the things that make up the lives of the people as far as their relationship to the government is concerned?

Mrs. VAN CLEVE. Indeed.

I think probably within the next few days we will for almost the first time, have a rather good collection of statistics as to the current situation.

One of the difficulties we have always had in dealing with Federal programs in the territories is that there is no single depository of information. One must deal with the literally hundreds of Federal agencies at the Washington end or the several-times hundreds of agencies at the territorial end, in order to pull together hard information.

We did that in 1977. We have just completed doing it again. I learned earlier today that we expect this information to be available in readable form later this week.

What it will show is that in each of the territories, and I include the Trust Territory, multiplied really by four because of the entities there, there are anywhere from five to 800 Federal programs that are available as a matter of law. In each of these areas, there is anything from one to three or four hundred programs that are actually implemented.

We will have the figures showing the costs of those programs.

We can obviously present then, reduced by a given percentage, a total that might reflect some of the realities likely to apply in fiscal year 1982.

We can't be very definitive about 1982 figures until the Congress, of course, acts upon these programs.

ADEQUACY OF 1981 BUDGET

Mr. YATES. What is your feeling about whether the 1981 budget is adequate for the territories?

Mrs. VAN CLEVE. I think the official answer has to be that it was.

Mr. YATES. Is this like the official budget of the Virgin Islands?

Mrs. VAN CLEVE. I said earlier, Mr. Chairman, that at every moment that I am aware of in recent history, reasonable people could justify further Federal dollars for particular programs in any one of the territories. I really have no doubt that that is true.

Mr. YATES. That is a relative reply isn't it?

Mrs. VAN CLEVE. Yes, and I mean it to be that because it is a matter of judgment. It is a matter of judging how much government should do for people in the territories and elsewhere.

Mr. YATES. They have nowhere else to turn. I guess they can turn to themselves and their own taxing bodies can't they?

Mrs. VAN CLEVE. An argument can be made that that has not been done with sufficient vigor.

Mr. YATES. How much in assets do they have?

VIRGIN ISLANDS TAXES

What is the taxing rate in the Virgin Islands? Is it like that of the United States?

Mrs. VAN CLEVE. The income tax rate is precisely the same as the Federal tax rate.

The economic studies that we have done suggest that the tax burden borne by the residents of the territories is proportionately less high than that borne by the average resident of the mainland United States. But, of course, the inflation factor and the cost of living is generally higher in the territories.

ADEQUACY OF 1982 BUDGET

Mr. YATES. You have heard the testimony of Mr. Won Pat and Mr. Lagomarsino and Mr. de Lugo and the Governor.

Their needs, as they explain them, are not in consonance with what you explained the Administration will do in the territories. What happens to the differences?

Should the committee exceed its budget in doing the things that they ask to be done? Congressman, that is up to your committee isn't it?

Mrs. VAN CLEVE. The Administration's answer, I guess, is that.

Mr. YATES. That's the Administration's answer.

We have tried to find out from witnesses what the situation is. Unfortunately, we can't go to all the territories and find out for ourselves what the situation is. We can only take the testimony of witnesses who appear before us.

Have you been to the Virgin Islands recently by any chance?

Mrs. VAN CLEVE. I have. I was there in March.

Mr. YATES. That's a nice time of the year to go.

What did you find down there? Did you find that the Administration's budget would be ample to take care of the needs of the Islands?

VIRGIN ISLANDS HOSPITALS

Mrs. VAN CLEVE. The item that we have for the Virgin Islands is solely for hospitals.

Mr. YATES. That's a good program.

Mrs. VAN CLEVE. There can be no question but what the Virgin Islands sorely needed the hospitals to which this program responds.

Mr. YATES. As I recall, didn't this committee put that money in over the budget? There was no budget item for it.

Mrs. VAN CLEVE. I believe that is correct.

Mr. YATES. And it was a good thing we did, wasn't it?

Mrs. VAN CLEVE. Speaking as an individual, I think it was grand.

Mr. YATES. Now may I ask you as an individual—

Just like Mr. Won Pat, you are required to wear several hats occasionally.

I think it was Pooh-Bah in Mikado, wasn't it, who was many things in a government?

What should we be doing as an individual that we are not doing? Would you be censored or flogged by OMB in the event you gave the committee advice that wasn't a part of the budget?

Mrs. VAN CLEVE. Potentially, in the manner of the Mikado flogging Pooh-Bah.

I really am required to take the position that this is the right budget.

Mr. YATES. Yet where else are we going to turn except to you and the witnesses for our information.

We were able to get information on the hospitals. As you say, that turned out to be a very good thing.

VIRGIN ISLANDS CAPITAL IMPROVEMENTS

What about the water systems and the other capital improvements that the Governor and Delegates spoke about. Would these be good things if the committee looked favorably on that?

Mrs. VAN CLEVE. I can assure you that the water and power problems in the Virgin Islands, which the Governor described, are real. They are a little less acute now, as I think the Governor also stated, than they were in the late weeks of 1980. But these have been long-standing and very acute problems, particularly in St. Thomas and to a lesser extent St. Croix.

What we hope to achieve with a piece of our $750,000 of technical assistance money, which is a portion of the request we are making for the Washington office, is to assist the Governor of the

Virgin Islands and find other Federal assistance to help them in constructing yet again an effective program to meet these needs.

It is possible that a consequence of that program could be a request for Federal funding in another year. We are not in a position to do that now.

I think that you heard about additional earlier this afternoon. This is likely to be true of many of the requests from territorial spokesmen in the next two days. Many such requests are not ones that have come to us formally, so we have not had an opportunity to react to them in the usual sense of the term.

Mr. YATES. Can that be the result of what has happened in previous years to requests that were made formally and turned down?

Mrs. VAN CLEVE. Undoubtedly.

Also, I don't doubt that the political leaders of the territories recognize the Washington reality this year and realize that they are likely to find unsympathetic forums.

GRAMM-LATTA RECONCILIATION

Mr. YATES. What happens now?

I should ask the Delegates what happens in their committees. Your committees will be required to reconcile certain amounts. The Interior Committee will have to reconcile certain amounts within the new Gramm-Latta budget ceiling.

Where will those reconciliations come? Will they come from the territories? Do you have specific authorizations in the territories, or can the committee go above these authorizations without paying attention to Gramm-Latta in that respect?

Mrs. VAN CLEVE. The authorizations vary from territory to territory. We have an open-ended one in the Trust Territory, and American Samoa, but not in the Virgin Islands or Guam. Those are subject, from time to time, to authorizations that are pretty much used up as of this budget I believe.

Mr. YATES. Mr. de Lugo?

Mr. DE LUGO. My Chairman, my position will be that we are not going to touch any of the money of the Virgin Islands.

Mr. YATES. I am sure Mr. Won Pat will feel the same about Guam.

Mr. DE LUGO. On the question of taxing, the question of a surtax has been raised on several occasions and the legislature has rejected it for a very good reason.

The Virgin Islands has one of the highest costs of living that you will find—higher than on the mainland and not lower.

Federal employees get a cost of living allowance based on that.

Everything has to be shipped in. There is very little differential there for increasing taxes.

On the one hand, we are cutting taxes on the mainland to the mainland U.S. citizen and then telling the U.S. citizen who resides in the territories that we are going to raise it up. It makes no sense.

And Congress has agreed with that position since 1975.

Mr. YATES. Where does that leave us, Mrs. Van Cleve? We have heard the official word of the territories just now.

Mrs. VAN CLEVE. You have heard the official word of the Administration, sir.

Mr. YATES. That leaves it up to the committee then.

Are there any alternatives to increased taxes in the territories for taking care of cuts in social programs? I don't believe there are are there—other than special Federal grants?

Mrs. VAN CLEVE. The revenue can come from only one of two sources—either or both of two sources—either locally or federally.

I think you have suggested, rightly, that there is a very finite quantity of resources to be tapped locally.

CAPITAL IMPROVEMENTS COST-SHARING

Mr. YATES. The amount of sharing projected for capital projects in each of the Territories has been increased from 90 percent Federal and 10 percent local to a 75 percent Federal and 25 percent local sharing. That is reality now isn't it?

If that is true, how in the world do the territories come up with the extra funds to make the match?

Mrs. VAN CLEVE. May I make one correction?

The Virgin Islands hospitals would remain at a 90/10 ratio. 75/25 applies with respect to new, not on-going capital improvement projects.

That question I have to answer in the same way as other questions.

Mr. YATES. These are very hard questions for me to put, and I suspect that you may find the answers somewhat hard also.

Mrs. VAN CLEVE. Each of the territories has some local revenues. If the need is great enough, in the judgment of the territorial legislatures, to warrant the expenditure of territorial funds, or indeed Federal funds that become a grant to the Territories, then the project will be built.

If the decision makers in the territories do not think so, clearly it cannot be.

COMPACT OF FREE ASSOCIATION

Mr. YATES. When will your review of the Compact with the Micronesian groups be completed?

Mrs. VAN CLEVE. Reasonably soon.

I can't give you a definitive answer, but it is very much underway.

The reason I can't be definite is that it is probably going to be the subject of consideration by several Cabinet officers, as well as the President himself before we are through.

The initial steps have been taken. A great deal has been written and reviewed. We should know reasonably soon the stance of this Administration toward the Compact.

Mr. YATES. What are you reviewing at the present time?

Mrs. VAN CLEVE. The document which has been produced, which is a classified document, reviews, among other things, the strategic considerations having to do with that part of the world and the value of these islands in a strategic context.

It also reviews in great detail the economic aid that would be contemplated under the Compact and whether this is sufficient to meet minimal economic and social needs.

Mr. YATES. You indicated that the Compact had been initialed. Is it possible that even though it has been initialed, that it may be opened up?

Mrs. VAN CLEVE. Yes. The initials mean in a technical sense, as I understand it, only that the negotiators who in fact negotiated and initialed are satisfied with the product and believe it to be within the scope of their instructions.

It does not commit the parent government to the agreement. Accordingly, either the last Administration or this Administration could in effect repudiate the agreement.

That is intended to be a technical answer, and I don't mean to predict that they would do so, only that they can do so without bringing down international scorn.

FEDERAL LAWS COMMISSION

Mr. YATES. What about the million dollar effort to begin the Federal Laws Commission? Is that still going forward?

Mrs. VAN CLEVE. There is a hope that that can be done at a lesser expense in-house within the Executive Branch, and probably within the Interior Department.

The authorizing legislation was deleted from the legislation that finally went to the President. The thought is that the job can be done probably without a statutory foundation and probably for a lesser expense.

VIRGIN ISLANDS FINANCIAL CONDITION

Mr. YATES. We have heard the representatives of the Virgin Islands say their budget is officially in balance. Can you tell us what the financial condition of the Virgin Islands is?

Mrs. VAN CLEVE. I can report to you what I have learned recently from the Federal Comptroller, Mr. Caton, and you may wish to ask him because he is far more expert than I.

The gist of the situation, as I understand it, is that the latest figures for the Virgin Islands government are those for the period ending September 30, 1979. The books are not yet closed for 1980.

As of September 30, 1979, the Virgin Islands Comptroller believes that there is a deficit of $12 million. The Virgin Islands government believes that there is a surplus of approximately $100,000.

But the Comptroller has stated recently that were the Virgin Islands government to adopt a standard, more sophisticated accounting system than that in fact in use, then the local government would in fact not be in a deficit situation.

I will ask Mr. Caton to speak further to that point.

Mr. YATES. We would like to hear your views on that.

VIRGIN ISLANDS ACCOUNTING SYSTEM

Mr. CATON. On the point that Mrs. Van Cleve was just making, what we are referring to is that the territorial government maintains their records on a cash basis of accounting.

The acceptable basis of accounting for a governmental organization would be a modified accrual basis, which would be similar to the other territories.

When we speak of a deficit in the Virgin Islands, we are not speaking on the same basis that you speak of a deficit in the other territories.

Mr. YATES. Because of the cash accrual?

Mr. CATON. Because of the cash basis.

Mr. YATES. How valid or how sound are their accounts receivable? Isn't that the point you are trying to make?

Mr. CATON. That is the main point.

I believe if you convert it from a cash basis to an accrual basis, the basic difference—and there would be some other differences, but the most significant difference—would be the accounts receivable that would be accrued into the fund balance.

Mr. YATES. Haven't we been talking for years with the Comptroller about putting into operation an effective accounting system?

As I recall, didn't we put funds into your budgets from time to time to help you in the Virgin Islands bring the books up to an appropriate accounting system, so that we do know what the financial condition of the Islands is?

Mr. CATON. I don't think any funds have been appropriated for that purpose.

Mr. YATES. Is that true, Mrs. Van Cleve?

Mrs. VAN CLEVE. There was an appropriation of about half a million dollars for Guam for that purpose. It is working very well in Guam, but there has been no companion appropriation in the case of the Virgin Islands.

Mr. YATES. Should there be?

If it's working very well in Guam, and the Comptroller says that you have this kind of a situation in the Virgin Islands, the conclusion I would jump to is that you ought to be doing it in the Virgin Islands as well.

I know you are restricted by OMB's sword of Damocles hanging over you, but I think it is an essential question for this committee.

Mrs. VAN CLEVE. One other answer that I can provide without feeling the sword is that the technical assistance money that we are seeking would help. That is $750,000 to cover all the territories and a lot of different problems, so I don't want to spend that particular amount in too many ways.

One of the areas that we have concentrated on is financial management and assistance in automatic data processing, so this subject matter would fall within what we are seeking.

Mr. YATES. Would that provide enough money to put the system into effect? How much money do you need to put in that system?

Do you need an appropriation for that purpose?

Mr. CATON. I can't respond to that, but I could respond to a new system. It would be in the hundreds of thousands of dollars.

Mr. YATES. To put into effect?

Mr. CATON. Yes.

Mr. YATES. How do we get an appropriate amount here? How do we find out what it would cost to put in an appropriate system?

Mr. CATON. It would take an extremely good survey of the present system and the type of system you are going to put in, taking

into consideration the hardware, as well as the people who operate the system.

Mr. YATES. What do you have in the way of hardware? How long a study do you need for this? What should you do—have a contract with some outside expert or can you tell us or what?

Mr. CATON. A contract with an outside expert would be one possible way to do it.

Mr. YATES. Could you do it yourself or are you too busy?

Mr. CATON. We would be limited in resources.

I would think that the better way would be a contract with an outside source.

VIRGIN ISLANDS DEFICIT

Mr. YATES. What is your feeling about the condition of the finances of the Virgin Islands?

Mr. CATON. Are you talking about the deficit?

Mr. YATES. Whatever.

I'm trying to find out how they are going to get along for the next fiscal year.

We know that they say they are in balance. I don't know that they are.

What is happening there?

Mr. CATON. The Governor touched on it earlier.

One year earlier, in fiscal year 1978, we reported a $35 million deficit. At the end of fiscal year 1979, which was 15 months later, we reported a deficit of $12.2 million. This is on a cash basis and leaves a lot to be desired.

The territorial government does not agree with us on that deficit. They report a hundred thousand dollar surplus.

The most significant difference between the two reports lies with fundamental differences in professional judgments—differences that I believe we have committed ourselves to resolving in the coming years, even if we have to——

Mr. YATES. "We have decided to resolve." What does that mean?

Mr. CATON. In a meeting with Governor Luis, and the Acting Commissioner of Finance, and myself, and others, I committed myself to resolving these differences during the coming year.

I have asked them to contribute this same amount of effort to resolving the differences. That's the reason I say I believe we have committed ourselves to resolving these differences, so that in the future we will be reporting approximately the same deficit on the balance.

Mr. YATES. Can you do that without appropriate changes in the system of reporting?

Mr. CATON. Our differences, yes, have nothing to do with the accounting system.

Mr. YATES. Will the accounting system help you to resolve your differences more easily?

Mr. CATON. No, it wouldn't. They have to do with particular accounting procedures that would be appropriate under either type of accounting system.

Mr. YATES. I see.

VIRGIN ISLANDS FINANCIAL CONDITION IMPROVEMENT

Mr. CATON. There has been significant improvement in the financial condition over the preceding 15 months.

Mr. YATES. Due to an increase in tourism?

Mr. CATON. Part of it has to do with a $14 million grant that was received during that period. This had to do with reductions in income tax collections because of changes in the Internal Revenue Code.

Increased interest rates have improved the financial condition through short-term investment of unneeded capital. Governmental revenues increased by $37 million. This comes from improved enforcement and collection procedures, and austere funding to the operating departments, and limitations on capital projects.

For the 15 months, the receipts in excess of expenditures were $18 million.

That has not been without a cost. The austere funding to the operating departments has not allowed these public services to increase as they could have.

Mr. YATES. It looks like that is going to continue, doesn't it?

Mr. CATON. The agreement with Hess Oil will provide some additional revenues, which could be used to increase the covered services.

VIRGIN ISLANDS GOVERNMENT PRODUCTIVITY

You asked awhile ago if there were any alternatives to providing additional funds, either through the local legislature or Federal appropriations. There is one other alternative. That is to increase productivity and decrease the cost of government operations in areas that are not as essential as other areas.

Mr. YATES. Increased productivity of what?

Mr. CATON. Of the personnel.

Mr. YATES. Do you mean government personnel?

Mr. CATON. Yes.

Mr. YATES. How are you going to do that? We have been trying to do that in the Federal Government for years, haven't we?

Mr. CATON. It has to come through the middle management training. I believe that there is a significant amount of training needed in middle management.

Mr. YATES. How are you going to do that? By special grant?

Mr. CATON. I am not proposing——

Mr. YATES. How are you going to train these middle personnel? It is a good suggestion, but I don't know how we are going to do it.

We would like to have suggestions as to how it can be done.

VIRGIN ISLANDS DEFICIT

I am not sure I have clearly in my own mind the condition of the finances of the Virgin Islands. You said there had been a deficit of $35 million. That has been cut in half.

Mr. CATON. To about a third.

Mr. YATES. What would that be then?

Mr. CATON. It would be $12 million.

Mr. YATES. Is that a present condition?

Mr. CATON. It is a condition as of September 30, 1979—the latest records available to determine the financial condition.

We can't give a more current one.

Mr. YATES. Why can't you?

Mr. CATON. The fiscal year 1980 records are not yet closed.

Mr. YATES. I see.

Are we fooling ourselves when we accept the statement that the budget is in balance? We don't know that do we?

Mr. CATON. No, we don't. I don't know in what context the Governor was referring to it when he said the budget is in balance.

Mr. YATES. Officially in balance.

Maybe I can ask Mr. de Lugo.

Mr. de Lugo, what did the Governor mean when he said the budget is officially in balance?

Mr. DE LUGO. Mr. Chairman, we brought the best source. We have the Governor's cabinet here who handle this.

I was informed by the Administration that the budget is officially in balance.

Mr. YATES. Would you bring forward a source?

Mr. DE LUGO. We have the Budget Director and the Finance Commissioner and the Treasurer.

Mr. YATES. Would you join us at the table here, gentlemen?

Would you like to address my skepticism and tell me how you arrived at the budget being in balance when you don't have the figures beyond 1979?

Mr. CATON. Those are the latest figures I have.

Mr. O'REILLY. I am Stephanos O'Reilly, Director of the Budget.

This problem between the U.S. Comptroller and the Virgin Islands has been a recurring one. For ten years there has been disagreement.

The $12.2 million which is stated in the Comptroller's report as a deficit is a result of $11.9 million being reserved for income tax refunds.

Under our system of accounting, we project revenues, and we estimate what our income tax refunds would be. We reduce revenues.

The Comptroller is saying that with our limited cash flow, that we should reserve 20 percent of our income for income tax refunds.

The Acting Commissioner of Finance and he have disagreed over the years.

That is primarily what constitutes the deficit that is reserved.

Mr. YATES. You say this disagreement has been going on for ten years.

Can't you get some kind of history that you look to? Is he right or are you right on the basis of history?

Mr. O'REILLY. At the last meeting I had with Mr. Caton, we recommended that the accounting profession act as an advisor between the two to decide who was right to try to resolve the problem.

Mr. YATES. That is a rather reasonable suggestion isn't it? Is it reasonable, Mr. Christian?

Mr. CHRISTIAN. Yes, sir.

Mr. YATES. Please identify yourself to the reporter.

Mr. CHRISTIAN. I am Claude Christian, Acting Commissioner of Finance.

I would like to make a few points. First of all, we don't agree that the Government of the Virgin Islands is operating on a cash basis of accounting. We don't agree to that at all.

Mr. YATES. That is immediately a significant item of disagreement.

ENCUMBRANCE ACCOUNTING SYSTEM

Mr. CHRISTIAN. Yes, Mr. Chairman.

We accrue liabilities. We operate on an encumbrance system. We record receivables and other assets not arising from cash transactions.

In our opinion, that does not constitute a cash basis of accounting.

We match obligations against cash resources. We reported, I might add, for the first time in fiscal year 1979, on a full accrual basis for fund types.

We are trying desperately to get our system in line with that recommended by the National Council on Governmental Accounting. We are trying to do that.

Mr. YATES. Does he disagree with that?

Mr. CHRISTIAN. I wouldn't think so.

Mr. YATES. Mr. Caton, are you in agreement with that?

Mr. CATON. Yes.

Mr. CHRISTIAN. What we are doing that is different from what the National Council on Governmental Accounting has recommended as far as the recognition of revenue is concerned is that we are not on a modified accrual basis. We recognize the revenue, and we get it.

We say that certain types of revenue should be recognized, but there are exceptions to that. Those exceptions would cover such things as income, gross receipts, excise, and other taxes.

We feel that those represent up to 90 percent of the collections that we make in the general fund. We would be unable to accrue them on the modified basis system. Therefore, it is only about 10 percent of the useful revenue that we are not accruing.

So we ask the question: What does it matter really that we are not accruing the 10 percent?

The major difference between what the Comptroller is coming up with and what we are saying pertains not to the Government as a whole but to the general economy where the operations are funded.

The major difference is the income tax reserve which the Comptroller sets up every year, saying that we should have reserved from cash resources available in the fiscal year an additional amount of what we reserve. Therefore, he has come up with a deficit.

When we are not reserving that particular amount, or an amount in such a huge amount, we come up with a balance that is considerably less than what he is coming up with.

Mr. YATES. What happens in historical patterns when you have done this, or shouldn't we go by historical patterns?

Mr. CHRISTIAN. The history of our action is that we have always reserved such amounts as were needed to meet the things in the next few months into the fiscal year.

We have a local law which mandates that we provide at least 4 or 5 percent of the internal revenue collections on a monthly basis so as to preclude the legislature from having to pass an amount on a yearly basis for the repayment of income tax refunds.

We meet the legal requirement by reserving 4.5 percent, at least. It is always more.

The Comptroller has contended that the study he made showed that we should reserve at least 20 percent, with which we disagree.

Mr. YATES. Why are you so tough with him?

Mr. CATON. Historically, income tax refunds have equaled 20 percent of the amount collected.

Mr. YATES. Isn't that the answer?

Mr. QUINN. My name is Leroy Quinn. I am Director of Internal Revenue and formerly Commissioner of Finance, so I am quite familiar with the finances of the Government.

In order to explain the $11.9 million, which the Comptroller is saying we should set up, at the end of a fiscal year—September 30—we set up a reserve of the known refunds that we will be making in the enusing two or three months.

The Comptroller is saying that at that point we should set up a reserve for income taxes for the entire fiscal year—the next fiscal year—when we have not even received the income tax returns.

Mr. YATES. He's shaking his head.

Mr. QUINN. That is what he's saying.

He's saying that if we make $14 million in refunds in 1979, we should set up a reserve at the end of 1979 to take care of 1980 refunds.

This is the problem. We have always set up a reserve at the end of the fiscal year to cover those known contingent liabilities, but we cannot set up a reserve if we haven't even received the income or the returns have not been filed with the Government.

Our reserve is established, based upon the collections for the preceding year in which an income tax return has not been filed. We establish a reserve of 20 percent against that amount.

For those amounts during the preceding year where an income tax return has been filed, we establish no reserve whatsoever for them—only for those collections made. This is income tax paid on a pay-as-you-go basis—withholding or quarterly basis.

Those receipts for income tax in which an income tax return has not been filed. We establish a reserve with that amount.

Mr. YATES. I will be right back. We will take a short recess.

[Recess taken.]

Mr. YATES. We will resume.

Where are you going then? Are you going to call in some arbitrator?

Mr. QUINN. I made inquiries of the Internal Revenue Service, and they never accrue or create any reserve for an income tax refund. The refunds are made from revenues, and they never create any reserve at the end of any particular period.

In answer to your question, we have agreed that we will submit this question to some authority in the accounting profession. We will be guided by the decision we receive.

Mr. YATES. Is that satisfactory, Mr. Caton?

Mr. CATON. Oh, yes, that is perfectly satisfactory.

VIRGIN ISLANDS HOSPITALS

Mr. YATES. Thank you, gentlemen.

Are the hospitals proceeding alright? Do you have any problem getting staff for the hospitals?

Dr. SCHNEIDER. I am Dr. Roy Schneider, Commissioner of Health for the Virgin Islands.

No, sir. We have started an intensive equipment program and training program.

Mr. YATES. When you are through with this, you will have staff. When are you going to complete it?

Dr. SCHNEIDER. We hope to complete it next summer if we have sufficient funding.

Mr. YATES. Is Mrs. Van Cleve going to give you enough money to complete it?

HOSPITALS COST OVERRUN

Dr. SCHNEIDER. I don't know, sir. I think the $18.2 million is not sufficient. We don't have enough resources to fill in the costs we have.

There is no cost overrun in construction, because we have a guaranteed maximum price which they cannot go above. If the construction people are delayed, they pay us $200,000 a week. I think that is sound management.

However, the cost overrun is due to inflation, and the cost of furnishings, and extra machines, and sterilization equipment, and kitchen equipment, and the essential equipment for the hospital is where the cost overruns are.

Mr. YATES. How much of a cost overrun will there be?

Dr. SCHNEIDER. We figure it will be about $4.1 million when we add the equipment for the hospitals and the inflation factor in the construction of the St. John project, which is not on a guaranteed maximum price.

Mr. YATES. What do you mean by the St. John project?

Dr. SCHNEIDER. Presently under construction are the two hospitals which include the community health centers. We save $5 million by doing that.

We have four projects on-going right now. The master plan was to have a 12-bed holding area in St. John.

Because of the delay in funding, we did not have sufficient funding. We had to delay starting that.

When we put the bids out in the routine, traditional way, instead of $1.5 million that we had in the budget, the lowest bidder came in at $3 million. That is an overrun of about $1.5 million already.

The local government has put into the project last week $2 million more to take care of the off-site things—storm drainage, domestic water lines, and so forth.

I think by our plan, which you so gracefully helped us with, if we went the regular way, the cost of the project would be more than $10 to $15 million presently. Because of the guaranteed maximum price, because of the efficient way we are moving, being six to eight months ahead of schedule is unusual anywhere in the Caribbean.

Mr. YATES. Or anywhere in the United States so far as Government goes.

That sounds very good.

Have taxes been raised at all since the Congress offered to match increased tax rate revenues in fiscal 1980?

Mr. CATON. No.

Mr. YATES. They have not.

What about the overruns? Is there money in the budget for overruns for inflation?

Mrs. VAN CLEVE. I think there is not.

We are budgeting simply $18.2 million, which, I understand from Dr. Schneider's testimony, will not compensate for inflation.

Mr. YATES. How valid is Dr. Schneider's testimony about the need for extra funds?

Mrs. VAN CLEVE. I can't ever doubt the validity of Dr. Schneider's testimony, and I don't now.

$18.2 million is as much as the Administration is able to seek.

Mr. GALLAGHER. At the time the budget was put together, the total cost was $61.3 million. These new figures have come up since then. We have not seen them.

Mr. YATES. You can't answer it then.

Mr. GALLAGHER. I think probably——

Mr. YATES. How long would you require in order to find out whether the figures were accurate?

Mr. GALLAGHER. I would have to take a look at this proposal.

Mr. YATES. Would you look at it so you are in a position to let us know tomorrow?

Mr. GALLAGHER. Yes, sir.

Mr. YATES. When you talk about being ahead of schedule, does that include your dispensaries as well?

Dr. SCHNEIDER. No, sir.

The clinics will be going out for bid this next month.

We did not have any money in the first two years' appropriations.

What Interior is saying essentially is that in the first two years, we got $40 million. When you add $40 million and $18.2 million, you are at $58 million. The amount is $61.3, without the increased costs that I just mentioned.

Mr. YATES. What do we do about the dispensaries? Where will the dispensaries go?

You obviously can't take care of all your people in the hospitals. It doesn't make sense for you to bring all your people into the hospitals does it? You should have out-patient clinics and care of that kind shouldn't you?

Dr. SCHNEIDER. Yes, sir.

Mr. YATES. Do you have any of those now?

Dr. SCHNEIDER. We do. They are very, very dilapidated.

Most of the buildings have been around for 25 to 60 years.

Mr. YATES. Have you shown them to Mrs. Van Cleve?

Dr. SCHNEIDER. Not personally, sir.

Mr. YATES. Did she see them?

Dr. SCHNEIDER. I suppose.

Mrs. VAN CLEVE. I have seen them, and they are dilapidated.

Mr. YATES. Are you saying then there should be new dispensaries?

Mrs. VAN CLEVE. I thought that the $52 million program, as originally conceived, would improve the dispensaries. Am I wrong about that, Dr. Schneider?

Dr. SCHNEIDER. The program that we put together was a regional program, having the clinics and the central hospitals, so that both ends of the islands could be taken care of.

When we did the analysis using the engineering index, we did come up to a total cost for the project of $61.3 million.

Mrs. VAN CLEVE. Including dispensaries.

Dr. SCHNEIDER. Yes.

The way we have been funding, because we had this guaranteed maximum price, we had to have the money available for the construction of the hospital and the community health clinic within one roof, so we could move ahead. We would have never been able to be under schedule.

Mr. YATES. Has this program of hospitals and dispensaries been looked at by your organization?

Mrs. VAN CLEVE. Indeed, it has.

That, I think, was the basis for the three-year funding that we have been working on. That is why I thought that the dispensaries under a different title were included.

Mr. YATES. Get together after the hearing, and let us know what your feeling is about it.

PUBLIC WORKS MISUSE OF FUNDS

There are a number of articles in the Virgin Islands Daily News in March and April that says there seems to be some corruption in the Department of Public Works. Have you seen those?

Mrs. VAN CLEVE. Since modesty might keep Mr. Caton from so stating, I would just say that the articles are largely the product of the work of his office. His office, at the request of the Governor, undertook to do an audit of the Public Works Department. Some six volumes were the result.

Those audit reports, in turn, were the basis for the series of articles in the Daily News.

The first conviction occurred on Friday of last week, I understand.

Mr. YATES. What happened.

Mrs. VAN CLEVE. A former official of the Public Works Department was found guilty of some ten felonies, having to do with the misuse of funds.

Mr. YATES. Problems in paradise.

What was the extent of the corruption?

Mrs. VAN CLEVE. I think the total figure resulting from all of the Daily News stories was some $47 or $49 million in funds misused.

Mr. YATES. $47 million?

Mrs. VAN CLEVE. Yes.

That's a consequence now of the newspaper articles, not of the audit. The audit would be a lesser figure and, of course, a harder figure from our standpoint.

That is to say, it is the result of an audit report.

Bill, can you speak to that?

Mr. CATON. The total was developed by the news services. In the earlier article, I think they spoke of $19 million.

We have not made a tabulation of funds along that line.

I am not too sure that our figure would total $19 million. I have no idea what it would total if we did add it up.

But the one thing I would like to add to what Ms. Van Cleve said is that every item that we felt should be investigated has been turned over to the U.S. Attorney and the Attorney General's office. To the extent of their resources, they are pursuing the various allegations.

It will be some time before all of them unravel.

Mr. O'REILLY. May I say something?

Mr. YATES. Indeed, sir.

Mr. O'REILLY. Contrary to the newspaper article which gives the appearance that these wrongdoings are currently taking place—and I think Mr. Caton will agree with me—this is an accumulation of wrongdoing that goes back 10 or 15 years, and the present governor has requested the audit.

Dr. SCHNEIDER. Additionally, sir, the governor requested legal help from the Justice Department. It could not give him persons to take care of all problems. Before that, he had gotten help for the general crime problem, so that made for some of the delay that appeared out of proportion in the newspaper.

Mr. YATES. Are you on top of it now, Mr. Comptroller?

Mr. CATON. Our part of the work has been completed. It is now up to the U.S. Attorney and the Attorney General. However, our office has committed itself to doing follow-on audits in specific areas to support prosecution.

We are responding to the U.S. Attorney on a request basis.

Mr. YATES. Is there anything being done to prevent the same thing from happening again?

Mr. CATON. Our reports were addressed along that line as to improvements in internal controls that allow——

PROCUREMENT PROBLEMS

Mr. YATES. Is it purchasing?

Mr. CATON. A great deal of it is in purchasing, yes, sir.

Mr. YATES. How do you check up on purchasing?

Mr. CATON. Do you mean, how do you prevent bad purchasing?

Mr. YATES. Yes.

Mr. CATON. The internal controls in your procurement process—competitive bidding, review of the item that you receive.

Mr. YATES. Is there an inspection system?

Mr. CATON. And an inspection. All of these will be internal controls.

There was a breakdown in the various procedures in procurement.

Mr. YATES. What happens now with respect to the program of Public Works that the delegate testified about? Will there be controls to make sure the same kind of thing doesn't happen again?

Mr. CATON. The territorial government would have to respond to that.

We have made recommendations along those lines. I know that they have implemented some of the recommendations, but I don't believe they have implemented all of them.

AUDIT OF HOSPITAL CONSTRUCTION PROGRAM

Mr. YATES. Was there nothing discovered in connection with the hospital program?

Mr. CATON. We have not looked at the hospital program.

Mr. YATES. Should you look at it?

Mr. CATON. We would certainly look at a grant of that size at some point in time.

Mr. YATES. When is this "point in time"?

Mr. CATON. Probably after completion of the hospital.

Mr. YATES. Shouldn't you look at it now?

Mr. CATON. There is no legal reason why we could not that I am aware of.

Mr. YATES. Is your office large enough?

Mr. CATON. Our office is large enough. It is a matter of directing the work into the various areas. It could be directed into the hospital construction, as well as other areas.

Mr. YATES. Obviously, Dr. Schneider doesn't know of anything.

HHS APPROVAL OF VIRGIN ISLANDS HOSPITAL CONSTRUCTION

Dr. SCHNEIDER. But in your wisdom, if you recall, when you made the Appropriation Act, you also mentioned that the Department of Health and Human Services—HEW—must check everything before we are allotted the money by Interior. This is being done.

The head of HEW in New York is here. He has looked over our shoulders from the beginning of the project, so I don't think you will find any problems.

Mr. YATES. What is your impression?

Would you identify yourself for the record?

Mr. BESTEMAN. I am Karst Besteman, Regional Health Administrator for the Public Health Service in the Health and Human Services Department in New York.

We have reviewed and approved every step of the process by which the Virgin Islands has obtained construction of the two hospitals. We have had all the plans. We have had on-site inspections by regional engineers to ensure that certain parts of the construction had actually occurred according to specifications.

We continue to have people fulfill that function.

Several times there were negotiations around explicit requirements, either something that in our professional judgment we felt impacted on the program or a suggestion by our engineers regarding certain construction items.

I must say that we have the largest single portfolio of the ten regions in the country in New York. We have virtually 50 percent of the hospital construction renovation in the country happening in our region.

This project, in terms of progress and ease with which it has occurred, in our supervision, has been an outstanding example in the region by comparison to anything else.

I am a firm believer in Murphy's law. Right after the horses got off the racetrack, somebody suspended Murphy's law on this project, and it has been beautiful.

Mr. YATES. That's good.

Will you continue to do it until completion?

Mr. BESTEMAN. We will continue to do it. I can't say through completion, because we only have the construction responsibility and approval.

Our approvals are so far ahead that we have actually approved the final set of drawings which are in our office right now to complete the hospitals, even though the hospitals are only roughly 30 percent physically in place.

So these approvals of ours predate action.

The engineers will continue to assure that things occur as we have approved.

Mr. YATES. What about the purchase of equipment?

Mr. BESTEMAN. Only to the extent that they are part of this procurement will we have anything to do with that.

Some of the equipment will be purchased directly outside of this procurement, and we have no delegated authority in that area.

Mr. YATES. Suppose the committee that made the funds available were to keep you in the picture?

Mr. BESTEMAN. We would then continue to function as we have, according to your instructions in the earlier committee report.

Mr. YATES. Thank you very much. It is good to know that you are doing so well.

Mr. O'REILLY. I would like to add that my office has taken steps in implementing many of the recommendations made by the Comptroller and the Public Works Department. We have submitted a report to him telling him what we are doing.

However, it is a slow process because of the limitations of our human resources.

We have taken steps and are continuing to monitor the program to try to implement programs to correct the past practices.

MEDICAL DISPENSARIES

Mr. YATES. Dr. Schneider, how much do you need for dispensaries?

Dr. SCHNEIDER. For the three dispensaries, we need $1.5 million.

Mr. YATES. Where would the three dispensaries go?

Dr. SCHNEIDER. One would be in the eastern end of St. Thomas and one would be in the western end. The other would be in the eastern end of St. Croix.

Presently, we are finishing and dedicating in two weeks a project in the western end of St. Croix.

Mr. YATES. How do you take care of the people on St. John?

Dr. SCHNEIDER. This is where we need the 12-bed holding area that I told you had the increased cost. For that we need another $1.5 million.

Mr. YATES. You don't need a dispensary?

Dr. SCHNEIDER. They will have a 12-bed holding area. Out of local funds, we are building a dispensary in the eastern end. We have one in the western end.

Mr. YATES. Thank you very much.

VIRGIN ISLANDS WATER AND POWER AUTHORITY

We have had reference here to the water and need for power in the islands.

Is the Authority still in technical default on its bonds?

Mr. BLAKE. My name is Thomas R. Blake. I am the Executive Director of the Virgin Islands Water and Power Authority.

Mr. YATES. We have looked at the Comptroller's report. We have looked at official statements which have indicated that the Water and Power Authority is in technical default.

Mr. BLAKE. I believe the Director of the Budget will bear me out that that is absolutely not the case. There has never been at any time that we have been told by the trustees for long-term bonds that there was even indication for them to give us notice.

Mr. YATES. How did they come to that conclusion, Mr. Caton?

Mr. CATON. I'm not really sure that we came to that conclusion.

Mr. YATES. Where did we get the impression that it was a technical default? Had somebody said you were in technical default?

Mr. BLAKE. We looked at a draft of an OS for the Virgin Islands government. The bond counsel for the Virgin Islands government indicated that there was a default for the Water and Power Authority.

We immediately brought it to their attention that that was not the case.

Mr. YATES. So you are not in technical default or otherwise.

Mr. BLAKE. No.

Mr. YATES. Are you the one who will do the water project?

Mr. BLAKE. Some of the water projects—the reverse osmosis plant, the waste recovery systems, and the gas turbines. But the Department of Public Works is responsible for storage facilities and distribution facilities.

PROPOSED REVERSE OSMOSIS PLANT

Mr. YATES. What would you accomplish with your reverse osmosis plant?

Mr. BLAKE. The present plan for the island of St. John—they have a system of wells which we developed last year for the Virgin Islands government. Those wells of brackish water and the storage facility—they continue to rely on barging of water from the St. Thomas system.

The way I have looked at that proposal is that the barging of water is a costly operation on the one hand because the tug burns fuel.

Mr. YATES. Of course.

Mr. BLAKE. It depends on the time of the year, and there are interruptions. The reverse osmosis plant, on the other hand, is not using fossil fuels. It does utilize electricity.

There are advantages to using various osmosis systems, because you can recover the heat from the pumps. Essentially, once activated, they make the system a closed cycler on itself.

Then you have a reliable and consistent supply of water which is not subject to the wells going dry or the barges not being able to come in from St. Thomas. You can satisfy the needs of the people, and you can reduce the operational costs.

Mr. YATES. What is your gallon requirement of water on the islands?

Mr. BLAKE. On St. John, right now it is slightly under 100,000 gallons a day.

Mr. YATES. How much will your reverse osmosis do for you?

Mr. BLAKE. We are talking of 100,000 gallons a day in this first effort.

That type of plant can be installed anywhere between eight to nine months from design to completion.

Mr. YATES. What steps need to be taken to go out for bid? Do you need a commitment by the Federal Government?

Mr. BLAKE. Yes, we need funding.

Mr. YATES. You don't want to issue bonds for it.

WATER AND POWER AUTHORITY LONG-TERM DEBT

Mr. BLAKE. The Virgin Islands government can issue bonds, but the Water and Power Authority would not be in a position to issue bonds for probably another three to four years.

Mr. YATES. Why is that?

Mr. BLAKE. Because it is a long-term indebtedness.

Mr. YATES. What is your long-term indebtedness?

Mr. BLAKE. Long-term indebtedness on the electric side is slightly over $34 million. $7.7 million is the water side.

Mr. YATES. Are the receipts adequate to take care of the indebtedness?

Mr. BLAKE. The scenario which we created, assisted by the Virgin Islands government, with the introduction of the new desalination plants will allow us to begin to reduce the receivables from the water system to the electric system.

We see in about three to five years being able to refinance our long-term debt.

Mr. YATES. Are you going to be able to finance your reverse osmosis plant?

Suppose it were a loan instead of a grant from the Federal Government?

How much is it going to cost?

Mr. BLAKE. $850,000.

Mr. YATES. Why couldn't the Virgin Islands government sell it?

Mr. BLAKE. If the Virgin Islands government wants to do it, fine.

Mr. YATES. I agree with you.

VIRGIN ISLANDS AGREEMENT WITH OWRT

Mr. BLAKE. What I am saying is that we have, I believe, a joint relationship.

Let me expand on something which has not been discussed by anyone here today. It may be a small matter.

I took over an agency about seven months ago and found that it had an agreement with a subagency of the Department of Interior, the Office of Water Research and Technology.

I have found an agreement by which my agency would have to operate a small seawater reverse osmosis plant on the island of St. Thomas for a public housing project, and provide data to that subagency of the Department of Interior, and sell the water to the housing authority at the cost at which it now buys water, regardless of my cost to operate the plant.

The benefits which would accrue to the Federal Government would be to get more information on the technology and the water to the public health and housing people.

It is my understanding that on September 30, OWRT will no longer be around.

My agreement is to operate the plants. Any difference or excess in operating costs, beyond what would come to the housing authority, would be coming to OWRT for at least two years.

On the one hand, I may have to do that, but there ought to be some quid pro quo. So let me get the reverse osmosis plant at the same time.

Mr. YATES. We are not sure whether OWRT will cease to exist. We think that there is still some work for OWRT to do.

Mr. BLAKE. I hope so.

Mr. YATES. If OWRT continues to exist, do you think there will be a grant to St. John—to the Virgin Islands for the plant on St. John?

Mr. BLAKE. I don't believe that the plant on St. Thomas is being considered by OWRT because it continues to assimilate data from that particular——

Mr. YATES. Are we talking about St. Thomas or St. John?

Mr. BLAKE. I explained to you about the St. Thomas situation and my experience with OWRT.

Mr. YATES. There are two of them, then.

Mr. BLAKE. The proposal is for a plan on St. John.

The problem is reliance on well water and ground water supply and supplemental barging.

When I look at the entire picture, apart from just providing water for the people on St. John, I look at the fuel cost savings by eliminating the barging situation.

Mr. YATES. Sure.

Mr. BLAKE. I went back to the story of the partnership, because it appears to me that if I am going to have to be able to continue an effort started to supply information to an agency which may or may not——

Mr. YATES. Be alive.

Mr. BLAKE. Yes.

We can get that other information in another way if we have resources.

Mr. YATES. What does it cost to barge water?

Mr. BLAKE. That is an operational function of the Department of Public Works. I haven't the slightest idea what that is.

Mr. YATES. Do you have any idea what that would cost?

Mr. O'REILLY. Presently, I do not have the costs. However, the barge that pulls the tug to St. John by Coast Guard regulations has to go under maintenance inspection or repairs. That is expected to cost $250,000 to repair the tug that pulls the barge.

Mr. YATES. To repair the tug?

Mr. O'REILLY. It is an expensive operation.

REVERSE OSMOSIS PROCESS

Mr. YATES. How good is the reverse osmosis process? Will it work?

Mr. BLAKE. It has been around for quite some time, particularly with brackish water. There are large and small sea water reverse osmosis plants.

The problem in the past had always been the reliability of the membranes because they work under higher pressure for the salt water membranes.

Many of the small plants—if we have some small plants on the private side on the Island of St. Thomas that are operating commercial establishments, we have a good handle on those operational costs and the cost of electricity to run them.

The largest sea water plant I know of is presently in Key West, Florida. It went into operation in December of last year at 3 million gallons a day, because of the problem Key West had for getting fresh water.

At this time, they are getting ready to put an adaptation on the plant to accomplish what I suggested—recovering heat from the pumps and making a closed cycle.

The life of the membranes, which typically have been guaranteed by manufacturers for up to three years, have now been extended up to five years by at least one manufacturer. I think the reluctance and hesitancy on the part of many people in the reverse osmosis industry, up until this point, was to see if they could get enough history and performance to be able to accept membranes and guarantee a long time.

Mr. YATES. Can you tell us whether electricity revenues are being used on water operations?

Mr. BLAKE. No.

What we have in the Water and Power Authority, as you know, is that there are two parts to it—the water side and the electric side.

The cost for the water system: First, take the electric side and allocate it to the water side, because there are some common overhead problems—operators and maintenance personnel who work on both systems. There are the fuel costs, for example, of producing steam to run the pumps.

So we allocate out the costs for the water system and take it back as a receivable for the water system. The electric side is not paying the cost of the water.

WATER PLANT CONSTRUCTION

Mr. YATES. What is the status of the plants under construction?

Mr. BLAKE. The 1.25 million gallon a day plants are on schedule. In fact, Friday of this week we will have completed the acceptance tests on the first unit in St. Thomas.

It was designed at a ten to one efficiency ratio. It has performed at almost twelve and one-half to one.

The design capacity was for 1.25 million gallons a day.

Due to acceptance and performance tests, we have had the plant up to 1.5 million gallons a day, and it is producing steadily at 1.3 million.

The second plant in St. Thomas should be available for acceptance tests at the end of July and on-stream commercially in August.

The third plant on the island of St. Croix is before the end of this calendar year.

Mr. YATES. That sounds pretty good. There are no problems at all.

Mr. BLAKE. No problems at all.

Mr. YATES. Do you have any problems with respect to water?

Mr. BLAKE. Yes, in the sense that they make all the water you want. That is my role at the Water and Power Authority. But the water has to be distributed to the final user.

WATER DISTRIBUTION SYSTEM

Mr. YATES. What about your distribution system?

Mr. BLAKE. The distribution system, as I understand it, from the reports from the Department of Public Works——

I can speak with some authority on it, having been the Director of Planning for the Virgin Islands for the last 14 or 15 years.

It is a system which was mostly put in place when I was much younger than I am now.

It allegedly loses somewhere between 30 and 40 percent of the water that goes into the system.

Mr. YATES. It evaporates?

Mr. BLAKE. Leakage.

Mr. YATES. What about your reservoirs? Do you lose any by evaporation?

Mr. BLAKE. We don't have surface reservoirs in our system.

Mr. YATES. I thought you had catch basins.

Mr. BLAKE. No, that is only agricultural water and smaller reservoirs. There is no open surface storage of potable water.

Mr. YATES. Are you making an argument for a new distribution system?

Mr. BLAKE. Yes.

Mr. O'REILLY. We do presently provide him with $5 million. I think $1.5 million between EDA, FmHA, and HUD to——

Mr. YATES. EDA is on its last legs.

Mr. O'REILLY. We hope to get it before it goes out, plus a loan from FmHA of $2.5 million. We are selling and floating bonds for an additional $2.5 million to examine and find the poor spots in the distribution system which have to be replaced.

Additionally, we do not have sufficient storage capacity to take the water, as manufactured by the plant.

Mr. YATES. What good is this plant then if you can't use it?

Mr. O'REILLY. We have some bread but no butter.

Mr. YATES. You can eat bread, but I don't know what good it is.

Mr. O'REILLY. We have plants that are producing effectively, but we do not have an effective storage and distribution system.

Mr. YATES. What are we going to do then?

Mr. O'REILLY. The distribution system was probably put down by the Navy.

Mr. YATES. Do you have plans for an effective distribution system?

Mr. BLAKE. It is my understanding that the Department of Public Works contemplates building these additional storage tanks to take care of the product which I have been delivering to them.

As I read the Governor's presentation today, there is every indication that there is an intent to ask for all the assistance that he wants. But certainly he wants to indicate the need.

As Mr. O'Reilly has said, what is the point of my having brought my system along to the point where it satisfies the demand for water in the short run if there is an inability to store and distribute it. It is self-defeating.

Mr. YATES. It doesn't make sense, does it?

Take St. John, for example, how much will it cost for a distribution system?

Mr. BLAKE. Right now, St. John, in and around the Cruz Bay area, has a distribution system which is being restored.

When we put in the well fields from up on the hill, the pipelines have brought that down.

There is a storage tank in Cruz Bay, which I believe can accept the water from our plant.

Mr. YATES. St. John is not a problem then.

Mr. BLAKE. It is not so much a problem of distribution but a problem because they are relying solely on ground water at this time for the supplemental barging, which we spoke about earlier.

Mr. YATES. How do you get it distributed now with the barging?

Mr. BLAKE. They take it over, and the tug goes from St. Thomas to St. John. It is pumped in from a storage tank.

Mr. YATES. And then pumped out of the storage tank all around the island.

Mr. BLAKE. Yes.

Only around a certain part of the island, the urbanized area around Cruz Bay. Caneel Bay, for example, has its own self-sufficient system.

Mr. YATES. What do they do with the national park then?

Mr. BLAKE. At each facility that they have, they use what most people who live outside use. They collect water from rain catchments and store it in the system and chlorinate and pump it back into wherever they have a use for it.

The Park Service, to the best of my knowledge, does not have a system that is tied in because of the location of the several facilities in the parks in general.

In each specific activity, they have storage from rain water catchment; and they use it that way.

Mr. YATES. What is the principal problem then on St. Thomas?

Mr. BLAKE. With distribution?

On both of the two large islands, I think it is mostly St. Thomas——

Mr. YATES. Are there estimates of what a good distribution system would cost?

Mr. BLAKE. I think there are rough estimates, but the initial front-end money which Mr. O'Reilly spoke about, I believe would put a better assessment on the exact cost of that.

Mr. O'REILLY. We will conduct a study.

Mr. YATES. Do you have any plan or study worked out?

Mr. O'REILLY. The study is being conducted now with a grant from HUD.

Mr. YATES. When will it be completed?

Mr. BLAKE. The contract was let about three or four weeks ago, once the block grant money was released.

Mr. O'REILLY. This is primarily for leak detection so we know where the weak spots are.

WATER PLANT CAPACITY

Mr. YATES. Thank you very much.

Mr. Blake, I have one more question.

What is the capacity of the existing plants, and what are they running at?

Mr. BLAKE. At the present time on the island of St. Thomas, I have 1.5—let me add them quickly. On St. Thomas by the end of August of this year, I would have an additional 2.5. That is 4.8 million gallons a day available to the island of St. Thomas.

There are two older plants that add up to 2.3 million gallons a day. Those are the plants which periodically have to come down to keep them alive. The new plants will be much more reliable. They operate at low temperatures and pressures, and you don't get as much ceiling effects in the tubes.

On the island of St. Croix, by the end of the calendar year, we will then have approximately 3 million gallons of water a day available. The one plant which produces 400,000 gallons is the oldest plant in my system.

Quite frankly, it will have to be retired sometime in the future.

We are now looking at the cost of retrofitting the plant, as compared to what it would cost to produce the same amount of water.

Mr. YATES. What is your conclusion, or hasn't it been completed?

Mr. BLAKE. It hasn't been completed.

Mr. YATES. What is your daily water requirement?

Mr. BLAKE. At the present time the Department of Public Works and the Corps of Engineers have all agreed that the average is approximately 3.5 million gallons.

On St. Croix the well fields would supplement the product water from my plants to bring it up to that 3.5 million.

Mr. YATES. Are there any health problems in connection with the distribution or supply of water?

Mr. BLAKE. No.

Mr. YATES. You don't have to worry about that in connection with your water-borne diseases.

Mr. BLAKE. Not that I know of.

Mr. YATES. How much of your daily water is being barged over from Puerto Rico?

Mr. BLAKE. Again, I have to answer from general knowledge. For the period of time my units were down late last year, they were barging somewhere on the order of half a million gallons a day from Puerto Rico.

ELECTRIC GENERATOR CAPACITY

Mr. YATES. What is the capacity of the generators in your system?

Mr. BLAKE. The capacity of the generators in the system—they are rated—name-plate capacity. On the island of St. Thomas, it is close to 119 megawatts. On St. Croix 89 megawatts.

Mr. YATES. How much are they generating?

Mr. BLAKE. On St. Thomas right now we are reaching a demand of 42 megs with equipment that is on-line.

On St. Croix, the peak is slightly over 31 megawatts of power.

What we have undertaken to do—is indicated in the Governor's presentation what everyone in the room has read—about this crisis situation which has existed from about the time I started to work there last year—is to begin the overhaul of the main generating equipment.

In order to do that, however, we had to put in gas turbines and the combustion-type turbines, using high-priced fuel for quick start and quick installation and reliability. Those are 20 megawatts each.

They have allowed us to be able to begin this removal, which has long been overdue.

Mr. YATES. How much money do you need for the overhaul?

Mr. BLAKE. It is estimated on all three islands for all units at an average of around $14.8 or $15 million over a three-year period. Bringing them back into name-plate capacity and reliability, they will have to be able to allow the reclamation over all equipment like that to keep it going.

Most of those units, once put back into shape, particularly steam units, have a plant life of anywhere from 25 to 30 years.

Mr. YATES. They are in pretty good shape, then?

Mr. BLAKE. They operate, but they are not operating efficiently because we have kept them in service so long in the past.

Mr. YATES. Do you have any problems with money? Where are you going to get your money?

Mr. BLAKE. That's the big problem.

Mr. YATES. How much money do you need? In your official capacity, I mean.

Mr. BLAKE. I can speak a little more freely, because in my official capacity with the Water and Power Authority——

You mean if I could have a bundle of money and walk out of here and say everything is going to be fine?

Mr. YATES. Why don't you put a report in in the record.

Mr. BLAKE. Yes sir, we will.

[The report follows:]

VIRGIN ISLANDS WATER AND POWER NEEDS

The Virgin Islands Government is requesting for fiscal year 1982 funds in the amount of $15.3 million for use in connection with the Virgin Islands Water and Power Authority. These funds will be used for the following purposes:

Water storage tank	$1,200,000
Combined cycle conversion system	6,800,000
Development of new well fields	1,500,000
Overhaul, rebuilding of power generators	5,000,000
Reverse osmosis plant—St. Jonn	850,000
Total	$15,350,000

Mr. YATES. Thank you, Mr. Blake.

What have we not covered in the Virgin Islands?

We've covered what they do and what they don't do. We haven't covered the school system. I suppose they take care of that themselves don't they?

Mrs. VAN CLEVE. With the help of some Federal grants under standard Federal programs. That is an area where it is said they will be hurting.

Mr. YATES. We haven't covered transportation. Those are matters for their own budget aren't they?

Why don't we come back at ten o'clock tomorrow.

Thank you all very much.

TUESDAY, MAY 12, 1981.

TERRITORIAL AFFAIRS

AMERICAN SAMOA

WITNESSES

EXECUTIVE BRANCH

HON. PETER T. COLEMAN, GOVERNOR
ACE A. TAGO, DIRECTOR, OFFICE OF PLANNING AND BUDGET
JOSEPH M. PEREIRA, DIRECTOR OF ECONOMIC DEVELOPMENT PLANNING
BOBBY KENNEDY, DIRECTOR OF ADMINISTRATIVE SERVICES

LEGISLATIVE BRANCH

HON. FOFO I. F. SUNIA, MEMBER OF CONGRESS
HON. GALEA'I P. POUMELE, PRESIDENT OF THE SENATE
HON. TUANA'ITAU F. TUIA, SPEAKER OF THE HOUSE OF REPRESENTATIVES
SENATOR LUTU TENARI S. FUIMAONO, CHAIRMAN, SENATE COMMITTEE ON BUDGET AND APPROPRIATIONS
SENATOR AMITUANA'I E. R. MEREDITH, CHAIRMAN, SENATE COMMITTEE ON WAYS AND MEANS
REPRESENTATIVE IOSEFO K. IULI, CHAIRMAN, HOUSE COMMITTEE ON BUDGET AND APPROPRIATIONS
REPRESENTATIVE LETALU M. MOLIGA, CHAIRMAN, HOUSE COMMITTEE ON WAYS AND MEANS

Mr. YATES. Now we will go into the question of Samoa.

The hearings will come to order. This is a continuation of the hearings on the appropriations for fiscal year 1982 for the United States territories. We will now consider the appropriations for American Samoa.

Appearing in support of those appropriations is the Honorable Fofo Sunia, Member of Congress from Samoa. We are very glad you are here. You are accompanied by Gov. Coleman, who is Governor of American Samoa, and also by Mr. Tago, as well as Mr. Pereira and Mr. Kennedy.

There are also witnesses for the Legislative Branch, Mr. Poumele and Mr. Tuia.

Your statement will be made a part of the record.

[The statement follows:]

STATEMENT IN SUPPORT OF THE

TERRITORY OF AMERICAN SAMOA BUDGET REQUESTS

FISCAL YEAR 1982

BEFORE THE

HOUSE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS

E-302 AHOB

MAY 12, 1981

THE HONORABLE FOFŌ I.P. SUNIA

MEMBER OF CONGRESS

AMERICAN SAMOA

MR CHAIRMAN

MEMBERS OF THE COMMITTEE

THANK YOU FOR GIVING ME THIS OPPORTUNITY TO SPEAK ON THE 1982 BUDGET FOR THE TERRITORY OF AMERICAN SAMOA.

EVERY YEAR, THE GOVERNOR AND LEGISLATIVE LEADERS OF AMERICAN SAMOA APPEAR BEFORE THIS COMMITTEE TO DISCUSS THE TERRITORY'S BUDGET. THIS YEAR, I, AS THE TERRITORY'S FIRST MEMBER IN THE HOUSE OF REPRESENTATIVES, HAVE THE HONOR TO JOIN IN SEEKING YOUR FAVORABLE CONSIDERATION.

AMERICAN SAMOA'S ULTIMATE GOAL IS TO BECOME FINANCIALLY SELF-SUFFICIENT AS EARLY AS POSSIBLE. IT IS AN AMBITIOUS GOAL- ONE WHICH CAN BE ACHIEVED ONLY WITH DETERMINATION, HARD WORK AND FINANCIAL ASSISTANCE FROM THE FEDERAL GOVERNMENT.

WE ARE DETERMINED AND PREPARED TO WORK HARD. BUT WE HAVE TO CONTINUE TO SEEK THE NECESSARY FINANCIAL ASSISTANCE FROM THE FEDERAL GOVERNMENT UNTIL OUR DEVELOPMENT EFFORTS BEGIN TO BEAR POSITIVE RESULTS. WE HOPE IT WOULD NOT BE TOO LONG BEFORE SUCH RESULTS BECOME EVIDENT.

A COMPREHENSIVE DEVELOPMENT PLAN HAS BEEN ADOPTED FOR THIS PURPOSE. IT HAS BEEN DESIGNED TO LAY DOWN THE FOUNDATION FOR A SOUND ECONOMY. CERTAIN DEVELOPMENT PROJECTS UNDER THIS PLAN HAVE ALREADY BEGUN; OTHERS ARE STILL ON THE DRAWING BOARD; AND STILL OTHERS ARE AWAITING THEIR TURN WHICH WILL COME WHEN OTHERS ARE EITHER WELL ON THEIR WAY OR COMPLETED. THE LACK OF LOCAL RESOURCES MAKES IT ABSOLUTELY NECESSARY FOR US TO SEEK ASSISTANCE FROM THE FEDERAL GOVERNMENT IN MEETING THE COSTS OF MOST OF THESE PROJECTS.

WE ARE AWARE OF THE FACT THAT THE FEDERAL GOVERNMENT IS INCLINED TO ADOPT BASIC CHANGES IN ITS ECONOMIC PHILOSOPHY - AND WE ARE PREPARED TO SUPPORT WHATEVER CHANGES WHICH MAY TAKE PLACE AS A RESULT. WE DO HOPE, HOWEVER, THAT SUCH CHANGES WOULD NOT UNNECESSARILY HINDER OR DELAY OUR EFFORTS TO BECOME FINANCIALLY SELF SUFFICIENT.

THE BUDGET AS PROPOSED REFLECTS AN ALL OUT EFFORT ON THE PART OF THE TERRITORY TO CONTINUE WITH ITS DEVELOPMENT PROGRAM. IT IS ENVISIONED THAT THE SUCCESS OF THE PROGRAM WOULD SUBSTANTIALLY REDUCE OUR DEPENDENCE ON FINANCIAL ASSISTANCE FROM THE FEDERAL GOVERNMENT. THE SOONER WE ARRIVE AT THAT STAGE, THE BETTER IT WILL BE FOR THE FEDERAL GOVERNMENT AND FOR US. ULTIMATELY, IT WOULD, QUOTE, GET US OFF THE FEDERAL GOVERNMENT'S BACK, UNQUOTE.

THE FUNDS REQUESTED WILL PROVIDE FOR THE COSTS OF GOVERNMENTAL OPERATIONS AND CERTAIN INFRASTRUCTURAL DEVELOPMENT ACTIVITIES WHICH THE TERRITORIAL GOVERNMENT HAS NO AVAILABLE RESOURCES TO MEET. THE GOVERNOR AND THE TERRITORIAL LEGISLATIVE LEADERS ARE HERE TODAY TO DISCUSS THESE IN DETAIL WITH YOU.

MY PRESENCE HERE TODAY IS TO GIVE THE BUDGET UNDER REVIEW MY FULLEST SUPPORT. TO THAT END, I ASK YOU, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, TO GIVE RECOGNITION TO THE PROFESSED GOAL OF AMERICAN SAMOA'S DEVELOPMENT EFFORTS AND TO CONSIDER WITH FAVOR THE TERRITORY'S BUDGET AS PRESENTED.

I AM VERY PLEASED TO HAVE HERE TODAY THE DELEGATION FROM AMERICAN SAMOA. WITH YOUR PERMISSION, MR. CHAIRMAN, I WOULD LIKE TO FORMALLY INTRODUCE THEM TO YOU.....

IN CLOSING, I WISH TO ACKNOWLEDGE WITH THANKS THE IMPORTANT ROLE CONGRESS HAS PLAYED IN SUPPORT OF AMERICAN SAMOA'S DEVELOPMENT AND IN THE PASSAGE OF LEGISLATION PROVIDING THE TERRITORY WITH A CONGRESSIONAL SEAT WHICH I HAVE THE HONOR OF BEING THE FIRST TO HOLD. WITHOUT THE SUPPORT OF UNITED STATES LEGISLATIVE LEADERS SUCH AS YOU, AMERICAN SAMOA WOULD NOT HAVE BECOME A SHINING EXAMPLE OF THE SUCCESS OF AMERICAN DEMOCRACY IN OUR REMOTE PART OF THE WORLD.

THANK YOU.

Mr. YATES. Go ahead, Mr. Sunia.

MR. SUNIA'S TESTIMONY

Mr. SUNIA. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee:

I want to thank you very much for giving me this opportunity to speak on the 1982 budget for the Government of the Territory of American Samoa.

Every year, as you know, the Governor and territorial leaders appear before your committee to discuss the Territory's budget. This year as the Territory's first member in the House of Representatives, I have the honor to join the Governor to request your favorable consideration.

American Samoa's ultimate goal is to become financially self-sufficient as early as possible. It is an ambitious goal, one which can be achieved only with determination, hard work and financial assistance from the Federal Government.

We are determined and prepared to work hard. But we have to continue to seek the necessary financial assistance from the Federal Government until our development efforts begin to bear positive results. We hope it would not be too long before such results become evident.

A comprehensive development plan has been adopted for this purpose. It has been designed to lay down the foundation for a sound economy. Certain development projects under this plan have already begun; others are still on the drawing board; and still others are awaiting their turn which will come when others are either well on their way or completed.

The lack of local resources makes it absolutely necessary for us to seek assistance from the Federal Government in meeting the costs of most of these projects.

We are aware of the fact that the Federal Government is inclined to adopt basic changes which may take place as a result. We do hope, however, that such changes would not unnecessarily hinder or delay our efforts to become financially self-sufficient.

The budget as proposed reflects an all-out effort on the part of the Territory to continue with its development program. It is envisioned that the success of the program would substantially reduce our dependence on financial assistance from the Federal Government.

The sooner we arrive at that stage, the better it will be for the Federal Government and for us. Ultimately, it would, "get us off the Federal Government's back."

The funds requested will provide for the costs of governmental operations and certain infrastructural development activities which the territorial government has no available resources to meet.

The Governor and the territorial legislative leaders are here today to discuss these in detail with you.

My presence here today is to give the budget under review my fullest support. To that end, I ask you, Mr. Chairman and members of the committee, to give recognition to the professed goal of American Samoa's development efforts and to consider with favor the Territory's budget as presented.

I am very pleased to have here today the delegation from American Samoa.

In closing, I wish to acknowledge with thanks the important role Congress has played in support of American Samoa's development and in the passage of legislation providing the Territory with a congressional seat which I have the honor of being the first to hold.

Without the support of United States legislative leaders such as you, American Samoa would not have become a shining example of the success of American democracy in our remote part of the world.

I am sure the Governor and the leaders will be prepared to present you with the details.

Mr. YATES. Thank you very much for a fine statement.

Governor, we will be very glad to hear from you now. Your statement will be made a part of the record.

GOVERNOR COLEMAN'S TESTIMONY

Governor COLEMAN. Thank you, Mr. Chairman and honorable members of the committee.

I am very honored and privileged to appear before the committee this morning on behalf of the budget of the people and Government of American Samoa.

This year our total request comes to $23 million. Breaking it down for operations, $18,400,000, and capital improvements, $4,913,000. Also, $150,000 for the administration of Canton Island and $250,000 for the economic development fund.

I will make my statement a part of the record, if you will allow.

Mr. YATES. Yes.

[The statement follows:]

GOVERNMENT OF AMERICAN SAMOA
OPENING STATEMENT
FOR
FISCAL YEAR 1982 CONGRESSIONAL BUDGET HEARINGS

To the Chairman and Members of the Subcommittee on the Interior:

Mr. Chairman and distinguished members of the Committee, it is my pleasure, on behalf of the people of American Samoa, to appear before you in support of our budget request for Fiscal Year 1982. Because of your support, excellent progress has been made towards the development of our economic and social processes as well as our capacity to administer approved programs. Given the transition to increased self-government and the inherited problems of the past, progress has been relatively smooth. Not only has your support in the past been essential, but I solicit your continued help as we transit this crucial period.

American Samoa's request for fiscal year 1982 is $23,713,000 which includes $18,400,000 for basic operations support; $4,913,000 for Capital Improvement Programs, $250,000 for the Economic Development Loan Fund, and $150,000 for Canton Island Administration. In total, this is a reduction of $3,537,000 from current levels or a reduction of 13%. The decrease is primarily attributable to a reduction in funding for Capital Programs of $4,237,000 or 46%. Support for operations has a modest 4% increase of $800,000. As part of the total for operations, the budget includes $750,000 for the High Court, a 10% increase. The Economic Development Loan Fund has been reduced to $250,000. The $150,000 for Canton Island is a requested reimbursement for costs incurred by American Samoa in fiscal years 1980 and 1981 due to oversight responsibilities for the friendship treaty delegated by the Secretary of Interior to the American Samoa Government. Approval of the treaty by the U.S. Senate is pending.

The following data comparing local revenues with federal support for our budget over the last four years indicates, I believe, not only our dependence on federal support, but also significant progress made by American Samoa in assuming an increasing proportion of operating costs with local funds.

	1978	1979	1980	1981	1982
Local Revenues	33.2%	40.4%	44.7%	42.7%	46.0%
Federal Funds	66.8%	59.6%	55.3%	57.3%	54.0%
			$ MILLION		
Appropriated Local Funds	10.6	16.4	16.3	17.1	17.4
Local Enterprise Funds	6.6	8.1	11.0	14.1	16.6
Total Local:	17.2	24.5	27.3	31.2	34.0
DOI Grant-in-aid	20.9	21.5	17.3	27.3	24.7
Federal Categorical Grants	13.6	14.6	16.4	14.4	15.2
Total Federal:	34.5	36.1	33.7	41.7	39.9

For fiscal years 1979 and 1980, our revenue attainment, although to some extent, due to non-recurring items, have been in excess of our estimates, which has allowed us to eliminate the prior years' deficit and address unpredictable problems that have occurred within our own resources, thus, obviating requests for Federal help when these needs arise. It has allowed us to address such problems as the African Snail invasion, the deteriorating condition of schools and the need to meet unanticipated additional federal matching requirements and natural disasters such as the LCU that sank in Manu'a and damages caused by the storm "Esau".

The revenue picture, unfortuantely, has not been as good so far this year. Through the first six months, revenue, at best, is running about the same as last year, pending any changes in the second half. No doubt part of this has been due to business disruption from the electric situation combined with a sluggish economy in general.

With regard to the Electric Utility situation, I believe that we have taken the steps to address these problems. Work has been completed on a new financial management system and that is in place. The development of a Power Authority is well under way and we have addressed the additional resource management requirements necessary for an effective and efficient operation. I'm sure you know, however, that important long range improvements will take time. In the mean time, although we have done our best to address resource requirements internally, there are immediate needs for replacement of equipment that are beyond our ability to support. You will recall that I discussed this with you last year. These needs still exist and we need your help.

Since the FY 1982 budget before you, as approved by the Legislature, is the result of a planning process which took place many months ago, expected categorical grants shown are out of date in that they do not reflect the proposed reductions which as you know, are not yet fully resolved. The result will surely be increased demand on our local revenues.

Planned cuts in federal income taxes could have a very significant effect on our local revenues since this tax, applied locally, represents 63% of local revenues. At this time, it appears that we may have to either seek an exemption for American Samoa through the local legislature or provide for it through other alternatives.

I also want to highlight the importance of our Capital Improvement Programs. Some of these projects address very important problem areas, such as the fire at Samoana High School, overcrowded classrooms and school buses. Beyond this, however, many of the 1982 programs represent projects that have the best potential for permanent long-range expansion of our economic capability. These include not only further improvements in basic utilities and roads, but such outstanding projects as badly needed fisheries facilities. Your support of these crucial projects is very important to our vitality.

You will recall last year that a 10% matching was required for all CIP projects in the territories. The matching requirement for FY 1982 has been raised to 25%. Because this policy change occurred after our budget was prepared, the 25% match is not reflected in the document before you. We have not planned for it and because local revenues of that magnitude cannot be available at a moment's notice, our only choices are (1) to ask for a waiver of the matching requirements and (2) is to reluctantly offer to reduce our water projects by $982,000 to match the reduction in federal funds. This work, as a matter or priority will have to be deferred into the future.

The small amount requested for the Economic Development Loan Fund is likely to support one or two projects. As you know from our discussions in the past, the lack of venture capital, either in the form of loans or loan quarantees, and not only for business but for housing programs, is still a major problem in American Samoa. Not only is your approval of this item solicited, but your advise and help on how we can "break this log jam" would be appreciated.

Also, the imposition of National Labor Relations Board requirements with respect to increases in our minimum wage, as I mentioned last year, continues to be costly.

Beyond the budget issues for fiscal year 1982, I would like to take a few minutes to highlight the progress we had made in the past year:

(1) Other efforts in the economic development area are making progress. Despite the awful problem with the african snail, our agricultural programs, in general, are better than last year. The fisheries program is expanding, and, as you know, both canneries have expanded significantly. The industrial park is expanding slowly but surely. Two new businesses of good size have opened in the last couple of months.

(2) Efforts to continue the development of the reliable supply of safe drinking water are progressing well and the FY 1982 request is needed to continue this vital program.

(3) Regular international air service continues to be a problem. Our only international carrier reduced flights to three times a week including a strike for two months that further hampered air traffic. Only recently, however, a local airline has begun service to Tahiti and Honolulu. We believe it is a significant step and we are encouraging it. Regional airlines are expanding their activities also.

(4) Our capability for self-sufficiency in health care has improved over the past year. Several surgical operations, which previously required referral off-island, have been performed locally for the first time. Efforts to contain costs for off-island care have progressed well until the airline strike forced some special flights to evacuate critical patients. This is a good example of the interdependency between our economic program and other basic government services.

(5) Our solid waste and waste water programs have improved. We have met standards in waste water treatment, and the recently approved ocean dumping of cannery waste is progressing satisfactorily.

(6) Satellite communication has been installed and the existing system is being modernized and expanded with local resources.

(7) Our road system has been improved and expanded. Numerous safety improvements have been made to meet federal standards but more importantly, new roads have made many of our villages more accessible to essential services. The road program proposed for FY 1982 will inter-connect three villages at the western tip of the island and open up agricultural land for futher development.

(8) We have recently added significantly to the resources available for both our audit effort and for manpower training.

Lastly, I would like to report that I am very encouraged with the efforts made in the area of regional development. I can see our joint efforts, especially through the Pacific Basin Development Council, to have a major impact on American Samoa's future, and I urge your continuing support.

Despite our problems, I believe we have laid the foundation that will truly support the building of American Samoa in the directions that both the Territory and you, our sponsors, want. Thank you, Mr. Chairman and Members of the Committee, for your time, your continuing interest and your support for American Samoa.

PETER TALI COLEMAN
Governor

AMERICAN SAMOA GOVERNMENT
CAPABILITY STATEMENT

Agency/Bureau: Office of Territorial Affairs
Appropriation: Administration of Territories
Activity: American Samoa, Construction
Proposed Amount: + $8,000,000 - Power Generation Equipment

Current Program:

During the fiscal year 1980 budget hearings, the Governor of American Samoa declared in his proposed program that he would be undertaking a thorough review and evaluation of the power situation in the territory. Subsequent to that declaration, an engineering firm was constracted to evaluate the existing equipment as well as future requirements for power generation equipment. The study was completed in late 1979. The review recommendations were based on the premise that the existing power production and service reliability were sufficient to meet the territory's needs through the end of FY 1982. The Report's overall recommendations were thus: (1) short term - to replace the base load equipment purchased in the 1960's through aquisition of 6 megawatts gas turbine units; and (2) long-term - earmarked for the latter part of the 1980's was a twofold objective: (a) to provide additional power for increased demand and (b) to design power plants around technologies that would decrease dependency on fossil fuel.

The Office of Territorial and International Affairs (TIA) initial request to the Department for FY 1982 included American Samoa's request for funding the short term recommendation. The request was denied on the grounds that American Samoa should seek funding through loan guarantees.

In the meantime, during the first week of August 1980 the power situation in American Samoa totally disintegrated into a crisis situation.

During the summer several of the generating units in the plants had to be shut down. These unscheduled shut downs and major repairs required to bring them back on line caused an over-extension of operational units beyond normal off-time maintenance requirements, thus creating additional outages for maintenance. Six of the ten power generators were purchased prior to 1965. Age combined with the debilitating factors of a tropical environment, such as high humidity and temperatures, excessive rainfall and salt air, and uncontrollable factors as unavailability of or delays in receiving repair parts, proved to be catastrophic. During critical periods, power outages averaged three hours per day althernating throughout the island.

At this point in time, the possibility of the Secretary of the Interior extending loan guarantees to the American Samoa Government to finance the power generating facilities is not a viable alternative. The Constitution

of American Samoa prohibits the use of money that the government does not have. This provision has been interpeted to prohibit borrowing. In order to borrow, therefore, the Constitution would have to undergo a lengthy amendment process, estimated at over two years. Results of this effort cannot be predicted.

If borrowing authority was made available, a credit rating will have to be established based on reliable financial data before the entity is eligible to issue bonds. A new power authority would need between three and five years of reliable production data before indebtedness is considered a reasonable option.

While the concept of loan guarantees might be a viable alternative in the long term, it is not, and cannot solve the immediate short term need for an adequate supply of power in American Samoa.

Amount Budgeted in FY 1981: None

Feasibility:

Immediate action will require an increase in generation capacity at the EUD of 6 megawatts prior to the end of calendar year 1982. Because of the short time available, it is essential that the initial expansion be a conventional type of plant consisting of units presently available and capable of being procured and installed within the remaining time following appropriations approval. Longer range increases in generating capacity are directed toward a lessened dependence on petroleum fuels. These plants are longer range in that, even though conventional design, the components have a longer delivery time than can be tolerated for short term implementation, or various long term studies are necessary to prove their feasibility and applicability to the Samoan environment.

Capability:

All cost data in the survey were presented as 1979 dollars. Adjustment to 1982 dollars result in an approximate installed cost of $8,000,000.

Outlay Effect:

1981 - None
1982 - $6,000,000
1983 - $2,000,000

AMERICAN SAMOA GOVERNMENT
CAPABILITY STATEMENT

Agency/Bureau: Office of Territorial Affairs
Appropriation: Administration of Territories
Activity: American Samoa
Proposed Amount: + $1,000,000 - Housing Loan Fund

Current Program:

The FY 1979 $1,000,000 housing loan fund has been totally committed. There are currently over 1500 loan applications pending for housing loans. Fifty percent of these are for new homes while the other fifty percent are for home improvements. The unfunded loan applications totaled $10,000,000. The two private banks in the territory are commercially oriented and are not a significant factor in the home loan market. Contacts with the World Bank to borrow money for this purpose have been unsuccessful thus far due to required guarantee by the U.S. Government before American Samoa can participate in the Bank's loan program.

Amount Budgeted FY 1981: None

Feasibility:

With the above constraints, the need for more housing loan funds is more profound than ever before. Based on past experience and given the present capability available in the Development Bank of American Samoa, we believe a $10,000,000 housing loan program is manageable and the growth potential for the fund is achievable. Loan guarantees by the U.S. Government would open doors at various financial institutions or direct loans by the Economic Development Administration would be of great assistance to our home loan program.

Capability:

The $1,000,000 loan request would satisfy approximately one hundred (100) loan applications selected on a first-come-first served basis.

Outlay Effect:

1982 - $1,000,000

AMERICAN SAMOA GOVERNMENT
CAPABILITY STATEMENT

Agency/Bureau: Office of Territorial Affairs
Appropriation: Administration of Territories
Activity: American Samoa - Capital Improvement
Proposed Amount: + $900,000 - New Tugboat

Current Program:

One of the deep draft tugboats owned by ASG was the cargo lifeline to the Manu'a islands and north shore village projects. It shipped fuel for electric utility; food, medical and other supplies to Manu'a and north shore villages as well as bringing back food and handicrafts to be sold on the main island. The only other transportation is via small aircraft or by a used landing craft utility whose useful life is limited. The tugboat also assists in the berthing of cargo vessels as well as fighting fires on vessels and harbor facilities adjacent to the Pago Pago Harbor. This vessel sank recently near the Manu'a islands due to sudden squalls and the resulting high swells which caused the boat to overturn.

Amount Budgeted in FY 1981: None

Feasibility:

The proposal is to purchase a new deep draft tugboat to maintain the present link between Manu'a and the north shore villages. The new vessel is also needed to maintain the present efficiency of water transportation services in the harbor area.

Capability:

The $900,000 request will allow the aquisition and delivery of an appropriate vessel.

Outlay Effect:

1982 - $900,000

AMERICAN SAMOA GOVERNMENT
CAPABILITY STATEMENT

Agency/Bureau:	Office of Territorial Affairs
Appropriation:	Administration of Territories
Activity:	American Samoa-Disaster Clean Up
Proposed Amount:	+$300,000-Western District Disaster Relief

Current Program:

In the aftermath of the Western District land and mud slides, the following situations became highlighted. The Poloa-Fagamalo pioneer road was severely damaged. There are funds to restore it to its original condition but the road could still be tenuous in future occasions of heavy rain. Several village catchment and stream type water systems were damaged or destroyed. Funds are available to restore those systems but they, like the roads, could be subject to damage in the future also. In addition, more than thirty (30) homes have either been totally or partially damaged. Although local funds have been made available, they have been inadequate due to escalated construction costs.

Amount Budgeted:

FY 1980-$100,000
FY 1981

Feasibility:

The funds requested will assist the homeowners in restoring their homes to their original condition. It will also assist in the upgrading of village water catchment systems thus assuring safe drinking water for the residents of the village affected.

Capability:

The estimated costs of this proposal are broken out as follows:

Housing Assistance	$250,000
Water Catchment Systems	50,000
	$300,000

Outlay Effect:

1982 - $300,000

LOCAL REVENUES

Governor COLEMAN. I will highlight only those points that may be of benefit to the committee's information.

The last three years of the elected administration saw us moving more into taking our own self-responsibility. We have seen that in the course of a little more than three years we have increased the contribution of the local government versus the contribution of the Federal Government.

This year the contribution of the Federal Government is very important and we are very grateful to the Congress for their help in the last years.

The emphasis has been to develop the economy of American Samoa in as broad a base as possible. We have had fishery development and now we are moving into some private industry. We are also emphasizing the importance of our island countries, our neighboring Western Samoa as a possible market for exports and also as a source of raw material for American Samoa to turn into product goods.

PROBLEMS AFFECTING THE ECONOMY

The revenue picture in American Samoa has been excellent. In the last year we have had some unfortunate incidents that affected our total economic effort. We had a plane accident that destroyed half of our only hotel, and as a result, half of our tourist industry was practically destroyed too.

We have recovered now, and we expect to open the new 100-room hotel next month. Now we are pushing very hard on the development of the tourist industry.

We have also had power problems. Since last August, we have been doing everything possible to keep the power plant going. These are all the incidents that have affected our own effort.

The other impediment in our economic development effort was the airplane strike in which our own transportation system, the only one that tied us to the outside world, particularly Hawaii and the mainland United States, was grounded, and we had to look for an airplane to maintain the lifeblood of American Samoa to the outside area.

We were fortunate in getting assistance from another airline that supplied the airplane to help us out.

We had some hurricanes. One was a flood and the other was the heavy winds that have caused some disastrous effects in some areas. One of our boats sank in its efforts to supply outside islands at a time when the weather was very bad.

I wish to report, Mr. Chairman, that the people of American Samoa are very eager to stand on their own feet. They are appreciative of the efforts that have been given so far, and they are again asking this year for some assistance from the Congress.

PACIFIC BASIN DEVELOPMENT COUNCIL

The particular development in the efforts to keep our association close and active with the other territories and the State of Hawaii has been the establishment of the Pacific Basin Development Council.

This has been a planning survey type of activity that will help coordinate economic growth activities in all the territories in the Pacific as well as in the State of Hawaii. We are in the stage of infancy in this concept of a coordinated economic effort, and time will be needed as well as some funds to continue this activity.

BUDGET REDUCTIONS

The budget cuts, of course, are a major concern. We anticipate the loss of about 225 permanent positions and about 375 part-time positions, mainly youth activities. We figure that it will be about $3 million in reduction as a result of the budget cuts.

We are prepared to carry our part of the effort to keep down the inflationary trends so that we, too, can make a contribution to the national effort on the budget.

American Samoa, being an isolated territory, does not have quick access to alternative resources that other States and perhaps larger territories have. So we rely on the generosity of the United States as well as on our own ingenuity and hard work to keep our government going.

I am happy to report at this time, Mr. Chairman, that the Government of American Samoa has been doing very well in accordance with your trust.

Mr. YATES. Good.

Who is your next witness?

Mr. SUNIA. I have the President of the Senate. We submit Mr. Poumele's statement for the record.

[The statement follows:]

PRESIDENT OF THE SENATE
SPEAKER OF THE HOUSE OF REPRESENTATIVES

LEGISLATURE OF AMERICAN SAMOA

OPENING STATEMENT
FOR
FISCAL YEAR 1982 CONGRESSIONAL BUDGET HEARINGS

President Galea'i P. Poumele, House of Senate
Speaker Tuana'itau F. Tuiā, House of Representatives

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

Thank you for this opportunity to comment upon the FY 1982 Territorial budget request, as outlined in the opening statement of Governor Coleman.

We are very proud of the fact that in 5 short years the Territory of American Samoa has dramatically decreased its financial dependency upon federal funds. In FY 1978, over 2/3ds of our total government services were financed directly or indirectly from federal revenues. In FY 1982, we expect to be nearly equal partners in the financing of the Territorial government.

As the FY 1982 request reveals, not only has the federal share of the Territory's projected budget decreased proportionately, but also in total dollars. We are well aware of the difficult choices facing Congress during these times of decreasing federal expenditures. We accept the public demands for economizing at all levels of government. The FY 1982 budget request reflects our commitment to provide basic governmental services at a reduced level of federal funding.

CAPITAL IMPROVEMENT PROGRAMS FY 1981

As the Governor has stated, the Electric Utility and the Water system are critical to the future of American Samoa. We too, share the Governor's reluctance to reduce the overall C.I.P. for Water Improvements by nearly $1 million.

The other C.I.P.'s will assist our long term efforts to provide the Territory with a well trained labor force, adequate surface transportation routes and expanded dockage facilities. These improvements coupled with improved water and electric services, represent the spring boards of American Samoa's future economic development. The revised request for $4,913,000 in C.I.P.'s represents a $4,237,000 decrease in the FY 1981 Territorial budget.

BASIC OPERATIONS SUPPORT

The $18,400,000 request for Basic Operations Support does represent a slight increase ($800,000 or 4%) from the FY 1981 Territorial budget. We want to emphasize that this increase, as revealed in budget request, is more than offset by the decreases in other budget areas. We are confident that barring any unforseeable natural disaster, we can fund the basic government services of the Territory in FY 1982 with the amounts requested.

OTHER

The remaining two requests are for the Economic Development Loan Fund

($250,000) and the Canton Island Administration cost reimbursement, ($150,000). These items and supporting data have been adequately detailed in the budget request documents before you.

CONCLUSIONS

Every budget contains compromises as well as excludes some worthwhile and necessary projects. The Territory's FY 1982 budget request follows this pattern. It is an austere budget, predicated upon the Territory's dual desires to contain the costs of government and to reduce reliance upon federal funding. We sincerely hope our efforts receive your approval.

Thank you Mr. Chairman and Members of the Committee for your consideration. If there are any questions, we would be pleased to address them at your convenience.

Mr. Poumele's Testimony

Mr. Poumele. Mr. Chairman and honorable members of the committee:

We are very happy to be here and are sincerely looking forward to this hearing to help our government in 1982.

You have our joint statement with The Honorable Speaker in behalf of the legislation. We are totally in support of his statement as made by our Governor regarding our budget.

As you know, two-thirds of our financing is provided by local revenue as our Governor stated.

We would like to continue improving our local revenue so we can be able to take over our own responsibilities eventually.

But, again, I would like, in behalf of the legislature, to support the presentation by our Governor. Although it shows some deduction by a few million dollars—and I do believe we will have to live with it—we would like to thank you very much, Mr. Chairman, and members of the committee, for your consideration of our request.

If there are any questions, we would be pleased to answer them.

Mr. Yates. Thank you.

Does the Speaker want to say anything?

Mr. Tuia's Testimony

Mr. Tuia. Thank you very much, Mr. Chairman. It is always a pleasure to be here. Our Governor has already prepared our budget in detail. Our statement is in the record. I don't think we need repeat what has already been stated.

Thank you very much for the opportunity. If there is any question, I would be glad to answer.

Effect of Budget Reductions

Mr. Yates. What effect will the reductions contained in the President's budget have on your government?

Governor Coleman. The operations of our government will be reduced. We estimate there will be a loss of 225 jobs in American Samoa. For a smaller territory, it is very significant.

Also, the youth program has been curtailed. We are now looking into other areas of how we can keep the young people busy with constructive community work during the summer as part of our youth development program.

Mr. Yates. What have you found to be a likely alternative?

Governor Coleman. We are looking into the private industry possibility in the cannery area to see if some of the summer jobs will be available to those who are able to be employed.

We have to look for funds from our own resources to see what we can do to keep some of these projects going.

Mr. Yates. How much of an unemployment problem do you have?

Governor Coleman. I would say that our unemployment problem is not an extremely serious problem. There is a problem there, but it is not to the point where we are suffering.

Mr. Tuia. Mr. Chairman, we do not have any apprenticeship training. The summer program has developed into the training of

our youth to prepare them to take their place in our industry—both in the government and in private industry. To curtail this program will be a great loss for us, and we will not have the opportunity to train our young people after they graduate from high school to industry.

There will be a gap on the part of our government if we curtail this program for the youth.

Mr. YATES. How many children are affected?

Governor COLEMAN. Five hundred, Mr. Chairman.

Mr. YATES. How many children graduate from high school?

Mr. TUIA. About 600. We have four high schools.

CETA PROGRAM

Mr. YATES. So the total will be about 600. Do you have a CETA program?

Governor COLEMAN. Yes.

Mr. YATES. Is that going to be eliminated?

Mr. TUIA. Yes.

Mr. YATES. Have you used the young people in the CETA program?

Governor COLEMAN. Yes.

Mr. TUIA. Especially seniors. They are training. What the government has done is put them in different departments and prepare them along with the vocational education program, and from there they go right into private industry and government.

Mr. YATES. So they have been trained through the CETA program for employment, and they have been employed. With the elimination of CETA, what are the alternatives?

Mr. TUIA. The Governor has already indicated, but then again we cannot guarantee—the canneries cannot guarantee to take that much. Private industry cannot take them unless they are prepared.

OTHER INDUSTRIES

Mr. YATES. What other industries are there?

Mr. TUIA. We have small contractors, the government is moving into developing new industries, and we have small industries which are the beginning of the development of our economic market in Samoa—construction and other departments, auto, et cetera.

Mr. YATES. Are there retail establishments?

Mr. POUMELE. Very small, Mr. Chairman. The cannery is the biggest industry back home. If we can see the other private establishments, we see that in the largest private industry the total workforce is somewhere between 30 and 50 people and that will not touch the heart of the problem.

Mr. YATES. Do you have unemployment compensation or welfare programs?

Mr. POUMELE. No, sir.

Mr. YATES. Mr. Regula.

LABOR FORCE

Mr. REGULA. Thank you, Mr. Chairman.

You mentioned a reduction in employment. Two hundred twenty-five is the reduction. What would be the total number of Samoans who are actually working and paying taxes?

Governor COLEMAN. I would say the total number of people in the total employment picture is 5,000.

Mr. REGULA. This is of a population of how many?

Governor COLEMAN. A population of 32,395.

Mr. REGULA. Is the 32,395 strictly Samoans? It doesn't include the Americans there working for the Government of Samoa?

Governor COLEMAN. That is right.

Mr. REGULA. How many non-Samoans are working?

Governor COLEMAN. About 200.

Mr. REGULA. Is this mainly teachers?

Governor COLEMAN. Yes, sir. The contract employees in the medical field and education field—administrative.

Mr. REGULA. About 200?

Governor COLEMAN. Yes, sir.

Mr. REGULA. Thank you.

Mr. POUMELE. I would like to clarify the statement. The Governor has referred to the employment force of the government. You are asking how many Samoans are paying taxes.

Mr. REGULA. The 5,000 are just those who work for the government, is that right?

Mr. POUMELE. Yes, but we have more people that are paying taxes.

Mr. YATES. This is confusing. I thought the 5,000 represented your total employment force. That is just those who work for the government?

Governor COLEMAN. Yes. The total employment force will be about 9,500.

Mr. YATES. How many work for the cannery?

Governor COLEMAN. Twenty-five hundred.

Mr. YATES. That leaves another 1,500 in other enterprises?

Governor COLEMAN. In private businesses.

Mr. TUIA. Here, again, in the canneries about 70 percent of that number are manual labor, cleaning fish. Our youth do not want to gear up their lives for that purpose, and for that reason, it is thought to put them in different areas in the government where they can become better employees than in this activity.

Mr. YATES. I agree, but what alternatives are there besides government and the canneries? You have a few private enterprises which employ 1,500 people.

AGRICULTURE

Mr. REGULA. Do you have an agriculture industry, food producing, other than a cannery?

Governor COLEMAN. Yes, we have an agriculture program, but our agriculture program is mainly for the raising of subsistence food, staples, for people. We do not have the large commercial development. We feel it is important to maintain our staple food supply, and that will ease our imports.

We also have developed a feed mill that will help with the animal industry. We are experimenting right now with hydropon-

ics and also the different scientific methods of invigorating soil to have higher production of vegetables.

Mr. REGULA. Do you have some agriculture specialists from the United States who are there assisting the government in this endeavor?

Governor COLEMAN. Yes. We have from the Department of Agriculture some specialists, from the State of Hawaii.

Mr. REGULA. Are there any people working there who are neither Samoans or United States citizens? Could you have any people coming in to work in Samoa from some of the other Pacific islands?

Governor COLEMAN. Most of our people come from mainland United States, but we have people also coming from New Zealand and some from Australia.

FISHING INDUSTRY

Mr. REGULA. In the fishing industry—you mentioned you have 2,500 people working in the cannery. Do you have many Samoans who are actually involved in the fishing industry, or are these non-nationals that are doing the fishing itself?

Governor COLEMAN. Fishing is done by other non-nationals. We try to interest the Samoans in that type of fishing.

The people we have now are from the Orient. It is a very difficult type of fishing. It requires long periods of living on the vessel with minimum accommodations.

Mr. TUIA. It is about 60 percent of the fishing being brought in other than by the United States.

Mr. YATES. What about enterprise funds? Do any of your young people want to go into the fishing business? What do they want to do? They have been going into government service, but what private enterprises do you have where they can find jobs?

Governor COLEMAN. We are looking to other manufacturing.

Mr. YATES. Such as what?

Governor COLEMAN. For example, we have convinced one of the milk supplying companies to expand their production. We are developing the concept of transshipment, American Samoa having the best harbor in the Pacific, would be passing through port for the commerce of the South Pacific.

This will expand our export potential. For instance, the milk-making company has gone into fruit juice. As of last week, they came out with orange juice.

Mr. YATES. Do you grow oranges there?

Governor COLEMAN. No.

FOOD IMPORTS

Mr. YATES. Is milk imported, too?

Governor COLEMAN. Milk is imported.

Mr. YATES. Are all your foods imported except a few of your staples?

Governor COLEMAN. That is right. Our staple is not imported.

Mr. YATES. What are your staples?

Governor COLEMAN. Taro, bananas, breadfruit.

Mr. YATES. Everything else is imported?

Governor COLEMAN. Yes.

Mr. YATES. As well as wheat, and bread?

Mr. POUMELE. Everything.

Governor COLEMAN. We have our basic rice.

Mr. TUIA. Mr. Chairman, the Governor mentioned about the feed mill. This is the first year.

For years most of our wheat has been imported. Last year it was almost $3 million worth of chicken that has been imported to American Samoa.

We anticipate that in three years we will be able to raise our own chickens and pigs to offset what we are bringing in.

Mr. YATES. Do you have land for that?

Mr. TUIA. Oh, yes, we have because we are moving into the feed mill, and at the end of this year we want to have a slaughter house.

Mr. YATES. Mr. Speaker, why haven't you done that prior to this year? Why all of a sudden are you doing it now?

Mr. TUIA. We want to be independent, sir.

Mr. YATES. Good. I think that is fine. We want to help you become independent. You want to raise chickens and hogs. What else are you doing? Where are you getting the funds?

Governor COLEMAN. The private funds are being used in some of this. We are talking with a company for the making of beer.

ENTERPRISE FUNDS

Mr. YATES. There are certain enterprise funds the government operates. What are the enterprises that the government operates?

Governor COLEMAN. Communication, airport transportation, the marine railway.

Mr. YATES. Whatever happened to the television station?

Governor COLEMAN. The television station is coming along fine.

Mr. YATES. There is no problem with that?

Governor COLEMAN. We had some problems.

Mr. YATES. I remember. Is it all right now?

Governor COLEMAN. The transmitter is fine now.

Mr. TUIA. In another area we are asking for $250,000 for economic development.

Mr. YATES. In which area is that? What do you want to do with these monies?

Mr. TUIA. Develop our country.

Mr. YATES. In what way?

Mr. TUIA. Business.

Mr. YATES. What kinds of business? Do you have a planning agency? Do you have proposals that you are working on?

ECONOMIC DEVELOPMENT PLAN

Governor COLEMAN. We have an economic development plan.

Mr. YATES. Could you submit a copy of that plan for the committee?

Governor COLEMAN. Yes.

[Committee note—Economic development plan is retained in committee files.]

Mr. YATES. We want to see what you want to do. We would like to help you.

ECONOMIC DEVELOPMENT LOAN FUND

Mr. REGULA. As I understand this, your request for $250,000 would go into an American Samoa development fund, which, in turn, the government would then use as seed money to lend to various enterprises.

Is that a correct understanding?

Governor COLEMAN. Yes.

Mr. REGULA. Have you had anything like this in the past or is this a new type of program?

Governor COLEMAN. We have had it in the past.

Mr. REGULA. Do you have a record of what you have done with the money? What projects have been financed? Have they been successful? Has the money been paid back? Do you have a rotating fund where you lend it and it gets paid back, and you lend it again?

Governor COLEMAN. Yes, sir. We have a rotating fund in housing and one in the small industry development.

Mr. REGULA. What is your record of repayment?

Governor COLEMAN. The record has been good, I would say. I think 75 percent payment is something that comes to mind.

Mr. REGULA. Do you lend this at interest?

Governor COLEMAN. At seven percent interest.

Mr. REGULA. How much is presently in the fund?

Mr. TAGO. Mr. Chairman, we have four types of funds. The fund that was established in 1967 has grown from $2.5 million to $4.2 million as of last year.

Mr. YATES. Say that again.

Mr. TAGO. The initial funding in 1974 for housing has grown from $2.5 million to $4.2 million. So the other funds have grown since they were established.

Mr. REGULA. Of that amount already in funds, $250,000 would not be a significant increase because you already have substantial millions in these rotating funds.

Mr. TAGO. We have several applications pending for business loans which amount to more than $5 million.

Mr. REGULA. How much do you have available in the non-housing account?

Mr. TAGO. Everything we have now is committed.

Mr. TUIA. For the past few years we have developed the industrial park, and the chairman of that is here. We are proud to report we have almost filled the whole industrial park with small business.

ELECTRIC POWER GENERATORS

Mr. YATES. Good. What about the generators? Apparently, you are having trouble with them.

Governor COLEMAN. Yes, sir.

Mr. YATES. In what condition are they?

Governor COLEMAN. They are very old. There is a difference in age.

Mr. YATES. Is my memory correct? Didn't the Navy have to bring you a supplemental generator?

Governor COLEMAN. Yes.

Mr. YATES. Now you have your own generator?

Governor COLEMAN. We have our own generators plus the Army generators.

Mr. YATES. Do you have a maintenance schedule for them? Are they being kept up?

Governor COLEMAN. Yes. We recently had an Army repair program which brought back—upgraded——

Mr. YATES. Is it still touch and go with your generators?

Governor COLEMAN. That is correct.

Mr. YATES. What could you need then?

Mr. TUIA. I would like to put in the record that our present Governor, the present administration, had nothing to do with the bringing in of these generators. We are the recipients of the old type for which you cannot replace parts.

Mr. YATES. Who was kind enough to give you these generators?

Mr. TUIA. This was before this time.

Mr. YATES. How old are the old generators?

Mr. TUIA. Twenty years.

Mr. YATES. What is the expected life of those generators?

Mr. TUIA. Twenty years.

Mr. YATES. Do you have another ten years to go on them?

Mr. TUIA. They are 20 years old already.

Mr. YATES. Are they the ones on which your power is based?

Governor COLEMAN. Well, yes. We have also had some breakdowns. There is a crankshaft in one of the engines, and we could not know whether its foundation affected.

Mr. YATES. Do you need a new generator, or a power station, or what?

Governor COLEMAN. I think we need a complete package of new generators. In the past they built two power plants. That meant double in personnel for shifts and so forth. We are trying to see if we can consolidate them into one.

Mr. YATES. How much would one good generator cost? How many watts do you need?

Governor COLEMAN. We need 15,000 KW.

Mr. YATES. How many kilowatts do your generators now produce?

Governor COLEMAN. Right now they are producing about 12 MW.

Mr. YATES. Do they break down occasionally?

Governor COLEMAN. Yes, they do.

Mr. YATES. Is that because of your fault or the generator's?

Governor COLEMAN. The generators. It is a combination. True, sometimes our own maintenance programs—we have had workshops, we have had specialists from the States work with our people.

VOCATIONAL EDUCATION

Mr. YATES. Why don't you put some of your young graduates into the generating business?

Mr. TUIA. If you cut this CETA program, it is not only generators. We won't be able to get the right people to train them properly.

Mr. YATES. I know the value of the CETA program. Why can't you train them in your high school?

Mr. TUIA. We are doing it in high school, but CETA program is on-the-job training. You are right on the job. In vocational education in high school you don't have that opportunity to work. You look at the blackboard.

Mr. REGULA. Let me interject a caveat here. I would hope your high school vocational programs are the occupational work-type where you go half a day to school and half a day to work. We have them in almost all our vocational programs in the United States.

Mr. YATES. Didn't you see this on your trip?

Mr. REGULA. Right.

Mr. TUIA. I wish you would spend more than one day in American Samoa.

Mr. REGULA. Why not take your vocational program and move into the occupational work-type program where it is a half day in school and a half day on the job?

Governor COLEMAN. If I may answer that, Mr. Regula, we have been discussing with our community college where they are now teaching the automotive repairs and serious repairs.

What we have in mind is to place a generator in the college as an auxiliary plant and let the students who are going to work it start from scratch to learn how to handle tools and all the way up to repairing a fairly sophisticated piece of machinery.

Mr. REGULA. That is a logical place to do this. I assume when you say community college, is this a technical or is it a combination of technical and pre-academic?

Governor COLEMAN. It is a combination.

Mr. REGULA. So you can go either track?

Governor COLEMAN. Yes.

Mr. REGULA. It would seem to me in a nation such as yours where you have a great dependence on oil-driven generators there would be sufficient need for this kind of course to be put into your technical side of the community college.

That would be really more effective than CETA, in my judgment.

Mr. POUMELE. We have the facility now. It is a question of getting the proper equipment for training. Of course, you have to go through theory and then the mechanical phase.

Mr. REGULA. You must have had the equipment in the CETA program. Where were the CETA people doing the training?

Mr. TUIA. This is just starting a program. They go out and do their vocational study. Then they have to go back to classrooms. They go out, and they come back to the classroom.

This is new. They used to go to different offices, to different places, but they were limited.

Mr. REGULA. How is the high school financed? Is there some Federal money and some local money?

Governor COLEMAN. It is a combination.

Mr. REGULA. How about the community college?

Governor COLEMAN. That is the same. Through Federal grants and local resources.

Mr. REGULA. Mr. Chairman, I am intrigued along the lines of the community college program of diverting it from some other things to ensure this program. It is a very logical place.

Mr. YATES. You made them wince when you said, "diverting it from other things."

Mr. REGULA. I think all these gentlemen are saying they want to become more self-sufficient and independent. It has to start with the education program.

Mr. YATES. He is going to make you more self-sufficient.

Mr. REGULA. Isn't that your goal?

Governor COLEMAN. Right. As you know, there are certain basic facilities that are necessary, one of which is power. Power is our greatest need and worst problem. It is a very funny feeling. When the power plant manager calls up and says the last thread of power has been broken and the whole island is in total blackout, there is no greater feeling of helplessness than at that moment when you get the word.

We have an add-on request of $8 million for the 12 megawatts of power. Right now we are spending a lot of money on this band-aid type of work.

POWER SYSTEM FINANCING

Mr. REGULA. I assume you charge your customers. Do you have sufficient cash flow? Do you divert a portion of the revenues into a sinking fund for replacement of equipment?

Governor COLEMAN. Yes. We have just set up an independent power utility agency where the funds can be used exclusively for the power plant.

We have in the past been operating under that assumption that they would operate exclusively. We have not been able, because of this breakdown, to raise enough money to pay all our expenses in the power plant out of the revenues from the users.

Mr. REGULA. That doesn't include any set-aside for capital improvements in the future? Are you saying your net operating cost is greater than the flow of revenue?

Mr. TUIA. What we are saying is because of the breakdown we have not been able to put aside funds and pay the upkeep of the present generators.

Mr. YATES. In line with Mr. Regula's question, suppose you had a new generator. Do you have the transmission lines to send it throughout the island?

Mr. TUIA. Yes.

Mr. YATES. Is there a problem with the transmission lines?

Mr. TUIA. No.

Mr. YATES. Do you have the customers who would pay the rates that would pay for the installation of that generator over a reasonable period of time?

Governor COLEMAN. We do, yes.

Mr. TUIA. I think our rate is higher than most of the States.

Mr. YATES. Is that because of the maintenance charges?

Mr. TUIA. Yes.

Mr. YATES. It is higher. It will get higher because you use oil for the generator. Don't you have fuel sources of your own such as oil or coal or gas. Do you have to import all of that?

Mr. TUIA. Yes. We explored the possibility of the ocean thermal thing but that is too expensive. There are varying temperatures.

Mr. YATES. Is it economic?

Mr. TUIA. No, sir.

Mr. YATES. What is your maintenance cost on your generating system?

Mr. TUIA. About $2 million.

Mr. YATES. For annual costs for maintaining the generator?

Mr. TUIA. That is correct.

Mr. YATES. It would seem to me you could pay for a new generator in no time.

Mr. TUIA. That is the reason we are asking you give us the money to buy new generators and then we minimize the expenses of maintaining it.

FEDERAL LOAN FOR POWER GENERATORS

Mr. REGULA. If you had a loan to buy these generators, would the rate structure be sufficient to retire the loan plus reasonable rate of interest over a 25-year period?

Governor COLEMAN. We have no authority to borrow money.

Mr. YATES. Suppose the committee were to give you a loan?

Governor COLEMAN. We would pay that.

Mr. YATES. It seems to me it makes sense to provide a new generator in some form. Maybe you ought to establish—do you have a utility company now?

Governor COLEMAN. Yes. We have established a utility authority.

Mr. YATES. A utility authority. That utility authority has no authority to borrow money?

Governor COLEMAN. It has authority to borrow money but it has no money to start with. Right now we are trying to get money.

Mr. YATES. It doesn't have credit then?

Governor COLEMAN. It does not have credit.

Mr. YATES. Suppose the government of Samoa were to guarantee its credit?

Governor COLEMAN. If we do that.

Mr. YATES. What percentage of your power sales is to commercial establishments versus residential? Do you have a breakdown?

Mr. TUIA. We will provide that for the record.

[The information follows:]

AMERICAN SAMOA POWER SALES

Type of customer:	*Percent*
Commercial	43
Residential	24
Government	33
Total	100

Mr. YATES. Give us a complete report on the power situation.

REPORT ON AMERICAN SAMOA POWER SITUATION

A. Financial Condition of the Electric Utility

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 1980 and 1979

	1980	1979
ASSETS		
Accounts receivable net of allowance for doubtful accounts of $181,460 & $196,824	$ 1,249,453	$ 575,148
Inventory	1,218,921	613,277
Advances on purchase orders	116,435	-
	2,584,809	1,188,425
Property, plant and equipment net of accumulated depreciation of $6,971,875 and $6,443,508	5,623,882	7,601,018
Construction-in-progress	2,160,432	326,870
	$10,369,123	$ 9,116,313
LIABILITIES, CONTRIBUTIONS AND ACCUMULATED DEFICIT		
Liabilities		
Accounts payable	$ 551,988	$ 86,904
Advances from General Fund	4,007,711	1,900,204
Contributions	14,223,326	14,223,326
Deficit	(8,413,902)	(7,094,121)
	$10,369,123	$ 9,116,313

AMERICAN SAMOA GOVERNMENT
ELECTRIC UTILITY
STATEMENT OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 1980 and 1979

	1980	1979
Revenue		
Private Sector-		
Residential	$ 625,978	$ 503,577
Commercial	317,777	336,339
Large power	825,018	682,586
Service orders	11,174	13,382
Surcharge	2,329,274	1,527,043
Late payment fees	65,954	39,286
Miscellaneous	83,327	13,053
	4,258,502	3,115,266
ASG-		
Electricity	184,826	171,420
Large power	644,704	457,007
Street lights	36,803	24,108
Service orders	17,178	6,062
Surcharge	1,062,601	557,100
	1,946,112	1,215,697
Total revenue	6,204,614	4,330,963
Expenses		
Material and supplies	5,881,546	3,239,668
Personnel costs	1,241,030	1,102,089
Depreciation	528,367	493,953
Contractual services	102,957	22,914
Bad debts	-	37,221
Travel	24,571	9,367
Other	76,285	53,306
Total expenses	7,854,756	4,958,518
Loss	$ 1,650,142	$ 627,555

AMERICAN SAMOA GOVERNMENT
ELECTRIC UTILITY
CHANGES IN FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 1980

Source of Funds		
Operations		
Loss	$(1,650,142)	
Item no requiring funds - depreciation	528,367	$(1,121,775)
Increase in advances from General Fund		2,107,507
Adjust receivables to earned basis		330,361
		1,316,093
Application of Funds		
Addition to plant and equipment and CIP		384,793
Increase in working capital		$ 931,300
Changes in Working Capital		
Increase in accounts receivable		$ 674,305
Increase in inventory		605,644
Increase in advances on purchase orders		116,435
Increase in accounts payable		(465,084)
Increase in working capital		$ 931,300

AMERICAN SAMOA GOVERNMENT
ELECTRIC UTILITY
PLANT IN SERVICE AND ACCUMULATED DEPRECIATION
SEPTEMBER 30, 1980

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Land	$ 7,123	$	$ 7,123
Buildings and improvements	2,616,125	601,498	2,014,627
Power distribution equipment	9,318,842	6,143,818	3,175,024
Other equipment	653,667	226,559	427,108
	$ 12,595,757	$ 6,971,875	$ 5,623,882

American Samoa Power Situation (cont'd.)

B. Inventory of Existing Power Equipment & Current Status

Unit #	Make	Year Installed	KW Produced	Current KW Produced	Status
Satala Plant:					
1	Nordberg	1961	1,000	-0-	Under repair
2	Nordberg	1961	1,000	-0-	Under repair
3	Nordberg	1963	2,000	-0-	Under repair
4	Nordberg	1963	2,000	-0-	Under repair
5	Nordberg	1964	3,000	2,700	Operating at 90%
6	Nordberg	1964	3,000	2,700	Operating at 90%
7	General Motors	1978	2,500	2,100	Operating at 84%
Tafuna Plant:					
1	Nordberg	1973	3,500	-0-	Under repair
2	Nordberg	1973	3,500	-0-	Under repair
3	General Motors	1978	2,500	1,700	Operating at 68%
10	TOTAL ASG EQUIPMENT		24,000	9,200	
ARMY UNITS: (On loan to the American Samoa Government)					
B-1	EMD	1974	1,500	1,500	Operating at 100%
B-2	EMD	1974	1,500	1,500	Operating at 100%
B-3	EMD	1974	1,500	1,500	Operating at 100%
C-1	EMD	1974	1,500	-0-	Under Repair
C-2	EMD	1974	1,500	1,400	Operating at 93%
C-3	EMD	1974	1,500	-0-	Scrapped
6	TOTAL U.S. ARMY UNITS		9,000	5,900	

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American Samoa Power Situation (cont'd.)

C. Summary of Problems

The problems with American Samoa's power situation can be summarized as follows:

(1) Turnover of management and technical personnel due to inadequate incentives to remain on island;

(2) Expensive maintenance costs due to antiquated equipment and difficulty in obtaining adequate spare parts;

(3) Inappropriate accounting system which produced irrelevant management data for electric utility purposes;

(4) Inefficiencies in the centralized government system for personnel, procurement and contracting which frustrates decisive action by utility management personnel; and

(5) Inadequate local technical skills to operate and maintain the power plants. Lack of preventive maintenance program.

D. Actions to Rectify the Problems

The following actions have been taken to correct the power situation in American Samoa:

(1) A Power Authority has been established to operate the electric utility indepently;

(2) A utility accounting system has been designed, implemented and now producing monthly financial statements as well as relevant production statistics for management use;

(3) The recruitment process is already under way for top and middle management personnel for the new Authority;

(4) A $1.5 million dollar supplemental request for FY 1981 to repair and overhaul all of the American Samoa Government power equipment to place them in service, as a short run solution, has been recommended favorably by both the House and Senate full appropriations committees;

(5) A Congressional add-on of $8,000,000 has been requested in the fiscal year 1982 budget process to buy new generators to replace the old equipment that have exhausted their useful lives; and

(6) In addition to management's cost cutting programs, the rate structure will be reviewed for adequacy to maintain current levels of operation, and to fund future replacements as well as the ability to absorb financing for future programs.

WATER SYSTEM

What about your water system?

Governor COLEMAN. That is in good shape.

Mr. YATES. That doesn't break down?

Mr. POUMELE. It still could be improved.

Mr. YATES. How could it be improved? Is the water not good water? Do you get your water from deep wells?

Governor COLEMAN. Yes, from deep wells.

Mr. YATES. What has to be improved, the distribution system?

Mr. POUMELE. Yes. Not only that, we would like to drill more wells.

Mr. YATES. Are the present wells inadequate? Is your population increasing?

Mr. POUMELE. Yes. And business is increasing.

Mr. YATES. How much is your population increasing? Thirty-two thousand from what?

Mr. POUMELE. Twenty-eight.

Mr. YATES. Four thousand a year.

Mr. TUIA. Canneries have increased production. They have just completed their expansion of $3.7 million. So they need more water.

Mr. YATES. Is the number of your students increasing, or decreasing?

Governor COLEMAN. Increasing.

Mr. YATES. As your population increases, does the number of your students increase?

Governor COLEMAN. Yes.

HOSPITAL

Mr. YATES. What about your hospital facilities, what is their condition?

Governor COLEMAN. The hospital facilities badly need upgrading.

Mr. YATES. What is the condition of the hospital?

Mr. POUMELE. Pretty close to 20 years old.

Mr. YATES. Since President Johnson, 1964 to 1968. What is the matter with it?

Governor COLEMAN. We need to change the shake roof, for instance, every 20 years.

Mr. YATES. I see. That means you still have ten years before you do this.

Governor COLEMAN. This was in 1967. That is 14 years ago.

OFF-ISLAND MEDICAL TRANSFERS

Mr. YATES. Then you said that 114 patients had to be transferred off the island last year. What is the nature of your transfer emergency cases that you couldn't take care of?

Governor COLEMAN. Not only emergency cases, but cases where special equipment was involved.

Mr. YATES. You fly them to Hawaii then?

Governor COLEMAN. We have a contract with the Tripler Hospital in Hawaii.

ROAD RECONSTRUCTION

Mr. YATES. You want a million and a half dollars to rebuild a road that was built only three years ago. Roads usually last longer than that. Why do you have to rebuild it?

Governor COLEMAN. We have had mud slides in that area. That is an area that was hit badly by the flood and heavy winds.

Mr. YATES. Do you have an adequate maintenance program for the road?

Governor COLEMAN. Yes sir.

FISHING DOCK

Mr. YATES. You want a fishing dock and support facilities. Is this for the canneries?

Governor COLEMAN. It is for the small fishery. We want to develop our small fishery.

Mr. YATES. Do you have the capital?

Governor COLEMAN. We have the nucleus of people who have been engaged in that kind of business.

Mr. YATES. Do they have boats?

Governor COLEMAN. These are local people. They have had boats. They have reached the point of they are looking for new boats.

CANTON ISLAND

Mr. YATES. What is the status of Canton Island?

Governor COLEMAN. Canton Island is down to a bare minimum existence now, administratively. We have three people there, just on a caretaker basis. Once if we were to leave that there, then we don't know. The fishing vessels are going to come in and probably strip the island.

Mr. YATES. Strip it of what?

Governor COLEMAN. Strip it of some of the equipment, the power plant, et cetera.

Mr. YATES. How many people live there?

Governor COLEMAN. About six people.

Mr. YATES. And you supply it with power?

Governor COLEMAN. We had a power plant. They had 36 people before. And then they left, and they had to make their own water. There is no water there.

Mr. YATES. There is no well. Have you tried before, but there was the effort of the military?

Any questions, Mr. Regula?

Mr. REGULA. No, Mr. Chairman.

Mr. YATES. Thank you very much, Governor.

Thank you, Mr. President.

Mr. REGULA. Mr. Chairman.

Mr. YATES. Mr. Regula has a question.

GROSS NATIONAL PRODUCT

Mr. REGULA. What is the total gross national product of American Samoa, exclusive of federal funds?

Governor COLEMAN. I would say $40 million a year.

Mr. REGULA. This is generated by commercial activities?

Governor COLEMAN. This is based, of course, on money coming in, and private industry—canneries, and some of our other exports, the tourist industry.

Mr. YATES. Will you yield for a second? How much tourism do you get?

Mr. POUMELE. It is not a significant number.

Governor COLEMAN. I would say about 15,000 a year. We have cruise ships that come in.

Mr. YATES. Are you served by an airline?

Governor COLEMAN. Yes sir.

Mr. YATES. Who comes in, Pan Am?

Governor COLEMAN. Continental Airlines, plus the South Pacific Islands Airways, a recently established airline in Samoa.

Mr. REGULA. Do I understand your statement correctly, Governor, that you mention appropriated local funds proposed for 1982 is $17.4 million, local enterprise, $16.6 million? If I understand that correctly, that is the amount generated by the taxes of the Samoan Government, am I correct?

Governor COLEMAN. Yes.

Mr. REGULA. Then you have certainly a larger GNP than $40 million, if you generate $34 million in taxes.

Governor COLEMAN. The economists tell me that GNP is about $183 million.

TAX STRUCTURE

Mr. REGULA. What kind of taxes do you have that generate these two, $17.4 million, and $16.6 million?

Governor COLEMAN. We have our income tax. It is based on the Federal income tax system.

Mr. REGULA. Do you have local income tax that is tied to the Federal?

Governor COLEMAN. Yes.

Mr. REGULA. All the residents pay the Federal income tax, is that correct?

Governor COLEMAN. That is right.

Mr. REGULA. Do you have a sales tax?

Governor COLEMAN. No, no sales tax.

Mr. REGULA. As I understand it, the local enterprise funds are funds generated from the sale of electricity, and landing rights at the airport and this type of thing?

Governor COLEMAN. Yes.

Mr. REGULA. The $17.4 million then, is from your local income tax?

Governor COLEMAN. Yes sir.

Mr. REGULA. Plus your corporate taxes?

Mr. POUMELE. Yes.

Mr. REGULA. I was interested in tracing the pattern here of local revenues versus Federal funds: 1978, 33 percent and 66 percent; 1979, 40 percent and 59 percent; 1980, 44 percent and 55 percent. Up until 1981 there was a decline in Federal as a percentage and an increase in local. 1981, it headed back the other direction. That is, local went down as a percentage, and federal went up. This would seem to indicate some aberration there in your pattern of self-sufficiency. Is there any explanation for that?

Governor COLEMAN. It is a combination of these unfortunate incidents that we had. The hurricanes that we had, the air transportation strike. And the power situation. This affected the private business sector. Consequently, there was quite a dip in our business activities.

EXPANDING THE ECONOMY

Mr. REGULA. I see in 1982 you propose swinging back in the other direction. What would be your goal? Your goal, I presume, would be to become totally independent in the long run.

Governor COLEMAN. Yes.

Mr. REGULA. What do you see as the keys to this? Expansion of agribusiness? That would be more in the fishing field?

Governor COLEMAN. Well, I think we need to diversify our export system. Fishing is still expanding, by the way. But we are going more into other products which we utilize. We are thinking of making beer.

Mr. POUMELE. Small manufacturing plants.

Governor COLEMAN. Creating, or making enough milk products, or dairy products for export to the neighboring islands.

Mr. REGULA. Would you hope to develop a broader economic base?

Governor COLEMAN. Yes, sir.

Mr. TUIA. Taking advantage of our island as the central point of transportation in the Pacific Islands.

Mr. REGULA. On the water systems development, I assume that there is a charge for the sale of water to the customer then?

Mr. TUIA. Yes.

Mr. REGULA. That goes into your local enterprise fund, is that correct?

Mr. POUMELE. That is true.

Mr. REGULA. In the fisheries development, is this to expand the fishing offshore, or is this internal?

Mr. TUIA. All right. Presently, we are having the foreign fishermen there doing fishing enterprises as well as the United States. The Governor has expressed with the President, the desires of developing our own fishing industry. For the first time this year, we are starting to bring in catches from the local fishermen, and selling it to the canneries. We want to expand that.

Mr. REGULA. You don't have any lakes, I assume?

Mr. TUIA. No, we do not.

Mr. REGULA. When you say fisheries development, you are talking in terms of expanding the local role—people who would go out and fish, and bring back the catch for canning?

Mr. POUMELE. Right.

Mr. TUIA. That is true.

Mr. YATES. Thank you very much, Governor.

Thank you very much, Mr. Speaker and Mr. Poumele. We have some additional questions that we would like you to answer for the record.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS

AMERICAN SAMOA GOVERNMENT

ECONOMIC DEVELOPMENT

Question: What plans do you have to increase the economic development of the Territory in the future?

Answer: American Samoa's plans to increase its economic development in the future are contained in the attached copy of the Five Year Economic Development Plan. However, the most critical problem at the moment inhibiting economic progress is the electric power situation. We are barely producing enough power to meet peak demand without any reserve capacity for back up power. Five of the units capable of producing 9,000 kilowatts were purchased in the early 1960's and are all currently undergoing major repairs. These are expensive and less cost effective. Your favorable consideration of American Samoa's Congressional add-on for $8 million to replace the antiquated power equipment will contribute significantly to an environment conducive to economic development.

SCHOLARSHIP PROGRAM

Question: Your justifications on page 85 with regard to education state that you are reviewing mandatory service in the Territory for a specified amount of time in return for financial assistance.

--When do you expect to reach a decision on this and what kind of time period are you contemplating?

Answer: A policy for mandatory service in return for financial assistance under the Government's scholarship program is anticipated by the end of FY 1981 or the early part of FY 1982.

EXPORTS

Question: The justifications (p. 93) show that exports are increasing over 10% in fiscal year 1982.

-- What are the bulk of the exports and on what do you base the large increase?

Answer: The bulk of American Samoa's exports come from fishery products manufactured by the canneries. These represent 95% of total exports in 1980. Both canneries are undergoing major plant expansion programs which will increase their production capacity by 10% for 1981 and 1982. In addition, American Samoa is promoting the transshipment concept utilizing Pago Pago Harbor as the central distribution center for U.S.A. products which will also contribute to the projected increase.

CANTON ISLAND

Question: Please explain to the Committee the status of Canton Island (p. 112)

-- What facilities are operational there?

Answer: On July 3, 1979 the Secretary of the Interior officially appointed the Governor of American Samoa as his personal representative and civil administrator of Canton and Enderbury Islands in the Phoenix group. This appointment became effective July 12, 1979. The Secretary was acting pursuant to provisions of President Roosevelt's executive order #7828 relating to these islands.

On July 12, 1979, the United States Government and the Government of Kiribati signed a Treaty of Friendship for the two islands. The U.S. Senate has not yet ratified the Treaty and, therefore, the Secretary's representative must continue his caretaker responsibilities until the instrument is ratified or until the Secretary relinquishes the function to another agency.

The Department of Defense, who formerly occupied the islands for military purposes, left behind fixed assets valued at approximately $40 million dollars. Operational costs include a power plant operating at minimum capacity, water shipments, fuel shipments, food and medical supplies, personnel, communication equipment, and other requirements not readily available on island.

GOVERNMENT OF GUAM

WITNESSES

HON. PAUL M. CALVO, GOVERNOR OF GUAM
AL PANGELINAN, BUDGET DIRECTOR
SENATOR ALBERTO C. LAMORENA, III, CHAIRMAN SENATE COMMITEE ON WAYS AND MEANS
RUTH VAN CLEVE, DEPUTY ASSISTANT SECRETARY FOR POLICY, TERRITORIAL AND INTERNATIONAL AFFAIRS, DEPARTMENT OF THE INTERIOR
BEN FUKUTOME, U.S. GOVERNMENT COMPTROLLER FOR GUAM/TTPI/NMI

Mr. YATES. Let's talk about Guam now.

Governor, we are glad to greet you. I understand this is your first appearance before this committee as Governor. I am glad to welcome you. We see you are accompanied by the old timers, a couple of the old timers, Mr. Pangelinan, whom we have had the pleasure of seeing before, and Mr. Lamorena.

Mr. LAMORENA. Yes sir.

Mr. YATES. Governor, your statement may appear in the record.

[The statement follows:]

PAUL M. CALVO
Governor

Territory of Guam
Office of the Governor
Agana, Guam 96910
U.S.A.

TESTIMONY OF
PAUL M. CALVO
GOVERNOR OF GUAM,
BEFORE THE
U.S. CONGRESS

Mr. Chairman, members of this Subcommittee, once again, we appear before you to express the gratitude of the People of Guam for your continuing support and concern for Guam's infrastructure needs and economic problems. We are also pleased to inform you that many of the projects that you have supported in the past are now being constructed or are in their final phase of construction design. Through the efforts of the members of this Committee, other members of the U.S. Congress and the Department of the Interior, we will soon be seeing new and renovated schools, a new penitentiary, and numerous water projects, all of which when completed will greatly benefit the People of the Territory of Guam. Again, however, much has yet

to be accomplished in order to meet the capital improvement project needs for Guam. For this reason, we are appearing before you to testify in support of Guam's FY 1982 budget request and to express our concerns on other matters of paramount importance to the Territory of Guam.

FY 1982 Budget Request

The Government of Guam had orginally requested over $24.8 million for capital improvement projects of which $12.2 million have been approved by the Department of the Interior. However, in the final submission by President Carter, the request was further reduced to $12 million and it now stands at $10 million as submitted by President Reagan. We recognize that funding is tight throughout the Federal Government. We do support the President's plan to try and reduce Federal spending. However, we think that in the process of reducing Government expenditures, island territories should not be held to criteria applied to mainland states. Too often the criteria used for Mainland United States are not applicable to island Territories because of the islands' unique problems and stages of development. We hope that in the implementation of the President's Economic Recovery Plan, this concern will be addressed. Guam's isolated geographic location, limited resources and the application of Federal laws which impede

economic growth and development should all be considered when Federal funds are to be reduced.

The proposal to increase the local matching requirements from 10% to 25% for the projects being requested in FY 1982 will be financially prohibitive to Government of Guam. The Government of Guam revenues cannot provide the additional funds especially in light of the proposed cutbacks on the Federal programs that Guam now administers. We know that some of the programs although reduced or eliminated by the Federal Government can not be immediately terminated and may have to be continued for awhile with local funds. Failure to do so can be economically and socially disruptive to the community. It is also ironic that when the U.S. Congress passed U.S. Public Law 95-134, one of the provisions of that law is to allow discretionary authority to department heads to waive local matching requirements because of the financial hardship they have on the coffers of the Territorial Governments. Beginning fiscal year 1981, however, local matching on capital projects was a condition to getting funding for these projects. Now, in FY 1982, not only must the Government of Guam match the funding for these projects, but also, the local match has been increased by 15% after cost estimates have been prepared.

We are appealing to you and other members of Congress to waive

the matching requirements. Give us the grants at whatever level you think is adequate and let us be concerned with the balance of costs of these projects. We think that this approach is consistent with the prevailing philosophy of passing greater responsibility to state and local governments.

The fiscal year 1982 budget request as submitted by the Administration will provide $10 million to fund eight projects. These are Economic Development Loan Fund - $250,000; Water Systems - $1,125,000; Six Water Wells - $877,000; Commercial Port Expansion - $3,225,000; School Project - $1,008,000; Crime Laboratory - $112,000; Parks Building - $225,000; and Bridge Construction - $3,225,000 for a total of $10,047,000. Some of these projects nave been requested in previous years but were not funded and are now being resubmitted for funding. Highlights of the projects being requested are shown below:

Economic Development Loan Fund (EDLF) - $250,000

The original request submitted by Government of Guam was $1,000,000 but was reduced to $250,000. The request will provide for economic development loans to potential businesses that would provide private sector jobs. Presently, there is approximately $4.9 million funding requirements for approved

loans for FY 1982. The proposed $250,000 funding is far too short of what Guam really needs.

Water Systems and Six Wells - $2,002,000

These projects are essential to the overall plan to continue to improve the water distribution system for the Territory of Guam. These projects are all geared toward meeting the increased water requirements for the island efficiently and effectively as indicated in Guam's water facilities master plan.

Facilities' Improvement and Construction - $7,795,000

Guam's request provides for the purchase of collateral equipment for the nearly completed Agat Jr./Sr. High School facility; renovation and expansion of the existing crime laboratory; expansion of the Commercial Port container yard; construction of the Parks and Recreational building; and construction of bridges. The implementation of these projects would provide for the health, safety and educational welfare of our students; development of our much needed commercial port facilities as part of our economic development programs; and construction of essential facilities needed in the efficient and effective delivery of government services.

Detailed information on each of these projects has been prepared and submitted to the Department of the Interior. As indicated earlier, the original request was more than twice the amount finally approved by the Administration. Although we recognize that budget cuts will be necessary, we respectfully request that the U.S. Congress consider funding a request for the Guam Memorial Hospital facility under the $10 million authorization request under U.S. Public Law 95-355. A separate budget justification has been prepared and is being presented to you at this time. This request is critical to the delivery of health care services to the People of Guam.

Energy

Unfortunately, the Administration's $10 million budget does not consider the problem of energy on Guam. It is increasingly clear that any economic development will ultimately depend upon the availability of a reasonably affordable and reliable source of energy. The rapidly increasing cost of petroleum fuels has increased the retail electricity cost on Guam to nearly 12¢ per kilowatt hour - double that of most mainland areas - and further increases are anticipated. Immediate steps are necessary to change this condition.

Due to Guam's unique geographic and climatic situation we have

committed ourselves to the development of certain renewable alternate energy resources. Our goal is to develop a base-load alternate to the existing petroleum-fired system. We have determined that Ocean Thermal Energy Conversion (OTEC) represents the most viable base-load alternate and have taken steps to further this development. It would be particularly important for Congress to respond to this situation by appropriating sufficient money to allow us to complete a design study and economic prospectus which can be used to finalize private financing for a full-scale land-based OTEC plant on Guam.

With an appropriation of $800,000 these studies can be completed and a major system can be initiated which would be privately financed, support economic development and eventually decrease our dependence on federal subsidies. In the absence of an appropriation, we will be seeking a reprogramming of other FY '81 or FY '82 CIP funding.

Other Concerns

Although this is a hearing for FY 1982 budget request, we would like to bring to your attention some major concerns which directly or indirectly impact on Government of Guam's continuing request for financial assistance. These concerns are as follows:

1. Increased military activities on Guam.

2. Change in the provisions of the Cabras Island land transfer.

3. Funding authorization for FY 1983-1986 capital improvement projects.

4. Guam Power Authority waiver on Sections 111 and 123 of the Clean Air Act.

5. Implementation of Section 607, U.S. Public Law 96-597 relative to the elimination of GovGuam's General Fund deficit.

6. Federal impact assessment on the effects of the Economic Recovery Plan on the Territories.

7. Request for Technical Assistance under PL 96-597 and review of Federal Constraints.

Most of these concerns can be addressed with little or no appropriations but can mean substantial savings and revenues to Guam.

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Increased Military Activities

First of all, the People of Guam are thankful to learn that the U.S.S. San Jose will be homeported in Guam as part of the President's plan to strengthen the Nation's defense posture in this part of the world. This action will not only give the People of Guam a sense of pride for being part of this military buildup, but also, will provide additional revenues to Guam. We hope that the homeporting of the U.S.S. San Jose is only the initial step towards homeporting an aircraft carrier. We all know that homeporting an aircraft carrier can be a great boost to Guam's economy.

Amendment to U.S. Public Law 96-418

Government of Guam appeals to the U.S. Congress to reconsider passing an amendment to Section 818(b)2. This section provides that the properties to be transferred under this law can only be sold or leased for "a monetary consideration equal to or in excess of the market value (at the time of the disposal) of the property concerned." We believe that this provision will deter potential developers from participating in the development of these properties. The costs of these properties would be economically unattractive to potential investors. Again, Guam is constrained by the Federal Government to develop its natural

resources so that it can be more economically independent and less reliant on Federal handouts.

We recommend that Government of Guam be given the latitude to negotiate the price of these properties at a price that would yield maximum benefits to the People of Guam.

Capital Project Funding Authorization for Future Fiscal Years

The funding authorizations for capital improvement projects will be exhausted with the FY 1982 appropriations. As mentioned earlier, the funding for these projects is crucial for the development of Guam and its economy. Therefore, we are requesting that the U.S. Congress enact an authorization measure for at least two years worth of capital project funding. We suggest that at least $25-30 million be authorized for facilities development for Guam. All of the projects to be funded will come from the list of projects indicated in the 10-year CIP plan jointly prepared by the Government of Guam and the Federal Government.

Guam Power Authority's Request for Exemption on some Provision of the Clean Air Act

This issue has been raised since October 16, 1979 when H.R.

3756 was being heard by the Committee on Energy and Natural Resources. During that hearing, Senator J. Bennett Johnston requested the views of the Department of the Interior on a proposal before the Committee to exempt the Guam Power Authority (GPA) from Sections 111 and 123 of the Clean Air Act.

The Department of the Interior sent a letter to the Administrator of Environmental Protection Agency in response to the Senator's request. The Department of the Interior supports the exemption from environmental and financial standpoints. Both the Department of the Interior and Guam Power Authority (GPA) feel that because of prevailing winds that carry emissions from Guam power plants into the air above the uninhabited Philippine Sea, no populations suffer from Guam's non-compliance with Sections 111 and 123 of the Clean Air Act. During the infrequent periods when winds blow the power plant emissions over Guam, the power authority switches to low-sulphur fuel and meets air quality standards. Furthermore, both agencies feel that enforcement of Sections 111 and 123 of the Clean Air Act would cost GPA in excess of $20 million to construct a scrubber. GPA cannot implement these requirements without over-burdening the consumers with increased rates in power which would possibly result in jeopardizing the $36 million loan from the Federal Government. Unfortunatey, since 1979, no resolution was taken to exempt GPA from the subject

provisions. Again, we are appealing to you and other members of Congress to provide a legislative remedy to protect the Guam Power Authority from non-compliance penalties.

Implementation of the Deficit Elimination Plan Pursuant to U.S. PL 96-597

The U.S. Congress under Section 601, U.S. Public Law 96-597, authorized a $37.5 million over a period of four years to assist Government of Guam in the elimination of its General Fund deficit. As a prerequisite to receiving these funds, Government of Guam shall submit a deficit elimination plan to be approved by the Secretary of the Interior in consultation with the Secretary of the Treasury. This plan shall indicate that beginning FY 1986, the Government of Guam will have eliminated its General Fund deficit. We have prepared a viable plan with specific tasks identified to meet our objective to eliminate the deficit. Therefore, we request that an appropriation of $15 million be made to Guam in FY 1982 to implement the plan. This amount is consistent with the scheduled fund allocation in Section 607, of PL 96-597.

Let me also say that many of the action plans indicated in the Deficit-Elimination Plan have been implemented. Just to mention a few, we have implemented an austerity program and

reduced the operational budget for FY 1982 below that of FY 1981. Additionally the Legislature has supported a resolution to eliminate the deficit by 1990. There is also a growing consciousness among legislators that before any appropriations can be made, source(s) of funding for the appropriations must first be identified.

We sincerely think that with the commitment from the U.S. Congress to fully carry-out the intent of PL 96-597 and the local government's commitment, Government of Guam's General Fund deficit could be eliminated under our proposed plan.

Federal Impact Assessment on Proposed Cutbacks

Although GovGuam is very much supportive of the President's proposed program cutbacks in order to control inflation, it is important that we point out the deleterious effects that these cutbacks would have on Guam. It is estimated that over 700 jobs will be affected, over $23 million of lost income tax revenues for the next 3 years would result, over $16 million of program funding will be eliminated, and in general, the first few years of implementation of the President's Economic Recovery Plan would present a tremendous financial hardship on the People of Guam.

We think that the Federal Government in applying these cutbacks should use different criteria for the territories from the criteria used for the states. Guam, unlike many states and like many Territories is fairly new in the administration of these programs. Many of the existing Federal programs on Guam have yet to reach the level of sophisticated development that exists in most states so that a reduction or elimination can be disastrous to the program itself (if reduced) or can be devastating to recipients of the programs.

Therefore, we sincerely believe that the Federal Government should seriously consider the impact of these cutbacks and alternatives to minimize their effects. We think that the approach being undertaken by the Federal Government on Puerto Rico should be extended to Guam and the other Territories.

Support for Technical Assistance under U.S. Public Law 96-597

Under Section 601, U.S. Public Law 96-597, the territories will be provided technical assistance from the Federal Government. We fully endorse this proposal that Congress has made available to Guam. We support the funding of this proposal. We are in dire need of technical assistance in the areas of financial management, agricultural research and development, economic

development planning, long-term debt financing planning, studies, and energy demonstration projects.

Under a proposed bill, the Federal Government would establish a Federal Laws Commission to study the applicability of Federal Laws to Guam. This Commission was to be comprised of Territorial representatives. We request that the U.S. Congress support the enactment of this Commission so that many of these Federal Laws that impede economic development can be removed.

In summary we support the Department of the Interior's CIP funding proposal but with reservations as mentioned earlier.

We request that funding for the hospital, energy development, and the elimination of the General Fund deficit be included. We are also seeking full Congressional support on the concerns we have mentioned, many of which the U.S. Congress has already begun to address through legislative action. These concerns, if carried out fully, will mean substantial cost-savings and increased revenues to Guam. Congressional approval of our requests will result in Guam being less dependent on the Federal Government for financial assistance which we believe is fully consistent with the Nation's fiscal and economic policies.

GOVERNMENT OF GUAM

DEFICIT ELIMINATION PLAN

FISCAL YEARS 1982 - 1985

Prepared by: Bureau of Budget and
Management Research

April, 1981

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INTRODUCTION

This plan is prepared pursuant to Section 607 of U.S. Public Law 96-597 which provides a $37.5 million authorization (to be followed by an appropriation) to assist the Government of Guam in eliminating its General Fund deficit by October 1, 1985.

The best indicator of the overall financial state of the Government of Guam is the status of the General Fund. There are varying definitions of the General Fund balance and their significance largely depend upon the user's need. For our purpose, the Government of Guam has opted to use the "unappropriated fund balance" when making specific reference to the General Fund balance. The "unappropriated fund balance" represents the amount of revenues available for appropriation and obligation. This balance is indicative of GovGuam's ability or inability to cover the cost of its obligations and appropriations, as passed by the local legislative body.

The Government of Guam's financial difficulties began abruptly in fiscal year 1974 when it generated a deficit of $17 million. The deficit rose the following year to $39.8 million and steadily grew to $51 million in FY 1976. In fiscal years 1977 and 1978, the deficit continued at an upward trend to $54 million and $63.6 million, respectively. The perpetuation of GovGuam's growing fund deficiency during this two year span is due to the expansion of GovGuam's total workforce and increased employee salaries and retirement benefits which were granted in FY 1978. In its FY 1979 report, the U.S. Government Comptroller reported a drop in the Government of Guam's deficit to $53.5 million. Based on the Department of Administration's unaudited financial statements, the U.S. Government Comptroller estimates at year-end unappropriated fund deficit of $67.7 million for FY 1980. The Government of Guam projects that this deficit will increase by $10 million or $77.7 million at the end of FY 1981. This increase is attributed to decrease in revenues and increase in expenditures expected in FY 1981. It is noted, however, that although the General Fund deficit will continue to increase during the first two years (FY 1982 - FY 1983), cost cutting programs and other steps that will be taken by the Government of Guam plus improved economic conditions will change the deficit trend. However, because of the many economic uncertainties, adjustments on the plan may be necessary. Therefore, it is hoped that the disbursement of federal funds to finance the General Fund deficit is not contingent upon GovGuam's ability to achieve its quarterly and annual goals but rather on its ability to ultimately eliminate the deficit by October 1, 1985.

Inflation continues to be a major problem facing Guam's economy. Guam's remoteness and heavy reliance on imported goods result in a higher cost of living than that of most U.S. mainland jurisdictions. Economic conditions that have affected the United States and Japan have similar devastating effects on Guam's economic posture. Light industrial development is minimal at this time because of the lack of skilled labor and raw materials.

Despite the aggressive skill training programs offered by Guam's Community Career College, this Territory still relies on imported labor but on a more limited scale. As a consequence of this, much local revenues are not

circulated on island but are lost to the imported laborers' countries of origin. Constraints imposed by federal laws and regulations also impede Guam's economic growth and development. Our limited revenue base compounded by the increasing costs in providing needed services make it necessary for the Government of Guam to seek federal funding assistance to resolve its financial plight. The other components of this plan depict the desired interaction that is necessary between all branches of the Government of Guam to effectively execute and fulfill the requirements of Public Law 96-597.

OBJECTIVE

The objective of this plan is to establish a viable program which will enable the Government of Guam to systematically address and eventually eliminate the General Fund deficit by October 1, 1985 without jeopardizing the quality of public services provided to Guam's residents. This plan clearly defines the specific roles and responsibilities of each branch (judicial, executive, and legislative) of the Government of Guam. Total commitment is needed if the Government of Guam is to achieve solvency by October 1, 1985 and to, henceforth, uphold and maintain fiscal integrity in conducting governmental operations.

The following assumptions were made in the formulation of this plan:

1. There will be no major change in the political status of the Government of Guam that will adversely change the relationship between the Government of Guam and the Federal Government.

2. There will be some drastic changes in the organizational structure of the Government of Guam.

3. The U.S. Congress will enact legislation to provide for the implementation of President Reagan's "Economic Recovery Plan" which greatly affects Government of Guam.

4. The U.S. Congress will appropriate $37.5 million pursuant to Section 607 of U.S. Public Law 96-597, to assist the Government of Guam in eliminating its General Fund deficit.

5. There will be a concerted effort by all branches of the Government of Guam to concommittantly assume and carry out their responsibilities as called for by the plan.

6. The Guam legislative body will exercise fiscal discipline in appropriating funds for territorial programs and projects. In the absence of available revenues, the Guam Legislature will enact legislation to authorize rather than appropriate funds in order to minimize the impact of legislative actions on the General Fund status.

7. There will be a concerted effort by all branches of the Government of Guam to:

   - strictly adhere to the Governor's Austerity Program.

   - exercise restraint in expending funds appropriated by the Guam Legislature.

   - assess existing programs/activities and eliminate those that offer the least benefits to the community.

- strengthen controls and accountability of federal grants to facilitate timely receipt of reimbursements to the Government of Guam.

- gradually shift the emphasis on employment from the Government of Guam to the private sector.

8. There will be positive steps taken to bring about a conducive business climate. Such steps include:

   - provide adequate infrastructure essential for business operations such as water, sewer, power, and telephone services.

   - lifting of federal constraints that are excessive, burdensome and counter-productive and therefore, retard Guam's economic growth.

9. There will be increased military activity to be brought about by the homeporting of the U.S.S. San Jose and other ships to Guam.

ACTION PLAN

The Governor of Guam is cognizant of the need to alleviate the Government of Guam's financial position and has already taken some constructive steps to address this problem. The Governor recently disapproved salary increase proposals that would provide for a 30% salary adjustment for Government of Guam workers. Enactment of the proposal would mean a substantial increase in deficit-spending to the point of bankruptcy. The Governor has consistently taken the same action on new appropriation measures for non-critical projects/programs. For FY 1982, the Governor is programming an operations budget below that of FY 1981. A total of 202 vacant positions were cut and funding for logistic support was reduced across-the-board.

The Government of Guam will initiate implementation of its action plan for the period October 1, 1982 through October 1, 1985 using, as a base, the estimated $77.7 million General Fund deficit for year ending September 30, 1981. The action plan consists of three (3) basic elements: (1) administrative; (2) legislative; and (3) Federal Government requirements. These requirements define specific tasks/actions that the Governor, the local Legislature, and the Federal Government must undertake during this four-year span in order to eliminate the deficit by October 1, 1985. Each task is specifically described. Attachment A reflects timetables for accomplishing each task, how each task relates to the overall objective of this plan, and the name of the implementing department/agency.

Administrative Requirements

1. Enforce and monitor compliance with the Governor's Austerity Program.

2. Establish and develop the data base requisite to improving budget and revenue projection capabilities and effective resource management. Coordinate efforts between the Legislative and Executive branches on synchronizing revenue/expenditure projections.

3. Continue to refine the BACIS system to ensure that the financial data provided is timely, reliable, and is in the form needed for decision-making purposes. Strengthen the budgeting and accounting systems by refining existing procedures and techniques.

4. Consolidate preventive maintenance on equipment, and printing and duplicating needs of the Government of Guam.

5. Propose legislation to consolidate similar functions/programs and to eliminate functions/programs that are not cost effective and offer the least benefits to the community.

6. Strengthen federal grants management to insure that only critically needed federal programs are continued. A procedure will be established to provide for the timely and adequate reporting of program expenditures so that the General Fund is promptly reimbursed.

7. Develop an updated indirect cost plan to enable GovGuam to properly charge for administrative support services rendered to locally administered federal programs.

8. Revitalize and augment the financial and management auditing capabilities of the Government of Guam.

9. Institute a fixed asset accounting system for the purpose of strengthening inventory control and the management and maintenance of the Government of Guam's fixed assets.

10. Identify and cancel inactive and non-critical appropriations particularly those that cannot be funded by the Government of Guam's limited revenues.

11. Implement government-wide Program, Planning, and Budgeting (PPB) and/or Zero Base Budgeting (ZBB) concept so that government agencies are given wide latitude in determining their funding priorities. This departure from the traditional line-item budgeting approach forces departments/agencies to manage their limited resources so that optimum efficiency and effectiveness is achieved.

Legislative Requirements

1. Enact legislative measures:

   (a) to carry out the provisions of U.S. Public Law 96-597;

   (b) to have a balanced budget and to provide for an automatic deappropriation of appropriations that cannot be supported with the Government of Guam's available revenues.

   (c) in a form of a resolution to the U.S. Congress to amend the Organic Act to set limitations on appropriating funds.

   (d) to consolidate similar functions/programs within the Government of Guam and to eliminate those functions/programs that are not cost effective and contribute the least benefits to the community.

   (e) to remove the autonomy status of certain ailing autonomous departments/agencies to enable the Executive Branch to closely monitor their resource management activities and ultimately reduce their dependency on the General Fund.

2. In the absence of adequate revenues, the Legislature shall authorize rather than appropriate funds in order to minimize the impact of legislative measures on the General Fund balance.

3. Enact legislation that would limit the number of legislative sessions thus cutting down operational expenditures of the Guam Legislature.

4. Enact legislation that would reassess the GEDA tax incentives program for businesses doing business on Guam.

5. Enact legislation that would provide for increases in regulatory fees and implementation of new charges for services rendered by government programs.

Federal Government Requirements

1. Congress shall appropriate the $37.5 million authorized in Section 607 of U.S. Public Law 96-597 to assist GovGuam in the elimination of its General Fund deficit.

2. The U.S.S. San Jose and other ships are homeported to Guam and should stimulate increased military activities assuming that President Reagan's tax exemption proposal for military personnel is not implemented.

3. The Federal Government shall permit the Government of Guam to use federally-owned lands for economic development.

4. The local matching requirement for federally-funded capital projects /programs shall be waived.

80-810 O—81——12

Objectives/Goals	Required Task	Fiscal Year (in Quarters) 1982 1	2	3	4	1983 1	2	3	4	1984 1	2	3	4	1985 1	2	3	4	Implementing Dept./Agency	Potential Savings
Reduce the General Fund deficit of the Gov't of Guam	Enforce & monitor compliance with the Governor's Austerity Program. The BBMR will institute controls needed to contain expenditures for GovGuam's personnel, travel, and contractual needs.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X	Bureau of Budget	
	Impose & maintain reserves on the operations budget of all departments and agencies. These funds, while in reserve status, become unavailable for obligation/ expenditure.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X	Bureau of Budget	
	Strengthen audit and internal control mechanisms to enhance operational efficiency and effectiveness by eliminating the wasteful practices and procedures of the Government of Guam.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X	Bureau of Budget	
	Identify similar programs/functions and recommend to eliminate those that are ineffective or provide the least benefits to the community. (1) The Governor has supported the enactment of legislation to implement a "Sunset																		

Objectives/Goals	Required Task	Fiscal Year (in Quarters) 1982 1	2	3	4	1983 1	2	3	4	1984 1	2	3	4	1985 1	2	3	4	Implementing Dept./Agency	Potential Savings
	Law". This forces departments/																		
	agencies to expire if their																		
	existence cannot be justified.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X		
	(2) Initiate efforts to further																		
	consolidate business office,																		
	personnel management, accounting,																		
	and procurement functions through-																		
	out the Government of Guam.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X	Governor's Office Guam Legislature	
	Identify & cancel dormant appropri-																		
	ations that cannot be supported by																		
	GovGuam's General Fund cash																		
	position. These appropriations																		
	represent potential obligations/																		
	expenditures and, therefore,																		
	increase the financial liability																		
	and "paper deficit" of the																	Dept. of Administration Bureau of Budget	
	Government of Guam.			X				X	X			X				X		Guam Legislature	
	Resort to bulk purchasing for line																		
	departments/agencies. Costs could																		
	be reduced by consolidating																		
	GovGuam's procurement and service																		
	needs, particularly in the area of																		
	equipment maintenance, printing,																		
	and duplicating.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-X	Dept. of Admin. (Supply) All line depts./agencies	

Objectives/Goals	Required Task	1982				1983				1984				1985				Implementing Dept./Agency	Potential Savings
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	Implement an equipment reconditioning program to refurbish and reissue old but usable equipment to GovGuam departments/agencies.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Dept. of Administration	
	Take advantage of vendor trade discounts because of the departments/agencies' ability to pay their obligations within 10-15 days after receipt of invoice/ billings.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	All line depts./agencies	
	Regulate spending activities of those autonomous departments/ agencies receiving General Fund subsidies. The Governor will propose legislation to remove the autonomy status of the Guam Memorial Hospital and the Public Utility Agency of Guam so that their resource management practices can be closely monitored.	X	-	-	-	-	-	-	X									Office of the Governor Bureau of Budget Guam Legislature	
	Institute fixed asset accounting system. GovGuam's total asset inventory is grossly understated in GovGuam's financial statements. The proper valuation and record-																		

Objectives/Goals	Required Task	1982 1 2 3 4	1983 1 2 3 4	1984 1 2 3 4	1985 1 2 3 4	Dept./Agency	Savings
	ation of GovGuam's assets inventory						
	will strengthen inventory control						
	and the management and maintenance						
	of such assets.	X-	----------	-X		Dept. of Land Management Dept. of Administration	
Balance the General Fund budget of the Gov't of Guam	Strengthen revenue/expenditure						
	projection capabilities.						
	(1) Establish adequate data base						
	to use as a basis for making						
	realistic projections.	X-	----------	----------	-X		
	(2) Work closely with the Legisla-						
	tive Branch to synchronize revenue/					Bureau of Budget Dept. of Revenue & Taxation Dept. of Administration	
	expenditure estimates.	X-	----------	----------	-X	Guam Legislature	
	Request that the legislature enact						
	a measure which would require						
	Guam's legislative body to pass						
	balanced budgets based on revenue						
	estimates agreed upon by the					Bureau of Budget	
	Executive and Legislative branches.	X-	-X			Office of the Governor	
Improve revenue posture of Government of Guam	Strengthen revenue collection						
	program: (1) GovGuam will automate						
	tax receivable records to enhance						
	the credibility & integrity of						
	GovGuam's receivable accounts and						
	to facilitate the timely collection					Dept. of Administration	
	of tax revenues.	X-	----------	-X		Dept. of Revenue & Taxation	

Objectives/Goals	Required Task	1982				1983				1984				1985				Implementing Dept./Agency	Potential Savings
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	(2) Revenue-generating agencies will administratively create organizational changes to address chronically delinquent receivables	X	-	-	-	-	-	X											
	Develop Guam's Indirect Cost Plan																		
	(1) GovGuam will contract for consultant services to provide for the development of Guam's Indirect Cost Plan.	X																	
	(2) GovGuam will charge for administrative support services based on determined indirect cost rates.			X	-	-	-	-	-	-	-	-	-	-	-	-	X	Bureau of Budget PH&SS Dept. of Education	
	Strengthen federal grants management in order to minimize unallowable costs.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Office of the Lt. Gov.(Fed.) Bureau of Budget Dept. of Administration	
Enhance the efficiency and effectiveness of GovGuam's budget & accounting system	Refine the BACIS System to timely and accurately produce financial data critical to effective and efficient resource management.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Bureau of Budget Dept. of Administration	
	Assimilate into GovGuam's budgeting cycle the PPBS and/or ZBB system so that departments/agencies are forced to efficiently and																		

Objectives/Goals	Required Task	1982				1983				1984				1985				Implementing Dept./Agency	Potential Savings
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	effectively manage their limited resources.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Bureau of Budget Legislature All line depts./agencies	

Objectives/Goals	Required Task	1982 1	2	3	4	1983 1	2	3	4	1984 1	2	3	4	1985 1	2	3	4	Implementing Dept./Agency	Potential Savings
Reduce the General Fund deficit of the Government of Guam	1. Enact legislation:																		
	(a) to mandate territorial implementation of U.S. P.L. 96-597.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Guam Legislature	
	(b) to reduce the number of legislative sessions held annually, hence, reducing expenditures for legislative operations.	X	-	-	-	-	-	-	-	-	-	-	X					Guam Legislature	
	(c) to provide for the automatic cancellation of dormant appropriations as requested by the Governor. All appropriations, whether expended or not, directly impact on increasing the General Fund deficit.	X	-	-	-	-	-	-	X									Guam Legislature	
	(d) to remove the autonomy status of certain departments/agencies to enable the Executive Branch to closely monitor their resource management activities and ultimately reduce dependency on the General Fund.	X	-	-	-	X												Guam Legislature	

Objectives/Goals	Required Task	1982 1	2	3	4	1983 1	2	3	4	1984 1	2	3	4	1985 1	2	3	4	Dept./Agency	Savings
	2. Authorize rather than appropriate funds in the absence of adequate revenues.. Authorizations, unlike appropriations, have an immediate and direct impact on the General Fund status.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Guam Legislature	
Improve Government of Guam's revenue posture	Enact legislation to:																		
	(1) Reassess the GEDA tax incentives program for qualifying businesses on island. Under this program, tax rebates are granted to some businesses to enable them to survive their first few years of operation and to stimulate Guam's economy by providing job opportunities to local residents. Efforts will be made to modify and strengthen program eligibility requirements so that the best interest of the Government of Guam is protected.	X	-	-	-	X												Guam Legislature	
	(2) Implement new charges for government services.	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	Guam Legislature	

Objectives/Goals	Required Task	Fiscal Year (by Quarters) 1982 1	2	3	4	1983 1	2	3	4	1984 1	2	3	4	1985 1	2	3	4	Implementing Dept./Agency	Potential Savings
	The U.S. Congress shall enact legislation																		
	(1) to appropriate a total of $37.5 million to Guam pursuant to Section 607 of U.S. Public Law 96-597.	X																	
	(2) to waive the local matching requirements for federally-funded capital projects and programs.	X-	-	-	-	-	X												
	(3) to make federally-owned lands available to Government of Guam for economic development.	X-	-	-	-	-	X												
	The Department of Interior will disburse funds appropriated to eliminate the Government of Guam's General Fund deficit as provided for by law.	X-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X		

GOVERNMENT OF GUAM
PROJECTED GENERAL FUND STATUS
FISCAL YEARS 1982 - 1985
(IN THOUSANDS OF DOLLARS)

	1982	1983	1984	1985
Beginning General Fund Balance	($ 77,700)	($ 58,934)	($ 42,480)	($ 25,320)
Revenue:				
Estimated Revenues	154,039	156,081	165,446	178,682
Add: Indirect Cost Allocation	1,000	800	800	800
Adjusted Revenue Estimates	$155,039	$156,881	$166,246	$179,482
Expenditures:				
Estimated Appropriations	159,939	160,300	165,145	170,137
Less: Appropriation Reserves	10,666	16,673	17,239	22,231
Deappropriations	6,000	1,000	1,000	1,000
Estimated Expenditures	143,273	142,627	146,906	146,906
General Fund Balance prior to Adjustments	11,766	14,254	19,340	32,576
Adjusted General Fund Balance	(65,934	(44,680)	(23,140)	7,256
Adjustments to the Deficit:				
Add: Deficit Financing Allocation	15,000	11,000	7,500	4,000
Deduct: Unappropriated Liability to the Retirement Fund	8,000	8,800	9,680	10,648
Ending General Fund Balance	($ 58,934)	($ 42,480)	($ 25,320)	$ 608

GOVERNMENT OF GUAM
REVENUE AND APPROPRIATION PROJECTIONS
FISCAL YEARS 1982 - 1985
(in Thousands of Dollars)

	1982	1983	1984	1985
Local Revenues				
Taxes:				
Income:				
Collected by GovGuam	$ 70,000	$ 72,100	$ 76,417	$ 82,491
Collected by U.S. Gov't.	19,500	20,085	21,688	23,809
Business Privilege				
Gross Receipts	33,240	33,578	36,262	40,762
Alcoholic Beverages	935	763	992	1,022
Tobacco	572	589	607	625
Real Property	3,278	3,376	4,810	6,000
Other:				
Excise & Admission	319	329	338	349
Use	466	499	524	550
Others	122	126	129	133
Total	128,432	131,445	141,767	155,741
License & Permits:				
Business	491	511	526	542
Motor Vehicle Branch	652	691	711	732
Other	167	172	177	182
Total	1,310	1,374	1,414	1,456
Fines & Forfeitures	495	515	530	546
Interest & Rental				
Interest	1,583	1,662	1,712	1,763
Rental	18	18	18	18
Total	2,096	2,195	2,260	2,327
Immigration Fees	94	100	105	108
Charges for Current Services				
General Government	326	342	353	363
Passport Office	105	111	117	120
Public Safety	184	193	199	205
Public Works	6	6	6	7

	1982	1983	1984	1985
Public Health	189	217	233	244
Library	1	1	1	1
Agriculture	60	62	64	66
Commerce	2	2	2	2
Parks & Recreation	-0-	200	400	679
Total	967	1,234	1,480	1,795
Other Local Revenue				
Sales & Compensation	23	25	25	26
Cafeteria	1,153	1,268	1,332	1,398
Miscellaneous	681	715	737	759
Total	1,857	2,008	2,094	2,183
Revenues from U.S. Gov't.				
National School Lunch/ Breakfast Program	2,159	2,224	2,290	2,359
SAFA P.L. 81-974(B)	2,100	1,995	1,895	1,800
Other Grants-in-Aid (Match)	15,118	13,606	12,246	11,021
Total	19,377	17,825	16,431	15,180
General Fund Revenues	154,039	156,081	165,446	178,682
Estimated Appropriations:				
Operations	152,380	158,475	163,229	168,126
Capital Improvement Projects	5,000	1,210	1,270	1,333
Continuing	2,559	615	646	678
General Fund Appropriations	$159,939	$160,300	$165,145	$170,137

Mr. YATES. What is the state of the territory?

GOVERNOR CALVO'S TESTIMONY

Governor CALVO. Mr. Chairman, on behalf of the people of Guam I would like to express our gratitude for your continuing support of Guam's budget requests and territorial concerns. For the record, I have prepared a 15-page testimony, which I would like to summarize.

Mr. YATES. That is made a part of the record.

Governor CALVO. Although we support Department of Interior's request of over $10 millon for capital improvement projects for Guam, we do have some reservations on the proposed fiscal year 1982 budget request. We ask that the committee favorably consider some funding of the old hospital facility, and the elimination of the general fund deficit, and to remove the local matching requirement for capital projects.

Additionally, I would like to raise other concerns which are of vital interest for the economic development of the Territory. The proposed $10 million request will support the development of some of Guam's infrastructure needs and water projects, bridges, commercial port expansion, a school and other facilities needed for Guam's economic development.

COMMERCIAL PORT

It should be noted that the proposed funding of $3.2 million for the commercial ports which will be matched with $1.5 million of EDA funds, which may not materialize. If such is the case, I am requesting that a reprogramming of the approved fiscal year 1981 budget funds be made to support this important project. Specifically, school projects and water projects.

GUAM MEMORIAL HOSPITAL RENOVATION

On the renovation of the old Guam Memorial Hospital facility, Public Law 95-348 authorized an appropriation of $10 million for health related facilities for Guam. Although we recognize that the full amount may not be available to Guam, I am requesting that at least $5 million be made available to renovate the long-term care facility of the Guam Memorial Hospital. The present facility, with the many structural and electrical deficiencies, endangers the lives of 72 long-term care patients. A facility plan has been developed and attached for your review.

DEFICIT ELIMINATION

On the elimination of the deficit, pursuant to Public Law 96-597, the Government of Guam has been authorized $37.5 million over a period of four years for the purpose of eliminating Guam's general fund deficit. The appropriation under this authoriztion is contingent on the submission of a viable deficit elimination plan from the Government of Guam. We have prepared and submitted this plan to the Department of the Interior.

The need to finance this plan is especially crucial in light of programs and tax cuts that would adversely impact on Guam. A copy of this plan is submitted for your perusal.

CIP LOCAL MATCHING REQUIREMENT

On the waiver of local matching requirement, I am appealing to the Congress for your reconsideration to waive the local matching requirements. The deleterious effects of the proposed tax cuts and program reduction in excess of $30 million would preclude the general fund in financing this required matching.

Mr. YATES. How much of a match was required?

Governor CALVO. It was initially 90/10. The new matching requirement is 75/25. It is also noted that the United States Congress under Public Law 95-134 has expressed its support of this issue. The congresional mandate under this law gives discretionary authority to waive local matching requirements. We also see this same support being expressed by Administration officials in the consolidation of grants.

Although this hearing is for fiscal year 1982 budget request, I would like to draw your attention to some major concerns which directly or indirectly impact on the Government of Guam's continuing plight for financial assistance. Details of these issues are indicated in my testimony.

AIRCRAFT CARRIER HOME PORT

One, increase military activities on Guam. I am continuously pushing for a major military buildup on Guam. Specifically, I support the home porting of an aircraft carrier in Guam. I know firsthand that our neighbor, Japan, a member of the small country triangle with the Republic of South Korea and Taiwan, supports this concept—some of Japan's leaders that I have met.

Two, amendment to Public Law 96-418.

Mr. YATES. Is the home port now for the carriers still Hawaii or Japan?

Governor CALVO. It is still up in the air.

Mr. REGULA. Will the Chairman yield?

Mr. YATES. Mr. Regula.

Mr. REGULA. I have two questions. Number one, do you have cold iron facilities, if this were true?

And secondly, do you have the docks that would handle a carrier without additional substantial investment?

Governor CALVO. I have been made to understand that as far as handling the normnal carrier, very little if anything, would need to be done. Our commercial port facilities are quite adequate.

Mr. REGULA. Including your docks?

Governor CALVO. Yes.

Mr. YATES. What do you mean by normal carrier? Is that one of the big carriers?

Governor CALVO. For the big carriers, I have been made to understand that we do need some dredging, some renovation in order to accommodate the real big carriers.

Mr. YATES. Some dredging near the docks?

Governor CALVO. Yes.

Mr. REGULA. If you are going to home port you almost have to have cold iron facilities. Cold iron is where you have the electricity and the water and so on to hook the carrier up. They can shut down the system within the carrier itself for maintenance and overhaul. Do you have that facility?

Governor CALVO. We have a ship repair facility which is second to, almost at par with, Subic Bay. I think Guam, between Pearl Harbor and Subic Bay, is about the largest commercial port in that part of the world.

Mr. YATES. What would that mean in terms of revenue to Guam?

Governor CALVO. In terms of revenue, it would have an impact. Do we have a copy of the impact of the aircraft carrier?

Mr. PANGELINAN. We are looking at approximately over a million dollars in salaries. We are also looking at close to half a million dollars a year in terms of Section 30 funds.

Mr. REGULA. What is your distance that you would be east of Subic?

Governor CALVO. It would be almost 1,500 miles east of Subic.

Mr. YATES. Northeast.

Mr. REGULA. I think we are also home porting in Yokosuka, if I am not mistaken. Would that be a shift you are suggesting to Guam?

JAPANESE ASSISTANCE

Governor CALVO. I have just come back from a trip to Japan, and I happened to meet with three of the Japanese Senators—Senator Karaki, Senator Marishita, and another Senator whose name escapes me right now. And they are very supportive of the military importance of the Island. They have expressed a need that, although they cannot support the Island in terms of troops, because of their limitations, they welcome the opportunity—and in fact, I have written to the State Department through American Ambassador Mansfield in Japan, to work out low interest loans in anticipation if, for example, EDA facilities or Federal facilities are not forthcoming. It is in this conversation that these matters came about.

Mr. YATES. Has the Navy replied yet?

Governor CALVO. The Navy are very supportive with regard to an aircraft carrier?

Mr. YATES. Yes.

Governor CALVO. They are very supportive in Guam.

Mr. YATES. What is the hitch then? Who is opposed to it?

Governor CALVO. I don't know the politics of big town.

Mr. YATES. How are you in the small towns?

Governor CALVO. I am a small man, so I can get around in a small town.

AUSTRALIAN OFFER OF HOME PORT

Governor CALVO. But I am told that there are other competing areas, such as Subic and Australia.

Mr. YATES. I see. Well, Australia is another area, isn't it?

Mr. REGULA. Mr. Chairman.

Mr. YATES. Yes.

Mr. REGULA. Prime Minister Frasier offered the United States a home porting opportunity at Perth, which is on the West Coast of Australia. That is under consideration by the Navy, but it is the same problem that exists in Guam. That is, it is a tremendous—and I am on the Military Construction Committee, so that is where I get this—it would be a tremendous cost to build adequate cold iron plus dock facilities. Also, if you are going to have a carrier, you have to have an airfield to remove the planes during the period you are conducting home porting maintenance and overhaul.

At the moment we have a beautiful facility in Subic Bay. There would be probably a reluctance on the part of the Navy to duplicate something of that nature in Guam. We have had no requests thus far in Military Construction for any funding for expanding to a home porting facility in Guam.

In Perth, the same problem exists as with Guam, because the carriers are fundamentally operating in the China Sea and Indian Ocean, therefore, they are coming east. The farther the distance to home port, the more time is involved. So Subic is, at the present, the closest facility, and it is adequate. Therefore, there is some reluctance to go to Australia or probably to Guam.

Then you have the facilities that exist in Pearl Harbor for massive repair. Then you have another problem. You are talking about home porting, you are talking about a body of skilled men, i.e., people who can get on that carrier and do maintenance work, and can do rehabilitation. It takes iron workers, it also takes steam fitters.

Mr. YATES. Do they have them in Subic?

Mr. REGULA. Yes, they do. We have been in Subic so long with our naval facility that they have developed a cadre of skilled people—Filipino nationals—who can actually do the kind of work that needs to be done. You are in reality home porting the carrier.

Our carriers now can stop in for R&R in Perth. When you talk about home porting, that carrier does not come back to the States. It goes in there to be fully rehabilitated. I am not sure that you have the skills at the moment to even support this type of operation.

Governor CALVO. Mr. Chairman, the ship repair facility in Guam might not be on a par exactly with Subic. But there are situations when our people, who have the skills, have actually gone and helped out with the Subic operations. We have a very adequate and very high caliber skill in our ship repair facility.

Another element I would like to bring out, Mr. Chairman, you are talking about American soil as compared with foreign stability, as compared to an area where——

Mr. YATES. That is a factor.

Governor CALVO. May I continue?

Mr. YATES. Proceed.

Governor CALVO. An amendment to Public Law 96-418. I am speaking of congressional support to amend the law to allow greater flexibility to entice investors through lease incentive.

Also, I am requesting that the Department of Defense permit the direct transfer of 11 acres of land to the Government of Guam to allow the implementation of the container yard expansion.

FINANCING CAPITAL PROJECTS

Regarding financing of capital projects in future years, the proposed funding for capital improvements for fiscal year 1982 will deplete the capital improvement funding authorization. I am requesting that additional authorization be made to support future capital improvement projects.

CLEAN AIR ACT WAIVER

Our request is for a waiver on some of the provisions of the Clean Air Act. Section 111 and 123 of the Act should not be made applicable to Guam. Adherence to these sections, which have been determined to be unnecessary in the case of Guam, will be too costly for the Guam Power Authority (GPA). These costs will inevitably be a tremendous financial burden to GPA and the consumer on Guam.

Senator McClure has, I think together with Senator Bennett Johnston, have co-sponsored a bill to exempt GPA in the last term. I have just been on the phone to Guam, Mr. Chairman, very current information, just last night. In fact, earlier this morning. And we have a situation there, not only if we were to comply with the law, would it add another $20 million to the plight of the Guam Power Authority, but we have the only refinery, Guam Oil, which all of a sudden at a time when there is a glut on the market, is trying to raise the price of crude from $35, which we were paying, to $41 a barrel, which is out of sight.

FEDERAL IMPACT ASSESSMENT

There is a great need to carefully assess the impact of the budget and the federal constraints on Guam and on the territories. There are certain perculiarities that exist among the territories that should be carefully reviewed. Guam, unlike Mainland United States, has an isolated geographic economy. A very minimal reduction in revenues to Guam can be very disastrous to the Island.

There was also another bill that was co-sponsord by Senator McClure with regard to the creation of the Federal Laws Commission to look into these matters.

TECHNICAL ASSISTANCE

Public Law 96-597 provides an authorization for technical assistance. We support the funding of this proposal. We are in dire need of technical assistance in the areas of finance managment, agricultural research and development, economic development planning, long term debt financing and planning, studies and demonstration projects, such as ocean thermal energy conversion.

OCEAN THERMAL ENERGY CONVERSION

Finally, Mr. Chairman, to support alternate energy resources, we are seeking congressional support for the development of the ocean thermal energy conversion in Guam. This project will not only meet the energy supply requirements for Guam, but will also be a financial boost for Guam's economy. In the absence of an appropri-

ation for this, we will be asking for a reprogramming of either fiscal year 1981 or fiscal year 1982 capital improvement projects to finance the proposed study.

Mr. YATES. How much money is involved?

Governor CALVO. On the planning stage we are looking at between $1,000,000 and $1,500,000. There is an agreement with Ocean Thermal Energy Corporation where we can share the costs on a 50–50 basis with regard to planning. There have been certain assurances that as far as financing of the project upon completion of the planning, that the private sector can pretty much take care of that.

Mr. YATES. Thank you for a good statement.

Speaker Tanaka, your statement may be made a part of the record.

[The statement follows:]

OFFICE OF THE SPEAKER
Sixteenth Guam Legislature
POST OFFICE [illegible]
TERRITORY OF GUAM
U.S.A. [illegible]

THOMAS V. C. TANAKA
Speaker

Testimony of the Speaker
Thomas V.C. Tanaka
Before the Interior Subcommittee on Appropriations

Mr. Chairman, Members of the Subcommittee:

I am truly honored to appear before you today. I would like to begin my comments by acknowledging the Territory of Guam's appreciation for the support you have given our community. Through your interest, the infrastructure systems of our island have steadily improved over the years. Though much is yet to be done, I believe you should be proud of the federal government's accomplishments in improving the quality of life on Guam. I personally thank you for your support of the efforts of Congressman Antonio B. Won Pat. I am optimistic that the fine working relationship that exists between Congressman Won Pat and the member of this subcommittee will continue to result in a fair and balanced appraisal of our development needs.

My testimony this afternoon will supplement the testimony presented on behalf of Governor Paul M. Calvo. Rather than repreat the Governor's discussion on the FY 1982 Department of Interior budget request, suffice it to say that the Sixteenth Guam Legislature concurs with the Governor. We agree with the Governor that the matching requirement on capital improvement funds be waived. Though we would have preferred a greater financial commitment in support of our infrastructure development program, we recognize that the economic difficulties confronting the Nation may preclude a more significant investment at this time. I echo the Governor and Congressman Won Pat's caution, however, that the application of the federal government's expenditure and tax reduction programs should be tempered as they are applied to the off-shore territories. An action which might be healthy for the Nation's economy might have immediate and drastic economic consequences in our community.

I would now like to draw your attention to several of the points raised through the Governor's testimony. I hope the information I provide will assist the members of this subcommittee in its review of the budget request as well as offer some insight into several issues important to Guam.

Public Law 96-418

Public Law 96-418 transferred over 927 acres to the Territory of Guam in the Apra Harbor area. For the most part, the property surrounds our Commercial Port. The language of the original bill was amended on the floor of Congress to require that the federal government be the beneficiary of the revenues of the sale or lease of the property by the Government of Guam. All transactions are required to be at market value. Congressman Won Pat is now working with appropriate Congressmen in exploring possible language to be used in an amendment to the law permitting Guam the flexibility to entice off-island investment through lease incentives.

Preliminary to the passage of P.L. 96-418, the Government of Guam entered into a 20 year lease-hold agreement with the Department of the Navy for 11 acres of land adjacent to the Port. The property is to be used to expand the Port's container yard. The 11 acre parcel is part of the 927 acres transferred to the Government of Guam. Our problem is that certain financing for the container yard expansion is dependent on the Government of Guam owning the 11 acres in fee. The solution to this problem would be for the Department of Defense to permit the direct transfer of the 11 acres to the Government of Guam. The Department of the Navy has agreed to the proposed use of the property. The container yard expansion serves the best ineterest of both the military and civilian communities.

I have written Secretary of Defense Weinberger and requested that he direct the transfer of the 11 acres. In doing so, he would free the 11 acre parcel of the cumbersome planning and surveying requirements outlined in P.L. 96-418. I believe the Department of the Navy would not object to this proposal. Any action you could take to support this initiative would be of assistance to Guam.

Ammunition Wharf Relocation

I understand that the Department of Defense FY 1983 budget request includes an appropriation for the construction of an ammunition wharf to be located across Apra Harbor away from the Territory's Commercial Port. As you know, the expansion of our Port has been strangled by the current location of the ammunition wharf. The interests of the United States and Guam will be well served by the relocation of the wharf. Again, your support of our efforts to realize the development potential of our Port will be appreciated.

Aircraft Carrier Homeporting

As the Nation begins to strengthen its military posture throughout the world, I believe Guam's strategic value

will become increasingly more apparent. The Territory's elected leadership will continue to actively lobby for the homeporting of additional ships on Guam.

Exemption from Sections 111 and 123 of the Clean Air Act

As you know, Sections 111 and 123 of the Clean Air Act do not allow intermittent control strategies to meet air standards. As a result, the federal EPA continues in its position that the Government of Guam is to either burn low-sulfer fuel or invest over $20 million in a scrubber system. Given the fact that our power plants are located on the western shore of Guam and the stack emmissions are blown out to sea by prevailing easterly tradewinds 90% of the time, this requirement is creating undue hardship to our island. I stress the fact that Guam is meeting EPA's air standards through the intermittent control strategy. Simply because of the inflexibility of the Clean Air Act and its interpretation by federal EPA staff, Guam is being asked to abandon a locally acceptable strategy, at a significant cost, and in doing so create environmental and economic impacts far more severe than the air impacts EPA would have us reduce. Any assistance you could provide to us on this issue will greatly benefit the people of Guam.

Health Care Needs

I request that you consider including in this year budget an appropriation for $10 million to meet the health care needs of our community. The money will be used to improve the facilities of our hospital, purchase new and necessary equipment, and address dispensary and health clinic needs.

Implementation of the Deficit Elimination Plan (U.S. Public Law 96-597)

With the passage of P.L. 96-597 the Government of Guam followed the direction of Congress in preparing a deficit reduction plan. The Governor's representative is prepared to discuss the plan with you. The Guam Legislature is committed to the implementation of the plan. We request that Congress follow through with an appropriation as is identified in P.L. 96-597.

Tax Cut Impact

We recognize that Congress is considering legislation which will result in cross-the-board tax cut. As you know, Guam's tax system is mirrored to the Internal Revenue Code. A federally mandated tax reduction immediately reduced revenues into the Government of Guam's general fund. Given the fact that the fund is now operating with an $80 million deficit and the costs of our government's operations continue

to soar, a tax cut as proposed by the President would place an additional burden on our Territory. At the time tax reduction legislation is being presented, I am asking that Congress consider an authorization to reimburse Guam's general fund for revenues lost as a result of the reduction.

The War in the Pacific National Historic Park

Since Congress established the War in the Pacific Park, significant progress has been made in improving certain properties within the boundaries of the park. However, development requires that money be made available to purchase the privately-owned property within the Park.

I understand that the Secretary of Interior plans to limit expenditures for the acquisition of land for park development. I am requesting that Congress appropriate funds in the FY 1982 budget for acquisition of land in the War in the Pacific Park. Following the appropriation, I do hope you will use your influence to insure that the funds are actually spent.

Technical Assistance

The Office of Territorial and International Affairs has requested technical assistance support in the FY 1982 budget request. I am assuming that these funds would be distributed towards technical assistance projects throughout the territories.

I am suggesting that the amount of money may be inadequate for the task. Guam requires technical assistance in determining its true economic development potential. The federal government, through the appropriate departments and agneices, could assist in a full examination of the agricultural production capability of our island. The federal government could assist in determining the agricultural produce export potential for Guam in the primary markets of Japan, Hong Kong, and Singapore.

If Guam is to be successful at attracting off-island business to locate offices on our island, we must know specifically the incentives other locations in the Western Pacific are offering. We then can offer similar incentives. A study is necessary to determine the benefits to Guam of maintaining its duty-free status. The federal government could help with this study.

Finally, you may wish to reconsider funding a commission to study the impact of the application of certain federal laws and policies to Guam. For years, the Territory's representatives

have asked Washington, D.C. to review certain immigration and maritime laws and Civil Aeronautics Board, U.S. Customs, and Department of Labor regulations.

In summary, I believe the federal government could participate more actively in the economic development process on Guam by providing technical assistance in evaluating our island's development potential and by reconsidering the application of certain federal laws and policies to our island.

Thank you, Mr. Chairman.

THOMAS V.C. TANAKA
Speaker

Mr. YATES. You are going to highlight your statement. Go ahead.

MR. LAMORENA'S TESTIMONY

Mr. LAMORENA. My name is Alberto Lamorena. I would like to highlight some of my statement.

As you know, in Public Law 96-418, the law was amended to make the Federal Government beneficiaries of revenues and sale or lease of the property by the Government of Guam. We would at least like that amendment changed because we feel that might impede the possible growth of the commercial port areas, especially as far as the container yards are concerned.

We would also like to address the committee on the $1.5 million EDA funds requested by the Port Authority of Guam and that was not included in the fiscal 1981 budget. We feel promises have been made by EDA, that the $1.5 million should continue, and we feel that this committee should look into it, as well.

We also feel on the $10 million authorization passed by Congress to improve the health facilities of the Territory of Guam, one of the concerns set forth was a comprehensive study. As you know, the legislature has introduced a bill appropriating money to implement such a study to hand to the Department of the Interior as part of the conditions set up by Public Law 95-348. As far as these areas are concerned, as you know, we also passed legislation recently that we feel leads in the direction toward fiscal responsibility.

As you may know, the legislature has contracted out a study with Dr. Arthur Laffer to look into our tax policy in Guam.

Mr. REGULA. I thought that would interest you, Mr. Chairman.

Mr. LAMORENA. We have also passed legislation similar to the Sunset law to look into the various Guam departments. I know Mr. Regula likes that.

Mr. YATES. Are you a Laffer follower?

Mr. LAMORENA. As far as Guam's recovery, Mr. Chairman——

Mr. YATES. Maybe he is better on colonial policy.

Mr. LAMORENA. That is right. We would at least like to highlight some of the problems that were presented as far as the budget as foreseen in the federal spending, the tax cuts and the budget. As you know, over 50 percent of the employment sector relies on the Government of Guam or Federal Government for employment. We feel that a drastic cut as far as the budget is concerned would boost the unemployment rate on Guam from close to 10 percent, probably one or two percent extra.

We also feel that since the revenue source of operations for the Government of Guam—99 percent of that depends on the operations—we feel that the drastic cutback would impede the normal daily operations of the Government of Guam.

As far as the private sector, we welcome substantive changes as far as laws that will help develop Guam's economy. Presently, Guam's economy is service oriented. We need to establish at least an industrial base to increase our productivity in that area.

Mr. REGULA. Excuse me, Mr. Chairman.

Mr. YATES. Mr. Regula.

NONGOVERNMENTAL ECONOMIC ACTIVITY

Mr. REGULA. Do you have any subtantial non-service type of activity in your economy, such as manufacturing, or assembly plants, or anything of that type?

Mr. LAMORENA. Very insignificant.

Governor CALVO. May I address that subject? We have had in the past the watch industry and the garment industry, taking advantage of the generalized systems of preference. Because of the nonconsistency of some of the ports that receive this, it discourages it. We are not in the process—in fact, it is a sure venture of Segaldo Corporation, of opening a garment manufacturing firm—starting off with sweaters. They expect to be in operation by December of this year. They are not afraid of the danger of meeting the added value contribution. We have that, and we are looking at that. We have had problems in the past with regards to quotas.

Mr. LAMORENA. Can I elaborate on that?

Mr. REGULA. Sure.

VALUE-ADDED TAX

Mr. LAMORENA. As you know, certain laws require that 50 percent of the product value be added on Guam to be eligible for importation to the United States. However, the main problem is that most of the work is not done on customs inspections on Guam but in the States. Therefore, it is very difficult to ascertain what percentage of the value added was done on Guam. Therein lies our problem.

Mr. REGULA. Can that local content requirement be made with just labor? If you import wool and convert it to sweaters, would the labor portion of that be part of our local content requirement?

Mr. LAMORENA. Yes.

Mr. REGULA. You would not have to produce the wool.

Mr. LAMORENA. No, it could be assembled on Guam. But the problem is, the value is not determined on the Island. It is determined off Island when it reaches ports in the United States. So, therefore, there seems to be a disparity because what people expect to be the value of these products manufactured in Guam in the United States are really unaware of the actual value as far as the product made on Guam.

Mr. REGULA. They would have to have some measure to determine the 50 percent local content requirement. They can't arbitrarily say this meets the requirement and this doesn't. Wouldn't there be some standard they would add here, too?

Governor CALVO. Excuse me, Mr. Chairman. In my trip here about a year and a half ago, I tried to ask that a criteria, a standard be made, so that two ports, you know, equal products, could be viewed from two ports of entry—New York and Los Angeles. And the response was that each has their own standards to meet. That seems to be our problem.

Mr. REGULA. Bureaucracy.

Mr. LAMORENA. So it hinders our ablity to ship to the United States.

POPULATION

Mr. REGULA. What is the population of Guam exclusive of U.S. military?

Mr. LAMORENA. About 100,000.

Mr. PANGELINAN. A little over 100,000.

Mr. REGULA. Is that the total native population of Guam?

Mr. LAMORENA. That includes natives.

Mr. REGULA. What percentage of your work force works for the U.S. military?

Governor CALVO. About 5,000 or 6,000 for the military.

Mr. REGULA. For the United States military.

Mr. LAMORENA. About 25 percent of the work force. The work force does not include aliens who are not residents of the Island. About 25 percent of the Island work force works for the Federal Government.

Mr. YATES. Had you finished?

Mr. LAMORENA. Yes.

Mr. YATES. Thank you for your statement.

Had you finished questioning, Mr. Regula?

Mr. Lamorena, your statement may be made part of the record.

[The statement follows:]

TESTIMONY OF
SENATOR ALBERTO C. LAMORENA III; CHAIRMAN, WAYS AND MEANS
COMMITTEE, GUAM LEGISLATURE
BEFORE THE
INTERIOR SUBCOMMITTEE ON APPROPRIATIONS

Mister Chairman, Members of the Subcommittee: I appreciate being given this opportunity to present testimony on the Department of Interior's appropriation request for the territory of Guam for FY 1982. Although some of my comments are in direct response to the appropriation request prepared by the Department of Interior, my testimony should be viewed from a broader perspective, which shall be readily evident from my testimony to follow.

The contributions of the federal government to Guam in its development stages and in recovery from the ravages of war and natural disasters have been significant. The federal government, particularly the Congress, has been a generous benefactor and has responded to our needs at critical times.

FY 1982 REQUEST

The Department of the Interior is asking $10 million for capital improvement and assistance projects for Guam in FY 1982. The amount requested by the Interior before the Committee is for vital projects, vital in our development and in providing for the general welfare of the residents of the territory. There should be no question as to whether the Interior has the full support of the Guam Legislature in requesting funds for the projects identified. That these projects are vital are evidenced by their inclusion in the Department of Interior's FY 1982 budget, in the face of demands for cuts in spending. What remains unsaid, however, is that the funds by which the request was reduced were equally vital. If the Congress approves Interior's request, then it shall mean the territory must change the scope of the projects or finance the reduced or eliminated portion. As the Chairman of the Ways and Means Committee, I am prepared to find the optimal solution as it sees these projects as vital to the people's best interests and the territory's development.

REAGAN'S ECONOMIC RECOVERY PLAN

I am fully cognizant that Guam's original request to the Interior was reduced in response by President Reagan's Economic Recovery Plan. I am in agreement with the basic tenets of that plan. I am of the pursuasion that government is too large and that the people's welfare become subservient to the preservation of government institutions and programs. I share in the belief that inflation is caused by the spending of government. I support a program of spending restraints and a reduction of individual and corporate taxes. The public's criticism of the federal burden is merely an extension of the backlash towards state and local government revenues and spending, and the need to create incentives for expansion of private sector investment and employment.

We on Guam are not lacking in our own efforts in this direction. The Guam Legislature in 1980 commissioned a tax study by Dr. Arthur Laffer of the University of Southern California. The study was commissioned for the purpose of reviewing, assessing and making recommendations to change the tax system on Guam. It is our purpose to eliminate regressive taxes and create a tax system which encourages investment.

The Committee which I chair has adopted a fiscal policy which will restore the General Fund to a surplus state over a five-year period. It has not been easy to develop this policy because of deep uncertainty over the island's economy and many factors external to our control, the most important of which is shifts in federal policies.

I personally have introduced sunset legislation to provide for a systematic review of agencies within the territorial government. Programs are scheduled for termination at selected dates when they have not visibly demonstrated their contribution to the general welfare or protection of our citizens, or development of the territory.

Legislation has been introduced to provide for legislative appropriation of federal funds. While the Congress has enacted laws in the interest of national goals, Guam's Legislature must be allowed a more significant role in the grants process to determine consistency with our goals, and to understand our commitment to the programs in future years.

GUAM'S IMMEDIATE LOSSES FROM THE RECOVERY PLAN

There is no question that Guam will be adversely affected by the President's recovery plan. The proposed changes to the Internal Revenue Code will provide a 30% cut in individual taxes and a similar decrease in corporate taxes (through credits or accelerated depreciation allowances) over the next three years. Guam, however, derives fully 63% of all its taxes and other receipts from the territorial income tax, which is a mirror image of the federal income tax. This percentage includes the amounts the territory receives from the withholdings of military personnel stationed on Guam. Another measure introduced in the 97th Congress which would reduce on an even larger scale the income tax imposed upon military personnel would severely compound the problem.

The loss from federal program cutbacks under the recovery plan will also be significant. Original estimates indicated that in excess of 700 people employed in federal programs might be affected. This includes the loss of subsidized employment for almost 200 persons. Individual direct assistance monies will also be lost as well as money for development and planning.

I am uncertain as to the continued presence of several federal agencies already on the island and whether they will continue activity on Guam. Other agencies whose presence could benefit the territory, including agriculture and customs agents, are faced with the budget cuts. This almost assures that Guam cannot hope for an increased federal presence which could help in our development.

These losses will be severe to the territory in terms of employment, in terms of infrastructure capital and planning funds, and loss of service. Our private sector, which is almost entirely services-oriented, can also be expected to be adversely impacted. These are losses arising from President Reagan's recovery plan. I fully support the President's plan in the best interests of the nation. Short-term losses in revenue and income will be offset by private capital investment. This is the intended plan in the continental United States. There is no reason, however, to believe that this will be the case for Guam.

OBSTACLES TO GUAM'S RECOVERY

There are several reasons which make me believe that Guam will not recover from the tax cuts or from the reduction in federal spending as it is intended to for the continental United States. These reasons are outlined below:

1. Variance in Economic Factors

The territory is facing a unique situation regarding employment. Within the government sector, employment represents 50% of all persons gainfully employed. The territorial and federal government share equally in this percentage. There is no industrial base to speak of within the territory. Businesses which would benefit from the President's proposals are in the general service category and do not represent the manufacture of products. Unemployment in the territories is already high. The most recent figures for late 1980 recorded unemployment 9.8%, the highest level in the territory in four years. Industries intending in the future to locate on Guam will certainly be not able to take advantage of the tax benefits before the general public begins to feel the strains of cutbacks in spending.

2. Government of Guam Deficit

The Government of Guam currently has a deficit of $80 million. It currently spends 99% of its revenue sources for operations. Of this, personnel costs stand

at 75%. There is no reserve with which the Government of Guam can respond with quickly in the face of cutbacks in federal spending. The sudden shift in federal policies allowed absolutely no leadtime for establishing new policy directions or to prepare for the gradual phaseout of government services. There are no ready substitutes for these services as they cannot be provided for by the private sector nor is there a second layer of government in the territory to rely upon.

3. Private Sector Complications

There is not any industrial base to speak of in the territory. Tourism remains crucial in Guam's economy, as important as military activity. Garment and watch manufacturers which were established in the late sixties and early seventies are nonexistent today. Efforts to establish Guam as an agricultural center, a banking center, a regional office center, and a transshipment center are in its formative stages. A full effort to continue pursuing these objectives is highly desirable, but its major impetus must be the federal and territorial governments working in perfect harmony, open and frank dialogue, and commitment of funds.

The private sector is not in a position to assume this responsibility nor is it in any position to remove government's legal and administrative barriers.

4. Legal and Administrative Constraints

As stated, there is no industrial base large enough to benefit from the President's recovery plan. There are many impediments to new venture capital being introduced in the territory. Corporate costs are high. The cost of land especially is debilitating. It is partially an artificial cost since the federal government currently retains ownership of 1/3 of the land area and the Government of Guam still another 1/3. Much of the territorial government land is in use or unsuitable for use. This is not the case with federal lands. Our labor costs are high, particularly in the construction area. Again, these costs are artificial since they have been increased

by administrative rulings by the U.S. Department of Labor. Energy Costs are prohibitive and rising with no end in sight. A relatively small factor in other jurisdictions, this cost alone may be the deciding factor of a business in locating within the territory. There is also a great deal of uncertainty in the private sector that the changes in federal policy, while good in the long-term and serving the best interest of the nation, are not in the best interest of Guam or in line with corporate goals. Other federal regulations are excessive. Shipping costs are extremely high. This is in part from fuel, but also because federal law which requires that commercial cargo between American ports (i.e. Guam and San Francisco) are required to be American bottom vessels. Environmental regulations forcing compliance are costly and ineffectual. The Governor's and Speaker's testimonies regarding the Guam Power Authority's problems is most illustrative of this fact. Administrative rulings are much too ambiguous and made too distant from Guam to rectify easily. The Congress has enacted special provisions of law which require that 50% of a product's value be added on Guam to be eligible for importation duty free into the United States. Several companies on Guam in the 1970's felt confident that they qualified only to have adverse administrative rulings made subsequent to the manufacture and after arrival at east coast ports. The time delays and uncertainty of future rulings forced all of these firms out of business. Where there was a modest amount of employment generated from this sector, there is none this day.

Certificate of alien laborers has been assumed by the federal government and the federal government has imposed a series of adverse wage rates for these laborers. This latter action has virtually stalled construction in the territory and priced potential homeowners out of the market. In the continental United States, the damage that high interest rates have done to homeowners has been great. As elected representatives, you are keenly aware of this. With labor costs in the

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territory having increased tremendously and the added problems of high interest rates, there is no wonder that homeowners in the territory face this dilemma.

The Congress enacted P.L. 95-348 which would grant the territorial government an annual advance on federal withholdings returned to it quarterly. The only requirement was that the territorial government change its fiscal year from a July start to an October start. This was accomplished in 1979. While the Congress was extremely generous in granting this advance, the change in fiscal years has made the budget process ever more difficult. More than 50% of our budget authority is within the programs of education and higher education. When the fiscal year is applied to a July start, agencies in these programs were planning nine months in advance of their academic year. Now, however, the planning is taken up 21 months prior to the academic year. This requirement is unreasonable and it should be withdrawn.

The President recently announced the creation of a special task force to study the impact of federal spending cuts in Puerto Rico. This task force excludes from the study the impact on the Virgin Islands, Guam, and American Samoa. Yet, these other off-shore territories face similar, if not equal hardships.

THE CONGRESSIONAL POLICY

The congress in recent years, has been more than generous to the territory in understanding the delicate fabric of our economy, the impediments to our growth, and the obstacles surrounding our political maturity. The congressional policy, as magnanimous as it has been, has not been fully carried out. The congressional intent to reduce the local matching requirements for operating and planning grants is now replaced with a policy requiring the territories to match capital grants. Agencies which should have waived the local matching requirement have not done so.

The Congress intended to reduce the interest portions of the Rehabilitation Loan for FY 1981. The Government of Guam has received no increase in Section 30 receipts on the basis of this action. We are hoping for further adjustments for FY 1982, when repayment of the principal of the Rehabilitation Loan is forgiven. We are anxious that the congressional intent regarding technical assistance to the territory, exploration of alternate energy resources, and the congressional intent to extend agricultural programs for developing the agricultural sector on Guam are responded to adequately. These are essential to our development and Congress has been wise in establishing such policy for the territory. We are hopeful that the Congress will be adamant in seeing congressional intent regarding development of the territory carried out.

CONCLUSION

I deeply appreciate this opportunity to present this testimony before the sub-committee. I hope I have outlined the problems facing us in the territory, what I feel are impediments to our development, the positive contributions of the Congress, and which we hope will be carried out. We in the territory have a great desire to serve as the American model in the Pacific. We intend to become a prosperous and self-sufficient American community in the Pacific. We intend to accomplish this within a suitable framework of government and with close relations with the United States. I feel that Asia and the Third World are looking to the United States in how it handles its territories politically and economically. I hope that my impression of the Congress' role and of Guam's potential meets with yours. I am very hopeful in that respect. In closing, allow me to say that I am deeply honored and appreciative to have been given the chance to testify before this August body.

Most Sincerely,

ALBERTO C. LAMORENA III
Chairman, Ways and Means Committee
Sixteenth Guam Legislature

TAXES

Mr. REGULA. Yes, Mr. Chairman.

Mr. YATES. Tell us about the tax rates on Guam. How do they compare with those in the United States, in general?

Mr. LAMORENA. As you know, Guam is a mirror image. We have the same tax rates as the United States. We follow the Internal Revenue Service.

Mr. YATES. Do you have authority to raise taxes?

Mr. LAMORENA. No, we don't.

Mr. YATES. You don't have?

Yes, Mr. Governor?

Governor CALVO. We have authority——

Mr. LAMORENA. Ten percent territorial surcharge. But I thought what you meant was the tax rate itself.

Mr. YATES. What about a——

Mr. LAMORENA. Sales tax?

Mr. YATES. I am sure you have a sales tax. What about property tax?

Governor CALVO. Yes, we do.

Mr. YATES. So you have some taxes, haven't you? What about collections?

Governor CALVO. Collections have improved tremendously during the past two years. All-time record high.

Mr. YATES. Do you have a backlog of uncollected taxes?

IRS ASSISTANCE

Governor CALVO. There are still some uncollected taxes. That is where we seek Federal assistance—technical assistance. There are corporations that are centralized in other areas in which we could definitely use the asssistance of the Internal Revenue Service.

For example, corporations that are in Guam, but are based in Hawaii or in the continental United States.

POWER AND WATER

Mr. YATES. What is the financial status of your authorities, your power authority and your water authority? Are they in good shape?

Governor CALVO. They are, with the increase of crude, like I have mentioned.

Mr. YATES. That is going to be a very harmful thing, isn't it?

Governor CALVO. Very much.

Mr. YATES. How much do you pay for your oil each year?

Governor CALVO. We paid—in total——

Mr. PANGELINAN. In terms of oil we are talking about $34 a barrel.

Mr. YATES. I know that, but I mean, what is your total?

Governor CALVO. I did mention that Guam Oil Corporation was now asking $41.

Mr. YATES. That is why I was asking what it is now, and what the prospective cost to you would be. What about your water supply system, is that in good shape?

Governor CALVO. Good shape.

Mr. LAMORENA. However, I think we do need some assistance as far as adequately improving the water systems in the southern part of the area.

Mr. YATES. What is wrong with it?

Mr. LAMORENA. They are not adequate for the population.

Mr. YATES. Is the area expanding, or are the pipes deteriorating?

Mr. LAMORENA. Yes. They haven't been improved since the Fifties.

Mr. YATES. What would be required to put them in shape?

Mr. LAMORENA. I really don't know at this point, Mr. Chairman.

Mr. YATES. Do you want to put that in the record?

Mr. LAMORENA. Yes sir.

[The information follows:]

GUAM WATER SITUATION

Guam's 20-Year Water Facilities Plan depicts Guam's needs with respect to upgrading and expanding its existing water facilities. The projects identified for the first five (5) years are crucial to eliminating the current deficiencies in Guam's supply and storage facilities. An estimated $20 million funding requirement is anticipated for those projects that have not been implemented to date. Beginning fiscal year 1977 to date, the Government of Guam funded water projects at a level in excess of $1 million. During this period, the Federal Government granted Guam a total of $18.113 million under the Department of Interior's budget for water facilities improvement projects.

Guam's present water supply system cannot meet current island-wide daily water demand levels. Average production of the existing 68 deep wells is 15 million gallons per day, 16 million gallons short of the island's maximum water demand level. Consequently, dependence on the military to partially supply the water needs of Guam's civilian population is necessary. The island's maximum demand level is expected to rise to 35 million gallons per day by 1985 and to 49.6 million gallons per day by the year 2000. These demand levels were projected in consideration of trends in population growth, business activities, and agricultural development.

Governor CALVO. What was the question?

Mr. YATES. The question was what will the cost be to improve the condition of the water system on the southern part of the Island?

Mr. LAMORENA. About $3 million.

Governor CALVO. To replace the existing old one with a new one?

Mr. YATES. Put that in the record.

Mr. PANGELINAN. Let me add to this. For the last two years, we have been requesting replacement of transmission lines in the southern part. We requested $3 million last year for that purpose. It would still be, because this is an overall replacement of water lines, and so it is—we are talking maybe in terms of long-range planning, probably looking at over $10 million.

PENITENTIARY CONSTRUCTION

Mr. YATES. What is the condition of the penitentiary structure?

Governor CALVO. It is well underway. We expect completion by——

Mr. PANGELINAN. Before 1982.

Governor CALVO. Before the end of this year.

Mr. YATES. Are you going to be on schedule?

Governor CALVO. It looks that way.

Mr. PANGELINAN. It is out for bid already—for the second phase of the penitentiary.

Mr. YATES. Has your crime taken a holiday until the penitentiary is finished?

Mr. LAMORENA. I hope so.

Mr. PANGELINAN. I wish.

Governor CALVO. As far as the drug-related crimes, in the last two years, that has improved. As you probably remember, Guam used to be a very bad scene for drugs.

Mr. YATES. Is it better now?

Governor CALVO. Very much better now. There was a conviction of 15 top people involved in that business, and since then, it has improved.

COMMERCIAL PORT CONTAINER YARD

Mr. YATES. What about the commercial port container yard, does that have to be expanded?

Governor CALVO. Yes.

Mr. YATES. Are you going to get an EDA grant of a million and a half dollars?

Mr. LAMORENA. We are supposed to get a grant. I think we had verbal approval of it. However, in the budget rescission—I don't think——

Mr. PANGELINAN. Let me add more comments to that. We have an authorized $1.5 million for the container yard under the EDA program. As far as approval, we understand from some of the people from the Department of Commerce that there is a proposed add-on, supplemental over $160 million for EDA funding. But Congress has yet to act on that.

Our understanding is that if that is passed by Congress, there is a great possibility we could get that $1.5 million. If not, we will have to, as we have indicated in our testimony, reprogram some of the funds.

Mr. YATES. What additional revenue do you expect, if the construction goes through? What is going to happen?

Mr. PANGELINAN. Maybe the Governor might like to add some of the plans in that area.

Governor CALVO. Yes. We have a list.

Mr. YATES. What is on this list?

DEVELOPMENT POSSIBILITIES

Governor CALVO. We have a list of potential revenue producers. In the development of the port we are looking toward the transshipment. Right now we are transshiping a lot of tuna. We are looking towards a cannery in tuna, canning, both. Starkist has looked into Guam.

Mr. YATES. Is this a new enterprise, or do you have a tuna cannery there now?

Governor CALVO. No, a new enterprise.

Mr. YATES. Can you compete with the Japanese?

Governor CALVO. It is the Japanese that are looking into it.

Mr. YATES. Oh, I see.

JAPANESE ASSISTANCE

Governor CALVO. In fact, that was one of the reasons, when we heard the bad news about EDA funds, I was talking to the Japanese Government with regard to either going to the Import-Export Bank of Japan, or actually working directly with the Government of Japan, which, I understand, the Trust Territory islands——

Mr. YATES. I guess we will hear from them later.

Governor CALVO [continuing]. Have been able to do. And they mentioned that the money is available, if only the Department of State would give us the green light to borrow from them.

Mr. YATES. Why don't they give it to you?

Governor CALVO. I am still waiting. I have written to Ambassador Mansfield, who has referred my letter to the State Department.

Mr. YATES. How long ago?

Governor CALVO. Two months ago. I have since followed up with another letter, and have not yet gotten a response.

Mr. YATES. Mrs. Van Cleve, is this something you can unravel?

Mrs. VAN CLEVE. We are working with the State Department on the response.

Mr. YATES. For two months?

Mrs. VAN CLEVE. It reached us only within the last week. I don't know where it had been before that.

Governor CALVO. Ambassador Mansfield came to Guam when the Pope came to Guam. Discussions started then. That was back in February. Then I went to Japan subsequently.

Mr. YATES. When can you get an answer?

Mrs. VAN CLEVE. Soon.

Mr. YATES. That is not good enough.

Mrs. VAN CLEVE. I can't speak for the State Department. We will urge them to hurry up.

Mr. YATES. That is right. You are Interior, aren't you?

Governor CALVO. Also, Mr. Chairman, ship repair, bonded warehouses, cold storage. The Japanese are interested in cold storage. Development of an industrial park. As I mentioned, Segaldo Corporation, we have textile and, of course a scrap metal compacting machinery there now.

JAPANESE HOTEL INVESTMENT

Mr. YATES. How much Japanese investment is there on the Island? Do they have hotels, too?

Mr. PANGELINAN. They are pretty substantial.

Mr. YATES. The American companies aren't interested? How much American investment do you have in hotels?

Governor CALVO. We have the Hilton, which is the TWA Hilton. And Continental Airlines. But other than those two, all are Japanese.

Mr. YATES. I guess the Japanese see much more financial possibilities than the Americans do, don't they?

Governor CALVO. We get 75 to 80 percent of our tourists from Japan.

Mr. YATES. I see by your posters you have a beautiful beach.

Governor CALVO. Yes, beautiful. Have you ever been to our part of the world?

Mr. YATES. Unfortunately, I haven't.
Mr. PANGELINAN. You are welcome to come.
Mr. YATES. Thank you. I would like to come out there someday.

SCHOOL CONSTRUCTION

What about your schools? You have overruns on your construction costs of your high school.
Mr. PANGELINAN. The requests in fiscal 1982 were for the equipment for the junior high school. Last year we requested full funding of the junior high school. We expect the opening of that school in calendar 1982. We need the funding. It will serve close to 1500 students. There is a great possibility that eventually that can be expanded to become one of the high schools in the southern area.
Mr. YATES. What is the estimate of the overrun of the construction cost going to be? Your justification talks about $8,500,000.
Mr. PANGELINAN. Yes, it was $8,500,000 initially. We had to scope down because the funds aren't there. We even had to seek for some loan program. Unfortunately, the loan didn't come through.
Mr. YATES. What happens to the school if the funds don't come in?
Governor CALVO. Construction will slow down. It is now going full blast again.

BRIDGE RECONSTRUCTION

Mr. YATES. You want to reconstruct highway bridges.
Mr. PANGELINAN. We are asking for the re-construction of three bridges, one in the central part, and the others are located in the southern part. Those two bridges in the southern part are the main thoroughfare in the southern part of the Island, and because of the flooding problems from heavy rain and waves (they are located close to the beach), we have to renovate the bridges.
Mr. YATES. How much money is involved for the bridges?
Mr. PANGELINAN. We are looking at a total cost of over $3 million for the three bridges.
Mr. YATES. What is the condition of your roads on the Island?
Governor CALVO. Pretty good.

ECONOMIC DEVELOPMENT LOAN FUND

Mr. YATES. What about the economic development loan fund? Mr. Fukutome, would you like to come up here? Are you getting along all right with him these days? Take a seat, Mr. Fukutome. What about the operating procedures?
Mr. FUKUTOME. We have recently, within the last couple of months, received a copy of the standard operating procedures from the Guam Economic Devleopment Authority. We are in the process of reviewing the procedures right now.
Mr. YATES. I see.
Mr. FUKUTOME. We should be coming up with an entire evaluation within the next few weeks.
Mr. YATES. Are you more optimistic this year than you were in prior years about the Government of Guam and their practices?

DEFICIT

Mr. FUKUTOME. Very much so. In 1979 there was a reversal in the deficit position. In 1980, unfortunately, because of dismal increases in the expenditures, we again are going in the deficit position. But I have been assured by the legislature and the Governor that they are going to take an additional effort to try to reverse that situation.

But they have stated that they will require the Congress's assistance through the $37.5 million in order to assist them in accelerating the elimination of the deficit balance.

Mr. YATES. Suppose the Congress isn't as forthcoming as it should be?

Mr. FUKUTOME. Well, then, the legislature has come up with a resolution of attempting to eliminate the deficit balance by 1990, as opposed to 1986.

Mr. LAMORENA. It was amended to include 1985.

Mr. YATES. How will you do it? If the Congress comes up with this funding, how will it be done? With the help of Congress, but what will the Guamanians do? Is there a matching fund?

Mr. FUKUTOME. No.

Governor CALVO. We have a deficit elimination plan which I thought had been advanced to you.

Mr. YATES. Is that in your statement?

Mr. LAMORENA. Yes.

Mr. YATES. That is part of the record then.

MAINTENANCE

What about their maintenance program? Do they have a Comptroller's report that says you are ineffective, inefficient, and your facilities are deteriorating?

Mr. PANGELINAN. I think one of the areas they are looking at is the hospital. One of the problems we are having, as I said, is lack of funding. The funding for the hospital, as I pointed out earlier, is very limited. We do have some steps we are taking now to ensure that maintenance program of the hospital——

Mr. YATES. Is that only the hospital?

Mr. PANGELINAN. That is primarily the hospital. As far as the other facilities, we have set up a preventive maintenance program. Again, I would want to stress, one of the problems we have is lack of funding.

Mr. YATES. Is there anything else you would like to tell us? Mr. Fukutome?

Mr. FUKUTOME. No, sir.

Mr. YATES. You are getting along fine with them. Is that good or bad?

Mr. FUKUTOME. That is good.

Mr. YATES. That is good.

Thank you very much, Governor.

Thank you very much, gentlemen.

We have some questions that we would like you to respond to for the record.

We will not start the Northern Marianas until 1:30.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS
GUAM

FINANCIAL STATUS

Question: Please provide the Committee with an update of the financial status of the Government of Guam.

-- What will the effect be of the Administration's proposed tax reductions and grant reductions on your revenues?

-- What kind of plans are you making in order to adjust to such revenue reductions?

Answer: Attached is an unaudited financial statement prepared by the Department of Administration for the period ending March 31, 1981. Please note that there are adjustments made after the preparation of this financial report. It is estimated that after these adjustments, the deficit of $80.6 million will be reduced substantially. A new report will be forwarded to your office. It is estimated that the impact on revenues of the Government of Guam as a result of Reagan's Economic Recovery Plan will be a reduction well in excess of $30 million. Specific figures are shown below:

Grants for Capital Projects	$ 3.4 million
Grants for Programs	12.7 million
Income Tax Revenue Losses (FY '82 - FY '85)	23 million
Increased local matching requirements as a result of the change from 10% to 25% in the local matching ratio.	

The Government of Guam is looking into all viable options in order to mitigate the tremendous impact of this Plan. These options are:

1. Exemption from these cutbacks, if possible.
2. Reimbursement of income tax revenue losses. Precedents have been established when the income tax laws were changed in 1976 and 1977. Guam received approximately $19 million.
3. Removal of federal constraints that are counter-productive to the economic development of the Territory of Guam. A list of these constraints is attached.
4. Floating mortgage revenue bonds for housing construction. These bonds will be tax-exempt so that the interest on the mortgage will be less than the prevailing interest payments on FHA and conventional loans. The Guam Economic Development Authority (GEDA) and the Guam Housing Corporation will issue approximately $45 million and $20 million, respectively.
5. Homeporting of an aircraft carrier to Guam. Approxmiately $300,000 to $500,000 in income tax revenues can be generated annually from this action.

6. Seeking the approval of the State Department to receive low-interest loans for the development of Guam's commercial port from the Japanese Government.
7. Continue the implementation of an austerity program to reduce the expenditures of the Government of Guam. Budget cuts are also being made on locally-funded programs to insure that the expenditures of carrying these programs are within the available revenues.
8. Study the tax system on Guam to determine what tax reforms will be necessary.
9. Increasing some of existing regulatory fees to generate additional revenues. We will also be looking into the possibility of implementing new fees.
10. Enacting legislations that will cut costs, increase revenues, and reduce the impact of the Plan. Such legislations include a sunset bill, a balanced budget bill, a merger or consolidation of similar programs, a bill to change some of the retirement benefits, a bill to increase fees and other charges, a bill to cut down the costs of legislative operations, and a bill to entice private businesses to invest on Guam.

CAPITAL IMPROVEMENTS

Questions: What capital improvements have been done previously?
Which ones are you now requesting?
How many more projects do you believe you will need in the future and what will be the total cost of the program?
How much water do you provide now on a daily basis?
Is that sufficient to meet your demand or must you draw water from the military?
What do you expect the water demand to be in the future?
Are there adequate water supplies and sources on Guam to meet that demand?

Answer: Following is a list of federally-funded water projects that have been initiated and completed since FY '77 and are on-going to date. A listing of locally-funded water projects will be provided to the Committee under separate package at a later date.

Project Title & Description	Approved Funding
Agafa-Gumas Waterline	$ 39,330
Y-Sengsong Sta. Monica Waterline	17,174
Water System-Santa Rita	50,000
Design & Construction of Water Well-Field A	1,826
Inarajan, Merizo, Umatac Waterlines	263,333
Alatque Spring-Umatac Water Supply Improvement	120,000
Y-Sengsong Design of Waterlines	9,000
Design of Waterlines-NCS, Dededo	17,000
Design of Waterlines-Mt. Santa Rosa, Yigo	30,000
Design of Waterlines-Agaga-Gumas Sub-Division	5,000
Alatque Spring-Umatac Water Supply Improvement	188,000
Agat-Santa Rita Water System-Waterline Replacement	62,437
Design and Construction of Waterlines in Mongmong-toto-maite, Chalan Pago-Ordot, Agana Hts.-Sinajana, Yona-Talofofo-COP 1,2,3,4,5,6, & 8	154,521

Design and Construction of Waterlines in Barrigada-Mangilao, Agana-Tamuning, Maina-Piti-Inarajan COP 1 to 6	116.836
Design of Northern District Water System Addition	36,000
Construction of the Northern District Water System COP 1,2 & 3	234,400
Construction of the Northern District Water System	2,206
Construction of Agat-Santa Rita Water System Improvement-COP 1,2 & 3	103,847
Construction of Northern District Water System Addition-COP 1	61,893
Construction of Northern District Water System-COP 4 & 5	8,473
Construction of Northern District Water System Addition-COP 2 & 3	177,839
Waterline Replacement-Design	31,518
Water System Improvement-Agat-Santa Rita COP 1	81,751
Waterline Replacement (PUAG Charges)	35,785
Construction of Northern District Water System COP 1	6,182
Construction of Northern District Water System COP 2	20,007
Water System Improvement-Agat-Santa Rita COP 2	67,790
Design of Waterline Replacement-COP 10	701
Construction of Northern District Water System COP 3	15,305
Construction of Northern District Water System COP 1	127,398
Agat-Santa Rita Water System Improvement COP 1	50,000
Agat-Santa Rita Water Transmission Lines-COP 1	31,000
Agat-Santa Rita Water System Improvement-COP 1	6,959
Construction of Northern District Water System-COP 2	58,107
Agat-Santa Rita Water System Improvement-COP 3	39,561
Design of Northern District Water System-COP 1	30,000
Construction of Northern Water System Addition-COP 4	6,642
Agat-Santa Rita Water System Improvement-COP 2	126,517

For FY '82, Guam requests funding for the following projects:

a. The installation of 21,000 linear feet of 16-inch lines on Route 15 in the Yigo-Mangilao areas: Under construction presently is a one-million gallon reservoir at Mt. Santa Rosa in Yigo and a one-million gallon reservoir in Barrigada. The installation of the requested transmission line will provide an interconnection between the two independent systems and will improve services to the adjacent regional areas that are having critical water problems.

b. The construction of six (6) deep wells: The Department of Interior's FY '82 budget submission included a funding request for the construction of six (6) deep wells in the general areas of Barrigada, Mangilao, and Chalan Pago. To meet Guam's long range requirements, as indicated in Guam's Water Facilities Plan-Part II (The Financial and Institutional Analysis), a total of 24 deep wells is needed within a five-year period between 1980 and 1985. The need to construct six (6) deep wells in the Yigo-Dededo area is much more critical at this time in view of the trends in

population growth and agricultural development in this area. The funds requested will provide for the design and construction of six wells; the installation of pumps, motors, piping, valve controls; the construction of access roads and fences; and the purchase and hook-up of portable emergency stand-by generators.

Guam's 20-Year Water Facilities Plan depicts Guam's needs with respect to up-grading and expanding its existing water facilities. The projects identified for the first five (5) years are crucial to eliminating the current deficiencies in Guam's supply and storage facilities. An estimated $20 million funding requirement is anticipated for those projects that have not been implemented to date. Beginning FY '77 to date, the Government of Guam funded water projects at a level in excess of $1 million. During this period, the Federal Government granted Guam a total of $18.113 million under the Department of Interior's budget for water facilities improvement projects.

Guam's present water supply system cannot meet current island-wide daily water demand levels. Average production of the existing 68 deep wells is 15 million gallons per day, 16 million gallons short of the island's maximum water demand level. Consequently, dependence on the military to partially supply the water needs of Guam's civilian population is necessary. The island's maximum demand level is expected to rise to 35 million gallons per day by 1985 and to 49.6 million gallons per day by the year 2000. These demand levels were projected in consideration of trends in population growth, business activities, and agricultural development.

Question: Please explain what kind of equipment will be provided with these funds? (Collateral equipment for the Agat Jr. High School Facility)

Answer: The types of collateral equipment needed for the re-opening of the Agat Jr. High School facility are:

desks
chairs
tables
conference tables
cafeteria and kitchen equipment
laboratory equipment

HOSPITAL STATUS

Questions: What is the operational status of the new Hospital?

— Has it been established as a separate independent authority? If so, does it generate a profit or does it operate in the red?

-- Are there improvements that need to be made in the facility in order to keep its accreditation?

-- What steps are you taking to meet those requirements if they are necessary?

Answers: The Hospital is run by a six-member Board of Trustees. The Administrator is the Executive Officer for the Hospital and reports directly to the Board. The new administrator will be assuming his position sometime in

the latter part of May or early June of this year. The Hospital is an independent authority. However, there have been discussions to bring back the Hospital as a line agency so that there could be greater control of the Hospital's expenditures.
Presently, the Hospital, though receiving sibsidies from the General Fund, is very much independent in running its internal affairs. The Hospital is presently operating in the red. It was estimated by the Hospital that unless an appropriation is made soon, it will have a cash deficit of close to $10 million by the end of fiscal year 1981. The Guam Legislature originally appropriated $3.2 million at the beginning of FY '81. However, because of the estimated cash deficit, the Legislature subsequently appropriated over $6.4 million to be released once various financial and administrative requirements are met. So far, over $5 million have been released out of the $9.6 million appropriation. Attached is a financial report prepared by the Hospital. One of the major problems of the Hospital is the collection of its bills. Steps are now being taken to insure proper billings and prompt collection. An effective method to collect outstanding bills from patients is to with-hold income tax refunds until the patient has cleared his hospital bill.

Two of the major concerns of the Hospital that threaten its accreditation are the financial problems of the Hospital and the maintenance of its facilities. Both concerns are being reviewed carefully and positive steps are being taken to address them. In addition, other concerns have been identified. Attached are the findings and steps being taken to rectify the deficiencies cited.

[COMMITTEE NOTE.—Status report on Mr. Matt Lonac's finding and recommendations are retained in committee files.]

AFTERNOON SESSION

GOVERNMENT OF THE COMMONWEALTH OF THE NORTHERN MARIANAS ISLANDS

DEPARTMENT OF TRANSPORTATION

WITNESSES

HON. CARLOS S. CAMACHO, GOVERNOR
HON. EDWARD DLG. PANGELINAN, REPRESENTATIVE TO THE UNITED STATES
HON. JOSEPH S. INOS, SENATOR
MANUEL A. SABLAN, PLANNING AND BUDGET AFFAIRS OFFICER
GEORGE L. CHAN, CHIEF PHYSICAL PLANNER
JIM WEATHERSBEE, BUDGET OFFICER
PEDRO SASAMOTO, DIRECTOR OF PUBLIC WORKS
JOHN YAMASHITA, SENATE BUDGET OFFICER, NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
TERRY GENT, ARTHUR D. LITTLE & CO.

Mr. MURTHA. We would like to have Governor Camacho and his entourage.

Governor, if you will introduce your colleagues for the record, please.

Governor CAMACHO. Thank you. I have Senator Inos on my right. On my left is Planning and Budget Officer Sablan and Washington Representative Edward Pangelinan.

Behind me on the far right with the Abraham Lincoln beard is the Attorney General; next to him is Budget Officer Weathersbee, and behind me is our consultant on the hospital,. Mr. Gent, and next to him is Director of Public Works, Mr. Sasamoto.

Mr. MURTHA. For the record, your statement may be entered as part of the record, without objection, and the Senator's statement will be entered as part of our record.

[The statements follow:]

STATEMENT OF

GOVERNOR CARLOS S. CAMACHO

OF THE GOVERNMENT OF THE

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

BEFORE THE SUBCOMMITTEE ON INTERIOR & RELATED AGENCIES,

COMMITTEE ON APPROPRIATIONS,

U. S. HOUSE OF REPRESENTATIVES

MAY 11, 1981

Mr. Chairman and Honorable Members of this Committee:

I am Dr. Carlos S. Camacho, Governor of the Commonwealth of the Northern Mariana Islands. On behalf of the Government and people of the Northern Marianas I extend to you, Mr. Chairman, and members of this Committee our warmest greetings and appreciation for the honor and privilege of appearing before this august body to testify on the proposed FY 1982 budget.

Before proceeding further I wish to introduce the members of the Northern Marianas delegation who will assist me during the testimony and will answer any questions you or any member of the Committee may have. They are Mr. Manuel A. Sablan, Planning and Budget Affairs Officer, Mr. Richard Lassman, Attorney General, Mr. George Chan, Chief Physical Planner, Mr. Pedro Sasamoto, Director of Public Works, and Mr. Jim Weathersbee, Budget Officer. Also present are Senator Joseph S. Inos, and Mr. Edward DLG. Pangelinan, our Washington Representative to the United States.

The Government of the Northern Mariana Islands is grateful to the United States Government for its continued financial support under the Covenant in providing in the Fiscal Year 1982 budget a sum of $26,516,000 in Covenant funds, consisting of $15,626,000 earmarked for Government Operations, $9,076,000 for Capital Improvements, and $3,314,000 for Economic Development Loan Funds. Local revenues, derived from local taxes, fees and reimbursements, is $14,947,000. This is approximately 49% of the funding requirements for general government operations, and represents an increase of $4,368,000 over FY 1981,

and $6,327,100 over FY 1978, the first year of the new government. The increase is attributable to improvement in collection of local taxes and fees, and to proposed revenue initiatives submitted to the Legislature by the Administration and the establishment of a Utility Rate Commission.

The proposed FY 82 budget for the Northern Marianas is a balanced one, and includes funding for the operations of the three branches of government, including the Office of the Representative to the United States. The budgetary allocations are based on FY 80 obligational experience, taking into account the effects of annual wage increases for employees. The process of trimming the budgetary allocations of the executive branch to achieve a balanced budget resulted in elimination of a significant number of vacant positions among departments and offices in Fiscal Year 1981.

The proposed FY 1982 Northern Mariana Islands budget was formulated within the framework of the goals and objectives of the Socio-Economic Development Plan. The plan has been extended to FY 1987 and contains an assessment of the progress made during the first three years of the new Government (FY 1978-1980). It also provides an historical overview of the efforts made to implement the total CIP program. The formulation of the FY 1982 CIP budget places greater emphasis on initiating projects that would equip the Commonwealth with the necessary economic and physical infrastructure to advance the social and economic posture of the Government. The Plan recommended specific CIP projects, some of which require large capital outlays that exceed the ability of the Northern Marianas to finance. These projects are vital for upgrading the basic infrastructure.

The proposed FY 1982 Northern Mariana Islands Budget recognizes the need for greater economy in government and the need to raise additional local revenues to maintain and improve public services. Specific cost-cutting measures have been strengthened to hold down the cost of government operations, including imposing a manpower ceiling on government employment, strengthening the procedures and enforcement of the government procurement and property accountability system, and reviewing the current policies on government travel, energy conservation, medical referral, medical procurement and supply, off-island recruitment, benefits and overtime.

The proposed FY 1982 Northern Mariana Islands budget assumes that the Legislature will enact revenue legislation to help defray the cost of petroleum products for power generation, and the cost of the medical referral program. A Utility Rate Commission was recently established by Executive Order to evaluate the utility rate structure and to implement new rates. In FY 1981 the government adopted specific measures to reduce power consumption. All departments and agencies have been audited to determine a reasonable consumption level. Activities that exceed the established consumption level will bear the excess in their operational budget.

With the Covenant funds and local revenues, we have completed many improvement projects and have demonstrated economic progress within the past three years in a number of areas, especially those relating to tourism, presently our only major industry. However, in order to accelerate infrastructure development of essential health care, reliable power supply and distribution, adequate harbor facilities, safe highways and roads, locally available renewable energy sources, adequate water supply, telecommunications, and training facilities, we

must seek special appropriations form the U.S. Congress. We also seek additional appropriations to offset the ever rising costs of petroleum products for our power generation system which is totally dependent on imported fuels. In the current year petroleum costs will exceed $7,000,000 and in FY 82 it is estimated to be over $8,000,000. This latter figure represents 30% of the total operational costs.

Tourism remains the cornerstone of our economy. Saipan, Rota and Tinian have modern air terminals and runways. The Saipan runway can now accomodate jumbo jets. There are 232 hotel rooms under construction which will increase the total number of hotel rooms to 905 by December of this year. All this will enhance our tourist industry, but places severe strains on our already inadequate power, water, waste treatment, highways and communications facilities. We must improve these facilities in order to keep pace with the growth in this vital industry.

The Commonwealth is also committed to improving agriculture and fishery activities. But this also is dependent upon the timely improvement of related facilities. Because of our proximity to major markets in Asia and the Western Pacific, our developing agriculture and fishing industry has the potential to become as important as our tourist industry. These industries will provide employment opportunities to a significant number of residents in the years to come.

The growing business sector is engaged in construction, transportation, merchandizing, and service activities. Some manufacturing has started, and an increasing number of potential investors have expressed interest in the Commonwealth, but the inadequate infrastructure has discouraged many of them.

While we recognize that the FY 82 budget is austere, I feel we are justified in continuing to make additional requests, especially since they have been under consideration since the creation of the Commonwealth. It is important that they be implemented soon, for together with the other Micronesian entities we are far behind the other U.S. insular areas in economic development. We urgently need to develop the basic infrastructure to support a self-sustaining economy that will bring us to a level worthy of a new and respected member of the American political family.

The Covenant, which defines the unique relationship and mutual benefits between the Commonwealth and the United States, ensures that financial support shall be provided to develop the essential infrastructure projects that are needed to achieve a progressively higher standard of living for its people as part of the American economic community, and to develop the economic resources needed to meet the financial responsibilities of local self-government. We have now passed the half-way mark in the first seven year period of planned development, and we still have a very long way to go. We are very concerned that the budgetary reductions of the new Administration will have a profoundly adverse impact on the economic and social well-being of our emerging Commonwealth and people.

We have limited our additional requests to those that we presented in previous years to this Committee and the Authorization Committee. We are again asking for these projects because they are long overdue and should have been implemented during the 35 years of the United States Trusteeship administration of the islands. During this period the United States was repeatedly criticized for its failure to provide the needed infrastructure to support a self-sustaining economy in the Trust Territory of the Pacific Islands. As we move

toward full status as a Commonwealth, we urge that these deficiencies be corrected without any further delay.

We would now like to highlight the infrastructure development program the Commonwealth must implement within the next few years:

HOSPITAL FACILITY

The Saipan Hospital has been the subject of many studies and reports. All are very critical of the poor condition of the existing facility and stress the need for a replacement. The new hospital is a matter of the highest priority both inside and outside the Commonwealth. As we have reported to this Committee earlier, we want to reiterate that:

> "the Hospital ... is in a state of deterioration. Built of materials unsuited to the local climate, it was poorly designed, resembling everything but a multi-service facility. The buildings are uncomfortable and inefficient for both hospital personnel and patients. Although there have been numerous improvements made on Dr. Torres Hospital, the facility still does not meet minimum U.S. standards for Medicaid. Since December of 1976, three official inspections, sponsored by the Federal Government, have been made of Dr. Torres Hospital. All three reports recommended that the present facility be replaced by a new inpatient structure, with an outpatient unit providing care for the increasing number of primary care patients."

We have expended much effort to study and plan for the implementation of this project. We fully support the Department of the Interior's request for an appropriation of $1.125 million to initiate the architectural and engineering studies of the new facilities (see Attachment #1 - New Saipan Hospital and Public Health Center's Functional and Space Program Summary).

POWER

We are thankful to this Committee for the appropriation of $5,000,000 to help defray the cost of a new and modern 21 Megawatt power plant in Saipan. Unfortunately, the existing distribution systems are very old and must be replaced at a cost of $5,000,000 (see Attachment #2). Moreover, a new generator of 7 Megawatts is now required to meet the increasing demand of the consumers in Saipan at an estimated cost of approximately $4,000,000 (see Attachment #2.1)

ELECTRICAL GENERATION

Petroleum costs for electrical power generation are increasing at a rate well beyond what can be funded with our limited resources. The actual cost in Fiscal Year 1980 increased 112% over the 1977 cost. These increases caused significant funding problems in FY 1980. Our estimate for Fiscal Years 1981 and 1982 indicate that petroleum costs will be substantially greater than FY 1980 and will account for 30% of our operational budget in those years.

The net effect of petroleum product price increases over inflation in the three year period for which actual figures are available is $1,725,100. Estimates for Fiscal Years 1981 and 1982 are $3,925,100 and $4,365,900, respectively. The total impact of these increases is $10,016,100. This amount is requested as a supplemental appropriation under the authorization provided the Department of the Interior for the Trust Territory of the Pacific Islands for this purpose (see Attachment #2.2).

HARBOR FACILITIES

As you are aware from previous testimonies to this Committee, the Saipan harbor facility remains sub-standard and dangerous. We would like to again request the support of this Committee for the appropriation of $15,000,000 to upgrade the harbor facility in Saipan. Your Committee mandated the Secretary of the Interior to conduct a needs assessment study on harbor facilities in the Commonwealth, and requested that such study be completed in FY 81. The study is now being formulated by the U.S. Army Corps of Engineers and will be presented to the Secretary of the Interior this month. We are pleased to report that we have worked cooperatively with the Corps of Engineers on this assignment and have integrated our current effort in developing preliminary studies and architectural/engineering plans for this project. We have committed $291,400 from Covenant funds for this purpose.

HIGHWAYS

Highway improvement has a vital role to play in the development of the Commonwealth. Besides the safety factor, a well-integrated and improved highway system will be required to keep pace with the evolving economy. Of the 164 miles of road on Saipan, Rota and Tinian needing reconstruction at an estimated cost of $90,000,000 (Physical Development Master Plan, 1978), 87 miles are eligible for Federal grants under the Federal Aid Highway System at an estimated cost of $48,000,000. The current level of funding ($532,500 annually) provided the Commonwealth under the annual appropriations to the U.S. Department of Transportation for highway construction to the territories is totally inadequate. At this funding rate it will take over 90 years to complete this

program. To make matters worse, we have learned that the U.S. Department of Transportation will lose its authority to provide this funding supoort to the Commonwealth by the end of FY 81 for the lack of continuing authorization for appropriation from the U.S. Congress for this program. We respectfully seek the continuation of funding for this program. Further, we urge that the funding level to the Commonwealth be increased to $3,000,000 annually (see Attachment #4).

ENERGY PLAN

Our complete dependence on fossil fuel for our energy needs is a matter of serious concern. We are totally dependent on supplies from foreign sources -- a situation which is aggravated by the high cost of shipping and distribution. We regard the development of local renewable energy sources, such as solar, wind, biomass, biogas, geothermal and ocean thermal energy conversion, as a matter of extreme urgency. These resources have not received the attention they deserve in the National Energy Policy because they are regarded as secondary to nuclear, shale oil, and coal liquefaction or gasification which are important to the mainland states but absolutely useless to the insular areas. The development of our local energy sources is of vital and immediate importance to the Commonwealth. We are looking forward to the DOI/DOE Task Force established by P.L. 96-597 to help the insular areas develop an appropriate Energy Plan aiming at self sufficiency in the near future. (see Attachment #5).

WATER

Water has always been in short supply. Wells have been depleted or have deteriorated from over-pumping. The distribution system, much of which was

built with war-time materials, leaks very badly. The Commonwealth has committed a substantial portion of its limited Covenant CIP funds for the improvement of the water system, but the problems facing us are beyond the capability of our financial resources. An exploration program was implemented in FY 80 with funding from the United States Water Resources Council, but the funds for FY 82 were drastically reduced and this work may be phased out soon. It is important that we continue this work, as it will allow us to develop this critical and limited resource through adequate planning and effective management, and avoid the present water supply crisis of forced water hours and general degradation in water quality.

We cannot afford to continue the current practice of "crisis management" of our water resources. We must strengthen our planning mechanism for the effective management and use of this valuable natural resource. The cost for upgrading the water system, as identified in the Commonwealth Physical Development Master Plan, would require approximately $10,000,000 (see Attachment #6). We seek your favorable consideration for an appropriation for this amount.

AMERICAN MEMORIAL PARK

We are again seeking your support to appropriate the sum of $3 million as authorized by Public Law 96-348 for the development of the American Memorial Park on Saipan. The Commonwealth and the U.S. are committed to setting aside an area of 133 acres of prime land on Saipan for public use for a memorial to the American marines and people who were killed or wounded in the Marianas campaign during World War II. We have expended considerable effort and money

in site preparation for this memorial. We hope that this committee will give due consideration to honor the memorial of our brave citizens who gave their lives for the security of our nation.

LOCAL MATCHING FUNDS

One last matter of grave concern to the Commonwealth, which we believe is shared by the other territories, is the new initiative of this Administration to require matching of 25% from local resources on each capital improvement project funded by the Federal Government. The Commonwealth does not have the financial resources to meet this requirement. The cash flow required to initiate federally funded CIP projects by the Commonwealth would place an inordinate financial burden on the Commonwealth government and people. We therefore seek your understanding and consideration to postpone or waive this requirement until such time that the Commonwealth develops its basic infrastructure that would support a self-sustaining economy.

GENERAL REMARKS

On a broader perspective, I wish to make a brief statement regarding the Commonwealth of the Northern Mariana Islands and the contributions its people can (and wish) to make to their parent government's current efforts to strenghten its world posture, at least its posture in the Western Pacific area. I call your attention to the unique geography that our island present: a thin line, more than 400 miles long, of sixteen archipelogic islands separating the Pacific Ocean from the Philippine Sea, and which is America's true and last western frontier. Lest we

forget, I remind you that these several small, once-considered-remote islands were recently 'key' to winning a great war; and I suggest that they, if properly regarded, can become the 'key' to preserving the peace and prosperity of this vast Pacific area. In all earnestness I say to you that it is in the best interests of all who live in the free world that this small, strategic, and accessible frontier area be made into a stable, viable, and fully-functioning part of the United States. I say this for the sake of those of us who live there; I say it for the sake of all the American people and their interests -- their multiple national and international interests.

Geography identifies only one factor in the contribution the Commonwealth is prepared to make to its parent government. The other factors concern human attributes. The commitment of our people to the United States and its way of life has successfully weathered the first three years of the experimental U.S.-Commonwealth relationship. The commitment of our people continues to be solid, complete, and reminiscent of the enthusiasm the American people showed their Republic in its earliest days. Ugly nationalism and xenophobia that hamper and embarass U.S. efforts in other overseas locations, have not arisen, and our people see themselves as full partners in U.S. efforts to rejuvenate its image and capabilities. Even the occassional psychologically disturbed and ranting State-side demogogues who wander into our midst cannot upset these convictions, for we, the people of the Northern Mariana Islands, know their ilk, recognize their hypocrisy, and reject them out of hand.

Ancient principles of individual and family responsibilities to self-sufficiency (perhaps comparable to those in early U.S. pioneer days) still prevail and have not been seriously eroded by welfare-state ideology. Should change

occur in these traditional attitudes, should such a catastrophe occur, it will be by default of our two governments to provide the basic ingredients for developing a self-sustaining economy as this late Twentieth Century requires.

The budget we have brought with us and have presented to you, was designed to implement the aims I have cited and to build moral and physical strength into America's Western-most frontier. We present it to you for your serious consideration and possible additions and improvements, for we believe that this budget's importance is of such long-term and world-wide ramifications that its details and even its scope transcend the capabilities and vision of any one group. We ask you to join with us in full and free discussion of the future of our people, and how their lives, their political, social and economic activities may be integrated with mainland counterparts to the enduring betterment of all. Reducing these values to budgetary terms, however, is an awesome responsibility, and we are eager to share this responsibility with you ... seriously and prayerfully.

Attachment #1

HOSPITAL FACILITY

CAPABILITY STATEMENT

AGENCY/BUREAU: Department of the Interior/Territorial and International Affairs

APPROPRIATION: Administration of Territories

ACTIVITY : Commonwealth of the Northern Mariana Islands

PROPOSED AMENDMENT : Public Law 96-205 authorizes an appropriation of $24,000,000, plus or minus such amounts which may be justified by reason of ordinary fluctuations in construction costs from October 1979 price levels, for the construction of a medical facility in the Commonwealth of the Northern Mariana Islands to provide for health care services.

CURRENT PROGRAM : Since December of 1976, there have been three official inspections of Dr. Torres Hospital sponsored by the Federal Government and six additional studies of the NMI health care system which have included an assessment of the need for a new hospital in the Northern Mariana Islands. All of these reports have recommended that the present facility be replaced by a new inpatient structure, with an outpatient unit providing services for the increasing number of primary care patients.

Since the Congressional authorization in 1980, the Commonwealth has undertaken more detailed planning of the facility. Plans as to the size, site location, expected scope of services, space requirements, cost estimates, a project timetable, staffing requirements and operating costs have all been developed by the Government of the Northern Mariana Islands. These plans are detailed in the attached Budget Justification.

In addition to these plans, the CNMI and Region IX Office of the Department of Health and Human Services have developed a "FY 1981 Action Plan for the CNMI Hospital Project". This plan outlines twenty tasks which must be completed prior to the signing of the Architecture and Engineering Contract. Lead organizations and completion dates have been set for each task. Seven of the twenty tasks have already been accomplished, and others are in the process of completion now. The Action Plan is contained in the appendix of the attached Budget Justification.

AMOUNT BUDGETED IN FY 1982 : The Commonwealth is requesting an appropriation of $1.5 million in FY 1982 for the initiation of an architectual and engineering study for the new medical facility. This is equal to the amount recommended by the Department of the Interior for inclusion in the FY 1982 budget.

FEASIBILITY : The construction of a replacement medical facility in the Northern Mariana Islands is not only feasible, but is essential to the provision of high quality health care services in the Commonwealth. Dr. Torres Hospital is in a state of deterioration. An estimated 10 percent (1979) of all CNMI resident inpatient days are spent in facilities outside of the Commonwealth. Many of these medical referrals are due to the fact that Dr. Torres Hospital is simply not adequate to meet the increasingly high building standards required by modern medical care.

The construction of a new medical facility has been in the planning stages for several years. This construction is both extremely desirable and a very high priority for the Northern Mariana Islands. The construction of a new facility is essential to the established program goals of the Northern Marianas health care system. These goals are outlined in detail in the Commonwealth Health Plan.

CAPABILITY : Consultant recommendations as to the cost of constructing a new facility have ranged from a low of $15.9 - $22.6 million to a high of $41.5 million. The Commonwealth has revised these estimated costs to reflect the construction of an 80 bed facility. Two estimates have been devised by the Commonwealth for the cost of constructing such a hospital. The lowest possible estimate is $24.2 million and a slightly higher estimate is $26.1 million. The $24.4 million authorization made in March of 1980, then, seems barely sufficient to cover the costs involved in the construction of a new facility. It is important to note that these estimates are based on the assumption that the architectual and engineering study can begin in FY 1982. If this does not hold true, the cost of the proposed facility will definitely increase due to the high rate of inflation. A more detailed budget and explanation are contained in the attached justification.

OUTLAY EFFECT: The estimatated outlay by fiscal year (in millions) is:

1982	$ 1.5
1983	$11.7
1984	$ 8.5
1985	$ 2.7
Total Outlay	$24.4

For additional information see attachment A.

Attachment # 1A

CONGRESSIONAL HEARING
SUPPORT DOCUMENTATION

NEW HOSPITAL AND PUBLIC HEALTH CENTER
FUNCTIONAL AND SPACE PROGRAM SUMMARY
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

MAY 11, 1981

During the last four years six studies of the Commonwealth of the Northern Mariana Islands Health Care System have been undertaken. The results of these studies all agreed upon one thing and that is the Commonwealth needs a new hospital. However, these same studies have not agreed upon the size and scope of such a hospital. Estimates of the number of beds required to support our needs ranged from a conservative 60 beds to an overly generous 100 beds. We have carefully analyzed the population, its needs and our staff resources, and feel it is appropriate to construct a new facility with a capacity of 64 acute care beds and 10 long term and psychiatric beds. These beds fall well within the national guidelines of four beds per thousand population considering a 20,000 plus projected 1990 Commonwealth population.

In an era of scarce resources we have developed a program of requirements describing a flexible and efficient hospital. Working closely with Region 9 of the Department of Health and Human Services, we propose to provide a comprehensive array of primary and secondary level health care services while continuing to refer the more complicated secondary care and all tertiary care patients to off-island regional health centers through established transfer agreements. We will achieve efficiencies by building nursing units which will be flexible in terms of meeting the needs of a variable census by combining traditionally dedicated and separate nursing units. This will allow us to achieve economies of scale for nurse staffing and for all support and supply systems. We have in the past, and will continue in the new facility, to combine functions such as the surgical suite, the labor and delivery suite, and the central sterile processing functions to achieve staffing efficiencies and building system efficiencies.

80-810 O—81——16

A careful analysis of patient care activities of the Public Health Department and the ambulatory activities at the existing Dr. Torres Hospital have led us to propose consolidation of some clinic activities and patient records on the new hospital site, thereby again eliminating duplication, effecting staffing efficiencies and providing for a unified and complete patient record.

The new hospital is but one part of the emerging health care system we are developing in the Commonwealth. By virtue of previous funding, we are currently planning dispensaries for our citizens on Tinian and Pagan as part of our commitment to public health. In addition to these two new dispensaries, a new public health center has been programmed for Saipan. Because of its close affiliation with the new hospital, it has been included in our development of the Functional and Space Program for the new hospital.

We have worked diligently to evolve a concept for the most effective and efficient health care system for the Commonwealth. We propose to build a new 85,025 square foot (7,962.6 square meters) hospital on what is known as the Navy Hill site. The total project cost inclusive of contingencies, equipment, site development, start-up costs and fees is estimated not to exceed $24,400,000. The Navy Hill site was selected as the most appropriate site because it is central to the population and is the only land of significant size that is available.

The Navy Hill site is 72,842.8 square meters and is valued at $20.00 per square meter or $1,456,850.00. The construction cost inclusive of equipment and site development is estimated at $18,810,000. The Commonwealth must exempt this project from both the ad-valorem tax (import tax on materials and equipment) and the gross-receipt tax on the contractors. Assuming a mid-point of

construction of October 1983, these taxes invested by the Commonwealth would amount to approximately $1,577,000. It is the intent of the Commonwealth to apply the value of the site and the tax exemption in the sum of $3,033,850 to the federal matching requirement.

My administration is presently investigating the potential of using the existing non-conforming Dr. Torres Hospital as a vocational-technical junior college to train the citizens of the Commonwealth for productive careers within the Commonwealth. Training programs may include health support and para-professional training for new hospital staffing. As part of the architectural fee structure established for the new hospital, an amount has been designated for the development of administrative manuals. These manuals will provide complete job descriptions and training requirements for all new hospital staff. With the assistance of Region 9 and independently we are intensifying our recruitment efforts for medical and nursing staff. The new hospital is a vital part of that effort.

The total fee structure estimated for this project includes architecture and engineering compensation, consultant cost, site survey, environmental impact statement, inspection and testing and project coordination. These fees are estimated at $1,860,000.

To assure the success of this project we will select a U.S.-based architect/engineering firm with relevant hospital experience. With approved Congressional funding and assistance from Region 9 of HHS, we anticipate this selection will be complete by October 1, 1981. The architect selected will also be commissioned to design the previously funded public health center to again

achieve the maximum for every dollar spent. The Commonwealth will also seek a qualified construction management firm to work with the architect to provide a guaranteed maximum price (GMP) for the new hospital construction prior to the FY 1983 budget hearings. This will provide Congress with the exact dollar amount required to complete the construction of the new hospital for the Commonwealth by late 1984. The traditional design, bid, construct process is estimated to take at least 15 months additional time to complete, resulting in inflationary costs of well over $1,200,000.

It is estimated that, to reach the point at which a GMP will be available (February 1, 1982), approximately $1,125,000 of the total $1,860,000 allocation for fees will have been expended. The approval of $1,125,000 by this Congress will allow the Commonwealth to proceed with architect selection and the development of a GMP.

The Commonwealth proposes to this Committee that the above effective funding process be approved. The original 1980 authorization bill budgeted $24,4000,000 for the development of a new hospital on Saipan. The provisions of this bill included an escalation factor tied to the National Construction Cost Index. This Index has increased at an average of .8% per month. Assuming a FY 1982 appropriation, the original authorization of $24,400,000 would have escalated to $29,084,800. As a result of our efforts to refine our early project estimates and to program an efficient health care system, we are proposing a $20,670,000 construction project cost, assuming a construction appropriation in the FY 1983 budget. Should Congress appropriate both the design and construction monies in the FY 1982 budget, further savings in the estimated amount of $500,000 would result as a function of starting construction in early 1982. A total project

appropriation in the FY 1982 budget would allow the Commonwealth to build the required facilities for some $9,210,000 less than the original 1980 estimate escalated to FY 1982.

To assure the most effective use of Federal appropriations, the Commonwealth requests a FY 1982 appropriation of $1,125,000 as part of the full FY 1980 authorization of $24,400,000. This will allow for early completion of the new hospital with a projected opening in 1984. The appropriated monies beyond those required for the construction project as estimated ($20,670,000 vs. $24,400,000) would be earmarked for start-up costs such as training, recruitment, and retention of vital health care staff, stocking the new hospital with adequate drugs and supplies, and provisions for a spare parts depot and vital maintenance and engineering training. The spare parts depot and maintenance and engineering training are particularly important funding requirements as inadequate maintenance has traditionally been one of the most serious problems faced by health care institutions in Micronesia.

In the few short years of the Commonwealth's existence, much progress has been made; yet, much remains to be done. The development of new health facilities is so necessary to the Commonwealth. The new hospital is needed to attract physicians and allied health professionals to the Islands and will be a major source of skilled jobs for Commonwealth citizens. This facility will provide the exposure to professional career ladders now unavailable to our young people and help move the Commonwealth a long way towards self-reliance. The approval of our request for $1,125,000 as part of the full appropriation will allow the Commonwealth to continue our progress toward appropriate health care for all the people of the Northern Marianas.

BUDGET JUSTIFICATION

I. Introduction

It is the intent of this budget justification to describe, in detail, the history and approach used in analyzing the need for new facility development in the CNMI. This report seeks to answer many of the basic questions which may arise in the consideration of allocation of funds for the Northern Marianas.

One of the major questions is: Why is a new facility needed?

In the May 1979 Budget Justification for Appropriation, the following statements appear:

> "The Hospital ... is in a state of deterioration. Built of materials unsuited to the local climate, it was poorly designed resembling everything but a multi-service facility. The buildings are uncomfortable and inefficient for both hospital personnel and patients. Although there have been numerous improvements made to Dr. Torres Hospital, the facility still does not meet minimum U.S. standards for Medicaid."

Further this report states:

> "Since December of 1976, three official inspections, sponsored by the Federal Government, have been made of Dr. Torres Hospital." "All three reports recommended that the present facility be replaced by a new inpatient structure, with an outpatient unit providing care for the increasing number of primary care patients."

The studies referred to are:

1. ROFEC (PHS) Region IX.
2. DHEW Health Facilities Branch.
3. Medicaid Trip Report.

In addition to the reports cited in the Budget Justification for appropriation, six other studies of the CNMI health care system have been undertaken. These studies include:

1) "Medical Facilities Replacement Study" by Stone, Marraccini and Patterson (1979).

2) "Financial Analysis of the CNMI Health Care System" by Siegel and Associates, (1980).

3) "New Directions for Health Services for the Commonwealth of the Mariana Islands", by Mytinger and Associates (1980).

4) "Health Facility Analysis of the Northern Mariana Islands" by Moore-Johnson, Inc. (1980).

5) "Review of the Commonwealth of the Northern Marianas Health Care System and Facilities with Recommendations, by DHHS (1980)

6) "Hospital Team Final Report", by CNMI (1980).

As can been seen from the number of reports compiled on the CNMI proposed medical facility, this matter has become a priority both inside and outside of the Commonwealth. In order to clarify the issue of how a new medical facility became such a priority, a brief history of the events leading up to this point in time will be reviewed.

Dr. Torres Hospital buildings are now over eighteen years old. In the last few years the problems with maintaining the structure and utility systems seem to have been growing geometrically. Current deficiencies in the hospital are numerous. Not only do the roofs leak, but probable termite damage of the roof trussess create concern among staff members that the ceiling may actually fall down*. The Medicaid Trip report noted that the physical plant does not conform with the Life Safety Code. The list could go on and on. The resulting consensus has been for quite some time in the Northern Marianas that a new facility is absolutely essential for the provision of high quality health care services. Five years ago, the Northern Marianas government began to pursue activities which would result in the construction of a new facility.

Over the past 4-5 years, a number of special studies have been undertaken in an effort to either upgrade the existing system or develop an entirely new approach for the provision of inpatient care services. Of these studies, six have dealt primarily with the development of a new hospital facility. The first study was compiled by Stone, Marraccini and Patterson (SMP) a consultant firm from San Francisco. This study was completed in 1979. This analysis concluded that a 90 to 105 bed facility should be constructed. The estimated square feet requirement was 104,000,at a cost of about $23.4 million. This report was widely circulated and was used as the basis for an appropriations request from the U.S. Congress in the amount of $24.4 million.

Prior to the time the authorization was made, the CNMI was asked to provide a budget justification for the expenditure of the money. At this time, the Commonwealth Health Planning and Development Agency was in the process of developing a medical facilities plan and the cost components of the health system in general. Siegel and Associates of Orinda, California was hired to do a two phase study in the Commonwealth. The first area of study was to determine health care costs in the CNMI. This information was to be used in assessing cost for the Commonwealth Health Plan. The second area of study was to review the SMP Study and develop an updated replacement facility report. Siegel's conclusion on the facility aspects was that a 92 bed facility could be built but the cost would be approximately $37.4 million. The cost figure was higher than the SMP recommendation and the congressional appropriation, and was the cause of some concern within the Commonwealth that the issue of hospital construction be examined more closely.

*Comments from Moore-Johnson, Inc.

The Siegel study was conducted prior to the 1980 census., The population projections used in this study were based on the assumption that "the economic development program will be actively pursued and substantially implemented". Based on the 1973 census and this assumption, Siegel estimated the 1978 CNMI population at 18,300 and projected a 1990 population of 31,300.

Soon after the Siegel study was completed, the preliminary results of the 1980 census were released. According to the census, the Commonwealth had a 1980 population of 16,900 (rounded). This proved to be a significantly lower population than had been projected from the 1973 census (approximately 3,000 people). In large population areas, this difference would not be a matter of concern. However, with such a small population base, even a difference of 3,000 people can have an impact on the CNMI health care delivery system. This is especially true when population extrapolations are made into the future.

Four studies were conducted after the preliminary census results were released. All of them addressed the need for a new health care facility. Two of the studies were done in the spring of 1980. These two studies were conducted by Moore-Johnson, Inc. from Washington D.C. and Mytinger and Associates from Honolulu Hawaii. Both of these reports used a much smaller population base in the 1990 estimates than had previously been determined. Moore-Johnson, Inc. projected a 1990 population of 22,558 and Mytinger projected a 1990 population of 21,000.

Although the population bases in these two reports were similar, the resulting hospital specifications and costs were not. Moore-Johnson, Inc. recommended a 100 bed hospital be built with 87,350 square feet. Their cost estimates on a hospital this size were $15.9-22.6 million. Mytinger and Associates recommended a 60 bed hopsital be built with 116,161 square feet. Mytinger and Associates did not provide a cost estimate on building such a facility.

Another report was submitted to the CNMI government on the proposed medical facility by the Department of Health and Human Services. This report projected the 1990 poulation to be 25-30,000 and recommended that a 90 bed facility be built. This facility would have 100,363 square feet and cost $24,452,000.

In addition to the "outside facility estimates", the CNMI government organized a Hospital Assessment Team, whose purpose was to study hospitals in Micronesia and analyze their respective situations in anticipation of the proposed construction of a new hospital on Saipan. The team was composed of representatives from Marianas Public Works, the Department of Public Health and Environmental Services, the Planning and Budget Affairs Office, and the Commonwealth Health Planning and Development Agency. Their recommendation was that a hospital encompassing 88,000 square feet be built at a cost of $21,058,000.

A summary of these recommendations is contained on the following table.

SUMMARY OF CONSULTANT RECOMMENDATIONS

Projection Category (1990)	CHPDA	Siegel	SMP	Mytinger	MJI	Region IX
Population	25,666	31,332	27,500	21,000	22,558	25-30,000
Patients Days (rate)	701/1000	823/1000	662/1000	600/1000	854/1000	-
Outpatient Visits	83,415	94,229	113,216	Not Indicated	70,371 (1)	-
Required Beds (total)	80	92	90	60	100	90
BGSF	117,900	141,911	104,114	116,161 (2)	87,350	100,363
Cost Estimate	$34,509,094	$41,537,065	$23,316,000	$Not Indicated	$15,9-22.6M	$24,451,775

(1) "Projected" by CHPDA based on rate of change between 1980 and 1985.
(2) Mytinger indicated a DGSF figure only. CHPDA multiplied the DGSF by 1.25 to convert to BGSF for comparasion purposes.

LEGEND:

CHPDA-Commonwealth Health Planning and Development Agency
Siegel-Siegel and Associates (Orinda, California)
SMP-Stone, Marraccini and Patterson (San Francisco, California)
Mytinger-Mytinger and Associates (Honolulu, Hawaii)
MJI-Moore-Johnson, Inc. (Washington, D.C.)

In sum, there have been at least nine reports compiled on the CNMI health care system which have addressed the need of a new health care facility in the Commonwealth. Although these reports have varied on specifices as to the exact type of new facility which is required, they all have one major component in common; THERE IS A NEED FOR A NEW MEDICAL FACILITY IN THE CNMI. In view of the pressing health needs currently facing CNMI residents and the ever spiraling economy in recent years, the reports have also all recommended that construction of this facility commence as soon as possible. The question of "Why is a new facility needed?", thus, has been answered.

II. APPROACH

Once the question "Why is a new facility needed" has been answered, a new question immediately arises. This question is: "What type of a facility is needed".

As the preceding section has indicated, there have been as many answers to that question as there have been reports. The CNMI has had a wealth of information upon which to base it's final recommendations for the construction of a new facility. All reports have been carefully reviewed. The CNMI believes that although Siegel and Associates used high population estimates, their approach and methodology is basically very sound. So, their basic approach has been utilized, but with a smaller 1990 population projection. Basically the approach follows eight steps which analyze the population, how the population uses the services, how bed needs are determined and what will specifically be required of a facility in terms of square feet and cost. These steps are as follows:

Step 1: Identify and Define the Population at Risk

As a starting point, the CNMI viewed the consultant-prepared estimates as a range of possible futures. There is an estimated low of 20,000 and an estimated high of 31,332 with the other projections falling somewhere in between. The difference between the high and the low is over 10,000 population. For an area the size of the CNMI, this difference must be minimized in order to minimize the potential impact of a "wrong guess." The CNMI, using Siegel's approach of estimating the probability of either projection actually happening, assumed that both the high and the low had an equal chance of occuring. A probability of .5 was assigned to each number. To calculate the result, simply take the average of the two numbers. The result was 25,666.

One reason for taking the lower estimate was that until the 1980 census data was taken, most projections were very high for 1980 and other points in the future. Since the 1980 count resulted in a much smaller figure than had been anticipated, it is reasonable to expect that future populations may also reflect lower numbers.

The CNMI then applied the percentages (determined from Siegel's population estimates) to this total population to obtain estimates of "citizens", "non-citizens", age and sex groupings. The followi table displays the results.

Group	Ages 00-14	+15	TOTAL
Citizens	8,203	9,533	17,738
Non-citizens	1,982	5,948	7,930
Females (age 15-44)		4,334	
TOTAL	10,185	15,481	25,666

Step 2: Estimate Admissions for 1990

Admission rates for CNMI residents in prior years were estimated and compared with U.S. Mainland rates and rates for the Pacific Basin Region. The findings are summarized on the following table.

Rate of Admission for 1990
(Per 1,000)

Service	Admissions/1000 Population
Adult medical/surgical	126
Pediatrics	64
Obstetrics	175

Step 3: Estimate Hospital Admissions for CNMI Resident Population in 1990.

This was calculated by multiplying the population "at risk" by the admission rate for each service.

Service	Admissions
Adult medical/surgical (15,481 x .126)	1,951
Pediatrics (10,185 x .064)	652
Obstetrics (4,334 x .175)	758

Step 4: Determine the Expected Average Length of Stay (ALOS).

Historical patterns of ALOS were compared with U.S. Mainland rates and Pacific Basin rates. Using these data, an expected future length of stay was established.

1990 Average Length of Stay

Service	ALOS
Adult medical/surgical	6.50
Pediatrics	4.30
Obstetrics	3.25

Step 5: Estimate Expected Patient Days for 1990.

The average length of stay in each department was multiplied by the expected admissions for that department to determine the patient days in 1990.

Expected Patient Days 1990
By Department

Service	Admissions	ALOS	Patient Days
Adult medical/surgical	1,951	6.50	12,682
Pediatrics	652	4.30	2,804
Obstetrics	758	3.25	2,464
TOTALS	3,361		17,950

Step 6: Calculate Average Daily Census (ADC).

The average daily census is the final figure necessary to determine bed supply. The average daily census was found by dividing patient days by 365 (days in one year).

Expected Average Daily Census
1990

Service	ADC
Adult medical/surgical	34.75
Pediatrics	7.68
Obstetrics	6.75
TOTAL	49.18

Step 7: Bed Need Models

Steps 1-6 provide the foundation by which the hospital size and services will be essentially determined. Once these steps have been accomplished, the next major consideration is to choose and apply a bed need model which will utilizes these findings. Several options are available and each option entails specific assumptions.

Three bed need models were applied to the above data with, as might be expected, three different sets of results. The three models are briefly summarized below.

a) Service Specific Target Occupancy Ratios

This model assumes that for each service or department (adult medical/surgical, obstetrics, pediatrics) an optimal or "ideal" occupancy rate should be used to determine the needed beds. The rates applied in this model are: adult medical/surgical - 85%, pediatrics -75%, and obstetrics - 70%. Using these occupancy rates, the following bed needs were determined.

Service	Beds Required
Adult Medical/Surgical	41
Pediatrics	10
Obstetrics	10
Total (minus psych/long term care*)	61

b) Overall Target Occupancy Rate

This model assumes that the "ideal" or optimal occupancy rate for all departments is the same. In this case, the rate applied was 75%.

Service	Beds Required
Adult Medical/Surgical	46
Pediatricts	10
Obstetrics	10
Total (minus psych/long term care*)	66

c) Limited Scheduling Patient No Loss Model

Detailed documentation of this method appears below from a monograph produced by James A. Dei Rossi; Alternative Models for Transforming Expected Inpatient Bed Utilization into Bed Requirements Estimates. This model requires the user to specify the maximum length of time which a patient must wait for admission. It also requires the user to specify the percentage of patient days which are for emergent and elective admissions. The model assumes that any patient seeking admission is either admitted or enters a queue (waiting line), and that a patient never stays in a queue longer than the maximum waiting time. This assumption is equivalent to assuming that the hospital schedules elective admissions. The impact of scheduling can be significant in reducing the number of beds required.

The assumptions in using this model were that all cases were emergencies and that the maximum waiting time would be no more than one hour. These assumptions were used because no statistics were available on the proportion of cases which were emergencies and because the results would be artificially "inflated" so that adequate coverage would be assured.

To estimate the number of beds required, the curves in the graph (in appendix) were used. These curves show the beds required for each average daily census and normalized average waiting time (AWT), where the normalized AWT is

*Bed requirements for psychiatric/long term care were calculated in a different manner.

calculated by dividing the AWT by the ALOS (in this case 14.05 days and the AWT is one hour or .042 day) so that the normalized AWT = .042/14.05 = 0.003. After calculating the normalized AWT, the point of intersection of the normalized AWT and the ADC curve in the figure is found. The number of beds required is read directly off the bottom axis of the graph. Beds required for ADC values not appearing on the graph as separate curves can be found by interpolation.

The heavy line on the graph displays the final acute care bed need determination. For the CNMI, the beds required to service the estimated ADC in 1990 is 63.

Step 8: Estimate Psychiatric/Long Term Care Bed Needs for 1990.

Psychiatric/Long Term Care Beds were estimated on the Limited Scheduling Patient No Loss Model. The following assumptions were used as the basis for the bed needs.

Psychiatric Long Term Care Bed Needs 1990

a.	Patient Days/1000 residents	135
b.	Patient Days in 1990	3,465
c.	Average Daily Census in 1990	9.5
d.	Estimated Bed Need	17

Step 9: After careful review of each of these models, it was decided that the Limited Scheduling Patient No Loss Model most closely matched the needs of the Commonwealth. Using this model, the 1990 bed need projection is 63 acute care beds and 17 psychiatric/long term care beds, for a total 1990 bed projection of 80. All space requirements and cost estimates are based on this figure.

III. Space Requirements and Cost Estimates

SUMMARY AREAS		NSF	DGSF
Nursing Units			
Acute Care (74 beds)	(1.6)	14,920	23,872
Newborn Nurseries (16 bassinets)	(1.4)	1,200	1,680
Labor-Delivery/Surgical-Recovery Suite/ Central Sterile Supply	(1.6)	5,170	8,272
Emergency	(1.6)	2,760	4,416
Hemodialysis Unit	(1.2)	640	768
Diagnostic and Therapeutic Services			
Diagnostic Radiology	(1.6)	2,180	3,488
Physiological Testing and Rehabilitation Service	(1.6)	1,710	2,736
Laboratory Services	(1.4)	2,180	3,052
Pharmacy	(1.2)	640	768
Administrative Support Functions			
Administration	(1.4)	1,540	2,156
Admitting	(1.2)	340	408
Medical Records	(1.2)	1,040	1,248
Medical Library and Education	(1.2)	920	1,104
Business Office	(1.2)	1,460	1,752
Lobby and Information	(1.2)	800	960
Support Services			
Ready Stores and Purchasing	(1.2)	2,400	2,880
Dietary	(1.2)	3,270	3,924
Laundry and Housekeeping	(1.2)	1,710	2,052
Staff Facilities	(1.2)	480	576
Maintenance and Engineering Services	(1.2)	1,200	1,440
		Total Hospital	67,552

SUMMARY AREAS		NSF	DGSF
Ambulatory Care Clinics			
Specialty Care and Health Education	(1.6)	2,200	3,520
Primary Care and Dental Care	(1.6)	1,300	2,080
Support Area	(1.4)	560	784
Total Ambulatory Care Clinics			6,384
Public Health Center			
Patient Reception, Screening and Processing	(1.4)	1,500	2,100
Primary Care Module	(1.6)	1,050	1,680
Environmental Health and Sanitation	(1.4)	1,740	2,436
Total Public Health Center			6,216

Total BGSF (total DGSF x 1.15)

Hospital 67,552 x 1.15 =	77,685
Ambulatory Clinics 6,384 x 1.15 =	7,340
Total Navy Hill Site	85,025 GSF
Public Health Center 6,216 x 1.05	6,600 GSF

TERMINOLOGY:

1. Net square feet (NSF)--usable area usually wall to wall.
2. Department gross square feet (DGSF)--net area plus walls and corridors within a department or service.
3. Building gross square feet (BGSF)--includes building mechanical space, exterior walls, and public circulation areas.

PROJECT BUDGET: ASSUMING TWO YEARS OF APPROPRIATION AND A/E-G.M.P. APPROACH

1. Construction Cost	
Hospital 77,685 BGSF x $167.35*	$13,000,585
Clinics 7,340 BGSF x $112.50	825,750
2. Contingencies and Change Orders	
(10% of construction cost)	1,383,665
3. Subtotal and Construction Cost	
(Lines 1 and 2)	15,210,000
4. Group 2 and Group 3 Equipment	1,740,000
5. Preliminary Cost--Site Development	1,860,000
6. Architecture and Fees**	1,860,000
TOTAL PROJECTED PROJECT COST	$20,670,000

*U.S.V.I. cost per square foot @ $110.10 for mid-point of construction 7/81; start construction 10/82, 24 month duration; mid-point 10/83; 27 months escalation @ 0.8% per month = 21.6% = $133.88; convert to Saipan cost @ 125% = 167.351SF.

**Architecture and Fees detailed on next page.

Details of Architecture and Fees	Hospital and Clinics
a. A/E Compensation Hospital & Clinic @ 8%	$1,216,720
b. A/E Reimbursable	60,000
c. Consultant Cost Program Definition & Equipment	65,000
Implementation, Manuals and Counterparting	180,000
d. Site Survey	30,000
e. Environmental Impact Statement	10,000
f. Energy Conservation Study	A/E
g. Inspection and Testing	50,000
h. Project Coordination (duration of project)	146,000
i. C.M. Fees	100,000
SUBTOTAL FEES	1,857,720
ROUND TO	$1,860,000

Attachment #2

POWER DISTRIBUTION SYSTEM REPLACEMENT

CAPABILITY STATEMENT

Agency/Bureau: Department of Interior/Territorial and International Affairs

Appropriation: Administration of Territories

Activity: Commonwealth of the Northern Mariana Islands

Proposed Amendment: $5,000,000 for Power Distribution System Replacement

Current Program: Saipan now has a new $9 million dollar power plant for which we are very grateful. It has a capacity of 21 Megawatts and new 600 kw generators for Tinian and Rota. However, the distribution lines are very old and need to be replaced. A contract will shortly be awarded to conduct the necessary A/E for the Power Distribution System Replacement. This work should be completed within six months from contract award.

The construction of a hardened power distribution system on Saipan has been planned for several years now, but has not been carried out due to the unavailability of funds. Construction of the system must be undertaken to ensure availability of electrical power to meet the rapidly growing demand for power on Saipan, the population center as well as the industrial and economic center of the Commonwealth. Such construction will alleviate the recurring electrical outtages associated with the operation and maintenance of the present power distribution.

Attached is an updated section of the Physical Development Master Plan describing the power situation, the recommended improvements and estimated costs. We will submit the cost figure derived from the completed A/E as soon as it is available.

Feasibility: If the remaining $4 million of the $9 million authorized in PL95-348 for the Power Plant and for Distribution Improvements is appropriated for the fourth generator for the new power plant, a new $5 million authorization covering the needed distribution system improvements will be necessary.

The need for the project is evidenced every time the Commonwealth is hit by a typhoon. The damages to the distribution system repeatedly add up. The resultant spoilage of food products as a result of extended periods of time without power is even more costly. The completion of this project would negate the continuing costly expense of replacing damaged lines on a piecemeal basis after each typhoon.

Capability: All requested funding for the Power Distribution System Replacement will go to construction as recommended by the A/E consultants.

The actual construction would begin in early FY 1982. The construction is expected to take twelve months from start of construction.

The requested authorization is for $5,000,000. The requested FY 1982 appropriation is for $5,000,000.

Outlay Effect:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 1982	0.0	4.0	0.5	0.5

Additional Information: See Attachment 2A

ATTACHMENT 2A

NOTE: The following is an updated version of the Power Program as shown in the Physical Development Master Plan

POWER

EXISTING CONDITIONS

Saipan's power system presently suffers many shortcomings which have to be corrected. The primary power source, the power barge "Impedance", is scheduled to be drydocked. The distribution system suffers from poor maintenance. Frequent outages are caused by lightning, failing transformers and storms. Wires are corroded, hardwares are old and difficult to replace, and poles are rotting.

Electrical energy conservation practices are not in effect.

Growth of electrical demand is anticipated to be significant. The annual growth rate will approach 9½ per cent, but due to the relatively small size of Saipan's system, growth will occur in quantum jumps. At best, therefore, growth will be dramatic and must be analyzed with respect to development project.

Management/Operation

The Public Works Department of the Northern Mariana Islands (NMI) government now operates the entire electric power system. The Saipan Utilities Agency has been established with this division to operate the electric power, water and sanitation systems in Saipan. Current peak usage is 13.1 MW (13,100,000 watts or 13,100 KW). During FY 1979, about 77 million KWH were generated by the system.

Power Distribution

The distribution system on Saipan consists of about 72 miles of 13.8 KV primary lines and approximately 96 miles of secondary lines. These circuits consist of various size conductors. Circuits which service the area south of the power plant carry 80% of the system loads.

The condition of the lines ranges from fair to poor, with numerous unscheduled outages caused by lightning, burned out transformers and storms. Due to budgetary constraints, maintenance is less than optimal with repair and replacement of corroded wires, hardware, and rotten poles occuring less frequently than reasonable maintenance shedules call for.

PLANNING FACTORS

Load Growth

Saipan is a relatively small area facing dramatic quantum growth from international interests such as the economy of Japan and U.S. military plans. It should be noted that load increases on a system the size of Saipan's existing 500 KW capacity, requires special consideration. Therefore, projections of anticipated load growth based on anticipated socioeconomic factors were developed. These are summarized in Table 1.

Table 2 synthesizes the gains and losses through the planning period. These data indicated an average annual growth of 9.5% in Saipan's power requirements. In 1985 the peak demand is expected to reach 22.98 MW. If the 9.5% growth is projected, the system will peak at 30 MW in 1989 and 40 MW in 1992. Moreover, major social and economic changes would affect these projections.

Hardening

Recent experience has emphasized the need to "harden" the power system against tropical storms and typhoons. Both on Saipan and neighboring Guam, the distribution system is the first to fail. Therefore, as lines are extended or replaced, an evaluation of the cost effectiveness of various hardening techniques will be made. The eventual burial of the line on Beach Road from Micro Beach to Wallace Road, for example, has already been identified. This action will markedly reduce the recovery time of restorative operations to customers throughout the entire area.

Conservation

Forced dependence on oil fuel will mean drastic increases in Saipan's energy bill throughout the planning horizon and beyond. Although technological breakthroughs may come any time, it is almost certain that energy will remain as ever precious commodity. Therefore, an electrical energy conservation plan similar to the type in the planning stage in the U.S. must be implemented on Saipan. The plan would establish a power budget for various types of clients with a heavy penalty for any power consumed beyond the established budget. Along this line, Governor Carlos Camacho have initiated preparatory work in establishing a Public Utility Commission to regulate the public utilities to achieve a greater measure of self-sufficiency. In addition, the Governor's Task Force on Energy have been very active in finding ways and means of weaning the Commonwealth of the Northern Mariana Islands from fossil fuel dependency.

CAPITAL IMPROVEMENT RECOMMENDATIONS

The short-range recommendations for the development of the Saipan Power Distribution and Power Generation Systems include:

* Develop a program for the systematic replacement of primary and secondary lines. Redundancy and hardening of essential primary lines should be considered.

* The extension of electric power to resort and agricultural areas in need of development.

The proposed system will serve island growth to the 40 MW level, matching the proposed power plant's ultimate capacity. All four circuits will have a 10 MW capacity. Circuits are expected to run along major roads. Major developed areas and facilities such as the airport, new hospital, industrial area, resort area, and commercial area will have a back-up circuit. One circuit from the new power plant paralleling West Coast Highway should be hardened immediately to provide assurance of rapid renewal of power service and long-lived capital investments in the generation and distribution subsytems.

POWER DISTRIBUTION

ESTIMATED COSTS

NEW LINE CONSTRUCTION			
Primary Line 10 miles			
@ $70,000/mile	10 x 70,000	$700,000	
Secondary Line 20 miles			
@ $40,000/mile	20 x 40,000	$800,000	
Commercial & Residential Hook-Ups			
Estimated 1400 during plan period @ $250	1400 x 250	$350.000	
TOTAL:			$1,850,000
REPLACEMENT OF EXISTING LINE			
Estimated replacement needs in short term are 33% of existing Primary & Secondary lines			
Primary Line 22 miles			
@ $70,000/mile	22 x 70,000	$1,540,000	
Secondary Line 30 miles			
@ $40,000/mile	30 x 40,000	$1,200,000	
Primary Line - Hardening			
Approx. 7.5 miles @ $80,000/mile	7.5 x 80,000	$600.000	
TOTAL:			$ 3.340,000
POWER DISTRIBUTION COST:			$5,190,000

* The extension of electric power to resort and agricultural areas in need of development.

The proposed system will serve island growth to the 40 MW level, matching the proposed power plant's ultimate capacity. All four circuits will have a 10 MW capacity. Circuits are expected to run along major roads. Major developed areas and facilities such as the airport, new hospital, industrial area, resort area, and commercial area will have a back-up circuit. One circuit from the new power plant paralleling West Coast Highway should be hardened immediately to provide assurance of rapid renewal of power service and long-lived capital investments in the generation and distribution subsytems.

Attachment #2.1

POWER PLANT EXPANSION

Capability Statement

Agency:	Department of Interior/Territorial and International Affairs
Appropriation:	Administration of the Territories
Activity:	Commonwealth of the Northern Mariana Islands
Proposed Amendment:	FY 82 Appropriation for 7 megawatt Power Generator procurement: $4,400,000.
Current Program:	It is necessary to procure a fourth 7 megawatt generator for installation at the newly completed Saipan Permanent Power Station. The power plant was constructed with a $5 million appropriation under a $9 million Authorization made in FY 79 (P.L. 95-348). The plant was originally planned to meet the immediate needs of Saipan and was designed to accommodate the generator we are now requesting. The maintenance schedule of the new system will require shut down of one generator thus reducing the generating capability below demand, forcing reliance on the expensive and antiquated backup system. This situation will continue as long as we do not have the fourth generating unit.
Amount Budgeted:	FY 1979 Authorization $9 million FY 1980 Appropriation $5 million
Feasibility:	Funding of this request would enable the CNMI to procure and install one needed 7 megawatt power generator unit. Because the procurement and installation period exceeds one year, the actual instalment would have to occur after the maintenance cycle had caused a reduction in power capability below the power demand. Thus in order to avoid exposing Saipan to inadequate electrical supply for a prolonged time, it is critical that the procurement process be instituted immediately and preferably not later than the first quarter of FY 82.
Capability:	With a 4.4 million dollar appropriation, the CNMI could procure and install one 7 megawatt power generator within 14 months from date of order. This would be a one-time requirement which would complete the Saipan power plant and thus accommodate peak demand until 1984 and average daytime demand until 1986 without resorting to the use of the backup generating system.

Outlay Effect: The outlay schedule for FY 82 is as follows:

1st Quarter	2nd Quarter	3rd-Quarter	4th-Quarter
$4,400,000	-0-	-0-	-0-

Additional Information: See "Justification for a 4th Diesel Generating Unit for the Saipan Permanent Power Plant" (Attachment 2.1A).

Attachment #2.1A

POWER PLANT

Justification for Fourth Generating Unit

In order for Saipan to sustain an adequate level of reliable electric power, it is essential that added power generating equipment be provided and installed in the Saipan Permanent Power Plant as soon as possible. This report traces the background for the need for the added power and covers the essential aspects relating to the immediate necessity of a fourth diesel generating unit.

BACKGROUND

Prior to the erection and commissioning of the Saipan Permanent Power Plant, in May 1980, the Army Power Barge "Impedence" was he primary source of electric power. It was a conventional type steam boiler power plant originally commissioned in 1943, and brought to Saipan in November 1975. Its age, condition, unreliability, inefficiency and high maintenance costs resulted in uneconomical operation and numeral unscheduled outages. The Government responded to this unsatisfactory situation by engaging Burns & Roe Pacific, Inc. and taking the necessary steps to procure a new power plant.

The limitations of funds and an austerity program dictated that the new power plant be sized to provide only the immediate electric power needs of Saipan. When an opportunity presented itself to obtain a 33% plant size increase, at a rether reasonable cost addition, the financial position of the Government did not permit taking advantage of the situation. However, due to a fortunate set of circumstances, we succeeded in obtaining, at an advantageous price, a well rated and well equipped power plant which included provisions for future addition of another diesel electric power generating unit. The new diesel generating plant was commissioned in May of 1980, and has been operating at an acceptable economic and reliable level, It can at present provide for the normal and average power demands of the Island. However, during periods of peak demand, additional power back-up is required from the existing standby diesel power plant.

LOAD GROWTH

There has been in the recent past, and there will continue to be, an increase in the installation of resort facilities, housing, businesses, entertain and other facilities on the Island.. Along with this expansion will be a continuing increase in power demands and the need for reliable distribution capability. Some of this increase in installations include:

- Hafa Adai Hotel - 96 room expansion program scheduled for completion this year.

- White Sands Hotel - 36 rooms scheduled for opening this year.

- Royal Taga Hotel - 100 room expansion program scheduled for completion in 1982.

- Hyatt Regency Hotel - contemplating a 250-room expansion in about 1982-1983.

- Mariana Island Housing Authority will complete 48 units by July 1981, and expects to provide 30 more units by March 1982.

- Kan Pacific Corporation resort of 100 rooms in Marpi is scheduled for opening in 1982.

- Far East Broadcasting Corporation will soon require about 1,000 KW.

- New stores, shopping centers and restaurants will be built along with the economic growth of the island.

- Population power demands will increase along with the increased use of appliances, electric lighting, air conditioning, etc.

AT present, and as expected in the future, the average 24 hour power load is about 77% of the peak load, while the average daytime load is about 90% of the peak. In November, 1980, a peak of 15.1 megawatts was reached. Based upon past power demands, present operations and anticipated island growth, the projected load demands are as follows:

YEAR	PEAK MW	DAYTIME AVERAGE MW	24 HOUR AVERAGE MW
1981	16.5	14.8	12.7
1982	17.8	16.0	13.7
1983	19.2	17.3	14.8
1984	20.8	18.7	16.0
1985	22.4	20.2	17.2
1986	24.2	21.8	18.6

PRESENT STATUS

In the normal operation of a diesel power plant it is essential that back-up and standby power be continuously available. This back-up and standby power is necessary for emergencies, unscheduled outage, and periodic maintenance and inspections. To serve our present power needs we have three 7,200 KW units in the new plant and four diesel generators with a total capacity of 7,400 KW in the existing standby plant. It is prudent and good practice to operate diesel engines up to about 90% of their rated capacity. This concept is normally followed in our plant operation. The large engines in the new plant, operating on heavy fuel oil, are the most efficient and operationally economical of all the diesels in our power generating system. Two of these engines are normally operated to carry our daily power load demands. As we approach our daily peaks, one or two of the smaller engines in the standby plant are started to carry us past the high demand periods.

From May through August 1981, the three new diesel engines are each alternately scheduled for their 7,000 hour annual engine overhaul. Thus during this four month period, one of the engines of the new plant will not be available for power generation or emergency back-up. We will then be depending upon the two remaining engines, plus the engines in the standby power plant, to carry us through the four month overhaul period.

NECESSITY FOR ADDITIONAL POWER GENERATING CAPABILITY

Burns & Roe Pacific, Inc., in their letters of May 28, and October 10, 1980, urged immediate action in taking necessary steps to procure a fourth diesel generating unit for the power plant. It was pointed out that there will not be adequate standby power in 1982, if more generating power is not made available.

The Burns & Roe recommendation was based upon an engine overhaul period from February through April 1981. Thus all engines will be available after May 1981, which is the time the major annual load increases occur. The overhaul period has been rescheduled by Mitsubishi, however, thus the three engines will not be simultaneously available until about September 1981. Under these circumstances, and with the anticipated daytime and peak loads, if an unscheduled outage occurs on one of the two usable main diesels during the overhaul period, it may be necessary to temporarily curtail electric service. The anticipated peak demand is about 16 MW. With one large engine down the total power output capability is about 14.5 MW with the remaining large engine and the standby smaller engines operating at full capacity.

It is usual in diesel engine operation that temporary stoppages will occur. This is often due to the necessity for some minor adjustments, maintenance or repair. It is unrealistic to expect months of continuous uninterrupted safe operation. Thus standby and back-up capability is essential. This back-up will be marginal or hardly adequate during the May through August 1982 overhaul period. Unless provisions are made for temporary power during this period, power supply curtailments will be required.

It is essential that action be taken immediately to procure a fourth diesel generating unit for the power plant. It is estimated that it will take a period of 14 months minimum from Contract to Commissioning. Thus, a Procurement Contract by May 1, 1981, could perhaps result in obtaining a new operating unit by July 1982. It may not be soon enough to eliminate our anticipated power curtailment problems but it will adequately fulfill our power demands after the unit is put in operation as the maintenance cycle with the inherent problems will continue in the future.

Based upon the projected electric power demands the addition of the fourth unit with the back-up of the units on the standby power plant should fulfill the Saipan anticipated peak load requirements during the three or four month overhaul period through the year 1985. Additional power generating equipment must also be installed and ready for operation at the next engine overhaul period in May 1986.

In response to a request by the Burns & Roe Manager, a quotation for the provision and installation of a fourth diesel engine generator set was received from Mitsubishi International Corporation on July 10, 1980. This offer was valid until September 30, 1980 and was in the amount of $4,400,000.

Attachment 2.2

GOVERNMENT OF THE NORTHERN MARIANA ISLANDS

Cost of Petroleum Products
Fiscal Years 1977 - 1982

COST OF PETROLEUM PRODUCTS	YEAR	Residual* Fuel Oil	Automotive Diesel Oil	(IN THOUSANDS) Lubricants, Solvents, Etc.	TOTAL
	1977	1,767.8	230.1	17.9	2,015.8
	1978	2,012.8	67.1	8.3	2,088.2
	1979	2,469.3	69.4	9.1	2,547.8
	1980	3,483.3	562.7	221.8	4,267.8
(Estimate)	1981	4,433.2	1,859.7	442.4	6,735.3
(Estimate)	1982	6,461.8	354.9	614.6	7,431.3
Total		20,628.2	3,143.9	1,314.1	25,086.2

AVERAGE COSTS	YEAR	@ BBL *	@ GALLON
	1977	12.2058	.446
	1978	10.6148	.485
	1979	13.0022	.640
	1980	23.1926	.971
(Estimate)	1981	38.4181	1.210
(Estimate)	1982	47.2097	1.487

* Net of "Old Oil Entitlement"

Attachment 2.2

GOVERNMENT OF THE NORTHERN MARIANA ISLANDS

Excess of Petroleum Costs Over Inflationary Adjustments
Fiscal Years 1977 - 1982

CHANGE IN IMPLICIT PRICE DEFLATOR	YEAR	Beginning Implicit Price Deflator	Ending Implicit Price Deflator	Δ_x	Δ Percentage Over Base
	1977	BASE	153.59	BASE	BASE
	1978	153.59	167.14	8.82	8.82
	1979	167.14	181.67	8.69	18.28
	1980	181.67	198.16	9.08	29.02
(Estimate)	1981	198.16	214.12	8.05	39.41
(Estimate)	1982	214.12	233.57	9.08	52.07

CHANGE IN FUEL COST	YEAR		(IN THOUSANDS)		
	1977	BASE	2,015.8	BASE	BASE
	1978	2,015.8	2,088.2	3.59	3.59
	1979	2,088.2	2,547.8	22.01	26.39
	1980	2,547.8	4,267.8	67.51	111.72
(Estimate)	1981	4,267.8	6,735.3	57.82	234.13
(Estimate)	1982	6,735.3	7,431.3	10.33	268.65

EXCESS OF COST OVER INFLATION ADJUSTMENTS	YEAR	Δ_x In I.P.D.	COST ADJUSTED FOR INFLATION	ACTUAL COST	DIFFERENCE
	1977	1.00	2,015.8	2,015.8	-
	1978	1.0882	2,193.6	2,088.2	105.4
	1979	1.1828	2,384.3	2,547.8	(163.5)
	1980	1.2902	2,600.8	4,267.8	(1,667.0)
Total Actual					(1,725.1)
(Estimate)	1981	1.3941	2,810.2	6,735.3	(3,925.1)
(Estimate)	1982	1.5207	3,065.4	7,431.3	(4,365.9)
Total Estimated					(8,291.0)
Total					(10,016.1)

Attachment # 3

HARBOR FACILITIES

Capability Statement

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Commonwealth of the Northern Mariana Islands
Proposed Amendment:	$15,000,000 (estimated) for improvements to the Saipan Harbor.
Current Program:	The Saipan harbor facilities are not only sub-standard, but are also dangerous (see Attachment 1A). We are using $291,400 of Covenant funds to prepare plans and detailed A&E. Phase I, the preliminary plans, will be completed in June, 1981, and Phase II, detailed A&E will be completed in August, 1981. The Department of Interior has also contracted with the Army Corps of Engineers to complete an evaluation of the Saipan Harbor needs. This study was required by P.L. 96-597, Section 301. The information from these studies will provide a justified amount of money to improve Saipan harbor facilities. We estimate this figure to be $15 million. We will submit a more precise figure following the completion of the A&E in August. No work has been completed to date. Since there is no available funding in the amount needed for this scale project, no improvement can expected to be accomplished.
Feasibility:	No authorization for the Saipan Harbor improvements currently exists. While under U.S. management, the existing facilities were allowed to deteriorate to point now where a major sum of money is required to restore and upgrade the facility. The necessary improvements are essential to the economic well-being and development of the Commonwealth. This project is one of the highest priority projects in the Commonwealth.
Capability:	All requested funding for Saipan Harbor improvements will go to the construction of the necessary improvements as recommended by DOI and our own consultants. The actual construction would begin in mid-FY 1982 following the completion of the detailed A&E. The construction is anticipated to take 18 months.

The amount requested for authorization is estimated at $15,000,000. The FY 1982 appropriation request is estimated at $7,500,000 and for FY 1983 at $7,500,000. The actual amount requested will be made in August when the detailed costs will be known from the completed A&E.

Outlay Effect:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 1982	0.0	10.0	0.0	0.0
FY 1983	0.0	4.0	1.0	0.0

Additional Information: See Attachment 3A and Attachment 3B

Attachment # 3A

HARBORS

Although the airports are a key to the Northern Marianas for passenger movement, the harbor and dock facilities are more important to overall economic growth in the islands. The movement of most consumer goods to the Marianas and the reliance upon local subsistence fisheries by many of the people require adequate docks and harbor facilities.

Establishment of regular and reliable sea cargo services between other countries and the Northern Marianas will be a critical factor in the growth and development of the economy. The problem of promoting shipping services for the Northern Marianas is and has been that the whole Trust Territory area, including the NMI, generates a relatively small volume of cargo. In addition, physical facilities in NMI ports have been rather poor, creating inefficiences in cargo handling and lengthening vessel turn-around times.

During the plan period it is anticipated that the volume of sea cargo transported to the NMI will increase, with the increased capital improvements program, as well as rising personal incomes and population growth. Increased capital improvements resources will also make substantial port development possible within a few years. In sum, the efficiences achieved through port improvements, coupled with general growth in economic activity throughout the NMI, will increase the appeal of the Northern Marianas as a port of call for vessels and ships.

Planning for Harbors and Dock facilities in the Northern Mariana Islands and more specifically for Saipan must consider the following issues:

* Saipan is favorably located and with its exclusion from provisions of the Jones Act could become a major transshipment point for cargo vessels in the western Pacific.

* Inter-island sea transport between Saipan and neighboring islands is important for the overall economic development of the Northern Mariana Islands.

* Commercial fisheries could become an important industry in the economy of the Northern Mariana Islands.

* Recreational boating, sport fishing and subsistence fishing require improved docks, pier spaces and ancillary shore facilities in order to grow and contribute to the overall economic development of the Northern Marianas.

EXISTING CONDITIONS

Management of docks and harbors in the NMI is presently the responsibility of the Department of Public Works. On Saipan, a Port Control Officer with a staff of five has administrative charge over entry and departure of vessels and responsibility for generally overseeing dockside operations.

Sea Transport

As of the beginning of 1977, eight private shipping companies have been granted rights to enter ports in the NMI, of which six have established scheduled services. The companies provide service between Saipan and ports in the Far East, Australia and on the U.S. West Coast, including Hawaii. Routes often include ports in the Trust Territory as well. Frequency of service varies between roughly 40 and 60 days, depending upon route structure. In addition, barge service on a weekly basis has been established between Saipan and Guam by two private companies which provides intermediate or transshipment service to Rota and Tinian.

For calendar year 1976, a reported 68,803 revenue tons (R/T) moved through NMI ports. Inbound cargo accounted for 59,485 R/T and outbound cargo 9.318 R/T, or about 86.5 percent and 13.5 percent, respectively, of total cargo volume. The 1976 figure represents an increase of about 44 percent over 1975's reported 47,756 total revenue tons. The Port of Saipan handled 64,503 R/T, or nearly 93.8 percent of all NMI cargo in 1976, while Tinian handled 2,359 R/T (3.4 percent) and Rota 1,941 R/T (2.8 percent). Earlier records of cargo movement are fragmentary; however, it does appear that increases or declines in the amount of cargo moving through the Port of Saipan have been closely tied to the size of public and private construction activities.

Physical Facilities - Saipan Harbor and Charlie Dock

Saipan Harbor, which consists of the outer anchorage, Garapan Anchorage, and Puetton Tanapag, is the port of entry and is the administrative center for GNMI. The harbor is formed by the waters within a radius of 2/½ miles of the root of the landing at Garapan. The entrance channel of Puetton Tanapag is about 300 feet wide and has a shallow depth of 8.8 m (29 feet). The harbor is sheltered by the barrier reef and is partially protected from winds.

Anchorages. The outer anchorage affords shelter during prevailing easterly winds, but none during infrequent westerly storms. This anchorage, which lies from 3 to 5 miles offshore, is suitable as only temporary anchorage for large vessels.

The inner anchorage, which includes Garapan Anchorage, contains numerous berths in depths ranging from 14.6 m (50 ft.) to over 54.9 m (180 ft.), holding ground fair to good, with coarse coral sand. This anchorage lies from 1 mile to 2 miles offshore.

The anchorage area in Puetton Tanapag has been dredged to a projected depth of 9.1 m (30 ft.). A seaplane landing area is located northward of the anchorage area.

Navigation Aids. Tanapag Harbor is equipped with range lights and some lighted buoys. There is also a U.S. Coast Guard Loran Station located on Saipan.

Charlie Dock (Pier C). Saipan's harbor complex consists of a commercial port plus a small boat quay and a pier at which the power barge "Impedence" is currently docked.

As-built drawings or plans for Charlie Dock are not available. The dock was originally constructed by the Japanese prior to World War II and was subsequently improved or expanded. Inspection of the dock in 1972 indicated that the face of dock is a masonry wall consisting of 4' x 4' x 5' concrete blocks.

Charlie Dock C, is L shaped, and has 530 feet of berthing space along its north side. Berths, with depths of 7.6 m (25 ft.) to 6.1 m (20 ft.) are available along the north and west sides of the pier. Depths of 2.4 m (8 ft) are found alongside the south side of the pier.

The channel to the dock, running more or less on a southwesterly line, is 457.2 m (1,500 ft.) long, 91.4 m (300 ft.) wide and 8.8 m (29 ft.) deep. It is marked with lighted and non-lighted buoys set by the U.S. Coast Guard.

Dockside facilities include a 1,115 m^2 (12,000 ft^2) warehouse (Prefab type) constructed by the Trust Territory and presently used as a break-bulk warehouse. For cargo handling, the port has some heavy forklift equipment and trucks available, and has access to heavy cranes (50 ton mobile and 30 ton crawler) owned by NMI Public Works.

A second prefab type warehouse owned by the NMI Government is also located at the port and is presently occupied by port operations and maintenance.

Small Boat Facilities

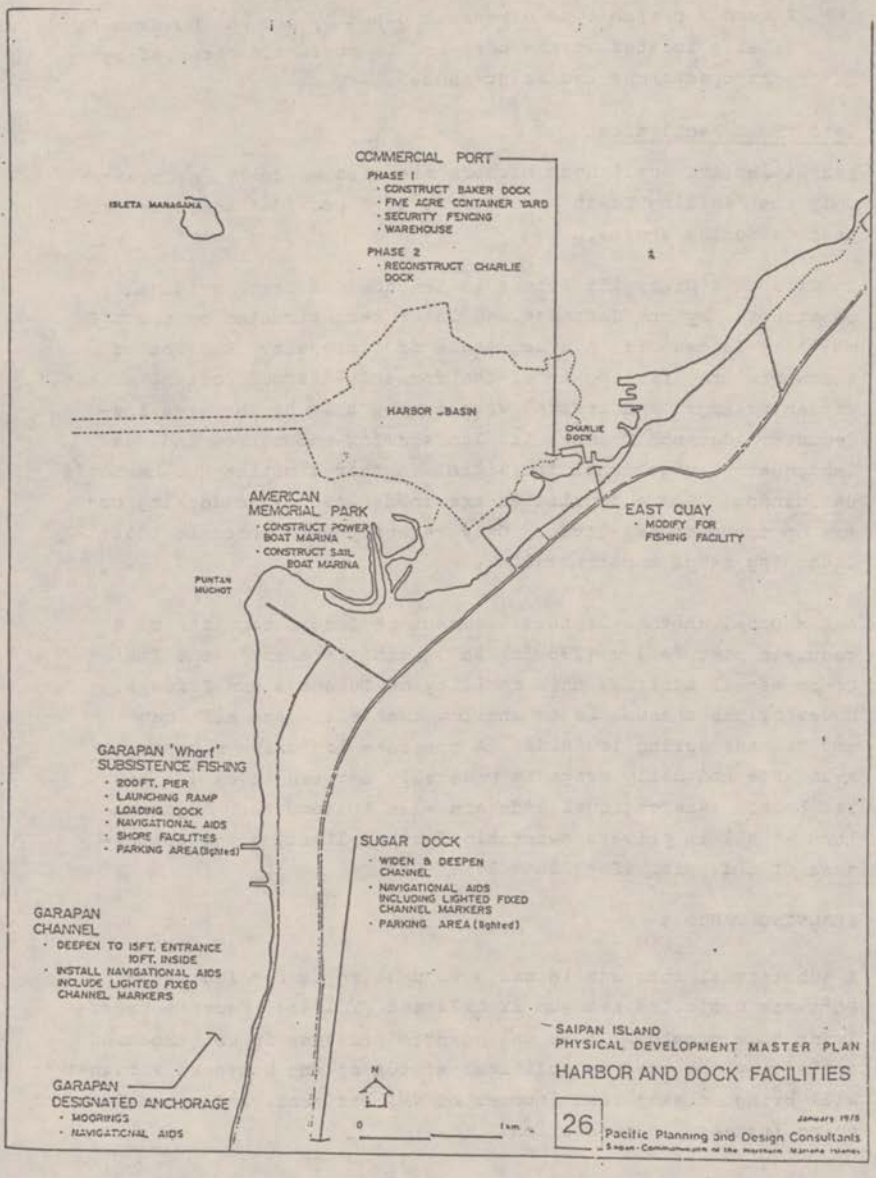
Facilities for small boat harbors are also woefully inadequate. Only the "Smiling Beach" small boat area provides adequate protection during storms.

In Garapan a pier, 155 meters in length (485 feet) originally constructed by the Japanese and later reconstructed by the U.S. military forces, is in a bad state of disrepair. Erosion of the shoreline, filling in of the formerly-dredged docking area, wooden pilings, and several wrecks make this harbor area inadequate. Garapan Channel is also shallow and narrow and has inadequate navigational facilities further limiting the harbor's usefulness. Shore facilities are inadequate as no docking or tie up space is available. Only recently were concrete boat launching ramps constructed.

Sugar Dock, another Japanese remnant in Susupe consists of a concrete pier 84.1 m (276 ft) in length. Presently the Tinian Co-op vessel utilizes this facility on Tuesdays and Fridays. However, the channel is so shallow that entry and exit can not be made during low tide. A concrete launching ramp is available and daily usage is generally between seven (7) and ten boats. Navigational aids are also inadequate. Adjacent land is all in private ownership further limiting the usefulness of this pier (See Plate 26).

PLANNING FACTORS

A substantial increase in cargo volumes to be handled in NMI Ports is projected between FY 1978 and FY 1985. Factors underlying this growth will be the quantum increase in construction activity which the new political status of the Northern Marianas will bring, rising real incomes of NMI citizens, and a continuing increase in population.


COMMERCIAL PORT
PHASE 1
• CONSTRUCT BAKER DOCK
• FIVE ACRE CONTAINER YARD
• SECURITY FENCING
• WAREHOUSE
PHASE 2
• RECONSTRUCT CHARLIE DOCK
ISLETA MANAGUNA
HARBOR BASIN
CHARLIE DOCK
AMERICAN MEMORIAL PARK
• CONSTRUCT POWER BOAT MARINA
• CONSTRUCT SAIL BOAT MARINA
EAST QUAY
• MODIFY FOR FISHING FACILITY
PUNTAN MUCHOT
GARAPAN 'Wharf' SUBSISTENCE FISHING
• 200 FT. PIER
• LAUNCHING RAMP
• LOADING DOCK
• NAVIGATIONAL AIDS
• SHORE FACILITIES
• PARKING AREA (lighted)
SUGAR DOCK
• WIDEN & DEEPEN CHANNEL
• NAVIGATIONAL AIDS INCLUDING LIGHTED FIXED CHANNEL MARKERS
• PARKING AREA (lighted)
GARAPAN CHANNEL
• DEEPEN TO 15FT. ENTRANCE 10FT. INSIDE
• INSTALL NAVIGATIONAL AIDS INCLUDE LIGHTED FIXED CHANNEL MARKERS
GARAPAN DESIGNATED ANCHORAGE
• MOORINGS
• NAVIGATIONAL AIDS
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1 km.
SAIPAN ISLAND
PHYSICAL DEVELOPMENT MASTER PLAN
HARBOR AND DOCK FACILITIES
26
January 1978
Pacific Planning and Design Consultants

With the recent indications to increase tariffs at the port of Guam, there is an excellent chance for Saipan to pick up significant quantities of transshipment cargo should adequate facilities be available.

Port Calls and Wharf Requirements

The records of the Mariana's District Public Works Department show that about 250 port calls to the Saipan commercial harbor were made by more than 70 different vessels during 1976. An analysis of the information in Table 35 indicates that at least 304.8 m (1,000 ft.) of deep water berths and 182.9 m (600 ft.) of medium depth (6.1 m ± or 20 ft ±) berths are required for the commercial port.

Growth in cargo volumes in the Port of Saipan will be most significant. With the increase in capital improvement projects, durable and non-durable consumer goods, and with a general increase in inter-island trading, total cargo passing through the Port of Saipan is projected to rise to about 138,700 R/T by FY 1985. This represents and increase of about 115 percent over the present base level volume of approximately 64,000 R/T.

Transshipment

Many private businessmen and public officials concerned with shipping in the Northern Marianas have expressed interest in developing Saipan as a transshipment point for cargo passing through the Western Pacific. The Northern Marianas' exclusion (under the Covenant) from provisions of the Jones Act, which governs U.S. coastwide shipping, may in fact permit Saipan to attract foreign vessels carrying cargo from the continental U.S. to Pacific or Far Eastern destinations. The recent proposal to increase tariffs at Guam's Commercial Port, presently the major transshipment point for the Western Pacific, provides anadditional incentive for Saipan to attempt to capture some of the transshipment market.

Analysis of the District Public Works Department
Log on Port Calls at Saipan Harbor During 1976
Number of Days Ships Were in Port

	Ships										
	0	1	2	3	4	5	6	7	8	Tug & Barge	LCM
January	6	4	5	6	3					7	3
February	1	6	11	4	5					4	2
March	5	9	8							7	1
April	7	7	12	3						5	5
May	11	8	7	1						5	
June	3	13	6	3	2						
July	4	5	6	5	3	2	2	2	2	7	1
August	-	5	17	3	6					4	3
September	3	13	12							6	2
October	2	6	16	6	2					6	4
November	5	5	11	4	1	1	1		1	7	
December	8	11	8	1						5	
Totals	55	92	119	36	22	3	3	2	3	69	21

The basic data was furnished by the Trust Territory of the Pacific Islands District Public Works Department.

The average vessel turn around time, excluding the barge, is 36.9 hours.

The average vessel turn around time, including the barge, is 26.7 hours.

Significant upgrading of the physical facilities at Saipan's port, including warehousing, and ship and cargo handling capabilities would be necessary.

Inter-island Sea Transport

Efforts should be made during the course of the plan period to accommodate the expansion of inter-island sea transportation, commensurate with increasing requirements. Sea transport service for both cargo and passengers to the sparsely inhabited northern islands will be an important component of inter-island transport. This shipping service, presently known as "field trip" service, is organized and funded by the Government of the Northern Mairanas as a public service to northern islands residents.

The government itself does not possess a vessel for field trip operations, but leases a ship from a local private operator. The option of obtaining a vessel on a permanent basis to use for field trip shipping, as well as for other services, is currently under consideration. Possibilities include renovation and taking possession of a YFU class landing craft from the U.S. Navy, or obtaining a vessel from the Trust Territory Government under the agreement dividing Trust Territory capital assets with the Northern Marianas.

Inter-island sea transport needs between Saipan and its neighbor islands of Rota and Tinian appear at present to be adequately covered by private shipping companies, principally barge service, plus boats operated by the Tinian Municipality.

Once military base construction on Tinian is initiated, however, it will be important to establish a regular daily ferry service between Tinian and Saipan in order to promote a steady flow of goods and labor which will support both the base construction and later, the base operations.

Fisheries and Recreational Boating

Physical facilities for subsistence fisheries, large scale commercial activities and recreational boating are inadequate and should be improved during the plan period. Improved docks, pier spaces and ancillary shore facilities are needed in order for the subsistence fisheries industry to grow and to contribute to the overall economic development of the Northern Marianas.

An estimate of the number of small fishing craft was made with the help of the Northern Marianas Fishing Cooperatives. Currently, there are fewer than 100 co-op members and only 37 co-op boats. (See Table 36).

Table 36

ESTIMATE OF SMALL FISHING CRAFT - NMI

Island	Number of Members	Number of Small Fishing Boats (Outboards)		
		Co-op Members	Non-Members	Total
Saipan	58	25	53	78
Rota	24	6	2	8
Tinian	16	6	5	11
Total	98	37	60	97

The primary need is to improve launching ramps at convenient locations. The old Japanese seaplane ramps are good for launching boats except that they become very slippery at times tending to launch both the vehicle as well as the boat.

There are also several concrete boat ramps such as at Fishing Base in Garapan and Sugar Dock and one gravel launching ramp at the memorial park site, "Smiling Beach".

The deep lagoon around the commercial port provides a super abundance of moorings. There is also a shallow lagoon, about 10 feet deep, inside the reef near Garapan. Channels through the reef are shallow (6 feet deep) except for the 29 foot ship channel.

Commercial Fishing Port

Commercial fishing could become an important industry in the NMI economy, and policies relating to marine resources are of extreme importance to economic development. The new international agreements on the 200 mile coastal fishing zones will involve the NMI in many ways and must be followed carefully.

The existing berths for commercial fishing vessels at the end of Charlie Dock interfere with traffic, disrupt security, and inadequately serve the fishing industry. Although it is likely that the East Quay will continue as the fishing dock during the Short Range Plan, future possible locations include the rehabilitation of portions of Able Dock or construction of a new facility behind the present Northern Marianas Public Works facilities, south of the existing seaplane ramps. If large scale commercial fisheries prove to be viable, a medium depth dock and shore facilites should be constructed.

Present Maritime Fleet

A list of vessels in service in the Trust Territory of the Pacific Islands (TTPI) during 1976 was provided by the TTPI District Public Works Department (DPWD). the characteristics of these vessels were compiled from the American Bureau of Shipping Record Book, 1977, and are shown on Table 37. The deepest draft vessel, the ENNA G. draws 28.29 feet when fully loaded. All others draw less than 26 feet, and about seven of them draw less than 12 feet. Generally, it is anticipated that the type of vessel serving Saipan and the Mariana

TABLE 37

VESSELS CALLING AT SAIPAN PORT
GOVERNMENT OF THE NORTHERN MARIANA ISLANDS
Marianas Public Works Department
Saipan, Mariana Islands

Data revised in accordance with the American Bureau of Shipping Record Book, 1977.

Name of Vessel	VESSEL DATA SHEET Length (feet)	Breadth (feet)	Depth (feet)	Draft (feet)
Muskingum	338.75	50.00	29.00	1/
Herkimer	321.33	50.00	29.00	23.42
Fentress	321.33	50.00	29.00	23.42
Micronesia Princess	242.75	40.00	21.50	13.83
Ponape Maru	479.00	73.49	1/	25.82
Enna G	456.08	61.04	1/	28.29
Seven Seas	231.30	37.10	17.00	1/
Tjirebon Maru	433.00	60.33	27.60	1/
Coral Princess	477.75	61.00	1/	18.54
Marshall Islands	185.00	33.00	11.00	1/
Kaselehlia	131.23	27.90	11.48	10.10
James Cook	225.67	1/	1/	1/
Truk Islander	111.02	22.31	9.84	8.88
Yap Islander	111.02	22.31	9.84	8.88
Ran Annim	165.00	32.00	14.29	10.04
Militobi	156.00	30.00	13.00	11.05
Tinian II	40.00	12.00	6.00	1/
Olwol	72.36	15.60	7.55	1/
Normar II	122.00	23.00	10.40	9.20
New Field Trip Vessels	185.00	33.00	15.00	11.00

1/ Information not published.

Islands will continue to be of similar class although it is probable that significantly more cargo will be shipped via containers.

Future Maritime Fleet

At least three types of vessels may be involved in the future of the Northern Mariana Islands. The selection of future vessels will be affected by cargo type, passenger markets, cargo tonnage, passenger volume, fuel costs, and the development of new types of vessels. Modernized tugs and barges and self-loading monohull container ships with bow thrusters for maneuvering will continue to be competitive during the short term.

Hovercraft and the high speed hydrofoil, such as the Boeing Jetfoil, have an exotic appeal. These 50 mph vessels stimulate the imagination and provoke thoughts for their use on short runs. A ferry system, such as from Tinian to Saipan is one possible use provided future passenger volumes of 200-300 persons per trip become a reality. These passenger carriers draft only 5 feet with foils up. Sugar Dock pier with minor channel improvements could therefore be used as a terminal. A shorter run and direct delivery of passengers to the population center on Saipan are possible advantages.

However, it is discouraging that experience with these vessels in Hawaii has not proven competitive with regular air service. Hydrofoil fares are actually less for given routes but operations have been conducted at a loss. Sea Flite, as the hydrofoil service is known in Hawaii, has therefore been terminated and the GNMI would do well to seriously evaluate the feasibility of such services before embarking on any commitments.

The stable, semi-submersible platform (SSP) appears to be the most promising of future vessels. A pilot model is presently being tested in Hawaii. A report on the use of the SSP entitled "Hawaii Marine Highway System Study, Review of a Stable Semisubmerged Platform (SSP) Marine Highway System," was made by the State of Hawaii Department of Transportation in 1976. Vessels proposed for use include 500-ton and 3,000-ton displacement SSP's. The 500-ton SSP would have a full load draft of 16.5 feet and a capacity of 150 long tons with an operating range of 600 miles at about 25 mph. Such vessels may prove economical for future inter-island transport in the Marianas.

PORT AND HARBOR DEVELOPMENT PROGRAM

To accommodate projected growth in cargo, and in general to support and stimulate economic activity in the Northern Mariana Islands, a program of port and harbor developments will be implemented during the Plan period. The program should feature major improvements to the commercial port and the development of shore facilities for Saipan. Funding for subsistence and commercial fishing program needs will be provided in large part by government CIP allocations. It is anticipated, however, that U.S. Federal program assistance for port development will also be available, especially for harbor and channel dredging, and breakwater construction. Recreational and tourist oriented boating facilities are proposed to be included in the American Memorial Park.

Future Harbor Development, Federal Cooperation

It is assumed that future harbor planning will be in cooperation with the U.S. Government; therefore, the normal division of responsibilities would conform with proposed legislation and U.S. statutes. Accordingly, the Corps of Engineers would be authorized to plan harbor development, construct and maintain the main channels, basins, and breakwaters for commercial

harbors, for fishing harbors including those of subsistence fishing, and recreational harbors. On such projects, the GNMI would be required to contribute about half the construction cost.

The Corps of Engineers' maintenance would include periodic hydrographic surveys to check the harbor depth, etc. (Hydrographic surveys of the harbors in the NMI, except for Rota Harbor were last conducted in 1944. Rota Harbor was surveyed in conjunction with the design of various repairs and improvements necessitated by the devastation of typhoon Pamela.) The U.S. Coast Guard would also be authorized to provide navigational aids on Federal projects. The Defense Mapping Agency, Washington D.C., will update navigation charts as new data becomes available from hydrographic surveys by the Corps of Engineers or others.

Commercial Port

Early in the plan period, it is suggested that funds be made available to do emergency repairs (bullrail and temporary fenders) to Charlie Dock. An engineering analysis of Charlie Dock should also be undertaken to determine its structural integrity.

Although the present planning effort did not provide funds for an extensive analysis of Charlie Dock, preliminary surveys seem to indicate that major reconstruction of Charlie Dock will be necessary. The final configuration of the new port complex would depend upon the findings of the Charlie Dock analysis and subsequent master plan, but in any event would include substantial expansion of dockside storage and working areas. Other features of the port development would probably involve construction or reconstruction of a bulkhead; doubling, reinforcing, and paving of dock surface areas; creation of additional ship berthing space: construction of a break-bulk warehouse; provision of security fencing for the dockside itself. Adequate shoreside facilities for loading and unloading of cargo will also be required.

The long term commercial port facility would then have approximately 304.8 meters (100 feet) of deep berthing, 182.9 meters (600 feet) of medium berthing, 10 acres of container storage, a transit shed to be rebuilt on Charlie Dock for break-bulk cargo, a warehouse, scales, etc. Factors that inhibit the immediate reconstruction of Charlie Dock include:

a. The cost of upgrading Charlie Dock to modern standards approaches costs for construction of a new pier.

b. The construction work to upgrade Charlie Dock would seriously interfere with stevedoring operations.

c. It appears that in the near future two docks will be needed anyway.

It is therefore recommended that only interim repairs to Charlie Dock be made. For example, it is necessary to install a 12' x 12' timber curb for safety purposes. Presently, equipment operators do not use the outer 5 to 10 feet of the pier because of the danger of rolling off the pier.

Baker Wharf

Rather than reconstruct Charlie Dock it is recommended that a new Baker Wharf be the first phase of construction.

Construction of Baker Wharf would add 500 feet of deep water berth (30-35 feet deep) and 300 feet of medium depth berth (15-20 feet deep). Construction activities would include dredging to a 35-foot depth alongside the new wharf. The dredge material could be used as compacted backfill behind Baker Wharf for a container yard and other purposes.

Ultimate development to provide for efficient mechanization of the commercial port, would include an extended pier head line established on a straight line from the northwest corner of Charlie Dock to the south end of the old Army pier. If major transshipment activity is thus developed, container crane tracks and other mechanized equipment and facilities could be installed to serve more than 2000 feet of deep water wharf.

Container Yard

The container yard would require about 5 acres to handle an average of 40 containers per day and 10 day demmurage. The container yard should also be raised on a good foundation and paved with a minimum 4 inches of A.C. on a 12 inch base.

Other requirements include:

a) break-bulk shed
b) security fence
c) control tower
d) flood lights
e) electric outlets for refrigerated containers and
f) truck scales, etc.

Subsequent to the completion of Baker Wharf, Charlie Dock can be renovated, thereby avoiding the discontinuance of service during construction. Estimated cost for the construction of Baker Wharf is given in Table 38.

Charlie Dock Reconstruction

The eventual reconstruction of Charlie Dock would include an envelope of a new concrete-capped, steel sheet pile wall with tie backs and a new fender system. The new wall should be 2 or 3 feet outside the existing block wall. The deck level should be raised to an elevation of 8 feet to minimize overtopping by waves and to provide a suitable backing for the fender system. A new transit shed would have to be constructed.

Reconstruction of Charlie Dock would provide an additional 400 feet of medium depth dock and 550 feet of deep dock, 30 to 35 feet deep. (See estimates Table 39).

TABLE 38

ESTIMATED COST FOR CONSTRUCTION OF BAKER WHARF

New 500' Baker Wharf (35' depth, 60 returns):		
Sheet Piles & Tie Backs 620' @ $1600 =		$ 992,000
Fenders 500' @ $500 =		250,000
Cleats & Misc. Metal 500' @ $50 =		25,000
Pave Wharf 500' x 60' = 30,000 SF @ $1.35 =		40,000
	SUBTOTAL:	$ 1,307,500
New Medium Depth Wharf (East Side):		
Sheets 240' @ $1200 =		280,000
Fenders 300 @ $350 =		105,000
	SUBTOTAL:	$ 393,000
Fill for New Wharf & 5 Ac. Container Storage:		
Dredge Fill (-10 to +8)		
165,300 c.y. @ $5.00 =		826,500**
Dike on east side 500' @ $200 =		100,000
Dike on north face 450' @ $200 =		90,000
	SUBTOTAL:	$ 1,016,500
5 Acre Container Storage:		
Paving & Base 218,000 SF @ $1.35 =		294,300
Fencing 1600 LF @ $15.00 =		24,000
Rock Protection east side 300 LF @ $100 =		30,000
Flood Light		80,000
Electric Underground		25,000
Warehouse		150,000
	SUBTOTAL:	$ 603,300
	TOTAL SHORT TERM:	$ 3,320,300
	ENGINEERING INSPECTION 10%:	332,000
	TOTAL:	$ 3,652,300**

* Utilities, unless specified, are not included

** Assumes dredge fill from Harbor and Channel. Cost for dredging harbor and channel may be borne by the federal government. Should a Corps project not be simultaneous with Dock construction estimated cost for land fill material is approximate 3.000/ cubic yard or 500,000.

TABLE 39

ESTIMATED COSTS FOR RENOVATION OF CHARLIE DOCK

Short Term Improvements		
Emergency Repairs for Charlie Dock		
Bull Rail and Fenders		$ 50,000
Structural Analysis of Charlie Dock		70,000
	SUBTOTAL:	$ 120,000
Long Term Improvements		
Reconstruction of Charlie Dock*:		
Sheet Pile & Tie Back 900' @ $1600 =		1,440,000
Fenders 500' @ $500 =		250,000
400' @ $350 =		140,000
Fill - 4' Deep - 100,000 SF - 14,800CY @ $6.00 =		88,800
130,000 SF @ $1.00		130,000
Cleats & Misc. 500LF @ $50 =		25,000
Lights & Power Service		50,000
	SUBTOTAL:	$ 2,123,800
Transit Shed on Dock		160,000
	SUBTOTAL:	$ 2,283,800
Engineering & Inspection 10%		288,200
	TOTAL:	$ 2,512,000*

* Utilities on Dock not included. Does not include cost of any breakwater or significant harbor dredging.

In addition, dredging of portions of the Saipan harbor and channel will be required to complement development of the dock and its related facilities. An application requesting Federal Assistance should be filed with the U.S. Corps of Engineers to accomplish this work.

Garapan Wharf

Small-boat fishing facilities are planned for Garapan Wharf. Work would involve dredging to improve the passages in the lagoon and permit better access to the dock, and construction of a launching dock, a building, boat slips, and a secure boat storage area. It is hoped that breakwaters and navigational aids will be constructed with Federal funds.

The buildings at the small-boat center will include:

* A service building for refrigerated storage of fish for ice making and to house equipment for weighing, cleaning and selling fish.

* A second building will contain offices for the government agencies involved in developing the fishing industry, and offices for fishing cooperatives. A classroom/meeting room will be available for training purposes, as well as for co-op meetings.

* Land should also be made available for a secure one or two acre boat repair yard.

Estimated costs of the fishing wharf are indicated on Table 40.

Attachment # 3B

SAIPAN DOCK & HARBOR FACILITIES

SCOPE OF SERVICES

A. TASK 1 - Preliminary Engineering Services

1. Site Inventory - Provide collection of data pertaining to the area that will be served by the harbor to include tabulation and description of existing facilities and utilities; enviromental studies, local construction capabilities, laws, ordinances and socio-economic data.

   Provide topographic and hydragraphic surveys, soil borings and soil analysis. Complete soil report to include boring, test results foundation, and filling recommendations.

   Provide oceanographic data and recommended design criteria for shoreline structures to include wind, seismic, and wave actions, criteria for fendering, breasting and mooring systems. Definition of approach channel, turning basin and channel lines for projected use by sea/faring vessels for the next 20 years. Provide enviromental studies to include short and long term effects of the project on the enviroment.

2. Forecast of Shipping Demand - Provide a tabulation of projected cargo and passenger traffic activities for a 20-year period. Shipping demand forecasts will be based on, but not limited to, social, environmental, economic and technical factors as assembled under Site Inventory. The planning effort should consider ship characteristics, other planning for the Northern Marianas and the The Trust Territory and the impact of any new East-West/North-South routes from distance sources within a sea/air transportation system.

3. Demand/Capacity Analysis - Provide a basis for determination of the marine mooring structure(s) and facility requirements.

4. Facility Requirement Determination - Based on, but not limited to, data assembled under A1, 2 and 3, establish requirements for dock(s) length, geometric configuration, structual criteria, berthing needs, transit sheds, warehouses, reefer facilities, customs processing, gate house, POL and other supporting facilities and utilities. Prepare a harbor layout plan locating all proposed facilities and utilities consistent with the Coastal Resources Management policies.

5. Site Selection - Evaluate the selected Tanapag Harbor Site on the Northeastern side of Saipan.

6. Enviromental Study - Prepare an enviromental impact assesment of the port construction and operations on the natural enviroment of the area related to the oceanographic investigations. The assesment will

reveal the long and short term effects on the biological community of the region, harbor flushing, pollution, siltation and/or sedimentation.

7. Provide for final submittal of Task 1, on bound report containing the master plan, including harbor layout, definitive drawings to include floor plans and sections and cost estimates of all the needed auxiliary facilities. The bound report will also include the results of all studies prepared and reflect all gathered data. Upon acceptance by Public Works, additional 12 copies shall be provided free of charge. Succeeding copies shall be on printing cost basis.

B. TASK 2 - HARBOR DESIGN

Upon acceptance of item A-7 by Public Works, provide the established design criteria from material developed under preliminary services. Provide complete design calculations, working drawings, technical specifications and cost estimates for a basic dock and harbor facility. The basic dock and harbor facility will include the wharf, composed of fendering, breasting and mooring systems, piling and dredging detail, and loading and unloading facilities to include crane or straddle hoist details within the basic dock facility.

C. COMPLETION TIME:

Complete Task I and Task II in accordance with the Scope of Work for seven (7) months, effective upon receipt of the notice to proceed excluding Public Works review time.

Attachment #4

HIGHWAY PROGRAM

CAPABILITY STATEMENT

Agency:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Commonwealth of the Northern Mariana Islands
Proposed Amendment:	(i) FY-82 Highway Construction - $3,000,000 appropriation - Total $3,000,000 (ii) Sixteen-Year Highway Program - $48,000,000
Current Program:	We have done two sections (1.8 miles) of Beach Road the major road of Saipan with our Federal Highway Reconstruction Program. The FY-81 funds will be used on another section of Beach Road in Garapan. The current level of funding is $532,500, as it has been for the two previous years.
Amount Budgeted FY 1982:	In accordance with the Federal-Aid Highway Act of 1978, we should have the same appropriation of $532,500 for FY-82 out of an authorized amount of $1,000,000. We are seeking an appropriation of the total authorized amount plus an additional $2,000,000.
Feasibility:	The goal we are attempting to reach through our Highway Program is to upgrade and maintain the road system originally constructed during the Japanese Mandate. The road system improvement is critical to safety, access, and economic development. In Saipan, a well developed road network was established prior to World War II and further improved by the U.S. Naval Administration just after that war. Since then very little was done by the Trust Territory Government to maintain these roads, and most of them were in a deplorable state of disrepair when the new Commonwealth was created. They are no longer adequate for the present traffic, with over 6,000 vehicles today compared with 2,400 in 1971. They have become an impediment to our economic development, in particular tourism.

The Physical Development Master Plan of 1978 identifies 87 miles eligible for Federal-Aid at an estimated cost of $48,000,000. Assuming that the current level of appropriation remains at $532,500, it will take about 90 years to complete the Federal road program. Even if the full authorized amount of $1,000,000 is appropriated, the period is still too long.

Capability:

With an appropriation of $1,000,000 per year, we would be able to reconstruct about two miles of highway a year. But we feel that the whole program should be phased over a period of 16 years, and that the level of funding should be increased to at least $3,000,000 a year. Because of its economic impact on the development of the new Commonwealth, this program should be assigned a high priority.

Outlay Effect:

The outlay schedule for the $3,000,000 appropriation for FY-82 is as follows:

1st Quarter	2nd Quarter	3rd Quarter
$600,000	$1,500,000	$900,000

Additional Information:

We attach a planning document on the Highway Program--Attachment #4A.

HIGHWAY PROGRAM Attachment #4A

PHYSICAL PLANNING

The Commonwealth of the Northern Mariana Islands as a self-governing political entity of the United States came into being on January 9, 1978.

The Physical Development Master Plan for the Northern Mariana Islands was prepared under the direction of the Office of Transition Studies and Planning for the purpose of conducting the necessary studies to prepare the Northern Mariana Islands for constitutional government.

The 1968 Master Plan developed by the Trust Territory Government provided guidelines for the OTSP, however it was recognized that the plan had been developed with little concern for the cost of financing and implementation of the proposed projects, and a principal objective of the OTSP planning effort became the development of a viable Physical Development Master Plan, which would meet specific funding constraints.

The Physical Development Master Plan for the Northern Mariana Islands translated the policies, objectives and funding targets developed in the Socio-Economic Development Plan into specific capital improvement projects and proposed schedules for improvements. The Capital Improvement Projects (CIPs) proposed in the respective Development Master Plans spanned the period of January 1978 to September 1985. Specific 1977 dollar so as to be in agreement with the SocioEconomic Development Plan.

Although the Capital Improvement Programs were specified only for the 1978 and 1985 period, the plan also took a longer view. Many projects proposed included only initial phases, but with an anticipation of subsequent development in later plan periods.

The OTSP Master Plan for Highway Development and Construction for the 1978-1985 period had been deviated from several times due to 1. late availability of Federal-Aid Highway funding; 2. insufficient staffing at the implementing agency (Public Works); 3. right-of-way problems, exploding traffic volumes and rapid commercial development in areas not anticipated or planned for; and 4. other factors, such as a galloping inflation which rendered plan cost estimates inadequate. Tables 1, 2, and 3 show Plan schedules and cost estimates for Saipan, Tinian and Rota respectively as per the OTSP Plan.

FEDERAL-AID HIGHWAY FUNDING

In 1979, the CNMI became eligible for Federal-Aid Highway funding, and the US Congress authorized an annual apportionment of $1,000,000 of which only $532,500 has been appropriated annually --far short of the OTSP Plan anticipation, as well as of actual needs.

As a result of the problems sighted above the Commonwealth has achieved very little of the planned activities and new direction and revised goals are necessary if minimum transportation needs for healthy economic development are to be met.

HIGHWAY DEVELOPMENT FY 1982-1987 (CIP FUNDING)

The Commonwealth Overall Economic Strategy (OEDS) was developed in 1980. The strategy is an update of the 1977 OTSP Socio-Economic Development Master Plan. The OEDS programs all the CIP expenditures for 1981 through 1987.

The Road Section of the Strategy allots funds in the following manner:

		$ 000's of dollars							
		1981	1982	1983	1984	1985	1986	1987	1981-87
Saipan	Primary	200	200	200	200	200	200	200	1,400
	Secondary		80		80		80		240
Tinian	Primary	---	---	---	---	---	---	---	----
	Secondary	---	---	---	118	148	---	---	266
Rota	Primary	---	---	---	---	---	---	---	----
	Secondary	---	---	---	---	---	---	---	----
Total		200	280	200	398	348	280	200	1,906

Clearly $280,000 per year will not even maintain the Commonwealth's road system. To reconstruct the severely deterioated roads a massive infusion of Federal funds are critical. To compound our problems, the U.S Department of Transportation has proposed amendments to the Federal Highway Act which would repeal the Territorial Highway Program. This would leave us with no Federal highway funds. Without the $532, 500 per year, the situation will then go from bad to worse. Obviously continued and increased Federal aid for our roads is necessary. It will take $3,000,000 per year for sixteen years to bring our transportation network up to proper capacity and safe conditions. This estimate is based in 1981 dollars at a cost of $360,00 per mile.

If DOT's amendments are enacted, we feel that Congress should provide separate amount of funds for Territorial Roads. The islands do not fit many of the difinitions applicable to mainland highways and roads.

IMPLEMENTATION STRATEGY

The Transportation/Highway Planning Office will shortly present a

detailed Highway Development and Construction Plan for the FY-82 to FY 87, which will be done as a revision to the OTSP Plan (Table 1, 2, and 3) to make up for time lost and bring the plan more in line with existing conditions and future projections based on traffic and development trends, which have emerged during the past three years and not foreseen or anticipated by the OTSP Plan.

The main thrust of the strategy will be to complete the "Southern Loop" as soon as possible. The southern loop is a concept already conceived by the Trust Territory Government in their 1968 Plan for Saipan. It consists of Wallace Highway --- Airport Road --- As Perdido Road, all three roads constituting Federal-Aid Primary Route CM-F-32 (Plate 3) -- Beach Road (Secondary Route CM-S-300) through the Chalan Kanoa/Susupe and San Jose areas.

The OTSP Plan focused on Wallace Highway (the northernmost leg of the "loop") as being of primary importance since it connects into Airport Road and is in need of reconstruction and widening in order to carry the heavy village, hospital and airport traffic. As is shown in table 1, Wallace Highway was scheduled for construction in 1978. An A/E study was made and serious right-of-way problems encountered and nothing more was done.

To relieve the pressure on Wallace Highway, which will not have its carrying capacity increased soon, it will be necessary to disperse airport bound traffic from Chalan Kanoa/Susupe area to As Perdido Road. The measure will also provide access to the Kobler Field housing area, which is now under development. Our top priority is for the reconstruction of As Perdido Road from its junction with Beach Road to the International Airport. Recent studies have revealed that the ADT on Airport Road is nearly 2,5000 vehicles/day of which 60% originated in the Chalan Kanoa/Susupe area.

Texas Road Bypass (a segment of CM-F-30 between Wallace Highway and As Perdido Road) Was scheduled for construction during FY-80 and 81 in the OTSP Plan and differed due to right-of-way problems, is vital to establishing a viable multi-access circulation pattern throughout the Susupe and Chalan Kanoa area, as well as to furnish direct access from those areas to West Coast Road (CM-F-30). The construction of this road will relieve congestion on Beach Road in the Chalan Kanoa/Susupe area as well as on Beach Road north of the Wallace Highway junction toward Garapan, and establish the West Coast Highway as the island's main artery as was the OTSP Plan intent, and return Beach Road to its original Secondary Road function. For these reasons the Texas Road Bypass will be given Priority I with A/E studies funded for FY-82 as well as the programming of 5% of the FY-82 Highway funding for right-of-way purchase in cases where land exchange is not feasible. Right-of-way acquisition should be completed by end of FY-83 and construction to follow in FY84.

For the rapid completion of the "LOOP" it is necessary that right-of-way acquisition for Wallace Highway be completed soonest and we are proposing R-O-W acquisition to be carried out during FY-82 and FY-83 with construction to follow in FY-84.

To provide capacity and safety of the LOOP, intersection CM-F-32 and CM-F-31, and CM-F-32 and CM-F-30 will be reconstructed during FY-82.

Saipan/Tinian Ferry Terminals are on both sides of the Saipan Channel at its narrowest point (2.8 miles), at Ushi Point on Tinian and Agingan Point on Saipan, and for the purpose of connecting the Saipan and Tinian road networks to enchance economic development on Tinian and make Tinian farm products readily available to markets on Saipan as well as to serve anticipated military needs on Tinian. The acquisition of a ferry is not contemplated since a privately owned ferry is already operating in the Commonwealth.

FY-82 BUDGET BREAKDOWN

FY-82 Anticipated Federal apportionment and authorization		$3,000,000
obligation		$3,000,000
HPR	$ 90,000	
PR	60,000	
Constr.	2,850,000	
Total	$3,000,000	
As Perdido Road Reconstruction, 2.4 miles, and drainage improvements		$1,250,000
Texas Road Bypass Reconstruction, 2 miles		
A/E		70,000
R-O-W Acquisition		100,000
Wallace Highway R-O-W Acquisition		200,000
Wallace Highway-East Coast Highway-Airport Road Intersection (CM-F-32 and CM-F-31) Reconstruction		
A/E		10,000
R-O-W		100,000
Construction		125,000
Wallace Highway-West Coast Highway Intersection (CM-F-32 and CM-F-30) Reconstruction		
A/E		15,000
R-O-W		200,000
Construction		150,000
Saipan/Tinian Ferry Terminals		
A/E		50,000
Ferry Terminal Construction		380,000
Ferry Terminal Approach Road Construction (appr. 1500')		75,000
	SubTotal Constr.	$2,725,000
Unprogrammed		125,000
	Total Constr.	$2,850,000

80-810 O—81——20

TABLE 1

Proposed Saipan Highway Improvement Projects -- Short Range Plan

ROAD SEGMENT	Miles	NMI (Federal) Contribution	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1978 -
Wallace Road	1.5	270	270	--	--	--	--	--	--	--	900
		(630)	(630)								
Beach Road	1.2	108	108	--	--	--	--	--	--	--	360
		(252)	(252)								
(Oleai-Susupe)	(.2)										
(Chalan-Kanoa, Chalan Piao)	(1.0)										
Texas Road Bypass	2.0	300	--	--	200	100	--	--	--	--	1,000
		(700)			(467)	(233)					
Micro Beach Road	.5	45	--	--	--	45	--	--	--	--	150
Inner Road		(105)				(105)					
(Oleai-Capital Hill Turnoff	5.5	515	--	--	--	256	259	--	--	--	1,707
		(1,192)				(596)	(596)				
New Hospital Road	.3	27	--	--	--	--	27	--	--	--	90
		(63)					(63)				
San Vicente Approach	.5	45	--	--	--	--	--	45	--	--	150
		(105)						(105)			
Kagman Road	1.0	90	--	--	--	--	--	90	--	--	300
		(210)						(210)			
South Island Airport	3.0	300	--	--	--	--	--	--	150	150	1,000
Access Road		(700)							(350)	(350)	
Selected Scenic Roads			--	--	80	--	80	80	240	--	480
Village Roads			200	180	--	--	--	180	360	360	1,280

TABLE 2

FUNDING SCHEME--TINIAN ROADS

YEAR	PROJECT	LOCAL FUNDS	FEDERAL FUNDS*
FY 1979	Village Roads	$ 180,000	
FY 1980	Village Roads	180,000	
FY 1981	Village Roads	180,000	
	Agricultural Access (Rural/Scenic)	80,000	
FY 1982	Village Roads	73,200	
	Harbor Access Road	106,800	$ 249,200*
FY 1983	Agricultural Access	160,000	
FY 1984	Agricultural Access	80,000	
FY 1985	Agricultural Access	80,000	

* Not programmed in the Socio-Economic Plan, but will be pursued for possibly eligible project.

SUMMARY COSTS FOR TINIAN ROAD IMPROVEMENT PROGRAM 1978 - 1985

Road Category	Total Mile	Per Mile Estimate	Total Costs	Federal Funds	Local Funds
Secondary Road	1.26	$ 282,480	$ 356,000	$ 249,200	$ 106,800
Village Streets	3.0	202,620	607,900	**	607,900
Stabilized Surfaces (Unpaved)	3.9	82,500	320,000	**	320,000
All Roads	8.16	-	$1,283,900	$ 249,200	$1,034,700

NOTE:

* To be pursued pending eligibility of project

** Not eligible for Federal funding aid

TABLE 3

SUMMARY COSTS FOR ROTA ROAD IMPROVEMENT PROGRAM

ROAD CATEGORY	TOTAL MILES	PER MILE ESTIMATE	TOTAL COSTS
Primary - Rural	10.5	$256,850	$2,696,925
Village Streets	5.8	244,180	1,300,244
Stabilized Surfaces (Unpaved)	49.5	82,500	4,083,750
All Roads	65.8	-	$8,080,919

FUNDING SCHEME

The only road project eligible for federal assistance is the Songsong Village to Airport Road. Of the estimated $200,000 A&E design costs, $75,000 will be derived from local funds in FY 1978.

The funds for construction are phased over the next several years as follows:

Year	Local Funds	Federal Matching Funds
FY 1979	$135,000	$315,000
FY 1980	150,000	350,000
FY 1981	270,000	630,000
Total Construction		

PLATE 1

Commonwealth of the Northern Mariana Islands

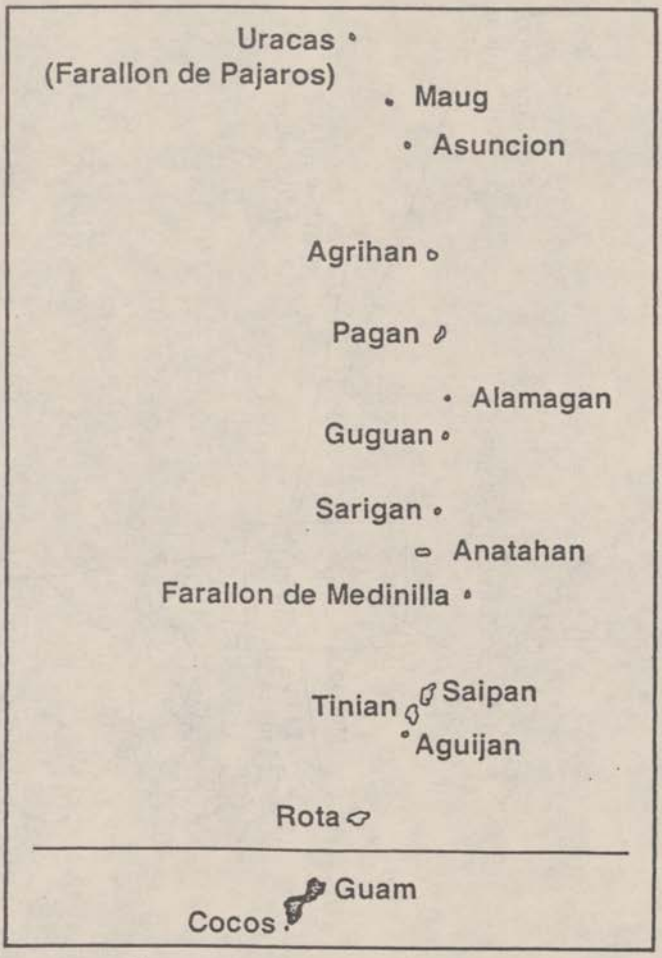


PLATE 2

SAIPAN DISTANCE CHART

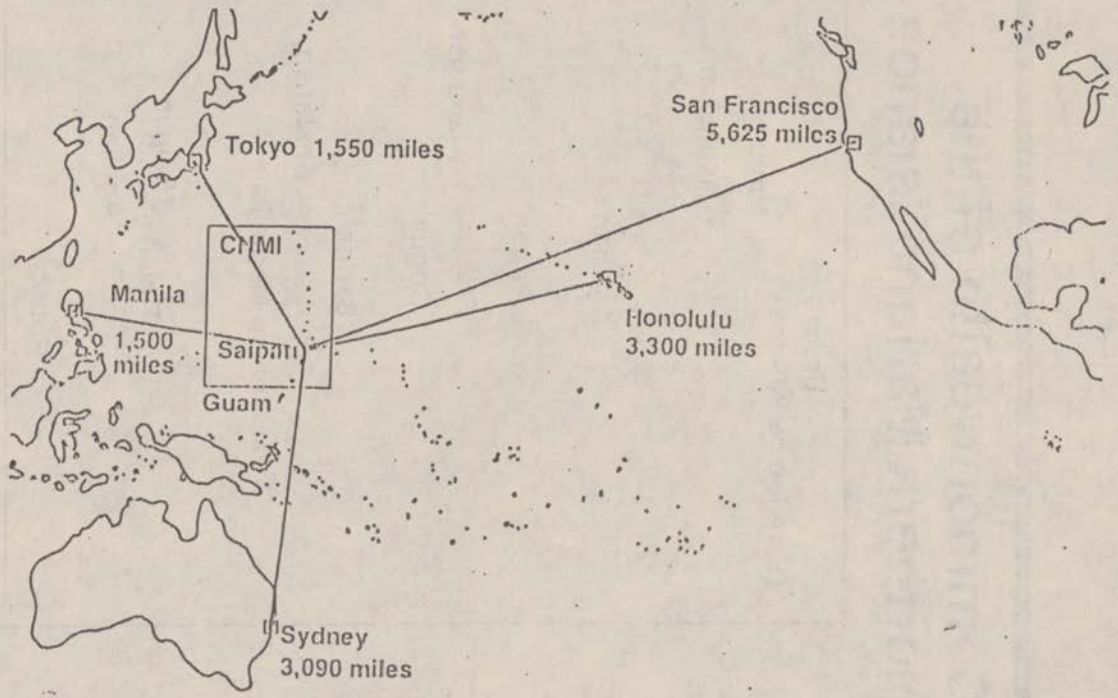
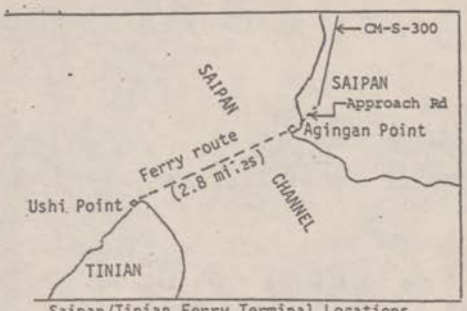


PLATE 3



Saipan/Tinian Ferry Terminal Locations

SAIPAN FEDERAL-AID HIGHWAY SYSTEM

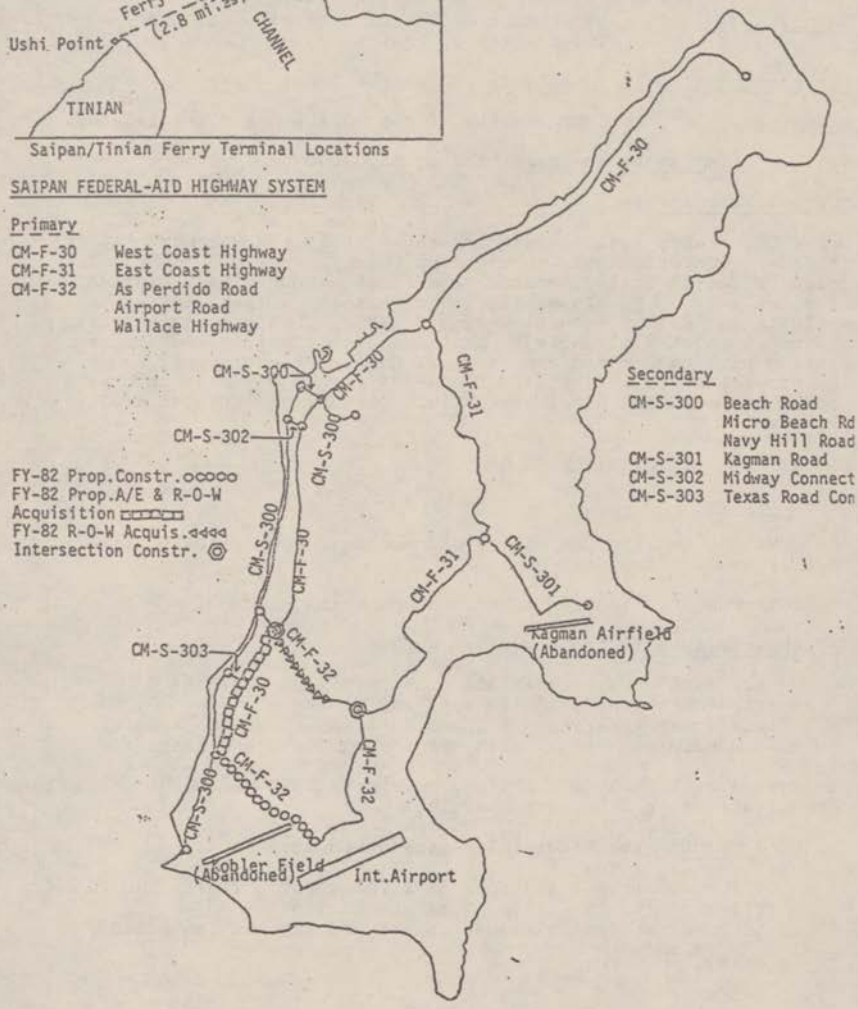
Primary

CM-F-30	West Coast Highway
CM-F-31	East Coast Highway
CM-F-32	As Perdido Road
	Airport Road
	Wallace Highway

Secondary

CM-S-300	Beach Road
	Micro Beach Rd
	Navy Hill Road
CM-S-301	Kagman Road
CM-S-302	Midway Connect
CM-S-303	Texas Road Con

FY-82 Prop.Constr.
FY-82 Prop.A/E & R-O-W Acquisition
FY-82 R-O-W Acquis.
Intersection Constr.



Attachment # 5

ENERGY PROGRAM

CAPABILITY STATEMENT

Agency: Department of Interior/Territorial and International Affairs

Appropriation: Administration of the Territories

Activity: Commonwealth of the Northern Mariana Islands

Proposed Amendment: Authorization of $800,000

Current Program:

Renewable energy fuel sources are abundant in the Northern Mariana Islands. Unfortunately, our entire power system and back-up is based on fossil fuels imported from foreign countries thousands of miles away. We are seeking to reverse this trend through the exploitation of our natural energy fuels. This process has been started through a strongly supported energy planning and demonstration program derived from several different energy programs. The provisions of 604(a) of P.L. 96-597 are in our best interests and we are most anxious to see this opportunity continued and expanded.

Amount Budgeted FY82: $393,000

Feasibility:

The CNMI has outlined an energy plan to demonstrate the utilization of indigenous resources.

The following is the plan's basic components:

(a) Photovoltaic System for:

(i) Radio transmitter stations in Saipan and Rota
(ii) Power generation in Rota and Tinian
(iii) Power generation for one residential house each in Saipan, Rota, Tinian, Pagan, Agrihan, and Alamagan

The system will include lighting, refrigeration, air conditioning, communications, and battery charging.

(b) Wind Machine for electricity generation at:

(i) agricultural stations in Saipan, Rota, Tinian and Pagan
(ii) airports in Saipan, Rota and Tinian
(iii) one residential house in each of the six inhabited islands

(c) Biomass trials in all islands of:

(i) fast growing trees (Koa, Hale Koa)
(ii) root crops (cassava, taro, yam, sweet potato)
(iii) sugar rich plants (sugarcane, sorghum, beet)

(d) Biogas systems in all islands consisting of:

(i) digesters to produce biogas as fuel
(ii) basins and ponds to produce algae and other aquatic life as feed
(iii) gardens using the treated effluent to irrigate and and fertilize biomass

(e) Ocean Current & Tidal systems in all islands for electricity generation.

Two larger projects the Commonwealth plans to develop are:

(f) Geothermal plant in Pagan

We already have three boreholes drilled to 120 feet, producing hot water at 95°C, giving us a temperature difference of 70 degrees if we use the water (25°C) from a nearby lake for condensation. This is more than adequate to operate a hot water geothermal plant using the thermal energy conversion principle, thus alleviating the need to use a high technology steam geothermal plant in a small island.

(g) Ocean Thermal Energy Conversion

CNMI has responded to a request for proposal of a 10 Megawatt OTEC plant from the Department of Energy. We believe we have an ideal site for a platform mounted OTEC plant on the East coast of Saipan, with the cold water pipe reaching a depth of 2,500 feet at about one mile from the shoreline.

Capability

For all the above components, except Geothermal and OTEC, the CNMI is requesting a total of $800,000 for three years. With this basic funding the CNMI would be able to fully demonstrate the feasibility of these technologies to the public at large. It is believed that once accepted as workable the public will incorporate these technologies in their development schedules, as in many cases decentralization is the answer to the energy problems for isolated villages and farms, and remote islands. The Government will increasingly be able to substitute the dependence on fossil fuels, thus freeing precious capital for other demanding needs. Further the biomass component will greatly benefit our agricultural sector who will grow several "biomass" cash crops per year.

Outlay

For each of these components the CNMI is requesting the following:

(a) Photovoltaic systems
(b) Wind Machines
(c) Biomass Trials
(d) Biogas Digesters integrated with Algae Basins and Gardens
(e) Ocean Current & Tidal Systems

The Geothermal and OTEC projects are dealt with separately.

Additional Information

See attachment 5A.

Attachment 5A

ENERGY PROGRAM

Section 604 (a) of Public Law 96-597 has established an energy policy for the U.S. insular areas based upon their virtually complete dependence on imported sources of energy.

The consequences of our dependence on imported sources of energy are the increasing costs, the uncertain availability and supply of such sources from foreign countries, and the vulnerability of our economy to supply disruptions. Because of our new status as a Commonwealth of the United States, we will increase our demand for energy consumption because of our comprehensive social and economic development programs. So we have to take action to reduce our vulnerability without any delay.

The Commonwealth of the Northern Mariana Islands is endowed with an abundance of renewable sources of energy which can be developed immediately. The appropriate technologies are presently available to develop these resources, and a comprehensive energy plan to meet the energy demands of Commonwealth of the Northern Mariana Islands from these resources should not be difficult to develop.

We have already surveyed our existing sources and uses of energy, and there is no doubt that we can meet all our future energy needs from solar, wind, biomass, biogas, geothermal and ocean thermal energy conservation. We have to demonstrate these renewable energy technologies and determine their cost effectiveness.

We have already outlined an energy plan to meet our needs from our indigenous resources:

(i) Electricity Generation

(a) OTEC and Wind Machines for Saipan, Rota and Tinian
(b) Geothermal for Pagan
(c) Biogas and wood burning generators for isolated villages and farms and smaller islands

(ii) Vehicles and Stationary Engines

(a) Electric Buses for mass transit
(b) Pure ethanol for cars and trucks
(c) 80% Ethanol and 20% coconut or other vegetable oil for diesel-powered equipment and boats

(iii) Farm Equipment

(a) Biogas for stationary equipment

(b) Ethanol for mobile equipment
(c) Photovoltaic for domestic purposes

(iv) Commercial & Domestic Premises

(a) Solar water heaters
(b) Photovoltaic lighting and refrigeration (including charging of batteries for night use)
(c) Ethanol for cooking

(v) Communications

(a) Wind for charging batteries
(b) Photovoltaic for isolated transmitter stations

At the present time we need the following demonstration projects to enable us to study the performance and economics of these new technologies:

(a) Photovoltaic Systems for:

(i) radio transmitter stations in Saipan and Rota ($90,000 and $110,000)
(ii) airports in Rota and Tinian (2 @ $15,000)
(iii) one residential house each in Saipan, Rota, Tinian, Pagan, Agrihan and Alamagan (6 @ $5,000)

The system will include lighting, refrigeration, air conditioning, communications, and/or battery charging.

(b) Wind Machines for electricity generation at:

(i) agricultural stations in Saipan, Rota, Tinian and Pagan (4 @ $30,000)
(ii) airports in Saipan, Rota and Tinian (3 @ $50,000)
(iii) one residential house in each of the six inhabited islands (6 @ $20,000)

(c) Biomass Trials in all islands of:

(i) fast growing trees (Koa, Hale Koa) (6 @ $2,000)
(ii) root crops (cassava, taro, yam, sweet potato) (6 @ $2,000)
(iii) sugar rich plants (sugarcane, sorghum, beet) (6 @ $2,000)

(d) Biogas Systems in all islands consisting of:

(i) digesters to produce biogas as fuel (6 @ $5,000)
(ii) basins and ponds to produce algae and other aquatic life as animal feed (6 @ $5,000)
(iii) gardens using the treated effluent to irrigate and fertilize biomass (6 @ $5,000)

(e) Ocean Current & Tidal Systems for electricity generation in all the inhabited islands (6 @ $3,000)

Two larger scale projects the Commonwealth plans to develop are:

(f) Geothermal Plant in Pagan

We already have 3 boreholes drilled to 120 feet, producing hot water at 95°C. If we use the water at 25°C from a nearby lake for condensation purposes, we have a temperature difference of 70°C which is more than enough to operate a hot-water geothermal plant presently available in Japan. We do not want to use the high technology steam geothermal plant in a small island.

(g) Ocean Thermal Energy Conversion (OTEC)

CNMI has responded to a request for proposal of a 10 Megawatt OTEC plant from the U.S. Department of Energy. We believe we have an ideal site for a platform-mounted OTEC plant at a very short distance from the East coast of Saipan, with the cold water pipe reaching a depth of 2,500 feet at about one mile from the shoreline (see attachment A1).

Conclusion

Section 604 (a) of P.L. 96-597 can be the most important piece of legislation ever passed for the U.S. insular areas, as it deals exclusively with our unique problems. This approach will enable us to solve our energy problems and develop our indigenous energy sources without reference to the National Energy Plan which only considers the problems and needs of the mainland states which are completely different from ours.

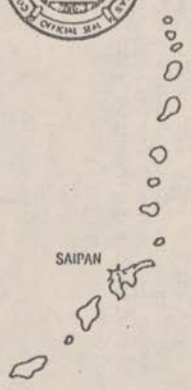
See Table I for FUNDING

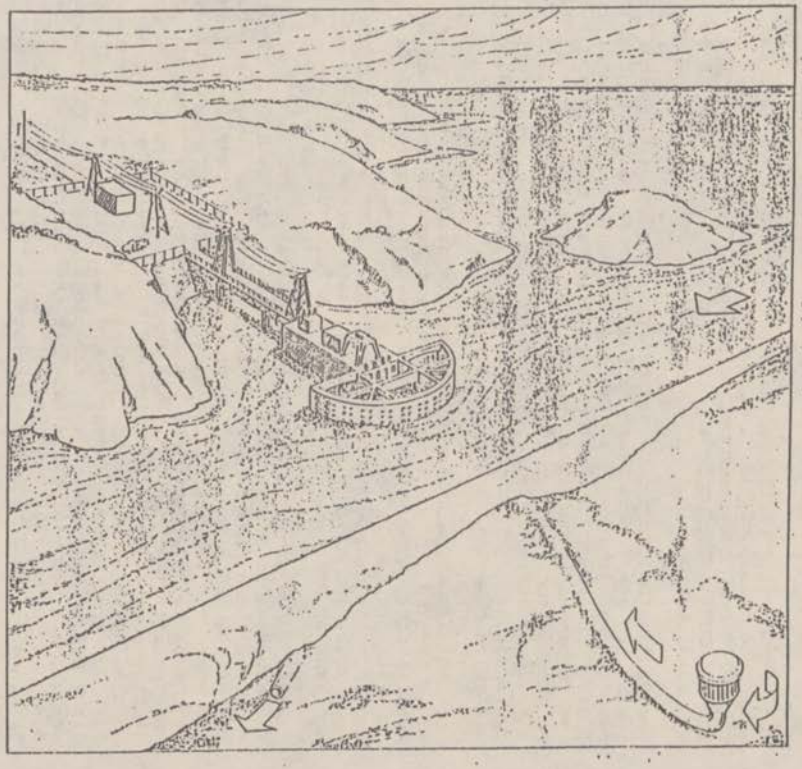
Table I

FUNDING

		1982	1983	1984
(a) Photovoltaic	(i)	200,000		
	(ii)	15,000	15,000	
	(iii)	10,000	10,000	10,000
(b) Wind Machine	(i)	30,000	30,000	60,000
	(ii)	50,000	50,000	50,000
	(iii)	40,000	40,000	40,000
(c) Biomass	(i)	4,000	4,000	4,000
	(ii)	4,000	4,000	4,000
	(iii)	4,000	4,000	4,000
(d) Biogas	(i)	10,000	10,000	10,000
	(ii)	10,000	10,000	10,000
	(iii)	10,000	10,000	10,000
(3) Tidal	(i)	6,000	6,000	6,000
Total		393,000	193,000	208,000
Grand Total		$ 794,000, Say	$ 800,000	

OTEC PILOT PLANT PROGRAM





PRIME CONTRACTOR

COMMONWEALTH
OF THE
NORTHERN MARIANA ISLANDS

SYSTEMS INTEGRATOR

SCIENCE APPLICATIONS, INC.

Attachment A1

SUMMARY OF CNMI OTEC PROPOSAL

The Commonwealth of the Northern Mariana Islands (CNMI) has submitted a proposal for a 10 MWeplatform mounted Ocean Thermal Energy Conversion (OTEC) Plant to the Department of Energy (DOE). The proposal has been made in response to a DOE solicitation.

The OTEC method of producing power is based on a technique nearly 100 years old. Warm surface water is pumped through evaporators, vaporizing a working fluid such as ammonia or freon. The vapor then powers a turbine generator, passes into a condensor and is cooled by near freezing water that is pumped from the deep ocean. The liquified ammonia is then returned to the evaporator beginning the closed loop cycle again. OTEC functions when the warm and cold water differ in temperature of at least 40° F.

The CNMI assembled a team of experts to prepare the proposal at no cost to the government. The team members are Science Applications, Inc., (SAI); Global Marine Development, Inc., (GMDI); Alfa Laval; Mechanical Technology, Inc., (MTI); Hawaiian Dredging and Construction, Co., (HDC); Burns and Roe; Nossaman, Kreuger, and Marsh; Basic Resources, Inc., and Bank of America. SAI is the team leader.

The 600+ page proposal was written to seek a $900,000 phase I contract from DOE. Phase I is the 12 month technical, environmental, and financial feasibility phase of a six-phase program. DOE will award six Phase I contracts. Later, they plan to award two contracts leading to the testing of the design, construction of the facility, testing of the facility and the operations of the facility. If the CNMI were awarded a contract for the constructions phases, the facility could be expected to be constructed in the 1986-87 time period. The proposal estimates that the facility construction would cost around $120 million 1980 dollars. Since DOE's main objective in the project is for OTEC commercialization, the proposal estimates that the tenth facility of the same design would cost $95 million 1980 dollars, The reduction is due to learning and production technique savings.

The CNMI is competing for this contract with Hawaii, Florida, Puerto Rico, the Virgin Islands, Maryland and Alaska. There are as many as nine separate proposals. There are two factors which make the CNMI proposal unique. The first unique factor is the platform barge plant design, fifty feet from shore with a cold water pipe anchored to the bottom of the ocean. The other proposals are barges, anchored at sea with a pipe running vertically until it reaches sufficiently cold water.

The engineering involved with this type is much more complicated and risky. The second unique aspect of the proposal is its size. The ten megawatt size was chosen because most of the technology is available and near term commercial market is for 10 MWe OTEC facilities for the Pacific Islands. The price paid for electricity by these islands will be at a level in 1987 that OTEC generated power will be as cheap or even cheaper than conventional power. This commercial feasibility is not the case with the other proposals which are all of the 40 megawatt size. An additional factor making this proposal unique is that the government is the owner and operator of the power plant rather than a private utility. This is also the case with the other Pacific Islands territories and nations.

The proposal details the technical, environmental, and financial feasibility studies that will be done during the twelve month period. The proposed facility site is tenatively located at Puntan Hagman on Lau Lau Bay. This site provides an ideal location because of the proximity to deep ocean cold water. Approximately one mile of pipe, 15 feet in diameter, will be anchored to trestles built on the ocean floor.

The power plant portion of the proposed facility will operate on a closed system using ammonia as the fluid which is then evaporated and condensed by the warm and cold water respectively to turn the turbines to run the generators. The mixed water discharge will then be directed away from the culture uses. The deep cold water is extremely high in nutrients and provides an excellent opportunity for a mariculture operation which could offset the costs of the operation and maintenance of the OTEC plant.

Although the bulk of the facility proposed would be built with DOE funds, DOE requires that the applicant share in a certain percentage of the costs. This amount is not fixed. In our proposal the CNMI proposes to assume most of its staff costs in phase I, the value of the land where the facility will be located, the correction to the island power system to transmit the electricity generated, and to pay back the sale of the plant's electricity after the plant is on line.

The proposal already has the support of the Government of American Samoa. Additional support is being solicited from Congress and the other islands of the Pacific. The additional interest and support will inform DOE that the need and interest currently exists for developing the commercial application of this technology in the tropical islands of the Pacific.

In the proposal, there is estimated to be a market for 50 to 70, 5 to 10 megawatt OTEC Plants.

The DOE will announce the winners of the six contracts by June or July, 1981. So far the program has escaped President Reagan's budget axe. It would be foolhardy for the President to cut a program which could replace the current Federal financial aid given to the Pacific Islands to purchase foreign oil with domestically available technology.

Attachment #6

WATER RESOURCES DEVELOPMENT

CAPABILITY STATEMENT:

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Commonwealth of the Northern Mariana Islands
Proposed Amendment:	(i) FY'82 Water Resources Development Appropriations - $1,691,000. (ii) Proposed projected costs for Water Resource Development 1983-87 - $10,000,000.
Current Program:	Current practice is to attempt to meet all existing demands on an outdated and inefficient water supply system. We are minimally fulfilling our basic water needs under the present funding level. The present funding level allows for the mere maintenance of the status quo i.e. minimum deliveries, water hours, substandard water quality, etc. Little if any real development of water resources is occuring at this time.
Amount Budgeted FY 1982:	Present proposal of $1,691,000 which will allow for minimally meeting existing water demands, instigating a water resource development plan and exploratory drilling program.
Feasibility:	On an island with limited resources, the availability of water is the single most important feature in development. The CNMI has inherited an outdated and highly inefficient domestic water supply system and is trying to do its best under the circumstances. The proposed budgeting will allow for establishing a development plan and exploratory drilling program in 1982 along with the necessary funding for maintaining the existing deliveries. Subsequent activities from 1983-87 include an expanded source development program

along with major overhaul of the existing delivery system. (See Table 1).

Any development of the CNMI is directly related to the development of the water resources on these islands. Therefore, water resources funding is considered of high priority within the entire budget. This is true for FY 1982 and will continue to be for quite some time.

Capability: (i) Under 1982 funding -- the maintenance of minimum deliveries; the establishment of a development plan; an island-wide exploratory assessment drilling program.

(ii) 1983-87 Program -- development of new sources; physical extension, expansion or revision of existing distrubution system; implementation of user water conservation plans and public awareness programs.

Outlay Effect: (i) $1,691,000

(ii)

1983	$2,500,000
1984	2,000,000
1985	1,500,000
1986	1,500,000
1987	2,500,000

Additional Information:

Please see Attachment #6A.

Attachment # 6A

WATER RESOURCES PLANNING

The Need for Program Assistance in the CNMI

Public Law 89-80, as amended, entitled the Water Resources Planning Act, provided financial assistance to States for comprehensive planning of water and related land resources through its Title III program. This program was instigated in the Commonwealth of the Northern Marianas in FY 1980. For the first time the Commonwealth would have had the opportunity to comprehensively plan and provide meaningful direction to the water development on the islands of the Commonwealth. If the proposed cutbacks to the Title III program are effected, the adverse impact to the CNMI's Water Resources Planning Office would be devastating.

The population of the Commonwealth of the Northern Marianas is becoming ever more dependent on a domestic water supply system for their everyday needs. Unfortunately the demand for domestic water has now exceeded the present supply rate. This problem is presently manifested in forced conservation through the implementation of water hours and the delivery of poor grade water to the public.

Short range solutions to long range problems have compounded the original problem. The implementation of water hours has not only inconvenienced the population but has hastened the deterioration of an already outdated delivery system. The attempts to meet the quantity demand of water has resulted in the over-pumpage of basal waters resulting in the production of waters of lesser quality. Without a meaningful and comprehensive planning approach to the present water problems, the Commonwealth is not likely to be able to meet the ever increasing demands of a growing system.

Up until the initiation of the CNMI's Water Resources Planning Office in FY 1980, the mode of the development of water resources activities in attempting to meet the ever increasing demands has been crisis oriented. The under-staffed and under-trained water technicians would often give Herculean efforts in meeting immediate demands as evidenced in post-typhoon situations. But the underlying problems in most cases would go unattended. Merely meeting the immediate demands of crises will not necessary satisfy the needs of a growing system. At best it can only delay confrontation with real problems.

It is with the intent to confront the underlying problems related to the increasing demands on water resources within the Marianas that the Physical Planning Office applied for funding and

was granted its initial funding assistance in FY 1980. As a result c this grant, a water data monitoring network was established that provided the basic hydrological information necessary for any meaningful water management decision making. A contract was let to collect and analyze all the existing historical hydrological data concerning the islands of the Commonwealth. An investigative test hole drilling program was instigated for the first time to define a major aquifer for its physical properties including, water level flunctuations, chemical constituents, ground water flow analysis, drawndown effects, etc.. These specific projects were instigated in the initial grant period along with the other activities necessar to establish a Water Resources Planning Office structure, i.e. field and office equipment, training technicians, supplies, etc.. The foundations for a planning office have finally been established. To jeopardize these efforts because of funding cuts would mean reverting back to a crisis oriented water resources program which we already know, cannot meet the demands of our growing population and industries.

The following is a description of various scenarios under hypothentical funding cuts:

1. Presently proposed funding cuts (minimal 1981 FY with no 1982 FY funds) - would result in a terrific waste of two years (1980 1981 FY) effort in establishing a viable planning office. Two years of completed basic data and preliminary analysis of existing aquifers would be wasted. On top of that, a fair amount of equipment, supplies and training could not be fully utilized in a very much needed area. There would also be a direct staffing impact on five people.

2. Minimal funding ($50,000 - $75,000) - a maintenance program to carry on basic data monitoring with little if any expansi in program activities. This program would at least supply future efforts in comprehensive planning activities the necessary information to function efficiently. This maintenance program would not met the needs of the increasing demands on the existing water supply system and would eventually become inadequate by attrition. Direct staffing impact of two people.

3. Fully funded ($100,000 - $150,000) - would allow for a truely functional planning office. Long and short ranged planning activities could be coordinated with the present supply demands and hopefully meet future water resources demands. Contractual servi would be possible in areas of limited local expertise. Coordinatio efforts could be maintained, conservation programs could be effecte public education and outreach efforts would be possible. All of these elements necessary for a viable Planning Office would at leas be a possibility under this level funding.

The CNMI has a mandate at this time. The Commonwealth must make the decision to truely establish a meaningful and viable Water Resources Planning Office or continue to face the losing battle of trying to make their water supply ends meet. There is no question that water is the central figure in any growth situation that these islands hope to maintain. Hopefully a reasonable and intelligent decision can be arrived at in time to fulfill the original dreams and meet the basic needs of the people of the Commonwealth.

Attachment: Saipan Water System Proposed Improvements (1978-1985)

TABLE 1

SAIPAN WATER SYSTEM PROPOSED IMPROVEMENTS 1978-1985*

1.	Complete water metering program of all homes and commercial businesses	Lump Sum	$ 50,000
2.	Complete planned improvements to the water distribution system as recommended in previous studies and/or under design		
	a. North and South Garapan distribution system	Lump Sum	$800,000
	b. San Roque distribution system	Lump Sum	$200,000
	c. Tanapag distribution system	Lump Sum	$400,000
	d. Sugar King Subdivision I & II distribution System	Lump Sum	$200,000
	e. Gualo Rai Reservoir and distribution system	Lump Sum	$500,000
	f. Chalan Kiya distribution system	Lump Sum	$100,000
	g. Afetna distribution system	Lump Sum	$300,000
	h. Fina-Sisu and Chalan Kanoa distribution system	Lump Sum	$100,000
	i. Tanapag pump	Lump Sum	$ 40,000
	j. Airport Apron Water Catchment system	Lump Sum	$100,000
3.	Initiate inventory and data base program that will allow systematic analysis of behavior of the water sources over time		
4.	Additional wells at Isley Field Kobler field area	2 wells @$40,000	$ 80,000
5.	New well field at Rapugau	3 wells @$40,000	$120,000
6.	Conduct exploratory drilling program between Agag and San Vicente	Lump Sum	$200,000
7.	Improve Agag well field	Lump Sum	$100,000
8.	New well field in Chacha district	4 wells @$40,000	$160,000
9.	Eight-inch transmission main between Chacha well field, Agag wells, and San Vicente area	22,500 @$30/lf	$ 675,000
10.	Transmission main, reservoir, and distribution system for San Antonio Newtown	Lump Sum	$1,500,000
11.	Transmission main and distribution system for new areas in Garapan	Lump Sum	$ 300,000
12.	Transmission main, booster pumps and reservoir for San Roque	Lump Sum	$ 700,000
13.	Transmission main and distribution system for new areas in San Jose-Oleai-Susupe areas	Lump Sum	$ 400,000
14.	Additional distribution system, improvements and replacement of existing pipes for existing villages (San Antonio, Chalan Kanoa, Susupe, Oleai, Garapan, Tanapag, San Roque, and San Vicente)	Lump Sum	$1,500,000
15.	Transmission main and distribution system for new areas in Tanapag	Lump Sum	$ 500,000
16.	Replace and upgrade existing transmission mains that are old or in deteriorated condition.		
	a. Transmission main along primary road in vicinity of San Vicente	Lump Sum	$ 150,000
	b. Transmission main from hospital well #3 to Isley field-Kobler field area	Lump Sum	$ 400,000
	c. Transmission main in Chalan Kanoa	Lump Sum	$ 150,000

* Proposed improvements are not yet prioritized.

TOTAL $9,725,000

Attachment #7

AMERICAN MEMORIAL PARK

CAPABILTIY STATEMENT

Agency/Bureau: Department of Interior/Territorial and International Affairs

Appropriation: Administration of Territories

Activity: Commonwealth of the Northern Mariana Islands

Proposed Amendment: 2,725,000. for Development of American Memorial Park.

Current Program: Public Law 95-348 authorizes an appropriation not to exceed $3.0 million for the development of the American Memorial Park. The park encompasses about 135 acres if prime coastal area immediately adjacent to the major hotel district and the major harbor facilities on Saipan. It is a memorial for the American soldiers and civilians who had given up their lives in the Northern Mariana Islands during the World War II. In addition, the park would serve as a major attraction to tourists and residents for recreation and sport activities. The National Park Service has been authorized to plan, develop and administer the park. The park, as proposed in the Physical Development Master Plan for Saipan, provides for a phased development. The first phase is estimated to cost $3.0 million. However, the total cost for the completion of the park as prepared in the plans is estimated to be $16.0 million. The park is to includes interpretive center, boat ramps, athletic fields, swimming pool, amphitheater, and picnic facilities. Thus the intire park area will function as a living memorial.

A Task Force has been established to work with the National Park Service to prioritize the park development, so that it may proceed toward its final development in an orderly and authorized manner. The Task Force has made the following park development recommendations with the associated cost per development:

1. Site preparation -	roads, parking, clearing, walk-ways.	$463,900
2. Interpretive Center		859,350
3. Nature Area - Walkways an signing		27,880
4. General Park Improvements -Signs, Dredging, Removal of Navigational Hazards.		984,500
Total		2,335,630
Mobilization 0.3%		7,066
Distance Factor 6%		140,138
		2,475,768
Inflation 1980 & 1981 20%		495,154
Total Cost		2,970,921

* Source: American Memorial Park, Plan C Estimates; December, 1979; by Art Dreyer, National Park Service.

These initial Park developments come to about $3,000,000.

No work has began on this project pending appropriation of funds.

No work can be accomplished until funds are appropriated.

Feasibility: A $3 million authorization already exists. The Appropriation of the $2.725 million would help the Commonwealth realize the promise made by Congress when it ratified the covenant. The project represents an execution of formal part of our relationship to the United States.

Capability: All funding requested for American Memorial Park would be used for construction of the six top priority park facilities. All facilities will be constructed in accordance with the National Park Service Plan for Park Development. (Attached).

Although it is estimated that the entire Park Development Plan will cost $16 million dollars, development will be phased. Additional funds for future phases are not requested at this time.

Attachment 7A

AMERICAN MEMORIAL PARK - SAIPAN
Cost Estimate Plan "C" - 12/79 Art Dreyer, Landscape Architect,
National Park Service.

Item No.	Item Description	Unit	No.of Units	Unit Cost	Total Cost
I	Micro Beach Area				
A	Roads and Parking (278 Cars)				
1.	Clearing and Grubbing	Acre	2.5	950.00	2,400
2.	Grading	Sq.Yd.	11950	1.60	19,120
3.	Compacted Base (6"Depth)	Cu.Yd.	1990	11.50	22,900
B	Beach Area				
1.	Clearing and Grubbing & Cleanup of 200"x2800"	Acre	13.0	950.00	12,350
C	Picnic Area & Playfield				
1.	Clearing & Grubbing playfield	Acre	5.25	950.00	5,000
2.	Grading Playfield	Sq.Yd.	25410	1.60	40,650
3.	Turf Instalation Playfield	1000S.F.	26	100.00	2,600
4.	Group Picnic Cabana	Sq.Ft.	3600	20.00	72,000
5.	Group Picnic Units	Each	2	5,000.00	10,000
6.	Picnic Units (Table and Grills)	Each	50	500.00	25,000
7.	Walks (surfaced 5' wide)	Sq.Ft.	12,300	1.00	12,300
8.	Restrooms	Each	3	12,000.00	26,000
9.	Waterlines	Lin.Ft.	3770	24.00	90,480
10.	Sewerlines	Lin.Ft.	3770	20.00	75,400
11.	Powerlines (underground)	Lin.Ft	3770	10.00	37,700
		SUBTOTAL ITEM I			463,900
II	Interpretive Center and Memorial				
A	Roads and Parking (510)				
1.	Clearing and Grubbing	Acre	4	950.00	3,300
2.	Grading	Sq.Yd.	18675	1.60	29,880
3.	Compacted Base (6" Depth)	Cu.Yd.	3100	11.30	35,650

Outlay Effect:	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 1982	0.25	0.25	2.0	0.5

See Attachment 7A and 7B for additional information.

Attachment 7B

AMERICAN MEMORIAL PARK

Public Law 95-348 authorizes an appropriation not to exceed $3.0 million for the development of the American Memorial Park. The park encompasses about 135 acres of prime coastal area immediately adjacent to the major hotel and the major harbor facilties on Saipan. As a memorial for the American soldiers and civilians who had given up their lives in the Northern Mariana Islands during the World War II. In addition, the park would serve as a major attraction to tourists and residents for recreation and sport activities. With the assistance of the National Park Service(NPS) of the Department of Interior, preparatory efforts are being made accumulating historical information and documents depicting the war activities in the Northern Marianas during World War II. A monument has been scheduled for siting sometime in 1980. A park ranger for the National Park Service will be assigned to Saipan sometime this year to assist in the preparation work. Endangered species, known to live in a wetland portion of the park, would be protected within the nature study area.

The architectural renditions of the park are shown in the physical development master plan for Saipan. The park is to include a history center, boat lauching facilities, nature study area, athletic fields, swimming pool, amphitheater, and picnic facilties.

Congress has authorized $3.0 million for construction of facitlites which will be made available through the National Park Service which has been authorized to plan, develop and administer the park. A NPS park ranger will be stationed on Saipan beginning this month.

The park, as proposed in the Physical Development Master Plan for Saipan, provides for a phase development. The first phase is estimated to cost roughly $3.0 million. However, the total cost for the completion of the park as prepared in the plan was estimated to be roughly $16.0 million. Due to obvious funding constraints and in recognition of great desire to proceed with the park development, Governor Carlos S. Camacho has created a special American Memorial Park Task Force to work with the National Park Service in prioritizing the park development so that

Item No.	Item Description	Unit	No.of Units	Unit Cost	Total Cost
B	Site Facilities				
1.	Boat Launching Ramp	Lane	1	15,000	15,000
2.	Boat Concession Bldg.	Sq.Ft.	2000	35.00	70,000
3.	Boat Dock and Wharf	Sq.Ft.	600	80.00	43,000
4.	Mooring	Each	15	2000	30,000
5.	Memorial Terrace	Sq.Ft.	3000	6.20	30,000
6.	Bench Seat	Lin.Ft.	30	66.00	1,980
7.	Clearing and Grubbing-Turf Area	Acre	2.5	750.00	2,400
8.	Grading - Turf Area	Sq.Yd.	11955	1.60	19,125
9.	Turf Installation-Turf Area	1000S.F.	107	100.00	10,700
10.	Walks (Unsurfaced 5' wide)	Sq.Ft.	25420	1.00	25,420
11.	Interpretive Center Bldg. -1	Sq.Ft.	5400	40.00	218,000
12.	Interpretive Center Bldg.-2	Sq.Ft.	5000	40.00	200,000
13	Water Lines	Lin.Ft.	2460	24.00	59,000
14.	Sewerlines	Lin.Ft.	2460	20.00	48,200
15.	Powerline (underground)	Lin.Ft.	2460	10.00	24,600
	SUBTOTAL OF ITEM II				859,300
III	Natural Area				
A.	Walks (unsurfaced 5' wide)	Sq.Ft.	27880	1.00	27,880
	SUBTOTAL OF ITEM III				27,880
IV	General Park Area				
A.	Signing-Entrance and Directional	Lump Sum			10,000
B.	Dredging -3400 Ft.x 150 Ft. x 5Ft.	Cu.Yd.	175,000	5.50	962,500
C.	Removal and Disposal of Hazardous Material 4600 meter x 60 meter shoreline	Ha.	20	400.00	12,000
	SUBTOTAL OF ITEM IV				984,500
	TOTAL				2,335,630
	Add-ons				
	0.3%Mobilization & Demobilization				7,066
	6% Area Factor for Saipan				140,138
	1980 & 1981 Inflation 20%				495,154
	GRAND TOTAL				2,970,921

the project, if funded, may proceed in manner which will allow the total park concept to be realized over several years.

The Task Force has recommended that this initial park development involve the following:

1. Site clearing, grading and landscaping
2. Erection of the memorial monument
3. Construction of sanitation facilities
4. Removal of water navigational hazards and reconstruction of eroded facilities
5. Construction of a covered, open air, multi-purpose theater
6. Construction of an activity center for the aged and youth.

These improvements would provide for a memorial of the war victims; an aesthetically pleasing open space theater which can be used for passive and active recreational activities and sports for tourists and residents, minimal sanitary facilities and removal of boat hazards. An appropriation of $3.0 million for the park as authorized by P. L. 95-348 would allow the National Park Service in conjuction with Commonwealth Government to undertake the above efforts.

The government and people of the Northern Mariana Islands are increasingly concerned about the American Memorial Park. The park land has been minimally developed because of the pressing needs for available capital elsewhere. The rampant inflation will push the costs of the development higher if appropriation for the project is not made soon.

Governor Camacho in his opening remarks to the American Park Task Force, had this to say: "While we have strong desire to see the park completed in a hurry, let's be reaslistic. We know it will cost $16.0 million to complete the park, but we shouldn't wait until we have $16.0 million. We should start now, utilizing any funds that we could raise locally and seeks any financial support from without so that our people and our island visitors could begin to use the park area."

OPENING STATEMENT OF

SENATOR JOSEPH S. INOS,

FLOOR LEADER OF THE SENATE,

NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

BEFORE THE SUBCOMMITTEE ON INTERIOR,

COMMITTEE ON APPROPRIATIONS,

U.S. HOUSE OF REPRESENTATIVES

MAY 12, 1981

THE SENATE
SECOND NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. Box 129
Saipan, CM 96950
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PRESIDENT
Pedro P. Tenorio

VICE PRESIDENT
Benjamin T. Manglona

FLOOR LEADER
Joseph S. Inos

MINORITY LEADER
Herman R. Guerrero

ROTA
Julian S. Calvo
Joseph S. Inos
Benjamin T. Manglona

SAIPAN AND ISLANDS NORTH
Herman R. Guerrero
Froilan C. Tenorio
Pedro P. Tenorio

TINIAN AND AGUIGUAN
Serafin M. Dela Cruz
John U Hofschneider
Ignacio K. Quichocho

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THIS COMMITTEE:

I bring greetings and extend a warm Hafa Adai from the people of the Northern Mariana Islands. The members of the Senate of the Second Northern Marianas Commonwealth Legislature support the budget request of $26,489,000 (supplemental inclusive) for the Commonwealth of the Northern Mariana Islands for Fiscal Year 1982 and urge that this committee act favorably on this request. We realize that the Fiscal Year 1982 budget will be very tight and therefore, our additional request is limited to the most pressing needs of the Commonwealth. The demand for public service and the numerous capital improvement program requirements, such as construction of badly needed roads, harbors, health facility, electrical generation and others for the Commonwealth far exceeds the Covenant grants received from the United States and the resources we generate within the Commonwealth. The cost of fuel has doubled since the inception of our three-year-old government and implicit price deflator has only gone up 29%.

Public Law 96-205 contains an authorization for an appropriation of $24.4 million for the construction of health facilities for the Commonwealth of the Northern Marianas to be located on Saipan. We respectfully request that you support the appropriation of this amount this Fiscal Year.

During the Fiscal Year 1979, Congress passed Public Law 95-348 authorizing a $9 million for the construction of a Power Plant on Saipan. $5 million of this authorization was appropriated and the power plant is now completed and is in operation. Immediate expansion is necessary in order to meet the increasing demands of the tourist industry and the residents of the Northern Marianas in general. Accordingly, we solicit your support in appropriating the balance of $4 million under this authorization in order that this necessary expansion may commence.

Sections 802 and 803 of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America stipulate that the Commonwealth will make available to the Government of the United States, for lease, 17,799 acres on Tinian, 177 acres at Tanapag harbor and 206 acres encompassing the entire island of Farallon de Mendinilla for a period of 50 years.

In addition, the United States was given an option to extend the lease for an additional 50 years at no cost.

The sum of $19.5 million (1975 constant dollars) was the figure agreed upon by the people of the Northern Mariana Islands and the people of the United States. We support the request of the Defense Department that the lease option be exercised this fiscal year.

Fifty percent of the payment due, pursuant to Title I of the Micronesian Claims Act of 1979 have not been appropriated. As you know, these claims have been adjudicated by the War Claims Commission and we, again, respectfully request that this committee look into this matter as our people are patiently waiting payment.

The Federal Highway Act under Public Law 95-599 authorized $1 million to be appropriated to the Commonwealth of the Northern Mariana Islands annually. The Commonwealth have been receiving only 50 percent of this amount. Because of our extensive need to begin highway construction in Rota and reconstruction on Saipan and Tinian, we ask that the entire amount be made available to the Commonwealth this fiscal year.

Public Law 95-348 authorized to be appropriated the sum of $3 million for the development maintenance and administration of the American Memorial Park at the Tanapag harbor reservation on Saipan. We ask that this amount be appropriated in order that the project will get underway.

The harbor facilities in the Commonwealth are not only substandard but are indeed dangerous. Public Law 96-597 mandated that a study be made as to the needs of the harbor facilities for the Commonwealth. The Department of Interior contracted the Army Corps of Engineers to complete the evaluation of the Saipan and Rota harbor needs. We support any appropriation for the improvement and construction of the harbors and dock facilities for the islands of Saipan, Rota, and Tinian.

Mr. Chairman and members of this committee, on behalf of the Senate of the Commonwealth of the Northern Mariana Islands, I respectfully request that you act favorably on these requests which are urgently needed by the people of the Commonwealth.

I wish to thank this committee and the Congress of the United States for its continuing generosity and understanding support of our young and developing Commonwealth.

Thank you very much for the opportunity to appear before your committee. I will be most happy to answer questions that the members of this committee may have.

Hafa Adai.

Mr. MURTHA. If you will proceed and summarize your statement, Governor.

GOVERNOR CAMACHO'S TESTIMONY

Governor CAMACHO. Thank you, Mr. Chairman.

As you can see, we have a very voluminous presentation this year. However, I will summarize our presentation.

I extend warm greetings and Hafa Adai from the Northern Marianas. We are here to testify on our budget request for fiscal year 1982 for the Commonwealth.

BUDGET REQUEST

The Commonwealth's fiscal year 1982 budget request recognizes the funding limitations imposed under President Reagan's proposed budget.

Our budget is the minimum amount required by the Commonwealth of the Northern Mariana Islands for purposes of maintaining current programs.

The budget further recognizes urgently needed Capital Improvement Projects which would allow our new government to move rapidly towards increasing economic self-sufficiency.

These projects include: electrical power generation and distribution, roads, harbor, and water system improvements.

A high priority has also been placed on the need for financial relief from the impact of high fuel costs for power generation in the Commonwealth.

The impact of fuel costs on our operational resources will be three times greater than our fiscal year 1977 experience. The Implicit Price Deflator has risen only 30 percent in the same period or one-tenth of the change in fuel prices; fuel costs, therefore, will account for approximately 30 percent of our operational resources.

To be more explicit, we require and are asking for supplemental appropriations for road, water system and harbor facility construction and reconstruction, and finally power generation and distribution.

Our requests for fiscal year 1982 are formulated within the framework of the goals and objectives of the Socio-Economic Development Plan of the Commonwealth.

The supplemental requests involve capital outlays which far exceed the ability of the Northern Marianas to finance under Covenant funds, but are vital to meeting our commitment of economic self-sufficiency.

We have recognized the need for greater economies in government and the need to raise local revenues to maintain and improve public services.

To this end, we have initiated specific cost-cutting measures to hold down the costs of govenment. In addition, we have created a tax advisory commission and a utility rate commission to identify and implement new revenue measures.

The budget we have brought with us and have presented to you, was designed to implement the aims I have cited and to build moral and physical strength into America's westernmost frontier.

We present it to you for your serious consideration and possible additions and improvements, for we believe that this budget's importance is of such long-term and worldwide ramifications that its details and even its scope transcend the capabilities and vision of any one group.

We ask you to join with us in full and free discussion of the future of our people, and how their lives, their political, social and economic activities may be integrated with mainland counterparts to the enduring betterment of all.

Reducing these values to budgetary terms, howver, is an awesome responsibility, and we are eager to share this responsibility with you—seriously and prayerfully.

That concludes the summary of our presentation, Mr. Chairman.

EFFECT OF FEDERAL GRANT REDUCTIONS

Mr. MURTHA. Thank you, Governor.

Could you go into more detail as to what effect the projected grant reduction by the Federal Government will have on the economy of the Northern Marianas?

Governor CAMACHO. I would like to start and then have my staff respond in greater detail.

Mr. MURTHA. Fine.

Governor CAMACHO. With regard to fuel, for example, with the removal of the Federal "old" oil entitlement subsidy, it will mean that there will be an increase of several hundred thousand dollars for the Northern Marianas in terms of meeting its fuel needs.

We will be affected by the elimination of over 100 positions under CETA which we are currently trying to make provision for in the private sector, and also in vacancies in government jobs.

The public safety will also be affected in the area of highway safety and criminal justice. These are some of the effects that it will have on the overall operation of the Northern Marianas Government.

I would like to ask the Planning and Budget Officer to add to that.

Mr. SABLAN. We are in the process of finalizing a report on the impact of the proposed budget cuts by President Reagan. We should be able to present it before the end of this week, but to further go into this specific impact, assuming everything goes through as proposed, we will see a situation where 160 people are being affected by cutting off of the grant and much of that is in the CETA and YCC programs.

These have particular importance to us in the vocational area.

Other areas in which we are experiencing a major impact are Federally funded capital improvement programs. Capital improvement projects, supported by EDA, addressing water needs will come to a standstill.

EMPLOYMENT

Mr. MURTHA. What is your unemployment rate?

Mr. SABLAN. The average is about seven percent in the Commonwealth.

To give you some statistics on employment, we have 2,000 government employees, of them, 160 are funded by categorical Federal assistance grants.

There is an effort by the Governor to hold down employment in government, and he has implemented a program that would put a lid on future add-on employment in the government. So we have put a lid on further expansion in government employment.

For the first time we have larger employment in the private sector. There is a total of 7,000 employed; 5,000 in the private sector. This is a direct result of the economic projects in the last 36 months.

GOVERNMENT ECONOMY MEASURES

Mr. MURTHA. What kind of adjustments do you anticipate making in order to operate with reduced funds?

Governor CAMACHO. We have been discussing over the last three months, you might say, cost-saving measures so that the limited resources we have could be stretched out to accommodate and maintain, if not continue, whatever programs or services are currently available.

For example, we have indicated that all travel is to be approved only by the Governor. Overtime is to be minimized, if not totally abolished. The purchase of equipment and supplies is all to be certified before funds are available.

We have indicated that all unnecessary air conditioning is to be turned off at 4:30 in the afternoon and throughout the weekends, and those found to be on and not considered necessary will be removed.

Mr. MURTHA. What is the temperature there?

Governor CAMACHO. We have the most stable temperature in the world, you might say. It runs somewhere between 78 and 86. Unfortunately, one of the modern amenities is air conditioning and people are getting used to it, but that is also one approach that we have taken—that we have considered—because the primary costs of unbudgeted expenditure are fuel costs, not to mention retirement costs.

Mr. MURTHA. Are you talking about the fuel costs of operating the compressors for the air conditioning units?

Governor CAMACHO. To provide power on a 24-hour basis.

Mr. MURTHA. Do you have a central power system?

Governor CAMACHO. Yes. We have a new power generation system that was initiated last year in May, funded by the U.S. Congress. This provides power for Saipan. Tinian and Rota have their own power sources.

ECONOMIC DEVELOPMENT MEASURES

Mr. MURTHA. Would you explain for the committee the steps you are taking to increase economic development in the Northern Marianas?

Governor CAMACHO. Since we got in 3½ years ago, we have concentrated our effort in developing the private sector, knowing that the government will not be able to absorb the increasing costs.

In that respect, we have concentrated whatever resources we have toward developing basic infrastructure.

I think at this time I can say we have resolved the problem—with the exception, of course, of the fuel, which we have no control over whatsoever.

We have taken care of the airstrip so that at this time 747s are now landing in Saipan. We have taken care of the international communications by the placement of COMSAT in Saipan.

We are working on both Federal and local sources in terms of funding.

The next is water. All of these are in some stage of development basically to help the development of the private sector.

We have also initiated efforts to make business ventures in the Northern Marianas more attractive so investors can come in and invest whatever money they have.

Mr. MURTHA. How do you do that?

Governor CAMACHO. We have been trying to develop some sort of incentive even though our tax structure is really already full of incentives for investors.

We have developed brochures and also informational material for investors. We have been helpful in securing public land for people who are interested in investment in the Northern Marianas.

As a result of that, the only viable economy that we have right now is the tourist industry, and it is expanding very rapidly, although we are still pursuing agriculture and fishery in terms of stimulating additional revenue to the Northern Marianas.

Mr. MURTHA. How would you use your economic development plan to attract industry other than tourism?

Governor CAMACHO. I would like to ask Mr. Sablan to respond.

Mr. SABLAN. Mr. Chairman, I also serve as the Chairman of the Economic Development Board. The Board has, in effect, been following the commonwealth's multiyear socioeconomic plan that has been adopted by the Governor. In that plan we have identifed specific economic projects that should be promoted involving local participation. From that angle, we have assured that the funds will address initiation of local participation in economic projects.

So the emphasis of that fund is tied to the plan, which addresses specific projects consistent with economic policies and procedures in the government.

In addition to that, the economic development board also is working very closely with the Public Land Corporation, the Investment Board, and farmers and labor, and in addition, with U.S. Federal agencies who have direct interest in this development, particularly in USDA.

Mr. MURTHA. Mr. Sablan, what has been your unemployment rate for the last 10 years?

Mr. SABLAN. We have been maintaining pretty much a steady unemployent situation. One of the problems we have is inability to document the unemployment rate in a systematic manner, but we have been estimating five to seven percent per annum.

Mr. MURTHA. It has been steady even though you obviously would have more people looking for jobs?

Mr. SABLAN. That is right.

Mr. MURTHA. You say 5,000 of those jobs are in the private sector and 2,000 are in the government sector.

Mr. SABLAN. Right.

NEW POWER PLANT

Mr. MURTHA. Let's go back and talk about the power plant. What is the operational experience with the new power plant which is partially financed by Congress?

Governor CAMACHO. I have the Director of Public Works. I would like to ask him to respond to that.

Mr. SASAMOTO. In terms of savings, in fuel alone we have been able to cut down our operational consumption by about 150 barrels a day. We have experience with the new power plant now.

We are currently going through the first year of overhaul. We have been able to cut down many of our costs in the lubricant area, distillates, bunker fuel.

Unfortunately, this saving is offset by the increase in fuel in the last year.

Mr. MURTHA. How much generating capacity do you have in the Islands and what is your overall demand?

Mr. SASAMOTO. I don't have the total capacity of 21 megawatts. Sometime in June of this year we pick up the maximum of 15.1 megawatts. That means we are continually running two engines at one time and we have only one backup standby power.

POWER BARGE IMPEDANCE

Mr. MURTHA. What plans are there for the power barge Impedance on loan from the Corps of Engineers?

Governor CAMACHO. Mr. Chairman, that has been handed over to both Interior and the Army Corps of Engineers.

Mr. MURTHA. It has been handed over to them?

Governor CAMACHO. Yes. It has been formally handed over to them, and really we have been doing nothing but, you might say, a caretaking operation to make sure that the power barge is not burglarized or damaged way beyond what might be called normal wear and tear.

We are not using it. We have expended a half million dollars of our local resources to prepare the barge for towing for overhaul. Apparently, for some reason it has not been taken away. It is still there.

I can assure you that we will hold onto it for as long as you want us to hold onto it but as far as we are concerned, it is not ours legally.

HOSPITAL CONSTRUCTION

Mr. MURTHA. If the Congress provides funds for architect-engineering work for a new hospital, how long will it take before construction could commence?

Governor CAMACHO. I would like to ask the consultant on the hospital, who is here, to answer that.

Mr. GENT. We have looked at the process of selection of an architectural engineering firm and a complementary construction

managing organization to expedite the design and construction process to its maximum extent.

Assuming approval by this Congress of the design funds as requested, upon delivery of such funds, we can begin immediate design work. We hope to design to a guaranteed maximum price prior to next year's hearings.

We are scheduling a guaranteed maximum price delivery by the end of February of 1982, hopefully for your hearings in March.

Mr. MURTHA. When could construction begin?

Mr. GENT. Construction could literally begin upon agreement to that guaranteed maximum price. However, the funding cycles will not allow us to start construction, unless otherwise told, until October of 1983.

We could start construction in March 1, 1983, if we had the appropriate funds to do so.

Mr. MURTHA. How long would it take to complete it?

Mr. GENT. The present schedule for completion would be a 24-month construction period.

Mr. MURTHA. Do you have a preliminary total cost estimate?

Mr. GENT. We do have a preliminary cost estimate for construction of the hospital and associated ambulatory activities inclusive of projected contingencies and change orders Group 2 and Group 3 equipment, a preliminary site development cost and architectural and related fees, a total cost of $20,670,000.

Mr. MURTHA. How many beds is that?

Mr. GENT. This would be a total of 74 beds; sixty-four acute care beds and 10 long-term psychiatric.

Mr. MURTHA. Where is the nearest hospital?

Mr. GENT. Guam.

Mr. MURTHA. How far is that?

Mr. GENT. One hundred twenty-eight air miles.

Governor CAMACHO. Mr. Chairman, perhaps a more correct statement will be the nearest hospital will be Rota, which is about 70-some miles away, but it is not even up to the Saipan standard so if you are talking about how close is the nearest more modern hospital, probably Guam, which is 125 miles out of Saipan.

CIP FUNDS USED FOR NONCAPITAL ITEMS

Mr. MURTHA. A report dated February 1981, states $4 million of your capital improvement funds were used for non-capital items. What has been your response to this report?

Governor CAMACHO. I would like to ask the budgeting officer behind me to respond to that.

Mr. SABLAN. Our response is based on the information that was used to develop the Federal Comptroller's audit report which alleged the utilization of cash from CIP funds for government operations.

It has not get been determined whether this was the case. The Governor has, in fact, placed emphasis and priority on trying to determine whether this is the situation.

There is a possibility that CIP cash was used for purposes of participating in various Federal programs which require, in effect, advance expenditure before the Federal reimbursement takes place. We are investigating that.

At the same time, we are also looking at the possibility that cash that was in fact earmarked for CIP was used for operational expenditures which did not involve Federal reimbursement.

We have been discussing this matter with the Federal Comptroller, and our office intends to pursue auditing these accounts.

It should also be mentioned that during this period the matter regarding the settlement of accounts between the Trust Territory has not been resolved. We have begun settlement of those accounts, and it is our hope settlement will take place soon so our books will be closed.

Mr. MURTHA. What steps have you taken to more clearly define what items should be charged to capital improvements?

Mr. SABLAN. Mr. Chairman, this has been a concern expressed by the Federal Controller and the Governor as well as the Legislature, which has been working in terms of developing the necessary legislation to define CIP.

It should be pointed out in the matter of CIP applications in the Commonwealth, perhaps in the same manner as experienced in other territories, the definition of CIP would have to be relevant to the constraints that the territory is facing respecting the application of CIP funds and operations funds.

We have developed proposed legislation. The legislature has conducted hearings, and we have been told that it is actively being considered.

AGRICULTURE

Mr. MURTHA. Your justification on page 157 states only one-half of one percent of the land area is under cultivation and over 60 percent of arable land is unused.

What steps are you taking to increase this usage?

Governor CAMACHO. Mr. Chairman, if you go to Saipan right now you will see that is probably a little bit outdated. We have been urging our people to go back to the land to produce at least basic needs.

We are trying to tie this in with the implementation of food stamps.

I don't know whether you are aware, but in our discussion with the agriculture people here in Washington, we have insisted that a certain percentage for every dollar that is given out should be used for local production.

In other words, 25 cents of every dollar should be to purchase not only the fresh provisions that are locally grown on the island, but also fresh livestock and fish that are caught around our ocean.

As a result of this, it has stimulated agricultural production at this time and we are hopeful this will continue.

The unfortunate thing is we have invested a lot of money to support a lot of the new farmers who are just beginning and we do not know when food stamps will come into effect—which means they are not assured, of course, of some sort of income for their labor.

Mr. MURTHA. How much of your food is imported?

Mr. SABLAN. In respect to consumption, vegetable imports is substantially reduced. Total imports would be about 90 percent—except vegetables.

Mr. MURTHA. Would the increase in use of land decrease your imports?

Mr. SABLAN. Obviously.

Mr. MURTHA. By how much?

Mr. SABLAN. If you look at the food stamp allocation we are talking about $3 million. Fifty percent of that, I would say, would involve local production.

FISHERY DEVELOPMENT

Mr. MURTHA. Do you also plan to involve local fisheries in order to support the population?

Governor CAMACHO. Yes, Mr. Chairman. We are right now in construction for some very modest fishing centers in Saipan that will meet the immediate needs of our people that will provide refrigeration, storage, ice machine and other things.

On top of that, within the next few months we are hopeful a private investor will start assembling a much larger ice-making machine to meet the needs of larger vessels that will be going out on a longer period.

This is the area we are looking into in terms of stimulating fishery development.

ECONOMIC DEVELOPMENT LOAN FUND

Mr. MURTHA. Would you explain for the committee how your economic development loan fund operates and how the Commonwealth Development Bank operates?

Governor CAMACHO. I will ask the Planning and Budgeting Officer to respond.

Mr. SABLAN. We have just completed an audit.

I have a copy of that which I can submit for the record.

In respect to the second question, the Economic Development Bank proposal, we are still working on that in terms of having the legislation enacted. The economic loan fund is doing the work that was anticipated by the Administration in respect to the Economic Development Bank proposal—with one possible exception—that is its inability to take an equity position in new projects it helped finance.

We are moving in terms of establishing the Development Bank. This is now being considered.

Mr. MURTHA. Thank you very much, Governor. We appreciate your visit and your testimony.

We have some additional questions that we would like you to answer for the record.

Governor CAMACHO. Thank you, Mr. Chairman, we are happy to be here.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

LOCAL REVENUES

Question: Please explain how you intend to increase local revenues in fiscal year 1982 by such a large amount (p.27)?

-- How much of the total cost of power generation does the government intend to charge users?

Answer: Normal inflationary increases account for $1,052,000 of the total internal resource increases in FY 1982. An additional $1,131,000 is anticipated through proposed revenue initiatives, with the balance of the increase to be generated by changes in the utility rate structure. The following schedule illustrates the anticipated increases:

Internal resources FY 1981	$10,579.
Add six months utility reimbursement	1,000.
Total internal resources FY 1981	11,579.
Normal inflationary increases	1,052.
Proposed revenue initiative	1,131.
New utility rate structure	1,185.
Total increase in internal resources	3,368.
Total internal resources FY 1982	$14,947.

As a result of financial constraints the FY 1981 budget was prepared showing only six months of fuel costs, and, consequently, only six months of utility reimbursements. It is anticipated that utility rates will be restructured and a supplemental appropriation enacted before the end of the fiscal year to reflect the remaining 1981 requirement. To properly reflect FY 1981 internal resources, the remaining six months of utility reimbursement must be added to the total shown. This will reflect the actual increase of $3,368,000 in FY 1982 resources. The FY 1982 budget shows both the total fuel costs and utility reimbursements.

The government intends to collect a minimum of 50% of power generation costs from users in FY 1982. The Utility Rate Advisory Commission, recently established by Executive Order, will be responsible for implementing a rate structure to achieve this goal.

ECONOMIC DEVELOPMENT LOAN FUND

Question: Please explain how your Economic Development Loan Fund operates and how the Commonwealth Development Bank operates?

-- What is the Development Bank's source of funds?

-- How much money has been spent to date?

-- Has the Development Bank made loans to the Airport Authority or the electrical power authority?

Answer: The Economic Development Loan Fund, funded by the Covenant, is administered by an eight member Board of Directors appointed by the Governor. The Fund is administered pursuant to the provisions of the Executive Order effected by the Governor in February, 1979. The Fund provides loans and loan guarantees for commercial projects in practically all economic sectors, except consumer housing construction or for rent. (See attached Commonwealth Register, Volume 1, Number 5)

The proposal to establish a Commonwealth of the Northern Marianas Development Bank has not yet been approved by the Commonwealth Legislature. The Legislature is currently reviewing several legislative proposals for the creation of the Bank. (Copies of such proposals were provided to the Committee earlier.) The proposed Development Bank would take on all the assets of the existing Economic Development Loan Fund as its initial capitalization plus interest income that would be generated from the investment of the anticipated Military land lease money under the Covenant. (The current financial status of the Fund and a copy of the Fund's audit are attached). The Fund does not make loans to autonomous and independent agencies of the Commonwealth, such as the airport authority. However, it is envisaged that the proposed Development Bank would be given such authority.

Question: Does the Economic Development General Loan Fund (p. 172 and 173) provide funds to any other entity except the Development Bank?

Answer: The Economic Development Loan Fund is currently limited to making loans available to private entrepreneurs, not to government entities or agencies.

Question: Is the fishermen and farmers loan fund set up and operating?

Answer: A certain amount of the Covenant EDLF reserves were set aside for guarantees to small farmers and fishermen. The economic criteria for agricultural and fishery loans are covered in the referred Commonwealth Register. The Fund has been in operation for about two years now. The agricultural and fishery projects financed by EDLF are just not beginning to show positive results as evidenced in the gradual increase in local production of vegetables and the local fish catch. (See Schedule of Loans Approved)

HOUSING LOANS

Question: Please explain how you will provide low interest housing loans (p. 174)?

-- Will an independent agency be set up to do this?

Answer: The Marianas Housing Authority has been utilizing the Covenant funds for housing loan assistance to low income families. The Authority is an independent agency of the Commonwealth Government. The Authority is governed by a Board of Directors appointed by the Governor and establishes criteria for loan eligibility directed to providing high priority to low income families who do not meet the financial tests for obtaining direct loan assistance for home construction from private lending institutions.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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PUBLIC NOTICE

ADOPTED RULES & REGULATIONS -
POLICY AND PROCEDURE MANUAL
THE ECONOMIC DEVELOPMENT LOAN FUND
NORTHERN MARIANA ISLANDS

The Acting Deputy Director of Commerce & Labor on behalf of the Chairman, Economic Development Loan Fund Board, pursuant to Executive Order Number Ten, wishes to advise the general public the adoption of the Rules and Regulations of the Economic Development Loan Fund, Commonwealth of the Northern Mariana Islands.

THE ADOPTED RULES AND REGULATIONS INCLUDES THE FOLLOWING SUBJECTS:

I. Establishment and source of funds

II. Purpose of funds

III. General policy for loans

IV. Guarantee

V. Management

VI. Duties of the Board and the loan committee

VII. Prohibited loans

VIII. Basic terms of loans or guarantees

IX. Terms of loans

X. Schedule of payments and penalties

XI. Appraisal

XII. Loan documentation

XIII. Loan applications

XIV. Investment equity

XV. Amount of loan

XVI. Loan fees

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XX. Servicing of loan

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EXIHIBIT A - Additional instruction for guidance of applicants in preparing EDLF loan application

EXIHIBIT B - Authority to release information

EXIHIBIT C - Financial statement

Copies of the adopted Rules and Regulations may be obtained from the Acting Deputy Director, Department of Commerce & Labor.

Date

Jose C. Ayuyu
Acting Deputy Director
Department of Commerce & Labor

Commonwealth of the Northern Mariana Islands
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POLICY AND PROCEDURE MANUAL
THE ECONOMIC DEVELOPMENT LOAN FUND
NORTHERN MARIANA ISLANDS

I. ESTABLISHMENT AND SOURCE OF FUNDS:

The Covenant for the establishment of a Commonwealth of the Northern Mariana Islands, as signed on February 15, 1975, provides for the establishment of an Economic Development Loan Fund, pursuant to Article VII, Section 702(c), et. seq. The main sources of funds shall be received from the U.S. Government per the Covenant, pursuant to Article II, Section 5 and Article III, Section 9A, Constitution of the Northern Mariana Islands, however, such does not prohibit monies from any other sources. The Covenant being vague and general in certain respects, leaves much of the details for the establishment and administration of the Economic Development Fund to the Government of the Northern Mariana Islands. Accordingly, the various laws of the Commonwealth of the Northern Mariana Islands must be examined from time to time. The policies and procedures contained herein will be subject to change from time to time by the Board of Directors and approval of the Governor to comply with the various laws and with the economic development and demands of the Northern Mariana Islands.

II. PURPOSE OF FUNDS:

The purpose of the Economic Development Loan Fund, hereinafter

referred to as the "Fund", shall be used to develop the economic resources needed to meet the financial responsibilities of local self-government. Further, out of the funds as provided by the Federal Government, pursuant to the Covenant, as used to establish an Economic Development Loan Fund, $500,000.00 each year will be reserved for small loans to farmers and fishermen and to agricultural and marine cooperatives. Further, $250,000.00 each year must also be reserved for a special program of low interest housing loans for low income families. Section 704 of the Covenant further provides that funds not expended or obligated by the Government of the Northern Mariana Islands during any fiscal year will remain available for obligation or expenditure in subsequent fiscal years for the purposes for which the funds were appropriated. Monies from other sources will not be subject to the restrictions contained in the Covenant. The objective of the Fund as stated herein, shall be a long range objective. Accordingly, the funds shall be used to make loans or guarantees which are commercially feasible and in which there will be a high degree of success. All loans or guarantees will be viewed in the light of it being a profitable loan or guarantee based on similar standards as used by other financial institutions within the Northern Mariana Islands. Although it is intended that the Fund become a commercially profitable fund, its purpose is not to compete with the other financial institutions on the islands. It must be a profitable fund in order to sustain itself in future years which in turn would allow further economic development of the Northern Mariana Islands.

III. GENERAL POLICY FOR LOANS:

All loans made by the Board through recommendation of the Loan Committee shall be for the purpose of promoting economic development in the Northern Mariana Islands. Loans to farmers and fishermen and to agricultural cooperatives need not be for high commercial purposes, but such loans to farmers or fishermen shall not be for their personal use, hobbies, or non-commercial purpose, but must be used for the development of their crops or fishing catches for commercial purposes. All loans made shall conform to the lending policies established hereby. Loans granted shall be on a reasonable and prudent basis and it is important that all loans must be economically feasible with a substantial degree of success of the particular venture. It is important that no loan be granted without some sort of equity investment on the part of the loan applicant. It is important that the loan applicant demonstrate, through such equity investment, that the particular project is important enough to risk his own capital and assets.

IV. GUARANTEES:

The Board shall also have the authority to guarantee loans, provided that such loans are made by financial institutions authorized to do business in the Northern Mariana Islands and such loans by the financial institution satisfy the same requirements of a direct loan approved by the Board.

V. MANAGEMENT:

A. Members of Board: The affairs of the Fund shall be managed

by a Board of Directors, eight (8) in number of which, three shall be ex-officio without voting power representing the Department of Commerce and Labor, Department of Natural Resources and the Attorney General. Ample representation shall be from the business community and at least two of which shall be representing the commercial banking community (from a bank or savings and loan authorized to do business in the Northern Mariana Islands and which its deposits are Federally insured) and one each representing the Chamber of Commerce, the public sector and the administration. All Directors shall be appointed by the Governor of the Northern Mariana Islands. The representation of the commercial banking community on the Board shall be on a rotation basis among all the commercial banks or savings and loans duly licensed to do business in the Northern Mariana Islands. During the first year of operation of the Fund, the members of the Board shall serve staggered terms: One member shall serve for one (1) year, another for two (2) years, and the balance of the membership shall be for three (3) years. Each member replacing a Board member after his original term, shall serve a period of three (3) years. The Governor shall determined the initial terms of the Members of the Board and insure that the appointment comply with Public Law 1-8, Title 1(A), Chapter 1, Administrative Provision.

B. Chairman, Executive Director and Loan Committee: The Board shall select a chairman from among its membership and shall select an Executive Director for the Fund who shall be the working or operational officer of the Fund and who shall manage the day-to-day operation of the Fund. The Chairman shall have no vote except when

necessary to break tie votes. The Board shall, from time to time, establish policies with the approval of the Governor for the conduct of the Fund and shall be accountable to the Governor for the affairs of the Funds. The Board shall establish a Loan Committee of three (3) members, whose members shall be selected by the Board and shall consist of the Executive Director, one (1) Board member representing the business community and one (1) Board member representing the commercial banks, the balance of the members and such other members from the community, or from any other sources or from the working or operational officers or employees of the Fund, taking into consideration the business and financial background and experience of each committee member. The Loan Committee shall be chaired by the Executive Director who shall have no vote except when necessary to break a tie vote.

C. Loan Committee - Purpose: The purpose of the Loan Committee shall be to review all loan applications on a monthly basis and make its recommendations to the Board as to the approval, disapproval or other conditions concerning any loan applications. The staff of the Fund shall compile and obtain all necessary information for a complete loan application to be reviewed by the Loan Committee.

D. Board Vacancy: Each Board member as selected shall serve his full term unless the position is vacated by death or by voluntary resignation. Any vacancy shall be by appointment by the Governor. A Board member may be removed prior to the end of his term by a two-thirds (2/3's) vote of the Board of Directors, and by concurrence of the Governor.

VI. DUTIES OF THE BOARD AND THE LOAN COMMITTEE:

A. Accounting and Investments: The Board shall maintain such separate accounts deemed necessary in a bank or savings and loan which is a member of the Federal Reserve System or the Federal Insurance Deposit Corporation. The Board shall also maintain appropriate accounting records consistent with U.S. banking standards. The Board shall have the authority to invest in such interest bearing accounts or securities as it deems appropriate and prudent. The Board shall not allow investment of the funds directly in a private business enterprise through purchase of stock equity. All property of the Fund shall be deemed to be the property of the Government of the Northern Mariana Islands.

B. Income: The Board shall cause to be collected and obtained:

1. All monies to be received by or on behalf of the Fund in respect to repayment of any loan made and the interest collected therefrom.
2. All monies arising from property or investments acquired by or invested by the Board.
3. Other monies due and payable to the Fund.

C. Disbursements: The Board shall pay out of the Fund:

1. Amounts of loan approved by the Credit Committee or by the Executive Director within the policy guidelines established by the Board.
2. Amounts for the making of investments.

3. All expenses, costs and obligations properly incurred or expended by or on behalf of the Fund.

D. Checks: All checks issued by the Fund in payment of the expenses or obligations shall contain two (2) signatures, one (1) of which shall be by the Chairman or Vice-Chairman of the Board of Directors, and the other by the Executive Director or other officer of the Fund with check signing authority as approved by the Board of Directors.

E. Responsibilities of Executive Director: The Executive Director of the Fund shall be responsible for the day-to-day operation of the Fund and shall report to the Board. Further, the Executive Director shall maintain appropriate ledgers, records, documents and papers commensurate with good accounting practices for the Fund. The Executive Director shall institute tickler and follow-up systems on the collection of accounts, and prepare monthly reports to the Chairman of the Board of Directors including Balance Sheets, Profit and Loss Statements, Cash Available for Loans and Status of Receivables, Status of Loan Reports, Delinquency Reports, and other reports as deemed necessary by the Board. Separate independent financial statements concerning the Fund shall be made annually, or periodic statements by a certified public accountant shall be given to the Board if they deem it necessary to be received more often than annually.

F. Functions of Loan Committee: The Loan Committee shall meet monthly to review and consider all loan applications as to whether

or not the loan satisfies the purpose of the Economic Development Fund, namely, that such is for the economic benefit and welfare of the Northern Mariana Islands. Further, Loan Committee shall determine whether or not the loan is commercially feasible and whether or not the loan applicant is worthy of the loan and has the necessary pay-back ability and whether or not such meets criteria and standards of the procedures set forth herein.

G. Outside Counsel or Accounting Firms: The Board may employ an attorney qualified to practice within the Northern Mariana Islands to counsel the Board as to legal matters concerning any loan, the preparation of the necessary documents for the loan and representing the Board on any or all legal matters pertaining to the operation of the loan fund The Board shall see that the firm as employed shall be qualified, competent and have experience in the area of real estate and financing. The Board may also employ a certified public accounting firm to review and audit the books, accounts and ledgers of the Fund and such firm shall also make any recommendations to the Board as such firm deems necessary.

VII. PROHIBITED LOANS:

A. Two Directors - Conflict of Interest: No loan shall be made to any corporation, company, association, partnership or legal entity in which any two (2) Directors shall have any interest or benefit therein, whether directly or indirectly. Such loan shall also be prohibited if two (2) or more of the Directors have members of their immediate family

such as brothers, sisters, spouse, parents, parents-in-law, brothers-in-law, sisters-in-law or children have an interest in shall receive any benefit whatsoever in the approval of such loan.

B. One Director - Conflict of Interest: A loan may be granted by the Board in the event only one (1) Board member has an interest in the granting of such loan provided that no loan shall be granted if such Director is an Officer, Director, partner or major stockholder (1/3 controlling interest) of the applicant; however, such Director which has an interest in the granting of such loan shall disqualify himself and shall not participate in any way whatsoever in the presentation of such loan application or in influencing the Board in any way whatsoever. Such Board member shall not and shall be prohibited from discussing the merits or any reasons favoring the granting of this loan application with any members of the Board or Executive Director or employees of the Fund. Any Director shall disqualify himself in the event such Director has an interest or shall benefit from the granting of such loan in any way whatsoever, either directly or indirectly. Such Director shall also disqualify himself as contained herein in the event members of his immediate family, namely by or through his spouse, brothers or sisters, parents, parents-in-law, brothers-in-law, sisters-in-law or children, have an interest in the granting of such loan.

VIII. BASIC TERMS OF LOANS OR GUARANTEES:

A. Commercial Purpose: All loans shall be for the purpose of commercial development, whether it be for high commercial purposes, or small loan aids to farmers, fishermen or cooperatives. No loans or

guarantees shall be made to or for any person for hobby, personal entertainment or personal pleasure. Loan or guarantee applicants shall obtain a business license relating to the purpose of the loan prior to any disbursement of monies if the loan is granted or before the guarantee becomes effective. Before a loan guarantee is approved by the Board, such loan by the financial institution shall satisfy the same loan criteria hereunder.

B. Security: All loans, regardless of amount, shall be secured by an interest in real property (in fee simple or leasehold interest), or personal property as follows:

1. First Mortgage on Real Estate: Whenever possible, all loans will be secured by a first mortgage or deed of trust interest in the fee simple interest or leasehold interest in real property. The loan to value ratio of any assets given as security shall not exceed eighty percent (80%) of value of the assets or the purchase price of the real estate, if applicable, whichever is lower.

2. Second Mortgage on Real Estate: Second mortgage interests should be discouraged, but may be allowed only if such loan application is highly and strongly economically feasible, that the loan applicant has a good credit rating and good repayment ability, and that the total outstanding principal debt of any first security interest on the asset plus the second mortgage amount will total no more than

eighty percent (80%) of the value of the interest in real estate, or the purchase price, if applicable, whichever is lower.

3. Third Mortgage or Security Interest: In no event shall the Board approve or allow a third mortgage or security interest or any other lesser interest on real estate unless such third or lesser security interest is not the main sources of security for the loan and the Board receives a security interest on real property pursuant to the requirements for a first or second mortgage as set forth above. Further, that the loan itself can stand and be justified solely on the security requirements for first or second mortgage, and that the taking of a third or lesser security interest is merely additional security for assurance of repayment.

4. Chattel Mortgage: Loans may be secured by a chattel mortgage or a security interest as allowed by law on personal property provided that such loan shall not exceed fifty percent (50%) of the value of such personal property, or of the purchase price thereof, whichever is lower, and provided such chattel mortgage or security interest is a primary security interest. Crops or agricultural products such as crop, livestock, poultry and fish shall not be used as security for any loans whatsoever due

to each perishable nature.

5. Use of Funds: Any reference as to the purchase price as set forth above shall mean that the loan shall be used for the purchase of such goods, materials, supplies, equipment or real property as the case may be and such shall not mean the purchase price of any property previously owned by the loan applicant and being put up as security.

C. Loans to Farmers or Fishermen or Cooperatives: No individual farmer, fisherman or cooperative shall receive such individual small loan without security as set forth above.

IX. TERM OF LOANS:

A. Real Estate Mortgage: If secured by first mortgage, maximum term of twenty (20) years.

B. Real Estate Mortgage - Second Mortgage: If secured by second mortgage, a maximum term of seven (7) years, unless the second mortgage interest is not the primary security of the loan but is secured by a first mortgage on real property and that such first mortgage is sufficient security and justification for the loan in itself.

C. Personal Property Security Interest: If secured by a personal property security interest, a maximum term of three (3) years.

X. SCHEDULE OF PAYMENTS AND PENALTIES:

A. Term and Payment of Loans: The Board shall have the discretion to determine the term of the loan, provided that such shall not exceed twenty (20) years depending upon the type and quality of the security for the loan, and pay-back of the loan method and manner of repayment. The loan shall not be structured to provide for only principal and interest payments on an annual basis and in no event shall any loan be structured so that the loan applicant shall be allowed to pay only interest on the principal each month for a period in excess of one (1) year. For the purpose of agricultural loans only, additional grace period may be granted on a case by case basis.

B. Late Payment Charges: Late payment charges shall be assessed in the event any payments are late at the rate of five percent (5%) of the principal and/or interest installment due and payable.

C. Prepayment: No prepayment penalty shall be accessed on payments.

XI. APPRAISAL:

The value of all property being given as security, whether it be real property or personal property, shall be done by an independent appraiser acceptable to the Board. The Board shall examine the qualifications of the appraiser to determine whether or not his work product is acceptable. Generally, any appraisal reports on real property shall be done by an appraiser whose work product is acceptable to at least two (2) financial institutions on Guam or the Northern Mariana Islands. As to any personal property which is not being

purchased with the loan proceeds, then such personal property being given as security shall be appraised by two (2) independent appraisers whom the Board deems acceptable. The lower figure of the two independent appraisers of the personal property being given as security shall be used by the Board to determine whether or not the personal property has adequate value for the purposes of securing the loan.

XII. LOAN DOCUMENTATION:

The loan documentation shall be prepared by an attorney for the Board and whenever possible, the documentation shall be standardized. The documents shall include but not be limited to a promissory note, mortgage, loan agreement, assignments, etc., as shall be approved by the attorney and recommended to the Board.

XIII. LOAN APPLICATIONS:

A. Qualifications of Applicant: An application for a direct or guaranteed loan may be submitted by U.S. citizens or U.S. National having at least a one (1) year residency in the Northern Mariana Islands, a citizen of the Northern Mariana Islands, or a partnership or association wholly owned by citizens of the Northern Mariana Islands, or a corporation organized under the laws of the Northern Mariana Islands of which at least fifty-one percent (51%) of the capital stock outstanding and entitled to vote is owned and held by U.S. citizens or citizens of the Northern Marianas, or by a U.S. corporation, properly licensed and registered under the laws of the Northern Mariana Islands. No loans shall be made to any public

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commission or authority or any other legal entity or organization which is a part of a political subdivision of the Commonwealth of the Northern Mariana Islands or any other government. The loan applicant must:

1. Have demonstrated historically good moral responsibility.
2. Have good financial responsibility.
3. Have shown through previous acts and a history of his business, the ability to operate his/her business successfully, regardless of whether or not the loan shall be for a new business venture unrelated to the present loan applicant's business.
4. Show loan applicant's past financial records of its existing business and the future aspects indicating the loan applicant's ability to repay the loan.
5. Have the amount of loan equity contribution to the loan project.
6. And any other criteria which will relate to the success of the business, the credibility of the loan applicant and other factors as the Board may require or determine from time to time.

B. Economic Development: All loans must satisfy the Board that the loan will be beneficial, desirable and necessary to develop the economy of the Northern Mariana Islands. The following are some guidelines or criteria which the Board shall consider:

1. Creation of employment.

2. Replacement of imports.

3. Reduction in consumer prices.

4. Creation of needed facilities and services.

5. Creation of exports.

6. And such other criteria as the Board may establish.

C. Farmers or Fishermen Loans: As to the granting of small loans to farmers and fishermen or cooperatives as set forth in the Covenant, a small loan shall mean such amount as the Board shall determine from time to time. The granting of such small loans to farmers and fishermen or cooperatives must satisfy the Board that such is necessary, or beneficial to the development of the economy of the Northern Mariana Islands, and the following are some guidelines or criteria which the Board shall consider:

1. Creation of employment.

2. Replacement of imports by way of providing produce or food products at a commercial level.

3. Reduction in consumer prices.

4. Creation of needed facilities and services.

5. Creation of exports.

6. And such other cirteria as the Board may establish.

D. Loan Application Forms: All loan application forms shall be provided by the Board to loan applicants. Applicants for loan guarantees shall also fill out the same loan application forms and provide other information that the Board may require. The forms shall be standardized as much as possible and may be altered from time to

time upon the discretion and needs determined by the Board. The forms shall attempt to obtain necessary information relating to the personal finances of the loan applicant and the principal officers or stockholders of any legal entity applying for a loan. The forms are attached hereto as Exhibits, and are samples of what is desired and loan applicants may deviate or alter the format as the case may be provided the Board receives the information desired.

X. Other Required Information: Financial statements, appraisal reports, information sheets and credit check authoriaxtion shall be filed at the time applicant submits its loan application.

Y. Denial from Private Financial Institution: As one of the eligibility requirements, the loan applicant shall produce evidence that he has made efforts to obtain a loan from a commercial lending institution and that such commercial lending institution has denied the granting of such loan. The loan applicant shall file with the loan application a written statement from such commercial lending institution setting forth the reasons for the denial of the loan. The Board shall not guarantee any loan for any applicant unless the commercial lending institution would not grant the loan without such guarantee by the Board. The Board shall seriously consider the reasons the commercial lending institution denied the loan for such reasons may be similar justification for the Board to deny the loan or guarantee itself, for such reasons including but not limited to poor credit, low repayment ability, high risk, etc.

G. Filing: All loan applications are to be filed with the Executive Director.

H. Credit Underwriting Criteria:

1. No loans shall be granted unless the Executive Director has exhausted every possible examination of the loan applicants and its principal officers or stockholders credit standings. All sources, including banks, credit cards and other information, shall be examined and the Board shall obtain authority from the loan applicant to send letters requesting credit information.

2. No loan applicant shall be granted a loan if such person has been adjudicated or has filed bankruptcy or any sort of proceedings concerning the discharge of debts due to the inability to pay the same within three (3) years from the date of filing the loan application.

3. No loan applicant shall be granted if in default of any debt, loan or obligation whatsoever at the time of filing the application and that the loan applicant does not have a material history of defaults in its previous loans or other credit without justification.

4. Unless for good cause shown, no loan applicant shall be qualified for a loan in the event any foreclosure proceedings were instituted or commenced against the

loan applicant within the last three (3) years prior to the filing of the loan application. This paragraph applies if such proceedings were merely instituted but not completed for one reason or another. For "good cause" shall mean that the proceedings were instituted by the creditor as the result of some mistake or as a result of something beyond the control of the loan applicant and that the loan applicant was without fault.

5. No loan applicant shall be qualified for a loan in the event any property was actually foreclosed upon, taken and sold at foreclosure sale to satisfy any debt owed to a creditor and that such sale occurred within the last five (5) years of the loan application as filed.

6. No applicant shall be qualified for a loan in the event a judgment has been filed or made by any court against the loan applicant for a debt or obligation owed to a creditor and that such judgment was filed or made by a court within three (3) years of the loan application as filed.

7. The Board shall take into consideration any notices of default, other facts or information, or any other defects in the credit rating or comments made by any other creditors. The Board shall determine whether

or not such shall materially effect the loan applicant's request for a loan.

I. Repayment Ability: The repayment ability of the loan applicant shall be of primary concern to the Board for the granting of such loan. The profits, income and proceeds from the business in itself in which the loan proceeds are used shall be the primary source of the loan applicant's repayment ability. The Board shall also be entitled to consider the loan applicant's personal repayment ability from other sources. Assignment of proceeds or income from other sources may be used by the Board as security for the repayment of the loan.

J. Experience: The new business in itself and the proceeds for which the loan shall be used shall be examined in the light of the experience of the loan applicant. Unless the loan applicant can justify which the loan would be used shall be considered as a material reason for the disapproval of the loan.

K. Projections: The loan applicant shall make projections and feasibility studies to the satisfaction of the Loan Committee and the Board. The assumptions for such projections must be clearly set forth, defined and explained so that the Board and the Loan Committee shall have a clear understanding of the method, manner and basis of the projections and studies. All projections or feasibility studies shall be realistic and conservative in nature.

XIV. INVESTMENT EQUITY:

No loan shall be granted without any investment equity in the particular business or product or personal property to be obtained or invested in by the loan applicant. The investment equity shall be in the form of either: (1) cash, (2) personal property, or (3) cash plus the remaining interest in the asset or property given as security. The remaining interest in the asset shall be the difference between the loan amount, and the value of the assets given as security or its purchase price, whichever is lower. It is important that the Board require that the loan applicant invest a certain amount of money or cash for the working capital as part of the investment equity. In no event shall the Board allow any loan without the loan applicant having investment equity of at least ten percent (10%), even if the value of the asset being given as security has sufficient value to exceed the loan ratios required herein.

XV. AMOUNT OF LOAN:

Any commercial loan to the loan applicant shall be in such amounts as determined by the Board, however, in no event shall any one loan to any individual loan applicant be made in excess of the following:

1. Twenty percent (20%) of the total assets of the Fund during the first year of the Fund.
2. Fifteen percent (15%) of the total assets of the Fund during the second year of the Fund.
3. Ten percent (10%) of the total assets of the Fund during the third year of the Fund.

4. Five percent (5%) of the total assets of the Fund during the fourth year of the Fund, and for each year thereafter.

XVI. LOAN FEES:

A. Expenses: The loan applicants shall pay all loan fees necessary and incidental to the loan which may include but is not limited to recording fees, notary fees, appraisal fees, cost of the loan applicant's account or certified public accountant in the event such is required by the Board, loan application fees, and one-half (1/2) of the attorneys fees incurred by the Board for the drafting of the loan documents in the making of the loan.

B. Commitment Fee: In the event a loan applicant desires a loan commitment from the Board for financing of a project, then all the loan applications and approvals must be obtained as though it were a direct loan, however, a loan commitment fee shall be charged equal to the interest rate as decided by the Board of the duration of the commitment, plus such amounts sufficient to cover the full expenses of the Board's attorney's fees and all other incidental costs and expenses relating to the making of the commitment. Such shall be paid at the time the loan is granted or the commitment is made.

C. Points or Loan Charge: The Board shall assess each loan applicant a service charge for the making of each loan. Said charge being in the minimum of one percent (1%), but not in excess of three percent (3%) of the loan. Such shall be paid at the time of the loan closing. This charge shall not apply to small loans to farmers, fishermen

or cooperatives.

D. Interest: The Board shall assess interest on all loans at the maximum rate as shall be allowed by law.

XVII. AMOUNT OF LOAN GUARANTEES: The Board may approve loan guarantees in the event any commercial financial institution, licensed to do business in the Northern Mariana Islands, makes a loan to a particular borrower. Such loan guarantees shall be only for ninety percent (90%) of the direct loan as made to the borrower by the commercial financial institution, and in no event shall any loan guarantee be approved by the Board if such financial institution requires the Fund place a reserve in excess of twenty five percent (25%) of the amount guaranteed by the Fund be placed with the financial institution. Any funds placed with the financial institution as set forth as herein, shall accure interest at the highest rate obtainable from the financial institution and as may be negotiated by the Board. The fees from the borrower for such guarantee by the Fund, shall be one and one-half percent (1&1/2%) of the amount guaranteed by the Board or the maximum obligation of the Fund in the event of any default. Such guarantee fee shall be paid in full to the Fund by the borrower at the time of the closing of the loan with the private financial institution.

XVIII. DISBURSEMENTS:

A. No disbursements shall be made unless all the loan documents have been completed and executed and all fees, charges and other expenses have been paid.

B. No disbursements shall be made unless the loan applicant has produced all the necessary information and copies of any other documents required as part of the loan including but not limited to all insurance policies, releases, etc., and shall have executed all loan documents, notes, mortgages, etc.

C. All disbursements shall be subject to accounting procedures and policies as adopted by the Board.

D. In the event it is a construction loan, then with each increment payment, an amount equal to a minimum of ten percent (10%) of the increment shall be withheld to assure that all subcontractors, materialmen and suppliers have been paid. These funds shall be released after sixty (60) days after the project has been completed, provided that the Board or the Executive Director is satisfied that all of the materialmen, subcontractors and other suppliers have been paid.

E. In the event the loan proceeds involve construction of improvements, then prior to the disbursements of any funds, each increment shall be first approved according to the plans and specifications by the loan applicant or owner. Upon receipt of such approval, then such increment shall be inspected to the satisfaction of the Executive Director or his representative to see that the increment has been completed according to the plans and specifications. Upon acceptance of such increment by the Executive Director, the funds may be disbursed subject to the ten percent (10%) withholding as set forth above. The Executive Director shall be or may be assisted by outside consultants or architects or

engineers concerning the construction of such increments. Such consultants shall be used whenever possible to assure the soundness of any construction. Further, the Department of Public Works, Northern Mariana Islands, shall be required to inspect the increments or construction pursuant to the laws and regulations of the Northern Mariana Islands.

F. In the event the disbursements involve the purchase of equipment, materials or personal property, disbursements shall be made only upon the loan applicant producing satisfactory receipts and evidences concerning the costs and the receipt of such property.

G. At all times, the Executive Director and the Board shall assure that no funds shall be disbursed unless warranted and that all the terms and conditions of the loan agreement are satisfied.

XIX. INSURANCE:

All loans involving real property improvements as security shall have the necessary insurance proceeds insuring the improvements against any damage, against earthquake, fire, typhoon and any other casualties up to the full insurable value of the improvements provided, that at no time shall the insurance coverage be less than the amount of the outstanding loan balance. As to any construction loan, the loan applicant shall be required to produce a performance and payment bond covering the full value of the improvements and the construction cost. Any real estate loan shall also have title insurance policies if obtainable, naming the Fund as the loss payee. If title insurance is

not obtainable, then an attorney's title opinion or such other assurances shall be obtained by the loan applicant as the Board may require and as approved by the attorney for the Board. The expense of such title insurance, casualty insurance, title opinion, etc., shall be paid solely by the loan applicant.

XX. SERVICING OF LOAN:

A. The Executive Director shall institute such follow-up and tickler systems and accounting systems to assure that all the payments concerning the loans are received. The accounting systems as adopted by the Board shall be followed. Such systems shall include the follow-up on insurance payments, principal and interest payments and production of any financial statements required pursuant to the loan agreement.

B. All loans shall require at least semi-annual financial reports from all of the loan applicants, plus a status report of the business and the progress of their economic development. However, the Board, at its discretion, may require the loan applicant to submit monthly financial reports and balance sheets to the Executive Director and any other information from time to time showing the progress and status of the loan applicant. The Executive Director, or his representative, shall meet with each loan applicant at lease semi-annually to discuss any problems with the loan applicant and to review his progress. The Executive Director shall submit to the Board such semi-annual progress report, or any other report as required by the Board concerning each loan applicant. The Board may require the Executive Director to submit such reports more than semi-annually if the Board deems it necessary. The Executive Director

shall file with the Board field reports on all loans or individual loans as prescribed by the Board.

C. The Board at its discretion may contract for the servicing and collection of all loans with a financial institution authorized to do business in the Northern Mariana Islands and as insured by the various Federal agencies. The terms and conditions of such servicing agreement shall be determined by the Board.

XXI. COLLECTION AND FORECLOSURES:

A. The Executive Director or his representative shall closely monitor the payment of all loans by the borrowers. All loans shall be due and payable on the first day of each month. If any payment is not received by the thirty (30) day of each month, then the Executive Director or his executive officer shall make personal contact with the borrowers immediately thereafter concerning the payment. The Executive Director shall also send out such letters of notice of default as may be necessary or required pursuant to the terms and conditions of the loan agreements and the various loan documents.

B. In the event any payments are more than ninety (90) days delinquent, then the matter shall be forwarded to its attorney for collection. The attorney shall be authorized to send such notices and letters of default to the loan applicant to protect the right of the Fund and to minimize delinquencies.

C. The Executive Director shall make a monthly report

of all delinquent accounts and as to the status and nature and as to what notices were given. Prior to the institution of any judicial or other legal proceedings for the actual foreclosure, such shall be first approved by the Board; however, unless good cause is shown, foreclosure proceddings shall be instituted if the loan is more than ninety (90) days delinquent.

D. The Board shall use every effort to collect the monies due to the Fund and it is intended that aggressive measures be used for collection. It is important that the Fund be maintained in a strong position at all times and that delinquencies remain at a minimum.

E. In the event a loan is in default, the loan applicant may request or the Board may recommend, a work-out situation with the loan applicant by modifying the terms and conditions of the loan. Provided, however, that such work-out or modification is reasonable and prudent and is to the benefit of the Fund. Commercial reasonableness shall be of a primary concern of the Board in considering any work-out situation. Any such amendments for a work-out must be with the approval of the Board. In consideration of such "work-out" or modification, a fee shall be charged by the Board in the amount of one-half percent (1/2%) of the remaining principal balance and such must be paid by the loan applicant or borrower immediately prior to any amendment being put into full force and effect.

F. Amendments: Any amendments to the terms and conditions of the loan, once granted, and regardless of whether or not it is in default,

shall require approval of the Board. Further, the Board shall determine any fees or the amount of additional consideration it may require from the borrower for such amendment.

XXII. AMENDMENT OF POLICY AND PROCEDURE MANUAL:

This Policy and Procedure Manual may be amended from time to time upon recommendation of the Board and with the approval of the Governor.

XXIII. EFFECTIVE DATE:

These Regulation governing the policies and procedures for the Economic Development Loan Fund of the Commonwealth of the Northern Mariana Islands shall be effective upon publication in the Commonwealth Register.

Chairman
EDLF Board of Director

Carlos S. Camacho
Governor

Date: December 27, 1978

Date: December 27, 1978

Commonwealth of the Northern Mariana Islands
Office of the Governor
Saipan, Mariana Islands 96950
Cable Address:
Gob. NMI Saipan

Economic Development Loan Fund

Application for Loan

e and Address of Applicant *(Street, City, Zone, County and State)*	Date of Application:
	Amount of Loan Requested:
Telephone No.	Maturity Requested:

al Status *(If not a corporation, give name of spouse for each married partner or owner)*

BUSINESS Date Established _____

(a) Principal Products or Service _____

(b) Employment — The number or present employees in the applicant's business is _____ and the applicant estimates the loan applied for would result in the additional employment of _____.

(c) Principal stockholders — List names and addresses of principal stockholders with their respective current balance sheet properly signed. Certification may be required.

NAME	OFFICE HELD	PER CENT OWNERSHIP

(d) Receivership — Bankruptcy — Has applicant or any officer of the applicant affiliates or any other concern with which such officer has been connected ever been in receivership or adjudicated a bankrupt. ☐ Yes ☐ No. If "Yes" give names and details on separate sheet.

PURPOSE OF LOAN Specific Uses For Which Loan Is Desired	Amount
Total *(This should agree with amount of loan requested)*	$

(3)

FINANCIAL STATEMENT OF_____

As of (date)_____ 19____

ASSETS		LIABILITIES	
Cash in_____	$_____	Notes payable to banks	$_____
Cash on hand	$_____	Notes payable to others	$_____
*Notes Receivable and Trade Acceptance $_____	$_____	Accounts payable $_____	$_____
*Accounts receivable -- Customer's $_____	$_____	*Due to partners, employees, relatives, officers or stockholders	$_____
		*Due to controlled or allied companies	$_____
Merchandise-finished - how valued.	$_____	*Chattel mortgages and contracts payable (describe) (monthly payments)	$_____
Merchandise-raw material -- how valued	$_____	Federal and State Income Tax	$_____
Supplies on hand	$_____	Accrued liabilities (interest, wages, taxes, etc.)	$_____
Stocks and bonds(See Schedule A).	$_____	*Other Liabilities	$_____
TOTAL CURRENT ASSETS	$_____	TOTAL CURRENT LIABILITIES	$_____
Real estate (See Schedule B)	$_____	Mortgages or liens on real estate (See Schedule B)	$_____
Machinery $_____ Fixtures $_____	$_____	Reserve for depreciation	$_____
Automobiles and Trucks	$_____	Reserve for doubtful receivables	$_____
			$_____
*Due from partners, employees relatives, officers or stockholders	$_____		
*Due from controlled or allied companies	$_____	Capital -- Paid in	$_____
*Cash value of life insurance	$_____	Surplus -- Paid in	$_____
*Other Assets (Describe)	$_____	Surplus -- Earned	$_____
		Worth (If unincorporated)	$_____
TOTAL	$_____	TOTAL	$_____

*ITEMIZE ON A SEPARATE SHEET

CHEDULE A

STOCKS AND BONDS

Describe fully. Use supplemental sheet if necessary. Indicate if common or preferred. Give interest rate and maturity of bonds.

No. of Shares Amount of Bonds	NAME AND ISSUED *(Describe Fully)*	BOOK VALUE		MARKET VALUE	
		Listed	Unlisted	Price	Value
		$	$	$	$
		$	$	$	$
	TOTALS	$	$	$	$

CHEDULE B LIST OF REAL ESTATE AND IMPROVEMENTS WITH ENCUMBRANCES THEREON

DESCRIPTION, STREET NUMBER, LOCATION	TITLE TO PROPERTY IN NAME OF	ASSESSED VALUATION	BOOK VALUE		MORTGAGE OR LIENS	HOLDER OF LIEN
			Land	Improvements		

6) SUMMARY OF COLLATERAL OFFERED BY APPLICANT AS SECURITY FOR LOAN*

Collateral Now Owned	Cost	Net Book Value (Costs Less Depreciation)	Applicant's Appraised Value	NOT TO BE USED BY APPLICANT	
				Appraised Value	Liquidating Value
AND & IMPROVEMENT					
UILDINGS					
IACHINERY & EQUIPMENT					
UTOMOTIVE EQUIPMENT					
URNITURE & FIXTURES					
THER					
OTAL NOW OWNED					
o be acquired *(Complete 1st and 2nd Columns Only)*					
OTAL OFFERED					

Existing Liens Not To Be Paid Off From EDLF Loan $_____ (_____)

*Attach Listing of Collateral Offered $_____

ATTACH PHOTOGRAPH OF PROPERTY IF AVAILABLE

If business is new and not yet in operation, submit set of income and cash projection covering a five (5) year period.

Please submit feasibility study indicating planned program and economic evaluation of potential as set forth in income and cash projections.

Contracts, Notes and Mortgages payable:

To Whom Payable	Original Amount	Original Date	Present Balance	Rate of Interest	Maturity	Monthly Payment	Secu

(5) AS ADDITIONAL SECURITY, PAYMENT OF THE LOAN WILL BE GUARANTEED BY

Name and Address of Guarantors *(Each principal must submit a signed personal balance sheet as of the same date as the applicant's balance sheet)*	Net Worth Outside of Interest in Applicant Company
	$

(6) MANAGEMENT (1), Names of all officers, directors or partners and their annual compensation, including salaries, bonuses, fees, withdrawals, etc. (Complete all columns).

Name	Annual Compensation	Office Held	Per cent Ownership	Net Worth Outside of Appl.	Insurance Carri for Benefit of A

*ATTACH SEPARATE SHEET GIVING DETAILS

(7) RECENT EFFORTS TO OBTAIN CREDIT (For Direct Loan Applicants Only):

EDLF is authorized to make loans to business enterprises only when the financial assistance is not otherwise available on reasonable terms, is also empowered to make loans in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis. Therefore, applicant must furnish the information required below regarding efforts made within 60 days preceding the filing of this application to obtain credit from banks or other sources. Letters declining to extend credit as well as declining to participate with EDLF must be obtained from the following lending institutions: (a) The applicant's bank of account; and (b) If the amount of the loan applied for is in excess of the legal lending limit of the applicant's bank or in excess of the amount that the bank normally lends to any one borrower, then a refusal from a corre-

spondent bank from any other lending institution whose lending capacity is adequate to cover the loan applied for. These letters must contain date of application amount of loan requested and reasons for refusal, and be attached to this application.

CREDIT INFORMATION — Applicant expressly authorizes disclosure of all information submitted in connection with this application and any resulting loan to the financial institution agreeing below to participate in such loan or, in none, to its bank (s) of account and (Insert name of other financial institution, if desired)_____

PARTICIPATION — Will any Lending institution participate with EDLF in the loan requested? Yes ☐ No ☐ If "Yes" institution shall execute application for participation agreement at the bottom of this page.

CERTIFICATION

I HEREBY CERTIFY THAT:

(a) The Applicant has not paid or incurred any obligation to pay directly, any fee or other compensation for obtaining the loan hereby applied for.

(b) All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing EDLF grant a loan or to participate in a loan by a bank or other lending institution, to applicant. Whether or not herein applied for is approved. Applicant agrees to pay or reimburse EDLF for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by non-EDLF personnel with consent of applicant

_____
(INDIVIDUAL, GENERAL, PARTNER, TRADE NAME OR CORPORATION)

*By*_____

*Title*_____

orate Seal

_____
(TITLE)

(FOR USE ONLY BY BANK OR OTHER FINANCIAL INSTITUTION)

APPLICATION FOR PARTICIPATION AGREEMENT

propose to make a (check on): ☐ Deferred participation loan Bank Share_____%
EDLF Share_____%

☐ Immediate participation loan with bank to make and service bank Share_____% EDLF Share_____%

☐ Immediate participation loan with EDLF to make and service Bank Share_____%
EDLF Share

to the Applicant names on page 1 of this application. We hereby make application for the type of participation agreement checked above, subject to the following loan condition (use separate sheet if necessary):

Interest to be payable monthly at the annual of _____% on the unpaid principal amount of the loan advanced by the bank.

Without the participation of EDLF to the extend applied for we would not be willing to make this loan. In our opinion, the financial assistance applied for is not otherwise available on reasonable terms.

(NAME AND ADDRESS OF BANK)

Date: 19__

(AUTHORIZED OFFICER)

NORTHERN MARIANA ISLANDS ECONOMIC DEVELOPMENT LOAN FUND

CASH PROJECTION FOR _____

PERIOD _____

	First Six Months	Second Six Months	First Year	Second Year	Third Year	Fourth Year	Fifth Year
ASH PROVIDED							
et Income After Taxes (EDLF-16)							
dd Back Depr & Amortization							
quity Investment							
1. TOTAL							
ASH DISBURSED							
quipment							
ontracts							
otes							
ıcrease in Inventories							
epayment of loan from Stockholders							
2. TOTAL							
3. CASH AVAILABLE (1 minus 2)							
4. CASH DEFICIT (2 minus 1)							
5. CUMULATIVE REQ/SURPLUS							

NOTES: (1) Exclude loans, advances, investment, etc. not already formalized and committed.
(2) Round off all figures to even dollar amounts.
(3) Do not fill in both lines 3 and 4, only one or the other for each period.

NORTHERN MARIANA ISLANDS ECONOMIC DEVELOPMENT LOAN FUND

INCOME PROJECTION FOR _____

PERIOD _____

	FIRST SIX MONTHS ACTIVITY						First 6 Months Total
	1	2	3	4	5	6	
S OR INCOME							
OF SALES OR MFG							
S PROFIT							
ATING EXPENSES							
ges and Salaries							
lities							
urance							
nt							
preciation and Amortization							
intenance and Repairs							
pplies							
ofessional Services							
xes and Licenses							
erest							
scellaneous							
AL OPERATING EXPENSES							
INCOME BEFORE TAXES							

PERSONAL FINANCIAL STATEMENT

As of _____, 19____

Name: _____ Employed by: _____

Address: _____ Position: _____ Age: _____ Name of Spouse: _____

If Employed Less Than 1 Year, Previous Employer: _____

ASSETS	DOLLARS	CENTS
Cash in bank (Give Name)		
(Give Name)		
Accounts Receivable—Good		
Stocks and Bonds (Schedule B)		
Notes Receivable—Good		
Cash Surrender Value Life Insurance		
Autos (Year-Make) (Year-Make)		
Real Estate (Schedule A)		
Other Assets (describe)		
1.		
2.		
3.		
4.		
5.		
TOTAL ASSETS		

LIABILITIES	DOLLARS	CENTS
Notes payable (Give Name)		
Notes payable (Other)		
Accounts payable		
Taxes payable		
Contracts payable (To whom)		
Contracts payable (To whom)		
Real Estate Indebtedness (Schedule A)		
Other Liabilities (describe)		
1.		
2.		
3.		
4.		
TOTAL LIABILITIES		
NET WORTH		
TOTAL		

ANNUAL INCOME	DOLLARS	CENTS
ary		
lary (wife or husband)		
curities Income		
ntals		
her (describe)		
TOTAL INCOME		
ESS – TOTAL EXPENDITURES		
ET CASH INCOME (Exclusive of ordinary living expenses)		

ANNUAL EXPENDITURES (Excluding Ordinary Living Expenses)	DOLLARS	CENTS
Real Estate payment (s)		
Rent		
Income Taxes		
Insurance Premiums		
Property Taxes		
Other (describe—include installment other than real estate)		
1.		
2.		
3.		
TOTAL EXPENDITURES		

The undersigned certifies that the above statement (or in lieu thereof, the attached statement, as the case may be) and supporting, both printed and written, give a full, true, and correct statement of the financial condition of the undersigned as of the date indicated.

DATE SIGNED

SIGNATURE

SCHEDULE A —— REAL ESTATE				
Location and Type of Improvement	Title In Name of	Estimated Value	Amount Owing	To Whom Payable
		$	$	

SCHEDULE B —— STOCKS AND BONDS			
Number of Shares Amount of Bonds	DESCRIPTION	Current Market On Listed	Estimated Value Unlisted
		$	$

If additional space is needed for Schedule A and/or Schedule B, list on separate sheet and attach

Commonwealth of the Northern Mariana Islands
Office of the Governor
Saipan, Mariana Islands 96950

Cable Address:
Gob. NMI Scip

ADDITIONAL INSTRUCTIONS FOR GUIDANCE OF APPLICANTS IN PREPARING EDLF LOAN APPLICATION

The information required by this loan application is the minimum necessary for proper evaluation and is similar to that required by most private banks not having previous knowledge of the applicant. These minimum requirements may be supplemented by any additional data which would be of mutual benefit to the applicant and EDLF. If additional space is required for completion of the information requested in the application, or additional data the applicant desires to submit, supplemental attachments should be prepared and submitted in the same number of copies as the application. Do not condense the information furnished at the expense of clarity.

Processing of a loan application will be delayed if it is not fully and properly completed.

A full explanation of the requirements of certain headings of the application is listed below:

Item 1 — BUSINESS: Attach to application a summary description of the business; include kind of business, industries sold, sales force employed or sales agents used, relative size and a brief history showing growth and changes, if any, in structure (i.e. individual to partnership, individual or partnership to corporation) and operations. Attach advertisements or catalogs, if available. State corporate reorganization or arrangements. EMPLOYMENT: If employment is seasonal with substantial difference between peak and low employment levels, show the average monthly employment during the past year.

Item 2 — SPECIFIC USES FOR WHICH LOAN IS DESIRED: Allocate the loan to specific purposes such as purchase of machinery, working capital, construction of building, etc.

On the supplemental attachment:

(a) Comment briefly on the reasons for filing this loan application and the benefits which will accrue to the business if the loan is obtained.

(b) If construction is involved, state cost and whether such cost is estimated or based on a firm bid, source of any additional funds which may be required to complete the construction. Furnish plans and specifications, if available at time of filing application, they must be submitted for EDLF approval prior to loan disbursement if loan is granted.

(c) Where purchase of machinery and equipment is involved, furnish a detailed list of items to be purchased, name of vendor, the cost thereof, and expected date of delivery. If cost is based on firm bid or estimate, state source.

Item 3 — BALANCE SHEET: Detailed year-end balance sheets must be submitted for the past three years or all previous years if company is less than three years old. Personal balance sheets submitted by guarantors and/or principals or management must be signed by the persons whom they are submitted.

If an outside accountant is regularly employed, balance sheets and profit and loss statements shall be the complete reports as prepared by him, including his comments and certification or qualifying statements. Balance sheets prepared by others shall show the applicable date of the information; be signed by the proprietor, a partner or an authorized officer of the applicant and show the date so signed.

Balance sheets and profit and loss statements also must be submitted for affiliates and subsidiaries, if any. If affiliates or subsidiaries exist, furnish information concerning each, including percentage of ownership, manner of inter-company transactions, and methods of adjustment of inter-company transactions.

Fixed Assets: In the event any or all fixed assets have been written up in value, submit details including the amount, date effected, and justification for such appreciation.

Notes Payable to Officers, Directors and Stockholders: Show individual payees and the amount due each. Explain origin of debt and whether payees will agree not to require payment thereon during the term of the EDLF loan. If not, explain in detail.

Earned Surplus: Only net profits retained in the business are to be included in this account.

Capital Surplus: This account is to include all surplus except earned surplus as referred to above. (Paid in, revaluation of assets, etc.)

The application requires the following additional information for items marked with an asterisk:

Other Assets: Itemize and comment, if necessary.

Due From Controlled or Allied Companies: Itemize these headings separately.

Due From Officers, Directors and Stockholders: Explain how such items originated and when they are to be paid. If secured, furnish details. If collection is not anticipated, furnish estimate of probate loss.

Notes & Accounts Receivable: Itemize these headings separately. Show notes and accounts receivable by ageing - under 30 days, 30 - 60 days, etc.

Accounts Due Officers or Stockholders: Show individual payees and the amount due each.

Accounts and Notes Due Affiliates: Explain origin of debt and whether payees will agree not to require payment thereon during the term of the EDLF loan.

Contingent Liabilities: Accounts or notes receivable discounted or sold with endorsement or guarantee and all other contingent liabilities must be listed with explanation.

Litigation: Details must be given of any pending litigation, whether applicant be plaintiff or defendant or which involve the management.

Item 4 — SUMMARY OF COLLATERAL OFFERED BY APPLICANT AS SECURITY FOR THE LOAN:

This is a summarization of the detailed listing on Item 4.

If collateral is to be acquired with proceeds of loan or otherwise, describe the collateral in detail (Serial Number may be omitted) with the notation "To be acquired".

Show exact cost. If assets were acquired from a predecessor company at a price other than cost less depreciation, give details.

The figures to be entered in the net book value column must agree with the figures shown in the balance sheet, on page two (2) of the application, except for the assets, if any, not being offered as collateral and non-business assets, if any, which are being offered to secure guarantees.

If a recent appraisal has been made of the collateral offered, it should be submitted with the application and the summary figures entered in the column headed Applicant's Appraised Value. If a recent appraisal is not available, ask the EDLF office if it is necessary to have an appraisal made.

Any leases on land and buildings must be described, giving date and term of lease, rental, name and address of owner, past due rent, if any, and whether or not the owner holds a stock or other interest in the applicant.

LIST THE FOLLOWING INFORMATION ON A SUPPLEMENTAL ATTACHMENT:

Name of Insurance Company — Type of Coverage — Amount and Expiration Date

Item 6 — MANAGEMENT: For each person listed give age, education, technical training, the length of time associated with applicant and resume of business experience with other firms. Personal balance sheets submitted by proprietors, partners and each stockholders with 20 percent or more ownership, must be signed by the person for whom they are submitted.

Item 7 — RECENT EFFORTS TO OBTAIN CREDIT: The EDLF provides that loans can be made only if the financial assistance applied for is not otherwise available on reasonable terms. Such availability of credit not only refers to banks and other normal sources but also to the personal credit and/or personal assets of the owner, partners or stockholders, as well as to the sale of additional capital stock. Therefore, it must be shown clearly that such sources are unavailable to provide, in whole or in part, the financing desired by the applicant.

BANK PARTICIPATION: A bank or other financial institution willing to participate in the loan applied for in this application, should indicate its willingness to participate by signing the application for a particular agreement on page four (4) of application. It should also outline any conditions deemed advisable for the protection of the Bank and EDLF. The EDLF, in its discretion, may impose additional disbursement on account of the proposed loan.

If the applicant is indebted to the bank, the bank must further state whether any portion of the indebtedness is to be paid out of the proceeds of the proposed loan. It must also state whether any officer of the bank has a financial interest in the borrower and if so the extent thereof. It must indicate whether its correspondent banks are interested in banking the participation offered to EDLF.

After Execution of this application the bank participation in the loan should retain one copy for its files.

GENERAL: Upon receipt of this application EDLF will proceed with its analysis and may call upon the bank or applicant to furnish additional information considered necessary for proper evaluation of the credit factors involved. As soon as action has been taken on the loan, the applicant will be notified and, if approved, will be furnished with a formal loan authorization setting forth the terms of the loan. Disbursement will be made as soon thereafter as the borrower can comply with the terms of the authorization.

Commonwealth of the Northern Mariana Islands
Office of the Governor
Saipan, Mariana Islands 96950

Cable Address:
Gob. NMI Saipan

Economic Development Loan Fund

AUTHORITY TO RELEASE INFORMATION

The undersigned hereby authorizes the Northern Mariana Islands Economic Development Loan Fund (EDLF) to obtain from and/or disclose to the Government of the Northern Mariana Islands or the Federal Government or its designated representative or other sources all information in my case files either provided by the Undersigned, obtained collaterally or originated by EDLF in conjunction with the request for financial assistance or investment incentive (Qualifying Certificate) or land lease with EDLF pursuant to its programs.

DATED:_____ By_____

_____

_____

_____

ANNUAL REPORT - 1980

It is a great pleasure to report to you the operations of the Economic Development Loan Fund for the calendar year 1980.

During the period under review, the bulk of the total loans approved comes from existing businesses. This year the Board approved $1,029,700.00 loans consisting of 16 applicants. When compared to last year's total loans of $1,194,300.00, there is a slight decrease of $164,600.00. This is a result of small dollar amount on loan request for loan guarantees. There is, however, a significant increase in direct loans for 1980 which totaled $734,700.00 whereas only $281,300.00 direct loans were booked in 1979. This represents an increase of $453,400.00.

General Economic loans consisting primarily of trade (sales) and services make up the bulk of the total loans approved. This is of course understandable since majority of the businesses in the Northern Marianas are concentrated in these areas. Working capital, building construction, machinery and equipment and liquidation of existing debts represent the largest portion of the total direct loans. Loan guarantees are mostly revolving lines of credit for importation of inventory. Lines of credit are normally extended for a period of one year subject to renewal.

Although tourism is the Commonwealths biggest industry, only one project supporting the industry requested and subsequently was granted financial assistance. Perhaps the competitiveness of the industry and somewhat limited number of tourists may be the factor in our local citizens' reluctance to venture into this type of business.

Aside from working with local lending institutions, EDLF has joined efforts with the Small Business Administration (SBA) to review certain projects for possible SBA participation. One loan has already been closed for the construction and furnishing of a retail outlet in Tinian. In this particular case, SBA provided working capital and equipment with EDLF financing the building construction portion of the loan. A periodic dialogue with SBA will result in similar lending activities in the future.

For 1980, agricultural development loans amounting to about $121,000.00 were extended to four applicants engaged in the cultivation of food crops. This small number of applicants is attributed to the extremely high risk involve in farming due to natural calamities such as typhoons. Also, many farmers still have loans outstanding from the Trust Territory Government EDLF. Many farmers are also reluctant to increase their acreage due to limited marketing outlets or inability to assure the retail outlets of adequate supply. Steps are now being undertaken to secure additional land for lease to qualified applicants. The present irrigation system in Kagman has been under consideration for possible improvement in the near future.

Credit assistance granted during the year for fishery development projects amounted to $448,400.00 representing accommodations to a total of 3 applicants. Compared to last year's total, this represents a substantial increase in the amount of funds obligated to fishery development projects. Two of the projects received the bulk of the fishing loans, one being for a construction of a 55 foot fishing vessel in Japan, while the other

80-810 O—81——26

is for completion of construction of a 56 foot fishing vessel here in Saipan. We envision that once these two largest fishermen are in full operation, we can expect a tremendous improvement in the availability of local fresh fish in the retail outlets. It may also mark the beginning of a small scale export of fish to our neighboring islands including Guam.

The vessel purchased in Japan is below 5 net ton and will not be affected by the Fisheries Conservation and Management Act (FCMA) laws should it be made applicable in the Northern Marianas after the termination of the Trusteeship Agreement. The 56 foot vessel, when completed, will be registered as a U.S. hull and therefore will not be affected by the applicability of the FCMA laws.

The Fishing boat under construction will be guaranteed by the National Marine Fisheries Service (NMFS) under the U.S. Department of Commerce Federal Guaranty Program. The NMFS guarantee will become effective upon completion of construction of the boat.

The fishery complex proposed construction in 1981 will be a breakthrough in fishery development. Several fishermen are excited about the fishery complex and EDLF expect more commercial fishing application in 1981.

Below is a comparative statement of loans and Guarantees approved:

Comparative Statement of Loans and Guarantees Approved

Loans (Direct):	CY 1980 No.	CY 1980 Amount	CY 1979 No.	CY 1979 Amount	Increase/ Decrease Amount
General Economic Loans	4	$ 66,400	5	$ 261,800	($195,400)
Fishing	3	448,400	1	3,500	444,900
Agriculture	4	120,900	0	0	120,900
Tourism	1	99,000	1	16,000	83,000
Sub-Total	12	734,700	7	281,300	453,400
Guarantees:					
General Economic Loans	4	295,000	6	663,000	($368,000)
Fishing	-0-	-0-	-0-	-0-	-0-
Agriculture	-0-	-0-	-0-	-0-	-0-
Tourism	-0-	-0-	1	250,000	(250,000)
Total Guarantees	4	295,000	7	913,000	(618,000)
Grand Total	16	$1,029,700	14	$1,194,300	($164,600)

Administration and Organization:

Few changes in the area of personnel administration and organization occurred during the year. The total number of staff remains the same at 8 including one full time legal counsel and one Representative in Rota.

A significant accomplishment is evident in the area of collections particularly the Trust Territory Government EDLF loans. For the period October 1979 through September 30, 1980, $111,570.00 has been collected most of which are from loans inherited from the Trust Territory Government's EDLF. In view of the history of the Trust Territory Government's EDLF loans, the Board has been more cautious, and to date the quality rather than quantity of the loan portfolio has been the main thrust of the loan Fund.

Still however, there are loans which are expected to be charged-off and loans that the EDLF Board will take to court for collection. The year 1981 is the target date to take action on most if not all of the seriously delinquent loan portfolios transferred from the TT Government to the CNMI Government. Loan applicants refusing to cooperate with the Fund administrator will automatically be referred to the legal counsel for collection.

Funding continues to come from the U.S. Government pursuant to Section 702 C of the Covenant, as of September 30, 1980 net contribution amounting to $5,541,000.00 has been received. Interest on investment in the amount of $533,000.00 has also been deposited into the fund for loans.

Certain sections of the Policy and Procedure Manual were amended during the year. The most notable was the increase in the number of the Board of Directors to include the Director of Finance as ex-officio member.

Additional amendments are expected to be effected next year to provide wider latitudes for the application of the fund's loanable funds. Certain requirements need to be reconsidered to encourage more local citizens to borrow money and go into business.

During the year, the staff was also involved in other areas related to Economic Development Policies. Testimony affecting the present economic policies and proposed policies was submitted to the legislature. In December 1980, EDLF co-sponsored a Business Plan Workshop with the Hawaii Training and Development Institute.

A new application form for commercial agriculture has been developed and subsequently adopted by the Board. Another application form for commercial fishing will also be in use early next year.

The following pages is a report on the financial condition of the EDLF as of September 30, 1980.

Manuel A. Sablan, Chairman, EDLF

Fred H. Camacho, Executive Director

COMMONWEALTH

OF THE

NORTHERN MARIANA ISLANDS

ECONOMIC DEVELOPMENT LOAN FUND

FINANCIAL STATEMENT

AS OF MARCH 31, 1981

PREPARED BY: _____
L. M. Sablan
Accountant

REVIEWED BY: _____
F. F. Camacho
Executive Director

ECONOMIC DEVELOPMENT LOAN FU

DIRECT LOANS APPROVED

As of April 7, 1981

	BORROWER	AMOUNT APPROVED
AGRICULTURE:		
1.	ATALIG, Antonio Ca. & Anita	$ 40,000.00
2.	CABRERA, Ignacio	5,000.00
3.	CABRERA, Isidoro T. & Susana C.	45,000.00
4.	EVANGELISTA, Jose R.	3,000.00
5.	SABLAN, Miguel M. & Asuncion R.	50,000.00
6.	TORRES, Juan S.	10,000.00
7.	TUDELA, Francisco B. & Serafin	20,900.00
	Total	$ 173,900.00
MARINE RESOURCES (Fishing):		
1.	BARCINAS, Juan M. & Teresita A.	$ 3,500.00
2.	CASTRO, Vicente C. & Natividad F.	38,400.00
3.	K K INDUSTRIES, INC.	160,000.00
4.	RASA, Ricardo C. & Teresita R.	250,000.00
	Total	$ 451,900.00
	Total Farm & Fishing Loan . . .	$ 625,800.00
GENERAL (All Other Loans)		
1.	ATALIG, Joaquin	$ 100,000.00
2.	C C ENTERPRISES	37,300.00
3.	COMMONWEALTH ENTERPRISES, INC.	22,390.00
4.	FLEMING ENTERPRISES, INC.	50,000.00
5.	GUERRERO, Bernard S.	60,000.00
6.	GUERRERO BROS., INC.	230,400.00
7.	INDALECIO, Henry T.	10,000.00
8.	MANGLONA, Joaquin & Delfina C.	90,000.00
9.	MAR-AUS ENTERPRISES, INC.	80,000.00
10.	PANGELINAN FAMILY, LTD.	99,000.00
11.	PANGELINAN, Jose P. & MENDIOLA, Trinidad	34,000.00
12.	REYES, Juan S.	150,000.00
13.	SABLAN, Francisco C. & Rita A.	40,000.00
14.	SABLAN, Ronald D. & MariaAna T.	16,000.00
15.	TAGA TIKI	25,000.00
16.	TENORIO, Froilan C.	34,537.00
	Total	$1,078,627.00
TOTAL EDLF DIRECT LOANS APPROVED AS OF 4/7/81		$1,704,427.00
Tinian Cable TV (Conditional approval) . . .		$23,000.00

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

OFFICE OF THE GOVERNOR
Saipan, Northern Mariana Islands 96950

MEMORANDUM

TO : Chairman, EDLF Board of Directors **DATE:** 5/4/81

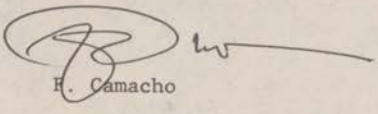
FROM : Executive Director, EDLF

SUBJECT: Quarterly Reports

As per your request, the following reports are hereby submitted:

1. Financial Statement as of March 31, 1981.
2. Fund Status Report as of March 31, 1981.
3. List of Direct Loans approved as of April 7, 1981.
4. List of Guaranteed Loan approved as of March 31, 1981.
5. Annual Report.

Should you have any questions on any of the above reports, please let us know.



E. Camacho

Attachments

ECONOMIC DEVELOPMENT LOAN FUND

GUARANTEED LOANS & LINES OF CREDIT APPROVED

As of April 7, 1981

BORROWER	AMOUNT APPROVED
BANK OF GUAM	
1. MAR-AUS ENTERPRISES, INC.	$ 153,000.00
2. PACIFIC ENTERPRISES	250,000.00
3. SABLAN ENTERPRISES	100,000.00
4. SAIPAN OFFICE SUPPLY	35,000.00
5. SAIPAN WESTERN AUTO	75,000.00
6. TENORIO CONSTRUCTION COMPANY	100,000.00
TOTAL.	$ 713,000.00
CALIFORNIA FIRST BANK	
1. CHAMORRO VILLAGE	$ 310,000.00
2. HERMAN'S BAKERY	200,000.00
3. TENORIO, Juan P.	95,000.00
TOTAL	$ 605,000.00
TOTAL EDLF GUARANTEES AS OF 4/7/81	$1,318,000.00
90% Guaranty on the $1,318,000.00	$1,186,200.00
25% Reserve for the $1,318,000.00	$ 329,500.00

ECONOMIC DEVELOPMENT LOAN FUND
FUND STATUS REPORT
AS OF MARCH 31, 1981

1. Covenant Funds FY - 1978-1980		$ 5,395,000.00
a) General Funds		
Less : Direct Loans Approved		1,078,627.00
: 25% Reserve for Loan Guarantees		329,500.00
Plus : Repayments Rec'd		64,046.00
Funds Available for ED Loans		4,050,919.00
b) Agriculture & Marine	$ 2,697,000.00	
Less : Direct Loans Approved	625,800.00	
Plus : Repayments Rec'd	6,998.00	
Funds available for AD & MRD		2,078,198.00
Sub-Total		$ 6,129,117.00
2. Retained Earnings Beginning of FY '81		$ 616,675.00
Plus : Interest & Misc. Income FY '81		402,193.00
Less : Operations Budget for FY '81		249,407.00
Total		$ 769,461.00
Total funds available for Loans and Others		6,898,578.00

ECONOMIC DEVELOPMENT LOAN FUND

TRIAL BALANCE

As of March 31, 1981

Cash on Hand	$ 2,040.32	
Cash in Bank: Operating	34,597.97	
Cash in Bank: Escrow	95,755.03	
Cash in Bank: Loan	75,810.72	
Cash in Bank: Receiving	495,746.96	
Cash in Bank: Ref. L/C - Rasa	73,621.50	
Time Certificate of Deposit	7,291,000.00	
Prepaid Expenses	2,220.89	
Loan Receivable	1,959,071.28	
Interest Receivable: Loan	5,650.18	
Interest Receivable: TCD	66,559.57	
Improvements - Office Partition	5,998.00	
Accumulated Depreciation: Improvements		$ 499.83
Furnitures	10,921.33	
Accumulated Depreciation: Furnitures		5,445.46
Vehicle	9,884.00	
Accumulated Depreciation: Vehicle		5,107.86
Office Equipment	5,335.31	
Accumulated Depreciation: Equipment		1,329.99
Suspense Assets	3,253.09	
Undisbursed Loan Proceeds		426,819.76
Accounts Payable		16,643.60
Accrued FICA Taxes (SSRS)		2,800.41
Accrued Income Taxes		757.75
Accrued Salaries		882.50
Loan Portfolio Transferred per 7/25/79 Audit		716,051.31
Contribution from U.S. Government		8,092,000.00
Retained Earnings: FY'79		204,085.12
Retained Earnings: FY'80		412,590.61
Interest Revenue: Loan		30,514.01
Interest Revenue: TCD & Savings Account		371,152.00
Loan Fee		225.00
Late Charges		282.31
Miscellaneous Income		20.00
Salaries	54,957.59	
Supplies & Printing	844.19	
Insurance	315.20	
Rental	8,691.30	
Travel	6,197.51	
Repairs, Maintenance & Alterations	491.31	
Taxes: Payroll	2,256.53	
Depreciation Expense	4,326.89	
Talephone & Cable	637.47	
Advisory Board Fee	2,484.50	
Professional Services	3,348.00	
Postage & Mail Insurance	73.86	
Public Relations/Entertainment	142.11	
Newspapers & Publications	48.00	
Janitorial Services	1,398.00	
Xerox	1,038.44	
Miscellaneous Expenses	2,126.00	
	$10,287,207.52	$10,287,207.52

ECONOMIC DEVELOPMENT LOAN FUND

BALANCE SHEET

As of March 31, 1981

ASSETS

CURRENT ASSETS:

Cash on Hand		$ 2,040.32
Cash in Bank:	Operating	34,597.97
Cash in Bank:	Escrow	95,755.03
Cash in Bank:	Loans	75,810.72
Cash in Bank:	Receiving	495,746.96
Cash in Bank:	Ref: L/C - Rasa	73,621.50
Time Deposits		7,291,000.00
Total Cash		$ 8,068,572.50

OTHER ASSETS:

Loan Receivable		$ 1,959,071.28
Interest Receivable:	Loan	5,650.18
Interest Receivable:	TCDs	66,559.57
Prepaid Expenses		2,220.89
Suspense Assets		3,253.09
Total Other Assets		$ 2,036,755.01

FIXED ASSETS:

Property & Equipment

1.	Furnitures	$10,921.33	
	Accu. Deprec'n.	(5,445.46)	
2.	Vehicle	9,884.00	
	Accu. Deprec'n.	(5,107.86)	
3.	Equipment	5,335.31	
	Accu. Deprec'n.	(1,329.99)	
4.	Improvements (office)	5,998.00	
	Accu. Deprec'n.	(499.83)	$ 19,755.50

TOTAL ASSETS $10,125,083.01

ECONOMIC DEVELOPMENT LOAN FUND

BALANCE SHEET

As of March 31, 1981

LIABILITIES

CURRENT LIABILITIES:		
Undisbursed Loan Proceeds		$ 426,819.76
Accounts Payable		16,643.60
Accrued FICA Taxes (SSRS)		2,800.41
Accrued Income Taxes		757.75
Accrued Salaries		882.50
Total Current Liabilties . . .		$ 447,904.02
EQUITY AND NET WORTH:		
Loan Portfolio per Audit 7/25/79		$ 716,051.31
Contribution from U.S.Government:		
1. General Loan	$3,750,000	
Infl. Adj.	1,645,000	
2. Farming & Fishing	1,875,000	
Infl. Adj.	822,000	8,092,000.00
Retained Earnings Beginning of Year		616,675.73
Retained Earnings to-date FY'81		252,451.95
Total Equity & Net Worth		$ 9,677,178.99
TOTAL LIABILITIES, EQUITY & NET WORTH		$10,125,083.01

ECONOMIC DEVELOPMENT LOAN FUND

INCOME & EXPENSE STATEMENT

As of March 31, 1981

INCOME:	
Interest Revenue: Loan	$ 30,514.01
Interest Revenue: TCD & Term Savings	371,152.00
Loan Fee	225.00
Late Charges	282.31
Total Income.	$402,193.32
EXPENSES:	
Salaries	$ 54,957.59
Supplies & Printing	844.19
Insurance	315.20
Rental	8,691.30
Travel	6,197.51
Repairs, Maintenance & Alterations	491.31
Depreciation Expense	4,326.89
Taxes: Payroll	2,256.53
Telephone & Cable	637.47
Advisory Board Fee	2,484.50
Professional Services	3,348.00
Postage & Mail Insurance	73.86
Public Relations/Entertainment	142.11
Newspapers & Publications	48.00
Janitorial Services	1,398.00
Xerox	1,038.44
Miscellaneous Expenses	2,126.00
Total Expenses	$ 89,376.90
** LOAN LOSSES	$ 60,364.47
RETAINED EARNINGS: FY 1981	$252,451.95

** TTPI EDLF Charged-Off loans. See attached memo.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

OFFICE OF THE GOVERNOR
Saipan, Northern Mariana Islands 96950

MEMORANDUM

TO : Accountant, EDLF

DATE: 3/13/81

FROM : Executive Director, EDLF

SUBJECT: Loan Charge-Off

Please prepare and pass the necessary entries to charge-off the following loans as approved by the Board of Directors pursuant to the Board meeting of March 12, 1981.

The loans are as follows:

	Name	Amount
1.	Arriola, Pedro S.*	$ 8,500.00
2.	Chong, Victorino S.	51.06
3.	Babauta, Ana	54.97
4.	Sablan, Joaquin	192.77
5.	Blanco, Diego	18.20
6.	Quitugua, Francisco	5,000.00
7.	Rota Fishing Coop*	22,719.36
8.	Tinian Fishing Coop	25,626.00

Should any of the amounts indicated above differ from the loan ledger, please bring it to my attention.

* Also, promptly upon effecting the charge-off, the loan files of Pedro S. Arriola and the Rota Fishing Coop are to be given to our legal counsel for collection.

Fred Camacho

xc: Kin Dela Cruz
Joseph Hill

1.	ATALIG, Domingo	$0.08
2.	FEJARAN, Isiro T.	.20
3.	ADA, Gilbert C.	.03
4.	CABRERA, Concepcion D.	1.80
	Total	$2.11

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Board of Directors
Commonwealth of the Northern Mariana Islands
Economic Development Loan Fund:

We have examined the balance sheet of the Economic Development Loan Fund as of September 30, 1980, and the related statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as discussed in the following paragraph.

As discussed in Note 5, negotiations are currently in progress between the governments of the Northern Mariana Islands and the Trust Territory of the Pacific Islands to determine what additional funds, if any, shall be transferred to the Economic Development Loan Fund. Also included in such negotiations is the transfer of guaranteed loans from the Trust Territory Economic Development Loan Fund. The ultimate resolution of these matters is not currently determinable and therefore, no provision has been made in the accompanying financial statements.

In our opinion, subject to the resolution of the matters discussed above, the aforementioned financial statements present fairly the financial position of the Economic Development Loan Fund at September 30, 1980, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

January 12, 1981

Touche Ross & Co.

Touche Ross & Co.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Balance Sheet
September 30, 1980

Assets

Cash	$ 478,271
Time certificates of deposit at 8.5% to 14%	4,940,000
Loans and accrued interest receivable, less allowance for doubtful loans of $350,000 (notes 3 and 5)	856,024
Accrued interest receivable on time certificates of deposit	261,853
Due from Northern Mariana Islands government (note 4)	244,090
Prepaid expenses	624
Property and equipment - at cost, less accumulated depreciation of $8,056	14,514
	$6,795,376

Liabilities, Contributions and Retained Earnings

Liabilities:		
Accounts payable and accrued liabilities		$ 26,300
Total liabilities		26,300
Commitment and contingency (note 6)		
Contributions and retained earnings:		
Contributions: (note 2)		
Restricted for farming and fishing loans	$1,847,000	
Unrestricted	4,262,335	6,109,335
Retained earnings:		
Unappropriated	357,741	
Reserve for guaranteed loans (notes 1 and 6)	302,000	659,741
Total contributions and retained earnings		6,769,076
		$6,795,376

See accompanying notes to financial statements.

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Statement of Earnings and Retained Earnings
Year ended September 30, 1980

Revenue:	
Interest income:	
Time certificates of deposit	$533,000
Loans	52,526
Other	448
Total revenue	585,974
Expenses:	
Salaries	108,961
Rent	12,810
Travel	12,588
Professional services	7,767
Depreciation	6,630
Advisory board fees	6,110
Taxes	4,949
Other	12,309
Total expenses	172,124
Net earnings	413,850
Retained earnings, beginning of year	245,891
Retained earnings, end of year	$659,741

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Statement of Changes in Financial Position
Year ended September 30, 1980

Source of funds:	
Operations:	
Net earnings	$ 413,850
Add charges to operations not requiring cash:	
Depreciation	6,630
Total cash provided from operations	420,480
Increase in undisbursed loan obligations	79,182
Contributions	2,015,000
Total cash provided	2,514,662
Application of funds:	
Increase in receivables	258,420
Additions to property and equipment	7,882
Decrease in accounts payable and accrued liabilities	539,940
Increase in prepaid expenses	144
Total cash used	806,386
Increase in cash and time certificates of deposit	1,708,276
Cash and time certificates of deposit, beginning of year	3,709,995
Cash and time certificates of deposit, end of year	$5,418,271
Components of cash and time certificates of deposit:	
Cash	$ 478,271
Time certificates of deposit	4,940,000
	$5,418,271

See accompanying notes to financial statements.

Touche Ross & Co.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Notes to Financial Statements
September 30, 1980

(1) Summary of Significant Accounting Policies

Reserve for Guaranteed Bank Loans

The policy and procedure manual of the Economic Development Loan Fund requires that cash equalling twenty-five percent (25%) of the outstanding guaranteed bank loans be restricted and that a corresponding reserve be placed on retained earnings of the Fund. As of year end, time certificates of deposit totalling $302,000 have been deemed as being restricted for such guaranteed loans.

Loan Interest Receivable

Interest receivable on loans at September 30, 1980, has been calculated only on active loan accounts and ranges from 3% to 9%.

Depreciation

Depreciation has been computed by the straight-line method using estimated useful lives of one to five years for property and three to five years for equipment.

(2) Organization and Purpose

The Northern Mariana Islands Economic Development Loan Fund was established pursuant to Article VII, Section 702(c) of the "Covenant to establish a Commonwealth of the Northern Mariana Islands in political union with the United States of America" dated February 15, 1975. The primary purpose of the Fund is to administer financial resources received under the Covenant from the United States which have been specifically set aside for a loan program to assist the general economic development of the Northern Mariana Islands. Under the terms of the Covenant, $1.75 million will be received annually for seven years commencing January 1, 1978. Of the total amount received each year and as adjusted for inflation, $500,000 is to be reserved for loans to farmers and fishermen or related cooperatives, and $250,000 is to be reserved for low interest housing loans for low income families.

In addition to the aforementioned financial resources, the Fund has been designated as the administrative agency for economic development loans transferred from the Trust Territory Government to the Northern Mariana Islands Government.

The Fund commenced operations as a separate entity on July 25, 1979, with the appointment by the Governor of the Commonwealth Government of the ten members of the Board of Directors and the employment of an Executive Director. Prior to this date, funding received under the

Touche Ross & Co.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Notes to Financial Statements, continued

(2) Organization and Purpose, continued

Covenant and the loan portfolio transferred to the Northern Mariana Islands from the Trust Territory Government was administered by the Executive branch of the Northern Mariana Islands Government.

(3) Direct Loans

Outstanding loans are due within various periods ranging from currently due and delinquent to 14 years. The various interest rates charged are based (among other things) on the economic purpose of the loan. Production development loans bear interest at three percent (3%). Marine and agriculture development loans bear interest at three to five percent (3% - 5%). Commercial development loans bear interest at five to nine percent (5% - 9%). All loan are secured by either first or second mortgages on real property or chattel mortgages.

(4) Due From Northern Mariana Islands Government

Loans portfolios transferred to the Government of the Northern Mariana Islands on September 30 and December 30, 1976, aggregated $918,334. Loan portfolios transferred to the Fund on July 25, 1979, aggregated $716,051. The net reduction in the fund corpus of the transferred loan portfolio plus interest income collected during the time in which it was administered by the Executive branch of the Northern Mariana Islands Government has been recorded as a receivable from the Government, net of funds due to the Northern Mariana Islands Government for expenditures incurred on behalf of the Fund.

(5) Contributions

Set forth hereunder is a schedule of contributions of the fund including both those amounts received under the Covenant through September 30, 1980, and the fund corpus transferred to the Northern Mariana Islands from the Trust Territory Government.

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Notes to Financial Statements, continued

(5) Contributions, continued

Contributions - Trust Territory Government:	
September 30, 1976 - Agriculture, Marine Resources and Production Development Loan Funds' portfolios	$ 295,950
December 31, 1976 - Economic Development Loan Fund portfolio	622,385
Subtotal	918,335
Less provision for uncollectible loans	(350,000)
Net contributions received from Trust Territory Government	568,335
Contributions - Covenant funds:	
1978	1,586,000
1979	2,528,000
1980	2,351,000
Subtotal	6,465,000
Less Covenant contributions received for low income housing loans transferred to the Mariana Islands Housing Authority for administration	924,000
Net contributions received from Covenant funds	5,541,000
Net contributions received from all sources	$6,109,335

As set forth above, contributions recorded as a result of the transfer of loan portfolios from the Trust Territory Government have been recorded net of the loans estimated to be uncollectible. If repayment of such transferred loans exceed those estimated to be collectible, such excess will be recorded as income in the period received. Additionally, negotiations between the Trust Territory Government and the Northern Mariana Islands Government have not yet been finalized with respect to division of cash resources of the Trust Territory Economic Development Loan Fund. Any additional funding transferred to the Northern Mariana Islands Economic Development Loan Fund from the Trust Territory Government's Economic Development Loan Fund shall be recorded as an increase in contributions.

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ECONOMIC DEVELOPMENT LOAN FUND

Notes to Financial Statements, continued

(5) Contributions, continued

Covenant contributions received by the Government of the Northern Mariana Islands which are reserved for low interest housing loans have been transferred directly to the Mariana Islands Housing Authority for administration and thus are not accounted for in this Fund.

(6) Commitment and Contingency

In addition to approving direct loans, EDLF is authorized to guarantee loans up to 90% made by financial institutions to qualified borrowers. As of September 30, 1980, the Fund was contingently liable in the amount of $788,426 which represents 90% of the guaranteed loan balances as of that date. Under the guaranteed financial agreements entered into by the Fund, the maximum contingent liability arising from such guarantor agreements as of September 30, 1981, was $1,087,000.

At September 30, 1980, the Fund was liable for undisbursed loan obligations aggregating $88,064.

TRUST TERRITORY GOVERNMENT

WITNESSES

DANIEL HIGH, ACTING DEPUTY HIGH COMMISSIONER
HARUO WILLTER, PROGRAM AND BUDGET OFFICER
RODNEY ADELMAN, TECHNICAL ASSISTANCE, BUDGET STAFF
CAPT. WILLIAM J. O'DONNELL, U.S.N., OFFICER IN CHARGE OF CONSTRUCTION, NAVAL FACILITIES ENGINEERING COMMAND

Mr. MURTHA. We have the Trust Territory Government, the Acting Deputy High Commissioner, Daniel High.

Mr. HIGH. Also Captain William J. O'Donnell, OICC.

Mr. MURTHA. We have a statement from Captain O'Donnell and that will be made a part of the record.

[The statement follows:]

NAIL

OPENING STATEMENT OF
CAPTAIN WILLIAM J. O'DONNELL, CEC, USN
OFFICER IN CHARGE OF CONSTRUCTION (OICC), MARIANAS
BEFORE THE U.S. CONGRESS SUB-COMMITTEE ON
APPROPRIATIONS FOR THE DEPARTMENT OF THE
INTERIOR AND RELATED AGENCIES

Mr. Chairman:

I am very appreciative of this opportunity and privilege of appearing before this sub-committee, in behalf of the High Commissioner of the Trust Territory of the Pacific Islands, to present to you a report on the accomplishment, current status, and the future outlook of the Capital Improvement Program.

My predecessor as Officer in Charge of Construction, Marianas, Captain Jack Weis, appeared before you last year, and gave you the program status as of that time, and testified in support of the FY 1981 Budget Request. I mention this because the capital improvement program that I am addressing today, is a multi-year and incremental program providng basic infrastructure for Micronesia and needs to be viewed as a whole as well as from the stand-point of current progress in meeting the overall goals.

In last year's testimony we stated that fiscal year 1981 would be the culmination of the multi-year capital improvement program initiated in fiscal year 1976. We now find, however, that rising costs, largely due to inflationary escalations, and unforeseen additional costs make it difficult to complete certain projects within the present contract agreements without narrowing the current scope of work on those projects. Some other projects do not meet the scope of work set forth in the original plan, but are nevertheless satisfactory. On other projects a review will be made to determine if further modifications of scope need to be made or if the projects should be returnd to the original scope.

As we move into the next year of the program, I would like to present to you, in a summerized form, the progress we have made; the ongoing work in which we are engaged, and the outlook for additional efforts which are required to bring the total program to a successful conclusion. Should you desire this infor-mation in greater detail, such information is available, and we shall, of course, be very happy to provide it to you.

With the Fiscal Year 1981 Appropriation, which you have already made available to the Trust Territory, the dollar value of the overall program comes to $242 million, which includes $7.9 million in Federal Aviation Administration grants for airfield construction, and $23 million in grants from the Environmental Protection Agency for sewer programs.

As of this time we have obligated $170 million (or 70%) of the total available funds of $242 million; leaving an unobligated balance of $72 million (or 30%). For this purpose I am calling "obligated," all of those projects for which we have made construction contract awards, including set-asides for administrative and project overheads, post-award design requirements, and construction contin-gencies.

As of this date, 18 projects have been fully completed. These projects come to a programmed dollar value of $25 million or 10% of the total program dollars of $242 million. These completed projects include docks, container storage yards, bridges, water and electrical system improvements, airfield paving and lighting, and sewer system improvements. The facilities constructed are in use and are contributing materially to an improved lifestyle thus providing stimulus to economic, social and political development throughout Micronesia.

A large number of projects are now ongoing throughout Micronesia, specifically, a total programmed dollar value of $145 million, representing 60% for ongoing projects.

Ongoing projects include such large projects as the airfields at Palau, Yap, Truk and Kosrae; road construction in all the states, except the Marshalls, a major sewer system project at Truk; a dock construction at Ebeye, in the Kwajalein Atoll of the Marshalls, a marine resources dock at Truk; and various water and electrical projects, throughout the Trust Territory.

Taken from an overall standpoint, I would say that we are making good progress with the ongoing projects. I am sure you can appreciate that there are problems. Construction in Micronesia involves coping with remote areas, which generate serious communications, transportation, coordination and supervision problems. Construction efforts are hampered by the large amount of rainfall that occurs in Micronesia. Furthermore, we are encountering many unforeseen conditions and requirements. This is largely because of the lack of historical construction and engineering data from previous construction efforts in the area, and because of the newly and rapidly evolving political status in Micronesia, bringing about changed requirements being expressed by the new leadership which differ from those requirements conceived, when the program was first developed in 1976.

Finally, there are projects, with a total value of $72 million or 30% of the program, which are still being scoped and designed at the present time. These, in the main, represent projects that were funded in Fiscal Year 1980 and 1981. Much of the remaining scoping and design efforts are in the areas of the new water resources development program, and the remaining for sewer projects. Here, there is a shifting of concepts from the more traditional treatment plant and collection systems, to innovative, simpler systems that are more suitable for the remote, relatively unsophisticated environments of the Micronesian Islands.

Mr. Chairman, this concludes the overview on the capital improvement program.

Even though I have personally been involved with the Trust Territory capital improvement program for a relative short period, I have found the program to be very engrossing and challenging. I also speak for my staff and for the Naval Facilities Engineering Command when I express pride, pleasure and satisfaction for our involvement in the social, economic and political development of Micronesia, at this historic moment of their emergence into a new status of greater self-government and self-sufficiency.

Acting High Commissioner High's Testimony

Mr. Murtha. We don't have a statement from you Mr. High, go forward with your statement summary.

Mr. High. Thank you. I believe Ruth Van Cleve has submitted a statement for the record, and I would like to bring that to your attention.

I will make mine orally and be rather brief since my tenure as Acting Deputy High Commissioner was about a day and a half before I left Saipan for these hearings.

I have served as Attorney General for the Trust Territory Government for the past five years, so I hope I will have some knowledge that will be of assistance to your committee.

As well as having the support staff who are with me at the table today, of course, we also have representatives from the three constitutional governments that are now existing in the Trust Territory—that is the Republic of Palau, the Federated States of Micronesia, and the Marshall Islands. They will appear before you later today.

TRUST TERRITORY HEADQUARTERS

The current situation of the Trust Territory Headquarters, of which I can speak with more knowledge than of the three new governments at this point in time, is that during the past year, we have continued to try to phase down activities.

We have not been able to do so as rapidly as we had anticipated a year ago when appearing before this committee. The reason has been the transfer of functions under Secretarial Order 3039, that is, the transfer of the High Commissioner's executive functions, has been made to these new governments.

We found in some instances additional support was needed from headquarters, for example, in the budget areas. We found out in the Attorney General's office, as we transferred functions, that we also lost personnel that we had located out in these new governments.

We used to have a district attorney in each government. They used to help us when the Trust Territory was sued. They now work for the new constitutional governments, and Headquarters legal staff have found they have to go into the former districts and perform work for us without the assistance of former staff in those areas.

These things have all added to the fact that we have not been able to phase down as rapidly as we had envisioned. Things happened that we did not foresee as we were looking ahead.

I think the past year has brought those things to light. I don't believe it is overly optimistic to state that with concerted effort, we can truly phase down during this next year. We need some help, and it isn't really financial, from Washington. That will include the transfer of Civil Service employees that are guaranteed return rights in the United States.

We need that so we can get people off our staff. Otherwise, they end up in the position of being out there and not having a lot to do.

We also have large programs in the area of Federal grants, and quite a bit of our headquarters staff is still dealing with that at this point in time.

You will hear from the entities what they desire from the Federal Government. It will probably take some type of Congressional action, but they envision taking over the reins at some point in the near future.

That should allow for substantial reductions in headquarters personnel. Those are things that don't really require money, which is probably a welcome sound to your ears, but they do require action nevertheless.

TRANSFER OF FUNCTIONS AND PROPERTY

We have recently, just before High Commissioner Winkel left office, completed the transfer of $31 million worth of property which was in place in the districts. That is now under the jurisdiction of the new governments. It was still on our books at headquarters. We have transferred that officially.

That would leave us with ships still to be transferred; the Trust Territory Government is somewhat in the shipping business. We have 21 vessels. Twelve of those are in active service; one is in drydock; and the other eight are inactive down in Palau.

We need to resolve that question and we think we can do it within the next few months. That is in the mill.

We have an economic development loan fund, which, I understand, Congress froze several years ago. We have a new director on board in Saipan, and I believe we are simply awaiting the appointment of the president of the new bank in the Federated States. Then we will be ready to transfer those funds. That should happen in the immediate future.

Other than that, when we are out of business, the headquarters property needs to be distributed, and whatever the ongoing U.S. presence is to be must be determined.

The next year could very well be a monumental one. I think the fact that we now have three constitutional governments, that the Trust Territory Government is not really a government in the sense that it was two or three years ago, is very significant now.

In the area of communications, both Palau and the Marshall Islands have signed agreements with COMSAT. We anticipate that the Federated States will do the same thing in the next few days, and you should be able to see a marked improvement in communications in the Trust Territory.

CAPITAL IMPROVEMENT PROGRAM

Mr. MURTHA. Captain O'Donnell, do you have anything to add to your written statement which has already been made part of the record?

Captain O'DONNELL. No, Mr. Chairman. I don't have, except that it is tough construction out there and tough administration.

Mr. MURTHA. Would you please explain what role you will have in the transition to three separate entities once the Compact is approved?

Mr. HIGH. What role we will have in the transition to the three entities when the compact is approved? You mean from a headquarters standpoint, Mr. Chairman? The transition role right now

is one of lending assistance to these entities; for example, providing them with expertise in the budget area.

We need to figure out whether they are going to have their own financial accounting systems or whether it will be from a centralized point.

We have had to lend expertise in the legal area. I am sure the Federal program areas are doing that sort of thing, too.

I think our goal is to have most of this done and attempt to dovetail with the compact situation so that as the post-trusteeship period starts, we are not lagging behind with the transfer we are undergoing now.

Mrs. VAN CLEVE. May I add to Mr. High's statement? If your question is what will the nature of the United States presence be in the Trust Territory once the compact is approved and in effect, I think that question has not yet been answered.

There is uncertainty as to what part of the Federal establishment would be the principal agency for conducting U.S. relations with the Trust Territory and there is further uncertainty as to the nature of the task that would be given to that agency.

All of this really needs to be worked out in terms of further compact discussions which will be under way once the new administration comes to terms with its position on the subject.

COMPACT FUNDS

Mr. MURTHA. With regard to the Compact, would you explain the dollar amounts agreed to in the Compact and their relationship to the current funding level in the various entities?

Mr. HIGH. That is not within my realm of knowledge, Mr. Chairman.

Mrs. VAN CLEVE. I can provide a general answer and I think we would like to give you a more specific one for the record.

I believe I would be correct in stating that in every instance the entities, under the current proposed 1982 budget, would receive less than the amount contemplated in the first year of the Compact were it to go into effect.

Mr. MURTHA. Why would that be?

Mrs. VAN CLEVE. The Compact is not yet, of course, in effect. Accordingly, we are not yet obliged, the United States is not obliged, to meet the commitments set forth in the Compact.

The amounts set forth in the 1982 budget are simply those the administration found it appropriate to approve.

Mr. MURTHA. How much less would it be?

Mrs. VAN CLEVE. I would prefer to give you those figures for the record.

[The information follows:]

Difference in Compact and Budget Funding

The major differences between the Compact and budget figures for the three entities are:

Entity/Fund	Compact	FY 1982 (DOI)	Difference FY 1982/Compact
Marshalls 1/			
Operation	18,900,000	9,843,000 4/	-9,057,000
Construction	10,500,000	600,000	-9,900,000
	29,400,000	10,443,000	-18,957,000
Palau			
Operation 2/	14,150,000	9,043,000 4/	-5,107,000
Construction	9,000,000	600,000	-8,400,000
	23,150,000	9,643,000	-13,507,000
FSM			
Operation	42,600,000	32,814,000 4/	-9,786,000
Construction	24,000,000	1,800,000	-22,200,000
	66,600,000	34,614,000	-31,986,000
Total 3/			
Operation	75,650,000	51,700,000	-23,950,000
Construction	43,500,000	3,000,000	-40,500,000
	119,150,000	54,700,000	-64,450,000

1/ Amount does not include Kwajalein impact funds.
2/ Amount includes $5,500,000 for Land Lease on Palau.
3/ Amount does not include other Federal agency grant funds.
4/ Amounts do not include entities share of $8,200,000 ($2,500,000 Fuel reserve, $4,900,000 enhanced O&M and generator overhaul).

OPERATIONS AND MAINTENANCE

Mr. MURTHA. Earlier this year the Trust Territory Government was putting together a team to review the maintenance requirements for the capital facilities in the Trust Territory.

Would you explain who was on the team, how it went about its work and when a comprehensive report will be completed?

Mr. HIGH. The comprehensive report is completed at this point in time. It has been released and is available for the committee. I saw a copy of it yesterday.

[COMMITTEE NOTE.—A copy of the comprehensive report is retained in committee files.]

Mr. MURTHA. When will the recommendations be forthcoming from the review team. When will they be put into effect?

Mr. HIGH. A decision has to be made by the new governments, I think. The report has been provided to them. They have not had an opportunity to digest it. It was intended by the High Commissioner to serve as an aid to them in evaluating priorities and ascertaining what they could do with the given levels of funding that would be made available.

I do know that the funding that is required to fully meet what that report shows to be the need is not available at this point in time.

It is substantially less, so it would be a question of identifying priorities within the report. The report is so worded and so developed to make that possible in the various areas, with dollar amounts, and personnel amounts affixed to them. They can pick and choose among them, but admittedly some things will go begging if that is done.

Mr. MURTHA. You have requested $4.9 million in fiscal year 1982 for enhanced operations and maintenance. This is in addition to the $3 million provided in fiscal year 1981.

Will you describe what will be accomplished for the $7.9 million funded?

Mr. HIGH. May I refer that to Mr. Willter, please.

Mr. WILLTER. Mr. Chairman, I will try to answer the question. We do have a gentleman here who actually was involved in this report, so he could help us with the detail.

As I understand it, the $3 million we have for 1981, which we now have, has already been granted. It is awaiting release of this report, which we hope will identify the areas which need to be upgraded.

Then the next step we see will be going back to the entities to provide their portion of the $3 million. Obviously, the funds are not enough, as mentioned, to take care of everything, so they have to give us their priorities starting with 1981 funds, followed by 1982, as mentioned, $3 million. Of that, $4.9 million in 1982, $3 million is for the continuation of the funds we got in 1981.

$1.9 million of the 1982 money is clearly earmarked for the upgrade of the generators in the three entities.

GENERATOR OVERHAUL

Mr. MURTHA. When will the overhaul begin?

Mr. WILLTER. I believe that's in the report, the same report we are talking about. They have identified the needs, and as soon as we get this money for 1982, I believe the program should start.

We are having problems with one of the Federated States of Micronesia, Ponape. We have attempted, with some of this amount to take care of that. It is of an emergency nature.

I think most of the entities have already identified priorities and are ready to move as soon as this money becomes available.

Mr. MURTHA. Who will supervise the overhaul?

Mr. WILLTER. We did one of these in 1980, where headquarters supervised the overhaul by contract. However, I believe that the entities will also be able to look into some other means of doing their own overhauling because they prefer doing it locally.

They train the people who will be operating the system after it is overhauled.

Mr. MURTHA. How will the funds be divided?

Mr. HIGH. We have already evaluated the need. There is a schedule prepared. It shows the number of generators, the type of generators, what the problems are that exist with them, and a list of parts needed to bring them up to speed. That could be provided for the record.

[The information follows:]

Trust Territory Generator Overhaul Schedule

House Committee on Appropriations
Subcommittee on Interior and
Related Agencies
Hearing Date: May 12, 1981
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PALAU DISTRICT

A. *Number of Generating Units: Presently, there are a total of 21 power generating units in operation at the district center of Koror and three of the outlying municipalities. Generating units in Peleliu, Angaur and Ngiwal are operated one at a time for six hours everyday. Units are operated alternately between oil changes. Three 1250 KW units will be installed in Malakal power plant by September 1981 under the Capital Improvement Program.*

B. *KWH Production: The monthly avorage electrical power production at the Malakal power plant is 1,685,000 KWH.*

C. *Fuel Consumption (1979): Fuel consumed in 1979 to run below described power generating units averaged 130,000 gallons per month.*

D. *Fuel Costs (1979): Fuel cost in 1979 for operation of below described power generating units totaled $1,120,836.*

E. *Fuel Consumption (1980): Estimated monthly fuel consumption in 1980 will be 160,000 gallons.*

F. *Fuel Costs (1980): Estimated costs for power plants fuel in 1980 is $2,090,000.*

G. *Utility Rate: Electric power rate now charged in Koror is $.05 per KWH.*

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Malakal Power Plant	1000 KW White Superior	Unit needs complete overhaul and replacement of crankshaft, cooling system piping and radiator.
Malakal Power Plant	800 KW Caterpillar	Unit recently overhauled; require additional radiator to share with unit below.
Malakal Power Plant	800 KW Caterpillar	Unit recently overhauled; require additional radiator to share with above unit to meet required cooling temperature.
Malakal Power Plant	750 KW White Superior	Unit recently overhauled; cooling system piping and radiator need to be replaced.
Malakal Power Plant	750 KW White Superior	Unit needs complete overhaul; cooling system piping and radiator need to be replaced.
Malakal Power Plant	500 KW Caterpillar	Unit belongs to U. S. Army on loan to Palau on condition that Palau completely overhauls engine before returning unit back to Army after two years. Unit has been on line for a year already.
Malakal Power Plant	500 KW Caterpillar	Unit belongs to U. S. Army on loan to Palau on condition that Palau completely overhauls engine before returning unit back to Army after two years. Unit has been on line for a year already.
Malakal Power Plant	500 KW Caterpillar	Unit belongs to U. S. Army on loan to Palau on condition that Palau completely overhauls engine before returning unit back to Army after two years. Unit has been on line for a year already.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Airai Pump Station	200 KW Caterpillar	Unit is new and recently installed.
Airai Pump Station	200 KW Caterpillar	Unit is new and will be installed in near future.
Airai Pump Station	100 KW Cummings	Unit needs complete overhaul and will be moved to provide emergency power at a main sewage pump station in Koror.
Koror District Hospital	250 KW Caterpillar	Unit require complete overhaul and since unit cannot handles total hospital load, will be utilized at a power plant outside of District Center.
Koror District Hospital	350 KW Caterpillar	Unit obtained from military surplus source and needs complete overhaul and installation including automatic transfer switch, fuel tank and mechanical and electrical connections.
Communications Station	200 KW Caterpillar	Unit is old and needs complete overhaul.
Peleliu Power Plant	100 KW Cummings	Unit is newly overhauled.
Peleliu Power Plant	175 KW Caterpillar	Unit requires complete overhaul and replacement of alternator.

Peleliu Power Plant	175 KW Caterpillar	Unit requires complete overhaul and replacement of alternator.
Angaur Power Plant	90 KW Caterpillar	Unit needs complete overhaul.
Angaur Power Plant	90 KW Caterpillar	Unit needs complete overhaul.
Koal Power Plant	90 KW Caterpillar	unit needs complete overhaul.
Koal Power Plant	90 KW Caterpillar	Unit needs complete overhaul.

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YAP STATE

A. Number of Generating Units: Presently, there are 15 power generating units in operation at the state center of Colonia and at Ulithi In Colonia, power is in operation 24 hours per day whereas in Ulithi, operation of the power plant depends upon the amount of fuel available and whether or not power is needed 24 hours for protection of frozen food items for the Yap Outer Islands High School.

B. KWH Production: The monthly average electrical power production at Colonia power plant at present is 595,800 KWH.

C. Fuel Consumption (1979): Fuel consumed in 1979 for operating the power generating units described below averaged 49,000 gallons per month.

D. Fuel Costs (1979): Fuel costs in 1979 for the operation of below described power generating units totaled $634,042.

E. Fuel Consumption (1980): Estimated monthly fuel consumption in 1980 for all power generating units is 51,093 gallons.

F. Fuel Costs (1980): Estimated costs for power plants fuel in 1980 amounts to $705,083.

G. Utility Rate: Electrical power rate presently charged in Colonia is $.05 per KWH.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Colonia Power Plant (New)	800 KW Caterpillar	New unit installed in December 1979.
Colonia Power Plant (New)	800 KW Caterpillar	New unit installed in December 1979.
Colonia Power Plant (New)	750 KW White Superior	Unit had engine top part overhaul less than a year ago.
Colonia Power Plant (New)	750 KW Caterpillar	Unit had engine top part overhaul less than a year ago.
Colonia Power Plant (Old)	600 KW Caterpillar	Unit needs complete overhaul.
Colonia Power Plant (Old)	350 KW Caterpillar	Unit engine needs complete overhaul and alternator needs to be replaced.
Colonia Power Plant (Old)	350 Caterpillar	Unit is too old and may be uneconomical to repair.
Hospital	200 KW Allis-Chalmers	Unit is newly installed and is only used for emergency purposes.
Communications (Transmitter Site)	60 KW Caterpillar	Unit in good condition and is used only when island power is out.
Communications (Receiver Site)	50 KW Caterpillar	Unit in good condition and is used only when island power is out.
Broadcast Station	50 KW Caterpillar	Unit is newly installed.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Ulithi	150 KW Caterpillar	Unit needs complete overhaul.
Ulithi	150 KW Caterpillar	Unit needs complete overhaul.
Ulithi	60 KW Caterpillar	Unit needs complete overhual.
Ulithi	50 KW Caterpillar	Unit needs complete overhual.

A. Number of Generating Units: Presently, there are 12 power generating units in operation at the state center of Moen and two units installed on Dublon Island, but not in operation. Seven of the twelve units are installed at the Moen power plant and the rests are located in various facilities to provide emergency power.

B. KWH Production: The monthly average electrical power production at Moen power plant at present is 980,000 KWH.

C. Fuel Consumption (1979): Fuel consumed in 1979 for operating the power generating units described below averaged 70,083 gallons per month.

D. Fuel Costs (1979): Fuel costs in 1979 for operating the power generating units described below amounted to $983,970.

E. Fuel Consumption (1980): The estimated monthly fuel consumption in 1980for operating the power generating units described below averages 81,700 gallons.

F. Fuel Costs (1980): Estimated costs for power plants fuel in 1980 amounts to $1,195,600.

G. Utility Rate: Electrical power rate presently charged in Moen is $.04 per KWH.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Moen Power Plant	1150 KW Nordberg	Unit is presently down with alternator problem. Unit needs complete overhaul and replacement of radiator.
Moen Power Plant	800 KW Caterpillar	Unit is newly installed.
Moen Power Plant	800 KW Caterpillar	Unit is newly installed.
Moen Power Plant	800 KW Caterpillar	Unit is in operation, however, needs a complete overhaul.
Moen Power Plant	800 KW Caterpillar	Unit is in operation, however, needs a complete overhaul.
Moen Power Plant	800 KW Caterpillar	Unit is in operation, however, needs a complete overhaul.
Moen Power Plant	500 KW Caterpillar	Unit is in operation, however, needs a complete overhaul.
Dublon Power Plant	175 KW Caterpillar	Unit is not in operation at present. System needs electrical repair, however, engine is in operating condition.
Dublon Power Plant	175 KW Caterpillar	Unit is not in operation at present. System needs electrical repair, however, engine is in operating condition.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Hospital	500 KW Caterpillar	Unit needs complete overhaul; automatic transfer swtich needs to be replaced.
Sewage Treatment Plant	50 KW Caterpillar	Unit is new, however, it is too small to handle the total load at th sewage treatment plant.
Airport	50 KW Caterpillar	Unit is being installed under the airport construction contract.
Communications (Transmitter Site)	75 KW Caterpillar	Unit is in operating condition.
Communications (Receiver Site)	75 KW Caterpillar	Unit is in operating condition.

A. Number of Generating Units: Presently, there are 11 power generating units in operation in Ponape. Two other units which are mobile and specifically used for providing emergency power to the sewage treatment plant and sewage pump station are down with electrical problems. There are two power plants in operation in Ponape today. The new power plant at Nanphonmal will be the ultimate plant. Units presently at the old power plant at Kolonia will be moved one at a time, relocated in the Nanphonmal power plant, overhauled and installed.

B. KWH Production: The monthly average electrical power production at both power plants totals 1,320,000 KWH.

C. Fuel Consumption (1979): Fuel consumption in 1979 for operating the power generating units described below average 122,800 gallons.

D. Fuel Costs (1979): Fuel costs in 1979 for operating the generating units described below totaled $1,208,352.

E. Fuel Consumption (1980): Estimated montly fuel consumption in 1980 for all power generating units averages 130,000 gallons.

F. Fuel Costs (1980): Estimated costs for power plants fuel in 1980 amounts to $1,903,200.

G. Utility Rate: electrical power rate presently charged in Ponape is $.03 per KWH.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Nanphonmal Power Plant	800 KW Caterpillar	Unit in operating condition and does not need immediate improvements.
Nanphonmal Power Plant	800 KW Caterpillar	Unit being operated on only 15 cylinder because of crankshaft journal damage. Unit needs complete overhaul and crankshaft replaced with new one.
Nanphonmal Power Plant	800 KW Caterpillar	Unit is down due to damaged crankshaft. Unit needs complete overhaul and crankshafts and other components should be replaced with new ones. The following installations must be done to this and the two above units to correct existing electrical problems inherent in the design of system: Convert existing 3 Kato 300 KWH generators from brush type static exciters to rotary brushless exciters with Basler SR8 type voltage regulators; convert 3 Caterpillar engines from electronic governors to Woodward UG8 dial type governors; remove all transformers in switchgear and rewire panels for the new controls supplied; remove all protective relays and have them factory calibrated and install back.
Kolonia Power Plant	750 KW White Superior	Unit needs to be relocated in the Nanphonmal power plant and overhauled. Cooling system needs to be replaced. Unit now in operation at Kolonia power plant.
Kolonia Power Plant	750 KW White Superior	Unit needs to be relocated in the Nanphonmal power plant and overhauled. Cooling system needs to be replaced. Unit now in operation at Kolonia power plant.
Kolonia Power Plant	500 KW Caterpillar	Unit is in operation but needs complete overhaul and cooling system replacement. Unit will be relocated in the Nanphonmal power plant.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Kolonia Power Plant	500 KW Caterpillar	Unit presently down due to piston and cylinder liner damages. Unit presently undergoing repair. Unit will be moved to Nanphonmal power plant.
Kolonia Power Plant	500 KW Caterpillar	Unit presently down due to problem with alternator. A new alternator is needed to replace existing one.
Hospital	500 KW Caterpillar	Unit in operating condition, however, needs engine top part overhaul. An automatic transfer switch is needed for this unit.
Communications	100 KW Caterpillar	Unit in operating condition, however, needs engine top overhaul.
Airport	50 KW Caterpillar	Unit in operating condition, however, needs engine top overhaul.
Sewer System (Mobile Unit)	125 KW Allis-Chalmers	Unit needs to be overhauled; electrical problems with voltage regulator and alternator.
Sewer System (Mobile Unit)	125 KW Allis-Chalmers	Unit needs to be overhauled; unit has electrical problems details of which not known at present.

KOSRAE STATE

A. Number of Generating Units: Presently, there are 8 power generating units in Kosrae. Two 400 KW Caterpillar units which have been recently installed at the Tofol power plant provide the prime power for the island. Two 300 KW white Superior are presently located in the Tofol power plant but not installed. A 350 KW Caterpillar installed in Tofol power plant is down due to mechanical failure. A 200 KW Caterpillar is located in Lelu power plant and a 90 KW Caterpillar and 125 KW Caterpillar are located at the hospital.

B. KWH Production: The monthly average electrical power production at the Tofol power plant at present is 216,000 KWH.

C. Fuel Consumption (1979): Fuel consumption in 1979 averaged 19,700 gallons per month.

D. Fuel Costs (1979): Power plant fuel costs in 1979 amounted to $196,212.

E. Fuel Consumption (1980): Fuel consumption in 1980 is estimated at 23,000 gallons per month.

F. Fuel Costs (1980): Fuel for power plants is estimated to cost $339,480 in 1980.

G. Utility Rate: Kosrae presently charges customers $.035 per KWH of electrical energy consumed.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Tofol Power Plant	400 KW Caterpillar	Unit is newly installed under Capital Improvement Program. Unit has been in operation since June 1980.
Tofol Power Plant	400 KW Caterpillar	Unit is newly installed under Capital Improvement Program. Unit has been in operation since June 1980.
Tofol Power Plant	350 KW Caterpillar	Unit is presently down due to mechanical failure. Repair of unit require engine block and crankshaft replacements.
Tofol Power Plant	300 KW White Superior	Unit presently located in power plant but not installed. Unit was purchased new and has been in storage for over eight years. All major components are available, but need to be checked prior to installation of unit.
Tofol Power Plant	300 KW White Superior	Unit presently located in power plant but not installed. Unit was purchased new and has been in storage for over eight years. All major components are available but need to be checked prior to installation of unit.
Lelu Power Plant	200 KW Caterpillar	Unit has been recently overhauled and is used for emergency purposes only.
Hospital	125 KW Caterpillar	Unit in operating condition but needs to be overhauled.
Hospital	90 KW Caterpillar	Unit in operating condition but is too small for the hospital load.

Number of Generating Unit: Presently, there are 8 power generating units installed in the Majuro power plant. Two 800 KW Caterpillar units which were surplused from Enewetak operation are in majuro awaiting installation in the proposed new power plant. Six other smaller generators are installed in various facilities in DUD area to provide emergency power. Five power generating units are installed in the Ebeye power plant. Four other smaller units are installed in various facilities in Ebeye for emergency use. Three units are installed in the Jaluit power plant, essentially to provide the Jaluit High School its power requirement.

KWH Production: The monthly average electrical power production at Majuro is 984,000 KWH and that for Ebeye is 400,000 KWH or a total of 1,384,000 KWH.

C. Fuel Consumption (1979): Fuel consumption in 1979 for power plants in Majuro and Jaluit averages 78,000 gallons per month and that for Ebeye is 44,000 gallons per month, or a total of 122,000 gallons per month.

D. Fuel Costs (1979): Power plants fuel costs in 1979 for Majuro and Jaluit amounted to $900,000 while that for Ebeye was $438,240, or a total of $1,338.240.

E. Fuel Consumption (1980): Average estimated power plants fuel required for Majuro and Jaluit is 80,000 gallons per month and that for Ebeye is 59,400 gallons, or a total of 139,400 gallons per month.

F. Fuel Costs (1980): Fuel for power plants in Majuro, Ebeye and Jaluit in 1980 is estimated to cost $2,040,816.

G. Utility Rate: Both Majuro and Ebeye presently charges customers $.08 per KWH of electrical energy consumed.

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Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Majuro Power Plant	1000 KW White Superior	Unit presently down due to a broken cylinder head. Unit undergoing repair at the present. Unit overhauled less than a year ago.
Majuro Power Plant	750 KW White Superior	Unit in running condition and overhauled less than a year ago.
Majuro Power Plant	750 KW Baldwin	Unit in running condition and overhauled less than a year ago.
Majuro Power Plant	750 KW Baldwin	Unit presently down due to problem with alternator; needs complete overhaul.
Majuro Power Plant	300 KW Cleveland	Unit in running condition.
Majuro Power Plant	300 KW Cleveland	Unit in running condition.
Majuro Power Plant	300 KW Cleveland	Unit presently down due to problem with alternator.
Majuro Power Plant	500 KW Caterpillar	Unit presently down due to problem with alternator. Existing alternator needs replacement.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Ebeye Power Plant	600 KW Caterpillar	Unit is new and was intalled about six months ago.
Ebeye Power Plant	600 KW Caterpillar	Unit in operation and was overhauled about six months ago.
Ebeye Power Plant	500 KW Caterpillar	Unit is only one year old but presently down due to problem in the electrical system.
Ebeye Power Plant	350 KW Caterpillar	Unit being overhauled and waiting for voltage regulator.
Ebeye Power Plant	350 KW Caterpillar	Unit being overhauled and waiting for radiator fan motor.
Sewage Treatment (Ebeye)	75 KW Caterpillar	Unit is in good operating condition.
Ebeye Hospital	35 KW Caterpillar	Unit is down and need complete overhaul. Unit is too small for hospital emergency need.
Ebeye Hospital	45 KW Caterpillar	Unit needs overhaul. Unit is too small for hospital load.
Ebeye Hospital	100 KW Caterpillar	Unit acquired as surplus from Kwajalein but not yet installed at hospital.
Jaluit Power Plant	300 KW Cleveland	Unit needs complete overhaul.
Jaluit Power Plant	300 KW Cleveland	Unit needs complete overhaul.
Jaluit Power Plant	175 KW Caterpillar	Unit needs complete overhaul.

Unit Location	KW Rating/ Generator Make	Improvements Required/Remarks
Majuro Power Plant	800 KW Caterpillar	Unit is surplus from Enewetak and now stored at Majuro power plant yard. Unit will be installed in proposed new power plant.
Majuro Power Plant	800 KW Caterpillar	Unit is surplus from Enewetak and now stored at Majuro power plant yard. Unit will be installed in proposed new power plant. The rest of unit described above will also be relocated in the new proposed power plant. It is anticipated that new piping for cooling, fuel and air systems as well as new radiators and certain electrical system components will also be replaced.
Majuro Hospital	150 KW Caterpillar	Unit has been recently overhauled.
Majuro Water System	75 KW Caterpillar	Unit has been recently overhauled.
Communications (Receiver Site)	100 KW Caterpillar	Unit is in good operating condition.
Majuro Airport	150 KW Caterpillar	Unit is in good operating condition.
Majuro Broadcast Station	30 KW Caterpillar	Unit is in good operating condition.
Communications (Transmitter Site)	30 KW Caterpillar	Unit is in good operating condition.

Mr. MURTHA. Yes.

Mr. HIGH. The question of allocation is pretty well determined at this point in time.

Mr. MURTHA. Captain, do you think it is a good report?

Captain O'DONNELL. I have not seen the report.

COMPACT MILITARY PAYMENTS

Mr. MURTHA. In addition to the numbers contained in the Compact, are there additional military payments above the contract dollars?

Mr. WILLTER. Mr. Chairman, I am sure there are additional payments to some of the entities, and I think some to the Marshalls, in the case of Kwajalein. I am not familiar with the Compact. We will answer that for the record.

[The information follows:]

ADDITIONAL MILITARY PAYMENTS

All military payments are contained in the Compact itself; there are no additional payments.

COLLEGE OF MICRONESIA

Mr. MURTHA. Would you review for the committee the various locations of the College of Micronesia?

Mr. HIGH. Yes, Mr. Chairman. We have what is called as the Micronesian Occupational Center that is located in Palau. We have the School of Nursing, which is located in Saipan in conjunction with Dr. Torres' hospital and then we have the Community College of Micronesia, which is located on Ponape.

By the way, I might add we had a small disaster at that particular campus. The day after I was appointed to this position, I received word that one of the men's dormitories had burned. We have 60 students without any place to live down there. Estimated construction costs are a couple hundred thousand dollars.

STATUS OF CAPITAL IMPROVEMENT PROGRAM

Mr. MURTHA. Would you please review for the committee the overall status of a construction program in the Trust Territory by location?

Captain O'DONNELL. Yes, Mr. Chairman.

On Palau we are approximately 50 percent done with all of the work. On the Island of Yap, about 50 percent. On the Island of Truk, we are less than that, I would say about 40 percent. On the Island of Ponape, about 40 percent; Island of Kosrae, just getting started, about 20 percent.

I will have to furnish for the record the status of the Marshalls.

[COMMITTEE NOTE.—Status of constructions program in trust territories provision for committee files.]

Mr. MURTHA. How long have you been there, Captain?

Captain O'DONNELL. I have been there since the 17th of January, 1981.

Mr. MURTHA. So you just came on board also. What is the problem with the construction? You say it is difficult construction?

Captain O'DONNELL. Yes, Mr. Chairman, particularly airfield construction. Let's take the one at Palau. We have in Palau moisture content of over 65 percent. We have rainfall of over 200 inches per year. The dry season is rather short. When it rains we have a terrible time moving the dirt.

Mr. MURTHA. When is the dry season?

Captain O'DONNELL. The dry season generally starts about November and runs to about May, this time of the year.

Mr. MURTHA. Then how much rain do you get during the dry season?

Captain O'DONNELL. During the dry season it probably averages 12 to 14 inches a month.

Mr. HIGH. There is a wet part of the dry season I have found, Mr. Chairman, in five years of living there.

Mr. MURTHA. That probably causes immense problems.

Captain O'DONNELL. Yes, Mr. Chairman. We have a pickup for our people to use. An average pickup will not last more than two years. The frames rust in two.

Mr. MURTHA. Do you have trouble getting skilled personnel to do the work?

Captain O'DONNELL. Not the actual construction work. The contractors are primarily Japanese, very skilled people, or Korean, who are also skilled people.

We have a New Zealand contractor with skilled people. They also hire local people and train them to a great degree. They are excellent construction people.

On my own staff we have local people, third country nationals, and Americans.

Mr. MURTHA. Is the main problem with the rain?

Captain O'DONNELL. Rain is a very difficult thing.

The other thing, and I must be very honest, we have made bad judgments. We thought we had a quarry. When we opened it up, there was no rock. This was on an airfield job in Kosrae, so we had to find another quarry. Meanwhile, the contractor was dead in the water, and that is why we haven't got a lot of work in place on the Island of Kosrae; and also we spent some money and we are not going to get much.

Mr. MURTHA. Is the quarry on that island or do you have to go to another island?

Captain O'DONNELL. We found a quarry on that island.

Mr. MURTHA. Coral or what do you use?

Captain O'DONNELL. The airfield we are going to build in Kosrae is out in the water on the reef, so we will dredge coral up for the base and protect that base with rock from the quarry as we build the breakwater.

That is difficult construction.

Mr. MURTHA. When will it be completed?

Captain O'DONNELL. Mr. Chairman, I take it you are talking about the total five-year Capital Improvement program?

Mr. MURTHA. Right.

Captain O'DONNELL. In my personal opinion, I do not think it will be completed until sometime in calendar year 1984.

Mr. MURTHA. Give us an estimate of when each of the projects will be completed, for the record.

[The information follows:]

Trust Territory Capital Improvement Program
Estimated Completion Dates (ECD)
(as of December 31, 1980)

PALAU WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	%COMPL	ECD
77-C-0216:				
Roads I; Water Dist; Container Yard	Mitsui .	$ 5.6MIL	98%	6/81
78-C-0294:				
Airfield; Roads II; Power Gen.	Downer/Fletcher	$19.9MIL	21%	3/83
79-B-0234:				
Satellite Sewers	Under Design	$ 3.2MIL	D 75%	12/82
80-B-0258:				
(FY81) Water Res. Dev.	Under Design	$ 2.9MIL	D 40%	12/82
(FY81) Roads III		$ 1.5MIL	Being Scoped	
(FY81) Electrical II		$ 1.0MIL	Being Scoped	
Palau CIP THRU FY81		% Oblig	% CIP WIP	ECD
	$44.383 MIL	75.6%	27%	9/83

YAP WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	%COMPL	ECD
77-C-0238:				
Dock (Colonia)	Mitsui	$ 5.4MIL	98%	12/80
77-C-0217:				
Roads I; Water:				
Electrical	Mitsui	$ 1.7MIL	94%	3/81
79-C-0267:				
Airfield,				
Roads II	Mitsui	$14.8MIL	2%	9/82
79-R-0256:				
Hospital Add.	Mitsui	$ .4MIL	Awaiting H/Com Approval	2/82
WR0051 (YAP Force Acct)				
Elect. Dist.	Yap State	$ .8MIL	95%	10/81
79-B-0245:				
Ulithi Dock		$ 1.2MIL	Bids Being Evaluated	8/82
78-B-0244:				
(FY81)				
Woleai Dock	Design Compl	$ .7MIL	hold status	hold status
80-B-0259:				
(FY81)				
Water Res. Imp.	Under Design	$ 1.6MIL	D 10%	12/82
(FY81)				
Roads III				
	Under Design	$ .7MIL	D 60%	9/82
80-B-0220:				
Sewer (EPA)	Design-Compl	$ 1.6MIL	Awd 5/81	12/82
YAP CIP thru FY81		% Obilg	% CIP WiP	ECD
	$35.156 MIL	78.3%	25%	6/83

TRUK WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	%COMPL	ECD
78-C-0207:				
Airfield	Maeda	$17.4MIL	82%	9/81
77-C-0218:				
Dock (Moen); Elect. (Moen); Dublon Fisheries	Maeda	5.8MIL	66%	8/81
79-C-0293:				
Roads, Water, Sewer (EPA)		8.1MIL	0%	12/82
(FY81) Water Resources Imp.		4.1MIL	Scoping	10/83

TRUK CIP THRU FY81	%Oblig	%CIP WIP	ECD
$45.0 MIL	69.6	49%	4/84

PONAPE WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	% COMPL	ECD
78-C-0210:				
Roads (paved); Water, Air-Field (Pave); Elect. Dock (Kolonia)	Maeda	$12.3MIL	50%	12/81
80-C-0238:				
Sewer (EPA)	Design Complete	$ 3.5MIL	IFB	2/83
Marine Resources Dock Dredging				
Circumfer. Roads	PTA	$ 3.2MIL	20%	
Dau Sokele Bridge	Chris Berg	$ .8MIL	Compl	Compl
Water Resources (FY81)		$ .8MIL	Being Scoped	1/83
Airfield Lighting		$ .3MIL	Compl	Compl

Ponape CIP thru FY81	%Oblig	%CIP WIP	ECD
$25.799 MIL	65.0%	37%	8/83

KOSRAE WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	% COMPL	ECD
78-C-0507:				
Power Plant Modification		$ .4 MIL	Compl	(3/80)
77-C-0220:				
Airport;				
Roads I	Kong Yung	$13.3 MIL	17%	6/83
Docks	Under Design	$ 4.0 MIL	D 35%	6/82
80-C-0220:				
Electrical, Water	Under Design	$ 5.1 MIL	D 90%	10/83
Circumferential Roads (FY80)	Kosrae Transport Auth. (KTA)	$ 3.7 MIL	A/E being selected	10/83
(FY 1981) - Water Quality		$ .2 MIL	Scoping	
(FY 1981) - Electrical;				
Generator Rehab		$ .2 MIL	Scoping	
Sewer	Scoping	$ 2.5 MIL	Scoping	
Kosrae CIP thru 1981		% Oblig	% CIP WIP	ECD
	$39.720 MIL	50%	8%	4/84

MARSHALLS WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	%COMPL	ECD
84-78-C-0022: Majuro Dock		$4.7MIL	Completed	2/80
84-80-C-0068: Ebeye (Kwajalein Dock)	Wilkins & Davis/ Fletcher	$2.1MIL	15%	9/81
84-80-A-0031: Out-Island Docks (FY81)	Design complete	$2.3MIL		1/82
83-70-C-0014: Ebeye (Kwajalein) Water		$ .5MIL	Completed	3/79
84-79-C0121: Majuro Water	Chris Berg/Int'l Bridge	$2.7MIL	80%	12/80
FY81 - MAJURO WATER QUALITY		$ .3MIL	Being Scoped	
84-77-C-0037: Ebeye (Kwajalein) Sewer T/P		$ .8MIL	Completed	6/78
EBEYE (KWAJ) Emergency Sewer (CIP)	Martin-Zachary	$ .9MIL	90%	11/80
EBEYE (KWAJ) Sewer Rehab (EPA)	Under Design	$1.1MIL	D 30%	5/82
EBEYE (KWAJ) Electrical (FY79)		$ .8MIL	Completed	9/80

MARSHALLS WORK STATUS

CONTRACTS	CONTRACTOR	CURRENT CONTRACT VALUE	%COMPL	ECD
84-80-B-0107: Majuro Elec. Distrib.	Elect. Contr. of Guam/Norcoast Beck	$ .2MIL	22%	7/81
MAJURO Sewer (EPA)		$4.5MIL	EPA Applic. pending	6/83
(FY81) MAJURO Electrical - P/Plant	Under Design	$2.6MIL	D 10%	12/82
MAJURO HOSPITAL		$7.0 MIL	Being - Scoped	6/83
(FY81) MAJURO CAFETORIUM		$1.4 MIL	D 50%	3/82
KWAJ (EBEYE) REDEV (FY80) Ebeye Water		$1.2 MIL	Being - Scoped	
KWAJ (EBEYE) REDEV (FY80) Ebeye Hospital		$ .4 MIL	Being - Scoped	
KWAJ (EBEYE) REDEV (FY81) Ebeye Power		$1.2 MIL	Being - Scoped	
KWAJ (EBEYE) REDEV (FY81) Ebeye Roads (Circumf.)		$ .4 MIL	Being - Scoped	
MARSHALLS CIP thru FY 81		%Oblig $Oblig	%CIP W!P	ECD
	$43.060 MIL	(36.4%)	2[illegible].2%	1/84

Mr. HIGH. Given funds available, it may be necessary to rescope some of what Captain O'Donnell is doing. We see that from our end of the picture out there. Maybe that would be of interest to the committee.

NAVY'S FUTURE ROLE

Mr. MURTHA. What is the role of the Navy expected to be in the construction programs of the entities after the Compact is in place?

Captain O'DONNELL. Mr. Chairman, right now we are working under the Memorandum of Agreement which is just for this five-year Capital Improvement Program, and I have no knowledge of what the Navy's role will be after this.

Mr. MURTHA. Do you know if there have been discussions concerning this role?

Captain O'DONNELL. I believe there have been discussions with this role, concerning the Republic of Palau.

Mrs. VAN CLEVE. It has been our understanding if the five-year program was not completed at the time the Compact went into effect, that program, as visualized in 1978 and subsequently modified through the appropriation process, would be completed.

Mr. MURTHA. If you folks would stay in the hearing room we will invite the Palau Delegation to the table.

We have several questions that we would like you to answer for the record.

Mr. HIGH. Thank you, Mr. Chairman.

[The questions and answers follows:]

ADDITIONAL COMMITTEE QUESTIONS

TRUST TERRITORY OF THE PACIFIC ISLANDS

TRANSFER OF FUNCTIONS

Question: Please explain to the Committee the functions that remain in the headquarters of the Trust Territory after transfer of the main operating functions to the three entities in the Trust Territory.

-- Please explain the functions that are required in addition to your original fiscal year 1981 budget that require the $1,750,000 reprogramming you have requested of the Congress.

-- When would you expect the requirement for headquarters funding to begin to decrease after FY 1982?

Answer: Based on Secretarial Order No. 3039, the following functions will be retained by the High Commissioner in the Headquarters of the Trust Territory until the termination of the Trusteeship Agreement:

(a) Budget
(b) Audit and Accounting
(c) Federal Grant-in-Aid
(d) Telecommunications
(e) Other - The High Commissioner shall also carry out such other duties as the Secretary of the Interior may from time to time prescribe. Example - legal matters against the Trust Territory Government prior to establishment of the Constitutional Governments.

The $1,750,000 reprogramming requested for FY 1981 is not for additional functions but merely to continue functions which were programmed to be terminated at the end of FY 1980. Due to the delay in transfering these functions to the entities, because the entities were not ready to assume these responsibilities, we were forced to continue to perform these functions during FY 1981 and some in FY 1982. We expect to complete the transition program on all those functions to be transferred by the end of FY 1982.

Headquarters funding requirements are expected to decrease considerably after FY 1982, except for a small office to monitor the development of the three new governments.

Question: What will the role of the central Trust Territory government be with regard to the compact assuming that it goes forward?

-- What is the status of the translation which you have under taken?

-- What would be the next steps after this transation is completed?

Answer: If the Compact of Free Association, as initialled, becomes effective, the Trust Territory Government will be terminated. U.S. obligations under the Compact would be coordinated and supervised by a "representative" in accordance with Title One, Article V of the Compact. That section provides for United States representation in the Freely Associated States.

The Compact of Free Association, as initialled, has been translated into the native languages by translators selected by the governments of the Micronesian entities. Many of the translations are being subjected to scrutiny by specially-consituted translation review boards in the entities.

If the Administration decides to accept the initialled Compact, the Trust Territory Government will review, publish, and distribute the locally-certified translations. The Administration will then address questions concerning the implementation of a voter information program leading to the plebescite that will determine Trust Territory citizens' views on the future political status of Micronesia.

FUEL COSTS

Question: Your original budget and your amended budget both show a reserve being held in headquarters for fuel costs of $2.5 million. However, the estimate for the fuel costs apparently has been reduced from $12.6 million in the original budget to $11.3 million in the adjusted budget.

-- Please explain why you think $11.3 million is now the more realistic number.

-- If $11.3 million is a realistic number, why is $2.5 million of it being held in reserve?

-- Was the $1.3 million, which is reduced from this estimate, part of the reductions made in the entities' budget?

Answer: Based on current prices and our actual obligations for the first six months of FY 1981, we will have a total fuel cost of $8.8 million in FY 1982 as follows:

	(millions)
Federated States of Micronesia	$4.2
Marshalls	2.0
Palau	2.6
Total	$8.8

All three entities expect further increases in fuel prices during FY 1982 so the $2.5 million to be held in reserve will be distributed to the entities whenever needed for fuel. However, if the fuel bill for each entity does not exceed projected amounts, the proportionate share of the reserve for each entity will be given to them for use in other operation requirements.

The $1.3 million reduction from the original $12.6 million estimate was not applied against the entities' base budgets. Instead of having $10.1 million in their base budget and $2.5 in reserve for fuel, we are now saying (based on current forecasts) they should have $8.8 million in their base budgets and $2.5 million in reserve.

COLLEGE OF MICRONESIA

Question: Please review for the Committee the various locations of the College of Micronesia.

-- Why is the funding of the College split among the three entities and the central Trust Territory government?

-- Are the various portions of the College accredited?

-- What is the prospect of the College of losing its accreditation if new facilities are not constructed?

-- What facilities would need to be constructed in order to make the college a viable entity?

-- Would facilities have to be constructed at all three sites?

Answer: It is expected that the College will eventually receive financial support from the three entities after the termination of the Trusteeship Agreement, when the central Trust Territory Government is closed.

Answer: All three portions of the College have been accredited by the Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges; however, the Community College of Micronesia in Ponape has been placed on probation by the accrediting commission and is in jeopardy of losing its accreditation unless the condition of the facilities is improved to accreditation standards.

Answer: The 1978 report of the Accrediting Commission for the Community College of Micronesia recommended:

> "Although there have been several improvements in the areas of concern, the fact remains that the college remains in the same setting as it was for the team's last visit...the alterations cannot alter the fact that the dormitories are still suffocatingly hot day and night and the classrooms are termite ridden, and dependent on noisy air conditions due to their outer shell of steel; the office buildings are literally coming apart at the seems and the student center, although greatly improved, is still far from an adequate retreat for students."

The Accrediting Commission stated in its 1980 report that "The Community College of Micronesia is located in the heart of Kolonia on a tiny two-and-a-half acre plot scarcely large enough for a small elementary school, never mind a college. The buildings are either quonset huts, which afford a minimum of light and even less air, or a rather bizarre design of wood, sloping walls and small spaces for windows. Neither of the types is either designed or suited for habitation in the tropics. Coupled with the unsuitability of these buildings for use as dormitories, is the fact that they are old and badly in need of replacement since repair was simply a waste of money."

Answer: The Western Association of Schools and Colleges Accrediting Commission for the Community and Junior Colleges has recommended an entirely new campus in Ponape for the Community College of Micronesia.

The Accrediting Commission has not recommended new facilities for the Micronesian Occupational College or for the School of Nursing in order to retain their accreditation.

Answer: The Community College of Micronesia is desperately in need of a new campus in Ponape. Of immediate need is also the reconstruction of a dormitory that burned down on May 3, 1981.

Facilities at the Micronesian Occupational Center in Palau are in good shape. Plans were being made to convert one student dormitory into staff housing, and additional plans were being made to develop a student union and a learning center.

Currently, the School of Nursing of the Community College of Micronesia is located in adequate facilities in Saipan next to the Dr. Torres Hospital. New facilities will be needed for the School of Nursing if it is to move to the Marshalls or to Ponape.

GOVERNMENT OF PALAU

WITNESSES

ALFONSO R. OITERONG, VICE PRESIDENT, REPUBLIC OF PALAU
CARLOS H. SALII, SPEAKER, HOUSE OF DELEGATES, NATIONAL CONGRESS
JONATHAN MAUI, PROGRAM AND BUDGET OFFICER, EXECUTIVE BRANCH

Mr. MURTHA. We have the Vice President of the Republic of Palau.

If you will introduce your colleagues, Mr. Vice President.

Vice President OITERONG. On my right is Speaker Salii, a House delegate. On my left, our adjutant, Maui.

Mr. MURTHA. Your testimony will be made part of the record. If you will summarize your statement, Mr. Oiterong.

[The statement follows:]

TESTIMONY OF

THE HONORABLE ALFONSO R. OITERONG

VICE-PRESIDENT OF THE REPUBLIC OF PALAU

Before

INTERIOR APPROPRIATION SUBCOMMITTEE

of

U.S. HOUSE OF REPRESENTATIVES

May 12, 1981

TESTIMONY OF THE HONORABLE ALFONSO R. OITERONG

VICE-PRESIDENT OF THE REPUBLIC OF PALAU

Before

INTERIOR APPROPRIATION SUBCOMMITTEE

of

U.S. HOUSE OF REPRESENTATIVES

May 12, 1981

Mr. Chairman and members of the Committee:

I am honored to appear before this Committee to explain to you the minimum financial requirements of the newly created Republic of Palau. I am accompanied today by the Honorable Carlos Salii, Speaker of the House of Delegates and Mr. Jonathan Maui, Budget Director for the Republic of Palau.

This is a special day for us. This is the first time that the people of Palau have been represented by their own constitutional government in testimony before the United States House of Representatives. The budget before you was prepared while Palau was still a District of the Trust Territory. Many of the changes in that budget we will recommend today are a result of our change in status from a District to a Republic.

As we testify here today we are not unmindful of the overall budgetary situation in the United States. We realize that it is a time of sacrifice for many United States citizens and for us.

Therefore, we have prioritized our own needs. We appear before you today to ask you to fund <u>at least</u> those items which

are necessary to satisfy our basic needs -- those items which are life saving or life maintaining for us. The items include: (1) the need for running water to meet minimum levels of sanitation and minimum requirements of living; (2) improvement in health care through renovation of our dilapidated hospital, funding of patient referral until our hospital is renovated, and monies to provide basic medical supplies; (3) enough funds to purchase oil to operate our antiquated diesel-fired generators to meet our minimum electrical requirements; and (4) enough money to provide for the operation and maintenance of our existing infrastructure (as inadequate as that is) so that the capital improvements that have been provided by the United States do not fall into disrepair. These items are discussed in brief below.

1. Water System Repair

The government of the United States has invested $7.251 million to provide a water system for Koror, Palau's principal population center. The people of Palau are not as appreciative of this substantial investment as they might be. There is a simple reason for this: the water system does not work.

There are two reasons why it does not work: (1) the system leaks, preventing its use for more than 4 hours each day; and 2) people put strains on the system during the period in which water is available. For example, they leave the taps open and a bucket underneath to capture water during the time that the system

functions so that they can try to use toilets and other facilities when the water is not flowing. Finding and repairing the leaks will solve both problems.

$500,000 is needed to locate and repair the leaks in the water system so that the capital city of Koror can provide minimal sanitation and living conditions for its people. Our own legislature recently raised and appropriated $64,000 to prevent the entire water system from failing. (The water system is discussed in detail at pp. 3-4 of the Appendix to this statement.)

2. Health Care Needs

Palau's only existing major medical facility, McDonald Memorial Hospital, can only be described as grossly substandard. The Republic of Palau has prepared a videotape which illustrates the inadequacies much better than any written words can; and we would like to present a brief portion of that videotape.

The lack of any proper hospital facilities requires the Republic of Palau to refer people to other facilities. These people do not have the economic resources to pay for these referrals and the costs, therefore, for the most part fall upon the government of the Republic of Palau. Until we can obtain adequate hospital facilities in Palau, it will be necessary to have additional monies to support medical referral.

We also need funds to purchase needed medical supplies. Medical supplies used to be purchased centrally by the Trust

Territory. Now they will have to be purchased at lower volume and higher costs. Our present hospital supplies are woefully inadequate.

The government of Palau needs a minimum $176,000 of increased support for medical referral and at least $100,000 of increased support for medical supply purchases. Preliminary estimates for renovation and upgrading of the McDonald Memorial Hospital are in the range of $3 million. Outlays for FY 1982 for design development and emergency upgrading of facilities would require $1 million. (See detailed discussion of medical services and hospital renovation needs at pp. 5-8 of the Appendix.)

3. Power Supply

This Committee is no doubt familiar with Micronesia's problems caused by escalating fuel costs. The Micronesian entities are dependent upon diesel-fired generators to supply their basic electrical needs. Because of actions by OPEC, the price of diesel fuel has escalated to the point where one-quarter of the entire budget of the Republic of Palau is expended for diesel fuel.

The Republic of Palau hopes to correct this situation in the mid-to-long term by obtaining an energy system based upon renewable resources. In the meantime, Palau must operate with its diesel-fired generators as efficiently as it can.

Palau has taken all measures within its power in recent years to meet its rising fuel costs using the scarce amounts budgeted. Through a concerted effort in increased maintenance

and conservation in 1981, Palau reduced fuel consumption by twenty-two percent (22%) while simultaneously increasing power production by eight percent (8%). Moreover, Palau doubled its billing rates to customers for electricity in FY 1981 and will increase user charges by about another fifty percent (50%) in FY 1982, despite the fact that the rate being charged in FY 1981 is already twice as high as the amount charged by other Micronesian entities. The $2.5 million special fuel reserve fund requested by Interior for FY 1982 for the entire TTPI is not sufficient to cover the anticipated fuel cost increases for the Micronesian entities. Palau's own estimated deficit for fuel costs would alone exhaust the reserve fund.

We respectfully request this Committee to provide the funds necessary ($2.5 million) to ensure the availability of fuel to provide the basic power needs for the citizens of the Republic of Palau. (See detailed discussion at pp. 9-10 of the Appendix.)

4. Operations and Maintenance

As one commentator has said, it is "penny-wise and pound-foolish" for the government of the United States to undertake a five-year CIP program ($45.618 million) to provide basic infrastructure for the Trust Territories and not provide adequate operations and maintenance funds to support those capital improvement projects. Based upon formulas developed by the government of the United States, the Republic of Palau would require $2

million annually to maintain properly the capital infrastructure (valued at $23,980,000) which OICC has completed to date. To maintain its capital equipment (presently valued at $10 million dollars) a sum of $900,000 would be required.

In these austere times the Republic of Palau is not asking for the amount suggested by the government formula. We have carefully reviewed our barest needs and request the following:

1.	Water System/Sewer System:	$1,000,000
2.	Road System:	750,000
3.	Power Generators:	250,000
	TOTAL	$2,000,000

(See detailed discussion at pp. 11-12 of the Appendix.)

5. Additional Needs

In addition to the life saving and life maintaining needs that the Republic of Palau respectfully requests this Committee to meet through additional appropriations, the Republic of Palau has other needs related to economic and social development that would lessen Palau's economic dependence upon the United States. We would hope that the Committee will carefully consider these needs and see if some or all of them could be funded during this time of fiscal restraint. It is our belief that the funding of these programs at this time would enable the Republic of Palau to begin assuming a larger burden of financing its government operations and basic development needs, lessening the cost to the United States. (See detailed discussion at pp. 14-20 of the Appendix.)

In closing, we wish to thank this Committee for the opportunity to appear and share with you our views of what the Republic of Palau's needs are. Even though we are a new Republic born just a few months ago, we do not come before you merely as supplicants. We believe that the Republic of Palau is of strategic importance to the United States and we have been negotiating with your government to satisfy your military land use and operating needs. In November of last year we initialled a Compact of Free Association and a Military Land Use and Operating Rights Agreement. Before the Compact or subsidiary agreements can become effective they must be signed by the Presidents of both countries, approved by the Legislatures of both countries and accepted in a plebiscite by the people of the Republic of Palau.

Political reality in Palau is such that it will be much easier for our government to sign and obtain the necessary public approval of an agreement which accommodates your strategic interests <u>if</u> our water system is working, <u>if</u> our power plant is generating electricity, <u>if</u> our roads, sewers, and facilities are being maintained and <u>if</u> the basic health care needs of our people are being met in our own renovated hospital as a result of U.S. assistance. These are the existing political facts I am sure the members of this Committee can fully appreciate.

The Republic of Palau wants to become freely associated with the United States and wants to serve a constructive role in meeting the security needs of the United States and those of the world at large. We ask you to give us the necessary tools to gain full and complete support of our people in working with the United States on these important security matters.

Thank you.

APPENDIX

PRIORITY I
REPUBLIC OF PALAU
FISCAL YEAR 1982 "ESSENTIAL" BUDGET ADDITIONS
($000's)

ACTIVITY:	REAGAN'S FY 1982 BUDGET REQUEST	REPUBLIC OF PALAU'S PROPOSED BUDGET ADDITIONS		FY 1982 REVISED BUDGET REQUEST OF PALAU
I. OPERATIONS				
A. Judiciary	80.0	-0-		80.0
B. Health Services	1,300.0	276.0		1,576.0
1. Medical Referrals			176.0	
2. Medical Supplies & Equipment			100.0	
C. Education	1,527.0	-0-		1,527.0
D. Public Affairs	493.0	-0-		493.0
E. Resources & Development	1,155.0	120.0		1,275.0
F. Protection to Pers. & Prop.	530.0	-0-		530.0
G. Administration	522.0	250.0		772.0
H. Transportation and Communications	136.0	-0-		136.0
I. Public Works	3,100.0	4,500.0		7,600.0
1. Fuel Costs			2,500.0	
2. Water & Sewer System			1,000.0	
3. Road Systesm			750.0	
4. Power Generators			250.0	
J. College of Micronesia	200.0	-0-		200.0
Total-Operations	$9,043.0	$5,146.0		$14,189.0
II. CONSTRUCTION				
A. Hospital Renovation	-0-	1,000.0		1,000.0
B. Water System Repair	-0-	500.0		500.0
C. Road Safety System	-0-	100.0		100.0
Total-Construction	-0-	$1,600.0		$1,600.0
GRAND TOTAL REQUEST	$9,043.0	$6,746.0		$15,789.0

PRIORITY II
REPUBLIC OF PALAU
FISCAL YEAR 1982 "ESSENTIAL" and "NECESSARY" BUDGET ADDITIONS
($000's)

	ACTIVITY:	REAGAN'S FY 1982 BUDGET REQUEST	REPUBLIC OF PALAU'S PROPOSED BUDGET ADDITIONS		FY 1982 REVISED BUDGET REQUEST OF PALAU
I.	OPERATIONS				
A.	Judiciary	$ 80.0	$ -0-		$ 80.0
B.	Health Services	1,300.0	276.0		1,576.0
	1. Medical Referrals			176.0	
	2. Medical Supplies & Equipment			100.0	
C.	Education	1,527.0	100.0		1,627.0
D.	Public Affairs	493.0	-0-		493.0
E.	Resources & Development	1,155.0	120.0		1,275.0
F.	Protection to Pers. & Prop.	530.0	-0-		530.0
G.	Administration	522.0	250.0		772.0
H.	Transportation and Communications	136.0	920.0		1,056.0
I.	Public Works	3,100.0	6,000.0		9,100.0
	1. Fuel Cost			2,500.0	
	2. O&M			3,500.0	
J.	College of Micronesia	200.0	-0-		200.0
	Total-Operations	$9,043.0	$ 7,666.0		$16,709.0
II.	CONSTRUCTION				
A.	Hospital Renovation	-0-	3,000.0		3,000.0
B.	Water System Repair	-0-	500.0		500.0
C.	Transportation and Communications	-0-	3,150.0		3,150.0
	1. Dock Repair			50.0	
	2. Road Safety System			100.0	
	3. Airport Improvements				
	a. Terminal			2,000.0	
	b. Runway			1,000.0	
	Total-Construction	-0-	6,650.0		6,650.0
	GRAND TOTAL REQUEST	$9,043.0	$14,316.0		$23,359.0

I. HEALTH/SAFETY ACTIVITIES

A. WATER SYSTEM REPAIR: Essential Budget Addition: $500,000

Palau needs these additional funds on an emergency basis in order to locate and repair leaks in the water system of its capital city, Koror. As a result of these leaks, major portions of Koror currently have only 4 hours of running water per day (2 hours in both the morning and evening), an unsanitary and dangerous condition which must be remedied.

Through its 5-year C.I.P Plan for Basic Infrastructure Needs Palau did receive some funds for water system improvements and new water lines operating on a 24-hour basis have been installed in certain areas. However, much of Koror is dependent upon an old, secondary water system built by the Japanese that is suffering from massive leakage. It has been estimated that approximately 50% of the water flowing through the old system is simply lost due to leakage. Operation of this old system on a 24-hour basis would result in a water consumption rate of 151 gallons per person per day; the corresponding figure for the newly-installed system is 88 gallons per person per day.[1/] Because of this substantial level of leakage, Palau can make water available through the old system for only 4 hours per day.

1/ The United States standard rate is approximately 60 gallons per person per day. Palau's new water system has a higher rate primarily because many people without 24 hours of water travel to houses of relatives or friends to make use of their water facilities.

The unsanitary conditions caused by the intermittent availability of water for sanitation and other purposes endanger the health and safety of Palau's citizens on a daily basis. Aside from the obvious effects on individual households, hospital patients in Palau must often do without water and there is potential for a catastrophic fire. The importance of repair of the water system to Palau is demonstrated by the fact that it appropriated $64,000 of its own tax revenues for FY 1982 for this purpose. Palau urgently needs this additional $500,000 to restore all of Koror to 24-hour water availability.

B. MEDICAL SERVICES: Essential Budget Addition: $276,000

These additional funds are urgently needed in FY 1982 to cover (1) the increased expenses of referring patients to hospitals outside of Palau, and (2) rising costs of medicine and other medical supplies.

1. Medical Referrals: $176,000

Because of the dilapidated and substandard condition of Palau's only hospital (described elsewhere in this Appendix), it is often necessary to refer patients with serious illnesses to other medical facilities in Guam or Hawaii. Palau's hospital has a highly trained professional staff, yet the decrepit nature of its facilities requires the referral of cases needing more than ordinary treatment to other facilities. The high cost of medical care outside Palau and the almost subsistence nature of the Palauan economy mean that referred patients normally cannot afford this treatment, and the cost therefore falls upon the Republic of Palau.

Although Interior has requested $100,000 for FY 1982 to cover patient referrals from Palau, an additional $176,000 is needed to cover anticipated referral expenses for this period. The volume and cost of patient referral has increased substantially in the last several years. In FY 1980, the actual cost of medical referrals to Palau was over $200,000 for 38 patients. Incomplete figures for FY 1981 show an increase in the number and cost of patient referrals over those levels,[2/] and Palau estimates that

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2/ As of April 17, 1981, 24 patients were referred for a cost of $110,293.

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52 patients will require referral in FY 1982 at a total cost of $275,500.

The additional $176,000 is necessary to ensure that the citizens of Palau receive proper medical care. Palau is attempting to keep its referral costs to a minimum by using its own facilities to the maximum extent possible and by requiring the patients themselves to bear the cost of travel to the other medical facilities, a practice unique to Palau. Despite these measures, it is inconceivable that Palau's referral expenses will come within the amount requested by Interior for FY 1982.

2. Medical Supplies & Equipment: $100,000

Palau needs an additional $100,000 above Interior's request for FY 1982 ($258,000) to cover the rising costs of, and its increased need for medicine and other medical supplies. In FY 1981 medical supplies and equipment were purchased centrally by the Trust Territory government for all entities in the TTPI. Palau will have to purchase these goods independently in FY 1982, and the lower volume of purchases will result in increased costs. Moreover, Palau must purchase medicine and supplies from Guam, Hawaii or the mainland, adding steep transportation costs to the already rising prices of those materials. The transportation time occasioned by Palau's geographic isolation also means that larger inventories of medical goods must be maintained to ensure adequate supply. All of these factors mandate an increased level of funding for medical supplies for Palau in FY 1982.

C. HOSPITAL RENOVATION: Essential Budget Addition: $1,000,000
Necessary Budget Addition: $3,000,000

Palau's only existing major medical facility, McDonald Memorial Hospital, can only be described as grossly substandard. The hospital, built in 1959, consists primarily of concrete block and wood frame buildings with galvanized tin roofing. (There is a concrete block portion completed in 1977 which houses the doctors and the outpatient facilities and serves as the administration center.) Structural deficiencies abound in all parts of the main facility -- a complete electrical rewiring is necessary; the air conditioning system is nonfunctional; and the roof is rusted and leaks, leading to internal water damage. The emergency room is equipped to handle only a single patient at a time, and much of the equipment therein does not function properly. The hospital's emergency power generator has no automatic trip switch, and power outages of up to one-half hour result. The hospital's mental illness ward consists of barred "cells", and there is no post-operative ward. Moreover, the hospital suffers from the same water supply problems as most of Koror, i.e. it has running water for only 4 hours per day. As a result, it is commonplace for there to be no running water for surgery, for bathing patients, for making facilities sanitary or for operating the flush toilet facilities. Rainwater collected from the drainpipes is often stored for use in such circumstances.

These completely unsanitary and unsatisfactory facilities endanger the health and lives of patients on a daily basis. Patients on life-support systems are totally vulnerable to the

hospital's deficiencies. Furthermore, the lack of adequate medical treatment facilities forces Palau to spend hundreds of thousands of dollars per year to refer patients to hospitals in Guam or Hawaii, as described elsewhere in this Appendix.

The U.S. Corps of Engineers has agreed that McDonald Memorial Hospital is in immediate need of renovation. Palau's 5-year C.I.P. Plan for Basic Infrastructure Needs did not address medical facility requirements, even though the United States has financed the construction of new hospitals in Truk, Ponape, Kosrae and Yap in the past 12 years and is scoping the construction of hospitals for the Marshall Island and the Northern Marianas. The deteriorated state of McDonald and the increasing frequency with which patients must be referred to facilities outside of Palau illuminate the critical need for additional funds for the renovation, estimated at $3,000,000. Construction of an entirely new facility would be likely to cost at least $6,000,000; by way of comparison, Ponape's hospital finished in 1977 cost approximately $5,400,000 (1977 dollars).

While approximately $3,000,000 in funds for renovation of McDonald Memorial Hospital will eventually be necessary, Palau's absolutely essential need for FY 1982 for this purpose amounts to $1,000,000. This amount would be split as follows: $500,000 for immediate repairs to McDonald and $500,000 for A&E work concerning the ultimate renovation of the entire facility. Appropriation of this amount would be sufficient to begin the work required for the wholesale rehabilitation of Palau's inadequate hospital facilities.

D. FUEL COSTS: Essential Budget Addition: $2,500,000

Palau urgently needs an additional $2,500,000 to accommodate almost certain increases in diesel fuel costs in FY 1982. Presently, Palau is totally dependent upon diesel generators for electric power production, the result of decisions made by the United States as trustee. Interior has requested $2,300,000 to cover all utilities costs in Palau in FY 1982, which includes a $247,000 increase over FY 1981 levels designated specifically to provide for rising fuel costs; unfortunately, this amount is still woefully inadequate. By August, 1981, diesel fuel will cost $1.34 per gallon in Palau, and it is likely to average $2.00 per gallon over the course of FY 1982. Based upon this anticipated fuel cost and the estimated demand for power, Palau's total fuel costs for operation of the power generators in FY 1982 will be $4,709,526, an amount approximately $2,500,000 in excess of Interior's request for FY 1982 for Palau's entire utilities budget.[3/] Indeed, actual fuel costs incurred by Palau in FY 1981 exceed Interior's FY 1982 request for Palau's entire utilities budget by more than $568,000, even though the cost per gallon of fuel was significantly lower in FY 1981 and Palau will need more than 200,000 additional gallons of fuel in FY 1982.

3/ Table A below contains all figures noted herein regarding fuel costs.

Palau has taken all measures within its power in recent years to provide for its rising fuel costs with amounts originally budgeted. Through a concerted effort of increased maintenance and conservation in FY 1981, Palau reduced fuel consumption by 22 percent while simultaneously increasing power production by 8 percent. Moreover, Palau doubled its billing rates to customers for electricity in FY 1981 and will increase user charges by approximately 50 percent in FY 1982, despite the fact that the rate charged in FY 1981 was already twice as high as the amounts charged by other Micronesian entities.

The $2,500,000 special fuel reserve fund requested by Interior for FY 1982 for the entire TTPI is not sufficient to cover these anticipated fuel costs increases. Palau's estimated deficit for fuel costs over Interior's FY 1982 request would alone exhaust this fund.

TABLE A

	FY 1980	FY 1981	FY 1982
Fuel Costs	$ 1,939,070	$ 2,868,529	$ 4,709,526
Gallons Consumed	2,742,092	2,140,694	2,354,763
Costs Per Gallon	$0.71	$1.34	$2.00
Kilowatts Generated	17,648,860	19,173,000	21,090,300
Charge Per KW	$0.03	$0.065	$0.09
Collections	$ 256,603	$ 697,897	$ 1,062,951

E. OPERATIONS AND MAINTENANCE:

Essential Budget Addition: $2,000,000
Necessary Budget Addition: $3,500,000

Palau requires an additional $3,500,000 in FY 1982 for maintenance expenses connected with its existing Capital Infrastructure and Equipment, consisting of government buildings, roads, bridges, water and sewer systems, electrical generation and transmission systems, airport, motor vehicles, and other miscellaneous public facilities and equipment. Palau's present Capital Infrastructure and Equipment represent a substantial investment by the United States that will deteriorate at a rapid rate if additional funds for operations and maintenance are not forthcoming. Long term viability of these existing facilities and equipment, whose replacement costs are extremely high, should not be sacrificed to save relatively insignificant sums in the short term.

Palau now has in place a Capital Infrastructure worth $11,753,512, which will require $1,400,000 in FY 1982 to maintain (12 percent of value). Also, as of December 31, 1980, Palau had in progress new construction of Capital Infrastructure facilities worth $23,980,000, which will require $2,000,000 to properly maintain in FY 1982 (5 percent of value).[4/] Moreover, Palau has Capital Equipment worth $10,000,000, which will require $900,000

4/ The difference in percentages used to calculate maintenance amounts reflects the varying age and degree of deterioration of the respective facilities and equipment.

worth of maintenance in FY 1982 (9 percent of value). The sum of these required amounts, $4,300,000, exceeds Interior's request for O&M for Palau for FY 1982 ($800,000) by $3,500,000.

While use of standard percentages for calculating operation and maintenance amounts yields a figure of $3,500,000, Palau realizes that in times of austerity lesser amounts must be allocated for non-essential items. Maintenance on certain items of Palau's Capital Infrastructure and Equipment can be deferred temporarily without risking damage and/or serious deterioration. However, set forth below are maintenance amounts for various items of Capital Infrastructure and Equipment which are absolutely essential for FY 1982; these amounts total $2,000,000, a $1,500,000 reduction from the necessary maintenance budget addition.

1. Water/Sewer System Maintenance: $1,000,000

These funds are necessary to assure continued workability of Palau's water transmission and waste water facilities.

2. Road System Maintenance: $750,000

These funds are necessary to purchase, operate and maintain (1) road paving, repairing and cleaning equipment, and (2) an asphalt plant currently in place in Palau, the only source of such material in Palau. Otherwise, the new roads recently built in Palau will deteriorate and the monies expended to pay for these roads will have been wasted.

3. Power Generator Maintenance: $250,000

These funds are necessary for maintenance and spare parts for Palau's antiquated diesel fuel generators.

F. ROAD SAFETY: Essential Budget Addition: $100,000

Palau needs approximately $100,000 in additional funds to erect guard rails along those portions of its road system which cross water and steep embankments. Although Palau received funds for road improvements through its 5-year C.I.P. Plan for Basic Infrastructure Needs, no provision was made for the necessary guard rails. To date, several fatalities and numerous injuries have been caused in part by the lack of guard rails along dangerous portions of Palau's road system. Palau requires $100,000 in additional funds to immediately install these protective features.

II. ECONOMIC/SOCIAL/POLITICAL DEVELOPMENT ACTIVITIES

A. NEW GOVERNMENT ADMINISTRATION:

Essential Budget Addition: $250,000

The Republic of Palau needs approximately $250,000 in FY 1982 to create and finance a ministerial structure to enable it to discharge its new governmental responsibilities. With the approval of Palau's constitution by popular vote on July 9, 1980, a new constitutional government was installed in Palau. This new government must assume many duties and provide many services previously funded through the budget of the Trust Territory Headquarters. Presently, the new government has five separate ministries - National Resources, Justice, Social Services, Administration and State (external affairs).

At the time of the Presidential budget submission to Congress the organization of the new government in Palau had not been established, and consequently the budget provides no funds for creation and operation of the new structure of government in Palau. If Palau is to begin launching programs designed to foster self-reliance, as envisioned in the Compact of Free Association, then funds for the expenses of organizing the new government to operate efficiently must be provided. Otherwise, funds will be poorly applied and problems similar to those experienced under U.S. administration (e.g. poorly designed water system) will continue. The Republic of Palau does not want to repeat the errors of the past. However, to avoid those errors an efficient ministerial structure costing $250,000 must be established.

B. LIVESTOCK/FEEDMILL PROJECT: Essential Budget Addition: $120,000

These additional funds are essential for the continued operation of the Livestock/Feedmill Project, an experimental program for the production of cattle for food in Palau. Originally funded by Trust Territory Headquarters, this program is three years old and already more than one hundred head of cattle are present in Palau. The management and operations of the program have been transferred from Trust Territory Headquarters to Palau, yet there is no funding provided in the FY 1982 budget. Palau needs approximately $120,000 to keep this program viable. Without these funds, the livestock will disappear.

C. EDUCATION: Necessary Budget Addition: $100,000

These additional funds are necessary for administrative and supervisory measures necessary to promote educational development in 26 public elementary schools and one secondary school. It will provide for (1) increased fuel and maintenance costs for the school transportation system (consisting of both buses and boats), (2) salaries of five additional classroom teachers, and (3) the increased cost of books, tools and other scholastic instruction materials.

D. TRANSPORTATION: Necessary Budget Addition: $6,970,000

1. DOCK REPAIR: Necessary Budget Addition: $50,000

Palau needs these additional funds to repair existing dock facilities so that they may accommodate ships desiring to use the main Port of Palau. The functioning of the Port of Palau is essential to the continued economic development and eventual self-reliance of Palau, goals to which the United States is committed as trustee for Palau. Through its 5-year C.I.P. Plan for Basic Infrastructure Needs, much-needed improvements were made at Palau's main dock to provide for increased container storage. However, no provision was made for necessary repairs to the dock side, and an estimated $50,000 is needed to ready the dock side to accommodate Palau's trade and transportation needs for the immediate future.

2. TRANSPORTATION BUREAU: Necessary Budget Addition: $920,000

Palau needs these additional funds in FY 1982 in order to (1) create the capability within the Transportation Bureau of the Ministry of National Resources to properly exercise certain functions transferred to it by the Transportation Division of Trust Territory Headquarters (estimated cost: $138,410), and (2) operate and maintain the M/S Micronesia Princess upon transfer of title from Trust Territory Headquarters to Palau (estimated cost: $775,873).

Trust Territory Headquarters recently held a conference for the purpose of organizing the distribution of TTPI-owned ships. Palau requested and most likely will receive title to the M/S Micronesia Princess; however, no operating budget exists for FY 1981 or FY 1982 for this vessel to transfer along with it. This situation is not the same as that faced by other entities in the past: in the last two years, both the Marshall Islands and the Federated States of Micronesia have received title to vessels accompanied by transfer of operating budgets. Consequently, Palau needs and deserves additional funds with which to operate this vessel.

Moreover, Palau needs additional funds with which to staff and operate its Bureau of Transportation and its Divisions of Maritime, Public Land and Air Transportation. These entities will hereafter provide services and perform functions presently funded through Trust Territory Headquarters.

3. AIRPORT IMPROVEMENTS: Necessary Budget Addition: $3,000,000

These additional funds are necessary to finance improvements to Palau's main jet airport. Increased air transportation is essential to Palau's continued economic, political and social development, and improvements to the Palau Airport's passenger handling facilities are critical to attracting expanded air service to and from Palau. Moreover, the United State may be a direct beneficiary of such facilities through bilateral defense agreements with Palau.

The 5-year C.I.P. Plan for Basic Infrastructure Needs provided for certain improvements to the runway at Palau's aiport. However, even when these modifications are completed (scheduled for March, 1983), Palau's runway will be able to accommodate only medium size jet aircraft no larger than Boeing 727s. Moreover, there will be no modern navigational aids, no aircraft maintenance facilities and the airport "terminal" will still consist of a thatched roof structure with a dirt and gravel floor.

These air transportation facilities simply are not sufficient to allow for necessary economic development. For example, Palau views tourism as one of the best means presently available of moving towards economic self-sufficiency. However, the potential for development of tourism will be severely restricted by the total absence of adequate passenger facilities. Air transportation also is Palau's most effective communications

link to the outside world, yet increased scheduling of regular air service is unlikely unless airport facilities are greatly improved.

The specific improvements needed at Palau's airport are (1) an airport terminal with appropriate radio and electronic navigational aids (estimated cost: $4,000,000); (2) aircraft maintenance facilities (estimated cost: $2,000,000); and (3) an additional runway extension of 2,000 feet to comply with safety limits for handling large jet aircraft (estimated cost: $8,000,000), for a total estimated cost of $14,000,000. For FY 1982 it will be necessary to outlay $3,000,000 (terminal: $2,000,000 for A&E and site development; and runway extension: $1,000,000 for A&E.)

As trustee for Palau, the United States has responsibility to foster economic development in Palau as one means of helping Palau achieve self-reliance. Enhanced air transportation facilites are essential to that goal.

Vice President OITERONG. Thank you, Mr. Chairman. I am honored to be before this committee as I explain to you the minimum national requirements for the newly created Republic of Palau.

I am accompanied today by the members I introduced. This is an important day for us, the first time we have been represented before the Representatives of the United States.

The budget was prepared while we were still a district of the Trust Territory. Many changes in the budget we recommend today are a result of our change in status from district to a republic.

We are not unmindful of the overall budgetary revision in the United States. We recognize it is a time of sacrifice for many United States citizens and for us. Therefore, we prioritized our own needs.

We appear before you today to ask you to fund at least those items which are necessary to satisfy our needs. The items which are lifesaving, or life-maintaining for us. These items include, one, the need for running water to meet minimum levels of sanitation. Minimum requirements of living.

Two, improvement in the health care renovation of our dilapidated hospital, finding a substitute until our hospital is renovated.

Three, funds to purchase oil to operate our antiquated, diesel-fired generators to meet our minimum electrical requirements.

Four, the opportunity to provide for the operation and maintenance of our existing infrastructure so that the capital improvements that have been provided by the United States will not fall into disrepair.

These items are the subject of the videotape we have prepared and which I would like to show.

[Videotape is shown.]

Mr. MURTHA. Do you have a television station there in Palau?

Vice President OITERONG. Yes, we have a privately owned television station.

Mr. MURTHA. Did they produce this?

Vice President OITERONG. This is sort of an educational program we have for the schools.

COMPACT APPROVAL

Mr. MURTHA. Will the Compact be approved, in your estimation, Mr. Vice President? Will the people ratify the Compact?

Vice President OITERONG. The people agree to stay with the United States in free association relationships.

Mr. MURTHA. Do you agree with that, Mr. Speaker?

Speaker SALII. Yes, but, Mr. Chairman, I would like to say that, although the people recognize that after termination of the trusteeship agreement, say this year or next year, the Compact will be very bleak.

It is difficult for us leaders to convince them to go with the United States, that the Compact will be good for them when there is no water, and the power is off. It is difficult.

I think as leaders, we will have to try and convince them to ratify the Compact.

Mr. MURTHA. Do you feel it should go forward? You are advising the people it should go forward. Can you predict whether they will ratify the Compact at this point?

Vice President OITERONG. At this point.

Mr. MURTHA. You think they will, but you can't predict?

Vice President OITERONG. Yes.

Mr. MURTHA. Thank you very much for your presentation. We have some additional questions that we would like you to answer for the record.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS

REPUBLIC OF PALAU

LOCAL ECONOMY

Question: Please explain what local private enterprises you are developing in Palau.

Answer: With the installation of our constitutional government on January 1 of this year, we have taken steps to formulate our Economic Development Plan which will develop and promote our local private enterprise to the point that we can provide for our own needs from the fruits of our labor and our business enterprise.

Local private enterprises are broadly based and carefully planned through our national resources development effort in developing the following four resources areas: human resources; natural resources; economic resources; and cultural resources.

Specifically, the government has entered into joint ventures with the private sector, both local and foreign companies, in marine, agricultural, and tourism industries. The marine resources industries are: Van Camp Sea Food Company; Star Kist; Japanese Fishing Association; Taiwanese Fishing Association; and Local Fishing Cooperatives. The Agricultural Industries include:

- Micronesian Industries Corporation, which processes copra cakes for export;

- a live stock and feed mill project, which is sponsored by the government and produces feed for locally-owned private poultry and piggery farms; and

- local farming, which is being developed and promoted to produce and sell taro, tapioca, and other vegetables in the Koror Public Market and privately-owned restaurants.

The tourism industry has been developed to a smaller scale, but will continue to be developed in order to attract tourists to Palau. Our island climate, rock islands, and lagoons are a great attraction for both Japanese and American tourists. There are approximately 128 hotel rooms now and more are planned to be built within the next two years. Most of these will be tied to the construction of our new airport, which is scheduled to be completed by March of 1983.

FEDERAL GRANTS

Question: Your budget justification (p. 155) shows an increase in Federal Grants in fiscal year 1982.

--Does this take into account the budget reductions that are planned by the administration?

-- What will the effect of such reductions be?

Answer: No, it does not take into account the budget reductions that are planned by the administration. The reductions will affect and reduce government services provided for under the programs of Health Services, and Education and Community Development. It will also contribute to the already high unemployment rate, which is now at 50.5%. The reductions will affect and create additional unemployment of 240 personnel and would also raise the unemployment rate to 52.1%. The population of Palau is 14,695, and a total of 7,274 are in the labor force.

Vice President OITERONG. Mr. Chairman, in the interest of time, this videotape was condensed.

Mr. MURTHA. I appreciate it. It is very graphic. It is too bad some of the other members of the committee couldn't be here to see it, because it certainly does display some of the problems you have in that type of a climate. You have some real problems there, I can see that.

Speaker SALII. Mr. Chairman, I would like to say the tapes will be made available to you and members of the committee.

Mr. MURTHA. If we can now have the Federated States of Micronesia.

Mr. Tun, Vice President of the Government of the Federated States of Micronesia.

Would you introduce your colleagues, please?

GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

WITNESSES

PETRUS TUN, VICE PRESIDENT, GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA
RAYMOND SETIK, CHAIRMAN, WAYS AND MEANS COMMITTEE (FSM CONGRESS)
DEL PANGELINAN, BUDGET OFFICER, GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA
DAN PERIN, NATIONAL PLANNER, GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

Vice President TUN. Thank you, Mr. Chairman. I am accompanied by Senator Raymond Setik, Chairman of the Ways and Means Committee of our Congress, and the Budget Officer, Del Pangelinan.

Seated to the far left is Dr. Dan Perin, our National Planner.

I very much appreciate the opportunity to testify on behalf of the National and State Governments and to present to the Committee our views on the fiscal year 1982 Budget for the Federated States of Micronesia.

I have with me a prepared statement for your information. With your permission, I wish to request that the statement be inserted into the record.

Mr. MURTHA. Your detailed statement will be inserted into the record at this point.

[The statement follows:]

STATEMENT BY VICE PRESIDENT PETRUS TUN

OF THE

FEDERATED STATES OF MICRONESIA

BEFORE THE

APPROPRIATIONS SUBCOMMITTEE ON INTERIOR

FISCAL YEAR 1982 - BUDGET HEARINGS

Mr. Chairman and members, I am Petrus Tun, Vice President of the Federated States of Micronesia and am accompanied by Senator Raymond Setik, Chairman of the Committee on Ways and Means of our Congress. With us are Mr. Del Pangelinan, Budget Officer for the Federated States and Dr. Dan Perin, our National Planner. I very much appreciate the opportunity to testify on behalf of the National and State governments and to present directly to this Committee our views on the Fiscal Year 1982 Budget for the Federated States of Micronesia.

We regard Fiscal Year 1982 as the time when the Federated States of Micronesia will assume substantial new responsibilities in preparation for the Compact of Free Association. The successful assumption of these important functions will fulfill important aspirations of the Micronesian people and will be seen as discharging a basic U.S. responsibility under the U.N. Trusteeship Agreement. However, we must candidly state that the Federated States of Micronesia still faces enormous hurdles, particularly regarding basic infrastructure and economic development. As we testified to this Committee last year, the Compact could become a vehicle for governmental and economic chaos unless certain critical needs are addressed without delay. The timing is particularly unfortunate for us as we seek fulfillment of long postponed commitments at a time of extreme budget

We understand the very real and severe budget constraints being experienced by the United States, but as representatives of the Federated States of Micronesia, we have an obligation to present our vital and urgent needs. The Federated States of Micronesia seeks funding at this time for those requirements which we perceive to be directly related to the stability and maintenance of our government as a political unit, and to achieving eventual self-sufficiency under the Compact. My statement today will first update from last year our political and economic situation second, describe funding requirements in the areas of operations, economic development and special projects, and conclude with a list of priorities regarding funding needs.

Political Situation

The major political issue facing us at this juncture concerns proceeding with the Compact of Free Association. At the end of last October, we initialled a basic agreement with the United States which would establish a status of free association between our two countries. With this agreement almost complete, the FSM Government recently initiated conferences in the scattered state municipalities in order to inform the Micronesians of its terms and the responsibilities of free association. At the same time, with direct U.S. assistance, we have translated the draft compact document into our nine major languages, and are preparing for a political education activity that will allow the population of Micronesia to familiarize themselves with this agreement in detail. Our government desires to complete, as soon as possible, the negotiations on various agreements subsidiary to the Compact and to terminate the U.N. Trusteeship Agreement. It is with that sense of urgency that we look toward

completing the political, economic, education and health system requirements of a transitional period which is already well underway.

We have made very positive progress in the establishment of our political institutions as the State and National governments of the FSM will be two years old this summer. During that short period of time we have reached a number of important bench marks in the difficult process of developing a responsible, stable national entity in the Pacific.

I am very pleased to report to you that the National Government of the Federated States of Micronesia is now completing its staffing and organization. This has been made possible largely by the addition of funds by this Congress to our Fiscal Year 1980 and 1981 budgets, and we are deeply grateful for this assistance. The most recent addition has been the confirmation of the justices of our Supreme Court. The FSM Supreme Court has already been certified and will commence operation of our Judiciary Branch on July 12, this year.

We celebrate this week, on May 10, the second anniversary of our constitutional government, and stand ready to take on major new responsibilities that are still being exercised by Trust Territory Headquarters. We believe that the vital task of expeditiously transferring such essential functions as authority over federal programs, communications, capital improvements, financial management, the Economic Development Loan Fund, and others, should be accomplished as soon as possible.

We are hopeful that this Congress, as well as the Administration, will recognize and support actively our urgent concern that the devolution of administrative authority continue to completion as promptly as possible. There is no essential rea-

son to retain a large administrative structure at Headquarters on Saipan.

Economic Situation

This Committee has long been aware of the economic stagnation and major development hurdles faced by the FSM. The problems we inherit of high unemployment, complete dependence on government expenditures, a widening trade imbalance where imports exceed exports by a factor of 20 to 1 and deteriorating economic infrastructure remain with us. Rather than highlight the details of these problems, I would like to discuss the actions and plans of our new government for development of a viable economy, especially in the private sector.

Our present emphasis is on the preparation of a comprehensive 5-year development plan, a process initiated in April 1980 which we expect to complete by August of this year. Reflecting the nature of our Federation, the plan will synthesize and combine into a cohesive National Planning Policy detailed development plans for each of the four states. These state plans will include the actual productive projects to be undertaken, identify required capital improvements and infrastructure investments, make budget recommendations and direct the development of manpower skills. A major component of the plan will be a 5-year energy program, that will dramatically reduce our dependence on petroleum-based power generation, yet will ensure that each state has the fuels needed for social services and economic growth. Also included is the development of a statistical capability so that for the first time each state will be able to provide up-to-date economic and social data to its own leadership, the United States and other nations and international or-

ganizations.

The plan being developed is not being prepared by an outside agency, such as the United Nations, or by an outside consulting group. Rather planning groups have been formed in each state composed of state executive, legislative and municipal leaders. These planning groups have, for the first time, taken the planning program into all municipalities of the FSM. If our plan for a self-sufficient local economy is to work, we must begin in the communities where implementation of the activities will occur.

The planning philosophy or message the state planning groups are carrying to the people of the Federated States is clear and simple.

- Responsibility for development rests with the people of the Federated States of Micronesia.
- Municipalities and states must determine investment priorities to develop and support new economic activities that will replace total reliance on U.S. grants with local renenue and employment generating activities.
- The building process must be initiated immediately and local revenues and resources should, to the maximum extent possible, be devoted to this.

Funding Requirements

I would now like to present our views on the FY 1982 budget and will divide these into three areas of operations funding, economic and infrastructure development and special projects.

1. Operations Funding

The Federated States of Micronesia operations budget for Fiscal Year 1982, as proposed by the Administration, will pro-

vide $32,814,000, a reduction of $1,786,000 from the Carter budget. This reduction will severely affect operations, particularly for the state governments that provide the vital health, education and public works services to our people. We feel the Committee should be aware that, adjusted for inflation, the operations funding for FY 1982 plus our share of the special fuel and maintenance funds, provides the states with a lower funding level than was available to them in FY 1977, even though they are absorbing the transfer of many new functions from T.T. Headquarters.

The state government budgets have been severely overburdened as a result of soaring fuel, medical and maintenance costs, a situation that is seriously disrupting critical public services. Despite the FY 1980 fuel supplemental, sharply escalating prices have caused fuel costs to absorb an increasing share of the operations budget forcing across-the-board reductions in other program areas. As an example, the $1,786,000 reduction in our operations budget for FY 1982 has been included as part of the $2,500,000 fuel reserve (leaving intact the originally budgeted fuel amounts). Our state governments have also been spending increasing amounts on medical referrals due to the greater cost of referrals although controls have kept the numbers in check (see Attachment No. 2). Another burden on state operations budgets has been budget deficits of $1,400,000 incurred by these governments in FY 1979, prior to the fuel supplemental, which the states have been unable to reduce. In addition, the planned reduction by the Administration in Federal Programs will severely affect the states which are so dependent on these programs in the areas of health, education and alternative energy development.

To maintain any viable level of essential services, we re-

quest an increase in our operations budget to $38,500,000, the level that would be provided in the Compact, adjusted for inflation (included in this figure would be the FSM's share of the fuel reserve, $1,786,000). This will enable the state governments to eradicate the FY 1979 deficits and avoid a major deterioration in service just prior to entering the Compact period.

2. Economic and Infrastructure Development

As I described earlier, our hopes for the future are based on developing a self-sustaining private sector economy. We find the absence of any funding in the Administration's FY 1982 budget for basic infrastructure or development projects to be a glaring omission. While funding for this is included in the Compact, there are no funds included to fill the gap between the time of its implementation and the termination in FY 1981 funding to complete the initial five-year Capital Improvement Program.

Because investments and infrastructure and development projects are so urgently needed, the four state five-year plans have already identified and scheduled development projects and capital improvements for FY 1982. The sum of these projects, $24.5 million, is framed around the minimum amounts included in the Compact for this. While a list and explanation of each of these projects is presented in Attachment No. 3, I would like to briefly describe those projects we consider to be of highest priority.

Ponape

Capital Improvements: Two 800kw diesel generators. The critical need for these generators is presented in the Attachment, FSM Energy Information; cost $787,000.

Development: The establishment of a pig multiplication

center; cost $55,000.

Truk

Capital Improvements: An airport in the Mortlocks on the island of Ta; Cost $1,000,000.

Development: The continued expansion of the Dublon (Truk Lagoon) Fisheries Complex; cost $300,000.

Kosrae

Capital Improvements: Cross Island Road: a rural farm road from the Lelu Harbor over the mountain to Okat; cost $120,000.

Development: Citrus (limes) production and processing for export; cost $100,000.

Yap

Capital Improvements: Southern Yap Water System; cost $1,164,000.

Development: Agricultural Development Plan Activities, Phase I, Production Programs; cost $250,000.

3. Special Projects

In addition to the added funds requested for operations and infrastructure/economic development, the Federated States of Micronesia faces pressing needs in a number of other areas which I will now address.

a. Truk Hospital

The Truk Hospital, built in 1971, lies today in a deplorable state of disrepair. A leaking roof and electrical and plumbing defects seriously detract from the quality of medical care and endanger the lives of the patients. The defects are also causing irreparable damage to the sophisticated and expensive medical equipment in the hospital. The urgent need for extensive renovation of the hospital has been expressed by

by the Headquarters Public Works Department and by a visiting representative of the U.S. Department of Health and Human Services, as well as by numerous other official visitors.

Since its construction some nine years ago, the Truk Hospital has not had adequate maintenance funds, despite repeated efforts by our Congress to include funding in the budget. The High Commissioner just recently has authorized half a million dollars to begin the most urgent repair work on the Hospital. Our most recent estimates indicate that $1.4 million in additional funds are needed to complete this project.

b. Communications

The Federated States of Micronesia has regarded the establishment of modern, reliable and self-supporting communications service as fundamental to economic development, government operations and basic human needs. Accordingly, we are pleased to be in the process of imminently signing an agreement with COMSAT that will provide for a satellite earth station in each of the state capitals, the first of which will operational by March 1982. To effectively utilize the new satellite communications network, the Federated States of Micronesia has undertaken, with the help of an international team of communications experts, a comprehensive plan for the institutional management on a self-supporting basis of the communications system and a complementary local network.

The communications planning process has identified major deficiencies in the local network that will severely hamper operation of the satellite system and leave uncorrected critical local needs. While some of the communications upgrade funds appropriated in Fiscal Year 1980 and 1981 have been redirected to improve the ground communications system and there will be

some upgrading of outer island communications, this funding will clearly not achieve the objectives for which it was intended. The major unaddressed needs include a hospital communications system, power supplies for telephone exchanges, added telephone exchange switching, a maritime system and personnel training (see Attachment No. 4 for a description and cost estimate of the items included). In Fiscal Year 1982 we request a continuation in the communications upgrade funding in the amount of $2,739,000 to be included in the budget for the Federated States of Micronesia.

c. Financial Management

One of the major priorities of the Federated States of Micronesia in establishing its new government is providing proper financial management and accountability, a process that will require substantial improvements over the existing system. To address this issue we arranged, using transition funds, for the Federal Computer Performance Evaluation and Simulation Center (FEDSIM) of the Department of the Air Force to conduct a comprehensive study of the most appropriate means of financial administration for this government. A preliminary report received from FEDSIM describes the very substantial improvements needed in financial administration for the Federated States of Micronesia. While we are currently evaluating a number of alternatives, any of these will involve significant additional costs (see Attachment No. 5).

d. Maintenance

Maintenance of public facilities in Micronesia is a major problem. As we have stated in our past appearances, the need for maintenance funding is urgently needed to provide proper and scheduled maintenance of public facilities in the FSM.

Lack of maintenance is clearly visible all over the FSM. Facilities are deteriorating, and equipment has been sidelined for months due to lack of spare parts. In the state of Ponape, all eight power generating units are experiencing problems due to lack of proper maintenance. The State is on the verge of a complete power blackout.

In FY 1981 the administration removed $1.5 million for the FSM state operations budgets to undertake some of the most urgent maintenance needs and has commissioned a study to determine our maintenance requirement and level of funding needed to carry out this project. We support the Administration's efforts and request that funding be made available over the next three or four years to upgrade and repair our existing facilities. In conjunction with this effort, we seek the Committee's assistance in providing funding to train our local personnel to better qualify them to maintain our facilities.

e. College of Micronesia

The governments of the three Micronesian entities fully support a post-secondary education system in the territory to provide the training and manpower development needs of these emerging nations as they affirmed in the July 1980 joint resolution. In further support of this commitment, the State of Ponape has donated 100 acres of land for the new Community College campus.

The Community College of Micronesia on Ponape is presently located on a two-acre interim campus in Kolonia. The buildings are old and inadequate to support increased enrollment, and two weeks ago one of the men's dormitories burned down. In its June 1980 evaluation report, the Accrediting Commission of Community and Junior Colleges, Western Association of Schools and Colleges expressed dissatisfaction with the condition of

facilities by placing the college on probation with strong warning that accreditation would be withdrawn if conditions were not improved. This warning cannot be ignored. The very existence of the Community College of Micronesia depends on its maintaining accreditation status in order to be qualified for other education federal grants which provide more than one-third of its operating budget.

Since the enactment of PL 94-255, the Congress of Micronesia and now the FSM government have been requesting funds for the relocation of the Community College to Palikir on the 100-acre land donated by Ponape. Our current plans are to consolidate the A&E for the Capital and the Community College into one package. This, we believe, is an appropriate and cost-saving approach since both of these facilities will be located in the same general location and sharing the same utilities system, roads and other public facilities. Funds in the amount of $400,000 are, therefore, requested in FY 1982 to proceed with the design, architectural and site development for a new and improved Community College on Ponape.

Priorities

Because we consider the funding requirements described in the preceeding section as basic to our survival as a stable government and to achieving eventual self-sufficiency during the Compact period, we are very ill-prepared to set priorities among these needs. However, given the budget realities we face, I would like to conclude by providing a priority listing of the most urgent and critical requirements in addition to the Administration's FY 1982 budget.

1. Truk Hospital: The existing conditions present a life threatening situation that must be corrected--$1,400,000.
2. Communications: It is imperative to continue the local network upgrade funded in FY 1980 and 1981 for this vital element of our infrastructure--$2,739,000.
3. Economic and Infrastructure Development: This is the basis for our future aspirations and the halt in funding as of FY 1981 will only serve to prolong our dependence on you--$24,500,000 (including $3,776,000 in highest priority projects).
4. Operations: These funds are the minimum needed to maintain basic health, education and public works services so as not to experience a serious deterioration as we enter the Compact period--$5,686,000 (for a total of $38,500,000 including the FSM's share of the fuel reserve $1,786,000).

Mr. Chairman, I thank you for the opportunity to discuss our concerns regarding the FY 1982 budget and hope you will consider these with your past understanding of our needs. Our delegation will be glad to answer any questions you may have.

Attachment No. 1

FEDERATED STATES OF MICRONESIA

Congressional Budget Hearings

FY 1982

FSM ENERGY INFORMATION

FSM Energy Information

The following material is presented to give a clearer picture of the energy situation in the Federated States of Micronesia. The document contains:

I. Energy Program Administration in the FSM.

II. Fuel Demand in the FSM.

A. Annual Energy Production, Load Curves/Average Monthly Petroleum Consumption, Energy Cost-Demand Curves.

B. Projected Fuel Expenditures.

III. Power Production Costs, Consumer Costs-Collections.

IV. Kosrae Hydro-Electric Project.

V. Energy: Technical Services Assistance.

NOTE: The information and data presented in this paper are drawn from material being collected from the FSM Five-Year Energy Plan. They are initial estimates and may be subject to change. The data does, however, give a good general picture of conditions in the FSM.

I. ENERGY PROGRAM ADMINISTRATION

There are three major energy program efforts now going on in the FSM. The major problem the FSM faces in getting the maximum benefit from these programs is that there is too little coordination among the program administrators. The major problem in coordination seems to be that Trust Territory Headquarters administration of its two energy programs is not well coordinated with FSM energy planning activities. We suggest that the full administration-implementation of all energy programs be placed in the FSM so that a natural growth of energy management capabilities is established in the FSM in preparation for termination of the Trusteeship.

At present the FSM has two full-time employees working at the National level on energy policy, programming and planning. Larry Slominski, FSM Energy Planner, will complete state five-year energy plans, and a consolidated national energy plan by July or August of this year. (An outline of the FSM Five-Year Energy Plan is attached, Appendix I.) This planning program is assisted and critiqued by the FSM Energy Advisor Mr. Tom Hall.

At the same time Trust Territory Headquarters is preparing an energy plan for the FSM under the mandate of Public Law 96-597, with the cooperation and assistance from the U.S. Department of Energy. In this regard an appropriation of $1,000,000 is being requested in the 1982 budget (or preferably in the 1981 supplemental) for the development of a com-

prehensive energy plan for the territories.

So we have two energy plans being developed, one by the FSM in coordination with its Five-Year Overall Economic Development Plan, and one by T.T.P.I. Headquarters and the Department of Energy in response to the mandate referenced in PL 96-597.

We believe that such duplicate planning activities are redundant, and an unnecessary use of money that might profitably be used to actually assist in the development of alterntive energy systems.

In addition to the above mentioned activities, the Department of Energy categorical grant programs; including Energy Extension Services, and State Energy Conservation Planning are being actuated in the FSM under the full direction and administrative control of T.T. Headquarters Planning Office. With the reduction in T.T. Headquarters staff this planning and program effort has not had the beneficial effect it might have had if these programs were administered by the FSM Government and a focused, FSM centralized, total planning activity were organized.

We suggest that full responsibility for FSM state and national energy policy, programs and planning be delegated to the FSM state and national governments, and that administrative activities now carried on by T.T.P.I. Headquarters, on behalf of the FSM, be transferred or delegated directly to the FSM national government.

This does not mean that T.T.P.I. Headquarters should not retain the necessary oversight functions to ensure that U.S. Legislative and D.O.I.-D.O.E. mandates are carried out. The FSM stands ready for technical assistance, management, program review and auditing required by these programs. But the primary focus of administrative, program and planning activities should rest with the FSM in accordance with transfer of functions Agreements, and supporting further implementation of the transition process already underway in the Trust Territory; the transition toward stable and capable governments in the entities.

II. FUEL DEMAND IN THE FSM

II.A. Annual Energy Production, Load Curves/Average Monthly Petroleum Consumption, Energy Cost-Demand Curves

II.A.1. Annual Energy Production

The following Table presents FSM estimates on electrical power production. The production trends have been estimated through the remainder of 1981, and for 1982 - 1983. Recent power failures in the State of Ponape will dampen the production estimates for 1982.

Table 1. FSM Energy Production

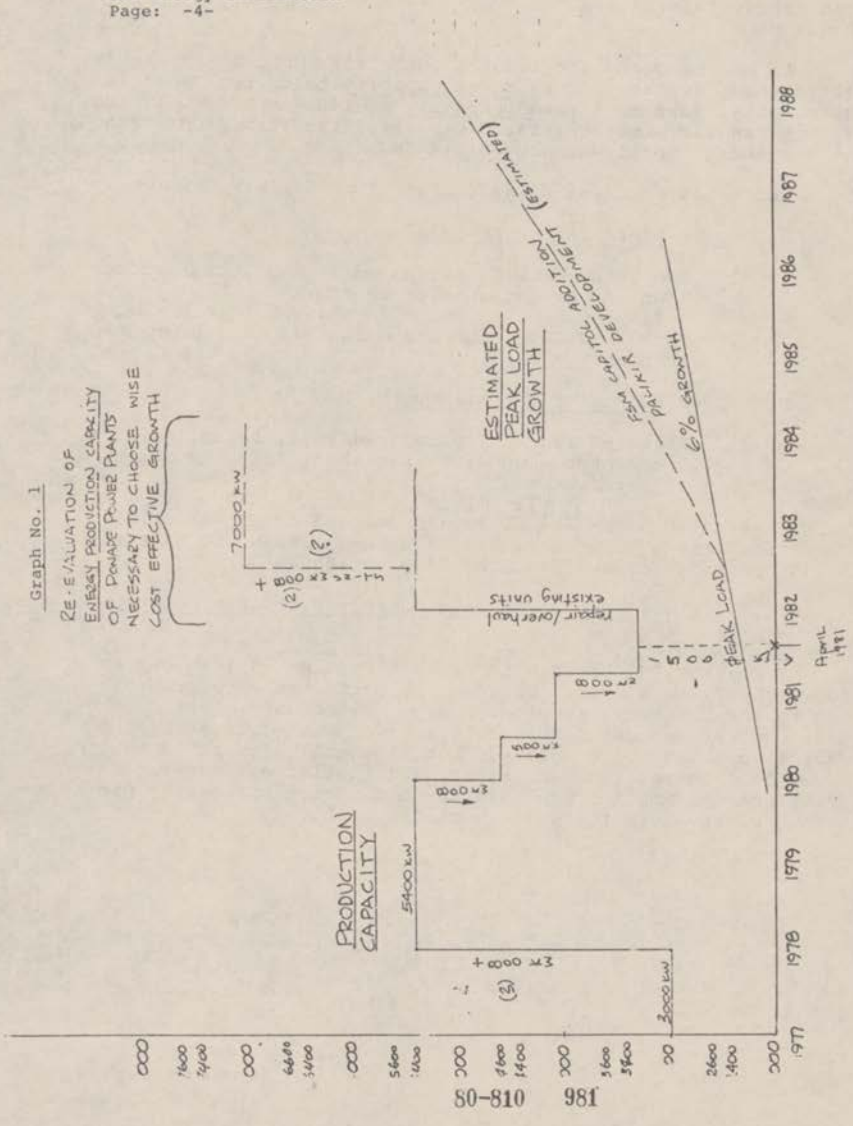
(Figures in thousands of kilowatt hours)

Fiscal Year	Kosrae	Ponape	Truk	Yap	FSM Totals
74		8,111			
75		8,368		6,104	
76		10,350		5,509	
77		10,703		6,668	
78		13,139		7,671	
79		12,979	11,782	7,714	
80	2,160	14,778	11,316	7,619	35,864
81	2,376	13,000*	12,447	7,990	25,813*
82	2,614	18,200	13,690	8,390	42,894
83	3,000	20,020	15,060	8,809	46,880

*Power production failure resulting from breakdowns in generating equipment have reached a critical state on Ponape, the second largest state (by population), and seat of the FSM national government. The loss of power for state and national government operations has severly limited government functions including communications, health and educational services; (a) ATS (satellite) systems have ceased to function except at hospitals, (b) hospital power generation has relied on the full-time operation of auxiliary generators not meant to carry the load on a permanent basis, (c) schools have been let out for lack of adequate lighting, ventilation and operating functions, and (d) the commercial sector has suffered with spoilage of food in freezers and refrigeration.

The relationship between power production units and power demand is presented in the working graph presentation below. This graph was drawn up before the recent round of power failures. Thus, we have added this component breakdown in the system under the X-axis addition April 1981, and marked with a dotted line.

FSM Energy Information
Page: -4-



As can be seen, the loss of both 750KW Whites at the Kolonia Power Station, drops rated capacity below peak load requirements, down to a rated capacity of 1400 to 1800. If the system runs at about 80% rated capacity, the firm production at the end of April was around 1,440KW.

Our notes on existing production (April 1981) indicate:

A. Power Plant Site: Kolonia

1. Two 750KW Whites, purchased in 1972, both broken down (never had a major overhaul).
2. Three 500 CATS, purchased in ~~1968~~ 1965, one down, two running.

B. Power Plant Site: Nanpohnmal

1. Three 800KW CATS, purchased 1976, installed 1978, two broken down with crankshaft failures due to oil starvation.

This leaves two 500KW ~~whites~~ CATS ~~(1960)~~ 1965 and one 800KW CAT still in operation with a rated capacity of around 1800KW and an estimated operating production from 1400 to 1800KW.

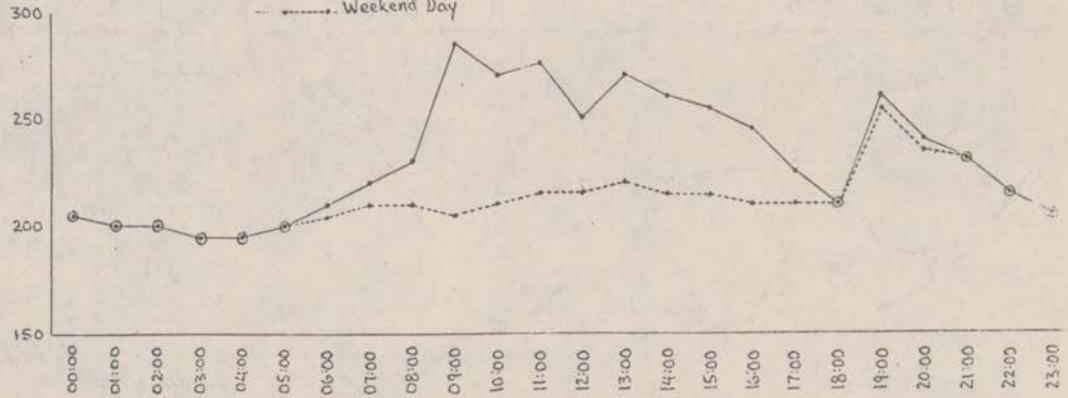
II.A.2. Load Curves/Average Monthly Petroleum Consumption

Early in 1981 the FSM governments estimated load curves for each of the states. These early esitmates were transmitted to the U.S. Department of Energy in February, 1981. Some of the power generating capacities have changed, some of the estimations have been updated, but a general picture of the power load curves for each state, and initial estimates of petroleum consumption are helping to fill out our energy picture. Please note these are working graphs:

Graph No. 2 - Kosrae

- Population: 6,000
- Area
  - Land: 41 sq. mi.
  - Ocean: ?
- Electric Generating Capacity (1400 ?)
  - Installed: 1800 KW
  - Operational: 1200 KW
- Avg. Monthly Power Generation: 150,000 KWH
  using ± 15000 gallons diesel/month
- No. of Electric Customers: 715
  - Avg KWH consumption/mo: 425
- No. of Vehicles: 325

- Power Generation - Daily Load Curve
  (output in kilowatts)



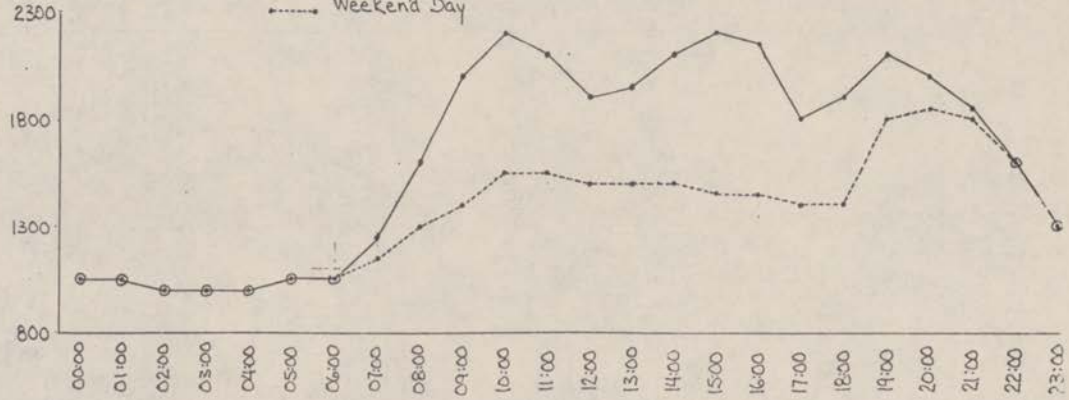
- Average Monthly Petroleum Consumption (gallons)

Diesel	MoGas	Jet Fuel	Kerosene	AvGas	LP Gas	Total
23,00	12,300	- 0 -	2,800	-0-	- 0 -	38,200

Graph No. 3 - Ponape

- Population: 24,000
- Area
  - Land: 146 sq mi.
  - Ocean: ?
- Electric Generating Capacity
  - Installed: 5400
  - Operational: 4100
- Avg. Monthly Power Generation: 1,100,000 KWH
- No. of Electric Customers: ?
  - Avg KWH consumption/mo: ?
- No of Vehicles: 900

- Power Generation ~ Daily Load Curve
(output in kilowatts) —— Weekday ------ Weekend Day



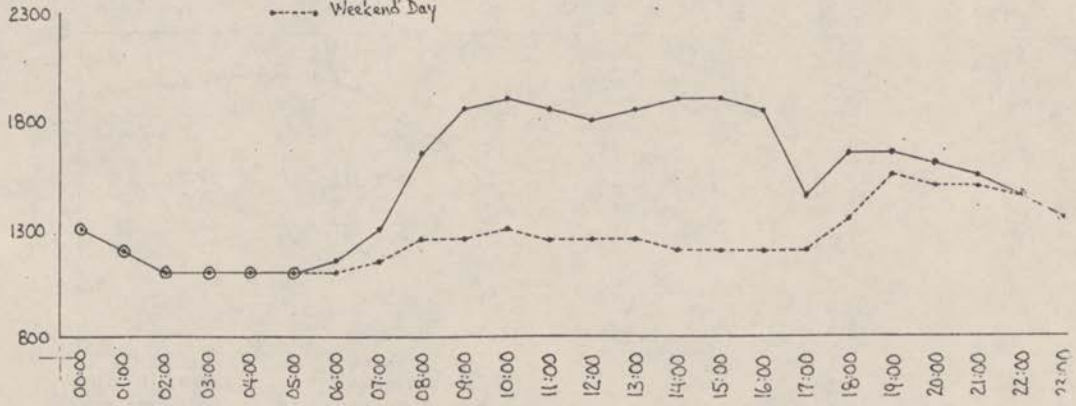
- Average Monthly Petroleum Consumption (gallons)

Diesel	Mo Gas	Jet Fuel	Kerosene	Av Gas	LP Gas	Total
165,000	56,500	65,000	10,000	3,200	(20)100 lb cyl.	299,700

Graph No. 4 - Truk

- Population: 37,000
- Area
  - Land: 45 sq. mi.
  - Ocean: ?
- Electric Generating Capacity
  - Installed: 6,150
  - Operational: 3,400
- Avg. Monthly Power Generation: ~~869,000~~ 960,000 KWH
- No. of Electric Customers: ?
  - Avg KWH consumption/mo: ?
- No of Vehicles: 750

- Power Generation ~ Daily Load Curve
(output in kilowatts)



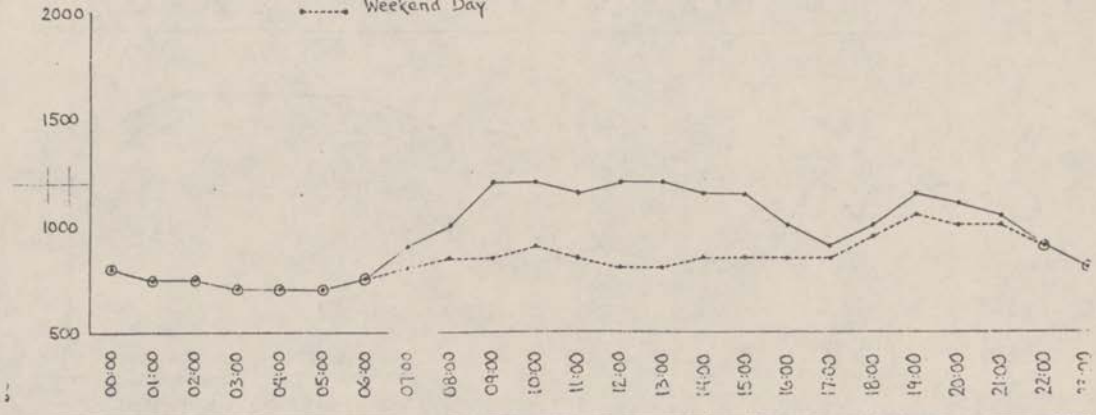
- Average Monthly Petroleum Consumption (gallons)

Diesel	MoGas	Jet Fuel	Kerosene	AvGas	LP Gas	Total
133,000	70,000	27,000	11,200	-	20 (100lb. cyl.)	241,200

Graph No. 5 - Yap

- Population: 9,400
- Area
  - Land: 47 sq. mi.
  - Ocean: ?
- Electric Generating Capacity
  - Installed: 4350 KW
  - Operational: 3100 KW
- Avg. Monthly Power Generation: 600,000 KWH
- No. of Electrical Customers: ?
  - Avg. KWH consumption/mo: ?
- No. of Vehicles: 685

- Power Generation ~ Daily Load Curve
(output in kilowatts)



- Average Monthly Petroleum Consumption (gallons)

Diesel	MoGas	Jet Fuel	Kerosene	AvGas	LP Gas	Total
78,400	25,000	1,500 (est.)	3,300	3,000 (est.)	?	111,200

II.A.3. Energy Cost-Demand Curves

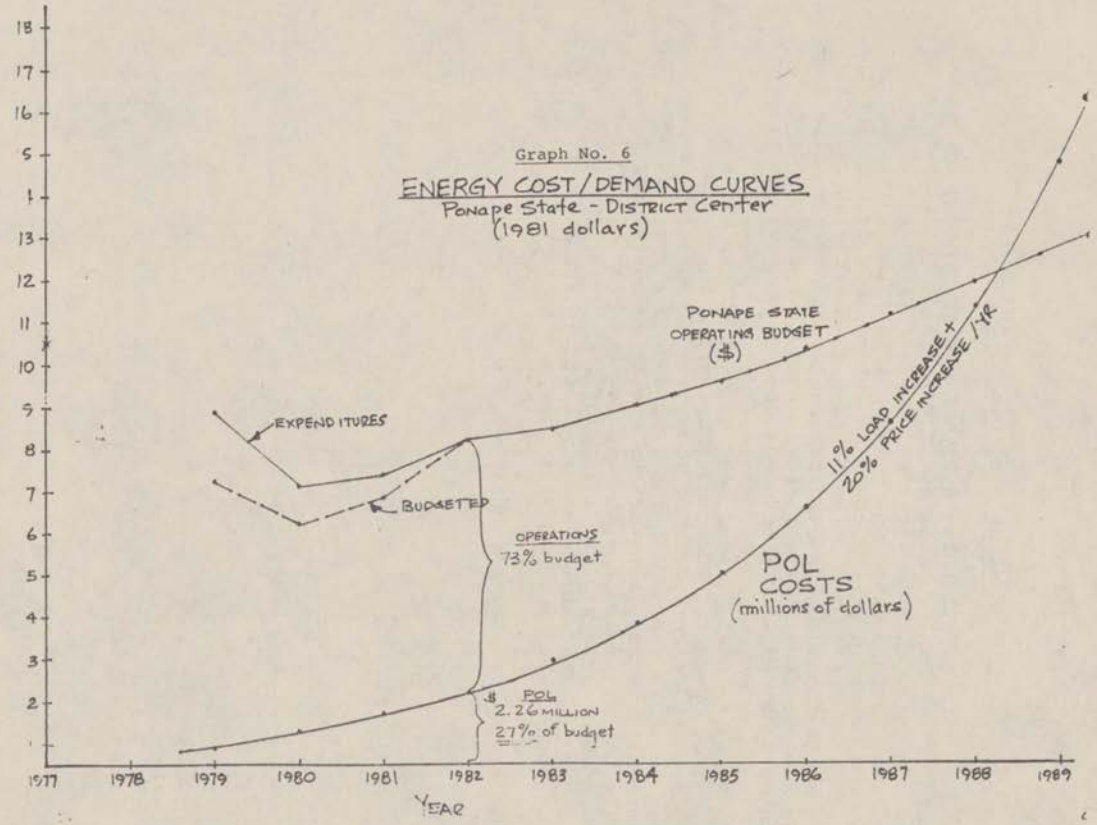
In establishing a 5-year energy program for each state of the FSM, an attempt is being made to present our governments with a longer term forecast of energy demand; and thus costs. Graph No. 6 depicts; (a) the relationship between expected energy costs and operations budgets for the State of Ponape. The forecast is a disheartening one. But the estimations do clarify the urgency of our situation, and the need to develop alternative sources of energy for the states combined with a rigorous energy conservation program.

Notes: In all states energy costs use up between 20% to 3-% of operating budgets. Fuel price changes have a dynamic impact on operating budgets. If we assume an 11% load increase and a 20% price increase per year, by 1988 POL costs will totally consume the operating budget for Ponape. While our estimates may be dempened somewhat by smaller demand increases and smaller price increases, the general picture remains unchanged for all states (Ponape shown here as an example). POL costs are now a most important factor in state budgets; in the future they will be more so. (See also Projected Fuel Expenditures, Table 2 below.)

Graph No. 6

ENERGY COST/DEMAND CURVES

Ponape State - District Center
(1981 dollars)



II.B. Projected Fuel Expenditures

In early 1981 the FSM energy people attempted to estimate the total impact of raising fuel costs for 1982 budget purposes. Table 2. Projected Fuel Expenditures in the Federated States of Micronesia are working estimates in that analysis.

Table 2.

Projected Fuel Expenditures

Federated States of Micronesia (FY 1982)

	Governmental End Use	Federated States of Micronesia Kosrae	Ponape	Truk	Yap	Total FSM Expenditure
$1.53	Power Plants	$355,000	$1,930,000	$1,440,000	$ 920,000	$4,570,000
	Field Trip Ships	-	370,000	550,000	180,000	1,100,000
	Other Govt Uses	75,000	180,000	150,000	110,000	515,000
	Total	$355,000	$2,480,000	$2,140,000	$1,210,000	$6,185,000
$1.70	Power Plants	$300,000	$2,140,000	$1,600,000	$1,020,000	$5,060,000
	Field Trip Ships	-	410,000	612,000	204,000	1,226,000
	Other Govt Uses	80,000	204,000	163,000	122,000	569,000
	Total	$380,000	$2,754,000	$2,375,000	$1,346,000	$6,855,000
$2.00	Power Plants	$350,000	$2,520,000	$1,830,000	$1,200,000	$5,950,000
	Field Trip Ships	-	480,000	720,000	240,000	1,440,000
	Other Govt Uses	96,000	240,000	192,000	144,000	672,000
	Total	$446,000	$3,240,000	$2,792,000	$1,584,000	$8,062,000

Recently, power plant cost estimates were re-estimated contrasting the power production of an estimated 36,000,000 kilowatt hours with 43,000,000 kilowatt hours (see production estimates Table 1.); 36,000,000 is 1980 production with growth held constant, 43,000,000 is our estimated real growth in demand by 1982.

FY '82 Power Generation Costs (POL)

Kilowatt Hrs Produced	Diesel Fuel Costs: $1.40/Gal	$1.50/Gal	Total POL (Costs with Lube Oil)
36,000,000	$4,200,000	$4,500,000	$4,700,000
43,000,000	$5,000,000	$5,400,000	$5,600,000

These re-estimations have addeda little over $1,000,000 to the fuel costs estimates presented in Table 2. Also, for simplicity in analysis we used $1,50 instead of $1.53/Gal.

This procedure would add slightly to the projected fuel costs if a comparative analysis had been completed. The figures have been left in the form of our original calculations to give some indication of the sensitivity of the total cost to per gallon price increases.

III. ENERGY PRODUCTION COSTS, CONSUMER COSTS, COLLECTIONS

III. A. Power Production Costs

Power production costs are greater than the fuel expenditure costs presented in the tables above. Power production costs include operation and maintenance costs. The estimates of power production costs for each state per kwh are: (a) Ponape 17 - 20¢, (b) Kosrae 17 - 20¢, (c) Truk 17¢ and (d) Yap 17 - 20¢ with an FSM average of 18¢/kwh Total power generation costs for FY 1982 (43,000,000 kwhrs x $0.18) are $7,729,000. Total estimated costs for 1982 will be $8,640,000 or (47,800,000 kwhrs x $0.18). These estimates assume 18¢ as averaged cost constant over the next two years. Actual costs may be higher if increased efficiencies of operation do not offset raising fuel costs.

It should also be noted that these power cost estimations do not include front-end capitalization costs or a sinking fund for spare parts, new generators or system alterations.

III.B. Consumer Costs

The power cost charged to consumers in each state is as follows:

1. Kosrae: For consumption less that or equal to 35 kwhrs/month a flat rate of $1.00. For consumption greater than 35 kwhrs/month a charge of 3¢/kwh is charged.

2. Ponape: For consumption up to 1,000 kwhrs/month, 3¢ a kwh is charged. Monthly consumption over 1,000 kwhrs is charged at 8¢/kwh.

3. Truk: Commercial and business consumers are charged at 10¢/kwh. Private residents are billed at 6¢/kwh. Government quarters receive no charge for the first 1,000 kwhrs, 6¢/kwh for consumption between 1,000 and 2,000/kwhrs/month, and 9¢/kwh for monthly consumption exceeding 2,000 kwhrs.

4. Yap: Users are charged 5¢/kwh for consumption at 1,000 kwhrs/month or less; 7¢/kwh for monthly consumption over 1,000/kwhrs.

Note: Changes to the above rates are being proposed in all of the states, but no legislation has yet been introduced. However, it should be noted that the governments

use more than half the energy produced in each state, and since very few of the government buildings, departments or offices are metered and/or billed, there will be minimal revenue impact and less than effective conservation measures applied as a result of increased kwh charges. Price increases will primarily impact the private and commercial sectors' energy use and these are the sectors most in need of financial incentives for economic development and growth.

III.C. Collections

All of the data necessary for an analysis of collections is not available. The following table, however, sketches a general pricture (except for Yap) of the progress of state efforts to increase collections. On Yap, a new collection system has been organized and supported by the government that will ensure a higher percentage of revenue collected in proportion to total amount of power revenues billed.

Table 3.

FSM Consumer Collections on Average Monthly Production
First Quarter FY 1981

	COLLECTIONS			
MONTHLY	KOSRAE	PONAPE	TRUK	YAP
Number of Connections	175	800	600 (est.)	472
Average Production, Kwhs	180,000	1,100,000	950,000	640,000
Average kwhrs Billed	50,000	500,000	-	-
Average Amount Billed	$ 1,700.00	$ 102,000.00*	$ 14,000.00	-
Average Amount Received	$ 600.00 (est.)	$ 20,000.00	$ 9,400.00	-

*Includes delinquent accounts.

IV. KOSRAE HYDRO-ELECTRIC PROJECT

The House Committee on Interior and Insular Affairs proposes that $500,000 be budgeted for a feasibility study on building hydro-electric plants in Kosrae and Palau. (Such a study was funded last year for Ponape.) The need for alternative (non-petroleum based) power generation in the FSM is critical, undeniable. We would suggest, however, that the language for such an appropriation be changed to read "...feasibility studies and development". This would give the FSM government (Kosrae) an option to go ahead and build a hydro-electric plant with the appropriation instead

of conducting another study. Two studies have been completed for Kosrae. FSM engineers believe these studies are adequate. A personal letter from Governor Nena (Kosrae) to the FSM Budget Officer explains in more detail the activity we would like to be considered for appropriations, dated April 16, 1981.

> In consideration of the 1982 Budget Hearings in Washington in May 1981, and pertaining to hydroelectric development funding on Kosrae, I wish to provide a brief outline and justification of our view toward small scale hydroelectric development on Kosrae.
>
> Presently Kosrae produces about 200,000 Kwhr of electricity per month to provide power to the private, commercial and governmental sectors. The present cost of this electricity is 20¢/Kwhr. This cost to all consumers is heavily subsidized by the government. Were it not, electrification of Kosrae by present means would be economically impossible. Even now fuel costs are consuming a significant portion of our operating budget.
>
> The planned CIP Power Line Extensions to Malem (130) households, Utwe (90 households) and Tafunsak (130 households) villages will in time raise demand on the existing diesel based generating system to 50% above present levels. This financial and technical burden would be borne chiefly by the state government. Therefore, any further increase in demand as a result of rural electrification must be supplied and limited if necessary by what indigenous energy resources are available on Kosrae. Kosrae cannot afford further diesel based electricity development.
>
> There has already been two feasibility studies conducted on Kosrae's hydroelectric potential; Pacific Architects and Engineers (1977) and Architectural Energy Systems (1981). PAE's report dealt with relatively large hydro systems that were designed to develop 100% of the available hydro potential where "economically" advantageous when compared with diesel fueled generators. Three disadvantages to PAE's approach are the length of time to implementation, the cost (both for the necessary civil works and the transmission lines needed to tie these systems into our existing grid), and the cultural/environmental impact (resulting from the use of the entire stream flow from the headwaters to the power house side on the main road). Projects on the order of $700,000 per hydroelectric installation with $100,000 going to engineering were proposed by PAE. This resulted in installed cost exceeding $10,000/Kw.
>
> On the other hand hydroelectric development could be implemented in Kosrae immediately with the local population gaining valuable experience in the

construction and operation.

Preliminary findings of the AES report identify a number of local streams with existing concrete dams built by the respective municipalities and the District government in the 60's to provide for community water jointly for specific villages. Due to materials on hand at the time, many of thes sites utilize 8" to 12" steel pipe with a potential energy of 10 CFS far in excess of the existing village needs (.05 CFS).

At two of these locations the existing 12" water pipe could be utilized to deliver 3 to 4 CFS for hydroelectric production while continuing to provide sufficient drinking water to the village for existing and future needs.

Utilizing these existing dams and penstocks would greatly reduce the construction cost and time, and, as access rights are already established, minimize the legal and institutional barriers faced by larger systems. These systems could provide from 20/30Kw of continuous electric power to villages who now have no electricity at a cost of less than $3000/Kw. At the same time it would eliminate the immediate need to run miles of high voltage transmission line necessary to tie these villages into the central grid. Thus with funding on the order of $75,000 - $100,000, small community based hydroelectric projects can be designed and built.

The installation of small scale hydroelectric units does not limit the available power from each stream as these systems would be designed to operate on a fraction of the average stream flows or about 25 - 30% of the average flow. They would utilize flows that are exceeded at least 85% of the time and therefore have a fairly constant energy production. Management of the power would be easier and overall costs/Kwhr reduced. If at some later time peaking capacity is needed and deemed economically sound, dam enlargement or new dam construction could be under taken.

The PAE and AES reports are technically in agreement about flow and head values. The approach to development is somewhat different. Kosrae needs hydroelectric systems for demonstration, experience and energy. We need them as soon as possible. Rather than allocate scarce funds for feasibility studies, we elect to persue funding for design, construction, and operation. To that end I urge the FSM planning and budget people to lobby on our behalf for small scale community based hydroelectric systems.

V. ENERGY, TECHNICAL SERVICES ASSISTANCE

With completion of 5-year state energy plans in July-August 1982, the FSM National Government faces the immediate need to directly assist state efforts to conserve energy and to provide energy production.

The most dynamic method by which FSM may assist each state's energy development efforts is through Applied Technical Services. In the past all field technical assistance for power generation and transmission systems has come from the T.T.P.I. Headquarters. Due to the distance and political remoteness of T.T.-Saipan, this support has been effective only in providing for large scale designs and large scale solutions. Day to day, village level, community directed technical assistance has not been readily available.

Within the private sector there are no engineering/technical service companies. Critical technical needs in each state have been resolved in the past by calling on T.T.-Saipan and invariably Saipan has provided FSM with "experts from afar". The states must now turn to FSM and the FSM must now provide technical support and guidance by establishing a Technical Services Group.

A technical Services Group would be in day to day contact with the decision makers and the citizens of the FSM. Too often, decisions are forced to be made without good technical advice; for example, evaluation and advice concerning feasibility studies for hydroelectric, wind, or solar energy development.

FSM needs to address the transfer of these technologies at the community level. These "communities" are FSM's major cities of the future; Lelu, Kolonia, Moen, and Colonia. The ability for the states to develop, operate and maintain a variety of technical systems is crucial to their quest for independence. Therefore a FSM based Technical Services Group will also be involved in technical training through demonstration projects and courses in the FSM school systems.

The FSM centers as well as outer atolls have already initiated numerous self-help development projects that are in critical need of technical guidance and/or minimal funding. These systems include wind system projects, solar water heating, alcohol stills, solar crop drying, coconut oil processing and utilization, solar cell installations, small scale hydroelectric, wind powered pumping, methane digesters, fish meal fertilizing plants. In addition, there are a myriad of small self-help, community based projects in which individuals have expressed sincere interest and in many cases already started development. There are several projects which have been funded through grants, but because of poor technical support and/or instruction, these small projects have failed. Many are directly in the line of economic development. What has been lacking for project success is a "hands on" field technical direction and advise. This is difficult to coordinate from Saipan because of the great distances to everywhere which means (a) mail and information flow take forever, (b) state energy personnel often don't know who or where to locate technical

assistance within the U.S. and thus (c) many of the most ambitious people have neither the ability nor the patience to do the administrative work to tap into outside information sources.

In order to initiate an FSM based program of technical assistance we seek $100,000 in assistance to provide technical services to community or individual based projects, and to assist the state governments directly in the area of public services. There is much that can be done with money planted in the right soil. There is no better place to provide technical input, guidance, and advice than where the projects and people are working. FSM needs to guide development and training, and the states need assistance.

We would like to establish a fund for state technical energy assistance. This fund would be used to front-end retrofit, conservation and alternative energy production projects for all states. The funds would not be utilized as full grants. Rather estimated energy savings based on the cost differentials between existing consumption and conserved consumption (or between alternative system power generation costs, and diesel generation costs) would be used as pay backs to the general fund. The estimations of these pay backs would be agreed to by the states and national government prior to the investment.

APPENDIX I

FSM 5 YEAR ENERGY PLAN OUTLINE
1/16/81

The first work effort toward a comprehensive Energy Plan will be to document the present energy consumption and use practices. Based on inflation, petroleum cost increases and past growth, projected energy costs and problems will be presented to each state government in an effort to document and educate State and National Leaders about their respective energy problem.

I. ASSESSMENT OF CURRENT ENERGY PRODUCTION/CONSUMPTION SYSTEMS

A. ELECTRICAL POWER GENERATING SYSTEMS for DISTRICT CENTERS and SPECIFIED OTHER LOCATIONS.

1. Equipment and General Plant Operating Conditions.

2. Load Curves as Obtainable from Operator's Log Data.

3. Machinery Efficiencies (thermal)

4. Reliability of Electrical Power

5. Transmission Systems

a) Present conditions and operational efficiencies, design problems, etc.
b) Expansion plans
c) Cost per mile of main line installation.

6. Existing Power Plant Capacity Increase Plans

7. Actual Cost per Kilowatt-hour Figure, based on amortized capital costs of machines, plant, transmission system, labor, maintenance, etc.

8. Kilowatt-hour Production Statistics on monthly basis

9. Fuel Use Statistics
a) Use of diesel, gasoline, kerosene, etc. as collected from Mobil Oil and government/private receipt records.
b) Use by sector-government, private, commercial

B. TRANSPORTATION SYSTEMS

1. Number of Auto obiles/Motorcycles, historical trends

2. Number of Outboards/Boats, Historical trends

3. Business Sector Transportation/Heavy Equipment Bulldozers, tractors, trucks, etc.

4. Public Transport-taxis, both land and water

5. Transportation cost per mile/year using car or boat.

II. FUTURE ENERGY GROWTH/DEMAND ACCORDING TO PAST TRENDS

A. POPULATION GROWTH

1. District Center, Atoll-concentrations, past/present future migration patterns

2. Energy/Household, Average energy consumption per consumer (government, private, commercial)

B. POLICY FOR ELECTRIFICATION-NON INDUSTRIAL AREAS, PLANNED INDUSTRIAL CENTERS.

1. Atoll Electrification-by number people and demand priorities (lights, communication, central refrigeration, dispensary, services, etc.)

2. Economic Realities to Rural Electrification-petroleum based electric production, alternative/appropriate energy technologies.

C. FUTURE COST/DEMAND ANALYSIS

1. Electrical Energy Usage by method.
   a) Hot water-number and consumption
   b) Cooking
   c) Lighting
   d) Air conditioning-number and consumption
   e) Refrigeration

2. Projected Future POL Costs

3. Projected Future Energy Demand

4. Projected Capacity Demands (Peak Load Curves)

NOTE: Items 2, 3, and 4 to be published with necessary reports outlining present electrical energy costs and the future economic burden on each State Government. These reports are to be sent as soon as possible to each State Government as an educational tool toward conservation and energy problem awareness.

D. INDUSTRIAL ENERGY REQUIREMENTS

1. Business Growth-private/government sector

2. Types of Energy Required.
   a) Electrical
   b) Hot air
   c) Hot water
   d) Mechanical
   e) Cooling-freezing

3. Industrial Area Development and Demand.

The second portion of the FSM Energy Plan will be to propose and detail, Energy Development Options to include CONSERVATION, ALTERNATE FUELS AND RENEWABLE ENERGY TECHNOLOGIES

III. ENERGY DEVELOPMENT OPTIONS-NON RENEWABLE

A. PETROLEUM BASED

1. Electrical Production Cost Estimates-Based on world projection of cost increase and supply availability of:
   a) Diesel
   b) Bunker C-heavy oil

2. Engineering Cost Estimates for Modification of Present Diesel Systems to Heavy Oil (bunker C) units. (i.e. - Marshall Islands)

B. COAL

1. Engineering Cost estimates for Conversion of Present Electrical Power Systems to be Coal Fired. Includes docking, fuel storage, and fuel handling systems.

2. Small Coal Fired Boiler Efficiencies and Costs/Kwhr of Electricity.

3. Environmental Aspects

4. Long Term Supply-Ability to meet all island needs. (Australia)

C. OTHER (Nuclear, Fission, Fusion, etc)

IV. RENEWABLE ENERGY OPTIONS

A. CONSERVATION-Projection of realistic conservation goals per consumer to project goals.

1. Architectural Standards/Codes
   a) Specific Building Retrofit Designs (Specifically one for each government building-low cost)
   b) New building (primarily government) environmentally appropriate designs.
   c) Model housing

2. Equipment Electrical Efficiency Standards

3. Real Cost/Kwhr Billing
   a) Regulated, organized, electrical energy subsidy program as economic development incentive and hardship cases exist.
   b) Government section to be metered by Department.

4. Public Education Program

5. Legislation on Conservation Measures

6. Energy Audits

B. HYDROELECTRIC

1. Assessment and Development of small scale (< 20Kw) hydroelectric systems, community based.
   a) Technical training and experience
   b) Timelyness of implementation
   c) Cost for Development $3000/kw.
   d) Political, economic, social bureaucracy minimal.

2. Assessment and Development of Maximum hydropotential for central grid as funding and political problems are resolved.
   a) Realistic project goals for hydrodevelopment.
   b) Training and operation

C. WIND ENERGY SYSTEM DEVELOPMENT

1. Resource Assessment
   a) Anemometer Data Aquisition from organized contracted FSM study with active local technology transfer
   b) Wind Energy Maps
   c) Previous Reports from JPL, NOAA, etc.
   d) Predict goal for energy attainable from wind (each island)

2. Small System Installation and Operation
   a) less than 20 kw
   b) systems to be operated by schools (i.e. Xavier) under controlled situation
   c) Projected development of independent community based owned and operated systems where resource exists and is best option of renewables

3. Large Central grid WES
   a) Greater than 20 kw up to 200 kw systems
   b) Technology transfer
   c) Implimentation to follow small system experience

4. Atoll Wind System Development
   a) As wind resource and technical abilities of local community are realized thru training on central island system
   b) Cost analysis for atoll electrification and energy management

5. Pumping

6. Transportation
   a) Sail assisted transport-interisland intralagoon
   b) Sail assisted fishing vessels
   c) Building and operating motoer sailing vessels for demonstration and research into economics and technical ability for such systems.

D. PHOTOVOLTOICS

1. Cost per Kwhr/Location Evaluation Primarily for Outer Islands and other remote sites where minimum critical

power is needed (i.e. communication, nav. lighting. refrigeration for dispensaries

2. Future cost forecasting

3. System performance with special emphasis on technical training

4. Commercialization and manufacturing possibilities in FSM (Assembling and marketing solar panels to cut costs).

The follwing Renewable Options REQUIRE LOCAL RESOURCE Technical and/or social ASSESSMENT for support.

E. BIOGAS

1. Technical Evaluation of Biogas Designs
   a) Thermal efficiency (i.e. fuel value as fertilizer vs electrical or heat energy source).
   b) Complexity of systems

2. Demonstration Projects-small scale

3. Assessment of Development Potential for individual community or home uses.

4. Social/Economic Development Obstacles

F. DIRECT BIOMASS COMBUSTION/GASIFICATION

1. Technical Evaluation of Biomass Commercially Available Systems.
   a) Thermal efficiency and fuel value comparison (i.e. wood as building product vs fuel, etc.)
   b) Complexity of technology

2. Demonstration Projects-small scale

3. Demonstration Projects large scale

4. Assessment of Fuel Source Supply and Replenishment (i.e. wood chips, scraps, bagasse, industrial waste)

5. Assessment Large Scale Development for Electrical Power Production.

6. Steam Boiler/Turbine Generator Systems
   a) Fired with biomass
   b) Efficiencies
   c) Complexity of operations
   d) Cost appraisal of this technology as a replacement for internal combustion engines.

G ALCOHOL PRODUCTION

1. Feed Stock Availability and Cost

a) Bagasse
b) Taro
c) Tapioca (Kasava)
d) Yams

2. Medium scale industrial production unit for alcohol export to other islands and as local fuel source.

H. LIQUID FUELS

1. Coconut Oil (Crude and refined)
   a) Tests on diesel/gasoline engines for suitability of coconut oil as liquid fuel.
   b) Outer-island motor/sail transport motor power fuel source.
   c) Central energy production-limited basis-outer-island freezers, etc.
   d) Resource/potential supply
   e) Cost/gallon/kwhr.
   f) Oil burning lamps especially suited for coconut oil.

2. Oil producing Trees-Test programs to be initiated within Agriculture station each state.

3. Alcohol with high percent water (20% +) as fuel source in high compression engines.

I. SOLAR PONDS

1. Assess Technical feasibility with respect to environment.

2. Cost Analysis

3. Demonstration projects.

The following items may have FUTURE POTENTIAL but research in useful size systems requires large capital investment.

J OTEC

1. Maintain Information Links with World Development.

2. Present State of Art/Cost/Technical Developments.

3. OTEC as an Economic Development Project (export power via hydrogen)

K WAVE/TIDE

1. Resource Assessment

2. Large/small scale design possibilities

3. Maintain good information links with world develop-

L. SOLAR ENGINES

M. HYDROGEN

The third and final portion of this outline which is critical to the FSM Energy Plan is its IMPLIMENTATION.

V. IMPLIMENTATION OF ENERGY DEVELOPMENT PLANS

A. FSM ENERGY DEPARTMENT-Primarily procures and administers funds to projects and plans that are in accordance with the FSM Energy Plan and FSM National Energy Policy and Goals. Monitors these project developments and impacts for their ability of bringing FSM toward complete energy independence.

1. Administrator coordinates FSM wide programs and institutes FSM Energy Development Plan.

2. Technical Services team which designs and technically supervises small scale development projects (i.e. mini-hydro, wind, solar, alcohol, producer, gas, bio mass, etc. systems as well as energy conservation programs such as audits, retrofits, etc.)

3. Training Workshops

4. Demonstrations

5. Large Scale Energy Development Projects-contract/project administration.

B. STATE ENERGY OFFICES

1. Coordinates functions in each state w/respect to energy development and utilization in line with State Energy Plans.

2. Performs audits, workshops, public awareness campaigns, statistical studies. Works with consultants on specific projects.

Attachment No. 2

FEDERATED STATES OF MICRONESIA
Congressional Budget Hearings
FY 1982

MEDICAL REFERRALS

PONAPE STATE GOVERNMENT

STATE OF PONAPE
FEDERATED STATES OF MICRONESIA 96941
CABLE GOVT PONAPE
PHONE 235

Office of the Health Services

March 16, 1981

MEMORANDUM

TO : Yosiwo George, Secretary, Department of Social Services

FROM : Dr. Irwin & Dr. Bolte

SUBJECT : Prepaid Referral Plan

We wish to present a proposal to reconsider the way in which we handle outside medical referrals. At the present time the four states of the FSM are overspending their referral budget by nearly a factor of 4. In FY-80 Truk, Yap, Ponape and Kosrae obligated nearly $1,000,000 for medical referral on a combined budget of about 1/4 that amount. Clearly there is a major problem with the way we are currently handling our medical referral patients.

Presently each state is supposed to have a Medical Referral Committee to screen out unnecessary referrals. We can only speak for Ponape State and can say with assurance that there have been very few referrals in the past two years which could not be justified on the basis of medical need. However, even so, we in Ponape overspent our referral budget by nearly 300% in FY-80. Ms. Lynnettee Araki has put forward a set of proposals devised in consultation with the physicians at the Ponape State Hospital for further strengthening the internal controls on medical referrals. But, given the record at the Ponape State Hospital in the past year it is clear that the procedures advocated by Ms. Araki will not eliminate the problem of underbudgeting and overspending. Thus, it is not enough to strengthen the internal controls. We must also gain control of the actual referral cost at the place where the care is given.

It has been customary in the Trust Territory to refer most of our patients to either the Guam Naval Regional Medical Center or to Tripler Army Medical Center. With the end of the Vietnam war the capability of GNRMC has been reduced substantially and the bulk of our military referrals have been going to TAMC. Two classes of patients have been going to other institutions: renal (dialysis) patients to St. Francis Hospital in Honolulu and, recently, cardiac surgery patients to Letterman Army Medical Center in San Francisco. With the exception of St. Francis, all of these institutions are government Hospitals where traditionally, cost is of no importance and where patients will remain hospitalized longer than necessary as there is no incentive for prompt treatment and discharge, nor any incentive to provide out-patient care when possible rather than the vastly more expensive in-patient care.

In order to remedy this problem and to allow us to regain a measure of control over our referral cost we propose the following:

1. Centralize all referral activity within the office of the Director, Bureau of Health Services. Centralize the referral budgets for all 4 States within this office.

2. Negotiate a prepaid, capitation contract to cover all FSM medical referrals with a single organization in Honolulu, e.g., HMSA, Straub Clinic, Queen's Medical Center, Kaiser or TAMC. The contracting organization would survey the FSM, study prior referral patterns, etc. and on this basis submit a bid to FSM to care for all referral patients for a set price for a specified period of time - probably one year for an initial contract, perhaps 3 years on renewal contracts. If the actual cost of care during the period of the contract exceeds the agreed amount, the contracting organization would accept the loss. Similarly, if the cost is smaller than the contracted amount they would retain the difference as a profit. Profit and losses to both parties would be taken into account whenever a new contract is negotiated.

3. As part of the referral contract include provision for regular consultant visits in the various specialities and sub-specialties not provided for in Ponape. Consultant visits would be scheduled frequently, perhaps every 3 months in each specialty. The consultants would be provided by the contracting organization and the cost of the trips would be paid for under the referral contract.

   There are a number of advantages to establishing this type of consultant visitation. The physicians to whom the patients from the FSM would be referred would have the opportunity to become thoroughly familiar with the FSM, our patients, our medical capabilities and limitations and could provide valuable teaching to the MD's and MO's in the FSM. A regular schedule of frequent sub-specialty visits would eliminate the need for many referrals outside the FSM. Many subspecialty covered by this mechanism thus avoiding the more costly recruitment, employment, housing, etc for permanent, resident sub-specialists. A regular frequent predictable and well publicized schedule of sub-specialist visits would encourage better utilization of these services. Patients would be less likely to be forgotten about as they frequently are now.

   Perhaps funding for this portion of a prepaid referral contract could be supported through a new TTHMDTP contract as the visiting specialists would be providing valuable teaching as well as direct patient service.

4. Institute the internal reforms proposed by Ms. Araki.

5. Except for true emergencies such as head trauma or chest wounds or other categories of immediately life threatening illnesses as may be determined by the Director, Bureau of Health Services, all potential referral patients should be sent to the Ponape State Hospital for evaluation by the appropriate physicians. If possible, treatment would be done in Ponape. Only on the recommendation of the Ponape staff would a patient be electively referred outside the FSM and then to the contracting organization.

6. Creation of an FSM Referral Hospital on Ponape with appropriate staffing and funding provided by the FSN. Staffing needs can be determined after careful study of the data compiled on our current referral patterns and the excellent analysis prepared by Ms. Araki.

In summary we propose the following actions:

1. Centralized referral policy at FSM level
2. Negotiate a prepaid contract for all outside referrals
3. Create a system of sub-specialty service within the prepaid contract coverage based on routinely scheduled visits by outside consultants
4. Institue strict internal controls on the selection of referral patients
5. Make Ponape the screening facility for all outside referrals except in the case of true emergencies
6. Create a well staffed and adequately funded FSM Referral Hospital on Ponape.

If all of the above were accomplished the FSM would be able to provide the best possible care at the smallest possible cost. To continue with the present situation is financially untenable. We urge your serious consideration of these proposals.

Frank D. Lum, M.D.

Robert H. Bolte, M.D.

TABLE 3. Average Cost of Medical Referrals to Tertiary Facilities, FY 79 and 80.

State/FY	Total Cost	Total Patients	# Pts. to Ponape only	# Pts. PNI/tertiary facility	# Pts. to tertiary facility only	# Attendents	Average Cost per referral
KOSRAE							
FY 79	35,111	41	29	2	9	19	856
FY 80	182,544	32	19	9	4	21	5704 (14,042)*
PONAPE							
FY 79	275,761	33	2 (Majuro)	n/a	24	16	8356
FY 80	292,824	42	n/a	n/a	32	13	6972
TRUK							
FY 79	527,240	92	7	1 (PNI/Guam) 1 (Saipan)	84	71	5948
FY 80	618,946	84	2	1 (Maj/HI)	85	71	7368
YAP							
FY 79	138,730	20	1	0	17	2	6936
FY 80	162,414	33	4 (Palau)	0	27	2	4922
TOTAL							
FY 79	976,842	186	39	4	134	108	5252
FY 80	1,256,728	191	25	10	148	106	6580

*Average cost of referrals to Kosrae (excluding those made to Ponape Hospital) = $14,042.

TABLE 1. Cost of Medical Referrals by Accounts, FY 79 and 80.

States/FY	113 Acct.	# Patients	VRS	# Patients	CCS	# Patients	Total Pts./ Fiscal Year	Total Cost by Fiscal Year
TRUK								
FY 79	$442,171	59	$70,227	21	$34,842	12	92	$527,240
FY 80	472,361	54	88,261	19	58,324	11	84	618,946
PONAPE								
FY 79	244,972	25	4,024	3	26,765	5	33	275,761
FY 80	207,283	31	14,075	2	71,466	9	42	292,824
KOSRAE								
FY 79	15,033	40	-0-[1]	0	20,078	1	41	35,111
FY 80	166,796	31	-0-	0	15,748	1	32	182,544
YAP								
FY 79	68,980	12	51,926	3	17,824	5	20	138,730
FY 80	119,898	23	25,788	7	16,728	3	33	162,414
TOTALS								
FY 79	771,156	136	126,177	27	99,709	23	186	976,842
FY 80	966,338	139	128,124	28	162,266	24	191	1,256,728

[1]Kosrae participated in VRS effective FY 81.

FIGURE 1. Total Number of Medical Referrals by States, FY 79 and 80.

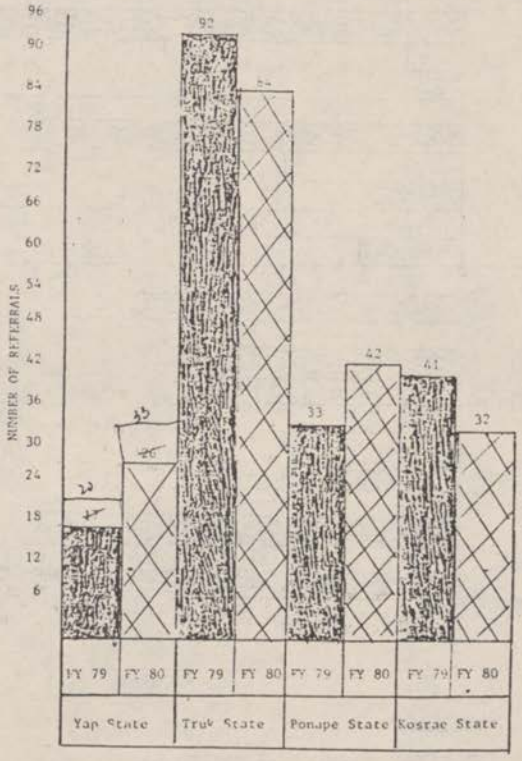


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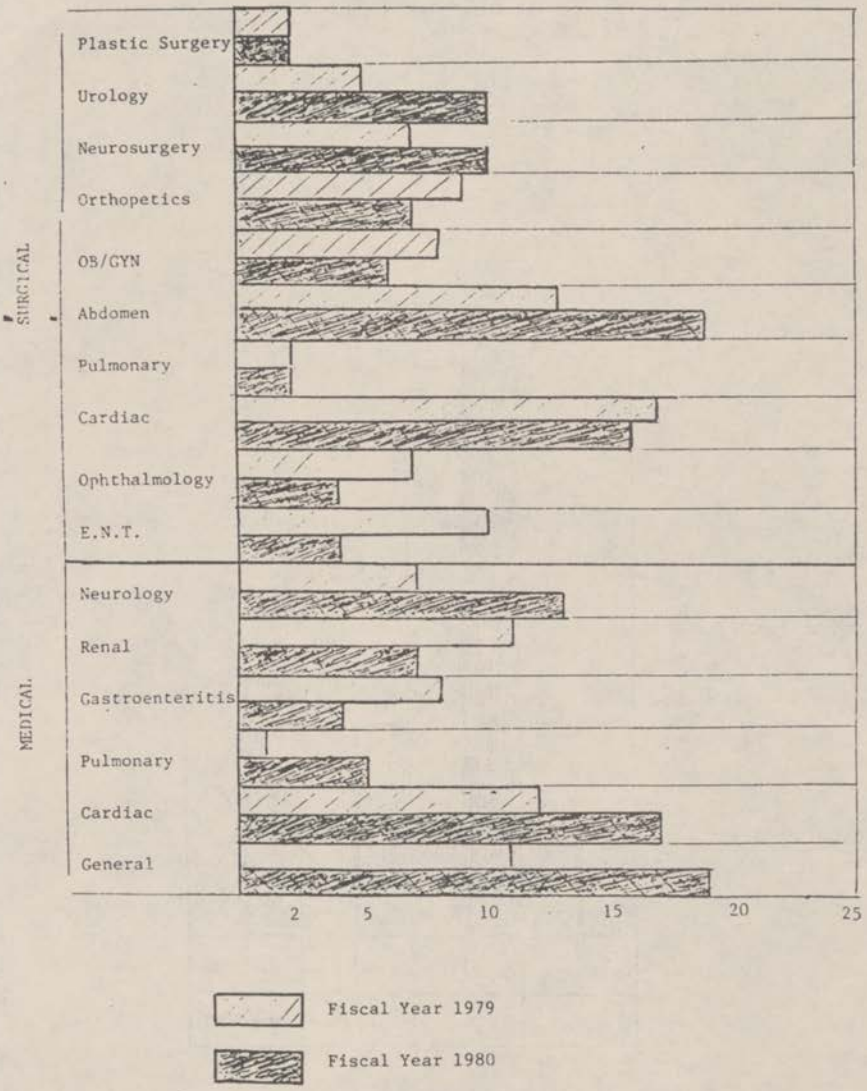
FIGURE 2. Classification of Medical Referrals: FY 79 and 80.



Attachment No. 3

FEDERATED STATES OF MICRONESIA
Congressional Budget Hearings
FY 1982

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS

FY 1982 CIP Budget Request:

State of Truk

SUMMARY LISTING

		Amount ($1000's)
CIP:		
1.	Ta Airport	$ 1,000
2.	Complete original scope of work designed for 1st Level CIP-Water, Road, Power, Sewer	3,000
3.	Lagoon and outer island water systems	2,000
4.	Faichuk Road	1,000
5.	Lagoon and outer island docks and channels	1,000
6.	Renovation of government buildings	500
7.	Truk seaport-public works, A&E study	50
	SUB TOTAL	$ 8,550
DEVELOPMENT:		
1.	Dublon Fisheries	$ 300
2.	Chicken broiler project completion	50
3.	Copra processing plant expansion	55
4.	Coconut replantation study	50
5.	Portable rock crusher	25
6.	Lagoon and outer island wind-powered plants	200
7.	Piggery project expansion	100
8.	Ferro cement fishing boat construction	500
9.	A&E Tol dry dock	50
10.	Food processing feasibility study	40
11.	Lagoon and outer island fish survey	200
12.	Lumber feasibility study	30
13.	Mariculture study	50
	SUB TOTAL	$ 1,650
	TOTAL	$10,200

DETAILED LISTING:

Capital Improvement Projects:

The state of Truk is the largest state of the FSM with an estimated 40,000 people scattered over four general geographic areas; the islands of the Truk Lagoon, the Mortlocks, the Western Islands including the Namonuito Atoll, and the Hall Islands. The CIP and development projects listed are directed both an and outer island development.

1. Ta Airport: $1,000,000: Ta Islands are in the Mortlocks, a series of atolls about 200 miles south of the Truk Lagoon with a total population of 10,000 people. The only transportation available to the islands now are the field trip ship services, available about once a month on an irregular service schedule. There is a need to increase passenger and commodity movement to and from the Mortlocks. Medical evacuation and search and rescue functions would also be better served by having a short runway on Ta. In addition, passenger movement from the Mortlocks to Ponape now must first go to Truk by ship, then to Ponape by air. When the island's air system is established passenger movement can go directly, Ta to Ponape with savings in total cost to passengers.

2. Complete Original Scope of OICC 1st Level CIP: $3,000,000: Current OICC construction will not, in most projects, provide facilities which can be used by the respective state governments. Some of these projects have been cut back as inflation and mobilization costs have increased. The additional expenditures for 1st Level construction will assist in completing road, water, power and sewer projects primarily on Moen in the Truk Lagoon.

3. Lagoon and Outer Island Water Systems: $2,000,000: Infection and deaths from waterborne disease remain a primary health problem for all the Truk Islands. A recent report on Moen, the state center, indicated that all wells were contaminated by sewage backup. In the outer atoll islands salt water intrusion and contamination remain a major problem. The required assistance would be used to upgrade all water systems; well and distribution lines on the Lagood islands, catchment basins and distribution systems on larger islands, cisterns for households and smaller villages, and clear water lens for atoll water systems.

4. Faichuk Road: $1,000,000: In the area of Faichuk there are four islands which run together in a series of mangrove swamps. There islands are Polle, Patta, Wonei and Tol. The agricultural potential for these islands is substantial, but at present access to the interior is blocked by mangrove swamps, and between islands overland transportation is now non-existant. A road around the island of Tol has been started by the Navy CAT teams. This road needs to be completed, and a road extending to the other primary islands needs to be completed.

5. Lagoon and Outer Island Docks and Channels: $500,000:

Most of the outer islands and many of the Lagoon islands of Truk do not have docks or channels into the individual lagoons. This means that passenger and commodity movement must be taken by smaller boats from field trip ships to shore. For these islands, movement of construction material, food or even construction vehicles is slow, costly and inefficient, especially in adverse weather conditions. The financing requested will be used to finance dock construction and reef channel dredging throughout Truk, but will primarily focus on the outer islands.

6. Renovation of Government Buildings: $500,000: Truk government administration buildings are scattered around Moen. Most of these buildings are in need of repair and maintenance. Some of these buildings are World War II Navy facilities that are rapidly falling apart. The substate centers in the Mortlocks and Namonuitoes are almost unsuitable for the administrative purposes they must serve. The requested assistance will repair existing facilities, and will build larger, new structures in the capital area in order to physically consolidate government operations.

7. Truk Seaport - Public Works A&E Study: $50,000: The Truk dock area has become so conjested that increasing inefficiencies of transportation, stevedoring and warehousing are occurring. The Truk public works area needs to be moved away from the immediate dock area to provide more warehouse and port operation functions. The assistance requested will be used for an A&E program of port planning and relocation of the public works facility.

Development Projects:

1. Dublon Fisheries: $300,000: The Dublon Fisheries Complex is the largest development project attempted on Truk. It has already begun with over $2.1 million being used to complete the dock on Dublon. Two feasibility studies have been completed, and the State of Truk has hired a full-time consultant to accelerate the project's implementation. The State and National government are jointly funding a project to investigate the possibilities of having a joint venture agreement with Japan or the U.S. The next step in the development program is to complete the detailed A&E work on the facility complex, and establish water, power and sewer access to the site. The assistance requested will carry the plan into its next phase. The lack of additional funding will halt project progress at the end of this fiscal year.

2. Chicken Broiler Project Completion: $50,000: Two years ago a commercial poultry production system was attempted on Truk. Like many projects, this effort lacked enough initial funding to get off the ground. The facilities were not completed, the process of procuring a continuous supply of young chickens was not established, and the existing stock of chickens had to be slaughtered when a shipment of chicken feed was delayed for several months. The assistance requested will complete the facility construction at original scale, set up

a procedure for ordering young chickens, establish a stable feed supply system and establishing processing activities associated with the marketing and sale of the broilers.

3. Copra Processing Plant Expansion: $55,000: Following a United Nations feasibility study, the FSM Copra Processing Authority allocated $100,000 to the establishment of a copra plant on Moen, Truk. The Truk State Legislature also contributed $55,000 to this project. The FSM is now in the process of hiring an expert to construct the mill and run its operations. Products from this mill in the form of soaps, cooking oil and copra cake will be used locally. The assistance requested will add an additional crusher to the complex for increases in production and increases in the quality of oil produced.

4. Coconut Replantation Study: $50,000: Increases in the coconut processing capability on Truk, a potential increase in the use of coconut oil to run outer island diesel engines for power generation, the continued demand for copra in Japan, and the existing deteriorated state of most coconut production areas point to a need to replant an adequate number of trees to ensure that Truk continues to receive the supply of coconuts necessary to keep production on the planning target.

5. Portable Rock Crusher: $25,000: Many of the villages and municipalities have the need to use crushed rock for small construction projects. Truk would like to purchase a small rock crusher that can be moved from village to village on the high islands and allow villagers to clean fields, gardens or existing rocks, and use the output for roads, paths, house foundations, construction materials.

6. Lagoon and Outer Island Wind Power Plants: $200,000: The cost of diesel oil landed on some of the outer islands of Truk is now $3.50/gal. The raising prices of carbon-based fuels make power generation on the outer islands too costly a proposition. Yet these islands do need power for communications, lights, mechanical energy, food refrigeration and freezing. The requested assistance would establish wind powered electrical generators on outer islands to help provide the power required for these functions.

7. Piggery Project Expansion: $100,000: The State of Truk has initiated a pig multiplication project which will help improve the existing stock, and will increase the number of pigs available for local consumption. An expert on artificial insemination was brought in in order to provide a method to transport sperm to Lagoon and outer islands without having to go through the costly and time consuming process of transporting boar pigs by small boat to these islands. The upgrading of the local pig stock by this process will have a dramatic impact on local production. The process now started needs to be expanded. The financial assistance requested will be used to bring in more stock for breeding purposes, improve and expand existing operations, and expand agricultural facilities to hold stock in the central facility.

8. Ferro Cement Fishing Boat Construction: $500,000: Several years ago a ferro-cement passenger and transport boat construction project was begun on Moen. This production unit constructed a number of medium sized vessels now used in the Truk Lagoon, and for transportation to the Hall outer islands. The production has now closed down, though the facilities, and many of the skilled workers who participated in the initial project remain on Moen. This financial assistance requested will renovate the old production unit, re-organize its operation, re-design molds and plans to allow for the production of fishing boats, purchase initial materials, and provide for operating capital until the project can get off the ground.

9. Tol Dry Dock, A&E: $50,000: The FSM currently issues fishing permits to Japan, Taiwan and the United States. There are four Micro-class field trip ships operating in the four states. In addition, a larger number of fishing and transport vessels operate in and around the Truk Lagoon. The construction of the Dublon fishing complex will increase the need for local and foreign fishing fleets. Yet as an insular nation, the FSM has not developed dry-dock facilities capable of handling medium and large vessels. Dry docking requirements in the FSM are now completed in Japan or Papua New Guinea. The financing requested above would complete the detail plans of a dry dock facility on Tol, in the Truk Lagoon. This project has already been started by private interests on Tol, but the lack of adequate financing and technical assistance has halted progress.

10. Food Processing Feasibility Study: $40,000: At present there does not exist a food processing industry in the FSM. This presents a problem because the preserved items, primarily canned fish and meats, are needed in the local areas where refrigeration is not available. In addition, fish for export can become a viable industry if a processing plant were to be established. The assistance requested would provide for a study on what type of food processing could feasibly be supported on Truk given: (a) local production/consumption trends, (b) available export markets and (4) complementarities with planned processing units on Yap and Kosrae.

11. Lagood and Outer Island Fish Survey: $200,000: Fishing in the lagoons of the outer islands is at present a subsistence activity. Facilities for storage, access to commercial markets and centralized fish processing plants now being planned do not exist. Now commercial fishing or expanded local fishing is being planned. In addition, open ocean fishing for migratory species is increasing, increasing the need for foreign vessels to enter shallow waters to gather bait. Before we begin a planned expansion of fishing in the outer island atolls a careful study must be made of that resource. Over-fishing or exploitation of the resource can easily occur with tragic impact on island peoples dependent on the ocean lagoons for long-term protein supply.

12. Lumber Feasibility Study: $30,000: The FSM receives most of the lumber used for construction from New Zealand-Australia, the U.S. or Japan. Local supplies have not been developed to secure a sustained yield, nor have local production ca-

pabilities been developed. Preliminary investigations have identified the possibility of establishing a wood processing facility in the Lower Mortlocks. Logs would be brought up from Papua New Guinea, milled and dried in the Mortlocks and distributed throughout the FSM. This activity would reduce the cost of sawn lumber, and provide the people of the Mortlocks with an export industry.

13. Mariculture Study: $50,000: The request for assistance in Truk to determine the feasibility of developing lagoon and shallow waters for mariculture is an attempt to make the ocean resources more productive. Mariculture to any extent, either for export or for local consumption is not practiced in the Truk Lagoon or outer islands. If outer island people are going to be able to stay on the outer islands, rather than migrate into district centers, commercial mariculture industries must be established.

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS

FY 1982 Budget Request

State of Ponape

SUMMARY LISTING

		Amount ($1,000's)
CIP:		
I.	Power and Water	
1.	Diesel Generators	$ 787
2.	Power Plant Building, Fuel Pipeline	175
3.	Wind/Solar Power, Outer Islands	250
4.	Kolonia Water System Improvements	800
II.	Transportation	
5.	Airport Terminal	1,000
6.	Circumferential Road	416
7.	Outer Island Airstrips	250
8.	Outer Island Docking Facilities	250
III.	Health and Education	
9.	Kapingamarangi Dispensary	60
10.	Junior High Schools (Phase I)	310
11.	School Buses/Flatbed Trucks	69
IV.	Other	
12.	Freezer/Cold Storage Facility	1,500
13.	Heavy Equipment	333
DEVELOPMENT:		
V.	Development Projects	
1.	Pig Multiplication Center	55
2.	Coconut Hybridization	146
3.	Food Processing	300
	TOTAL	$6,701

DETAILED LISTING:

I. Power and Water

1. Diesel Generators: $787,000: At the present time, ponape has two power plants, one in Kolonia which contains two White Superior generators rated at 750KW each, and three Caterpillar generators of 500KW each, and another in Nanpohnman, several miles from Kolonia, containing three Caterpillar generators of 800KW apiece. This request is for two 800KW Kato generators to provide additional electrical generating capacity. The additional generators are needed because at present, Ponape is suffering from an abominable power situation with constant power outages. Additional capacity is needed because of rapidly growing demand associated with the establishment of Ponape as the location of the FSM National Government. In addition, a number of development projects will be initiated in the very near future which will increase electrical demand considerably. The new generators will serve to keep abreast of demand in the interim until hydro-electric power can be developed.

2. Power Plant Building, Fuel Pipeline: $175,000: The two large White Superior generators are being moved from the Kolonia plant to Nanpohmal, and the new requested generators will also be located at the Nanpohnmal site. To house the four generators will require an addition to the building as well as a pad. To supply the central power plant, a two inch pipeline is needed from the Mobil bulk plant to the Nanpohnmal site.

3. Wind/Solar Power, Outer Islands: $250,000: At present, the only power on the Outer Islands is provided by a small solar cell which barely supplies enough power for communications with the state center. This request is for the erection of a 1.5-5KW wind generator on each of the Outer Islands. With a 12 - 15 mph wind, this is capable of powering communications, a refrigerator in the dispensary, and a minimum of lights. It is possible that this could pave the way for universal lighting and perhaps a community freezer unit. But the primary purpose is to provide experience in energy management with the creation of this system. It is also desirable to go with a wind/solar combination, with the output mix depending upon the availability of the wind resource. Therefore this request also includes the cost of solar panels on each Outer Island.

4. Kolonia Water System Improvements: $800,000: At present, water has to be turned off three nights each week in Kolonia because the water system suffers from a number of inadequacies, leading to insuffucient production. Funds requested are to take care of immediate improvements. These include replacement of inoperative pumps, provide a more permanent enclosure for the chlorinator and its components, provide perimeter fencing at the treatment plant, provide a new 12" waterline from Ipat Tank to PICS, and the replacement of some leaky lines. These improvements are necessary to prevent local outages from insufficient production and to upgrade the operation of the water treatment plant.

II. Transportation

5. Airport Terminal: $1,000,000: Ponape's present airport terminal building consists of a structure that is nothing more than a concrete slab with a leaky roof. The structure has no walls, no security facilities, no functional restrooms, nor any of the other facilities required at a modern airport. A terminal building is needed which includes arrival and departure areas, airline ticket counters, space for quarantine, immigration, customs, a food concession, a handicraft shop, fire protection, office space and other related activities, such as space for the Tourism Commission.

6. Circumferential Road: $416,000: The construction of a circumferential road around Ponape is proceeding apace of funding. The project is being constructed by the Ponape Transportation Authority, a quasi-government agency. In FY 1981, $3,122,000 was appropriated for this project, an amount which was to fund the construction of 12 miles of road during FY 1981 and FY 1982. However, $416,000 was reprogrammed from the circumferential road project to cover additional paving of roads in Kolonia town not covered by the original scope of work. This request is for the restoration of these reprogrammed funds.

7. Outer Island Airstrips: $250,000: The construction of airstrips on the Outer Islands of Ponape State has been ongoing for a number of years with appropriations from the Congress of Micronesia/FSM Congress and the Ponape State Legislature. The construction has been done almost totally by hand due to the extreme difficulty, if not the impossibility, of utilizing modern earth-moving equipment on these atolls. The airstrips are needed primarily for emergency medical evacuations, although it is envisioned that the airstrips will be utilized for a number of other purposes, such as mail and limited cargo. Regularly scheduled air service is not anticipated at this time. Instead, the purpose is to establish the minimum acceptable runways to cover medical emergencies. It is very expensive to divert the field-trip ship in the event of such an emergency. The construction of these airstrips will help improve the reliability and efficiency of the field-trip ship service, as well as providing more timely evacuations in the event of an emergency. There also already is regularly scheduled air service to Kosrae by PMA, so construction of the airstrips on the two Eastern Islands of Mokil and Pingelap could serve as emergency field in case of engine trouble, and the use of their airstrips could easily be dovetailed into the existing operations of PMA.

8. Outer Island Docking Facilities: $250,000: Infrastructure to facilitate shipping operations is desperately needed in the Outer Islands. At present, the field trip ship must run the engines continuously while calling at the islands of Mokil and Pingelap in order to maintain its position, as there are no docking or mooring facilities. Loading and unloading are accomplished by small boat while the ship is underway. For Mokil and Pingelap, mooring buoys are needed at which the ship can tie up while calling at the islands, as the physical nature

of the islands seems to rule out the use of docks or wharves. Ngatik needs a dock inside the lagoon at a site adjacent to its airstrip, and Kapingamarangi and Nukoro need dock extensions so the shipcan tie up directly at the dock. The atoll of Oroluk requires a pier inside the lagoon. These docks can serve as part of the infrastructure necessary for the establishment of a viable, small-scale fishing industry in the Outer Islands.

III. Health and Education

9. Kapingamarangi Dispensary: $60,000: The Dispensary at Kapingamarangi was destroyed by a typhoon in 1979. Since that time, medical care on this Outer Island atoll has been dispensed from a delapidated wooden shack which is simply not suitable for this purpose. This request is to provide a dispensary of Hill-Burton specifications.

10. Junior High Schools: $310,000: This request is to implement Phase I of a Junior High School Program on Ponape. At present, Ponape's secondary school system comprises one high school that accommodates less than half of the eighth grade graduates. (Schooling is universally available up to the 8th grade.) In order to increase educational opportunities, a Junior High School System is going to be established. This is far less expensive than the alternative of another High School. It is planned that a number of Junior High Schools will be established throughout the State. This amounts to building an extra classroom or two at some of the existing Elementary Schools. Thus 9th and 10th graders will commute daily to the Junion Highs, avoiding expensive boarding facilities and/or long bus rides to PICS. Eleven small Junior Highs are contemplated, with six on Ponape proper and one on each of the Outer Islands. The entire capital cost of the system is estimated at $1,500,000. However, only a few of the schools can be implemented in FY 1982 for classes to begin in School Year 1982/83. Therefore this request is only for the funds to construct 8 classrooms and to renovate two facilities into classrooms. These facilities were built for other purposes but have been turned over to the Education Department to use.

11. School Buses/Flatbed Trucks: $69,000: Regular school buses do not survive long on Ponape's rough raods. Out of the four buses purchased in 1978, only one is still operating. This request is for funding to purchase three heavy-duty longbed trucks and to put a cab and benches on the back to haul school children. The heavy-duty trucks are built to handle rugged conditions and will hold up better on Ponape's roads. This idea has proven to be viable and efficient on other Pacific Islands. These three vehicles can serve as an experiment with the concept.

IV. Other

12. Freezer/Cold Storage Facility: $1,500,000: A crucial item of infrastructure needed to support local fisheries development is a freezer of 50-ton capacity which can hold fish at a temperature of -20 degrees centigrade. The freezer is needed if any kind of local processing of fisheries products, such as

a filet line or a fish meal plant to use in producing domestic animal feed. The freezer is also part of the infrastructure necessary to make Ponape a trans-shipment point for foreign fishing vessels. As a trans-shipment point, the freezer is needed to store the foreign fishing vessel's catch as they obtain fresh bait and stock up on water, provisions, and fuel.

13. Heavy Equipment: $333,000: Most of the State's heavy equipment is beyond repair, aged beyond its life expectancy in Ponape's tropical climate, and therefore out of operation. Practically the entire inventory of heavy equipment needs to be replaced, but this request is limited to two pieces of the most needed equipment, a crane and a motor road grader.

V. Development Projects

1. Pig Multiplication Center: $55,000: In Ponapean culture and tradition, pigs have played an important role. Large quantities of pork are consumed and distributed during every feast. There is also a relatively high demand for pork for day-to-day consumption by both Ponapeans and expatriates, a demand which is presently begin satisfied through imports. The purpose of the project is to upgrade the overall quality of pigs on Ponape by introducing improved breeds. From the Pig Multiplication Center, pigs will be distributed to selected farmers for breeding as well as slaughter. The project will also provide artificial insemination and basic veterinary services. The funds requested here will provide the first two years of the Center's operation.

2. Coconut Hybridization, $146,000: Coconut is one of the most important crops in the Ponapean econonmy. In the form of copra, it is a major cash crop, and coconut also plays a pervasive role in the subsistence sector, as it is used for drinking, as food, for oil and cream, for pig feed, for utensils, for firewood, and for many other purposes. However, the coconut industry suffers from very low productivity. This project aims at increasing productivity through the propagaion of high-yield hydrid varieties. It will take considerable time until the benefits of the project are realized, as hybrid seednuts will have to be obtained, planted, and then evaluated. Experimentation with the local dwarf and tall parent lines will also be undertaken to produce hybrids. The goal of the project is to identify the high-yielding hybrids which are best suited to the varying climatic and soil conditions found in the State of Ponape.

3. Food Processing: $300,000: Approximately 50% of all the food imports into Ponape are food and beverages. Although these food imports comprise some commodities which are unlikely to be produced locally in significant quantities in the forseeable future, there are a number of foodstuffs which could be produced locally, or could be substituted for by local produce. If these local commodities are to ever substitute for imported foods, a food processing project is a necessity. Initially, the project will explore the possibilities of processing agricultural produce and fish on a commercial scale through a food processing laboratory and pilot processing plant. Later, it is envisioned that these activities will expand into a larger economically viable operation. This request is for funding for the first five years of the project. After that, the project may be turned over to the private sector.

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS

FY 1982 Budget Request

State of Yap

SUMMARY LISTING

	Amount ($1,000's)
DEVELOPMENT:	
1. Agricultural Development	$ 250
2. Small Industries Development	1,100
3. Fisheries Infrastructure	325
CIP:	
4. Southern Yap Water System	1,164
5. Energy	357
6. Roads	1,000
TOTAL	$4,196

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS
Page: -15-

DETAILED LISTING:

Capital Improvement Projects:

1. Cross-Island Road: 120,000: This rural farm road will run from the Lelu Harbor area over the mountain to Okat. It will open up the arable areas of the Innem and Okat River flood plains. This area was extensively used for agricultural production during the Japanese Administration. The new road will allow for expansion of the citrus production for export, and will give new areas for vegetable production for import substitution. This road will also improve access to the new airport complex from Lelu.

2. Airport Terminal: $250,000: The current OICC T.T.P.I. Capital improvement program does not include any verticle construction. This funding will be used to construct the airport terminal facilities required before the airport can be used. The facilities are required in order to stimulate tourist traffic in Kosrae's infant tourist industry.

3. Airport/Dock Warehouse: $150,000: The Okat transport hub, the new airport and dock facility now being constructed will be a center for export trade. The existing plans do not provide for any facilities on site. The warehouse will be needed to export citrus, marine resource and vegetables produced on Kosrae.

4. Supply Warehouse: $80,000: A supply warehouse is needed for Lelu, the state administrative center. This warehouse will be used for all government supplies including medical supplies, spare parts for office machines and equipment, office and administrative supplies, and utility systems spare parts.

5. Paving-on-Runway (Maintenance Equipment and Training: $1,000,000: The new Kosrae runway now under construction will not be paved. The original plans called for paving of the runway in order to reduce maintenance and operation costs to aircraft, and to encourage international commerce to serve Kosrae. It is important to receive funding for the paving at this time so that construction companies now doing project work on Kosrae can bid on the project without adding additional mobilization costs to the contract. In addition, there is no funding in the current contract for maintenance equipment and training of operation and maintenance personnel for the new airport. (The estimate is not complete pending an A&E study.)

6. High School Gym: $450,000: At present the High School on Kosrae does not have facilities for athletic/recreation activities. Because of the climate much of the out-door activity normally possible in developing countries is curtailed. This assistance would be used in constructing an all-weather multi-purpose facility.

7. Dock Freezer: $50,000: Kosrae is in the process of developing its fishing, citrus and vegetable production for export. In order to export these perishables, a storage area is needed at the new transport hub in Okat. This freezer facility will be placed in the new airport/dock warehouse identified in item 3 above.

8. Circumferential Road: $1,000,000: The current OICC Construction project only paves part of the existing circumferential road. Continued work on paving the remaining sections would benefit all communities by (2) increasing access to centralized medical facilities, (b) begin centralization of villages primary schools, (c) improve access to agricultural areas, and (d) improve access to administrative center in Lelu.

Development Projects:

1. Citrus (Lime-Tangerine) Production for Export: $100,000: One of Kosrae's historical industries is its citrus production. Tangerine and lime trees have been planted in many home sites and production appears substantial enough to permit exporting. At present Kosrae is exporting a small amount of citrus to other states in the FSM. The funding will support: (1) new plantings, (2) training for small producer, (3) setting up selection and processing functions, (4) creating a packaging operation, and (5) establishing a collection storage and transport function.

2. Fisheries Development: $100,000: Kosrae is now in the process of developing its fishing industry on a commercial basis. One of the first steps will be to develop long-line tuna and bill bishing capabilities. At present some of the Japanese fisheries assistance funding is being used for this purpose, but additional funding is necessary. The additional funding will be used to: (1) train fisherman on equipment use, open-sea fisheries fish handling-processing and storage equipment and facility maintenance, (2) construct a larger fisheries facility including an engine and boat repair shop, (3) purchase additional equipment and spare parts, particulary for the purchase of open-ocean vessels and communications equipment, and to begin to develop the markets for fish products on Kosrae and in the Marshalls.

3. Poultry Porduction/Eggs: $50,000: At present Kosrae has no commercial poultry production or does not produce its own eggs. The requested funding will be used to start this import-subsistence industry. Specifically, the funding will be used to (1) hire a project manager for the industry, (2) purchase and set up a central facility for production purposes, (3) import initial stock of chickens and set up continuing supplies of baby chicks and feed, (4) organize marketing system for production, (5) begin to develop meat processing capabilities at a central location, and (6) for training in egg production, broiler production and processing.

FSM STATE REQUEST FOR DEVELOPMENT
AND CAPITAL IMPROVEMENT APPROPRIATIONS

FY 1982 Budget Request
State of Kosrae

SUMMARY LISTING

		Amount ($1,000's)
CIP:		
1.	Cross-island Road	$ 120
2.	Airport Terminal	250
3.	Airport/Dock Warehouse	150
4.	Supply Warehouse	80
5.	Paving on Run-way (6000') Maintenance Equipment	1,000
6.	High - School Gym	450
7.	Dock Freezer (60' x 120')	50
8.	Circumferential Road	1,000
	SUB TOTAL	$3,100
DEVELOPMENT:		
1.	Citrus (Lime) Production/Export	$ 100
2.	Fisheries Development	100
3.	Poultry Production/Eggs	50
	SUB TOTAL	$ 250
	TOTAL	$3,350

DETAILED LISTING:

Development Projects:

1. Agriculture Development, Phase I: $250,000: Yap has drafted an agricultural sector five-year plan. Implementation of the plan was begun in January 1981. The plan is divided into three phases. Phase I begins in January 1981 and runs through June 1982. The first phase is divided into three program areas: (a) The Organizational Program: The purpose of this program is to reorganize the Division of Agriculture within the Resources and Development Department, add a function of regional extension services, and upgrade the skills of the field workers. In addition, a revolving loan fund is being established, the purchase of tractors is needed for a village grower tractor service. An outer island agricultural substation is required, and an employee educational leave fund is being established. (b) The Production Program: The purpose of this program is to begin to establish a series of actual productive projects. These include, two integrated farms, citrus groves (planting already started, coconut plantations, a fruit orchard, the beginning of subsistance crop improvement projects, pineapple farms, a pilot reforestation project, a poultry farm, and the start of a rat control project on the outer islands. (c) The Nursery and Research Programs: The purpose of this program is to establish the information necessary for upgrading crop and animal production on Yap. The projects include: local root crop varietal upgrading, betelnut varietal program, vegetable varietal and nursery propagation, coconut seedling and nursery nut storage, guava introductions and yield trials, hog breeding, hog feed trials and poultry production research.

2. Small Industries Development: $1,000,000: The major portion of this funding will be used to establish a fruit processing factory. A U.N. feasibility study of a tropical fruit processing and coconut cream cannery facility was made in Yap in September 1980. The report concluded that the projects are economically feasible. The employment at the plant at full production will be 40 persons. In addition, the project will have a significant effect on the production of fruits (300,000 lbs) and coconuts (550,000 lbs) in Yap with a considerable indirect increase in employment. The initial investments are estimated to be $1,000,000. Yearly sales may be $400,000 of which $220,000 is fruit juice, and $180,000 is coconut cream. Yap State has given this project top priority as the first manufacturing industry in Yap.

The remainder of the small industries development investment will assist in the construction of a warehouse freezing/cooling facility on the new Yap dock. OICC construction of the dock did not include facility construction. As a result, the off-loading of ships is constrained by the need to directly transport commodities, especially perishables, to retailers This process also hinders revenue collection and control for import tax and gross receipts tax.

3. Fisheries Infrastructure: $325,000: The fisheries development is foduced in two geographic areas. First, we need

to construct ramps (small marine railways) in three outer island locations, Woleai, Ulithi and Satawal. These ramps will function to bring motor and sailing ships into dry dock for repair, unloading and protection. In addition, this investment will be used to locate refrigeration/freezing units on the three islands identified above. On Yap proper the financing will be used to set up ice-machines, cooling facilities in two villages at the north and south end of the island for fish preservation and storage for community distribution.

Capital Improvement Projects:

4. Southern Yap Water System: $1,164,000: While Yap is a high island, it does not receive the rainfall that Ponape does. To ensure an adequate supply of domestic water, a comprehensive water development program has been initiated. The funds requested will be for the implementation of this program in the southern villages of Yap proper. Specifically, the work to be done is drilling a field of 6-inch wells ($195,000), construct a booster pump station ($80,000), build a 100,000 gallon distribution reservoir ($100,000), construct a distribution system ($238,000). The estimated costs for mobilization and demobilization, A&E, contingency and price increases (inflation adjustment) is $425,000. This system will initially serve 960 people, 19 villages; 1981 conditions.

5. Alternative Energy Development: $357,000: Yap State has started parparing a five-year energy program to increase the self-sufficiency and reduce import for fossil fuels. For FY 1982 Yap State will be ready to implement the following projects: (a) Wind, $250,000: Install 5-40 kilowatt horizontal axis wind generators on Yap Islands Proper. Currently, Yap State is undertaking a Wind Data Collection Program which will help in determining exact site placement of the wind generators. Preliminary data from windy sites indicate that Yap has winds that average 15 knots. Included in this program will be training of Micronesians on installation and maintenance of the wind generators. Cost per wind generator is $50,000 and the average annual electrical output at 12 mpt is 91,000 kilowatt-hours. (b) Solar, $87,000: Install photovoltaic power cells, batteries, two lights and a small refrigerator in dispensaries on the Outer Islands of Yap State. This is a phased five-year program with installation of three systems per year. Cost per system i $5,000. Total cost per year is $15,000. Install solar dryers and ovens in various villages in Yap State. Currently, Yap State is experimenting with the applicability of this energy source for drying copra, fish, and local fruits for export and import substitution. Install 24 dryers/ovens per year at a total cost of $12,000 per year. Retrofit twelve government homes with solar hot water systems. This is a five year program to retrofit sixty government-owned homes. Currently electric hot water heaters installed in government housing accounts for approximately five per cent of the total energy usage on Yap Proper. Total cost per system is $5,000. Total cost per year is $60,000. (c) Energy Grants, $20,000: Private sector involvement in alternate energy projects is a must for any energy program to be successful. Therefore, energy retrofit or new construction grants will be made available in Yap State. This grants system will operate similar to

the Department of Energy Grants in the United States.

6. Road Construction: $1,000,000: These funds are requested to construct all weather roads on Yap Proper. Specifically, the work will include 7 miles of roads from the New Yap Hospital to Gagil Elementary School, and to construct an all weather road from Colonia Lagoon-Tomil Harbor to Worowo.

Attachment No. 4

FEDERATED STATES OF MICRONESIA
Congressional Budget Hearings
FY 1982

COMMUNICATIONS

This paper describes improvements in the local communications network which are urgently needed and can be fully installed in FY 1982. These items are over and above the work now being completed by the Department of Communications of the TTPI. All of the items fall within the rigorously developed forecasts of demand for services.

In addition, because the FSM is developing its own plans and is proceeding at a different pace than the other entities, we request that these funds be appropriated to be directly administered by the FSM (rather than by Trust Territory Headquarters).

Hospital Communications System

The difficulties of medical care are compounded by terrain and lack of communications as well as inadequate transportation facilities. The problems (and concomitant pain and suffering, as well as the collection of reliable epidemiological data) would be greatly alleviated by the construction of a system interconnecting all four hospitals and 103 dispensaries by dedicated high frequency radio. Since CB is also used in the FSM, including in automobiles, this medical system should be further augmented by a double-hop CB repeater station in each state and a CB base station at each hospital with mobile units in the homes and vehicles of key medical personnel. A further major element of such a system would be the installation of slow-scan television at each hospital so that X-ray pictures could be shown from one location to another. (This would serve both training and diagnostic purposes.)

FSM

107 HF radios, solar powered, @$3,000.00	$321,000.00
One CB repeater station per State	40,000.00
40 mobile or home CV units for hospital personnel @$40,00	1,600.00
4 slow-scan TV transmit-receive units, complete with cameras and other ancillary gear	140,000.00
TOTAL	$502,600.00

It should be noted that $300,000 - $400,000 per year is spent on referrals to Letterman Army Medical Center in San Francisco and to hospitals in Hawaii. This money goes for air-fare. FSM physicians estimate half of these could be eliminated if consultants in Hawaii or on the mainland could be reached by telephone augmented by slow-scan television. This kind of consultation service is also essential from hospital to hospital within the FSM.

Power Supplies of Telephone Exchanges

Adequate and reliable power supply is a problem throughout the FSM. None of the telephone exchanges have the needed backup in the event of (frequent/extended) commercial power failures. Needed are:

Ponape	Rectifier/battery supply and standby generator	$ 50,000.00
Yap	Same as above	50,000.00
Truk	Same as above	50,000.00
Kosrae	Same as above	50,000.00
TOTAL		$200,000.00

Telephone Exchange Switching

An immediate expansion of exchange switching capability is required, otherwise the existing exchanges will get overloaded with party lines causing a severe degradation of service. Cost figures are based on expansion costs of $500.00 per line.

Ponape	150 line expansion	$ 75,000.00
Yap	50 line expansion	25,000.00
Truk	80 line expansion	40,000.00
Kosrae	No 1981 requirements	---
TOTAL		$140,000.00

Telegraphy and Telex

Demand forecasts reveal a need for, and the opportunity to derive significant revenue from, increased and improved telegraphy and the introduction of Telex. It is especially needed between the States and the FSM Capital in Ponape. There is a need for a national-to-international interface and thus it is recommended that modern intelligent electronic teleprinters be purchased. (These machines will include buffer storage, character deletion, start/stop functions and other facilities. Needed in addition is test equipment, tools, paper tape perforators and other associated items.)

FSM

24 teleprinters @$3,000.00	$ 72,000.00
Associated items	10,000.00
Telex printers (10)	30,000.00
Interface for international	135,000.00
Associated items	10,000.00
TOTAL	$247,000.00

Truk Microwave or HF Link

The three main islands of Truk are not linked together in a communications network. For administrative and other purposes there would a great social utility gain by so doing. It is recommended that a three-island microwave link be established:

$100,000.00

Maritime System

These are island nations. Fishing is becoming an increasingly important revenue-producing activity. Yet, there is no reliable maritime communications system. One is greatly needed.

FSM

4 Maritime Repeater Stations @$25,000.00	$100,000.00

Subscriber Distribution

Additional investments are required for outside plant expansion in order to meet development forecasts. TTPI has appropriated a portion of these expansion costs for Fiscal '81. Additional funds are needed. Budget figures are based on $1,000.00 per subscriber line.

Ponape	Additional 150 lines	$150,000.00
Yap	Additional 50 lines	50,000.00
Truk	Additional 150 lines	150,000.00
Kosrae	Not required	----------
TOTAL		$350,000.00

Radio Broadcasting

Radio can play a significant role in a developing country

to help achieve economic and social development goals and in creating national unity. Radio in the FSM now consists of four separate local stations, each State operated, with no linkage between them and no plan to integrate their programs into either the local or the FSM communications system. These stations are old in in extremely poor physical condition. Vital equipment and parts have broken down, thus preventing the production of the kinds of programs that would be of great value to a development effort. There is some question at this moment as to whether they are operating on the proper power level and frequency. They are in sufficiently poor condition that it is doubtful whether repairs can do the job; they need replacement.

Four Radio Stations
(new transmitters, studio and
(remote equipment, parts, tools,
(test equipment).....$600,000.00

Buildings

The need for expansion has reached the critical state in Ponape. There will be a need in all four States in terms of the ten year forecasts, but for FY 1982 we recommend only:

Ponape Construct building
with 5,000 line capacity.....$200,000.00

Miscellaneous Items

The FSM;s physical environment is basically a hostile one for vehicles, tools and test equipment. Such items are urgently needed, on either a replacement basis or to accommodate the existing and planned expansion, and include basic repair equipment and parts.

Equipment and parts.....$160,000.00

Personnel Training

Training is needed for virtually every system and activity now in place and proposed; it is impossible to overstress the need. A telecommunications system such as is being developed and with the recommended necessary expansions needs skilled people at all levels. The system is complex and will be undergoing considerable change in the next few years. The need is not only on the technical level; there is a need for trained management as well.

Also embedded in this recommendation is our view that the system should, as quickly as possible, be managed and maintained by Micronesians. Clearly this is prefereable to importing and housing high-priced expatriates.

The required formal training will have to take place, of necessity, outside the territorial boundaries of the FSM. It should begin immediately, as there exist urgent needs.

Even the system now in place requires additionally trained personnel for both its operation and maintenance. Those individuals currently charged with operating high frequency radios have never formally been taught their proper use and maintenance. The system would profit by both a series of courses and the production of training manuals, translated into the eight languages commonly in use throughout the FSM.

FSM

HF radio manuals, writing, translation, printing	$100,000.00
3 -4 day training course; 50 individuals @$500.00	25,000.00
cost per individual	25,000.00
TOTAL	$125,000.00

TOTAL COMMUNICATIONS REQUEST.....$2,724,600.00

Attachment No. 5

FEDERATED STATES OF MICRONESIA
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FINANCIAL ADMINISTRATION

One of the major priorities of the Federated States of Micronesia in establishing its new government is providing proper financial management and accountability. The National and State governments presently utilize the Financial Management System, a centralized computer based system operated in Saipan by Trust Territory Headquarters that is also shared with the Marshalls and Palau. The FMS has been improved the last several years, but is still unable to close the books at the end of the year, to provide definitive fund balances, or furnish timely and accurate financial information. After extensive discussions with T.T. Headquarters and the Department of the Interior, the Federated States of Micronesia arranged for the Federal Computer Performance Evaluation and Simulation Center (FEDSIM) of the Department of the Air Force to conduct a comprehensive study on the most appropriate means of financial administration for this government.

A preliminary report has been received from FEDSIM which confirms that the Federated States of Micronesia will need to make major improvements in financial administration to properly manage its funds and be accountable to the United States for the funds provided under a Compact of Free Association. Any of the alternatives for improvement will entail added costs and the Federated States is in the process of choosing the least cost alternative that will fulfill its needs. Based on the preliminary results of the FEDSIM study, two of the first types of improvements that will be required by any of the major alternatives involve installing "intelligent terminals" in each of the States to perform initial data processing and edit, and to purchase telecommunications equipment to utilize the satellite communications system for transmitting financial information. The cost of this equipment plus the staff training that would be needed is the following:

Intelligent Terminals	$ 70,000
Telecommunications	$150,000
Staff Training	$ 50,000

A second area of improvement that has been identified by both the FEDSIM study and those conducted by the Department of the Interior is that major changes need to be made in the software of the FMS which may involve upgrading this system or adopting and modifying another system for the FSM's use, such as that operated by the Government of Guam. Estimates made by FEDSIM of such software improvements amount to $180,000.00

In the future, the FSM faces further costs related to financial administration which include paying for computer time and new equipment. If the FSM is required to pay for its use of the computer in Saipan, or if it uses another existing system, such as the Government of Guam, the computer time cost would be $300,000 per year. At some time in the future, the FSM will be prepared to support and effectively use an automated data processing system and this will entail a significant initial outlay cost.

To assure responsible financial administration, the FSM faces both immediate and long-term costs. This represents a

significant additional item to be absorbed within an already overburdened operations budget. Because system improvements will require a minimum of two years, it is urgent that sufficient operations funding be provided in FY 1982 for the added costs.

In summary, while the Federated States of Micronesia has not made final decisions on the means of improving financial management systems, we envision a minimum of $750,000 in added costs in the near future.

Attachment No. 6

FEDERATED STATES OF MICRONESIA

Congressional Budget Hearings

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COLLEGE OF MICRONESIA

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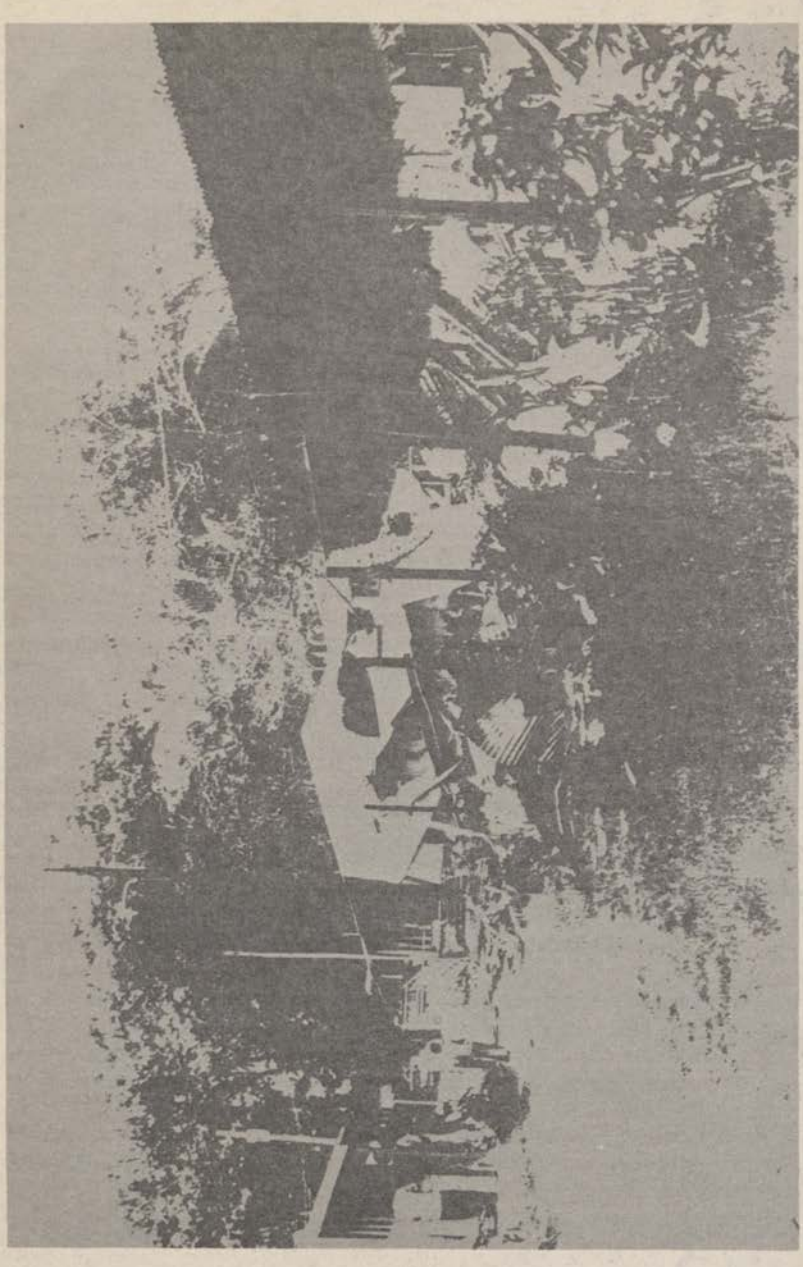

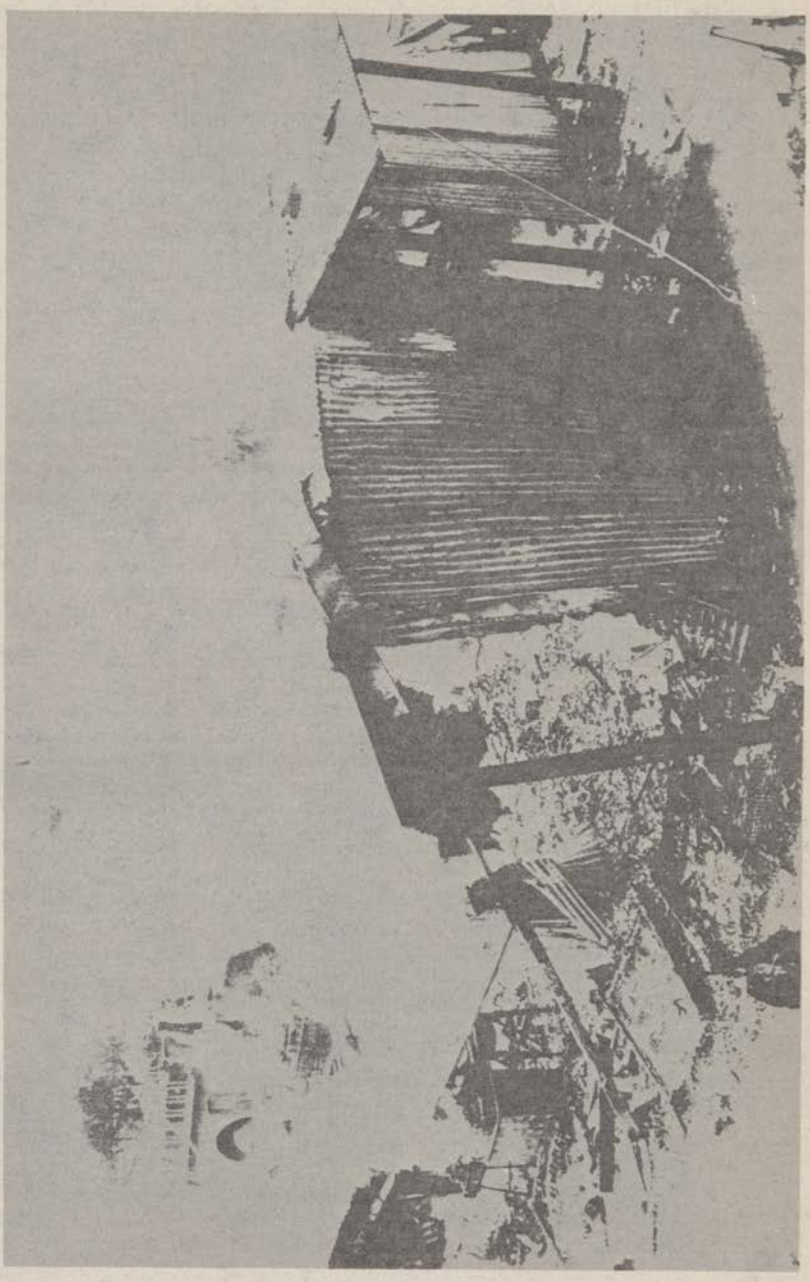

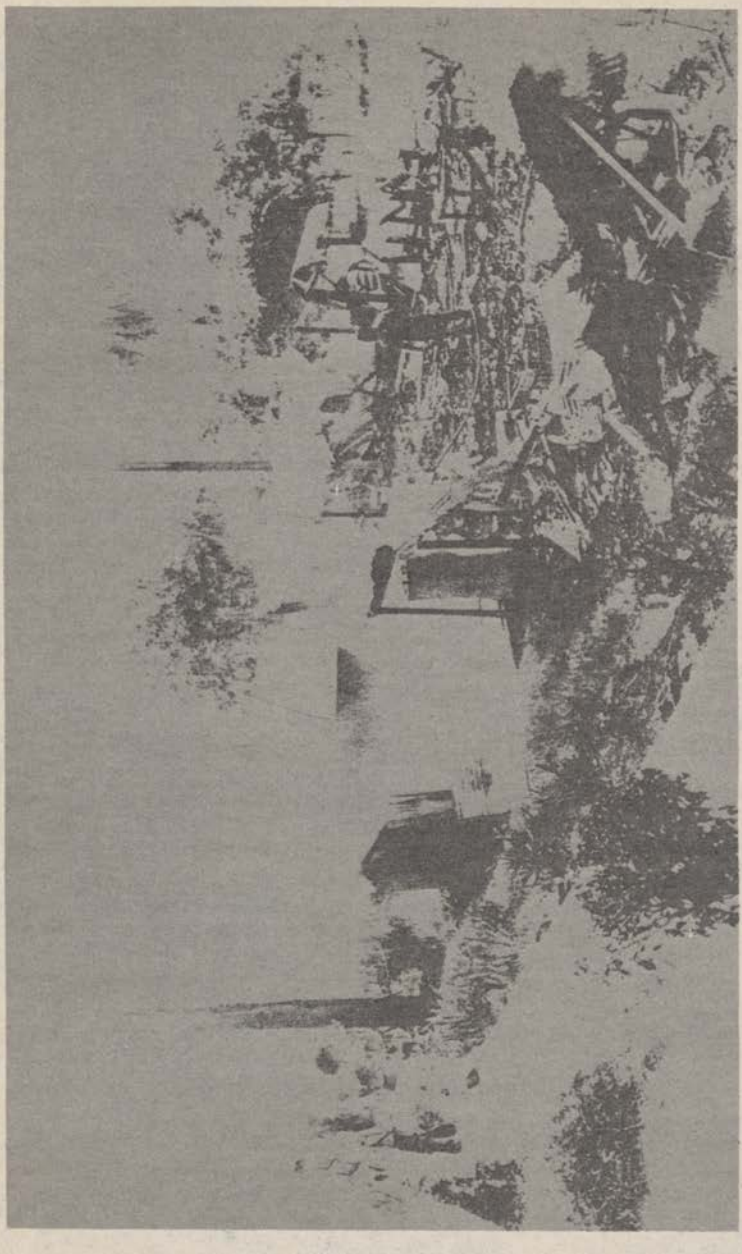

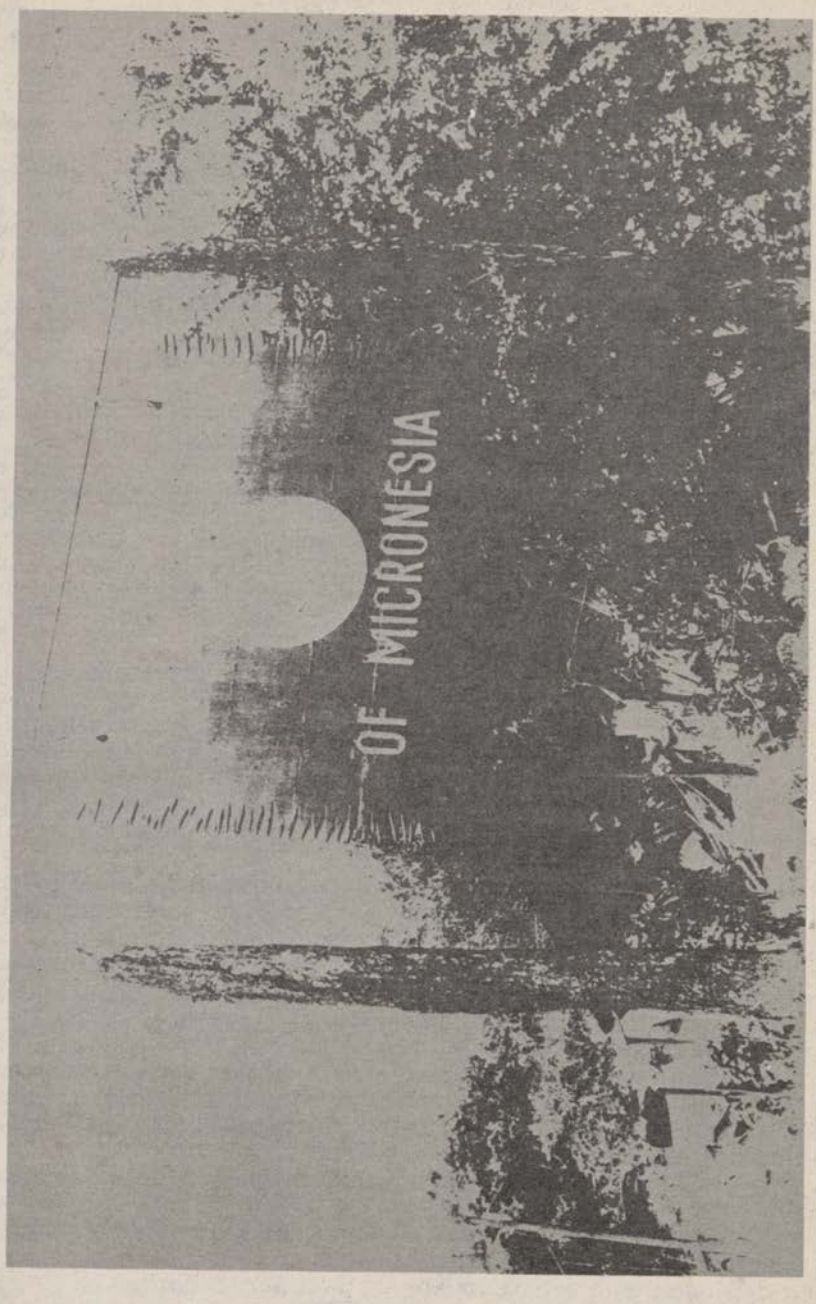
OF MICRONESIA

FISCAL YEAR 1982 BUDGET

Vice President TUN. At this time, I will summarize the statement.

We regard fiscal year 1982 as the time when the Federated States of Micronesia can assume several substantial new responsibilities in preparation for free association.

Indeed, if prompt termination is to be expected, we must take on these responsibilities.

However, our entry into free association still depends on successfully rehabilitating our enormously inadequate infrastructure and economy. We understand the severe budget constraints in the United States, but it is our duty to report to you on our vital needs which we see as directly related to the stability of our government as a political unit, and to achieving eventual self-sufficiency under the Compact.

POLITICAL AND ECONOMIC PROGRESS

I'd like to report on political and economic progress over the past year, and then describe our budget needs.

Our major political concern is proceeding with the Compact of Free Association initialled last October. With U.S. Government financial assistance, the document has been translated into our nine Federated States of Micronesia languages, and we are preparing a public information program.

We await negotiation of several subsidiary agreements to the Compact.

Our national government has made major progress in staffing and organization, and is becoming known as a stable and responsible government in the Pacific community.

This has largely been made possible by additional funds provided by this Congress for fiscal year 1980 and 1981, for which we are very grateful.

However, a number of vital functions should be assumed by the FSM Government without further delay, in order to prepare us for free association and to avoid needless future expenditures.

These include administrative authority over Federal programs, communications, capital improvements, financial management, and the Economic Development Loan Fund. We are hopeful that you will support these efforts.

This committee has long been aware of the serious economic difficulties in the FSM. We are inheriting high unemployment, complete dependence on governmental expenditures, and deteriorating infrastructure and trade imbalances.

Our government is preparing a comprehensive five-year development plan, to be completed by August. It will be largely based on the actual productive projects to be undertaken in our four States.

Energy will be a major focus of the plan, to dramatically reduce our dependence on petroleum-based power generation.

We should emphasize that these plans are being developed by our leaders and staff without outside help. Our message to the people is that responsibility for economic development rests with them: They must determine priorities and proceed immediately with action.

FUNDING PRIORITIES

Although we have other important funding needs which are detailed in our statement, we have identified four areas in which our needs are most critical.

We request the following appropriations in addition to the Administration's fiscal year 1982 budget. These are:

The rehabilitation of the Truk Hospital. We request an additional $1.4 million to alleviate the conditions which seriously endanger the lives of the patients and cause irreparable damage to the costly equipment in the hospital.

Continuation of communications improvements, especially for hospitals and dispensaries as recommended by an international team of consultants. We seek $2.7 million for the terrestrial network, in order to use effectively our satellite communication system when it is installed and to prevent deterioration of our communication infrastructure.

Economic and infrastructure development. We wish to reduce our economic dependence as soon as possible and believe we should begin working with the levels of such assistance set out in the Compact of Free Association.

This would be at the level of $24 million. Planning studies and A&E work must begin promptly.

We seek additional operations fund to raise the total to $38.5 million to maintain basic health, education and public works services.

That, Mr. Chairman, concludes my oral presentation, and Chairman Setik also has a brief statement he would like to present.

Mr. MURTHA. Mr. Chairman.

Senator SETIK. Thank you. I am Senator Raymond Setik, Chairman of the Committee on Ways and Means of the Congress of the Federated States of Micronesia. I am here today, on behalf of our Legislative Branch, to express our complete support of the statement presented by Vice President Petrus Tun.

During the two years since the establishment of our national government, the Congress has striven to assist President Nakayama in the difficult process of organizing the Executive Branch and implementing its constitutional responsibilities. I very much appreciate the opportunity to appear before this committee and would like to briefly highlight a number of issues of particular concern to the Legislative Branch of the Federated States of Micronesia.

FINANCIAL MANAGEMENT

The Congress of the Federated States of Micronesia has been concerned with providing from inception for proper financial management and accountability in our new government. We have funded full-scale audits by an independent CPA firm of local revenues for fiscal year 1979 and of both local revenues and U.S. grant funds for fiscal year 1980 (a copy of the audit report is attached for the record). We are also working with the Executive Branch in seeking improved means of financial administration beyond the Financial Management System operated in the Trust Territory, a process that will certainly involve substantial expense.

TRUK HOSPITAL

As a Senator from the State of Truk, I would emphasize the need for immediate and major repairs to the Truk Hospital. This hospital is of vital importance to the people of Truk, approximately 40,000 people who will be served by this hospital.

CAPITAL IMPROVEMENTS

The Congress has also been particularly concerned about the need to build and maintain adequate infrastructure, especially to support economic development.

This needs to be accompanied by sufficient operations funds for maintenance, and rehabilitation from the typhoons that frequently destroy the important facilities on our islands.

TRANSFER OF FUNCTIONS

Again, we fully support the Vice President's statement on the rapid transfer of the functions and matters still retained by Trust Territory Headquarters.

I would call particular attention to making available funds from the Economic Development Loan Fund, which has not yet been released, to provide desperately needed private investment capital.

The Federated States of Micronesia is prepared to responsibly administer these funds, as they become available.

COLLEGE OF MICRONESIA

Mr. Chairman, I will conclude by stating the urgent need for new facilities for the Community College of Micronesia, located on Ponape. Funds authorized over six years ago for this purpose have yet to be appropriated, and without these, the Community College simply may not survive. In fact, on May 3, 1981, a dormitory burned down and $200,000 is urgently needed to replace it.

ADDITIONAL REQUESTS

We have additional funding requests which I believe are vitally needed. As I mentioned, the Truk Hospital is one.

Another important matter for consideration is the $1.8 million for the operation which has been deleted for the fuel complement, or for the reserve, whatever they call it.

In addition, we operate roughly seven field trip ships, which I believe was not included in the funding request .

If this money is restored, it will help the people depending on that service who are living on the outer islands.

Another item for consideration is the medical cost that has been increased from previous years as inflation goes up. In the area of infrastructure, of course, the Vice President addressed the needs for the $2.7 million.

And another need that demands attention is the construction of the air field in the outer islands which, in our package, requested about $1 million to assist the people in outer islands where medical attention has been neglected in the past.

This generally will conclude my statement, and we are happy to answer any questions we may have raised with the Chairman.

Mr. MURTHA. The revised budget for 1982 reduces the amount of funding that would have been available for construction of a capital for the Federated States. How much will this reduction in budget affect the scheduling of the construction considering that you must do the design first?

Vice President TUN. The other members of the group here can respond to this. Let me go back.

We were thinking of getting enough money to start actual work and then move into construction. At least some of it. But we are getting only A&E money for the project.

That will slow us down for about a year.

Mr. MURTHA. So the reduction in the budget will slow you down about a year. If the funds are provided in 1983, will that be in sufficient time to start major construction at your site?

Vice President TUN. The answer is yes. If we have the A&E money and all the preparatory work is done during fiscal year 1982, by 1983, we should be fully prepared to move ahead with construction.

Mr. MURTHA. Thank you very much. You have answered most of our questions with your presentation but we have some additional questions that we would like you to answer for the record.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS

FEDERATED STATES OF MICRONESIA

ECONOMIC DEVELOPMENT

Question: Please review for the Committee those efforts you are taking to develop the local economy.

Answer: Our efforts at present are directed toward the development of a Five-year Plan which should identify our development priorities and the financing required to implement them. With FSM Congress appropriations, we have made initial starts for the construction of a copra processing plant in Truk and a fisheries project in Yap. Other smaller projects, funded from local revenues, are being carried out in each of the four states. These include the construction of farm roads, seawalls, and direct financial assistance to communities for agricultural and fisheries projects.

TRUK HOSPITAL

Question: What steps are you taking to correct the conditions at the Truk Hospital, which is in extremely poor condition?
--When was the hospital constructed?
--Why has it been allowed to deteriorate to such a point?
--What steps are you taking to assure that such deterioration does not occur in the future?

Answer: The Truk Hospital was built in 1971 and has, over the years, deteriorated to a point where it will require $1.9 million to repair. Lack of maintenance funds in the hospital budget has been the major cause of the deteriorated condition of the hospital. Repair work was started with funds provided by the High Commissioner. Supplemental funds of approximately $1.4 million will be needed to restore the hospital back to an acceptable condition to provide adequate service to the 40,000 people it serves.

To prevent continued deterioration of the hospital facilities, adequate maintenance funds must be provided.

FEDERAL GRANTS

Question: Your budget justification also shows an increase in Federal grants in fiscal year 1982.
--What will be the effect of a reduction based on the 1982 Reagan budget?

Answer: Dependence on Federal programs among the indigenous population has reached a point that makes reduction or elimination of the programs an extreme hardship. Even a partial reduction in the program amounts will require absorption of expenditures by the FSM regular operating budget. This will erode the ability of the FSM government to provide a medium of public service. This ability is already stretched thin.

LOCAL ECONOMY

Question: Your budget justification (p. 116) states that the export earnings of the FSM have decreased approximately 38% over the last ten years.

--What were they ten years ago and what are they now?
--What exports made up the export earnings?

Answer: The decline in copra, trochus, and scrap metal exports has been the main cause of our decreasing export statistics. While there have been some increases in exports associated with tourism, overall FSM income from exports has declined over the past ten years.

Question: Please explain what the various sources of your approximately $7.3 million in local tax revenues are.

Answer: Local revenues are derived from income and gross revenue taxes, and import, sales and miscellaneous taxes, including about $2 million from fishing agreements signed with the Japanese Fishermen Association.

SCHOOL ENROLLMENT

Question: On pages 175 and 176 of your justification you show that approximately 20,700 students will attend elementary and secondary public schools.
--How many additional children are in private schools?

Answer: 1,600 students, both in elementary and secondary schools are expected to attend private schools in fiscal year 1982.

RESOURCES AND DEVELOPMENT

Question: How much of the approximately $3 million you request for resources and development goes into the actual government operation of businesses or the subsidization of such businesses?
--Have the programs in this area led to commercial ventures which are now operating on their own?

Answer: The funds requested for resources and development will be used to provide technical and advisory services to the local people to develop and increase production, most especially in the areas of agriculture and fisheries. Government assistance has led to the establishment of agriculture and fisheries cooperatives in each state. These cooperatives vary in size and in membership, and are providing service to the communities they serve.

MARSHALL ISLANDS DELEGATION

WITNESSES

ANTON A. deBRUM, FOREIGN SECRETARY, MARSHALL ISLANDS
BILL GRAHAM, ACTING BUDGET OFFICER, MARSHALL ISLANDS

Mr. MURTHA. Now, we will have the Marshall Islands.
Mr. deBrum?
Secretary DEBRUM. Thank you.
Mr. MURTHA. Mr. deBrum, you are the Foreign Secretary for the Marshall Islands, is that correct?
Secretary DEBRUM. That's correct.
Mr. MURTHA. If you will introduce your colleague.
Secretary DEBRUM. This is Mr. Bill Graham, the Acting Program and Budget Officer.
Mr. MURTHA. Mr. Bill Graham, the Acting Budget Officer.
Secretary DEBRUM. That's right, sir.
Mr. MURTHA. Do you have a statement? We will accept your full statement for the record.
[The statement follows:]

STATEMENT BY TONY A. DEBRUM,
SECRETARY OF FOREIGN AFFAIRS
GOVERNMENT OF THE MARSHALL ISLANDS
TO THE
APPROPRIATIONS COMMITTEE,
U.S. HOUSE OF REPRESENTATIVES
MAY 12, 1981

MR. CHAIRMAN:

I AM HONORED TO APPEAR TODAY BEFORE YOUR ESTEEMED COMMITTEE TO PRESENT THE BUDGET REQUEST OF THE GOVERNMENT OF THE MARSHALL ISLANDS FOR FISCAL YEAR 1982.

SINCE THE INCEPTION IN 1969 OF FORMAL NEGOTIATIONS WITH THE UNITED STATES TOWARD A DETERMINATION OF THE TRUST TERRITORY'S FUTURE POLITICAL STATUS, 1981 HAS REMAINED AS THE AGREED UPON TARGET DATE FOR AN AMICABLE AND MUTUALLY ACCEPTABLE TERMINATION OF THE U.N. TRUSTEE RELATIONSHIP. WITH THAT DATE IN MIND, WE HAVE WORKED DILIGENTLY TO DETERMINE PRECISELY WHAT THAT NEW STATUS WILL BE, BOTH IN TERMS OF INTERNAL POLITICAL STRUCTURE AND IN TERMS OF OUR RELATIONSHIP WITH THE UNITED STATES. IN ACCORDANCE WITH THE SCHEDULE ESTABLISHED FOR DETERMINATION AND FULL ATTAINMENT OF THAT STATUS IN 1981, THE ENSUING 12 YEARS HAVE BEEN A BUSY AND SOMETIMES BITTER EXPERIENCE FOR THE PEOPLE OF THE MARSHALL ISLANDS:

-- WE ORGANIZED, IN 1973, THE MARSHALL

ISLANDS POLITICAL STATUS COMMISSION, RESPONSIBLE FOR CONDUCTING NEGOTIATIONS WITH THE U.S. ON OUR FUTURE POLITICAL STATUS.

-- PURSUANT TO AN ACT OF THE CONGRESS OF MICRONESIA, A CONSTITUTIONAL CONVENTION WAS CALLED TO DRAFT A TERRITORY-WIDE CONSTITUTION IN 1976 AND 1977.

-- WHEN THAT CONSTITUTION PROVED UNACCEPTABLE TO THE MARSHALLESE PEOPLE, IN THE JULY 1978 REFERENDUM, OUR LEGISLATURE CONVENED ITS OWN CONSTITUTIONAL CONVENTION TO COOPERATIVELY DEVELOP A GOVERNING CONSTITUTION APPROPRIATE FOR THE MARSHALL ISLANDS. THAT DOCUMENT WAS ADOPTED BY THE CONVENTION IN DECEMBER 1978, PROVIDING FOR A DEMOCRATIC PARLIAMENTARY GOVERNMENT UNIQUELY SUITED TO OUR ISLANDS.

-- IN ACCORDANCE WITH THAT CONSTITUTION, NATIONAL ELECTIONS WERE CONDUCTED IN APRIL 1979 AND OUR PARLIAMENTARY LEGISLATURE AND PRESIDENT TOOK OFFICE ON MAY 1, 1979, BECOMING THE FIRST LOCALLY ELECTED GOVERNMENT IN THE HISTORY OF OUR ISLAND NATION.

-- FOLLOWING THE ESTABLISHMENT OF THIS GOVERNMENT, AND IN ACCORDANCE WITH U.S. SECRETARIAL ORDER NO. 3039 FROM YOUR DEPARTMENT OF INTERIOR, WE GRADUALLY BEGAN TO ASSUME RESPONSIBILITY FOR AND EXERCISE CONTROL OVER THE MANY FUNCTIONS OF GOVERNMENT THERETOFORE VESTED IN THE U.S.' TERRITORIAL HEADQUARTERS ON SAIPAN. FOR THE MOST PART, THE TRANSFER OF THESE FUNCTIONS HAS BEEN CARRIED OUT IN A SMOOTH AND ORGANIZED MANNER.

-- AT THE SAME TIME, OVER 11 YEARS OF POLITICAL STATUS NEGOTIATIONS CULMINATED IN OCTOBER 1980 WITH THE FORMAL INITIALLING BY OFFICIAL REPRESENTATIVES OF BOTH GOVERNMENTS OF A DETAILED AND SPECIFIC COMPACT PROVIDING THE MARSHALL ISLANDS A POLITICAL RELATIONSHIP OF FREE ASSOCIATION WITH THE UNITED STATES. TRANSLATION OF THIS COMPACT INTO THE MARSHALLESE LANGUAGE HAS BEEN COMPLETED AND A PUBLIC EDUCATION PROGRAM LAUNCHED TO THOROUGHLY FAMILIARIZE EVERY MARSHALLESE WITH THE TERMS AND CONTENTS OF THAT COMPACT.

AS I STAND BEFORE YOU TODAY, THE PEOPLE OF THE MARSHALL ISLANDS ARE POISED AND READY TO TAKE THE FINAL STEP NECESSARY FOR SELF-GOVERNMENT BY APPROVING THAT COMPACT. THE POLITICAL AND ECONOMIC PLANNING EFFORTS OF THE PAST 12 YEARS, FOCUSING AS THEY DID ON 1981, WILL BE REWARDED ONLY WHEN THAT COMPACT HAS TAKEN EFFECT AND FULL ATTAINMENT OF OUR NEW POLITICAL RELATIONSHIP RECOGNIZED.

WITH THIS IN MIND, AND WITH GREAT CONCERN THAT THE PROPERLY NEGOTIATED FUTURE RELATIONSHIP BETWEEN THE MARSHALL ISLANDS AND THE UNITED STATES COMMENCE ON SCHEDULE, I PRESENT TO YOU TODAY THE REQUEST OF MY GOVERNMENT FOR FINANCIAL ASSISTANCE FROM THE UNITED STATES, BEGINNING IN FISCAL YEAR 1982, AT LEVELS AGREED UPON IN THE COMPACT OF FREE ASSOCIATION.

IN CONSTRUCTING THE MATERIALS PRESENTED TO YOU IN SUPPORT OF THIS REQUEST, WE HAVE BEEN GUIDED BY A PREMISE ESPOUSED BY VIRGIN ISLANDS PRESIDING JUDGE VERNE A. HODGE: "THERE IS NO COMMUNITY THAT DOESN'T HAVE PROBLEMS, OR HAS THE MONEY TO DO EVERYTHING." THE MARSHALL ISLANDS CONTINUE TO HAVE MORE THAN THEIR SHARE OF PROBLEMS AND QUITE OBVIOUSLY, EVEN WITH COMPACT LEVEL FUNDING, WILL NEVER HAVE THE MONEY TO DO

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EVERYTHING. WE HAVE, THEREFORE, TARGETED OUR FY 82 PRIORITIES ON TWO MAJOR OVERLAPPING AREAS: CAPITAL IMPROVEMENT PROJECTS AND OUTER ISLAND DEVELOPMENT.

MOST CAPITAL PROJECTS ARE DIRECTLY LINKED TO ECONOMIC DEVELOPMENT, IN TERMS OF PROVIDING BOTH THE BASIC PHYSICAL AND HUMAN INFRASTRUCTURE AND THE ADEQUATE INCENTIVES NECESSARY FOR SUCH DEVELOPMENT TO OCCUR. IN ADDITION TO THE $12 MILLION IN ANTICIPATED DISASTER RELIEF FUNDS FOR CAPITAL REPAIR PROJECTS, SEVERAL VITALLY NEEDED NEW CAPITAL IMPROVEMENTS ARE DETAILED IN OUR REQUEST. MANY OF THESE PROJECTS ARE FOR THE DIRECT BENEFIT OF OUR OUTER ISLANDS WHICH, REGRETABLY, HAVE HAD TO SUFFER SEVERE NEGLECT UNDER THE FUNDING LEVELS PROVIDED TO THE TRUST TERRITORY AND THE MARSHALL ISLANDS TO DATE.

ALTHOUGH OVER 50 PERCENT OF THE MARSHALLESE PEOPLE CONTINUE TO RESIDE IN THE OUTER ISLANDS, IT IS THE DREAM OF MANY THERE TO SEE THEIR CHILDREN GET A JOB IN MAJURO OR KWAJALEIN. THIS WILL NOT CHANGE UNTIL A GOOD LIVING CAN BE MADE IN THE OUTER ISLANDS. SYSTEMS AND TECHNOLOGIES EXIST TODAY FOR VARIED OUTER ISLAND FOOD PRODUCTION AT LEVELS WHICH WOULD PROVIDE SUCH A LIVING;

ONLY THE LACK OF CAPITAL PREVENTS IMPLEMENTATION FROM BEGINNING.

CONTINUATION AND EXPANSION OF OTHER OUTER ISLAND DEVELOPMENT PROJECTS, IN ADDITION TO FOOD PRODUCTION, ARE ALSO NECESSARY. IN THE ONE YEAR THAT IT HAS BEEN OPERATING, THE AIRLINE OF THE MARSHALL ISLANDS HAS BEEN ABLE TO OFFSET ALL OF ITS OPERATION AND MAINTENANCE EXPENSES FROM PASSENGER AND FREIGHT REVENUES. AT PRESENT, HOWEVER, LESS THAN HALF OF THE OUTER ATOLL MUNICIPALITIES HAVE AIRPORTS. REFORESTATION OF MANY ISLANDS IS NEEDED TO PROVIDE FOR IMPROVED COPRA YIELD (BY FAR THE MAJOR SOURCE OF CASH INCOME FOR OUTER ISLANDERS) IN ORDER TO TAKE FULL ADVANTAGE OF THE PROCESSING PLANT IN MAJURO THAT CONVERTS THE COPRA INTO OIL AND SEVERAL USEFUL BY-PRODUCTS. IT IS WORTH NOTING THAT BOTH OF THESE MAJOR DEVELOPMENT PROJECTS, THE AIRLINE AND THE COPRA PROCESSING PLANT, HAVE BEEN ESTABLISHED AND OPERATED WITHOUT U.S. FEDERAL ASSISTANCE. INFRASTRUCTURE AND FACILITIES DEVELOPMENT, INITIAL MANUFACTURE OF FOREST RELATED PRODUCTS, AND IMPROVED FIELD TRIP SERVICE CAPABILITY ARE OTHER NECESSARY ACTIVITIES WHICH WILL BENEFIT THE OUTER ISLANDS.

IN ADDITION, MANY ISLANDS IN THE MARSHALLS, SUCH AS MILI, JALUIT, MALOELAP, AND WOTJE STILL REQUIRE EXTENSIVE REHABILITATION AND REPLANTING. INCLUDED IN THIS WORK IS THE DANGEROUS AND TIME CONSUMING DELICATE REMOVAL OF LIVE AMMUNITION AND UNEXPLODED BOMBS.

TOTAL U.S. ASSISTANCE CONTAINED IN THIS REQUEST AMOUNTS TO $28.15 MILLION, INCLUDING $2 MILLION FOR POST-SECONDARY EDUCATION FACILITIES UNDER PL 94-255.

IN ADDITION TO THE $28.15 MILLION, WE ARE ALSO ANTICIPATING $12 MILLION IN SPECIAL DISASTER RELIEF FUNDS. THIS AMOUNT WAS AUTHORIZED BY THE HOUSE FOR CAPITAL REPAIR AND IMPROVEMENT PROJECTS NECESSITATED BY THE SEVERE WAVE DAMAGE SUFFERED IN MAJURO IN NOVEMBER AND DECEMBER 1979. THE NEED FOR THESE PROJECTS REMAINS CRITICAL AND I WOULD LIKE TO FORMALLY INQUIRE AS TO THE STATUS OF THESE FUNDS.

WE ALSO EXPECT TO CONTINUE TO RECEIVE FUNDING AND ASSISTANCE UNDER THE NUMEROUS FEDERAL (CFDA) PROGRAMS IN WHICH WE NOW PARTICIPATE OR ARE ELIGIBLE TO PARTICIPATE. AS AGREED TO IN THE COMPACT, SUCH FUNDING AND ASSISTANCE ARE TO BE PROVIDED IN ADDITION TO THE BASIC COMPACT-LEVEL FUNDING.

AT THIS POINT, MR. CHAIRMAN, I WOULD BE SERIOUSLY REMISS IN DISCHARGING MY RESPONSIBILITIES IF I DID NOT FORMALLY REGISTER WITH THIS COMMITTEE THE ONGOING ANXIETY OF THE PEOPLE OF THE MARSHALL ISLANDS CONCERNING THE PROGRESS OF THE VARIOUS ADDITIONAL PROGRAMS ESTABLISHED FOR THOSE AREAS AND INDIVIDUALS EXPOSED TO RADIOACTIVE FALLOUT AS A RESULT OF THE ATOMIC AND NUCLEAR WEAPONS TESTING PROGRAM CONDUCTED BY YOUR GOVERNMENT.

YOUR COMMITTEE WILL HEAR DIRECTLY FROM REPRESENTATIVES OF THE PEOPLE OF BIKINI AND ENEWETAK. THE NOMADIC AND UNCERTAIN EXISTENCE LED BY THESE PEOPLE OVER THE PAST 35 YEARS IS COMPLETELY ANTITHETIC TO THE TRADITIONAL MARSHALLESE WAY OF LIFE AND IS MOST DESERVING OF OUR SYMPATHY, CONCERN, AND ASSISTANCE.

AT THE SAME TIME, APPREHENSION AND CONFUSION CONTINUE TO DOMINATE OUR THOUGHTS WITH REGARD TO THE OTHER ISLANDS AND ATOLLS OF THE MARSHALL ISLANDS WHICH WERE ALSO SUBJECTED TO RADIOACTIVE FALLOUT CONTAMINATION AS A DIRECT RESULT OF THE TESTING PROGRAM. BASED ON PRELIMINARY RESULTS OF THE "NORTHERN MARSHALLS RADIOLOGICAL SURVEY," CONDUCTED IN 1978 BY THE U.S. DEPARTMENT OF ENERGY, A COMPREHENSIVE PROGRAM OF EDUCATION AND

HEALTH CARE FOR THE PEOPLE OF THOSE ISLANDS WAS MANDATED BY PUBLIC LAW 96-205. FOR THE RECORD, I WOULD LIKE TO INQUIRE AS TO THE PRESENT STATUS OF THAT PROGRAM AND OF THE FINAL ANALYSES AND REPORTS OF THE 1978 SURVEY.

FINALLY, I MUST NOTE THAT IN REQUESTING COMPACT-LEVEL FUNDING, MY GOVERNMENT ACKNOWLEDGES YOUR CONCERN FOR REDUCING U.S. FEDERAL SPENDING AND SHARES YOUR DISTRESS AT THE PRESENT ECONOMIC CONDITIONS IN THE UNITED STATES. WE ARE ALSO AWARE OF THE NEED FOR TIME FOR YOUR NEW ADMINISTRATION TO REVIEW THE COMPACT AND ITS TERMS. WE ARE GRAVELY CONCERNED, HOWEVER, THAT THE BUDGET REQUEST SUBMITTED TO YOU BY THE DEPARTMENT OF INTERIOR IS CONTINGENT ON THE COMPACT NOT BEING APPROVED AND ADOPTED FOR AT LEAST 15 MORE MONTHS, AN APPARENT INDICATION THAT SUCH REVIEW HAS ALREADY BEEN COMPLETED WITH NEGATIVE RESULTS. WE STRONGLY FEEL THAT THE TERMS OF THE COMPACT WERE PAINSTAKINGLY NEGOTIATED, IN GOOD FAITH, OVER A SIGNIFICANT PERIOD OF TIME AND THAT THOSE TERMS SHOULD BE ADHERED TO EQUALLY BY BOTH GOVERNMENTS. FOR OUR PART, WE ARE REQUESTING NO MORE ASSISTANCE THAN THAT AGREED TO IN THE COMPACT, DESPITE THE TEMPTATION TO EMPLOY SITUATIONAL ETHICS THAT WOULD ALLOW US TO REQUEST MORE. FOR YOUR PART, DESPITE YOUR

PUBLIC COMMITMENT TO REDUCED OVERALL SPENDING, WE EXPECT NO LESS ASSISTANCE THAN THAT AGREED TO IN THE COMPACT.

WHILE THE SUMS REQUESTED BY THE DEPARTMENT OF INTERIOR WILL JUST BARELY PROVIDE FOR THE MOST STRINGENT OPERATION OF OUR BASIC GOVERNMENT SERVICES, THOSE AMOUNTS WILL DO NOTHING TO PUT US BACK ON OUR FEET AGAIN. THE DEPARTMENT OF INTERIOR FIGURES, IN EFFECT, SPELL FOR US ANOTHER YEAR OF MERE HAND-TO-MOUTH EXISTENCE, WITH NO REAL CONTRIBUTION TO OUR SELF-SUFFICIENCY. WE ARE SADLY BEING ASKED TO EXTEND FOR AT LEAST ONE MORE YEAR, OUR TOTAL AND SOMETIMES HUMILIATING DEPENDENCE ON THE UNITED STATES DOLE. IT MERELY PROLONGS OUR HAVING TO ARTIFICIALLY KEEP ALIVE A STAGNANT, NON-PRODUCTIVE ECONOMY WHICH BOASTS 90 PERCENT IMPORTED FOOD, 100 PERCENT IMPORTED ENERGY, UP TO 40 PERCENT UNEMPLOYMENT, INADEQUATE HEALTH AND EDUCATION FACILITIES, SUBSTANDARD HOUSING, LACK OF WATER, POWER, AND EVEN THE MOST RUDIMENTARY FORMS OF SANITARY FACILITIES.

MR. CHAIRMAN, WE TRULY APPRECIATE THIS OPPORTUNITY TO ADDRESS YOUR COMMITTEE AND WE SHALL ENDEAVOR TO ANSWER ANY QUESTIONS YOU OR THE COMMITTEE MEMBERS MAY WISH TO ASK. THANK YOU ONCE AGAIN FOR YOUR CONTINUED INTEREST AND CONCERN FOR OUR PROGRESS.

Mr. MURTHA. If you will proceed with a summary of your statement.

MR. DEBRUM'S TESTIMONY

Secretary DEBRUM. Mr. Chairman, thank you for the honor to appear before you today. I will attempt to provide a very short summary of the statement that we have prepared.

I wish to report to the committee that the Marshall Islands views the current state of our development to be such that we are prepared to enter a free association relationship with the United States as soon as possible.

Considering that, we have prepared and have presented a budget reflecting those amounts which for 11 years we have struggled to negotiate with the United States and which we hope the Congress of the United States will see fit to approve in the near future.

We wish to say that all the internal matters we described with the internal negotiations with the United States have been completed. We are ready to take over the reins of government as soon as possible.

In constructing the materials presented to you, Mr. Chairman, we have taken what we consider to be the absolute minimum requirements for our government to begin not only to carry on the services that are absolutely essential for our people, but also to begin to embark on a program of economic development leading to self-sufficiency, such programs as we have presented to the United States in our talks over the years.

We wish to call the attention of the committee, respectfully, Mr. Chairman, to some funds which had been authorized previously, $12 million anticipated for disaster relief to the Marshall Islands, which had been struck by tidal waves 18 months ago. Such sums have not been made available yet, but we are still in the process of trying to rehabilitate major public facilities.

We are also requesting in our budget request, Mr. Chairman, funds for development of our outer islands' rural areas, to continue our program of developing air strips, roads, and rehabilitating former military lands in the outer islands of the Marshalls.

We also request the committee to consider favorably the elimination of a requirement that we match FEMA funds in the amount of slightly over $600,000 for relief assistance received from the Federal Emergency Management Administration in 1979 and 1980.

We are still concerned, Mr. Chairman, that some of the programs and medical assistance promised for people who have been the victims of the nuclear test programs of the United States are still not forthcoming.

We are still awaiting the report of the Northern Marshalls Radiological Survey, a report which I also referred to in my last presentation before this committee.

Mr. MURTHA. When do you expect that report?

Secretary DEBRUM. We have been told that it could be presented this year, Mr. Chairman. We note that the people of Bikini and Enewetak will be separately presenting their views in this committee and we would like to go on record asking you for concern with this assistance.

We wish to acknowledge, Mr. Chairman, in requesting our Compact level funding, the concern for reducing Federal spending.

We share your distress at the present conditions. We are also aware of the necessity for the Administration to consider the Compact and go forward.

We are, however, more gravely concerned that the requests presented by the Department of Interior assumes the Compact will not be completed for at least 15 more months.

We strongly feel that the terms of the Compact were negotiated in good faith over a significant period of time, and that those terms should be adhered to equally by both governments. For our part, we are requesting no more assistance than that agreed to in the Compact.

We note that the sums requested by the Department of Interior will just barely provide for the most stringent operation of our basic government services. Those amounts will do nothing to put us back on our feet again. Figures presently advanced by the Department of Interior will spell for us another year of hand-to-mouth existence with no real contribution to our self-sufficiency.

We are sadly being asked to extend for at least one more year our total and sometimes humiliating dependence on the United States Government. This merely prolongs our having to artificially keep alive a stagnant, nonproductive economy which has 90 percent imported food, 100 percent imported energy, up to 40 percent unemployment, inadequate health and education facilities, substandard housing, lack of water power and even the most rudimentary form of sanitary facilities.

We ask for your consideration in this matter, Mr. Chairman, and thank you for the opportunity.

POWER SYSTEM PROBLEMS

Mr. MURTHA. You have had difficulties with your power system in the past. Has the review of the Trust Territory maintenance and proposed overhaul of generators alleviated this problem at all?

Secretary DEBRUM. Mr. Chairman, we have yet to see that report or proposal for upgrading.

Mr. MURTHA. So you are still having trouble with the power system, and it has not been helped?

Secretary DEBRUM. Yes, sir.

OUTER ISLANDS

Mr. MURTHA. What steps are being taken to make the outer islands more habitable to your citizens?

Secretary DEBRUM. Mr. Chairman, the Government of the Marshall Islands, a year and a half ago, formed a small internal airline to service the outer islands.

We have built since then some eight new airstrips, which have greatly alleviated the problem of total isolation and great dependence on slow ships that have plagued us for years.

We are still trying hard to build more airstrips and roads and rehabilitate more lands in the outer islands.

We were originally stymied because some of the major islands in the Marshalls, having been former bases of the Japanese, still

contain live ammunition and dangerous bombs which have to be removed one by one.

That program is still underway, and it is considered in the budget that we have submitted to you.

Mr. MURTHA. How is the service of the airline?

Secretary DEBRUM. It is holding its own, sir. We are having difficulties as to its legal status, and are working with the FAA and State Department to try and solve that problem this week.

WATER SHORTAGE

Mr. MURTHA. You also experienced severe water shortages in Majuro. What steps have you taken to alleviate these shortages?

Secretary DEBRUM. The catchment area of the airstrip, an area where we catch the water and store it for the citizens, has been substantially rehabilitated since last year.

However, because of the wave damage that occurred in November and December of 1979, a great deal of our distribution system, the piping system itself, both the main lines into town and the laterals, have been in many cases disconnected and broken.

So we have asked for funds in the disaster relief area for the replacement of this water distribution system.

And we await kind consideration of Congress on that issue.

Mr. MURTHA. We have some questions that we would like you to answer for the record.

That will now conclude our hearing for today, and the committee will adjourn until 10:00 o'clock tomorrow.

Thank you very much.

[The questions and answers follow:]

ADDITIONAL COMMITTEE QUESTIONS

MARSHALL ISLANDS GOVERNMENT

ECONOMIC DEVELOPMENT

Question: Please review for the Committee the actions you are taking with regard to economic development in the islands.

Answer: As previously noted, the existing level of assistance is barely adequate to provide for the most stringent operation of basic government services with no real contribution to self-sufficiency or economic development. In addition, the ongoing lack of adequate and reliable utilities continues to severly retard, if not prohibit, development of commercial idustry, even on a small scale.

LOCAL REVENUE

Question: Please explain to the Committee the major sources of your local revenues of some $8.7 million. Is any part of that revenue connected with payment from the Army for the Kwajalein Missile Range?

Answer: In fact, estimated local revenues for FY 82 are $7.475 million with an additional $1,235,000 in anticipated reimbursement, bringing the total to $8.7 million. None of these funds are attributable to land use payments for Kwajalein Missile Range. An approximate breakdown of this estimate is as follows:

Income taxes	$ 2,625,000
Gross Receipts	2,850,000
Import & Sales	950,000
Exclusive Fisheries Zone Use (Japan)	1,000,000
Other non-tax revenue	50,000
Subtotal	$ 7,475,000
Reimbursements	1,235,000
Total	$ 8,710,000

By way of indicating the Marshall Islands Government's concern for expanding its funding base, it should be noted that tax and utility rates in the Marshall Islands (the major sources of revenue/reimbursement) are higher than in either the Republic of Palau or the Federated States of Micronesia.

MAJURO HOSPITAL

Question: The Committee provided about $6 million in fiscal year 1980 to begin construction of a new hospital in Majuro. What are your plans for these funds? Has design for a hospital started yet?

Answer: A proposal has now been completed for construction of a 49,480 square foot facility at an estimated cost of $4.7 million including collateral equipment. This structure will employ a combination of concrete and aluminum panelfab construction which experience has proven to be both economical and extremely durable in the Marshall Islands. Hospital design was begun but has been suspended pending determination of hospital site. Because there is no "public" land in the Marshalls, long-term lease of the land may have to be arranged.

SCHOOL ENROLLMENT

Question: How many students do you have in your elementary and secondary education program? How may additional students are accommodated by private schools?

Answer: A very close approximation of the elementary and secondary enrollment of public and private schools in the Marshall Islands at the beginning of the 1980-81 school year follows:

Pulbic Elementary (70 schools)		6,000 students
Public Secondary (2 schools)		900 students
Private Elementary (14 schools)		1,550 students
Private Secondary (2 schools)		550 students
	Total	9,000 students

AIR SERVICE

Question: What has been your experience with the air service that you have initiated (p. 85)? Do you believe it will become a profitable operation? When would you expect that to occur?

Answer: In the one year that it has been in actual operation, the Airline of the Marshall Islands (AMI) has provided most satisfactory service. It has also been able to offset almost all of its operation and maintenance expenses from passenger and freight revenues (including necessary minor overhauling and repair of the two aircraft and gradual build-up of an inventory of spare parts). Although the airline has yet been unable to contribute to repayment of the loan obtained to purchase the aircraft, it was not intended or expected to do so for at least the first few years of operation.

Work presently continues on the construction of outer island airstrips, of which eight are now receiving regular air service (Ailinglaplap, Ebadon, Likiep, Maloelap, Mejit, Mili, Utirik, and Wotje). With Majuro as its base, the airline also services Kwajalein and Enewetak, using previously existing airfields built by the U.S. Military.

As airstrips in additional islands are opened, it is expected that the airline's revenues will continue to increase. However, the construction of as many as 15 more outer island runways (necessary to provide one landing site per atoll municipality) will be an extremely time-consuming and expensive proposition.

In addition, difficulties as to the legal status of the airline may threaten its operation. A bill passed by the Nitijela (legislature) to establish a Marshalls Civil Aviation Authority was vetoed by the High Commissioner, and there appears to be some inconsistency in the interpretation of current law with regard to certification of the planes' airworthiness. We are continuing to work on this matter with the FAA and the Department of State, while the airline operates under temporary certificates issued by the Australian government.

The anticipated date at which the airline will become a profitable operation remains, at this point, extremely difficult to predict and we would prefer not to venture a guess until more substantial baseline data, obtained over a longer period of time, can be analyzed. The future profitability of the airline will depend heavily on two factors -- sound, professional management and the ability to provide regular, reliable service. To date, we have been most fortunate to have had both from the Australian manager and crew responsible for the airline's operation.

WEDNESDAY, MAY 13, 1981.

OUTSIDE FEDERAL WITNESSES

WITNESSES

DR. BRUCE WACHHOLZ, OFFICE OF HEALTH AND ENVIRONMENTAL RESEARCH, DEPARTMENT OF ENERGY

DR. WILLIAM BURR, OFFICE OF HEALTH AND ENVIRONMENT, ACTING ASSISTANT SECRETARY FOR ENVIRONMENTAL PROTECTION, SAFETY AND EMERGENCY PREPAREDNESS, DEPARTMENT OF ENERGY

L. JOE DEAL, CHIEF, ENVIRONMENTAL PROTECTION AND PUBLIC SAFETY BRANCH, ACTING ASSISTANT SECRETARY FOR ENVIRONMENTAL PROTECTION, SAFETY AND EMERGENCY PREPAREDNESS, DEPARTMENT OF ENERGY

STEVEN GOTTLIEB, DEPUTY ASSISTANT GENERAL COUNSEL, ENVIRONMENTAL PROTECTION, SAFETY AND EMERGENCY PREPAREDNESS, DEPARTMENT OF ENERGY

JOHN E. DE YOUNG, SENIOR STAFF ASSISTANT FOR PACIFIC AFFAIRS, TERRITORIAL AND AFFAIRS, DEPARTMENT OF THE INTERIOR

DANIEL HIGH, ACTING DEPUTY HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS

Mr. MURTHA [presiding]. Do we have Dr. Bruce Wachholz?

Dr. WACHHOLZ. Yes, sir.

Mr. MURTHA. Dr. William Burr and L. Joe Deal, and Mr. deYoung. Have a seat, Mr. deYoung.

Mr. deYoung, if you will introduce your colleagues.

Mr. DEYOUNG. Thank you, Mr. Chairman. There are a number of items on the radiation survey, the medical program, and other aspects of resettlement of displaced people that will come up this morning.

We have with us the acting Deputy High Commissioner for the Trust Territory, Mr. Daniel High, who will address some of the resettlement problems. He is accompanied by his Budget Officer. There are some backup support witnesses for the Department of Interior from the Department of Energy. They are Dr. Burr, Dr. Wachholz, Mr. Deal and Mr. Gottlieb. They will be addressing the problems specifically that relate to radiation.

Mr. MURTHA. I understand that you have an opening statement, is that correct?

Mr. DEYOUNG. We have no prepared opening statement. We are prepared to answer any questions the committee would like to put to us.

UPDATE OF RADIOLOGICAL STATUS—BIKINI AND ENEWETAK

Mr. MURTHA. Mr. deYoung, would you provide for the committee an update of the radiological status of both Bikini and Enewetak Atolls?

Mr. DEYOUNG. Thank you, Mr. Chairman. Dr. Wachholz, of the Department of Energy, is prepared to present that on behalf of the government.

Dr. WACHHOLZ. Mr. Chairman, I think the committee staff has been provided with copies of the latest documents that are available to the Department of Energy.

The latest on the Enewetak situation is the final dose reassessment document, which you have, I believe.

Mr. MURTHA. Was that provided to the committee?

Mr. DEYOUNG. Yes.

Dr. WACHHOLZ. And last fall, we provided to the people of Bikini a report on the radiological status of Bikini Atoll. This was a follow-on of our earlier book of a similar nature reporting on the radiological status of Enewetak Atoll for the Enewetak people.

In terms of the dose assessment for various living patterns and conditions of both atolls, they are discussed in these documents.

In terms of the basic Enewetak, that is in the final book for the Enewetak Atoll, together with its appendices. This will be followed by a similar document from Lawrence Livermore National Laboratory in several months, giving the complete data and assessment with respect to Bikini Atoll.

Mr. GOTTLIEB. For the record, would you identify them?

Dr. WACHHOLZ. The final Enewetak book that I am referring to is entitled "Reassessment of the Potential Radiological Doses for Residents Resettling Enewetak Atoll," and the two previous documents to which I made reference are "The Meaning of Radiation at Bikini Atoll," and "The Enewetak Atoll Today."

Mr. MURTHA. We will keep a copy of those documents for our files. Please review and summarize the conclusions of those studies, please?

Dr. WACHHOLZ. The conclusions of these studies are based solely on estimated radiation doses and do not consider other factors one might wish to include in any judgments regarding the future of these atolls and the people.

The statements I will make are based on a comparison with U.S. radiation exposure limits.

ENEWETAK DOSE NUMBERS

With respect to Enewetak, I think you will find that the latest estimated dose numbers in the final document are roughly about 10 to 20 percent higher than they were when we printed "The Enewetak Atoll Today" document a year and a half or two years ago, because of the greater data base which has become available since that time.

Mr. MURTHA. So there is no increase in actual radiation, there is only an increase in the accumulation of information which——

Dr. WACHHOLZ. But that increase in information has led to a recalculation.

Mr. MURTHA. I understand.

Dr. WACHHOLZ. In which the estimated doses themselves are roughly 10 to 20 percent higher.

Mr. MURTHA. And the bottom line, how do they compare with areas that don't have radiation?

Dr. WACHHOLZ. With respect to the southern islands at Enewetak Atoll, they are well within U.S. exposure standards.

With respect to the island of Enjebi, it is above U.S. exposure standards.

With respect to Bikini Atoll, there is only one situation in which the islands are or could be within U.S. exposure standards, and that would have a number of restrictions associated with it, specifically for the Island of Eneu.

The people would have to reside solely on Eneu; approximately 50 percent of their diet would have to be from imported foods, and there would have to be restrictions on visiting other islands of the atoll, specifically Bikini Island, with no food eaten from Bikini Island.

With those four constraints, Eneu Island would fall within the U.S. exposure standards.

Mr. MURTHA. Is this a final report? You find 20 percent higher radiation levels with new data. Is it possible that you could again have the same problem, that more data would increase the amount on the atolls where there is low radiation?

Dr. WACHHOLZ. In terms of the data base which is currently available, our scientists in the laboratory believe that they have the total data base for both Enewetak and Bikini at this time.

This became complete roughly a year ago or thereabouts, which led to the increase in the estimates at Enewetak. But the Bikini numbers should be final. I have been assured of that.

Mr. MURTHA. When will you survey the next time?

Dr. WACHHOLZ. Bikini? Per the provisions of Public Law 96–205, the U.S. Government probably would survey the atoll at least once every five years at a minimum.

Mr. MURTHA. There is no need to survey the ones where the radiation is below?

Dr. WACHHOLZ. With respect to the southern islands of Enewetak, we really don't see any need to survey those in the same manner right now. Certainly when the coconut trees mature and other food crops mature we can see that there would be some interest in doing some sampling at that time.

Mr. MURTHA. Are there any other atolls in the northern Marshalls that you have not surveyed, or that you have surveyed and you haven't mentioned the results?

Dr. WACHHOLZ. We conducted a radiological survey of 11 atolls and two islands as part of the northern Marshall Islands radiological survey. But I would defer on this matter to Mr. Deal.

Mr. DEAL. Thank you. We provided the final report of the external radiation doses of that survey yesterday, Mr. Chairman.

There will be a number of copies available in a short period of time. We have a second printing.

The report of the survey doesn't present us with any surprises. We found the radiation essentially where we expected to find it. This survey has provided a guideline for the internal dose studies and the things Dr. Wachholz was talking about.

So I think we have a very extensive base of information that documents and shows the condition of those atolls today, the ones that did get radiation and those that didn't.

Mr. MURTHA. Why do we have high radiation levels on some atolls, and on others, we don't? I would have thought Enewetak would have been much higher, but it is at a satisfactory level. Why is that?

Mr. DEAL. It has to do with the conditions of the testing at the time. When the weapons testing program was going on in the early 1950s, and late 1940s, there were certain atolls that they conducted nuclear tests on.

I think there were, I have forgotten exact numbers, but there were around 100 nuclear tests in a number of places there, with the bulk of them being at Bikini and Enewetak Atolls.

At Enewetak Atoll, they used the northern islands for these tests. That is why you have the radiation problems there. The shot islands were in the northern part of the atolls. The tests were planned in such a way that the wind would carry the fallout out to sea, so they did not get much fallout in the southern islands at Enewetak Atoll.

That is basically the reason. Bikini was the same way.

CURRENT ACTIVITIES OF DEPARTMENT OF INTERIOR RE: AFFECTED ATOLLS

Mr. MURTHA. Mr. deYoung, what activities is the Department of Interior engaged in with regards to the affected atolls?

Mr. DEYOUNG. By "affected atolls," I assume you are referring to Bikini, Enewetak and probably Rongelap and Utirik in which we actually had some fallout occur that directly affected the people.

The people of Bikini and Enewetak were not affected by the fallout. They had been relocated and so were outside of the fallout area.

With respect to Rongelap and Utirik, a medical monitoring program has been under way since 1954. This has been conducted under the auspices of the Department of Energy.

In recent years, Congress has appropriated funds for compensation for those injured by fallout. I am pleased to report that the compensation is up to date, and there is at the present time adequate reserve in the fund, we think, to cover any new cases that might occur within the coming two-three years.

CONDITIONS ON ENEWETAK

The Enewetak people, and you will be hearing more directly from them later on this morning, have been returned to the southern islands of Enewetak.

They actually returned in two groups. Half of them returned last April. The second half returned in October. They are occupying new communities in the southern islands of Enewetak and Medren, and a small island, Japtan.

Since the crops in the southern island are not yet bearing and it will be another six or seven years before that occurs, you have a situation where you have a new community, but no food crops, no trees, little or no shade. The people of Enewetak have always anticipated they would continue to use the island of Ujelang on which they have been residing for the last several decades as a community to which they would go to gather food.

Possibly some of them will live on Ujelang for various periods of time. The group that went back to Enewetak last year decided they would try on a trial basis, for three to four months, to see if they really could adapt to their brand new community that doesn't have trees and other crops in production.

The bulk of the group seems to have decided that it is feasible to live on Enewetak probably with some use of Ujelang. A month ago, approximately 90 of the Enewetak people returned to Ujelang. We don't know precisely what the Ujelang Council has in mind, whether a revolving group that moves back and forth to Ujelang will develop. This is something that they will be telling us in the future.

BIKINI RESETTLEMENT SITUATION

The Bikini problem is still before us. We had, as the committee knows, originally proposed to move the people back to the Island of Bikini. That program was completely washed out several years ago when it was learned that the food intake on the Island of Bikini, through the plants, was such that Bikini Island simply could not be used for habitation or for agricultural purposes.

The estimates at that time that to my understanding, are still valid today, are that it will be 60 to 90 years before the Island of Bikini can be used.

The Island of Eneu, which was somewhat south of the 1954 fallout, I think something like seven miles south of Bikini Island, did not receive as much fallout.

As Dr. Wachholz earlier indicated, Eneu Island under certain stringent conditions, possibly could be used for at least some resettlement. I say "some," because there is a question as to whether that small island could support all of the Bikinians, even if the stringent regulations could be met.

I must say very candidly, there is some feeling that the stringent regulations that must be followed are of such a nature that they cannot be guaranteed in the future.

This originally led the Department to not consider Eneu as a place of resettlement. The people of Bikini, however, asked for that decision to be reconsidered. In complying with this request, the Department of Energy, in consultation with counsel for the people of Bikini calculated anticipated radiation doses under various living patterns which might permit the resettlement of Eneu within U.S. exposure levels. These calculations led to the dose assessment work that Dr. Wachholz mentioned a little earlier.

The people of Bikini, and their legal adviser, also have retained independent scientific consultants who will be examining the results done by the Department of Energy, and will be advising the people of Bikini on those results later this year.

KILI ISLAND SITUATION

In the interim period, we have a program of temporary rehabilitation on Kili Island. We are looking forward to a long-range rehabilitation of Kili, since it appears Kili must be used for a considerable period of time.

The details on those programs can be addressed by Mr. High, the acting Deputy Commissioner, because he has some last-minute details on that particular program.

I would be very happy to have him answer.

Mr. MURTHA. Mr. High.

Mr. HIGH. Yes, Mr. Chairman. It is a little difficult to hear back there with our backs to Mr. deYoung. As I understand, the question is on Kili, is that correct?

I have, Mr. Chairman, a report. I have also visited Kili one time in furtherance of the payment which was made by the United States Congress. I turned out to be the messenger with the money, which was a very popular task, I can tell you.

So I have done that on behalf of the Congress. The statement I have from the former High Commissioner, Mr. Winkel, could, perhaps, be basically read or paraphrased. But it is this, that in conjunction with the people of Bikini, there have been a number of actions taken in the past few years and recently to try and ease the conditions that they face there.

As you know, four months of the year, there are very harsh waves that they encounter and the island becomes practically inaccessible for the field trip ships.

I encountered that, myself. We had to lay off the island for some time before we could get ashore. I personally watched the boat tip. People scattered every which direction, outboard engines going up in the air. A very dangerous situation.

We were delayed in our departure about two days even getting off the island. This was in January. You can't quite appreciate it until you experience it, in water up to here.

You had videotapes yesterday. I have some I took when I was out there just for farm purposes. I don't have them here, but they are very graphic when you see what they do.

So High Commissioner Winkel, and certainly I, myself, realize that there are conditions that need to be mitigated and lessened if the people are to stay there for a continuing length of time.

NO ALTERNATE RESETTLEMENT SITES AVAILABLE

So that is the basis from which I am sure Mr. Winkel was working. As you know, there have been visits to other sites, alternate resettlement sites. They have been basically unsuccessful.

The people and leaders have viewed locations in Hawaii, Wake Island, there was an over-flight of Palmyra. As I understand it, the air field was such that the military plane that had the representatives on it could not land, so they did not actually land on the island.

They over-flew it but because of the distance from the area to which they are used to living, some other things, it simply did not appear to be a feasible site for them.

They felt it would be too isolated. So from the places we have looked at, it appears until they can return to their original homeland, Kiki appears to be it at the moment, at least, realistically speaking. It isn't a very popular decision.

Mr. MURTHA. What is the distance you are talking about?

Mr. HIGH. You mean with Palmyra?

Mr. MURTHA. Yes.

Mr. HIGH. I think it is 1000 miles or something from Hawaii. It is quite a ways away. As far as the facilities on Kili, my own personal impression when I went ashore was that the housing is very good, but it is wood construction, wood with tin and so forth.

It wouldn't last through one typhoon on Saipan, but a lot of things don't. They don't normally have typhoons in this area, but we have had high winds of late.

We had tidal wave action a few years ago, waves came up and washed the temporary platforms off the foundations. I saw that, or effects of it.

So they do have wind and do need to be prepared against the fact that you might get a real typhoon out there and the people would have nothing but wood houses to protect them.

In that regard, there is a community center, typhoon shelter combinations, a building which was being constructed while I was there.

I would say it is very well-constructed. It has huge pre-fabbed, pressed-wood beams. It looks like one of these steel buildings with the steel work inside it, only it's done out of wood.

It looked to me like it would stand about anything that would come along. That is the only building constructed to that degree of strength on the island that I saw.

Mr. MURTHA. How many people can get inside the building?

Mr. HIGH. I am sure the representatives from Kili can tell you better than I, but it looked to me like everyone could get in.

It's a huge structure. It looked like you could play basketball. It's a pretty big building. There are approximately 68 temporary houses, cook houses, showers, three classrooms, an access road.

I am not quite sure what that refers to. There is a road that runs down the middle of the housing area. When I say "road," when I was there, it consisted of basically sand. I mean, it was difficult to walk in. So I am not sure what the access road is.

Someone from Kili, I think, would be better equipped to tell you about that.

Mr. MURTHA. Do you have vehicles there?

Mr. HIGH. When I was there, the only vehicle I saw was a tractor with a front-end loader that was used by the contractor, Holmes & Narver, who were doing work on the island. That would run up and down occasionally.

While I was there, I walked and everyone I saw was walking. I don't know if that situation has changed, but there is no paving I saw.

The storm shelter I see mentioned here is 4000 square feet, this building I was telling you about. The runway that has been requested, the airstrip, was the subject of a contract signed by High Commissioner Winkel the day before he left office, about three days before I left for Washington.

It is with, I think, AIC, American International Contractors. I believe that is who it is with. A gentleman named Tolkoes. They have done work there and quite successfully.

They are already purchasing equipment, mobilizing gear, and ready to go in and do the work. I have talked with them. They are

going to, of course, use people from Kili to assist with the construction.

International Bridge Corporation. It used to be with AIC, but it's split off. That has been signed. The project is bonded, so there should be no difficulty in seeing it through to completion. It is planned to begin by the end of May.

So as far as mobilizing, they are doing that now. So that's correct. This shows a completion date of September, this year. I am not sure that is still correct. I don't recall.

Mr. MURTHA. Do they have the same weather problems there that we were talking about yesterday?

Mr. HIGH. Well, you have rain. But throughout the Trust Territory, you have a dry season, a wet season, a trade wind season and so forth. The main problem on Kili, as I understand, is the wind, winter trade winds that whip the seas up.

You can't get onshore with equipment. Once that season is over, I wouldn't think you would have much problem. Getting equipment on and off can be a problem.

Sitting at the desk, I don't know how they do it. In addition to the airstrip, also a part of this $.5 million contract, and it is a 3,000 foot airstrip we are talking about, there will also be a replacement or repair of certain facilities that were damaged in the wave action in December.

There is also supposed to be some kind of an air support terminal. I think that is a pretty fancy term for what will probably simply be a place to be out of the weather while you are waiting for the plane.

Again, I am not really conversant with the details of that. I know the High Commissioner felt that the, that one important aspect of all this is that was developed through the joint efforts of the people of Kili, their Council and High Commissioner's Office and Interior, the territories.

He spent more time on the Marshalls and Enewetak and so forth than any other area.

Mr. MURTHA. How do you get around these different islands if you don't have an airport?

Mr. HIGH. You go by field trip ship. We have several assigned in the Marshall Islands.

Mr. MURTHA. How big a ship is it?

Mr. HIGH. I am not much on tonnage. It looks like a small freighter. It has passenger cabins, maybe three or four. Everything else is deck space.

Those ships at this point were in good shape. The problem is the fuel and so forth to keep them moving.

STATUS OF THE BIKINI REHABILITATION FUND

Mr. MURTHA. When you are finished with this construction, will you have any rehabilitation money left, or does that use it all up?

Mr. HIGH. We had $750,000 left in that account, and the new contract cost is $500,000. So we will have a couple hundred thousand left, as I understand it.

But that is the idea. Other than that, the next step, then, would be some kind of a master plan, similar to what was done on Enewetak.

That is the next step. The Department is working on that now. Its scope has been basically prepared, but they still have to go into the master plan, A&E, what they need, how they are going to do it. That is if this is going to be a place of some permanency.

MASTER PLAN FOR BIKINI RESETTLEMENT

Mr. MURTHA. When will the master plan be completed?

Mr. HIGH. I would have to defer to Mr. deYoung on that.

Mr. DEYOUNG. The master plan, as indicated, is in the scoping stage. One of the problems has been, originally, the people of Bikini requested that part of the master plan be the possible use also of Eneu Island.

Since we have not as yet been able to determine whether Eneu Island will be part of that master plan, we have been delaying the actual implementation of preparing the master plan until that particular segment is resolved.

This does not mean that the part of the master plan involving the permanent rehabilitation of Kili Island, and a small island called Ejit, which is off of the Majuro in the main district center, will be held in abeyance.

But an overall master plan will not be complete until we know whether Eneu is going to be part of it or not part of it.

The possible use of Eneu Island will determine the number of houses, for example, you would put on Kili, and other facilities. The chances are that Eneu will not be part of the master plan.

We hope to resolve this aspect shortly. As the acting Deputy High Commissioner indicated, the current fund, the resettlement account, is nearing exhaustion. He is getting pretty close to the end of it.

The Budget Officer of the Trust Territory does have some information, I believe, that could be useful in indicating what ongoing costs are needed, would be needed in carrying out a master plan, and also for the interim work that has to be done until we get a final Bikini resettlement program in operation.

PUBLIC LAW 96-205 HEALTH PLAN

Mr. MURTHA. Mr. deYoung, Public Law 96-205, passed March 12, 1980, requires the Secretary of Interior to submit a plan to Congress no later than January 1st of this year for medical care and treatment for people affected by nuclear weapons testing.

Has that plan been submitted to Congress?

Mr. DEYOUNG. Yes, Mr. Chairman. A preliminary report was submitted to Congress on January 7, 1981. I have an additional copy here for the convenience of the committee.

The report submitted to Congress was not a final plan, the reason being that Public Law 96-205, mandating the plan, had certain language over which there have been varied interpretations, and differences of opinion. I may say very strong differences of opinion, between the individual peoples involved, their legal representatives, various Federal agencies, and the government of the Marshall Islands.

So what we presented to Congress on January 7 was our preliminary conclusions. The Department neither endorses nor rejects these at this time. They are not in final form.

We do feel that the original legislation requires clarification. I can tell you very briefly what the preliminary proposals indicated. There are roughly anywhere from 2,500 to 3,000 people involved from the four named atolls, not all live on the atolls today, many are scattered in other parts of the Marshalls.

You may have more Rongelapese living away from Rongelap Island than actually on it. The only exception are the people of Enewetak that have been an integrated group and have, in the main, lived together and stayed together.

This is not the case with the people of Utirik, Rongelap, or the people of Bikini. There are 300- to 400 Bikinians living away from Kili Island at the present time.

The contractor who worked on the health aspect of the proposal drew one up which said it would be almost impossible to divest special care for the "affected" people from the overall care the Marshall Island Government Health Service provides, because these people are all over the place.

Accordingly, the contractor drew up a proposal in which health care would be provided in essence for the Marshall Islands, but which also would cover the provisions of Public Law 96-205. The cost estimate of that for the first year was $11 million.

Mr. MURTHA. How are they going to do it?

Mr. DEYOUNG. It would be done by, essentially, upgrading the current Marshall Island Government health system. Out of that $11 million, $3 million would be provided by the Marshall Island Government from its regular operating budget.

There would have to be a supplement of $8 million. If you did a similar-type health upgrading program only for the people of the four atolls named in the bill, regardless of where they were, this would necessitate American doctors, a medical-type ship to go around the Marshalls. The cost was estimated at $10.6 million, of which $3 million also would come from the Marshall Island Government.

In other words, those two proposals were fairly equal. We were also asked by some of the participants, what would it cost if you provided special care only for the people living physically on the four named atolls?

To do that you would need, again, American physicians, a ship to take the medical teams around, upgraded dispensaries. That cost was estimated at roughly $2.8 million a year, which would be completely subsidized by the U.S. Government.

I would like to note, however, that this third proposal would provide care only for a person who was physically living on one of those four islands. If you were a fallout victim living in Majuro, under this arrangement you wouldn't get any special treatment.

If you were a Bikinian living elsewhere, you wouldn't get any special treatment, you would simply have to go to the Majuro Hospital and get treatment there.

Mr. MURTHA. How does the Interior Department intend to make a decision, and when; and then when will you get the appropriation request up to us?

CLARIFICATION OF PUBLIC LAW 96-205 REQUIRED

Mr. DEYOUNG. Since, as I indicated, there is this widely divergent range of opinions, particularly amongst the affected people themselves and their legal representatives, and the Marshall Island Government, as well as Federal entities, we are proposing to ask for clarification of the language in this section of Public Law 96-205.

We will be submitting some ideas for clarification within the next several months. Once that clarification is obtained from the Congress, and we know precisely what the Congress had in mind as to what should be covered, we then are prepared to redraft a suitable health care program within the parameters that are established more clearly.

And at that point, when that plan is agreed upon by the Department of Energy, would look at it from a funding point of view.

I would defer to the Department of Energy at this point, because the law at this time designates it as the funding entity.

Dr. WACHHOLZ. Dr. Burr.

Dr. BURR. If the law remains with the stipulation that the program is to be planned and managed by Interior, but funded by Department of Energy, which is a little unusual as to management——

Mr. MURTHA. Why is it set up that way?

Dr. BURR. That is something I can't answer, Mr. Chairman. I really don't know the logic in setting the bill up that way. But if it does remain that way, then, of course, it would be the responsibility of the Department of Energy to come forward with——

Mr. MURTHA. What has the Department of Energy got to do with this? I don't understand this. I understand what it says, you are supposed to fund it. But why are you funding it?

Dr. BURR. The only answer I can give you, Mr. Chairman, is, that is the way the law reads.

The law says, for some reason or other, that the Department of Energy would seek the money.

Dr. WACHHOLZ. Mr. Chairman, if I could just add a statement to that. The only amplification that I could offer is, in some of the legislative history of the law, there is reference to the fact that this law is a follow-on requirement to the U.S. nuclear weapons activity.

Mr. MURTHA. Which was run by the Department of Energy.

Dr. WACHHOLZ. Jointly by the Department of Energy and Department of Defense. Accordingly, it has been allocated to the Department of Energy, apparently. But that is the only suggestion I can offer.

Mr. MURTHA. It seems to me, Mr. deYoung, that you will have your proposal on health care in three months time.

Then you will have a clarification period which will take several months and, of course, the funding apparatus will take some time.

What happens to the people in the meantime?

Mr. DEYOUNG. In the interim period, we will proceed as we have in the past. Medical monitoring of the Rongelap and Utirik people subject to Fallout, will continue.

If they need medical care directly related to the fallout, that will be provided by Department of Energy. If they need routine medical

care, and that can be taken care of by the Marshall Island Health Service, they will be referred to the Marshall Island health program.

Mr. MURTHA. Which, according to the testimony yesterday, is not in the best condition.

Mr. DEYOUNG. I think, Mr. Chairman——

Mr. MURTHA. They showed slides of the hospital.

Mr. DEYOUNG. I think, Mr. Chairman, the slides yesterday were from Palau. The Marshall Island health system, obviously, needs upgrading. The Marshall Island Delegation is here. I would prefer that the members speak to this issue later.

CONDITION OF THE PALAU HOSPITAL

Mr. MURTHA. How is Palau compared to the rest of the islands there? How is their facility compared to the others?

Mr. DEYOUNG. Palau's facility, at the present time, is a hospital built 15 to 20 years ago.

Mr. MURTHA. I am trying to get a picture. Is this the same; is this worse; or is this better than the other hospitals?

Mr. DEYOUNG. In Palau?

Mr. MURTHA. Yes. How do you compare it with the other hospitals?

Mr. HIGH. Mr. Chairman, I have been to all of them at one time or another. In Ponape, we have a new hospital. It is a very good facility. The problem is maintenance. I was told by an individual in the last 30 days that it is starting to get dirty and going downhill.

This isn't really funding, just keeping it clean. Nevertheless, the basic structure is good. Yap has a new hospital. In Palau, I have seen some construction there. I think it is an out-patient facility. The basic structure is poor and needs to be upgraded.

When you talk about a tin roof on a structure, that is not necessarily bad. There are houses recently sold for $100,000 with tin roofs. But the hospital in Palau does definitely have to be improved and upgraded.

MARSHALL ISLAND HOSPITAL

The Marshalls Hospital is not a good situation. They have a plan coming before the High Commissioner's Office now, OICC, to go with a $4 million panel-type hospital.

Mr. MURTHA. Are they worse then Palau or better?

Mr. HIGH. In the Marshalls? I would say they are comparable. There are two of those areas that need upgrading.

The other in the trust territory that is bad is the Truk Hospital.

Mr. MURTHA. If you gentlemen would stay, but just leave the table in case we run into any problems that we may have to ask you about, then we will ask the Bikini Delegation to come forward.

Mr. HIGH. Mr. Chairman, one last point on the Marshalls Hospital. Mr. deYoung points out there is funding now available, $8 million available for the hospital in the Marshalls.

Their current plans I saw a month ago show 4.4 is what they intend to spend on it. The question is whether it is going to be temporary, or permanent.

Thank you.

WEDNESDAY, MAY 13, 1981.

THE BIKINI DELEGATION

WITNESSES

JONATHAN M. WEISGALL, COUNSEL TO THE PEOPLE OF BIKINI
TOMAKI JUDA, MAGISTRATE OF THE KILI/BIKINI COUNCIL
NATHAN NOTE, COUNCIL SCRIBE
JOHNNY JOHNSON, COUNCIL TREASURER
SENATOR HENCHI BALOS, ELECTED REPRESENTATIVE OF THE PEOPLE OF BIKINI TO THE MARSHALL ISLANDS LEGISLATURE
JAMES HAMILTON, ESQ.

Mr. WEISGALL. Thank you.

DESIRE OF THE BIKINIANS

Mr. MURTHA. Mr. Weisgall, as I understand it, you are the attorney representing them.

If you will introduce the other gentlemen at the table. I understand you also have a statement, is that accurate?

Mr. WEISGALL. That is correct, Mr. Chairman. Going from one end of the table to the other, at the far end is Nathan Note, who is the scribe of the Bikini Council.

Next to him is Mr. Johnson, the treasurer of the Bikini Council. In the middle is Tomaki Juda, who is the magistrate of the Bikinians.

To my immediate right is Senator Henchi Balos, who is the elected representative of the people of Bikini to the Marshall Islands Legislature.

And to my left is my colleague, James Hamilton. We are co-counsel for the people of Bikini.

Senator Balos would like to make a brief introductory remark. Then I would like to proceed with some prepared remarks.

Mr. MURTHA. Proceed, Senator.

Senator BALOS. Thank you, Mr. Chairman. It is a great honor for the leaders of the people of Bikini to appear before your committee today on behalf of all the Bikini people.

Mr. Chairman, I am pleased to introduce to you the committee, our legal advisers, Mr. James Hamilton, Mr. John Weisgall.

Mr. Weisgall has been our legal counsel for the past six years. He has visited us on the island a number of times. With your permission, Mr. Chairman, I would like, on behalf of my colleagues, to ask Mr. Weisgall to make a statement on our behalf.

Thank you.

Mr. MURTHA. Thank you, Senator.

Mr. Weisgall.

Mr. WEISGALL. During the past year, Mr. Chairman, I have met regularly with the Bikini Council and members of the Bikini community on Kili, and elsewhere, to review resettlement questions.

I guess I have been to Kili three times in the last 12 months. The community is somewhat dispersed, as you heard earlier this morning.

Of the approximately 1000 Bikinians, the majority, about 550 or so, live on Kili, another, oh, 250 or so, live on Majuro Atoll, a number of them living on Ejit Island in Majuro.

The remainder are scattered throughout the Marshall Islands.

One has a strong sense of deja vu in appearing before this subcommittee, which has actively followed the Bikini situation since 1978.

Many of the same questions raised in 1978, and again in 1979 and 1980, remain unanswered today. In 1978, when the people living on Bikini Island were again moved off following disclosure that their body burdens of radioactive cesium-137 greatly exceeded Federal standards, the United States and Trust Territory Governments presented a document to the Bikinians stating that "Some of the Bikini people will choose to remain on Kili indefinitely, and the governments will accordingly undertake a program for the permanent rehabilitation of Kili."

In 1980, I outlined the details of a comprehensive rehabilitation program for Kili in testimony before this subcommittee. Yet little action has been taken in the last three years to improve the plight of the Bikinians.

NEED TO UPGRADE KILI AND EJIT

Immediate action to upgrade Kili and Ejit is urgently needed, since the United States has declared that Bikini Atoll is off-limits for resettlement for 20 to 60 years.

RADIATION DOSES ON ENEU ISLAND

In May 1979, the Department of Energy wrote to the Interior Department concerning radiological conditions on Eneu. DOE stated that the degree of uncertainty in estimating long-term radiation doses on Eneu was similar to the problems found on Enewetak Atoll.

Based on these uncertainties, an Environmental Impact Statement prepared for the resettlement of Enewetak had recommended a tightening of applicable U.S. radiation guidelines from 500 millirem per year to 250 millirem.

Applying the Enewetak criteria to Eneu, DOE concluded that "Even with imported food, the radiation doses to the people on Eneu could not be expected to be in compliance with the Enewetak criteria for about 20–25 years."

Even with the stringent conditions being met, the dose predictions for Eneu would exceed the 250 millirem standard which had been adopted by the U.S. Government for Eneu.

Some of the numbers are below 500, but every dose estimate we have seen and is contained in the DOE booklet prepared for the Bikinians, does have a predicted dose over 250 millirem, even with these very stringent requirements being imposed.

USE OF ENEU ISLAND

Based on this information which was first presented in preliminary form in May of 1979, two years ago, the Department of Interior promptly informed the Bikinians, Congress and the High

Commissioner of the Trust Territory that Eneu could no longer be considered as a resettlement site for the Bikinians.

By letter dated June 1, 1979, DOI wrote to the Bikini leaders, stating:

> All of us here deeply regret that Eneu Island cannot be used for residence for at least another 20–25 years, since we understand the deep feelings of the people of Bikini and their hopes, that even though Bikini Island is not usable now, Eneu Island possibly might have been. This is not now possible.

Similarly, in a report submitted to Congress one month later, pursuant to Public Law 95–348, DOI stated that there was "no question that the Island of Eneu must be placed off limits as a place of residence for the Bikini people for at least another 20–25 years."

Despite the United States formal announcement in 1979 that Eneu Island could not be resettled for at least another 20–25 years, certain U.S. officials have inaccurately held out the hope that parts of Bikini Atoll can be resettled soon.

DIFFERING OPINIONS ON USE OF ENEU

For example, during a two-day dose assessment meeting held on Kili on October 8–9, 1980, called at the request of the people of Bikini to receive information from the U.S. Government regarding the radiological safety of Bikini Atoll, the United States failed orally or in writing to inform the Bikinians that their homeland could not be resettled for many years.

To the contrary, a member of the DOE team at the dose assessment meeting stated unequivocally to the Bikinians that he would not hesitate to live on Eneu with his family.

A bilingual booklet, given to you earlier this morning, prepared by DOE, discussed only the application of the discarded 500 millirem standard.

No mention was made of the 250 million standard adopted by the United States for evaluating living conditions on Bikini or Eneu, and no one pointed out that all of the booklet's predicted levels of exposure for Bikini and Eneu unacceptably exceeded the 250 millirem standard adopted by the U.S. Government.

At the meeting, one of the Bikini leaders, who was rather surprised at DOE's latest switch on Eneu, asked what had happened in the 15 months since the June 1, 1979 U.S. Government's letter to the Bikinians to change the statement in that letter that Eneu could not be resettled.

The DOE spokesman replied that he was not aware of any such letter or position by the United States.

This assessment was not disputed by the other six DOE officials and scientists, led by an acting Deputy Assistant Secretary, and the three DOI officials, led by a Deputy Assistant Secretary, who attended the dose assessment meeting.

Mr. MURTHA. What was the date?

Mr. WEISGALL. The date of the dose assessment letter was October 9, 1980. These kinds of actions and statements by the United States are extremely counterproductive, to say the least. They are wholly at odds with official U.S. policy on Bikini and Eneu.

They sadly raised false hopes among the Bikinians. Moreover—and perhaps most unfortunately—such views may have provided a

reason for the failure of the United States to make Kili a permanent home for the Bikinians.

NEED FOR FINAL DECISIONS

One depends on the other. Until a final decision is reached on Bikini and Eneu, it is difficult to go ahead with a decision.

I have said this for two years. The true facts must be recognized and dealt with. The official U.S. position regarding resettlement of Bikini and Eneu has not changed since June 1, 1979. Bikini is off limits for at least 30 to 60 years, and Eneu is off limits for at least 20–25 years.

The United States has stated for several years that the Bikinians cannot return to their homeland. Nevertheless, it has failed—until the last two weeks—to take any action to make the Bikinians' "temporary" home on Kili a more permanent one.

Nearly three years ago, in testimony before this subcommittee, Magistrate Juda referred to his people as "victims of bureaucratic incompetence."

LAW SUIT TO FORCE BIKINI DECISIONS

That assessment still applies today. It led the Bikinians to bring a lawsuit six years ago to force the United States to conduct a thorough radiological survey of Bikini before continuing with the resettlement of the atoll.

Mr. MURTHA. Let me be sure I understand what you are saying. They did an initial assessment. Then after they were forced to do an additional detailed assessment, they found the higher levels of radiation, is that accurate?

Mr. WEISGALL. That is correct.

Mr. MURTHA. If it hadn't been for the lawsuit, they would not have found these higher levels of radiation, is that accurate?

Mr. WEISGALL. Well, there were signs before the lawsuit was brought that there were problems. That was why the lawsuit was brought.

Mr. MURTHA. Are you saying the government acted in response to the lawsuit, not on their own initiative?

Mr. WEISGALL. That is generally correct. There were trouble signs early on, but the resettlement was continued. That was held in limbo for a three- or four-month period.

Then the lawsuit was brought, which said in essence, don't continue with the resettlement of Bikini until you conduct a thorough comprehensive radiological survey to see if it was safe.

Mr. MURTHA. Was there a decision in the lawsuit?

Mr. WEISGALL. Pursuant to the settlement in the lawsuit, the thorough radiological survey was conducted. That showed it was not safe and resettlement was stopped.

CURRENT LAW SUIT BY BIKINIANS

This assessment also compelled the people to bring a lawsuit two months ago seeking just compensation from the United States for the taking and destruction of Bikini Atoll and damages for breaches of fiduciary obligations owed to the Bikinians by the United States. This is a lawsuit born of frustrations.

It is a last resort to force the United States to give the Bikinians what is justly due them. The lawsuit will be prosecuted vigorously, but it is not an excuse for Congress to avoid its responsibility to appropriate funds necessary for the current well-being of the people.

Mr. MURTHA. How much money are you talking about here?

Mr. WEISGALL. The lawsuit seeks damages and just compensation from the United States of a total of $450 million. That is limited to the destruction and taking of Bikini Atoll.

It is not related to any current obligations of the United States to continue caring for the Bikinians in a Kili rehabilitation project.

IMMEDIATE REHABILITATION NEEDS ON KILI

Two weeks ago, as you heard earlier, the High Commissioner awarded a contract to a private company in Guam to construct a 3000-foot coral airstrip on Kili. This airstrip, when completed, will help make Kili more accessible, end the island's isolation and aid the people in case of food shortages or medical emergencies.

However, the funding of this airstrip and the construction of classrooms that were destroyed in a storm last December will virtually deplete the Bikini Resettlement Rehabilitation Account established in 1978 pursuant to Public Law 95-348 for the resettlement and relocation of the Bikini people.

This fund must be replenished as soon as possible in order to carry out other Bikini projects that are long overdue.

NEED FOR KILI MASTER PLAN

Among these projects, and you have heard of some of them already from the Interior witnesses are:

The preparation of a master plan for the rehabilitation of Kili and Ejit. Some preliminary scoping work has been completed, but a final master plan should be prepared.

Implementation of the master plan, with the construction of housing and community facilities that will be more than temporary in nature.

Continuation of food support for Kili. The present food program provides USDA food as a diet supplement. This USDA food is not meant to—and, in fact, does not constitute—provide a balanced and nutritious diet for the Bikinians.

Section 601(b) of Public Law 96-597, signed into law just last December, authorizes the Secretary of the Interior to provide for the "purchase of food" and "for the transportation of such food" for the people of Bikini.

The High Commissioner's office should devise and implement a balanced and nutritious food program for the Bikinians living on Kili and Ejit.

The food program currently supporting the people of Enewetak Atoll could serve as a model for the Kili-Ejit program, and it may be cost-efficient to coordinate the planning of this program with the one recently implemented at Enewetak.

Improvements in the Kili airstrip. The limited funds available for Bikini permit only the construction of a simple 3000-foot coral

strip and for the clearing of trees for 1000 feet on either end of the airstrip.

The Bikinians feel that the strip should be lengthened to 5000 feet in order to accommodate certain types of aircraft that may be needed in an emergency.

In addition, improving the surface of this rudimentary airstrip may be necessary in order to ensure continued safe access to Kili. Lastly, some compensation may be in order for those who are particularly injured by the placement of the airstrip.

INDEPENDENT SCIENTIFIC ASSESSMENT OF BIKINI

Funding an independent scientific assessment of DOE's radiological survey of Bikini. You have heard a little bit about this earlier this morning. Pursuant to an agreement settling the litigation initiated by the Bikinians in 1975, the United States agreed to conduct a thorough radiological survey of the atoll and agreed that the people of Bikini may select an independent, non-U.S. Government scientist to validate, review and assess DOE's radiological studies of Bikini.

The Bikinians have selected Epidemiology Resources, Incorporated, ERI, of Boston, Massachusetts, led by Dr. Henry I. Kohn, professor emeritus at Harvard Medical School, to conduct this review.

Phase I of the review, to be funded by DOE, will involve the preparation of a technical scientific evaluation of DOE's conclusions.

Phase II, to be funded by DOI, will involve the preparation of a bilingual lay booklet for the Bikinians and a visit to Kili by ERI to explain its conclusions and recommendations and to answer questions the Bikinians may have.

This work is ready to be conducted immediately, and a trip to Kili has been tentatively scheduled for the late fall. It is hoped that ERI's project will constitute the final word for now on the radiological safety of Bikini and Eneu.

As a brief update on where the independent assessment stands, DOI has acknowledged a willingness to support this Phase II aspect, the preparation of a booklet for the Bikinians and a visit by the scientists to Kili.

As to Phase I, the technical report, to be funded by DOE, we have not yet reached an agreement with DOE on the exact level of funding and the exact scope of the work to be performed.

We are hopeful to get this resolved just as soon as possible, meaning in the next 10 days, because the project really should go ahead.

DOE has its budgetary constraints. We are trying to pare this down to the simplest review possible that still meets the criteria set forth in the settlement agreement, which is to provide an independent assessment for the Bikinians.

ESSENTIAL ONGOING COSTS OF BIKINI PROGRAM

The last area of needed appropriations is ongoing costs and activities, including travel and related expenses, improved educational facilities on Kili, contingency funding, the health care program

referred to earlier, periodic radiological surveys of Bikini Atoll and updated radiation dose assessments.

Mr. MURTHA. I would like you to provide some detailed information for the record, breaking down the various suggestions you have and estimated costs of those suggestions.

Mr. WEISGALL. I will do so, and provide that to the committee shortly. I will also aked Interior to provide its estimate for ongoing expenses.

[The information follows:]

Costs for continuation of Bikini program for fiscal year 1982 as estimated by the high commissioner of the Trust Territory of the Pacific Islands

Ongoing costs of air travel, ship charters, per diem, and other related costs for Bikini Council members on Resettlement matters	$110,000
Costs for preparation of material and trip costs of Independent scientific group to people of Kili in late autumn, 1981	75,000
Costs for initiation of Master Plan for Bikini Resettlement	300,000
Ongoing costs of expenses for legal representation, and professional consultants	130,000
Medical expenses for Bikinians who were removed form Bikini Island in August 1978	50,000
Costs for nutrition survey of Kili and Ejit Islands and possible start of a Supplmentary feeding program in fiscal year 1982	85,000
Contingency fund for storm damage repairs	50,000
Total	800,000
Balance of unobligated Bikini rehabilitation funds	200,000
Required for fiscal year 1982	600,000

Mr. WEISGALL. Mr. Chairman, the United States has a special obligation to the people of Bikini. It committed an injustice to the Bikinians when it moved them off their atoll in 1946 without just compensation and without caring for them.

No such action would be sanctioned today. But for the United States to fail to come to grips with this problem after 35 years is to continue that injustice. This must stop.

Thank you very much.

Mr. MURTHA. Thank you, very much, Mr. Weisgall. Thank you, Senator, and gentlemen.

DELEGATION FOR ENEWETAK

WITNESSES

HERTES JOHN, MAGISTRATE
BINTON ABRAHAM, IROIJ RI ENJEBI
NAPATALY PETER, REPRESENTING IROIJ JOHANNES PETER
SAM LEVY, SECRETARY
THEODORE R. MITCHELL, COUNSEL TO ENEWETAK PEOPLE
JOHN SILK, COUNSEL TO ENEWETAK PEOPLE AND INTERPRETOR
DR. A. BERTRAND BRILL, CONSULTANT TO ENEWETAK PEOPLE
DR. MICHAEL A. BENDER, CONSULTANT TO ENEWETAK PEOPLE
DR. ROBERT L. BERGMAN, CONSULTANT TO ENEWETAK PEOPLE

Mr. MURTHA. May we have the Delegation from Enewetak.

Is Mr. deYoung still here? I would like a reply from the Department of Interior and Department of Energy about the confusion which now exists, and what was said by the delegation in their meeting.

It is clear to me the Government's position. It is not clear to me what the delegation said when they were there, and I would like that confusion to be cleared up for the record.

Mr. DEYOUNG. Yes, we will provide that for the record.

[COMMITTEE NOTE.—The Department of Energy did not provide the requested information.]

Mr. MURTHA. Mr. Mitchell, as I understand, this is the Island Council.

Mr. MITCHELL. Yes, sir.

Mr. MURTHA. Mr. Mitchell, you have 20 minutes for a presentation. If you will introduce your colleagues, and then we will proceed.

We have two statements. Both of those statements will appear for the record.

[The statements follow:]

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STATEMENT OF

THEODORE R. MITCHELL,

COUNSEL TO PEOPLE OF ENEWETAK

BEFORE THE

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

Theodore R. Mitchell
Counsel to People of Enewetak
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May 13, 1981

INTRODUCTION

We are very pleased to have the opportunity to appear before you again this year to discuss the various needs of the people of Enewetak. We do not have a lengthy written submission, but instead will rely upon the materials which were presented last year and became a part of the record of that hearing. At the appropriate time we will have a brief written statement by Dr. Robert L. Bergman to submit for the record and Drs. Bender and Brill will provide a brief written document which updates the health effects estimates on the basis of the final DOE dose assessment which was recently released.

The official departmental budget justification which you have before you, includes a request for $700,000 for Enewetak atoll. We will comment upon that and the other matters of interest to us, in turn.

We are happy to report that since meeting with you last year, the people of Enewetak have been resettled to their atoll, with the largest number having arrived there late last fall. At the same time, the people are determined to maintain Ujelang atoll, their former home in exile. There are now approximately 100 people residing at Ujelang.

ENEWETAK MOTOR/SAIL BOAT

We are very grateful to this Committee and the Congress for approving as part of last year's budget the purchase of this vessel. The appropriation will be sufficient to select and purchase the boat and train a crew. We are confident that this vessel will contribute in a significant way to the self-sufficiency of the people. It will enable them to travel freely between Enewetak and Ujelang so that food can be harvested at Ujelang and brought to the people living at Enewetak atoll. At the present time, the residential islands in Enewetak atoll are rather bleak, with knee high coconut trees and breadfruit trees which were largely destroyed in a recent storm. Food bearing trees are not expected to be fruitful for another 8-10 years.

We are also hopeful that the boat will enhance the possibility of developing an atoll economy.

We know there was some doubt about the wisdom of this request in last year's budget, but we are confident that you have done the right thing and we will do our very best to make it a success. We have had conversations with the High Commissioner and while we are here in the United States we hope to select a boat and commence the training program for the crew as soon as possible.

SUPPLEMENTARY FOOD PROGRAM

We are also very grateful for last year's appropriation of $345,000 to support the supplementary food program for Enewetak. As we have mentioned, the island is simply not able to support human life at this time and, hence, we need outside support.

The departmental request includes an item of $400,000 to continue this program in fiscal year 1982. We hope that you will see fit to grant that request.

AGRICULTURAL PROGRAM

The Department has requested the sum of $165,000 to support the agricultural maintenance program. We are not sure that that will be enough, particularly because of damage caused by a recent storm, but we urge you to approve this item. As a result of the nuclear testing program, the islands of Enewetak and Medren were completely leveled of all vegetation. Worse, they were covered with buildings, asphalt, concrete and a lot of activity which tended to damage the fragile topsoil. In a sense, the islands have been reduced to their biological infancy and require an awful lot of care and attention to nurture them back to health and maturity.

Of the 36,000 coconut trees which were planted, nearly all are just knee high. We do not have an exact

report on the recent storm damage, but substantial portions of the breadfruit and pandanas trees were destroyed altogether and the remaining trees are in bad shape.

The best advice we are getting is that an agricultural redevelopment program of this kind, which begins literally from scratch, requires considerable follow-on until the biosphere reaches a point where it becomes self-sustaining again. The soil is poor, with little or no nutrients left in it. The coconut trees will suffer a fairly high infant mortality rate because of the hot sun and the hot wind and the poor soil conditions. Once all of the vegetation has reached a point where there is some protection from wind and sun and the plants themselves are providing nutrients to the soil, then the maintenance of all of the vegetation will be much easier. Now it is very difficult. The problem has been compounded by a year with lower than average rainfall.

Last year, this item was denied. It is an essential part of the follow-on of the rehabilitation program. Without it, the entire effort is jeopardized and could fail. It cost some $14 million to rehabilitate the islands; now we need a few hundred thousand dollars to help the vegetation along until it can survive on its own.

FACILITIES MAINTENANCE

As with all construction projects, there is a need for some follow-on attention to the houses and community buildings which were constructed. No design is ever perfect, even a competent contractor cannot build a perfect building. Consequently, there is need for a follow-on facilities maintenance effort.

In addition, we have discovered that there are a number of relatively small matters which were overlooked. The houses are very, very nice. They are well constructed and well designed, with a lot of the ideas of the people of Enewetak having contributed to the initial design. There are several rather surprising problems with them, however. For example, with nothing to provide protection from the wind, every rainstorm drives water right through the windows and doors of every house and floods the place. There is no way to prop doors and windows open or partially shut and as a consequence the tradewinds, day and night, set open doors and windows banging loudly on their hinges.

Some of these kinds of items may not be included in the departmental request, we cannot be sure, but they should be.

Another relatively minor problem which creates great inconvenience is the utter absence of any clotheslines.

I don't know how we all forgot that important item, but we did.

ENJEBI

We hope in the course of the hearing that we will have the opportunity to discuss this item with you at length. Last year's written statement provides virtually all of the written information which you need. Dr. Bender and Dr. Brill have some updated calculations for you to look at and Dr. Bergman will comment upon the health effects of denying the dri-Enjebi the opportunity to resettle their island.

Since we met with you last year, the Lawrence Livermore Laboratory has completed and released the final dose assessment for the resettlement of Enewetak atoll. ("Reassessment of the Potential Radiological Doses for Residents Resettling Enewetak Atoll," W.L. Robison, et al., UCRL-53066, October 30, 1980.) A copy of the preliminary version of this work was provided to you last year and formed the basis of the risk estimates which were performed by Dr. Bender and Dr. Brill, on our behalf.

This final dose assessment presents doses somewhat higher then those contained in the preliminary report and consequently we have asked Dr. Bender and Dr. Brill to update their risk estimates accordingly. In any case,

the increases are not by any stretch of the imagination alarming and since we are dealing with very low doses to begin with, the 10 to 15 percent increases do not amount to much in absolute terms. For example, for those people who would return to live on Enjebi island, the predicted dose on an annual basis has been increased from 186mrem to 226mrem. The 30 year dose is estimated to be 6.8 rem as opposed to 5.6 rem. Since the health effects increase in direct proportion to the dose, the increase in the risk estimate which we gave you last year has been increased proportionately here. Dr. Bender and Dr. Brill will have more to say on that subject and we will be pleased to answer your questions.

The people of Enewetak, for their part, continue to urge you to appropriate funds for the resettlement of Enjebi island. The Carter administration, in its final hours, declined that request and recommended instead the establishment of a trust fund in the amount of some $6-10 million to finance the resettlement at some time in the future. We note that no such request is before your Committee now. In any case, the people of Enewetak prefer the immediate appropriation of funds to finance the project.

ENJEBI AND RADIATION PROTECTION STANDARDS

We would like, once and for all, to join issue with the Department of Energy and anyone else in the administration with regard to radiation protection standards and the proposed resettlement of Enjebi. Now that the dose assessment is final and we have the numbers before us, it is our view that the predicted doses are in fact within the guidelines set forth in the federal radiation protection guides. The following table illustrates this fact:

Table 1

	RPG	ENJEBI
Annual Dose	500 mrem	226 mrem
30 yr dose	5 rem	6.8 rem

Clearly the annual dose rate is well below the 500 mrem which is recommended. The 30 year dose which is of significance for genetic effects, is 6.8 rem, compared with 5 rem. We will ask Dr. Bender and Dr. Brill to explain the significance of those two numbers, but our understanding is that it represents only a slight increase in the risk and the RPG federal guidance expressly recognizes and permits doses in excess of the guidelines where there is a good reason for doing so.

In other words, we think that the proposed resettlement of Enjebi island, under these conditions, is fully in compliance with the federal radiation protection guidelines.

We challenge the Department of Energy to demonstrate otherwise.

RADIATION HEALTH PROGRAM

We are sorry to report nothing but disappointment with the efforts of the Interior Department to comply with the congressional mandate to develop a plan and a budget for the implementation of this program. The plan was due January 1, 1981, but what the Congress got, as I'm sure you know, was just a huge pile of paper with none of the important issues resolved. It was not a plan and there is no budget with it.

In fact, the entire matter has been embroiled in political controversy, with the Marshall Islands Government insisting that the program be extended to the entire Marshall Islands. The Congress never intended any such thing, but the Department of Interior under the previous administration was too timid to resolve the issue.

We very much appreciate the interest which this Committee has shown in the early development and implementation of this program. We are doing everything in our power to encourage the new administration to take another look at it and to develop a plan and a budget as soon as possible, hopefully in time to present to you a concrete request for funds.

We need not repeat here the importance of this program to the people of Enewetak. Indeed, it is key to the well-being of the people on that atoll as well as at Rongelap, Utirik and for the people of Kili and Bikini.

CONCLUSION

We are grateful for this opportunity and we renew our willingness to meet with you or members of your staff and to provide whatever additional information you may require.

STATEMENT

ON BEHALF OF

THE PEOPLE OF ENEWETAK

by

Robert L. Bergman, M.D.

I have been asked to discuss, from the point of view of cross-cultural psychiatry, the possible effects on the health of the people of Enjebi of the prolongation of their forced exile. I believe that even though great study and debate has been devoted to the danger of radiation to the dri-Enjebi, comparatively little attention has been paid to the dangers posed by loss of home and autonomy. Yet experience suggests that these dangers may be real, important and possibly mortal.

Throughout history, many communities and cultures have been destroyed by the efforts of larger groups, not all of whom were their avowed enemies. Attempts by the powerful to protect the weak can be devastating especially if based on the assumption that the less powerful people are incapable of deciding their own fate like fully endowed human beings.

Among Native Americans, a group whose experience with the U.S. government in some striking ways parallels that of the Enjebi people, alcoholism is the leading health problem and violence including overt agression, auto accidents and suicide cause tragically high rates of mortality and morbidity. Until 1955, infectious diseases were the main health problems of Native Americans. Since then intensive government efforts

in the provision of direct health care and the improvement of sanitation and nutrition, have brought the formerly unusually high infectious disease down closer to the rates in the American population as a whole but the rates of death and sickness caused by depression, impulsiveness, loss of social structure and social control have risen. Native American communities and agencies which assist them have made some progress in finding solutions to these problems, but overall the problems continue to grow.

Behavioral scientists have been studying this situation for many years and some of the factors that produce it appear to be present in the sitaution on Enewetak atoll. Like many native tribes the dri-Enjebi have been forced to leave their homeland. They have lost much of the physical basis of their whole way of life, and because of their situation as displaced persons and their loss of the autonomous ability to decide their own destiny, they are likely to lose identity, self-respect and respect for their leaders and tradiations. If these losses do in fact occur, experience suggests that they may not be corrected for generations, if ever. Real damage including injury, illness and death results from these losses.

Cultural change is damaging and considerable attention has been paid to the effects on all of us of the rapid changes in our way of life, but the situations I am discussing here present much stronger cases than mere cultural change. They are worse. They are culture destruction. For what is in question here is neither evolution, nor voluntary exile, nor is it based on decisions that people make for themselves on the basis of their own knowledge and understanding. It is externally forced and leaves them feeling powerless, angry and worst of all, defeated. Indian tribes suffered defeats on the battle field and massacres at home by invading American troops but before and since the end of warfare, much culture destruction has been accomplished by peaceful means. For example, boarding schools for Native American children, an instance I have studied, forcibly changed the lives, language and identity of thousands, leaving many of them confused, damaging their social and linguistic abilities and destroying the sense of attachment to one's people and tradition which everyone needs in order to control destructiveness and achieve a sense of personal worth.

This kind of damage can be brought about by many causes. An important instance which has been carefully studied occurred when a coal mine tailings pond dam

broke releasing a flood which destroyed small towns along Buffalo Creek in West Virginia. Psychiatrists, psychologists and sociologists who examined the results of that disaster concluded that damage had been done to the survivors by the loss of community -- not just physical structure but also social structure and personal security ordinarily supported by the taken-for-granted survival of one's home town. Besides appearing in the scientific literature, these findings were part of the basis of the legal settlement of suits for damages in that case.

Outside interference that at first seems fortunate can turn out to be terribly damaging. The development of the petroleum fields and the pipeline in Alaska have enriched Native groups but they have also suddenly and basically altered the size and nature of native towns, a change which has been correlated with a horrifying increase in alcoholism and violence and with a loss of social and family structure.

The instance of culture destruction that seems to me to have the most poignant resemblance to the present case is the imposition of stock reduction on the Navajo people of Arizona, New Mexico and Utah. In 1933, the Bureau of Indian Affairs realized that the Navajo land

was being overgrazed. Alarmed that the vegetation and topsoil would be destroyed in a dust bowl, the Bureau decided to remove large amounts of livestock and to limit them thereafter, for the benefit of the Indians. Subsequent events have shown that the danger was real though probably less urgent than was thought at the time. The disastrous mistake the Bureau made was to assume that they should decide what was to be done and impose the decision from above. Apparently little or no thought was given to the possibility of warning the Navajos about the situation and letting them decide what to do with their own flocks and land. Some largely ineffective attempts were made to explain the situation and then government agents descended on the reservation and confiscated animals that represented the Navajos' personal wealth and destroyed them. The results was irreparable damage to pride, identity, autonomy, social structure and morale. The stock reduction didn't work either. The numbers of sheep and other animals were not appreciably changed in the long run and the land was damaged by overgrazing.

The Department of the Interior acted much more wisely up to a point in the matter of the resettlement of Enjebi. The people were given the information and

the understanding on which to base a decision and they made one. The fact that they were not allowed to put the decision in force seems not only to be illogical but it probably means that it would have been better not to begin the process in the right way at all because the disappointment added insult to injury. The inter-relationships among the members of a community and the states of mind of its individual members are much too complex for any precise or detailed predictions about them to be possible, but I believe it can be said with considerable certainty that this community and its members have been disorganized and demoralized by their years of displacement, the sudden ending of their traditional existence and the bombing of their home. Any disaster is worsened psychologically by uncertainty. A misfortune which occurs and is over can be mourned and put into the past as its victims find something new to do. But the dri-Enjebi are in the dark as to exactly when they will ever be able to go back and therefore psychological adjustment to their loss is much harder because the extent of the loss isn't known, and having their hopes raised repeatedly makes the likely damage worse.

It seems that from the government's perspective the continued exile of the dri-Enjebi is regarded as

unfortunate but safe. I was present for one meeting when one responsible government official said that he didn't want the people to go back if there was the slightest increased risk of loss of life. Unfortunately, there is increased risk of loss of life if they don't go back and that should be considered. Though precision of prediction is impossible, likelihood is not. Continued disappointment and exile will lead to depression, impulsiveness and loss of social control, all of which are particularly dangerous in a harsh environment with little provision for emergency medical care. Death by accident, suicide or murder all become more likely and the peoples' satisfaction with their life will continue to diminish if they continue to be denied the right to decide their fate for themselves.

Mr. MITCHELL. Thank you. To my right is John Silk, who will serve as translator.

To his right is Hertes John, Magistrate. To his right is Napataly Peter, a substitute for his father Johannes Peter, who is too aged to make the trip this time.

Iroy Binton Abraham, and next to him is Sam Levi, Secretary to the Island Council.

Mr. MURTHA. We have your statement for the record, Mr. Mitchell. We know this is a very difficult problem, but we hope you can handle it in 20 minutes.

Mr. MITCHELL. We will certainly try. The Magistrate would like to make a brief opening statement, to be translated by Mr. Silk.

Mr. JOHN [through interpreter Mr. Silk]. Mr. Chairman, it is a great pleasure to appear before you and this committee. I have only a few comments to make at this time.

I would like to extend our greetings to you and members of the committee.

Mr. Chairman, I want to thank you and the members of this committee for the funds which were appropriated last year for a boat for the use of the people of Enewetak, and also for the funds that were also appropriated for the supplemental food program.

ENJEBI ISLAND SITUATION

There are, however, a few things which still need to be accomplished, and we would like to ask the assistance of this committee.

One of these things is the return of the people of Enjebi to Enjebi Island. We would like to renew our request for your committee's help to rebuild the necessary houses and plant the Island.

Another matter of importance to us is the radiation health program intended for the islands affected by the nuclear testing program.

We ask your assistance in encouraging the Department of Interior to complete the plan. That, too, also needs funding.

Mr. Chairman, in order to facilitate our presentation, we have asked our lawyer, Mr. Mitchell, and our doctors to speak on our behalf. Before I give these gentlemen the balance of the time allotted for our presentation, I would like to make a general statement about the desires of the people of Enewetak.

As you are aware, Mr. Chairman, the Atoll of Enewetak has contributed substantially to the nuclear capability of this country. As a result, millions of people in this country have benefited from the use of Enewetak.

Today, the people of this country can be confident that they have a strong military defense system to defend their country and their homes.

Enewetak, a small dot on the world globe, made a large part of this possible. Today we, the people of Enewetak, ask the greatest and most powerful country on the face of the earth to extend a helping hand to the 678 people of Enewetak.

Mr. Chairman, there is a special relationship between the Government of the United States and people of Enewetak. We did not initiate this relationship, nor were we given a choice. But the fact is, it is there, it exists.

This is all I have to say, Mr. Chairman. Thank you and the members of this committee on behalf of the people of Enewetak. Thank you.

Mr. MURTHA. Because of my time constraints, we are going to adjourn until 1:00 o'clock, then let you come back at 1:00 o'clock and make your additional comments.

Mr. deYoung, please bring your delegation back at 1:00 o'clock, also, in case you are needed.

Mr. MITCHELL. Mr. Chairman, I think it would be helpful if we had the same DOE people back.

Mr. MURTHA. He is going to bring DOE and Interior back.

The committee will now adjourn until 1:00 p.m. Thank you.

AFTERNOON SESSION

RETURN TO ENJEBI ISLAND

Mr. YATES. I'm sorry I couldn't be here this morning. I had some important business in another Appropriations subcommittee.

Mr. Mitchell.

Mr. MITCHELL. Thank you very much. It is a pleasure to have you chair the meeting this afternoon. We covered preliminary matters rather well this morning with Mr. Murtha.

The elderly gentleman who was with us last year, Mr. Johannas Peter, was not able to make the trip again. In his place is his son, Nepataly Peter. Some of the other faces here are familiar to you, I am sure. Hertes John, the Magistrate; Binton Abraham, Iroij for the northern part of the atoll, and Sam Levi is the Council Secretary.

Mr. YATES. We welcome them all.

Mr. MITCHELL. To my left we have three doctors, three different types. Dr. Brill is our advisor with respect to cancer, somatic effects of radiation. Dr. Bender is a geneticist knowledgeable about the genetic effects of radiation. Dr. Bergman, to my immediate left, is a psychiatrist. He will bring to you some new information which hasn't been presented before.

Mr. YATES. I understand their statements are all part of the record, too.

[The statements follow:]

REEVALUATION OF ASSESSMENT OF RADIATION HEALTH EFFECTS OF THE RESETTLEMENT OF ENEWETAK ATOLL

STATEMENT ON BEHALF OF

THE PEOPLE OF ENEWETAK

to

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

by

Michael A. Bender, PhD

and

A. Bertrand Brill, PhD, MD

May 13, 1981

Our earlier Assessment (National Cytogenetics, October 12, 1979) was based upon the "Preliminary Reassessment of the Potential Radiological Doses for Residents Resettling Enewetak Atoll (Robison, et al., UCID-19219, July 23, 1979, draft) also used by the Department of Energy for its own health effects assessment (Ailin in Enewetak Rainin, Washington, D.C., September, 1979). For our Assessment we also adopted the genetic effects and cancer risk estimates given in the May 1979 draft of the National Academy of Sciences-National Research Council Report of the Committee on the Biological Effects of Ionizing Radiation (the BEIR III Report). Since that time final versions of both drafts have become available, and each contains revised values for estimates we used in 1979. We have examined these changes and revised our numerical health effects estimates for the resettlement of Enewetak Atoll accordingly. In summary, though there are increases in both the dose estimates and the cancer risk coefficients, they are relatively small. The resulting changes in our numerical health effects estimates in no way affect our earlier conclusions regarding the safety of the Enewetak People upon return.

Radiation Doses. The refined dose estimates given in "Reassessment of Potential Radiological Doses for Residents

Resettling Enewetak Atoll" (Robison, et al. (1980), UCRL-53066) corresponding to those we used from their earlier draft appear in Tables 30, 42 and 44.

The changes are summarized in Tab 1. It may be seen that the pertinent final estimates are somewhat higher than the earlier ones; in the important cases by roughly 20%, thus our calculated 30 year whole body dose for Enjebi people is increased from 5.6 rem to 6.8 rem, or from 186 to 226 mrem per year (page 4). Similarly, our calculated 30 year whole body dose for people returning to Enewetak and the southern islands is increased from 0.23 rem to 0.38 rem, or from the old estimates of 8 mrem per year to 13 mrem per year (page 5). The resulting revisions of the average doses to the whole Enewetak people increase the whole body dose from 2.36 rem to 2.9 rem, or from 79 mrem per year to a revised estimate of 98 mrem per year (page 5). For the case of a child born eight years after the return to Enjebi, the situation expected to cause the largest risk of genetic effects, the former calculated 4.9 rem 30 year whole body dose is revised to 6.1 rem, or from about 163 to about 204 mrem per year.

Cancer Risk Coefficients. The 1980 BEIR III Report contains substantially revised cancer risk estimates. We have incorporated these in our reevaluation. Thus the coefficients

given in Table 1 of our 1979 Assessment (page 30) for the linear-quadratic dose-response model become 2.81 and 7.70 for the absolute and relative risk projection models and those for the linear dose response model become 6.58 and 18.19 under the absolute and the relative projections respectively. These are not large changes (indeed one constitutes a small decrease), but the largest is roughly two fold.

Genetic Risk Estimates. The dose estimate revisions make very little difference in the numerical genetic effects estimates given in our 1979 Assessment (page 25). For example, the first generation increased risk estimate upper bound estimate is changed from 177 to 218 cases per million live births or, more meanfully perhaps, from about 0.08 to about 0.1 cases among the roughly 49 cases expected from other causes in the next Enewetak generation if the population just replaces itself. Similarly, the absolute upper limit of credible risk of genetic ill health (page 26) for a child born on Enjebi eight years from now who has a child at age 30 is increased only from roughly 3 to 4.5 chances in 10,000, which must still be compared with the roughly one chance in ten normal risk, a very small increment indeed.

Cancer Risk Estimates. The effect of the newer dose and cancer risk coefficients is also small. A comparison of the new with the old estimates is shown as Table I. It

may be seen that the earlier upper bound estimate for the people returning to the souther islands of 0.05 added cancers above the 41 cases expected from other causes (page 30) is increased only to 0.09 added cases. Similarly, the upper bound estimate for the people returning to Enjebi of 0.66 case added to the normally expected 27 cases is changed to 0.99 case. We emphasize, however, that these are upper bound estimates, that the actual risk is probably smaller, and may actually be zero.

Conclusion. We have reexamined our earlier Enewetak health effects estimates in the light of more recent dose and cancer risk coefficient estimates, find the risks still small. We note that our revised estimates remain in remarkably good agreement with those provided by the DOE. We still conclude that it is entirely possible that the radiation exposures of the Enewetak people resulting from return of the dri-Enewetak to the southern islands and the dri-Enjebi to their home "will never result in even a single case of disease among either the returning population of their descendents."

Table 1. Comparison of Pertinent 1979 and 1981 Whole Body Dose Estimates

		Dose (rem)		Average Dose (mrem/yr)	
		30 yr.	50 yr.	30 yr.	50 yr.
Southern Islands	New	0.38	0.55	13	11
	Old	0.23	0.33	8	7
Enjebi-Northern Islands	New	6.8	10.1	226	201
	Old	5.6	8.0	186	159
Average (total population)	New	2.9	4.3	98	87
	Old	2.4	3.4	79	68

Table 2. Comparison of No. of added Cancer Deaths Due to Lifetime Exposure (50 years) - Enewetak Atoll Linear-Quadratic (best) and Linear (Highest) Models

Group		Absolute Risk		Relative Risk	
		LQ	Lin	LQ	Lin
Southern Island	New	.02	.03	.04	.09
	Old	.01	.02	.01	.04
Enjebi-Northern Islands	New	.15	.36	.42	.99
	Old	.09	.30	.17	.62
Total Group	New	.17	.39	.46	1.08
	Old	.10	.32	.18	.66

Mr. MITCHELL. That is right.

Mr. YATES. You may proceed.

Mr. MITCHELL. There are two issues that I, given our limited time, I think we ought to focus upon. That is Enjebi, resettlement of that particular island within the atoll. Then, if we may, if there is sufficient time, the radiation health program which was authorized a year ago and but still is yet to be planned and budget put together, even though the Department of the Interior was obligated to give is bringing you a report on January 1 of this year.

Mr. YATES. Is Interior here?

Mr. MITCHELL. They are here.

HEALTH PLAN FOR MARSHALLS

Mr. YATES. What happened to the report we were to receive earlier this year?

Mr. DEYOUNG. A preliminary report was supplied on January 7, 1981. It set forth some of the difficulties we had experienced in preparing the final plan. Clarification is being sought and a final proposal will be forthcoming in time.

Mr. YATES. In time means what time?

Mr. DEYOUNG. Within the next six months, perhaps.

Mr. YATES. Did we have a hearing on what the preliminary plan indicated?

Mr. DEYOUNG. Not as yet.

Mr. YATES. Go ahead, Mr. Mitchell.

CLEANING OF ENEWETAK

Mr. MITCHELL. I will be happy to come back to that in due course. It seems to us—and what I will try to do here is just lay a general background for comments from our experts, and to enable you to more skillfully cross examine them—it seems to us that the Enewetak cleanup and rehabilitation program, in large part, is a great success story. It is a success, I think, on the part of nearly everyone involved, from the Enewetak people, to the Department of Defense, even the Department of Energy and in many ways, the Department of the Interior as well, although we are often rather critical of them.

RESETTLEMENT OF ENJEBI

I think that with respect to the precise question of the resettlement of Enjebi, which is the largest part of the unfinished business before us, the people of Enewetak have approached that question in the most reasonable and prudent fashion so as to make an informed choice, an informed decision.

Just to outline in the briefest possible way what we have done we start with the cleanup program and, part and parcel of the cleanup program was continual radiological assessment of what was being done and what should be done next.

Once the cleanup was finished, there was another radiological survey. Soil measurements, in particular at Enjebi. Once the plutionium problem was solved by bringing soil concentrations of plutionium to or below 40 picocuriet per gram of soil, it then became a

question of what hazard the radionuclides in the food chain constitute?

DOSE ASSESSMENT OF ENEWETAK

Following the soil measurements that were made after the cleanup was finished, we then called upon the Department of Energy, through the Lawrence Livermore Laboratory in California, to do an updated dose assessment. They have done that, and you have before you, presented earlier this morning, a final dose assessment which, standing alone, doesn't mean very much to us.

Its conclusion is a number, a predicted radiation dose which is based upon the soil measurements, the diet to be observed by the people, and the way they intend to live upon that island. Now that has been done.

The next reasonable and logical step—well it looks like that.

Dr. BENDER. This is the document?

Mr. MITCHELL. Bruce, was the final dose assessment provided this morning? I assumed that it was.

Dr. WACHHOLZ. The committee was presented with copies of the final Enewetak dose assessment.

Mr. YATES. That was a different one.

Mr. MITCHELL. Basically the dose assessment is straightforward, although extremely complicated and involving a lot of calculations.

Mr. YATES. Do you have notes on this?

Dr. BENDER. No.

Mr. YATES. All right, thank you.

Mr. MITCHELL. It is a matter of taking all the soil measurements, measurements of the radionuclides on the island, putting that together with what people intend to eat, and then calculating what the dose will be. That is what we have done here. The predicted dose is expressed in millirem. We give those numbers to Dr. Bender and Dr. Brill and ask them to tell us what they mean?

Last year, we provided you a copy of their report, this blue covered document. Since that report was completed, the dose assessment, the final dose assessment has been done. So we asked Dr. Brill and Dr. Bender, to revise their report and their revision is contained in the statement you have before you. We would like, in due course, to have both Dr. Brill and Dr. Bender comment briefly upon their interpretation of the dose assessment.

RISK ASSESSMENTS

Then finally, once the dose, the predicted dose is interpreted in terms of health effects, an increase in the risk of cancer and an increase in the risk of genetic effects, once we have that interpretation from Dr. Bender and Dr. Brill, the people then are in a position to evaluate that increased risk in terms of everything else that is important to them—the value of their land, the value of reestablishing the community at Enjebi, which to them, is of vital importance.

We brought Dr. Bergman along because we asked him sometime ago, to take a look at all of this, and tell us from the perspective of a behavioral scientist, what effect it may have upon the people to keep them away from Enjebi. His evaluation has been provided to

you as a written report for the record, and we would like him to have the opportunity to speak briefly to that question. There are potential ill effects from keeping people away from Enjebi.

Mr. YATES. No ill effects from keeping the people away?

Mr. MITCHELL. There are. There are potential ill effects, health effects in keeping them away.

Mr. YATES. In other words, they want to go home?

Mr. MITCHELL. That is right. They want very badly to go home. They feel very badly, as long as they cannot.

Mr. YATES. We read the report submitted by Drs. Bender and Brill. The conclusion says, after stating premises:

> We have reexamined our earlier Enewetak health effects estimates in light of the more recent dose and cancer risk coefficient estimates. We find the risk is still small. We note that our revised estimates remain in remarkably good agreement with those provided by DOE. We still conclude it is entirely possible that the radiation exposures of the Enewetak people, resulting from return of the dri Enewetak to the southern Islands, and the dri Enjebi to their home, will never result in even a single case of disease among either the returning population.

Do you mean "or" their descendants rather than "of" their descendants?

Dr. BENDER. There are several typos.

Mr. YATES. The word "or" is a typo, isn't it?

FINAL DOSE ASSESSMENT

Mr. MITCHELL. It may be helpful, since the numbers—we might as well deal with this quite openly—the numbers in this dose assessment you now have before you, the final dose assessment, are somewhat higher than the ones contained in the preliminary dose assessment that formed the basis of the earlier estimates made by Dr. Bender and Dr. Brill.

Mr. YATES. But they concluded that, even though they are higher, they nevertheless are small, and therefore, should not affect them. Is that a correct conclusion?

Dr. BRILL. That is correct.

Dr. BENDER. Yes sir.

Mr. YATES. What about the rate of increase? You indicated that on the basis of the two studies, the later study showed a higher incidence, if I understood what Mr. Mitchell is saying. If that is true, is there a rate that might affect them if they return?

Dr. BENDER. No. The dose assessments have been revised, generally upwards. On the order of 20 percent. In a general way the effects about which we are concerned are a linear function of accumulated doses, say 30 or 50 years. So it is inevitable that the health effects estimate will increase as dose increases. That does not mean that the risk per unit dose is any different, nor that there will be greater risks in future years as a result of the accumulations of doses. We have accounted for that.

In fact, the risk later on, after about eight years in the case of Enjebi when we start having locally grown coconuts and things available, will start to decline.

Mr. YATES. Really?

Dr. BENDER. And the risks will decline with each succeeding generation, generally.

Mr. YATES. The soil is clear then, and coconuts grown on that land will not have the same effects as the coconuts on Bikini. Are you familiar with Bikini?

Dr. BENDER. Yes, to an extent.

Mr. YATES. Yes, well we took them off the Bikinians because they were eating the coconuts. I guess they had a higher incidence of possible cancer producing agents than is present at Enewetak or Enjebi.

Dr. BENDER. The Bikini people, as I understand the situation, some of them were moved back, and did indeed eat a lot of coconuts, and were found indeed to have higher body burdens than had been anticipated, when it was anticipated they would not be eating so many coconuts.

The present final reassessment of potential radiological doses for Enewetak is based on several things. It is based on soil radionuclide measurements. It is based on knowledge about the uptake of those radionuclides from the soil into things like coconuts. And it is based on the diet that we believe the people of Enewetak will follow. It is given in fact in terms of availability to outside foods and nonavailability of outside foods. So these factors are taken care of in the dose assessment here, I believe.

Mr. YATES. What would be the requirement for outside foods? Will they have to be——

Mr. MITCHELL. The preferred diet of the Enewetak people——

Mr. YATES. Is it indigenous, or will it have to be imported?

REQUIREMENT OF 60 PERCENT IMPORTED FOOD

Mr. MITCHELL. As it now stands, based on a survey taken a little while back, the dietary survey which was used in this dose assessment, they prefer to eat 60 percent imported foods, 40 percent local.

Mr. YATES. What food will they have locally?

Mr. MITCHELL. Coconut, bread fruit, pandanus. Taro is not available. The islands just won't sustain them.

Dr. BENDER. Pork, chicken, seafood.

Mr. YATES. Do they have small farms?

Mr. MITCHELL. Well, pigs and chickens, back yard farming.

Mr. YATES. What did they do for food before the bombs, and before the war?

Mr. MITCHELL. Before the war the islands were in much better shape.

Mr. YATES. I am sure they were, but what did they eat?

Mr. MITCHELL. The same thing.

Mr. YATES. They didn't import did they?

Mr. MITCHELL. Hertes John will be the expert witness on that.

Mr. JOHN [through interpreter Mr. Silk]. Before the war, we used to eat pork, chickens.

Mr. YATES. The same thing they eat now?

Mr. JOHN. Fish, taro, pandanus, bread fruit, lime. Those are the things——

Mr. YATES. Are those still present on Enewetak?

Mr. JOHN. No.

Mr. YATES. They are not?

Dr. BENDER. But they will be. They have been planted on Enewetak and other islands. They have not yet, I believe, be replanted on Enjebi.

CURRENT SITUATION IN SOUTHERN ISLANDS OF ENEWETAK

Mr. MITCHELL. I was at Enewetak the middle of the month. The houses are beautiful. The coconut trees are about knee high. Bread fruit trees, most of them were blown away in a storm a few weeks ago. It looks like a newly completed housing project in Scottsdale, Arizona. It is desolate.

The long range agricultural program, which is before you as part of the Administration request, is something that is a rather prosaic, but vital part of the rehabilitation follow-on, is also something we support. This kind of thing, as implied in your question is needed to restore Enewetak to its original condition so it will support the people at a reasonable standard of living.

Mr. MURTHA. Will they ever become self-sufficient in food?

Mr. YATES. As they were before?

PLANS FOR LOCAL ECONOMIC DEVELOPMENT

Mr. MITCHELL. They will always probably need to import some food. But self-sufficiency for that atoll, development of an economy for that atoll, is the prime objective of these people now.

We have been talking to the Solar Power Corporation, a subsidiary of Exxon, to develop a solar power program for the island. We are tapping all the businessmen we know or can find to put together a kind of roundtable to begin coming up with ideas for exploitation of the marine resources. The boat which you appropriated last year will help in that regard. Ultimately, this will be the test of whether the whole effort is successful.

Mr. YATES. Maybe you ought to ask the psychiatrist whether that is good or bad.

Is it good?

Go ahead, Mr. Murtha.

Mr. MURTHA. How many more people are there today, than before the war?

Mr. MITCHELL. Just before Christmas, 1947, when they were removed, the population was 136. We need a current census. We have been using the number 550, but Hertes, the Magistrate, tells me he thinks it is about 770. It has been a while since there was an accurate census.

Mr. YATES. You have an island now that once supported 136 people, now it will be required to support over 600?

Mr. MITCHELL. The tastes of the people have changed, too. Even in those remote islands.

Mr. YATES. Do they want television?

Mr. MITCHELL. Well, I haven't heard that yet. But they want outboard motors so they can chase the tuna.

Mr. YATES. The reason I asked Dr. Bergman the question was that I had seen a television program, and of course Margaret Mead's anthropological studies always raised the questions about the return to the homes, and what impact of western culture is likely to bring upon them. They will be going home to their is-

lands, we hope. Will the advent and introduction of private enterprise change their culture to the extent where they no longer have the same kind of cultural relationships they had before?

Dr. BERGMAN. I think the crucial thing about social change is how it occurs. Particularly whether it is something that comes from within the culture, as evolutionary change, something that makes sense to them and that they want, or whether it comes as a big shock. There is evidence that cultural change among any of us has certain effects on health. There is a lot of evidence also that forced cultural change and destruction of the culture has much more severe health effects.

Mr. YATES. Do they want the introduction of Mr. Mitchell's clients, like Exxon?

Mr. MITCHELL. Exxon is not my client. We are trying to exploit them.

Mr. YATES. Exploitees, then.

Mr. MITCHELL. It is imperative that whatever business or economic enterprises are to be developed, are developed with the full participation, and ultimately, based upon the decisions of the people themselves. We are not looking for businessmen driven by a profit incentive as much as motivated by altruism.

Mr. YATES. I know that. But altruism sometimes has deleterious effects.

Mr. MITCHELL. It could indeed. We are acutely aware of that.

Mr. YATES. I don't know what the social structure will be like when they get home. Do they have community ownership of the property again? How do they allocate the resources of the community? How does each one receive a proportion? Have they agreed to this approach yet? Will they go back to their ancestral holding and cultures, or how will it take place?

Mr. MITCHELL. I can answer that in part. And all of the people—there are now 100 people who have returned to Ujelang. But everybody has resettled to Enewetak, the southern islands of the atoll. Enjebi is yet to be decided. Everybody decided to go back on an experimental basis to see whether they could survive and function there, starting about last September, late last fall. All but 100 are still living there now on the islands of Enewetak, Medren and Japtan.

During the planning for the rehabilitation program, the planning council selected by the people themselves went back, actually marched up and down the islands and reestablished all the traditional parcels—watos—extending from lagoon to sea. All those were reestablished. The land rights associated therewith were in fact reestablished through that process.

Mr. YATES. Without complaint from anybody?

Mr. MITCHELL. There were differences. At times there were sharp differences. They have all been settled amicably among the group itself. They were left entirely to do that sort of thing. I wasn't involved. We didn't let anybody else be involved. We left them alone to do it themselves. In terms of—these people have been isolated all these years.

Mr. YATES. Answer my question. What happens to the products of the soil here, or to the food?

Mr. MITCHELL. I think we better turn to Hertes John for that.

Mr. YATES. Hertes, what happens now? Suppose you go back, suppose they go back to the islands. How do they distribute all of the food, how do they distribute the land, how do they distribute the leadership, the ownership? Tell us about the culture.

Mr. JOHN [through interpreter Mr. Silk]. Before we return, we have a planning council—committee—to take care of that. We try to work it out as best we could, try to redistribute the lands according to what we know before we left Enewetak.

Mr. YATES. The lands have been taken care of. What about distribution of food.

Mr. JOHN. Distribution of food is not—we haven't decided on that.

Mr. YATES. I know, but if you go back, there are going to be imports of food that hasn't been grown. You now have over 500 or 600 people, where previously you had 136. The land was distributed on the original 136, or was it distributed to the 500 and some? How was the land distributed?

Mr. JOHN. We are distributing the land according to the lineage system.

Mr. YATES. I don't know what that means.

Mr. JOHN. It means according to your family, coming from your mother's side.

Mr. YATES. Do the descendants of the mother's own the land now?

Mr. JOHN. The land is decided two ways. You get your land rights from your mother's and also from your father's.

Mr. YATES. That is a double lineage system, then. But I am wondering about an overflow of people here who don't own anything?

Mr. JOHN. No, they will still have land.

Mr. YATES. I don't understand that.

Mr. MITCHELL. Can you just explain based on what you understand? John Silk is with our office in Majuro and also served as translator. I think he may be able to provide the answer. With an increasing population, how do they continue to allocate land so everybody gets some, that is the question.

Mr. YATES. If in fact they do, what happens to the product of the soil? Presumably if he owns a plot of land and plants his food there, how does the person who doesn't own land get fed?

Mr. SILK. To answer the question, according to what I know about land distribution, I haven't heard of any Marshallese who doesn't have land rights in the Marshall Islands.

Mr. YATES. They all have a land right?

Mr. SILK. All the families have a land right.

Mr. YATES. Some own more land than others?

Mr. SILK. That could be true, yes. But there is no one person that you can say owns a piece of property, because the land rights are within the family unit, the group. It is not parcelled out to individuals.

Mr. YATES. Are there any people who wouldn't have some interest in some island somewhere? Apparently not.

Mr. SILK. It could be that there will be some people who have land rights on one island but don't have it on the other island. But that doesn't mean they don't have any land rights at all.

STATUS OF FEEDING PROGRAM

Mr. YATES. Well, how are they going to get fed?

Mr. JOHN [through interpreter Mr. Silk]. Either they will get their food from the parcels of land that their families have or——

Mr. YATES. Imported?

Mr. SILK. Imported.

Mr. YATES. How will the imported food be distributed?

Mr. MITCHELL. That is a current question. They are doing that now. How is it done?

Mr. JOHN. We distribute that according to the population, by how many people are there.

Mr. YATES. Equal shares?

Mr. SILK. Equal shares.

Mr. YATES. There is no trouble in paradise?

Mr. JOHN. There could always be trouble. But we try to do our best to try to distribute equally.

Mr. YATES. What are the troubles?

Mr. JOHN. Well, like now, there are a number of our group who are not on Enewetak. They are on the other islands, Marshall Islands. And they want to get a share. As it is right now, the understanding is that we divide the food among the people who are actually living on that island. So there is another problem.

Mr. YATES. How is that going to be solved?

Mr. JOHN. Those people will have the food we give them, and there won't be any problem.

PRESENTATION OF RISK ESTIMATES TO THE PEOPLE

Mr. YATES. Does the chief know the results of the reports we have showing what the incidence is and so forth? Are they aware that there is a possible danger? The doctors aren't willing to say there is no possible danger, are you?

Dr. BENDER. We are not. We have tried to explain to them the risks as we see them. I believe they understand them.

Mr. MITCHELL. In September 1979, the Department of Energy and Department of Interior representatives, as well as Dr. Bender and Dr. Brill and the rest of us, went to Ujelang where the people were staying. I wish we had had more time. The Department of the Interior was anxious to get the boat back again. But the Department of Energy made a lengthy presentation. We met with Bender and Brill and another doctor. We evaluated the dose assessment. People considered the risk estimates which were before us then, which as you now know, are just slightly less than what you are now looking at.

The people weighed that in with all the other considerations important to them. The restricted land base, the need for everyone to live where they traditionally belong. They decided it was resettable. They asked us to come here and ask for the funds to do that.

COSTS OF AN ENJEBI RESETTLEMENT

Mr. YATES. How much money is needed?

Mr. MITCHELL. The unofficial Interior estimate, I think, is $6 million.

INTERIOR DECISION NOT TO PERMIT RETURN NOW

Mr. YATES. How do we resettle them if the Secretary of the Interior says they shouldn't be resettled, which is the condition at the present time?

Mr. MITCHELL. You are referring to the early January letter?

Mr. YATES. The letter of January 5th by the Deputy Under Secretary, mentioned that Cecil Andrus said the Secretary of Interior determined that the radiation exposure falls below Federal standards.

Further, the Secretary believes the most acceptable way to ensure the people of Enjebi to return to their homeland in the future would be for the establishment of a housing trust fund to be used only when Enjebi Island was deemed safe for habitation.

Well, the doctors are deeming it safe. What about the Department of Interior, are they deeming it safe?

Mr. MITCHELL. That is the old Department of Interior. We have called upon them to reconsider.

Mr. YATES. Mr. Bettenberg represents the new Department of Interior. He used to represent the old one; now he represents the new one.

Mr. MITCHELL. Just so it is clear, we have written and called upon the new Department of Interior to reconsider this. They have said they will do this.

Mr. YATES. Who is "they?"

Mr. MITCHELL. In this case, it is either Billy Lee Hart, or one of the under secretaries. I can provide a copy of the letter for the record.

[The information follows:]

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., May 4, 1981.

Mr. THEODORE R. MITCHELL,
Executive Director, Micronesian Legal Services Corporation, 1424 16th Street, NW., Suite 300, Washington, D.C.

DEAR MR. MITCHELL: This is in response to your letter of April 10, 1981, requesting reconsideration of the decision of former Secretary Andrus not to permit the immediate resettlement of Enjebi Island of Enewetak Atoll.

Your offer to meet with a member of my staff to discuss this matter is appreciated. I suggest that, as an initial step, you contact Mr. Billy Lee Hart, Acting Depty Assistant Secretary—Operations, of the Office of Territorial and International Affairs. I have asked him to meet with you and with members of the Enewetak leadership when they are in Washington during the week of May 11, 1981.

Sincerely,

DONALD PAUL HODEL,
Under Secretary.

CURRENT POSITION OF INTERIOR ON ENJEBI

Mr. YATES. Who from Interior wants to comment on that?

Mr. BETTENBERG. I frankly can't.

Mr. YATES. How about Mr. deYoung?

Mr. DEYOUNG. I would be happy to.

Mr. YATES. What is your title, Mr. deYoung?

Mr. DEYOUNG. Senior Assistant for Office of Territorial and International Affairs. I would be happy to comment on that.

Mr. Mitchell is correct. On behalf of the people of Enewetak, he has submitted a letter to Secretary Watt, requesting the Secretary to re-examine Secretary Andrus' decision.

This issue is before the new Administration and will be reviewed.

Mr. YATES. When was that done? When did you give Secretary Watt the new letter?

Mr. DEYOUNG. I would say probably about two—three weeks ago. But it is pending. It will be looked at.

Mr. YATES. What is your feeling about the findings of the doctors, and what about your advisors?

Where is the gentleman from DOE?

Mr. DEYOUNG. We have the DOE contingent in the rear of the room.

Mr. YATES. There is no hiding place in here, you know.

QUESTION OF FEDERAL STANDARDS

Mr. MITCHELL. Mr. Chairman, I might sharpen the issue a bit by suggesting a question. The letter here says that the radiation standards are not complied with. I would assert, shall now assert.

Mr. YATES. "I do now assert."

Mr. MITCHELL. I do now assert that the dosages you are looking at in this final report are within the radiation protection guides, the most stringent government criteria.

Mr. YATES. Mr. deYoung wants to reply, having heard your assertion.

GUIDELINES FOLLOWED BY INTERIOR

Mr. DEYOUNG. I would like to remind the committee, as well as Mr. Mitchell——

Mr. YATES. I don't like the way this begins.

Mr. MITCHELL. I am used to it.

Mr. DEYOUNG. That when the Armed Services committee originally authorized money for the start of the clean-up, it directed and ordered that there should be no resettlement in Enewetak Atoll, unless the recommendations on radiation standards set by the AEC be followed.

EPA RECOMMENDED REDUCED LEVELS

Because of uncertainties, the EPA at that time recommended that the 500-rem level be reduced. AEC, in turn recommended the levels be cut in half, to 250. We were directed not to do any resettlement unless the 250 rem level was followed.

Mr. Mitchell is perfectly aware of this. All of the Enewetak resettlement program has been on the basis of 250 rem. This is not a Federal standard.

This was a recommendation we were directed to follow.

Mr. YATES. I know. The fact Mr. Mitchell is aware of that doesn't mean it is right.

SENATE ARMED SERVICES DIRECTION ON ENEWETAK

Mr. DEYOUNG. What I am saying is that the resettlement and rehabilitation program that was carried out was done under a directive from a committee of the U.S. Congress.

Mr. YATES. Which committee?

Mr. DEYOUNG. The Senate Armed Services Committee.

Mr. YATES. When?

Mr. DEYOUNG. That authorized the original money for the clean-up program.

Mr. YATES. Mr. Mahoney's committee? Was this appropriations, or Armed Services committee?

Mr. DEYOUNG. The Senate Armed Services Committee, May 22, 1975, the Committee Report 94-157.

Mr. YATES. They can't appropriate. They recommend.

How realistic is the 250 millirem?

SITUATION IN SOUTHERN ISLANDS OF ENEWETAK

Mr. DEYOUNG. It is met in the southern islands. There is no problem at all.

Mr. YATES. That is fine. Does the Secretary's directive apply to the southern islands as well?

Mr. DEYOUNG. That's correct.

Mr. YATES. Then the Secretary's letter won't let them go back to the southern islands, will it?

Mr. DEYOUNG. No, I am saying the southern islands are way below the 250 level.

Mr. YATES. They are already there. Does the Secretary agree with that?

Mr. DEYOUNG. Yes, there is no problem with the southern islands.

Mr. YATES. Just the northern islands?

Mr. DEYOUNG. Just the northern islands and Enjebi.

Mr. YATES. Do we have a map?

Mr. MITCHELL. The eastern chain. Then you come to Enjebi near the top.

Mr. YATES. Enjebi is right at the north.

Mr. MITCHELL. That is right. That is where about half the people once lived.

Mr. YATES. And they want to go back there. What about the other small islands? Were they ever occupied?

Mr. MITCHELL. They were always available for copra production and gathering of food.

Mr. YATES. Will they be available? That is where they deposited everything. Yes, I remember now. It's been a year.

I see Runit, named after Yvonne.

Mr. MITCHELL. That was the English name for the islands. The applicable radiation guide——

ENJEBI AND FEDERAL STANDARDS

Mr. YATES. Is the only dispute left Enjebi?

Mr. MITCHELL. That's it. The RPG has two numbers in it. Annual rate, and a 30-year dose.

Mr. YATES. How far above 250 are you in Enjebi?

Mr. MITCHELL. 250 is the wrong number with all due respect. It is 500.

Mr. YATES. 250 is the number Mr. deYoung used.

Mr. MITCHELL. Mr. deYoung, respectfully, is mistaken. The DOE people will agree he is mistaken. The applicable number is 500 millirem. On an annual basis.

In 30 years, which is the dose of relevance to genetic effects, five rem, or 5000 millirem, is the guide, not the limit, not the limit, but the guide.

The limits you see for dose, page 8 of our statement, 226 millirem is the dose our doctors tell us is relevant on an annual basis.

So the 226 millirem is to be compared to a standard of 500 millirem. For the 30-year dose, we are 1.8 above the five rem standard. The radiation protection guidance expressly permits, where justified, a dose at a rate higher than five rem in 30 years, if there is a good reason for doing so.

The 1.8 difference between the five rem, and the 6.8 rem which is the predicted dose, is a matter I would like our doctors to comment upon.

They say it is not a dangerous thing by any means. And I would challenge the DOE to say otherwise.

Mr. YATES. Suppose there were no remnants or relics of the bomb blasts. What would be the rems that would be applicable in a sunlit island like that? Would they be much lower as a result——

Dr. BRILL. 3.5 microroentgens per hour or an annual dose of 30.7 millirem per year, as opposed to Denver, which is 140.3 millirem. 140 versus 30.

Mr. YATES. Because Denver is higher?

Dr. BRILL. Higher, and also because of the naturally occuring radioactive materials on the Colorado Plateau.

Dr. BENDER. Also because they are closer to the equator, which influences the cosmic rate.

Dr. BRILL. A fourth, or one-fifth.

Dr. BENDER. As we pointed out in the 1979 document, the kinds of doses we are talking about for the people of Enjebi, should they return, certainly the people of Enewetak as they have returned, are in the general range of exposures that people around the world take voluntarily, and nobody is the least bit concerned.

That is to say, people choose to live in Denver, and nobody says, "Well, that is dangerous, and we have to move them away."

Elsewhere in the world, there are some rather high radiation background areas, in Brazil and India, where people live and receive doses far in excess of any being considered here.

That, of course, is not to consider cases of occupational exposure which we allow. So this is not an unusual situation.

HOLD HARMLESS PROVISION

Mr. YATES. Is there a question here of "hold harmless"?

Mr. MITCHELL. That issue is raised now and then and I always feel a little uncomfortable when it is, because I don't think legally the Enewetak people could release the U.S. Government in any case from some future harm which could occur.

On the other hand, based on everything we know, we don't foresee anything of that sort anyway.

Mr. YATES. The reason you received the letter from the Secretary was probably because there was not a "hold-harmless" provision.

Mr. MITCHELL. I think the problem is two-fold. They are fearful of adverse publicity. They are fearful more so this day with lawyers chasing all over the islands, talking about suing for millions and millions of dollars, and they are even more afraid of adverse publicity from lawsuits.

It makes our job even more difficult.

Mr. YATES. Let's hear from DOE now. Mr. Deal, wherever you are.

I know there is Dr. Wachholz, but Mr. Deal is bigger than Dr. Wachholz.

Come on up, Mr. Deal, Dr. Wachholz and Dr. Burr.

What is your feeling about all this? You have heard the testimony by witnesses, Mr. Mitchell and the witnesses with him. Mr. Deal has been answering questions in the past, not too satisfactorily, but answering them nevertheless.

What is your feeling about this now, Mr. Deal?

Mr. DEAL. Since I can start, I can turn to my——

Mr. YATES. Sure, of course you can.

BACKGROUND ON RADIATION STANDARDS USED

Mr. DEAL. Mr. Chairman, I have heard a lot of things that bring back old history to us. Everything Mr. Mitchell has said about the standards was considered when the Atomic Energy Commission spent a lot of time reviewing the clean-up criteria for Enewetak.

All of these discussions and position papers are a matter of record. The initial assignments were that the Department of Defense would do the clean-up operations, and that the Atomic Energy Commission would establish the criteria and certify the cleanup. The five commissioners themselves considered this is great detail.

It took several years to put this all together. The numbers used in the cleanup criteria were used, all published as a matter of record in the EIS.

So there is nothing new here in terms of what we could say to you on that. The reasoning behind it today is as good as it was then. The criteria do take a conservative approach.

It is unfortunate that the doses that remain after cleanup are so close that there is no clear-cut yes or no. That is all I can say. To comment on interpreting these standards is really a responsibility of EPA.

They have received the authority of the Federal Radiation Council, which was the body established to promulgate radiation standards for the government.

That is their responsibility. They have the interpretation of these. EPA did concur in the AEC approach and to cleanup criteria that were to be the standard for the DOD cleanup program. We had letters from EPA on this.

EPA VIEWS ON RADIATION STANDARDS

Mr. YATES. Did Interior consult EPA on this at all?

Mr. DEYOUNG. Yes.

Mr. YATES. Did you consult EPA before the Secretary sent his letter out in January?

Mr. DEYOUNG. EPA has been involved in various meetings and has testified before this committee.

Mr. YATES. What is the attitude of EPA in this, does it have one?

Mr. DEYOUNG. EPA has said the Federal standards should apply. They do apply.

Mr. MITCHELL. Excuse me. The EPA has also said, and somewhere in everybody's files, the letters are there, these numbers I mentioned before, 500 millirem per year, 5 rem in 30 years, are not absolute ceilings.

They have to be applied with judgment.

Mr. YATES. The best thing to do is bring EPA in and ask them. We did that in July, but this is a year later.

We have a new EPA. Maybe the new EPA will come to a different conclusion. I don't know. Do you want to express an opinion as to whether or not these people ought to go back to Enjebi? Or would you rather not do it?

COMMENTS ON INDEPENDENT SCIENTISTS' EVALUATION

Dr. Wachholz, would you like to express an opinion?

Dr. WACHHOLZ. If I had an option, I would prefer not to.

Mr. YATES. Suppose you sat where Dr. Brill sits and Dr. Bender and the others.

Dr. WACHHOLZ. May I comment on some of the previous testimony?

Mr. YATES. Sure you may.

Dr. WACHHOLZ. We received a copy of their testimony during the lunch hour, so I have not had an opportunity to look at it other than a superficial glance through it.

Just from what they said, I don't think we have any significant disagreement in terms of the actual risk involved.

I think part of the question is, will the decision be based upon the doses which are estimated and projected; or upon the potential risk that is involved?

Clearly, there is no standard for risk, what is an acceptable risk is obviously a very personal thing.

What is acceptable to you may not be acceptable to me, and vice versa.

Mr. YATES. I know.

QUESTIONS ON TAKING A 30-YEAR AVERAGE

Dr. WACHHOLZ. In terms of standards, there is a Federal standard of 500 millirem per year for the maximum exposed individual. In this very superficial look at the table they have here, they have taken the 30-year accumulated dose and divided by 30 to get an annual average.

Correct me if I am incorrect.

Dr. BENDER. Absolutely right.

DOSES VARY ON A YEAR-TO-YEAR BASIS

Dr. WACHHOLZ. On the other hand, our laboratory scientists have gone through the dose which people are likely to receive on a year-by-year basis.

In some years, it is much lower than this; in some years, it is considerably higher than this. I think, and I am projecting in an area that we really don't have responsibility for since we are essentially in the dose prediction business——

Mr. YATES. Would you expect the earlier years to have the highest dose, or later ones?

Dr. WACHHOLZ. Neither. In fact, I would suspect the peak years to be after the food plants and crops and coconut trees begin maturing, which I assume would be six, eight, 10 years or longer.

Mr. YATES. Why would you expect that if, in fact, the earth is clear and there won't be transmission through the coconuts and the other foods?

Dr. WACHHOLZ. I don't think anyone has indicated that there would be no transmission, because, in fact, the soil is not totally free of radionuclides. No, sir. I don't think anyone——

Mr. YATES. I had the wrong impression, then.

Dr. BENDER. Perhaps I can clarify that. If we gave you that impression, we didn't intend to. Clearly, everyone agrees there is radioactivity present. And that when the trees are planted, or other things, it will get into them.

Mr. YATES. Yes.

Dr. BENDER. The amount of radionuclides will decrease with increasing time simply because, by decay——

Mr. YATES. You two are in disagreement?

Dr. BENDER. No, we are not.

Dr. WACHHOLZ. I don't think so. I think it is a little bit of apples and oranges. In terms of radioactive decay of the radionuclides, this is a physical constant.

Clearly, of the cesium-137 and strontium-90 that is there now, half will be present 30 years from now.

Dr. BENDER. Yes.

Dr. WACHHOLZ. But I think what I said is that because of the maturation of food crops in eight or 10 years, the people will have access to and ingest foods containing higher quantities of radionuclides than would be the case immediately, when all of their food presumably would be imported from outside.

Dr. BENDER. May I call the Chairman's attention to Table 29 of the new Livermore dose reassessment?

This is page 50 and 51. This gives for various scenarios and locations, and for bone marrow and whole body and so forth, the dose estimates for the maximum year, and the year in which the maximum is estimated to occur.

As Dr. Wachholz has said, the reason it is nine or 10 years in the future for Enjebi, which you will note it is not for some of the southern islands, is simply that, if we plant coconut trees now, no coconuts will be mature or eaten for perhaps eight years.

It is those coconuts which will contain the greatest amount of radionuclides. Coconuts maturing thereafter will presumably contain decreasing amounts, according, mainly, to the half-life of the isotope involved.

But this has all been taken into consideration.

ENJEBI RATES ARE UP TO 500

Mr. YATES. Under Enjebi, you are up to 500.

Dr. BENDER. In the maximum year, yes, sir, but not substantially above it. I think that is an important point. In the minimum years out of these 30, it will be very substantially less.

Mr. MITCHELL. In any case, part of the assumption is that the island will receive reasonable support from the outside world, so the preferred diet, 60 percent imported foods, 40 percent local, can be maintained.

Mr. YATES. What is reasonable support?

Mr. MITCHELL. Well, it means a field trip vessel. I would say every couple of months. John, what would you say? How often should a field trip vessel call upon the island in order for them to maintain the diet that they prefer? Once a month.

Mr. YATES. I stopped you in midflight Dr. Wachholz. Go ahead.

Dr. WACHHOLZ. I am not sure where the flight was at the moment.

Mr. YATES. You were talking about the peaking.

FEDERAL STANDARD IS FOR DOSE NOT RISK

Dr. WACHHOLZ. I was saying we have a Federal standard for the dose, but we don't for risk. In terms of what is applicable and what is not, we would defer to the Environmental Protection Agency as to how the doses that we have calculated compare with those standards.

We have put in these books, the ones we presented to the Enewetak and Bikini peoples in the last two years, the number 500, so that they are aware of the fact that there is an, not only U.S., but an international standard that is acceptable.

In terms of any variance from that, in terms of how this relates to their situation and so on, we would defer to the EPA.

Mr. MURTHA. How much less would the radiation level be, if they did not plant coconuts now, but planted them 10 years from now?

Dr. WACHHOLZ. If I can break your question into two parts, start with they don't plant coconuts, period.

First of all, I don't know how realistic that is, and I am not in a position to make a comment on that.

Secondly, certainly the dose would be less to some extent, and I would just be guessing if I mentioned a specific number.

USE OF COCONUTS AND DOSE ASSESSMENT

Mr. MURTHA. But you said at a peak period the coconuts were going to be one of the major reasons that you would have this.

Dr. WACHHOLZ. Right.

Mr. MITCHELL. Mr. Murtha——

Mr. YATES. Is there something the Doctor said you don't agree with?

Dr. BENDER. It might have been misleading. It seems clear, if you don't plant the coconuts, then you will not receive any of the dose attributable to eating coconuts in the future.

If you plant them later, when they mature, there will be less radioactivity.

Mr. YATES. What is Paradise without coconuts? You are going to have to plant them, aren't you?

Dr. BENDER. We have suggested in conferences with the then Under Secretary of Interior, Mr. Green——

Mr. YATES. We had our experience with Bikini, where they were told not to eat the coconuts. And, apparently, coconuts are like candy to kids to the people out there.

Coconuts is one of their staples, and they will eat it.

Dr. BENDER. I can't comment too much on Bikini except to say that my understanding is that the reason so many coconuts were eaten is basically the failure of supply, and not just a matter of a few weeks, but a matter of many months.

Mr. YATES. I think that was present there, too.

Dr. BENDER. We suggested to Mr. Green at one point, I think it was Mr. Green, the possibility of building houses at Enjebi, and planting the coconuts, and agreeing that the trees would be removed and replanted if it turned out in eight years, or whenever the appropriate time is, that they were, in fact, too radioactive to allow the guides to be met.

I think that the people's representatives agreed to that at that meeting.

RADIATION LEVEL WITH NO COCONUT TREES

Mr. MURTHA. How much less radiation would there be if they didn't eat the coconuts?

Dr. BRILL. It is a factor of two. If you look at the table in the Dose Asessment you just were looking at, Table 29, on page 50, and you look at the doses for imports available and unavailable for the same population group for Enjebi Janet, it is 509 whole body millirems per year in the year of the highest does, if they eat native foods.

It is one-half of that, 277, if imports are available. So, without the trees, you cut the dose by a factor of two.

Mr. MITCHELL. I think it is even less than that. I think the dose with imported foods still includes consumption of some local foods.

Let me just try this. Absent the food web problem, which is what we are concerned with here, isn't it correct that the dose from terrestrial sources is very small, is really not a matter of any concern at all? Isn't that a fact?

Mr. YATES. I didn't hear that answer.

Mr. DEAL. It is very small. Cesium levels——

Mr. YATES. You better say that loudly so the reporter can hear you.

Mr. DEAL. I am almost certain, Mr. Chairman, the external dose levels would not bring you up to the standard. It has to come from the food they eat to bring it up.

Dr. BENDER. In fact, sir, the local natural background is low enough so that, if one accepts the external component of dose as estimated in this dose reassessment, the sum of the two is still less than, for example, living in Denver.

Mr. YATES. We better get the expert from EPA in and find out how EPA feels. And we better find out from the Secretary's office how the Secretary feels before we do anything on this thing.

I can sympathize with the desire of you people to go home. But I must say, I dislike, as much as these gentlemen do, giving an affirmative answer to what may result.

Is there anything else we ought to put into the record?

Mr. MITCHELL. No, I think we have everything. Do we have any more time at all?

Mr. YATES. Did your witnesses want to say something?

Mr. MITCHELL. Are we winding up at this point?

Mr. YATES. I think so.

INDEPENDENT SCIENTIST COMMENT ON RISK ESTIMATES

Dr. BRILL. Could I make a comment about the risk estimates?

Mr. YATES. Sure you may, Doctor.

Dr. BRILL. Dr. Bender and I spent approximately two years with the National Academy of Sciences recently reviewing radiation effects, he from the genetic standpoint, and I with the Somatics Committee.

Then the two of these committees got together to come to a consensus.

Over the years, since the last BEIR Committee report in 1972, the risk estimates have decreased by a factor of two as a result of the recent reappraisal.

I would submit that perhaps the EPA and other groups that looked at the radiation doses and potential consequences, maybe three, four, five, 10 years ago when they planned the resettlement and clean-up, were looking at a factor of two higher in risk.

So they might want to reconsider the risks associated with the levels they have been able to achieve, which are much lower than they had anticipated.

The second thing is that the newest BEIR Committee, in its reappraisal, developed two models, one is the linear model, which is the one all our high-risk estimates come from, was put forth as the upper limit on credible risks; and a lower risk model, the linear quadratic, which falls in between the high and the low models, and also is the most consistent with radiobiological evidence. So I think that was called the best estimate.

If you look at the situation for the Enjebi population, the risk estimates in terms of the numbers of added cancers throughout the life span of the population, assuming they can go back and are exposed to the doses that we both agree upon, is between .15 and .99 added cases of cancer in the lifetime of that population.

That assumes that these people go back at birth, and indeed, many of them are going back at ages considerably above birth, although I wouldn't want to guess their age.

So, therefore, the risk they would assume in their lifespan is less than this. So you are talking about a fraction of a case of cancer in the lifetime of the population, against the other kinds of risks one would quantify by their not going.

So far in the cleanup program, there have been three deaths. One associated with the engineering aspect of moving dirt, and two associated with water, in the lagoon.

People are exposed to risks. I think the radiation risk here, when you are talking about a small fraction of a case, maybe is one of the smallest considerations.

Mr. YATES. Will we know until 20 or 25 years go by?

Dr. BRILL. These risk estimates are based upon the experience largely of the Japanese survivers we have followed now for over 30 years. So they are rather stable estimates. These are not those that a single committee has come up with.

They happen to agree very well with the United Nations' Committee meeting that involved representatives from all over the world, and summarized their efforts in 1977.

I think we are in pretty good agreement on the levels of risk. We are really talking about a fraction of a case.

INTERIOR'S POSITION

Mr. YATES. Why is Mr. deYoung so stubborn? Why are you so stubborn, Mr. deYoung?

Mr. DEYOUNG. I wouldn't say, Mr. Chairman, that I am stubborn. What I am saying is that when this particular aspect was delegated to Interior, we were given certain guidelines to follow.

Now, as I said, we are perfectly prepared to have EPA look——

Mr. Yates. You are right. We better call EPA in here and see what the guidelines are, so that Mr. deYoung has a different guideline if, indeed, there will be a different one established.

[To Mr. Mitchell.] Do you want to give Dr. Bergman a chance.

Mr. YATES. Dr. Bergman, I am not going to interpret your testimony without your having given it.

EFFECT OF DISRUPTION ON PEOPLE

Dr. BERGMAN. I can say very briefly that there is risk in allowing the displaced population to be displaced and to keep them displaced, particularly after they have considered the facts of their situation and decided they want to go back.

There is a lot of experience, a lot of it in this country, that there is considerable morbidity and mortality from people being forced out of their homes and having their lives disrupted.

The longer it goes on, the worse it gets. Suicide rates, accident rates and violence go very high with such populations.

A number of people who have had experiences like that, their death rates are very high, where the incidence of suicide among young people is many times the national and world averages.

Those risks are associated with displacement. I think that in the interests of reducing risk of cancer, genetic defects to zero, the risks of some of these other effects may be very high.

Mr. YATES. Did you quantify them?

Dr. BERGMAN. Very roughly on basis of comparison with other populations and other situations. But there are places in this country where similar experiences have occurred, and the rates of death by suicide and violence are greater by a factor of five to 10 in the younger population, which would mean that, if anything approaching that were to happen here, it might mean in a population of 500, somewhere on the order of five to 20 deaths.

Mr. YATES. Unless EPA has a psychiatrist to come in and comment on your statement, as well as Federal standards, we have to consider that factor as well, don't we?

Dr. BERGMAN. I think it should be considered.

Mr. MURTHA. Mr. Chairman.

Mr. YATES. Mr. Murtha.

Mr. MURTHA. Are we talking about experience? This is actually what is happening in this population, or are we talking about hypothesis?

Dr. BERGMAN. This is what has happened in other populations with similar experiences.

Mr. MURTHA. Why wouldn't it be happening now if they had been displaced——

Dr. BERGMAN. I think it is happening.

Mr. MURTHA. It is. But you have just not done a study of it, is that accurate?

Dr. BERGMAN. That's right.

EXCEEDING FEDERAL STANDARDS

Mr. YATES. So we are in further trouble now. We do have a letter dated August 23, 1979, addressed to Mr. deYoung's boss. She is your boss, isn't she?

Mr. DEYOUNG. Yes.

Mr. YATES. That letter says, "Can the 1960 Federal guides be exceeded?" And the answer is "Yes."

[The guide states the following:]

It is recommended that the Federal agencies apply these radiation protection guides with judgment and discretion to assure that reasonable probability is achieved in the attainment of the desired goal of protecting man from the undesirable effects of radiation.

The guides may be exceeded only after the Federal agency having jurisdiction over the matter has carefully considered the reasons for doing so in light of the recommendations in this paper.

So it is up to Interior. EPA says that they have guides. It is up to you to decide whether or not the danger exists. It has now been kicked back to the Secretary, hasn't it? We have to get ahold of Mr. Watt. That is the state of the record.

Did anybody want to say anything else?

We bid you God speed on your voyage home and we will try to do our best by your clients.

Mr. MITCHELL. Thank you very much.

Mr. YATES. We recognize the fact that they want to go home, and I can appreciate that.

It is a very difficult decision. We will do our best. Thank you very much.

Mr. MITCHELL. We will be happy to bring these people back again, or to meet with staff, or whatever.

Mr. YATES. Well, we are grateful for your records. We are grateful for the testimony they gave us.

We are grateful for the psychiatry and the sociology that must be a necessary part of this. We will see if EPA, or the Secretary, has any comments upon the psychiatrist's testimony.

Mr. MITCHELL. Thank you very, very much for taking so much time with us.

TUESDAY, MAY 19, 1981.

NATIONAL PARK SERVICE

WITNESSES

JAMES G. WATT, SECRETARY OF THE INTERIOR
G. RAY ARNETT, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS
RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE
WILLIAM BETTENBERG, DEPARTMENTAL BUDGET OFFICER

Mr. YATES. The hearing will come to order.

This is the hearing on the appropriation for fiscal year 1982 for the National Park Service.

Appearing in support of the appropriation is the Secretary of the Interior, Mr. James G. Watt.

Mr. G. Ray Arnett is the Assistant Secretary for Fish and Wildlife and Parks.

Mr. Russell E. Dickenson is the Director of the National Park Service.

Mr. Ira J. Hutchison is the Deputy Director of the National Park Service.

Ms. Nancy C. Garrett is the Associate Director of Administration.

Dr. Richard H. Briceland is the Associate Director, Science and Technology.

Mr. Stanley T. Albright is the Associate Director, Management and Operations

Mr. C. Bruce Sheaffer is the Deputy Budget Officer, National Park Service.

And we have Mr. William Bettenberg who is the Departmental Budget Officer.

At this point, the biographies of Mr. Arnett and Mr. Albright will go into the record.

We will also put into the record at this point the statement of Mr. Dickenson.

[The biographies and statement follows:]

BIOGRAPHY

G. Ray Arnett

G. Ray Arnett is an avid sportsman and outsdoorsman who has devoted much of his life to the conservation, preservation and enhancement of wildlife. As a geologist, he roamed America's wild country and foreign countries exploring for petroleum. Later he was appointed by Governor Ronald Reagan to head the California Department of Fish and Game, where he served with distinction for seven years. He has served as a director of the National Wildlife Federation for 17 years, and two terms as president, retiring from that position in 1978. He has been affiliated with numerous state and national conservation organizations. He was one of the founders, and currently serves as Chairman of the Board of the Wildlife Legislative Fund of America, and its companion organization, the Wildlife Conservation Fund of America.

PERSONAL DATA

office address - Department of the Interior
Office of the Secretary, Assistant Secretary for Fish and Wildlife and Parks
18th and C Streets, Room 3156
Washington, D.C. 20240
phone: 202-343-4416

birthdate and place - June 14, 1924; Quantico, Virginia

children - Charlene Louise Parkinson, daughter, age 31
G. R. "Chip" Arnett, Jr., son, age 29
Sharon Elaine Arnett, daughter, age 24
James Randall Arnett, son, age 17

grandchildren - G. R. Arnett III, age 2 yrs. 8 months

MILITARY SERVICE

1942-1946, U.S.M.C. Joined as a Private at outbreak of WW II, served in South and South Central Pacific theater of operations; received field commission and returned from overseas to Officer's Candidate School (University of Southern California V-12 Program); awarded 2nd Lieutenant commission; honorable discharge, 1946. USMCR 1946-1950; 1950-1952 recalled to active duty during the Korean Conflict. Honorable discharge, 1952; resigned Captain commission, 1952.

AFFILIATIONS

PROFESSIONAL:

California Department of Fish and Game, Director (1969-1975)
American Association of Petroleum Geologists, Reg. No. 1258
American Institute of Petroleum Geologists

AFFILIATIONS (cont.)

PROFESSIONAL:

California Advisory Commission on Marine and Coastal Resources
California Board of Registration for Geologists, Reg. No. 1500
California Condor Advisory Committee
California Environmental Quality Study Council
California Marine Advisory Committee
California Institute of Marine Resources
California-Oregon Goose Lake Compact Commission
California State-Federal Interagency Group (Water Development)
California Wildlife Conservation Board
Colorado River Wildlife Council (7 states)
International Association of Fish and Wildlife Agencies
International Oceanographic Foundation
Pacific Flyway Council
Pacific Marine Fisheries Commission
The Wildlife Society
San Diego-La Jolla (CA) Underwater Park Advisory Committee
Society of Exploration Geophysicists
U.S. Department of Agriculture, Agricultural Conservation Practices Committee
U.S. Department of State Fishing Industry Advisory Committee
U.S. Department of State International North Pacific Fisheries Commission
U.S. Department of State International Trawl Fisheries Committee
Western Association of State Game and Fish Commissioners (13 states and 2 Canadian provinces)
Zoological Action Committee

CONSERVATION/SPORTSMEN ORGANIZATIONS

National Wildlife Federation; President, Vice President, Regional Director, Life Member
National Wildlife Federation Foundation. Board Member
Wildlife Conservation Fund of America, Chairman of the Board
Wildlife Legislative Fund of America, Chairman of the Board
Mzuri Safari Foundation, Conservation Projects Advisory Board Member
Game Conservation International, Director
Wilderness Leadership School, Board of Governors
World Wilderness Congress; President, International Committee
Kern Wildlife Federation, Director
Kern County (CA) Fish and Game Protective Association, Director
Californians for Conservation and Recreation, Director
California Wildlife Federation, Director-at-Large
Ducks Unlimited Advisory Board, Kern County (CA); member
California State Chamber of Commerce, Natural Resources Committee; member
International Order of St. Hubert, Knight Commander
National Rifle Association of America, Life member
California Rifle and Pistol Association, Life Member
National Rifle Association of America, Hunting and Conservation committee; member

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AFFILIATIONS (cont.)

CIVIC:

Bakersfield (CA) Police Department, Commissioner
Children's Home Society of California, Director
Kern County (CA) Taxpayers Association, Director
Kern County (CA) Cancer Society, Director
Kern County (CA) Tax Coordinating Council, Director
A.I.D. United Givers, Director
Trade Club of Greater Bakersfield (CA), Director
Kern County (CA) Y.M.C.A.; Chairman, Special Gifts
Kern County (CA) Council B.S.A.; Director and Organization Extension Chairman
Petroleum Club of Bakersfield (CA), President and Director
Greater Bakersfield (CA) Chamber of Commerce, President and Director
B.S.A., Sierra Council, Special Interest Exploring, Chairman
Junior Achievement of Bakersfield (CA), Board of Governors
R.M. Pyles Boy's Camp, Director
S.P.E.B.S.Q.S.A., Inc., Bakersfield (CA) Chapter, President

SOCIAL:

Free and Accepted Masons of California, Libertas Lodge No. 466
Ancient and Accepted Scottish Rite of Freemasonary, Bakersfield (CA) Consistory
A.A.O.N.M.S., Al Makikah Temple, Los Angeles (CA)
Royal Order of Jesters, Court No. 119
Kappa Sigma Fraternity, Delta Eta Chapter (University of Southern California)
University of Southern California Alumni Association, Life Member
Arkansas Traveler, State of Arkansas Governor Award
Honorary Okie, State of Oklahoma Governor Award
Kentucky Colonel, State of Kentucky Governor Award
Saints and Sinners
Silver Dollar Club

AWARDS, CITATIONS, HONOR SOCIETIES

Sigma Gamma Epsilon (Honorary Earth Science Fraternity)
Society of the Sigma XI (Honorary Research Fraternity)
Skull & Dagger, University of Southern California All Mens Honor Society
Boy Scounts of America, Eagle Scout
Sportsmen Council of Southern California Award of Merit
Izaak Walton League, California Division, Award of Merit
City of Bakersfield (CA), Proclamation "December 2, Ray Arnett Day"
City of Bakersfield (CA), Meritorious Service Award
County of Kern (CA), Sportsman Service Award
County of Sacramento (CA), Special Citation of Merit
California State Legislature, Resolution of Commendation
California Department of Fish and Game, 1967 Certificate of Appreciation
Bakersfield (CA) Chamber of Commerce, Outstanding Service Award
California Rifle & Pistol Association, Award of Merit

AWARDS, CITATIONS, HONOR SOCIETIES (cont.)

California Rifle & Pistol Association, Outstanding Public Service Award
California Wildlife Federation, 1975 Sportsman Conservationist of California

HOBBIES

Hunting, Fishing, Dog Training, Skin Diving, S.P.E.B.S.Q.S.A., Inc.

EDUCATION

Grade schools in Virginia and California
Graduate of Point Loma High School, San Diego, California
1941-1942 U.C.L.A., Basic Engineering
1945-1949 U.S.C., Undergraduate and Graduate School

BIOGRAPHY: Stanley T. Albright
Associate Director for Management and Operations

Stanley T. Albright, a 49-year-old California native, is a 1958 graduate of UCLA. He began his NPS career as a Seasonal Ranger in Yosemite National Park, where later he received a permanent appointment as a Park Ranger. He has also served as a District Ranger at Hawaii Volcanoes National Park, as Management Assistant at Grand Canyon National Park, and as Superintendent of Bandlier National Monument, New Mexico.

From March 1970 to May 1972, Albright served as Assistant Regional Director for Park Support Services for the Pacific Northwest Region then transferred to Alaska as the Service's State Director where he remained until 1975 when he became Superintendent as Sequoia-Kings Canyon. Following that he was named Associate Regional Director for Operations in the Western Regional Office. In October 1980, he was named Associate Director for Management and Operations the position he now holds.

STATEMENT BY RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE, U.S. DEPARTMENT OF THE INTERIOR, BEFORE THE HOUSE SUBCOMMITTEE ON APPROPRIATIONS FOR THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES, CONSIDERING THE FISCAL YEAR 1982 BUDGET FOR THE NATIONAL PARK SERVICE, MAY 19, 20 and 21, 1981

MR. CHAIRMAN:

I appreciate the opportunity to appear before this subcommittee to discuss the fiscal 1982 budget request for the National Park Service.

Before discussing the details of the Service's budget request, I would like to give a brief overview of the National Park System. As you know, Mr. Chairman, the past few years have been a period of unprecedented growth for the National Park System. The recent addition of 10 new areas in Alaska together with additions to established Alaska parks more than doubled the number of acres of land under Park Service management. The natural, historic, and archeological resources in the System are unique and they include our highest mountains and most inspiring scenery, homes of former Presidents and other irreplaceable examples of our national and natural heritage. Since 1872, when Congress established Yellowstone as the nation's first national park, the System has grown to include 327 areas encompassing more than 72 million acres. During calendar year 1980, the number of park visitors totaled 220 million, a 3.4 percent increase over 1979.

We have an outstanding Park System; admired and used as a model by many nations, yet, today this same National Park System is in trouble. There are a number of reasons for the problems the System is faced with, but principal among them, I think, are the following:

1. The continual expansion of the System over the past 20 years has gradually directed funds away from established parks to the new and developing areas. During this period, 145 units have been added to the System.

2. The competition for resources within the much enlarged System is keen, but it is most pronounced in the case of recently added urban parks versus other types of areas. While visitation to these areas is relatively high, so too is the cost of operating them.

3. Federal and State standards for air and water quality, health and safety, access by the handicapped, and energy conservation have placed additional demands on our budgetary resources.

4. The physical plant in many of the older popular park areas is deteriorating. Visitor facilities (lodging, visitor centers, roads, bridges, and campgrounds) in a number of these old-line parks were built 40 or more years ago and have reached the point where patching and minor repairs no longer will suffice to maintain them at an acceptable standard. Many do not meet current fire, health and safety codes.

5. Heightened recognition and concern over the complex environmental changes taking place in and around the parks require the allocation of additional resources for science and technology programs which leaves fewer resources available for operational and capital investment needs.

6. Finally, there is inflation--the higher cost of doing business that affects every park and every aspect of our operation, to the point where services and facilities at some parks have had to be reduced or closed in recent years. My concern here, of course, is that the curtailment of services may adversely affect the kind of experience the visitor has--perhaps a once-in-a lifetime opportunity--and may lessen our ability to protect visitors and park resources. The public has every reason to expect a clean, safe and well-maintained park environment open at reasonable hours. The increasing cost of personnel, utilities, gasoline, supplies and materials, and contractual services is making it difficult, if not impossible, for us to meet those expectations.

Our mission, Mr. Chairman, has remained constant over the years in managing nationally significant areas for the benefit and use of present and future generations, and our visitor use policies are designed to encourage the public use of these resources in a manner compatible with their irreplaceable character and value. Our goal has been and will continue to be the long-term protection and perpetuation of each park's natural, historic and recreational resources and values through appropriate research, planning and management, while assuring a quality park experience for the visitor.

As I previously indicated, in the last 20 years the Service has experienced major increases in its responsibilities. In total acreage the size of the System has doubled. Visitation has almost quadrupled creating problems of congestion and overuse in several parks such as Yellowstone, Yosemite, and Grand Canyon. During this era of fiscal constraints, the Park Service has been faced with constantly growing pressures on its limited funding and staffing levels. Nevertheless, we have worked hard to maintain the standards of excellence for which the Service is known. The additional positions and funds this subcommittee approved for fiscal 1981 have enabled us to improve maintenance programs, to expand our research and monitoring of air and water quality, wildlife, and other park resources and to initiate at least minimum level operations in the new Alaskan parks. In addition, we have taken steps to correct the most serious health and safety related problems in many of our popular, older parks. These important activities will continue to be of high priority for fiscal 1982.

The National Park Service, like many Federal agencies, is faced with the challenge of adapting its programs and activities to the mandate that the new Administration received last November. We fully support the President's goal to reduce inflation and spur economic growth. Reduced Federal spending

is a necessary part of such an effort and, to this end, we have reduced several programs in our original fiscal 1982 request including:

- $4.2 million to retrofit buildings in park areas in order to decrease energy consumption. This effort will be deferred.

- $4.0 million in the amount of increase requested for new Alaskan parks. This will slow proposed staffing and development of the new Alaska parks, but we expect to progress in overseeing and managing these areas.

- $1.5 million in estimated travel costs.

- $1.5 million for the preparation of general management plans and new areas studies. General management planning will continue at a reduced level in fiscal 1982. New areas studies are being eliminated.

- $.3 million for operating costs for the National Visitor Center resulting from its recent closing.

Beyond these specific reductions, Mr. Chairman, we in the National Park Service look forward to a period of consolidation and improvement. Under the new Administration we will concentrate our efforts toward doing a better job of managing and maintaining the park areas that are currently in the System. Secretary Watt has stated on several occasions that the Government must manage appropriately the lands it has before it seeks to acquire more. This policy suggests three major trends for Park Service programs for the near future. These are:

1. A moratorium on adding new areas to the System.
I have stressed the problems associated with the rapid growth we have experienced over the past 2 decades. We need to consolidate these efforts by systematically developing the newer units of the System after we have taken the necessary steps to restore and improve older park units. In order to accomplish this we must give greater emphasis to management of our current park areas rather than to the expansion of the System. This policy will ultimately strengthen the System as a whole, enabling the allocation of program resources where the need is greatest.

2. Concern with the integrity of park resources.
Last year we reported to this subcommittee the results of a survey of our Park Managers designed to elicit their views on the nature and source of serious threats to park resources. For example, exotic animal species are destroying unique vegetation at Haleakala, Great Smoky Mountains, Olympic, and Channel Islands National Parks, cactus collectors are poaching large quantities of plants at Organ Pipe Cactus National Monument, and the water quality of the Chattahoochee River is seriously impacted by raw sewage and chemical runoff from adjacent land. The more we discover about these problems, however, the more we realize that solutions will not come easily. A necessary first step is to overcome the lack of good information we have about the source of many of these problems, and what, if anything, can be done to solve them.

3. Increased attention to improving services and facilities in the popular older parks.
In recent years sufficient resources have not been available to both develop and staff newer park areas and reduce the backlog of maintenance and rehabilitation work in our older parks. Rising costs, particularly for energy, have also contributed to this funding shortfall. The end result has been a reduction in important visitor services, inadequate upkeep of visitor use facilities, and the unchecked deterioration of park physical plant, all of which contribute to an inevitable decline in the quality of the park experience for millions of visitors.

We are committed to reversing this decline, Mr. Chairman, but we will be unable to accomplish this without additional resources. To this end, the Administration is proposing to use monies from the Land and Water Conservation Fund to restore and improve our existing park areas. Under this proposal, expenditures for land acquisition will be minimized for the next few years. The Land and Water Conservation Fund could thus be used to meet the immediate needs of existing parks.

Turning to our fiscal 1982 budget request, Mr. Chairman, I would like to highlight a few points for the Members of the subcommittee. The Service is requesting $497.4 million to operate the National Park System during fiscal 1982. This amount includes $13.1 million transferred from the Heritage Conservation and Recreation Service for salaries and expenses and the administration of prior year Historic Preservation Fund and Urban Park and Recreation Fund grants.

The budget request places a high priority on increases in operating funds to offset inflation. It provides a net increase of $15.1 million for park management primarily to improve the cyclic maintenance and rehabilitation of park facilities and to restore funding for visitor orientation, protection and patrol, and routine maintenance activities curtailed in recent years due to the impact of rising costs. This increase also includes additional funds to initiate or augment operations in the new Alaska parks and several other units recently added to the System and to improve our ability to identify and alleviate threats to park resources.

The increase for park operations by purpose is as follows:

1. New park areas ($5.6 million) - To initiate or augment programs in newer park areas including $4.0 million for the new Alaskan parks.

2. Resources Management ($7.4 million) - To improve the Service's natural resources management capabilities, augment regional science programs, increase air quality monitoring, continue "acid rain" research, and initiate resource management programs in several parks.

3. Cyclic maintenance and repair and rehabilitation ($7.5 million) - To augment regional cyclic maintenance, repair and rehabilitation programs in order to improve preventive maintenance activities and continue to correct health, safety and other deficiencies in visitor use facilities.

4. Restore programs curtailed due to inflation ($10.9 million) - To restore programs curtailed due to the adverse effects of inflation on park operating budgets particularly for park management, visitor protection and safety, routine maintenance activities, and the protection and preservation of cultural resources.

These increases will be funded in part by redirecting $16.3 million used in fiscal 1981 for nonrecurring needs.

For the "Construction" appropriation we are requesting $61.6 million, an increase of $18.2 million over the amount appropriated for fiscal 1981. The request provides $15.9 million for water and sewer projects, $11.5 million to continue construction of the Natchez Trace Parkway, and $20.0 million for health and safety related projects, of which $7.6 million is for the rehabilitation of purchased concessioner facilities at Yellowstone National Park.

As a result of the transfer of the Heritage Conservation and Recreation Service, our budget also includes a request of $45.0 million from the Land and Water Conservation Fund to administer prior-year State grants-in-aid and to provide for emergency Federal land acquisitions, land exchanges, and related administrative support. We are also requesting $4.7 million from the Historic Preservation Fund to provide a grant to the National Trust for Historic Preservation. These reduced amounts reflects proposals of the new Administration for a moratorium on Federal land purchases and several State grant programs.

Finally, Mr. Chairman, we are requesting a substantial increase of $105.0 million to help restore and improve the popular established parks such as Yellowstone, Grand Canyon, Yosemite, and others. This proposed effort would be funded through a new appropriation from an amended Land and Water Conservation Fund to be used to correct health and safety related deficiencies in visitor and staff facilities, and to begin reducing the backlog of major maintenance and rehabilitation work that has built up in recent years. The necessary legislative authority to use Land and Water Conservation Fund monies for this purpose is being requested. This new appropriation will give this Service an extraordinary opportunity to bring our heavily used established parks back to an acceptable standard and to provide visitors with safe, clean, and well-maintained facilities to use and enjoy.

Because this request represents a new initiative for fiscal 1982, I would like to briefly describe the major activities we are proposing to fund.

1. Correct Health and Safety Problems ($18.0 million) - Last year, the Congress provided an additional $16.3 million above amounts requested by the Service to begin redressing deficiencies in Service owned facilities that presented a threat to the health and safety of park visitors and staff. This one-time increase was in response to an October 1980 investigative study by the GAO which indicated that the cost of bringing both Service and concession owned facilities to an acceptable standard might be as high as $1.6 billion. We propose to continue funding high priority health and safety related projects under the Park Restoration and Improvement program.

2. Augment the Cyclic Maintenance, and Repair and Rehabilitation Program ($29.0 million) - The Service faces a considerable backlog of cyclic maintenance and minor rehabilitative work in established park areas. The budget request for the "Operation of the National Park System" appropriation includes an increase of $5.8 million to help meet annual requirements. Even with this increase, however, we estimate that $41.4 million in project needs would remain unfunded in fiscal 1982. To help reduce this backlog we are requesting an additional $29.0 million. Our objective here is twofold: to catch up on cyclic activities such as painting, reshingling and road chip and seal which have not been done often enough in recent years; and, to rehabilitate deteriorating buildings, roads, trails, comfort stations and all other visitor use and support facilities--to the point where cyclic maintenance will be adequate. To the extent that we can improve our efforts in this area, we can reduce our need for major rehabilitative construction or reconstruction in the future.

3. Cultural Resources Preservation ($10.0 million) - The Service is responsible for the protection, preservation, and maintenance of the historic sites, structures, and objects of the National Park System. In many parks these cultural resources are the prime visitor attraction. As the System has grown rapidly in recent years, so,too, have our responsibilities for cultural resources preservation--nearly 70,000 culturally significant properties and 10 million objects have been inventoried. Yet funding levels for this program have remained constant since fiscal 1979. We are requesting an increase of $10.0 million to address two areas of critical need: $5.0 million to augment cyclic maintenance activities and $5.0 million to fund high priority preservation projects. Cyclic maintenance involves such activities as routine brick repointing, repainting, roof repairs, preservation treatment of museum objects, and weather proofing. The addition of many new parks of historical or cultural significance has added greatly to this workload. Preservation project work is designed to stabilize and protect deteriorating historic structures or objects to the point where cyclic maintenance will be sufficient to preserve them. Much of this work can be done by contract or day labor under the supervision of Park Service Preservation Specialists. We currently

have a base of $2.1 million for preservation projects in the "Operation of the National Park System" appropriation. The requested increase will permit us to undertake a number of high priority projects which cannot be funded within this base.

4. Capital Improvements ($48.0 million) - Finally, Mr. Chairman, we are requesting $48.0 million as part of the Park Restoration and Improvement program to fund 24 construction projects in 20 park areas. These projects include health and safety related needs, major preservation of historic structures, and large scale rehabilitation of visitor facilities. They are distinguished from the other project categories primarily by their scope, cost, design, and planning requirements. Most of the proposed projects were drawn from the Service's 5-year construction program.

In conclusion, Mr. Chairman, I believe we are entering a period during which the National Park Service must consolidate gains and grow in management skill and expertise rather than in the number of parks or acres of land. We need to direct our resources toward returning the older units in the System to a standard which matches public expectations. This period of fiscal constraints means that the National Park Service must meet priority needs first. We must distinguish between what is convenient or merely desirable, and what is essential. I find no better statement of our essential mission than the words of the 1916 act, which set forth the fundamental purpose of parks, that we must leave them unimpaired for the enjoyment of this and future generations. Our efforts, therefore, will be directed at protecting the natural and cultural resources within the parks, while fully ensuring and facilitating public access and enjoyment.

Opening Remarks of Secretary Watt

Mr. Yates. Do you have a statement, Mr. Watt?

Secretary Watt. I do not have a prepared statement, Mr. Chairman.

Mr. Yates. How would you like to proceed? Would you like Mr. Dickenson to describe the condition of the parks first or do you want to tee off?

Secretary Watt. If it is alright with you, Mr. Chairman, I think I will go first.

Mr. Yates. Please proceed, Mr. Secretary. We are glad to have you here this morning. We would be very pleased to hear what you have to say.

Secretary Watt. Mr. Chairman, I have come before the committee before, as you are well-aware, and have had some interesting and good dialogue about the Department in general.

Today, I understand you want to pursue some of the policy positions we are taking with regard to the Park Service.

We have brought Ray Arnett, whom you have met. This is Ray's first official capacity outside the Department. We just swore Ray in last week. We are particularly pleased to have him officially onboard.

Russ Dickenson, as you know, is a professional who is an important contributing member of the new management team that has come into the Department of the Interior.

We have asked, Mr. Chairman, for a significant increase in funding for the National Park Service because of the state of the parks. We feel this problem needs to be addressed in a critical manner because of the degradation and deterioration that has been experienced in the last several years.

We can approach those figures in several ways. With regard to operation, maintenance, and capital investment, we are asking for an increase of $105 million more than was in the Carter budget. A like figure in the Carter budget was for $87 million in round figures. We are asking to increase that $87 million figure by $105 million to address those issues that are of critical concern.

We feel that it is important for the National Park Service to take care of what it has before it reaches out for additional lands. Therefore, we are calling for a temporary moratorium on the aggressive acquisition program that we would like to have at some time in the Park Service. However, we are asking that under the Land and Water Conservation Fund, $150 million be made available—$105 million for restoration and improvement of the deteriorating conditions and $45 million for acquisition of lands that are needed for the park system that are the subject of emergency acquisition efforts or judicial orders, or the like.

We feel that we must become good stewards and establish an ethic of responsibility for taking care of what we have.

Mr. Chairman, I think you may be aware that in both House and Senate authorizing committees, I have discussed the state of the parks in the last two weeks and have felt compelled to apologize to the American people for the state of the parks in that there are some GAO reports that suggest many of our parks may not be meeting the health and safety standards of State and Federal governments.

That is a deplorable situation and one that says the Department of the Interior, Congress, and the National Park Service have not been good conservationists and have not been good stewards—whatever the right, magical word would be.

We hope to change that. This administration wants to be known for taking care of these prime areas, so that they can be enjoyed by people.

I think it is not responsible for a Government official to come in and neglect the upkeep of the parks while he reaches out to grab more.

Unfortunately, we have seen that neglect and it must be stopped. We are asking for the support of this committee and the Members of Congress, special interest groups, and the American people to rally behind our efforts to save the parks for people's enjoyment.

It is in that context, Mr. Chairman, that we are here asking for increased appropriations for the National Park Service. We believe that investing money in the resource base is the wise and prudent thing to do and that the ways of the past must be reversed and that there must be change in our stewardship role in the Department of the Interior, and we ask for your assistance in making it happen.

TWELVE PARKS STUDIED BY GAO

Mr. YATES. Thank you for your statement.

Can you tell us which parks are not meeting the health and safety standards that you mentioned before?

Secretary WATT. The GAO report studied 12 parks. That, I think, you have available and we can look at that.

Through extrapolation, they have estimated that based on the experiences of these 12 parks, the debt would be $1.6 billion to bring them up to minimum standards. We are just talking about the infrastructure—drinking water, sewage treatment facilities, roads, highways, buildings, and those types of facilities.

We have committed ourselves to a course of action whereby we are going to quickly remedy that situation. We are pouring the money into repairing the situation and restoring the parks, rather than further analysis and study to see which parks are in disrepair.

Paralysis by analysis is a problem of the Government. We hope to cure it by putting the money and the time on the restoration needed, rather than just further study to identify the full impacts.

Mr. YATES. I haven't seen the GAO report. What is the date of it?

Secretary WATT. October 1980.

Mr. YATES. That's about six months ago.

Secretary WATT. Just before the election.

Mr. YATES. Maybe that's why I didn't see it—because I was home for the campaign I'm sure.

Secretary WATT. I think there was an effort that we not see it. I think it is important that we lay these things out on the table.

Mr. YATES. Let's lay them out then.

How many parks were there?

Mr. DICKENSON. There were 12 parks identified by GAO, Mr. Chairman.

Mr. YATES. And how many parks had GAO looked at?

Mr. DICKENSON. They looked at only 12 with their own investigatory staff.

Mr. YATES. May there be more than 12?

Mr. DICKENSON. We know that, Mr. Chairman. We followed up with our own independent survey.

Mr. YATES. Tell us then how many parks in our entire system failed to meet the health and safety standards they should have.

Mr. DICKENSON. To some degree every park, Mr. Chairman. The important thing is that the kind of priority-setting system that we have to deal with has identified the most urgent needs.

Mr. YATES. We are talking about health and safety.

Mr. DICKENSON. Yes, sir.

If you deal in terms of total projects of all kinds, you are dealing with $1.6 billion or more.

Mr. YATES. That's for the whole system.

Mr. DICKENSON. Yes. That's just not achievable.

Mr. YATES. How much did GAO say would be needed to bring the 12 parks to a standard, eliminating the health and safety hazards?

Mr. DICKENSON. They did not make those kinds of specific figures and recommendations. They identified projects.

Mr. YATES. How do you get the $1.6 billion figure then?

Mr. DICKENSON. They looked at the kinds of total projects that were on the list and extrapolated.

Secretary WATT. As a result of this study, Senator Hatfield put in an extra $16.3 million in the 1981 budget. It would have come through your committee.

Mr. YATES. That isn't very much if the total amount is $1.6 billion.

Secretary WATT. Not very much at all. That's why we are asking for this $105 million increase, which still isn't an awful lot considering the size of the problem.

Mr. YATES. You are not going to have to force that down my throat.

Secretary WATT. That's why I want the next paragraph in the record.

You have been a friend to the Park Service, and we are grateful for that.

The next question then that I had to ask Russ was what is the capability of the Park Service to spend.

LACK OF FAITH IN PARK SERVICE DATA

Mr. YATES. Mr. Secretary, I don't have that much faith in the Park Service's figures.

Secretary WATT. There is reason to support your view on that.

Mr. YATES. There is a very good reason to support my view on that.

I wonder whether there ought to be an outside appraisal.

Mr. DICKENSON. If you will permit me to interrupt, Mr. Chairman, we are prepared during the next two or three days to convince you that the National Park Service has recovered from many of its former problems.

Mr. Denny Galvin of our Denver Service Center has a fine presentation that we would like to make to you in that regard.

Mr. YATES. We have a study by our own investigating staff.

Mr. DICKENSON. I'm aware of that, sir.

Mr. YATES. What would you say about its accuracy?

Mr. DICKENSON. I thought that it complimented the National Park Service on making some real progress since 1978.

There is room for improvement, but we have made progress.

Mr. YATES. There really is room for improvement.

Secretary WATT. I don't know that I am aware of this.

Mr. DICKENSON. It just came to my attention. We just received a copy.

Mr. YATES. It is dated May 14.

Secretary WATT. I'm not aware of it.

Mr. YATES. We'll make one available for you.

Secretary WATT. Does it suggest that the past has been as bad as the GAO does?

Mr. YATES. Traditionally, the estimate of the Park Service has not exactly been on target. That is a euphemistic way of putting it.

Secretary WATT. Are you talking about acquisition of lands?

Mr. YATES. No, no. That's the one aspect of it—the appraisals, of course, are usually made by outsiders and also by the Park Service—but the construction figures.

Of course, when you are repairing facilities to comply with health and safety, you are talking about construction costs. I think we'll get into that later.

I am disturbed about the charge that there are health and safety factors involved.

Mr. DICKENSON. Mr. Chairman, many of those deficiencies were identified with concessioner operations.

The concessioner started to work immediately, in most cases.

Mr. YATES. When is immediately?

Mr. DICKENSON. Immediately means that——

Mr. YATES. I mean as of what time?

Mr. DICKENSON. Prior to the time that the report was published, in October 1980, we were well-aware of the results of the investigation team's findings. We started to take corrective measures well before the publication of this report.

On behalf of the National Park Service, we made the kind of interim improvements that we could make in terms of fire escapes and fire resistant walls, installation of smoke detectors, and the concessioners did the same thing.

A lot of the kinds of deficiencies identified in this report have already been corrected.

EXCERPTS FROM GAO REPORT

Mr. YATES. We have had that kind of experience with a number of concessioners before. Some of them have done it, and some of them haven't.

Let me read from the GAO report, to which the Secretary has referred and to which you have referred, Mr. Dickenson.

This is page 6, Chapter 2, of the report of the Comptroller General dated October 10.

The Park and Forest Service have not protected the health and safety of visitors and employees using facilities at national parks and forests. Substandard water and

sewer systems and hazardous lodges, dormitories, bridges, and tunnels need to be repaired or upgraded or their use should be limited.

We estimate that unfunded health and safety projects total $1.6 billion for the National Park Service. See Appendix III.

In Appendix III, they say:

The National Park Service could not tell us the cost of all health and safety construction projects which had been proposed but not funded.

Then they say:

The Park Service's computer-produced list of all proposed projects does not indicate which projects are intended to correct health and safety deficiencies.

I think we ought to have that.

Also, some project proposals contain several components. Some are health and safety-oriented, others are not. Since the cost of each component is often not estimated separately, it is not possible to determine what portion of the project is related to health and safety.

We become suspicious immediately of the $1.6 billion figure. In other words the $1.6 billion figure is not related entirely to health and safety, according to this statement by GAO. Do you have figures which indicate what the health and safety figures would be?

Mr. DICKENSON. We do not, sir.

We just know that that $1.6 billion could be low.

Because of the multiple features of many projects, it is almost impossible to assign an exact dollar figure to life, health, or safety features.

Mr. YATES [reading]:

Finally, some project elements can be interpreted as either health and safety or for some other purpose. For example, we did not consider the expansion of a parking lot as a health and safety item. However, it could be argued that additional parking reduces time taken to drive around and find a parking spot on busy days. This in turn could reduce vehicle traffic and automobile accidents and injuries.

I don't like that. That doesn't make sense. I'm talking about health and safety. If that's the extent of some of the findings, that isn't very persuasive.

Thus, the expansion of the parking lot could be considered a health and safety project.

Mr. DICKENSON. We didn't approach it that way.

Mr. YATES. Let's first go to the question of drinking water. You talk here about substandard water and sewer systems. How many substandard water and sewer systems do you have?

Secretary WATT. There is a chart in the study, Mr. Chairman, that outlines all those things.

Mr. YATES. Let us take the time to analyze this during the day. I see drinking water systems do not meet standards.

There is a reference to the Forest Service but not to the Park Service.

We had better review that and leave it.

What are the parks doing about this? You gave us the figure of $1.6 billion, which GAO says is made up of other items as well. You tell us that figure is low. How do you arrive at the fact that that figure is low?

HEALTH AND SAFETY PROJECTS

Mr. DICKENSON. The estimates are from our professionals in our construction center at Denver and our managers who have initiated all of the kinds of requests which float up.

The Congress last year added $16.3 million to help deal directly with the kinds of deficiencies that were pointed out. The Congress assisted us last year with $16.3 million, and we are working on those projects at the present time.

In fiscal year 1981, within the construction program, there were $13.2 million worth of capital investment items that were clearly health and safety related. The total in 1981 was $29.5 million.

Then when we deal with 1982, as the Secretary has indicated, we really start coming to grips with this problem in a major way from a budget standpoint. Therefore, in 1982, we are dealing with a total of $121.5 million.

Mr. YATES. I think we had better leave our discussion of this phase of the hearings until we get to the construction part of your appropriation.

As I recall, last year we gave you an additional $16 million.

Mr. DICKENSON. $16.3 million, which was badly needed.

Mr. YATES. I really don't remember in testimony previously talking about the unsafe condition of drinking water and sewage facilities by any department.

Mr. DICKENSON. Mr. Chairman, we have been working diligently since the early 1970s to attempt to upgrade all of our water and sewer systems in the National Park System to State and national standards.

What we are really dealing with here in this GAO report are those systems yet remaining to be done.

Many of the larger and more complex systems have already been dealt with. Congress has dealt with those. The National Park Service has dealt with those.

We are dealing now with the final catch-up items that need to be done—both water and sewer and unsafe roads.

Mr. YATES. In 1979, we also went over the budget by $25 million for maintenance and rehabilitation.

Mr. DICKENSON. Yes, sir. The most insidious effect that is bothering us, and everyone else now, of course, is the impact of inflation and the necessity for us to absorb pay increases and other kinds of costs within our budget structure.

Mr. YATES. How cooperative is the Secretary going to be in our appropriations for this purpose?

Secretary WATT. May I answer that?

Mr. YATES. It was addressed to you.

REVERSING A TREND

Secretary WATT. We are taking the lead in an effort to reverse this trend.

As I've said, the Carter budget which was submitted to you, asked for $87 million in these areas of interest. We are asking to increase that by $105 million. We have given this the highest priority in the management of the National Park Service, because we think dramatic change must come about.

One of the causes, Mr. Chairman, of these deteriorating problems, of course, is inflation and the problems it brings with it.

In addition to that is the statutory structure under which the Park Service must function.

Presently, we have the Land and Water Conservation Fund that, on the Federal side, unlike the State side, limits the use of those hundreds of millions of dollars to acquisition only. Therefore, a land manager isn't given the freedom to be a good steward and to determine whether those hundreds of millions of dollars could best be used to take care of what we have or to buy more that you can't take care of.

He has been forced to acquire more.

We have had an authorization pattern coming up. Congress has authorized additional park systems that would cause even a further burden for operation, maintenance, and capital improvements if we were to own those lands. We are failing to take care of what we now have in the system.

Some of the real jewels of the nation are threatened and need attention.

I am asking Congress to make the land managing agencies stewards of their charge, so that they will have to make decisions as to how to use those Land and Water Conservation Funds and let them each year present a plan to you and Congress that we have "x" hundreds of millions of dollars coming out of the Land and Water Conservation Fund. We think some should be used for acquisition; some should be used to take care of what we have.

Until we have that kind of responsibility in a Government agency head, I don't think we are going to have the stewardship that is needed. Therefore, I think that is urgent.

Mr. YATES. The committee, of course, has always taken the position that the Park Service people are the stewards of the parks and that part of their function is not only maintenance and rehabilitation and operating the parks—not only at a minimum level of health and safety but also on a basis that would maintain the parks as the jewels of the Nation, to use your phrase—but also make the visit of Americans to the parks a rewarding and fulfilling experience.

We have gone over the budget time and again in order to provide funds for various purposes. We can see, however, that there are two functions. In order to preserve the parks, you do have an acquisition function. You do have to buy land, and you do have to protect existing parks by purchase of lands, as well as undertake the maintenance and construction for the program.

As a matter of fact, President Ford announced his Bicentennial Program and this committee cooperated completely with the President. It was a hundred million dollar program at that time for that particular year. It was a ten-year program with $1.2 billion.

Mr. DICKENSON. It was about a three-year program, Mr. Chairman.

Mr. YATES. That's right.

We have done pretty well with that.

I think you'll find the committee very seriously and very sympathetically providing the funding that is necessary to place the nation's parks in as habitable and enjoyable a stage as possible.

I don't remember testimony by the Park Service previously telling us about a condition that was unsafe and unhealthy in the parks.

I know there is a description of sewage systems that has to be taken care of, but there never was the statement or the charge that we find in the GAO report.

Mr. DICKENSON. The GAO report has given a new dimension to the whole issue of the upkeep and maintenance of National Parks.

Mr. YATES. As far as we are concerned, it is a new dimension. We intend to pursue that very strongly.

Secretary WATT. Mr. Chairman, that's why we need a change of direction.

Mr. YATES. I'm not sure we do, Mr. Secretary. We certainly need a direction to providing a construction and rehabilitation program that will rehabilitate the parks. That we do need.

Secretary WATT. That we need.

ACQUISITION OF LANDS

Mr. YATES. Where you and I are not going down the same road is on the question of acquisition. If I understand what I have read in the newspapers——

Secretary WATT. Let's erase that.

Mr. YATES. Okay.

Secretary WATT. Let's talk together.

Mr. YATES. What would you like to say, Mr. Secretary?

Secretary WATT. I would like to use money to take care of the parks. Once we understand that we are doing well in taking care of what we have, then we need to start the acquisition program again and acquire those lands that are needed for the national parks.

Mr. YATES. Let me ask you a question.

What do you do about an area like Santa Monica where the Congress has approved a certain portion of the Santa Monica Mountains as a National Recreation Area.

The witnesses before us and the congressmen who have come in and testified, from both parties, have said that unless we place money in the budget for acquisition of lands, you are going to lose the land. The developers are going to move forward and develop the land, and the area will be lost as a park land.

The pictures I have seen—and, unfortunately, I have not been out to Santa Monica—of that area indicate it is one of the most beautiful areas in the country.

Should we take steps now to protect that land and make it a part of America's heritage for the generations to come, or shall we let it go into private hands and lose it? This is what I want to get your view on.

Secretary WATT. If we can address each park by itself, or the system by itself, they are easy decisions.

I am worried about educating Indian children, and you have taken a special interest. There are only so many dollars available, and we have to make a priority on allocation of those dollars.

With regard to money available for parks, the question is are we going to——

Mr. YATES. Let me say that the Reagan budget struck out the funds for educating Indian children in great measure. We are going to put it back if I have anything to say about it.

Secretary WATT. It cut it. It did not cut it out.

Mr. YATES. Just as it cut elementary and secondary education. It didn't eliminate it entirely.

You want to make this a block grant, too, to the Indians.

Secretary WATT. That's correct.

Mr. YATES. And you want to cut it back as part of the block grant tradition.

Secretary WATT. That is correct.

Mr. YATES. All right.

Secretary WATT. We are being supported by the Indian community in that effort.

Mr. YATES. The Indians I've talked to don't support you.

Secretary WATT. Then we need to determine which Indians we are talking to on that.

Mr. YATES. We have a record. Ours is in black and white of Indians who say that they need education funds and health clinics and schools.

Secretary WATT. Those are the trade-offs that we're making for everything else.

If I have limited dollars, I want to take care of Yellowstone and Yosemite. I want to take care of these other things.

Mr. YATES. We'll take care of Yellowstone and Yosemite. Now what do you want to do about Santa Monica?

Secretary WATT. Is there any money left by the time you've done those others.

Mr. YATES. Answer the question. Is there?

Secretary WATT. Not much.

Mr. YATES. Should we go over the budget?

Secretary WATT. No.

Mr. YATES. Should we go over the budget in any of the appropriations for Interior?

Secretary WATT. I recommend that you not give us any money over any of the requests.

Mr. YATES. Even for health and safety?

Secretary WATT. We have asked for a substantial increase there to the full extent and capacity that Russ says he is able to use it.

Mr. YATES. He's capable of handling what—$106 million?

Secretary WATT. Almost $200 million.

Mr. YATES. Suppose he says that he can handle $250 million?

Mr. DICKENSON. I can't handle it.

ESCALATION OF LAND COST

Secretary WATT. When we were formulating this back in February, I had my allocation from OMB. I took $105 million out of other programs, because he said he could handle that much. If he had said he could take care of more than that at the time, we would have cut BLM or some other place that much to do it, because I think it has that kind of priority.

You asked an interesting question on Santa Monica. That was brought to Congress and passed in November 1978. The representa-

tions made to Congress were that that project would cost $150 million to acquire the needed lands.

At that time, we had 37,000 acres in beaches and local and State parks; we had an aggressive program through the Bureau of Outdoor Recreation and zoning programs to control that land.

Since November 1978 when the Federal Government took over the responsibility of protecting those lands, you have appropriated $30-plus million for acquisition; and we have acquired 3,000 acres. That is a dismal record.

It is now estimated that the costs of acquiring the lands in the Santa Monica are not $150 million but are somewhere in the range of $400 to $700 million, with development costs of another $500 or $600 million.

If we start this year on that program, it weakens the ability to take care of the Yosemites and the Yellowstones and the Grand Canyons. Therefore, it is an allocation of limited resources.

If we didn't have a limitation, I would be for buying everything this year and meeting the standards this year. It is a question of allocation, and I strongly urge the members of this Committee that our recommendations have been reached in conversations with everyone, and that we should not have increases of funds in any of these areas.

Mr. YATES. What about the other acquisitions on the Park Service program? Does the Park Service have any program for acquisitions for the coming year?

Secretary WATT. In 1982, $45 million.

Mr. YATES. What is the backlog?

Secretary WATT. We are going to give you several figures. Russ will tell you $881 million.

Mr. DICKENSON. Not including Redwoods.

Secretary WATT. Which may run us another billion.

That figure, I think, is the sum of the authorized amounts for acquisition. It does not reflect inflation; it does not reflect huge growth.

I'm suggesting to you, based on conversations we've had, that that $881 million figure is now more like $1.5 to $2 billion.

Mr. YATES. You have $45 million set aside for acquisition this year. Do you have a program for acquisition for the next five years?

Secretary WATT. No.

Mr. YATES. Do you have any prospective for acquisitions for the fiscal year 1983?

Secretary WATT. No.

EMERGENCY FUND

Mr. YATES. You just have $45 million set aside for this year.

Secretary WATT. And we would continue meeting those emergency situations until the economic condition of the country changes, and we can get back to acquiring and rounding out the recreation area in the Federal Government.

Mr. YATES. We will take a brief recess.

[Recess taken.]

Mr. YATES. You have the same budget amendment we do, I think, for the Land and Water Conservation Fund. That shows the Park Service as receiving approximately $29 million.

Secretary WATT. You're right. That's a paper I now have before me.

Mr. YATES. Does this revise your answer?

Secretary WATT. It has to revise my answer. I think I was indicating to you—in fact, I meant to be—that $45 million was going to the Park Service for acquisition. I guess it was my zeal and personal commitment to the Park Service at the expense of these other agencies for 1982. I see now that the plan is that we would give some lesser amounts from the $45 million to the other agencies that participate in the Land and Water Conservation activities.

Mr. YATES. You don't have any control over the Forest Service do you?

Secretary WATT. Unfortunately, I do not.

Mr. YATES. Therefore, Fish and Wildlife gets $1.139 million; BLM only has $307,000 under this.

Secretary WATT. Yes.

I have tried to give, in every instance, priorities to restoring the Park Service and to meet its needs. There is $29 million there for the emergencies, hardships, declarations of taking and related title transfer costs.

Mr. YATES. The Park Service just lost $16 million for acquisitions, didn't they?

Secretary WATT. Apparently they lost it a few days ago, and I'm just learning about it.

Mr. YATES. Is that all you need for the next fiscal year—the $16 million?

Secretary WATT. I am advised that that will meet our operating expenses and declaration of taking.

Mr. DICKENSON. It is difficult, Mr. Chairman, to ever forecast. When you are dealing in terms of hardship cases, it might exceed it and it might not.

PENDING LAWSUITS

Secretary WATT. That's a flexible issue.

Mr. Chairman, we have almost 10,000 cases in court dealing with condemnations and declarations of taking—of homes, private lands, and holdings for inclusion in the Park Service and other land management agencies funded through the Land and Water Conservation Fund. There are 10,000 lawsuits.

Mr. YATES. Involving how much money?

Secretary WATT. That really gets into speculation.

Mr. YATES. If you have lawsuits, you are going to be faced with having to pay it out.

Secretary WATT. That's right, and those will take time over several years. You know how the courts wind their way through those things.

Mr. YATES. Do you have appraisals for all those properties that are in lawsuits?

Mr. DICKENSON. Yes, sir.

Mr. YATES. What is the total amount of the appraisals?

Mr. DICKENSON. We can tell you how much we have deposited in those cases.

Mr. YATES. That doesn't tell us anything, because I know how much you have deposited in the Redwoods case. That's just a speckle of what they are going to pay later on.

Mr. DICKENSON. The courts for several years have been awarding consistently over the appraised value.

Mr. YATES. And they're going to award much more than you have these appraised at if the cases go on for several years.

Secretary WATT. That's right.

Mr. DICKENSON. Mr. Chairman, I would say, to supplement the Secretary's statement here, that the majority of those cases we are involved in in the National Park Service—there are about 7,000 of those cases.

Mr. YATES. Are you going to dismiss those cases?

Mr. DICKENSON. We may.

Mr. YATES. Are you required to buy all the lands that are the subject of those lawsuits?

Mr. DICKENSON. Yes, sir.

Mr. YATES. How does it happen those lawsuits were filed? Were they filed by you or by the people?

Mr. DICKENSON. Six thousand of them are at Big Cypress alone, simply because of the nature of the title situation on many of these lands. They are very cloudy titles.

Mr. YATES. Six thousand of the 10,000 are down in Florida.

Mr. DICKENSON. We have about a thousand more in the National Park Service that represent a change in the use of the land, being incompatible with park values or having cloudy titles or for some other reason.

Mr. YATES. Those are 10,000 lawsuits that may require you to pay for land. Do you have any options? How many options do you have for land purchases?

Mr. DICKENSON. We have certainly two outstanding options.

Mr. YATES. Only two?

Mr. DICKENSON. Two fairly big ones—one in the Virgin Islands and one at Congaree Swamp.

Mr. YATES. What is the Virgin Islands?

Mr. DICKENSON. The Hassell Islands.

Mr. YATES. It was $6 million the last time I looked at it. It is $6 million with a $2 million gift back, as I recall.

Mr. DICKENSON. That sounds right.

Mr. YATES. At a $6 million purchase price, as I remember.

Mr. DICKENSON. That's correct.

Mr. YATES. That's an option to buy for that?

Mr. DICKENSON. Yes, sir.

Mr. YATES. Are you asking us for that money in here?

Mr. DICKENSON. No, sir.

Mr. YATES. How are you going to exercise the option then? You're not.

What other option do you have?

Mr. DICKENSON. There is a moratorium on land acquisition.

Mr. YATES. I hear that, and I get the impression there is going to be a further moratorium on land acquisition if I sense what the Secretary is saying correctly.

Secretary WATT. I am hopeful that you will vote for tax and budget cuts, and we will whip this economy and get everything moving our way. Then we can move aggressively to acquire these lands.

Mr. YATES. You mean the price of land is going to come down?

NEW ECONOMIC BEGINNING

Secretary WATT. We are going to have enough money to do it. When the prime rate is 20 percent and you have two years in a row of double digit inflation, we have to do something for the nation's benefit. That's what we are recommending and why I am urging you, Mr. Chairman, not to increase the budget of the Department of the Interior.

We need to make a contribution to the nation's well-being, and that calls for a new economic beginning.

Mr. YATES. What happens to all the property and individuals that make up your family and the budget of the Department of the Interior?

Secretary WATT. They continue to suffer, as they have suffered with the poor stewardship which has been demonstrated in the last years and years and years—when we have been authorizing parks for acquisition, when we can't take care of what we have, and when we put out promises to people that we are going to buy their land when we don't have the money; and we don't have the money in the foreseeable future.

I don't think that is good stewardship.

It is my strong recommendation that we not ask Congress for authority to add new lands to the National Park System. We haven't taken care of what we have.

Mr. YATES. Suppose we stop with the National Park System with what we have. We do have certain parks, such as Santa Monica. We have Cuyahoga, Fire Island, the Dunes, Sleeping Bear Dunes, Golden Gate, and Gateway, which are classed as urban parks.

You told us, when I last asked you about the urban parks about a month or six weeks ago, that you have no plan to deauthorize these parks. Is my memory correct on that?

Secretary WATT. Your memory is absolutely correct.

I told you that six weeks ago, and I said it at my confirmation hearings in January. I have repeatedly said that over and over and over again—as recently as last week.

Mr. YATES. Why is everybody so suspicious of you then?

Secretary WATT. It makes good print.

Mr. YATES. It is more than that. Take a look at Mr. Arnett's prints, for example. I don't know that those make good prints.

I have here a copy of correspondence on April 9, 1981. It is a memo from the Assistant Secretary-Designate.

Secretary WATT. He has now been sworn in.

LETTER FROM ASSISTANT SECRETARY ARNETT

Mr. YATES. This was at that time. I'm reading from a memo. The subject is: History of Your Agencies' Opposition to Congressional Designation and Creation of New Areas within the National Park Service.

Please review the files with respect to national recreation areas, lakeshores and seashores. Of principal interest are those areas created over the last 10 years by Congress over the objection of the agency. Please compile this by area. Examples: specific statements in testimony by the agencies raising objections to the creation of areas, documents studies, internally that address the problem.

In addition to the specific documents on specific areas, please research the files to identify generic materials expressing concern with the expansion of the System in previous Administrations. Documents expressing concern with the designation of NRA's, absent any organic act respective of that classification.

I would appreciate a prioritization of research. First focus on Santa Monica Mountains NRA, secondly on Cuyahoga Valley NRA, then Fire Island NS, Indiana Dunes NL, Sleeping Bear Dunes NL, et cetera.

Please provide this material as soon as possible as it will provide a basis for assessing historic objections to the creation of areas now within the federal estate.

What is the purpose of a memorandum like that?

Secretary WATT. That was intended to be the first of a series of memorandums that would be going out so that we could carry out quietly—though I have learned there is nothing quiet in my Department—an investigation as to why the boundaries have been drawn as they have been drawn.

We have been subjected to several suggestions that the boundaries of the National Parks are not always drawn for the purposes of the park, but rather for the purposes of the neighbors of the park.

Before we spend additional taxpayer dollars to protect the view of a neighbor, we had better be able to report to the Congress that these boundary lines are drawn for park purposes and not the neighbor's purposes.

I am hoping that the investigation we have commenced—two or three weeks ago—will fizzle. I hope that we will never be talking to you folks about it again. I hope that it is a fallacious charge that is frivolous and that doesn't deserve any attention.

Until that is established, I feel compelled to address the issue and have ordered the Inspector General to do that. That investigation is underway.

Mr. YATES. Mr. Loeffler, did you want to say something?

Mr. LOEFFLER. Mr. Secretary, where is this charge coming from? Is it coming from within your Department or is this something that comes from around the various proposed parks or existing parks?

Secretary WATT. We have heard the suggestion from employees of the Department, from members of Congress, and from the public at large. There have been a host of suggestions. I hope they are all frivolous. I hope they are not of value, and I hope the investigation will fizzle shortly.

Mr. LOEFFLER. Are these charges something that have been ongoing for a number of years, and as the Secretary of Interior you have just finally reacted to it when it was brought to your attention; or is this something that is new and it has just surfaced? Has it been out for quite a period of time?

Secretary WATT. I just took the oath of office in January and faced my responsibilities at that time.

Mr. LOEFFLER. Mr. Chairman, I look forward to seeing what the results of this investigation will be.

Mr. YATES. What do you intend the investigation to show?

Secretary WATT. I hope nothing. I hope it fizzles.

The reason we are doing it is to see why the boundaries were drawn the way they were.

Are we spending taxpayer dollars to acquire lands needed for park purposes or are we spending the money to draw the boundaries for the benefit of the neighbors to the park?

Mr. YATES. I suppose that is a proper investigation for you.

I don't think that Mr. Arnett's correspondence is directed to that.

Secretary WATT. It was intended to be.

CUYAHOGA NATIONAL RECREATION AREA

Mr. YATES. It doesn't say so.

Here is another letter from Mr. Arnett, dated April 23, 1981. The subject is Cuyahoga Valley National Recreation Area. The letter is to the Director of the National Park Service from Assistant Secretary Designate for Fish and Wildlife and Parks.

The letter says this:

> Please prepare a brief paper outlining what is necessary for divestiture of Cuyahoga Valley NRA to state ownership, provided there is a request from Governor Rhodes for that activity to take place. In the event that such request is not forthcoming from the Governor, what is necessary for divestiture of this area to state control and/or ownership?
>
> Please note this is not a discussion of whether or not it should be done but rather a request of procedures through which it may be done.
>
> Additionally, please provide a short paper on the procedure for divestiture of the Santa Monica Mountains NRA to the state and local government specifically reviewing the intent of Congress with respect to eventual divestiture to state and/or local control. Please give attention to the question of this grant to the states—Federal acquisition of land and then transfer to the state—the equity questions evolving out of that situation.
>
> Also, when the Superintendent of the area is in Washington, which hopefully will be soon, we would like to have a meeting with him to discuss political activities in the area and his assistance in an accelerated divestiture program.
>
> This is a process request, not a policy request.

Certainly the investigation to which you refer, while appropriate, doesn't relate to this really. This is a question of divestiture of Cuyahoga to the State of Ohio, I take it, whether or not Governor Rhodes asks for it or not.

Secretary WATT. That would be an impossibility.

Mr. YATES. What would be an impossibility?

Secretary WATT. To divest it.

Mr. YATES. If it's an impossibility, why ask your people to do it?

Secretary WATT. I can't imagine.

Mr. YATES. Why did Mr. Arnett write the letter?

Secretary WATT. I'm not sure that he did. Is that signed?

Mr. YATES. Let's ask him.

I hand you a document which has been marked Exhibit A for identification.

Secretary WATT. Exhibit A I have already looked at, and I knew about this one. This one I'm not familiar with.

Mr. ARNETT. That was signed.

I have an interest in the California area, in particular.

The information which has deluded me, even prior to my being sworn in, has left me with the belief that there have been some improprieties in establishing many of these areas.

I believe that Congress can cause certain lands to be taken, even over the objections of the professionals. The professionals in these particular areas—the national recreation areas, in particular—and the Secretary and myself have disagreed to a point. I don't always agree with the Secretary on what should be done. Sometimes I wonder to what extent the Federal Government should be involved in national recreation areas.

The Santa Monicas was one that had been brought to my attention, specifically having come from that area, by many people who were involved in the Santa Monicas who wanted to know why the Federal Government needed these and why it was taking them in the way it was.

We have had people sending us considerable amounts of information to indicate that the lands which were being taken were not being taken in the best interests of total park purposes.

I am the new boy on the block. These requests, although they may not be written in a way that you understand, I knew what I was looking for. I cannot divest ourselves of anything.

I was looking to see if there was anything that was improper in these that could be divested if it came to that.

The information as to part of Cuyahoga was information we received from Ohio that there was a possible interest by the State of Ohio, assuming some of these.

If that is the intent of the Governor of the State, I think we should be able to address that subject.

Mr. YATES. If that is true, I have never heard it expressed by Mr. Regula. On the contrary, Mr. Regula has always advanced the idea of not only Cuyahoga being established but of purchasing necessary acquisitions to Cuyahoga. Is my memory correct?

OHIO ACTIVE IN ESTABLISHING CUYAHOGA NATIONAL RECREATION AREA

Mr. REGULA. You are entirely correct. As a matter of fact, the State of Ohio was an active participant in establishing the Cuyahoga National Recreation Area. I do not think there is any intent—I have never heard it expressed—and I am quite sure from my own service in the legislature that they have a real problem managing what they have in the State of Ohio. There is absolutely no interest or intent on the part of the State to take this.

I want to go one step further. I was intrigued when you said that Congress acted against the advice of the professionals. I may be confused, but my understanding of separation of powers is that the Congress establishes policy and the Executive Branch executes that policy. Therefore, any decisions on policy issues, either acquisition or divestiture, is the role of the Congress. The role of the Executive is to execute that policy once it is established.

I think we get confused here as to the roles of the two sides of this table.

Mr. ARNETT. I understand that.

Mr. REGULA. I have one question. I have read all these memos. Is there anything in the law that would in any way give the Department any active role in divestiture?

Secretary WATT. Absolutely not.

Let's address that issue, because there is no need in wasting this committee's time in talking about those kinds of issues.

I have repeatedly said this and let me say it again.

Congressman Regula, I have visited you on this matter many times. I headed the Bureau of Outdoor Recreation, and we crawled around on the floor with maps. We understand Cuyahoga very well.

On May 14, I said it—and I am saying it again. I get tired of saying this, but until it quits coming up we might just as well say it again—I again say that this Administration does not now have, nor has it had, a hit list of National Parks or other areas which the Department would request the Congress to de-authorize. Further, there is no plan at this time to develop a hit list.

Mr. YATES. What does "at this time" mean?

DEAUTHORIZATION

Secretary WATT. That I need to keep options open so that if you, Mr. Chairman, would come forward and say, we need to consider de-authorization, I could be flexible enough to be responsive.

De-authorization, as Congressman Regula points out, requires Congressional action. It would be foolhardy and a waste of my personal energies and the resources of the Department of the Interior to even focus on developing a so-called hit list.

Until Congress addresses the issue, nothing is going to happen.

I have drawn tremendous attention to this subject, because I had enough political courage to ask the question. It should be asked. It is an option that every manager ought to at least realize is on his radar screen of opportunities.

I have in several forums suggested that that is an option that could be considered.

I didn't realize it took political courage to ask a question in this town. I have since learned, with all the diatribe it has brought, that had I been a little smoother and more sophisticated, I wouldn't have brought it up.

I can assure all of you that I don't have the political courage to develop a hit list and come up here and take Congressman Regula on about Cuyahoga. I need to have him help me cut the budget of the Department of the Interior.

Mr. YATES. I'm sure he will be glad to do that.

You ought not to jeopardize that possibility by taking the position that Mr. Arnett has taken on Cuyahoga.

Secretary WATT. That is why I am speaking here, and why I am Mr. Arnett's boss. That is not Mr. Arnett's intention.

Mr. YATES. Did Mr. Arnett write those letters without your approval.

Secretary WATT. He did that one.

Mr. ARNETT. Yes. I did write that letter without his approval.

Mr. YATES. How often does that happen?

Secretary WATT. I hope a lot. I hope I don't know everything that is going on in that Department.

Mr. YATES. Apparently you didn't know it was going on in the Department with respect to the amount of money that was available for the acquisitions.

Secretary WATT. There is another example of my fallibility.

Mr. ARNETT. May I say that my staff just brought this to my attention, Mr. Chairman. Even though I did sign this, with every intention of sending it out—the April 23 memo—other members of my staff had come to me, and this was never issued. They said they did not think it was proper at this time to issue it, under the circumstances. I said, fine; pull it.

Apparently, it did get out.

Mr. YATES. Who prepared it then?

Mr. ARNETT. I prepared it and signed it, but it was not sent to the Director as indicated here. That should have been pulled.

Secretary WATT. Russ just whispered to me that that was pulled, and he never got it. You have better access to our files than I do.

Mr. YATES. I hope that continues.

There is not only smoke but there is fire there which gives me pause.

Secretary WATT. Well, how do I put the fire out? How do I put this ridiculous fire out?

There is no hit list. We are not going to waste our energy on it. Until there is some courageous leadership on the Hill, wise or unwise, to de-authorize some of these parks, you are not going to have this Administration coming up here to talk about it.

We have health and safety concerns that past administrations haven't taken care of. We have the health and safety of the visitor and the employee in jeopardy, because past administrations haven't taken care of it.

We have problems in the parks that must be addressed. It is foolhardy for me, this Committee, and for the special interest groups to put money on further acquisition until we take care of what we have.

Mr. YATES. We'll be glad to help you.

Secretary WATT. That is where we have to put our attention.

Mr. YATES. Mr. Regula had the floor; go ahead, Mr. Regula.

Mr. REGULA. I was just going to say, in the matter of fairness and equity here, that I am on military construction; and we have a hit list over there for military bases which has been leaked to us. This is not an unusual thing that there is some discussion in the departments about what is cost-effective and what isn't.

When we get the hit list on taxes for counties where they have State or National Parks, we give some attention to this.

I think there is always an examination of any Federal activity.

I am interested in pursuing what program you have developed on maintenance and safety and upgrading. We have the same problem in military construction. We have facilities; and we have not adequately addressed the problem of water and sewage and, basically, maintenance for the future.

I don't know, Mr. Chairman, if it is appropriate at this time. I am really very interested in what your plans are in terms of maybe a ten-year program where you have established objectives on dealing with the day-to-day maintenance and upgrading, so that we leave a good heritage for the future in terms of the quality of the park environment.

TAKING CARE OF WHAT WE HAVE

Secretary WATT. That is the objective.

Congressman Regula, let me compliment you. In private conversations we have had, you have repeatedly committed yourself to what I call the proper role of stewardship, taking care of what we have before we seek to acquire more and waste what we have.

You have been consistent on that, on military matters as well as park and recreation matters.

I think that is a commendable position, and that is the one position that I would like to be known for.

In the past, we have had people who want to go down in memory as being the one who added "x" units to the National Park Service because it is a feather in their caps.

The reality is that if they fouled up what they were given when they took office and then added "x" units, we are worse off for it.

This Administration will be mainliners with regard to the environmenal movement. That is taking care of what we have.

We have commenced, and outlined to Russ Dickenson, a five-year program for the restoration and improvement of the National Park System. We will address those less-favorable issues, such as sewage treatment projects that need to be built, repairing the roads and tunnels and buildings, and taking care of drinking water supplies. Russ has an aggressive program on that.

The Carter 1982 budget called for $87.3 million to address these kinds of things. I am asking you for another $105 million in 1982. That is stretching the capacity of the Park Service to spend that kind of money.

We have to do this over the next five years, or start shutting down parks.

It is foolhardy to think about the possibility of needing to shut down parks because of health and safety, while you continue to acquire more and more lands that you cannot take care of.

I think it is a basic question that this Committee, and Congress, must address—about the role of conservation in America. Are we going to acquire what we cannot take care of and let what we have—the Yellowstones and the Yosemites and the Everglades—deteriorate and be lost while we acquire and take more lands off the tax roles?

I want to come across as a strong advocate on this, because it is a different definition than we have had in recent years about what stewardship is.

I want to be on your side of this, Congressman Regula. The consistency you have shown in military and natural resource issues is admirable. That is where we should be.

I am hopeful of bringing this committee and Congress and the special interest groups and the American people to that position so we can be proud of what we have and not always be selfishly grabbing for more.

Mr. REGULA. Would your program, as part of this, contemplate some expansion, like campsites and that type of thing?

Secretary WATT. Yes.

Mr. DICKENSON. It would include maintenance.

Mr. REGULA. Particularly in the summer, in the more popular places, there is an inadequacy.

Secretary WATT. The threat right now is that we are shutting down some campgrounds because we are unable to take care of them.

That is where we have to look at other ways of financing these activities.

Ray Arnett is a good man. I am grateful to have him on the team, because we have to look for other ways. One of the options available to us is to expect the concessioners to play a bigger role.

Mr. YATES. What does that mean, Mr. Secretary? What kind of role do you expect the concessioners to play?

Mr. Regula, would you yield for my question?

Mr. REGULA. Sure.

PUBLIC BENEFITS CORPORATION

Secretary WATT. One of the roles we expect them to play would be to help in the implementation, if Congress would agree, to create a Public Benefit Corporation which could make available to us the money and capital financing of the services—campgrounds and other services that are needed—so people can enjoy parks.

Laurence Rockefeller has made a proposal that this committee, I presume, has been made aware of. You have been made aware of my immediate files; I would hope you would be aware of everything else.

The Public Benefit Corporation would be the beneficiary of some major gifts from Laurence Rockefeller.

The Canille Bay facility is in the Virgin Islands. The Jackson Hole property is at Grand Teton. They are multi-million dollar gifts.

The cash flow and the borrowing capability from this corporation would allow us to go in and build these parks for the benefit of people. Then the contracting of the services would be with the concessioners under strict National Park Service regulations and guidelines.

Mr. REGULA. Is this public service corporation a nonbudget item?

Secretary WATT. It would be a private/quasi-public entity that would be off-budget, so the concessioners and this Public Benefit Corporation would own and operate the facilities.

Mr. DICKENSON. With the features of a revolving fund in there.

Secretary WATT. It would be under the strict control of the Park Service as to upkeep and maintenance.

Mr. REGULA. The initial credit would be that of the Federal Government?

Secretary WATT. No. The credit would be from the assets put into this Public Benefit Corporation from the Rockefeller interest and maybe some of our own facilities. Within the last couple of years, we spent $19 million to acquire the facilities at Yellowstone Park which were not being run as the Park Service felt they ought to be.

Mr. YATES. Who would own the facilities?

Secretary WATT. This Public Benefit Corporation.

Mr. YATES. Under the control of the concessioners?

Secretary WATT. Under the control of that corporation.

Mr. YATES. That is legislative isn't it?

Secretary WATT. Yes, it would require legislation.

Mr. YATES. That is going to the Legislative Committee, and we do not have to worry about that right now.

Secretary WATT. We need to worry about it right now.

Mr. YATES. Tell us why we have to worry about it right now.

Secretary WATT. Because we are making priorities for the allocation of money.

We can no longer afford to allow the Authorizing Committees to increase the burden for financial obligations to this Committee and walk away and act like it is not their responsibility any more.

Mr. YATES. You have to worry about that with the authorizing committee in the first instance. They have to pass the legislation.

Secretary WATT. And they ought to be concerned about paying for what they have authorized.

Mr. YATES. It is still the burden of the authorizing committee. We don't have any control over the Public Benefit Corporation right now.

Secretary WATT. It does not exist.

Mr. YATES. As a matter of fact, I have seen reference to the proposal you have; but I have also seen reference to proposals that were to provide gifts to the National Park Foundation of the Rockefeller properties in Canille Bay or around there, which was a different proposal.

Secretary WATT. Different but the same concept.

Mr. YATES. I hadn't heard it was the same concept. The proposal I saw was to sell it to the National Park Foundation as a pass-through on its way to a sale to the Federal Government.

Mr. DICKENSON. Basically, Mr. Chairman, the idea behind the Public Benefit Corporation is that in a time of fiscal uncertainty it is an alternative to the appropriation process.

Mr. YATES. Where is the Public Benefit Corporation going to get its money?

Secretary WATT. A gift to the corporation.

Mr. DICKENSON. The initial gift of the Rockefellers.

Mr. YATES. We have seen initial gifts not adequate to take care of things.

Mr. DICKENSON. This corporation also would be empowered to borrow from the private bond market, for example.

Mr. YATES. What is the security for it?

Mr. DICKENSON. The security would be the gift asset.

Mr. YATES. Do you mean this concession would be an enclave of private ownership in the park? The concessioner would own outright the concession, rather than the Park Service owning it?

Secretary WATT. They do now.

Mr. YATES. They have a lease.

Mr. DICKENSON. It is owned by the United States.

Mr. YATES. That's right.

Mr. DICKENSON. In the case of the Public Benefit Corporation, they would have the possessory interest currently owned by the United States, as well as the gift which Mr. Rockefeller is proposing.

Those would be the assets of the corporation against which it could borrow.

Mr. YATES. Those would be the assets.

The security then would just be that little enclave of land or do you have other park lands that might be security for this?

Mr. DICKENSON. No, sir. The security would be the assets owned by the corporation.

Mr. YATES. We had better take a look at the total proposal before we make up our minds.

We had better let the authorizing committee look at it too before we pass on it.

Secretary WATT. That is fine.

The point that I think Congressman Regula is making with his questions is that the present system is not working adequately. We need to bring about changes.

ELIMINATING HAZARDS

Mr. YATES. There is no question about that. I either blame the Park Service or this committee—and I'm not sure which yet—for not having provided the funds in previous years to eliminate the hazards you now tell us exist.

I, for one, want to eliminate them as quickly as possible because of the millions of people who use the national parks. They are entitled to travel in safety.

I don't remember anything about hazards before. Whenever there is any question about a hazard to health, this Committee has gone out of its way to provide funds for it—witness the discussion we had with the Fish and Wildlife Service about the possible breakage of their earth dam. We insisted that they come and give us a report on that.

I don't remember the Park Service ever telling us that the water wasn't safe.

I think we can dismiss that by saying that we will take care of whatever expense is necessary in order to keep those National Parks safe for the American people.

Mr. DICKENSON. We have always tried to be completely candid and open with this committee in terms of describing the needs, but there are other factors involved.

For several prior years, it has been difficult under the kinds of ceiling limitations which have been imposed to come forward with those kinds of requests.

Mr. YATES. The trouble is the system—the system by which OMB gives you a certain grant of money and says, you defend that grant of money before the Appropriations Committee and don't tell them anything that they shouldn't know.

As a result of that, Congress has to depend upon a limited knowledge of what the situation is.

When Mr. Stockman was before another subcommittee the other day, of which I am a member, I pointed out to him that that system ought to be changed and that we ought to have the benefit of all the testimony that he at least receives so that we can make up our minds as to how much money, if any, should go to the Federal agency. We ought to have all the information at hand

before we make up our minds on how much money to go out. We don't get that now.

I suspect that much of the information that the Secretary is now coming out with was cut off at the pass by the Park Service under an admonition by OMB not to tell us something that was liable to persuade this committee to put extra money in it.

That has been the fact.

Secretary WATT. I hope that never happens with this Administration.

Mr. YATES. That is happening with this Administration. That is the quality of an OMB imprimatur. They tell you that you have to defend this budget. They tell Russ Dickenson that he has to defend this budget.

I have seen witness after witness come in here. I ask them whether the amount of money that they are asking us for is adequate for their responsibilities; and they will say yes because the OMB has told them that they have to say yes.

Now you are saying the same thing to this committee. You are trying to stay in budget—the budget that OMB has approved.

I don't know how much you asked OMB for yet. I propose to find out during the course of this hearing.

Secretary WATT. I kept chiseling away, trying to get them to lower our budget ceiling.

Mr. YATES. That is what I am afraid of.

I am trying to find out whether you need more than you asked for. It is now coming out that you do need money to protect the health and safety of the American people in the parks.

Secretary WATT. And we have asked for it.

Mr. YATES. You have now asked this committee for it.

Secretary WATT. That is right.

Mr. YATES. I tell you that I do not remember anybody from the Park Service asking us for that before.

Dickenson shook his head in agreement when I told him what I suspected about OMB telling him that he can't tell us about it.

Secretary WATT. That is one reason we had an election in November, and that is one reason that they changed.

We are trying to bring change, because we are not satisfied with the way business-as-usual has been.

Mr. YATES. This is not business-as-usual.

I am trying to find out the facts so that we can take care of the assets that belong to the American people.

Secretary WATT. And you are telling me that I am telling you facts that exist which have not been told to this committee before.

Mr. YATES. Yes.

I am telling you that Russ Dickenson just shook his head in approval.

Secretary WATT. So we have brought change to the system.

Mr. YATES. What you have brought is information. The information you have brought will bring change.

Secretary WATT. However, you said you did not get the information before.

Mr. YATES. The point is that you are telling us that we should put in money only for that situation, and we should not put in any

money for acquisitions, no matter what, except $29 million now for acquisitions.

Secretary WATT. That is my recommendation.

Mr. YATES. Do you mind if we overrule it? A few minutes ago you did mind.

Secretary WATT. I do mind, and I am recommending that you not.

However, I have brought full information to you.

Mr. YATES. We will find that out.

Secretary WATT. It needs to be considered with with full facts. I hope that I am never guilty of bringing less than full facts to you. A lot of the time I do not understand the full facts myself, but I want to share what I can.

Mr. YATES. We hope to correct that.

Secretary WATT. One of the philosophies is that we take care of what we have before we acquire more.

Mr. YATES. That I know about.

DETERIORATION OF PRESENT SYSTEM

Secretary WATT. There is another philosophy that you let deteriorate what you have, so that you can buy more.

I evaluated those two approaches. I sent you a personal letter with the attachment from the Washington Post. That editorial calls for allowing the present maintenance system to further deteriorate while we use money to acquire more lands.

I reject that philosophy. That does not mean it is wrong; it is just not one I prefer.

There would be a third one that we would all desire. That is to quickly repair, maintain, and restore everything and acquire everything today. We do not have that kind of money, so we have to start with priorities.

Mr. YATES. Let us start with priorities.

The priorities are that all the parks in the System should be maintained in a healthy and safe condition.

Secretary WATT. That is my view.

Mr. YATES. Does that include the urban parks as well?

Secretary WATT. Absolutely.

When you review the justification for the $105 million request, you will find that we are asking for money to go to all those parks, including Cuyahoga.

We would not be investing in it if we were going to sell it.

That includes the Golden Gate National Recreation Area.

This Administration is committed to taking care of what it has.

Mr. REGULA. I raised the issue of the separation of powers, because I think that the other side of that coin is that the Executive Branch has a responsibility to us to make their recommendations in terms of priorities. Then we have to sort out the policy questions.

In fairness, I think perhaps this Administration in the Department of the Interior is making a real effort to do that—to say that here are the priorities and here is what should be done, in our judgment. We will have to make the decision whether or not we agree.

I believe that in the past we have not really concentrated enough attention on operation and maintenance, as we call it in the military.

I hate to use the military analogy too often, but we are running into the same thing there. We have bases where we have not taken care of the day-to-day things, because it is not as attractive as building something new.

My question is this.

Do you think that five years will be an adequate time, given the resources that you foresee available to get the system, in terms of operation and maintenance, to a responsible level?

I think it is an optimistic approach, but I am interested in it.

Secretary WATT. I think it is an optimistic approach, but it is a good start.

I would rather get started than study and study just to see how long it might take and how much money. I think we need to pour the money in there and do the job and get on with the work at hand.

Mr. YATES. You had better improve the construction practices of the Park Service before you pour it in.

Secretary WATT. I think that is a proper admonition. That is another change we hope to bring.

I am not afraid of change.

Mr. REGULA. You are really taking a management approach here to say that over a five-year period here is how in a cost-effective way we can accomplish these objectives. That I strongly endorse. We need much more of that at every level of Government. Otherwise you do not use the limited resources carefully.

GARY POST TRIBUNE ARTICLE

Mr. YATES. Mr. Secretary, a few moments ago you wondered why people have the impression you were trying to create a hit list.

I read to you from Mr. Arnett's memoranda, and we heard his explanation. There is also an interview by another one of your employees, Mr. Davidge, which was given to the Gary Post Tribune on December 17 before he became one of your employees.

This is what the article says, if I may read it to you.

Secretary WATT. Is it relevant; is it what I have said?

Mr. YATES. Yes, it is relevant.

Let me read it to you. I think it is relevant.

He said:

In the last three Congresses, the question concerning the Indiana Dunes National Lakeshore. . . .

—and that is of particular importance to those of us who live in Chicago and northern Illinois, because that is one of our great natural places of recreation—

. . . has always been how much it should be expanded.

In the next Congress, at least one lobbyist wants the question to be whether the Lakeshore belongs in the national park system at all.

Ric Davidge, a Washington lobbyist representing a group of homeowners in the Lakeshore area, said Tuesday he plans to meet with congressional aides soon to press for a full-scale examination of the dunes.

It is not a national park. It is not an area of national significance. It is a local park, said Davidge.

Formerly an aide to Senator Ted Stevens, Republican of Alaska, Davidge was instrumental in convincing Senator Malcolm Wallop, Republican of Wyoming, to block a $35 million Lakeshore expansion bill before Congress this year.

Wallop's opposition forced Indiana legislators to remove the major provision of the legislation—acquisition of 652 acres in Beverly Shores—before getting a modified version of the bill through Congress last Friday.

Wallop is expected to become Chairman of the Senate parks subcommittee next year, Davidge said. Tuesday he is hopeful the Wyoming conservative will hold hearings to study alternatives to Federal control of the Lakeshore.

One possibility is for the Lakeshore to be made part of the Indiana Dunes State Park, which is sandwiched between the Federal property, Davidge said. Another possibility would be for a tri-state commission composed of representatives from Illinois, Indiana, and Michigan to manage the park, he said.

In either case, the Federal Government would contribute some funds towards the upkeep of the park, which was created by Congress in 1966.

Davidge, a lobbyist for Homeowners Opposed to Park Expansion, Incorporated, acknowledged Tuesday his ideas are not likely to go anywhere in the next Congress. Even if Wallop warms to the proposal, opposition from the Indiana congressional delegation and powerful members of the House would almost certainly scuttle the plan.

The rest of it is to the same extent of what Mr. Davidge is thinking. Now, of course, I understand he is working with Mr. Arnett.

Mr. Arnett has those statements. These are statements that Mr. Davidge has made.

You have talked about crown jewels as being the classical, old, long-ago founded system of parks, rather than the urban parks.

Those of us who favor urban parks are naturally suspicious of something like this where you have this kind of a background.

I can't escape the suspicion—even though you are now telling us that you don't have such a hit list—that you are also telling us that Mr. Arnett and Mr. Davidge will not be trying to engage in hit list procedures in your administration? Are you telling us that?

Secretary WATT. I am telling you that.

Mr. YATES. Did Mr. Arnett hear that?

Is Mr. Davidge in the room?

Secretary WATT. I do not think he is.

Mr. YATES. Would you convey to him what the Secretary is saying.

Mr. ARNETT. I would be happy to.

Mr. YATES. Now say it, Mr. Secretary.

Secretary WATT. I don't have enough personal energy to come up here and fight you and everybody else about a hit list.

Mr. YATES. You are going to have to.

If Mr. Arnett has a hit list and goes through these procedures and so does Mr. Davidge, they ought to talk to you occasionally and listen to what you are saying.

Secretary WATT. I would encourage them to talk to me.

Mr. YATES. I would too. Get them the message.

PARK RESTORATION

Secretary WATT. What we need to do is focus on the problem at hand, and that is restoring the parks.

That is where I want to focus, and I do not want to be buying a lot more land that we can't take care of. That is foolish and irresponsible. We just do not need that problem right now.

Mr. YATES. May I read to you from your confirmation hearings.

Secretary WATT. I find it exciting reading.

Mr. YATES. I did too, actually.

These are hearings on your confirmation, page 99, before the Senate.

You are asked a question by Mr. Tsongas who is very much interested in the Cape Cod National Seashore. He asked:

Do you view urban parks as equal to the obviously wonderful national parks that we have in the West and to be treated equally?

And you said as follows.

Secretary WATT. I remember what I said.

Mr. YATES. I know you do. I want Mr. Arnett to hear this. Then why do you write memos like that?

Mr. ARNETT. I pulled that memo back, if you will remember. That was my thinking at the time.

Mr. YATES. You pulled it back from me just now too.

Mr. ARNETT. Only because you had it before anyone else.

Mr. YATES. I know.

The point that I am making is that I too want to end this controversy. I think there are more constructive and productive activities that Mr. Arnett could be engaged in than trying to find ways to turn these parks back to the States.

Secretary WATT. I do not expect to be recommending any new parks in the next few years either. I expect to take care of what we have.

Mr. YATES. That is your privilege.

We have these parks now.

Secretary WATT. They need to be taken care of. We are asking for money to restore these parks—even Indiana Dunes.

Mr. YATES. I will try to help you.

Secretary WATT. Do not give me more lands at this time.

Mr. YATES. Don't fence me in.

Secretary WATT. Fence me in.

We are fenced in. We have limited dollars, and we cannot take on additional burdens at this time.

Mr. YATES. Let me read your answer, because I thought it was such a good answer.

Secretary WATT. Thank you.

Mr. YATES. It is such a good answer I think you ought to be reminded of it occasionally.

I think a high priority needs to be given to urban parks, and outlined in our national outdoor recreation plan for 1973 are programs for bringing that about. We need to make parks available to people, and we need to build and develop the types of parks people want. I think I mentioned to you in your office that, while Director of the Bureau of Outdoor Recreation, we gave a heavy emphasis to the legacy of a parks program where we transferred excess Federal properties to local and State governments for urban parks. . .

That is right; you did that—

. . . and made special money available to the States which would commit themselves to an aggressive urban parks program.

We now have these parks. What about transferring lands back to the States. I asked you about that in our last hearing.

Secretary WATT. You did.

We expect to continue making small parcels of land available to local and State governments at every option to help them meet their needs.

As the 1976 law provides, we will sell some land if it is needed for that.

NO HIT LIST

Mr. YATES. I would like to end this part of the conversation with your assurance, as you have given it to this committee, that there is no hit list for any of the parks in the national park system at the present time, and there will not be any hit list. There are no procedures for turning them back to the States, nor will there be.

Secretary WATT. That is correct.

Mr. YATES. With that, I am going to take that for granted that that is your word and that it applies as well to those who are on your staff and in your administration.

Secretary WATT. Did you sneak a phrase in on me that there never will be?

If you show leadership or if other Members of Congress show leadership in wanting to divest——

Mr. YATES. If it is congressional initiative that is one thing.

Secretary WATT. I have an objective which is to gain your support for the President's economic recovery. I am not going to gain that support if I come up and ask to de-authorize Indiana Dunes.

Mr. YATES. That would seem to follow.

Secretary WATT. Does it equally follow, since I am not going to de-authorize Indiana Dunes, that you will support the President's tax cut? I think that follows to, and I will report on that.

Mr. YATES. According to today's paper, even the President is not supporting the President's tax cut. How do you expect me to do it.

The President's tax cut up until yesterday, had been a 10 percent tax cut for three years, under what was known as the Kemp-Roth bill.

As I understand it, the White House is saying that they are now looking at a one-year tax cut. Which of those do you want me to support?

Secretary WATT. The ten-ten-ten.

Mr. YATES. Even though the President does not support it?

Secretary WATT. I have not heard him say that. My agenda is not controlled by the morning newspaper, except when I come up here and look across the table to read your newspaper clippings all upside down.

Mr. YATES. Now we are through with that.

Secretary WATT. Except that you just picked up the Washington Post.

OPENING PUBLIC LANDS

Mr. YATES. Yes, but this is another subject.

Secretary WATT. I guess the Washington Post is going to control my agenda at this point—"Kiss the Old West Goodbye."

Mr. YATES. Didn't you read that article?

Secretary WATT. On the former HEW secretary.

Mr. YATES. No.

Secretary WATT. That is how he hired his kitchen chef. I need to report to you that I have not opened up the Secretary of Interior's kitchen in the Department of the Interior. I lack the political courage.

Mr. YATES. They talk about an Imperial White House. Maybe he was talking about an Imperial Secretaryship. I do not know.

I did not refer to that, although I read that as well.

This says "Kiss the Old West Goodbye," and it is a very interesting article.

Secretary WATT. I have read that.

Mr. YATES. Sure you have.

As I read it, I thought it reflected your attitude—correct me if I am wrong—in trying to find ways of opening public lands to greater development.

I think I heard you say that, or I read about you saying that.

Secretary WATT. Would you like me to respond to that?

Mr. YATES. Sure I do.

Secretary WATT. Yes. I want to open up the public lands to faster development in an orderly manner, so that we can protect the environmental qualities of that land.

Mr. YATES. May I interrupt for just a moment and ask you to define public lands.

Secretary WATT. Those are the lands owned by the Federal Government, excluding the National Park Service areas.

Mr. YATES. That would include the Fish and Wildlife Service and the Forest Service.

Secretary WATT. It would include all the lands that are open to multiple use.

If a refuge or a Park Service area is not open to multiple use, then I am not talking about that. Those lands that are available for use should be used.

Some of our National Park Service areas are open for multiple use, such as dumping garbage on them. Does that get your attention?

Mr. YATES. Well, no; but it ought to get Mr. Dickenson's attention.

Mr. DICKENSON. Those are National Recreation Areas.

Secretary WATT. The Gateway National Recreation Area: I am so glad to have worked this one in. I have been waiting for an opportunity to do this.

Mr. YATES. I must say you are pulling it in by the heels.

Secretary WATT. They were talking about Western lands, but this happens to be in the Western portion of Gateway National Recreation Area, I suspect.

The City of New York gave to the Federal Government lands for inclusion in the recreation area with the understanding that they could continue to use it as a sanitary landfill through 1985.

I can visualize in my mind these big trucks rolling out there and dumping this garbage of New York City in this recreation area.

Now the Mayor of New York City started asking the National Park Service in November of 1979 for permission to drill on the sanitary landfill to capture the methane gas produced by the decomposition of the garbage.

He has had a difficult time getting a response from the Park Service since November of 1979. I have not had a chance to talk to Russ about this. Here is a wasted asset of several millions of dollars that he would like to capture for purposes of New York City.

Where the law allows multiple use, we need to allow it. Where it does not, in a refuge or a park, we should not. Those are the excluded lands.

ENERGY DEVELOPMENT

Back to the West. That article suggests rather strongly that there will be energy development to meet the needs of America. I believe that to be the case.

The question that remains is how and when. It is my strong view that we need to allow for the orderly and environmentally sensitive development of those lands to meet America's needs, so that we can protect the ecological base. We must not build such political, social, and economic pressures that at some time in the future there will be a crash program under a crisis environment that will force the Federal Government to allow the entities to come to my native area and destroy the environment for the benefit of delivering coal and petroleum products and uranium to Chicago, St. Louis, and other parts of the city.

Mr. YATES. Parts of the country.

Secretary WATT. I wanted to emphasize that particularly.

Mr. YATES. I see.

Secretary WATT. I think we can have both environmental protection of our fragile lands in the West and proper development of the energy potential there. It must be done orderly through time and not a crash development.

That article triggers some interesting thoughts.

If we do not move wisely today, we will see the destruction of that West at a future year. It is important for us to manage ourselves properly today.

Why is it of critical importance that we are bringing change to the Department of the Interior?

In spite of what you may have heard about an energy shortage, the policies of the Department of the Interior and the United States Government have provided that there has not been an oil and gas lease made by the Federal Government in the State of Alaska since the mid-1960s. There has not been a major coal leasing program by the Federal Government for the last ten years.

There have been applications for oil and gas leases along the most exciting oil play in the continent, along the Overthrust Belt. They have been laying there for up to ten years.

On our OCS, which has tremendous potential and tremendous promise the Department has allowed only 40 million acres to be available for drilling since 1953.

We will change those things. We will allow 200 million acres in 1982 to be available for industry to see if they can find some Prudhoe Bays, and I hope they are successful.

We will allow and open up Alaska for approximately 100 million acres that will be available for oil and gas leasing activities.

We will accelerate the leasing program on the Overthrust Belt.

We will bring coal leasing to the forefront, so we can have energy.

All of these activities are done with a sensitivity to the environment. We will protect it through time, rather than let the pressures grow that would destroy the ecology of this Western area.

We have a job on our hands, and we must be able to change so that we can have that balance which is so critical.

ENVIRONMENTAL PROTECTIONS

Mr. YATES. What about environmental protections? Must those be changed?

Secretary WATT. We think the law is sound and adequate.

Mr. YATES. As it is now.

Secretary WATT. Yes. We do not propose any amendments to the environmental laws affecting the Department of the Interior.

Mr. YATES. What about a plant like at Kaiparowitz in Utah or the other plants that are proposed there? The effect if coal is burned will be to reduce the air quality of some of our national parks throughout that area. Correct me if I am wrong. Does that make a difference?

Secretary WATT. It makes a difference to me.

Mr. YATES. Would you oppose such a development if in fact that happens?

Secretary WATT. It would depend upon all the impacts and where we were. We would need to look at it.

Kaiparowitz is not a viable option now. Nobody is proposing it.

Mr. YATES. I just used Kaiparowitz because it was said that Kaiparowitz would smudge the air in the national parks.

I know that many Utah people were in favor of Kaiparowitz even though it did that.

I didn't know whether your statement goes that far in this regard.

Secretary WATT. I would reserve judgment to a specific situation when I understand the facts.

Mr. YATES. All right.

As far as National Parks are concerned, you would not open those up as you indicated for energy development.

Secretary WATT. That is correct.

Mr. YATES. If memory serves me correctly, there is one in Death Valley.

Mr. DICKENSON. We have about five parks which have original legislation, Mr. Chairman, but only one is being actively mined.

Mr. YATES. Which are the others? One is Death Valley.

Mr. DICKENSON. Crater Lake has an outstanding mining claim. My recollection is that there is one at Mount Rainier. These are inactive. They have never been active.

The only one we are concerned about in the system now currently is Death Valley.

Mr. YATES. What about the national petroleum reserve in Alaska?

Mr. DICKENSON. It does not impact on any National Park Service area.

Secretary WATT. We hope to start leasing that this winter.

Mr. YATES. Is there oil drilling going on in the Everglades or Big Cypress?

Mr. DICKENSON. At Big Cypress, which is permitted by law.

Mr. YATES. There is a specific exclusion?

Mr. DICKENSON. There is specific legislation permitting drilling in Big Cypress.

Secretary WATT. We will not be seeking to change the law in any of those things. If the law allows it, we will honor it. If it does not, we will honor it anyway. We don't think we need legislative changes.

CONCESSIONER POLICY

Mr. YATES. In the absence of legislation creating the foundation for concession ownership that you just described for the committee? What is your policy toward concessioners? The speech that you made to them became nationally famous. How much control would the concessioners have over the parks? Some of your statements made me a little restive as I read them. You said that Russ Dickenson is not a hold-over.

Secretary WATT. He is a new member of a new team.

Mr. YATES. I thought he was a career employee.

Mr. DICKENSON. I am, Mr. Chairman.

Secretary WATT. He wears several hats.

I tried to emphasize that and demonstrate that we looked upon Russ as a career professional, and we decided we would like to make him one of us. He was willing to become one of us, and he is one of us.

Mr. YATES. How in the world could you ever adopt him? He was part of the system that you complained of.

Secretary WATT. He is brand new. He has not been Director very long.

He is not tainted. He was just there a few months.

Mr. YATES. How long have you been in the Park Service?

Mr. DICKENSON. About 35 years, Mr. Chairman.

Secretary WATT. It is the older ones that bother me.

Mr. DICKENSON. I became Director in May—just a year ago.

Mr. YATES. What position did you hold in 1973?

Mr. DICKENSON. I was the Deputy Director for two and one-half years.

Secretary WATT. That is when I got to know him so well and learned to like him. And it did not take a lot of learning. It was kind of instantaneous.

Mr. YATES. May I refer to your speech?

You say:

> We have a good team. It is a team of people that are committed to bring about change, because we want to involve the private sector in managing our resource space.

What does that mean?

Secretary WATT. It means that we have not been doing a good enough job in the old ways, so we need to be creative enough to think of things—like the Public Benefit Corporation which we talked about earlier. We need to see if we can improve campgrounds and other facilities.

Why wouldn't it be wise to consider allowing a concessioner to run the campground rather than the Park Service.

We are now shutting down some campgrounds this year because we do not have the resources to operate and maintain them.

Wouldn't it be wise to consider the advisability of letting a concessioner run the campground? I would like to think we could consider those options.

Mr. DICKENSON. We are exploring that, Mr. Chairman, in selected cases.

Mr. YATES. I have a feeling that not all of your concessioners were the kind of people you would want running your campground.

Mr. DICKENSON. There is a wide variety of backgrounds and interests and financial and managerial capabilities within that corps. We have over 500 concession permits in total.

On very selective cases, we will explore this.

We have underway with the Conference of National Park Concessioners now a dialogue between National Park Service employees and the concession group to explore that possibility further.

Mr. YATES. We were concerned in 1979 about your relationship to the concessions. As a matter of fact, you were too. Where were you in 1979?

Mr. DICKENSON. I was the Regional Director of the Pacific Northwest.

Mr. YATES. How well did they do out there?

Mr. DICKENSON. We have a very fine group of concessioners there.

Mr. YATES. Look what happenend to Mount St. Helens.

Mr. DICKENSON. Mr. Chairman, that is a Forest Service administration.

Mr. YATES. In 1979, we felt constrained to give the Park Service an increase of 17 positions and an extra million dollars to deal with better concessions, management, and review within the system. How would you describe your concessions management now?

Mr. DICKENSON. It is much-improved by all accounts.

Mr. YATES. And improving?

Mr. DICKENSON. Yes.

The additional personnel for oversight and the kinds of changes that have occurred in the relationships, simply between the National Park Service and the concessioners, through improved administration and the kind of joint planning efforts which we are putting underway, has greatly improved the whole administration.

Mr. YATES. That was 17 positions and a million dollars over the budget, was it not?

Mr. DICKENSON. Yes, sir.

Through that action, we were able to put individual concessions management personnel on-site.

Mr. YATES. I take it that you do not want any funds or any personnel over the budget.

Mr. DICKENSON. We are not asking for any additional.

Mr. YATES. You did not ask for that either did you?

Mr. DICKENSON. No, sir, but it was used to good advantage.

Mr. YATES. Is there anything you could use to good advantage over the budget?

Mr. DICKENSON. No, sir.

Secretary WATT. I told you he was a good team player. He is our man.

FEDERAL ROLE

Mr. YATES. I hope Mr. Arnett is hearing that too.

You go on to say:

I will air on the side of public use versus preservation. I don't believe the National Park System should run urban parks.

You wondered why we worried about you.

Secretary WATT. I cannot believe it. I just cannot believe it deserves the attention you have given it.

Mr. YATES. When I read a statement like that, my antenna goes up.

Secretary WATT. I do not need to belabor it. I have made the point.

Mr. YATES. I am not belaboring it any more.

Secretary WATT. Let me belabor it then in my time.

I recommend you see the National Geographic film on the National Parks—Playground or Paradise.

Mr. YATES. I have seen it.

Secretary WATT. It helps us focus on what the Federal role should be.

As I have said before, we will not be making recommendations for new urban parks under this Administration.

Mr. YATES. All right.

How about other parks—other than urban parks?

Secretary WATT. Not until we get the tax cuts that we need and the economic recovery.

Mr. YATES. With the tax cuts, you are not going to be able to buy a new national park.

Secretary WATT. We disagree with that. I have strong views that we need change there.

Mr. YATES. Take that before the Ways and Means Committee.

Secretary WATT. We need your vote.

Mr. YATES. I do not know for what yet. As I told you, I do not think the White House knows.

Secretary WATT. Fair enough. The committee has not reported the bill yet.

FEDERAL ACQUISITION MORATORIUM

Mr. YATES. Then you go on to say:

Let's put a moratorium on Federal acquisition.

You have done that.

We are going into a freeze, and I'm going to be hard line on that. We are allowing a $45 million appropriation for hardship cases.

That has been reduced now to $29 million.

Secretary WATT. I learned that today.

Mr. YATES. You reduced it this morning.

Mr. DICKENSON. The total is for $45 million.

Mr. YATES. Not for parks.

Mr. DICKENSON. No.

Mr. YATES. The total of $45 million includes the Forest Service, of which he does not have any jurisdiction.

Secretary WATT. That total also includes the Fish and Wildlife Service.

Mr. DICKENSON. And the Bureau of Land Management.

Secretary WATT. Under the Land and Water Conservation Fund, we have limited jurisdiction.

PERSONNEL CHANGES

Mr. YATES. Then you go on to say:

Fortunately, we don't need to look for needed money to provide services to people, because we need an aggressive program with the private entrepreneurs who are willing to invest and manage resources in the national park for people. That is our commitment.

We are going to do several things along that line, and Russ and I have had some preliminary conversations and I appreciate his attitude on this as you folks do. If we need to change personnel under Russ to accomplish a more aggressive concessioners program, we will change the people.

Have you changed any?

Secretary WATT. We are in the process.

Mr. YATES. Of changing park people or concessioners?

Secretary WATT. Probably both, but so far we are just addressing Russ's staff.

Mr. YATES. And some of them are gone?

Mr. DICKENSON. Mr. Buddy Searles who was the former Chief of Concessions Management is now the Associate Regional Director for Operations and Maintenance in Denver. That was a promotional opportunity.

Mr. YATES. I see.

Did he ask for it?

Mr. DICKENSON. Yes, sir; he did.

Mr. YATES. You are going to do dramatic things, and you are going to see further announcements.

I'm told today the magic day is May 21.

Secretary WATT. It should have been May 19, the day I come before you.

Mr. YATES. Why do we have to wait two more days? What is May 21st?

Secretary WATT. It must be Thursday.

Mr. YATES. You say:

I'm told today the magic day is May 21st, because you can't move some career people until after 120 days once you've been sworn in.

Secretary WATT. That refers to the Senior Executive Service.

Mr. YATES. Are any going to be moved?

Secretary WATT. I do not know.

Mr. YATES. Shouldn't we be told about it if they were?

Secretary WATT. That is a personnel matter. We will deal with them.

Mr. YATES. Don't we deal with personnel matters?

Secretary WATT. I would not think you would want to be dealing with some of the personnel problems. They will eat you alive.

Mr. YATES. We have to deal with totals don't we?

Secretary WATT. Yes. I am talking about the human equation. That is what makes management difficult. It is easy to deal with numbers.

Mr. YATES. Then you talk about the public-type corporation.

I'm receptive to anything that will work. We have tremendous biases. We have a bias for private enterprise. We believe concessioners can do the job.

I have biases that lean heavily toward that, and that's why this group becomes critical to us. We do not have a plan of action for concessioners in our park system.

You do not yet; you are looking to the public-type corporation?

Secretary WATT. We think that will be the cornerstone.

Mr. YATES [reading]:

We are tired of paralysis by analysis.

The committee had made the point that if the concessioner did not handle his concession properly, he ought to lose it.

Mr. DICKENSON. We agree, sir.

Mr. YATES. Does it happen?

It did not happen. You had a terrible time getting rid of concessioners who were very bad as I remember.

Mr. DICKENSON. It is difficult, but the principle is sound.

When operations are not conducted satisfactorily, in terms of a contract not met, they could be dismissed.

Mr. YATES. Why don't we go out now for lunch and return at 1:30.

Secretary WATT. I have a luncheon with a group of congressmen. May we come back at 1:45?

Mr. YATES. That would be fine.

The hearing is recessed.

AFTERNOON SESSION

OPENING PUBLIC LANDS

Mr. YATES. The hearing will come to order.

When we last addressed each other the subject was the opening up of the public lands for exploitation, and we agreed I think that the lands other than park lands, as I remember, you intended to open up. Is my memory right? It was park lands that were excluded?

Secretary WATT. Whatever other lands the law prohibits from being subject to multiple use—wilderness, refuge, park lands—should be made available to the public for the intended purpose, and so it is public access that is the issue.

Mr. YATES. Public access in the sense of leasing for mining or for drilling?

Secretary WATT. Or for grazing, or for timbering, or for recreation, or whatever else.

We believe that you can protect the environment and still use the lands.

Mr. YATES. Well, do I have a suspicious mind?

Secretary WATT. Is that a question?

NEW YORKER ARTICLE

Mr. YATES. Well, if you want to reply, you may.

You are the subject of a very long and interesting article by Elizabeth Drew that appears in The New Yorker, which I am sure you have read.

Secretary WATT. I did not quite get finished. It was so boring I could not——

Mr. YATES. Really? I guess it is like beauty being in the eye of the beholder. The question of whether an article is boring is in the eye of the beholder, too.

Secretary WATT. I lost interest.

Mr. YATES. I found it more and more interesting as I went along.

WESTERN RESOURCES

Half way through the article you read something that relates to Senator Laxalt, a very distinguished Senator from the West, who says this—a quote, according to Elizabeth Drew—"Westerners should be more involved in the decisionmaking."

That was not what I had in mind.

Secretary WATT. It must have been a good quote.

Mr. YATES. It was. I will read it but there was one thing here that struck me and it relates to something you said this morning about opening up the West:

> Watt's argument, which he made many times, was that the West held virtually all the Nation's energy resources, and that "because of the actions being taken by extremists to delay or stop the orderly development of energy resources, the Nation is likely to suffer energy shortages and thus severe economic hardship." His thesis was that "when this happens, the politicians in Washington will seize on the crisis and take whatever action is needed to extract energy from the Western States, in order to light and heat the East and to maintain jobs in the Midwest and on the East Coast." He continued, "I fear for our ecology in the West and for our lifestyle. When the economic pressures start strangling the Eastern States due to short supplies of energy, their political leadership will come after our resources."

Is that an exact quote? She says it is.

Secretary WATT. That is the concept that I have been presenting for the last several years.

Mr. YATES. However, doesn't that divide our country into regions? Aren't you building a wall around the West, saying to the East, "Don't you dare come in here and try to take any of our resources away"?

Secretary WATT. To the contrary, this administration is trying to open up the lands for the benefit of the East and is not trying to lock them up so that they are inaccessible to Eastern interests. I feel that we must, with reasonable environmental sensitivities, develop the energy for the benefit of America and not leave it locked up and untouchable.

Mr. YATES. Well, how do you reconcile that with a statement that says,

> When the economic pressures start strangling the Eastern States, due to short supplies of energy, their political leadership will come after our resources.

Secretary WATT. We must not let those short supplies get to an extreme condition that would lead to environmentally insensitive development of these resources.

Mr. YATES. I see. I had a different impression. I thought what you were saying there was that—well, the previous sentence was,

. . . seize on the crisis and take whatever action is needed to extract energy from the Western States, in order to light and heat the East and to maintain jobs in the Midwest and on the East Coast.

I thought what you were saying was, "Don't let them come to the West and do that"?

Secretary WATT. Let's do it in an orderly fashion. That is why we are trying to open up these lands. That is why I have allowed the leasing of Alaska. There has not been a coal lease for 10 years.

Mr. YATES. Now it is good that you are here; otherwise I would have had a different impression of that statement.

Secretary WATT. I feel better coming back from lunch already.

Mr. YATES. Right. That is different. Therefore, you do have a national outlook, that all of the sections of the country are one united Nation.

Secretary WATT. We hope to make them united by managing these lands for the benefit of America——

Mr. YATES. Right.

Secretary WATT [continuing]. And not for special-interest groups or special purposes.

Mr. YATES. All right, then, let's return to the Laxalt quote:

Laxalt said to me recently . . .

—this is to Elizabeth Drew—

. . . Westerners should be more involved in the decisionmaking. That was essentially the situation we had before the 1976 law was passed. Implicit in the old system was the idea that the allocation of grazing lands would be left to Westerners. The 1976 law had the decisions taken over by the activist-type managers in the Interior Department.

We are changing that, aren't we?

Secretary WATT. We are being activists for the benefit of America.

SAGEBRUSH REBELLION

Mr. YATES [reading]:

They made decisions about where there would be grazing, about predator control, about wild horses.

That was their job, though, wasn't it?

Essentially, the same thing is true of mining; by virtue of tremendous withdrawals of land, primarily for wilderness, a great deal of valuable property was being denied for use. The hostility just grew and grew into the Sagebrush Rebellion.

Is that at an end now, the Sagebrush Rebellion?

Secretary WATT. I would hope not.

Mr. YATES. Oh? I would hope it would be. Why would you hope it was not?

Secretary WATT. The spirit of freedom and liberty should reign forever, always questioning the right of the Government to take it from us.

Mr. YATES. Well, what are they taking? What is the Government taking from us?

Secretary WATT. The right to own and manage our properties as we would like to have them managed.

Mr. YATES. Well, when you say "our properties" you mean the national properties, the public properties?

PRIVATELY OWNED FEE LANDS

Secretary WATT. In this particular instance I am talking about privately owned fee lands.

Mr. YATES. Privately owned fee lands? Well, who is regulating them?

Secretary WATT. The Bureau of Land Management has in the past.

Mr. YATES. Private lands?

Secretary WATT. Yes.

Mr. YATES. Tell me how.

Secretary WATT. Well, I have talked to you about this before, perhaps, because it is one of four lawsuits that I had against the Department of Interior in my previous position. I brought it on behalf of 33 Spanish-American ranchers, small, economically marginal ranchers in the Rio Puerco area of New Mexico. These ranchers——

Mr. YATES. Frankly, I do not remember this.

Secretary WATT. I am glad to get a chance to talk to you about it.

Mr. YATES. I am interested, yes.

Secretary WATT. Each of these 33 ranchers had private lands——

Mr. YATES. Right.

Secretary WATT [continuing]. Some of them leased lands from the State, and all of them leased additional lands from the Federal Government.

Mr. YATES. Oh, I see how it works now.

Secretary WATT. Therefore, the Federal Government came in and did their environmental impact statement planning, disregarding ownership. They said, "With regard to these lands and these ranchers, they must be managed in such-and-such a manner, a, b, c, d, e, f, right out of Washington, D.C."

Mr. YATES. In conjunction with the public lands.

Secretary WATT. They said, "If you are going to have the Federal permit, you have to agree to manage your State-leased lands and your privately owned lands the way we tell you to do it."

The foundation that I worked for at the time represented these Spanish-American people. We lost the case at the Federal District Court and I personally argued it at the 10th Circuit Court of Appeals and won the case on behalf of these ranchers because the law clearly prohibits the BLM from dictating how to use private lands and State-leased lands.

Mr. YATES. I would agree with that.

Secretary WATT. That is what Senator Laxalt is talking about, when you have an arrogant Department of the Interior that dictates the use of private and State lands.

Mr. YATES. Well, but the Department of the Interior can dictate how public lands are used.

Secretary WATT. They should.

Mr. YATES. Okay.

Secretary WATT. That is the management responsibility.

Mr. YATES. We are in agreement on that.

Secretary WATT. Well, I am glad. You have to be careful because that makes you a Sagebrush Rebel when you say you agree.

Mr. YATES. Not necessarily. What we are agreeing to is a principle.

Secretary WATT. That is right.

Mr. YATES. If it is a part of the Sagebrush Rebellion, let the Sagebrush Rebel say so but I say private property should be managed by the owner of the private property, by you in this case. You are the Secretary of the Interior.

Secretary WATT. We agree on that.

STATEHOOD LAND ARRANGEMENTS

Mr. YATES. OK [reading]:

It wasn't just administrative turmoil, it was political. If there was one thing that burned Jimmy Carter in the West, it was this.

In 1979, the Nevada State legislature passed a bill, supported largely by miners and stockmen, that called for the turning over of federally owned lands to the States, and in the following year similar legislation was adopted by Utah, Arizona, Wyoming, and New Mexico. Bills to this effect have been introduced in the Congress. Sponsors of such legislation argue that these lands belonged to the States in the first place. Others argue that people who say this have their history wrong—these lands were originally owned by the Federal Government or were given to it as a part of the arrangements for achieving statehood.

Now the latter was my impression, that all the land originally belonged to the Federal Government and that when the States came in, by charter a certain amount was retained by the Federal Government and that is what the Federal Government retains today.

If my memory is wrong on this, please correct me, at no time did the States own the lands that the Federal Government retained at the time the States became enchartered.

Secretary WATT. That is correct.

Mr. YATES. Is my memory correct?

Secretary WATT. That is correct.

Mr. YATES. All right.

Bruce Babbit, the Governor of Arizona, and a Democrat, has said that the instigators of the Sagebrush Rebellion are "ranchers, mining companies, and timber folk—the same old special-interest crowd that has been grabbing for Western land since the days of Teddy Roosevelt."

Would you agree with that?

Secretary WATT. No, I would not.

Mr. YATES. Aren't the people out there going to be looking for these leases?

Secretary WATT. Well, the lands of those small ranchers that I represented are not for lease. They have already been permitted to the Spanish-Americans and there is no economic interest. Those ranchers could not afford to fight the Federal Government. That is why this foundation that I worked for took it on. It had nothing to do with those big interests.

Mr. YATES. Then Ms. Drew goes on and says,

Mike O'Callaghan, a former Democratic Governor of Nevada, has said, "The term 'Sagebrush Rebellion' sounds Western, horsy, outdoorsy, and something any red-blooded, Levi's-wearing Westerner can identify with in good conscience. It is really the opposite. . . . What started out as a series of legitimate complaints against the Federal landholders . . .

—legitimate complaints against the Federal landholders—

. . . has now resulted in an attempted land grab by mining companies, large ranchers, and land speculators and oil companies.

You would not agree with that, either?

Secretary WATT. Absolutely not.

Mr. YATES. Then what is the Sagebrush Rebellion? You gave an example of a lawsuit you had, of——

Secretary WATT. Thirty-three.

Mr. YATES [continuing]. 33 private landowners who were being dictated to by the Bureau of Land Management under an asserted right that inasmuch as they leased BLM lands, the BLM could dictate what these people would do with their private lands, and the court said, "You cannot do that."

Secretary WATT. That is right.

Mr. YATES. Now you gave that as an example of the Sagebrush Rebellion. Is that the extent of the Sagebrush Rebellion, actions of that kind?

Secretary WATT. That is indicative of the type of attitude that too frequently has come out of the Federal Government, limiting the use of the Western areas by the people.

Mr. YATES. Ms. Drew has you referring to BLM as "arrogant". Watt has said,

> The Sagebrush Rebellion helps create the attention on those basic problems which Congress needs to address . . .

—such as what?—

> . . . and that, "it will be my objective to manage these lands as a good neighbor to eliminate that friction and let the Sagebrush Rebellion die because of friendly relations."

Well?

Secretary WATT. It is not dead yet.

Mr. YATES. It is not dead yet? Is it dying?

Secretary WATT. I hope so.

Mr. YATES. Oh? I gained a contrary impression a few minutes ago when you said that you hoped it was not dead, that it was still very much alive.

Secretary WATT. It is very much alive and it needs to continue until we become good neighbors. Then I hope the spirit of the drive for freedom and liberty will always be in the American people. We should never acquiesce to letting the Government take over——

Mr. YATES. Private property.

Secretary WATT [continuing]. Private property and the use of those resources.

LAND LAWSUITS

Mr. YATES. Eminent domain excluded?

Secretary WATT. Eminent domain is too frequently used, in my opinion.

Mr. YATES. Well, you have lawsuits, I thought Russ said he had lawsuits pending over some land.

Secretary WATT. He does.

Mr. YATES. What is it, 10,000 of them?

Mr. DICKENSON. Yes, sir, 10,000 related to the Land and Water Conservation Fund in total, but only about 7,000 in the National Park Service, and we are following the directions of Congress in acquiring that property.

Mr. YATES. OK.

Secretary WATT. I would like to think that we could work out other land management devices so the Department does not have to acquire all of these lands by taking homes away from the owners.

Mr. YATES. I would too because it is much too expensive and time-consuming and confrontational, and I think that is bad.

Secretary WATT. That is right.

Mr. YATES. It is amazing: We are in agreement on some of these things.

Secretary WATT. Well, I think all reasonable men will agree.

Mr. YATES. The problem is, who defines what a "reasonable man" is?

Secretary WATT. I would like to do that.

Mr. YATES. To define, or be one?

Secretary WATT. Both.

Touché. We are about even. I was supposed to win one of these things here.

Mr. YATES. Well, you did win one.

Secretary WATT. Yes, but it has been cancelled out.

SOLICITOR'S OFFICE OVEREMPLOYED

Mr. YATES. All right, let's turn to Ms. Drew again. This disturbed me, and I hope it is not true:

> Shortly after Watt assumed office, he held a series of large meetings with Department employees and told them, among other things, that any of them who were committed to a "single-purpose" use of land should seek work elsewhere. But it is the function of the wildlife biologist and the geologist on the staff to say that if drilling, for example, is permitted in a certain place, an endangered species or a geological formation might be destroyed—to be advocates in a process in which a decision is made further up the line. Now some of these people are fearful of doing their job. Shortly after Watt came in, he fired 51 staff members of the Solicitor's office—the office that gives opinions on how the laws are to be interpreted and helps the Department build the cases that are then brought by the Justice Department against the violators. He explained his action by saying the Carter administration had exceeded hiring levels; Carter administration officials say the levels were exceeded in terms of numbers but not in terms of the budget, and that the firings were political. If the office was too large, some have suggested * * *

I always become suspicious, too, when a reporter uses the words "some have suggested."

> . . . it could have been reduced by attrition. The Solicitor's office, of course, decided on the regulations that Watt challenged in court when he was with the Mountain States Legal Foundation, and that annoy so many ranchers and mining companies. After Watt took office as Secretary, he asked some Interior employees why they did something in a certain way, and was told that they acted in accordance with an opinion issued by the Solicitor's office in 1979. Watt replied that the solution to that was easy—they would just have to get a new opinion. He added that one thing he would insist on was that the solicitors not sit around deliberately misinterpreting the law.

Is that why the 51 were fired?

Secretary WATT. The 51 were fired, as this Committee has known from the hearings that it has held, because that office was overstaffed. The past administration hired too many lawyers. That would cause us to be in violation of the Antideficiency Act by the end of this year and it was critical that we get control of that office and manage it.

Mr. YATES. The Solicitor's office?

Secretary WATT. That is right. The accounts are broken down by each office as your appropriations go.

Mr. YATES. Sure, sure.

Secretary WATT. Unfortunately, those people who were dismissed were innocent victims of past policies that represented a lack of management concern for those people, and we had to follow what I call the civil service rules.

Those civil service rules required that different people be let go, so to try to comply with the law, we did it.

MINING RECLAMATION

Mr. YATES. I read further from the article:

Watt has said that he will seek to release more land for exploration and development. The Department has already taken steps—by getting a new Solicitor's opinion reinterpreting the law—to relax the environmental constraints on oil drilling and mineral exploration on some of the public lands.

Then it says:

These constraints were the subject of a suit the Mountain States Legal Foundation brought against the Interior Department. Douglas Baldwin, Watt's spokesman and longtime friend, told me that "the new regulations will permit exploration even though there will be some degradation of the environment."

I thought you and I had agreed this morning that there was to be no degradation of the environment?

Secretary WATT. I am not sure what regulations we are referring to but if we are talking about mining, we will write the regulations to be consistent with the Act of Congress on mining reclamation. Whenever you disturb the environment there is a degradation of that environment.

Now can it be restored to useful purposes? The answer is generally "yes" and it will be done because Congress has outlined it. We will write those regulations consistent with the law. Unfortunately, now they are so burdensome and far in excess of the law of the land.

Mr. YATES. That is what it says here:

Watt has expressed concern that the United States is not sufficiently aggressive in developing its strategic mineral resources, and has become dangercusly dependent on foreign suppliers.

That is true. Our testimony from the Bureau of Mines has told us that we are very much dependent on foreign suppliers.

He—Watt—has told Congress, "I plan to end unnecessary and burdensome regulations now frustrating America's mineral-development programs." He has called for a minerals policy that involves not simply the establishment of emergency Government action in the face of a nonfuel-minerals crisis such as war, market disruption, or price manipulation but the adoption of policies that protect American jobs and investments, improve our balance of trade, revitalize the Nation's economy, and provide for the security of foreign mineral imports.

That is the end of the quote. I take it that is a correct quote?

Secretary WATT. It sounds very impressive.

Mr. YATES. Yes.

He has told a congressional subcommittee that the Department of Interior must be the "amicus for the minerals industry in the court of Federal policymaking—not as a representative of private mining interests per se but as a spokeman for the very real public interest involved in the protection and preservation of a strong minerals sector."

Is that a correct quote?

Secretary WATT. Yes, it is.

Mr. YATES. Is this where we differ, too?

Secretary WATT. I would hope not.

Mr. YATES. My impression of what I would do personally would be to protect the public interest against possible depredations by the mining industry.

Secretary WATT. We need to create an economic climate and a Government regulatory system to allow a healthy mining industry to exist, so that we can have an improved quality of life and an increased national defense capability. To do that, there is a responsibility to make decisions that will encourage the private mining industry to flourish in America.

Mr. YATES. Okay, but then wouldn't we qualify that to this extent, which is the next paragraph:

"Again, the goal of developing minerals is itself unexceptionable, up to a point. But the question remains of whether it will be done without undue damage."

You agree to that?

Secretary WATT. That is my thrust.

Mr. YATES [reading]:

"With a fair return to the Government."

Secretary WATT. That is right.

Mr. YATES. Okay. We are in agreement on that.

"And with consideration of what would be involved in getting at the minerals."

Secretary WATT. That is right.

Mr. YATES. Well, then, with those qualifications, apparently, then we have to decide how to define "undue damage," don't we? We have to do that. Then we have to define what "fair return to the Government" is.

Secretary WATT. That is why this job is tough.

Mr. YATES. Yes. Well, unfortunately, Congress——

Hello, Ralph. You came in so quietly.

Mr. REGULA. And we are not even on the Cuyahoga.

Secretary WATT. We were just about to bring that up.

Mr. YATES. We can be, if you want to go there.

INTERIOR DEPARTMENT RESPONSIBILITY

Mr. REGULA. Mr. Chairman, I have a query: Did you read or did I hear you correctly, that the Secretary said that the Department should be the amicus for the public interest?

Mr. YATES. No, he did not say that. To the contrary, I said I thought he should be.

Mr. REGULA. I thought I heard you say that.

Mr. YATES. Let me read to you what I said before:

He has told a congressional subcommittee that the Department of the Interior must be the "amicus for the minerals industry".

Mr. REGULA. Go ahead.

Mr. YATES [reading]:

* * * in the court of Federal policymaking—not as a representative of private mining interests per se but as a spokesman for the very real public interest involved in the protection and preservation of a strong minerals sector.

Mr. REGULA. Well, then, if you take the whole paragraph in context it would be amicus for the public interest.

Mr. YATES. Some may interpret it that way. I do not happen to interpret it that way.

Secretary WATT. Well, of course, if you do not then you are putting me at odds with the United States statutes which require me to administer the Bureau of Mines and the U.S. Geological Survey. That is their mission, and I am in charge of those groups.

Mr. YATES. I know, but you are—well, as I understand what that law requires, Congress has given you the responsibility of entering into leases with that sector, of setting aside the lands that may be used for mining, and once having done that, of entering into contracts, leasing contracts with mining companies or mining interests, to use the phrase in here, under which as I understand it you are protecting the public interest in the leasing of that land to the miners?

Secretary WATT. That is correct, but part of the public interest is the mining industry. Therefore, you see that the Secretary of Interior wears many hats. Yes, as some people suggested—and I think others would take exception, the Secretary of the Interior like the Administrator of EPA, is one of the chief environmentalists for the Government. There are other chiefs, too.

I am also the chief development officer for the public lands. I am also the chief of mineral data collection for the Bureau of Mines. I am also the chief for USGS surveying activities. Therefore, I have been given a responsibility by Congress to see that the proper climate exists for a healthy and viable mineral industry, and that is as much a statutory responsibility of mine as it is to preserve some of the other areas under the jurisdiction of the Department of the Interior.

Mr. YATES. I am not sure of that latter. I think I had better read the statute on that.

Certainly when you enter into a lease with a mining company, you protect the public interest in kind of a confrontational relationship with the mining company?

Secretary WATT. Yes. As you read that, you must bear in mind that I have a statutory responsibility to help build this climate for the mining industry in matters beyond public land issues as well.

Mr. YATES. Okay.

Secretary WATT. That is an important point. It is important enough that Bill handed me a note on it.

Mr. YATES. Who is Bill? Oh, Bettenberg.

Secretary WATT. The brains over here.

Mr. YATES. I can see why you lasted.

Secretary WATT. Yes, you bet, and I agree.

Mr. REGULA. That is an indictment of the previous Administration.

Mr. YATES. What is?

Mr. REGULA. Just what you said.

Mr. YATES. Of Bill Bettenberg?

Secretary WATT. No, no. He stayed. The others did not.

Mr. YATES. Yes, yes, he stayed on.

Secretary WATT. Therefore, my role as amicus for the minerals industry in the Federal court of policymaking goes beyond public

lands issues, so I have a bigger role than maybe you have allowed me to have in your opinion.

Mr. YATES. Well, perhaps a bigger role in your opinion than I would have wanted you to take——

Secretary WATT. That is fair, too.

Mr. YATES [continuing]. But that is a matter of opinion.

Secretary WATT. That is fair, too, but I think I would like to drive home this point, that the Secretary of the Interior wears many hats.

Mr. YATES. Like Pooh-Bah in The Mikado.

Secretary WATT. That is right.

LAND EXCHANGES

Mr. YATES. Now we come to a question of your negotiating with the Governor of the State of Utah that she talks about. Utah, like other Western States, is apparently entitled to an exchange of lands.

Secretary WATT. Yes.

Mr. YATES. The way Ms. Drew writes it, I draw an unhappy conclusion—that is why I submit it to you for your reaction—and that is over the question of what consideration is to be given to the value of Federal lands the States are seeking.

The Court held that the lands that are exchanged between the Federal Government and the States should be of approximately equal value. Correct?

Secretary WATT. Yes.

Mr. YATES. Okay. Now it says here:

> Governor Scott Matheson of Utah is engaged in discussions with Watt about ideas that Utah has for overcoming the Supreme Court decision *Utah* v. *Andrus*. And arranging not only for a transfer of the lands in lieu of the original grants but also for a trade of a substantial amount of Federal land for lands owned by the State. Matheson, a Democrat, supported Watt enthusiastically during his confirmation hearings. On February 18, Matheson wrote to Watt enclosing a memorandum, written by the Assistant Attorney General of Utah, that he described as concerning the statewide land exchange program which we discussed in your office on February 8.

Then there is a whole series of paragraphs on what the memorandum contained. The key phrase—and I think you will agree with me that I am not distorting this—goes on to say that value, according to the Utah memorandum, is not a vital Federal interest. I do not agree with that. I think value is a vital Federal interest. Don't you agree with that?

Secretary WATT. Absolutely.

Mr. YATES. Okay, that is fine.

Mr. REGULA. Mr. Chairman, would you yield?

Mr. YATES. Sure.

Mr. REGULA. Is it a consideration in terms of the exchange that there has to be a relevancy? In other words, there has to be some purpose served in addition to just an exchange of value. Is that a key element in any determination of exchange?

In other words, we can add a piece of land critical to a national park in return for giving up a piece of land that might enhance the value of a stakeholding, or does that not enter in as a factor?

Secretary WATT. Well, the Congress has allowed for a variation of a certain percentage to accommodate those kind of issues but

generally, I think the approach ought to be market value for market value.

Mr. YATES. Right. That is what the Court held.

Mr. REGULA. Are you proscribed in these exchanges by any statutory requirements?

Secretary WATT. Yes. I think that the appraised values must be within X percentage or you cannot make the exchange, and I forget what that percentage is but it makes allowances for the point you are trying to make here.

Mr. REGULA. What technique is used to establish these values?

Secretary WATT. You have to have these independent appraisers, certified appraisers, doing the job for you.

Mr. REGULA. Well, would you impose a condition unilaterally that any exchange include an enhancement of a Federal holding?

Secretary WATT. Well, you would not be doing it if you did not think it was advancing the Federal estate.

Mr. REGULA. However, there may be a difference there, though.

Secretary WATT. There can always be a difference because the guy getting it, he figures his estate is being enhanced or he would not be doing it, so it is a tough thing to legislate. However, you would not make a trade if you did not think you were gaining by it.

Mr. REGULA. Gaining by it by enhancing some existing landholding?

Secretary WATT. I would think that you would be adding to a land mass for a purpose.

Mr. YATES. For a purpose, not necessarily—well, it is a very difficult exchange——

Secretary WATT. Yes, it is.

Mr. YATES [continuing]. Because it all depends on what you want that land for. You may be adding a parcel to an already existing development, in which case "value" may not approximate the monetary value.

Secretary WATT. That is right.

Mr. YATES. It is a very tough chore that you have except that I do not like what the Governor has written here, according to Ms. Drew, again.

UTAH LAND EXCHANGES

Secretary WATT. Governor Matheson is pushing for two types of exchanges: Number one, the United States Government still owes the State of Utah some land—200,000 acres, I believe.

Mr. YATES. Two hundred thousand acres?

Secretary WATT. Two hundred thousand acres.

Mr. REGULA. What do you mean, owes them land?

Secretary WATT. Upon statehood, it was understood that the Federal Government would give to the State, in Utah's case, four sections per township for financing school activities.

Mr. REGULA. The old school lands?

Secretary WATT. The old school lands.

Mr. REGULA. Now you said "understood". Was this——

Mr. YATES. Part of the charter.

Mr. REGULA. Was it in the legislation?

Secretary WATT. Yes, it is in the organic act of statehood.

Mr. REGULA. All right.

Mr. YATES. That is the agreement.

Secretary WATT. Therefore, we still owe them.

Mr. REGULA. Well, why would we have gone this long without consummating an agreement of that type?

Secretary WATT. This is why we are having a change of Government.

Mr. YATES. On both, both the State and the Federal Government. I do not think you can say it is the fault of either. It is just that there was a lack of interest over the years. They negotiated sometimes. They could not come to an agreement.

Secretary WATT. All of the answers are correct but there is——

Mr. YATES. They just have not been able to come to an agreement on an appropriate transfer of land.

Secretary WATT. The States have been fighting the Federal Government to get these lands for years and years and years, and there has just been hesitancy because the judgments are tough to make, as the chairman has pointed out, and people lack political courage to make those decisions for fear they will criticized by the Chairman of the Appropriations Committee.

Now the second type of exchange——

Mr. YATES. Incidentally, I found what I was looking for on the Indians, and we will come back to that. Go ahead.

Secretary WATT. The second type of exchange is that the Federal Government did convey to the States those four sections per township in a good number of instances but then you had a checkerboard pattern that caused expensive and inefficient management practices.

Mr. REGULA. For both parties?

Secretary WATT. Yes, for both parties, Federal and State. Therefore, the Governor is saying, "Jim, why don't we work out a deal where we can give back to you those checkerboard school sections and exchange them for some blocked lands?" I said, "It makes good sense to me. Let's see if we can work out a judgment of values for the exchange," and that is where we——

Mr. YATES. Here is what the Governor says—and this is what troubles me but I am sure that you are going to be the watchdog——

Secretary WATT. It will trouble all of us. These are tough, tough decisions. The understanding----

Mr. YATES. He said this——

Secretary WATT. Excuse me, Mr. Chairman. The understanding that the Governor and I are working on is that if we are able to formulate a position that we both feel is fair, it would be such a departure from past conduct that we would bring it to the Congress for ratification, so you will have plenty of opportunities to be involved in this one.

Mr. YATES. Okay, we look forward to that.

Matheson wrote to Watt referring to our telephone discussion last week. He went on to say, I am very pleased that you have agreed to proceed with my proposal to block up State-owned lands in Utah.

That is, to consolidate them.

Through a comprehensive exchange with the Department of Interior. He proposed a speedy schedule for action and said, "I assure you that we are committed making this a successful endeavor and a model for other public-lands States. He also said, It

is important to remember during the process that the question of value is secondary . . .

I do not think that value is secondary. I can understand why the State of Utah wants to get much more valuable lands than it is giving to the Federal Government.

Our responsibility is to provide the Congress with a rational for the final package, not an accounting of dollars or acres. If we proceed as though this is a business-as-usual exchange on a massive scale, the project is doomed.

Well, but as you say, the results of your negotiations with the the Governor will be made available to the Congress for approval.

Secretary WATT. Absolutely. This is another hat I wear.

Mr. YATES. All right. I promised to show you——

UTAH LAND CHARTER

Mr. REGULA. Before we go on, Mr. Chairman, I had a question: In the charter granted to the State of Utah, did it prescribe where the lands would be or does it simply say that they shall be given so many square miles for——

Secretary WATT. No, it specified—and I cannot give you the numbers but in Wyoming we only got two, we always felt short-changed on that, and we got 16 and 36, the 16th section and the——

Mr. REGULA. Well, the numbers I can understand are specified but is location specified?

Secretary WATT. Yes. Out of every township, 16, 36, and then two others, so you do have that——

Mr. REGULA. That is still a fractional part but is——

Secretary WATT. No, no. Excuse me. Congressman, in each township there are 36 sections.

Mr. REGULA. Yes, I understand.

Secretary WATT. You know how those lay out, like a——

Mr. REGULA. Yes, we have the same thing in Ohio.

Secretary WATT. Okay. Therefore, it is the 16th section and the 36th section——

Mr. REGULA. If this is prescribed by the charter and it spells out which section, it seems to me it would have been a very simple thing to just give title to the 16th section in each of these squares, and I cannot imagine——

Secretary WATT. I must be missing something because you made sense with your question. They are still in lieu and they are trying to select them, so they must have some selection policies.

Mr. REGULA. Well, then, the precise——

Secretary WATT. Well, again I am learning. This has been a valuable session for me.

Mr. YATES. Sure. I am glad you came.

Secretary WATT. Stan is telling me that the 16th and 36th sections were a "given" and then the State had the option to select the other two sections. Does anybody want to correct Stan, or is that it?

Mr. REGULA. They have not exercised——

Secretary WATT. They have not exercised all of those selections.

Mr. REGULA. However, the land that they had a right to select from still is in the public domain.

Secretary WATT. Correct.

Mr. REGULA. How long has Utah been a State?

Secretary WATT. Oh, it would be 75 to 100 years.

Mr. REGULA. It just seems inconceivable that this thing has taken all——

Mr. YATES. Really? Arizona came in in 1912, I remember. Utah could not have been much before that, probably around 1900 perhaps.

Had you finished?

Mr. REGULA. I would like to see—do we have the language of this anywhere?

Mr. YATES. This proposal from the Governor?

Mr. REGULA. No, no, the language of the original State charter.

INDIAN GRANTS

Mr. YATES. We have it here.

All right. We had an interchange this morning on Indians. You said some Indians like the block grants, and I said some Indians have told me they do not like the block grants. My impression came from the chairman of the National Tribal Chairmen's Association, Mr. Elmer Savilla.

Secretary WATT. He is a staff employee of that association.

Mr. YATES. Of the National Tribal Chairmen?

Secretary WATT. That is correct. He is not an elected official of any tribe. He is on the staff of that association.

Mr. YATES. They strongly oppose changes in programs for housing, education, fire protection, vocational training, and other needs that are being cut between 25 and 35 percent, which is the truth, 25 and 35 percent.

Secretary WATT. What he said is true.

Mr. YATES. Okay. Let's go back to Ms. Drew.

Secretary WATT. Nancy?

YOUTH CONSERVATION CORPS

Mr. YATES. Youth Conservation Corps, you recommended closing down the program?

Secretary WATT. Correct.

Mr. YATES. If you do not use the Youth Conservation Corps in the parks, don't you have to use others to do the work they do? I am asking this not of you but of Russ.

Mr. DICKENSON. Sir, it has been an extraordinarily useful program.

Mr. YATES. It is not a make-work program, is it?

Mr. DICKENSON. No, sir, it has not been.

Mr. YATES. If you do not have the Youth Conservation Corps, don't you have to get outside——

Mr. DICKENSON. We will have to find other alternatives, yes, sir.

Mr. YATES. Okay, that being true, why do we close it down?

Secretary WATT. In our judgment, the overall program has not been as efficient as would be the use of direct appropriations to the various agencies that use them. YCC and its programs have not been able to establish a very good record for addressing any social problem they really were designed to address.

Mr. YATES. They were designed for two purposes: to address a social problem, to provide the opportunity for employment in a very socially desirable environment. To get the kids out into the forests and into the parks working like that, I think is a marvelous opportunity for young Americans, and as Russ says, they do work that has to be done. It is not just a make-work program like raking leaves or something like that.

Mr. Dickenson, [nods affirmatively.]

Mr. YATES. He is nodding assent. He says, yes, they do good work, so I think maybe you might want to reassess——

Secretary WATT. Well, I have reassessed that. I have looked at it and——

Mr. YATES. All right.

Secretary WATT [continuing]. I am disturbed about the capital commitment that has gone into the programs for the Youth Conservation Corps.

Mr. YATES. It is a large capital commitment but it serves a useful purpose in my book, and I know the Forest Service has told us the same thing. I recently was on Cumberland Island and talked to your superintendent down there. He says they will miss the Youth Conservation Corps, which came from the areas in the South to do work that has to be done, in clearing out the brush and making trails so that the public can really see the island.

Secretary WATT. Any land-managing entity would like to have any kind of help they can get, particularly when it does not have to come through their budgetary appropriations process.

Mr. YATES. That is true.

Secretary WATT. Now I visited——

Mr. YATES. The question is whether it ought to be in the budgetary process.

Secretary WATT. That is right, and we think it should be.

YOUTH CONSERVATION CORPS FUNDING

Mr. YATES. You just got through saying it should not be. I am talking about the budget process for the Youth Conservation Corps.

Secretary WATT. It does not come through the National Park Service budget.

Mr. BETTENBERG. Department of Labor.

Secretary WATT. What?

Mr. BETTENBERG. It is funded through the Department of Labor.

Secretary WATT. Department of Labor and Department of Agriculture.

Mr. YATES. No, no, you are talking about the Youth/Adult Conservation Corps. I am talking about the Youth Conservation Corps.

Mr. BETTENBERG. The Youth Conservation Corps was appropriated this past year to the Interior Department, but it is still not a part of the Park Service budget.

Secretary WATT. It was in the Department of Agriculture.

Mr. YATES. No, it is divided up. It comes through Interior and it is divided up into the various agencies.

Mr. BETTENBERG. It is a separate fund, similar to the Land and Water Conservation Fund, with money——

Secretary WATT. Therefore, the National Park Service never had to justify it.

Mr. YATES. Well somebody justified it. Was it Mr. Bettenberg? Did you justify it?

Secretary WATT. I am suggesting to you it cannot be justified.

Mr. YATES. Well, goodbye, Russ.

Mr. DICKENSON. I was giving a professional opinion, Mr. Chairman.

Secretary WATT. It is a 'gimme" for Russ because it has not cost him anything. I suggest that if we were to give $20 million or whatever share of that YCC program——

Mr. YATES. However, he says that if he does not get that he is going to spend it somewhere else. He is going to spend it for other people to come in and do that work.

Mr. DICKENSON. Or the work will not be done.

CATOCTIN MOUNTAIN PARK

Secretary WATT. Now I have visited some of these facilities at Catoctin, and the massive buildings for camps up there are shocking to me. I just do not believe we should spend that kind of money for a summer work program. I have made my recommendation to the Congress that this is not the best way to spend those monies.

If I were in Russ's position, I would be for anybody that would give me any kind of help that did not come out of my budget, and that is Russ's position.

Mr. YATES. Russ's position also, I take it—or was it Russ's predecessors?—who testified that among the finest construction projects in the parks were those by the Youth Conservation Corps in the old days. What were they called?

Mr. DICKENSON. The CCC.

Mr. YATES. The CCC. They are still in existence, and they are very good, aren't they?

Mr. DICKENSON. That was a different kind of program.

Mr. YATES. In what respect?

Mr. DICKENSON. It was by more mature people, and certainly it was more highly organized and supervised and had a different intent. The Civilian Conservation Corps had a different purpose than we do with the young people.

Mr. YATES. All right.

Secretary WATT. It is interesting to go to Catoctin, where I have spent a couple of weekends. There, the CCC development is still standing and it is a very beneficial program.

Mr. YATES. Is this on the Rockefeller property?

Secretary WATT. No, it is near Camp David, in Maryland.

Mr. YATES. Catoctin?

Mr. DICKENSON. They call it a recreation demonstration.

Mr. YATES. What is the name of the Rockefeller property in New York? Oh, Pocantico. I am sorry, Pocantico.

Secretary WATT. There adjacent to the CCC camp they have a YCC camp at Round Top, and the Park Service is building summer housing quarters. I have not shared this with Russ. He will be surprised to have my views on this; but it is more like a Holiday Inn than a summer camp, tremendous facilities at tremendous expense, to house an ongoing program that does not deserve to be ongoing.

Mr. YATES. We cut one of those out a couple of years ago and would not let it be built. It was in the justifications and passed by OMB.

Secretary WATT. Well, if you were to drive up there with me to Catoctin, you would agree that there were some others that should have been cut out.

WATER SUPPLY

Mr. YATES. Let's turn now to the question of water. Coming from the West, you know how important water is, and all the confrontations.

Did you see the map this morning that appeared in The Washington Post about the drought that we are experiencing? It is kind of scary.

Secretary WATT. Yes, it is.

Mr. YATES. Do you have our supplemental bill report at hand? I want to read something in there. This report talks about the Everglades, for example:

> In the Everglades, great patches of swamp have dried up and alligators have dug holes in the mud tc protect themselves from heat and from fires. One hundred and five acres of the Everglades have been burned out. One fire burned 72,000 acres of the 570,000-acre Big Cypress National Preserve in Florida.

You look at this and you can see the effects of the drought throughout the country. We did not have to look at this in order to know that one of our great, elemental, primary, fundamental problems is going to be a scarcity of water all over the country, and that we ought to be doing something to make sure that we have enough water.

That is why the committee took the position that it did on the Office of Water Research and Technology. We overruled you. I do not know whether you read our report by any chance. I will read it.

> This is in the supplemental bill. The committee recommends the deferral of $3.6 million for the Office of Water Research and Technology, instead of the Administration's proposed rescission of $11.8 million. The committee rejects the proposed rescission because it is based on a termination of the Office of Water Research and Technology and its programs in fiscal year 1982. Our Nation faces an ever-increasing problem of finding potable water and finding methods of reusing water. That is why the committee does not agree with the administration's premise, and expects to recommend continuation of these important water research programs beyond this year.

You know, we were not sure of our position on this, and Ralph will remember this. Concerned as we are over the years on what to do about helping the Nation's water supply, when the Carter administration recommended closing down Wrightsville Beach and Roswell we kept them open, again because we thought the Carter administration was wrong. Subsequently their programs were expanded and they were engaged in very useful research.

Now when you—the Administration—recommended closing these two offices again and closing the Office of Water Research and Technology, we again were presented with the same question: Should the research be continued? The rationale, as we understood the rationale from the Administration, was that the state of the art had progressed to the point where there was no longer any need for Government research or development in this area but that the

companies, the commercial companies could carry on the work themselves.

We called in 12 companies that were engaged in the business of water research, and without exception they said that was not true.

Secretary WATT. How many of those companies had contracts from the Office——

Mr. YATES. Probably all of them.

Secretary WATT. They would be very aggressive advocates for continued funding.

Mr. YATES. They tried to make clear in their testimony that one could draw that kind of a conclusion from what they had to say but they said they hoped that, at least in part, their testimony was being objective. They thought that even if it were closed up, they thought that somebody would have to continue the research. The only ones who could do it, they thought, were companies like Dow or duPont. They were the only ones because they were large, they had the financial resources with which to continue the research on reverse osmosis.

Secretary WATT. This is a commercial process that is being sold regularly.

Mr. YATES. Except that they said that they still have not worked out the film yet, the thickness of the film or the process. They said in some respects it is being sold commercially but that in numbers of respects it is not. For some aspects of brackish water, it is. For sea water, it is not; for salt water, it is not; and for some brackish water, it is not. They recommended the program go forward, and the importance of the program seemed to us to warrant the expenditure of funds.

Secretary WATT. I would urge the committee to reconsider that. From May of 1969 through June of 1972 to have oversight responsiblities for the Office of Saline Water. I have visited Wrightsville Beach and Roswell and Freeport and the other facilities, and I went to Israel and learned of the work that they were doing in this matter.

Mr. YATES. Go ahead.

FEDERAL WATER RESEARCH ROLE

Secretary WATT. I have taken a special interest in the subject of desalinization. Now I find myself coming back to the Department after 8, 9 years to the same responsibilities, and I find that there is not that much significantly different after spending tens of millions of Federal dollars because there is always yet one more innovation—we want to scale up, we want to try new film, we want a new this—it is time that we recognize what the Federal role should be.

Once we have established that a concept is feasible and workable, then I do not see a Federal role and responsibility. It should be turned over to the marketplace. Reverse osmosis is a concept that is old and established and is in the marketplace. Now every year, hopefully, there will be new innovations, new wrinkles, new additions, and it will be improved throughout time, but it is not an unsolved technology. It is not something that is new or novel. It is a proven, established basis and the Federal Government has been creating a sub-industry as they continue to finance these compa-

nies that always think they are looking for this quantum leap that is going to change this thing around.

Mr. YATES. Okay.

Secretary WATT. I feel very strongly on this and would urge the members of the committee not to make those funds available. Did you deny our rescission on just the desalinization or the——

Mr. YATES. It was an $11 million request for rescission and we allowed the rescission for—no. Excuse me. We deferred $3.6 million for 1982 and we kept it open.

Secretary WATT. Is that just for desalinization activity or are we talking about other things as well?

Mr. YATES. We did not allow the rescission for the remaining funds.

Secretary WATT. The remaining funds to be used for?

Mr. YATES. Research.

Secretary WATT. Okay, I would like to address the question of research here.

Mr. YATES. Fine.

Secretary WATT. Tens and hundreds of millions of dollars have been used by the Federal Government to make grants to universities, to make grants for water research, and yet you look today at a map in the Washington Post that points our attention to a serious water resources problem in the years ahead, right now as a matter of fact. And indeed there is a problem.

I am submitting to you that the Federal dollars we have thrown at these water resource projects have not been profitable, they have not been productive. They have not realized a work product that is beneficial for the country, and I think we must focus in on water shortages and the need for storage and carrying capacity in municipal systems, and develop something that will work.

The old way of the Water Resource Council, the River Basin Commission, and OWRT grants has not been successful. It has not been beneficial and should be terminated. Sometimes you have to kill a program so you can give life to something that will work. These programs have not been productive for the country and I urge you not to give us those monies.

Mr. YATES. All right, we will be glad to take your recommendation under consideration. I feel very strongly about it, though, the other way, that something has to be done and if we can expedite this we will be making available, if there is a breakthrough—I do not think that they are commercially feasible now.

Secretary WATT. It might be of interest if your staff would do some research and show you how big that market is today. There is a substantial market.

Mr. YATES. We know it is a big market; it has to have a big market.

Secretary WATT. I mean what is being sold in the marketplace today. I am not talking about potential, I am talking about real.

UNION STATION

Mr. YATES. Let's turn to another subject: What shall we do about the Union Station?

Secretary WATT. Mr. Chairman, do we have to go into this?

Mr. YATES. Don't we have to do something about this? Did you bring Mr. Hite with you?

Secretary WATT. Bill, I do not think you want to volunteer for this one but maybe you really do. Do you want to talk about it?

Mr. BETTENBERG. Let me talk about it just for 1 minute. I cannot give you specific——

Secretary WATT. Oh, I have some great news. I have just been advised. This is the best news I could ever give to the committee. The Senate Commerce Committee, its full committee, voted Friday to adopt legislation to have the Department of Transportation accept Union Station. Isn't that great? That is tremendous.

Mr. YATES. How are we going to pay for the roof?

Secretary WATT. I even have good news on that: The price is not as expensive as it was first thought to be.

Mr. BETTENBERG. In the briefing book that we had for the Secretary, if you turned to the tab for the National Visitors Center it was blank there. The reason is that we had a reprogramming letter in the works. The Park Service has revised the estimate on it downward from the previous testimony. The figure has gone from $8.2 million down to approximately $7.4 million. I hope to send you a reprogramming letter within a couple of days.

Mr. YATES. Well, if it is going to Transportation, should you be paying for the roof?

Mr. BETTENBERG. Well, as I understand it, the——

Mr. YATES. However, it is a long way from Transportation if it is just out of committee.

Secretary WATT. Yes, sir.

Mr. BETTENBERG. We have identified the money in the Department of the Interior, the Park Service.

Mr. YATES. What are you going to take the funds from when you reprogram? The last suggestion was taking it out of the Fort Sumter dock.

Mr. DICKENSON. That was one of the projects, Mr. Chairman.

Mr. YATES. I happened to go down to Charleston and I saw the dock, and there wasn't any doubt in my mind——

Mr. DICKENSON. I understand that.

Mr. YATES [continuing]. That it ought to be a part of the city's development.

Mr. DICKENSON. Without debating the merits of either Broad Street or Fleet Street, we simply cannot accomplish it at this time, and what we are proposing is to reprogram those dollars and then come back and get them——

Mr. YATES. Why can't you accomplish it at this time?

Mr. DICKENSON. Well, the final land acquisition is not completed and there are a number of arrangements related to the parking garage and the dredging which have not been fully consummated. We are just not ready to go ahead with the project yet.

Mr. YATES. Okay.

Mr. BETTENBERG. My understanding is that the Park Service would not be ready to go ahead with the project, actual construction—at which time they would need more money than is currently available—until 1983.

Mr. YATES. How much more would they need?

Mr. BETTENBERG. I do not think we fully know that yet, Mr. Chairman. It may not require all that many additional dollars. There are some engineering and other administrative and management features that need to be worked out, and then we will come back and request these dollars in another appropriation.

Mr. YATES. What would happen if you were to sell that building at auction, for real estate?

Mr. DICKENSON. What are we talking about now?

Mr. YATES. The Union Station.

Mr. DICKENSON. The Union Station? Well, it is certainly a fine historical building.

Mr. YATES. Leaving, of course, a requirement that whoever buys it, uses it—and I am sure they would want to keep it—as a railroad station facility, in measure, because of the people who are using it.

Mr. DICKENSON. The adaptive use of a historic structure is probably a very valid and wise concept and deserving of a look from the appropriate agency.

Mr. YATES. It probably would require legislation anyway. It has been a headache for so long.

Mr. DICKENSON. It certainly has.

Secretary WATT. It really has.

Mr. YATES. It has really been a headache for so long, and I do not know that you will avoid a headache if you transfer it to the Department of Transportation.

Secretary WATT. I will.

Mr. YATES. You have a number of them, haven't you?

Well, we have to do something with it. Right now it is a mess.

Secretary WATT. I am not eager to talk to Drew Lewis about that too extensively. If we can slip this over to him without full knowledge, I am delighted.

FORT SUMTER NATIONAL MONUMENT

Mr. YATES. On the question of the adequacy of funding for Fort Sumter, the report of our committee says:

> The project to construct a dock and visitor facility at an estimated cost of $4.97 million and in 1978 Congress appropriated $5,581,000 to complete the project.

That is the amount, I take it, that is available today and this is the amount you say is inadequate for the purpose.

Mr. DICKENSON. We are not saying that; I am not saying that. You heard Bill Bettenberg say it but we have not completed our——

Mr. YATES. I thought I heard somebody say it.

Mr. BETTENBERG. My understanding was——

Secretary WATT. Let the Director speak for the Park Service.

Mr. DICKENSON. We have not determined fully that there need to be additional funds. The delay is simply because there are these unresolved administrative and management issues that I talked about as well as the engineering aspects.

Mr. YATES. Here our investigative staff was advised that even though a class C estimate was prepared in 1977, NPS expects the original $5.5 million to be sufficient for the project and every effort is being made to award a contract in this fiscal year or in early fiscal year 1982.

Mr. DICKENSON. It should, if the land acquisition aspect proceeds apace, and that is the question mark that we are facing right now. We should be able to resolve the remaining issues very quickly, I think, Mr. Chairman. However, I reemphasize at the present time——

Mr. YATES. There was some question of controversy and dispute. When I was down there——

Mr. DICKENSON. Yes, sir?

Mr. YATES. All the parties were in agreement except possibly the concessionaire. I am not sure of him because I did not get a chance to talk to him but the Mayor, Senator Hollings—I am told Senator Thurmond—and the Park Service recommendation all consider Fleet Street, which is a part of the total park development concept of the city, would be the logical place for it.

Mr. DICKENSON. My predecessor——

Mr. YATES. Oh, yes, and Mr. Arnett? Who is the representative from South Carolina?

Mr. DICKENSON. That is Mr. Hartnett.

Mr. YATES. All right. Have we gone through everything yet?

Secretary WATT. I feel we have.

SEASHORE ADMINISTERING

Mr. YATES. I feel the same way.

In what category do you place units of the National Parks like the Cape Cod National Seashore and the Canaveral National Seashore?

Mr. DICKENSON. The title is indicative, of course, the national seashore.

Mr. YATES. Are these areas you think you should not be administering?

Mr. DICKENSON. No, sir.

Mr. YATES. These are areas you think you should be. What do you think you should not be administering?

Secretary WATT. We are going to administer everything Congress has given us to administer——

Mr. YATES. Good. All right, that is what I wanted to hear.

Secretary WATT. And well, hopefully well. We will improve upon the past record, that is for sure.

Mr. YATES. Where was Mr. Dickenson in all these years?

Secretary WATT. Unfortunately, he was not kept on. He was moved clear out to the Northwest, probably at his own request, after all that good——

Mr. YATES. What is wrong with the Northwest?

Secretary WATT. He liked it.

Mr. DICKENSON. Nothing. It is beautiful country.

Secretary WATT. However, he should have been kept right here running the Park Service.

CONCESSIONAIRE ROLES

Mr. YATES. What role do you see for the concessionaires in the parks? Are they going to operate and man the visitor centers and provide interpretive services, under your concept?

Secretary WATT. We have not addressed those details yet.

Mr. YATES. Well, the parks do it now. The parks do a fairly creditable job on that.

Secretary WATT. They do a phenominally fine job. They hire college students, for the most part, to do a lot every summer.

Mr. YATES. It sounds like you have addressed it, then.

Secretary WATT. It depends on how the money flows.

Mr. YATES. Do I draw a proper conclusion from what I think is your concept, namely that if you turn more of these responsibilities over to the concessionaires that you will not have to appropriate as much money for the administration of the parks?

Secretary WATT. I would like to think that on a campground, for example, we could elect a concessionaire to run that campground and he could collect the garbage, and we would not have to spend as much of the taxpayers' dollars to pick up garbage which benefits those campers. Let them pay for their own experiences in that park.

Mr. DICKENSON. There is one concept, Mr. Chairman, that is sort of central to the whole issue, however: That is, no private enterprise, no businessman can operate in a National Park or anywhere else unless they turn a reasonable profit. If the operation itself is not conducive to profit they cannot stay in the business.

What we have found is that in the National Park campground operational business it is difficult to turn a profit. That was tried several years ago, in the early seventies, but there may well be cases where the times have changed and the volume of business and the other kinds of expenses associated with campground management have changed. That is what we are really exploring now.

Secretary WATT. The point that Russ is making is one that I would like to keep open for us. If you feel that I am trying to be a little evasive on this answer, that is quite correct.

Mr. YATES. No, no.

Secretary WATT. I want to keep our options open. I do not want to pledge to you that we are going to do it this way or that way. We ought to look at each park situation and do what is best for the park.

Mr. YATES. I suppose I better wait and see what you propose but to me, there has always been a marriage of the ranger and the park. The concessionaire came in there, and he was an appendage, an addition who serviced the public but who still was subject to the rule of the parks by the rangers and by the Park Service.

I have a different idea of what your concept is. From what you say that more and more of the responsibilities of running the parks will be turned over to private enterprise.

Secretary WATT. Well, you are quite correct, you need to wait until you see what my concept is.

Mr. YATES. Yes.

Secretary WATT. We are addressing these problems.

Mr. YATES. When will we have your concept?

Secretary WATT. I do not know the answer to that.

Mr. YATES. Will we have it for the 1982 budget?

Secretary WATT. We have already submitted that to you.

Mr. YATES. I know you have but you have not finished your testimony yet.

Secretary WATT. I have not?

Mr. YATES. You have not, and certainly he has not. No, no, certainly he has not. However, we have three days of hearings scheduled on this. We may finish in two, after all the testimony we have had today.

Do you intend to implement this gradually, then?

Secretary WATT. I would assume that——

Mr. YATES. It will not be for the——

Secretary WATT. This season is underway, you know.

Mr. YATES. I know—for the 1982 budget?

CONCESSIONS MANAGEMENT

Mr. DICKENSON. There have been suggestions from one or two different sources, not originated by the National Park Service, that concessionaire employees would be operating entrance stations. Certainly from our standpoint we do not see that, Mr. Chairman. There are too many constraints that are built into the Concession Policy Act of 1965, and the role and function of concessionaires in National Parks is too well-known.

I believe what the Secretary is trying to accomplish here is to try to involve the concessionaires of the National Park Service more in trying to solve some of the public use and some of the managerial problems that are associated with National Parks in recent years. It does not mean trying to usurp the ranger duties or to change the basic nature in which we operate. It is to heighten the involvement and the image of concessionaires in National Park Service operation, the operation of that park particularly, and the need to introduce new venture capital, new capital investment in overnight accommodations and in the other kinds of services which have been the traditional role of concessionaires.

Mr. REGULA. Mr. Chairman, I have a question.

Mr. YATES. Mr. Regula.

Mr. REGULA. Are most of these concessionaires in on the basis of a lease agreement for which they pay a consideration?

Mr. DICKENSON. Yes, sir.

Mr. REGULA. Is the amount of the consideration usually established by some type of bidding arrangement?

Mr. DICKENSON. Certainly a prospectus for any new or renewal services is always offered. All interested parties may bid on that. One of the considerations is the amount of franchise fee which would be offered but that is not the controlling factor.

We look at the kind of business experience and the kind of capitalization that is available, all of the other things that normal, good, prudent business practice would look at. Therefore, the low bidder does not necessarily——

Mr. REGULA. Lowest and best.

Mr. DICKENSON [continuing]. Does not always get the particular operation.

Mr. REGULA. Do you have some element of control, then, or does your agreement with them require a certain level of quality in the day-to-day operation?

Mr. DICKENSON. Certainly. The contract specifies the amount of capital investment required by the private party. It provides for the control by the Federal Government of the nature of services,

the kinds of services to be offered to the public, the prices that can be charged, the length of season—and in many, many cases this is a very short season.

The length of the contract is a feature of this. It is either 10, 20, or 30 years, never beyond 30. All of these are spelled out in a contractual relationship.

Mr. REGULA. Have you examined these contracts since taking office?

Secretary WATT. Yes.

Mr. REGULA. I recall the reason we had to pay $19 million, or whatever it was, on one of the buyouts was that the contract had a clause that was disadvantageous to the Government, that it was not carefully drawn in the initiation. As a matter of curiosity, are you reexamining the draftsmanship or the conditions of these lease agreements to ensure that in the event there is a termination, that we are not at a disadvantage in negotiating a closeout?

Secretary WATT. I have not personally ordered that done.

Mr. REGULA. No, I understand.

Secretary WATT. But, I assume in light of the Yellowstone experience, that has been reviewed.

Mr. DICKENSON. Yes, sir.

PARK PRESERVATION

Secretary WATT. I continue to be amazed at the reaction that the special-interest groups give to this general subject matter. The present system of managing the National Park System is not working well enough, and because it is not working well enough we ought to be courageous enough to figure out and ask the question, why isn't it and what could we do better?

My goodness, you suggest that you do anything different and the special-interest groups howl to you Members of Congress and act like we are going to destroy the thing just because we have asked the question. I think Congress must be willing to address the National Park Service and say, how can we change our present procedures so that we can preserve what we want to preserve, and that is the national park system?

Mr. REGULA. This is the line of my questioning I have no objection to contractual arrangements. I have run across some, both here and on military lands, that were highly unfavorable to the Government because of careless draftsmanship. That is all I am asking, is whether you are examining that.

Secretary WATT. The chairman has been alerted because of different thoughts about campgrounds, about ticket-takers, about this and that as if each one of those areas is a sacred thing that is untouchable. There are so many sacred things that if we are not willing to be leaders and we are not willing to look at the problem and make the necessary changes, we can stand by and watch the special interest groups lead the Park Service right down the tube to destroy the very base that we want to protect. We are not there yet, but we have to make changes to protect it; and we have to be willing to ask the questions.

Mr. REGULA. Your responsibility is to examine every facet of park operation as to what is the most effective way to manage for the benefit of the general public.

Secretary WATT. That is the key.

Mr. REGULA. I am going back to my original statement. If you were an amicus for the public interest then how do you accomplish that, is the key issue.

Secretary WATT. That is right.

Mr. DICKENSON. If I may, Mr. Regula——

Mr. YATES. Is he the amicus or the vicar?

Secretary WATT. I would rather be the friend.

Mr. DICKENSON [continuing.] I believe the situation to which you refer has been addressed, and it has to do with the standard contract language which we are using now with all concessionaires. In the case of an unsatisfactory concessionaire, where you are getting ready to transfer that to another operator or discontinue it, as the case might be, the issue arises as to whether you pay the market value for the kind of interest that remains or whether you pay the book value, the depreciated value.

Mr. REGULA. That is a big difference.

Mr. DICKENSON. That is the issue which we are really addressing.

Mr. REGULA. You should resolve that at the initiation of a contract and not try to resolve it in litigation. It is a question of draftsmanship and that is all I am questioning, whether you are examining those documents carefully. We had a piece of land that the artillery people filled up full of ordinance and then the lease ran out, and so they had to either buy it or else go out there and dig up all the shells. That was a terribly poor arrangement in the lease terms for us, and we had a little bit of that in the Yellowstone situation.

Mr. YATES. Are you through?

Somebody called to my attention an interview you did on CBS on President Reagan's first 100 days, and I just raise it because I am curious about it. It says on that show there was an interview with you and you are shown telling your staff this:

> Let's develop some letters to Domenici and Congressman Yates and some of those people who are trying to jam money down our throats, and show them this example that local governments are willing and able to do the job and we do not need those Federal funds.

What did you have in mind with that?

NON-FEDERAL INVOLVEMENT

Secretary WATT. We need to set the record out so that you can make good decisions under your appropriation process, and that we do not need money for desalinization efforts, for example. That was the center of that subject. We do not need to keep pushing money at those things.

If we can get the information out to you congressmen and your staffs, you can make the intelligent decisions that are needed. We should not force money on problems that do not need money. Throwing money at a problem does not solve it, and we need to get that idea out.

We do not need Federal money for improving and enhancing reverse osmosis and those desalinization things. I believe that so strongly that I think if you got the full story, which I think I have, we would agree on it. I think that you and I could sit down and on

almost all issues, if we could both understand the same body of facts we could reach the same conclusions.

Mr. YATES. However, this certainly does not relate to OWRT because you are quoted as saying that "local governments are willing and able to do this job."

Secretary WATT. Okay. That referred specifically to OWRT.

Mr. YATES. Local governments?

Secretary WATT. Yes. It referred to the Virginia Beach desalting plant. They were then considering—and I do not know that it has been resolved yet—but they were then considering going ahead with their own program. They did not need this money.

Now too often cities sit back and say, "Well, maybe we can get some Federal dollars," and so we keep throwing Federal dollars at them and they do not do their own thing. Here is a city that was considering going ahead without the Federal dollars because they realized that they could do it on their own. The market is there.

Mr. YATES. Well, they were doing it with Federal dollars then.

Secretary WATT. They were considering to vote to go ahead without Federal dollars.

Mr. YATES. Okay. Maybe we ought to—which city is this?

Secretary WATT. This was Virginia Beach.

Mr. YATES. Virginia Beach?

Mr. REGULA. Mr. Chairman?

Mr. YATES. Mr. Regula.

WATER POLICY

Mr. REGULA. Mr. Secretary, have you spelled out yet in any document or policy what you envision as the Federal role in both water quality and supply over, say, the next decade? You have addressed here some of the things that we probably should not be doing—and I am inclined to agree with you—but given the need for some type of policy and given a need to define either the absence or the positive role of the Federal Government, has the Department had an opportunity to address that yet?

Secretary WATT. No, we have not. The Clean Water Act will be coming up for consideration. I have read with fascination the series in The Washington Post which talks about the $30 billion—fill in the blank, however you want to describe it—which some of us saw back then and predicted would happen.

There is a good example where the Federal Government sees a legitimate problem and figures that just by throwing money at it, you are going to solve it. That is why you asked me the question. Thanks for throwing me the soft ball. Money is not the solution to all the problems of the world.

Mr. REGULA. No, I understand, but I think water—both quality and supply—are going to be critical in the years ahead——

Secretary WATT. And costly.

Mr. REGULA [continuing]. And it seems to me that we should define what the Federal role is, if any. I would think that this would be within the purview of your Department.

Secretary WATT. Okay. Now with regard to some dimensions of that issue, we will be developing the principles and standards which will outline the Federal role for constructing storage, delivery, and flood control facilities in the regions across the Nation.

With regard to water quality, that is more specifically the EPA role——

Mr. REGULA. Yes.

Secretary WATT [continuing]. But those two must be worked together, and they have not always been worked together. They go off on a tangent and build multimillion-dollar things that do not work.

Mr. REGULA. It seems to me that as the manager of a third of the surface of the United States, you have to play in an important role in water quality and supply.

Secretary WATT. I think so, and particularly those areas I noted, and so we hope to look at that. In looking at that we realize we do not need further money for desalinization at this time. Obviously I feel strongly on that point.

SENIOR EXECUTIVE SERVICE EMPLOYMENT

Mr. YATES. I gather that.

You mentioned the date of May 21. Will you on that date be firing numbers of people?

Secretary WATT. There is nothing that would give us any authority to fire anybody.

Mr. YATES. What happens on May 21? Why was that date picked?

Secretary WATT. Do you mean with regard to personnel?

Mr. YATES. Yes.

Secretary WATT. You cannot make any changes with the Senior Executive Service people for 120 days unless you want to fire them for cause. That 120 days expires on May 21.

Mr. YATES. That is why I was asking the question.

Secretary WATT. We do not intend to fire anybody. If we had wanted to fire sombody for cause, we would have fired him before then.

Mr. YATES. Right. That is why I wondered about why the date was so important.

Secretary WATT. The date is important because then you can manage what you need to manage, and if someone is an obstacle and is not making the proper contribution to what Russ or one of the other leaders think is necessary, you can move him for the benefit of the public interest.

SNOWMOBILE POLICY

Mr. YATES. Let me ask about snowmobiles. It has been the policy of the parks not to permit snowmobiles, hasn't it?

Mr. DICKENSON. No, sir. We have a policy——

Secretary WATT. Russ, you need to say that loud so that the people in the back of the room can hear it when you say, "No, sir."

Mr. DICKENSON. We have a policy guiding management in evaluating whether or not snowmobiles should be permitted to operate in national parks.

Mr. YATES. Was that your policy last year, too?

Secretary WATT. Yellowstone has one of the greatest programs ever, and I hope to take advantage of it some time. I have not yet, but——

Mr. YATES. I remember Dr. Long taking advantage of it. He went to Yellowstone in the wintertime and he traveled by snowmobile.

Secretary WATT. It is the only way to go and it is a spectacular opportunity for those that get to take it.

Mr. DICKENSON. We have a number of parks in which snowmobiles are used.

Mr. YATES. Parks that have snow.

Mr. DICKENSON. That is correct, sir.

Mr. YATES. I think we have to wait for the concessionaires suggestion.

Section 108 of the Interior Appropriations bill for this fiscal year authorized you to establish an advisory committee to recommend actions to ensure the Nation's Capital area would remain and retain features that make it a beautiful area, and it indicated that up to $75,000 from the appropriation for departmental management could be used to pay expenses of the advisory unit. Has that been appointed, by any chance?

Mr. DICKENSON. No, sir, it has not.

Mr. YATES. It has not? What is happening to the money?

Mr. DICKENSON. We are awaiting the issuance of the required charter by the General Services Administration to perform this within the executive branch.

CANYONLANDS NATIONAL PARK

Mr. YATES. All right.

Again we have our sources, apparently. I have a suggested question, about which I know nothing but apparently about which you probably want to be consulted. It says you got a letter from Mr. Calvin Black, a commissioner of San Juan County, Utah who is dismayed with the refusal of the Park Service to build a road in Canyonlands National Park.

Mr. Black requests that Pete Parry, who is your superintendent, be immediately replaced; that the original plan be brought out and approved, and those in the Service responsible for what Mr. Black feels are undesirable reasons be removed from their positions; and that the county commissioners in southern Utah be consulted prior to the appointment of any superintendent of any of the areas, the State director or the Regional Director.

Is that what you do?

Secretary WATT. I do not know about the latter.

Mr. DICKENSON. Mr. Chairman, the allegation that Mr. Parry unilaterally had the authority to or in fact did make those kinds of decisions, is erroneous. Those are general management planning decisions which in fact preceded the time of his tenure there, and Mr. Parry is a very fine professional who makes every effort to relate to the people of Utah and to the communities. In this particular case I just do not believe that any removal is warranted.

Certainly we would not feel constrained, I think, to clear the nomination of any new superintendent—except on a courtesy basis—with the appropriate groups.

Mr. YATES. I would hope so because you remember—I do not know whether you were present when we had a hearing on the question of the dismissal of one of the superintendents who had received excellent, outstanding ratings from everybody. She could

not get along with a local resident and was threatened with being dismissed until the committee had a hearing on it and brought all these facts out——

Mr. DICKENSON. Yes, sir.

Mr. YATES [continuing]. And everything was settled.

The point of our hearing was that the committee has the belief that there is no group of Federal servants in any agency in the Government better than the National Park rangers. Just as they show loyalty throughout to themselves and to their senior officers, this committee would expect that the senior officers would show loyalty to them as well.

I would think that just because a local commissioner in one of the counties decides that he does not like a superintendent in a park—who as you point out is a good superintendent—we would hope and expect that you sustain the tradition of the Park Service in your relationship with your employees.

Mr. DICKENSON. We would certainly defend Mr. Parry.

LAND AND WATER CONSERVATION FUND

Mr. YATES. The Land and Water Conservation Fund: You froze $42 million for State assistance funds in excess of those amounts that were proposed for rescission, and $29 million for Federal land acquisition funds in excess of $105 million proposed for rescission. Have those funds been released for obligation?

Secretary WATT. Yes, they have.

Mr. YATES. Okay.

Secretary WATT. They really were not frozen.

Mr. YATES. Well, they have been thawed, anyway.

Secretary WATT. Whatever, they have been committed.

ALASKA REGULATIONS

Mr. YATES. No problem with them, then.

What about the Alaskan National Parks and Monuments regulations? Have new regulations been issued yet?

Secretary WATT. No, they have not.

Mr. YATES. When will you do so?

Secretary WATT. We are in the process of——

Mr. DICKENSON. The interim final regulations, should be completed by late summer perhaps, or early fall, Mr. Chairman.

Mr. YATES. That is about all I have.

Secretary WATT. It has been very thorough.

Mr. YATES. It really has not been as thorough as there are lots of other things that we could ask about but these are fundamental issues and we worry about them.

Incidentally, do the parks have to worry about the MX missiles?

MX MISSILES

Mr. DICKENSON. Yes, sir. There is a relationship between the——

Mr. YATES. What position are you taking?

Mr. DICKENSON. We need to be more aware, I think, of what the impact will be before we can react to that, Mr. Chairman, but certainly Capitol Reef and Zion National Parks, and the areas in southeastern Nevada and southwestern Utah could be affected.

ENDANGERED SPECIES PROGRAM

Mr. YATES. What about the endangered species program? There is no money recommended for this; the budget for the endangered species program is in itself an endangered species?

Secretary WATT. No, that is not true at all.

Mr. YATES. Haven't you cut back on that drastically, as I recall?

Secretary WATT. We have cut some money back but not drastically. We hope to make that an effective program. We hope to have it managed so that it accomplishes its objectives of preserving——

Mr. YATES. Oh, yes, I know what it is. That is right. These are the grants to the States that were cut back and I recall that the witnesses testified that they depended on the States for their information and for review of the program. However, that is not your memory of that?

Secretary WATT. We made some cuts in the endangered species program because we seek to have that program administered for the protection of the animals and plant life that are covered by it, and not for the purposes of bringing about social and economic and political purposes, such as stopping economic growth and using it for controlling economic activity and human conduct. We think funds ought to be put only for the real purposes.

Mr. YATES. Give me an example of what you mean by that.

Secretary WATT. Those who would seek to deny a particular development will go out and look for "their snail darter" to accomplish their economic or political or social purpose. We think that is wrong for that Act to be used that way. The monies ought to be used to protect the really endangered species.

Mr. YATES. How did the snail darter get into this?

Secretary WATT. Well, I assumed with your good newspaper reading you had followed the stories——

Mr. YATES. I know about the snail darter controversy but I do not know how that bears on this.

Secretary WATT. Okay. In Appleton, Wisconsin this story was forcefully put forth: There was a group that wanted to develop a shopping center in the outlying area of the town, as I recall, and so the downtown businessmen got together and activated an "environmentalist" group to find "their snail darter" in Appleton, Wisconsin in an effort to defeat the construction effort of those who wanted to build a marketplace.

Mr. YATES. In other words, to go out and look for some endangered species to stop a development?

Secretary WATT. Yes, and that is done repeatedly throughout the country, over and over and over again. I think it is wrong to allow Government employees to use that Act for purposes of advancing social, political or economic interests rather than focusing it on life itself.

Mr. YATES. As I understand that Act, the $4 million that was cut out was under a program which is matched by the States for the preparation of a species recovery plan.

Secretary WATT. One of the criticisms I have received is that we have quit forcing so much money into that segment of the program for listing new species, and that I have shifted the emphasis to building the habitat for the endangered species. I thought if the known species are really endangered we ought to do something

about it rather than spending the money just making the list longer.

It is the same concept within the parks: Are we going to take care of what we know about and have or are we going to just go out and add and add, and let the things that we are supposed to take care of die in the meantime? Therefore, my philosophy is consistent on this. We have to protect what we have in the parks, we have to protect the endangered species, and that is where the money should go.

Mr. YATES. Yes, but shouldn't the money go, too, to find out what other species are endangered?

Secretary WATT. That is right. That is why we have not terminated that program. It is a question of balancing the interests.

ENERGY DEVELOPMENT

Mr. YATES. Yes, but as I understand the Act it is your relationship with the States that provides for the administration of the program and the operation to ascertain and protect endangered species.

Now just one final question: The West is going to be developed. Minerals are going to be developed. Synfuels are going to be developed. Coal is going to be strip-mined. Energy, the Overthrust is going to be developed. The West is going to be one exploding energy area. Right?

Secretary WATT. I hope not.

Mr. YATES. Well, then, again I have a misconception. How will it be done, then? I thought the Overthrust was going to be developed; I thought the synthetic fuel programs for the development of oil shale were going to be developed. There was going to be an expansion of the mining industry, the timber industry, and other mineral industries. I was leading up to my question.

Secretary WATT. However, you put the wrong ending on it. I would like to——

Mr. YATES. Well, you do not like the phrase, "The West will be exploding with energy"? That is what the article I had said. That is the thrust of this article, isn't it? "Kiss the Old West Goodbye"?

Secretary WATT. Yes, and I did not agree with it.

Mr. YATES. "Chewing up the land and its values for defense, energy, or both."

Secretary WATT. This morning I did not agree with it and this afternoon I do not agree with it.

Mr. YATES. All right, then, what——

Secretary WATT. We need to bring on the orderly development of energy——

Mr. YATES. Right.

Secretary WATT [continuing.] So that we can serve the people in Chicago and other cities——

Mr. YATES. We appreciate it.

Secretary WATT [continuing.] Without destroying the West. It can be done. It can be done, if we will do it with care and through time.

Mr. YATES. Okay.

Secretary WATT. However, if we do not begin to do it now, then you are going to have an explosion like that story talks about, so those who would say, "Don't, don't, don't," and throw every legal

obstacle in our road, and deny funding and prohibit sound, environmentally sensitive development, are leading us down the path to a point at which our political process will turn and demand that we develop the energy potential that is there. They will come after it and destroy the ecological base of our West, our quality of life and our way of living out there. We do not want that to happen. We want balanced development.

Mr. YATES. We who live in the Middle West and those who live in the East do not want it to happen, either.

Secretary WATT. Good.

Mr. YATES. Because we consider that we are part of the same country with you.

Secretary WATT. Wonderful. Then let's use those resources for the benefit of people.

Mr. YATES. Right. Let's do that.

Wait a minute, now, you threw me off with that last line.

Secretary WATT. Good.

Mr. YATES. "Use those resources for the benefit of people."

Secretary WATT. People in Chicago. They are people.

Mr. YATES. I agree with that but if you are starting to use those resources, what I am interested in is, to use your phrase, the "orderly development" of those resources——

Secretary WATT. Right.

Mr. YATES [continuing.] And not the sudden and explosive development of these resources.

Secretary WATT. That is what we are trying to avoid.

WATER PROJECTS

Mr. YATES. I was leading up to the question, What are you going to do about water? When you start developing these mining claims and these oil shale developments, and when you begin to have slurry pipelines and you begin to have other kinds of developments, will we have enough water to take care of the farmers? Will we have enough water to take care of the mining developments? Will we have enough water to take care of the oil shale, synfuels developments? Will we have enough water to take care of the forests and of the lands?

In other words, do we have any program in existence or in the making for the orderly development of all of these happenings in the West?

Secretary WATT. No, we do not.

Mr. YATES. It is unfortunate that we do not. What should we do about it?

Secretary WATT. We should build increased storage and delivery capacity.

Mr. YATES. Do you mean more water projects?

Secretary WATT. That is correct.

Mr. YATES. Does this mean you do not agree with the Carter——

Secretary WATT. That is correct.

Mr. YATES. If I use the term "Carter" I know you will not agree with it but with the water programs, does this mean you will approve or recommend approval of a number of the projects that Carter disapproved?

Secretary WATT. I cannot speak to the specifics of those but hopefully, as soon as we can get our economy recovered, we will be coming forth with recommendations for Federal involvement in some projects to provide for greater storage and delivery capability.

Mr. YATES. But why shouldn't we have a program in the making?

Secretary WATT. We should have.

Mr. YATES. We should have, right, but you said there wasn't one.

Secretary WATT. That is correct.

Mr. YATES. How do we go about doing that? Is it your responsibility?

Secretary WATT. It is my responsibility.

Mr. YATES. All right. What are you doing about it?

Secretary WATT. We are trying to get ready to do some studies because for 4 years there has been no activity, there have been no studies and there have been no new starts.

Mr. YATES. Was there activity 4 years before that?

Secretary WATT. Yes.

Mr. YATES. Under President Ford?

Secretary WATT. Yes.

Mr. YATES. What did they do under President Ford?

Secretary WATT. Well, we had some planning activities to study different areas, to see where we should be going.

Mr. YATES. Well, then, we do have a plan. I asked you if such a plan was in being and you said, "No."

Secretary WATT. I am telling you that it has been set back and we do not have an active plan now. I tried to develop——

Mr. YATES. What do we have? If I understand what you are saying, it is that the Carter administration did nothing but the Ford administration did something. The Ford administration does have some kind of a plan.

Secretary WATT. Okay, if you are talking about the 8 years of the Nixon-Ford Administrations we need to—when you just say "Ford" I do not remember——

Mr. YATES. President Ford.

Secretary WATT. Well, I remember him, but I do not remember exactly what——

Mr. REGULA. Use the word "Republican" and then——

Secretary WATT. There we go. That is what I am looking for.

Mr. YATES. The whole room lights up.

Secretary WATT. Yes. It is interesting how intellectual everything becomes when we use the word "Republican."

Mr. YATES. I see. Oh, yes. That is why they cut the arts 50 percent.

Secretary WATT. We knew we could do it without Government support.

Mr. YATES. I know, but tell me, what is in existence? We know there is no Carter program, right, but is there a Nixon-Ford program, a Republican program?

Secretary WATT. When I came on, in the Reagan 1982 budget I wanted to show a new start for a water resources project. There was not one available which met my criteria to ask for funding in the Reagan 1982 budget because the planning activities in the past

few years had been misdirected and we have not been able to get one moving along.

Therefore, we now have to go back and analyze where we are under today's economic situation so that we can make the right decisions for the allocation of these resources, and that is what we are going to be doing in writing the new principles and standards that are the controlling guidelines for water resource projects.

Mr. YATES. Why do you write new principles and standards without a plan? If I understand you correctly, there is no plan in existence. You are writing principles and standards relating to changes in mining regulations, for example, to permit an expansion of mining activity. You have opened up the offshore lands of Northern California.

Secretary WATT. Principles and standards are the plan for the Federal involvement, and that is under——

Mr. YATES. However, that is not the plan.

Secretary WATT. That is the title we give to it.

RESOURCE DEVELOPMENT PLANNING

Mr. YATES. It seems to me you have to have an overall plan, including your mineral developments and your oil developments and your oil shale developments and your developments of water resources, to work out a program for the future relating all to each other.

Secretary WATT. Good point.

Mr. YATES. Yes, and it seems to me just drawing regulations for one of these activities or two of these activities will not do it.

Secretary WATT. Right on.

Mr. YATES. Good. Now apparently we are in agreement. What are you going to do about it?

Secretary WATT. We are going to try to do just what you have outlined.

Mr. YATES. Okay.

Secretary WATT. There is not now a plan interrelating those different issues.

Mr. YATES. How long will it take you to develop such a program?

Secretary WATT. It will take a considerable length of time.

Mr. YATES. Should there be a commission working on this, or should you be working on it yourselves?

Secretary WATT. We elected a man to lead that commission, and his name is Ronald Reagan and we do not need another layer of Government to do that.

Mr. YATES. I am not talking about a layer of Government. I would be willing to accept a group of outside people like the Paley Commission which studied the water resources and which was not a layer of Government. There was also the Hoover Commission, may I point out to you, that had Government and private industry working for reorganization of the executive branch.

The program of the development of the West from a hit-and-miss proposition seems to me to be so very, very important that we cannot talk politics. You cannot give me this business of, "We elected President Reagan to do something like this."

We have to think practically and realistically about an expansion of the—I was going to use "exploitation" but I will use the

word "development"—of the resources of the West, and you are going to be up against a water problem without doubt.

Secretary WATT. Yes, sir.

WESTERN DEVELOPMENT PROBLEMS

Mr. YATES. Oil shale is going ahead and your mining is going to go ahead and oil leasing is going to go ahead, the Overthrust development is going to go ahead. Where is the water to come from? Shouldn't there be some coherent, related program so that if something happens to you, your successor knows what ought to take place? There ought to be some kind of a reasonable viewpoint on this.

Mr. Regula wants to say something.

Mr. REGULA. Mr. Chairman, I talked earlier about the separation of powers, and I think it is a responsibility of this agency to do those very things.

Mr. YATES. I asked him if he was doing it.

Mr. REGULA. I understand that, and they are going to. I think he made it clear that they are.

Mr. YATES. He did not say that. He said that——

Mr. REGULA. Well, didn't I understand you correctly——

Mr. YATES. Did you say it?

Mr. REGULA [continuing.] That you are going to address these overall problems?

Secretary WATT. I think we have to address them.

Mr. REGULA. Absolutely, and that is an executive function. I think that going off with another commission is simply begging the issue.

Mr. YATES. I will accept it. I will accept it if he wants to do it himself.

Mr. REGULA. It is their responsibility.

Mr. YATES. That is fine, but I am not willing to accept an answer saying that that is why we elected Ronald Reagan. That does not say anything. That is partisan, and there has been too much partisanship in this hearing and I do not like it.

What I am trying to do is move a committee that has been outstandingly bipartisan in its attitude toward the problems of the Department of the Interior. I do not know that we have ever disagreed on anything in this subcommittee. We have always tried to come together and Mr. Regula and I have always worked together on this.

I do resent the kind of a fervor that says that nothing that President Carter did was right and everything that you are doing is right. The sooner we arrive at a nonpartisan working basis between all men of good will of both parties, the sooner we are going to get further.

I want a program. I want a program because I want the West to develop in a reasonable and coherent and logical way as much as you do, I hope as much as you do. We ought to have a program that ties in all of these questions and problems.

Mr. Regula?

Mr. REGULA. Mr. Chairman, that is our role. We are the policymakers.

Mr. YATES. No, we are not.

Mr. REGULA. Yes, we are.

Mr. YATES. All right, we are, but they make recommendations. They recommend.

Mr. REGULA. What do we have there? We have justifications. They bring a plan, be it this or something else, to accomplish the goals we are all discussing here today. Then the policy decision is made by the members of the House and the Senate, as it should be under the system of our Government.

Mr. YATES. We are also talking theory. We are up against a very practical problem.

Mr. REGULA. I understand.

Mr. YATES. You look at that map and you look at the West out there, you look at the Overthrust Belt and you look at the offshore of California, you know that—with due apologies or due respect for what the Secretary says—the West is going to explode with activity. I do not think there are two ways about it. That is where the energy is.

You have said that in the articles that I read from. You have said in your article with Ms. Drew that you want to protect the West from exploitation from the East. The people out West are going to—there is no question but that your power companies and your energy companies are going to expand their activities. I do not think there is any question of that.

They are going to try to get more and more leases; they are trying to get more and more development. You are going to try to get more and more water to suit them but I pray that you do not do it on a hit-or-miss basis.

[Secretary Watt nods affirmatively.]

Mr. YATES. I want to avoid that kind of a thing. That is why I think that you have to have somebody working out a program that ties all this together. That is a reasonable approach.

Yes?

Mr. REGULA. You cannot have two departments. They are in charge and we ought to hold their feet to the fire on that issue.

Mr. YATES. Yes, and I am asking him whether he has something like that.

Mr. REGULA. Sure. I think they should.

Mr. YATES. That is a reasonable question, isn't it?

Mr. REGULA. Absolutely. I agree with you.

Mr. YATES. Okay. What is a reasonable answer?

Secretary WATT. Mr. Chairman, I am a little bit surprised, and maybe I owe you an apology. I have enjoyed the banter today; and if it has been partisan, I apologize for that.

Mr. YATES. Well, ask Mr. Regula if it has not been partisan.

Secretary WATT. When I sit here and have to respond to the newspaper clipping and the speeches that you read from, I——

Mr. YATES. Ms. Elizabeth Drew, as I understand it, is nonpartisan. I did not read——

Secretary WATT. She is certainly nonpartisan but the things that you have read, puts me in a little——

I feel that we are having a good time and we are matching wits, and I have enjoyed the good humor you have brought to it. If that has been partisanship, next time I will not have so much fun with it because I do not want to offend the committee.

Mr. YATES. No, I do not like a partisan kind of fun.

Secretary WATT. Okay.

Mr. YATES. I did not poke barbs at you about the President or about anybody else, and I just accepted it up to now but I was very serious——

Secretary WATT. Well, I did not realize that.

NATIONAL PROGRAM

Mr. YATES [continuing.] About the development of the West. I think we do, I suppose really we ought to have a national program but the West is the area that is going to be your primary responsibility. You have the whole country, Interior for the whole country but the West is where your energy outburst is going to be. If you do not like the word "explosion" say "outburst" or "development."

Secretary WATT. That is why we have to bring the orderly program along.

Mr. YATES. Yes.

Secretary WATT. One of the exciting things about working with the Department of Interior issues is that they are not Republican/Democrat, partisan issues. There may be some regional fights, there may be some philosophical fights, liberal/conservative, but they are not Democrat/Republican issues. If I have come across that way today, I owe you an apology. That is not my intention.

Mr. YATES. I do not have your speech to the concessionaires with me but you did use partisanship with the concessionaires. Perhaps they are all Republicans; I do not know. At any rate, you did refer to the fact that you were a Republican.

Secretary WATT. Yes, I did, and that was not what I introduced to this hearing. You introduced that concessionaires situation.

Mr. YATES. I introduced your statement, Mr. Secretary.

Secretary WATT. Okay, and that is why I responded in kind.

Mr. YATES. Okay.

Secretary WATT. Therefore, that is why you misinterpreted it as partisanship.

Mr. YATES. All right. Now let's adjourn on a note of doing something constructive. Can we agree that a program is needed for the tying in of all—you are expanding your program of development.

Secretary WATT. Yes, we certainly can.

Mr. YATES. You said you were going to do that before, you have said it again today, that you are devoted to developing the country's resources, and the development of those resources will take place primarily in the areas where they have not been developed before, and most of that is West.

You have the Baltimore Canyon off the East Coast. You will be looking at that but you will also be looking at the West Coast, and the mining activity and the Overthrust are all in the West, and the lack of water is primarily in the West.

How do I go about suggesting to you that we ought to cooperate in trying to get an orderly program of development? Is this something you can undertake? Shall we put it in our report? Shall we make some funds available to you for the purpose?

Secretary WATT. We think that we have charted an orderly development.

Mr. YATES. Would you put that in the record, your orderly chart of development? Would you put a statement in the record showing this committee what that orderly chart of development is?

Secretary WATT. Okay. There is not a universal plan for which activities should be brought on at which time, nor would I recommend that there be one.

Mr. YATES. Why not?

Secretary WATT. Because I do not believe in centralized planning for all resource allocation, and I do not believe that there should be one Federal or one central—whatever word you want to talk about, I am sensitive about being partisan and I do not want to be——

Mr. YATES. No, no, I am talking about the development of a plan.

Secretary WATT. Okay. I do not believe that there should be one plan developed by a central authority for controlling energy, water, mining activities.

Mr. YATES. That is not what I asked you for. I did not ask you for control by a central authority but what I did ask you for was a plan. Whatever the plan is that you are recommending.

I thought you and I had reached an agreement that there ought to be some kind of a coherent, orderly development of your programming out for the West, coupled with a planning of expanding our water resources.

Secretary WATT. Okay. I think that that will evolve.

Mr. YATES. Without any more? Without any planning?

Secretary WATT. With proper regulation and proper public policy, that will evolve through the marketplace and through State regulatory activities, and through the Federal regulatory activities. I philosophically do not share the view that there ought to be one plan for all those activities.

Mr. YATES. How do you know how one part of your program relates to another, unless you know what all are doing at the same time?

Secretary WATT. We just do not have the——

Mr. YATES. It is like preparing a budget, isn't it? It is exactly like preparing a budget so you know where your money is going to go out. Here you have a program which shows what your developments are and what your requirements are. How are you going to prepare a budget for all this and submit it?

Secretary WATT. We look at the Federal responsibilities in those several activities, and we try to address that.

Mr. YATES. Okay.

Any further questions?

DEPARTMENTAL RESPONSIBILITY

Mr. REGULA. Yes, Mr. Secretary, don't you agree that all of these things are focused in your Department for administrative responsibility: water, mineral development, land——

Secretary WATT. Not really, Congressman, and we can talk about any one dimension and show the failure of the Federal Government to do that. I used to have responsibility for the Water Resource Council. Their idea was to develop all this planning; they had national planning efforts, and they involved the private sector and the State sector, but they could never produce a product that was of any real value to anybody. Hundreds of millions of dollars

were spent on those efforts. We found that dealing just with water, there was not the ability to do effective centralized planning.

Now with regard to who has the control, water quality and air quality have tremendous regulatory control on social and economic activities that will control the development of the West. I do not have control of that. For water resource development, the Corps of Engineers has three times the budget of the Bureau of Reclamation's activities. I do not have control over that and I am not asking for control over it. The States own vast acreages in some of these areas; and I do not have control over the States, so there is no one repository. It is a marketplace of control and regulation.

Mr. YATES. I understand but don't you coordinate with those groups?

Secretary WATT. The answer is, not well, and the history of concerted effort, where Congress has put a substantial amount of money into it, has not been successful.

Now that is disturbing. So in this policymaking area I suggested earlier in the debate that we needed to crank in mining industry issues, and that draws some attention. You have the mining industry, you have the power industry, you have oil and gas, energy, all these things related together, and there is no one central planning authority that is smart enough to regulate all those types of activities.

INDUSTRY ACTIVITIES

Mr. YATES. We are not asking for regulation of them. We are asking for a coordination and a knowledge of what is available: first of all, an inventory of what has taken place, and additions to that inventory as they occur, if your industries are being expanded, applications for expansion in other areas.

How are they going to get the water if you are increasing the activities of all of these industries? Shouldn't we know that the farmers in the West are not going to be deprived of water? In the event that they are threatened with the loss of their water, shouldn't we know that other sources of water are going to be made available to them? You say these things are going to happen.

Secretary WATT. Okay. One of the——

Mr. YATES. What I am asking for is to set down somewhere on paper how this is going to take place.

Secretary WATT. The Water Resource Council tried to do that just with water and was unsuccessful. With regard to doing these——

Mr. YATES. There are 32 Federal agencies dealing with water. That is one of the reasons.

Secretary WATT. Yes.

Mr. YATES. That is right, but nobody has pointed that out. The point is that somebody ought to point out that instead of having 32 agencies dealing with the water problem, perhaps one or two of them ought to be working together as a part of a development plan.

Secretary WATT. With respect to water, I am trying to create an Office of Water Policy to address those kinds of issues, and I do not need the Office of Water Resources Technology. It has not been productive in the past.

Mr. YATES. I suspect that one of these days some enterprising young congressman will come along and file a bill for the appointment of a commission like the Paley Commission to take an inventory—and we do not have one now—of our assets in the West, the developments that are going to take place as they are announced by your office, the existing water facilities that are available which are known, and what else can be made available, and tie them all together so that the country knows where it is going in the field of energy. This has to be done.

Secretary WATT. May I respond to that?

Mr. YATES. Sure.

INVENTORY OF RESOURCES

Secretary WATT. Now I think that I can communicate better, I hope, on an inventory of these resources, not the planned allocation of them but the inventory.

Mr. YATES. I was not talking about any allocation. What I am looking to is how—you are talking about an increased development of the resources we have. What are our water resources? That is an inventory.

Secretary WATT. Okay, if we are talking about inventorying then I can quickly agree with you. The pathetic thing is, we have not inventoried the assets of America.

Mr. YATES. Right.

Secretary WATT. We have a billion acres of Outer Continental Shelf land and I think we ought to inventory those to see what values we have there.

Mr. YATES. I agree with you.

Secretary WATT. I am having a terrible time. The criticism is unbelievable from those who do not want us to inventory those lands.

Mr. YATES. Who is criticizing you?

Secretary WATT. The California delegation, the Governor of California, and the like.

Mr. YATES. They are criticizing the inventory of land? I thought that their criticism was to the opening of those lands for lease rather than to the inventorying of them.

Secretary WATT. I am glad we get to address this because there is a misunderstanding there. We are considering, and have not made the final decision, as to whether or not we ought to give exploratory leases on the lands along Northern California, on the OCS lands. If we decide to grant the leases, and if there is drilling activity, and if the drilling activity finds commercial quantities of gas to be produced, then we must make a new environmental impact statement, we must review the whole decision to see whether or not they can produce what they have found.

All that we are trying to do now is to inventory the OCS lands of America. The program started in 1953. Forty million acres have been made available to industry for leasing activities. Ten million has been actually drilled upon and is under lease now.

I am saying we ought to do the type of things you are talking about, and so——

Mr. YATES. How do we do it?

Secretary WATT. I have a proposal, and it has a lot of statutory hoops to go through, but the proposal is that during the next 5 years we will inventory the one billion acres of OCS land so that we can do some of the planning that you are talking about for inventorying the resources. That does not mean we are going to produce it all. It means we may set some up in Naval reserves or whatever, but at least we could intelligently make decisions.

With regard to the public lands in the West, we do not know the potential of those lands. The lands need to be inventoried, and we need to understand whether we have cobalt, chromium, or manganese. We do not know.

Mr. YATES. Assuming, of course, that you want to open them for mining.

Secretary WATT. Then we could make those kind of decisions——

Mr. YATES. That is right.

Secretary WATT. But right now we do not know whether that resource is there. Now we do know the water availability. We have inventoried that, and we know water supplies. Now how we are going to store and deliver those things is the struggle that we have been involved in several times or for several years.

There has been no effort—and you saw me flinching—to bring together the energy, the minerals, and the water, the impacts on the social and economic structure of the West as we fear. We really do not know what inventories are there to do the planning for the allocation of them. Therefore, I flinched at your suggestion, and I apparently misunderstood that you are talking about the allocation of the resources. If you are talking about inventorying the resources, that is a different issue.

Mr. YATES. Oh, no, I am talking about knowing what we have, which is the first step of knowing how to act reasonably.

Secretary WATT. Again, we agree.

Mr. YATES. We have seen energy development in Rock Hills, Wyoming for example and other towns where it has just completely disrupted the social life of the community. That perhaps with some kind of an understanding of what development may bring, together with the inventory, reasonable men may develop a program for protecting the country's resources and the communities.

Secretary WATT. It can be done. I would like to give you a success story on how it has been done. In my home town of Wheatland, Wyoming—we had the sad experiences of Rock Springs that you mentioned, and Gillette, Wyoming, which were boom oil towns and coal towns—my home town of Wheatland, Wyoming has 2,000 people.

They brought in a huge coal-fired generating plant to be built there, and it required the building of a small dam, the hauling of coal from the Gillette area. Local people with local and county government officials got together with the company interests and with State interests and with the labor unions and they all worked together. They developed a plan for the social order of that development, without much of any Federal involvement, by the way. It was a beautiful situation.

The company came in and prepaid its taxes. The company built a grade school and leased it, and at the end of 20 years it will be given to the school district of the little town of Wheatland. They

built a home development. They built the sewage plant to handle the waste from the new homes that were also being built. It was a beautiful success story because local people got together with the private sector to meet the needs of the community. That can be done, but we must inventory the resources first.

Mr. YATES. That is fine.

Secretary WATT. That is what we want to do.

Mr. YATES. Thank you, Mr. Secretary.

Secretary WATT. It has been fun.

WEDNESDAY, MAY 20, 1981.

NATIONAL PARK SERVICE (Continuation)

WITNESSES

RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE
IRA J. HUTCHISON, DEPUTY DIRECTOR, NATIONAL PARK SERVICE
NANCY C. GARRETT, ASSOCIATE DIRECTOR, ADMINISTRATION, NATIONAL PARK SERVICE
DR. RICHARD H. BRICELAND, ASSOCIATE DIRECTOR, SCIENCE AND TECHNOLOGY, NATIONAL PARK SERVICE
STANLEY T. ALBRIGHT, ASSOCIATE DIRECTOR, MANAGEMENT AND OPERATIONS, NATIONAL PARK SERVICE
C. BRUCE SHEAFFER, DEPUTY BUDGET OFFICER, NATIONAL PARK SERVICE
DENNY GALVIN, MANAGER, DENVER SERVICE CENTER
BILL BETTENBERG, DEPARTMENTAL BUDGET OFFICER
JOHN COOK, REGIONAL DIRECTOR, ALASKA REGION
JIM TOBIN, REGIONAL DIRECTOR, PACIFIC NORTHWEST REGION
HOWARD CHAPMAN, REGIONAL DIRECTOR, WESTERN REGION
BOB KERR, REGIONAL DIRECTOR, SOUTHWEST REGION
LORRAINE MINTZMYER, REGIONAL DIRECTOR, ROCKY MOUNTAIN REGION
JIM DUNNING, REGIONAL DIRECTOR, MIDWEST REGION
STEVE LEWIS, ACTING REGIONAL DIRECTOR, NORTH ATLANTIC REGION
NEAL GUSE, ACTING REGIONAL DIRECTOR, SOUTHEAST REGION
JIM COLEMAN, REGIONAL DIRECTOR, MID-ATLANTIC REGION; AND
JACK FISH, NATIONAL CAPITAL REGION

INTRODUCTION OF WITNESSES

Mr. YATES. The hearing will come to order. This is a continuation on the hearing on the budget for the National Park Service for fiscal year 1982.

We are missing some of the people who were here yesterday. We are missing Mr. Watt and Mr. Arnette. But we do have Mr. Dickenson, who is the Director, and Mr. Hutchison, who is Deputy Director.

We are glad to see both of them here.

Ms. Garrett, I am glad to see her here. Mr. Briceland, sure, I remember you. Dr. Briceland, excuse me.

Mr. Albright at the end there and Mr. Sheaffer.

Where is Mr. Bettenberg? There he is.

Mr. DICKENSON. Mr. Chairman, we also have our regional directors here, as we have in the past. If you like, I would be glad to introduce them.

Mr. YATES. I would love to meet your directors. Are these the new regional directors, or the old ones?

Mr. DICKENSON. Some are new. You will be interested, I think, to see what these young new regional directors look like.

Jack Fish.

And John Cook. Howard Chapman of San Francisco.

Mr. YATES. I remember Howard Chapman very well.

Mr. DICKENSON. Jim Tobin of Seattle.

Mr. YATES. I remember Mr. Tobin, too.

Mr. DICKENSON. Lorraine Mintzmyer of Denver.

Mr. YATES. I remember her, too. She is the only woman I remember.

Mr. DICKENSON. Bob Kerr from Santa Fe. Jim Dunning from Omaha. Jim Coleman from Philadelphia. Neal Guse, who is acting Regional Director at Atlanta.

Mr. YATES. I remember his name because I went to the Southland so many times.

Mr. DICKENSON. And Steve Lewis, acting Regional Director at Boston.

All of these are very fine National Park Service professionals, Mr. Chairman.

Mr. YATES. What does Mr. Lewis do, the Cape Cod National Seashore?

Mr. DICKENSON. Among other responsibilities.

Mr. YATES. For how long is he going to have that?

Mr. DICKENSON. He is acting now.

Mr. YATES. I don't mean acting. How long is Cape Cod going to stay in existence?

Mr. DICKENSON. Forever, sir. Forever.

Mr. YATES. I mean as a national seashore. Yesterday we put your statement into the record. Did you have anything you wanted to start out with this morning, or did you want to just go with it?

Mr. DICKENSON. Mr. Chairman, if you would permit me, I would like to highlight a few things for your consideration.

Mr. YATES. All right. I want you to highlight particularly the assertions, the charges that GAO made with respect to the health and safety of the parks.

Mr. DICKENSON. I will be glad to do that.

Mr. YATES. I want you to address yourself to that. And I want you to address yourself to the budget for taking care of those conditions, if you will.

GROWTH OF THE NATIONAL PARK SYSTEM

Mr. DICKENSON. Certainly, the past few years, Mr. Chairman, have been a period of unprecedented growth for the National Park Service. With the addition of the 10 new areas in Alaska, it more than doubled the number of acres under National Park Service management totally.

We are now in the neighborhood of 80 million acres. The system has grown to include 327 areas.

During calendar year 1980, the number of recreation visits to the National Park System alone totaled 220 million recreation visits. That is a 3.4 percent gain over the preceding year.

Mr. Chairman, I think that one of the major assets of the National Park System today is the number of outstanding employees that we have serving the System and the American people.

Mr. YATES. Right.

Mr. DICKENSON. They are highly motivated; they are highly dedicated to the purposes of the national parks, they work for more than money.

They contribute overtime. So it produces, in toto, an outstanding National Park System. This has been admired and used as a model around the world for the various countries to build their systems on.

Yet, we are in trouble today. The System is in trouble. I think there are about four or five reasons that I would like to share with you today.

Mr. YATES. Okay.

TROUBLE SPOTS

Mr. DICKENSON. I think the principal ones are that the continual expansion of the System over the past 20 years has gradually directed funds away from the established areas toward the newly authorized areas.

During that period, the 20-year period, 145 new units have been added to the System. And to bring that a little bit closer to home in terms of simply funding, during the past three years, since 1978, 39 new areas have been established, alone.

In terms of dollars, what has been spent on those 39 new areas in the last three years, is $171 million, which would include land acquisition, operations and construction.

Mr. YATES. Would this include Redwoods?

Mr. DICKENSON. No, sir, it does not. You add $300 million for Redwoods. That comes up to $471 million in the last three years.

Secondly, the competition for resources within this greatly enlarged System is very keen. It is most pronounced, however, in the case of the recently added urban parks, versus other kinds of areas.

While the visitation to those new urban national recreation areas is very high, so, too, is the cost of operating those in comparison with other kinds of areas.

Mr. YATES. Can I stop you on that point?

Mr. DICKENSON. Yes, sir.

OPERATION COSTS AND VISITS

Mr. YATES. How much more does it cost to operate the urbans than the classics?

Mr. DICKENSON. Well, in terms of an area like, let's take Gateway National Recreation Area.

Mr. YATES. Gateway would be the most extreme, wouldn't it, really, because of the numbers of people that go there?

Mr. DICKENSON. I think it is certainly an extreme. This is one end of the spectrum.

Mr. YATES. It is right in the middle of a huge population mass.

Mr. DICKENSON. That's correct. In terms of Gateway National Recreation Area, we are talking about a $10 million operation at the present time.

At present, it has about 9 million visitors. In contrast, Golden Gate is running about $7.5 million; Cuyahoga, $1.5 million.

If you want to contrast those with the kinds of parks we have represented by Grand Canyon, Yellowstone or Yosemite, you will find that Yellowstone, in terms of operations, runs $10 million. Yosemite is $8 million; Grand Canyon, $6 million; Great Smokeys, a little over $5 million; Independence National Historical Park, almost $5 million.

Mr. YATES. I think, too, the justification shows very graphically what you are telling us.

Mr. DICKENSON. That's correct.

Mr. YATES. Justification pages 80 through 91. What you have omitted to tell us, the justification tells us.

That is, numbers of employees that you have at each of these establishments.

Mr. DICKENSON. Another indication is, if you add up the five or six fairly recently established areas that fall in the National Recreaton Area category, for example, you will find that that budget takes something like 8 to 10 percent of the total.

Mr. YATES. What you haven't mentioned is something like the George Washington Memorial Parkway. Is that something that the Park Service should have jurisdiction over?

Mr. DICKENSON. I think there was every justification in the world back in the 1930s when that concept was born and when it was placed in our jurisdiction, Mr. Chairman.

Mr. YATES. Why was it placed in your jurisdiction, then?

Mr. DICKENSON. Simply because of the National Capital Planning Commission's relationship with the National Park Service, and the assumption of new responsibilities in 1932 for the Service.

In today's world, you have to look very carefully at whether or not that should be under the auspices of the National Park Service.

Mr. YATES. What about the Natchez Trace, that doesn't relate to the Service?

Mr. DICKENSON. That follows an old Indian trail which ran from the Kentucky-Tennessee area down toward the Gulf Coast. So it commemorates the——

Mr. YATES. I suppose that is the reason. Go ahead.

PHYSICAL PLANT OF THE PARKS

Mr. DICKENSON. Fourthly, Mr. Chairman, the physical plants in many of the older popular park areas are deteriorating. Visitor facilities, lodging, visitor centers, roads, bridges, campgrounds in a number of the old-line parks were built 40 years or more ago. Many have reached the point where patching and minor repairs were no longer maintained in acceptable standards, and many do not meet current fire, health and safety codes.

I think there are two aspects to the parks I would like to comment on. Certainly one is the unique natural and historical values and characteristics of parks.

These are the features for which parks are established. I would like to say, Mr. Chairman, that this aspect of the parks is solid, intact, they are being protected, perpetuated.

These are the things that people come to see, to be inspired by.

The second thing is the physical plant, the infrastructure of the parks. Yesterday's testimony by the Secretary and much of our discussion yesterday concerned that second aspect, that part of the

parks which deal with facilities, either administrative facilities, or those which serve the public.

I don't think that we have a crisis in terms of the maintenance of that infrastructure. But the signals and the signs are very clear that we need to devote some additional attention to it.

That is what GAO has told us.

Mr. YATES. Additional attention to what?

Mr. DICKENSON. To the maintenance of the infrastructure of the national parks.

Mr. YATES. That is the parks themselves. When you talk of infrastructure, I think of that as part of the foreign aid program. I don't think it is part of this. Are you talking about the parks, the actual physical property itself?

Mr. DICKENSON. I am trying to make the distinction for you, Mr. Chairman, between the physical plant which serves visitors, and which aids us in administration, which is called the infrastructure: The sewer lines and the water lines and the buildings and the roads and the trails, versus the kinds of natural values and historical values which are intact and are not being harmed.

So I think the American people and everyone should clearly understand that the parks are safe.

Mr. YATES. All right.

Mr. DICKENSON. The heightened recognition and concern over the kinds of environmental changes that are occurring are going to require some additional attention, as well.

These are the kinds of developmental——

Mr. YATES. I am afraid so.

Mr. DICKENSON. Air and water quality changes.

Mr. YATES. Under the new expansion programs, I meant to ask the Secretary more questions, but I asked him so many.

INFLATION—A CONCERN

Mr. DICKENSON. Finally, on my list of things that I think that are important to be concerned with is inflation, the kind of pay-increase costs which we have had to absorb through our regular operations, and the ongoing energy costs which keep getting higher and higher. And the start-up costs for those new areas.

Those are the principal factors, I believe, that have impacted our ability to try to manage the parks at a reasonable standard.

My concern is that we have had to close some aspects of our operation, to adapt, modify, through changed financial circumstances simply because the costs are outrunning our ability to manage them like we used to.

Our concern is that, for many people, a visit to a national park can be a once-in-a-lifetime experience. I think the American people have every right to expect that when they have an opportunity to come to a park, it will be safe and convenient and comfortable, and that they can count on that.

They have in the past. I think they should in the future. The National Park Service commits itself to that principle.

But it is getting difficult under the present circumstances.

Just to summarize some of the things I have mentioned here this morning, the total acreage of the system has doubled. The visitation to the system in the last 20 years has quadrupled.

CHANGING PATTERNS

The kind of congestion and overuse in some parks continues because the difference between the 1979 visitations and 1980 visitations increased 3.4 percent, despite the fact that we have had an adjustment in the way people arrive at parks, in the way that people are seeking access to parks.

Between the mid-1950s and today, we have seen smaller cars come on the market. We have seen virtually an end to the kind of vacation patterns which affected parks since World War II.

The typical two-week family vacation, 10,000-mile circuit of the great parks of the West is virtually at an end.

The cost of gasoline keeps the family car close to home. People are choosing different kinds of recreation objectives.

But parks, national parks, are still primary vacation and destination objectives. They are being reached increasingly through a different kind of form.

That is in the domestic tour market, this is the organized tour group. Every park, every major park is increasingly faced with hundreds of buses arriving during the summer now.

This is the way that people are increasingly choosing. And why is that? It is more economical. It is because there is an initiative on the part of the domestic tourism market to target specific parks as attractive destination objectives for the people.

Increasingly, the international tourism market is doing the same thing. This is on a deliberate commercial, strategically planned sort of operation in which Grand Canyon, Yellowstone, Yosemite, other highly known, internationally known parks, are targeted for international tourism.

And you go to the Grand Canyon in the month of August, and you will readily see what I am saying, because today almost 30 percent of the total visitation to the Grand Canyon National Park in the month of August is Japanese.

We have seen this increasingly, tremendous implications of the way we operate national parks in the United States today and the way we handle our interpretive program.

Although there are many, many benefits flowing from international tourism, in terms of the balance of payments those are mighty fine dollars flowing into the United States. But it does set up a kind of competitive situation in which we have Americans, who are free in the summertime and who choose to go to the big western national parks, for example, competing for available space and for available activities with international tourism.

So it is much on our mind, and something we will be dealing increasingly with as this trend continues.

A PERIOD OF CONSOLIDATION

I would like to suggest, Mr. Chairman, and I think the Secretary at least hinted at it yesterday, that the National Park Service is very much in a period of consolidation and improvement.

I say that in terms of simply consolidating the tremendous gains which have been made over the past few years on behalf of the American people in attempting to round out the park and recreation estate.

We are going to devote increasingly our efforts toward doing a better job of managing and maintaining the park area.

The Secretary has told us that the Government must manage appropriately the lands it has before it seeks to acquire more. That sets three trends very definitely in motion, we believe, for us.

One is a moratorium on adding new areas to the System at this time. We have been stressing that within the System ourselves.

We, I think, have recognized as professionals that we have been stretched beyond our capability to manage the System, if it is expanded without major new fiscal and personnel resources.

So in the light of our national economic circumstances, our professional advice to the Secretary and to the Congress is that there be a moratorium on adding new areas at this time.

We have a continuing concern with the integrity of park resources. The developmental, environmental changes affecting parks are increasing. If we are to perpetuate these parks for future generations to enjoy, we have to have a better handle on what is really happening so that we can advise the decisionmakers in and about parks of the influences that are gradually changing.

We must certainly increase our attention to improving services and facilities in the popular, older parks, so that we do not have congestion and overuse, and the facilities are safe and comfortable and appropriate for the level of use that is coming to them.

BUDGET INCREASES

We are committed to reversing that decline. Our budget this year, Mr. Chairman, speaks to that. We are asking for $497.4 million, and we place a high priority on increases and operating funds to offset inflation.

Our budget this year provides a net increase of $15.1 million for park management, primarily to improve cyclic maintenance and rehabilitation of park facilities, and to restore funding for visitor orientation.

Now, just to quickly summarize, the purpose of the increase we are asking for is new park areas, $5.6 million. That is to initiate, or to augment, programs at newer park areas. And $4 million of that is specifically requested for the Alaskan parks.

Resources management, $7.4 million. That is to improve the monitoring of our natural resources management that I referred to.

Cyclic maintenance and repair and rehab, $7.5 million. That is to build upon the past successes of the cyclic maintenance program, one of the most successful innovations that this Committee has come up with in terms of assistance to the National Park Service.

The restoration programs that have been curtailed due to inflation, $10.9 million. That is to either restore or augment those programs which have been so severely affected by increases in energy prices or supplies and material costs and other kinds of related activity.

CONSTRUCTION

We are requesting $61.6 million, an increase of $18.2 million over the preceding year.

We are targeting that on water and sewer projects, and for health- and safety-related items. $7.6 million of that also is for the rehabilitation of those concessionary facilities at Yellowstone which we purchased, which are badly in need of assistance.

Then the Secretary talked yesterday about the special initiative of the Administration. A proposal to use $105 million of the Land and Water Conservation Fund authority as a special effort to try to restore and improve the national parks.

That $105 million, of course, depends upon the Congress making the needed change in the legislation.

Mr. YATES. That is supposed to go through acquisition.

Mr. DICKENSON. In lieu of acquisition. And the kind of breakout that we have placed, now, in that $105 million, Mr. Chairman, includes is 276 projects in 113 parks which speak specifically to health- and safety-related issues.

Mr. YATES. How many parks?

Mr. DICKENSON. 113 parks.

Mr. YATES. We have health and safety problems in 113 parks?

Mr. DICKENSON. Yes, sir.

Mr. YATES. Is this like a bad road, for example, that GAO talked about?

Mr. DICKENSON. Bad curves, where we have had a terrible accident history.

Mr. YATES. How many of those parks have water and sewer problems of the 113? Do we know? I want to know that specifically.

If a person takes a drink of water, they oughtn't get sick.

[The information follows:]

WATER AND SEWER PROBLEMS

Of the 113 parks included under the "Health and Safety Projects" category, 51 have problems with wate and/or sewer system. The Service is requesting $3.2 million for 44 water system projects in 32 parks primarily to replace unsanitary water sources, repair defective pipelines, and upgrade drinking water treatment facilities. Similary, $2.5 million is being requested for 35 sewer system projects in 29 parks to replace defective sewer lines and unsanitary toilets, and to improve treatment facilities and equipment.

Mr. DICKENSON. The $105 million is broken down into four principal categories, just for convenience sake, as much as anything else, but the correction of health and safety problems is specifically $18 million of the $105 million.

Then to augment the cyclic maintenance and repair and rehabilitation program, again, building upon that very successful and useful program, $29 million.

Cultural resources preservation, $10 million; and capital improvements, $48 million.

Again, in the capital improvement, we are targeting those primarily toward those features which are health- and safety-related. But not all of them are, of course.

That concludes my summary of the statement, Mr. Chairman.

PREVIOUS HOUSE REPORTS

Mr. YATES. Now I will read to you from our report for 1979. We wrote it at that time.

The National Park System is without equal for the quality and variety of its resources.

I should have said you made a very good statement.

The units of the System are managed and staffed by the Park Service with well-qualified, hard-working employees charged with conserving and protecting great national, natural and historic resources for future generations by making these same resources available to millions of visitors in a manner that will provide understanding and enjoyment.

In most instances, the visitors' impression of the resource is enhanced through personal contact with the ranger, an interpreter, a maintenance employee or any of the other employees necessary to manage and explain the widely diverse areas that comprise the Park System.

These employees are the most important personal elements in the Park Service. The committee is of the opinion that the Park Service managers must make every effort to stress the responsibility placed on employees.

Personnel reviewers and Civil Service reviewers must understand that managing a resource is even more important than supervising large administrative staffs.

The classification specialists need to understand that employees with great responsibilities must be properly graded and paid in accordance with their responsibilities.

It is the responsibility of the Park Service managers and the Secretary to make that distinction and to achieve proper recognition, professional and financial, for the employees and managers of the system's units."

Mr. DICKENSON. Yes, sir.

Mr. YATES. That is 1979, in our report for 1981, we wrote this.

The committee recommends $100,000 for new area studies, a reduction of $1 million below the estimate and $200,000 below the 1980 level.

The acting director testified that there were 257 units in the system in 1971, encompassing 28.5 million acres and visitations of 186 million.

In 1981, there are 323 units encompassing 72 million acres with visitation of 296 million projected.

The Service should be permitted to catch its breath, slow expansion and to develop what has been added in the last few years before taking on new park units.

So we are in agreement with you. We were in agreement with you before the Secretary spoke to us yesterday. We were aware of that.

Mr. DICKENSON. Yes, sir.

ROLE OF CONCESSIONAIRES

Mr. YATES. I am a little troubled by part of the testimony yesterday. That relates to the concessionaires. I am not sure that I understand what the Secretary intends to do about the concessions and about concessionaires.

My own concept of the national parks is that the rangers and the Park Service shall be in control of the parks and have the supervision.

That the concessionaires are there in order to serve the public, but the concessionaires answer to the Park Service. And the Park Service does not answer to the concessionaires.

Now, I don't know whether the Secretary proposes to change that system. What was the thrust of his testimony as you understand it?

Mr. DICKENSON. I think he does not propose that sort of change, Mr. Chairman. As I indicated in my testimony yesterday, I believe that the Secretary, the Director of the National Park Service, and everyone who serves in a management position is constrained by the directions of the Congress contained in the Concession Policy Act of 1965. It clearly delineates the role of the concession as providing needed visitor service facilities, such as overnight accommodations, eating, and transportation.

Mr. YATES. Yes.

Mr. DICKENSON. I certainly don't see any alteration under Secretary Watt of that basic relationship.

Mr. YATES. I am glad you said that.

Mr. DICKENSON. Yes, sir.

YOSEMITE CONCESSION

Mr. YATES. I hope he concedes that, too. I gathered a different impression from his speech to the concessionaires. I should have said his now famous speech to the concessionaires. The impression I got from that speech was that he was going along with the concessionaires in everything that they wanted to do.

I don't perceive the congressional mandate as being in that direction at all. Tell me about the concession at Yosemite. That seemed to be the principal source of friction, really, of the relationship between the concessionaire and the Park Service.

Is that settled now?

Mr. DICKENSON. I believe that the Yosemite Park and Curry Co. which is owned by Music Corporation of America, has settled down from that very tough introduction and orientation into the National Park System operation which occurred in the mid-1970s.

I think it is a fine operator, cooperative, and performing a fine and useful service. It is an aggressive company. It has an aggressive management.

But in terms of our relationship with it and every other concessionaire, we tend to see this in terms of a partnership. A partnership doesn't imply that one or the other needs to be necessarily dominant.

The National Park Service is charged with the control of concession operations by law.

Mr. YATES. That's right. Your regional director is here from Yosemite. Mr. Chapman, can I get from you a statement as to what your relationship is with MCA now and the concessionaire at Yosemite?

Are you getting along with them? Are all points of friction satisfactorily resolved?

Mr. CHAPMAN. I think largely those matters are resolved. But it is without question that, as the director has stated, it is an aggressive company. It took a stance this year to move more aggressively into the parks.

Mr. YATES. Give us an example of what they did.

Mr. CHAPMAN. Their proposal was to operate entrance stations, to take over more of the interpretive programs of the National Park Service, as well as the operation of camp grounds.

However, they pulled back from that, not only from the standpoint of a local manager's direction, but apparently, the direction that was given to him by the parent company, MCA.

But the relationship between the superintendent and that manager is one that carries on a communication. It is as a strong businessman that the superintendent has to relate in that business atmosphere.

So there is no question that there are times when there is confrontation. But those matters generally are always resolved.

HEALTH AND SAFETY AT YOSEMITE

Mr. YATES. What is the situation in Yosemite? There are some questions about the health and safety of the park.

Mr. CHAPMAN. Those were matters relating primarily to the Wawona Hotel and Ahwahnee Hotel. We have made interim modifications at Wawona and Ahwahnee in terms of fire escapes, fire doors, things relating to transoms within the Ahwahnee, those things which could be accomplished on a short-term basis.

One of the major problems at Ahwahnee, however, is going to be water supply from the standpoint of fire protection. That is going to have to be a longer-range program.

Mr. YATES. How long and how costly?

Mr. CHAPMAN. Providing reservoirs for the water and to complete the system of water wells into that storage systems. We are probably looking at something that is three or four years away at the absolute minimum.

Mr. YATES. Do you mean to be completed?

Mr. CHAPMAN. We would have to start from scratch at this point in terms of the programming and construction of it.

Mr. YATES. It should be done?

Mr. CHAPMAN. Yes, sir.

Mr. YATES. What is the fact with respect to in holdings?

Mr. CHAPMAN. In Wawona, the master plan process was first directed toward the acquisition of all of those properties.

Director Whalen, in 1980, changed the direction of the master plan at that time to say we would not move to acquire those private properties, since we would be moving some of our employee housing, to the Wawona area.

At this time, we are not moving aggressively to acquire those properties at Wawona. We see that as a place where our employees and those who presently live there will probably continue for some time in the future.

PERSONNEL AT YOSEMITE

Mr. YATES. Do you have enough personnel to properly administer the park?

Mr. CHAPMAN. No, sir.

Mr. YATES. If you don't, I want you to tell me. Come on up to the table. Be my guest. Tell us the story.

Mr. CHAPMAN. 128 is the number of permanent employees on the staff at Yosemite. I think the principal need there is for the seasonal staffing for fall and spring, because that park is really not a summer park of June, July and August.

There is an increasing pressure in visitation almost on a year-round basis. There is the ski operation in the winter, and it is a desirable climate both in the spring and fall.

So probably our greatest needs, personnelwise, are in the seasonal staffing area.

Mr. YATES. By "seasonal," do you mean temporary employees?

Mr. CHAPMAN. Temporary employees.

Mr. YATES. Are you getting them? Do you have enough money for them?

Mr. CHAPMAN. Not sufficient money to handle the maximum amount that is necessary. I shouldn't say maximum, desirable.

Mr. YATES. What happens as a result of not having a sufficient number of employees?

Mr. CHAPMAN. Entrance stations are not manned as long as they should be.

Mr. YATES. During the day, or the month?

Mr. CHAPMAN. During the day, as well as the season, the period of time they should be.

Mr. YATES. Is that the only lapse of personnel, by lapse, I mean need for personnel? What about the rangers who supervise the whole park?

Mr. CHAPMAN. I think this is true of all activities. From entrance station, it goes to interpretive programs, it goes to production staff, it goes to staff personnel necessary for search and rescue activities.

Yosemite has a high incidence of periods of time when visitor assistance is necessary. Fatalities that occur, evacuation of injured people. So it is personnel that are necessary for that purpose, as well.

Mr. YATES. Does the Director know how many additional personnel you need?

Mr. CHAPMAN. We haven't established the exact number.

But in terms of the quantity of man-years of additional time, yes.

Mr. YATES. What other parks are within your jurisdiction as a regional manager, just Yosemite?

SEQUOIA AND KINGS CANYON

Mr. CHAPMAN. Sequoia and Kings Canyon.

Mr. YATES. Tell us about their conditions.

Mr. CHAPMAN. Their conditions largely are similar to those of Yosemite. One of the biggest needs there is water and sewer systems for their operations at Ash Mountain, at Giant Forest, and Cedar Grove and at Grant Grove.

Mr. YATES. All right. How much money is involved in that?

Mr. CHAPMAN. How much money?

Mr. YATES. Yes, to remedy it. Is this part of a program that you have submitted?

Mr. CHAPMAN. This would be part of the total budget program.

Mr. YATES. Does the Director have that? Is that part of your submission?

Mr. DICKENSON. The deficiencies within the System are accumulated, Mr. Chairman.

Mr. YATES. I don't propose to set up by these hearings any confrontation between the regional managers and directors. What I have done in my hearings is ask program managers to give me stories, too, as well as directors.

I have done that for numbers of agencies that come in. I get a much better picture of the total operation. I am able to circumvent OMB in great measure on this and get the whole story, because I get the story from the people who are actually on the scene who haven't had to go to OMB and listen to OMB tell them, "You have got to protect this budget."

But is there anything else we should know about the parks within your jurisdiction?

OTHER PARKS

Mr. CHAPMAN. I think the conditions we are describing in terms of Yosemite and its needs, as far as personnel are concerned, are true whether we talk about Grand Canyon National Park, a very similar park, a similar situation.

It is also true in Hawaii Volcanoes, War in the Pacific on Guam, even a small area such as American Memorial Park on Saipan.

It is a similar situation of employees who are stressed from the standpoint of increasing demands placed on their time by the visitation and demands for preservation of the resource.

This is particularly true in the Hawaii area.

Mr. YATES. Is Hawaii within your jurisdiction, too?

Mr. CHAPMAN. Yes, sir.

Mr. YATES. How many man-years are you short?

Mr. CHAPMAN. I would have to give you that figure.

Mr. YATES. I think you ought to prepare it.

Mr. CHAPMAN. I would say that figure is well in excess of what it would take to double what we already have, particularly in the Hawaii area.

Mr. YATES. Why don't you submit a report for the record? Can you do that?

Mr. CHAPMAN. Yes, sir.

[The information follows:]

WORKYEARS

The Western Region is short approximately 1,000 workyears.

Mr. YATES. I have never been to Yosemite. Where are you headquartered?

Mr. CHAPMAN. San Francisco.

Mr. YATES. I have never seen it. I hear it is worth seeing.

Mr. CHAPMAN. Yes, sir.

Mr. DICKENSON. We would applaud that, Mr. Chairman.

Mr. YATES. Thank you, Mr. Chapman.

Mr. DICKENSON. I must say I think Mr. Chapman's testimony is very, very typical.

Mr. YATES. Who is the next Regional Director I ought to hear from?

ROCKY MOUNTAIN REGION

Mr. DICKENSON. Well, I think perhaps Rocky Mountain Region.

Mr. YATES. All right. I visited Rocky Mountain. I know that.

Mr. DICKENSON. Glacier National Park, Yellowstone, Grand Teton.

Mr. YATES. What is the condition of your park?

Ms. MINTZMYER. The record built in the last couple of days is a good indication that we need to repair the facilities that we have in the parks. We have been involved in a very long-range plan to update the concession facilities at Yellowstone, of which you are aware, Mr. Chairman.

And we are expending funds on water and sewer systems. That has been our major emphasis in construction in the Rocky Mountain Region. We recognize that we need to bring those systems up to standard so that they are safe for people who visit the parks.

You will find in the construction programs and in our operational programs we have given that a great deal of emphasis.

We also have emphasized the health and safety issue with our concessionaires. In fact, the current concessionaire at Yellowstone, TWA, has expended $1 million in health and safety items this past year to bring those facilities up to date. This is in addition to what we have expended from appropriated funds.

Mr. YATES. Would you consider TWA to be a good concessionaire?

Ms. MINTZMYER. I would, sir.

Mr. YATES. What about the other parks?

Ms. MINTZMYER. We have had only two marginal concession operations in our region. One is at Glacier and one at Grand Teton. We have, however, in the past few months, executed a new concession contract at Glacier wherein we have identified the projects that need to be done to bring those facilities up to date, special facilities as well as a five-year program included in that concession contract which details the projects.

The new concessionaire is a combination of Greyhound Corporation and Rex Maughn.

Mr. YATES. What did the TWA lease call for in the way of capital improvements?

Ms. MINTZMYER. It calls for a percentage of their gross receipts to be put back into the facilities. It is just an interim contract.

In fact, it expires in October of this year. We are in the process of going out with a new prospectus, and inviting people to bid on the proposal which has a combination of a five-year operational contract, or inviting the prospective concessioners to estimate what they would be willing to put into the facilities in Yellowstone to bring them up to date.

Mr. YATES. Are there any particular problems in your parks that we ought to know about, where we can be helpful or the Director can be helpful?

Ms. MINTZMYER. Could you specify a little bit please?

Mr. YATES. I would rather you specify.

Mr. DICKENSON. If I may suggest.

Mr. YATES. Sure.

Mr. DICKENSON. One of the real tough problems that everyone in the System faces is in operations. I would suggest to Lorraine that she may want to speak about manpower.

OLDER PARKS NEED HELP

Ms. MINTZMYER. Thank you, sir. The effects of inflation, as the Director so eloquently presented earlier, have been felt in our parks as well.

The 41 parks that are part of the Rocky Mountain Region are some of the older-line parks that have been in existence for many years.

They are older facilities. Many were built in the days of the CCC and many in the days of what we called the Mission 66 era.

The costs of energy, et cetera, have made an impact upon our programs. So our alternative at a certain point was to reduce staffing to accommodate those effects, plus also the effects of pay increase costs.

For instance, at Yellowstone, as a case in point, we now have 85 permanent employees, whereas in the 1960's, there were 135.

In the last year alone, we have reduced seasonal staffing by 100. That is the way we absorbed those kinds of costs. That story has been repeated in other parks, as well.

I would have to furnish for the record an assessment of the others on what the impact has been.

Mr. YATES. Okay.

[The information follows:]

ROCKY MOUNTAIN REGION ASSESSMENT

Unfunded pay increases, inflation, increased energy costs, increased utility costs, etc., have all contributed to the reduced level at which all of our parks are operating.

In the past, most parks seems to have elected to reduce their maintenance levels proportionally more than the other activities. The effect of letting the roads go "one more year" without resurfacing; buildings go "one more year" without re-roofing. etc., has resulted in an accumulation of the deteriorated roads and buildings that no longer can be ignored and further neglect will result in safety problems. Most of the facilities were constructed in the 1930's and 1940's. Therefore, the maintenance level in most parks has degenerated to a bare minimum and other activities, resource management, interpretation, visitor protection and safety, and park management are now being even more heavily impacted due to absolute maintenance needs. We are attempting to maintain the buildings, roads, etc., in a safe condition, but the already deteriorated conditions make temporary patching, etc., increasingly expensive.

The impact of fund shortages has generally been felt in the Rocky Mountain Region as follows:

Visitor Services—Reduced hours of operation in most areas have been necessary as a result of reduced funding for seasonal personnel. This includes early closing of visitor centers and campgrounds; reduced months of visitor center operation; elimination of campground programs; reduction of or elimination of interpretive talks, cutback of entrance station personnel; reduced or eliminated guided tours; and reduced informational handouts; reduced hours of fee collection.

Resource/Visitor Protection—Reduction or elimination of backcountry patrols; law enforcement patrols of campgrounds and roads have been cut; some parks have no scheduled patrols and act on emergency basis only; resource protection program have been unfunded ou underfunded.

Maintenance-reduced road maintenance, chip and seal, roadside pickup, patching; trail maintenance has been reduced or eliminated in some parks; deteriorating roads constructed in the 1930's need major rehabilitation; and reduced garbage collection.

IMPACT OF INFLATION

Mr. DICKENSON. If I could stress the kind of impact that inflation has on a park operational budget, we went back to 1970, a little over a 10-year period here, to see what had happened to Yellowstone and a number of other areas.

Looking at 1970, we had an appropriation of $3.3 million for Yellowstone. Construction was $2.4 million.

For the purposes of our exercise, we made that the constant year, the starting point to measure the effects of inflation.

So in terms of constant dollars, as we come up to the time of 1982, for example, the budget for Yellowstone National Park is $10.1 million, but that represents in constant dollars $6.9 million.

That is the assiduous effect that inflation has, despite the fact that the numbers get larger in terms of the operational budget, buying power decreases. A rather astounding thing.

We worked out a whole series of these just for our own information. It was a source of surprise and frustration to see what was happening to us.

Mr. YATES. Why don't you put that in the record?

Mr. DICKENSON. Thank you, sir. I appreciate that.

[The information follows:]

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

May 14, 1981
220

National Park Service Funding - Real and Constant Dollars

($ in Thousands)		1970	1975	1978	1979	1980	1981	Carter Budget 1982	Reagan Budget 1982
Operations		95,002	220,138	340,851	389,120	390,955	461,500	495,811	497,432
Constant 1970 Dollars		95,002	151,298	192,050	204,102	184,308	195,816	190,079	190,697
Maintenance		41,117	97,269	147,767	168,930	139,166	181,627	198,471	193,945
Constant 1970 Dollars		41,117	66,852	83,249	88,607	75,036	77,065	76,086	74,351
Construction		19,975	97,367	139,129	118,057	112,154	43,367	61,635	61,635
Constant 1970 Dollars		19,975	59,309	79,565	32,430	43,925	15,488	20,208	20,208
Land Acquisition		38,321	80,154	366,795	253,673	132,928	80,211	235,673	45,000
Constant 1970 Dollars		58,321	48,824	187,398	112,658	59,894	28,647	76,614	14,754
Areas Added To The System	FY 79 348	4	29 1/	41 2/	1	2	4		Total Areas 329
Blue Ridge Parkway	Oper.	1,986	3,882	5,199	5,330	5,448	5,312	5,805	
	Const.	758	--	13,734	--	--	--	--	
Everglades National Park	Oper.	1,147	2,680	5,759	5,302	5,296	5,190	5,544	
	Const.	319	--	494	556	--	--	--	
Glacier National Park	Oper.	1,499	2,608	4,030	3,812	4,033	4,075	4,501	
	Const.	90	87	6,919	429	660	--	3,318	
Grand Canyon National Park	Oper.	1,270	2,926	5,160	5,685	5,771	5,603	5,903	
	Const.	612	848	3,714	2,979	2,751	--	--	
Grand Teton National Park	Oper.	960	1,965	3,019	2,847	3,024	2,920	3,074	
	Const.	65	164	806	1,220	--	--	--	
Great Smoky Mnts. Nat.	Oper.	1,908	3,488	4,960	4,498	4,846	4,926	5,227	
	Const.	561	15	3,773	233	--	--	1,077	
Independence Nat. His. Park	Oper.	916	2,614	5,140	4,562	4,797	4,900	4,900	
	Const.	78	8,079	1,600	1,536	--	--	--	
Mount Rainier National Park	Oper.	1,253	2,175	3,438	3,324	3,564	3,499	3,750	
	Const.	118	341	100	2,525	--	--	786	
Rocky Mountain National Park	Oper.	1,315	1,587	2,636	2,659	3,238	3,144	3,393	
	Const.	73	--	994	--	--	--	--	
Yellowstone National Park	Oper.	3,364	5,707	9,110	9,261	9,616	9,578	10,082	
	Const.	2,428	1,068	7,082	7,117	34,868	2,903	13,241	
Yosemite National Park	Oper.	2,076	4,567	7,880	8,222	8,488	8,495	8,947	
	Const.	158	--	2,049	1,632	651	--	4,770	
TOTAL OF SAMPLE PARK AREAS									
Operations		17,694	33,999	56,331	55,402	58,143	57,642	61,126	
Operations in Constant 1970 Dollars		17,694	23,367	31,739	29,060	27,410	24,458	23,433	
Construction		5,240	10,600	41,263	18,227	38,930	2,903	23,190	
Construction in Constant 1970 Dollars		5,260	6,457	20,633	8,085	15,247	1,037	7,603	

1/ Areas added:
Fiscal 1971 - 3
Fiscal 1972 - 13
Fiscal 1973 - 1
Fiscal 1974 - 11
Fiscal 1975 - 1

2/ Areas added:
Fiscal 1976 - 10
Fiscal 1977 - 1
Fiscal 1978 - 30

777

Insert for page 36A

EARLY CLOSING OF YELLOWSTONE

Mr. YATES. What about the question of the early closing of the park on which you have had a complaint? There is a copy of a letter handed to me from Mr. Townsley to Senator Simpson, which apparently the Senator wrote. Are you familiar with that case?

Ms. MINTZMYER. I am, sir.

Mr. YATES. M. S. Smith, who was the constituent, states his view very clearly. So does the superintendent, apparently. He says, "I can no longer satisfy everyone and deal with the budget issues as they are handed to me."

That is refreshing to get that kind of viewpoint from the superintendent to a Senator. Then he goes on to point out what the costs are and what his problems are.

We ought to put that in the record.

Have you seen this letter?

Ms. MINTZMYER. I have, sir.

Mr. YATES. It states graphically what the problems are.

Mr. DICKENSON. It gives a very thoughtful analysis.

Mr. YATES. He surely did. We will put this into the record then.

[The letter and attachments follow:]

United States Department of the Interior
NATIONAL PARK SERVICE
YELLOWSTONE NATIONAL PARK
WYOMING 82190

IN REPLY REFER TO:
A3615(YELL)

April 3, 1981

Senator Alan K. Simpson
6205 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Alan:

Thank you for your inquiry of March 25 on behalf of your constituent, Elsie Smith of Cody, Wyoming.

Ms. Smith states her view very clearly. I can no longer satisfy everyone and deal with the budget issues as they are handed to me.

During the past four years we have opened the East Entrance in April on the following dates: 16th, 15th, 18th, and 27th. The scheduled opening has been May 1. We have also kept park facilities open later in the fall than was historic practice. We have strongly encouraged the concessioners to do the same. I mention this to suggest that even in the face of inflation, I have tried to do as much as possible with the dollars we had. I am also more than willing to admit we have not been totally efficient, but we sure have tried and are continuing to do so except with more intensity as the situation tightens.

We have reduced the number of seasonal employees significantly. In maintenance alone, there will be about 115 fewer than 4 years ago. These are both long term and short term seasonals. In fact, with the latter group this coupled with shorter work periods is becoming a significant issue with employees who depend on Yellowstone for the major share of their income.

Gasoline, diesel fuel and heating oil this year will cost $500,000 more than 2 years ago. Electricity will be about $150,000 more than in 1979. Hauling of solid wastes necessitated by Federal Air Quality standards and grizzly bear problems now costs nearly $100,000 more than in 1978. When we can no longer use the landfill at West Yellowstone, these costs will again rise significantly. Inflation on supplies and materials is rising at about 12-13% annually and this year that will be approximately $150,000. These are some of the main increases, but there are many other smaller examples which also push costs up at an increasing rate.

Two years ago we used 37 GSA vehicles in Yellowstone during the summer. All of these were returned to GSA a year ago. Deficiencies as well as savings resulted.

You may recall that because of Civil Service audits at about the time I arrived, we have downgraded many career employees. This also has resulted in significant

Year of the Visitor

disgruntlement. We also encouraged people to look closely at the early-out program last year. Very few who were eligible did retire. I assume this follows a national pattern of people continuing to work because they can no longer afford to retire.

Pay increases are another major issue for us. The Yellowstone National Park appropriation is approximately $9 million. About $6 million of that is in wage and salary costs. The pay increase costs for this year amount to approximately $525,000. The only role I have in this is to do the paying. We are at a point where some significant increases in appropriations must occur or we are going to have to reduce operations on a large scale. This, in my judgment will involve a reduction-in-force (RIF) of career employees.

In the interim I am doing the best I can to save money through normal attrition. Unfortunately, this usually occurs in the wrong places. I have no enthusiasm to see the RIF process used here unless I see it occurring broadly throughout the central structure of this Service. Most of those who would face a RIF are necessary, hard working employees. In fact, a RIF could take your best and leave those with seniority and some of the ills we know are associated with it.

Last year the pay increase cost supplemental was not passed by the Congress until mid-August; six weeks before the end of our fiscal year, and two weeks before the end of our visitor season. Knowing about pay increase supplementals early in our fiscal year is vital, Al.

To try to manage this park and not know whether that money will be forthcoming is the toughest element of my job here. It is now the first week of April. I must proceed to hire whatever number of seasonals we are going to employ, and again I have no knowledge of what portion (all, none or some) of this pay increase is going to be forthcoming. I do not have the discretion as many constituents seem to imply, of paying or not paying it.

I say all of this with due respect to my superiors in the Service and to all of you in the Legislative Branch, but frankly, I sense myself in a funnel that gets tighter and tighter - one which you slide deeper and deeper into and see no way of getting out of. It is my desire to be a prudent manager and at the same time to be square with the many fine NPS people who have given well of themselves here in Yellowstone. I think we are all willing to make major changes, but surely those of us in my position hope that there will be broad direction from both the Legislative and Executive Branches in doing these things with good purpose, but also with real equity nationwide and with sensitivity to a fine group of employees.

You will recall the debate in the House last year concerning entrance fees to national parks. I think most visitors to Yellowstone would be quite willing to pay an increased fee - at least I hear this more often than I do a complaint about fees being too high.

I recognize my answers here are certainly not going to be satisfactory to some people in the adjoining communities. I appreciate your consideration in this and recognize it results in difficult considerations for you.

We are going to do our best to have the East and South Entrances open by May 15, hopefully by the 12th.

With kind personal regards, I am

Sincerely yours,

John A. Townsley

John A. Townsley
Superintendent

United States Senate

WASHINGTON, D.C. 20510

March 25, 1981

Mr. John Townsley
Superintendent
Yellowstone National Park
Yellowstone Nat'l Pk, Wyoming 82190

Dear John:

Enclosed is a copy of a letter I received from my constituent, Elsie L. Smith, Secretary of the Cody Motel Association, concerning the proposed delay in the opening of Yellowstone National Park.

I would like to ask that the situation outlined be carefully reviewed and that I be advised of your findings. Whatever information and assistance you can provide will be greatly appreciated. I look forward to your reply.

Best regards,

Sincerely,

Alan K. Simpson
United States Senator

AKS/ph
Enclosure

CODY MOTEL ASSOCIATION
P.O. BOX 111 • CODY, WYOMING 82414

MAR 24 1981

16 March 1981

Senator Alan K. Simpson
4205 Dirksen
Senate Office Building
Washington, D.C. 20510

Dear Sir:

The Cody Motel Association is adamantly opposed to a change in the opening and closing dates of Yellowstone National Park.

Using the excuse of not plowing the roads in the spring and closing all facilities in mid September as a means to save money for use in increased salaries sounds like robbing Peter to pay Paul. If all the employees are used to capacity and required to work eight hours per day they could reduce their work force by enough people to have an operating surplus.

A raising of entrance fees would be a good way to raise money for road work.

Reducing the number of Park employees and following the present opening and closing dates would follow two of President Reagans plans - reducing government employees and recognizing tourism as a viable American industry.

Sincerely,

Elsie L. Smith

Cody Motel Association
Elsie L.Smith
Secretary

11 Major Parks
Operation and Maintenance Expenditures 1978 and 1982
Actual and Constant 1978 Dollars

($ millions)

		1978	1982	Constant Dollar Decrease
Blue Ridge Parkway	Actual	5.2	5.8	
	Constant $	5.2	3.9	-1.3
Everglades National Park	Actual	5.8	5.5	
	Constant $	5.8	3.7	-2.1
Glacier National Park	Actual	4.0	4.5	
	Constant $	4.0	3.0	-1.0
Grand Canyon National Park	Actual	5.2	5.9	
	Constant $	5.2	4.0	-1.2
Grand Teton National Park	Actual	3.0	3.1	
	Constant $	3.0	2.1	-.9
Great Smoky Mtns. Nat. Park	Actual	5.0	5.2	
	Constant $	5.0	3.5	-1.5
Independence Nat. His. Park	Actual	5.1	4.9	
	Constant $	5.1	3.3	-1.8
Mt. Ranier National Park	Actual	3.4	3.8	
	Constant $	3.4	2.6	-.8
Rocky Mountain National Park	Actual	2.6	3.4	
	Constant $	2.6	2.3	-.3
Yellowstone National Park	Actual	9.1	10.1	
	Constant $	9.1	6.9	-2.2
Yosemite National Park	Actual	7.9	8.9	
	Constant $	7.9	6.1	-1.8
Total	Actual	56.3	61.1	
	Constant $	56.3	41.4	-14.9

Mr. YATES. What about monuments in your area? Are they a concern? Obviously you have to concern yourself with them.

Are there any particular problems related to the monuments?

Ms. MINTZMYER. The bulk of our areas and region are, in fact, in the National Monument status, Mr. Chairman. In fact, there are 15 National Monuments in my region.

The Utah area, specifically, as you can see from the chart that you are reading, contain quite a few National Monuments.

Mr. YATES. Yes.

Ms. MINTZMYER. I would, however, have to state that a monument is a national resource that is important.

Mr. YATES. Sure.

Ms. MINTZMYER. As well as a National Park. So I would be just as concerned about the problems in those kinds of areas.

Mr. YATES. I wondered whether you had. I see Dinosaur National Monument and Florissant Fossil Beds, Great Sand Dunes, Yucca House, Mesa Verde, well, that is a beautiful National Park.

Ms. MINTZMYER. The National Parks we have in our region are, in fact, in similar condition. We have really been trying very hard to bring them up to standard.

Mr. YATES. Are they not up to standard?

Ms. MINTZMYER. No, sir.

Mr. YATES. Tell me in what respects they are not.

Ms. MINTZMYER. I think it goes back to what the Director talked about before. Some of our roads are in a condition where they need to be reconstructed. We have been working on the facilities as far as water and sewage are concerned.

So our emphasis is in those particular areas. That is what we have been targeting our particular region at, to make sure they are safe and up to snuff.

Mr. YATES. Should any of them be closed?

Ms. MINTZMYER. No, sir.

Mr. YATES. Then we have got a job on our hands to bring them up to satisfactory level, right?

Ms. MINTZMYER. Yes, sir.

Mr. YATES. Does the Director know the costs and what has to be done to bring them up to satisfactory shape?

Mr. DICKENSON. We are working at it, Mr. Chairman, in terms——

Mr. YATES. I just wanted to find out from her whether she lets you know what her problems are.

Or are you being very discreet?

Ms. MINTZMYER. My relationship with the Director is very free and very candid. In fact, he does know what the problems are.

Mr. YATES. For both your parks and your monuments?

Ms. MINTZMYER. Yes, sir.

Mr. YATES. Have you told me everything you ought to tell me? Have you been free and candid?

VISITATION

Ms. MINTZMYER. It is interesting that what was interpreted a couple of years ago, visitation was going to plummet in our National Parks is not the case at all.

In fact, the visitation in our particular region is up again this year, and through the first four months, there are only three areas wherein the visitation is lower than it was last year.

And that is by a very minor amount. Those are the areas of Grand Teton and Yellowstone and John D. Rockefeller, Jr., Memorial Parkway, which is the parkway between those two parks.

We attributed that to the fact that through the bulk of the winter season, we had very little snow, and so the winter use was down.

We expect from the numbers of reservations that are being given to our concessioners that our visitation is going to be up again this year at all the parks in our region.

Mr. YATES. What problems do numbers of visitors bring, the need for safety review, and accommodations? Questions of roads, of accidents and so forth?

Ms. MINTZMYER. They do, in fact, bring those issues. We feel that with the direction we are going, we are able to accommodate our visitors and make them feel good about having been in those National Parks. We are adjusting some of our theories for the forthcoming years because of what the Director has pointed out.

That buses are coming in increasing numbers. We are having many, many more international travelers. Bryce Canyon and Yellowstone and such areas are really very much advertised. TWA, the concessioner at Bryce Canyon and Yellowstone, does international advertising, so that the people of the world can understand and come see what treasures we really do have.

So we are working on programs that have bilingual people serving those visitors.

We are also, adjusting our methods of parking, accommodations, et cetera, to address that situation.

Mr. YATES. Are buses creating problems?

Ms. MINTZMYER. At this time, they arrive in great numbers, but when you have one bus that brings in a large group of people, it supplants a lot of automobiles.

Mr. YATES. So that is a benefit.

Ms. MINTZMYER. That's right.

Mr. YATES. Anything else you want to tell me?

Ms. MINTZMYER. I can't think of another thing, sir, unless——

Mr. YATES. Mr. Regula wants to ask you a question.

WINTER VISITORS AT PARKS

Mr. REGULA. Thank you, Mr. Chairman. You mentioned winter visitation. Do you have an increase in winter visitors at places like Yellowstone?

Ms. MINTZMYER. It was down this year, Mr. Regula. But that we attribute to the fact that we had a light snow year in those parks up until this last month. We are getting a great deal of snow now.

But people do enjoy visiting the parks in the winter. It is a different experience.

It is a more leisurely pace. They have an opportunity to view the wildlife because they are down in the meadows, and we have very, very positive reactions to winter vacations.

Mr. REGULA. You do keep it open?

Ms. MINTZMYER. At Yellowstone, the Old Faithful Snow Lodge is open. There are snow coaches that go from the John. D. Rockefeller, Jr., Memorial Parkway.

Mr. REGULA. Then, actually, the lodge is open in the winter at Yellowstone?

Ms. MINTZMYER. The Snow Lodge, yes, it is. I believe we had 11,200 visitors at the Snow Lodge last year.

There were 10,000 people who used the snow coaches. Then, of course, you have the people who cross-country ski. And also the snowmobilers.

Mr. REGULA. Do you feel there is any problem with the reservation system? I know I was out there, just happenstance, with the family about 4:00 in the afternoon, and they were all fouled up on reservations.

For somebody coming from the East, it is so much better if they can be assured of either a campsite or reservation, depending on what their interests are.

Are you satisfied that it is working well in terms of the visitors' needs?

Ms. MINTZMYER. Is your question about the campground, or the accommodations?

Mr. REGULA. Both.

Ms. MINTZMYER. In the case of the concession accommodations, right now, TWA has a staff of 50 that are putting together a computerized reservation system similar to what you might have on an airline.

We are already receiving benefits from that. It is going to be a very smooth operation.

Mr. REGULA. They went through this a few years back, and it became very chaotic. It was American Express.

Ms. MINTZMYER. I think that was the campground system, perhaps. Yellowstone is not on our reservation system. Rocky Mountain National Park is on the existing system for campgrounds.

Mr. REGULA. Do you think they need some type of reservation system in Yellowstone?

Ms. MINTZMYER. Depending upon the availability, we would, in fact, intend to put Yellowstone on the system, yes, sir.

Mr. REGULA. Not this year, though?

Ms. MINTZMYER. Not this year.

MESA VERDE ROAD

Mr. YATES. Thank you, Lorraine.

Mr. DICKENSON. May I make a suggestion, Mr. Chairman?

Mr. YATES. Sure you may.

Mr. DICKENSON. One of the serious issues that is facing Lorraine which she might have been reluctant to introduce here would be the Mesa Verde Road. This is a perplexing and continual problem.

It might be a good chance for you to hear it firsthand.

Mr. YATES. What happened, did it wash out?

Ms. MINTZMYER. May I show you a couple of pictures?

Mr. YATES. Of course you may.

Mr. DICKENSON. That road was put in many, many years ago. It's been relocated periodically. Still, it is in a very unstable geological formation and is going to have to be relocated.

Ms. MINTZMYER. It is interesting, sir.

Mr. YATES. Fascinating. What happened? Did you have washouts? Landslides?

Ms. MINTZMYER. In 1979, a landslide came down and covered the road. And you may recall that we had to close the park for one month because that is the only entrance to Mesa Verde. It is in a geologically unstable area.

One of the major problems in the slides is that there is constant moisture in that area. It is not possible for us to dewater it because of its geological formation.

Mr. YATES. How do you propose to deal with it?

Ms. MINTZMYER. I have made a proposal to the Director regarding some studies we have done on the whole question. We would propose to relocate the road.

Mr. YATES. Do you have a map to show?

Ms. MINTZMYER. I will show you, sir.

Mr. YATES. How many millions of dollars will the relocation cost?

Mr. DICKENSON. A considerable amount.

Mr. GALVIN. $8.8 million.

Ms. MINTZMYER. This is where the slide came down. This is another area that is slumping. This is really the more important problem because of the fact that the road is literally sliding down the hill. This is an old water-line road where we put a water line to serve the camp ground.

We would propose to reroute this section along this alignment up through and connect into the existing entrance road.

Mr. YATES. That looks like a valley that you are going to use.

Ms. MINTZMYER. Yes, it is.

Mr. YATES. You wouldn't worry about landslides in the future?

Mr. DICKENSON. It is the best long-term solution.

Ms. MINTZMYER. We did test drillings along this whole proposed realignment to ensure that we would not run into the same problem again.

Mr. DICKENSON. That is not in this budget, but it will be in the future.

Mr. YATES. In the meantime, are you going to have landslides?

Mr. DICKENSON. Yes, sir.

Mr. YATES. All right.

Ms. MINTZMYER. In the area where it is sliding, we bring the equipment in and push it down off the road. In this area that is slumping, we are actually bringing loads of material in all the time to keep the existing road in existence, because it is just going down the mountain altogether.

Mr. YATES. Is there no way you can buttress it?

Ms. MINTZMYER. The costs of buttressing for this area would be immense. In fact, it is just an estimate that I have received, that to do this, to buttress it, the buttressing alone would cost $6 million.

Mr. DICKENSON. And still no assurance of success.

Ms. MINTZMYER. That's correct.

Mr. YATES. Do you have any other problems?

Ms. MINTZMYER. That is the major one, sir.

Mr. YATES. Thanks, Lorraine. Who is the next director?

SOUTHEAST REGION

Mr. DICKENSON. If you would like to have a little balance, I would like to ask the Southeast acting Regional Director, Mr. Guse.

Mr. YATES. Come up here and tell us about the alligators suffering for lack of water.

Do you have any sinkholes in the Everglades?

Mr. GUSE. Not this morning. As soon as the smoke clears, we may be able to find the holes.

Mr. YATES. Oh, you have lots of fires. That's right. I remember now.

Big Cypress is being burned out, too, isn't it.

Mr. GUSE. That's correct. We have about 110,000 acres currently being burned or has been burned over the past week.

Mr. YATES. You don't have any water to put the fires out, either, do you?

Mr. GUSE. No rain for the past two months. We have a weather report this morning, 50 percent chance of rain. So the chances are improving that the situation will change this week.

Mr. YATES. There is no such thing as cloud-seeding for something like this?

Mr. GUSE. I don't know whether cloud-seeding has been used in southern Florida. It's been used in the Rocky Mountains, and, of course, the Sierras in California.

Mr. YATES. Maybe they ought to try it. I guess somebody must have thought about it.

Mr. GUSE. I would assume that that has been addressed.

Mr. YATES. Is your biggest problem lack of water?

Mr. GUSE. That's correct.

Mr. YATES. How far up does that extend? I know it goes into Florida.

Mr. GUSE. The entire southern half of Florida is under a drought situation now. Most of the towns and residences are under a 25 percent reduction in the water use, which includes the parks, as well, Big Cypress and the Everglades.

Mr. YATES. You have a problem with both fire and water, then. Big Cypress program of acquisition should be almost completed, shouldn't it?

Mr. GUSE. We have approximately 94 percent completion.

Mr. YATES. When did you expect the remainder to be completed?

Mr. GUSE. We are working on that. Our biggest difficulty at this time is the backlog of condemnation cases waiting to be heard by the courts in Miami.

Mr. YATES. What was the figure, 10,000 of them?

Mr. GUSE. 7,000, I believe.

CUMBERLAND ISLAND

Mr. YATES. What about your monuments? You have lots of beautiful monuments along the ocean. And you have Cumberland Island, haven't you?

Mr. GUSE. Yes, sir.

Mr. YATES. That is beautiful. I was there. That's a beautiful island. Any problems in Cumberland?

Mr. GUSE. The major problem is that the public is very protective of Cumberland Island. One segment of the public is, and has written several thousand comments about any proposed development that we and the other users of Cumberland Island might suggest as an appropriate development plan and visitor use plan for the island.

Mr. YATES. Such as what?

Mr. GUSE. We had proposed to add a couple of campgrounds. And the public overwhelmingly is opposed to any kind of increases at the campground.

Mr. YATES. Increase of population?

Mr. GUSE. Visitor use. Presently our ferry service is running about 290, 300 people per day to Cumberland Island.

The public, primarily the people of Georgia, wish it to remain the same. It is under a reservation system to get to the island at the present time.

We have as many as 600 to 800 people who are unsuccessful in getting to the island. So we have a portion of the population that is unable to get to Cumberland Island.

Mr. YATES. What about the problems of acquisition on in-holdings there, do you have any?

Mr. GUSE. We have approximately 2,000 acres of land which have not been acquired and made a part of the seashore. We have been dealing with the Trust for Public Lands who is in the position at the present time of negotiation with High Point, Incorporated.

That would be properties of about 1,300 acres at the north end of Cumberland Island. We are, of course, under a moratorium on any land acquisition.

Mr. YATES. I know. Do you have an option with the Conservancy Group?

Mr. GUSE. The Trust for Public Lands has executed an agreement with the High Point, Incorporated. They have a signed agreement.

Mr. YATES. How much money is involved?

Mr. GUSE. They have not released that amount. I don't know that any money is involved. That agreement is good through March of 1982.

FORT SUMTER NATIONAL MONUMENT

Mr. YATES. You also have Charleston?

Mr. GUSE. Yes, sir, Fort Sumter.

Mr. YATES. What do you want to do about Fort Sumter?

Mr. GUSE. We will continue to provide it as a historic resource for the American public.

Mr. YATES. What are you going to do about the loading dock?

Mr. GUSE. At the present time, we have design studies underway through our Denver Service Center which will develop the fleet-landing site, sir.

Once that is completed, we will be able to make a better comparison with the former site as to the advantages one way or another. I know there is a lot of controversy.

The Major, Senator Hollings, yourself——

Mr. YATES. I don't find any controversy at all. Everybody seems to be in agreement.

Mr. GUSE. There are still some problems, particularly with the dredging and parking. Those are issues that we are trying to resolve at the local level.

Mr. YATES. The Major says they would build the parking site. I am told that the Corps of Engineers would do the dredging.

Mr. GUSE. If we come up with the money.

Mr. YATES. Oh, really? How much money is involved?

Mr. GUSE. We are looking at the annual expenditure of $60,000 to $80,000 a year to dredge that site.

Mr. YATES. Every year?

Mr. GUSE. Every year for the next six years.

Mr. YATES. For six years. That wasn't told to me. I was told it was a one-time dredging.

Mr. GUSE. No, sir. It will be an annual dredging for the next five or six years.

Mr. YATES. Do your visitor fees cover the cost of that? Do you have any visitor fees at Fort Sumter? You don't?

Mr. GUSE. It is a concession operation.

Mr. YATES. Does he make enough to cover the cost of dredging?

Mr. GUSE. Not enough to make a reasonable profit with the present structure.

Mr. YATES. Who told you it required annual dredging, Corps of Engineers? Or do you know that from studies or what?

Mr. GUSE. Studies. We have had A&S doing the studies for us. We have also had the information from the State's Port Authority, who will be our neighbor if we move down to that site.

Their experience has been an annual dredging program for that particular site

Mr. DICKENSON. As I mentioned yesterday, there is still a land acquisition matter to be settled, too.

Mr. YATES. On the Fleet site?

Mr. GUSE. Yes.

Mr. YATES. How much money is involved? You have $5.2 five million set aside for completing the process.

But that was at Ashley, rather than Fleet, wasn't it? Do you still lean toward Ashley?

Mr. GUSE. No, sir, I am waiting for the studies to give us information on which is the best site.

Mr. YATES. What else should I know about the Southeast?

SAME PROBLEMS AS OTHER AREAS

Mr. GUSE. I think just to emphasize some of the problems that the two other Regional Directors and the Director have alluded to.

I think our biggest problem is the increase in operating costs. We are experiencing energy costs, electricity, fuel oil and so on, upwards of 130, 140 percent increase over the last couple of years.

This has taken all of the slack that we would have otherwise had from a funding standpoint to hire additional seasonal personnel, to extend the hours of operation.

In other words,. to keep campgrounds open longer, open them earlier in the season. Open visitor centers earlier in the day to accommodate the visitors.

This is really where we are hurting at the present time.

Mr. YATES. Is your visitation increasing?

Mr. GUSE. We have increased over last year approximately 6 to 8 percent. It depends on the park.

The areas closer to the large metropolitan areas have increased, whereas the countryside rural areas have not.

COMMERCIAL FISHING IN THE EVERGLADES

Mr. YATES. Is there any change that is proposed in the policy banning commercial fishing in the Everglades?

Mr. GUSE. The policy is being reviewed at the present time as a result of a petition by the commercial fishermen from the south Florida area.

We should have published in the Federal Register, either Monday or Friday, a notice which would solicit comments from the public as to the issue.

Mr. YATES. What is the issue?

Mr. GUSE. The issue is whether or not the Service is being fair in attempting to regulate the very reduced fishery population in the Florida Bay. One user group obviously that is affected is the commercial fishing interest.

There are other interests as well, the recreational fishermen, which also contribute. The main concern with the reduction in fisheries, of course, is the water issue.

The commercial fishing activities are somewhat detrimental to other resources. The dragging of nets disrupts the bottoms.

The unattended crab pots are indiscriminate in size, sometimes causing undue loss of undersized or not proper species, catchable species.

So at the present time, we are soliciting comments. We will review those comments. We will hold two public meetings, one in Everglades City, and another in Key Largo in the month of June.

The issue will be entirely aired. We will hear all ramifications.

Mr. YATES. How in the world are you going to have a meeting in Everglades City? The mosquitoes won't let you meet, will they?

Mr. GUSE. June is a heavy mosquito season. It will be indoors.

Mr. YATES. They will, too. What about Mar-a-Lago, is that in the process of being divested?

Mr. GUSE. We completed divestiture about March 16.

Mr. YATES. Did you save the $100,000?

Mr. GUSE. Yes, sir.

FORT JEFFERSON NATIONAL MONUMENT

Mr. YATES. You completed that. That is now back in the foundation. That is fine.

Biscayne, Fort Jefferson walls were falling down, weren't they? They still are, aren't they?

Mr. GUSE. There is some loose masonry. The walls themselves are not falling down.

Mr. YATES. The bricks are mud bricks. The question when I saw them was whether they ought to be replaced. Everybody said they should not be replaced.

Mr. GUSE. To replace all of the falling bricks would be an enormous expenditure. We are not recommending that we spend that money. We can do at the present time with a couple of masons going around and taking care of the hazard problems.

Mr. YATES. How good is your plane that goes to Fort Jefferson?

Mr. GUSE. Both planes are still usable.

Mr. YATES. You have two? I knew you had an amphibian.

Mr. GUSE. We have two. We have always had two amphibians.

Mr. YATES. What year, 1943?

Mr. GUSE. The Widgeon is an old-timer but still serviceable. The other is a pusher-type plane we acquired about four or five years ago.

Mr. YATES. That is interesting. I wonder why they took me in the old type?

Mr. GUSE. Did you have a lot of luggage?

Mr. YATES. No, none at all. We just went for a day. I remember a trip I had to the Virgin Islands, visiting St. Johns. They took me in a jeep over one of the worst roads I have ever experienced in my life.

Then they picked us up in a boat and drove us to St. Johns. Then after we'd had our lunch there, we came back in a boat all the way.

I said, "Why did we go in a jeep?" They said, "Congressman, we wanted you to see the road."

Mr. GUSE. Part of the National Park experience.

Mr. YATES. I guess that Widgeon is a National Park experience, too. You couldn't talk, too noisy. Is that true of the other as well?

Mr. GUSE. Yes. Even a helicopter is very noisy. You are supposed to spend most of your time sightseeing, looking out the windows.

Mr. YATES. There is not much to see in the ocean. What about your National Monuments, are they in good shape?

Mr. GUSE. Well, with the——

CANAVERAL NATIONAL SEASHORE

Mr. YATES. You have a lot. You have Fort Sumter and Fort Pulaski, which was beautiful. I saw Fort Frederica. That was in pretty good shape.

Fort Caroline, I didn't see. What about the Canaveral Seashore? Any problems there?

We had a problem with Congressman Nelson because of the space shuttle. Is that all gone now?

Mr. GUSE. No, sir. The next shuttle shot is scheduled sometime in September.

Mr. YATES. Yes.

Mr. GUSE. We are working very closely, however, with NASA, as to the security arrangements. At the present time, as long as the shuttle is on the launching pad, which is approximately a mile and a half from that road, Florida 5, then the seashore is closed to the public.

BARRIER ISLANDS

Mr. YATES. What about all the barrier islands along the Georgia-South Carolina coast and Florida coast? Someone said the Park Service had under jurisdiction establishing more of those.

That is not true?

Mr. DICKENSON. We have in past years surveyed all of the Barrier Islands, Mr. Chairman. We believe that those that are of national significance, meritorious, have been brought in. We would not like to see those Barrier Islands heavily developed.

Mr. YATES. They are going to be heavily developed. I know Amelia Island now next to Cumberland is being heavily developed now.

They have a huge pulp mill that fouls the air for miles around. Condos are still going up and continuing to go up all through the area.

Mr. DICKENSON. I don't think there is necessarily a Federal role, although there could be some assistance. Certainly the States ought to play an important role in making sure development is appropriate.

Mr. YATES. Sure. Is there anything else I ought to know about your area?

Mr. GUSE. On top of everything else.

BLUE RIDGE PARKWAY

Mr. DICKENSON. Blue Ridge.

Mr. GUSE. Completion of Blue Ridge has, of course, been an issue.

Mr. YATES. Is that land acquisition again?

Mr. GUSE. No, sir, that is construction, very costly construction. We have some health and safety problems with some of the concession facilities at Blue Ridge. They were identified yesterday.

Mr. YATES. Why didn't you address them earlier?

Mr. GUSE. Some of these are very internal-kind of problems. In other words, they are behind the wall. You would have to tear the wall down to find the problem with the wiring, the problem with the plumbing, and that sort of thing.

But as these facilities get older and older, they come to light. The pipes burst, the lines keep tripping the safety mechanisms.

Mr. DICKENSON. Plus the fact in recent years, the States have increasingly upgraded their codes.

AREAS IN TEXAS

Mr. YATES. How about the San Antonio Missions?

Mr. LOEFFLER. That is just outside my district, but I care about that, too.

Mr. YATES. How about Lyndon Johnson National Historical Park?

Mr. LOEFFLER. The ranch is in my district. But the Blanco is outside the district, but I care about that, too.

Mr. YATES. What is the Blanco? That is "white."

Mr. LOEFFLER. That's right. That is where the activity is currently going on. But the LBJ Ranch is there.

Mr. YATES. What about the northern part of your district? We moved north to Moores Creek, Cape Lookout, Cape Hatteras, Wright Brothers and Fort Riley.

Are they all in your area?

Mr. GUSE. Yes, sir.

Mr. YATES. And the problems?

Mr. GUSE. Much the same as we have identified already.

CAPE HATTERAS NATIONAL SEASHORE

Mr. YATES. What about the sand at Cape Hatteras?

Mr. GUSE. The lighthouse, unfortunately, was built too close to the shore. The sea has taken away much of the sand. We have, over the past winter, attempted to protect it from the heavy winter seas by the investment of some $100,000 or thereabouts, and did successfully protect it this year.

Mr. YATES. Next year will bring another problem.

Mr. GUSE. Could very well, depending on the type of heavy seas we have. November storms that come out of the northeast.

Mr. YATES. They will come out of there. I have been inopportuned by several Congressmen who are interested in gateways, beaches. Apparently the sea had taken their sand away. I told them about Cape Hatteras, the fact the sea took the sand away.

The Park Service put it back one year, the sea took it away the next year. The next year, you didn't do it and the sea came and put it back itself.

Mr. DICKENSON. Barrier Islands are very dynamic.

Mr. YATES. That's right. Thank you very much.

Mr. GUSE. You are welcome.

Mr. YATES. I appreciate it. Let's take up Texas.

SOUTHWEST REGION

Mr. DICKENSON. Mr. Kerr, Bob Kerr.

Mr. YATES. I am going to turn this over to Mr. Loeffler. I am going to make a phone call.

Mr. LOEFFLER [presiding]. Let's work through Texas and talk first about the Big Thicket.

BIG THICKET NATIONAL PRESERVE

Mr. KERR. We are about 80, 85 percent complete with the land acquisition proposal now. A number of cases are in court awaiting hearings on the condemnations, the cases. We are to the point at Big Thicket where we are almost operational. It is a case of developing the area, as you know, from a proposal, a new type of area in the National Park System in the early 1970s to where we are today. We are turning the area from a developing area into an operational park.

We are ready to provide the services at Big Thicket. We have a need for some additional employees there to do what we think is an adequate job for interpretation and protection of the area.

PADRE ISLAND NATIONAL SEASHORE

Mr. LOEFFLER. Let's move down to Padre Island. Do you have any real problems there?

Mr. KERR. Well, the problem we had there is hurricane damage from last August. We are in the process of updating the general

management plan for Padre Island, particularly as it relates to Malaquite Beach. That area last year suffered pretty severe hurricane damage.

The pavillion itself has a lot of problems there. When it was built, we had continual problems with cement because of rusting of interior metal inside the cement. We are trying to address how much development we need at Malaquite, whether it needs to be moved or maintained in the present stage it is because we know we will get hurricane damage in the future.

What we are trying to do is address the needs as far as the public is concerned so we are not in a continual repair job. If we keep the facility as it is now, we are going to have to invest substantial amounts of money to repair it.

Mr. LOEFFLER. What is the estimated damage figure as a result of the hurricane?

Mr. KERR. Let me supply that for the record for you.

[The information follows:]

STORM DAMAGE

The estimated damage caused by Hurricane Allen is $720,000.

Mr. LOEFFLER. Mr. Chairman, we have been discussing the current status of the Big Thicket National Preserve, as well as the Padre Island situation, the impact as a result of the hurricane.

I have no further questions. I would be happy to ask questions about the remainder of the activities in Texas, unless you would want to.

SAN ANTONIO MISSIONS

Mr. YATES [presiding]. What about the San Antonio Missions?

Mr. KERR. We are working very closely right now with the church in San Antonio in developing a document that will transfer the missions to the National Park Service. That, of course, has to go to the Justice Department for approval.

Right now, we are negotiating with the church.

Mr. YATES. Why Justice?

Mr. KERR. The legislation called for a Justice Department review of the document prior——

Mr. DICKENSON. A constitutional issue regarding separation of church and State.

Mr. KERR. We have good relations with the church, and we don't anticipate any problem particularly with that.

Mr. LOEFFLER. Incidentally, the community is well pleased with the efforts made by the Park Service, Mr. Chairman.

Mr. YATES. Did you ask them about Lyndon B. Johnson National Historical Park?

Mr. LOEFFLER. I have not.

LYNDON B. JOHNSON NATIONAL HISTORICAL PARK

Mr. YATES. Would you like to tell us about that?

Mr. KERR. I think we have a very good operation there. Like all the other areas, in our region, as well as the National Park Service, we have problems with maintenance of facilities.

A decrease in seasonal staff because of the cost of inflation. We have had to reduce hours of visitor center operations, reduce hours in the number of bus tours that we take through the ranch because of inflation costs.

Aside from that, I think LBJ itself is a well-run operation without any particular problems other than staffing and maintenance.

Mr. LOEFFLER. What is the situation with respect to the erosion problem on the river, have you corrected that now?

Mr. KERR. We are in the process of correcting that. When we got the contract signed, the rainy season came. We postponed that until the waters came down.

Mr. LOEFFLER. What's been the result? You had some pilot testing items when I was there a year and a half ago. Has that worked?

Has that prevented the erosion?

Mr. KERR. No. Directly across from the ranch house is where we intend to go now and stabilize those slopes with dike work.

But it has to be done. It wasn't successful.

Mr. LOEFFLER. Apparently you will run into a problem as a result of not having a rock base. You have a sandy loam and you will always have a washout problem.

Mr. KERR. We hope to put something in below the water line to stabilize it.

Mr. LOEFFLER. Does this also include the activities that you have ongoing in Blanco County and Johnson City as far as that particular segment?

It is lumped together.

Mr. KERR. It is all part of one park.

Mr. LOEFFLER. What about the acquisition? Have you acquired any more land or is this part of the moratorium?

Mr. KERR. It's part of the moratorium. Congress passed legislation that provided the opportunity for us to enlarge the LBJ Ranch site. But we haven't actively pursued that.

Mr. LOEFFLER. Might I ask about south Texas and Palo Alto Battlefield?

Mr. YATES. Sure you might.

Mr. KERR. We prepared a draft general management plan on that with proposed boundaries. At this stage of the game, we are looking at those boundaries as to whether it needs to be, as an example, 4,000 acres, or whether 50 acres would be sufficient to tell the story of the Palo Alto Battle. That is presently under review internally.

Mr. LOEFFLER. Mr. Chairman, I might point out, in looking at the map, as we move now into west Texas, the LBJ Ranch is in my congressional district as is San Antonio. Not the Missions. Big Bend River is.

Mr. YATES. Really. You go all the way to the Rio Grande, then. You have a big district.

Do you go up to El Paso?

CONCESSIONAIRE AT LAKE AMISTAD

Mr. LOEFFLER. I do not. That is Congressman Dick White's major populated area. What about the status of activities primarily with the concessionaire at Lake Amistad?

Mr. KERR. We had a letter from Mr. Volz recently where he indicated he would sell his business to Del Rio business people. We are working with him on that.

We would hope he would stay with us. He is a good concessioner and does a good job of development there.

Mr. LOEFFLER. I was not aware, and have not been apprised at all of the fact that there is a potential sale of the activities that the current concessioner may be proposing to business interests in Del Rio.

Mr. KERR. We received a letter from Mr. Volz just a week, 10 days ago, that indicated that he wanted to pursue that.

Mr. LOEFFLER. Is there any way you might expedite the proceedings with respect to the ongoing litigation in order that he might be able to continue? I know the facility he has in mind, there is a matter of question.

Is there something you can do from the park standpoint that can expedite it so we can get a concessioner, if not Mr. Volz, someone else who is taking care of the activities there?

We have been in a hold position for two years, I suspect, now. We are moving into the summer months again. And a city such as Del Rio is very dependent upon tourism and it is once again cut short.

Can't we somehow bring this to a conclusion within 30 days so we have some facilities, since we now have the ability to dock boats?

I very much want to see this concluded. Frankly, I am rather fatigued, I know that you are, too, with the ongoing ups and downs on this particular thing which shouldn't be something that any of us should spend hours and hours on, and we have.

Mr. DICKENSON. We will do all that we can from our perspective in facilitating that to make sure there is an orderly transition, if that is what Mr. Volz really wants to do, and ensure that there is no disruption of the kind of facilities and public service available.

Mr. LOEFFLER. We should certainly take advantage of the fact that now we have some docks where people at least can moor their boats.

I would be happy to work with you and the leadership in Del Rio to do whatever is necessary so that we can have that facility open and move, notwithstanding what we may have to continue to deal with with the current concessionaire as opposed to future concessionaires, from what you say, in the next month.

Mr. DICKENSON. I appreciate your statement very much.

RIO GRANDE WILD AND SCENIC RIVER

Mr. LOEFFLER. I would like to ask about the Rio Grande Wild River situation. This is a very controversial item in Texas.

I have not been a supporter. There are many things that can be argued against it. The area is, in my judgment, maintained through the existing branches that go along the river.

There is access to the river so that everyone can view the beautiful features of the Rio Grande River. As you note on the map, a tremendous amount, almost half, if not half, of the so-called wild and scenic designation is part of the Big Bend National Park anyway.

The remaining part, as you move downstream on the river, is against private property, which is very remote and which lends itself to the preservation of what we want in the sense of the wild and scenic beauties of a river such as the Rio Grande.

But even more importantly than that, the designation is not something that can ever be truly enforced, based upon the fact that it serves as an international boundary.

And we have, if this is finally totally enforced or totally completed in the wild and scenic river plan, a situation where the south side of the river in this instance is going to always be subject to whatever the Mexican national does as far as private ownership of the surrounding area.

Mr. YATES. Is it already designated a wild and scenic river?

Mr. LOEFFLER. It is.

Mr. YATES. Is there an effort?

Mr. LOEFFLER. As far as the constituency in the area, there has always been very, very strong opposition.

Mr. YATES. How did it become dedicated? Didn't the Texas delegation make their differences known at the time?

Mr. LOEFFLER. They did. I would suspect at that time the delegation was split about 50–50.

Mr. YATES. I see. It still isn't, is it? There has been change.

Mr. LOEFFLER. With that introduction, I would like to hear what the status is with respect to the wild and scenic river designation, what your plans are within the next year.

PLANS FOR THE RIO GRANDE RIVER

Mr. KERR. Subsequent to the public meetings that we had in March of this year, we have reviewed the input which was predominantly opposed to one of the alternatives we had in our drafting managment plan.

We propose at this time, Mr. Congressman, to adopt what was termed Alternative 3 by the Brewster-Carol County citizens in which we propose no-fee acquisition of private property along the river.

We hope to work with those people in terms of cooperative agreements as far as their property adjacent to the river is concerned. We see no need to develop facilities there.

We can handle that out of the Panther Junction and Big Bend National Park. We see very minimal road improvements.

We had an indication from DuPont Company that we can have access at La Linde as an access point to the river.

Mr. LOEFFLER. Could you point out for the Chairman precisely where that is for his own information?

Mr. KERR. La Linde is just downriver from the Big Bend boundary.

Mr. YATES. Okay.

Mr. KERR. Then there is a need for an access down towards Dryden crossing, which is just upstream from where you see Amistad National Recreational Area.

Mr. YATES. That is about at the mouth of the Pecos River.

Mr. LOEFFLER. Langtree, Texas, Mr. Chairman.

Mr. YATES. Named after Lilly.

Mr. LOEFFLER. That's right.

Mr. YATES. Do they have Roy Bean there, too? Where does it say anything about Roy Bean here?

Mr. LOEFFLER. If he were there, there wouldn't be any wild and scenic river.

Mr. YATES. I am sure of that.

Mr. KERR. What we hope to do is come up with a proposal that basically is in concert with what the local landowners indicated at the public meetings we had in March and work cooperatively with them towards the management of the river, in terms that are agreeable to them.

Mr. LOEFFLER. Mr. Chairman, I might add for the record that the Park Service has been very generous in sharing information with me. I have enjoyed working with them. We have not always been on the same wave length. But they have done an admirable job of keeping me informed.

I look forward to working with you and will continue to work with you very closely.

Mr. KERR. Thank you.

BIG BEND NATIONAL PARK

Mr. LOEFFLER. Let me ask about Big Bend National Park and, primarily, where we are with respect to construction of the new facilities within the park. Here we turn to the question of stewardship.

Big Bend has suffered a great deal over the years in not being able to have the facilities updated, reconstructed or new construction brought about in this area of parkland that is far from any other rooming facilities except for Alpine, Texas, which is approximately 100 miles from the Big Bend itself, all in the same county.

May I have a report on that?

Mr. KERR. Just this last year, we completed the reconstruction of the road from Persimmon Gap, south towards Panther Junction. That project is completed.

We are in the process now of developing water supply, an additional water supply and visitor contact station at Rio Grande Village. We hope this fiscal year to let a contract that would provide additional utilities to tie in with the concession development that is planned there once the negotiations for that contract are firmed up later this year.

We also have a proposal in this year's program for an additional water storage tank. That will provide sufficient water for public use, fire and safety requirements there. So we are making progress on developments at Big Bend.

Mr. LOEFFLER. Is this part of the request as far as what we are looking at for fiscal year 1982 in the figures we talked about yesterday?

Mr. KERR. The additional water storage is. It is a part of the 1982 budget request. The additional utilities in the basin are this year's fiscal program. The contract's nearly ready to let.

Mr. LOEFFLER. When do you believe construction of that project will be complete?

Mr. GALVIN. That is due to go out on the street July 3. Date of award will be in September. We probably will start construction next fall.

Mr. LOEFFLER. Will it be available for the tourist season?

Mr. GALVIN. The following season.

Mr. KERR. Last Saturday, we dedicated the new officers 'quarters at Fort Davis. There was a reconstruction job there. The facilities there are in reasonably good condition. We are again suffering from seasonal staff decrease because of inflation and cutback of activities.

But generally speaking, Fort Davis is a good operation.

Mr. LOEFFLER. Mr. Chairman, I have no further questions as far as the interest of Texas is concerned.

OTHER TEXAS AREAS

Mr. YATES. I want to ask about Big Thicket. I look at the index of the Park Service. I am impressed by what it says.

It says:

> This unique ecosystem with exciting research possibilities contains alligator, Texas red wolf, black boar, ocelot and 300 bird species.

Is all that true?

Mr. KERR. Yes, sir.

Mr. DICKENSON. And is thought to contain maybe the only remaining few birds, the ivory bill woodpecker.

Mr. YATES. That's right. That is what is says here. But the question comes up, maybe these are the predators you are worried about.

Mr. LOEFFLER. That is in the eastern part of Texas. But one of the problems that comes with respect to predator control is Big Bend National Park. That is in Brewster County.

Mr. YATES. You don't have anybody there. It says all you have there is mountain scenery.

Mr. LOEFFLER. I will check with the Service.

Mr. YATES. You better have it rephrased. If you have coyotes in there, you better list them. It says we have mountain greenery. No, mountain scenery with the desert in the great bend of the Rio Grande where a variety of geological structures are found.

There is more than that, isn't there?

Mr. LOEFFLER. Mr. Chairman, when this committee has an opportunity to cover other facilities, it would be my pleasure to host a tour through much of which is in my Congressional district.

Mr. YATES. Do you mean you have scenery in your congressional district?

Mr. LOEFFLER. It's beautiful. We can even look at the toxic collar while we are there.

Mr. YATES. That is one thing I don't want to look at. How large is your region, what do you include?

Mr. KERR. The northeast corner of Arizona, New Mexico, Texas, Oklahoma, Arkansas, Louisiana.

Mr. YATES. You have a big one as far as the Park Service is concerned. All of New Mexico.

Mr. KERR. Yes, sir.

Mr. YATES. Northeast Arizona.

Mr. KERR. All of Oklahoma, Arkansas and——

Mr. YATES. What does northeast include, Canyon de Chelly?

Mr. KERR. All the areas included on the Navajo Reservation in northeastern Arizona.

Mr. YATES. Including Montezuma Castle? No, that is below it. Sunset Crater?

Mr. KERR. Yes.

GEORGIA O'KEEFFE NATIONAL HISTORIC SITE

Mr. YATES. You have the Georgia O'Keeffe National Historic Site. How is that doing?

Mr. KERR. Very well.

Mr. YATES. Have you ever met Ms. O'Keeffe?

Mr. KERR. Yes, I have.

Mr. YATES. Do you get along with her?

Mr. KERR. Yes, very well.

Mr. YATES. She is a marvelous painter. Maybe we will visit that, too. Is this a good time to visit, this time of the year.

Mr. KERR. Yes.

Mr. YATES. Is it worth visiting?

Mr. KERR. I think it is.

Mr. YATES. I think maybe I will go see it.

Mr. KERR. We have an oral history with Ms. O'Keeffe.

Mr. YATES. How do you get there?

Mr. KERR. Fly to Albuquerque, north to Santa Fe.

Mr. YATES. How far is it out of Santa Fe?

Mr. KERR. About 30 miles north.

Mr. YATES. You can go up and back out of Santa Fe in one afternoon, can't you?

Mr. KERR. Oh, yes, easily.

JEAN LAFITTE NATIONAL HISTORICAL PARK AND PRESERVE

Mr. YATES. You have Jean Laffite, too, haven't you?

Mr. KERR. Yes, sir.

Mr. YATES. Are you located in Santa Fe?

Mr. KERR. Yes, sir.

Mr. YATES. You are a long way from Jean Laffite, aren't you?

Mr. KERR. From one end of the area to the next.

Mr. YATES. Yes. That is a big area. One wonders why Jean Laffite shouldn't be in southeast, not that I am trying to give someone else your turf. How does the Regional Director feel about these things, do you have to worry about distances?

Mr. KERR. Not particularly. I enjoy Jean Laffite. I think it is an interesting area, interesting concept.

Mr. YATES. Chalmette National Historic Park. Is that yours, too?

Mr. KERR. That is part of Jean Laffite.

Mr. YATES. America won a brilliant victory in the War of 1812. Establishes the Chalmette Monument. A nice little book. Do you have one of those?

Mr. LOEFFLER. No, I don't.

Mr. HUTCHISON. You have one now.

Mr. DICKENSON. Jean Laffite incorporates properties that from a historical standpoint would be operated by other jurisdictions, other governments.

Mr. YATES. Such as what?

Mr. KERR. Cooperative agreements with the National Park Service. We would provide some sort of standard of operation, and a State or city or small community would operate, conduct day-to-day operations of the site pursuant to an agreement with the Service.

Mr. YATES. Good idea.

Mr. DICKENSON. That means we would not have to do it all.

Mr. YATES. That is a good idea. Are you well-staffed in your region?

Mr. KERR. As I mentioned earlier, two of the problems we have, and they have been discussed before and probably are applicable Nationwide, are the problems with inflation as it relates to available funds to maintain existing facilities, and the need to increase seasonal staffs in order to come up with the funds necessary to pay for increased utilities costs.

I think as Howard Chapman said earlier, the places where we are affected most is in the ability to have seasonal staffs.

We have had to reduce hours of visitor center operations, hours of conducted tours, the number of conducted tours, hours of station operation and things like that that directly affect the enjoyment of the parks.

Mr. YATES. That is unfortunate. What about the question of health and safety?

Mr. KERR. We have a number of health and safety projects, like other regions have. Those are listed in the budget submission. They are pretty widespread throughout the region.

Mr. YATES. Do you have any relating to drinking water or sewage?

Mr. KERR. Drinking water, sewage, roads, trails. Administrative and other facilities.

Mr. YATES. Where is the drinking water problem?

Mr. KERR. They are widespread throughout the region. I can supply that specifically for you.

Mr. YATES. Put it in the record. Thank you very much. I appreciate it.

[The information follows:]

DRINKING WATER AND SEWAGE PROBLEMS

Bandelier National Monument—Rehabilitate Water System—Base Camp [1]

The present system consists of concrete dam with a plastic water line to cabin and corrals. The installation of a filter and water purification system would upgrade the system to meet Public Health Code.

Big Bend National Park—Elevate and Stabilize, Including Installation of Retaining Wall, Chisos Basin Treatment Plant (Located on a Slope and Perform Mechanical Repairs)

Poor foundations for the sewage plant at Chisos Basin have allowed the plant to begin slipping on a steep. Continued slippage will result in the plant being made inoperative. Stabilization at this time will preclude replacement of the plant at a later date.

Buffalo National River—Replace Unsanitary Residential (Employee) Septic Tank

The sewage system for a recently acquired residence does not meet public health standards. The facility cannot be utilized until the system is replaced.

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[1] With the exception of these three projects, all are included in fiscal 1982 Park Restoration and Improvement Program request. The requirement for these three came to light too late to be included in this program.

Carlsbad Caverns National Park—Extend Sewer Line to Maintenance Building to Replace Failing Septic System

The maintenance building has historically been served by a septic tank which is located directly above Carlsbad Caverns. A short sewer line will connect this facility to an existing sewer line, preventing possible contamination of the cavern and water supplies below.

Chaco Culture National Historical Park—Improve Water System

The capacity of the reverse osmosis water treatement plant has been exceeded and it is now necessary to install point of use reverse osmosis systems in the quarters and the Visitor Center. This change will allow adequate supply of treated water.

Chickasaw National Recreation Area—Rehabilitate Water System to Public Health Service Standards—Buckhorn Area

The condition of this water treatment plant has been noted by the Public Health Service Consultant as a problem which will soon render the plant unsuitable as the water supply for the Buckhorn Area. There is no alternate source of water for these facilities.

Chickasaw National Recreation Area—Replace Residential Sewer System—Travertine Creek [1]

The present septic tank and leaching field are inadequate to properly handle the residence and the septic tank must be pumped on a regular basis. Two thousand linear feet of 4-inch sewer line and 7 manholes are required to connect this system to be city-owned sewer main. This will eliminate an obviously saturated leaching field and meet Public Health Service requirements.

Lyndon B. Johnson National Historical Park—Construct Sewer System Connections—LBJ Ranch Area [1]

All sewage on LBJ Ranch Area, Birthplace and Sam Johnson Home is handled by means of septic tanks. Because of the nature of the soil structure, septic tanks are a continuous problem. These systems should be connected with the present State Park disposal system.

Pecos National Monument—Upgrade Park Sewage System to Meet EPA Standards

The capacity of the existing transpiration pit is no longer sufficient to handle the present sewage load. This results in periodic overflow of raw sewage. An overflow leachfield will be added to handle the excess sewage.

ALASKA REGION

Mr. YATES. What region is next?

Mr. DICKENSON. I would like to ask John Cook of Alaska. Our newest region.

Mr. COOK. And largest. Mr. Chairman, thanks to the generosity of the Congress, last year we added 30 new positions to the region.

Mr. YATES. That takes care of all of Alaska, doesn't it?

Mr. COOK. 52 million acres.

Mr. YATES. How many, 30?

Mr. COOK. Thirty new ones to begin the management of the new areas that came into being with the Alaskan National——

Mr. YATES. What is your total number of personnel?

Mr. COOK. 116.

Mr. YATES. How many acres do you have to supervise?

Mr. COOK. 52 million.

Mr. LOEFFLER. That's not bad, Mr. Chairman. Sort of like Texas.

Mr. YATES. Are you able to do it?

Mr. COOK. We are able to begin to do it. We must separate in Alaska that we have the new areas just created by the Congress and then we have the old traditional areas. Alaska, like the remainder of the United States, has also some crown jewels that have been in existence a long time. Denali, Glacier Bay, Katmai National Park and Preserve which until its change in designation,

[1] With the exception of these three projects, all are included in fiscal 1982 Park Restoration and Improvement Program request. The requirement for these three came to light too late to be included in this program.

was the largest national monument in the System, several million acres.

These old-line parks have been visited by visitors for decades. In the instance of Denali, we have accommodations. It is a traditional National Park unit.

Then we separate out and go to the fine new areas like Yukon-Charley Rivers National Preserve, Gates of the Arctic, the world's largest national park, Wrangell-St. Elias, with 11.8 million acres.

We have to realize we are dealing with a growing developing new area. At the same time, we must look at providing the services, et cetera, for the old, long-existing areas.

Mr. YATES. Why did you reduce the money for Alaska by $4 million? That is the parks, isn't it?

Mr. DICKENSON. The reduction was part of the view of the new Administration, Mr. Chairman. It coincided with new ceilings imposed by the Office of Management and Budget.

Mr. YATES. Has that hurt you very much?

Mr. COOK. There will be some difficulty.

Mr. YATES. As Lorraine said, speak freely and candidly.

Mr. COOK. Of course. I think we have to look cautiously upon the build-up in the development of staffing and operations for the new areas.

The traditional concept of taking a Gates of the Arctic, the premiere wilderness park in the world, and thinking of staffing it like a Yosemite, would be totally incorrect.

Mr. YATES. Right.

HIGH COST OF EVERYTHING IN ALASKA

Mr. COOK. We must develop our staffing with first the presence, go through the planning. We must provide first for the protection of the resource, and provide for use that is developing in the area.

But to think in terms of tradition there, it is not appropriate. We will be doing innovative things in our staffing, such as having district rangers, which normally in other parts in the Lower 48 would be permanent full-time. In Alaska, they may only work eight months a year for us.

They will be permanent less than full time. Inflation has, of course, affected us.

Another element I really want to place emphasis upon to this committee and others is the uniqueness of the cost of doing business in Alaska. The costs of transportation and things in Alaska are more expensive.

While to my peers and to my boss, although fortunately, my boss is well-versed in Alaska, but to others, it might appear we are excessive in requesting funds, when, in fact, the same thing costs twice as much in Alaska as it costs in the Lower 48.

We will not be able to have supplies and materials at Nome, Alaska, for the Bering Land Bridge this year unless we can get the order in on the dock in Seattle within the next two weeks.

Within three weeks, we will miss the barge, and those things come next year. And inflation continues to eat at us.

I like to tell the story of when we ordered a dumptruck. It was delivered to the dock in Seattle. By the time it arrived in the park,

the warranty had already expired. So it is expensive to do business in Alaska.

It is far away. It is different in the types of things we have to have. Last year, as I testified before the committee, there was the topic of aircraft.

Aircraft is essential to provide for resource management, protection and general management in Alaska. You can fly in a 206 for seven hours and just cover one-fourth of one park.

Mr. YATES. We were more sympathetic for your 1981 supplemental than the Senate was. I see by the Senate report [reading]:

> The committee recommends no additional fiscal year 1981 funding for new park areas. The National Park Service has $3 million available in 1981 and has requested $7 million for fiscal year 1982 for these new park areas.
>
> The establishment and development of new park programs is not of sufficient priority in this time of fiscal restraint to merit a 113 percent increase via the 1981 supplemental.
>
> These activities can be delayed for a number of years.

That is hard on you, isn't it?

Mr. COOK. Well, it is a part of our overall contribution to the total economics of the budget. We have to play that game. There are things, Mr. Chairman, which can, in fact, be deferred.

There are some things which the budget will provide that are essential for us to do. We will be doing those. Visitor protection and resource protection.

Mr. DICKENSON. That was the base, Mr. Chairman, $6.4 million, we are pursuing a basic strategy of minimum security and surveillance, being accomplished by air.

Mr. YATES. I am sure Alaska hunters will love that, won't they?

Mr. COOK. The mere presence is a deterrent. We do suffer with illegal hunting as I discussed with the committee last year.

This past winter, we found evidence of aerial wolf-hunting within the parks. By the additional people that we were provided in this budget, and the positions that will be forthcoming in the 1982 budget, we will be able to improve our capacity to prevent that.

Mr. YATES. How do you know what you are going to get in 1982?

Mr. COOK. I am anticipating with great hope——

Mr. YATES. Didn't you just hear me read the language in the Senate report?

Mr. COOK. That was in the supplemental. I am speaking to the budget we are addressing today. All I have requested and what has been put forward in this budget will go to the field, the park areas.

SENATE APPEAL

Mr. YATES. Let's hope you are right. Are you not appealing Senate action?

Mr. DICKENSON. I am not aware that we are. I doubt it very seriously.

Mr. YATES. Did you have any choice?

Mr. DICKENSON. I am not aware.

Mr. BETTENBERG. Mr. Chairman, I would anticipate that we will, in fact, be appealing some of the Senate actions.

Mr. YATES. I would think so. Do you do the appealing, Mr. Bettenberg?

Mr. BETTENBERG. Well, the Secretary would write an appeal letter.

Mr. YATES. Do you mean Secretary Watt is going to write an appeal letter in the face of this language in the Senate report?

Mr. BETTENBERG. No decision has been made on the specific items to be appealed, but I anticipate there will be an appeal.

Mr. DICKENSON. I guess what we are saying, Mr. Chairman, is that that is new information to us.

Mr. YATES. I don't understand. We have to get started in Alaska sometime, don't we?

Mr. DICKENSON. I agree.

Mr. YATES. What happens if you don't get started now? You have a time of fiscal restraint.

Mr. COOK. We are started.

Mr. YATES. You are started?

Mr. COOK. Yes, sir. But as the Director pointed out, it is a minimal start. It is a presence. It can be best categorized as custodial in nature.

Mr. YATES. Why did OMB approve the money for the supplemental if, in fact, you didn't need it?

That was a victory itself, wasn't it, to get it through OMB for a supplemental?

Mr. DICKENSON. We are not saying we didn't need it.

Mr. YATES. In a time of fiscal restraint, you don't need it. What are you saying?

Rather than what I am saying, what are you saying?

STARTUP AT A REDUCED LEVEL

Mr. DICKENSON. What I am saying is that we do have options related to the startup development of the new areas in Alaska. It does not have to occur at the originally proposed level.

It can proceed at a reduced level, but we have to know what the disadvantages are, what kind of penalties we are paying.

There will be degradations on wildlife. There will be lack of surveillance on some public use. Some people will be using that wilderness and back country that will not have the kind of contact and information services available to them that we would have otherwise.

Mr. YATES. Are you also saying from that statement that you can have the same kind of oversight activity in fiscal year 1982?

Mr. DICKENSON. In 1982, we will be performing very much along the same lines as we are now.

Ms. GARRETT. Mr. Chairman, I wonder if I could add one thing. When we initially put together the fiscal year 1982 budget, we had requested an increase of $8 million to the $3 million which is available in fiscal year 1981.

At the time we made the decision that we could sustain a $4 million reduction to the $8 million increase in fiscal year 1982, we assumed that the $3.4 million supplemental in fiscal year 1982 would go through.

That $3.4 million would have taken our base up to $6.4 million. Now, that the Senate has suggested nonapproval of the supplemental, we will indeed come back and appeal that action.

If we do not get that $3.4 million, it would give us cause to rethink whether or not we could sustain that $4 million reduction to our initial proposal of an $8 million increase.

So we are talking about two different years and two different periods of time from which we made our decisions.

Mr. YATES. What else should you tell us about Alaska, other than it is a great State?

ALASKA HISTORICAL SITES

Mr. COOK. In addition to the great wild and scenic resources we all know about and read about in Alaska, we have some exquisite and important historical resources there.

I would be remiss if I did not mention the fact that we cover all of those. The Russian Bishop House in Sitka is a very fine, very historic structure. We are in the process of getting that restored. This year it will be restored, at least to the point where from an exterior viewing, it is something we are very proud of.

Hopefully, we will be able to go in and finish up the interior of that fine structure and have it opened to the public to commemorate that point in time in the history of the United States.

It was through the total Russian interchange with Anglo-Saxon culture that, ultimately, Alaska came into the United States.

The Klondike Gold Rush was part of the great history of the West, from California gold and onto Alaska. Through excellent community relationships, we are developing the old historic structures in the community of Skagway.

The old saloons, et cetera, which are so picturesque. These are drawing visitors to Alaska, and they are very much a part of the Alaskan scene.

While a reduction in visitation did not occur, we don't think it will occur immediately, either. European travelers have found it is cheaper to travel over the pole and visit Alaska than it is for many Scandinavian and German people to go to the Riviera.

So while our friends in the Grand Canyon have a high percentage of Japanese visitors, we are finding many European languages spoken at Mt. McKinley and the other parks. The Japanese visitors still come to Alaska, a stopping-off point for many of the Japanese airlines as they tour the rest of the world with their over-the-pole flights.

HEALTH AND SAFETY PROBLEMS

Mr. YATES. Do you have any health and safety problems?

Mr. COOK. Yes, sir, at McKinley Park Station, we have begun to address some health and safety problems through this year's budget, the 1981 budget, the maintenance add-on that the Secretary and Director discussed yesterday.

What is called a utilidor is being replaced at McKinley Park Station. This is the water, sewer and all the utilities that must be maintained underground with a heated line to keep them from freezing.

It was at a point where one rupture would cause the entire park to be shut down because the water and sewer are all together. If you break one, you contaminate everything.

We are repairing several bridges the Federal Highway Administration has advised us need upgrading. We are in the process of providing the immediate warning systems for health and safety problems in employee dorms and visitor facilities.

We, too, like the rest, have those problems. Fortunately, we did receive a good amount of the maintenance money last year to address most of ours, but not all of them.

Mr. YATES. Thank you very much.

Mr. COOK. Thank you, Mr. Chairman.

Mr. YATES. I think we have time for one more before we break for lunch.

No, we have to vote.

AFTERNOON SESSION

MIDWEST REGION

Mr. YATES. Let's have the Midwest representative.

Mr. DICKENSON. That will be Mr. Jim Dunning.

Mr. DUNNING. Thank you, Mr. Chairman.

Mr. YATES. Glad to see you. You are headquartered in Chicago?

Mr. DUNNING. Well, not quite. A little bit further, just the suburbs, however. Western suburb.

Mr. YATES. Not far. Tell us about the Midwest.

Mr. DUNNING. Well, the Midwest is a great place to live, as you know.

Mr. YATES. My goodness, you don't have very much, do you?

Mr. DUNNING. Ten states, Mr. Chairman. Large area.

Mr. YATES. I was going to say, a huge area, but there doesn't seem to be very much in it.

Mr. DUNNING. Two areas, Mr. Chairman.

Mr. YATES. Twenty-eight installations. Tell us about it.

Mr. DUNNING. Well it is probably unique because half of the areas are in the developing stage, which, as you know, after they are authorized, there is a period of years where they go through this. That is the biggest concern. That sort of leads into the concern for the resources that is given to the Park Service to maintain, both natural and cultural resources.

In the case of the cultural resources, there are quite a few of the historic buildings that are getting as much attention as we can give to them. Certainly they need a lot more. A case in point probably would be the William Howard Taft House which needs a lot of attention.

Mr. YATES. You mean that is because he was such a big man?

Mr. DUNNING. Oh, indeed he was. As you know, he was a remarkable person, having been the only President who was also a Chief Justice.

Along with that, there are many other historic structures. Then going into the natural resources, all the Great Lakes areas. Those areas need a great deal of scientific study to know precisely what we have there.

Mr. YATES. I assume you heard the story about William Howard Taft told by his great great grandaughter?

Mr. DUNNING. I am not sure I have yet.

Mr. YATES. She was asked about her family. Well, she was about eight years old and she said, "My great, great grandfather was a President of the United States. My grandfather was a Senator of the United States. My father was a Congressman of the United States. And I am a Brownie."

Mr. DUNNING. That is great. Mr. Chairman, may I offer you this?

Mr. YATES. That is a Girl Scout map?

Mr. DUNNING. That is a Girl Scout map.

Mr. YATES. Thank you for this. I take back what I said about you not having very much to do.

Mr. DICKENSON. Our major concern with the Taft House, Mr. Chairman, is that through the years it has been permitted to deteriorate while it was under other ownership. Also, considerable alterations had occurred to the historic fabric. So it is going to require an awful lot of attention to bring that back to anything resembling a reasonable standard.

Mr. YATES. Maybe we ought to ask the same people who contributed toward the restoration of the White House.

Mr. DICKENSON. Well, now, that is a very good idea, sir. We would appreciate private contributions.

Mr. YATES. Do we have to worry about anything that is related to health and safety in this area?

Mr. DUNNING. Well, we are able to do some work on that, which is a part of this budget, in bringing water and waste water treatment up to a reasonable standard. This, of course, is true in our case, as it is in others, where we are bringing these facilities up to a standard that the states are requiring of us.

In this year's budget we have three areas in the Isle Royale National Park that will get new water systems. This will be a great improvement.

JEFFERSON NATIONAL EXPANSION MEMORIAL

Mr. YATES. How close to completion is the Jefferson National Expansion Memorial at St. Louis?

Mr. DUNNING. At the Memorial itself, we are just completing the landscaping of the area. It is in the very last phases right now. We are moving out the water sprinkler system. All of the plantings, are in. It is now ours to take over. The contractor is still on the job, but it is in the very last phases.

Mr. YATES. The courthouse needs work, doesn't it?

Mr. DUNNING. The courthouse, I am sorry to say, needs a lot of work. It has been a good long time since the courthouse has had the treatment on the outside. If I may, I would like to leave with you some pictures of the courthouse.

Mr. YATES. It looks good from the outside.

Mr. DUNNING. As you go along you can see some of the concerns we have about paint peeling and so forth.

Mr. YATES. A handsome building, isn't it?

Mr. DUNNING. It is. It is a beautiful building, and it is a handsome setting in that you have the old and the new, as you can see there. With the arch in the background, it really is quite a nice sight.

Mr. YATES. How does the Secretary feel about giving you money for this?

Mr. DICKENSON. It is in our budget, $2.3 million.

Mr. YATES. I would think the Secretary would want to give you lots of money for the William Howard Taft House, wouldn't he?

Mr. DICKENSON. Is that in the current—we didn't make it this year.

Mr. YATES. Does he know about it?

Mr. DICKENSON. I don't believe he is familiar with our situation, specifically.

Mr. YATES. You can see it does need a lot of work.

Mr. DUNNING. It is an historic structure. The fabric itself is sandstone. You have to take a great deal of care in taking the old paint and preservative off and then painting again. As you can see, the scaffolding up around there, is expensive. But there is no other way that you can get up there and do the necessary repair.

Mr. YATES. Thank you very much.

Mr. Regula, did you want to ask some questions on William Howard Taft?

We have had Rocky Mountains, Midwest, Southwest, Southeast. We haven't had Mid-Atlantic, have we?

Mr. DICKENSON. Mr. Jim Coleman.

Mr. YATES. Mr. Coleman, all right. Mid-Atlantic.

CUYAHOGA NATIONAL RECREATION AREA

Mr. REGULA. Cuyahoga is the only National Recreation Area we have in the State of Ohio, so somebody has to look after it. What are your plans for the future?

Mr. DUNNING. We have plans right now to build some trails in the area to start our program of accommodating the people over, above and beyond that which was developed by others, so I think you will see us moving ahead this year with that.

Mr. REGULA. Have you had a lot of visitor days, or attendance there?

Mr. DUNNING. Yes, indeed. The visitor days in the area are up five percent this year. That was last month. Now we are going into the zone in which we would expect a substantial increase.

Mr. REGULA. What are you developing, the kind of facilities that you use on just a day's visit? Park benches, places to cook and to hike and that sort of thing?

Mr. DUNNING. That is essentially the kind of day-use type area, as you pointed out. As a park program, every year they are budgeting barbecue areas, benches and tables to accommodate day-use activites, trying to develop areas for frisbee, baseball, that type of thing, and hiking trails.

This responds to a concern we had earlier where we came in and were trying to lay out a program for last summer, so that the members here could understand what we were shooting for. It was designed primarily around the blue collar people. And the concern was are they coming out, are they participating. And this is the direction we are taking now.

Mr. REGULA. Are most of your urban parks used in a similar fashion?

Mr. DUNNING. Yes, indeed. Our experience at Indiana Dunes, as well as Cuyahoga, is along similar lines. We are finding more and more that the less affluent, if you will, are able to take advantage

of it. You get large numbers out there. They are beginning to find it, if you will, and come out and enjoy it.

Mr. REGULA. Has there been any attempt to promote Cuyahoga? I don't remember seeing any signs as I travel through the area, although that isn't in my district—it is 40 or 50 miles from the 16th District. But as I drive to Cleveland or to Blossom to the music festival, I don't think that I have ever seen any signs indicating the presence of the park. I am wondering if you have done any plans to work with the State Highway department to better advertise Cuyahoga's existence.

Mr. DUNNING. We are addressing that right now. Lou Albert, who is the new superintendent there, has been there less than a year, is working with the State Highway Department right now on both the interstates to get the appropriate signs there. And also signs in the interior of the park.

Mr. REGULA. Good.

Mr. DUNNING. So we should be able to see that as soon as they are ready.

ADVERTISING CUYAHOGA

Mr. REGULA. I wonder if there have been any programs to increase awareness of the facility in towns such as Canton, Akron and Cleveland, so that more people know about it?

Mr. DUNNING. We are trying, through our interpreting division, to interest groups, if you will, in having us come out and demonstrate for them what is available, in all areas, but in the inner-city areas especially, because they aren't using them, especially at Cuyahoga. Not quite so much at Indiana Dunes, but at Cuyahoga they are just beginning to find it.

The goal, is to get that group of people.

Mr. REGULA. I think it does need—and probably part of it is the media's fault—but it does need a higher level of awareness. I know people in the 16th District rarely ever mention it to me, even though we put it in newsletters and so on.

Mr. DUNNING. That has been one of Lou Albert's kind of goals, is to do precisely that, to get a broader constituency, if you will.

Mr. REGULA. Do you offer any instructive type programs, where the park rangers will take special areas and have talks on them, as you do in some of the other National Parks?

Mr. DUNNING. We have a very, very talented chief of interpretation who is doing exactly that. And to try to stimulate special visitors, and then to bring them in and well, attract them by having these usages.

An example would be the Hale Farm.

Mr. REGULA. Yes.

Mr. DUNNING. And the interpretation of the valley and how it came to be as it is. How it became that attraction.

Mr. REGULA. You are, then, moving toward a program that will make it attractive for the day visitor. As I understand it, there are no overnight facilities for camping?

Mr. DUNNING. No, sir.

Mr. REGULA. Would you anticipate ever getting into that?

Mr. DUNNING. Not for a good while. In the long range plan it is anticipated there might be. But certainly not for the foreseeable

future. Right now those sorts of facilities are available outside the park.

Mr. REGULA. This facility would interface with the Cleveland Metropolitan Park System, wouldn't it?

Mr. DUNNING. Indeed. In fact, it used to be a part of it. We have excellent relations with the Cleveland Park people.

Mr. REGULA. Actually, when you take the Akron Metropolitan and Cleveland Metropolitan, plus this, it really makes quite a park.

Mr. DUNNING. Almost a regional park.

Mr. REGULA. Right.

Mr. YATES. Should it be returned to the state?

Mr. REGULA. No, I don't think the Governor wants it. I haven't called him. I suspect he would like to give you a little more land to put on the Federal budget in the absence of revenue sharing. Jim Rhoades is not clamoring to get this one back despite the memos I have seen floating around. This, of course, is the objective of an urban park, to give the park experience.

Do you do anything there that would make visitor awareness of the other units in the Park System?

Mr. DUNNING. Yes, indeed. That is one of the interpretive efforts. When you have an audience, on a regional basis, make them aware that there are other areas available.

Mr. REGULA. You might offer an opportunity to give people a better understanding of the National Park System, because you have a captive audience, whether their interest is in visiting Yellowstone or wherever. And also a program to make them realize Yellowstone isn't a Coney Island. Apparently you are pursuing that type of approach?

Mr. DUNNING. The interpretive effort is pretty much along that, to, generally, in a tasteful manner, lay out the conservation thing, if you will, the Yellowstones and all. And certainly in Cuyahoga, even though it is a recreation area, it is administered in a very conservative manner.

PARTICIPATION OF SCHOOLS

Mr. REGULA. Are the staff people available to the local schools, if they were to want a ranger to come down and visit the sixth grade and talk about the Park System?

Mr. DUNNING. That is one of the best advantages or opportunities we have, our school children. It just gives us multiple benefits because invariably, the child goes home and talks to the parents. And first thing you know, the family is out there. That is probably the best single opportunity we have to really touch the people and encourage them to come to a recreation area.

Mr. REGULA. Have you done anything to make the schools aware of that potential, such as sending a flyer out, or in some other way advising them of the availability of your personnel?

Mr. DUNNING. Generally they are contacted personally, on the phone or by letter, and then made available the services—a film, or slide show. Someone will come and talk. Then out of that, out of a school program, a busload of school children will come out. Then one of our people will get on the bus and they tour the park, probably have a picnic lunch someplace. So the children just have a delightful day and in a pretty nice setting.

Mr. REGULA. Mr. Dickenson, I think you have made a great case for our urban parks.

Mr. DICKENSON. No question about it. You might be interested as to how the budget treats Cuyahoga. Out of the 1981 fiscal maintenance add-on, which is an action of the Congress last year, Cuyahoga came in for $25,000 which was to meet some specific needs that they had.

And Mr. Dunning mentioned the fact that trails in the 1982 budget, the current budget, the $105 million, the project planning for those trails is included at $120,000.

Also, there is $100,000 for a stabilization effort on the Lock Tender House in the canal. $286,000 additional funds.

Mr. REGULA. In addition to the regular?

Mr. DICKENSON. Yes. $330,800 which takes care of inflation and additional services required.

Mr. REGULA. You don't plan any acquisition other than those in process?

Mr. DICKENSON. There is a moratorium on.

Mr. REGULA. Yes, I understand that. I hope you are evaluating what you really need up there. I assume you are doing that for all of them?

Mr. DICKENSON. Yes, sir, there is a systematic effort. We examine them.

Mr. REGULA. I am pleased to hear that. The Lock Tender's House is a unqiue area.

Mr. DUNNING. It is. It is a unique piece of history of the area.

JOHNNYCAKE VILLAGE PROGRAM

Mr. REGULA. I have a copy of a letter addressed to Congressman Stanton from Mr. Pope. It is apparently in response to an inquiry about the Johnnycake Village program.

Mr. DUNNING. I would have to supply for the record the specifics. But in general, since a lot of those are historic houses, the plans are to turn them over to small businesses. Boutiques, that kind of craft-type business. I can give you the specifics if you like.

Mr. REGULA. Why don't you supply those for the record

Mr. DUNNING. I would be happy to.

[The information follows:]

JOHNNYCAKE VILLAGE PROGRAM

The Johnnycake Village "living history" program was conceived and developed by the National Park Service. The National Park Service contracted with Eden Valley Enterprises, a Cleveland-based drama group, to present the program during the summers of 1977 through 1979 and to do several special Christmas programs in the park. With National Park Service help, Eden Valley Enterprises obtained local foundation grants to support the program. In addition, the National Park Service initially paid $10,000 to Eden Valley Enterprises to develop the script and design and manufacture costumes. Other funding and in-kind services by the National Park Service totaled more than $28,000. We provided the set and other props, signs, printed brochures, maintenance and storage of sets and props, public information and publicity services, and program supervision. We also provided the location, site improvement, parking area, restrooms, and security.

It was expected that the National Park Service would fund continuation of the Johnnycake Village program when local grants expired at the end of 1979. However, Eden Valley Enterprises proposed and operating budget of more than $75,000 for the 1980 season. This would have been the equivalent of one-half of the entire park budget for interpretive programs. The increasing pressure to reduce Federal spend-

ing, combined with the rapid growth of the Cuyahoga Valley National Recreation Area and the demand for all types of programs within limited funding, made it impossible to fund continuation of the Johnnycake Village program.

Mr. REGULA. Apparently, you are looking at it and trying to get the thing within the budgetary capabilities.

Mr. DUNNING. Yes.

Mr. REGULA. Without invading too much of the interpretive budget.

Mr. DUNNING. That is the problem. There are so many historic structures in the Cuyahoga area.

Mr. REGULA. That is true.

Mr. DUNNING. It is quite a balancing act to save these areas. The Lock Tender House is probably a classic example, because it is in really pretty bad shape.

Mr. REGULA. Yes, I know it is.

Mr. DUNNING. So is Johnnycake Village area, all of them need quite a bit of attention. That is what we are trying to do.

Mr. REGULA. Actually, the canal and Indian history combined give quite an interesting background of that area.

Mr. DICKENSON. The Historic Preservation Act of 1980 gave us all a very unusual opportunity as well. It dealt with adaptive use of historic structures, and provided that any commercial use of those buildings, proceeds therefrom, could come back to the National Park Service to aid in maintenance and restoration. This is a very worthy turning point. It is important to every area that has a historic area.

Mr. REGULA. Does the Park System have that mill that is on the canal there, the water wheel?

Mr. DUNNING. I really don't know. I would have to supply that for the record.

Mr. REGULA. It is about, I would judge, ten miles out from the city.

Mr. DUNNING. I can certainly find out for the record.

[The information follows:]

ALEXANDER MILL

Alexander Mill, within the authorized boundary of Cuyahoga Valley National Recreation Area, is currently owned by the Wilson Feed Mill Company. The approved Land Acquisition Plan for the park places high priority on fee acquisition of this property. The General Management Plan, approved in February 1977, proposes that the Mill be restored and interpreted.

In such future time as the land acquisition program is resumed, this structure, which is on the National Register of Historic Places, will be acquired in fee, architecturally investigated, and restored, if feasible. The Mill is central to the park's main interpretive theme, the Ohio and Erie Canal. Preliminary plans call for exhibits and programs that will allow visitors to gain insight into the operation of such mills during the most prosperous days of the Canal and the preservation of a significant historical resource.

Mr. REGULA. One of the steel companies was buying water out of the canal. I assume that is still going on?

Mr. DUNNING. Yes. We are required to keep the water up in that canal because of that water agreement. So that part of it we are doing now. The mill part, I am not certain.

Mr. REGULA. That has an attractive feature to it, in addition to complying with the agreement. Thank you very much.

Mr. YATES. Thank you, Mr. Dunning.

May we have your attention, Director?

Mr. DICKENSON. Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. YATES. Will you tell us what problems you have in the region?

Mr. COLEMAN. Well, the Mid-Atlantic Region—Pennsylvania, Maryland, Delaware, Virginia, West Virginia, and some of New Jersey—contains mostly historical parks, with the exception of Shenandoah National Park, Delaware Water Gap and Assateague National Seashore. The rest are historical parks.

So the majority of our problems lie with cultural resources that we have to deal with. But our problems are much like those of everybody else who has come before you. I can talk about problems of increasing cost of supplies and materials and energy problems. Inflation has hit us quite hard. And problems of staffing. We have a couple of our lesser used historic buildings at Independence, for example, that are closed down on certain days of the week because of lack of staffing.

Some campgrounds at Shenandoah will open later and close a little earlier because of staffing problems. So those problems are pretty much the same as everybody else has.

As far as health problems, which you are interested in, we do have some of those. We have a pretty substantial road problem on Skyline Drive, which was built in the early thirties. There are some underpinnings built on the sides of the mountains there. Some of the structure underneath is sliding away. The Federal Highway Administration did a study on that. We have that in the program.

Mr. DICKENSON. A different standard of construction, Mr. Chairman, back in the thirties. The compaction and kind of base that was applied.

Mr. YATES. What else should we know? Do you have a water problem in New Jersey?

Mr. COLEMAN. Yes, sir, which affects the Upper Delaware River.

Mr. YATES. You are losing your watertables?

Mr. COLEMAN. That is true.

Mr. YATES. How does that affect you?

Mr. COLEMAN. It affects us quite a bit because New York City draws water from the Delaware River. And the Delaware Water Gap. Of course, the Delaware flows through both those areas. And it affects the recreation use on the river quite a bit.

Mr. YATES. Do you have Gateway and Fire Island?

Mr. COLEMAN. No, sir, those are in the North Atlantic. In New Jersey we just have portions of the Delaware Water Gap and Upper Delaware River, northern New Jersey.

Mr. YATES. Yours are mostly historic monuments, aren't they?

Mr. COLEMAN. Yes.

Mr. YATES. Mr. Regula.

Mr. REGULA. Do you have the Skyline Drive?

Mr. COLEMAN. Yes, sir. Shenandoah National Park. Just as far as it goes to the Blue Ridge Park. When the road becomes the Blue Ridge Parkway, it is in the Southeast Region.

Mr. REGULA. Do you have Gatlinburg?

Mr. COLEMAN. No, that is Southeast.

Mr. YATES. Do you want to ask about Gatlinburg?

Mr. REGULA. No, I was just trying to understand what portion of the Blue Ridge was in Mr. Coleman's region.

Mr. COLEMAN. Just in Virginia. Just that section that is the northern part. Well, most of Virginia, Skyline Drive, Shenandoah.

Mr. YATES. Thank you very much.

Who is next?

PACIFIC NORTHWEST REGION

Mr. DICKENSON. Jim Tobin, of Pacific Northwest.

Mr. YATES. You have Oregon, Idaho, and Washington, don't you?

Mr. TOBIN. Yes, Mr. Chairman.

Mr. YATES. You also have Mount St. Helens?

Mr. TOBIN. The U.S. Forest Service has responsibility for the land around that.

Mr. YATES. You just have cooperation with them?

Mr. TOBIN. Yes, very much so. We discussed their plans for it.

Mr. YATES. Tell us about the condition of your area?

Mr. TOBIN. The Pacific Northwest Region has several of the crown jewels of the system—Mount Rainier, Olympic, North Cascades and Crater Lake National Parks. Within Olympic, Mount Rainier and Carter Lake are areas that have been identified in the General Accounting Office report concerning life safety, problems of concession facilities.

Back in 1976, at Mount Rainier, there was an indentification of a need to do rehabilitation work on the Paradise Inn. Money was provided by the Congress. That work is nearing completion now. Most of it will be finished by this operating season. That will incude new alarm systems, fire resistant exits, fire suppression devices, that sort of thing, to make an old building meet the modern requirements for fire protection and evacuation.

At Crater Lake National Park, the Crater Lake Lodge was also identified in the General Accounting Office report. That particular project we put out in a discussion with the public in the State of Oregon last fall to sense their attitude about whether that structure should be razed, or restored, and to what levels of restoration. We had overwhelming response from the State of "please retain the facia—the exterior portions of the lodge in their historic style. Please renovate the interior to a more modern standard that would meet life safety codes, but for goodness sakes, please don't tear it down."

It is an integral part of the scene of Crater Lake. It is in itself historic, and a part of the whole tourism program of the state of Oregon.

As an example within things proposed for our budget for 1982, we looked at the Crater Lake Lodge and asked for a portion of the money to begin the restoration process there—$1.7 million. This speaks to the fact that, being an old structure, that it will have to be essentially gutted, made structurally sound, and then new rooms built within that process. And that first element is getting it razed, or cleaned in the inside, so that the restoration process will take place.

There are other things in our request. At Mount Rainier, there is—at Paradise—a sewage plant renovation to provide proper treat-

ment and insure that the effluent that leaves that plant does not go into Dead Horse Creek and ultimately, into the Nisqually River and bring with it degradation of that virgin water. We have another sewage plant down river at Mount Rainier.

In Olympic National Park, there is a major item, a first segment of the improvements of the Lake Crescent highway. Lake Crescent highway is U.S. 101 which runs along the park, along the frontage of the very scenic lake and carries with it all travel of that area, including commercial trucks. It is an area which has had within a five year period about 14 fatalities and innumerable very serious accidents, and has been identified by the Federal Highway Administration as one of the more dangerous stretches of road within the National Park System. This does not contemplate a complete relocation of the road. It merely contemplates easing the corners, improving sight distances, widening a few places and working on ditches where there is a rather sharp drop off which would cause cars to flip if they dropped off the shoulders.

Mr. YATES. Any questions, Mr. Regula?

All right, thank you very much.

NORTH ATLANTIC REGION

Mr. DICKENSON. Mr. Steve Lewis, Acting Regional Director of the North Atlantic.

Mr. YATES. All right, hello Mr. Lewis.

Mr. LEWIS. Hello.

Mr. YATES. Do you have problems? Besides Gateway?

Mr. LEWIS. We have quite a range, including Gateway. North Atlantic has a very broad range of resources, ranging from the recreational resources of an urban area like Gateway, to natural resources of Acadia National Park, and Cape Cod National Seashore.

We have quite a range also of health and safety concerns in those areas. Those that we are calling attention to in the 1982 request have to do with electrical hazards and fire detection and suppression systems in concession buildings, such as at Fire Island, Cape Cod and other areas like that.

GARBAGE AT GATEWAY

Mr. YATES. What about Gateway? The Secretary referred to all the garbage you have up there.

Mr. DICKENSON. I have also in the audience Mr. Cables who is the Superintendent of Gateway.

Mr. YATES. Tell us about Gateway, Mr. Cables, inasmuch as the Secretary distinguished it yesterday. Sit right down next to Mr. Lewis.

Mr. CABLES. Yes, you could characterize some of the operational aspects of that park as being a problem. In terms of the landfill that the Secretary made reference to yesterday, we have been for some time working with the regional staff on determining how best to handle the methane gas problem there. Our thought was that perhaps there was a way that we might be able to explore the exploitation of that source in a way that might be useful to vehicles and the like within the park.

Mr. YATES. How does it happen you have that for a landfill?

Mr. CABLES. When the park was established, that particular portion of the lands was turned over to us. We permitted the city to use it through 1985. These are the Fountain Avenue landfill and Pennsylvania Avenue landfill.

Mr. YATES. The city insists on using it, I suppose.

Mr. CABLES. Yes, this is one of those situations where I certainly would have no real problem in giving the city that portion of the park back.

Mr. DICKENSON. Or letting them drill for methane gas either.

Mr. YATES. I don't understand why we took Gateway under that condition.

Mr. DICKENSON. I can't imagine.

Mr. YATES. Why did that happen?

Mr. CABLES. I really don't know, sir.

Mr. YATES. You have another four years of that?

Mr. CABLES. Yes.

Mr. YATES. That is terrible.

Mr. REGULA. Is there a dump in the park?

Mr. YATES. A garbage dump, yes. Apparently there is what they euphemistically call a landfill, and a creator of methane gas. Do you have fires as a result of that?

Mr. CABLES. Yes, from time to time there are fires within the landfill area. There are a number of problems associated with the landfill, though. There is the problem of seagulls, and the infestation into the aircraft landing at Kennedy. There are lots of problems associated with the landfill.

Mr. YATES. With that landfill?

Mr. CABLES. Yes.

Mr. YATES. Has any effort been made to eliminate the landfill? Or to eliminate the process, or get rid of it?

Mr. CABLES. What we have attempted to do, and successfully to this point, has been to have the city assume rightfully the responsibility for the problems that are being incurred during the period of time that they are utilizing this area for a landfill site.

Mr. YATES. Do we have a picture or map of Gateway anywhere? Have you a map of Gateway? Where is the landfill, at the west end of it?

Mr. CABLES. It is located off the Belt Parkway, toward the northern end of the Belt Parkway, and Floyd Bennett Field.

Mr. YATES. How did we accept that? Did they know about it in the Interior Committee when they established the park? Did they make a special inclusion of that?

Mr. LEWIS. I think several years ago the notion of reclaiming lands was certainly quite a current one. We have in the National Capital Region——

Mr. YATES. That is why it is called a landfill?

Mr. LEWIS. Probably not for that reason.

Mr. YATES. I thought the State of New Jersey was getting rid of its odoriferous areas along the roads there. All of a sudden you have one. Or we have one. The whole government's got one. What can we do about it?

NO ALTERNATIVE FOR DUMPING PROBLEM

Mr. DICKENSON. I am told, Mr. Chairman, that the landfill operation was underway at the time that the park was created. The understanding was that at the end of the relatively short period of time that landfilling would continue, they were to be made into parks. In other words, the dumping would be discontinued.

The problem that has developed is that New York City has no alternative place to go. So the prospect of converting those existing garbage dumps into park is pretty remote.

Mr. YATES. They used to dump out in the ocean, but no longer?

Mr. DICKENSON. I don't know the current situation.

Mr. CABLES. No, their other site is over in Staten Island. They barge trash from Manhattan and other boroughs.

Mr. YATES. How do they happen to dump this on Gateway? Is there a specific agreement with the Park Service on this? Was it in the original legislation?

Mr. DICKENSON. In the original legislation, I am told, part of the arrangement was, since filling was underway at the time, that a specified permit and specified date was agreed upon for termination of it, which would be 1985, at which time it will have been converted into green space, a park.

Mr. YATES. How do you cover it?

Mr. DICKENSON. We have done that right here in Washington, D.C. We cover the garbage with fill material to a two or three foot depth level and plant seed and plant trees. The only problem we found with planting trees is that the methane gas creates quite a havoc. It kills the trees.

Mr. YATES. It goes through the three feet of fill?

Mr. DICKENSON. Right through it, sir. Yes sir.

Mr. YATES. Have you talked to the Department of Engineering about using the gas?

Mr. DICKENSON. Jack Fish can give us some insight into that.

USE OF METHANE GAS

Mr. FISH. Yes, Mr. Chairman. We have a contract with Johns Hopkins University. And they have gone out and tested our areas for the quantity of methane in them. There is one up on the Anacostia at Kenilworth. There is one also down at Oxon Cove. They have found substantial quantities of methane. It is our intent to utilize that. To collect it, pipe it and deliver it to some of our buildings at those sites to use it for heat.

Mr. YATES. Can it be done?

Mr. FISH. Oh, yes.

Mr. YATES. How much will it cost to do that?

Mr. FISH. We are in the process now, I believe we have $80,000 in this year's budget to begin at Kenilworth. I don't think we have the final figures in from Johns Hopkins yet. We are hopeful of going ahead.

Mr. YATES. If you can do it, why can't they do it at Gateway?

Mr. FISH. I would think they would plan on doing it, Mr. Chairman.

Mr. CABLES. That is why I guess we come under criticism from the mayor, simply because we have not in fact turned over the

potential that might be inherent in that property to the City of New York.

Mr. YATES. Let's give it to him and let him put up the money. Why can't we do that?

Mr. CABLES. We haven't found the City of New York very receptive to putting up any money.

Mr. YATES. Why does he criticize you then?

Mr. CABLES. That, I don't know.

Mr. YATES. Well, somebody ought to look at the possibility of utilizing the methane in the same way Mr. Fish is using it.

Mr. LEWIS. We have just completed a task force study. But we are waiting for a legal review of the options.

Mr. YATES. Who is doing that for you?

Mr. LEWIS. The Solicitor's office.

Mr. YATES. How long have they had it?

Mr. LEWIS. Just a week or so.

Mr. YATES. Is that particularly odoriferous out there, too?

Mr. CABLES. On certain days, yes, with the wind——

Mr. YATES. With the summer coming on, you are not very happy?

Mr. CABLES. Not at all.

Mr. REGULA. How many acres are at Gateway?

Mr. CABLES. Twenty-six thousand acres within Gateway. I would say that the landfill covers around 200 acres.

Mr. REGULA. Do they cover every day as they go?

Mr. CABLES. Yes, they do.

Mr. REGULA. What is the dump, is it an old canal or an old excavation of some kind?

Mr. CABLES. It is probably marshland.

Mr. DICKENSON. It is easy to distinguish, once you have it in your mind. As you fly into Kennedy Airport you see the millions of gulls.

Mr. YATES. They are all gathered around the dump.

Mr. DICKENSON. There are billions of them. I never saw so many birds.

Mr. YATES. What other problems do you have besides the landfill?

EROSION AT SANDY HOOK BEACH

Mr. CABLES. Oh, we have a problem with the erosion of the Sandy Hook Beach.

Mr. YATES. We heard of that from the Congressman. They want sand put back. I told them to wait until the ocean puts the sand back.

Mr. CABLES. Well, there might not be a park unit there if we continue to do that. It is eroded. It is a serious problem.

Mr. YATES. How far has the erosion occurred? Are you up to the house line yet?

Mr. CABLES. No, we are not up to the house line. But we are up to the breaking point. We could have a breach there with the next serious storm.

Mr. YATES. A breach of what?

Mr. CABLES. A breach of the road area there, which would in fact create an island. We have attempted any number of different solutions to the problem, but none has been successful.

Mr. YATES. I have a letter from Congressman Howard:

As you know, the Gateway National Recreation area is among the most heavily used of the National Park System's possessions. The Sandy Hook component is an important component of that park area. It is located at the tip of a spit linked by a narrow strip of land. This link is in danger of being severed, a break which would isolate the oceanographic and park facilities at Sandy Hook. Should the tip be allowed to be severed, reconnecting the beaches either by piling or by a bridge can be expected to be enormously expensive.

Environmentalists have also raised serious problems. The National Park Service has considered a beach enrichment project which would pump sand above the endangered area to the critical spots. I believe this is the most cost effective solution to protecting Sandy Hook. I would be most interested in any details which the Department of the Interior might provide as to how to seek to meet this challenge for this used recreational area.

Of additional interest to me would be whether the National Park Service plans to replace two beach centers at the northern end of Sandy Hook with similar facilities demolished two years ago.

Do you have such plans to replace those beaches?

Mr. CABLES. Yes, we do.

Mr. YATES. All you need is money?

Mr. CABLES. That is correct.

Mr. YATES. How much money do you need?

Mr. CABLES. I think the last estimate was $3.7 million.

Mr. YATES. For just two beaches?

Mr. CABLES. I will check it. We will provide it for the record.

Mr. YATES. I will insert Mr. Howard's letter in the record at this point. Please respond to the concerns he has addressed.

[The information follows:]

JAMES J. HOWARD
3D DISTRICT, NEW JERSEY

CHAIRMAN
COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION

FRANKLIN DELANO ROOSEVELT
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May 18, 1981

The Honorable Sidney R. Yates, III, Chairman
Appropriations Subcommittee on the Interior
B308 Rayburn House Office Building
Washington, D.C. 20515

Dear Sid:

Tomorrow and later this week your subcommittee will be meeting with Interior Secretary James G. Watt and other members of the Department of the Interior to discuss the budget and necessary appropriations for the National Park Service.

As time and convenience in your hearings may permit, I would like to ask if questions, oral or written, might be submitted to the Department about two projects of importance to Gateway National Recreation Area.

As you know, Gateway National Recreation Area is among the most heavily used of the National Park System's possessions, and the Sandy Hook component is an important part of that park area. Sandy Hook is located at the tip of a spit, linked to the mainland by a narrow strip of land. This link is now in danger of being severed through tidal and storm action, a break which would isolate the oceanographic and park facilities at the end of the hook.

Should the tip be allowed to be severed, reconnecting the beaches, either by filling or by a bridge, can be expected to be enormously expensive. Environmentalists have also raised serious questions as to whether the severence will cause new current flows in the bay to the west, and increase water pollution problems in nearby areas. The National Park Service has considered a beach nourishment project which would pump sand from above the endangered area to the critical spots. I believe that this is the most cost effective solution to protecting Sandy Hook, and I would be most interested in any details which the Department of the Interior might provide as to how it will seek to meet this challenge to this heavily used recreational area.

Of additional interest to me would be whether the National Park Service has plans to replacetwo beach centers at the northern end of Sandy Hook where similar facilities were demolished two years ago.

Thank you for your consideration.

With kind regards,

Sincerely,

Janes J. Howard

JAMES J. HOWARD

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

SANDY HOOK—BEACH REPLACEMENT

The Part Service has diked and replaced sand to counter erosion of the land connecting Sandy Hook to the mainland. We have also prepared a proposal calling for pumping additional sand for an initial cost of about $6 million plus an annual replacement cost of $600,000. If a breech occurs, the construction of a bridge or causeway would be considered. The cost for such construction has not been determined.

With regard to the two beach centers at the northern end of Sandy Hook, the Service has developed comprehensive design plans for their construction. This will be the first new development for Gateway, and as such, has received close review and comment from Park, Region and Denver Service Center management. Construction is estimated at $5.5 million.

It will be necessary to complete working drawings and specifications prior to actual construction.

ROAD WORK AT SANDY HOOK

Mr. YATES. Let's talk about the road. What do you want to do about the road?

Mr. CABLES. We would like to have some assurance that the road would remain usable.

Mr. YATES. How will the road remain usable unless you put landfill in there?

Mr. CABLES. What we would have to do is renourish the beach on an annual basis.

Mr. YATES. Put land in, or dirt?

Mr. CABLES. No, we would have to pump sand in on a yearly basis.

Mr. YATES. What would that cost?

Mr. CABLES. The original estimate I believe was $2 million.

Mr. YATES. A year?

Mr. CABLES. No, that would be a one shot initial cost. Then each year we would do it for a figure somewhere around $200,000. At the present time, it is costing us around $100,000 for sandbagging, overtime and other preventive measures.

Mr. LEWIS. The project that is currently in our plans is for rehabilitating the balance of the road system on Sandy Hook, which is not limited to the threatened area, but all the way up to Fort Hancock.

Mr. YATES. Is this land acquisition under your moratorium?

Mr. DICKENSON. Any land acquisition.

Mr. YATES. Does that include sand acquisition?

Mr. REGULA. What is the total acreage authorized for Gateway?

Mr. CABLES. Twenty-six thousand, plus. When I say plus, I am talking about a short section of land that is presently under court condemnation procedures, and the Breezy Point area. But that is less than a mile.

Mr. REGULA. In effect the acquisition is completed at Gateway.

Mr. CABLES. Yes, sir.

Mr. YATES. Who owns all the property? Did the State own it before we took it over?

Mr. CABLES. It was a gift from the State, the city and the military.

Mr. YATES. I suppose you never are supposed to look a gift horse in the mouth?

Mr. CABLES. That is what my mother told me.

VISITATION AT GATEWAY

Mr. YATES. It is heavily used by people, though, isn't it?

Mr. CABLES. Yes, we have a visitation in excess of 9.5 million.

Mr. REGULA. 9.5 million visitor days?

Mr. YATES. 9.5 million people.

Mr. CABLES. We have a visitation in excess of nine million people a year. Close to 10 million people a year.

Mr. REGULA. That puts a lot of pressure on it, doesn't it?

Mr. DICKENSON. Most of it is in a four month period.

Mr. YATES. Are you closed the rest of the year?

Mr. DICKENSON. Well, people just don't go to the beach in the off-period.

Mr. CABLES. As the Director indicated, our peak visitor zone is basically from May 13 through October. That is primarily because of the beach areas. Riis Park, Sandy Hook and the Staten Island beaches. Visitation during the course of the year excluding that particular time, would be about two million. That is pretty much centered in our environmental education programs, visits to the wildlife refuge and other areas of that sort. I don't believe we have any more of a problem in security than other parks.

STATUE OF LIBERTY AND ELLIS ISLAND

Mr. LEWIS. If you included safety in that, though, there are some historical resources that can be hazardous. We do need, as you remember from last year, some of the ordinances at Sandy Hook. There are other areas that simply because of falling hazards need to be fenced off, protected that way. So in that way, yes, it could be a problem.

Security at the Statue of Liberty, which is not within Gateway, but nearby, is definitely a concern of ours.

Mr. YATES. Yes. Groups keep taking that hostage, don't they?

Mr. LEWIS. Occasionally.

Mr. YATES. What is the condition of the Statue of Liberty Island?

Mr. LEWIS. We are investigating the statue itself. We believe that there is some deterioration. But we are trying to find out at what rate it is deteriorating. We have had a lot of interest in attempts to analyze and to correct this deterioration. I would say that, fairly shortly, we would have a much better professional judgment of what actually is required. We are aiming toward the observance of the centennial of the Statue of Liberty in 1986.

Mr. YATES. Is Ellis Island going to be repaired?

Mr. LEWIS. There are some very active plans for Ellis Island as well. And they are managed under the same superintendent.

Mr. YATES. Are these private investments in this, in the form of donations?

Mr. LEWIS. There is not yet. There certainly is interest.

Mr. YATES. I heard there was in Ellis Island.

Mr. LEWIS. Yes.

Mr. YATES. Has the Park Service anything in its budget for Ellis Island?

Mr. LEWIS. Yes, we do. There is work on the main building and on the seawall. We want to continue work on the seawall at Ellis Island.

Mr. DICKENSON. We are prepared to advertise, to issue a prospectus inviting offers from the private sector to participate in the historic restoration of Ellis Island. And again, to make proposals regarding adaptive use of that facility. That is imminent.

Mr. YATES. What will you be trying to accomplish for your celebration in two years?

Mr. LEWIS. For the Statue of Liberty, we would hope that the events in the New York area that would be of international significance would be coordinated so that all who choose to participate would be able to. We would hope that the condition of the Island, the visitor facilities, and the Statue itself, would be in excellent condition by that time.

Mr. YATES. Well, will it be? Do you have the money for it?

STATUE OF LIBERTY REQUIREMENTS

Mr. DICKENSON. There are at least two private fund raising groups who are actively beginning to attempt to attract private capital to refurbish the Statue of Liberty. We have not made any overtures to the Congress, awaiting the outcome of those two private groups who want to do this for patriotic reasons.

First of all, we need to determine fully the exact remedies that are required, because there is internal deterioration in the structural members.

Mr. YATES. Of the statue?

Mr. DICKENSON. Yes. It is not believed to be threatening.

Mr. YATES. Is there money in your budget to take care of that?

Mr. LEWIS. Yes.

Mr. YATES. There is?

Mr. DICKENSON. The investigation part, yes sir.

Mr. YATES. How long will it take you to investigate?

Mr. DICKENSON. It shouldn't take too long.

Mr. LEWIS. Part of the challenge will be erecting scaffolding so that the study and assessment of what the needs are can be done. That can be complicated.

Mr. DICKENSON. A competent metallurgist is working on the interior of that. It shouldn't take too long to determine. I understand the major problem, Mr. Chairman, is where certain structural members are braced, and where they touch, certain deterioration and corrosion have occurred. And the entire framework needs to be examined before we can really come up with any kind of an overall idea.

Nevertheless, in anticipation of the 100th anniversary, the fund raising groups are pressing forward, wanting to do their part.

Mr. YATES. What is the outer structure made of, is that bronze, or steel?

Mr. LEWIS. Copper.

Mr. YATES. The entire statue is of copper?

Mr. LEWIS. Except for the superstructure underneath, which is iron.

Mr. DICKENSON. And very thin.

Mr. YATES. What about the seawalls?

Mr. LEWIS. We have already done a fair amount of work on the Ellis Island seawalls. Those are the ones that concern us. Our request would include further work on those seawalls. That work

would be fundamental to both the Federal effort, and any private adaptive re-use of the other somewhat less significant structures on Ellis Island. Our goal in all of this is to keep the exteriors in their historical perspective so that visitors would still be able to see the historic exterior appearances of Ellis Island as they were.

POCANTICO

Mr. YATES. Now, would you have under your jurisdiction, too, the question of the possible use of Pocantico?

Mr. DICKENSON. Yes, if Pocantico were to come to the Service——

Mr. YATES. What is the status of those negotiations?

Mr. DICKENSON. We have recent correspondence with Mr. Laurence Rockefeller looking toward some future unspecified time when the National Park Service might perform an overall coordinative role in that. At the present time, the National Trust for Historic Preservation and Mr. Rockefeller's own organizational institutions are taking care of the situation.

Mr. YATES. All right, could we have Mr. Fish?

Mr. DICKENSON. We also have Mr. Denis Galvin from the Denver Service Center in case the Committee would care to hear from him.

NATIONAL CAPITAL REGION

Mr. FISH. Our problems are very similar to all the other regions. There is a need for repair and rehabilitation. We have 301 miles of roadway. We have 196 bridges. We have the Federal Highway Report.

We have concentrated recently on repair of bridges. There is staring us in the face $20 million worth of bridge work that we need to do right now.

Mr. REGULA. Are you finished with George Washington Parkway going north?

Mr. FISH. Yes, sir, we are.

Mr. REGULA. Good. I use it.

Mr. YATES. What was the question that was so interesting?

Mr. REGULA. I wanted to know if they were finished with the George Washington Parkway going north. I get into the one way stuff there. I use that going home.

KENNEDY CENTER REPAIRS

Mr. YATES. I could ask him the next question. Are you finished with the Kennedy Center yet?

Mr. FISH. Yes, sir, we have completed work at the Kennedy Center that you had given us the money for, a $4.5 million repair job.

Mr. YATES. What has happened now?

When I drive by there everyday I see this sign, people are working on the——

Mr. FISH. On the fascia, yes, sir. That is repair of the fascia. Some of the marble has come loose, Mr. Chairman, as a result of the expansion, the heat problem. In doing so, it has cracked some of those marble slabs. So through our cyclic program, we are fixing that and putting in some expansion joints on those facias.

Mr. YATES. Will we ever get through with it?

Mr. FISH. I hope so.

Mr. YATES. Here it is.

Mr. FISH. Yes, and there is a picture here as you come from the parkway, too.

Mr. YATES. It doesn't look like that now.

Mr. FISH. These are old pictures.

Mr. YATES. I know.

Mr. FISH. What we are doing is cutting expansion joints in these. Also, on these up here, the roof level and roof terrace level to allow for the expansion.

Mr. YATES. Is that in the $4.5 million?

Mr. FISH. No, sir, there was only one that was at the roof level. That was done with the $4.5 million. The other is in the operating budget. This contract I think is for the $188,000.

Mr. YATES. Will that take care of it all?

Mr. FISH. Yes, sir, that is the last one. We have done these two.

Mr. REGULA. Why didn't they put expansion joints in the original construction?

Mr. FISH. I don't know, because basically the building is three buildings. There is an expansion joint, really, that runs from the rock to the ceiling, so to speak, to divide it into three basic units. But the expansion is so great up there that some of the end pieces, particularly, crack. And then we have had trouble with some of them falling.

Mr. YATES. Do you have the whole thing under control now?

Mr. FISH. Yes, sir, as I say, that is the last one that has to be done.

Mr. REGULA. Is the new roof the same construction as the old one?

Mr. FISH. The "roof" reconstruction really is the roof terrace which is this level here, this elevation and basically, the plaza roadway. The built up roof was never really repaired. That was part of the settlement with the contractor, and is not in need of repair. We do some annual maintenance work, check the flashing and put some gravel and paper down there.

Mr. YATES. What cost $4.5 million, then?

Mr. FISH. Actually, this terrace slab all the way around the building. So it is 600 feet on this side, 300 feet on that side, and the same on the others, plus this plaza roadway here, Mr. Chairman.

Mr. YATES. Yes. That is only two inches on this picture.

Mr. FISH. I guess that is as the bird flies, or something.

Mr. YATES. Yes. What did you do for the $4.5 million?

Mr. FISH. Those areas that I pointed out. Also, the ceiling——

Mr. YATES. Why was that so expensive? $4.5 million is expensive, isn't it?

Mr. FISH. Yes, sir, it is. That is what it cost.

INTERIOR REPAIRS NEEDED

Mr. YATES. Are you all through with the expenditures? Have you a good building now?

Mr. FISH. Yes sir, we do. There are some areas that—under the jurisdiction of the Board of Trustees—that require work. In the Opera House, the Concert Hall and the Eisenhower Theater. There is some need to put some insulation in the garage. That is a

concession operation, not under the National Park Service. But those are not structural concerns.

Mr. YATES. What about the interior of the building?

Mr. FISH. That is what I say, the Opera House, that type——

Mr. YATES. The Opera House needs almost complete rehabilitation.

Mr. FISH. It really does. The wallscape in there is in very bad shape.

Mr. YATES. Terrible, deplorable shape. Is that your obligation?

Mr. FISH. No, sir. That is under the Board of Trustees. That is a responsibility of the stagehands.

Mr. YATES. Of the stagehands?

Mr. FISH. Well, that is their jurisdiction, yes sir, which comes under——

Mr. YATES. I don't understand that. Under the stagehands' jurisdiction?

Mr. FISH. Of the Board of Trustees, yes sir.

For example, if some of the wallscape were coming apart, which it is, then the stagehands would be required to go in there and fix it. That is under their contract with the Board of Trustees.

Mr. YATES. How can the stagehands fix the walls? I don't understand. I thought stagehands moved flats and lights all on the stage. But this is out in the audience area?

Mr. FISH. They do. That is correct. That is under their jurisdiction.

Mr. YATES. Is that by contract?

Mr. FISH. Yes sir. If a seat is ripped, the stagehands would fix it.

Mr. YATES. Why in the world would the stagehands fix it?

Mr. FISH. The whole hall is under the jurisdiction of the stagehands through their contract with the Board of Trustees.

Mr. HUTCHINSON. The stagehands union?

Mr. FISH. Yes, sir. So we are outside the door, so to speak.

Mr. YATES. Is this a customary and usual contract? Do they do that in the New York theaters, too?

Mr. FISH. I would think so.

Mr. YATES. You mean to take charge of everything on the inside?

Mr. FISH. I don't know for a fact what they do at Lincoln Center. But I would think it would be similar.

Mr. YATES. Why is that?

Mr. FISH. Of course, we came in after the Kennedy Center had opened in 1971. Congress put the Park Service in there in 1972, so there were some already established relationships. That may have something to do with it.

DIVISION OF COSTS IN MAINTENANCE

Mr. YATES. What is the relationship between you and the Kennedy Center now on the division of costs of maintaining the structure?

Mr. FISH. That is still on the basis of 76.2 percent that is National Park Service, which is nonperforming arts, and 23.8 percent for the Board of Trustees, which is the performing arts portion.

However, the GAO in their latest report, had indicated that there were some other percentages that they thought were more in keeping with the way the building was used. However, as you

know, Mr. Chairman, the Kennedy Center has some problems with paying the interest on some parking garage bonds. So the GAO report of April, 1980, indicated that "only the Congress can determine the appropriate amount of Government support for the Center's programs," meaning that they have a responsibility for public programs according to their legislation, and they have this debt of about $20 million worth of interest on the $20 million parking bonds.

They are saying that, although the Board's share of the maintenance might be 30 or 35 percent, they can't meet all those obligations. And therefore, the Congress is going to have to indicate which direction they should be going.

Mr. YATES. In the reply to the question that I asked, the Committee has received from the Park Service a statement of where the $4.5 million was spent. I notice that one of these was for repairs related to litigation and settlement, $75,000. Kitchen floor and roof canopy repairs, $462,000. Concert Hall ceiling repairs, $38,000. Roof terrace repairs, $1.8 million. Plaza repairs, $1.4 million. Design, construction, supervision, $552,000. Balances of appropriations available for post-construction administration, $8,049.

Then you go on to say, the long term success of the construction activities will depend upon regular maintenance procedures. In addition to constructed drawings and shop drawings and other materials submitted by the contractors, a maintenance manual has been prepared which covers all materials and assemblies used in the repair work.

The building is regularly inspected by a supervisory architect from the Denver Service Center. What do you mean by regularly inspected? How often?

Mr. FISH. Probably semi-annually, Mr. Chairman.

Mr. YATES. Is that adequate?

Mr. FISH. Oh, yes sir. Our maintenance people also are checking that regularly. As we mentioned, there is maintenance manual that we did require the consultant, the architect engineer who developed the plans for us, to provide us. We are using that. It is probably a book as large as the one I have in front of me here.

Mr. YATES. We will put your answers into the record at this point on this.

[The information follows:]

THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

The long-term success of the construction activities will depend upon regular maintenance procedures. In addition to as-constructed drawings and a file of shop drawings and other material submitted by contractors, a maintenance manual has been prepared which covers all materials and assemblies used in the repair work. The building is regularly inspected by a Supervisory Architect from the Denver Service Center.

Semi-annual inspections of the roof are made by Warren-Ehret-Linck Company under the terms of an agreement with the National Park Service. The repairs to the terrace areas and entrance plaza drive are permanent in nature with routine maintenance accomplished as outlined in the maintenance manual.

Maintenance activities which are handled by the National Park Service are supervised by a chief of maintenance under the direction of the General Manager. Technical advice is provided by the Regional Staff and an architect from the Denver Service Center.

BOARD OF TRUSTEES LACKS FUNDS

Mr. YATES. Does that take care of the Kennedy Center?

What about the interior of the Concert Hall and the Eisenhower Theater? What is their condition?

Mr. FISH. They need some work, too, Mr. Chairman.

Mr. YATES. What is the cost of all this work?

Mr. FISH. Well, we had discussed that last year. At that time, it was about $3.5 million. We do not have any updated estimate on that, Mr. Chairman.

Mr. YATES. How much of that was attributable to the Opera House?

Mr. FISH. Probably the bulk of that. It was about $1.1 million in the Opera House at that time. That was an estimate that was probably 1979, Mr. Chairman. So you figure maybe 10 percent a year since then. Twenty percent, it is probably close to a million and a half dollars.

Mr. YATES. What is the Kennedy Center doing about the interior?

Mr. FISH. I guess they are in a dilemma as to the financial problem that I mentioned, you know, with the interest on the bonds.

Mr. YATES. Yes, they are in a dilemma with the interest on the bonds, all right. But have they budgeted for the rehabilitation of the interiors?

Mr. FISH. No, sir, not to my knowledge, they have not.

Mr. YATES. They are waiting for you to do it?

Mr. FISH. No, sir. I think they recognize it as their responsibility. But the dollars are just not there.

Mr. YATES. I guess I'd better resign from the Board quickly, hadn't I? I am one of the congressional representatives on the Board.

It is a marvelous institution, just a wonderful addition to the city. But, my goodness, it is expensive, isn't it?

Mr. FISH. It really is.

Mr. YATES. It has been expensive and it shouldn't have been so expensive if it were constructed properly in the first instance, I would guess.

There is no reason for the—if it had been constructed properly, you wouldn't have had to expend $4.5 million, would you?

Mr. FISH. Not at this stage of the game, no, sir.

Mr. YATES. It's only been opened eight years.

Mr. FISH. But the financial problem, as you probably know better than anybody, is that dollars do not come through the box office.

There aren't sufficient dollars coming through the box office to pay for a Metropolitan Opera or Ballet, or whatever. The Congress has indicated in their legislation that the Kennedy Center should be doing these types of things, so as you know, they have a very aggressive program to get corporations to help fund those things.

Mr. YATES. We will have to get corporations to fix up the insides. $3.5 million worth?

Mr. FISH. That was an old estimate, Mr. Chairman. I would say it is probably better than $4 million right now. It also included the insulation in the parking garage.

Mr. YATES. If the money is made available, do the stagehands take control of the work?

Mr. FISH. No, sir, they would not. No, that would be done under a contract. And it might be similar to what was done with the roof.

Mr. YATES. Just for fixing up seats, just for ordinary maintenance?

Mr. FISH. Yes, sir.

Mr. YATES. Do they keep the place clean, too?

Mr. FISH. No, we do go in with our janitorial contract. But that is part of the reimbursement the Kennedy Center gives to us, the 23.8 percent.

Mr. YATES. What about other expenses in the theater? Do you show groups through; do you have special programs?

Mr. FISH. Yes.

NATIONAL PARK SERVICE EXPENSES AT KENNEDY CENTER

Mr. YATES. I suppose we ought to get a breakdown of what the expenses of the Park Service are with respect to the Kennedy Center, shouldn't we?

Mr. FISH. Yes, sir.

Mr. YATES. Would you provide that for the record?

Mr. FISH. We have that in our 1982 justification, too, Mr. Chairman.

Mr. YATES. All right.

Ms. GARRETT. Pages 165 and 166.

Mr. YATES. Do you have any problem with security?

Mr. FISH. Not particularly, Mr. Chairman. There is some thievery at times, but no real problem. We do have Park Police over at the Kennedy Center.

Mr. YATES. You have management and administrative services. What is that for?

Mr. FISH. That would be what we call a general manager, similar to a superintendent.

Mr. YATES. Do you mean a maintenance superintendent?

Mr. FISH. No, sir. One that would be concerned about the maintenance, as well as the interpretation, the tours, the police function, that type of thing.

This is the liaison with the Board of Trustees.

Mr. YATES. Let me ask you a question. All these expenses, $4 million worth, could this be done more cheaply by the Kennedy Center itself under private contract?

Mr. FISH. When we first came into the Kennedy Center, Mr. Chairman, in 1972, it was looked at, as I recall, very thoroughly by the Committee. Our figures were higher than the Kennedy Center was indicating at that time.

As I recall, they were figuring about $1.8 million, and we were about $2.1 million. So I think they are very compatible. It is a very lean organization.

Mr. YATES. Do you have problems with the restaurant, disposing of their garbage and the odors around there?

Mr. FISH. There is a bit of an odor problem. They are under concession with the Board of Trustees.

There is an odor problem. We have tried working with the concession. They have been very cooperative. Sometimes we try to

increase the amount of air we supply to that particular area to get that out.

FORD'S THEATRE NATIONAL HISTORIC SITE

Mr. YATES. That takes care of the Kennedy. What else? Do you have anything to do with Ford's Theatre?

Mr. FISH. Yes, sir.

Mr. YATES. What do you have to do with the Ford's Theatre?

Mr. FISH. Well, Ford's Theatre is a National Historic site, Mr. Chairman. We maintain that as a National Historic site.

Mr. YATES. Do you pay all expenses of maintenance, or do you have the same kind of an agreement that you have with Kennedy?

Mr. FISH. We pay all the expenses for maintenance, Mr. Chairman. This was pointed out, I think, in the GAO report I referred to in comparing the Kennedy Center to Ford's Theatre operation and to the Wolf Trap operation.

GAO looked at those, and GAO looked at three other performing arts centers in the country in comparing costs for Kennedy Center.

But the Ford's Theatre, we do, 100 percent of the operation and maintenance.

Mr. YATES. How much does that cost?

Mr. FISH. Mr. Chairman, that comes under our National Capital Parks Central area. I don't have the amount.

Mr. DICKENSON. We are estimating $269,700, Mr. Chairman.

Mr. YATES. That is for Ford's. What is the condition of the Ford's Theatre?

Mr. FISH. It's in very good shape. We are planning on doing some painting in there. One of our health and safety projects, Mr. Chairman, is to get a fire suppression and detection system in there.

As Mr. Lewis had indicated, those are some of the problems we have, too.

Mr. YATES. Are you talking about sprinkler systems?

Mr. FISH. Yes. We will have to look carefully as to where we would put a sprinkler system as opposed to a detection system.

Same thing in Arlington House, the fire safety concern we have there and Wolf Trap, too.

Mr. YATES. In the auditorium?

Mr. FISH. Yes, sir, particularly in the areas below stage. It may go through a detection or suppression system, or both.

WOLF TRAP FARM

Mr. YATES. Your budget estimate at Wolf Trap is $1,309,500. That is for the nonperforming portion of it?

Mr. FISH. Yes, sir. But that would include the Federal financial assistance, if that is last year's.

Mr. YATES. $600 and some thousand?

Mr. FISH. That's correct, Mr. Chairman.

Ms. GARRETT. Excuse me, Jack. That $1.3 million is the base funding for the park and does not include the Federal financial assistance added on by the Congress.

Mr. FISH. But there is that difference.

Mr. YATES. That is eliminated for 1982, isn't it, assistance for the park?

Mr. FISH. Yes, sir, as it had been eliminated in 1980 and 1981.

Mr. YATES. Wolf Trap, last year, got $625,000 in addition to your regular maintenance.

Mr. FISH. That's correct.

Mr. YATES. Is that for the performing arts section?

Mr. FISH. That's right. $175,000 of that was for Federal financial assistance, and $450,000 of that was for stagehand costs, Mr. Chairman.

Mr. YATES. Carter Barron, how much?

Mr. FISH. I think that was about $35,000, Mr. Chairman.

SHAKESPEARE IN THE PARKS

Mr. YATES. Are you having Shakespeare in the Parks this year?

Mr. FISH. Yes, sir, we intend to. We are in negotiations and have had two bids on that proposal.

Mr. YATES. The usual annual bids?

Mr. FISH. You might say that, Mr. Chairman.

Mr. YATES. This is Folger, and who is the other one?

Mr. FISH. Well, there is Shakespeare Summer Festival, Mr. Chairman, run by Ms. Ellie Chamberlane.

Mr. YATES. Yes. Is she squared away with all the problems?

Mr. FISH. Well, we are in negotiations, discussions, I should say, Mr. Chairman, with both of them. The Inspector General is taking a look at both of those contracts, which is normal for this type of contract.

We hope to have word back from the Inspector General next week on Folger's and Shakespeare Summer Festival.

Mr. YATES. Yes. You are very much aware, I take it, out of the letter you received for the contracting—are you the contracting officer?

Mr. FISH. No, I am not, theoretically. A contracting officer works for me, Mr. Chairman.

Mr. YATES. The reason I ask is this. Here is a letter dated March 6th, addressed from the Office of the Secretary, Office of the Inspector General, Washington Audit Operations, to the contracting officer, National Park Service.

Mr. FISH. Oh.

Mr. YATES. On the subject of the final cost claim under the Shakespeare Summer Festival. I am sure you are aware of it, aren't you?

Mr. FISH. Oh, yes, sir. I think that had to do with, as I recall, the 1978 contract, I believe, Mr. Chairman.

Mr. YATES. The points he makes are applicable to the subsequent contracts as well, are they not?

Mr. FISH. Yes, sir. That is, of course, one of the things the Inspector General will be looking at right now.

Mr. YATES. That may go into the record at this point, too.

[The letter and attachment follow:]

E-C-DC-NPS-41-80

United States Department of the Interior

OFFICE OF THE SECRETARY
OFFICE OF INSPECTOR GENERAL
WASHINGTON AUDIT OPERATIONS
Ballston Towers #1
800 N. Quincy Street, Room 401
Arlington, Virginia 22217

MAR 6 1981

Memorandum Audit Report

To: Contracting Officer, National Park Service
National Capital Region
1100 Ohio Drive, S.W.
Washington, D.C. 20242

From: Chief, Washington Audit Operations

Subject: Audit of Final Costs Claimed under Contract No. CX-3000-8-0037 with Shakespeare Summer Festival

At your request, we examined the final costs claimed by Shakespeare Summer Festival (contractor) under subject contract. The contract, awarded on June 12, 1978, provided for the production and presentation of the Shakespearean play "A Comedy of Errors" during the month of July 1978, at various National Park sites throughout the Washington, D.C. area.

The contract provides for certain personnel and production costs on a fixed price basis ($50,160) and other personnel expenses on a cost reimbursable basis ($59,724). As of December 1980, National Park Service (NPS) paid $50,080 to the contractor on the fixed price portion but had paid none of the cost reimbursable portion of the contract because the contractor had not submitted a claim. In August 1980, the contractor submitted a $35,375 final cost claim, which included $35,295 for the cost reimbursable portion of the contract, and $80 for the fixed price portion of the contract.

Our review was made in accordance with the requirements of 41 CFR 1-3.809, 41 CFR 1-15.2 and the terms and conditions of the contract. The purpose of our review was to determine the allowability of costs claimed under the cost reimbursable portion of the contract. The contracting officer advised us that the contractor's performance was adequate. As such, we conclude that the contractor is entitled to the full amount under the fixed price portion of the contract. Our review, which was completed in December 1980, was limited to the $35,295 claim.

Our examination was made in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States, and, accordingly, included such tests and other auditing procedures as we considered necessary in the circumstances. We did not evaluate the efficiency, economy, and effectiveness of the contractor's operations.

Based on our review, we have classified $8,191 as costs disallowed and $27,104 as costs questioned. We take no exception to the $80 claimed under the fixed price portion of the contract.

The contractor's claim and the results of our review are as follows:

	Claimed	Results of Audit Review: Costs Disallowed	Results of Audit Review: Costs Questioned	Notes
Direct labor:				
Stage Manager	$ 4,000	$ 976	$ 3,024	1
Floor Manager	2,410	205	2,205	1
Wardrobe Person	1,095	75	1,020	1
Actors/Actresses	8,635	475	8,160	2
Stagehands	14,655	1,960	12,695	2
Director	1,000	1,000		3
Costume Designer	2,000	2,000		3
Secretary	1,000	1,000		3
Legal Fee	500	500		3
Total Reimbursable Costs	35,295	8,191	27,104	
Total Fixed Costs	80			
Total Costs	35,375	8,191	27,104	

Explanatory Notes:

1. Stage Manager, Floor Manager, and Wardrobe Person:

   a. Disallowed Costs:

The contract stipulates amounts not to be exceeded for the above labor categories. We have disallowed the portion of claimed wages for these categories in excess of the prescribed ceilings as follows:

	Contract Limitation	Amount Claimed	Costs Disallowed
Stage Manager	$3,024	$4,000	$976
Floor Manager	2,205	2,410	205
Wardrobe Person	1,020	1,095	75

b. Questioned Costs:

We have questioned the difference between the amount claimed for the above labor categories and the amount disallowed for the following reason. The contract requires that time sheets, showing the name, social security number, and wages earned, be submitted to the Contracting Officer. No such time records were maintained nor were the contract requirements met in submitting time sheets to the Contracting Officer. Although we verified the claimed labor to cancelled checks we were unable to confirm that the effort for which wages were paid, was actually incurred. We have questioned the following costs for lack of adequate supporting documentation:

	Amount Claimed	Disallowed (see 1a)	Cost Questioned
Stage Manager	$4,000	$976	$3,024
Floor Manager	2,410	205	2,205
Wardrobe Person	1,095	75	1,020

2. Actors and Stagehands:

a. Disallowed Costs:

On page 5 of our previous audit report of May 23, 1979 (E-C-DC-FNP-17-79), we stated that nine checks totaling $2,435 were drawn on the contractor's payroll account, were made payable to eight different persons (actors and stagehands), and were deposited in the contactor's savings account. We took no exception to these recorded costs at that time because the contractor had not included them in a claim. The contractor informed us that the checks represented wages that were donated to the contractor. We noted that none of the nine checks were endorsed by the payee. In addition, we were able to contact only two of the payees, one of whom denied contributing her wages to the contractor. The absence of payee endorsement and the deposit of the checks into a savings account leaves doubt as to the "delivery" of the checks, the services performed by the payees, and the authenticity of the donations. We have therefore classified the following amounts as disallowed costs:

Check No.	Date of Check	Amount	Costs Disallowed
Actors			
2042	July 31, 1978	$125	
2043	"	350	
Total Actors' Wages Disallowed			$ 475
Stagehands			
1886	June 25, 1978	$110	
1969	July 17, 1978	500	
1990	July 23, 1978	250	
2023	July 30, 1978	550	
2025	"	200	
2035	July 31, 1978	150	
2041	"	200	
Total Stagehands' Wages Disallowed			$1,960

b. Questioned Costs:

We have questioned the $20,855 difference between the contractor's claim for wages of actors and stagehands and those wages disallowed for the lack of adequate time records and supporting documentation:

	Amount Claimed	Costs Disallowed	Costs Questioned
Actors/Actresses	$ 8,635	$ 475	$ 8,160
Stagehands	14,655	1,960	12,695
			20,855

3. Director, Costume Designer, Secretary, Legal Fee:

The contractor claimed costs for the above categories under the cost reimbursement portion of the contract. Such costs were provided for in the fixed price portion of the contract. Therefore, the following costs claimed are disallowed:

	Costs Disallowed
Director	$1,000
Costume Designer	2,000
Secretary	1,000
Legal Fee	500
	4,500

Other Matters to be Reported

We have been informed that the potential for additional payments to actors and stagehands from the unresolved wage determination still exists. We therefore reiterate our position, explained in our May 23, 1979, audit report, that the Government may be required to pay the contractor or the contractor's employees an amount estimated to be at least an additional $17,631 under the cost reimbursable portion of the contract.

None of our recommended disallowed costs should be reinstated or reimbursed to the contractor without prior consultation with our office (41 CFR 14-63.105-2).

If additional information is needed concerning this report, please contact me or Richard Phillips on 235-1506. In accordance with 41 CFR 14-63.105-2 and 360 DM 7.3, please provide this office with a copy of the record of settlement of the recommended adjustments, or with a written statement of disagreement with the audit recommendations, within 90 days.

Leon Snead

Leon Snead

Information requested by Chairman Sidney Yates, House Subcommittee on Interior Appropriations

Question: 1. A complete construction history of the Kennedy Center since the National Park Service became involved, including names of contractors, bidding process used, involvement of any other agencies, such as GSA, and method of supervision and continuing inspection.

Answer: On May 4, 1977, Congress appropriated (Public Law 95-26) $4,500,000 for repair of leaks to the John F. Kennedy Center for the Performing Arts.

Due to defects in design and construction at the Kennedy Center, water was entering the building through the main roof, the roof terrace, and the entrance terrace and plaza drive. There were also leaks from the kitchen into the Concert Hall. To correct the problem it was necessary to redesign and reconstruct the 8,000 square foot kitchen floor, and the 80,100 square foot roof terrace, and the 47,000 square foot entrance plaza drive. Included in the work was the repair of related interior damage, and a considerable amount of waterproofing. Since the repairs involved redesign of waterproofing systems, and in some cases structural systems, the repairs are permanent in nature.

The architectural engineer firm of Faulkner, Fryer, and Vanderpool, selected in accordance with Federal Procurement Procedures, prepared drawings and specifications for the required repair work at the Kennedy Center.

Contracts and contractors:

1. Roof repairs related to litigation settlement. Warren-Ehret-Linck Company	$ 75,484
2. Kitchen Floor and Roof Canopy Repairs Charles Riddle Company	462,131
3. Concert Hall Ceiling Repairs Krafft-Murphy Company	38,477
4. Roof Terrace Repairs Charles Riddle Company	1,873,960
5. Plaze Repairs Charles Riddle Company	1,488,967
Design, Construction Supervision, and Administration (NPS)	552,132
Balance of appropriation available for post-construction administration, including as-constructed records and technical follow-up	8,849
	$4,500,000

All contracts were publicly advertised, bid, and awarded in accordance with Public Law 95-50, which authorized funds for the repair of leaks to the Kennedy Center.

No other agencies or bureaus were involved with the work other than the National Park Service and the Trustees of the Kennedy Center (a bureau of the Smithsonian Institution). The National Park Service was responsible for all analysis, design, preparation of bidding documents, bidding, award, construction supervision, post-construction follow-up and coordination with the Center's performing arts activities. The National Park Service and the Kennedy Center Trustees met monthly to review progress, methods and procedures. Separate reports were made to the Congress in accordance with the legislation.

The long-term success of the construction activities will depend upon regular maintenance procedures. In addition to as-constructed drawings and a file of shop drawings and other material submitted by contractors, a maintenance manual has been prepared which covers all materials and assemblies used in the repair work. The building is regularly inspected by a Supervisory Architect from the Denver Service Center.

Question: 2. A description of maintenance procedures followed by the Park Service for the Kennedy Center, including description of areas under control of NPS and Kennedy Center, payment or reimbursement procedures by Kennedy Center, and division of responsibility for interior areas.

Answer: Maintenance activities are handled by the National Park Service which are supervised by a chief of maintenance under the direction of the General Manager. Technical advice is provided by the Regional Staff and a architect from the Denver Service Center.

The John F. Kennedy Center is a National cultural center for the performing arts and is an official memorial to President John F. Kennedy. The Board of Trustees of the Kennedy Center has the sole responsibility for all performing arts activities. The National Park Service is responsible for building and grounds maintenance, lights, heat, janitorial services, housekeeping, security, information, interpretation, administration, and all other services necessary to the non-performing arts functions. Of these functions, building maintenance, housekeeping, and administration costs are shared with the Board of Trustees on the basis of an agreed upon formula of 76.2 percent (National Park Service) and 23.8 percent (Board of Trustees).

Question: 3. Special attention should be given to problems concerning the roof and terrace areas of the Kennedy Center.

Answer: Semi-annual inspections of the roof are made by Warren-Ehret-Linck Company under the terms of an agreement with the National Park Service. The repairs to the terrace areas and entrance plaza drive are permanent in nature as mentioned above with routine maintenance accomplished as outlined in the maintenance manual.

KUTZ BRIDGE

Mr. YATES. What else do we have besides the performing functions? You have the George Washington Parkway. Mr. Regula asked you about that. Do you have any problems with respect to your road systems?

Mr. FISH. As I mentioned, you may have been out of the room, Mr. Chairman, we have 301 miles of roads and 196 bridges. Yes, we do have problems with our roads. And we are trying to address those.

Mr. YATES. How much money would you like to set aside for it?

Mr. FISH. Well, we have right now a request in in this fiscal year for the Kutz Bridge. Our needs are about $20 million right now.

Mr. YATES. Is that amount budgeted?

Mr. FISH. No, sir. What we are trying to do is handle some of that through our construction program. And as much as we can get done through the cyclic maintenance program, and certainly through this $105 million request.

Mr. YATES. I dread thinking of the day when you fix the Kutz Bridge, and what the traffic problems are going to be.

Mr. FISH. We will maintain two lanes of traffic on that at all times, Mr. Chairman.

Mr. YATES. You should maintain eight lanes there with all the traffic you have.

Mr. FISH. Yes, sir.

Mr. DICKENSON. Our annual operational budget for the George Washington Memorial Parkway runs about a million and a half dollars, Mr. Chairman.

FRANCIS SCOTT KEY

Mr. YATES. What happened to the Francis Scott Key House? Did you ever find it?

Mr. FISH. I am glad you asked. That house was built in 1802, Mr. Chairman.

Mr. YATES. Well, I am glad to know that. Tell us about it.

Mr. FISH. A historical perspective. It was occupied by Francis Scott Key and his family from 1808. I have some pictures here, Mr. Chairman, that I think you will find very interesting. It was occupied by Francis Scott Key from 1808 to 1828. About that time in 1828 they started to build the C&O Canal, out in his back yard, just about. The house was located just west of Key Bridge, on M Street on the south side. Actually, it is opposite the car barn.

Mr. YATES. I know where the car barn is, but what is opposite except the entrance to the bridge?

Mr. FISH. Across the street. This illustration, I think, is very helpful to show you how it was at the time in the 1930s. There is another book here.

Mr. YATES. Is that the house here?

Mr. FISH. That is correct, Mr. Chairman. This was the structure when the Key family was there. What happened, then, in 1912, they completely changed the front facade, changed the bricks. These lintels are different, the windows are different. The west side got changed. The chimney came off. The roof came down. Made it a flat roof. I do not know whether it leaked or not.

And so the parks got that in the early 1930s. Then along came the construction for—this is another very interesting photograph. That shows the Key house opposite the car barn. This was during the construction of the Francis Scott Key Bridge in the 1920s. So it, the facade, as I say, changed considerably. We got it in the early 1930s. Then along came the construction for the Whitehurst Freeway here. So the house was sitting right there, right in the middle of one of those ramps. That is what this picture shows. So it had to be taken down.

There was a bill in Congress in the 1950s which the Park Service supported, although there was discussion as to whether or not we should. The bill was to replicate the structure, not a restoration, but to replicate it on a site on the east side of the bridge, over in that area, Mr. Chairman. However, President Truman pocket vetoed that bill. When it was changed in 1912, a number of those original bricks and the wood was sold off at that time. There was a man from Philadelphia that came down and bought some of the lumber from inside the building.

Mr. YATES. You bought it back from him?

Mr. FISH. No, sir, it was gone.

Mr. YATES. Whatever happened to the house?

Mr. FISH. Well, there were some bricks left. We are trying to see if we cannot find some of those. Some of those bricks were used in the restoration of the Old Stone House, which is down the street on M Street in Georgetown. But we may have stored the remainder under a bridge, as the article indicated.

Mr. YATES. What are you going to do with it?

Mr. FISH. Well, we will see if we can find the bricks, Mr. Chairman. But beyond that——

Mr. YATES. Has there been any congressional action on this? Has this been declared to be a National Landmark?

Mr. FISH. Oh, no, sir; no, sir.

Mr. YATES. Why are you doing all this? Is this pursuant to an Act of Congress?

Mr. FISH. As I say, there was an act of Congress——

Mr. YATES. Which did what, which President Truman vetoed. So there was no Act of Congress.

Mr. FISH. There really was no Act of Congress, right. It is of questionable historical significance, with the old building having changed, the north side and the west side, the roof being taken off, the chimney taken down, the law office which adjoined it completely removed. So there is really no historic authenticity.

Mr. YATES. Do you have enough left to make a model of it to put in the Smithsonian?

Mr. DICKENSON. What we have opted to do, Mr. Chairman——

Mr. YATES. Have you?

Mr. FISH. A good idea, Mr. Chairman.

Mr. YATES. I will talk to Dillion Ripley about that.

Mr. DICKENSON. What we have opted to do is commemorate the memory and achievement of Francis Scott Key at the fort over in Baltimore, Fort McHenry.

Mr. YATES. I do not know why you cannot make some sort of replica. Do you have enough of it left for that?

Mr. FISH. I honestly do not know, Mr. Chairman. We are searching.

Mr. YATES. What other grave matters do you have?

Mr. FISH. I do not know why I am so fortunate.

PARK POLICE STABLES

Mr. YATES. Do you have enough Park Police?

Mr. FISH. Yes, sir.

Mr. YATES. They do a pretty good job?

Mr. FISH. In my estimation they do an excellent job.

Mr. YATES. I would agree with you.

What about stables on the Mall?

Mr. FISH. We, as you know, erected that stable in 1976 for the Bicentennial. Prior to that we had to use a horse van to get our horses down to the Mall for their patrol functions. Since 1976, we have tried to keep that facility there. It saves us money by having it there. We have 8 or 10 mounted officers who work out of there. And back about a year ago we went for an informational presentation of the whole issue to the Fine Arts Commission and to the National Capital Planning Commission. And as a result of that, we began an environmental assessment to study the locations of that. What grew out of our look at that one facility was really a study of all Park Police facilities in the city and surroundings. And we are just in the process now of zeroing in and finishing that study.

We have five districts for the Park Police in the city: Rock Creek, Greenbelt, Anacostia, East Potomac, and Glen Echo. And there is a real need to improve the facilities for the United States Park Police. That is what we are trying to accomplish by this study. And of course, the stable on the Mall is one of those. We will be coming up with some recommendations as to what to do about it.

The general reaction, however, from the Fine Arts and Planning Commission was one where they felt that the stable itself would be compatible in the downtown area. However, they were not sure that that specific site south of the reflecting pool was the one. And that is why we are doing the study. Then we would hope to program money to get another facility.

Mr. YATES. Do you need an environmental impact statement for something like that?

Mr. FISH. It would depend on where we would locate it. We are right now in the process of doing a development concept plan for East Potomac Park. That certainly is one of the suggestions in that study, that the stable might be better located in East Potomac Park.

ARLINGTON HOUSE AND CLARA BARTON HOUSE

Mr. YATES. What is the condition of the Robert E. Lee Memorial?

Mr. FISH. That is referred to as the Arlington House, Mr. Chairman. We are doing some work on the second floor. We have it closed right now for sandblasting and painting. The stucco that is on there right now is not the original stucco; even though it is a historic structure, we can sand blast there. As a result of that we

have had to close the house because of all the dust. But it should be opened in about a month, Mr. Chairman.

Mr. YATES. What about Clara Barton's house?

Mr. FISH. At Clara Barton House, Mr. Dickenson officiated at a ceremony the other day for the 100th anniversary of the American Red Cross. What we have done there, since we have gotten the Clara Barton House, is to take a different approach in restoration from that of Ford's Theatre. For that we had a contract and plans. But for the Clara Barton historic structure we have a preservation specialist in there who hired some people to work with him and they are going, room by room, to restore that structure. So for the ceremony the other day, we had completed the dining room, the two offices for the Red Cross, and then Clara Barton's bedroom. So the structure was in basically good shape. Friends of Clara Barton had maintained it for a number of years. So we are able to take that approach as against, for example, the Frederick Douglass House. We had to gut the Frederick Douglass House and restore it. Here we are taking it kind of step by step.

TURKEY RUN

Mr. YATES. Is Turkey Run under your jurisdiction?

Mr. FISH. Yes, sir, it is.

Mr. YATES. I have been receiving very poignant, heart-rending letters from school kids saying that you are closing Turkey Run on them. Why are you doing that to them?

Mr. FISH. Well, it is a matter of the budget, Mr. Chairman, and a matter of priority.

Mr. YATES. How much does it cost to operate Turkey Run?

Mr. FISH. It costs about $200,000 a year, Mr. Chairman.

Mr. YATES. What happens to all the food that is grown on it?

Mr. FISH. There is not that much food there, Mr. Chairman.

Mr. YATES. Is there going to be a private fundraising to keep it open?

Mr. FISH. I was going to mention that. There is a group now that is called Friends of Turkey Run that have raised $30,000, and they have given that to the Park Service. That has allowed us to run the farm up until the end of this month. So we will be in discussions with them over the next few weeks to see if they have gotten any additional funding.

PISCATAWAY PARK

Mr. YATES. What has happened to Piscataway Park? Do you have money to run that in the budget?

Mr. FISH. Yes, sir, $300,000.

Mr. YATES. How does it happen you have money to run that and not Turkey Run?

Mr. FISH. Congress gave us the $300,000 a couple of years ago, Mr. Chairman, to run specifically the Colonial Farm.

Mr. YATES. How many years will the $300,000 last?

Mr. FISH. That is in our base, Mr. Chairman, so that would continue on. It would be subject to the same inflationary pressures that all money is.

Mr. YATES. I wonder why the Secretary has not raided that yet.

Mr. DICKENSON. Simply because there is a cooperative agreement and line item.

Mr. FISH. But I think that is one of the things we looked at when we closed down Turkey Run, is there an alternative, is there something else that is very similar? Certainly Colonial Farm is very similar and is in the Piscataway Park, which is a preservation of the view of Mount Vernon.

FREDERICK DOUGLASS HOME

Mr. YATES. What about Frederick Douglass' home? Is that in good shape?

Mr. FISH. That is in good shape, Mr. Chairman.

Mr. YATES. You fixed the roofs on it, did you not? You had a group of houses along there. Do you run Frederick Douglass' home?

Mr. DICKENSON. Yes, sir.

Mr. FISH. Yes, sir, we do, over in southeast Washington, Mr. Chairman. There is an outbuilding there that we have done our archeological investigation and historic structures report. It is called the Growlery. You might say it was like a study for Frederick Douglass, a place to get away. We will be restoring that. Right now we are finishing up on the visitor information center that you had given us the money for a few years ago.

Mr. YATES. Greenbelt Park.

Mr. FISH. Yes, sir.

Mr. YATES. That is in good shape, I take it.

How about the Lincoln Memorial and the Washington Monument?

Mr. FISH. They are in good shape, Mr. Chairman.

Mr. YATES. You have no problems with any of the facilities at either place?

Mr. FISH. No, sir, not any real problems. We are interested in enlarging the windows at the Washington Monument so the handicapped and children can get a better view. We have gone to the Fine Arts Commission and they have given tentative approval and some suggestions.

NATIONAL VISITOR CENTER

Mr. YATES. What about the National Visitor Center?

Mr. FISH. We continue to have real problems, Mr. Chairman, with the roof leakage. We have moved the staff. So we have a minimal staff that goes in there to check the building. But we have pulled out of there completely.

Mr. YATES. It is not being operated as a visitor center, then, is it?

Mr. FISH. No, sir, the doors have remained locked since February when we had to close it down because of the roof problems.

Mr. YATES. As I understand it your estimate for fixing the roof is now reduced. I thought it was reduced from $8 million to——

Mr. FISH. $7.4 million; yes, sir.

Mr. YATES. Is that in your budget?

Mr. DICKENSON. That is a reprogramming change.

Mr. YATES. Where are you going to get the money from? Do you know yet?

Mr. DICKENSON. We suggested Fort Sumter and a couple of other projects. I do not know whether the reprogramming letter has yet been prepared and come back, but it is imminent.

Mr. YATES. You better get some other reprogramming options for that.

Mr. DICKENSON. I believe that is one of the reasons why it was returned; yes, sir.

PRINCE WILLIAM FOREST PARK

Mr. YATES. Prince William Forest Park. That is a new one to me. Where is that?

Mr. FISH. It is about 35 miles south of Washington, Mr. Chairman.

Mr. YATES. What is that?

Mr. FISH. It is a 17,000-acre park. It had been a recreational demonstration area back in the 1930s. Construction was done by the CCC. It was one of the areas, there may have been 30 or 40 countrywide, and most of them were turned back to the States. Two, however, in the Washington vicinity, Prince William and Catoctin Mountain Park, were turned over to the Federal Government.

Mr. YATES. Is it just a scenic place?

Mr. FISH. There are five camps there, Mr. Chairman.

Mr. YATES. For overnight camping?

Mr. FISH. Yes, sir, that children, boy scouts, girl scouts, church groups, utilize during the season.

Mr. YATES. Is it in good condition for that purpose?

Mr. FISH. Yes, sir.

SEWALL-BELMONT HOUSE NATIONAL HISTORIC SITE

Mr. YATES. The Sewall-Belmont House. What is its condition?

Mr. FISH. It is in good condition, Mr. Chairman. We were authorized $500,000, which was the ceiling established, and given the authorization to work with the National Women's Party, since it was a National Historic Site. That $500,000 has been expended over the years, $100,000 in 1976, $100,000 in 1978, $150,000 in 1979, and $150,000 in 1980. We have remodeled the basement into office space, replaced the major portion of the electrical and heating system, installed a sanitary service line, worked on the walls and corrected some surface drainage, completed the heating, ventilating, air conditioning systems. And roof repair, of course. We refurbished the third and fourth floors. And there remains some brick retaining wall and wrought iron railing to do. In addition, Mr. Chairman, we also have a cooperative agreement with the National Women's Party whereby they do the interpretive service, if there is any furniture restoration, maintenance and operation. And we give them $53,000.

Mr. YATES. All right.

Mr. FISH. Which was under the public law in October 1974.

THE WHITE HOUSE

Mr. YATES. What are you doing with the White House? Is that in good shape?

Mr. FISH. Yes, sir. On the painting contract, which comes through your other committee, we stripped the east side. Had it not been for the weather conditions, we would have painted that in time for the Inaugural. We painted the three remaining sides, and are now just in the process of putting the paint on the east side. This was all a result of a 2-year study by the Bureau of Standards for the National Park Service to study the paint. We had 30 layers of paint on there, and it was not adhering. We had some water problems. With a preliminary look at it, we think, that it will be successful. We have now put a primer and two coats of paint on the east side. If that works, we will observe it for another year or two, then we would like to go ahead and do the remainder of the house.

Mr. YATES. I see by your news release that the Riddle Company won this contract, too, in addition to the Kennedy Center.

Mr. FISH. Yes, sir, that is another contract for the electrical generators. That is the construction you might notice on the south lawn on the east side. Funding for that was contributed by the GSA and the Department of Defense.

Mr. YATES. Where is the National Sculpture Garden's skating rink?

Mr. FISH. Ninth and Constitution, between 7th and 9th. It would be on the west side of the National Gallery and across the street from the National Archives.

Mr. YATES. Are there any things we have not covered that you want to tell us about?

Mr. FISH. You have done a very good job, Mr. Chairman.

HEALTH AND SAFETY PROBLEMS

Mr. YATES. Thank you. I appreciate it.

Are there other things I should know about that you should tell the committee?

Mr. FISH. Well, as I mentioned before, we do have the health and safety. We have, for example, drinking water at Great Falls, Maryland. It is on a well system. We get bad bacterial counts at times. We have to close it down. As part of this $105 million request, we want to tie that into the local Washington Suburban Sanitary Commission water system. Another example, we have sewer problems down at Fort Washington, and there our septic tanks and drainage fields at times overflow into the river. What we want to do is connect that system into, again, the Washington Suburban Sanitary Commission system.

Mr. YATES. How much is that going to cost you?

Mr. FISH. That would be $1.3 million.

Mr. YATES. For the sewer system?

Mr. FISH. Yes, sir.

Mr. YATES. What about the well?

Mr. FISH. The well? As I recall, that was about $150,000. We have to run up the hill out of Great Falls, if you are familiar with the Maryland side. We had some money before, Mr. Chairman. I think we are only asking for $20,000 to do that. We had, as I say——

Mr. YATES. What do you have to do, dig a new well?

Mr. FISH. No, sir, we would just run a line on up the hill to hook into that. There is a lot of housing up there now that had not been

there before. We also have problems with our cultural resources, too. We are asking for money for the restoration of the Piper Barn at Antietam.

Mr. YATES. What is that?

Mr. FISH. I have a picture here to show you the status.

Mr. YATES. Why is that a cultural source?

Mr. FISH. It is part of the history of the battle. Right now we have a farmer who leases it. So it is in really deplorable condition and needs to be stabilized.

Mr. YATES. How much money do you need for that?

Mr. FISH. $422,000, Mr. Chairman.

Mr. YATES. How much did the barn cost originally?

Mr. FISH. A lot less than that, Mr. Chairman, I am sure.

Mr. YATES. It is kind of interesting. I noticed in the brochure for the Midwest section that this lovely house that was Abe Lincoln's home was sold to him by Reverend Charles Dressler in 1844 for about $1,500. I wondered what the cost of that Piper Barn was. What else, Jack? What is the condition of the sanitation facilities at Kennedy, Ford, and the others, and Wolf Trap?

Mr. FISH. Those are all very good. They were hooked to the city system originally.

Mr. YATES. There was some question about building additional ones at Wolf Trap, was there not? Was that not mentioned?

PROGRAMS AND MAINTENANCE REDUCTIONS

Mr. FISH. Yes, for one of the buildings. I think it was for the American Symphony Orchestra League. You are absolutely right. That has been taken care of, Mr. Chairman. The other problem is similar to what Mr. Chapman started off with this morning, and that is with the inflationary pressures, the lack of seasonal help. For example, we have cut the grass on the Mall on a 7-day cycle. Now it may go to a 10-day cycle or 14-day cycle. The same thing in a number of our parks. We will not be able to pick up trash as frequently. A general reduction in supplies and materials. The elimination of some interpretive programs. Ford's Theatre, for example. Eliminating a Fourth of July program at Wolf Trap. Reducing tree maintenance.

Mr. YATES. What was the Fourth of July program, shooting fireworks?

Mr. FISH. Yes, sir, that was part of it. Again, when we eliminated a program, we considered whether there was any alternative. And certainly there is the alternative here on the Mall. The main firework program.

Mr. YATES. What is the condition of your contract with Wolf Trap? Have you negotiated it yet?

Mr. FISH. Yes, sir, we have signed that. I believe it is a 3-year contract, and we run through 1983, I believe.

Mr. YATES. What was your agreement on compensation? Is that still 650?

Mr. FISH. If the Congress gives us the money; yes, sir.

Mr. YATES. If the Congress does not give you the money, what happens?

Mr. FISH. The agreement is so stated that obviously, we would not have to give it to them.

Mr. YATES. Will they get along without it?

Mr. FISH. I have not seen their annual report. But I would think it would be extremely difficult.

Mr. DICKENSON. What all the Regional Directors have been saying in another way, Mr. Chairman, is that normally we have about 9,000 seasonal employees each year at the National Park Service. The bulk of our summer work is done that way. This year we expect probably only about 8,200.

Mr. YATES. You are going to lose 800 seasonal employees?

Mr. DICKENSON. About 800 seasonal employees short.

Mr. YATES. Who will be hurt the most?

Mr. DICKENSON. It is going to be spread across the System. It will affect the same thing that has been described here by every Regional Director in terms of shorter hours of operation, shorter week, shorter days, shorter number of days during the week, fewer road patrols, fewer maintenance efforts and campgrounds, et cetera. It will be a scaling down of efforts.

Mr. YATES. Will you be building up your outside contracting as a result of that for work you have to do?

Mr. DICKENSON. There are no dollars for it.

Mr. YATES. Is there anything else the Directors or you want to say to me before we adjourn for the evening?

Mr. DICKENSON. I believe not. We have appreciated very much——

Mr. YATES. I am glad to have had the opportunity of listening to the Directors. I am very much impressed by their testimony. Obviously we wish them well. I do not think any of them violated the OMB rules.

Mr. DICKENSON. I am confident. I listened carefully.

Mr. YATES. We will adjourn until tomorrow morning.

THURSDAY, MAY 21, 1981.

NATIONAL PARK SERVICE (Continuation)

WITNESSES

RUSSELL E. DICKENSON, DIRECTOR
IRA J. HUTCHISON, DEPUTY DIRECTOR
NANCY C. GARRETT, ASSOCIATE DIRECTOR, ADMINISTRATION
RICHARD H. BRICELAND, ASSOCIATE DIRECTOR, SCIENCE AND TECHNOLOGY
STANLEY T. ALBRIGHT, ASSOCIATE DIRECTOR, MANAGEMENT AND OPERATIONS
C. BRUCE SHEAFFER, DEPUTY BUDGET OFFICER
HOWARD CHAPMAN, REGIONAL DIRECTOR, WESTERN REGION
JOHN COOK, REGIONAL DIRECTOR, ALASKA REGION
LORRAINE MINTZMYER, REGIONAL DIRECTOR, ROCKY MOUNTAIN REGION
DENIS GALVIN, MANAGER, DENVER SERVICE CENTER
ROBERT KERR, REGIONAL DIRECTOR, SOUTHWEST REGION
STEVE LEWIS, ACTING REGIONAL DIRECTOR, NORTH ATLANTIC REGION
WILL KRIZ, CHIEF, LAND ACQUISITION DIVISION
JIM DUNNING, REGIONAL DIRECTOR, MIDWEST REGION
NEAL GUSE, ACTING REGIONAL DIRECTOR, SOUTHEAST REGION
JACK FISH, REGIONAL DIRECTOR, NATIONAL CAPITAL REGION
BILL BETTENBERG, DEPARTMENTAL BUDGET OFFICER

PROPOSAL FOR RAIL SERVICE AT GRAND CANYON

Mr. YATES. The subcommittee will be in order.

I have been leafing through the Senate report on the 1981 appropriation. I see they have suggested some changes. They talk about the rail passenger service from Williams to Grand Canyon National Park. Tell us about that.

Mr. DICKENSON. There is a proposal by the railroad to abandon that track, and the group in the City of Williams, in particular, is interested in trying to institute a service to Grand Canyon from Williams, which would be in lieu of the regular automobile traffic. They are seeking some Federal assistance to that and have approached the Department of Interior and the National Park Service to see if there was any sort of grant money which would be available.

From the National Park Service standpoint, we are very supportive of an alternate means of access to Grand Canyon, but under the current economic climate there is just no way we could give any encouragement of financial assistance.

Mr. YATES. How much money is involved?

Mr. DICKENSON. They reportedly need about $2.75 million, Mr. Chairman.

Mr. YATES. Who operates the railroad now?

Mr. DICKENSON. The Santa Fe Railroad has been the owner for all these years. They have been going into Grand Canyon since the turn of the century.

Mr. YATES. Do they have that service now?

Mr. DICKENSON. No, sir.

Mr. YATES. Where would these people get the equipment?

Mr. DICKENSON. That is unknown at this time, Mr. Chairman. All they have is a concept and an idea.

Mr. YATES. Do they have any money of their own?

Mr. DICKENSON. I understand they do not at this time. They are seeking loans from either regular commercial institutions and have not succeeded in that, and, failing that, they are seeking financial assistance from the Federal Government.

Mr. YATES. Is the State offering any help?

Mr. DICKENSON. The State, I believe, is attempting to assist in contacts with the Federal Government and other commercial institutions, but, to my knowledge, the State has not offered any financial assistance.

There is some real question in our mind as to whether or not it would ever be an economic operation. The kind of distances and costs involved, if you compare that with some of the other kinds of railroad operations that have recreation-oriented overtones, such as in Colorado, the Durango, the Silver Streak, and some of those sorts of things, or the old railroad up at Skagway. Those are not commercially feasible. The cost is just too great.

Mr. YATES. Have you reviewed this with Santa Fe, itself, recently, on whether they would operate the service?

Mr. DICKENSON. I would ask Mr. Chapman to speak to that.

Mr. CHAPMAN. They have been in discussion with the Santa Fe Railroad because the Santa Fe Railroad is desirous of abandoning the trackage they have not operated since 1980. Furthermore, the Santa Fe would be desirous of surplusing the trackage which actually would bring them in some 50 percent more than what they will in this sale to others.

They have indicated a willingness to work with the City of Williams and Pennavolt to establish rail lines, should they be able to come up with the money.

Mr. YATES. Is there anything tangible that has been offered here, Mr. Chapman? Is it something the Park Service would have to put in?

Mr. CHAPMAN. It would be partially the money they would be seeking from us. They are looking at a total of about $2.75 million in order to be able to operate.

Right now, in terms of tangible dollars, to the best of our knowledge, no, they are still attempting to secure that.

Mr. YATES. As of now is it just a dream?

Mr. CHAPMAN. That is correct.

SAVAGE RIVER BRIDGE

Mr. YATES. Tell us about the Savage River bridge.

Mr. DICKENSON. The Savage River bridge is on the road to Wonder Lake. It is just outside of McKinley Park Station, about a mile and a half or two miles, one of the first big crossings, that occurs.

After that bridge was put in several years ago, frost, upheaval, other kinds of earth movements began to disturb the structural stability of it, so that it had to be replaced.

What we have proposed in recent years by way of replacement of that bridge is to move to a location that would not be subject to the same kind of movement.

We didn't want to repeat the same kind of errors.

The Congress, this committee, and others acceded to our request—I think it was in 1976 or 1977, Mr. Chairman—but immediately we ran into all kinds of design difficulties, and the State of Alaska raised questions about the design of the bridge we proposed to put in, which was a long culvert shape, and the possible effect that might have on fish migrations upstream for spawning purposes, et cetera.

Finally, that was resolved, so there has been a whole series of design and resort management issues that have delayed that.

We are now ready to proceed. The design, location and resource management issues have been resolved, but inflation has caught up with us; so there is a shortfall and we will need additional dollars.

I believe that is $700,600.

Mr. YATES. Is it needed, Mr. Cook?

Mr. COOK. Yes, sir, it is. It is the key link of the road that the Director said goes through Wonder Lake. Should the bridge fail, we would have to close access to the interior.

Mr. YATES. How much traffic do you get there?

Mr. COOK. It is through the public transportation system. A little over 200,000 people a year visit that road. It also is the primary access to the major campgrounds within the park.

Mr. YATES. Is this an unbudgeted item?

Mr. DICKENSON. It is, sir.

Mr. YATES. Is it the Park Service recommendation that money be allocated for it? Did you ask OMB for it?

Mr. DICKENSON. The information regarding the increased cost did not come in time for us to make that kind of presentation. Our immediate options are to come to the committee for reprogramming of those additional dollars, or to go for it in the next fiscal year budget.

Mr. YATES. Or to approve the Senate item. As I remember, they put the money in, didn't they?

The remaining difference between the rescission request is an additional allowance for a difference of $576,000.

What was the original figure?

Mr. DICKENSON. One point eight million dollars was the original figure, Mr. Chairman.

Mr. YATES. Is this for planning or for construction?

Mr. DICKENSON. No, sir, that was construction.

Mr. YATES. What is the total cost?

Mr. DICKENSON. The total cost now is estimated at $2.4 million. Two point four twenty-nine.

Mr. YATES. Is that a different type of bridge you had in mind?

Mr. COOK. The final design is a concrete steel structure, a bridge similar to the one being replaced, located in a more suitable place.

Mr. YATES. Have you tested the new place?

Mr. COOK. Yes, sir. That is the reason for the delay in having the actual cost estimation available, so the Federal Highway Administration could perform core drilling and other testing.

MAINTENANCE BACKLOG

Mr. YATES. When Secretary Watt was before us, he said there will be no land acquisition this year; we have to apply whatever funds we have to eliminating the unsafe and hazardous conditions in the park.

You talk of a backlog of $1.6 billion for maintenance, as I remember it.

Mr. DICKENSON. The figure cited in the GAO report; yes, sir.

Mr. YATES. Where did you get the figure of $1.6 billion?

Mr. DICKENSON. My reading of the report, Mr. Chairman, is that GAO sampled the kind of reports that the National Park Service had compiled. They looked at 12 individual parks in detail, and then they extrapolated from the information available in our files and achieved that figure.

Mr. YATES. Let us look at your figures. For 1978, you requested a total of $143,190,000 for construction. Out of this sum, according to our interpretation of your figures, you requested $129,000 for the construction of toilets and $349,000 for the construction of other similar facilities. For the construction of sewage projects, which I take it related to the question of safe or unsafe drinking water, as well as other sanitary needs, you asked us for $4,875,000.

The section of roads—for water facilities of various kinds you asked for $6,631,000. For rehabilitation of roads the request was $9.513 million, and for bridges, $952,000. The total is $24,201,000. Are our figures correct? Can you verify those from your figures?

Ms. GARRETT. We don't have the figures.

Mr. YATES. We will take those as being correct subject to your checking.

Let us look at 1979. In the 1979 request——

Ms. GARRETT. We requested $121 million.

Mr. YATES. $121,328,000. That was broken down, for the figure the Secretary is talking about, for $318,000 for toilets and $4,561,000 for other facilities. Then for sewage facilities you requested $7,896,000—for water facilities, $15,704,000; roads, $6,877,000; bridges, $7,549,000.

Mr. DICKENSON. Our figures show $46.7 million by our reckoning. That is 16 or 17 percent for health and safety-related issues.

Mr. YATES. You have $121 million requested, and the committee approved $118 million. We are fairly close to your request, are we not?

Mr. DICKENSON. Yes, sir.

Mr. YATES. Then we come to 1980. In 1980, the amount you requested for toilets was $856,000. Other facilities related to that was $19,881,000.

We include in that, as a matter of health and safety, $15 million, to buy out the concessionaire. For sewage you requested $3,825,000; for water facilities of various types, $21,947,000; for roads, $5,693,000; bridges, $590,000—for a total of $54,792,000.

Your 1980 request in total is $85,538,000.

Ms. GARRETT. That is right.

Mr. DICKENSON. Our figures show that is about 47 percent.

Mr. YATES. It is interesting because your request was $85,538,000, and we appropriated $112,754,000. Our cooperation wasn't too bad.

Mr. DICKENSON. It certainly is outstanding, Mr. Chairman.

Mr. YATES. The figures, of course, indicate that you are becoming a little more concerned about health and safety factors, and we are, too, and we gave you the money for it.

Do we have the figure as to the amount that wasn't committed for 1979? How much went over to 1980—$110 million?

Ms. GARRETT. That is correct.

Mr. YATES. Then we go to the 1981. The amount requested for toilets is $479,000; for other related facilities, $9,449,000. Sewage, the amount requested was $8,292,000; for water facility, $7,336,000. We have nothing here for roads. Four million eight hundred forty-seven for bridges. A total for health and safety factors of $33,223,000 out of a total of $71,396,000.

Ms. GARRETT. Yes, sir, that is correct.

Mr. DICKENSON. That figures out at 39 percent of the items for health and safety.

Mr. YATES. Then we come to the 1982 request. There are no requests for toilets.

I don't understand that.

Mr. DICKENSON. We have an awful lot of water and sewer items.

Mr. YATES. It is less than the previous years.

For other facilities related to toilets, $876,000 in 1982. It was $9,449,000 in 1981, so this is a lesser figure than that. Sewage, in 1982, $7,524,000. In 1981, it was $9 million, which is a lesser request.

You are up in water. For water, 1981, you requested $7,336,000, and in 1982 it was $8,610,000 so you are $1,300,000 more on your request for water.

There was no request for roads in 1981. There is a request for $3,165,000 in 1982 for bridges, $5,481,000 in 1982, as opposed to $4,847,000 in 1981.

The total request in 1982 is $34,815,000, opposed to $33,223,000. Your total request in 1982 was $61,632,000, and if you have such pressing needs in 1982 for all these various factors, totaling $1.6 billion, why do you only request $61 million?

Mr. DICKENSON. The $105 million special initiative reflects the great majority of our health and safety-related issues, Mr. Chairman. As a matter of fact, in that $105 million, there are two——

Mr. YATES. Break down the $105 million.

Mr. DICKENSON. 276 specific projects in 113 park areas were included in that health and safety. We had one specific—in the four categories, in the $105 million.

Mr. YATES. What is the carryover from 1980 to 1981 for the construction account?

Ms. GARRETT. $85,182,000.

Mr. YATES. So you have a healthy carryover.

Ms. GARRETT. Yes, sir, but down from the previous year.

Mr. YATES. You are working; you are to be congratulated.

Into 1982, you estimate $27 million to be carried over?

Ms. GARRETT. That is right.

Mr. YATES. Now, you estimate $27 million to be carried over from 1981 to 1982. That was your estimate from 1980 to 1981, and you carried over $60 million. How much are you going to carry over from 1981 to 1982?

Ms. GARRETT. Our best estimate at this time is about $33 million, or $34 million, Mr. Chairman.

Mr. DICKENSON. We expect an 80-to-90 percent obligation rate.

Mr. YATES. Has the Secretary put any kind of clamp on your construction program?

Mr. DICKENSON. He has not.

HEALTH AND SAFETY PROJECTS

Mr. YATES. We have $105 million available. You hadn't completed your statement.

Mr. DICKENSON. I was just going to say, of the four principal categories, one of those dealt specifically with health and safety issues at individual parks, and that totaled out $18 million, alone—health and safety issues.

Mr. YATES. Is that all? Out of the $1.6 billion?

Mr. DICKENSON. There are more.

Mr. YATES. Out of the 105?

Mr. DICKENSON. That is one specific category related to specific parks—water, sewer, that sort of thing.

Within the cyclic maintenance repair and rehabilitation, $29 million. There will be many of those projects associated with health and safety issues. Capital improvements totaling $48 million, again, the same thing. The largest portion of those construction projects, $25 million of that $48 million, are associated with health and safety issues.

In total, out of the $105 million, almost $43 million are directly associated with health and safety—identifiable health and safety projects.

Mr. YATES. What does that do to your health and safety backlog?

Mr. DICKENSON. A significant——

Mr. YATES. How much is your health and safety backlog? Is it $1.6 billion?

Mr. DICKENSON. For lack of a better estimate at this time, that is all we have to go on.

Mr. YATES. The Secretary was using it with this committee.

Mr. DICKENSON. We carefully pointed out, Mr. Chairman, that we have reservations about the validity of that. GAO, themselves, by their own estimating method, indicated it is just an estimate.

Mr. YATES. I don't think the Secretary should use it, then, until he has a better grasp of the situation.

How much of that estimate of $1.6 billion is tangible or realistic? How much can you put your finger on? So far as we know, the only amount you can put your finger on, then, is $105 million, which is what you are asking us for this year. What is the figure? If it isn't $1.6 billion, what is it?

Mr. DICKENSON. We have on hand sufficient material to indicate that we are dealing in terms of a $500 million program.

Mr. YATES. It is less than half of what the Secretary indicated, isn't it?

Mr. DICKENSON. There may be more, but that we can speak to, Mr. Chairman.

Mr. YATES. How do you break down the approximately $500 million?

Mr. DICKENSON. We have dealt with the Secretary and the Department in terms of a 5-year park restoration and improvement program, based upon the approximate $100 million to $125 million per year.

Mr. YATES. Then, in order to give the Secretary some kind of appreciation of the problem, you told him that the amount that you can put your finger on approximates $500 million?

Mr. DICKENSON. Yes, sir.

Mr. YATES. And the $105 million request for this year is the first step in a 5-year program?

Mr. DICKENSON. That is correct, sir, and it is based very much upon our own internal capability to achieve that program.

BASIS FOR HEALTH AND SAFETY PROGRAM ESTIMATES

Mr. YATES. What is the breakdown for the remaining four years? We have the breakdown for this year. What is the breakdown for the remaining four years?

Mr. DICKENSON. I don't have that immediately——

Mr. YATES. How much of it do you have?

Do you have it for 1983? The $105 million, is it for 1983 as well? You project $105 million for 1983 and project $105 million for 1984. What you are doing is doing a straight-line method of dealing with the program; is that correct?

Mr. DICKENSON. That is correct; everything is capability.

Mr. YATES. What is your breakdown for 1983; do you have that? How do you arrive at $500 million?

Mr. DICKENSON. The project-setting process for 1983 has not been finalized. We will meet with Regional Directors in late June to deal with the priority cost estimate.

Mr. YATES. What is the basis for the $500 million? Is that guesswork, too?

Mr. DICKENSON. No, sir.

Mr. YATES. What did you use? How did you arrive at that?

Mr. DICKENSON. The kind of inventory in process that we have been undergoing indicates to us the total size of the program. Within that program we have not been able to set priorities yet and will not until we have a chance to really deal with the information flowing up from the field, but in terms of total numbers, whether it is going to wind up to be $500 million or $600 million, we have to wait until we get those kinds of details, Mr. Chairman. There is no way we can deal——

Mr. YATES. How can the committee act reasonably in this matter? Suppose the committee believed the Secretary, and suppose the committee believed you, that this is a $500 million program that is essential to dealing with the health and safety of the National Park System and decided in its wisdom that the hazards were so omnipresent and ominous that you ought to spend more than $105 million for the purpose. How are we going to do that?

Mr. DICKENSON. The Secretary has not regarded the——

Mr. YATES. I don't care what the Secretary thinks in this. This committee has to deal with the park system, and the Secretary, either by indirection or direction, said that we have been skipping over the maintenance program for the parks, the parks are in deplorable condition, the previous administration has paid no at-

tention to maintenance in the parks; and we are now going ahead. As a result, we have these health and safety factors; we have this build-up in maintenance in the parks. We can't buy any land at all. We have to apply all our funds to the maintenance factor.

Now, is the Secretary right in that?

Mr. DICKENSON. Mr. Chairman——

Mr. YATES. Would you rather put it another way?

Mr. DICKENSON. The completion of——

Mr. YATES. Where has the Park Service been over the last five years? We have given all the money requested for maintenance.

NOT ALL HEALTH AND SAFETY ITEMS

Mr. DICKENSON. The completion of the inventory will give us the final outline of the program, but the Department does not see the $105 million as purely a health and safety issue-related program.

There are other kinds of park restoration and improvement activities to be included within that.

In terms of responding to the Department's direction regarding this——

Mr. YATES. How much of it was health and safety? This year has $18 million.

Mr. DICKENSON. Forty-three million dollars out of $105 million.

Mr. YATES. The figure I have is $18 million out of health and safety projects on a memorandum dated April 27. Is it now higher than that?

Mr. DICKENSON. Mr. Chairman, under Construction, there is $25 million worth of health and safety.

Mr. YATES. Out of $105 million your health and safety projects total $25 million?

Mr. DICKENSON. Forty-three, sir.

Mr. YATES. Forty-three?

Mr. DICKENSON. Yes, sir.

Mr. YATES. The itemization that we have shows something else.

Mr. DICKENSON. We are saying in the health and safety there is $18 million and under the capital improvements, which totals $48 million, there are $25 million worth of those.

Mr. YATES. The total is $43 million?

Mr. DICKENSON. Yes, sir.

Mr. YATES. You have now a total of $43 million. If the committee allows this funding, will that take care of your health and safety needs for the next five years?

Mr. DICKENSON. No, sir—only the most immediate priorities.

Mr. YATES. What are your needs for the next four years in health and safety?

Mr. DICKENSON. We will be acccumulating and putting those together——

Mr. YATES. That doesn't help us at all.

If you have health and safety needs that are hazards to the visitors to those parks, we want to know what they are right now. The amount of money you have set aside for it is either adequate for the purpose, or it isn't adequate for the purpose.

If it is adequate for the purpose, tell me now. If it isn't adequate for the purpose, tell me that, too, because if that program has to be

completed, the committee may want to put in all the money to get that program done as promptly as possible.

Mr. DICKENSON. I can give you this kind of information today. It has to be regarded as preliminary information.

Mr. YATES. Where are we, then? We are at the tail-end of your hearing. We have had the Secretary come in here and grandiloquently exclaim that as a result of the negligent conduct of previous administrations, the parks are in a mess.

We are trying to find out tangible projects. We want to be able to move the parks to the levels that they ought to be in, so that Secretary Watt will not come back here next year and say that this hasn't been done.

I don't know why you or your predecessors haven't told us this before. The figures we have just put into the record indicate that you have gotten almost everything that you have asked for, as far as this committee is concerned. I don't know how much we cut you, if any, but, at any rate, whatever we cut you didn't hurt you, because you had carryovers every year.

Mr. DICKENSON. I would be first to agree, Mr. Chairman. The record speaks for itself. The Committee has been very responsive.

Mr. YATES. The Secretary apparently hasn't read the record, then. If the record spoke for itself, it didn't speak loudly enough for the Secretary to hear.

The point I am trying to make now, if you have health and safety factors, we do not want that charge to go out against this committee and the Congress until the next year.

How do we find out what has to be done?

Mr. DICKENSON. Of the 7,712 miles of roads, it is estimated by the Federal Highway Administration that 44 percent of that, almost 3,500 miles, are in need of repair and rehabilitation.

HEALTH AND SAFETY NEEDS FOR FUTURE YEARS

Mr. YATES. Let's do it reasonably, then. Where is that figure I handed you?

You have broken it down into various projects. You said that health and safety projects total eighteen plus twenty-five.

Mr. DICKENSON. For capital investment.

Mr. YATES. Let's talk about health and safety projects for 1983. Not 1982, but 1983. We have the figure for 1982. This is the figure that you said you needed this year as the first installment on a 5-year program.

Mr. DICKENSON. Yes, sir.

Mr. YATES. I want to know what the health and safety costs are going to be in total. It is $43 million for this year. What is it to be for 1983?

Mr. DICKENSON. I simply can't give that to you until we set priorities.

Mr. YATES. You don't know what it is for 1984, then, or for the remainder of the 5-year term?

Mr. DICKENSON. We set these on an annual priority-setting basis.

Mr. YATES. How did you arrive at $105 million?

Mr. DICKENSON. That is the guideline given to me by the Department and by the Office of Management and Budget.

Mr. YATES. That doesn't tell us what the story is; it doesn't tell us what are the health and safety factors. How did they arrive at those figures? Did you tell them?

Mr. DICKENSON. I was directed that was the level.

Mr. YATES. Does Secretary Watt know this?

Mr. DICKENSON. I am sure he is aware of it.

Mr. YATES. For all you know, it may be more than $105 million.

Mr. DICKENSON. The $105 million deals with simply the kind of ceiling assignments that come out of the Executive Branch.

Mr. YATES. The fact that you have ceiling assignments doesn't tell us the condition of the parks, does it? I am trying to find out the condition of the parks.

Mr. DICKENSON. I will be delighted to furnish you the kind of information that you are seeking. It is not here today, and as soon as we accumulate that, I will provide it.

Mr. YATES. I want to know now.

You have told us that $43 million represents the first installment of a $105 million program. I want to know what the total need is for health and safety projects by breakdown, as we have the breakdown by toilets, sewage, water, roads, bridges, and whatever your categories are, for the next five years.

Now, should you have more than $43 million for this year in dealing with your health and safety needs in the parks?

Mr. DICKENSON. We believe the projects that have been selected constitute the highest priority——

Mr. YATES. What about the next highest priority?

Mr. DICKENSON [continuing]. And those that are achievable.

Mr. YATES. What does achievable mean?

Mr. DICKENSON. Within the capability of our professionals, our Denver Service Center, and our management in the field.

Mr. YATES. I am not sure I understand what that means. Does that mean that is all you can spend this year for those projects?

Mr. DICKENSON. The planning has progressed to the point on all of these, the advanced planning, the kind of weather conditions existing in parks, the amount of time available for construction, all of the factors that must be considered have been looked at in detail. That is why these were selected.

Mr. YATES. Do you have a list of the projects that make up the $43 million, what they are, and where they go?

Ms. GARRETT. Yes, sir.

Mr. YATES. Do we have that in the justification?

Mr. DICKENSON. Yes, sir, in total.

Mr. YATES. Your health and safety projects are listed.

We have Amistad NRA, $100,000. You are going to install a fire and security system at the maintenance building for $15,000. Repair or replace unsafe docks at 31 wooden boat docks, install fire security system in the maintenance building located at Rough Canyon.

That third one for $25,000 isn't a hazard to the public, is it? Not that you don't need it, but I don't conceive that as being a hazard to the public.

Mr. DICKENSON. That wouldn't be to the public; no, sir.

Mr. YATES. What health and safety projects are you talking about?

Mr. DICKENSON. The employees who work there.

Mr. YATES. Badlands: four unsafe trail bridges, $10,000. Install safety rails, dangerous overlooks, $15,000.

Let me ask a question with respect to Badlands. Is that all Badlands needs to make the Badlands National Park healthful and safe?

Mr. DICKENSON. No, sir, that was the highest of the priorities.

ADDITIONAL NEEDS AT BADLANDS

Mr. YATES. What other needs does Badlands have?

Mr. DICKENSON. We will have to come forward with that at a later time.

Mr. YATES. Is the Regional Director here?

Mr. DICKENSON. Yes, sir.

Mr. YATES. How does he answer that question?

Ms. MINTZMYER. Lorraine Mintzmyer, Regional Director, Rocky Mountain Region, Denver, Colorado.

As the Director has said, there are other needs, Mr. Chairman.

Mr. YATES. Give us examples of what they are, Lorraine.

Ms. MINTZMYER. There is a water system that needs updating in Badlands, and we have included it in our long-range plans for completion.

Mr. YATES. What do you mean by a water system? What is wrong with the water system?

Ms. MINTZMYER. It does not meet the health and safety standards.

Mr. YATES. In what respect?

Ms. MINTZMYER. Mineral content.

Mr. YATES. Do you mean people drinking the water get sick?

Ms. MINTZMYER. It is very distasteful, sir.

Mr. YATES. But it isn't unsafe?

Ms. MINTZMYER. We need to have a water system that has the kind of removal of minerals that makes it acceptable under the Clean Water Act.

Mr. YATES. That is enough.

How much will it cost to remedy that?

Ms. MINTZMYER. This is just a long-range projection, sir. When the estimate was done one year ago, it was estimated at a total, at that time, of $65,000. Perhaps Mr. Galvin has a more up-to-date estimate.

Mr. GALVIN. I do not.

Mr. YATES. Why isn't the $65,000 listed? Why isn't that as much of a priority as your safety rails?

Ms. MINTZMYER. One of the things we are dealing with——

Mr. YATES. Did you get an allowance of $25,000 for your health and safety needs?

Ms. MINTZMYER. Did we what, sir?

Mr. YATES. Did you get an allowance of $25,000 for your health and safety needs for Badlands? Were you limited on the amount that you could ask for?

Ms. MINTZMYER. No, sir, we were not. We submitted priorities. In the case of the water system, also, there are design capabilities that are needed. For us to be able to obligate the construction funds, which is my objective, in the year in which they are given to

us, the Service Center told us that we need to have the planning one year in advance of the construction.

Mr. YATES. Why couldn't you tell them about your design needs, and why isn't this money added for design?

Mr. DICKENSON. That is in the capital investment portion.

Mr. YATES. Why isn't it under your project listing under health and safety?

Mr. DICKENSON. Because all of the $105 million is considered as one program. That is just one category, Mr. Chairman.

Mr. YATES. You can understand all these things, but we have a problem over here. We are trying to understand what your figures are, and the fact that you have the design over in another category means to us, looking at your health and safety projects, that it is not included.

Mr. DICKENSON. We just gave you the priorities as we saw them, Mr. Chairman, in the light of our design situation and our capability to construct.

Mr. YATES. Is the money for the design of her water project in the regular construction budget?

Mr. DICKENSON. It is not, sir, at the present time.

Mr. YATES. Why isn't it?

Mr. DICKENSON. There are a lot of other water projects and a lot of other sewer projects involved, Mr. Chairman. We are talking about priorities here.

Mr. YATES. Well, where? Are they listed here?

Mr. DICKENSON. We may not be able to get to that until 1984. I don't know.

Ms. MINTZMYER. The two projects that are in the program for Badlands now, we would be able to do immediately with park forces. It is our objective to get as many facilities up to date as soon as we possibly can. So we can, in fact, actually have these two done by the end of the year.

Mr. YATES. That is fine, but what happens to the other projects?

Ms. MINTZMYER. We put them in the program, sir.

Mr. YATES. The Director says he may not get to them until 1984.

Mr. DICKENSON. I just meant that to be illustrative of the priority-setting problem we face.

ALL ELEMENTS OF 5-YEAR PROGRAM NEEDED

Mr. YATES. We need to find out all the elements of your 5-year health and safety program. I take it that your 5-year health and safety program includes all the health and safety needs.

Mr. DICKENSON. Our inventory will produce for the committee a full proposal to cover the 5 years.

Mr. YATES. The thing I do not understand is that you could not give me the needs for 1983. The first witness that we called, Lorraine, starts to tell us about a third project that she has.

Have you sent that project in to headquarters for attention?

Mr. DICKENSON. We have that on our list.

Mr. YATES. Who decides which will come first?

Mr. DICKENSON. The Washington office dealt with this, taking the kinds of priorities that flowed up from the regions.

Mr. YATES. So that it is the Secretary who says you can have $105 million of projects for this year in health? Well, no, that is for all your needs, isn't it?

Mr. DICKENSON. That is right; that is park restoration and improvement. In this particular situation, the level was set.

Mr. YATES. Why do you engage in the construction of other facilities and defer until later years your health and safety needs? Why do you not hit those first and defer the other projects you have included?

Mr. DICKENSON. They are very, very important projects——

Mr. YATES. Like what?

Mr. DICKENSON [continuing]. Related to restoration of historic structures. The thing is going to fall down.

Mr. YATES. That has nothing to do with health and safety.

Mr. DICKENSON. In many cases it does.

Mr. YATES. Is it on your health and safety list?

Mr. DICKENSON. We have many projects listed that are health and safety-related, but which are historic preservation projects.

Mr. YATES. But you can't do that. When we ask you for health and safety projects, give us health and safety projects, and don't tell us in another answer that other projects which are not on your health and safety projects are, in fact, also health and safety projects, because you are not being fair with us.

We were trying to find out what are your health and safety projects.

Mr. DICKENSON. As we have indicated in previous testimony, many of these projects cover many and diverse purposes, and it is difficult to isolate out precisely whether they are 100 percent health and safety-related, or not.

Mr. YATES. Are you telling the committee these projects you have listed for the $43 million are totally health and safety projects and there may be other projects which deal with health and safety?

Mr. DICKENSON. Yes, sir, that is exactly what I am saying.

Mr. YATES. Then you had better prepare a new list for the committee, and you better prepare a list of projects in which health and safety is a factor, because that has nothing to do with this. We can't act on this. We are trying to take care of the health and safety needs of the Park Service. And the fact that you are restoring the courthouse in Jefferson National Expansion Memorial in St. Louis doesn't strike me as being a health and safety need. You will probably tell us the structure is not as structurally sound as it might be when we are through with it.

The point is that we do not want to be charged by Secretary Watt, next year, as having omitted, not having provided the funding that will make the National Parks of America safe from hazard, safe and healthful for the hundreds of millions of people who are using the parks.

If this is an inadequate listing, and if your $43 million is an inadequate request, tell us so now.

Mr. DICKENSON. The projects that have been selected, Mr. Chairman, the priorities that have been set, have taken into account all of the day-to-day kinds of factors that affect us. We have selected the ones that we believe are the highest priorities submitted to us by our field managers.

Mr. YATES. Very well. Let's go through this again. Lorraine, what else do you have in the Badlands that you have asked for, that you consider health and safety.

You have a water system where the people can't drink the water. That isn't considered to be important enough to include this year. What else do you have?

FENCING BISON IN BADLANDS

Ms. MINTZMYER. There is another project. It is related to a very sensitive issue. It is the case where we have a need for bison fencing. Some of the bison in Badlands have brucellosis.

Mr. YATES. Is there problem of isolating them?

Ms. MINTZMYER. The need is to keep them in, sir, because at certain times of the year they go outside the park and are in competition with herds of other animals and can transfer a disease. Also, there is the matter that they go outside the park.

Mr. YATES. Are you able to identify these animals?

Ms. MINTZMYER. We would have to test them all, sir, to know which have brucellosis and which do not. Also, they destroy the crops of the farmers and ranches when they go outside.

Mr. YATES. Are these all the animals, or just the brucellosis animals?

Ms. MINTZMYER. Depending upon whether or not—

Mr. YATES. The farmers are complaining, aren't they?

Ms. MINTZMYER. The farmers are complaining.

Mr. YATES. So they are going to bring a lawsuit against you.

Ms. MINTZMYER. They have, in fact, already done so in certain cases.

Mr. YATES. How much money is involved in that?

Ms. MINTZMYER. The park now has 11.5 miles already installed, and this would be a need for an additional 10 miles on the north park boundary.

Mr. YATES. As an enclosure?

Ms. MINTZMYER. That is right.

Mr. YATES. For animals of this kind?

Ms. MINTZMYER. That is right, sir, to keep them inside the park boundaries.

Mr. YATES. How much are the farmers suing you for?

Ms. MINTZMYER. We have had four claims amounting to $3,800, which have been paid already, resulting from the bison escapes. Seven more, totaling $4,665, are pending in courts.

Mr. YATES. Are the farmers unhappy with this situation?

Ms. MINTZMYER. Yes, sir.

Mr. YATES. What else do you have that is health and safety?

Ms. MINTZMYER. I can't recall anything else at the moment, sir.

Mr. YATES. If there is anything else, please put it in the record.

[The information follows:]

NATIONAL PARK SERVICE—PARK REHABILITATION AND IMPROVEMENT PROGRAM

Fiscal Years 1983 to 1986—Health, Safety and Fire Projects, by Regions and Parks

(Dollars in thousands)

Park name, ID No. and Project description	Fiscal year costs					Total
	1983	1984	1985	1986	Out	
RMRO REGION						
Badlands, National Monument:						
24 Rehab 10 fire hose boxes	0	6	0	0	0	6
52 Replace 10-Mi. of Bison Proof fence PG	0	780	0	0	0	780
58 Replace inadequate water system, WR	0	99	0	0	0	99
Total	0	885	0	0	0	885
Big Horn Canyon: 13 Rehab lagoon fence	15	0	0	0	0	15
Bryce Canyon: 36 Replace Sunset Point comfort station, PG	0	221	0	0	0	221
Canyonlands:						
10 Rehab water systems, Needles and Isky	0	0	0	0	5	5
11 Replace pumps and clean wells 3A, 3B, NE	18	0	0	0	0	18
12 Rehab Needles water system	12	0	0	0	0	12
30 Rehab 28-mile road system, IS	0	17,080	0	0	0	17,080
31 Rehab 28-mile road system; IS	0	0	17,140	0	0	17,140
Total	30	17,080	17,140	0	5	34,255
Arches: 41 Rehab Hdqrs and Devils Garden water, S, PG	0	0	342	0	0	342
Custer Battlefield: 06 002P Rehab med trail culvert	5	0	0	0	0	5
Dinosaur:						
26 001P Rehab green R Br	0	60	0	0	0	60
46 Expand water system to augment Dryin Hq	0	0	667	0	0	667
48 Upgrade campground water system, SM	0	0	206	0	0	206
Total	0	60	873	0	0	933
Glacier National Park:						
17 Rebuild 5 trail bridges	25	0	0	0	0	25
32 035P Replace Fern Cr bridge	28	0	0	0	0	28
33 042S Replace Alder Cr bridge	14	0	0	0	0	14
34 010S Quarter Circl R Br	0	52	0	0	0	52
35 027P St. Mary R major repair	32	0	0	0	0	32
38 005P McDonald Cr major repair	7	0	0	0	0	7
39 006P No Fk Flathead rehab	16	0	0	0	0	16
42 023P Kintla Cr rip rap	14	0	0	0	0	14
43 024P Pole bridge replacement	0	0	0	0	1,200	1,200
71 Reconstruct 2 chalets' water and sew, PG	0	375	0	0	0	375
72 Rehab 7 water systems, BL, CB, HQ, KL, PG	0	0	492	0	0	492
Total	136	427	492	0	1,200	2,255
Glen Cayyon:						
31 001P Lees Ferry BR rehab	42	0	0	0	0	42
51 Visitor and support facilities	2,924	0	0	0	0	2,924
52 Rehab water system, BB	0	156	0	0	0	156
53 Expand water system, HC	0	178	0	0	0	178
Total	2,966	334	0	0	0	3,300
Grand Teton National Park:						
DE Rebuild 7.5-Mi. balance Colter Bay-N. PG	2,150	0	0	0	0	2,150
DF Improve Beaver Creek-Moose water sys, Hq	336	0	0	0	0	336
DG Rehab Triangle-X water, sewer syste, TX	0	0	871	0	0	871
XX Improve Beaver Moose sewage system	292	0	0	0	0	292
35 Rehab reservoir and install turbidity filt	17	0	0	0	0	17
41 Replace 8 septic systems Beaver Creek	0	20	0	0	0	20
42 Replace 18 Chem. toilets	0	0	0	0	18	18

NATIONAL PARK SERVICE—PARK REHABILITATION AND IMPROVEMENT PROGRAM—Continued

Fiscal Years 1983 to 1986—Health, Safety and Fire Projects, by Regions and Parks

[Dollars in thousands]

Park name, ID No. and Project description	Fiscal year costs					Total
	1983	1984	1985	1986	Out	
Total	2,795	20	871	0	18	3,704
Mesa Verde:						
14 Replace 4 Tr. footbrdgs	0	0	43	0	0	43
60 Build new entrance road, PG	8,816	0	0	0	0	8,816
61 Build comfort station, Spruce Tree, P, CM	212	0	0	0	0	212
63 Rebuild entrance station area, PE	0	0	1,406	0	0	1,406
68 Build water-treatment plant, PG	0	0	0	0	1,825	1,825
Total	9,028	0	1,449	0	1,825	12,302
Rocky Mountain National Park:						
DD Rehabilitate 3 water systems, BL, GB, HQ	1,769	0	0	0	0	1,729
43 Replace Ski Lift Shives	20	0	0	0	0	20
44 Replace gear boxes upper ski lift, "T", B	0	20	0	0	0	20
45 Replace gear boxes lower ski lift, "T", B	0	0	20	0	0	20
46 Realign ski lift towers, walking bars	0	0	0	20	0	20
78 Rewire 31 buildings to standard	100	0	0	0	0	100
79 Rewire 33 buildings to standard	0	100	0	0	0	100
Total	1,889	120	20	20	0	2,049
Roosevelt National Park:						
12 Rewire building 70 to code	142	0	0	0	0	142
15 002P Rehab Jones Cr Br	30	0	0	0	0	30
28 Rebuild 2 bridges on Loop Road, GE	184	0	0	0	0	184
32 Rebuild entrance road, 6 miles, NO	3,795	0	0	0	0	3,795
33 Improve 6 water systems, PG	0	309	0	0	0	309
Total	4,151	309	0	0	0	4,460
Wind Cave: 10 002P Rehab box culvert	9	0	0	0	0	9
Yellowstone National Park:						
EG Correct infiltration in 2 sewer syst, PG	0	0	0	0	4,231	4,231
GA Rehab. 38 historic Fort Yellowstone buildings, MA	0	0	4,258	0	0	4,258
GB Rehab. 38 historic Fort Yellowstone buildings, MA	0	0	0	3,118	0	3,118
XX Rehab concession facilities	6,963	0	0	0	0	6,963
48 Rehab 5 sewage treatment plants	0	50	0	0	0	50
49 Rehab sewage treatment plant Madison, J	0	0	50	0	0	50
88 014P Replace firehole R FTN flat Br	0	450	0	0	0	450
90 045P Rehab Soda Butte Cr	110	0	0	0	0	110
91 050P Rehab Sheep Cr Br	105	0	0	0	0	105
98 068S Rehab Firehole R Morning Glory	12	0	0	0	0	12
Total	7,190	500	4,308	3,118	4,231	19,347
Big Hole: 04 001T Big Hole River Br rehab	18	0	0	0	0	18
Zion National Park:						
08 Rebuild retaining wall 2 mi	0	100	0	0	0	100
09 Rebuild retaining wall 1 mi	0	0	50	0	0	50
43 Rehab Zion lodge facilities Ph 1	159	0	0	0	0	159
44 Rehab Zion lodge facilities Ph 2	0	579	0	0	0	579
45 Rehab Zion lodge facilities Ph 3	0	0	1,747	0	0	1,747
46 Rehab Zion lodge facilities Ph 4	0	0	0	2,680	0	2,680
47 Rehab Zion lodge facilities Ph 5	0	0	0	0	555	555
52 Renovate Birch and Oak Creeks Water, SY, PG	0	2,218	0	0	0	2,218
54 Repair Mount Carmel Tunnel, PG	0	589	0	0	0	589
55 Connect Lodge to new sewer system, 2 PG	0	0	1,870	0	0	1,870
Total	159	3,486	5,667	2,680	555	10,547
Total	28,391	23,442	29,162	5,818	7,834	94,647

BANDELIER NATIONAL PARK

Mr. YATES. Bandelier, New Mexico: Unsafe overhead power lines. Provide guard rails on entrance roads. What is the entrance road?

Mr. DICKENSON. It is a narrow winding road.

Mr. YATES. Replace unsafe maintenance shop wiring. That is not the public, but I suppose that is needed or otherwise you are going to get a fire.

Rehabilitate deteriorated wooden structures, beams, columns at 31 visitors use and administrative buildings. What is the visitors' use. What are the buildings used by visitors?

Mr. DICKENSON. It would be information and reception areas, Mr. Chairman. Bandelier has many, many old buildings dating from back in the 1930s.

Mr. YATES. And the public uses the visitor use center?

Mr. DICKENSON. Yes.

Mr. YATES. How much is that of the $300,000?

Ms. GARRETT. It also includes curio shops, gas stations, and all the variety of buildings used by the public in addition to the visitor center.

Mr. YATES. Is this part of a concession?

Ms. GARRETT. The curio shop is a concession operation, as is the gas station.

Mr. YATES. Are you required to pay for that?

Ms. GARRETT. It is a Government-owned building. It is National Park Service-owned. Even though concession-operated, we do maintain the building.

Mr. YATES. Fire alarms in the museum.

Bandelier—May I speak to the Regional Director? Would you tell us whether or not you have other health and safety needs that you have asked funds for?

Mr. KERR. Robert Kerr, Regional Director, Santa Fe, New Mexico.

We have a larger list than appears in the budget hearings. I don't have that with me today.

ADDITIONAL INFORMATION NEEDED

Mr. YATES. Is the way to get the information we want, Mr. Dickenson, is to ask for the list that each of your Regional Directors sent in?

Mr. DICKENSON. That certainly would be one method, but I would suggest, Mr. Chairman, that in view of this new initiative by the Administration, that you permit me as Director to accumulate——

Mr. YATES. What do you mean by the new directive of the administration? Do you mean in cutting back everything?

Mr. DICKENSON. No, sir, the new level. The ceiling to which the Secretary spoke.

Mr. YATES. Do you mean the $105 million?

Mr. DICKENSON. Yes, sir. To let me come forth to you with a proposed 5-year program.

Mr. YATES. Why don't you do both? Why don't you give us the list and also a 5-year program?

Mr. DICKENSON. The list of requirements?

Mr. YATES. All the requests from your regions. That is what I tried to get yesterday, when I asked them to testify. They were very kind and very discreet in their testimony, in telling us that the health and safety factors are pretty well on the way to being taken care of. Now it appears that isn't true, so we better get those lists, rather than going through each of the parks at this time.

Does each of those lists contain estimates of what are the cost factors?

Mr. DICKENSON. In some cases it might not, simply because it would be out of date or had not been inspected by professionals. In most instances there will be at least a Class-C estimate, Mr. Chairman.

Mr. YATES. Are there any of the lists that relate to water? Can the Regional Directors tell us whether any of their lists relate to drinking water or sewage facilities not included in the lists that have been approved? Like Lorraine's drinking water?

Speak up. We are going to see the list, anyway. I am trying to find out how hazardous the drinking conditions are for the people who come to your parks and how bad are the sewage facilities for the people who come to your parks.

Mr. DICKENSON. In the case of water, I believe, of the 1,178 systems, Mr. Chairman, 9 percent of those remain to be done. We can provide that list for you.

Mr. YATES. Nine percent remains to be done?

Mr. DICKENSON. Of the one thousand.

Mr. YATES. These are the direct drinking water health hazards?

Mr. DICKENSON. They have some deficiencies that do not meet State standards. It doesn't mean they are completely unsafe or unsanitary.

Mr. YATES. Badlands: replace four unsafe trail bridges. Are there others than the four?

Ms. MINTZMYER. That is all I know of.

Mr. YATES. How about safety rails? Are there other overlooks that need safety rails that are not included in this?

Ms. MINTZMYER. I do not know, sir.

Mr. DICKENSON. I would suspect, Mr. Chairman, and this is a speculation, that that is everything in that regard at Badlands, but there are other areas within her region, obviously, that would have those kinds of needs. I would certainly say that Yellowstone and Glacier and Rocky Mountain National Parks are all going to have unsafe trail bridges.

Mr. YATES. Are they included within your 5-year program?

Mr. DICKENSON. They will be.

Mr. YATES. Let's find out.

How else can we get the information? How else can we know how much money to give you?

Mr. DICKENSON. I appreciate the fact you have asked for it, and we will provide it for the Committee, Mr. Chairman.

Mr. YATES. How long will it take you?

Mr. DICKENSON. As quickly as we can.

TIME LIMIT TO GET INFORMATION

Mr. YATES. We have to get a bill out. You are the last witness. If you were the first witness, we could take an answer like that, but

you are the last witness. We are all through when we are through with this hearing with the hearings on our bill, and we have to get a bill out.

As I understand it, you already have in your hands a statement of the needs of all your Regional Directors and all your parks.

Mr. DICKENSON. I just checked with Mr. Albright.

Mr. ALBRIGHT. It will be quite a job to pull it together, but I think we have all of that information.

Mr. YATES. Why is it that much of a job? You have already reviewed it once. You have had it for two-and-a-half months. You already reviewed it to make up the $43 million.

Mr. DICKENSON. I think we can provide it for you within two weeks.

Mr. YATES. Make it 10 days.

Go to work on it, because we want to know what the situation is.

Mr. DICKENSON. We will give you the best information we have.

Mr. YATES. If the Secretary tells you not to do it, you tell the Secretary he is not going to get any money for any of his operations because he can't come in to this committee and tell us that we have been derelict in dealing with the maintenance in the parks because we haven't taken care of it.

[The information follows:]

FORMULATION OF THE PARK RESTORATION AND IMPROVEMENT PROGRAM

The development of the $105 million Park Restoration and Improvement Program was for the most part not compiled from lists submitted from the regional offices. Because of the limited time available to formulate this program, the projects were submitted to the Washington Office by telephone.

[Committee note—The 5-year program was provided for committee files.]

ADDITIONAL HEARING DATE

Mr. YATES. We shall set a date for another hearing two days after we receive the requested information. If we get the statement on June 2, we will hear them on June 4.

We will set the date for receiving that estimate on Tuesday, June 2, and we will have another hearing at 10:00 o'clock on Thursday, June 4, and we request Secretary Watt be here then, too.

Would you transmit that to the Secretary, please?

METHOD OF SETTING PRIORITIES

How did you decide which were your greatest priorities? How did you draw the line? Did you decide you needed four safety rails rather than the drinking water corrected in the Badlands? Who made that decision?

Mr. DICKENSON. This was reviewed by the Department, and certainly received full staff input within the National Park Service, Mr. Chairman, but the principal feature associated with all of these—when you are dealing with either sewage or drinking water problems in parks, there is a very close relationship maintained with the State, and the State helps set the kinds of deadlines and priorities that affect those particular projects.

Otherwise, in this year, we are dealing with plans already made and with the kinds of achievability of doing the projects within the timeframe.

Mr. YATES. The Secretary was here a few days ago. In response to questions he said there was no way the Park Service could use more than $105 million this year. Do you still stick by that?

Mr. DICKENSON. I stay very much by that, sir.

Mr. YATES. What are we going to do, if you can't use more than $105 million, we are going to have to take the money you have allocated for other projects and move it to health and safety. Is that what you had in mind?

Mr. DICKENSON. No, sir.

Mr. YATES. What are we going to do? Are we going to have the construction done by outside people, then, to make sure the health and safety needs are taken care of?

Mr. DICKENSON. We will be using the normal kinds of procedures that we have used—A&E.

Mr. YATES. If you can't use more than $105 million, what is the sense in even holding a hearing? You are telling us you can't spend more than $43 million out of $105 million for health and safety this year. Is that what you are saying?

Mr. DICKENSON. No, sir. We have a total program to deal with here.

Mr. YATES. What is your total program? How much is that?

Mr. DICKENSON. The total is——

Mr. YATES. You have $61 million and $105 million. Is that right?

Mr. DICKENSON. Sixty-one million; $105 million.

Mr. YATES. You have a maintenance program.

Mr. DICKENSON. We have a maintenance program.

Mr. YATES. And a resource management program.

Mr. DICKENSON. If we tried to extend the capability on a crisis basis, Mr. Chairman——

Mr. YATES. Is none of this a crisis basis?

Mr. DICKENSON. I don't really see, personally, that we are dealing in that kind of atmosphere.

Mr. YATES. What about the rails of her Badlands and the dangerous overlook?

Mr. DICKENSON. Needed, required, but not crisis.

Mr. YATES. If somebody leans against that rail and goes over, what happens then?

Mr. DICKENSON. Well, that is——

Mr. YATES. That is too bad?

Mr. DICKENSON. I wish that the rails were up there now.

Mr. YATES. Why isn't that a crisis situation, then? A person who sees a railing at an overlook is entitled to brush against it a little bit, I would think.

Why haven't the parks had a lawsuit from somebody who drinks some of your bad smelling water, for example, where the person develops some kind of internal ailment?

What if they are driving along and a guard rail that should have been fixed three years ago or four years ago hasn't been fixed? You are going to pay a judgment.

When is a situation a crisis situation? I can recognize one when some of your buildings are burning, perhaps, but what is your next definition of a crisis situation?

Mr. DICKENSON. That, I am sure, would be difficult to explain to you, Mr. Chairman.

ACHIEVABILITY IS A FACTOR

Mr. YATES. On the basis of your most essential needs, aren't you really saying what we did was to select those that are in crisis at the present time?

Mr. DICKENSON. That would certainly be one factor. Another would be that we have plans ready to go, that we can achieve them within the fiscal year. The advance work required for some of the projects simply has not been accomplished.

Mr. YATES. Let's look at Park Service priorities. Of course, you weren't responsible. Were you Deputy Director in 1977?

Mr. DICKENSON. No, sir.

Mr. YATES. Where was your bomb shelter?

Mr. DICKENSON. I was very usefully and satisfactorily employed in the Pacific Northwest.

WATER TREATMENT SYSTEM FOR YELLOWSTONE NATIONAL PARK

Mr. YATES. A nice area.

Here you are finally asking for money for the Yellowstone National Park. This is the justification for conditions that existed since 1977.

Project description: This project will complete improvements to the distribution system in the canyon-developed area. Includes construction of a one-million-gallon-per-day chemical coagulation, sedimentation, filtration and disinfection water treatment plant, and so forth.

The need: The canyon water system is supplied by surface water and subject to contamination. The Safe Drinking Water Act of 1974 requires complete treatment of all surface water supplies. The treatment plant is necessary to assure a supply of safe drinking water and avoid gastrointestinal illness outbreaks as experienced in 1977 at this area.

So, in 1977, you had a gastrointestinal illness outbreak, and finally in 1982 there is a request for funds for a water project. Are there any of your water projects in this same condition? Are yours in this condition? Have there been any such outbreaks?

Ms. MINTZMYER. No, sir. The system is now on a reverse osmosis system, and it is not working effectively, so we have a hydraulics person going through the park. In fact, he might be there this week, checking out the different sources so that we can, in fact, decide where we drill and design the facilities to achieve the water.

Mr. YATES. Let's talk about Yosemite, that beautiful park. How long have you been asking for money for your water system? Mr. Chapman?

WATER SYSTEMS AT YOSEMITE AND GRAND CANYON

Mr. CHAPMAN. The project for the well at El Portal?

Mr. YATES. No, this is a final effluent disposal facility.

Mr. CHAPMAN. The final project is in the 1982 fiscal year. However, we were asking for this project going back to approximately 1973, 1974.

Mr. YATES. It says:

Need: The Yosemite Regional Water Pollution Control Facility at El Portal, the largest treatment plant in the National Park System, collects waste water from all developments located in Yosemite Valley and at the El Portal administrative site.

The facility currently fails to consistently meet the suspended solids, chlorine residual, coliform organisms, pH, and receiving water limitations prescribed by the California Regional Water Control Board.

You will get an effluent quality now. You should have built this years ago.

Mr. CHAPMAN. That is a modification of the plant due to a failure of the evaporation pond to function properly so that there will be no water flowing into the river.

Mr. YATES. Are there any other places like that?

Mr. CHAPMAN. There is a major need as far as Grand Canyon is concerned in a water system, not so much from the standpoint of the sanitary condition, but of a system that is utilizing old distribution lines that could fail, and therefore cut off the entire water supply to the South Rim.

That is a system that would require approximately $10 million in construction, and if all the distribution system has to be replaced in that park on the South Rim, it is a total construction program of about $39 million.

Mr. YATES. What are the water needs on the South Rim?

Mr. CHAPMAN. It is water for all of the visitor units on the South Rim, which is the major point of visitor concentration at the national park.

Mr. YATES. Is that where your hotels are?

Mr. CHAPMAN. That is right; yes, sir. Approximately three million people a year is the maximum.

Mr. YATES. How long is your distribution system going to last?

Mr. CHAPMAN. The distribution system has been in place there since the early 1900s. We know that we are losing water through that distribution system now, through leaks, so it is going to require a complete review of that distribution system to determine whether or not only portions of it should be replaced or whether it has to be replaced in its entirety.

Mr. YATES. Is that on your health and safety list?

Mr. CHAPMAN. It is. The size and magnitude of the project, in the first place, is one of the difficult parts of approaching it. Secondly, the size of that project would require the advanced planning and project planning that is necessary over at least a 2-year period.

Mr. YATES. Why shouldn't it be started?

Mr. CHAPMAN. Limitations on which we can reach within the funding level is the principal reason.

Mr. YATES. How does the committee get information like this? This is the information we wanted to get yesterday, really. I know that you are under constraints, but the only way apparently we can get it now is by seeking—did you describe this condition to the Washington office?

Mr. CHAPMAN. This is in a briefing statement as a part of our program to the Washington office; that is right, yes, sir.

LIMITED CAPABILITY OF NATIONAL PARK SERVICE

Mr. YATES. Describe for the committee the process under which you decided how much you were going to spend this year. How did you decide that no way could you spend more than $105 million? Secretary Watt said no way could you spend more than $105 million.

Mr. DICKENSON. The representation to the Secretary and to the Department was in terms of the capability of the National Park Service. In terms of our Denver Service Center workload and the number of personnel that we have and the kind of other circumstances that prevail in the field as relates to length of the construction season, the other kinds of projects with which we are involved, operations serving the public, et cetera—all of this contributed to the setting of the level.

Mr. Chairman, if we were to be asked to perform a $500 million construction program in one year, it simply could not be done. It simply cannot be done. It is not within our capability to do that.

Mr. YATES. What if you had expanded capability?

Mr. DICKENSON. It would certainly take a year or two to gear up to that in terms of the requirements of the Committee, insofar as it relates to advance planning and project planning.

Mr. YATES. Your capability is to the expenditure of $105 million. It is not as to the manner which the $105 million is to be spent. In other words, if there is a shift of funds within the $105 million from some projects which are not designated health and safety projects, to health and safety projects, that is within your capability?

Mr. DICKENSON. We could accomplish that.

PROJECT PLANNING PROCESS

Mr. YATES. What would happen if the committee decided to allocate or to shift funds from—this is to the help of the Denver Service Center—what would happen if the committee decided that instead of upgrading an interpretative program, or a visitor center, to change that funding to a project that was placed in your health and safety hazard. Could you do it?

Mr. GALVIN. It depends on the nature of the project. If it is a relatively simple and straightforward project with a simple technical solution, we could. If it is something like a sewage treatment plant or water treatment plant, where we did not have previous advanced project planning, we could not do it in a year.

Mr. YATES. Why could you not?

Mr. GALVIN. To use the water treatment plant as an example, first we would have to find the terrain, the siting for the plant. We have to make an estimate of the kind of treatment that is needed. We have to come up with a cost estimate for the plant once the technical details are known. Given our planning design and construction cycle, if it is properly sequenced, that is when we come to the Committee and say: We now know the site conditions; we now know the technical solutions required——

Mr. YATES. Do you not have to have funds for all these activities in which you are engaged?

Mr. GALVIN. Yes, sir.

Mr. YATES. And if you don't start it this year, you will have to start it in some year.

Mr. GALVIN. Indeed, and we have a national priority list from which we are working.

Mr. YATES. The point you are making is, don't expect miracles from you, or, if there is an unsafe condition, you can't have it in

every case in three months. Are you saying some of them are so complex, they would take two or three, or four years to do?

Mr. GALVIN. Indeed.

Mr. YATES. You have to take a first step somewhere along the line, and you have to be funded for it.

Mr. GALVIN. And there is a limit to the capabilities. You only have a limited number of things you can start on in any given year, given the amount of resources available at the Service Center, or with private firms.

Mr. YATES. Are you telling the Committee that the capability of your Center, or of the Park Service, to deal with the health and safety conditions in the entire Park System are limited to $43 million worth of projects such as are listed in here?

Mr. GALVIN. The $43 million happen to be the projects ready to go at this point in time.

Mr. YATES. Are there others ready to go at this point in time?

Mr. GALVIN. In terms of the total construction program, the capital improvement portion of the 1982 add-ons, plus the regular construction program that we have requested, I believe that those are a fairly comprehensive list of the projects ready to go. They do not include the more operational kinds of things you were discussing earlier, the replacing of guard rails and that sort of thing. The Service Center ordinarily would not be involved.

HOW A PROJECT IS BEGUN

Mr. YATES. Let's take two examples. Let's take Lorraine's bad water. Suppose that was approved by the Committee. What would that now do to you?

Mr. GALVIN. If that is a construction project—I am not familiar with that particular project——

Mr. YATES. Is it a construction project, Lorraine?

Ms. MINTZMYER. Yes, sir.

Mr. GALVIN. We would need advanced planning in 1982. To do the preliminary site work, to do the preliminary design, to come up with a solution, a range of alternatives, then a solution, then an estimate of what that solution is going to cost, and come to this Committee next year at this time and say: Here is what the water system at Badlands needs.

Mr. YATES. How about Mr. Chapman's Grand Canyon?

Mr. GALVIN. Mr. Chapman's Grand Canyon might take as much as four years to do. That is an extremely complicated situation that will require engineering studies next year to determine how much water we are losing and where we are losing it before we even start preliminary design.

Mr. YATES. But you have to have funding to start.

Mr. GALVIN. Yes, sir.

Mr. YATES. How do you get an estimate of how much funding you need to start on his?

Mr. GALVIN. We make a professional-services estimate.

There are three tiers of estimate. There is a C-Class—based on similar facilities built at other places. It is just based on historical data.

So, for instance, using the water system at Grand Canyon as an example, we would make an estimate of what we think it would

cost to repair and replace that system—based on what we think the footage of pipe involved is, the size of the pipe, the known ground conditions at Grand Canyon, the topography, et cetera.

That is not based on any technical data. Based on that estimate of construction, we come up with a professional-services estimate of how much the advanced planning would cost in, ordinarily, two years prior to construction. That professional-services estimate would fund in advanced planning the engineering studies, surveys, and the design required to come up with a "B" estimate, which is an estimate based on preliminary design, and which is ordinarily what we put into the budget.

Mr. YATES. What is the condition of the parks? The Secretary said the condition of the parks is a mess. He says:

> I have the impression that the committee has been cooperating with the Park Service in providing the funding necessary for what we thought was to keep the parks in a not only reasonable safe condition but as well as an enjoyable condition. And you do have things that break out occasionally and problems, but that the parks are not in a mess, really.

NATIONAL PARK SYSTEM NEEDS OVERHAUL

Mr. GALVIN. Mr. Chairman, in this job it has been my opportunity in the last several years to travel around the National Park System, with a particular emphasis on looking at physical facilities, and if I might make an analogy to an automobile, I believe the condition of the physical facilities in the National Park Service relate to the need for a major overhaul. It is not because maintenance has not been done.

Let me go to the car analogy. You change the oil every 6,000 miles. You change the sparkplugs every 20,000 miles, but, at 200,000 miles, you have to rebuild the engine. It is not because anybody has been negligent; it is simply because there is that much wear in terms of the physical fabric.

I believe, generally speaking, the physical facilities of the National Park Service are at that state. That is, the Lake Hotel is 70 years old. Its utility system is 70 years old. Its electric system is 70 years old. It needs a major overhaul.

Mr. YATES. How many such examples could you give us? This is one example in one park. Is this true in every park?

Mr. GALVIN. This is true in most of our western parks, I believe. It is certainly true in Yosemite; it is certainly true at Grand Canyon. We have old facilities in need of major rehabilitation.

This is not to say all of them are life safety hazards. There is a tier of hazards involved.

Overnight accommodations are the highest kind of hazard where we have people sleeping. I believe we have 60 of those structures in the National Park Service. Now, to correct that hazard does not require rehabilitation of the building. That particular hazard can be dealt with in a number of ways.

One obvious way is to build such a system into the buildings that you can get the people out. That is, the structure may burn down, but you have provided enough fireproof corridors, early enough warning through alarm systems and other kinds of devices; sufficient sprinkler systems, if that is required, to allow people time

enough to get out of the building. That is the kind of thing the National Park Service is doing with the $16 million mainenance add-on.

Beyond that, then——

Mr. YATES. Is that an adequate add-on?

Mr. GALVIN. In my judgment, in terms of the timing, 1981, that is accurate; yes, sir.

Mr. YATES. Suppose it were the 1980, or 1979. Would it have been more than $16 million? Would you have asked for more than $16 million?

Mr. GALVIN. I don't think so.

Mr. YATES. Are you saying that is adequate, without regard to the constraints of the budget?

Mr. GALVIN. That is right. It is adequate to provide interim protection; that is, first level of protection to get visitors out of a building, for instance.

Then there is a whole tier of priorities below that. Obviously, the next thing you would want would be to make every room fireproof in terms of sheet-rocking the walls. We are doing that at the Paradise Lodge with money the Committee provided several years ago. We will begin doing that in this budget at Crater Lake Lodge. We are doing it at Yellowstone. Many of the buildings need new roofs. We are installing sprinkler systems in this kind of second-tier of major rehabilitation.

Beyond that, then, you get into the structural and the electrical where the hazard is latent. That is, the electric system probably performs adequately, but it is 50 years old. It would not meet any of the current codes. For those sorts of things, you really need to get into the fabric of the building, open it up, find out what is wrong. It is a construction-kind of solution.

Mr. YATES. Are you doing that?

Mr. GALVIN. Yes, sir. We have begun doing that. We have done an extensive amount of that at Yellowstone. We have done an extensive amount of that at Mount Rainier. Beginning with this budget request we will begin doing it at Crater Lake.

CAPABILITY OF DENVER SERVICE CENTER

Mr. YATES. How about the capability of your office? Is the $105 million the limitation you can handle?

Mr. GALVIN. We are not going to handle all of the $105 million. We will handle about $50 million of it. That, combined with the regular budget, is about our limitation at this time.

Mr. YATES. Who is going to handle the rest of it?

Mr. GALVIN. The parks and regions.

Mr. YATES. Shouldn't you have a bigger capability, in view of your statements?

Mr. GALVIN. We can expand our capabilities, Mr. Chairman, through the use of architectural and engineering firms. Just as recently as 1978, we did $8 million worth of contract work with private firms and could do so again.

Mr. YATES. Should you be doing that in view of the Secretary's statement about the condition of the parks?

Mr. GALVIN. If the program expands, we will do that. With this initial——

Mr. YATES. The Secretary isn't expanding the program beyond what you brought to it. Should it be expanded beyond what the program is that you brought to us?

Mr. GALVIN. Not in 1982, sir, because any expansion in architectural and engineering capabilities will affect 1983 and 1984. In 1982, the work almost nearly has to be done. It has to be well in progress. All of this kind of preliminary engineering kind of study I talked about should be done at this point in the process—if we are going to obligate money.

Mr. YATES. Will the 5-year program take care of everything?

Mr. GALVIN. I believe you could in 5 years. You will have rehabilitation needs like the repairing of sea walls.

Mr. YATES. Like Ellis Island?

Mr. GALVIN. Ellis Island, Golden Gate, and so forth.

The Park Service has expanded very significantly in the last decade. We have a lot more buildings, a lot more miles of waterfront. We have a lot more facilities, like Alcatraz, which were abandoned by other Federal agencies because they were so difficult to maintain. We have a much bigger physical inventory, apart from the physical inventory that is now in need of a ring job.

Mr. YATES. Thank you, Mr. Galvin.

We want to get our health and safety program through as quickly as possible. How do we do that? How do we get your health and safety program completed as quickly as possible?

Mr. GALVIN. I take it we are going to submit to you a 5-year program, and we can give scheduling advice on that program. That is the role of my office to schedule construction.

Mr. YATES. Make that a part of the report. Let's see where we go with it.

ACID PRECIPITATION

Turning to gentler subjects, what is the condition of the parks as far as your physical assets are concerned? I read somewhere about the Acadia Park in Maine feeling the effects of acid rains, for example. How prevalent is acid rain or other hazards to the beauty of the parks, and what should we be doing about it?

Dr. BRICELAND. We have at the present time 18 parks where we are currently monitoring under what is known as the National Atmospheric Deposition Program for monitoring acid precipitation.

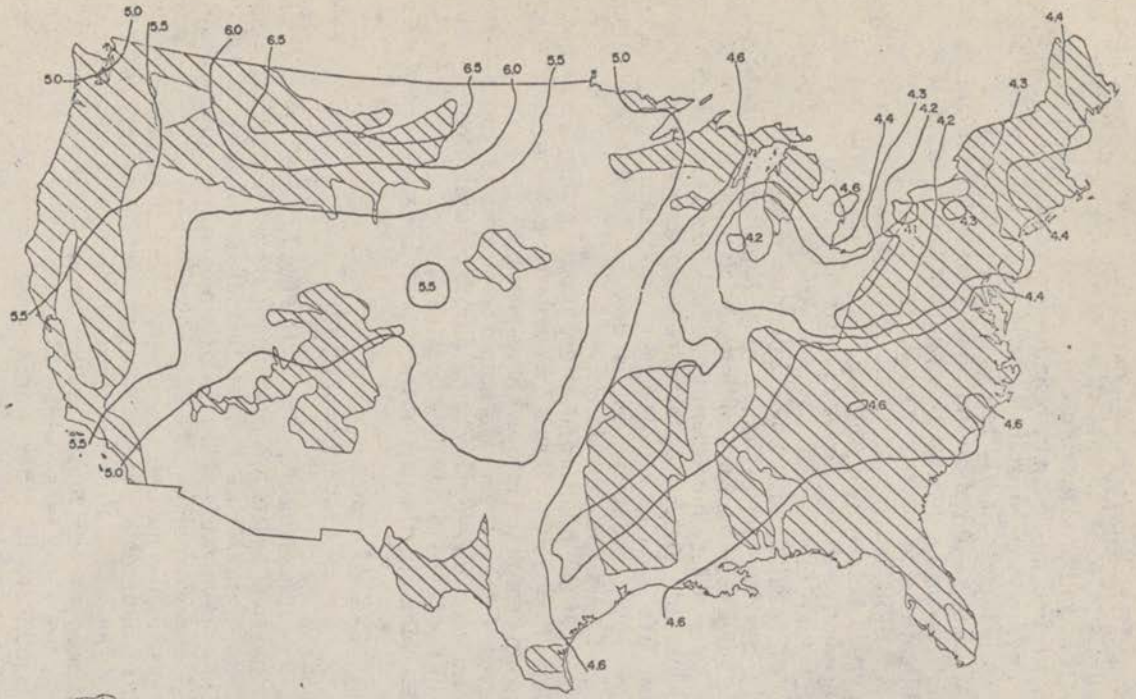
This is a map we can look at which identifies two things: The shaded areas are those areas which have what is known as a low-buffering capability. In other words, they are sensitive to acid precipitation if exposed to it.

The lines that have numbers on them are measures of the levels of acid precipitation which the various parts of the country experience. The lower the number—I think if you look in the Lake Michigan area, for example, it is a 4.2, or 4.3 pH value. That means it has a level of acid precipitation which makes the rainfall on the average slightly better than vinegar.

The page I have just given you is a page out of a report which EPA put out in August of last year. It shows you the range of what the various levels of pH mean—for example four, or five, or six that may appear on the chart.

Mr. YATES. We ought to put that in the record.

[The information follows:]

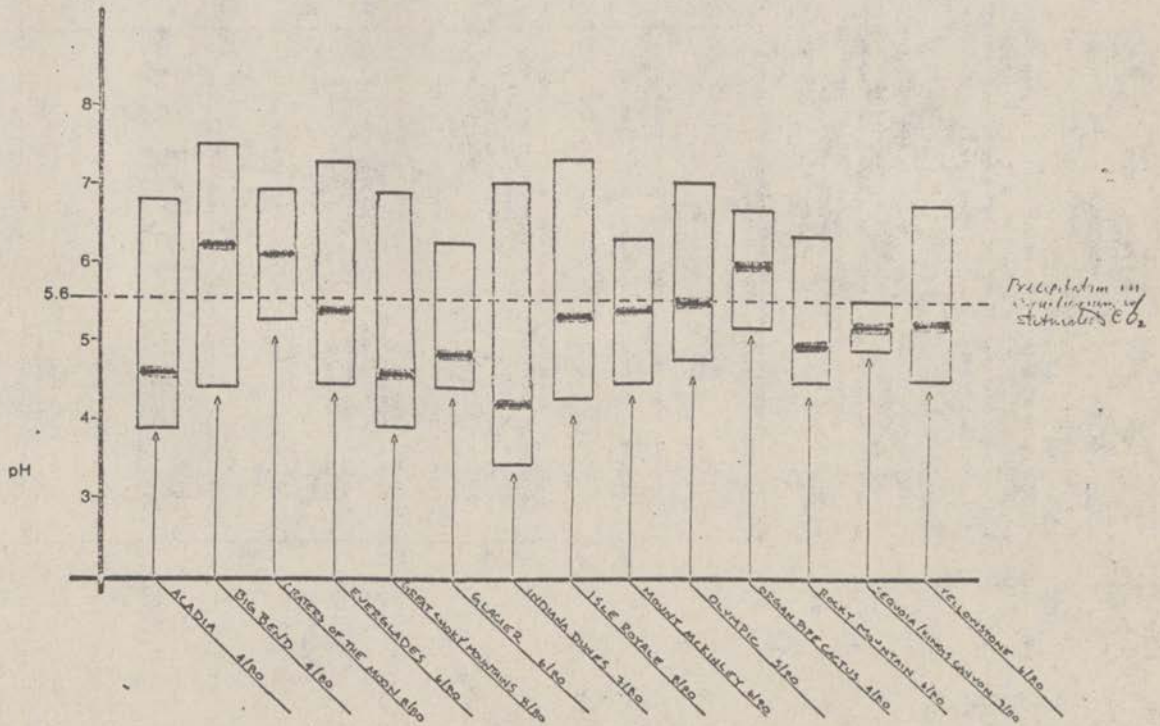


① Poorly buffered areas

② pH readings (summer, '80)

Sensative areas of the U.S. to acid deposition
summer 1980 (april to october) pH isopleths
from the NADP

80-810 O—81—56



Range of pH in park areas with NADP monitors since dates shown. Average figures are in color.

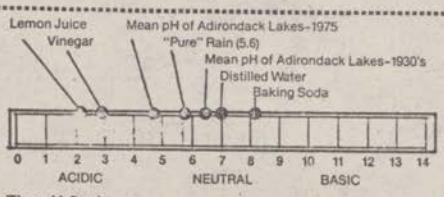
NOTE: Data compiled Feb. 1981 -- averages have little value on data covering so short a time span.

Measuring Acid Rain

The acidity of any solution, including rain or snow, is measured on a scale known as a pH scale. This scale is numbered from 0 to 14. A pH value of 7 is neutral, neither acidic nor alkaline. Values lower than 7 are more acidic—vinegar, for instance, with a pH of between 2.4 and 3.4. Values above 7, such as for ammonia or lye, represent alkalinity.

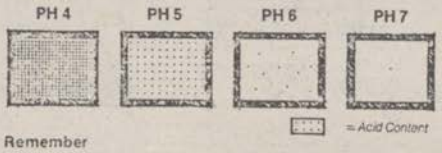
The pH scale is a logarithmic measure, that is, each change of one pH unit—say from 6 to 5—represents a *tenfold* increase in acidity. Thus a drop from pH 6 to pH 4 represents a hundredfold increase and drop from pH 6 to pH 3 represents a thousandfold increase in acidity.

For rain or snow, acidity measurements reflect the balance of positive and negative ions in the precipitation (see box). The ions can come from a variety of compounds or elements (sulfur and nitrogen oxides, hydrogen, carbon oxides, chlorine etc.) thus the total acidity of precipitation must take into account all of the sources of ions.



The pH Scale

The pH ("potential hydrogen") scale is a measure of hydrogen ion concentration. Hydrogen ions have a positive electrical charge and are called cations; ions with a negative electrical charge are known as anions. A substance containing equal concentrations of cations and anions so that the electrical charges balance is neutral and has a pH of 7. However, a substance with more hydrogen ions than anions is acidic and has a pH less than 7; substances with more anions than cations are alkaline and have pH measures above 7. Thus, as the concentration of hydrogen ions increases, the pH decreases. But the pH scale says nothing about whether the cations or anions are from natural or manmade sources: a hydrogen ion from an industrial smokestack measures the same on the scale as a hydrogen ion from natural minerals.



Remember

The *lower* the pH value, the *higher* the acid content. Each full pH unit *drop* represents a *tenfold* increase in acidity.

ACID RAIN REPORTS

Dr. BRICELAND. I brought a copy of this report. It is an excellent report. It provides a summary of acid precipitation activities. It also identifies acid rain damage as it occurs to fish, soils, vegetation, to monuments, and so forth. If you like, I will secure a copy of that and provide it for the committee. It is a very fine summary report.

Mr. YATES. The committee would like it.

[COMMITTEE NOTE.—A copy of the report is retained in committee files.]

Dr. BRICELAND. I also brought for you a copy of this chart. It shows the most recent data we have for a five or six-month period in 1980, comparing the levels of acid precipitation in 13 of the parks we are currently monitoring. If you will look at this chart, you will see that we have an average number and also a range which shows each of the stations that is monitored each week; there is a range, of course, depending on the rainfall, the meteorological conditions, where the weather pattern came from, and so forth. You will see there is an average line which represents perhaps the average of from 20 to 50 readings for each of these 13 parks.

An area that you have expressed interest in in the past, Indiana Dunes, shows the worst acid precipitation reading of any of the parks we are currently monitoring in the system.

Mr. YATES. Why is that?

ACID RAIN CONDITIONS AT INDIANA DUNES

Dr. BRICELAND. We can't tell you why. All we can tell you at this point is that we are beginning to accumulate data at a number of parks. This is a program I reported on for the first time last year. The data is not conclusive. We need two or three years of this kind of data to really establish the patterns and relate them to where the weather systems came from so we can go back and for example, if we experienced a rainfall and we found an acid precipitation level of 4.3, we can look at that storm, we can look at that period of time and say: This appears to be where that is coming from.

We are not able to do that. We are only at the point in time of being able to provide some data for our parks to see what they are, in fact, experiencing.

There are others. Acadia National Park you just mentioned is about 4.5. That is very bad.

Mr. YATES. What will that do to the parks? Will the conditions result in destruction of the trees?

MUCH MORE NEEDS TO BE LEARNED

Dr. BRICELAND. We believe it will have impact, but that is something we can't tell you yet, because our program so far has been limited to trying to identify the level of acid precipitation we are experiencing, and we are asking for money this year to begin to study the effects of that. It would have two parts—one looking at the effects on monuments; the second looking at the effects on vegetation and on aquatic species.

As we reported to you last year—first, we need to accumulate the data in terms of what we are experiencing. Secondly, we need to go in and find out what is the cause-and-effect relationship.

Mr. YATES. Is there any way of finding out why you have that condition?

Dr. BRICELAND. Are you asking me if there is any reason to find out why we are experiencing that?

Mr. YATES. Obviously you want to find out why it is happening. Is there data yet to tie in acid rain with industrial pollution; for example, the burning of coal? If my memory serves me correctly, some years ago, the burning of leaded fuel on the roadways through the parks was causing deterioration of the trees as a result of the lead deposits.

Dr. BRICELAND. Mr. Chairman, there has been a lot of work done as part of a total national program, trying to identify the causes of the acid precipitation, and certainly a major cause would be those power generation facilities which do not have sulfur dioxide or NO_x emission control. Copper smelters which are not controlled may also be a major source.

The Department of the Interior portion of the whole acid rain—of the Federal acid rain activity—is focused primarily on the monitoring work. NOAA, for example, has the primary responsibility for trying to study the meteorological implications, to do what we call the tracking—where did the stuff come from in the first place, what happened in the air chemistry reaction that made it change from sulfur dioxide to sulphate, and then to sulfuric acid precipitation.

There is a lot of work going on throughout the country. Again, I think this report summarizes some of that material.

Mr. YATES. Is there a relationship between deterioration of your trees, for example, and the nearness of some sort of a polluting device, like a power plant? Does it make any difference if a power plant is within half a mile of a park, or whether it is 20 miles away?

Dr. BRICELAND. Yes, it may, but the phenomena we are here dealing with may be different. In the case of acid precipitation we may have a situation where the emitting facility may be 200 miles away from the place where the acid precipitation finally comes down, so we have a problem which may result from a long-range transport effect.

On the other hand, we have situations where we have ozone damage, for example, which might tend to be a much more local phenomenon.

Here is a photograph taken in Shenandoah National Park, where you see the brown needles there. That is fairly severe ozone damage which is occurring.

OZONE DAMAGE ON PLANTS

Mr. YATES. If I looked at that, I would say it needs water.

Dr. BRICELAND. That happens to be ozone damage, because there are other plants around it which are not experiencing that.

Mr. YATES. Do you mean burned by the ozone coming from above?

Dr. BRICELAND. The ozone damage actually kills—the level of ozone is such that it will destroy the needles, kill the plants.

Mr. YATES. Is that ozone doing the same thing to our lungs?

Dr. BRICELAND. There are two kinds of standards. There is what is known as health standards, which relate to effects on people, and there are other standards known as the welfare standards which tend to be related to the plants.

Ozone isn't good for us, but EPA is responsible for dealing with the health-related effects. We are focusing more on the things we can do research on, that relate to our resources. That is primarily what we deal with.

Mr. YATES. What can we do about this? What causes ozone damage?

Dr. BRICELAND. The source of the ozone typically comes from an urban area with heavy vehicular traffic, for example or some of our parkways.

Mr. YATES. What does the heavy vehicular traffic do to the ozone?

Dr. BRICELAND. Ozone is formed primarily from NOX—from sources such as vehicles or power plants, and reactive hydrocarbons in the presence of sunlight which converts into ozone.

Anytime we are in a situation where we have those three things available to us, we have the potential for ozone, but it depends on meteorology; it depends on whether we have inversion conditions that would let it hang in there long enough to build up, and so forth.

Mr. YATES. The reason I asked the question about approximation, a question which I think will be particularly significant in view of the intended expansion of programs of the Department of Interior, is how close should you allow mines and how close to the parks should you allow power plants and vehicular traffic.

I would hope this is what you are leading up to, as a result of your studies.

Dr. BRICELAND. Yes, sir. We are working toward that.

Mr. YATES. How old are you? Are you a long way from retirement? When do you expect to get results?

Dr. BRICELAND. Let me give you some results.

Mr. YATES. Very well.

EXAMPLE OF COOPERATION

Dr. BRICELAND. Last year, we had a request from the Coors Brewery to put in a facility which would be located roughly one-half mile from the boundary of Shenandoah National Park.

Mr. YATES. Is this before the election, or after?

Dr. BRICELAND. Actually, the permit process started almost 2 years ago.

Mr. YATES. Was this a contribution to the sagebrush rebellion?

Dr. BRICELAND. No, sir. This was a desire, I think, to have a commercial facility in the eastern part of the country.

Mr. YATES. This is in the eastern part of the country?

Dr. BRICELAND. A half a mile from the boundary of the Shenandoah National Park.

We worked with the company, and we worked with the State, and we worked with the EPA, because there is a potential for a

problem anytime you have a fairly large facility, coal-burning facility, right there located at the park site.

We worked with them rather extensively and with the other government agencies for many months, and in the end we were able to work out a solution whereby they would put on the proper kind of controls such that this facility could, in fact, be sited within very close proximity to the boundary of a national park, which is a Class-1 air quality area, and still not violate the air quality increments which the Congress has provided.

What we are dealing with here is the type of facility, the type of meteorology, the climate, whether it is rough terrain, a high or low type of terrain.

So there are a lot of factors that go into deciding whether or not a facility can be sited near a given park or park area, and not cause us problems.

AIR QUALITY EFFECTS

I would like to show you some problems. These represent the kind that do not relate necessarily to a given type of facility, but that relate to some of our resources which will be potentially endangered if we don't look at these problems and if we don't come to grips with the kind of issues we are facing.

Here is a series of three pictures that show air quality at Grand Canyon. This is a view inside Grand Canyon. You will see the various levels of air quality experienced there. The very fine view you see in the top photograph is what occurs one to two percent of the time. The poor view that you see in the bottom photograph is as a result of air quality that occurs, again, one to two percent of the time. The median range occurs, I think, about 45 percent of the time as shown in the middle photograph.

That is an example of air quality effects that can occur within a national park. We believe that probably the primary cause of that degradation is, in fact, coming from long-range transport, probably from as far away as the Los Angeles area, because we have some correlation with meteorological conditions and the level of degradation which has been measured.

This is one at Arches National Park, a sequence of four pictures on the same day. This shows the effects from an industrial facility. As you look at the road there, that is all parkland area. You see that pollution coming up into the park.

Mr. YATES. How far away is this mill?

Dr. BRICELAND. Two to three miles away.

We have been working with the State, and the State is working with the company to come to grips with that kind of a problem. The kind of picture you are looking at there occurs roughly 30 percent of the time during the visitor season. That is a bad situation. I am deliberately showing you some situations which represent some problem areas.

These are things we are dealing with and that we need to continue dealing with.

This is a view of Shenandoah National Park. You see that you completely begin to lose all of the background vista there of that area.

We believe those types of vistas are a very important part of the visitor experience.

Mr. YATES. Where does this pollution come from?

Dr. BRICELAND. That pollution comes predominantly from industrial development in the Ohio Valley area.

Mr. YATES. How many miles away?

Dr. BRICELAND. In that case it would be a couple hundred miles.

That has been a particularly difficult area, because of difficulties that the Federal EPA has had in bringing some of the facilities into compliance. Again, they are beginning to deal with that.

These are typical kinds of problems that I thought I would bring to your attention since you asked about them.

Mr. YATES. How many parks are affected? All of them?

Dr. BRICELAND. No, sir.

Mr. YATES. Which are the parks we should go to if we want an enjoyable experience?

Dr. BRICELAND. You can go to any park and have a very enjoyable experience, Mr. Chairman.

Mr. YATES. Not if I can't see the park.

Dr. BRICELAND. You will just have to go on the right day.

Mr. YATES. What day is that?

Dr. BRICELAND. That is a day when air quality is good.

Mr. DICKENSON. Olympic is clear all the time. We are right on the West Coast, and there are no power plants.

FISH KILLED BY ACID RAIN

Mr. YATES. How about the fog?

Mr. DICKENSON. It is good clean fog.

One thing we should have inserted earlier, we did have a case of a fish kill last March in the Great Smokies from acid rain.

Mr. YATES. Acid rain is killing fish in the Great Smokies Park?

Mr. GUSE. As a result of certain management work, we were cooperating with the Fish and Wildlife Service at the Smoky Mountains, and the restoration project to re-establish the native brook trout through the Smokies.

We had in a collecting pond several thousand German brown trout and rainbow trout. On one day, mid-March, this past spring, the biologists noted the rainbow trout were dying, and because only rainbow were dying, they immediately suspected something coming into the water from outside.

They quickly gathered some water quality samples; they examined some fish to determine whether it was water, or some other factors.

Through the water chemistry studies they were able to establish that due to rains that came to the Smoky Mountains in the higher countries, a day and a half to two days earlier, and it took two days for that water to flow to the collection pond, that the pH was reduced from 7.0 to 5.5.

It just happens that rainbow trout are very highly susceptible to acid rain. They had attributed this fish kill, which, fortunately, they were able to get on top of right away, to this acid rain. They immediately began dumping limestone into the pond, and the rainbow stopped dying.

So it is kind of a coincidental thing. Yet some of the water quality study results conclusively established the fact it was due to acid rain.

Dr. BRICELAND. The average pH precipitation level for Indiana Dunes was 4.3, which is about 15 times as bad.

Mr. YATES. It was probably from the steel mills.

Dr. BRICELAND. We don't know.

HCRS MERGER WITH NATIONAL PARK SERVICE

Mr. YATES. It is better you do nothing until you know.

How does HCRS fit into your Park Service? Are you able to absorb it?

Mr. DICKENSON. Yes, sir. At the end of the month, May 31, that merger will be official. We brought them into the organization at the Washington level through the creation of two new associate directorships, one for the recreation activity, the other for the historic preservation and archeology.

Mr. YATES. How is it the people who are in HCRS are becoming affiliated with the Park Service? I think of you as having a ranger system. I don't think of that for HCRS.

Mr. DICKENSON. Some of the activities associated with HCRS were handled by the National Park Service several years ago, Mr. Chairman, and so I think it is reasonably natural that many—particularly in the historic preservation field, would come back to the National Park Service.

Mr. YATES. Any problems connected with the merger?

Mr. DICKENSON. None, sir. We have satisfactorily accomplished everything so far.

PARK FEES

Mr. YATES. Tell us about the entrance fees at the parks. At how many parks charge a fee, and how much do you charge? Maybe you ought to put that in the record.

Mr. DICKENSON. We have the material here.

Mr. YATES. How many parks have entrance fees?

Mr. DICKENSON. We have 65 areas now that charge entrance fees. Eighty-one areas charge user fees. Those are associated with campgrounds, and that sort of thing. There are 116 total areas charging fees at the present time, and, as you recall, by action of the Congress last year, we are in a frozen situation.

Mr. YATES. It must be tough to be a public servant these days. Congress freezes you; OMB freezes you; the Executive Branch freezes you. I notice in this morning's paper the Humanities and the Arts are frozen. OMB froze them, and the White House froze them. They don't know what they are going to do yet.

Have collections and entrance fees been going up?

Mr. DICKENSON. About five percent.

Mr. YATES. Is that numbers or increases in fees?

Mr. DICKENSON. It is not an increase in fees; it is numbers, sir.

Mr. YATES. Are camping fees included?

Mr. DICKENSON. Camping fees are included within that; yes, sir. Our level is running about $14 million a year now. The total is $14.8 million.

TRAVEL REDUCTION

Mr. YATES. You are going to reduce travel by 15 percent. How much of the reduction will occur in Washington and the regional offices?

Mr. DICKENSON. Twenty percent, Mr. Chairman.

Mr. YATES. How much in the parks?

Mr. DICKENSON. We have deliberately chosen to take those reductions at the central offices, regional and Washington offices.

Ms. GARRETT. The 20 percent applies to the Washington office. Of that $1.450 million, 20 percent will be taken in the Washington office. The major balance of that will be taken in the regional offices with minimal impact on the parks.

SAFETY IN THE PARKS

Mr. YATES. What about the question of safety throughout the parks? Were there any crimes committed in the parks last year?

Mr. DICKENSON. Yes, sir. We have certainly some crimes. Law enforcement, is becoming less of a problem in recent years than it was in the early 1970s, the mid-1970s, for example.

As regards public safety, I think the Park Service is achieving some significant improvements. Our record right now, Mr. Chairman, per-million-visits, is .62.

Mr. YATES. Indicating what?

Mr. DICKENSON. Point 62 per million visits; that is the kind of fatality rate that is occurring within the national parks. I think it is an outstanding one.

Mr. YATES. Is that because of crime, or is that because of mountain-climbing falls?

Mr. DICKENSON. The three leading causes of fatalities are drownings, motor vehicle accidents and the mountain climbing, or wilderness use. Those account for the great majority of the 200-plus fatalities which occurred last year.

Mr. YATES. Would you like to look at this article?

Mr. DICKENSON. I will be glad to.

We see this quite often. It is an expression by the media of older concerns, older reports. We see an awful lot of rewriting of articles which had appeared months and years before.

We do have a certain amount of activity going on. Let me see if I can give you a figure. In terms of felonies per million visits to the National Parks, in 1979 the actual was 31—31 felonies per million visits. In terms of 1980, 1981, 1982, that is a fairly constant figure which indicates no increase. That is regardless of what anyone does, we will have just about that amount of activity.

Petty crimes, which is shoplifting, breaking into cars, 294 incidents per million visits, but those are petty crimes, including speeding. We don't view that with alarm. We are on top of it. I believe we are performing satisfactorily.

Mr. YATES. What is the nature of the felonies that occur?

Mr. DICKENSON. They would include major crimes. You probably read about the kinds of things happening at Point Reyes National Seashore, farther in the back country. An obviously unbalanced individual.

Homicides, rapes, robberies, aggravated assaults—all are major crimes.

Mr. YATES. How well are you doing on growing marijuana in the park?

Mr. DICKENSON. There are some places which are very highly favorable for the growing of marijuana. One of those is in Hawaii.

Mr. YATES. Is it being grown there?

Mr. DICKENSON. We discovered some growing there, and it has now been destroyed.

Mr. YATES. As far as you know, there is none growing in any of the parks?

Mr. DICKENSON. We don't intend to permit that, Mr. Chairman.

Mr. YATES. I am sure you don't when you can find it.

Do you get many gifts from people?

GIFTS TO THE PARKS

Mr. DICKENSON. Gifts of cash; lands.

Mr. YATES. Through wills, and so forth?

Mr. DICKENSON. Yes.

Mr. YATES. Is that in the justification?

Mr. DICKENSON. Yes, sir, it is.

Ms. GARRETT. Mr. Chairman, in 1980, we only received $1,000 in actual gifts. We do receive, as you know, through our Cooperating Association Fund, donations, but in terms of the average citizen sending us $25 or $50, or $100, we received only $1,000 in 1980.

Part of that, I might add, comes from wishing wells, where people go and throw in a dime, a quarter, and a penny. We take that money out and include that in that thousand dollars.

Mr. YATES. How much money do you get in wishing wells?

Ms. GARRETT. I don't have the exact portion of that thousand dollars that goes to wishing wells.

Mr. YATES. Is that finders-keepers?

Ms. GARRETT. We do put that back into the operating fund, Mr. Chairman.

Mr. YATES. What is the last figure you have on that?

Ms. GARRETT. I would have to provide that for the record, but I would guess that runs about $500 a year for the moneys we take out of the wishing wells.

[The information follows:]

CONTRIBUTIONS FROM WISHING WELLS

Of the $1,000 contributed in fiscal 1980 under gifts, $222 came from wishing wells.

Mr. YATES. How about the money you got for the bellringers?

Mr. DICKENSON. And also the fine effort by citizens regarding Turkey Run, which, by my account, is a current donation.

Mr. YATES. How much did you receive in bequests of land or other properties? Did you receive any during the last year?

Mr. DICKENSON. No land.

Mr. YATES. Did you receive any gifts of land other than bequests?

Mr. KRIZ. Not during the last year.

BAILLY GENERATING SITE

Mr. YATES. Let's talk about the Bailly generating site. What is the status of that?

Mr. DICKENSON. If I may call on Dr. Briceland.

Mr. YATES. What is the status of the short pilings problem, Dr. Briceland?

Dr. BRICELAND. The Nuclear Regulatory Commission, about a month ago, I believe, Mr. Chairman, advised the company they were approving the company's design for short pilings, and that they might proceed to use the short piling design instead of the original long pilings design.

They have not received an extension of renewal of the construction permit which expired in late 1979, and, therefore, they have not reinstituted construction activity although they could start using the shorter piles if they started construction again.

Mr. YATES. What is the status of the construction permit extension?

Dr. BRICELAND. The construction permit extension has been before the Nuclear Regulatory Commission for almost two years now, and the Commission has not acted on that permit request.

Mr. YATES. How about construction, dewatering, and flash pond sealings?

Dr. BRICELAND. The on flash pond sealing was a 32-month program to be completed in October of this year. To the best of our knowledge, they will complete the activity on schedule. The dewatering is continuing at a current rate of about 200 to 206 gallons per minute.

There is no adverse effect on the park from the current dewatering. If the project is allowed to proceed and the dewatering then has to take place in a lower aquifer, the studies that have been conducted by the USGS indicate that there will be a draw-down of the water table at the Cowles Bog area; and the panel of wetlands experts the Park Service assembled at Indiana Dunes last year made a determination that, in their judgment, a draw-down of that nature, which might occur, would cause or have potential to cause irreversible damage to the natural resources of the Cowles Bog area.

Mr. YATES. Are these facts made known to the Nuclear Regulatory Commission in connection with the granting of the permits?

Dr. BRICELAND. Yes, sir. They have all been conveyed to the Nuclear Regulatory Commission. We have sent them copies of all of the USGS hydrological reports. We have sent them a copy of our—a report from the panel of wetlands experts.

Mr. YATES. Is the Department of the Interior objecting to the construction of this plant so close to the park?

Dr. BRICELAND. No, sir. Our concerns are not so much with the construction of the plant. Our concerns are that if the construction goes forward, that mitigation measures of whatever nature are required be taken to ensure that there is no damage or potential damage to any aspect of the park resources.

Mr. YATES. As of now, does it appear there will be no damage to the park or park resources?

Dr. BRICELAND. We have written to the Nuclear Regulatory Commission, and we have asked the Commission to prepare a supple-

mental EIS, because the EIS originally prepared for the construction activity did not consider the dewatering that would take place in what we call Aquifer No. 3 or the lower aquifer, the one of concern to us.

The Nuclear Regulatory Commission is proceeding as a result of our request, with an environmental assessment. Not with a full-blown supplemental EIS, but with an environmental assessment.

We would want to see the results of that, plus the results of the work which the USGS is currently doing for us—that is about a $300,000 effort this year, and it is projected to be roughly a $300,000 effort next year—before we would make a final determination as to whether or not there would be any damage to the park resources.

We believe there is a very real possibility of damage to the Cowles Bog area, unless mitigation measures are taken to assure that there will be no lowering of the water table.

May I make another comment? You asked me about the short pilings. I did want to make sure that I entered in the record the fact that the Nuclear Regulatory decision to improve the short pilings had been appealed to the courts, and it is now before the courts; so no final determination has been made on that.

YORKTOWN CELEBRATION

Mr. YATES. Let's turn to Yorktown. How much is in the budget for the Yorktown celebration?

Ms. GARRETT. Mr. Chairman, the park has been given $204,000 from unobligated Bicentennial funds and, in addition, the Park Service has come up with another $200,000 in this year, so we estimate the cost of that celebration to be about $410,000.

As I said, there is the carryover from the Bicentennial fund, and $200,000 from the Park Service funds.

BICENTENNIAL CELEBRATION

Mr. YATES. How about the question of Bicentennial medals? Weren't you to make an inquiry about the Bicentennials?

Ms. GARRETT. I might begin the answer by saying GSA did locate quite a large number of bronze, silver and gold medals that were not used from the Bicentennial. We have gone to the General Accounting Office to ask for an official opinion as to the disposition of any funds that would be realized through the melting down of those medals and the sale of the medals.

We do not have an answer from GAO. We have written to them twice now, asking for a decision—the second time, as recently as approximately a month ago, asking if they would please now give us a decision on that. It is important to us because there may be some old claims.

Mr. YATES. Why don't you call somebody on the phone?

Ms. GARRETT. I have had one conversation and two letters, and I still don't have an answer, but I will follow your suggestion. We could be talking about some big dollars, Mr. Chairman, maybe as much as six, seven or eight million dollars, depending on the day-to-day value of the gold and silver.

YORKTOWN EXPENSES

Mr. YATES. How much did you say was budgeted in 1982 for this battle celebration?

Ms. GARRETT. Mr. Chairman, we have not included any moneys in fiscal year 1982 for the celebration because that celebration will occur the second week after the beginning of the fiscal year. Most of the funds would have been obligated prior to that time. There may be, however, $40,000 or $50,000 from the carryover Bicentennial funds that might have to be used in early October, but, for the most part, the obligations will occur before fiscal year 1982.

Mr. YATES. Will you have any expenses in 1982 in connection with that celebration?

Ms. GARRETT. I believe Mr. Coleman could address that, but I believe he estimates $30,000 to $40,000 would be needed in fiscal year 1982, but we would have those funds available from the carryover Bicentennial funds. We would not expect to ask the committee for any additional funds for that.

Mr. YATES. How much will the Park Service participate in that celebration? Is this an important celebration to the Park Service?

Mr. DICKENSON. We accord it high priority, but there are many other elements of the celebration, including international representation, the State of Virginia, the military. There are many other elements of the Federal establishment that are involved.

We reviewed our part of that in the context of the committee, which has been set up to do that, and we believe we can participate satisfactorily at the present level.

Mr. YATES. Will you have a re-enactment of battles?

Mr. DICKENSON. A number of enthusiasts will be in uniform. There are a lot of organizations and groups who would like to participate in this type of activity, and they will be present. They will demonstrate, they will march, but there will not be a re-enactment of the Yorktown battle.

Mr. YATES. Are you sure of that?

Mr. DICKENSON. Yes, sir.

Mr. YATES. You will just have an encampment and no bayoneting?

Mr. DICKENSON. I hope not.

ELEANOR ROOSEVELT NATIONAL HISTORIC SITE

Mr. YATES. What is the status of the Val-Kill National Historic Site?

Mr. DICKENSON. I would ask Mr. Lewis to report on that, Mr. Chairman.

Mr. LEWIS. The Eleanor Roosevelt site is well underway, and continuing work is planned in the program.

Mr. YATES. How about the law case that was pending? There is a case on the legal determination of the evaluation.

Mr. KRIZ. The Government contended the value of the land was $300,000. We filed a declaration of taking. The court upheld the Government's evaluation at $300,000, on the nose.

Mr. YATES. When will the facility be open to the public?

Mr. KRIZ. It is currently open.

MOTORIZED CRAFT ON THE COLORADO RIVER

Mr. YATES. What is the status of the use of motor vehicles for the Colorado River in the Grand Canyon?

Mr. DICKENSON. Mr. Chapman, the Regional Director——

Mr. YATES. Apparently the Secretary didn't find it very exciting, Mr. Chapman.

Mr. CHAPMAN. No, sir.

We have a plan at this time to be taken to the public in July which will carry an option for people traveling the Colorado River to either go by motor raft or something else.

Mr. YATES. Congress found some objection to the failure to include adequately non-motorized users of the river. Has that confrontation or that objection been satisfactorily resolved?

Mr. CHAPMAN. If I understand the question correctly, I think by approving the management plan to allow for the option, that does satisfy the question.

Mr. YATES. Does it satisfy the public?

Mr. DICKENSON. We are not sure until we go through this next round.

Mr. YATES. In other words, we have to wait. In the meantime, the plan originally conceived has been set aside, and we are back to the public.

JACKSON HOLE AIRPORT

Mr. YATES. How about the airport at Jackson Hole? You are not going to extend that runway?

Mr. DICKENSON. We don't plan to do that.

Mr. YATES. What is the largest plane that flies into Jackson Hole?

Ms. MINTZMYER. There are now jets landing. 737s.

Mr. YATES. But not 727s.

Ms. MINTZMYER. 737s, and they are landing now.

Mr. YATES. How about impact on the elk herd?

Mr. DICKENSON. None observable at this time.

Mr. YATES. How about avalanches in the ski areas?

Mr. DICKENSON. None observable.

Mr. YATES. Any public complaints?

Ms. MINTZMYER. There have been complaints from some of the residents who live adjacent to the airport. They have, in fact, circulated a petition, complaining about the noise. That is being circulated.

Mr. YATES. How many 737s land?

Ms. MINTZMYER. The flights will be permitted from 6:00 a.m. in the morning until 9:30 at night.

Mr. YATES. Do the people there get up early?

Ms. MINTZMYER. They may, sir.

Mr. YATES. They do now?

Mr. DICKENSON. There are two flights per day.

Mr. YATES. One at 6:30?

Mr. DICKENSON. I believe it is later in the morning, as I recall.

Mr. YATES. Why do you allow one at 6:30?

Mr. DICKENSON. The FAA is responsible for time schedules.

Mr. YATES. This is related to private jets, too, I suppose.

Tell us what is happening on your cruising through Redwood National Park.

REDWOOD NATIONAL PARK CRUISES

Mr. CHAPMAN. The work on the cruise will be finished in December this year, and reports are due in June, 1982. That is the projection now made by the Department of Justice.

Mr. YATES. Do you have any idea how much it will cost?

Mr. CHAPMAN. No.

Mr. YATES. Could you speculate?

Mr. CHAPMAN. I prefer not to.

Mr. YATES. What happens after the cruises are completed? Will you take the results of the cruises to court, and have a trial?

Mr. CHAPMAN. That probably will be the ultimate solution to it.

Mr. YATES. Because of differences in evaluation?

Mr. CHAPMAN. Yes.

Mr. YATES. Shouldn't there be any money deposited in court? Certainly a minimum payment, at least?

Mr. CHAPMAN. There was money deposited, and actually paid, to the companies. It was felt not to go beyond that until the cruise is completed, because there is still a question of how much difference there is between the amount already paid them and what they would ultimately receive.

Mr. YATES. Do you have any estimates as to when the private landowners will be ready to go to court?

Mr. CHAPMAN. In terms of the private properties, some of those have already been settled. Out of nine of the small operations, I believe there are three that may go to trial. Three are going to trial, and there have been three that have been settled.

Mr. YATES. So six remain indefinitely?

Mr. CHAPMAN. That is correct.

Mr. YATES. How about the major—those are the small landowners?

Mr. CHAPMAN. Those are the small landowners. There were 15 tracts owned by small operators that were acquired by Congress, March 27, 1978. Of those, appraisals have been completed and nine cases settled for $2,727,451. I stand corrected on the information given just a few minutes ago. Three cases have been set for trial, and three remaining cases will be set for trial, or will be tried.

KALAUPAPA NATIONAL HISTORICAL PARK

Mr. YATES. What is the status of the land exchange at Kalaupapa House?

Mr. CHAPMAN. Working with the General Services Administration—and this will be on a basis of Federal excess lands in the State of Hawaii, we will attemt to achieve the exchange on that basis.

There are several properties right now in Hawaii that are possibilities, but we have not been able to come to a final decision at this time on whether or not we are going to be able to move with either of those two properties, but they are possibilities.

Mr. YATES. Is one of the factors that you take into consideration an exchange of property of equal value?

Mr. CHAPMAN. I believe that is correct; yes. I would defer to Mr. Kriz.

Mr. KRIZ. They must be of equal value, or they will be equalized in cash.

Mr. YATES. Can part of that exchange be on the mainland?

Mr. KRIZ. It is our view that it can, but GSA believes it cannot.

Mr. YATES. Who will triumph, you or GSA?

Mr. KRIZ. We will try to accomplish the exchange in Hawaii and not bring it to a head.

Mr. YATES. How about the question of preservation of areas in Hawaii that are sacred to certain native Hawaiians? Will the Forest Service recognize that, even though the government of Hawaii may not? There was an editorial in the Honolulu Star-Bulletin which discusses strides made by the Park Service as being more responsive to local needs and a greater conservator of Hawaii's historic trust. Apparently, you are receiving public acclaim for your attitude in protecting those religious areas.

Mr. CHAPMAN. I think that is a fair statement. It has been borne out by the attitude of the Hawaiian people in support of the Kalaupapa National Historical Park.

Earlier, they had been interested in seeing that served by the State or County. But with the participation of State, County and National Park Service personnel in that study, they came to the support of the National Park Service for the protection of that area.

I think it is also borne out with the cultural history programs that have been conducted Pu'uhonua o Honaunau.

Mr. YATES. Is that going to be settled now or later?

Do you have an acquisition priority program?

Mr. DICKENSON. Yes, sir.

Mr. YATES. What are you going to do about it?

Mr. DICKENSON. It is frozen right now.

Mr. YATES. Are there any acquisitions that ought not to be frozen, that ought to be unfrozen? Give us an example of one that you think is pretty important.

Mr. DICKENSON. I would have to approach it from the standpoint of hardships, the kinds of changes in lands that would impact upon park values. There is none current that I can cite to you, Mr. Chairman.

We will be alert to make sure that those kinds of changes that have potential long-term effect on park values will be brought to everyone's attention, including the attention of the committee.

JOHNNYCAKE VILLAGE PROGRAM

Mr. YATES. One of the Members of Congress wants to know whether the Johnnycake Village program in Cuyahoga Valley will be continued in 1982.

Mr. DUNNING. That will not be continued this year due to fiscal constraints.

Mr. YATES. What is the Johnnycake Village program?

Mr. DUNNING. It is a living history-type of historic——

Mr. YATES. Like Johnny Appleseed?

Mr. DUNNING. Similar, possibly.

Mr. YATES. Do you have more important priorities?

Mr. DUNNING. Yes, sir, Mr. Chairman. It is a part of the old canal. It is a re-enactment of the activities of the canal operation. There are more important things.

WOLF TRAP FARM

Mr. YATES. In your agreement with Wolf Trap, does part of that agreement cover the hiring of stagehands and accounting for funds provided to the foundation?

Mr. FISH. Yes, it does.

Mr. YATES. Have the barns been erected that Mrs. Shouse said she would erect?

Mr. FISH. They are under construction right now, Mr. Chairman.

DANGER TO PARK RANGERS

Mr. YATES. How about poaching in the Skyline Shenandoah National Park? Is that still going on?

Mr. DICKENSON. That happens from time to time.

Mr. YATES. Is there any danger to the park rangers?

Mr. DICKENSON. In the enforcement situation.

Mr. YATES. How many park rangers were hurt in line of duty last year?

Mr. DICKENSON. I would have to furnish that for the record. I don't recall any fatalities.

Mr. YATES. Any hurt?

Mr. DICKENSON. There have been fatalities in the past. We have had many who have suffered injuries in the line of duty. In law enforcement situations it is a confrontation situation and by its very nature is dangerous. Search-rescue, by its very nature, produces injuries and risks.

[The information follows:]

INJURED PARK RANGERS

Twelve park rangers sustained injuries while in the line of duty during calendar year 1980.

SOLAR PROGRAM

Mr. YATES. Are you going to continue a program for the installation of solar hot water heaters?

Dr. BRICELAND. Mr. Chairman, it is not a program for insulation—or did you say installation.

Mr. YATES. I said installation

Dr. BRICELAND. Yes, sir.

Mr. YATES. That is $185,000. Is that right?

Dr. BRICELAND. In the solar program in fiscal year 1981, we have a total of 541 solar-related projects, predominantly domestic hot water solar heating activities. The National Park Service expenditures for that program, $154,530. The Department of Energy contribution to that activity is $2,045,319, Mr. Chairman.

PUBLICATIONS

Mr. YATES. You have a publications program. Are adequate supplies of brochures available throughout the parks?

Mr. DICKENSON. I believe they are, Mr. Chairman. I know of no shortfall at the present time. I believe we are at satisfactory levels at the present time.

Mr. YATES. For resources management you have asked for $73,835,000, which is $13 million above the 1982 base. Who allocates the funding for the national resource management development program among the various parks?

Mr. DICKENSON. Those requests flow up as a part of our regular budget process, Mr. Chairman. Each park, each region prioritizes its requirements as it relates to resource management. We put it all together at the national level.

Mr. YATES. How much of the reduction would come from the amounts proposed for the Alaska areas program?

Mr. DICKENSON. There will be an impact on that. I will see if I can provide that for you in just a moment.

Ms. GARRETT. Just about $2 million of that increase would be for Alaska. One point nine fifty-seven.

VALLEY FORGE NATIONAL HISTORICAL PARK

Mr. YATES. Your justification, on page 43, says you want $130,000 for Valley Forge National Park to preserve 125 public and historic structures. That isn't very much money for that purpose, is it? How many buildings do you take care of for that amount?

Mr. DICKENSON. The emphasis here, I think, is on stabilization, Mr. Chairman.

Mr. YATES. Do you mean for stables?

Mr. DICKENSON. No, stabilization.

Ms. GARRETT. That is just the increase for Valley Forge for fiscal year 1982 over their present level.

RIVERS AND TRAILS

Mr. YATES. What is happening to the areas under study for rivers and trails? Does the Secretary's moratorium on new areas extend to rivers and trails?

Mr. DICKENSON. At the present time, we are fulfilling any existing congressional mandate for study, Mr. Chairman, but there are no new proposals related to that activity.

Mr. YATES. But the program is continuing?

Mr. DICKENSON. Where we have been funded adequately and properly, and where we have a mandate, we are fulfilling that; yes, sir.

Ms. GARRETT. In the new areas studies program, while there is $100,000 for that program in fiscal year 1981, it is zeroed out in 1982.

GEORGIA O'KEEFFE NATIONAL HISTORIC SITE

Mr. YATES. What is the status of the Georgia O'Keeffe management plan?

Mr. DICKENSON. We reported on that yesterday.

Mr. YATES. Is that in the nature—is that being operated now?

Mr. KERR. No, sir, it won't be until Ms. O'Keeffe donates it to the National Park Service, and we expect that next calendar year. It will be by early 1983.

Mr. YATES. What is the status of the designation of Mount St. Helens as a monument area?

Mr. TOBIN. That is under the U.S. Forest Service. There is no intention to try to bring it into the National Park Service at this time.

ILLINOIS-MICHIGAN CANAL

Mr. YATES. Is the Park Service going to take the lead in the study of the Illinois-Michigan Canal, now that HCRS and the Park Service are merged?

Mr. DICKENSON. Certainly we will have to re-evaluate the leadership on that, I think, Mr. Chairman, in view of the merger.

Mr. YATES. Will you report to us when you decide what you are going to do with it?

Mr. DICKENSON. Yes, sir, we will report.

[The information follows:]

ILLINOIS-MICHIGAN CANAL

The study (Des Plaines River Valley Study) will fall under National Park Service leadership. The National Park Service had participated as a member of the study team and remains committed to producing the study to examine the strategies for conservation/protection of resources under State and local actions. We anticipate completion in fiscal 1982.

BLUE RIDGE PARKWAY

Mr. YATES. What is the status of the environmental impact study for a transmission line crossing the Blue Ridge Parkway?

Mr. GUSE. The final document is due in June. We should be there shortly thereafter, ready to deal with the permit, itself.

FALLS OF CLYDE

Mr. YATES. Why are you getting money abroad for the Falls of Clyde historic vessel?

Mr. DICKENSON. That is pursuant to a cooperative agreement, I believe.

Mr. YATES. Any progress in transferring the boat from Bishop Museum to some other organization?

Mr. DICKENSON. I don't believe there has been progress along that line.

FOLGER LIBRARY—CORCORAN GALLERY OF ART

Mr. YATES. Were there any requests for the Folger Library and Corcoran Gallery of Art?

Mr. DICKENSON. There were no requests.

Mr. YATES. By you or by the Secretary?

Mr. DICKENSON. I believe by mutual agreement.

Mr. YATES. Don't you like culture?

Mr. DICKENSON. We enjoy it very much, sir.

WHITE HOUSE

Mr. YATES. What is happening to the White House's firewood?

Mr. DICKENSON. I accepted on behalf of the Federal Government, and the National Park Service, certain donations recently from California.

Mr. YATES. What are you going to do with the firewood?

Mr. DICKENSON. They are going to utilize that at the White House.

Mr. YATES. I thought they didn't want it.

Mr. DICKENSON. Well, they have it.

It was a donation by some very nice people in California.

Mr. YATES. Do you always accept gifts for the White House?

Mr. DICKENSON. Not all the time, sir. I believe no one else was available that day.

Mr. YATES. Who supervises the contract for renovating the primary electrical system at the White House? Is that you?

Mr. DICKENSON. No, sir, that would be under Jack Fish, National Capital Region.

Mr. YATES. Mr. Fish testified about that yesterday. That is the Riddles contract.

How come you are in it and not GSA alone?

Mr. FISH. Well, we are responsible for the White House.

Mr. YATES. By statute.

Mr. FISH. Yes, sir.

Mr. YATES. Now, the restoration of the interior of the White House is being done with private funds, isn't it?

Mr. DICKENSON. Yes, sir, it is.

Mr. YATES. How about the exterior of the White House?

Mr. DICKENSON. Public funds.

Mr. YATES. No drive was undertaken to obtain funds for that from private sources?

Mr. DICKENSON. No, sir, it has been traditional and historical to use public funds for the exterior facade.

THE LIGHTSHIP CHESAPEAKE

Mr. YATES. What about the great lightship, Chesapeake? What is the amount necessary to retain the lightship?

Mr. FISH. That is about $200,000 a year to operate that program, Mr. Chairman. We just about have reached agreement with the City of Baltimore to transfer that vessel to the city.

Mr. YATES. Who is going to pay for it?

Mr. FISH. The City of Baltimore.

TREGARON ESTATE

Mr. YATES. How about the development of the Tregaron estate? Is the Park Service involved in that? Are you involved in that?

Mr. FISH. Yes, sir, we have been out to the site and looked at it. It is not a National Park Service site, of course, but there is some concern by the neighborhood that the Park Service was getting involved. We have taken a look at it.

Also, the Park Service sits on the Zoning Commission of the city and the National Capital Planning Commission, so both those bodies will comment on it. So we have looked at the situation.

Mr. YATES. Is it to be developed by private enterprise?

Mr. FISH. Yes, sir. It is in Northwest Washington, Mr. Chairman, west of Rock Creek. There is a proposal to develop 180 or 190 townhouses, along with the international school that is on the property now. It is on the old estate.

Mr. YATES. Is that on Newark?

Mr. FISH. No, sir; Klingle Road is on the south side of the property.

COMPUTER SYSTEMS

Mr. YATES. You have 64 production computer systems currently supporting the National Park System. Why do you have so many?

Ms. GARRETT. A number of those programs are related to the various aspects of the payroll system. A number of them are related to various personnel reports and programs.

We have a booklet we could make available that has a list of all the programs. Many of them support the budget activities. Many of them support the finance activities. Many of them support individual programs and parks, but in total, they equal 64.

FORT SUMTER NATIONAL MONUMENT

Mr. YATES. How about the water line for Fort Sumter? The project was cut out in 1981.

Mr. DICKENSON. The current situation is that Fort Sumter collects rain water and it is subject to contamination; so the line will connect Fort Sumter to the regular domestic water supply of the city.

GLACIER NATIONAL PARK

Mr. YATES. What is the status of the planning for Phase 2 of the water system at Glacier National Park?

Mr. GALVIN. There are two proposed.

Mr. YATES. Phase 2, reconstruct water system, 350-gallon.

Mr. GALVIN. The advanced planning is under planning with a private firm. The project planning just started.

Mr. YATES. Has Phase 1 been completed?

Mr. GALVIN. Yes, sir.

Mr. YATES. When was it completed?

Mr. GALVIN. I don't have that, Mr. Chairman.

Mr. YATES. Will you put it in the record?

Mr. GALVIN. Yes, sir.

[The information follows:]

GLACIER NATIONAL PARK

Phase 1 of the water system is 70 percent complete. The work will be completed in September 1981.

LOWELL HISTORIC PRESERVATION COMMISSION

Mr. YATES. May I invite your attention to the Lowell on page NPS-119 of your justification? You want to rehabilitate the old city hall, and you also want Boott Mill Cultural Center. That is $200,000. You also have $396,000 for construction, on page 133.

Mr. GALVIN. That is a different project.

Mr. YATES. It is the same building, apparently. This refers to page 4, Boott Mill Cultural Center, page 204, project title, same number.

Mr. GALVIN. That is not to be done by the National Park Service. There are a number of different developments in the building.

REVIEW OF REVISED BUDGET

Mr. YATES. How much of a review of your budget was given by OMB, the new OMB? Would you know that?

Mr. DICKENSON. I shouldn't really comment on that.

Mr. YATES. Do you know how much after review of the Park Service's construction budget was undertaken by the Office of Management and Budget?

Mr. BETTENBERG. That was reviewed last fall.

Mr. YATES. I am talking about the new one.

Mr. BETTENBERG. None of it.

Mr. YATES. How did they pick the figure?

Mr. BETTENBERG. That was the Secretary's figure, based on his discussions.

Mr. YATES. Do you have the old fishbowl used by the draft service, and does the Secretary pick numbers out of the bowl?

Mr. BETTENBERG. No, sir. It was based, as I understand it, on the advice of Mr. Dickenson.

Mr. YATES. How does he do it?

Mr. BETTENBERG. There was a substantial need for rahabilitation and construction and a capability for something in the range of $105 million.

Mr. YATES. If I remember Mr. Dickenson's earlier testimony today, he said he was given a figure to start out with.

Mr. DICKENSON. That was arrived at in consultation with the Secretary.

Mr. YATES. Do you mean the Secretary consulted with you? He said, "Russ, you have $105 million; what are you going to do with it?"

Mr. DICKENSON. We talked about another figure earlier, but it was based largely on the capability.

Mr. YATES. And you can only spend $105 million; is that right?

Mr. DICKENSON. It was reduced to one hundred and five million.

Mr. YATES. From what figure?

Mr. DICKENSON. One hundred twenty-five million.

JOHN F. KENNEDY CENTER

Mr. YATES. I am glad the Secretary went into it so carefully.

We asked for a report on Kennedy Center. Was a report on the $4.5 million construction program ever filed with us? What you gave us was an allocation of the funds. I don't think you gave us a report on the appearance. Is it in good shape?

Mr. FISH. Yes, sir, it is.

Mr. YATES. How often do you inspect it? Was there an inspection made at the time of completion before you released the contractor?

Mr. FISH. Very much so; yes, sir. By the Denver Service Center.

Mr. YATES. Is that the young man there? He is the Denver Service Center. Did he look at it personally?

Mr. FISH. I believe he did make a few trips over there.

Mr. YATES. When he came to Washington, did he ever get to the Center?

Mr. GALVIN. Yes, sir. I saw that job. I wasn't on the final construction, but I saw it when they completed the membrane on the terrace.

Mr. YATES. We will put in the record at this point a report dated December 31, 1980, prepared by the trustee, on the report.

[The information follows:]

108a

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Director of Operations

December 31, 1980

The Honorable Harold T. Johnson
Chairman, House Public Works
and Transportation Committee
2347 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is the 32nd and final report filed by the Kennedy Center Board of Trustees in accordance with the Conference Report on S.521 requesting periodic progress statements on work to correct water damage to the Center.

I. Summary

The Kennedy Center is pleased to inform you that all elements of the original waterleak repair program have now been completed and that the Center's Board of Trustees has approved, in accordance with Congressional legislation, final payments by the National Park Service for all related construction contracts.

It is also a pleasure to report that there has been virtually no water penetration of any Kennedy Center facilities since reconstruction of the Roof Terrace and the Entrance Plaza Drive--the two primary repair projects substantially completed more than a year ago. Further, visitor levels--tourist and patron--have returned to normal with a salutary impact on parking garage and restaurant concessionaire revenues, sharply depressed by construction for more than two years.

Current Park Service figures indicate the overall repair program has been accomplished, despite rapid inflationary cost increases, without exceeding a special $4.5 million appropriation by Congress for this work in early 1977. It is also worth noting that close coordination between NPS and Kennedy Center staff enabled the Center to continue its full range of performing arts programming without cancelling any scheduled performances during the construction period.

The Kennedy Center's Board of Trustees approved final payments to the contractor, Charles H. Riddle Company, for repair of the Entrance Plaza Drive ($1,488,967.20) and Roof Terrace/Grand Foyer ceiling ($1,873,959.95) on July 30, 1980. This approval was

made contingent on receipt of Final Acceptance letters from the NPS contracting officer; these were received by Kennedy Center November 20. (Copies of the Board Resolution and Final Acceptance letters are enclosed for your information.)

Prior to this time, the Center's Board of Trustees had approved final payment for contracts covering repair of the main roof ($75,484), reconstruction of the kitchen floor serving the Center's three restaurants and correction of defects in the Roof and Roof Terrace canopies ($462,130.56) and repair of water damage to the Concert Hall ceiling ($38,477).

Our last advisory, dated April 30, noted that one element of the original waterleak repair program--refinishng of the badly water-stained and cracked underside of the building's main overhangs (soffits)--had been deferred because of insufficient funds. At that time, both the Park Service and Kennedy Center supported supplemental funding of a portion of the $200,000 difference between the $4.7 million originally authorized by Congress for the waterleak repair program and the $4.5 million subsequently appropriated. The soffit damage--particularly visible above the Center's main entrances--provoked chronic visitor complaints and, from the outset, both the Park Service and the Center considered this repair element critical to successful completion of the overall repair program.

The Park Service advised in the fall of 1979 and again last spring that OMB had declined to entertain such a supplemental request. Noting the high priority of this project--and the increasing potential public hazard--the Park Service recommended this summer that the work be financed by internal re-programming of regular maintenance funds, postponing certain recurring renovation work scheduled for Fiscal 1980. Because of the rapid approach of cold weather, the safety factor, and a desire to fully complete the original repair program, the Kennedy Center endorsed this approach; the work was initiated in early November and completed December 12 at a cost of $54,775.

As previously stated, there has been no evidence of new waterleaks since completion of the repair program, a strong indication that measures taken by the project's Architect/Engineer (Faulkner, Freyer & Vanderpool) to correct original construction and design defects have been effective. In an effort to ensure against future interior damage, the Center has strongly urged the Park Service to rigorously implement preventive maintenance measures, such as periodic checking and cleaning of drains, developed by the Architect/Engineer. The Park Service has assured the

Center that maintenance staff will be fully briefed regarding these procedures and that they will be strictly adhered to.

II. Funding Status

The following figures are from NPS data supplied December 4, 1980:

Professional Services	
* Architect/Engineer and NPS Staff	$ 549,000.00
* NPS Regional Office Services	3,132.30
Construction Contracts	
Roof Repairs (Warren-Ehret-Linck)	75,484.00
Kitchen Floor/Canopies	462,130.56
Concert Hall Ceiling	38,477.00
Roof Terrace/Grand Foyer Ceiling	1,873,959.95
Entrance Plaza Drive	1,488,967.20
* Unobligated Reserve	8,848.99
Total:	$4,500,000.00

*These figures are subject to final adjustment since NPS indicates some expenditure of unobligated funds will be necessary for professional services involving the contract guarantee periods, the preparation of as-constructed drawings and associated administrative costs.

III. Conclusion

The Center would like to take this opportunity to again commend the performance of the overall supervisor for the waterleak repair program, National Park Service architect Judson Ball of the Denver Service Center. His technical competence and flexibility in the face of complex and

unanticipated problems--consistently demonstrated over a period of many months--has been a decisive factor in the success of this repair program. He has functioned as an invaluable coordinator between the contractor and the Center, balancing the needs of both parties in the best professional sense. He is directly responsible in large measure for having held costs within budget while at the same time minimizing disruption of the Center's performing arts operations.

Finally, the Kennedy Center would like to express its deep appreciation for your continuing interest in this project and for the assistance of your Committee, and its staff, in obtaining the funding necessary to halt continuing, extensive and dangerous water damage to this national cultural center and presidential memorial.

Sincerely,

Thomas R. Kendrick

Thomas R. Kendrick

Enclosures

Proposed Board Resolution (Adopted 7/30/80)

In accordance with Congressional legislation (S.521) requiring approval by Kennedy Center Board of Trustees of final payments by the National Park Service (NPS) of contracts relating to the waterleak repair program, the Kennedy Center Board of Trustees hereby approves final payment of $1,879,617.95* to the Charles H. Riddle Company for NPS contract CX-3000-8-9005 (Part A--Roof Terrace reconstruction and interior repairs) and final payment of $1,488,967.20 to the Charles H. Riddle Company for NPS contract CX-3000-8-9006 (reconstruction of Entrance Plaza Drive and Terrace repairs). Such approval is subject to the execution of a letter of Final Acceptance by the National Park Service Contracting Officer and receipt by Kennedy Center.

* Note: Adjusted to $1,873,959.95 following audit and reduction of certain contractor claims for reimbursement.

United States Department of the Interior

NATIONAL PARK SERVICE
NATIONAL CAPITAL REGION
1100 OHIO DRIVE, S. W.
WASHINGTON, D.C. 20242

1980 NOV 20

Mr. Roger L. Stevens
John F. Kennedy Center
for the Performing Arts
Washington, D.C. 20566

Dear Roger:

The massive leak repair work has been completed and the final letters of acceptance have been sent to the contractor from the Denver Service Center. It is noted that the Kennedy Center Board of Trustees approved final payment of these contracts (#CX-3000-8-9005 and CX-3000-8-9006) on July 30, 1980, subject to receipt of the enclosed letters.

We feel the work has been well done and are pleased to accept the job as completed.

Sincerely yours,

Jack Fish

Regional Director, National Capital Region

Enclosures

Year of the Visitor

9-22-80

SEP 19 1980

S7217-DSC-CAC

LETTER OF ACCEPTANCE (FINAL)

Charles E. Riddle Company
3925 Flyers Mill Road
Kensington, Maryland 20795

Gentlemen:

Reference: John F. Kennedy Center, Contract No. CX-3000-8-9005, Part A, Repair of Leaks, Package No. 400

Subject: Letter of Acceptance (Final)

In regards to our Letter of Substantial Completion, dated January 23, 1980, pertaining to the referenced contract, we have been advised that completion of all items on the 'punch list' and change order work has been satisfactorily accomplished.

Accordingly, all work under the contract is accepted as of January 10, 1980, subject to the terms and conditions of the contract.

Sincerely yours,

Robert W. Laubenheim
Contracting Officer

cc:
Reg. Dir. National Capital Region
NCR-AF
Director, Kennedy Center
Proj. Supv. Dinterman

RECEIVED 9-22-80

SEP 19 1980

S7217-DSC-CAC

LETTER OF ACCEPTANCE (FINAL)

Charles Riddle Company
3926 Plyers Mill Road
Kensington, Maryland 20795

Gentlemen:

Reference: John F. Kennedy Center, Contract No. CX-3000-8-9006, Part B, Repair of Leaks, Package No. 400

Subject: Letter of Acceptance (Final)

In regards to our Letter of Substantial Completion dated January 3, 1980, pertaining to the referenced contract, we have been advised that completion of all items on the "punch list" and change order work has been satisfactorily accomplished.

Accordingly, all work under the contract is accepted as of November 30, 1979, subject to the terms and conditions of the contract.

Sincerely yours,

[illegible E. Reiter]

Contracting Officer

cc:
Reg. Dir. National Capital Region
NCR-AF
Director, Kennedy Center
Proj. Supv. Dinterman

Mr. YATES. We have a letter dated May 21 from the Office of the Secretary, respecting the reprogramming suggested for the construction needed at the Visitor Center. That will be placed in the record.

[The information follows:]

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAY 21 1981

Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Yates:

The National Park Service proposes to reprogram funds in the "Construction" appropriation totaling $7.4 million to provide for emergency roof repairs for the National Visitor Center, District of Columbia. This project had originally been estimated at $8.2 million. Upon further review, the estimate has been revised to $7.4 million.

In fiscal 1980, the Congress appropriated $2.4 million for emergency roof repairs for the National Visitor Center. A contract was awarded for this work in September 1980, providing for crucially needed repairs to the arched roof sections of the structure. This ongoing contract is expected to be completed by early fall. In order to complete the entire roof repairs, the National Park Service estimates an additional fund requirement of $7.4 million. The $7.4 million will be used to repair the flat roof sections of the two wings of the structure and the roof of the concourse. In addition, the associated drainage systems for these sections will be reconstructed. The repairs to the roof will prevent further deterioration of the building by eliminating penetration of water through the roof. If these repairs are not accomplished, additional safety problems will result due to falling plaster, electrical system short outs, and continued rusting of steel structural members.

Because of the need to begin repairs at the earliest possible time, the Service is proceeding with the prerequisite planning within available planning funds. The A & E contract was awarded April 2, 1981, with completion anticipated in August 1981. The project is proposed to be advertised in October 1981 with award anticipated in November 1981. The completion date for the project is projected for October or November 1982, or about one year from the time of award this fall.

It should be emphasized that while the $7.4 million will complete repairs to the entire roof, other structural repairs will be needed. It is our opinion that a thorough investigation of the structure must be undertaken, as well as major repairs to the ceilings, electrical systems, and deteriorated structural members. The Service assumes that all additional rehabilitation needs (beyond the $7.4 million for roof repairs) will be included within proposed legislation affecting the visitor center structure.

Last year, the Congress enacted legislation (Public Law 96-610, dated 12/28/80) authorizing $11 million to repair the roof and other portions of the structure. The $7.4 million, which the Service proposes to be funded through reprogramming, will be applied against this $11 million authorization.

To fund the $7.4 million needed for completion of the entire roof repairs for the National Visitor Center, the National Park Service proposes to reprogram the projects listed below.

Fort Sumter NM
Dock and Visitor Facility (105)
(FY 78) $5,581,000

Background. Due to the intense controversy in Charleston, South Carolina surrounding the Broad Street Dock and Visitor Facility project relating to both location and content, the National Park Service has determined that this project cannot be accomplished within the intent of the original proposal. In the interim since the appropriation was made available in fiscal 1978, the Service has cooperated with the City of Charleston in a joint project in another location. This cooperative effort has been coordinated with the City's plans for redevelopment of the downtown area. Based on a recently completed study examining alternate sites, another location for the dock and visitor facility has been selected. In a letter to the House and Senate Appropriations Subcommittees dated October 8, 1980, the Service informed the Subcommittees that an alternate site had been selected on the Cooper River at Concord Street, known as the "Fleet Landing Site."

Current Status. A parcel of land at the Fleet Landing Site must be acquired. Funding was not allocated for this purpose in fiscal 1981 because legislation to extend the Park's boundary was not enacted until March 1980, too late to request funding in the fiscal 1981 budget. In addition, most of the planning for accomplishing the project at the new site has not started. Only initial advance planning for soils investigation, revetment planning, and reappraisal of the structural integrity of the existing dock, is underway. Planning for this project will progress as expeditiously as possible, but it will take a number of months before the required planning is completed. It is expected that the planning will be completed in time to allow the Service to program funds to construct the facility no later than the budget submission for fiscal 1984, if land acquisition funds are available.

In summary, because the Fort Sumter NM project cannot be awarded in the near future due to the substantial planning remaining to be accomplished, the Service proposes to utilize this funding for the National Visitor Center. Once these issues are resolved, the Service will request the necessary funding for the project through the normal budget process.

Redwood NP

May Creek Activity Center (809)
(FY 80)

$1,200,000

The May Creek Activity Center project was established through reprogramming (approved by the Appropriations Subcommittees in the spring of 1980). This facility had originally been proposed to demonstrate the Service's commitment to improve visitor services at Redwood NP. The National Park Service has now determined that this project should not be constructed because of problems associated with the location for the facility. The May Creek location proved to be unsatisfactory primarily because it interfered with the Roosevelt Elk Herd located in nearby Prairie Creek Redwood State Park. Following conferences between officials of the State and the National Park Service, the Service agreed to defer construction at May Creek and to consider alternate sites. After investigating potential locations, a second site was proposed. However, because State Park lands were involved, this alternative was unacceptable to State Park officials. Other possible sites also presented problems, including lack of suitability, impingement on State Park lands, land ownership, and environmental considerations. The failure to find a suitable location has resulted in the indefinite postponement of the activity center.

Vicksburg NMP

Gunboat Cairo - Visitor Facility, Cairo
Restoration and Display (101) (FYs 77-78)

(Portion Available for Reprogramming) $ 382,000

This long-term project is being accomplished in phases (total appropriation in fiscal 1977 and 1978: $6.9 million). As of this date approximately $1.4 million remains unobligated. A portion of the $1.4 million is earmarked for a contract scheduled for award later this year for acquisition of a structural support system for the Gunboat, consisting of glue laminated timbers and connector hardware, and for day labor associated with installation of the support system. Upon completion of this portion of the work, the Vicksburg Cairo project will be essentially accomplished. The remaining long-term preservation work will be accomplished from available Cultural Resource Preservation funds.

Chaco Culture NHP

Construct Duplex Residence (106)
(FY78)

$ 106,000

The National Park Service attempted to award this project last year. Because the cost of the duplex exceeded the housing limitation ceiling, the Service requested an exception to the limitation from the House and Senate Appropriations Subcommittees. In a letter dated September 18, 1980, the House Appropriations Subcommittee disapproved the request. Since it is not possible to fund the duplex within the ceiling, the $106 thousand indicated above is available for reprogramming.

Yosemite NP
El Portal
Effluent Disposal System (347)
(FY 80) $ 131,000

This project was funded in fiscal 1980 to provide interim repair and rehabilitation of the sewage treatment and disposal facility at El Portal, pending design of a final effluent disposal system that would be acceptable to the State. Inasmuch as the National Park Service has programmed funding in fiscal 1982 totaling $4.8 million for construction of a final effluent disposal system, the fiscal 1980 funding ($131,000) is being made available for this reprogramming.

Summary of Projects Proposed to be Reprogrammed

Fort Sumter NM		
Dock and Visitor Facility (105) (FY 78)		$5,581,000
Redwood NP		
May Creek Activity Center (809) (FY 80)		1,200,000
Vicksburg NMP		
Gunboat Cairo - Visitor Facility and Cairo Restoration and Display (101) (FYs 77-78)	(Portion)	382,000
Chaco Culture NHP		
Construct Duplex Residence (106) (FY 78)		106,000
Yosemite NP		
El Portal - Effluent Disposal Facility (347) (FY 80)		131,000
Total		$7,400,000

In determining construction items to be reprogrammed for the National Visitor Center, choices were extremely limited because most items were already obligated or contract awards were pending within a short time. Additionally, the reprogramming list had to exclude, wherever possible, items of high priority placed in the program by the Congress. It is possible, of course, that some projects now scheduled for award could encounter problems later on. The projects finally selected were confined to those items, which for various reasons, could not be awarded in the foreseeable future based on current knowledge. Particularly, in the case of Fort Sumter N.M., we have found no feasible alternatives because of the substantial sum involved.

Enclosed is a complete listing of the National Park Service's construction program available for obligation in fiscal 1981. The listing includes a summary page, itemization of prior year carryover projects and fiscal 1981 projects, and scheduled award dates for unstarted projects.

This is being transmitted to you in accordance with the arrangement and understanding the Department has with the House and Senate Committees on Appropriations in regard to reprogramming of funds. The Office of Management and Budget has no objection to this proposal.

A similar letter is being sent to the Honorable Mark O. Hatfield, Chairman, Senate Committee on Appropriations, United States Senate.

Sincerely,

Deputy Assistant SECRETARY

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

Construction Appropriation
($ in Millions)

May 13, 1981
220

Available Fiscal 1981			
Fiscal 1981 Appropriation	$ 43.4		
Carryover	85.2		
		$ 128.6	
Obligations to: 4/30/81	44.2	- 42.8	
Available - Balance of Year			$ 85.8

Line Item Projects Scheduled for Award:

	Prior Year $	Fiscal 1981 $		
May	5.7	3.4		
Jun	3.4	5.9		
Jul	2.3	3.5		
Aug	.9	5.5		
Sep	1.8	7.8		
Total	14.1	26.1	$ 40.2	
Less: Supervision and Contingencies			- 9.6	
				-30.6
Less: Advance and Project Planning			9.0	
Harpers Ferry			1.5	
Lump Sum			2.0	
Supervision and Contingencies Applicable to Prior Year Obligated Projects			8.7	
			21.2	-21.2
Estimated Unobligated Balance, Fiscal 1981				34.0

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

Construction Appropriation
Carryover to FY 1981

Composition of $85.2 Million Carryover to FY 1981

1. Line Item Projects	Appropriated Amounts B&U	R&T	Scheduled Obligation Dates
	$ in Thousands		
Acadia NP			
Ocean Drive			
Replace Comfort Station and Water Line (134) (FY 80)	$ 113	$ --	OBLIGATED 5/81
Protracted negotiations with prospective contractor. Project recently withdrawn from SBA and advertised.			
Andrew Johnson NHS			
Park General			
Rehabilitate Home (103) (FY 80)	155	--	SCH 6/81
Delayed pending completion of Regional review of Historic Structures Report.			
Big Bend NP			
Castolon			
Employee Quarters (165) (FY 79)	525	50	SCH 6/81
Decisions on Development Concept Plan have delayed design work. Comprehensive design has been completed.			
Castolon			
Reconstruct Water System (183) (FY 79)	338	--	SCH 6/81
(See explanation above)			
Rio Grande Village			
Ranger Contact Facilities (117) (FY 79)	220	42	OBLIGATED 12/80
Amphitheater Reconstruction (118) (FY 79)	184	--	OBLIGATED 12/80
Biscayne NP			
Elliott Key			
Maintenance Building and Residences - Phase III (105) (FY 80)	446	--	OBLIGATED 1/81
Low bid received 9/80 rejected. Project readvertised. Awarded 1/81.			
Blue Ridge Parkway			
Peaks of Otter - Sewage System (326) (FY 77)	1,330	--	OBLIGATED 1/81
Delay due to complications in agreements with City/County and Right-of-Way questions. Issues were recently resolved. Awarded 1/81.			

Area and Project	Appropriated Amounts B&U ($ in Thousands)	Appropriated Amounts R&T ($ in Thousands)	Scheduled Obligation Dates
Cabrillo NM			
Rehabilitate Lighthouse (123) (FY 78)	$ 60	$ --	OBLIGATED 12/80
Low bid rejected. Project readvertised and awarded 12/80.			
Catoctin Mountain Park			
Gym Renovation, Utilities (125) (FY 80)	218	--	SCH 5/81
C&O Canal NHP			
Allegheny District			
Stabilize Paw Paw Tunnel (153) (FY 80)	223	--	SCH 6/81
Canyonlands NP			
Hans Flat - Rehabilitate Water System (195) (FY 79)	109	--	SCH 6/81
Chaco Culture NHP			
Duplex Residence (106) (FY 78)	106	--	PROPOSED FOR REPROGRAMMIN
Project has been withdrawn from SBA; NPS attempted to award last year. Because cost exceeded housing limitation ceiling, Service requested an exception to ceiling from Appropriations Subcommittees. House Subcommittee (9/18/80) disapproved the request. Reprogramming pending to apply funds to National Visitor Center (for roof repairs).			
Crater Lake NP			
Lost Creek - Upgrade Water System (171) (FY 80)	45	--	SCH 7/81
Low bid received 9/80 excessive. Project to be readvertised.			
Delaware Water Gap NRA			
Park General - Stabilize Van Campen Inn (238) (FY 80) (Total Appropriated: $98)	78 (Portion Remaining)	--	SCH 5/81
Park General - Rehabilitate Zimmerman House (262) (FY 80) (Total Appropriated: $1,262)	519 (Portion Remaining)	--	SCH 7/81
Projects being accomplished in phases, consisting of both day labor work and contracts. Portions obligated in Fiscal 1980.			
Everglades NP			
Flamingo			
Buttonwood Canal - Parking and Boat Ramp (177) (FY 79)	--	60	SCH 8/81
Project to be accomplished by Corps of Engineers in combination with a larger project for which the Corps is exclusively responsible.			

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
	$ in Thousands		
Fire Island NS			
William Floyd Estate Preservation (174) (FY 80) (Total Appropriated: $223)	$ 190	$ --	SCH 5/81 AND PERIODICALLY
Project being accomplished in phases. Portion obligated in Fiscal 1980.			
Fort Sumter NM			
Dock and Visitor Facility (105) (FY 78)	1,538	4,043	PROPOSED FOR REPROGRAMMING
Due to the intense controversy surrounding the Broad Street Dock project relating to both location and content, the National Park Service has determined that this project cannot be accomplished within the intent of the original proposal. NPS has been cooperating with City of Charleston in a joint project in another location. Fleet Landing Site on Cooper River at Concord Street has been selected as alternate location. A parcel of land at Fleet Landing Site must be acquired. In addition, most of planning for accomplishing project at new location has not started. Only initial advance planning for soils investigation, revetment, and structural integrity of existing dock is underway. Award date not determined. Reprogramming proposal is pending to apply Fort Sumter NM funding to National Visitor Center (for roof repairs).			
Gateway NRA			
Park General Rehabilitate Buildings and Grounds (109) (FY 79) (Total Appropriated: $1,576)	400 (Portion Remaining)	--	OBLIGATED 12/81
This is a multi-phased project consisting of day labor and contractual work. Portions obligated previously.			
Breezy Point East Rockaway Point - Structure Obliteration (112) (FY 80)	655	--	OBLIGATED 3/81
Prospective contractor's cost proposal greatly exceeded availability. Project renegotiated. Awarded 3/81.			
Park General Resurface Roads and Rehabilitate Buildings and Restore Grounds (109) (FY 80) B&U	844	--	OBLIGATED 2/81
	1,577	--	OBLIG 4/81
R&T		1,093	OBLIGATED 12/81

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
	$ in Thousands		
Glen Canyon NRA			
Comfort Station (148) (FY 78)	$ 37	$ --	SCH 5/81
This project to be combined with associated item in Fiscal 1981 program.			
Great Sand Dunes NM			
Reconstruct Sewer System and Comfort Station (108) (FY 78)	133	--	SCH 6/81
This project to be combined with associated item in Fiscal 1981 program.			
Great Smoky Mountains NP			
Sugarlands - Improve Sewage System (253) (FY 79)	233	--	OBLIGATED 11/80
Withdrawn from SBA in Fiscal 1980. Awarded 11/80.			
Guadalupe Mountains NP			
Park General			
Trail System (Final Phase) (110) (FY 80) (Total Appropriated: $648)	--	150 (Portion Remaining)	SCH 6/81
Project being accomplished in phases. Portion obligated in Fiscal 1980.			
Harpers Ferry NHP			
Park General			
Rehab. Buildings (110) (FY 80) (Total Appropriated: $1,210)	503 (Portion Remaining)	--	SCH 5/81
Project being accomplished in phases. Portion obligated in Fiscal 1980.			
Lake Mead NRA			
Expand Sewage System (121) (FY 78)	223	--	SCH 7/81
This project to be combined with associated item in Fiscal 1981 program.			
Lehman Caves NM			
Sewage Lagoon and Trailer Dump Station (106) (FY 78)	307	--	OBLIGATED 2/81
Delayed due to design modifications. Reprogramming approved 7/80 to increase funding from $120 thousand to $307 thousand.			

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
	$ in Thousands		
Lowell Hist. Preservation Commission			
Mill Exteriors Stabilization (202) (FY 80) (Total Appropriated: $933)	$ 899 (Portion Remaining)	$ --	OBLIGATED 2/81
Martin Van Buren NHS			
Park General			
Rehabilitate Structures (102) (FY 80) (Total Appropriated: $315)	185 (Portion Remaining)	--	SCH 8/81
Work being accomplished in phases. Portion underway. Contract portion scheduled 8/81. Portion remaining also includes additional day labor funding, which will be obligated gradually.			
Montezuma Castle NM			
Comfort Station (104) (78)	192	--	OBLIGATED 2/81
Reprogramming approved 7/80 to increase funding from $96 thousand to $192 thousand.			
Mount McKinley NP (Denali NP & Preserve)			
Park General			
Savage River Bridge Replacement (163) (FY 79)	--	1,849	SCH 8/81 (?)
Low bid received 9/79 rejected because State of Alaska would not issue permit. State contended that culvert type design violated stream flow velocity standards. Bridge has been redesigned to eliminate use of culverts, and will be ready for advertisement in June, with award scheduled for August. Note: Latest estimate just received greatly exceeds reprogramming guidelines, Until this issue is resolved, advertisement must be postponed.			
Natchez Trace Parkway			
Section 2D (127) (FY 80) (Total Appropriated: $8,800)	(Portions Remaining)	968	OBLICATED 12/80
		1,163	OBLIGATED 3/81
Section 3A (132) (FY 80) (Total Appropriated: $13,000)	(Portions Remaining)	3,586	OBLIGATED 1/81
		1,310	OBLIGATED 3/81
		3,912	SCH 5/81
Projects being obligated in phases.			
National Capital - East			
East Potomac Park			
Expand and Rehab. Maint. Fac. (265) (FY 78)	102	20	SCH 8/81
Project withdrawn from SBA.			

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
National Mall			
Lincoln Memorial Inscriptions of States of Hawaii and Alaska (FY 74)	$ 12	$ --	
Approval of the inscription design is required from the Commission of Fine Arts, the Advisory Council of Historic Preservation and the National Capital Planning Commission.			
National Visitor Center			
Emergency Roof Repairs (FY 80)	550 (Portion Remaining)	--	OBLIGATED 4/81
Major portion is under contract (approximately $2 million). Balance (consisting of funding remaining available following termination of visitor center project) applies to steam hook-up system .	Applies to Steam Hook-uP		
Ocmulgee NM			
Visitor Center Rehabilitation and Solar Energy Installation (121) (FY 79) (Total Appropriated: $705)	269 (Portion Remaining)	--	SCH 7/81
Solar energy portion awarded 9/78. Visitor center portion delayed pending resolution of problems arising from negotiations for associated maintenance building project (see following entry), which was obligated to SBA in September 1979.			
Maintenance Building (102) (FY 79)	606	--	SCH 6/81
Project was obligated to SBA by Letter of Contract 9/79. Following collapse of negotiations with prospective contractor, project was withdrawn (and deobligated) from SBA, and advertised. Bids received in September 1980 were rejected because they greatly exceeded availability. To be readvertised.			
Perry's Victory & IPM			
Park General			
Memorial Column Rehabilitation and Illumination (101) (FY 80)	2,370	--	OBLIGATED 12/80

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
	$ in Thousands		
Piscataway Park - National Capital			
Park General			
Construct Facility, National Colonial Farm (470) (FY 80)	$ 48	$ --	SCH 6/81
(Total Appropriated: $175)	(Portion Remaining)		
Portion underway.			
President's Park - National Capital			
Reconstruct Electrical System (247) (FY 78)	465	--)	OBLIGATED
Renovate Utilities (247) (FY 79)	609	--)	11/80
Renovate Utilities (247) (FY 80)	655	--)	
Redwood NP			
May Creek Activity Center (809) (FY 80)	700	500	PROPOSED FOR REPROGRAMMING
Project established through reprogramming (approved by Appropriations Subcommittees in spring of 1980). Project indefinitely postponed because of problems associated with the location for the facility. The May Creek location and other sites have proved to be unacceptable for various reasons, including impingement on State Park lands, suitability, land ownership, and environmental considerations. Reprogramming proposal is pending to apply funding to National Visitor Center (for roof repairs).			
Rock Creek Park - National Capital			
Reconstruct L Street Bridge (105) (FY 78)	--	1,048	SCH 6/81
Low bid in Fiscal 1978 greatly exceeded available funding. Additional funding provided in Fiscal 1981 appropriation.			
San Juan NHS			
Park General - Stabilization of Breakwater (127) (FY 80)	655	--	OBLIGATED 2/81
(Total Appropriated: $2,569)	(Portion Remaining)		
Project is being accomplished by Corps of Engineers.			
Shenandoah NP			
Park General - Chlorination for Water Systems (260) (FY 79)	418	--	OBLIGATED 10/80
Springfield Armory NHS			
Park General			
Rehabilitate Structures (103) (FY 79)	623	--	SCH 7/81
Portion of project obligated Fiscal 1980. Utilities, boiler, and electricity portion scheduled for award 7/81.			
Shenandoah NP			
Dickey Ridge - Water Line (319) (FY 79)	320	--	OBLIGATED 3/81
Unsuccessful negotiations with prospective contractors. Project withdrawn from SBA last year. Contract recently awarded (3/81).			

Area and Project	Appropriated Amounts B&U	Appropriated Amounts R&T	Scheduled Obligation Dates
	$ in thousands		
Statue of Liberty NM			
Ellis Island			
Rehabilitation of Building--Seawall, and Electrical (107) (FY 80)	$ 786	$ --	OBLIGATED 12/80
(Total Appropriated: $2,500)			
	314 (Portions Remaining)	--	SCH 8/81
Project is being accomplished in phases. Portion obligated in Fiscal 1980. $786 thousand portion indicated above awarded 12/80. $314 thousand portion awaiting resolution of asbestos problem affecting ongoing seawall restoration work.			
Tumacacori NM			
Park General			
Mission Church Rehabilitation and Stabilization (122) (FY 78-79)	187 (Portion Remaining)	--	SCH 8/81
(Total Appropriated: $580)			
Major portion obligated previously. Additional requirements to complete rehabilitation now under review.			
Vicksburg NMP			
Gunboat Cairo			
Visitor Facility and Cairo Restoration and Display (101) (FYs 77-78)		R&T 200	PORTION SCH 5/81 AND PERIODICALLY.
(Total Appropriated: $6,943)	B&U 1,200 (Portion Remaining)	--	
Project is being accomplished in phases. Significant portion previously obligated. A portion of the $1.4 million remaining (indicated above) is earmarked for a contract scheduled for award this summer for acquisition of a structural support system for the Gunboat, and for associated day labor. Completion of this work will essentially accomplish project. A reprogramming proposal is pending to apply $382 thousand portion of $1.4 million to the National Visitor Center (for roof repairs)			NOTE: $382 THOUSAND PROPOSED FOR REPROGRAMMING
Whiskeytown NRA			
Park General			
Reconstruct Water System (804) (FY 79)	132	--	OBLIGATED 10/80
Wilson's Creek NR			
Park General			
Headquarters Visitor Center-Maintenance Area (104) (FY 80)	1,310	--	OBLIGATED 10/80

Area and Project	Appropriated Amounts B&U	R&T	Scheduled Obligation Dates
Yellowstone NP			
Grant Village Water Treatment System (142) (FY 80)	$ 1,871	$ --	OBLIGATED 2/81
Grant Village Construct Concession Overnite Visitor Facilities (619) (FY 80)	(2,411 ((589	-- --	OBLIGATED 12/80 SCH 7/81
Lake Water Storage and Treatment (138) (FY 80)	2,376	--	OBLIGATED 3/81
Negotiations with prospective contractor could not be finalized in time for award in Fiscal 1980.			
Yosemite NP			
El Portal Develop Well System (223) (FY 80)	520	--	OBLIGATED 3/81
El Portal Effluent Disposal Facility (347) (FY 80)	131	--	PROPOSED FOR REPROGRAMMING
This project was funded in Fiscal 1980 to provide interim repair and rehabilitation of the sewage treatment and disposal facility at El Portal, pending design of a final effluent disposal system that would be acceptable to the State. NPS has programmed funding in Fiscal 1982 totaling $4.8 million for construction of final effluent disposal system. A reprogramming proposal is pending to apply Fiscal 1980 funding ($131,000) to the National Visitor Center (for roof repairs).			
Total, Line Item Construction Carryover to FY 1981 (Item 1)	$32,814	$19,994	Total $52,808

(Carryover Listings Continued on Next Page)

Composition of $85.2 Million Carryover to FY 1981

		Amount
1.	Line Item Construction Projects - FY 1980 and Prior Year (Total Brought Forward from Preceding Page)	$ 52,808
2.	Estimated Unobligated Balances for Projects Underway by Park Work Forces (Archeological Investigations and Salvage, Planning and Supervision, and Day Labor Construction Projects; Force Accounts within Contracts; and Approved Change Orders (with Funding Transferred to Regions) for which Obligations were not Incurred as of 9/30/80.	7,702
3.	Estimated Contingency to Cover Change Orders, Overruns, and Claims for Projects Underway as of 9/30/80. (Undelivered Orders as of 9/30/80 totaled $135 Million).	4,300
4.	Estimated Unobligated Balances for Exhibit and Audiovisual Projects Awarded in Prior Years and Still Underway by Harpers Ferry Center (Comprised of Planning and Production).	2,100
5.	Estimated Unobligated Balances for Emergency and Unscheduled Projects (Lump Sum Programs)	500
6.	Estimated Unobligated Balances for Advance Planning and Project Planning Underway by Denver Service Center and Federal Highway Administration; and that Portion of Project Supervision Derived from Projects Awarded in Prior Years and Which are Still Underway.	17,772

NPS:	Advance Planning	$ 4,278
	Project Planning	7,931
FHWA:	Project Planning	700
NPS & FHWA:	Project Supervision	4,863

Total Carryover Brought Forward to Fiscal 1981	85,182

(See following pages for status of FY 1981 Construction Program)

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

220

FY 1981 Construction Appropriation

Composition of $43.4 Million Appropriated in FY 1981

1. Line Item Construction Projects
(Activity I)

Area and Project	Appropriation Amounts $ in Thousands	Scheduled Obligation Dates
Allegheny Portage RR NHS		
Summit Level		
Adapt and Restore Historic Lemon House (102) (FY 81)	348	Sch. 7/81
Big Bend NP		
Chisos Basin		
Provide Utilities & Other Facilities for New Concessioner Development (102)(FY 81)	539	Sch. 9/81
C&O Canal NHP		
Park General		
Replacement of Signs (24) (FY 81)	20	Obl 4/81
Carlsbad Caverns NP		
Caverns Vicinity		
Relocate Utility Lines From Elevator Shaft (132) (FY 81)	655	Sch. 7/81
Coulee Dam RA		
Park General		
Up-Grade Water Systems to PH Standard (182) (FY 81)	478	Sch. 8/81

Area and Project	Appropriation Amounts $ in Thousands	Scheduled Obligation Dates
Cumberland Island NS		
Park General		
Rehab Carriage House and Plum Orchard Mansion (115) (FY 81)	800	Sch. 6/81
Project to be accomplished in phases. First portion scheduled for June.		
Cuyahoga Valley NRA		
Park General		
Const Open Field Recreation Fac., Oak Hill Road (126) (FY 81)	225	Sch. 7/81
Cuyahoga Valley NRA		
Park General		
Const Trails From Hiking, Biking, & Skiing (127) (FY 81)	100	Sch. 7/81
Delaware Water Gap NRA		
Park General		
Rehab Historic Structures (269) (FY 81)	750	Sch. 9/81
Fort McHenry NM & HS		
Park General		
Replace Electrical System in Historic Fort Bldgs (145) (FY 81)	101	Sch. 5/81
Georgia O'Keeffe NHS		
Park General		
General Development (102) (FY 81) Project awaiting GMP. Award date not determined.	100	
Glen Canyon NRA		
Lees Ferry (Ariz.)		
Const Comfort Station for River Users (AZ) (148) (FY 81)	110	Sch. 5/81

Area and Project	Appropriated Amounts $ in Thousands	Scheduled Obligation Dates
Great Sand Dunes NM		
Headquarters		
Rebuild Picnic Area Sewer, Add New Comfort Station (108) (FY 81)	130	Sch. 6/81
Hampton NHS		
Park General		
Restore Mansion Exterior (102) (FY 81)	439	Sch. 6/81
Hopewell Village NHS		
Park General		
Intrusion and Fire Alarm Systems 15 Bldgs (125) (FY 81)	195	Sch. 5/81
John D. Rockefeller PKWY		
Park General		
Purchase Concession to Eliminate Pollution (130) (FY 81)	490	Obl. 2/81
Katmai NM		
King Salmon		
Const of Bristol Bay Sewage District (141) (FY 81)	79	Sch. 7/81
Lake Mead NRA		
Katherine (Ariz.)		
Sewage System (121) (FY 81)	1,349	Sch. 7/81
Lassen Volcanic NP		
Southwest Develop Area		
Const Sewage System & Commercial Power (101) (FY 81)	2,889	Sch. 8/81

Area and Project	Appropriated Amounts $ in Thousands	Scheduled Obligation Dates
Lowell Historic Preservation Commission		
Park General		
Rehab of Historic Structures (203) (FY 81)	2,500	($1,300 Por. OBLIGATED 4/81 ($1,200 Por. SCH 6/81
Lowell NHP		
Park General		
Dev. NPS Portion of Lowell Mfg. Co. (107) (FY 81)	1,500	Sch. 8/81
Natchez Trace Parkway		
Natchez Subdistrict		
Const Sec. 3V2 Including Bridges (MS) (114) (FY 81)	7,100	Sch. 9/81
Olympic NP		
Lake Crescent		
Const Sewer System, Log Cabin Lodge (260) (FY 81)	631	Sch. 7/81
Padre Island NS		
Park General		
Const Equip. Storage Bldg. (153) (FY 81)	94	Sch. 9/81
Rock Creek Park		
Park General		
Reconst L Street Bridge (105) (FY 81)	2,882	Sch. 6/81
Roger Williams NMem		
Park General		
Adapt Gray House & Landscape For visitor use (103) (FY 81)	440	Sch. 6/81

Area and Project	Appropriated Amounts $ in Thousands	Scheduled Obligation Dates
Sitka NHP		
Park General		
Sewage System Modification - Visitor Center (102)(FY 81)	105	Sch. 7/81
Sitka NHP		
Park General		
Historic Building Restoration, Russian Mission (115) (FY 81)	616	Sch. 8/81
Virgin Islands NP		
Trunk Bay, St. John		
Reconst Sewer & Water Systems (103) (FY 81)	134	Sch. 5/81
Yellowstone NP		
Old Faithful (Wyo)		
Build Water Treatment - Storage System (140) (FY 81)	2,903	Sch 5/81
Total, Line Item Construction FY 1981 (Activity I)	$28,702	
2. Emergency and Unscheduled Projects (Lump Sum) - (Activity II)	$ 3,000	
3. Planning (Activity III)		
Advance	5,000	
Project	6,937	
Total, Planning	$11,937	
Conferees' Action: Less Slippage (From Construction Activity)	-272	
Net Total, Fiscal 1981	$43,367	

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

A REPORT TO

THE COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

on the

NATIONAL PARK SERVICE

CONSTRUCTION PROGRAM

Surveys and Investigations Staff

April 1981

Mr. YATES. The investigative report made of the construction program will be placed in the record at this point. We ask you to reply to our questions on the construction programs. If we can get those answers in to us within a week, we can be in a position to ask you further questions respecting that when you next come in.

[The report and questions and answers follow:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

April 14, 1981

MEMORANDUM FOR THE CHAIRMAN

Re: National Park Service
Construction Program

By directive dated September 23, 1980, the Committee requested that a followup investigation be made of the National Park Service's construction program.

The study has been completed, and the results are set forth in this report.

Respectfully submitted,

William P. Haynes, Jr., Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

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SUMMARY

The Investigative Staff has completed its followup review of the National Park Service (NPS) construction program and found that improvements have been made since the issuance of its previous report in 1978. Most notable among the improvements are:

(1) A National Priority List of NPS projects was prepared for budgetary purposes by a high-level management team including the NPS Director and all regional directors.

(2) NPS has begun to request lump-sum appropriations for its advanced planning program.

(3) NPS has substantially improved its utilization of the 10-238 (Development/Study Package Proposal).

(4) DSC (Denver Service Center) has instituted a "Management: Project Development" course which clearly describes the NPS planning and contract process. This course has been effective and is expected to be expanded within NPS.

(5) NPS has retained consulting services to design a centralized accounting and project management system. Unfortunately, installation has been delayed until FY 1983 due to budgetary constraints.

(6) NPS is in the process of preparing "Planning Guidelines" which should benefit the NPS planning-design-construction process.

The Investigative Staff found that many of the problems noted in the previous report were corrected, some are being corrected, and others still exist. NPS, through its manager at DSC, has aggressively pursued numerous management improvements. These improvements are at least partially attributable to his efforts.

The Investigative Staff was advised that one of the primary benefits of the previous report was that it provided NPS personnel with an awareness of the serious problems confronting the Service. Though this new awareness has resulted in some improvements, the Investigative Staff found that there still exists a need to improve the discipline and the accountability among NPS personnel.

The Investigative Staff also found that NPS added to its previously identified credibility gap by: submitting a "phantom project" in 1980; transferring costs from a project in Tuskegee, which is almost at its appropriated limit, to a project having monies available in Vicksburg (basically destroying the integrity of line item project costs); and by assigning letter contracts in

September of 1978 and 1979, in which 67 projects valued at $30 million were handed over to the Small Business Administration (SBA) to enhance NPS's obligation rate and the SBA 8(a) award goal.

Phantom Project

NPS's 1980 budget requested $131,000 for the purpose of "Interim Repairs and Construction" at the malfunctioning El Portal sewage treatment plant in Yosemite National Park. The only problem was that neither DSC nor Yosemite Park personnel were aware of the project at the time of the Investigative Staff's visit. Regional personnel advised that the money might be needed in case the State requires some modifications at some future time. DSC had no knowledge of the project and therefore did not show it as a carryover until the Investigative Staff brought the matter to the attention of Washington Headquarters.

Letter Contract to the SBA

In the last month of FY's 1978 and 1979, at the direction of officials of the Department of the Interior, NPS awarded (to SBA) 39 letter contracts valued at about $17 million and 28 letter contracts valued at about $13 million, respectively. Some of these letter contracts were not definitized for periods of up to 763 days, and 21 were actually terminated in April and July of 1980. This technique accomplished two objectives of the NPS, enhancement of its carryover balance and meeting the SBA set-aside goal for FY's 1978 and 1979. It should be noted that the FY 1979 carryover balance of $110 million was understated by about $20 million because of this maneuver.

Tuskegee Transfer

Another questionable practice was that of charging costs to projects other than those for which the costs were incurred. The Office of Inspector General (OIG), Department of the Interior, advised that this practice is quite common and virtually destroys the integrity of the accounting system in that it is almost impossible to ascertain the total cost of a project. The two projects in this particular instance involved the charging of a Tuskegee cost of $91,000 to a Vicksburg project because the Tuskegee project was approaching its appropriated ceiling. DSC accounting personnel advised they were instructed to charge the Vicksburg project with Tuskegee costs.

Lack of Integrity in Accounting System

In conjunction with the above problem, the Investigative Staff experienced some difficulty regarding different cost totals for the same project. A project can have as many as four or five different cost totals. Unless one is very specific about which set of numbers one is seeking, half- or partial-truths will be obtained. For example, there is an appropriated amount, an award amount, a current estimated amount, a "net available for

current year" amount, and, for those occasions when a project is completed in phases, a phase I and phase II cost figure. Still another project cost figure which the Investigative Staff had great difficulty in obtaining, and in most cases was not able to obtain, is the total actual project cost figure. Even if this amount were obtained, there would be no guarantee about its accuracy.

One of the most serious problems discovered by the Investigative Staff was the treatment of line item project costs. The example cited in "Tuskegee Transfer" is not isolated and, according to OIG officials, is the rule rather than the exception. The attitude of total program cost rather than line item project cost is the prevailing attitude within NPS.

Carryovers

The Investigative Staff found that 62 projects were not obligated and were therefore carried over in FY 1980. These 62 only represent part of the problem of NPS's not being ready for the FY 1980 construction program. During FY's 1979 and 1980, respectively, $110 million and $85 million in projects were not obligated and were carried over. In addition to the carryover, NPS paid premium prices of about 17 percent for its construction work by awarding 90 percent of its contracts in the June/September time frame in 1979 and 74 percent in the same period in 1980. In 1979, 80 percent, or 55 contracts, were awarded during September; in 1980, 51 percent, or 24 contracts, were awarded in September. In 1979, 20 of the 55 contracts were awarded on the last day of the fiscal year; in 1980, 6 of the 24 contracts were awarded on the last day of the fiscal year.

Specifications Not Ready

The Investigative Staff believes these award delays were primarily caused by the failure to prepare working drawings in ample time for the DSC contract officer to follow normal contracting practices. The Investigative Staff found, for FY 1979, that only 32.5 percent of the specifications were ready before June in 1979, and 53 percent before June in 1980 for FY 1980. This failure on DSC's part is the primary cause of the late contract awards and NPS's failure to obligate its 1980 construction funds. Even though the tardy preparation of the drawings is one main cause of failure to obligate, the cumbersome system itself must share some of the blame.

NPS is required to submit cost estimates and predict when specifications will be ready about 18 months before the fiscal year begins. For example, in preparing the FY 1982 budget, DSC, in March 1980, was required to make a prediction as to when specifications will be ready and estimate the cost of a project on something less than preliminary drawings (estimates would be B- or C+). This gap from March to the budget presentation in January is a barrier restricting the exercise of specific judgments and more accurate estimates. It should be modified.

Sewage Treatment

The Investigative Staff believes that more consideration should be given to cost-effective alternatives to expensive custom-designed sewage treatment plants. These alternatives include lagoons and packaged prefabricated sewage treatment plants. All plants located in national parks are small by EPA standards, and these small plants can be packaged at substantial cost savings. The Investigative Staff was advised that capital cost might be from one-third to one-half as much as a custom plant with a similar savings in O&M costs.

El Portal Treatment Plant

The 2-million-gallon-design-capacity (800,000 gallons average per day) tertiary treatment plant for Yosemite National Park, costing about $6 million to date, has been beset with serious problems since operation began in early 1977. The Investigative Staff was advised that immediately after operation commenced, NPS knew it was not the plant it wanted and began to study modification possibilities. These modifications are estimated to cost an additional $5 million.

The Architect/Engineer (A/E) who originally designed the plant has filed a claim for $90,000 for additional work. The NPS has denied the claim and filed a counterclaim against the A/E for $450,000 as a direct result of poorly prepared drawings and specifications.

The Investigative Staff believes a need exists in DSC to provide the best knowledge available for the continued emphasis on sewer and water treatment plants. A need exists to give more consideration to cost-effectiveness and to provide the parks with the most economical system.

Prolonged Negotiations with 8(a) Contractors

The Investigative Staff was advised that negotiations with SBA 8(a) contractors tend to become protracted and often reach an impasse. These prolonged negotiations have resulted in numerous carryovers charged against NPS obligations.

Advance and Project Planning Carryovers

In addition to the 62 projects not being obligated in FY 1980, NPS has also carried over in 1981 about $12 million of advance and project planning monies. Much of the carryover is for projects which have not made the National Priority List for projects to be constructed through FY 1987. The planning for many of the projects has either just started, is partially completed, or has never started.

Employee Housing at Yosemite

The Investigative Staff found that employee housing, both concessionaire and Federal, has contributed to the degradation of Yosemite National Park. During the summer months, about 1,880 employees reside in the crowded valley; and in the congested Section 35 of Wawona, NPS actually acquired 28 homes from inholders and converted the homes into Government-Furnished Quarters. This practice presents a contradiction to the 220 inholders still remaining in Section 35 as to the Government's intent of acquiring future inholdings to restore the park to its natural state.

Reprogramming

The Investigative Staff found that the application of the reprogramming instructions was inconsistent and the instructions were, at best, vague. These instructions should be clarified, and all projects which are 10 percent over or under the base should be reported for possible reprogramming action.

Need to Define "Role and Function"

Although DSC was established as the planning, design, and construction element within NPS, the Investigative Staff found that a "turf battle" was beginning to emerge between DSC and several regional offices. In time of ample construction funding, this problem was overlooked to some extent. But with fewer construction funds, a dispute over "role and function" between DSC and some regional offices has begun to emerge. In effect, several regional offices have become mini-DSC's. The two approaches are incompatible and the NPS should either retain the DSC centralized concept or adopt a regionalized approach. The combination of both is duplicative and nonproductive.

Cultural Resource Preservation (CRP)

The Investigative Staff found that the current NPS CRP program is troubled by the presence of "mini-DSC" centers in several of the regions, which were developed as a result of widespread regional dissatisfaction with DSC's CRP product. They represent an inefficient duplication of effort, and the NPS should take immediate steps to determine whether the continuing need to preserve and restore this nation's historically significant structures can best be accomplished by formalizing and further developing the regional "mini-DSC" concept or by refining the present CRP capability at DSC. If the latter option is selected, the NPS should insist that the current "mini-DSC's" be closed down.

Whichever course the NPS elects to take, the decision should be made without delay inasmuch as the "We-They" and "turf" problems the Investigative Staff encountered were unique to the CRP area and are counterproductive to the mission of the NPS.

Training Course

One of the numerous significant management improvements adopted by NPS was the training course developed by DSC. The Investigative Staff believes this highly successful course has significantly reduced the "We-They" attitude, improved the 10-238 process, and provided a greater awareness of the budgetary process by which projects are funded.

I. INTRODUCTION AND BACKGROUND

A. Directive

By directive dated September 23, 1980, the Committee requested that a followup investigation be made of the National Park Service (NPS) construction program. The investigation was to include, but not be limited to:

(1) A review of the Service's response to the investigation conducted in 1978 to determine whether NPS has implemented the promised corrective action;

(2) Whether or not the planning process included historical and environmental considerations; and

(3) A review of the carryover balance, how it occurred, and what action should be taken to assure it does not happen again.

B. Scope

The Investigative Staff interviewed cognizant NPS officials located in Washington Headquarters, the Denver Service Center, and in regional offices located in Atlanta, Georgia; Boston, Massachusetts; Denver, Colorado; and San Francisco, California. The Investigative Staff also visited the following national park areas: Grand Teton, Sequoia, Yosemite, Lake Meade, Natchez Trace, and Golden Gate. In addition, officials of the Small Business Administration and the Federal Highway Administration were contacted.

C. Background

The NPS was established by the act of August 25, 1916--commonly known as the National Park Service Organic Act--to administer and maintain areas included in the National Park System. The purpose and mandate of the NPS were clearly stated in the enabling legislation:

> "The service * * * shall promote and regulate the use of the Federal areas known as national parks, monuments, and reservations * * * by such means and measures as conform to the fundamental purpose of the said parks, monuments, and reservations, which purpose is to conserve the scenery and the natural and historic objects and the wildlife therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations."

Since the establishment of the NPS, several acts, executive orders, and proclamations have added to the system and expanded the activities of the NPS. As of January 1, 1980, the system

consisted of 323 national parks, monuments, memorials, parkways, seashores, and recreation areas, and the staff of the NPS numbered some 9,000 employees, stationed throughout the country.

The NPS is organized on a decentralized basis, with a headquarters office in Washington, D.C., 10 regional offices, 2 professional support centers, several satellite offices, and more than 300 parks. The parks are under the supervision of superintendents, who report to the regional directors, who report to the director. The two professional support centers--the Denver Service Center (DSC) and the Harpers Ferry Center--are under the supervision of managers, who report to the chief of the Office of Park Planning and Environmental Quality at Washington Headquarters. The maximum autonomy possible is granted, by delegation of authority, to the major elements of the field organization.

The Denver Service Center

The DSC is the main office established to support planning, design, and construction efforts for the National Park System. According to the DSC mission statement, DSC is responsible for planning, design, and construction of major roads, trails, buildings, utility, and sewerage facilities in the parks. The Center is responsible for the preparation of general management plans and other assigned plans, new area studies, preservation and rehabilitation of historic structures plans, and environmental documents. It shares with the Harpers Ferry Center the responsibilities for developing interpretive plans. It provides a wide range of planning and technical assistance to the parks.

DSC offers professional services to all park managers. Through its planning, design, and construction program, it provides the concepts, documentation, and technical expertise to allow NPS decisionmakers to implement proposals that will result in new or improved management and use of the parks. The numerous activities involved are carried out by the various units of the DSC over a period of years, but they are all part of the same program--a sequence of work efforts that is initiated by the parks and is ultimately realized in the parks in the form of programs and facilities.

The NPS Construction Program

The DSC program is made up of many separate work efforts for many parks. For an individual park, the work efforts comprise a project or program cycle. A complete program cycle includes four general phases of work: General management planning, advance planning, project planning, and construction supervision (the construction may involve new building or preservation/rehabilitation/restoration work on historic structures). A fifth phase, that of surveying and evaluating areas being considered for inclusion in the National Park System, is also accomplished at the DSC; new area study provides general background data for planning if the area is established as a unit of the system.

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Planning for established park areas proceeds from general to specific. The most comprehensive plan is the general management plan. Each park is required to have an approved general management plan (formerly master plan), which serves as a basis for subsequent specific planning, design, and construction. General management planning involves the identification of park objectives and the development and evaluation of strategies to meet those objectives. This process may entail the preparation of several related documents, including an environmental assessment, an environmental statement, and any of a number of special studies to verify plan proposals.

Once the broad concepts for management are established in an approved general management plan, they are explored in more detail in a series of implementation plans--specific plans for resources management, interpretation, and development. Some of these planning efforts are accomplished in the parks or in other offices of the NPS, but those related to facility development or preservation of historic structures are carried out in the DSC as part of the second phase of the program cycle, advance planning.

Advance planning may involve several activities (development concept planning, cultural resource studies, surveys, comprehensive designs/preliminary drawings), depending on the nature of the park and the proposals put forth in the general management plan. It provides the detailed planning and design information to permit project planning to commence. Project planning entails the preparation of construction drawings and specifications for specific development or cultural resource preservation work. Following approval of these drawings and specifications, the construction program phase is initiated. The construction work itself is almost always contracted to a private firm (these contracts are let by the DSC to qualified contractors), but the work is overseen by a DSC construction supervisor, who remains responsible for the project through the postconstruction evaluation phase. (Some specialized construction work, like preservation of historic structures, is done by direct-hire day labor rather than under contract.)

The DSC also provides design and construction services to support park maintenance, rehabilitation, or improvement where no major planning is required. This "partial cycle" project work--usually involving only comprehensive design/preliminary drawing, project planning, and construction supervision--may be undertaken in parks with approved general management plans or in parks where planning is ongoing. Its purpose is to maintain or upgrade existing accommodations, roads, trails, utilities, historic structures, or other facilities to meet health, safety, or administrative requirements.

The size of the DSC program varies from year to year, depending both on park requirements and on funding from Congress. However, as an example of the extent of services currently provided, in FY 1980 some 2,300 projects were actively worked on by personnel of the DSC and an additional 100 requests for special services were met.

Scheduling and Implementing the Program

The planning, design, and construction program is set up to accomplish a large number of independent projects simultaneously in an efficient and management-responsive manner. Because the DSC has limited manpower and funds and because all requested projects are "competing" for the services available, the system of servicewide assessment and priority setting is critical to this accomplishment.

Planning, design, and construction requirements are identified in an ongoing assessment for all parks within the system. Required projects are initially identified and assigned priority at the park level. They are then submitted to the appropriate regional office for review and priority rating among all the requested park projects in that region. Until the FY 1982 program, the priority listings for all the regions were submitted to Washington Headquarters for national priority setting. If the project had a sufficiently high priority to receive a share of the funds appropriated by Congress, it was scheduled into the program. The DSC reviewed the program and scheduled priority projects based on available manpower and funds.

How DSC Is Funded

Funding for the DSC, which ranged from $36.4 million in FY 1978 to $16.2 million in FY 1980, is generally derived from planning, design, and construction project monies. Most other offices in the NPS are base-funded as organizational units, but 98 percent of the DSC's funds come directly or indirectly from specific project accounts. (The 2 percent of the office that is base-funded includes the statistics, concessions management, and maintenance assistance sections.) Because it is a project-funded office, the DSC has a unique accounting structure that is widely misunderstood.

The DSC receives funds for projects that fall under five major categories in the Federal budget. Funds in each of these categories are handled somewhat differently in the budget process, but they can be generally described as either lump-sum funds or line item funds:

Lump-sum funding categories

-- new areas, rivers and trails;

-- general management plans;

-- advance planning (cultural resource studies, development concept plans, surveys, comprehensive designs/preliminary drawings, and other studies including wilderness studies).

Line item funding categories

-- project planning (construction drawings and specifications);

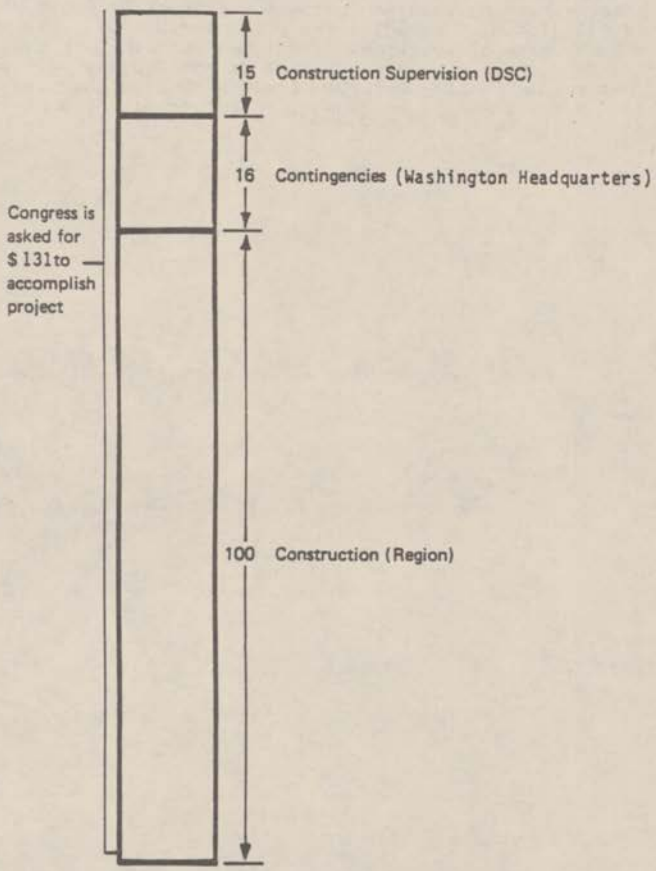
-- construction supervision.

Line item funds are identified by individual project in the Federal budget, and these funds may not be spent for any other work. Lump-sum funds are not identified by project in the budget, but NPS managers allocate the total amount received based on the agency's project priorities and identify funds by individual project before they come to the DSC. Line item and advance planning funds may be carried over from year to year to accomplish a multiyear project. Other lump-sum funds (general management plans, new areas, rivers and trails) cannot be carried over, so multiyear projects funded through these accounts must be refunded each fiscal year to remain active.

Employees in the DSC, whether they are working on general management plans or construction drawings, charge their time to the various project accounts. Because these are essentially the only sources of funding the DSC has, when a park asks for technical assistance that is not directly related to an active DSC project, the DSC must ask if park or region funds are available for the work. This is an area of misunderstanding between the DSC and other offices in the NPS. Base-funded offices, like the parks and regions, have more flexibility in allocating manpower because they are funded to accomplish a mission or function rather than specific projects.

Construction supervision and contingency funds are requested as an estimated percent markup of line item construction funds. Construction supervision funds average 15 percent and are requested the same year as construction funds. Another 16 percent markup is also requested with construction funds--the "contingency" funds that are held by Washington Headquarters. It is a fairly common misconception that these percentages of the line item construction project funds are DSC overhead funds, but they are not--they are line item amounts requested from Congress to accomplish project planning, construction supervision, and contingencies.

TYPICAL LINE ITEM CONSTRUCTION PROJECT
($ in 000's)



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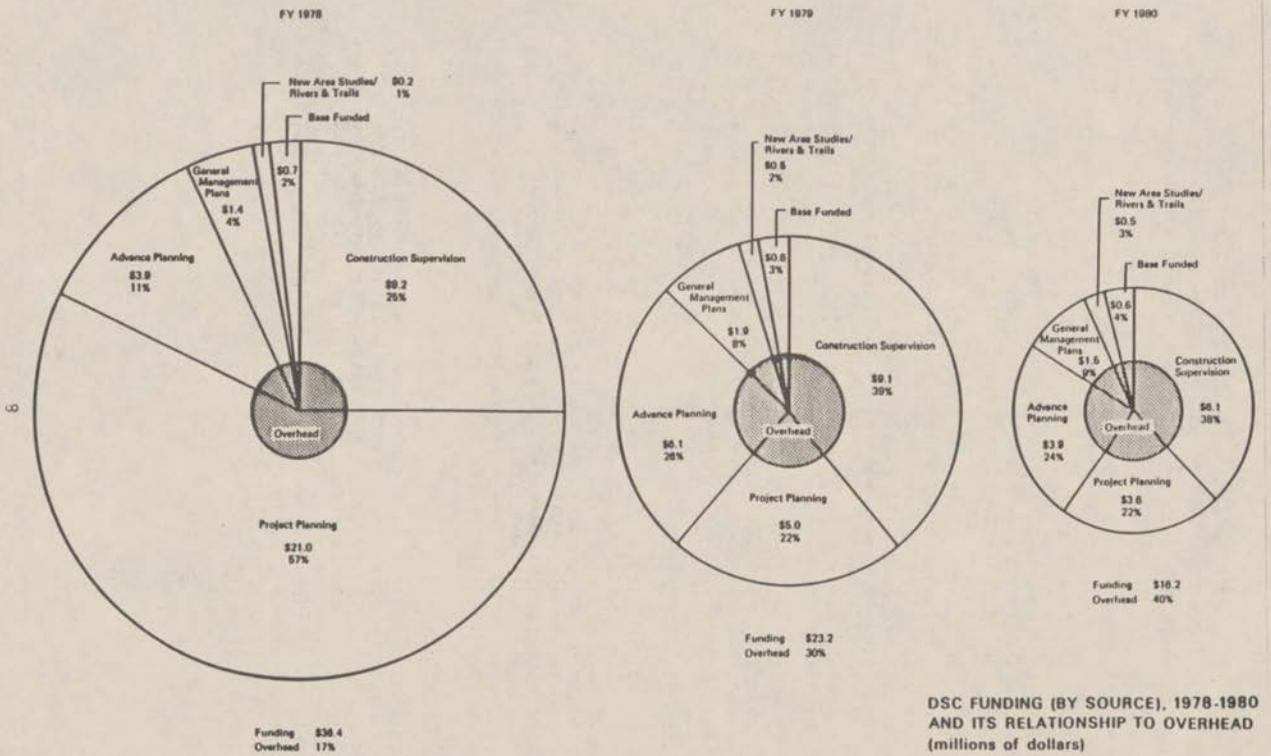
DSC Overhead

DSC overhead constitutes all nonproject time for the entire DSC. It covers employee leave, training, line management and first-line supervision, nonproject professional and technical time, administrative and clerical time, and supplies and equipment. However, even this "nonproject time" is charged to projects indirectly as a percentage taken across-the-board from all project funding categories.

The absolute dollar amount of overhead is a direct function of the number of employees on the DSC payroll, and it remains fairly constant. However, the overhead percentage varies from year to year, depending upon the size of the program. This percentage is calculated by dividing the projected overhead for that year by the estimate of total new fiscal year monies. In the years 1978-1980, the overhead percentage at the DSC varied from 17 to 40 percent, primarily because of variations in the size of the program, not because of the number of people employed at the DSC.



DSC FUNDING (BY SOURCE), 1978-1980 AND ITS RELATIONSHIP TO OVERHEAD (millions of dollars)

II. FOLLOWUP ON PREVIOUS REPORT

By its response dated September 6, 1978, the NPS addressed the issues raised in the 1978 House Appropriations Committee Investigative Staff report concerning its engineering and design program and suggested additional constructive steps directed at improving its overall planning, programming, budgeting, design, and construction process. In its meetings with each component of the NPS, the Investigative Staff reviewed that response in order to determine whether the proposed corrective actions had, in fact, been taken and also to generate further comments and recommendations concerning needed additional improvements necessary in the NPS.

The Investigative Staff found that the NPS has either implemented, or is in the process of implementing, the corrective measures outlined in its response. While the Investigative Staff believes the NPS is moving in the right direction, certain problems were identified by the Investigative Staff which were beyond the scope of the 1978 review, and these problems cited in this followup report are the basis for the NPS's current unsatisfactory construction fund obligation rate.

The following portion of this report will contain, first, the 1978 Investigative Staff recommendation; second, the NPS response; and, third, observations as to what actions the NPS actually took and effectiveness of those actions.

1978 Recommendation

> The NPS should formulate a 5-year planning and construction program on the basis of NPS determination of desirability, need, and priority, and should present this plan to the Congress in such a manner as to afford the Congress the opportunity to evaluate the program on a project-by-project basis. Subsequent presentations of the updated plan should be in such a manner as to permit the Congress to follow each project's progression in the program on a year-to-year basis.

NPS Response

The NPS indicated that the recommended 5-year planning and construction program was in place and utilized by the Service to prepare its FY 1980 budget requests. The Investigative Staff determined that the Five Year Plan referred to in the response was subsequently replaced by several updated versions which bore little resemblance to that plan and, as a result, did not present the recommended stable planning process which would permit the Congress to follow each project's progression as it worked its way through the program on a year-to-year basis.

Investigative Staff Observation

The latest NPS effort at producing a 5-year Service-wide priority list of construction needs culminated in the compilation of a $526 million 213-item list in the summer of 1980. That list is to be used to determine which proposed projects will be submitted to Congress for funding beginning with the FY 1982 budget submission and will continue on, indefinitely, into later years.

Washington Headquarters' view of that list is that it will be used to guide all phases of NPS planning and program development formulation and that, because it was produced by a high-level management team (the NPS Director, the 10 regional directors, and the manager of the DSC), the process will necessarily produce many improvements over the earlier 5-year lists. Those improvements include: (a) Causing high-level management to become involved in the construction process; (b) minimizing wasteful and unneeded planning by focusing NPS effort on the accomplishment of a universally agreed-upon goal; and (c) a resulting improvement in morale, estimates, and obligation rates.

All NPS officials queried by the Investigative Staff concerning the National Priority List responded favorably to it, and many agreed that the fact that the list was compiled as a result of the interaction between the NPS Director, all ten regional directors, and the manager of the DSC was particularly noteworthy. The consensus was that if the NPS is unable to manage its planning-construction sequence on an orderly basis using this 5-year plan as a guideline, then it would never be able to do so.

The National Priority List represents the single most significant improvement in the NPS planning process since the 1978 Investigative Staff report, and if the NPS is ever to present an accurate projection of its construction needs to Congress, it will be as a result of this list. In light of the fact that, for the first time, the top NPS management has jointly agreed to a single priority list, the Service has moved in the right direction toward providing the "increased discipline" needed in the planning-construction process that was cited as the Service's major need in the NPS cover letter which transmitted its response to the 1978 report.

1978 Recommendation

The Committee may wish to consider having the NPS identify, to the Congress, a level of activity and the costs thereof which the NPS can reasonably be expected to accomplish in any given year, and be prepared to explain to the Congress why a consistent level of funding commensurate with this activity level is necessary for any 5-year program to be effective and below which would obviate the advantages of any program.

NPS Response

The NPS indicated that it has successfully obligated a construction program of over $100 million annually through a combination of in-house capability, architect/engineer (A/E) contracts, and Federal Highway and Corps of Engineers assistance. The NPS has obligated amounts ranging from $136 million in FY 1977 to $151 million in FY 1980, with those amounts ranging from a low of 51 percent of the amount available in FY 1979 to a high of 67 percent in FY 1977.

Investigative Staff Observation

In FY 1981, approximately 80 percent of the new funding available to the DSC is from advance planning, project planning, and construction supervision funds--the "line item" and related accounts. A continuation of the recent cuts in the line item program will quickly erode the DSC's ability to execute a $100 million or more construction program any time in the decade of the 1980's. As of the end of FY 1980, DSC had on board 339 full-time employees, 275 "permanent other" employees, and 52 "other" employees, for a total of 666. The following summarizes the situation that will result at various future levels of funding.

Assumptions--for the purposes of estimating overall staffing levels.

(1) All work done "in-house." This will not, and should not, actually occur. There is normally a need for specialized professional disciplines and technical expertise that could not be afforded on a full-time basis in-house. Some contracting for such specialties would continue, as the types of projects vary from year to year. Also, a "multiplier" effect can be realized if some in-house staff are devoted to A/E contracting for design services as the program increases.

(2) A 1-year look at a multiyear project stream

A "rule of thumb" mix of planning, design, and construction supervision funds which would be funded over a 3-year period is assumed to be available in 1 year:

Advance planning	6% of net construction
Project planning	15% of net construction
Construction supervision	15% of net construction
	36% total

It would take several years of stable funding with this mix to reach the assumed situation.

(3) All line item construction to DSC

None programmed for the Federal Highway Administration (FHWA), or other agencies. Any such outside programming would have to be in addition to the level of line item programming assumed to be available to DSC.

(4) A mix of relatively small projects spread over a wide geographic area, requiring diverse professional disciplines. (Economies could be realized if the total size of the program would allow major projects or combinations of projects at one location.)

DSC's FY 1981 estimated full-time equivalent staffing is estimated to be 641 work-years, at a gross payroll cost of $17.3 million. Adding estimated travel and miscellaneous other expenses (but no A/E contracting) brings the total estimated in-house cost to $23.9 million, or $37,400 per work-year. This can be related to the construction program as follows (dollars in millions):

Total estimated in-house cost, with present staffing	$ 23.90
Deduct nonconstruction-related planning programs	2.70
Costs relating to design and construction (or 567 work-years)	- 21.20
Relate net construction to cost of advance planning, project planning, and construction (assumption #2)	÷ .36
Resulting net construction possible in-house with present staffing levels	58.90
Convert to gross budget amount	X 1.31
Gross budget amount possible with present staffing	$ 77.10

Once the current carryover balances in advance planning, project planning, and construction supervision are obligated, it would take approximately $77 million in gross line item construction to maintain the existing work force. Some alternate levels of funding/staffing can be projected as follows:

Projected FY 1981 Maximum Work-Years

Gross Budget Required (in millions)	Total Work-Years	Change in Staffing Indicated
$ 40.0	294	-273 (48%)
60.0	441	-126 (22%)
77.1	567	-
85.0	625	+ 58 (10%)
100.0	735	+168 (30%)

These are "straight-line" projects which assume that dollar volume of construction awards, and staffing, rise and fall at the same rate. In practice, the project mix of the program could be expected to vary considerably with much larger budgets (e.g., more big jobs) which would result in fewer work-years needed per million dollars of program. Also, a multiplier effect is possible with existing staff, if, as the program size increases, assigned A/E management duties and a portion of the design work are contracted.

In summary, the NPS currently estimates that it would require a gross line item construction appropriation of $77 million to maintain the present work force at the DSC--assuming the current carryover balances in advance planning, project planning, and construction supervision have been obligated. The Investigative Staff believes it is particularly noteworthy that the NPS estimates that existing expertise at DSC for in-house and contract production of design and construction work would be lost to the Service for years if the development program is allowed to slip below $50 million per year after 1982.

1978 Recommendation

The NPS should consider funding both advanced and project planning from a lump-sum account, either individually in separate years, or together in 1 year. If this practice is adopted, the NPS should be prepared to explain to the Congress its rationale for higher lump-sum expenditures and reasons why obligation rates will be affected adversely.

If this procedure is implemented, the pertinent observations of the Investigative Staff should be considered; but, in any event, a full accounting for expenditures, both anticipated and actual, must be reflected during the course of the program cycle.

NPS Response

The NPS agreed that both advance and project planning can be funded from lump-sum accounts but cautioned that those amounts must be kept flexible from year to year.

Investigative Staff Observation

As a result of the 1978 Investigative Staff report, the NPS did, in fact, begin to request lump-sum appropriations for its advance planning program. The Service decided to request funding for its project planning program as a separate line item entry for each project in the budget submission. The lump-sum appropriation for advance planning has averaged $5 million per year since FY 1978,

and the total appropriation for project planning has varied each year with the size of the NPS's projected future construction program. The Investigative Staff views the above as a satisfactory arrangement so long as the NPS gears its planning effort toward those projects which are on the National Priority List.

1978 Recommendation

The 10-238 process as currently utilized by the NPS is difficult in that it requires the 10-238 to do more than it is designed to accomplish. The Investigative Staff suggests that only those 10-238's falling within the 5-year program be sent to the DSC, the others being held at the regions until such time as they can be included in the program and action by DSC would be more appropriate.

The Investigative Staff strongly recommends to the Committee the NPS be required to examine the 10-238 process and revise the utilization of this form to be more in keeping with the purpose for which it is designed.

NPS Response

NPS agreed that the form 10-238 (Development/Study Package Proposal) was a key document in the Service's construction programming process and that there had been instances, particularly during the formulation of the oft-maligned Bicentennial Land Heritage Program (BLHP), where the rough estimates contained in it had been presented to Congress as legitimate, final construction cost estimates. The NPS noted that it was taking appropriate steps to more effectively discipline the system to assure that past misuse of the 10-238 would not be repeated in the future.

The response continued by noting that during the latter part of 1977, the Service conducted a thorough review of all 10-238's and that actions were taken to make major improvements in the quality of the descriptions and justifications on the forms and that the regions were directed to not forward 10-238's for projects beyond a 5-year program to the DSC for estimating.

Investigative Staff Observation

The Investigative Staff determined that the NPS has substantially improved its use of the 10-238 in the following ways: (a) Instituting a "Management--Project Development" course attended by DSC, regional, and park officials, which includes a section on the proper completion of the 10-238 and its importance in the NPS planning process; (b) DSC professionals in many instances assist individual park superintendents in accurately preparing the description of the need in the form which then provides the DSC estimator with more detailed and

complete information on which to base the Class C (conceptual) estimate; and (c) the Washington Headquarters budget division now reviews all 10-238's for completeness and timeliness, and two members of that division have, as critical elements in their performance standards, the specific responsibility for assuring quality 10-238's are available for each project proposed for the current 5-year program.

The Investigative Staff also found that the use or misuse of the 10-238 no longer has a significant impact on the ultimate accuracy of the estimate of a construction item because other internal working documents, such as the "task directive," are generated as a result of the initial submission of the 10-238. These documents continue to refine the scope of the project and its cost as planning moves from the conceptual, 10-238 stage, into advance and project planning. If the NPS makes good its intent to control its planning-design-construction process through the National Priority List, the Investigative Staff feels that the problem with the misuse of the 10-238 has been favorably resolved.

One region recommended that a good way to assure that those 10-238's which are maintained at the region actually reflect a real need sufficient to warrant inclusion in the National Priority List is to establish a lifespan which would require discarding the 10-238 if not updated within a reasonable time period, say 6-8 years. Such a procedure would require each park to periodically reassess its backlog of "desirable" projects, discard those which are impractical, update those which reflect a continuing need, and prevent a future recurrence of what happened during the BLHP when an unexpected massive infusion of construction money led NPS officials to assure Congress that it needed all the money budgeted, when, in fact, that assurance was based, in large part, upon 10-238's which were outdated or were otherwise unreflective of current NPS needs.

1978 Recommendations

(1) The Committee may desire to consider having the NPS immediately formulate procedures to have cost figures for construction projects presented to the Congress as the result of preconstruction planning, not of a Class C estimate.

(2) Cost figures furnished to the Congress should be net figures determined in the planning process. These procedures should be devised in a manner commensurate with the Congressional budget cycle.

NPS Response

The NPS agreed that it should provide the most accurate cost estimate available at each particular phase of the construction

process, that it would provide Congress with a Class A or B estimate along with all line item construction budget requests, and that NPS would provide Congress with the net construction figure containing only a 14.6-percent addition for contingencies. A Class A estimate is based on working drawings and a Class B estimate is based on preliminary drawings.

An analysis of NPS construction project data, DSC project carryover schedules, and budget submissions reflects that the NPS has, in fact, discontinued its past practice of supporting budget submissions with Class C estimates. At present, the only projects which were funded by Congress based upon Class C estimates were submitted prior to the 1979 budget.

Investigative Staff Observation

The Investigative Staff determined that the net construction cost of a project as developed by the NPS planning and estimating process is marked up by an amount equal to 15 percent for construction supervision and 16 percent for contract contingencies. As a result, the amount requested by the NPS for each line item construction project represents a sum which exceeds the net estimated construction cost by 31 percent.

1978 Recommendation

The Investigative Staff recommends the NPS and the Congress consider assigning many of the items now placed with the planning and construction account with the individual parks' operations and maintenance accounts. Many projects could be accomplished in a more timely fashion without unnecessary planning and in a more cost-effective manner if this were done.

NPS Response

The NPS agreed that many repair and rehabilitation projects scheduled for construction funding and some standard designs could be funded from the Operation of the National Park Service (ONPS) account.

Investigative Staff Observation

The Investigative Staff confirmed that this recommendation had been implemented and that the consensus among those regional and park officials with whom the Investigative Staff discussed the matter was that they were pleased with the enhanced ONPS maintenance program. The only complaints voiced were in the form of suggestions that the $10,000 limit placed on new construction which can be funded under the program was too small and unduly restricted regional ability to construct small projects and that the program was underfunded. For example, the Southeast Regional

Office noted it was allotted $4 million for cyclic maintenance in FY 1980 but that it had a clearly established need for $6 million.

Some of the older parks noted that their cyclic maintenance allotments were critically short of meeting their needs in light of their deteriorating buildings, roads and trails, and utility systems, some of which were built around the turn of the century. Yosemite National Park, for instance, noted that it anticipated spending $90,000 of the $131,500 it expects to receive in cyclic maintenance funds in FY 1981 on "overlaying" 2 miles of park roadway. With continued annual funding at the same level, it would take over 132 years to resurface the 265 miles of primary and secondary asphalt roads in the park. Yosemite officials said it was obvious to them that given the 20-year average life cycle between resurfacing of their roads, it was essential that additional funds be programmed to prevent further deterioration and a major road rehabilitation project.

They noted that in FY 1980, the Yosemite maintenance division was not given an increased allotment to compensate for the effects of inflation on its primary activities such as building and road maintenance and electrical system support costs. Park officials estimated that those services would cost $300,000 more in FY 1980 than they did in FY 1979 and that because they cannot be reduced or deferred because of Federal or State regulations, other functions had to be cut to help subsidize the primary activities. The end result, they observed, is a substandard maintenance of park campgrounds, scenic areas, trails, and roadways to an extent where major rehabilitation is now required where regularly scheduled maintenance could have protected the public's investment for years to come.

The Investigative Staff notes that the NPS implemented its plan to fund repair and rehabilitation projects and small-scale construction projects from a maintenance account by establishing the ONPS program, which was then divided into four adminstrative categories: (a) Preventive and Operational Maintenance; (b) Cyclic Maintenance; (c) Repair and Rehabilitation; and (d) Cultural Resource Preservation Program. The Cultural Resource Preservation Program is the account which allows the regions to complete smaller cultural resource preservation (CRP) projects on their own, without going to the DSC for technical assistance, and occasionally leads to arguments between the two components over who should rightfully manage a given CRP project.

The term "cultural resource preservation" is preferred by the NPS over other similar terms, such as historical rehabilitation, and will be used in this report when referring to NPS projects designed to preserve or restore historically significant structures. The NPS is presently at a critical stage in the development of its CRP program and must soon decide whether it can be most efficiently operated entirely from the DSC, entirely from enhanced regional cultural preservation centers, or from a refined arrangement based

upon the present DSC-regional division of responsibility. Although the present availability of Cultural Resource Preservation Program funds works well for minor projects, it requires that ad hoc decisions be made as to which component will assume responsibility for those CRP projects which are attractive to both, a situation which sometimes results in expensive, project-delaying disputes.

1978 Recommendation

(a) The Committee may desire to have the NPS submit to the Congress a detailed explanation as to the rationale for project funding and should consider ending the practice to every extent possible by making costs related to the operations and maintenance of the service centers and the NPS headquarters in Washington, D.C., appear as line entries in budget submissions.

(b) Additionally, the NPS should submit to the Congress its rationale for the so-called "grossing up" process associated with project funding and should consider altering this process to coincide with changes instituted to base fund the service centers and the NPS headquarters.

(c) The Investigative Staff recommends that if the "grossing up" process is retained, the figure it represents should be furnished to the Congress on a project-by-project basis so that the Congress can determine overhead costs, and other costs that are not for actual construction.

NPS Response

Alternative (a) was not addressed by the NPS response apparently because the NPS opted to continue financing the DSC and Harpers Ferry Center as project-derived line items in the budget, as suggested in alternative (c). The response did not address the recommendation that NPS headquarters in Washington be funded as a line item in the NPS budget submission.

Concerning (b), the NPS did not respond to the recommendation that it prepare a rationale for its "grossing up" process. The Investigative Staff notes that all NPS construction project budget requests submitted to Congress represent a figure which is 31 percent above the estimated contract construction cost, which is composed of a 15-percent allowance for construction supervision and 16 percent for construction contingencies.

Investigative Staff Observation

Appropriate regional, DSC, and Headquarters officials were queried as to the rationale behind increasing the estimated cost

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of each project submission by those percentages. The most recent document justifying the 15-percent amount charged for construction supervision provided to the Investigative Staff was an August 4, 1977, memorandum from the DSC manager which noted that an analysis of past and ongoing construction contracts reflected that an average of 14 percent would be required to provide construction supervision. The memorandum further observed that "These funds must be documented, controlled and managed the same as all other fund sources if we are to avoid very serious problems in the future."

Similar discussions with appropriate NPS officials concerning the justification for the 16-percent contingency amount failed to produce any data to support its use, other than the statement in the response that "Most public and private agencies doing construction provide an amount for contingencies to cover unforeseen circumstances. In the past, the Service has used 14.6% of the net construction amount."

The Investigative Staff notes that the Office of Inspector General, Department of the Interior, is presently conducting an audit of NPS accounting procedures at the DSC. Preliminary results indicate that there is marginal integrity between the construction supervision and contingency accounts of different projects being managed by DSC, and that a number of the projects analyzed show it is impossible to determine exactly what amount was expended on a given project. To the extent that the Congress desires to be able to track construction costs for each project that it approves, the NPS failed, both in its response and through its present accounting system, to provide either a rationale for the 16-percent figure or a means to determine how much was expended for construction supervision and contingencies on any specific project.

Regarding recommendation (c), as noted above, the NPS elected to continue "grossing up" its construction budget submissions to Congress by an amount sufficient to cover construction supervision and contingencies (31 percent).

1978 Recommendation

The NPS should consider establishing set criteria for facilities which are common to most parks and keep plans for these facilities "on the shelf" to be altered to fit the particular environment of each park.

NPS Response

The NPS indicated that it did have standard designs for many structures, but that "It does need, and will supply, better guidance and criteria as to where and when these should or should not be used." The response continued by noting that "Good common sense

should be the rule when developing plans but that common sense needs to be backed up with criteria and direction. We will be developing guidelines on: size and types of visitor-use facilities--utility systems--employee, seasonal and concessioner housing * * * life cycle cost analysis for facility development."

Investigative Staff Observation

The Investigative Staff determined that DSC designers have available to them a catalog of 43 standard drawings and 103 detail sheets containing plans for projects ranging in diversity from contact entrance stations, comfort stations, and residences to septic tanks and water purification units. The decision as to when and where to use those designs is based upon discussions between the park, regional officials, and the DSC design team assigned to the project who consider diverse influences ranging from the aesthetic tastes of the park superintendent and the need for a "mood setting structure" in the park to more mundane considerations such as what design would best meet Federal and State health, safety, and environmental guidelines while still remaining within the projected amount of available funds.

The DSC advised that no new guidelines have been developed to establish specific criteria for the use of standard-design facilities which are common to most parks. DSC officials noted, however, that the whole philosophy behind the DSC planning and design process is to design the most suitable project for a given park while being mindful of budget limitations.

While the Investigative Staff recognizes the fact that, given the diversity of locations and climates within the National Park System, not all construction projects will lend themselves to standard design, some projects do. In particular, the Investigative Staff believes the NPS should discontinue the use of custom-designed sewage treatment plants except in those instances where it can be clearly demonstrated that a standard design or "package sewage" plant is unsuitable. Although the NPS design and construction program has moved away from the era of building visitor centers which occasionally were more notable as "monuments to their designers" than they were as buildings built to serve the visiting public, the need to stress the importance of utilizing standard designs applies even to the area of current greatest concern--public health and safety projects.

1978 Recommendation

The NPS should take immediate steps to improve its ADP procedures at all levels of management responsibility.

NPS Response

The NPS agreed that there was room for improvement in its ADP capabilities and that it would generate a "Functional Requirements" document which was to " * * * provide a basis for the initial

understanding between users and ADP personnel of those changes that must be made to the existing automated data processing capability." It identified two principal problem areas as being inefficient procedures utilized by the programmers, analysts, and planners, and the ineffective use of the ADP tools and technology currently in place and readily available.

Investigative Staff Observation

The Investigative Staff determined that the NPS has not yet generated a "Functional Requirements" document, and discussions with NPS programmers and planners reflect that no improvements in the ADP system have been instituted to remedy those problems described in the 1978 Investigative Staff report which indicated that much of the project data was outdated or erroneous and that it was difficult, if not impossible, to reconcile the records of a given project as maintained by one component with those of another component on the same project.

Both DSC and Headquarters officials note that the NPS has retained the services of an A/E firm to design a centralized accounting and project management system that will alleviate the problems cited in the 1978 Investigative Staff report. Although the system was originally intended to be in place in FY 1982, those officials explained that the installation of the new system was delayed until FY 1983 due to budgetary restrictions. The NPS claims that in addition to providing better and more timely information for park operations, the new system will facilitate and enhance project management by providing a full cost accounting capability; integrating the project management and accounting systems; providing faster responses to requests for data; and providing "custom" management reports for project control and monitoring.

The Investigative Staff believes it is essential that the NPS make operational its planned new ADP system as quickly as possible. A frequent and continuing complaint heard from NPS managers at all levels was that it was impossible to get a "real time" handle on the financial situation of most projects which involved an interplay between the regions and DSC. Of those projects discussed first at DSC and then in the regions, the Investigative Staff found, without exception, that the financial management data provided by DSC failed to correspond, in significant aspects, with similar management and programming data provided by the regional office.

Such conflicting management documents ill-serve the NPS in several ways. First and obviously, management decisions based upon information that is either outdated or simply incorrect are necessarily flawed from the beginning. The result is either a project that neither the DSC nor the regions feel is exactly what they wanted or originally planned for or one whose costs are seemingly out of control.

Second, the inability of the regional offices to "track" the cost of a project being completed within its jurisdiction leads to a noticeable sense of frustration. As one regional official put it (this time describing his inability to explain the current status of work at Springfield Armory), the project illustrates the " * * * perennial problem of knowing what's available."

That situation might be excusable if the regional office had no management responsibility for those projects handled by DSC. However, they in fact do, ranging in dimension from approving construction drawings and the scope of change orders executed while work is progressing to coordinating the obtaining of needed environmental and historical rehabilitation permits when needed. The Investigative Staff notes that many management decisions are difficult enough to make, even when all of the necessary data are current and available. The present situation lends itself to an atmosphere of either a region or the DSC pointing an accusing finger at the other for the results of a decision which proved wrong.

Third, the inability of planners and programmers at both the DSC and regions to rely upon the data available to them as being a final and complete record of project expenditures from the planning stages through actual construction leads to an atmosphere of distrust over exactly how the DSC spends what many regional officials perceive to be huge amounts of money for items which many of them (rightly or wrongly) feel could have been accomplished more economically by the regional staff. One regional official commented that, as an example of regional inability to fully understand the status of a given program, DSC might be programmed $50,000 to complete a historic structure report. When regional inquiries were made as to the status of the report, the official opined that DSC usually offered noncommittal responses and delayed describing the current status of the report. DSC finally admitted that it had run out of money and needed more before the report could be finished.

The official described that sequence of facts as being fairly typical and noted that an accounting system which would pinpoint the status of project funds dispersed through the various planning and construction accounts was sorely needed in the NPS.

The Investigative Staff notes that the present ADP and accounting system enables the DSC to move funds from one account to another, oftentimes without procedures being taken to enable NPS officials to track them and, most importantly, to provide a correct, grand total cost for any given project. The pressing need for an updated ADP capability in the NPS is perhaps best expressed by a regional official who advised: "There is presently no unified project-history data base which can present the history of a single project in one printout, and which could also be used for capitalizing all costs upon completion. Sources of funding changes are not retained in present printouts, gross amounts are suppressed in favor of net amounts so that 'overhead' on many projects is lost, and too many changes and too much handwork is involved in the annual transitions from one fiscal year to the next."

1978 Recommendation

The NPS should take immediate steps to improve the quality of its management at all levels, and should impress upon its managers at all levels that their duty is to make the difficult decisions in the best interest of the National Parks.

NPS Response

The NPS stated that it " * * * recognizes the need to improve the discipline of its planning, programming, budgeting, design, and construction process * * * the discipline required must be one which recognizes the Service's overall mission * * * and must correlate and meet the needs of the Administration and the Congress * * * . Such discipline must be the result of a cohesive decision-making process and methodology, with leadership being exerted by the Washington Office. It requires that processes and organizational roles be defined clearly, that they be monitored continuously, and updated as needed."

The response also identified three ways that the negative aspects of the "We-They" conflict between component parts of the NPS could be reduced: (a) Improved communications; (b) clear instructions for important issues; and (c) increased training to familiarize NPS managers with the planning-programming-budgeting process.

Investigative Staff Observation

The Investigative Staff determined that the NPS has, in fact, taken steps directed at improving the quality of its management at all levels. Those steps are as follows:

The NPS has made efforts to attract high-caliber professional planners, engineers, and architects to staff the DSC by publishing announcements in trade magazines and recruiting at engineering schools.

The development of "critical elements" in position appraisals for key NPS managers which require them to closely monitor such crucial portions of the planning-programming-budgeting process as the quality of 10-238's and the amount of the NPS construction budget that is carried over as unobligated funds from one fiscal year to the next will provide the necessary incentive for the discipline which has been absent from the system.

The Investigative Staff believes that the placing of responsibility for a successful construction obligation rate with the manager of the DSC and certain other key Headquarters officials is a significant step in the right direction inasmuch as those managers who are in a position to either make or influence decisions concerning the development and scheduling of construction projects will now be held accountable for their actions. The

Investigative Staff notes that it has been difficult, if not impossible, to determine which NPS official made critical decisions as to the implementation of a given project that subsequently developed into a carryover.

In almost every instance, NPS officials who were queried as to the reason why an ill-fated project was ever approved and recommended to the Congress for funding offered excuses such as "outside influences," "political expediency," or "unexpected developments at the project site or in the design itself." None of these NPS officials contacted by the Investigative Staff ever "bit the bullet" and assumed responsibility for any of those projects, discussed elsewhere, which should never have been sent to Congress for funding in the first place. The new system should eliminate the "buck passing" and fix liability for project failures with those NPS officials in positions of responsibility. The fixing of responsibility, coupled with sanctions for obviously bad decisions and the rewards built into the performance rating system for good decisions, should eliminate what the Investigative Staff sees as the greatest problem with the NPS construction program--going to Congress for construction funds before the project has been sufficiently designed and thoroughly considered.

A new "Planning Guidelines" document is being prepared which will consolidate all the internal and legislative mandates that bear directly on the NPS planning-design-construction process and present them in a clear, understandable format. This planning document will serve as a guideline for establishing what needs, if any, exist in the park and will then prioritize those needs as reflected in a 10-238 which will be prepared by park officials and regional technical experts.

The Investigative Staff believes that the new "Planning Guidelines," combined with the new National Priority List and the increased accountability of top managers, should result in a more orderly process. The only caveat is that the "Planning Guidelines" will be advisory, not mandatory, leaving open the possibility that unexpected or unnecessary design changes could be requested in "midstream" to the detriment of the whole process. The NPS may wish to make the new guidelines compulsory and require a regional director who requests a design change after the intial project concept and advance planning have taken place to fully justify the need for the change and agree to be accountable for the results.

As already discussed, the decision by the NPS to gather its Director, its 10 regional directors, and the DSC manager in one room in order to jointly discuss the system-wide needs of the Service, and then to mutually agree, for the first time, on a national 5-year priority list, represents a signal improvement in the planning-construction process. Due to the long lead-time required to bring a project from its conception through to completion, the National Priority List will have no discernible effect on the process for 2 to 3 years. After that period of time, however, the Investigative Staff believes the NPS will have purged itself

of the remnants of the BLHP and other results of poor planning and sequencing, and will be headed in the right direction.

As a new process designed to complement the National Priority List, the NPS has taken steps to improve its procedure for programming those projects selected from the list for advance planning and design work at the DSC. In the past, the now defunct Headquarters Program Action Board (PAB) selected projects for planning and design work based upon project priority lists submitted independently by each of the regions with little or no input from DSC. That selection generally occurred in March of the year prior to the relevant budget submission and, once approved by the NPS Director, was given to the DSC for comments and implementation. After that initial, preliminary contact with DSC, Headquarters or the PAB generally had little further contact with DSC concerning the status of the projects on the list until sometime in September or October (6 to 7 months later) when verbal, telephonic exchanges between Headquarters and the DSC manager and the various chiefs of design took place. A Headquarters official stated that "ad hoc assurances" were normally given that planning for the proposed projects was under way or soon would be, but the past history of large carryovers and other indications of poor coordination between the planning for a project and its inclusion in the budget submission to Congress indicate that the system needed refinements.

The new proposed programming sequence will delegate authority to the DSC to schedule those projects which appear on the National Priority List in whatever combination or sequence it determines would allow for the most efficient use of its capabilities in light of budgetary constraints placed upon the NPS by the Office of Management and Budget. For example, given a proposed construction budget of $50 million, DSC might decide that it could most efficiently plan for items numbered 10 through 35 on the National Priority List. Both Headquarters and the regions would be notified, and those regions whose projects were skipped over (numbered one through nine in this hypothetical example) would have the prerogative to appeal the DSC's selection to the Headquarters budget office.

The Investigative Staff agrees that programming authority rightfully belongs with that NPS component which will bear the highest degree of culpability for any misplanned or maldesigned projects--the DSC. That change, along with the other improvements already made or recommended, should result in a more efficient planning-programming-budgeting-design-construction process.

As to that part of the response which indicated three ways that the negative aspects of the "We-They" conflict between component parts of the NPS could be reduced, the Investigative Staff found the following:

The NPS did take steps to improve the style and content of its communications between Headquarters, DSC, and the regions to the point that whatever "short-sighted parochialisms" may have existed

between them at the time of the 1978 Investigative Staff report have been minimized or eliminated. In general, all those NPS employees interviewed felt there had been a real effort by top NPS managers to increase the flow of ideas between component units at all levels. Many employees believed that communications emanating from Headquarters had become less dogmatic and that the leadership was more receptive to suggestions for ways in which the Service could be improved than they were in the past. A number of regional and park employees cited the increased detailing of DSC technical experts to those parks with a current need for their talents as being a positive factor in reducing the previous "We-They" syndrome.

As a general statement, the Investigative Staff found very little evidence of the "We-They" problem cited in the previous Investigative Staff report, with the exception of one area--cultural preservation. As is more completely discussed in chapter III, the "We-They" friction between the regions and DSC in that area is very strong, to the point where it is impeding NPS efforts.

As discussed above, "NPS-2," the new guideline on programming and budgeting which the response promised, is still in rough-draft form. The specific effect of that document on the preparation of 10-238's and on the whole planning-construction process in general is conjectural at this point. As described to the Investigative Staff, however, it should satisfy the change promised in the 1978 NPS response.

The response also noted that the NPS had implemented an effective instruction technique; namely, the Policy, Directive, and Guidelines procedures. All those employees interviewed who were familiar with those techniques noted that they were effective and represented an improvement in the system.

Finally, the NPS response indicated that NPS would emphasize development of a training program which would outline the entire NPS planning, programming, and budgetary process to park superintendents and others who are in a position to influence the success or failure of the NPS construction program. The Investigative Staff determined that the DSC manager has given three courses since the 1978 Investigative Staff report which were directed at giving the park superintendents and DSC employees who attended a broad overview of the NPS management system, program formulation, and the budget and construction cycle, along with legislative and regulatory influences on the design process. In addition to those courses, which were given at DSC and Harper's Ferry Center, the DSC manager has given similar courses in 5 out of the 10 regional offices within the past 2 years.

Those employees interviewed who attended one of the courses were positive in their comments and generally noted they had a better insight into the planning-construction process, which would allow them to more efficiently fulfill their functions.

The Investigative Staff believes that the steps taken by the NPS to overcome the "We-They" problem noted in the last report have been effective. Both Headquarters and DSC officials explained that it was their desire to expose more NPS employees to the above programs but were prevented from doing so by budgetary limitations.

III. NEED TO DEFINE ROLE AND FUNCTION OF DSC AND REGIONAL OFFICES IN CULTURAL RESOURCE PRESERVATION PROGRAM

The Investigative Staff found that the cultural resource preservation (CRP) program is beset with internal bickering, which has resulted in the establishment of inefficient dual managerial and working levels at DSC and the regional offices. To correct this inefficient operation, the Investigative Staff believes NPS must take immediate steps to clearly define the role and functions of the CRP program at DSC and the regional offices.

Background

The mandate to preserve cultural resources for the benefit, enjoyment, and understanding of this and succeeding generations is contained in the National Park Service Organic Act of 1916 and subsequent legislation concluding with the Archeological and Historic Preservation Act of 1974.

The NPS has developed guidelines for resource managers and professionals at all levels to follow to protect the cultural resources of the national park system; to prevent adverse effects on those resources by development, visitor use, or resource management activities; and to prohibit their unauthorized removal or destruction.

The present scope of the NPS CRP effort includes preserving and maintaining approximately 10,000 structures, ranging in importance from Independence Hall in Philadelphia to a trapper's cabin in Yosemite National Park. Functional responsibility for either preserving the structure in its present state or deciding to treat the structure through an acceptable renovation technique lies with the park superintendent and the regional director within whose jurisdiction the structure lies. Once a structure is earmarked for one of those techniques, the planning, programming, design, and construction sequence is, in many instances, identical to that utilized for new construction projects.

As in new construction projects, those CRP projects which are relatively small in scope and cost and require comparatively little technical expertise to plan are generally handled by one of the 10 regional offices. In many instances, those projects are planned and completed in one fiscal year and are funded out of the region's Operation of the National Park Service (ONPS) account. There are exceptions to that generalization, however, which tend to confuse the orderly flow of a CRP project. Those exceptions will be discussed later.

Similarly, large CRP projects which require detailed and multifaceted technical expertise to complete are managed by DSC professionals who provide advance and project planning documents (or contract out to A/E firms for their production) as well as actual onsite supervision of the CRP effort as it progresses.

Obviously, the larger the CRP project, the more money it will cost, and the more likely DSC will be to insist that it, and not the regional office, be given responsibility for the project. This insistence is engendered by DSC's constant need to generate operating revenue through its percentage cut of the amount budgeted for each project controlled by it, whether CRP or new construction.

"We versus They" Attitude

In its examination of the NPS CRP effort, the Investigative Staff identified the area of competition for projects as being a critical choke point. The working relationship between DSC and the regional offices runs smoothly when a proposed CRP project is clearly too small for the professional staff at DSC to concern itself with or obviously too large for the limited professional talent within the regions to handle. A problem arises, however, when a proposed CRP project is attractive to both the regional office and DSC.

In the absence of any clear-cut rules establishing where regional authority to manage a CRP project ends and where the DSC has a right to expect that the project be turned over to it, regional and DSC employees are left to their own means to establish and defend their "turf." At times, that procedure results in hard feelings, bruised egos, and something less than an efficiently run program. In almost every one of those CRP projects marked by disagreements between DSC and the region as to which one should manage it, delays were noted in the making of such basic decisions as who would do the historical and structural research for the project. In some instances, that indecision was reflected in a failure to obligate funds for the project during the fiscal year for which they were appropriated. More frequently, however, the jurisdictional infighting resulted in delays during the actual rehabilitation work and excessive amounts of money being spent on redoing essential documents, like the historic structure report (HSR). The reasons for these delays can generally be categorized as the region's distrust for the quality of the product put out by DSC, resentment over what some regional CRP officials consider to be DSC intrusion into their affairs, and the belief that the region could have planned and managed the project more efficiently and with greater sensitivity to preserving the historic fabric of the structure.

As a general rule, the Investigative Staff found the CRP employees to be eager to get on with a given CRP project and to carry it through to its logical conclusion. In many instances, however, their efforts were delayed by an NPS-created administrative mechanism which sometimes confused and impeded the CRP program instead of providing an impetus and sense of direction to it.

Is New Construction Approach Appropriate for CRP?

As will be illustrated through an analysis of those CRP projects which have either resulted in carryovers or in undue delay in

their completion, the attempt by the NPS to use a "new construction" format for the planning-budgeting-construction phase of many of its CRP projects is oftentimes inappropriate, given the inherent differences between building a new structure and analyzing an existing structure to determine the best way to preserve it.

In general, the Investigative Staff believes that the "new construction" approach to CRP projects is inappropriate as a result of the innumerable variables which distinguish one CRP project from another. These variables are too unpredictable, in most instances, for the whole project to be planned out in advance--"blueprinted"--in the same way that an architect prepares detailed plans for a new building. As one regional official put it: " * * * historical rehabilitation of a building is a little bit like exploratory surgery--you don't know what you've got until you get in there." Many regional employees noted that the result of the "new construction" approach is that much of the planning done by DSC before any work is begun on a structure frequently proves to have been wasted effort when actual work begins. Frequently, the structure is unsuited, for any number of reasons, to the treatment called for in the initial DSC plans. Regional employees stated that wasted and misdirected planning was not uncommon, and some observed that it was a major reason why they usually tried to avoid DSC involvement in any of their projects.

Along with the problems arising from the absence of clear-cut rules defining regional and DSC authority in this area, the Investigative Staff found that the NPS effort generated more hostile "We-They" feelings between regional and DSC employees than were encountered anywhere else in the NPS.

Without exception, those regional NPS employees involved in the CRP program were critical of the way DSC handled projects assigned to it. They observed that DSC employees involved in CRP are "sitting in an ivory tower" and are subjected to little pressure to satisfactorily complete a project, as compared with regional employees who are immediately accountable to local park superintendents for the status of their projects. They also suggested that, given the large number of professional people at DSC, anyone who might be particularly sensitive to a CRP project gets "lost in the shuffle."

Need to Consider Most Cost-Effective Approach for CRP

The DSC was repeatedly criticized as not being able to "live within its budget." Some were of the opinion that when DSC becomes involved in a CRP project, it "blows one-half of the budget on travel expenses" alone. As one NPS official put it, "the concept of DSC is predicated upon unlimited travel," and many regional employees feel that spending money for air transportation and per diem to bring DSC employees to the site of a CRP project which might be in the "backyard" of a regional office is wasteful. That feeling is exacerbated by the opinion of many that the current NPS

CRP program is underfunded in the first place and that many historically significant structures are deteriorating at an alarming rate.

The second major area of regional criticism of DSC was directed at the more basic issue of how the NPS could best fulfill its responsibilities as a custodian of this nation's historically significant structures. Many employees felt that by its very nature, DSC was not geared to perform CRP work in that most of its architects and engineers are oriented toward "new construction" as opposed to the preservation of an already existing structure.

As one individual in charge of a regional CRP program observed: " * * * DSC was formed as a new design center and CRP was just tacked on to its responsibilities." He described the result as being an inefficient program where many, if not most, of the DSC architects assigned to his projects are not historical architects and seem to have difficulty in adjusting to the unique demands of the preservation of an existing structure as opposed to building something from the ground up. He noted that he was dissatisfied with the service provided to him by DSC and that on some projects the few trained historical architects on his staff were tied up correcting DSC's mistakes, rather than supervising their own projects.

Still another manager of a regional CRP program agreed that it was flawed by a lack of properly trained historical architects at DSC. He noted that the lack of training and experience by DSC professionals has led to "preservation" techniques which destroyed the very historic fabric of a structure that the project was designed to protect. It was his opinion that it was impossible for an architect to develop sufficient expertise to qualify him to direct a preservation project in the absence of a great deal of time spent in actual "on-the-job" training with other qualified and more experienced historical architects. It was his belief that the present DSC structure has not provided for such training and that omission was a critical failure for the CRP program.

He believed that what he perceived as DSC's lack of sensitivity toward CRP stems from the fact that the CRP program is handled by the various "teams" that perform all the design and construction work for each region and that there has never been an effort to distinguish between "new construction" and preservation.

The following ongoing CRP projects were selected for review by the Investigative Staff either because they were carryovers or because they were brought to its attention by regional or DSC officials who were concerned that the projects were not being managed properly.

Andrew Johnson National Historic Site--Tennessee

Congress appropriated $155,000 in construction funds in FY 1980 for the rehabilitation of the first Andrew Johnson home.

Discussions with both DSC and regional employees involved in the project reflected that both parties were never able to agree upon a single game plan for rehabilitating the structure and that, as a result, the project became bogged down with mutually critical memorandums; was rescheduled from a DSC to a regional project on the last day of the 1980 fiscal year; and is now scheduled to be completed by the Southeast Region sometime in FY 1981.

The major problem at the Andrew Johnson National Historic Site centered around the accuracy of an HSR prepared by the DSC team responsible for the Southeast Region. The Southeast Regional Office believed the HSR contained inaccuracies, the most important of which, in its opinion, was the failure to resolve the issue of whether or not to restore a rear porch, which was constructed sometime after the main part of the house and possibly even after Andrew Johnson lived in it. DSC believed that since the addition of the porch could not be exactly dated, it should not be restored. The region maintained that the porch should be preserved inasmuch as it appeared weathered in an 1875 photograph of the house and could possibly have been constructed before President Johnson sold it in 1851. The region believed that the porch should be retained because it was obviously old and future dating techniques may allow the NPS to exactly determine whether or not the porch was a part of the house as Johnson knew it.

Other disputes leading to the region's decision to reject DSC's assistance and to abruptly assume responsibility for the project included, but are not limited to: (a) The feasibility of designing an area in the house to contain a collection of Johnson-related books; and (b) the feasibility of preparing the house for "adaptive use," or utilizing one or more of the rooms to house NPS administrative offices. Both components took contradictory stances on those subjects, although the matter is now presumably resolved in favor of the region's position.

The inability of the region and DSC to agree on the proper approach to preserving the house led the Assistant Manager of the DSC team involved in the project to write to the Southeast Regional Director:

> "While it is not unusual for this office to agree with regions on responsibility for construction work and for regions to accomplish that work, it is unusual and awkward to transfer a project at this stage * * *. I have discussed below some of the reasons for the delay in accomplishing the project. I believe the responsibilities for that delay rest largely with the direction on this project given by your office."

The region, on the other hand, points the accusing finger at the DSC and describes the project as having been mishandled by DSC

from the beginning. As one regional official put it, "I felt this was one project DSC couldn't foul up--but they did."

Regardless of who is right, the project is presently a carry-over, there has been a duplication of effort by DSC and the region, and the Andrew Johnson home has not been preserved in a manner as timely and cost-effective as it could have been.

Tuskegee Institute National Historic Site--Alabama

Tuskegee Institute was authorized October 26, 1974, with a congressionally mandated development ceiling of $2,862,000 placed on the renovation of its three historic buildings, along with related road and utility work. A total of $2,697,000 has been appropriated for the project from FY 1977 through FY 1980.

As a result of the large amount of money involved and the need to "fast track" the work to meet a March 29, 1981, dedication date, there apparently was no disagreement from the region over DSC's assumption of control of the project. The region does argue, however, that DSC has mishandled the project and that its "new construction" approach was insensitive to preserving the historic fabric of at least one of the buildings ("Grey Columns") and has led to an excessively expensive project that is currently estimated to result in approximately $300,000 in project overruns and construction modifications, which the region claims should have been anticipated during the initial planning stage.

The region noted that the DSC committed something close to a "criminal abuse" of NPS-28, a controlling NPS guideline, by cutting holes in the floors and walls of "Grey Columns" to facilitate the installation of ventilation duct work. It was also displeased by DSC's lack of sensitivity and failure to adhere to pertinent CRP guidelines by approving plans that called for cutting into historically significant wood ceiling molding in order to install smoke detectors. A regional official said that he noticed the plan before the work was done and conferred with the Tuskegee superintendent who also agreed that the smoke detectors should be relocated. The contractor was notified of the change and consented to it, but the region later learned that DSC had countermanded that decision and that the molding was, in fact, damaged to make room for the smoke detectors.

The regional official described those incidents as being fairly typical of his experiences with DSC and noted that its techniques were in direct conflict with his own pragmatic "seat of the pants" approach to CRP which permits him (in his opinion) to accomplish more preservation work per dollar than DSC can, while still preserving the original fabric of the structure as called for by NPS guidelines and relevant Federal legislation. He concluded by observing that costs at Tuskegee are so out of hand that he cannot "track" them anymore. He felt that DSC's handling of Tuskegee was generally reflective of its approach to all CRP projects and lends further support to his belief that "DSC can't

live within their budget." He expanded on that generalization by recalling that when he once pointed out to a DSC official at Tuskegee that a certain technique would prove to be unnecessarily expensive, he was told: "DSC says don't worry about the budget--we can always get more."

In all fairness to DSC, that official agreed that he had experienced more unsatisfactory results on other DSC-managed projects than he believed were present at Tuskegee. Aside from a few comparatively minor problems, he felt DSC's greatest failure at Tuskegee was its desire to do too much work with the amount of money available to it without providing enough of a contingency fund to accommodate the unexpected developments that always arise during a CRP project.

The official noted that, as usual, DSC spent what he considered to be too great a percentage of the total amount available doing preliminary historical research, much of which he categorized as being "nice to have" but not essential to completing the project at hand. As an example, he criticized DSC for performing paint analyses at "Grey Columns" to determine the color and composition of each of the many layers of paint applied to the structure over the years. It was his opinion that that type of research is simply not needed in a project like Tuskegee where the plans did not call for destroying any parts of the building. A more appropriate technique, he believed, would be to simply repaint those areas in need of painting and allow the sublayers of paint to remain, undisturbed, until any parts of the structure are slated for destruction, at which time the historic layers of paint could be analyzed and recorded. In summary, he believed DSC should have expended more of the project money on "bricks and mortar" and less on certain aspects of planning and historical research. He believed historical research was interesting from an intellectual viewpoint but not essential to the primary concern, which was to preserve the structure. The result, he believed, was that the three buildings at Tuskegee will not be as well preserved and made as weathertight as they could have been with the amount of money that was available.

Martin Van Buren National Historic Site--New York

Martin Van Buren's home was acquired by the NPS in 1973, and during the period FY 1976 - FY 1981 Congress appropriated a total of $812,000 in the form of lump-sum advance and project planning amounts and line item construction money for the rehabilitation of the structure. Although the regional office initially requested authority to handle the necessary preservation work in the same way it had handled other similar projects, DSC assumed control over most of the work, with the region handling only a portion of the research for the HSR.

A Headquarters CRP official observed that the Martin Van Buren National Historic Site is a perfect example of the basic conflicting philosophies that exist in the NPS CRP area today. On the one hand, the regional office wanted to manage the project on its

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own, without DSC assistance, using a gradual "preservation-maintenance" approach, as opposed to DSC planners who proposed a more "construction oriented" approach to the problem. The official noted that the first approach would have allowed the NPS to progress in a more or less orderly fashion from the areas of the house that were in greatest need of work (i.e., the roof) downward to those areas in lesser need of repair. He pointed out that this approach eliminated the need to prepare detailed and extensive planning, historical research, and construction documents prior to beginning any work on the project, and allowed enough flexibility for those working on it to be able to handle the unexpected crises which inevitably arise without incurring the time delays and expense involved in redesigning and renegotiating contracts.

DSC officials assigned to the project believed it was proceeding as well as could be expected, considering the awkward working relationship that was established between DSC and the region which allocated all project management to DSC except for approximately 35 percent of the HSR which was done by the regional office.

That division of labor for the HSR is a key reason for the dissatisfaction expressed by all regional officials interviewed over DSC's handling of the project. One of them believed that had the region been allowed to "keep" the project, the HSR could have been completed 18 months ago and the project would have been much further along than it presently is. He noted that both the region and DSC began work on their parts of the HSR sometime in 1976 or 1977 and that the region completed its section in late 1980.

DSC plans to complete its portion of the HSR by March 1981. All work on the project, with the exception of some weatherproofing treatments, has been stopped at the request of the region, pending completion of the HSR.

Perry's Victory and International Peace Memorial--Ohio

Perry's Victory, the world's most massive Doric column, was constructed during the period 1912-15 and is the subject of preservation efforts aimed at stopping excessive water infiltration from further damaging the structure.

In FY 1975, the NPS paid an A/E firm $55,000 to examine the monument and to prepare a detailed analysis of the reasons for the deterioration of the complex concrete, brick, and granite column that has been described as a "massive structure with massive problems." The resulting report apparently did not answer the needed questions and, in FY 1976, the NPS paid a second A/E firm $216,000 to reassess the first A/E's plans and to explore other preservation treatment possibilities. That firm developed a strategy to treat the monument and estimated the project could be completed for between $3 and $4 million.

In FY 1980, Congress appropriated $2,370,000 to waterproof the column and its surrounding plazas. An NPS official assigned

to Washington Headquarters stated that although a contract was awarded for the work on September 22, 1980, there are still numerous unresolved questions concerning the basic issue of exactly how the needed cleaning and weatherproofing requirements will be performed, both from the technical standpoint and in light of guidelines for such projects contained in section 106 of the National Historic Preservation Act of 1966 (NHPA).

That official concluded that those unresolved issues exist even though approximately $500,000 has been expended by DSC for "professional services" to analyze and resolve the problem. He believed that the present problem was caused by the failure of DSC to properly define the "scope of work" in the task directive at the time both of the A/E firms were retained to analyze the structure. He described the first A/E firm as having no CRP experience and the second as having only minimal experience. He noted that when DSC defined the "scope of work" for the firms, it apparently failed to include a request that the following basic issues be addressed: What is the long-term water infiltration rate, and what is the best way to deal with the problem without violating section 106 of the NHPA?

A regional official noted that all work on the column has stopped and will not resume until DSC determines what the long-term effects of any cleaning and repointing of the monument will have, as required by the NHPA. The Investigative Staff determined that DSC has referred the problem for resolution to the NPS Cultural Preservation Center which is located in Boston. The chief of that center believed he would be able to conduct an onsite study sometime in March or April 1981 to determine the most effective way for the contractor to accomplish the contract he was awarded without violating the NHPA. He estimated the cost for that survey as being roughly $16,000.

The Investigative Staff notes that the situation at Perry's Victory bears some similarity to that which exists at Springfield Armory, Massachusetts, in that relatively large sums of money were spent by DSC on planning documents which were, in theory, to prepare the way for an orderly and efficient construction program once Congress appropriated construction funds. In fact, however, both projects have been slowed down or brought to a standstill by the failure of the NPS planning procedure to ensure that all potentially troublesome issues were addressed and solved before construction money was requested. In the case of Perry's Victory, the basic issue of NHPA compliance was left unresolved. At Springfield Armory, the fact that no formally approved General Management Plan or Development Concept Plan still exists is reflective of the major issues that were left unresolved with the Springfield Technical Community College and various utility companies before the FY 1979 construction request was submitted. As one regional official put it, "We spend too damn much money on studies" and, by inference, not enough on resolving the bedrock issue of how best to get the job done for the least amount of money in the shortest amount of time.

The situation at Perry's Victory is also similar to the situation at Springfield Armory, Tuskegee Institute, and other projects in that the regional programmer was unable to determine exactly what amounts had been expended by DSC for items such as retaining an A/E, nor could it be determined what account those funds came from. In the case of Perry's Victory, a Headquarters official observed that he thought at least part of the $216,000 to pay for the services of the second A/E firm might have come from funds left over from an earlier seawall rehabilitation project which was also performed at Perry's Victory.

The above-described sequence of events, which includes the hiring of two A/E firms to solve a problem that was left unresolved and was later assigned to an NPS component for resolution, leads one to question the need to hire the A/E's in the first place. Also, the Investigative Staff was advised that the professional staff at DSC was underutilized and that, in some instances, DSC unnecessarily contracted projects out to A/E firms. Of particular concern was a project that had been completely designed by an A/E firm, the plans for which were later substantially modified by one or more DSC engineers, with disastrous results. The official observed that DSC's basic problem in dealing with A/E firms was its failure to provide proper guidance to ensure that the firm produced what it wanted and, then, its inability to "keep its engineering hands" off the designs once they were received.

Golden Gate National Recreation Area--California

The efforts by the NPS to preserve the ship Wapama, which is presently located on a barge in the Golden Gate National Recreation Area (GGNRA), was cited by a Headquarters CRP official as an example of the complex and diverse nature of the NPS's CRP responsibilities.

That ship, built approximately 65 years ago, with a life expectancy of 30 years, had been maintained by the State of California with a funding level so low that no structural repair work was ever performed below the waterline. After acquiring the ship, the NPS retained a naval architect whose computer study of it determined that it represented the highest order of American naval craftsmanship for a ship of its kind anywhere in existence.

As opposed to those examples discussed earlier in this section, which could easily have been the subject of a "preservation-maintenance" approach, the CRP official observed that the Wapama is a perfect example of a structure that should be preserved by the DSC on a "construction-approach" basis. The naval architect who produced the computer study of the ship estimated it would cost $2.5 million to repair it and put it back in the water. The alternative to performing the needed repairs immediately and

approaching it, instead, on a piecemeal "preservation-approach" basis would be to incur an estimated additional $1 million per year for inflation and the expense involved in maintaining the ship in its present situation. The result of taking no action would be to allow most of the wooden ship to gradually disintegrate.

That official observed that the Wapama was acquired from the State of California along with seven or eight other ships, all of which are in poor condition and in need of large amounts of preservation money. He believed it was imperative that the NPS exactly define the mission of the National Maritime Museum at GGNRA before accepting any more ships from the State, which would further tax its ability to care for those vessels it already has. The Investigative Staff agrees and believes that the DSC, in conjunction with the Western Regional Office, should move with all due speed to determine which, if any, of the above ships should be preserved. DSC should then proceed as quickly as possible to develop a comprehensive plan to preserve those ships to be saved so as to prevent additional costly deterioration and delay.

Bent's Old Fort National Historic Site--Colorado

Bent's Old Fort National Historic Site was established by an act of Congress on June 3, 1960, and is a replica of the original 1833 structure, built on the same site. Constructed in 1975-76 for approximately $1.5 million, the fort was lauded for its design and adherence to the original. On April 3, 1973, the Regional Director, Midwest Region, approved the Design Directive for the reconstruction of Bent's Old Fort. Shortly thereafter, an A/E firm was contracted by the DSC to proceed with construction drawings to be completed by January 1, 1974.

The A/E preliminary report included preliminary plans and specifications for the reconstruction. These plans appear to be more a set of working drawings than preliminary sketches, and they include details which ultimately have led to structural problems at Bent's Old Fort. The introduction of stabilized adobe material in direct relation to standard mud adobe shows up clearly in the details of the preliminary drawings. In general, several of the construction methods outlined in the preliminary report are not compatible to historically accepted methods of adobe construction.

On July 19-20, 1976, when construction on Bent's Old Fort was nearing completion, a major rainstorm inflicted a large amount of damage on the structure. Those areas mostly affected were specifically areas where construction methods were introduced to ostensibly assure longer life to the structure. This is the nature of adobe construction and has proven to be the problem with Bent's Old Fort since its construction. The damaged areas were repaired. Several errors were incorporated in the construction of the fort.

Green cottonwood logs were imbedded in concrete bond beams; stabilized adobe inner walls were constructed next to unstabilized adobe exterior walls with no apparent bonding between the two; and adobe bricks were formed with adobe material which was too wet to consolidate into a structurally sound building material.

The completed fort soon proved to be a maintenance concern. Many leaks occurred; load-bearing support posts were found to be poorly aligned; and the adobe blocks forming the walls showed signs of severe erosion and deterioration.

Corrective measures have included obtaining a new adobe plaster mixture, since the original exterior adobe plaster was lost with every rain storm. As recently as July 1, 1980, a rain-and-hail storm severely damaged 30 feet of wall and weakened the stability of another 30 feet.

In summary, the problems at Bent's Old Fort result both from improper design and poor construction. Corrective maintenance is ongoing and will be required for several years.

The Investigative Staff notes that the reconstruction of Bent's Old Fort would be prohibited by NPS guidelines currently in effect and probably, according to a Headquarters CRP official, violated existing guidelines when the first proposals were considered for its reconstruction on top of existing surface and subsurface historic structural remains. That official observed that the NPS periodically received pressure from local civic groups to design similar reconstructions and pointed out that it was his belief that Fort Union Trading Post National Historic Site, in North Dakota and Montana, is presently being considered for reconstruction. He explained that, if undertaken, that project would violate applicable NPS guidelines.

The Investigative Staff believes that the adherence by the NPS to its own guidelines is essential to the orderly operation of its CRP program and recommends that no projects be undertaken which would violate them and that all relevant regulations be observed for those projects currently in progress.

Analysis of the NPS Cultural Resource Preservation Effort

In its analysis of the above CRP projects, and as a result of interviewing NPS officials at Headquarters, the DSC, and in the regions, the Investigative Staff has concluded that the present approach to preserving or rehabilitating historically significant structures is unsatisfactory.

In general, the regions were unhappy with the DSC product for those reasons discussed more fully above; namely, excessive cost and the "new construction" approach. Given the rationale behind DSC's existence--that it functions as an A/E firm to

provide technical assistance to the 10 regions at their request--a substantial argument can be formulated in support of the widespread regional sentiment which holds that if DSC's product is excessively expensive and unresponsive to regional demands, then it would be better to place CRP work in the regions.

Cost

In all fairness to DSC, some of the "studies" produced by regional CRP officials which purport to demonstrate that the regions can complete preservative projects for a fraction of the overhead cost charged by DSC are distorted by the use of an isolated and limited number of projects set in a base-funded environment (as opposed to the pure project-funded multiproject environment at DSC). The widespread regional sentiment, however, that the DSC product in CRP projects is generally of a lower quality than that which could have been produced in the region is less susceptible to dismissal.

The Investigative Staff also notes that the present accounting system in use in the NPS which allows DSC to freely and unaccountably move planning and construction funds from one account to another lends credence to the general belief in the regions that DSC is wasteful, produces high estimates, and then tends to spend at least that amount, no matter what. This system is under study and is scheduled for revision sometime in FY 1983.

Approach

NPS CRP officials, at a January 1979 meeting, generally agreed that the present CPR program is inadequate and should either be refined or responsibility for CRP should be delegated almost exclusively to regional or biregional offices. The following observations and recommendations were made at that meeting:

"A. The Service's research historians, with three exceptions, are presently assigned to the Denver Service Center and are stationed in Denver. However, the source materials that are used in their research are located mainly in eastern repositories; particularly in the Library of Congress and at the National Archives in Washington, DC. This means that most projects require one visit of several days or weeks to Washington, another to the park and return to Denver to write their reports. This situation results in increased travel and per diem and requires that the report be written away from both the source materials and the site.

"Concentrating research historians in Washington * * * would not solve the present problem completely but would provide the best solution for it. * * *

"Like its historians, the Denver Service Center's historical architects are removed from the structures and parks requiring their attention. Architects must visit these structures to collect data, return to Denver to prepare reports and drawings, and commute between Denver and their projects while development or preservation work is in progress. Thus, because of limited time spent at or near structures on which they work, historial architects can develop only limited acquaintanceship with the structures and cannot be present when such project and maintenance work is in progress. The result can be a project that is deficient, high in travel costs, and poor in communications with field personnel. [Emphasis added.]

"Assigning historical architects to regional or bi-regional centers would not completely solve but would greatly alleviate this problem. Travel funds could be used to greater advantage, architects would be able to become reasonably well acquainted with structures and sites on which they work and with personnel in the parks and would be able to be involved meaningfully in preservation work on these structures. The presence of Center architects close to the structures they serve would give added impetus to the Service's efforts to assume a preservation/maintenance as opposed to a development posture in historic preservation.

"B. The Service has funded Denver Service Center historians and historical architects and craftsmen from project funds. This has required that these employees work only on those projects funded, and in theory, has made them unavailable for other work. It has encouraged them to spend all funds allotted to funded projects even when lesser amounts might have been adequate for the task at hand and, in effect, has denied them work when no construction money was available to support them. [Emphasis added.]

"Funding these professionals with operating funds would provide greater flexibility in their use, would make economies possible, and would provide greater stability to the system."

Alternatives to the CRP Program

Headquarters CRP officials, some of whom participated in the 1979 meeting, agreed in whole with its findings or at least with the principle that the present CRP process was inefficient.

A cognizant official agreed that breaking up what had previously been a CRP professional team at DSC and dispersing its members among the various new construction teams was a mistake. In his words, the

situation went from the "sublime to the ridiculous." He believed there is a role for CRP at DSC, but thought that it should be limited to work on large projects involving big sums of money, multidisciplines, and, most importantly, projects which need to be completed in one single, coordinated step. As an example, he cited the major rehabilitation effort on the fortresses at San Juan, Puerto Rico, where many technical disciplines were involved and $12,823,000 was obligated from FY 1976 to FY 1980. The Investigative Staff also believes that the ship Wapama, discussed above, qualifies for such treatment. All other projects, according to the Headquarters official, could best be handled within the regions on a contemporary maintenance or preservation approach.

The official also observed that in the event the DSC CRP capability is reorganized, it should be done so as to place historical architects in positions of authority as opposed to the present situation where all of the chiefs of the various CRP teams are either historians or archeologists. He described that as a basic flaw because only a historical architect has the background to understand the technical requirements involved in properly treating a historic structure. He believed that the failure of the NPS to do so has led, at least in part, to the general regional dissatisfaction with DSC.

The Investigative Staff agrees with those regional and Headquarters officials who view the present CRP effort as being inefficient. It urges the NPS to accelerate its current self-analysis of the CRP problem and either place responsibility for all CRP work solely within the regions or entirely at DSC, with the regions authorized to perform only routine maintenance on historic structures.

If a DSC CRP capability is to be maintained, the Investigative Staff sees merit in the recommendations given to it that a DSC CRP team be reinstituted, with a historical architect in charge. The Investigative Staff also sees merit in the recommendation that such a team be base funded and not dependent upon project funding for its existence. Although that would run counter to the present project funding environment at DSC, the Investigative Staff notes that the amount of money needed to maintain and preserve those historic structures entrusted to the NPS remains at a constant or increasing level. To that end, if a CRP capability is to be left at the DSC, it should be distinguished from the new construction program, both in organization and funding.

The Investigative Staff emphasizes that no matter how the NPS decides to improve its present CRP process, the decision to regionalize or refine the existing system should be considered immediately. The present structure is inefficient and undermines morale. The Investigative Staff notes that the NPS currently employs CRP professionals not only at DSC and within each regional office, but also at three other specialized locations: the Southwest Archeological Center in Tucson, Arizona; the Midwest Archeological Center in Lincoln, Nebraska; and the Southeast

Archeological Center in Tallahassee, Florida. While the existence of those three centers is not, in itself, an indication of inefficiency, one Headquarters official noted that at least one of them was fairly autonomous, and not completely responsive to the demands of either the DSC or its regional director. Such a situation leads to management problems, and, ultimately, to a disjointed CRP program.

IV. CARRYOVERS OCCURRED BECAUSE NPS WAS NOT READY FOR FY 1980 CONSTRUCTION PROGRAM

During FY's 1979 and 1980, NPS reported carryovers of about $110 million and $85 million, respectively. Because the 1980 carryover is more current and the reasons for the carryover in both years are similar, the Investigative Staff concentrated its efforts on the 1980 carryover problem.

The Investigative Staff found that the primary cause for DSC's inability to obligate construction funds during FY 1980 is that DSC has not prepared the working drawings (specifications) in time for the construction project to be awarded. This failure to have the working drawings ready also has a domino effect in that it backs up the entire contractual machinery and results in an abnormally large number of contracts being awarded during the month of September. These contract awards during the peak of the construction season result in premium prices as high as 17 percent. Late awards also negate the advantages of competitive bidding. The DSC contracting officer advised the Investigative Staff that one such award in late September cost the Government about $500,000 additional because of limited competition.

Carryover Obligations and Outlays

The NPS has, through a more concerted effort, reduced the carryover from $110 million in 1979 to $85 million in 1980. DSC has also increased its obligated amount from $116.4 million to $150.9 million and its outlays from $89 million to $136.2 million. DSC has shown significant improvement in these areas. The following schedule shows DSC carryover, obligations, and outlays since 1977.

(dollars in millions)

FY	Carried Over From Previous Year	New Authority	Total Available	Amount Obligated	Percent Obligated	Amount Outlayed	Percent Outlayed
77	$ 42.3	$161.8	$204.1	$135.6	67.0	$ 66.4	48.9
78	68.5	155.1	223.6	127.2	56.9	75.0	58.9
79	96.4	130.1	226.5	116.4	51.4	89.0	76.4
80	110.1	126.0	236.1	150.9	63.9	136.2	90.2
81	85.2	43.4	128.6				

It is noted that the percent outlayed by DSC has shown a consistent increase, from 48.9 percent in 1977 to 90.2 percent in 1980.

The percentage obligated has shown a peak-and-valley trend, from a high of 67 percent in 1977 to a low of 51.4 percent in

1979. NPS has consistently obligated in excess of $110 million a year, or approximately 60 percent of the amount available for obligation.

Since FY 1977, NPS has received $658.7 million, obligated $530.1 million, and outlayed $366.6 million. The following schedule shows each FY's increment plus cumulative for authorized funding, obligations, and outlays.

(dollars in millions)

	Funding Authority		Net Obligations		Net Outlays	
FY	Increment	Cumulative	Increment	Cumulative	Increment	Cumulative
77	$ 0	$204.1	$ 0	$135.6	$ 0	$ 66.4
78	155.1	359.2	127.2	262.8	75.0	141.4
79	130.1	489.3	116.4	379.2	89.0	230.4
80	126.0	615.3	150.9	530.1	136.2	366.6
81	43.4	658.7				

The NPS has expended $366.6 million, or about 59.5 percent of the authorized funding. Obligations are 86 percent of available funds.

DSC should strive to improve its overall obligation rate of 86 percent of authorized funding. The outlay rate of 59.5 percent is in need of much closer scrutiny when one considers that a 40-percent delay in outlay is occurring. The Investigative Staff recognizes that by assigning to the Small Business Administration (SBA) letter contracts a heavy contribution is made to relatively low outlay rate. DSC should give special attention and effort to substantially increasing the rate of outlay.

1980 Carryover

The following listing of 1980 carryovers was provided the Investigative Staff by Washington Headquarters officials. It should be noted that the listing, in some cases, does not agree with the listing of 1980 carryovers provided by DSC officials.

LINE ITEM CONSTRUCTION PROJECT CARRYOVERS

FY	Project	Package Number	Appropriated Amount ($000)	Date to Specifications	Bids Advertised	To SBA	Remarks
80	Acadia	134	$ 113	4/29/80		6/11/80	DSC
80	Andrew Johnson	103	155	Incomplete			Region/Park (R/P)
79	Big Bend	165	525	7/11/80	8/6/80		DSC
79	Big Bend	183	338	Incomplete			DSC
79	Big Bend	117	220	7/21/80	8/11/80		DSC records indicate monies obligated 9/30/80
79	Big Bend	118	184	Incomplete			R/P
80	Biscayne	105	446	10/7/80	11/5/80		DSC
77	Blue Ridge	326	1,330	10/1/80	10/29/80		DSC
78	Cabrillo	123	60	9/26/80	10/20/80		DSC
80	Catoctin	125	218	Incomplete			DSC
80	C&O Canal	153	223	4/11/80		5/7/80	DSC
79	Canyon Land	195	109	Incomplete			R/P
80	Crater Lake	171	45	6/25/80	7/22/80		DSC
80	Delaware Water Gap	238	78	Day Labor/Regional Contract			Portion obligated R/P
80	Delaware Water Gap	262	519	Day Labor/Regional Contract			Portion obligated R/P
79	Everglades	177	60				Corps of Engineers
80	Fire Island	174	190	Day Labor/Regional Contract			Portion obligated R/P
78	Fort Sumter	105	5,581	Incomplete			DSC
79	Gateway	109	400	Day Labor			Portion obligated DSC
80	Gateway	112	$ 655	6/6/80		7/15/80	DSC
80	Gateway	109	844	7/9/80	8/6/80		DSC
80	Gateway	109	1,577	Will be day labor			Washington/Harpers Ferry
80	Gateway	109	1,093	4/30/80		6/24/80	DSC records indicate 1/ monies obligated 9/30/80
78	Glen Canyon	148	37	Incomplete			DSC
78	Great Sand Dunes	108	133	Incomplete			DSC
79	Great Smoky Mts.	257	233	1/22/80	2/22/80		Bid protest DSC
80	Guadalupe	110	150				DSC records indicate 1/ all monies obligated DSC
80	Harpers Ferry	110	503	Day labor			Portion obligated R/P
78	Lake Meade	121	223				DSC has no record 1/ of this carryover DSC
78	Lehman Caves	106	307				DSC has no record 1/ of this carryover DSC
80	Lowell Historic	202	899				Lowell Historic Commission
80	Martin Van Buren	102	212	Day labor			DSC R/P
78	Montezuma Castle	104	192	4/28/78		9/22/78	Terminated SBA
79	Mount McKinley	163	1,849				Letter contract DSC 1/ FHWA
80	Natchez Trace	127	2,131				FHWA
80	Natchez Trace	132	8,808				FHWA
74	National Mall		12	Incomplete			R/P
74	National Visitor	101	$ 550	2/17/81	2/23/81		R/P
79	Ocmulgee	121	400	Incomplete			DSC
79	Ocmulgee	102	606	Incomplete			DSC
80	Perry's Victory	101	2,370	5/13/80	6/20/80		DSC records indicate 1/ monies obligated 9/22/80
80	Piscataway	470	48	Day labor			R/P
78	Presidents Park	247	465	8/1/80	8/28/80		Contract
79	Presidents Park		609	8/1/80	8/28/80		Contract
80	Presidents Park		655	8/1/80	8/28/80		Contract
78	Redwood	809	1,200	Incomplete			DSC
78	Rock Creek	105	1,048				FHWA
80	San Juan	127	655				Corps of Engineers
79	Springfield Armory	103	623	Incomplete			DSC
80	Statue of Liberty	107	786	Incomplete			DSC
80	Statue of Liberty	107	324	Day labor			R/P
79	Tumacacori	122	80	Day labor			R/P
80	Tumacacori	122	107	Day labor			R/P
78	Vicksburg	101	200	Day labor			R/P
77	Vicksburg	101	1,200	Day labor			R/P
79	Whiskeytown	804	132	7/8/80	8/11/80		DSC
80	Wilson's Creek	104	1,310	2/20/80		3/31/80	DSC records indicate 1/ monies obligated 9/23/80
80	Yellowstone	142	$ 1,871	Incomplete			DSC
80	Yellowstone	619	3,000	6/26/80	8/5/80		DSC
80	Yellowstone	138	2,376	5/5/80		6/17/80	DSC
80	Yosemite	223	520	6/26/80		8/6/80	DSC
80	Yosemite	347	131				Phantom Project DSC 1/
	Total		$52,010				

1/ Not reported by DSC as a carryover even though DSC is responsible for project.

Of the 62 carryover packages for the 44 parks, 36 are the responsibility of the Denver Service Center; 18 are the Region/Park responsibility; 4 are Federal Highway Administration; 2 are Corps of Engineers; 1 is the responsibility of the Lowell Historic Commission; and the other is the responsibility of the Washington Headquarters staff.

The 18 regional/park projects are projects which are generally handled by a combination of day labor and regional contracts. Day labor work is accomplished by either a consultant or a self-employed contractor, and funds are expended as services are provided. The process is similar to a petty cash fund. Also, in addition to the day labor account, the regional offices may award contracts for the conduct of the project work.

The Investigative Staff was advised that the 18 projects are a combination of both regional contracts and day labor and that the reflected balance is the unexpended balance of the amount appropriated for the project. In this sense, some monies have been expended and the entire appropriated amount has not been carried over.

In the projects that are administered by the Federal Highway Administration, the Corps of Engineers, and the Lowell Historic Commission, NPS merely acts as a conduit for the funds. Those agencies basically handle all aspects of the projects which they are administering. Realistically, NPS has limited impact into the scope, design, or construction of the project. NPS merely handles the financial ends through the construction appropriation.

To ascertain the causes of the NPS carryover, the Investigative Staff analyzed the 36 projects which are the <u>total</u> responsibility of the DSC. It should be noted that as of February 15, 1981, about 15 of the 36 carryovers have been obligated by DSC. The causes for the delay can be directly attributed to DSC. The following is a brief summary on each of the carryovers.

<u>Acadia National Park</u>

The project, funded in FY 1980, consists of a comfort station and sewerage system, with an estimated cost of $146,500. The State finally approved the plans in February 1980. DSC staff immediately began working on the specifications for the project. The specifications were completed on April 29, 1980, and were forwarded to SBA on June 11, 1980, as part of the 8(a) set-aside program. After it became clear that negotiations could not substantially reduce the 8(a) subcontractor's offer of $240,000 and the subcontractor did not provide the requested cost and pricing data, the NPS, on January 15, 1981, withdrew the contract from 8(a) consideration and has advertised the project on the competitive market. The latest estimate for the project is $162,500.

Andrew Johnson National Historic Site

The project is a Cultural Resource Preservation project, which has been caught up in a disagreement between DSC and the regional office over what should be restored and how it should be done.

Big Bend National Park

The Big Bend National Park listing provided by Washington Headquarters shows four projects funded in 1979 as being carried over into 1981.

Package No. 117, a ranger/visitor contact station, finally had specifications ready on July 21, 1980, and, through great effort, awarded a contract for $327,370 on September 30, 1980.

The status of Package No. 165, "Construct Employee Quarters," is carried on the DSC "Construction Award Report--Detail Sheet" of December 31, 1980, as follows: "Revising DCP [Development Concept Plan]. 106 clearance underway. Comp. design in Southwest Regional Office for review. Two-step bids rejected."

That project was funded for construction in FY 1977 based upon assurances given to the responsible DSC team by the Southwest Region that all the necessary planning either had been or would be completed in time to obligate the project in the year of appropriation.

In fact, however, the necessary planning was not completed, and the requirements of section 106 of the National Preservation Act were not met until July 16, 1980, when a Memorandum of Agreement was signed between the NPS, the Texas State Historic Office, and the Presidential Advisory Council on Historic Preservation. A member of the DSC team admitted that the project should never have been submitted for funding until the section 106 clearance, along with wilderness area and Rio Grande flood zone clearances, had been approved. He noted that the scope of the project had changed considerably since construction money was appropriated in FY 1979 to the point where, on December 9, 1980, the NPS advertised for proposals for a prefabricated four-unit apartment building and two separate, single-family dwellings. DSC will then examine the proposals and determine which, if any, of them are suitable for use at Castalon. At that point, construction drawings and specifications would be prepared, the project could be advertised for bid, and the project could conceivably be obligated in FY 1981.

Package No. 183, captioned "Reconstruct Water System," is designed to provide potable water for the NPS employees who are scheduled to reside in the quarters slated for construction in the above-mentioned Package No. 165. Although Package No. 183 was funded for construction in 1979, the project has still not been awarded to a contractor because the State of Texas will not approve DSC's plan to install filtering units at each of the planned quarters to remove the dangerously high level of fluoride

from the local water. The State of Texas objected to DSC's design, and negotiations are apparently still under way between DSC, the region, and the State of Texas to find an acceptable solution.

A DSC official noted that FY 1979 construction funding for the project was requested on the basis of assurances from a Public Health Service official that the proposed plan would be acceptable to the State of Texas. That advice proved to be inaccurate.

Biscayne National Monument

The Biscayne project is to construct a maintenance building and residences. The specifications, which were contracted out to an A/E firm, were due in March 1980 but were not received by DSC until July 14, 1980, or about 4 months late. The project was advertised in August 1980. In June 1980, a new superintendent arrived at Biscayne and wanted several changes made to the specifications. An addendum to the Invitation for Bid, changing the scope of the project, was issued. The only bid received was for $776,000, which was well in excess of the estimate of $357,200. New specifications were prepared and issued on October 7, 1980; these specifications included the addendum to the Invitation for Bid.

Aside from the specifications not being ready, DSC also experienced difficulty in deciding what and where the project was going to be. The following is a chronology of events depicting the problem:

Biscayne - Elliott Key

Construct maintenance facility and two residences

FY 1980 add-on - $446,000

10/29/79 - DSC asks A/E for sketches on alternative designs suggested by Superintendent.

2/2/80 - Superintendent approves plans submitted by A/E on February 14 which incorporate some changes in materials.

2/29/80 - DSC submits A/E's sketches of residences.

3/21/80 - Superintendent retires.

3/28/80 - Acting Regional Director approves residence sketches and forwards Superintendent's recommendations of 2/20 for incorporation.

6/1/80 - New Superintendent arrives.

7/14/80 - DSC sends plans to specifications people for assembly of bid package.

7/17/80 - Superintendent writes DSC after consultation with Ranger Division, DSC project supervisor, DSC architect, and two representatives of A/E. Recommends relocation of residences for better site protection.

7/23/80 Superintendent writes region recommending raising residences 12 feet to comply with floodplain management guidelines (Executive Order 11988).

8/11/80 - Acting Regional Director approves Superintendent's recommended residence location.

8/12/80 - Bid advertisement.

8/13/80 - DSC writes Regional Director raising objections to location of one residence and 12-foot elevation proposal. DSC provides new sketch plan and proposes 4-foot elevations.

8/28/80 - Acting Regional Director accepts DSC's sketch plan with the incorporation of a few modifications. "We would like the two residence built 8 feet above grade, moved slightly farther apart from each other, and both moved farther away from the public comfort station."

8/28/80 - Addendum #1, postponing bid opening indefinitely.

9/2/80 - Addendum #2, changing specifications and new bid opening date of 9/17/80.

9/17/80 - Bid opening. One bidder--$776,000.

9/25/80 - Rejected for lack of funds.

11/30/80 - Readvertised and opened to bid by big business.

12/4/80 - Received three bids: $434,450, $784,429, and $816,426.

1/9/81 - Awarded for $434,450.

The additional cost of the changes is estimated at $10,205.

Changes to a project should not be allowed after the preliminary design drawings have been accepted, and when working drawings are completed a project should not be altered. The NPS must discipline itself to refrain from allowing new superintendents to change projects which are substantially in a "go" position. The decision on what a project is going to be should be reached long before working drawings are complete.

80-810 O—81——63

Blue Ridge Parkway

The Blue Ridge Parkway project is a sewage disposal system funded for $1.3 million in FY 1977. The project encountered difficulties since its inception in 1972. Prolonged negotiations with county and city officials, easement problems, and obtaining final permits all contributed to this project's not being obligated. The following is a brief chronology:

(1) On September 15, 1972, contract awarded to A/E for design sewage treatment plant. Completed on April 20, 1973.

(2) Environmental statement completed April 23, 1974.

(3) Local press and Bedford County objected to effluent discharge to Stony Creek.

(4) Park applied for discharge permit for existing facilities. Permit was granted with stipulation to terminate discharge by July 1977.

(5) A/E prepared alternatives to discharge Peaks of Otter sewage 80,000 gallons per day to city of Bedford sewerage system in July 1976 and park was handling the matter until May 1978.

(6) A/E contracted to design trunk line; contract signed on June 7, 1978.

(7) Required right-of-way was obtained from all but six landowners in May 1980.

(8) A/E redesigned portion of line and obtained additional right-of-way in August 1980.

(9) Contract was advertised and awarded on January 26, 1981, for $1,133,714.04 (estimate $1,516,887.00).

Cabrillo National Monument

The Cabrillo lighthouse project was funded in 1978 for about $61,000. The original project was to replace the roof and the lantern. The project was bid three times, with each bid well in excess of available funds. In 1980, the project was redesigned to only replace the roof. The current estimate is about $22,777; specifications were completed on September 26, 1980; bids were advertised on October 20, 1980.

The original 10-238 (Development/Study Package Proposal) covering this project was prepared by the park in 1972. It was estimated in the DSC that same year at approximately $30,000 for construction. This estimate was increased in 1974 to $40,000.

Related advance planning costs were estimated at $14,000, making the total, at that time, $54,000. In 1977, another estimate was prepared; this time the job was estimated at $140,000 and was based on more detailed knowledge of what would be required in work on the lantern. At this time also, Washington Headquarters included the job in the Bicentennial Land Heritage Program (BLHP) proposals and indicated funding at $46,000. There is no clear explanation for this estimate, but it is likely that Headquarters provided the figure not knowing of the larger estimate required by the complexity and expense of the lantern work.

From this point on, events ran, chronologically, as follows:

October 1977	Initial visit to the area by DSC historical architects to gather data for the Task Directive and Historic Structure Report.
December 1977	Task Directive completed for the Historic Structure Report. This document pointed out that only $46,000 was available to complete a job already known to require a larger amount of money.
April 1978	Task Directive approved by Region.
May 1978	Meetings between Region and DSC in which the draft Historic Structure Report was discussed. It was agreed that, in view of the limitations on available funds, only three of the six construction items listed could be carried out.
May-July 1978	Adjustments made in the Historic Structure Report to conform to suggestions made during review of the report. Construction documents completed. Based on a decision made in the Western Region, these were produced based on the full scope of work as outlined in the Historic Structure Report. During the summer of 1978, the project was advertised for bid. The estimate for the work made in DSC was $110,000. The low bid was $121,000. The Western Region hoped to come up with additional money to accomplish the whole project rather than the roof portion only. However, Washington Headquarters intervened, disallowing completion of the contract negotiation because the bid was more than 10 percent over the programmed amount.

Following these events, the project was downgraded in priority to allow work on projects with adequate funding and of equal or greater urgency. However, the project is now under construction, with work proceeding on the items for which money was available.

Documents covering the history of this project are unclear at several points. One question raised concerned the appearance and

disappearance of monies for this project in the program reports. At the end of FY 1978, the money for the Cabrillo project was shown as a carryover. It did not show in FY 1979, however. It is shown again at the end of FY 1980 as a carryover item, but at a lower figure ($28,800). It can only be assumed that the drop of the project from the reports was an oversight. The reason for the reappearance at a lower figure is embodied in the Regional Director's memorandum of October 12, 1979, in which he takes note of the estimated construction costs for work items other than the lantern and authorizes revising the contract documents and advertising for bid that portion of the work. The estimate for this project of lesser scope was, at that time, $28,000.

Catoctin National Park

This project, funded in 1980 for $218,000, was originally conceived to replace a Camp Round Meadow building and to repair a gymnasium. The project was originally designated to be completed by an 8(a) small business contractor. Because of a failure to reach agreement with the 8(a) contractor, the project was withdrawn from the 8(a) program.

The scope of the 1980 project has been changed, with $100,000 to be used to complete an FY 1979 dormitory project. The remaining funds will be used for partial repair to the gymnasium. Needless to say, the project as presented in the 1980 budget was not ready to go to construction; in fact, the 1980 project has lost its identity and funds. The new segment--partial repair of the gymnasium--still does not have specifications ready.

C&O Canal National Historic Park

This project was funded in 1980 for $223,000 to stabilize the Paw Paw Tunnel. The estimated cost to do the job is $151,950. Specifications were ready on April 11, 1980, and were sent to the SBA on May 7, 1980. Negotiations are under way with an 8(a) contractor. The work is scheduled to begin in the spring of 1981.

This project is another example of prolonged negotiations with an 8(a) contractor.

Crater Lake National Park

This project, funded for $45,000 in 1980, is to upgrade the water system to Public Health Service standards. The project, estimated to cost $38,340, was offered for bid twice, with a low bid of $80,000. The Investigative Staff was advised that the high estimate is indicative of the lack of interest in the relatively small construction project. However, the Investigative Staff believes that a contributory factor to the high bids might have been not having the specifications ready until June 25, 1980. Bid openings were not made until August 20, 1980, and September 19, 1980, right in the least competitive time for the award of construction contracts.

The project is scheduled to be redesigned, and it is not expected to be awarded in FY 1981.

Fort Sumter National Monument

This project is to construct a dock and a visitor facility at an estimated cost of $4,097,000. In 1978, Congress appropriated $5,581,000 to complete the project.

The following is a brief chronology of events since the inception of the Fort Sumter project:

5/8/73	Regional Director makes decision to develop facilities at Broad Street on the Ashley River.
3/21/75	Design work initiated on Broad Street facility.
4/21/75	A/E selected to prepare all design documents for Broad Street facility.
11/25/77	Preliminary Drawings approved by Southeast Region.
7/24/78	Construction Drawings and Specifications sent to Branch of Specifications for advertisement. Estimated cost $4.4 million.
10/23/78	NPS Director agrees with the Mayor of Charleston to construct tour boat facility at site owned by South Carolina State Ports Authority (SCSPA) rather than at the Broad Street location.
1979 FY	House and Senate Appropriations Committees placed restrictions on the project.
1/79 - 6/80	Southeast Region consulting with city and SCSPA officials for purchase and/or donation of building and land.
7/26/80	A/E hired by NPS to coordinate City Park Study/Tour Boat Facility Study for facilities on Cooper River.
1/81	A/E services secured to complete boundary and topographic surveys for Cooper River site.

The Investigative Staff learned that not everyone is happy with the current Cooper River site. One of the concessionaires is attempting to reverse the NPS decision, from the Cooper River site back to the original Broad Street site. The DSC is currently preparing another evaluation for the regional director of the pros and cons for each development site.

The Investigative Staff was advised that even though a "Class C" estimate was prepared in 1977, the NPS expects the original $5,581,000 to be sufficient for the project, and every effort is being made to award a contract in this fiscal year or in early FY 1982.

The following schedule is the latest estimate, dated October 1980, prepared by an A/E.

FORT SUMTER DOCK
REVISED COST SUMMARY

Park Improvements	Cost
Preloading	$ 100,050
Tethered Floating Breakwater 1/	150,000
Edge Treatment	188,000
Utilities 2/	24,500
Fill 3/	51,000
Reinforce Existing Wharf	72,000
Repair Existing Wall	60,000
Dredging 4/	76,500
Wharf 5/	804,000
Site Work (Hard Surfaces)	437,000
Site Furniture	106,000
Landscaping	22,000
Architecture (Rehabilitate Existing Building)	800,000
Raw Construction Costs--1980	2,891,050
(10% Engineering Contingency)	289,105
Subtotal Construction Cost	3,180,155
(12% Escalation to 1981)	381,619
Subtotal Construction Costs--1981	3,561,774
(15% A/E Contract Documents)	534,266
Estimated Project Cost	$4,096,040

1/ Breakwater will consist of a movable floating system tethered together and affixed in place with an anchoring system. Breakwater will be about 15-20 feet wide. Annual maintenance costs are estimated at $25,000 per year. Several alternative systems are available and include concete floating systems, barrels, rubber tires or tethered logs.

2/ Utility costs include extension of existing storm drains and installation of new drainage and sewer and water tie-ins to the building.

3/ Fill utilized to raise grade slightly. Lightweight fill used in estimating cost.

4/ Dredging first cost includes initial volume plus a redredge after 2 or 3 months of 50% of initial volume at $1.50 per cubic yard. Maintenance is assumed to be annual at an estimated cost of $28,000 per year.

5/ Wharf cost includes lighting, pump out, sewer conditions, water, and electrical hookup.

Great Smoky Mountains

The project, to improve the sewage system, was funded in FY 1979 in the amount of $233,000. The contract assigned to the SBA on September 21, 1979, was finally deobligated in FY 1980. The project was subsequently advertised and an award made on November 4, 1980, for $178,400.

The following is a brief chronology of events leading to the award in November:

(1) Drawings approved by regional director on December 7, 1978.

(2) Contract drawings and specifications issued on February 22, 1979, IFB 5460-79A, designated for 8(a).

(3) SBA and bidder submitted proposal on March 30, 1979.

(4) Bidder was sentenced for tax evasion.

(5) Project IFB 5460-79A-R was readvertised in February 1980.

(6) Bids were rejected and readvertised and low bid of $178,400 was received.

(7) One bidder protested delaying project award until November 4, 1980.

Lake Meade National Recreation Area

The project to expand a sewage system at Katherine Beach was funded for $223,000 in FY 1978. Washington Headquarters lists the project as a carryover and has assigned DSC as the cognizant office. DSC records, however, do not reflect this project (Package 121) as a carryover in either FY 1979 or FY 1980.

Asked to explain the discrepancy, DSC officials stated:

" * * * DCS assumed that the money had been reprogrammed, as suggested in the attached April 19, 1978, memorandum from the Regional Director to the Chief, Office of Programming and Budget. Only recently did we realize that the original FY 78 funding was still being held by the Washington office for this project."

This project is one of several whereby Headquarters officials and the cognizant office, DSC, do not agree on the projects which have and have not been carried over from one fiscal year to the next. Examples such as this give weight to the need for greater integrity in the project accounts and add further questions as to to the accuracy of accounting records.

Lehman Caves National Monument

DSC, the designated cognizant office, has no record of this carryover. Comments of Headquarters officials indicate that the delay is due to design modifications. The Investigative Staff again is concerned since the design function is the responsibility of DSC, yet DSC does not list the package, 106, as a carryover.

Headquarters officials further comment that reprogramming has recently increased funding from $120,000 to $307,000.

Montezuma Castle National Monument

This project is 1 of 39 letter contracts shown as awarded and obligated on September 22, 1978, and later 1 of the 12 questionable contracts terminated on April 8, 1980. Headquarters' recent explanation indicates that reprogramming has been approved, increasing funding from $96,000 to $192,000. Negotiations with the SBA contractor have been completed and an award made on January 23, 1981 for $147,384.

Ocmulgee National Monument

Three projects were funded in FY 1979: The rehabilitation of the visitor center, the installation of a solar energy capability at the visitor center, and the construction of a maintenance building. The rehabilitation of the visitor center and the construction of the maintenance facility are listed as carryovers.

The regional office is holding up the award of the rehabilitation of the visitor center pending resolution of problems arising from negotiations for the associated maintenance building project. The Investigative Staff was advised that even without these problems, rehabilitation of the visitor center could not have been awarded in FY 1979 as DSC did not have an approved exhibit/interpretive plan.

The maintenance building funded for $606,000 was another letter contract to SBA awarded on September 21, 1979, for $238,000. After 480 days of negotiating and not being able to definitize a contract, the project was withdrawn from SBA on May 9, 1980.

It is interesting to note that the project was shown as a contract to SBA awarded on September 21, 1979, and not shown as a carryover in FY 1979; yet, in information provided the Investigative Staff in January 1981, DSC stated that:

> "Project was not obligated in FY 79 because we were negotiating with an 8(a) contractor who clearly did not want the contract at that time but was unwilling to let it go. He also refused to consider any meaningful adjustment in his price proposal." [Emphasis added.]

The Investigative Staff was advised that the A/E who prepared the specification for the custom-designed maintenance building also prepared the cost estimate of $250,000. The Investigative Staff asked if the custom building could be constructed for that amount and was advised it could not be. The Investigative Staff believes this fact contributed heavily to DSC's inability to negotiate a contract with the 8(a) contractor.

The following is a chronology of events for the maintenance building:

(1) Work Directive issued to A/E for construction documents; A/E prepares estimate---------- 2/13/78

(2) Documents completed; sent to DSC's Specifications Section---------- 12/8/79

(3) Proposal documents sent to SBA, Atlanta---------- 1/8/79

(4) SBA transmits contractor's proposal to DSC------- 3/79

(5) Proposal rejected as defective---------- 4/16/79

(6) Proposal resubmitted to DSC. DSC requests audit of the proposal---------- 7/26/79

(7) DSC awards letter contract to SBA---------- 9/21/79

(8) Technical evaluation of proposal completed------- 10/16/79

(9) Unsuccessful contract negotiations---------- 1/16/80

(10) Contractor withdraws proposal---------- 4/21/80

(11) DSC requests permission to advertise---------- 5/9/80

(12) Project scope reduced; sent to DSC's Specifications Section for competitive bidding---------- 7/15/80

(13) Project advertised---------- 8/6/80

(14) Bids opened (two bids received)---------- 9/12/80

(15) Bids rejected as too high---------- 9/24/80

(16) Project redesigned; project drastically reduced from A/E design--instead of custom design, now use industrial design; preliminary drawings sent to Southeast Region for approval---------- 10/31/80

(17) Construction drawings and specifications sent to DSC's Specifications Section---------- 1/21/81

(18) Anticipated advertising date---------- 2/19/81

Perry's Victory

This project is an example of Headquarters officials listing a carryover even though DSC awarded a contract on September 22, 1980, for $1,718,500. Even though the project is not a carryover, it is not without serious problems. (See page 35.)

Redwood National Park

This project is a classic example of NPS's not assuring that all aspects of a project--such as site selection, environmental impact statement, and, most important, what is wanted--have been cleared and approved by cognizant Federal and State officials.

The project, the May Creek Activity Center, was the result of reprogramming and was placed on a "fast track" by the previous Director.

The following is a brief chronology of events leading to the "rise and fall" of the May Creek Activity Center:

-- June 3, 1979. The Director plus assorted NPS officials attended a presentation--A New Response To An Old Need--prepared on a crash basis over 2 days and nights. A memo of this presentation stated, in part:

> "The presentation was super, with cool Mr. * * * leading the pitch.
>
> "Director was so impressed that he ordered it built in time for next year's visitor season--and also announced it to the press."

-- June 25, 1979. The Redwood management planning is proceeding and on schedule. NPS must re-review all the alternative proposals with the State Parks representatives given the Director's dedication comments that would leave the State Parks under State management. The concept of Activity Centers at each end of the Park was accepted well and the Service Center was directed to proceed posthaste with design. The Director has earmarked $1 million for the May Creek Center.

   The Service Center now estimates the cost of May Creek Activity Center to be more in the range of $2,300,000 for construction and $300,000 for design. The advance planning work can be funded jointly through park funds and Denver Service Center surpluses on other Western Region projects.

-- July 19, 1979 Task Directive--Special Factors: Natural/Cultural Resource Compliance covered by draft environmental statement, archeological and threatened/endangered species--determination of effect has been accomplished and cleared.

   Consultant on design concepts; coordination of field studies and contacts with other agencies.

-- August 2, 1979--a handwritten message stated: "Director's message is loud and clear. You had better caution Planners against making off-the-cuff estimates based on preliminary concept. They will be held to the original figures. Also, tell * * * to bring the May Creek project in at $1,000,000.

"No problem with last paragraph. He understands your point but we have a credibility problem in first paragraph. Park planners told him it could be done for $1 million, Denver says $2.6 million."

-- August 6-8, 1979. Task directive and preliminary comprehensive design package approved by Regional Director.

-- August 21, 1979. Highway modification cost of $100,000 added to project cost of $1,000,000.

-- September 14, 1979. Project estimate completed at a cost of $1,166,180.

-- September 27, 1979. Letter from Department of Parks and Recreation stating concern with the impact the presence of the new Activity Center will have on the Prairie Creek elk herd--would hope there will be some increase in face-to-face meetings of all concerned as the project develops.

-- November 6, 1979. Minor regional comments on review of May Creek Activity Center.

-- November 8, 1979. DSC requested funding limitation be raised from $1.1 million to $1,221,850 in order to bid entire package.

-- December 3, 1979. Plans and specifications delivered to Regional Office for review--schedule reiterated.

December 7, 1979 - Plans and specifications completed
December 28, 1979 - Advertised project
January 28, 1980 - Bid opening
February 11, 1980 - Awarded project
June 22, 1980 - Completion of project
July 3, 1980 - Dedication

-- December 10, 1979. Park approves plans and specifications.

-- December 18, 1979. Region approves specifications.

-- December 26, 1979. 125 copies of invitation-for-bid to be forwarded to prospective bidders.

-- January 25, 1980. Department submits reprogramming request for May Creek.

-- January 30, 1980. Addendum announces postponement of bid opening indefinitely.

-- April 3, 1980. NPS submits copy of May Creek assessment and Roosevelt elk mitigation measures to California Department of Parks and Recreation.

-- May 21, 1980. DSC briefing summary to Director recommending that NPS proceed with project. Briefing also outlines opposition to project.

-- June 17, 1980. Optional construction package developed.

-- July 23, 1980. California Department of Parks and Recreation advises NPS: "I would like you to know that the Department of Parks and Recreation finds your proposed May Creek Activity Center adjacent to Prairie Creek Redwood State Park unacceptable. We believe that the proposal would significantly impact the elk population at Prairie Creek."

-- July 25, 1980. Invitation for bids dated January 7, 1980, is hereby canceled.

The Investigative Staff contacted the former Director of NPS to ascertain how something like May Creek could happen. The former Director acknowledged that he had pushed the project and placed it on a "fast track." He also acknowledged that DSC planners had sold him on the project. After being assured that there were no environmental problems, the former Director gave the go-ahead and monitored it quite closely.

The State, up until the time it found the project unacceptable, was in favor of it; however, a change in State Directors found a change in acceptance.

Regional Office officials had advised the Investigative Staff that NPS should not have been involved in the project and that the State was not properly advised on the extent of the project. It was a bad decision to go ahead with the project.

Whiskeytown National Recreation Area

The Whiskeytown project was funded for $132,000 in 1979 to reconstruct the water system for the superintendent's residence. The project was estimated to cost $50,000. The only problem was that the superintendent did not want to live in the house, so there was no need to start the specifications until a decision was made on the status of the house.

Finally, in April 1980, DSC decided to prepare the specifications and had them completed on July 8, 1980. Bids were opened on September 9, 1980. After numerous inquiries by DSC to the park

asking the whereabouts of the bids, and after DSC was repeatedly advised by the park that they had been mailed, Whiskeytown park officials, on October 2, 1980, located the bids on a park official's desk. The contract was awarded on October 17, 1980, for $30,787.00.

Wilson's Creek National Battlefield

In FY 1980, $1,310,000 was appropriated to construct a park headquarters and visitor center building. Headquarters officials list the project as a carryover, yet DSC records show that the contract was awarded for $1,114,000 on September 23, 1980. This is another example of contradictory DSC and Washington Headquarters project accounts.

Yellowstone National Park

The following three projects in Yellowstone Park, funded in 1980, are listed as carryovers in 1980:

Grant Village (No. 142)--water treatment system--$1,871,000
Grant Village (No. 619)--overnight visitor facilities--$3,000,000
Lake (No. 138)--Water storage and treatment--$2,376,000

Packages No. 142 for $1,871,000 and No. 619 for $3,000,000 were proposed for reprogramming action. Washington Headquarters and the regional office ordered the DSC in November 1979 to stop work on these two projects to make up a $5 million deficit for the concession buy-out at Yellowstone. In late April 1980, the regional office advised DSC that work on the projects could begin again. This work stoppage was the primary cause for the two projects being carried over. DSC staff advised that if work on the projects had not stopped, the projects could have been bid in January or February 1980.

Package No. 138--The specifications, prepared by an A/E, were ready by May 5, 1980, and the package was submitted to SBA on June 17, 1980. Original negotiations were stymied at $2,500,000. The project was rescoped by eliminating the fishing bridge. Negotiations have now resulted in a contract for $1,859,000 awarded on January 29, 1981.

Yosemite

Package No. 223, funded in 1980 for $520,000, is phase II of the well-water system at El Portal. The delay of phase II was related to completion of phase I. Specifications for phase II were completed on June 26, 1980, and submitted to SBA on August 6, 1980. Negotiations are currently under way with the 8(a) contractor.

Package No. 347, funded for $131,000 in 1980, is a nonexistent project. Neither DSC nor Yosemite personnel were aware of the project at the time of the Investigative Staff's visit. The regional office advised that Washington Headquarters and the

regional office had submitted the project, with the explanation being that they might need some money to make some modifications that the State may require at some future time. The attitude of NPS on matters such as this does not enhance its image, especially when its credibility has been suspect, at best.

Even though DSC is the cognizant office for this package, it was still not aware of the project in late January 1981.

Carryover Other Than Line Item Construction

In addition to the $52 million of project carryovers, an additional $33 million is related day labor, contingency, and planning funds. The following is a schedule of those $33 million in carryover funds:

	Amount ($000)
Estimated unobligated balances for projects under way by Park work forces (archeological investigations and salvage, planning, and day labor construction projects); force accounts within contracts; and approved change orders (with funding transferred to regions) for which obligations have not been incurred	$ 8,900
Planning and archeological investigations, salvage, and supervision	$ 2,200
Funds transferred to regions for approved change orders for which obligations were not incurred by 9/30/80	1,100
Day labor construction projects and force accounts within contracts	5,600
Estimated contingency to cover change orders, overruns, and claims for projects under way as of 9/30/80. (Undelivered orders as of 9/30/80 totaled $135 million.)	4,300
Note: Contingency balances for projects under way are not necessarily comparable from one year to the next due to differences in obligation rates and variations in change order and overrun requirements. Factors contributing to the lower balance indicated this year as compared to the $7 million indicated last year are listed below:	
Use of contingency during latter part of fiscal 1980 to cover low bids	900
Transfer of contingency late in fiscal 1980 to cover a number of accumulated change orders for FHWA-administered projects	1,300
The Rescission Act of fiscal 1980 (P.L. 96-304, 7/8/80) rescinded $3.0 million of obligational authority in "Construction" appropriation, consisting of $2.29 million in line item projects and $710,000 in slippage. Contingency components for projects had to be rescinded in total ($300,000), and contingency was used to fund slippage portion of rescission ($710,000):	(300 (710
Estimated unobligated balances for exhibit and audiovisual projects awarded in prior years and still under way by Harpers Ferry Center (including planning and production)	1,700
Emergency and unscheduled projects (lump sum programs)	1
Estimated unobligated balances for advance planning and project planning under way by Denver Service Center and Federal Highway Administration; and that portion of project supervision derived from projects awarded in prior years and still under way	17,772
NPS & FHWA: Advance planning and project planning	12,909
NPS & FHWA: Project supervision	4,863

Planning Fund Carryover

The Investigative Staff noted that $12,909,000 of the carryover relates to planning for projects scheduled for construction. Considering that the National Priority Listing formulated in 1980 for FY's 1982 through 1987 did not take into account projects which had planning completed or in process, the Investigative Staff examined Rocky Mountain Regional Office projects which had planning scheduled, in process, or completed, and found:

Plans completed and placed on the shelf:
2 projects not on priority list

Design started:
22 projects not on priority list
8 projects on priority list

Design funded--work not started:
29 projects not on priority list
4 projects on priority list

For those projects for which design work had started, the degree of completion ranged from 10 percent to 90 percent.

The Investigative Staff believes that the planning carryover is an area that should be carefully studied to ensure that funds are expended for planning only for those projects that are scheduled for construction through 1987.

For those plans, both advance and project, which will not be implemented by 1987, careful consideration should be given to de-authorizing the funding of the planning and using those monies to fund planning for scheduled projects.

Date of Specifications and Awards

The Investigative Staff was advised that when contracts are awarded in June through September, a premium of 17 percent is generally added to the contract price. A construction agency should ideally have its specifications ready to go to bid in January/February and award a contract in March/April. Workload of designers and contract officers is thereby spread out, and the Government is able to take full advantage of the competitive bid process. The normal time from date of specifications to award is a minimum of 90 days. Anything less creates undue hardships on contract personnel.

DSC's performance during FY's 1979 and 1980, as indicated below, has been somewhat less than ideal.

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SCHEDULE SHOWING THE MONTHS THE SPECIFICATIONS WERE READY FOR PROCESSING AND THE CONTRACTS WERE AWARDED

	Specifications Ready for Processing		Contracts Awarded	
	1979	1980	1979	1980
October	1	0	0	0
November	1	3	0	0
December	3	3	0	0
January	2	3	0	2
February	2	6	1	2
March	3	3	2	1
April	5	13	2	3
May	14	7	2	4
June	13	10	0	3
July	22	12	2	4
August	17	1	5	4
September	2	2	55 a/	24 b/

a/ 20 contracts awarded last day of fiscal year
b/ 6 contracts awarded last day of fiscal year

The above schedule indicates that only 32.5 percent of the specifications were ready before June in 1979 and 53 percent in 1980. In FY 1979, 80 percent of the contract awards were made in September; 29 percent were made on the last day of the fiscal year. In 1980, DSC improved somewhat, as only 51 percent were awarded in September and only 13 percent on the last day of the year.

In the premium time of June through September, 90 percent of the awards were made in 1979, and 74 percent in 1980.

The contract officer advised that his staff is required to work long hours to meet the end-of-year push. Some bids have mistakes in them that are overlooked. At least one late award, which had reduced competition, resulted in the Government's paying at least $500,000 more for the construction project.

The Specifications Branch Chief stated that a project can only be obligated if the specifications are ready, and that the Specifications Branch can only fulfill its mission if projects are received in a fairly constant flow throughout the year. In the first 5 1/2 months of FY 1979, the branch processed 19 specifications. The hundred that were yet to come overwhelmed the branch and clogged up the entire contractual system.

The contract officer at DSC summed up the yearend crunch best by stating: "The end-of-year dilemma--carryovers or buy at higher prices." The Investigative Staff believes that until discipline and accountability regarding construction projects are instilled in the planning, programming, and construction system, DSC will remain in the "carryover or buy at a higher price" mode of operation.

V. ACCURACY OF ESTIMATES

Estimates of project costs are prepared by the Professional Services Section of DSC for each of the various stages of planning. The first estimate is usually made at the 10-238--conceptual stage. Obviously, the further the estimator is away from the date of construction, the more "ballpark" the estimate is; conversely, the closer to construction and the availability of more detailed drawings, the more accurate the estimate. Currently, estimates are prepared as far as 2 years in advance of construction and as long as 18 months before construction monies are appropriated. The Investigative Staff believes that the time frame is the primary cause of estimates not being as accurate as they could be and that refinements in the budgetary process, which the Investigative Staff is recommending, will improve the accuracy of the estimates.

Depending on the stage of the planning process, the DSC prepares one of the following three classes of estimates:

Class C--Estimates prepared for conceptual or long-range budgets. Cost estimates are based on similar facilities in other parks. A class C is also referred to as a "windshield" estimate. Any resemblance to actual cost of the project is accidental.

Class B--Preliminary cost estimates are prepared from schematics of areas, floor plans of structures, and outlines of utility systems. This estimate is normally prepared in the advance planning stage.

Class A--Estimates prepared from working or specification drawings. Costs are derived from historical data accumulated and updated from contractor abstracts on previous projects. The estimate is usually valid for up to a 2-year period and is prepared in the project planning stage.

In an attempt to evaluate the accuracy of the NPS estimates, the Investigative Staff utilized the accepted NPS criterion of the low bid being within a plus or minus 10 percent of the estimate; that is, if the low bid falls within 10 percent above or below the estimate, the estimate is then considered to be a good estimate.

This criterion was applied to individual contracts awarded in FY's 1979 and 1980. It should be pointed out that the Investigative Staff's analysis is biased in favor of NPS because it did not include contracts awarded under the Minority Business Enterprise (MBE)-8(a) Small Business Administration program (historically well in excess of the above 10-percent range) and the resulting carryovers. The Investigative Staff found that of the 81 contracts awarded in FY 1980:

-- 35 of the estimates, or 43 percent, were within the plus-or-minus 10-percent range.
-- 20 of the estimates, or 25 percent, were over 10 percent.
-- 26 of the estimates, or 32 percent, were under 10 percent.

Of the 68 contracts awarded in FY 1979:

-- 34 of the estimates, or 50 percent, were within the plus-or-minus 10-percent range.
-- 15 of the estimates, or 22 percent, were over 10 percent.
-- 19 of the estimates, or 28 percent, were under 10 percent.

The following is a listing of several projects awarded in FY 1980 where the awards either exceeded or were under the 10-percent criterion:

AWARD WAS UNDER ESTIMATE BY MORE THAN 10 PERCENT

Package Number	Park	Appropriated Amount	Engineering Estimate	Award Amount
101	Guadalupe	-	$1,837,335	$1,383,296
110	Guadalupe	-	353,882	239,946
110	Guadalupe	-	249,570	118,919
140	Yellowstone	$2,714,000	2,100,000	1,573,767
427	Yellowstone	431,000	364,042	262,471
429	Yellowstone	946,000	817,000	582,352
102	Grand Canyon	2,751,000	2,200,000	1,798,821

AWARD EXCEEDED ESTIMATE BY MORE THAN 10 PERCENT

Package Number	Park	Appropriated Amount	Engineering Estimate	Award Amount
101	Perry's Victory	$2,370,000	$1,500,000	$1,718,500
202	Indiana Dunes	859,000	578,000	750,582
107	Channel Island	5,100,000	2,355,000	2,812,200
202/118	Lake Meade	2,450,000	1,870,000	2,353,741
198	Sequoia	4,939,000	3,500,000	4,050,498

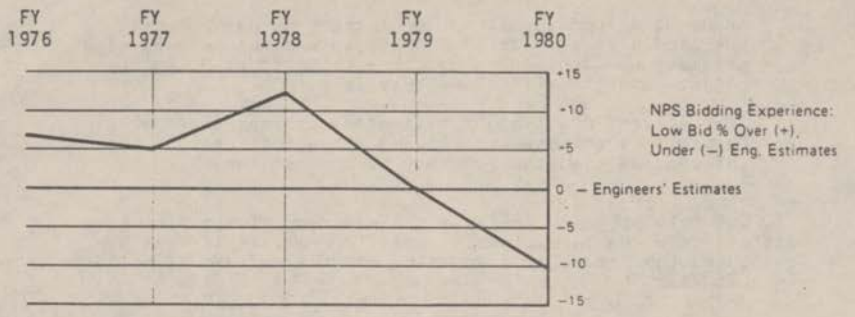
In a letter dated January 26, 1981, to the Investigative Staff, the Manager of DSC stated, in part, that:

"A great deal of attention has been paid to the accuracy of NPS estimates. I possess no data that indicate that estimates prepared by the DSC vary widely from industry-wide acepted standards of accuracy. * * * Further, there is no evidence to suggest that inaccurate estimates cause carry-overs. In the September 30, 1980, carry-over list, only three of the jobs were carried over because of

inadequate funds. All three of the jobs date back to the Land Heritage Act: * * * No professional engineering estimate was done on these three projects prior to the budget submitted in Fiscal Year 1978.

- "The salient point about estimating is that the market forces in a competitive bidding situation are more influential than the accuracy of the estimate."

The following NPS graph of the accuracy of its estimates differs from the Investigative Staff's analysis in that NPS considers the entire program year, not the individual projects in that year.


FY 1976
FY 1977
FY 1978
FY 1979
FY 1980
+15
+10
+5
0 — Engineers' Estimates
-5
-10
-15
NPS Bidding Experience:
Low Bid % Over (+),
Under (–) Eng. Estimates

The above schedule shows the NPS considers its estimates over FY's 1976 through 1980 to be within the acceptable criterion range of plus or minus 10 percent for 4 out of the 5 years. NPS contends that pluses and minuses tend to cancel out when the entire program is considered. The officials stated that these award results are influenced more by the status of the construction industry than by the accuracy of the estimate. The construction industry, as also indicated by the schedule, is currently in a downward-trend mode. Since 1978, contract prices have been awarded substantially under the engineers' estimates.

Reprogramming

In the FY 1979 appropriation bill, the Conference Report 95-1672, Interior and Related Agencies, defined reprogramming as:

"2. Criteria for programming * * * For construction accounts reprogramming constitutes the reallocations of funds from one construction project identified in the justification to another.

"3. Reporting and approval procedures--
(a) Any proposed reprogramming must be submitted to the Committee in writing prior to implementation if it exceeds $250,000 annually or results in an increase or decrease of more than 10 percent * * *." (Emphasis added.)

Although the Investigative Staff did not pursue the reprogramming problem other than how reprogramming and the accuracy of estimates related to each other, the following projects were noted as being either substantially under or over the 10-percent range:

Project	Package Number	Appropriated Amount	Estimated Amount of Contract	Award Amount
Yellowstone	140	$2,714,000	$2,100,000	$1,573,767
Grand Canyon	102	2,751,000	2,200,000	1,798,821
Lake Meade	202/118	2,450,000	1,870,000	2,353,741
Sequoia	198	4,939,000	3,500,000	4,050,498

None of the above-cited projects was submitted for reprogramming even though the contract award was either substantially over or under the estimate of the project cost.

For the Lake Meade project, the award almost exceeded the appropriated amount, which includes the 15 percent for contract supervision and 16 percent for contingency. In effect, the contract could exceed the estimate by 41 percent before being considered for reprogramming action. With this award of $2,353,741 using up the 15-percent project supervision amount and the 16-percent contingency amount, the Investigative Staff wonders where the cost for supervision and contingency will come from.

Regarding those substantially under the estimate, the Yellowstone project award was $1.2 million under the appropriated amount, or 44 percent. The Grand Canyon was about $1 million under, or about 36 percent.

These substantial differences between appropriated amounts and the actual contract awards will allow NPS to "rob Peter to pay Paul," further damage the integrity of the project costs, and will not be considered for reprogramming action.

VI. QUESTIONABLE CREDIBILITY OF NPS

One of the overriding comments made in the previous Investigative Staff report was that NPS's credibility has been seriously tarnished by its handling of BLHP. The report, in part, stated:

> "Only time will tell if the credibility of the NPS, seriously damaged in the BLHP, can be restored."

The Investigative Staff has found that this much-needed credibility is still being abused, as illustrated by the following NPS actions:

-- A $131,000 phantom project was placed in the 1980 construction program.

-- The NPS transferred $90,000 of the Tuskegee project cost to a Vicksburg project.

-- A project was enjoined by a Federal District Court on January 18, 1980, but was allowed to remain as a viable project. The reason given by NSP was "they wanted to hold their place in line."

-- In September of FY's 1978 and 1979, to meet obligational and MBE goals, NPS entered into 67 highly questionable letter contracts with SBA valued at about $30 million.

Phantom $131,000 Project

In the FY 1980 construction budget, the NPS requested and received $131,000 to make interim repairs and construction on the El Portal sewage treatment plant located in Yosemite National Park. The NPS budget justification did not cite what these interim repairs might be. While visiting Yosemite, the Investigative Staff asked to see the repairs made with the $131,000. To the amazement of the Investigative Staff, Yosemite personnel were not aware of any repairs. The Investigative Staff then checked the DSC 1980 carry-overs and found that the project was not listed. Also, there was no contract award made for the $131,000; in fact, DSC had no record of the $131,000 project and was not aware of any.

Western Regional Office (WRO) officials advised the Investigative Staff that Washington Headquarters was handling the project and that the project was conceived after Washington called the WRO regarding the need to find a project for about $100,000. WRO officials justified the project by stating that the State of California might require NPS to modify the El Portal plant sometime in the future and that WRO would like to have the money available.

After the Investigative Staff informed Washington that the $131,000 was not obligated and was not listed as a carryover, the carryover listing was amended to reflect $131,000 and the carryover was charged against DSC even though cognizant DSC officials again disclaimed any knowledge regarding the project.

Tuskegee Transfer

During a review of the NPS accounting system at DSC, the Office of Inspector General (OIG), Department of the Interior, noted certain irregularities regarding employees charging their time to projects other than those on which they were working. The OIG advised the Investigative Staff that this practice is common and destroys the integrity of the accounting system. Because of the practice, the OIG staff advised it is impossible to determine the actual cost of most projects. The following Tuskegee project is just one of the examples to be cited in the OIG draft report to be issued in June 1981.

As of January 15, 1981, the Tuskegee projects had received the following appropriations and had recorded or projected the following charges:

Appropriations		Projected Final Costs	
FY 1977	$ 25,000	Contracts	$1,726,446
FY 1978	230,000	Exhibit Production	470,000
FY 1979	2,091,000	Planning	390,000*
FY 1980	351,000	Supervision	342,500
	$2,697,000		$2,928,946

*Does not include $156,000 for Historic Structure Report.

In a September 19, 1980, letter from the Regional Director, Southeast Region, to the Manager, DSC, the Regional Director stated, in part:

> "A brief recapitulation: a total of $1,709,000 is the amount which can legally be expended on the construction contracts. To date, awards and change orders already cleared total $1,545,343, leaving a ceiling balance of $163,542.
>
> "$1,709,000 net + contingency + unappropriated ceiling
> 1,545,458 contract obligations to date
> 163,542 ceiling balance
> 111,459 estimated increases to contracts
> $52,083 (say $50,000) remaining ceiling after construction

"Let's keep in mind that the additions to the contract are applied against a development ceiling that is unappropriated: that is, we are beyond the contingency funds appropriated for the project. Further, the $50,000 balance is not to be viewed as available funds for the project. The potential for claims on this kind of contract is too great not to make allowances for them. [Emphasis added.]

"I would appreciate every effort you could make to improve the list even more as negotiations proceed. At the conclusion of each item negotiated and before any work is undertaken, please call this office for fund clearance. I repeat my earlier statement that I will not approve the expenditure of funds in excess of the limitation."

Because of projected cost overruns and the strong regional position, the DSC officials directed that FY 1981 costs of about $91,000 be charged to a project which had not used up its appropriated amount. DSC accounting personnel advised the Investigative Staff that they were instructed to charge the Vicksburg project account for the $91,000 of Tuskegee costs.

OIG personnel advised the Investigative Staff that the cognizant officials of DSC hesitantly agreed to properly record the costs to the appropriate project, and the $91,000 in costs was transferred back to the Tuskegee account. When asked how widespread this occurrence was, OIG officials stated they were able to track the Tuskegee transfer, but in numerous cases they were not able to track the proper charges to the appropriate accounts. They advised that DSC seems more concerned with total appropriated costs rather than project line item costs. Even though DSC has an accounting system, each of the five management teams records charges to the project accounts differently. OIG staff advised that this contributes to the difficulty of tracking costs.

Also contributing to the problem of determining the actual cost of a project is recording errors in the time reporting system (timecards). A consultant report issued in November 1979 stated, in part, that:

"The result of these errors is that approximately 52% of the time charged to project numbers was in error when compared to the time study, and 26% of the time charged to overhead was in error * * *.

"This error rate, even if reduced for any rounding or other study error, is enough to totally invalidate any useful comparison of the time system to the budgeted amounts within the system.

"The present time system is inadequate for use in scheduling man-hours or projects. A normal time system for use in work scheduling and staffing will break out direct man-hours by project and type of work performed on the project. This allows a determination of staffing mix by comparison of work done by discipline to the staff available by discipline; then a comparison to the budgeted man-hours for projects by discipline to actual hours by discipline.

"This requires that the budgeting process be carried through to a breakdown on project costs by work type in order to have projected man-hour needs available to forecast staffing levels for hiring, and to use as guidelines to track projects by their completion levels to determine if projects are on schedule, over budget or under budget." (Emphasis added.)

Willow Beach

The Willow Beach flood control project of Lake Meade National Recreation Area was scheduled for construction in FY 1981. The project was funded for $786,000 and basically was intended to consist of a wall to be constructed to protect a restaurant from dangers of flash floods. The wall, which would be situated in a funnel-type gorge, would require that 45 of the 75 trailer-type residences be relocated. The residents of the trailers refused to move and took NPS to court. The U.S. District Court for the District of Arizona, on January 18, 1980, issued a restraining order and enjoined NPS from moving the residents. The NPS, rather than withdrawing the project because of the unexpected difficulties, chose to keep the project in the 1981 budget. As a cognizant official stated, "We want to hold our place in line." This attitude contributes to the lack of credibility currently being generated by NPS officials. One official advised the Investigative Staff that he cannot understand why NPS does not be completely honest with Congress.

Questionable Letter Contract Practice

In order to meet an obligational and Minority Business Enterprise goal, NPS was directed by officials of the Department of the Interior to resort to awarding letter contracts to SBA during the last month of FY's 1978 and 1979. Thirty-nine letter contracts valued at about $17 million and 28 letter contracts valued at about $13 million were awarded to SBA in FY's 1978 and 1979, respectively.

The Federal Procurement Regulations define a letter contract as follows:

"(a) Definition. A letter contract is a written preliminary contractual instrument which authorizes immediate commencement of manufacture of property, or performance of service, including, but not limited to, preproduction planning, and the procurement of necessary materials.

"(b) Application. A letter contract may be entered into when (1) the interests of the Government demand that the contractor be given a binding commitment so that work can be commenced immediately and (2) negotiation of a definitive contract in sufficient time to meet the procurement need is not possible, as for example when the nature of the work involved prevents the preparation of definitive requirements, specifications, or cost data." (Emphasis added.)

As the following schedule demonstrates, NPS utilized the letter contract approach as the vehicle to enhance its obligation rate and reduce carryovers and to meet the MBE 8(a) goal. In 1978, all letter contracts were dated September 22, 1978, and in 1979, the letter contracts were either dated September 10, 1979, September 21, 1979, or September 23, 1979.

CONSTRUCTION PROJECTS OFFERED TO SBA--FY's 1978, 1979

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
NORTH ATLANTIC REGION							
Gateway National Recreation Area Demolition & Removal of Barges, Dead Horse Bay Marina IFB 1770-78A, Pkg. No. 109 Contract No. CX-1600-8-9015	78	$183,190.00	E=$160,620 (7/10/78)	7/12/78	A=12/4/79	511	Letter Contract Dated 9/22/78
Demolition of Structures, Floyd Bennett Field & Fort Tilden IFB 1770-78B, Pkg. No. 109 Contract No. CX-1600-8-9010	78	$158,084.00	E=$155,000 (6/9/78)	6/13/78	A=11/2/78	143	Letter Contract Dated 9/22/78
Stabilization of Adm. Bldg. & Control Tower, Floyd Bennett Field IFB 1770-78D, Pkg. No. 109 Contract No. CX-1600-8-9016	78	$243,000.00	E=$152,955 (8/8/78)	8/9/78	A=1/17/80	521	Letter Contract Dated 9/22/78
Reroofing of Bathhouse, Jacob Riis Park IFB 1770-78E, Pkg. No. 109 Contract No. CX-1600-8-9018	78	$314,000.00	E=$229,978 (8/10/78)	8/11/78	A=3/8/79	209	Letter Contract Dated 9/22/78
Visitor Use Facility & Parking, ORA 1 & 2, Sandy Hook Unit IFB 1770-78Q, Pkg. No. 109 Contract No. CX-1600-8-9014	78	$300,692.00	E=$341,761 (6/1/78) R=$276,870 (12/8/78) R=$269,528	6/2/78	A=4/9/79	310	Letter Contract Dated 9/22/78
Statue of Liberty NM Rehabilitation of Main Bldg., Ellis Island IFB 1940-78A, Pkg. Nos.107,143 Contract No. CX-1600-8-9019	78	$580.573.00	E=$491,200 (8/23/78)	8/30/78	A=8/6/79	359	Letter Contract Dated 9/22/78

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
SOUTHEAST REGION							
Gulf Islands National Seashore Visitor Facilities, Phase I, Utilities, Signing, Fencing, Roads, Naval Live Oaks IFB 5320-78A, Pkg. No. 112 Contract No. CX-5000-8-9005	78	$1,214,000.75	E=$157,569 (8/23/78) R=$1,203,342 (12/11/78)	8/23/78	A=6/18/79	300	Letter Contract Dated 9/22/78
Construct Interpretation Fac., Roads, Parking, Utilities, Naval Live Oaks IFB 5320-78B, Pkg. No. 119 Contract No. CX-5000-8-9006	78	$1,684,000.00	E=$1,362,406 (8/17/78) R=$1,975,361 (9/20/79)	6/26/78 9/25/79	A=3/13/80	626	Letter Contract Dated 9/22/78
Construct Visitor Ctr., Boat Dock Maint. Area, Roads & Trails, Phase II, Davis Bayou IFB 5320-78C, Pkg. No. 120 Contract No. CX-5000-8-9007	78	$2,800,047.67	E=$1,522,236 (8/18/78)	8/21/78	A=7/28/80	731	Letter Contract Dated 9/22/78
SOUTHWEST REGION							
Big Bend National Park Reconstruct 10 mi. Route 1, Culverts & Realignment IFB 7130-78A, Pkg. Nos. 109 & 170 Contract No. CX-7000-8-9014	78	$3,149,478.90	E=$2,460,000	6/28/78	A=7/2/79	369	Letter Contract Dated 9/22/78
Chaco Canyon NM Construct Dormitories & Selected Facilities IFB 7400-78A, Pkg. No. 112 Contract No. CX-7000-8-9009	78	$422,185.00	E=$514,560 (8/21/78) R=$591,050 (4/14/80) R=$469,469 (6/18/80)	8/18/78	A=9/19/80	763	Letter Contract Dated 9/22/78

Park, Project, IFB/RFP No. & Package Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
Chaco Canyon NM (cont'd) Construct Office & Laboratory Facilities IFB 7400-78B, Pkg. Nos. 106, 111, & 154 Contract No. CX-7000-8-9010	78	$399,862.00	E=$497,405 (9/24/78) R=$463,575 (1/25/80)	9/24/78	A=7/3/80	648	Letter Contract Dated 9/22/78
Fort Davis NHS Restore Commanding Officers' Quarters IFB 7220-78A, Pkg. No. 101 Contract No. CX-7000-8-9008	78	$227,073.00	E=$202,080 (8/15/78)	8/15/78	A=5/11/79	269	Letter Contract Dated 9/22/78
Guadalupe Mountains NP Construct Horse & Foot Trail, 10 mi., Phase I IFB 7180-78C, Pkg. No. 109 Contract No. CX-7000-8-9013	78	$435,000.00	E=$469,245	6/24/78	A=6/2/80	707	Letter Contract Dated 9/22/78
Construct Entrance Road & Contact Station, Phase III IFB 7180-78D, Pkg. No. 114 Contract No. CX-7000-8-9007	78	$383,630.00	E=$369,046	7/28/78	A=7/9/79	346	Letter Contract Dated 9/22/78
Pine Springs Residential/ Maintenance Area IFB 7180-78B, Pkg. Nos. 101 & 103 Contract No. CX-7000-8-9012	78	$1,842,861.00	E=$2,055,595 R=$1,636,420 (4/5/79)	9/6/78	A=10/3/80	758	Letter Contract Dated 9/22/78
Park Bldgs., Utilities, and Parking, Upper Dog Canyon IFB 7180-78E, Pkg. No. 119 Contract No. CX-7000-8-9011	78	$334,213.00	E=$277,180 R=$377,324	8/29/78	A=9/25/80	746	Letter Contract Dated 9/22/78

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
NATIONAL CAPITAL REGION							
NCP-Mall Install Drainage Sys., Concrete Bottom & Water Sys., Reflecting Pool IFB 3408-78B, Pkg. No. 179 Contract No. CX-3000-8-9010	78	$1,848,563.00	E=$1,304,842 R=$1,534,253	8/29/78	A=8/11/80	722	Letter Contract Dated 9/22/78
ROCKY MOUNTAIN REGION							
Custer Battlefield NM Convert Ext. Water Source to Irrigation Use IFB 1380-78A, Pkg. No. 145 Contract No. CX-1200-8-9019	78	$247,338.52	E=$223,040 R=$246,351	7/5/79	A=1/16/80	195	Letter Contract Dated 9/22/78
Dinosaur NM Contact Station IFB 1400-78B, Pkg. No. 114 Contract No. CX-1200-8-9016	78	$379,070.00	E=$306,408	5/25/78	A=11/14/78	187	Letter Contract Dated 9/22/78
Glen Canyon NRA Campsites, Util., Walks & Elect. Dist., Halls Crossing IFB 1440-78C, Pkg. Nos. 116 & 271 Contract No. CX-1200-8-9020	78	$394,792.00	E=$334,860	8/23/78	A=6/23/80	670	Letter Contract Dated 9/22/78
WESTERN REGION							
Golden Gate NRA Fort Mason Grounds Renovation IFB 8140-78A, Pkg. No. 118 Contract No. CX-8000-8-9019	78	$683,608.49	E=$354,000		A=2/27/79		Letter Contract Dated 9/22/78

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
Whiskeytown-Shasta-Trinity NRA Construct Water System, Tower House & Oak Bottom IFB 8750-78A, Pkg. Nos. 117 & 122 Contract No. CX-8000-8-9020	78	$146,082.44	E=$128,250		A=4/25/79		Letter Contract Dated 9/22/78
PACIFIC NORTHWEST REGION							
San Juan Island NHP Ext. Restoration Officers' Quarters IFB 9531-78A, Pkg. No. 112 Contract No. CX-9000-8-9007	78	$84,779.00	E=$84,777	8/4/78	A=10/4/78	61	Letter Contract Dated 9/22/78
NORTH ATLANTIC REGION							
Acadia National Park Rehabilitate Sewer System IFB 1700-79A, Pkg. No. 240 Contract No. CX-1600-9-9006	79	$278,175.00	E=$146,000	8/13/79	A=4/8/80	239	Letter Contractt Dated 9/10/79
Gateway NRA Rehabilitate Roads, Sandy Hook IFB 1770-79G, Pkg. No. 109 Contract No. CX-1600-9-9007	79	$667,403.02	E=$569,980	9/6/79	A=8/11/80	401	Letter Contract Dated 9/10/79
NATIONAL CAPITAL REGION							
Rock Creek Park Rehabilitate Rock Creek Nature Center, Park General IFB 3450-79A, Pkg. No. 103 Contract No. CX-3000-9-9010	79	$295,000.00	E=$308,500 R=$257,710	9/22/79	A=2/15/80	146	Letter Contract Dated 9/21/79
Replace Sewer Line, Park Gen. IFB 3450-79B, Pkg. No. 226 Contract No. CX-3000-9-9011	79	$69,000.00	E=$71,480	7/20/79	A=2/21/80	216	Letter Contract Dated 9/21/79

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
NCP-East							
Commanding Officers' House, Phase II, Fort Washington IFB 3500-79C, Pkg. No. 106	79		E=$222,144	7/31/79	W=8/24/80	389	Insuff. Cost & Pricing Data
SOUTHEAST REGION							
Carl Sandburg Home NHS							
Visitor Orientation/Comfort Sta., Road & Utilities IFB 5160-79A, Pkg. No. 101 Contract No. CX-5000-9-9011	79	$329,317.78	E=$296,440	9/20/79	A=8/11/80	326	Letter Contract Dated 9/23/79.
Gulf Islands National Seashore							
Construct Comfort/Contact Sta., Park, Trails IFB 5320-79C, Pkg. No. 123 Contract No. CX-5000-9-9013	79	$387,889.00	E=$386,126	11/6/79	A=6/26/80	234	Letter Contract Dated 9/21/79
Tuskegee Institute NHS							
Campus Road & Grey Column Pkg. IFB 5680-79A, Pkg. No. 999 Contract No. CX-5000-9-9016	79	$363,000.00	E=$302,918	9/25/79	A=4/2/80	190	Letter Contract Dated 9/21/79
The Oaks IFB 5680-79B, Pkg. No. 999 Contract No. CX-5000-9-9015	79	$321,805.00	E=$391,656 R=$332,000	8/31/79	A=3/7/80	189	Letter Contract Dated 9/21/79
Grey Columns IFB 5630-7D, Pkg. No. 999 Contract No. CX-5000-9-9017	79	$306,801.00	E=$329,000	10/15/79	A=3/10/80	147	Letter Contract Dated 9/21/79
Carver Museum IFB 5680-79E, Pkg. No. 999 Contract No. CX-5000-9-9018	79	$410,408.00	E=$398,000	10/15/79	A=3/10/80	147	Letter Contract Dated 9/21/79

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
ROCKY MOUNTAIN REGION							
Capital Reef National Park Replace 7 Septic Tanks w/Modern Sewage Systems, Headquarters IFB 1350-79A, Pkg. No. 125 Contract No. CX-1200-9-9015	79	$279,922.22	E=$324,682 R=$237,581	9/12/79	A=3/19/80	190	Letter Contract Dated 9/21/79
Colorado National Monument Renovate Rest Rooms IFB 1378-79B, Pkg. No. 108 Contract No. CX-1200-9-9016	79	$166,395.00	E=$ 98,000 R=$129,355	9/20/79	A=5/29/80	189	Letter Contract Dated 9/10/79
Glen Canyon NRA Water System - Wahweap IFB 1440-79A, Pkg. No. 302 Contract No. CX-1200-9-9018	79	$156,493.36	E=$117,650 R=$262,362	5/18/79	A=2/14/80	272	Letter Contract Dated 9/10/79
Marina Access Road & Launch Ramp, Hite IFB 1440-79B, Pkg. No. 120 Contract No. CX-1200-9-9019	79	$810,515.00	E=$805,000	9/20/79	A=6/9/80	200	Letter Contract Dated 9/10/79
Expand Sewage System IFB 1440-79C, Pkg. No. 227 Contract No. CX-1200-9-9020	79	$269,358.29	E=$268,662	7/31/79	A=2/14/80	198	Letter Contract Dated 9/10/79
WESTERN REGION							
Grand Canyon National Park Reconstruct Emp. Trailer Village, Util., & Roads IFB 8210-79A, Pkg. Nos. 152 & 331 Contract No. CX-8000-9-9006	79	$2,339,235.00	E=$1,939,989 R=$2,311,593	5/31/79	A=4/24/80	328	Letter Contract Dated 9/21/79

Park, Project, IFB/RFP No. & Package, Contract No.	FY	Award Amount	Gov't. Est. E=Orig.Est. R=Rev.Est.	Date Offer to SBA	Date A=Award R=Refused W=Withdrawn	Time Elapsed From Offer Date (days)	Remarks
PACIFIC NORTHWEST REGION							
Mount Rainier National Park Bldg. Rehab., Paradise Inn, Kitchen Renovation IFB 9450-79D, Pkg. No. 176 Contract No. CX-9000-9-9006	79	$855,161.00	E=$602,332	6/13/79	A=10/2/79	118	Letter Contract Dated 9/10/79

It is interesting to note that it took NPS from 61 to 763 days to definitize the letter contracts--really stretching the immediate nature required in the Federal Procurement Regulations (FPR's)--and that some of the so-called obligated contracts have finally been terminated.

Also of interest is the fact that many of the awards were well in excess of the 10-percent reprogramming criterion. For example, at Gulf Islands National Seashore, the visitor center was estimated to cost $1.5 million but was awarded at $2.8 million, approximately 728 days after the original offer to SBA. NPS officials advised that SBA awards are usually 30 percent higher than competitive awards.

On April 8, 1980, the following 1978 letter contracts were terminated by NPS:

	Park	Contract No.	Letter Contract Amount
1	Glen Canyon	CX 1200-8-9020	$ 296,000
2	Glacier	CX 1200-8-9022	317,000
3	West Potomac	CX 3000-8-9010	995,000
4	Gulf Island	CX 5000-8-9007	1,327,000
5	Virgin Island	CX 5000-8-9008	295,000
6	Arkansas Post	CX 7000-8-9006	130,000
7	Chaco Canyon	CX 7000-8-9009	515,000
8	Chaco Canyon	CX 7000-8-9010	426,000
9	Guadalupe	CX 7000-8-9011	334,000
10	Guadalupe	CX 7000-8-9012	1,829,500
11	Guadalupe	CX 7000-8-9013	462,000
12	Montezuma	CX 8000-8-9021	66,000
			$6,992,500

On July 23, 1980, NPS terminated the following 9 of the 28 letter contracts awarded in FY 1979:

	Park	Contract No.	Letter Contract Amount
1	Gateway	CX 1600-9-9007	$ 605,000
2	Catoctin	CX 3000-9-9007	200,000
3	NCP East	CX 3000-9-9008	78,000
4	NCP East	CX 3000-9-9009	225,000
5	Shenandoah	CX 4000-9-9002	244,000
6	Carl Sandburg	CX 5000-9-9011	241,000
7	Glacier	CX 1200-9-9017	296,000
8	Padre Island	CX 7000-9-9016	235,000
9	Big Bend	CX 7000-9-9007	280,000
			$2,404,000

The termination letter sent for the above-terminated FY 1978-79 contracts generally stated, in part:

> "Enclosed is a Notice for Termination for the convenience of the Government of our 1978 Fiscal Year Letter Contract. This Letter Contract was not followed by a definitive contract within the time specified in 41 CFR 14-3.408. No extensions were granted.
>
> "It remains the intention of the National Park Service to enter into negotiation on our 1978 Fiscal Year commitments to Small Business Administration's Section 8(a) program."

VII. EMPLOYEE HOUSING

Department of the Interior regulations relating to employee housing state, in part, that:

> "A. New or additional Government Furnished Quarters [GFQ] shall not be provided unless it is determined that the quarters are essential to accomplishment of a bureau's mission, and are energy efficient. The need to construct, acquire, procure, or retain for use as quarters previously constructed or acquired housing is limited to circumstances wherein necessary services cannot be rendered, or property protected otherwise.
>
> * * * * * * *
>
> "(1) Housing should not be retained for use as GFQ's merely because it is available. Housing acquired in conjunction with land acquisition is particularly susceptible to unjustified retention.
>
> "(2) The Department is a reluctant landlord, and retention of unneeded housing generally violates the basic purpose of the acquisition program, i.e., to acquire land for park, wildlife, or other resource management programs."

The Investigative Staff's review of employee housing at Yellowstone, Grand Teton, and Lake Meade indicated that the limited housing appeared to be in the best interest of the Government in that it provided:

-- property protection,
-- 24-hour-call capability to perform necessary services, and a
-- law enforcement function.

Also, GFQ was justified in some cases because of the remoteness of the area where response time was an important ingredient to the solution of emergencies.

However, the Investigative Staff found a different situation during its visit to Yosemite National Park. The Yosemite Valley is but 1 mile wide and 7 miles long, with the majority of congestion in the lower third of the park. Yosemite is now at a crossroads. Today the Valley is congested with more than a thousand buildings--stores, homes, garages, apartments, lodging facilities, and restaurants--and it is bisected by approximately 30 miles of roadway, which now accommodates a million cars.

Employee housing--both concessionaire and Federal--is doing its share of degradation to Yosemite. The following schedule demonstrates the number of employees living within Yosemite:

	Summer	Winter
Yosemite Valley		
NPS	210	70
Concessionaire	1,240	620
Other	60	50
Wawona		
NPS	90	30
Concessionaire	90	20
El Portal		
NPS	80	50
Concessionaire	50	40
Other	60	50
Totals	1,880	930

To add further to the employee housing problem and belie its role of reluctant landlord, NPS has even converted to employee housing about 28 homes--1 to a concessionaire--acquired in the town of Wawona under its inholding acquisition program. (The inholding problem was the subject of previous Investigative Staff review.)

The Park Superintendent, who lives outside the park, is cognizant of the employee housing problem and is currently conducting a review in an attempt to reduce the employees' share of the congestion.

In conjunction with this review, the NPS is considering the establishment of an administrative community at the El Portal park entrance to reclaim precious space within Yosemite Valley for park visitors. The key to the plan's implementation will be to find sources of funding. This need for alternative funding led to the so-called "Flood Report" which suggests that the NPS lease land in El Portal administrative park to enable development of private housing, at private expense, on Federal administrative site land. By relocating a significant number of functions from Yosemite Valley to the edge of the park at El Portal, some employees can be expected to purchase homes between the cities of El Portal and Mariposa.

A secondary benefit could accrue from moving employees from Yosemite. There is a possibility that the removal of 28 homes (about 11 percent of the homes in the town of Wawona) could result in the scaling down of the proposed sewage treatment

plant and other services provided to the 220 inholders. The reduction of 28 employee-occupied houses in this section would go a long way toward eliminating congestion and may demonstrate to the remaining inholders that the Government is seriously attempting to restore Yosemite to its natural state.

VIII. NEED TO EMPHASIZE COST-EFFECTIVENESS IN THE CONSTRUCTION OF SEWAGE TREATMENT PLANTS AT NATIONAL PARKS

The NPS operates numerous sewage treatment plants throughout the park system. The plants range from very small primary treatment plants to a relatively large tertiary plant at Yosemite. Some plants flow into receiving waters, some spray the effluent, some utilize percolation and evaporation ponds, and others utilize the lagoon concept.

The NPS generally either retains an A/E firm to design a sewage plant or purchases a packaged plant, which usually can be set up intact. Both approaches produce effluent that meets State and Federal water quality standards.

By EPA standards, NPS sewage plants are all classified as small plants, the largest being the El Portal plant in Yosemite. The following is an NPS listing of the larger plants within the Park Service.

NATIONAL PARK SERVICE OWNED/OPERATED
MAJOR SEWAGE TREATMENT FACILITIES

Park Name	Gallons per Day Design Capacity	Gallons per Day Maximum Daily	Gallons per Day Average Actual Flow	Type
Assateague Island	12,000		800	Secondary
Big Bend				
Chisos Basin	35,000	50,000	20,000	Secondary
Phanther Junction	40,000	60,000	20,000	
Buffalo National River				
Upper Plant	20,000		4,500	Secondary
Lower Plant	30,000			
Everglades	135,000	250,000	40,000	Tertiary
Gateway				
Floyd Bennett Field 1/	400,000		140,000	Secondary
Sandy Hook 1/	500,000		10,000	Secondary
Grand Canyon				
South Rim	750,000	900,000	400,000	Tertiary
North Rim	160,000	160,000	80,000	Tertiary
Grand Tetons				
Moose Junction	37,500	37,500	24,000	Secondary
Great Smoky Mountains				
Cades Cove	40,000	40,000	28,000	Tertiary
Elkmont	20,000	20,000	18,000	Secondary
Look Rock	7,000	10,000	400	Tertiary
Headquarters	20,000	20,000	11,500	Secondary
Indiana Dunes				
Headquarters	5,000	5,000	200	Secondary
Kings Mountains	30,000	30,000	783	Tertiary
Olympic				
Heart O'the Hills	7,500	10,000	6,000	Tertiary
Padre Island	44,000	45,000	17,000	Secondary
Virgin Islands	16,000	20,000	16,000	Secondary

1/ These treatment plants are located on abandoned military posts; thus the plants were designed for much greater capacity than now required.

Park Name	Gallons per Day Design Capacity	Gallons per Day Maximum Daily	Gallons per Day Average Actual Flow	Type
Sequoia & Kings Canyon				
Ash Mountain	16,500	16,500	5,000	Secondary
Buckeye	10,000	10,000	6,000	
Cedar Grove	75,000	75,000	20,000	
Redwood	3,000	3,000	600	Secondary
Whiskeytown				
Oak Bottom	70,000	70,000	20,000	
Brandy Creek	65,000	65,000	30,000	Tertiary
Pu'uhannua-o-Honaunau (City of Refuge)	17,000	17,000	3,000	Secondary
Mammoth Cave	100,000	100,000	15,000	Secondary
Natchez Trace	25,000	25,000	12,000	Secondary
Glen Canyon	3,000	3,000	4,000	
Glacier Bay	21,000	21,000	7,500	Secondary
Mount Rainier				
Tahoma	8,000	8,000	3,000	Secondary
Paradise	1,800,000	1,800,000	58,000	Tertiary
Longmire	30,000	30,000	15,000	Secondary
Lake Chelan	25,000	25,000	14,000	Tertiary
Mount Rushmore	75,000	75,000	50,000	Secondary
Yellowstone				
Canyon	400,000	1,400,000	450,000	Secondary
Fishing Bridge	600,000	1,800,000	500,000	Secondary
Grant	250,000	500,000	150,000	Secondary
Madison			30,344	Secondary
Old Faithful	500,000	750,000	530,000	Secondary
Yosemite				
El Portal	2,000,000	4,000,000	600,000	Tertiary
Tuolumne Meadows	100,000	100,000	80,000	Secondary
Wawona	30,000		10,000	Secondary
Chaco Canyon	15,000	15,000	5,000	Secondary
Shenandoah				
Big Meadows	130,000	340,000	88,750	Tertiary
Skyland	70,000	175,000	70,000	Tertiary
Matthews Arm	24,500	30,000	21,960	Tertiary
Loft Mountain	37,500	45,500	21,470	Tertiary

As the schedule indicates, there is no rationale between average flow and design or maximum capacity. Some plants have a ratio of design to actual as low as 1 to 1, such as Virgin Islands National Park, while others such as Mammoth Cave are as high as 7 to 1. Indications are that some of the above plants are overdesigned.

During the Investigative Staff's visit to the various parks, one plant, the El Portal Sewage Treatment Plant, was constantly referred to as the "joke of NPS." The plant has been beset with serious operational and design problems since its inception in 1970. The Investigative Staff was advised that when it was finally completed in 1977, the NPS knew that the plant was not what it wanted, and plans were immediately under way to modify the very expensive tertiary treatment plant. Aside from the numerous problems, the Investigative Staff was advised that this sewage treatment plant located outside of Yosemite Valley was also designed as a visitor center, with the rationale being that while people are visiting beautiful Yosemite National Park they also may wish to visit a sewage treatment plant.

The following is a brief chronology of events and problems:

<u>El Portal Wastewater Treatment Plant,</u>
<u>Yosemite National Park</u>

March 1970	A/E began study to determine improvements needed to comply with EPA requirements for water and wastewater.
Nov. 1971	A/E began design of treatment plant.
Feb. 1972	California Regional Water Quality Control Board issued an order permitting direct discharge of properly treated effluent to the Merced River, in agreement with EPA standards.
April 1973	A/E completed plant design in accord with EPA and State of California requirements.
Feb. 1975	Construction contractor began construction of plant, following delay due to protest filed on bid opening.
Nov. 1975	EPA changed its requirements to prohibit direct discharge to the river.
Jan. 1977	(1) New plant and trunk sewer line (from Yosemite Valley to El Portal) were put into operation. (2) Some heavily chlorinated effluent was accidentally discharged to the river, resulting in a fishkill. (3) It became apparent that the percolation ponds originally designed and built were too small and caused a rise in the ground water table

which threatened the structural integrity of the treatment plant.

March 1977 — A study showed that the soil percolation rate is about 20 percent of the value used in the original pond design. A contractor began construction of additional percolation ponds designed to handle the entire flow. Two of the original ponds were filled with dirt because they were too near the plant.

May 1977 — Sludge incineration began. (During the first 4 months of operation, sludge had been trucked 30 miles to the Mariposa County Landfill.)

July 1977 — Another A/E began studies of sewer-line infiltration problems in Yosemite Valley. The firm was later assigned to work on odor control in the trunk sewer and to design final effluent disposal facilities.

Sept. 1977 — An emissions test showed that the sludge incinerator failed to meet EPA requirements for air pollution control.

Jan. 1978 — Heavy rains, a high sewer infiltration rate, and high ground water table combined to overload the percolation ponds. Effluent was bypassed to the river. The pond effectiveness was later found to have been further decreased by an overflow from the ash decant ponds resulting from incorrect pump design. Pond bottoms were sealed by fine ash particles and became virtually useless.

Feb. 1978 — EPA ordered compliance with the Clean Air Act.

March 1978 — Another contractor began plant modifications to correct the many deficiencies which had become apparent during the first few months of operation. The original contract called for about 25 items; some 25 more have been added by change order. Expected completion: May 1979. Some of the major items are: Percolation ponds will be cleaned out in an attempt to restore their usefulness. Incinerator ash handling was changed from a wet to a dry process, reducing the problem of percolation pond sealing. The effluent flushing water system was improved. A sewage pumping station and force main were installed to serve the solid waste transfer station. The grit removal system was improved. Sludge grinders were installed. Leaking roofs were sealed. Many minor piping changes were made. The chlorine contact chamber was improved.

May 1978 — A new force main in Yosemite Valley was put on line, eliminating a large amount of infiltration. New sewage pumping stations, the trunk sewer between Yosemite Valley and El Portal, and a sewer sealing project were completed between 1971 and 1976. The sealing project was largely unsuccessful.

May 1978 — The State of California issued an order allowing continued direct discharge until May 1, 1980, at which time the State expects full compliance. The order allows some direct discharge but requires high quality effluent.

June 1978 — A second emissions test showed the sludge incinerator is in full compliance with the Clean Air Act.

The Investigative Staff was advised there are still many problems with the treatment plant. Most of them can be traced to poor design, poor construction techniques, or faulty equipment. Some examples are:

(1) Control of suspended solids in the effluent is very difficult. The plant was supposedly designed to remove all but 10 milligrams per liter (mg/l); solids often are higher than 100 mg/l. The lower figure must be met if NPS is to comply with discharge requirements.

(2) The compressed air system needs major overhaul. Design changes added instrument and control operation but did not replace some piping and did not provide for oil-free, dry air of the quality needed for instrumentation.

(3) Return sludge pump shafts have broken with little provocation. NPS is trying to convince the pump manufacturer that the shafts have a design flaw resulting in stress concentration.

(4) Lack of a sludge thickener makes vacuum filtering difficult.

(5) Concrete has failed in places. A chunk recently fell into an aeration tank.

(6) Sludge collector arms are not strong enough to withstand normal drag.

(7) Incinerator must be operational 7 days a week even though sludge is only incinerated 2 days per week. Incinerator is seriously overdesigned and is extremely energy-intensive.

To further complicate the serious problems of the El Portal plant, the NPS, as a result of numerous deficiencies in the drawings and specifications, requested the A/E to provide the following services:

(1) Design of a separate effluent flushing water pumping station.

(2) Additional investigation and analysis in regard to percolation ponds.

(3) Structural investigation of cracks in concrete believed due to high ground water occurring from use of percolation ponds.

(4) Evaluation of claims submitted by the construction contractor.

For the above work, the A/E submitted a claim for $90,000. The NPS denied the claim and filed a counterclaim of $450,000 as a direct result of poorly prepared drawings and specifications.

In a report dated May 6, 1980, the second A/E firm concluded, in part, that:

(1) The existing treatment plant is not capable of reliably meeting the present discharge standards and must be upgraded.

(2) The sludge-handling facilities must be modified to insure a reliable treatment plant discharge.

(3) Continuous effluent disposal through the existing percolation ponds is not feasible.

Costs to Date

The above-cited difficulties have not come without substantial costs to NPS and are not only related to the sewage treatment plant. In a letter from DSC to the Western Regional Office, it is estimated that the contract cost exceeded $13 million, with estimated gross-up cost in excess of $19 million. Costs identified to the treatment plant construction contract total about $6 million or grossed up to about $8 million. The remaining $7 million in contracts were attributable to the sewer line which carried sewage into the treatment plant.

The construction of the Yosemite trunk sewer began in March 1975, and the following problems immediately surfaced:

(1) Contractual traffic control requirements were inadequate.

(2) The dig, construct, patch requirements for pipeline construction under the old plain concrete pavement slab were not possible without destroying the old paved surface. This problem ultimately resulted in a $1 million change order to modify construction procedures and provide a new temporary surface for the All Year Highway. A followup contract was necessitated to provide

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an asphalt-finished surface at an additional cost of $792,817.09.

Because of the cited problems affecting the entire sewage system, NPS estimates that an additional $10 million will be needed, of which an estimated $5 million is to modify the existing El Portal sewage treatment plant in order to meet water quality standards.

Considering the sewage treatment plant originally cost about $6 million to construct and that an additional $5 million will be necessary to modify the plant, it is safe to say that the plant, for its size, is by far one of the most expensive plants in the United States. A remark made in jest by the Superintendent, that it might be better if NPS would use the $5 million to construct a new plant rather than modify the existing "joke of NPS," is not without merit, especially considering the high annual O&M cost of $600,000 which is taxing the limited funds of the park.

Packaged Plants vs. Custom-Designed Plants

Although NPS has made some use of packaged or prefabricated waste-water treatment plants, the Investigative Staff believes that greater consideration should be given to this cost-effective method of treating sewage.

Many of the officials the Investigative Staff contacted at the parks and regional offices stated they have recommended the use of packaged plants but that DSC designers did not generally agree. The main reason given is that packaged plants cannot handle the flow fluctuations common to national parks. The Investigative Staff asked two manufacturers about packaged plants being able to adapt to flow fluctuation. Both manufacturers advised that for a biological system, the comment is valid, but a physical chemical system is especially suited for conditions requiring great flexibility, such as extreme flow and loading variations; requirements to remove nutrients; the requirement for intermittent operation; and the requirement for reuse of treated effluent for spray irrigation.

The major advantage of a packaged plant over an A/E custom-designed plant is capital cost and O&M costs. DSC officials readily admitted that sewage plants were not always constructed in the most cost-effective manner. They advised that aesthetic requirements preclude the spartan-looking packaged plant in some parks. However, they did acknowledge that the plants can be enclosed by a building designed with aesthetics in mind.

Packaged Plants Are More Cost Effective

The Investigative Staff was advised by several manufacturers of packaged plants that, costwise, packaged plants usually average about one-third of the cost of a custom-designed plant and are

generally much less expensive to operate. One manufacturer advised that a 150,000-gallon-per-day packaged plant would cost about $260,000 (not installed) and produce effluent containing 7.5 mg/l of basic oxygen demand (BOD); 5 mg/l of suspended solids (SS); and .5 mg/l of phosphate, at a cost of about 45 cents per 1,000 gallons.

Strictly as a point of reference, the Yosemite El Portal plant, with its capacity of 2 million gallons a day, cost about $6 million, or $3 per gallon of capacity, as opposed to $1.60 per gallon of a packaged plant. O&M costs per 1,000 gallons of effluent at Yosemite average about $2.74, whereas a packaged plant's O&M costs are about 45 cents per 1,000 gallons.

A comparable 4-million-gallon packaged plant located in Dale City, Virginia, with more stringent effluent requirements than at El Portal, costs about 90 cents per 1,000 gallons of capacity and produces effluent at about 61 cents per 1,000 gallons.

In today's economic environment, the Investigative Staff believes that cost effectiveness should be of primary consideration. Of course, the quality of the effluent cannot be compromised, but packaged plants have demonstrated the ability to meet even stringent requirements.

Another interesting fact in favor of stronger consideration of packaged plants is that many of the plants in the national parks do not flow into a receiving body of water. Some merely flow into lagoons or have the effluent sprayed into the forest. These plants would have no degradating impact on water quality.

IX. NPS MANAGEMENT IMPROVEMENTS IMPLEMENTED BUT ADDITIONAL REFINEMENTS STILL NEEDED

A. Improvements Implemented

New National Priority List

The establishment in 1980 of the new 5-year National Priority List, which will be the basis for the FY 1982 construction budget submission, is the single most significant improvement in the NPS management system. Numerous NPS officials believed that this new list should succeed when all the previous attempts to organize the planning process failed because it represents an agreement by the top NPS directorate as to what the construction project sequence should be from FY 1982 on.

The widespread enthusiasm for the new National Priority List, however, should be tempered somewhat by the knowledge that the projects on it were selected on the basis of factors other than the existence of comprehensive design drawings or even an advanced stage of project planning. The factors considered by the top directorate during the formulation of the new National Priority List are (in priority order) as follows:

"1. Projects which are mandatory by court order, the delay of which may subject the Service to legal sanctions, including projects to correct deficient sewerage systems and correct life threatening conditions in structures.

"2. Correct problems which pose a threat to public safety or health, including projects to correct unsafe drinking water supplies and hazardous conditions in structures and mechanical systems, roads and bridges.

"3. Preserve and protect from further deterioration the natural and cultural resources in the System.

"4. Rehabilitate deteriorated visitor use and support facilities.

"5. Bring facilities into compliance with the requirements of the Architectural Barriers Act of 1968, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended, to insure access for special populations to facilities and areas with the System.

"6. Provide visitor and support facilities in new and developing park areas where potential visitation or the need for resource is highest.

"7. Provide for adaptive use of historic structures where it is cost-effective.

"8. Provide additional visitor use and support facilities where such facilities will be environmentally sound and cost-effective and where visitation has increased at least 15 percent since the end of 1973.

"9. Provide other new facilities."

The Investigative Staff notes that although some of the projects selected for inclusion on the list may have been as a result of an unforeseeable Congressional directive or judicial order, for which no advance planning could rationally have been done, many of the projects will not be ready for obligation or construction in FY 1982 because they will not meet the requirements of House Appropriations Committee Report No. 96-1147 which mandates that the NPS " * * * 1982 construction request should not include items for which construction drawings are not available unless there is a compelling reason why the proposed project should be budgeted with a less reliable cost estimate." [Emphasis added.]

An NPS analysis of the $526 million, 213-project 1982 National Priority List reflects that only 20 projects totaling $27,517,000 would qualify under the terms of the most restrictive possible reading of the House Report.

An Investigative Staff review of that list reflects that 4 of the 20 projects rank as low as 202, 203, 204, and 211. The Investigative Staff also notes that an examination of the "NPS Potential Fiscal 1982 Construction Projects" list, dated November 24, 1980, indicates that another 4 of the 20 projects for which the NPS has completed construction drawings and would be eligible for funding under the above standard do not appear on the 213-project National Priority List. Apparently, the NPS proposes to include those four projects in its FY 1982 budget submission only because construction drawings for them have been completed.

Under a more liberal interpretation of the House Report, the NPS believed it could quality 18 of its highest priority projects totaling $36,532,000 under the "compelling reason" exception for inclusion in its FY 1982 budget submission. The Investigative Staff notes that 8 of those projects rank in the top 14 projects on the National Priority List and that only 5 of those 18 projects have completed construction drawings.

The Investigative Staff notes that a new 5-year plan every 3 to 4 years is no better than no plan at all and agrees with the superintendent of a western park who observed that "The NPS * * * should commit itself to work within the three-year construction cycle" and that " * * * when major decisions are made, everyone should be aware that those changes will only take place three years down the line, not next year."

10-238 Process Improved

In keeping with its response to the 1978 Investigative Staff recommendation that the NPS improve its use of the "Development/ Study Package Proposal" form 10-238, the DSC has taken substantial steps to provide professional assistance, in the form of visits to the individual parks by staff architects and engineers, early in the preparation of the 10-238. In its interviews with various park staff members and concerned regional officials, the Investigative Staff found the unanimous opinion to be that the present enhanced efforts by the DSC early in the planning stage are beneficial and that the NPS has resolved many of the difficulties with the 10-238 process which were identified in the 1978 Investigative Staff report.

"We-They" Syndrome Substantially Eliminated

Interviews with all components of the NPS reflected that very little of the "We-They" syndrome identified in the prior report presently exists. Park, regional, and DSC staff all noted that the tone of communications between their units and Washington Headquarters reflected a cooperative spirit and a willingness to work together to solve a given problem as opposed to the more dictatorial tone that existed, to some extent, in earlier years. The Investigative Staff found that the only area in the NPS where a serious "We-They" problem still exists is in the CRP program.

Pilot Project Manager System

As a result of the last Investigative Staff report, the DSC has implemented a "Project Manager System" on a pilot basis in one of its regional teams which designates one individual who is knowledgeable, responsible, and accountable for defining a project and managing it through to completion. The project manager has been delegated authority to act throughout the various organizational divisions at DSC in order to expedite the successful completion of a project.

The Investigative Staff notes that the small number of park officials who were familiar with the above pilot project thought that it worked well inasmuch as it provided a focal point at DSC for their questions concerning one of their projects and prevented their being shuffled from one unresponsive telephone number to another without results.

High Morale

The Investigative Staff found that, in general, morale within the NPS was very high--the greatest number of reasons for it being given as confidence in the present top management at the DSC and Washington Headquarters. All those interviewed concerning the matter expressed a hope that the previously high turnover rate for the NPS directorship would end in order that a degree of continuity and stability might be restored to the Service.

10-238 Backlog Decreased

One regional official noted that the volume of 10-238's submitted and on file in his region had significantly decreased since the 1978 Investigative Staff report. He attributed this to increased discipline in the system. The Investigative Staff agrees and notes that it encountered a widespread, realistic attitude concerning the inability of the NPS to continue to request some of the superfluous projects that were identified in the last report and were, notably, the result of a surge of 10-238's generated during the BLHP. The Investigative Staff believes this attitude should be a positive factor in the attempt by the NPS to insert accountability and discipline into its planning-construction process.

Much-Needed Training Course Implemented

In response to the 1978 Investigative Staff recommendation that the NPS develop a training course to familiarize regional and park staff with the intricacies of the planning-construction process, the DSC manager has given three sessions of a course entitled "Management: Project Development" which were attended by a mix of NPS employees from all its components. The Investigative Staff found NPS sentiment to be unanimously in favor of the course, with comments generally reflecting an attitude that the course was structured and presented in a way that cleared up the majority of unknown or misunderstood aspects of the process.

The Investigative Staff notes the NPS claims that the number of presentations of the course has been limited by budgetary restrictions but that it will attempt to provide periodic repeats of the course.

New Manual Explains Planning Process

The NPS is currently preparing a new document captioned "NPS-2" or "Planning Guidelines," which is supposed to represent a concise and easily readable outline of NPS standards geared toward determining the reason for each park's existence, identifying whatever problems might need remedying, and then prioritizing its needs through the submission of 10-238's that are based upon an educated analysis of those needs.

The Investigative Staff believes the most important improvement to be brought about by "NPS-2" will be the requirement that regional or DSC architects or engineers actually visit the project site and demonstrate exactly how the proposed project will fit into the park's environment. The Investigative Staff found several incidents where a park superintendent had innocently approved a set of construction drawings only later to discover (sometimes as late as the actual construction process) that they did not represent the project he had in mind. That situation leads to unnecessary redesign work, change orders, additional expense, and construction delays. If "NPS-2" accomplishes what its proponents claim it

will, it represents a significant improvement in the present system.

Discipline and Accountability

The NPS has established as "critical elements" for certain of its key officials at DSC and Headquarters the reduction of the construction budget carryover amount. The Investigative Staff views that as an improvement and notes that it reflects a recognition by the NPS that it must bring greater discipline, accountability, and the use of sanctions into its system.

DSC to Determine Construction Program

The NPS has restructured its construction project scheduling process so as to allow the DSC the initial opportunity to program those projects which are next up on the new 5-year National Priority List according to the DSC manager's best judgment as to which "mix" of those projects could most efficiently be handled by the DSC staff. The Investigative Staff notes that in previous years, the Headquarters Program Action Board, in conjunction with the requests of the regional directors, presented the DSC with an already completed schedule of a given year's construction projects which may or may not have represented a realistic demand on DSC's capabilities.

The old procedure frequently resulted in unrealistic demands being placed upon the DSC staff and a consequently high construction fund carryover rate. The Investigative Staff believes that permitting the DSC manager to schedule those projects at the front of the National Priority List in any combination, coupled with the knowledge that one of the standards in the performance rating is the DSC carryover amount, is a management improvement and should instill the missing discipline and accountability in the system.

B. Areas Still in Need of Management Improvements

Although the NPS has substantially improved its management capabilities through the above-described changes, the Investigative Staff has identified the following needs as being impediments to the efficient management of the NPS planning-construction-maintenance cycle:

(1) The NPS could be encouraged to examine all project requests with an eye to fulfilling its basic mission, which is to:

(a) Preserve the park for future generations.

(b) Preserve existing structures.

(c) Then, and only then, consider ways to improve the quality of the park by seeking new buildings, roads, trails, etc.

(2) The NPS could explore the possibility of "base funding" DSC, which would:

(a) Encourage the use of professionals on really needed projects, rather than on those projects which have sufficient, currently available funds to support them. The present system encourages overdesign and allows for the manipulation of funds from one project account to another, which frequently results in inaccurate or unobtainable total project cost figures. That situation also leads to the widespread distrust of DSC by park and regional officials.

(b) Encourage the DSC to give its "best professional judgment" in controversial issues notwithstanding pressures from a regional director who might be reacting to issues other than the best technical and cost-effective solution to a problem when he requests certain design changes.

(3) Because the Congress has chosen to use the carryover rate as a reflection of the effectiveness of the NPS planning-construction process, the NPS could consider distinguishing those unobligated funds which are attributable to: (a) CRP construction projects and (b) "Force Account" or "day labor" funds.

(4) Consideration could be given to moving planning functions from DSC to the various regions because:

(a) The regional directors could more closely monitor and control the planning process, effectively eliminating the common complaint that DSC is not providing exactly what the regions want.

(b) Public sentiment can be better "read," a particularly important area in light of the National Environmental Policy Act of 1969 (NEPA) guidelines requiring public input into some development plans.

(c) Lower transportation costs would result.

(d) Planners would be closer to the project site. As one regional director put it, they could actually "smell, touch, and feel" the project they were developing, as opposed to their current isolated location at DSC.

(e) It would eliminate the present situation which requires planners to be responsive to both the DSC and the regional hierarchy. As one regional director stated, who supports regionalizing the planning process, planners "can't answer to two bosses."

(5) Efforts to increase funding for its O&M accounts could be considered.

(6) The various DSC planning and design teams could prepare a "shopping list" of potential 8(a) projects to be presented to SBA at the earliest possible time to allow SBA to begin locating suitable minority contractors.

(7) All 10-238 submissions could be given a lifespan of 6-8 years, after which they would be reconsiderd to ascertain if the need still exists. Project requests necessarily become dated and tend to "plug up the system" or become attractive "fillers" at budget time.

(8) The NPS could reexamine its relationship with all its concessionaires to ensure that the public interest is being served by their continued presence in the parks. In its travels, the Investigative Staff encountered rude concessionaire employees and ill-equipped accommodations in Yosemite, "junkyard" maintenance areas at Giant Forest in Sequoia National Park, as well as other conditions that need oversight.

(9) The NPS may wish to adopt a policy allowing DSC to announce to prospective contractors that DSC intends to offer certain projects for bid. These affected projects would be those that cannot be viewed during the winter months. This change would allow prospective contractors to prepare their bids in a timely manner and allow construction to proceed as soon as possible.

(10) The NPS could ensure that the violation of its own CRP guidelines which occurred during the reconstruction of Bent's Old Fort is not repeated. In particular, the NPS should examine whatever planning might be under way to reconstruct Fort Union Trading Post to determine whether the proposed project is in compliance with applicable NPS and Federal guidelines. If it is not, the project should be dropped.

(11) The NPS could take steps to establish greater managerial control over the hiring of A/E firms to prevent a recurrence of situations like that at Perry's Victory and Peace Memorial where two A/E firms retained by the DSC failed to provide a satisfactory solution to the problem they were paid to solve.

X. PROJECTS OF SPECIAL NOTE

The Investigative Staff was requested to review the status of the following projects: Rock Creek Park's L Street Bridge, Washington, D.C.; the National Visitor Center, Washington, D.C.; and the Natchez Trace Parkway in the southern United States. The Investigative Staff also reviewed the "Red Barn" project in Rock Creek Park.

A. Rock Creek Park--L Street Bridge

The plans for the L Street project have been in existence since about 1969. At that time, the project was estimated to cost about $1 million. In 1978, the project was rescoped to include a detour bridge to handle the increased traffic flow on Rock Creek Parkway and was estimated to cost about $1.6 million. The low bid of three received was for $2.3 million. The Federal Highway Administration (FHWA) recommended approval of the low bid; however, NPS rejected the bid. The current gross-up estimated for the project is $3.9 million. The bridge and roadwork contract is estimated to cost $3 million.

FHWA will have working drawings completed by March 1981, and NPS intends to designate the contract for SBA 8(a) and to negotiate with an 8(a) who is currently completing another NPS construction project. If negotiations do not reach fruition in a reasonable time, NPS then will advertise the project to assure award during FY 1981.

During a value engineering review in November 1980, it was determined feasible to move the existing bridge downstream a short distance and to utilize the existing bridge as a detour bridge. This change ultimately will permit a three-lane detour for traffic, as was proposed in the 1978 contract. This revision not only would provide increased traffic capacity, but has the potential of reducing costs since it will not be necessary to construct a detour bridge.

Estimates provided by FHWA to NPS on this project are as follows:

	Contract Amount			
	Roadwork	Bridge	Total	Program Amount
5/7/69	$ 50,000	$ 620,000	$ 670,000	$1,000,000
3/21/78	450,000	1,250,000	1,700,000	2,500,000
8/1/78	340,000	1,200,000	1,540,000	
8/17/78	350,000	1,250,000	1,600,000	(Project Advertised)
9/21/78	3 bids received and rejected by NPS		2,325,635 2,424,911 2,426,574	
11/30/78	600,000	1,900,000	2,500,000	3,300,000
3/31/80	900,000	2,300,000	3,200,000	4,200,000
12/16/80	Current estimate: 550,000	2,450,000	3,000,000	3,930,000

As shown in the above estimates, the roadwork costs increased considerably. This was due to the need to carry traffic through construction by providing a new roadway to a detour bridge and moving traffic by stages to meet rush-hour requirements. Numerous traffic control devices are required to provide smooth transitions and safety for the traveling public. These increased costs (from 1969 to 1980) total about $500,000.

Inflation in highway construction costs is the major cause of the increased costs. This is best shown by the following price trends as published by FHWA:

Year	Index (100 is 1967 base)
1969	112
1970	126
1971	132
1972	138
1973	152
1974	202
1975	204
1976	199
1977	216
1978	265
1979	308
1980 (estimated)	350
1981 (estimated)	390

Therefore, the 1969 estimate increased for price trends to 1981 would be:

$$\$670,000 \times \frac{390\ (1981)}{112\ (1969)} = \$2,340,000$$

This figure of $2,340,000 plus the $500,000 for improved traffic handling procedures, or $2,840,000, approximates the present estimate of $3,000,000 for contract amount based on an essentially completed design. This estimate is good for the project if advertised and awarded in 1981.

B. National Visitor Center--Roof Repair

The National Visitor Center is a project beset with continuing problems ranging from a very expensive incomplete garage to a roof that leaks.

In FY 1980, NPS received $2,160,000 to begin phase I of the roof repair project. The specifications were completed on June 10, 1980, and the contract was awarded on September 15, 1980, for $1,978,571.

The following is a summary of events leading to the award of the contract:

(1) On August 30, 1976, an A/E contract was awarded to perform design services related to specific items at the National Visitor Center, such as rehabilitation of elevators, handicapped access, building code requirements, air conditioning, steam system repairs, plumbing repairs, etc.

(2) On March 14, 1977, an amendment to this contract was awarded for the purpose of investigating and preparing construction documents for repairing the roof of the main building and its drainage system.

(3) In May 1977, the investigation was completed and construction documents were prepared in anticipation of fund reimbursement from the Urban Mass Transit Authority (UMTA). $2.5 million was originally obligated for work under contract at the time of termination of construction. These funds have since been deobligated. They had to be held for possible partial defrayment of the $6.8 million grant billed to UMTA if collection was unsuccessful. As a result, the roof condition that existed in May 1977 could not be corrected and continued to deteriorate at an accelerated rate.

(4) On November 29, 1978, UMTA made payment of $6.8 million.

(5) On September 21, 1979, a contract was awarded to prepare an updated investigation of all roof areas and drainage systems and to prepare construction documents related to their findings.

(6) On November 16, 1979, the contractor completed all work on the investigative phase of the contract. This resulted in revealing many conditions which were not previously known. The size and scope of the construction effort required to correct these conditions were far greater than expected. The deterioration of the roofs had accelerated to an advanced state since completion of the May 1977 investigation. As a result, a change of scope for the A/E contract was required.

(7) On November 27, 1979, Congress appropriated (P.L. 96-126) $2.3 million for emergency repairs to the National Visitor Center.

(8) On January 10, 1980, NPS completed negotiations with the contractor for a more detailed investigation and to prepare construction documents for the first phase of construction. This construction phase was limited to a total of $2.3 million, which would accomplish approximately 30 percent of the roof area.

(9) On March 19, 1980, the National Capital Region sought concurrence by the D.C. Historic Preservation Officer in its determination of "no adverse effect" on the roofing project.

(10) On March 26, 1980, the contractor completed the investigation.

(11) On April 10, 1980, the Government completed its review of the contractor investigation, which included cost estimates, and instructed the contractor to prepare construction documents for the first phase of construction.

(12) On April 17, 1980, the National Capital Region received concurrence by the D.C. Historic Preservation Officer in its "no adverse effect" determination on the roofing project.

(13) On April 24, 1980, the National Capital Region sought concurrence of "no adverse effect" from the Advisory Council on Historic Preservation for the roofing material on the National Visitor Center.

(14) On May 5, 1980, the Government issued a change order to this contract for the contractor to prepare presentation material and make a presentation to the Commission of Fine Arts for its approval on the Terne Coated Stainless Steel Roofing over the barrel-vaulted roof on the main building.

(15) On May 13, 1980, the contractor made the presentation to the Commission of Fine Arts.

(16) On May 19, 1980, the National Capital Region received concurrence from the Advisory Council on Historic Preservation in the National Capital Region's determination of "no adverse effect."

(17) On June 3, 1980, the Commission of Fine Arts approved the Terne Coated Stainless Steel Roofing.

(18) On June 6, 1980, the A/E completed construction documents for the first phase of construction.

(19) On July 10, 1980, DSC issued an invitation for bids for the first phase of roof repairs. (Estimated price range was $2,000,000 to $2,500,000.)

(20) On August 8, 1980, bids were opened, and the low bid was $1,978,571.

(21) On September 15, 1980, a construction contract was awarded.

(22) On September 29, 1980, a notice to proceed with construction was issued to the contractor.

(23) As of January 23, 1981, 40 percent of the construction work was complete, with completion scheduled for April 1981.

(24) Upon completion of this contract for the first phase, 30 percent of the emergency roof repairs will be completed.

The Investigative Staff was advised that when phase I is completed (about 30 percent of the roof) and design monies for phase II (the remaining 70 percent of the roof) become available, negotiations will begin, with the A/E firm who designed phase I, for design work on phase II. It is anticipated that phase II design will cost between $150,000 and $200,000. Much of the advance planning and project planning was completed as part of phase I. Construction drawings will take about 6 months to complete.

The following schedule is a breakout of costs for phase II construction:

Advance planning	(6%)	$ 0
Net construction		4,858,870
Project planning	(15%)	728,831
Construction supervision	(15%)	728,830
Contingency	(16%)	777,419
Gross construction		$7,093,950

The construction contract for phase II is scheduled to be awarded in FY 1982 and will take about 18 months to complete. The contract will be advertised and follow normal procurement practices.

No consideration is being given to allowing the phase I construction contractor to continue to do the phase II work. Reasons given to the Investigative Staff were that the working drawings are not ready and it is illegal.

C. Natchez Trace Parkway

The Parkway, authorized by Congress in 1934, is an elongated park of 47,808 acres covering a distance of 450 miles across Tennessee, Alabama, and Mississippi.

In FY 1980, NPS received approximately $24 million for construction of sections 3A (Mississippi) and 2D (Alabama). Although NPS receives the monies, it merely acts as a conduit for the funds, as FHWA actually performs all the estimating, design, and construction for the project. NPS's main involvement in the project is the awarding of the construction contract. FHWA performs all other functions associated with the project.

Federal Highway Administration Estimating

FHWA utilizes the same estimating practices as NPS and also has enjoyed the benefits of a very competitive market. The following is a listing of recently advertised projects on the Natchez Trace Parkway:

Project	Low Bid	Percent Over/Under Engineer's Estimate	Date of Award	No. Bids	Price Adjustment Clause	
					Fuel	Asphalt
3A4, NTP	$2,737,058	-31.6	1/2/81	6	Yes	Yes
2D2, NTP	4,298,754	-33.9	9/24/80	7	Yes	Yes
3A2, NTP	3,531,211	-15.9	9/22/80	8	Yes	Yes
2D3, NTP	3,361,526	- 4.0	6/16/80	6	Yes	No
3B4, NTP	3,317,948	+ 0.5	4/2/80	3	No	No
3B3, NTP	2,347,364	+ 1.2	9/28/79	2	No	No
3A3,B2,NTP	9,592,089	+18.4	9/28/79	2	Yes	No

The Engineer's Estimate was prepared giving consideration to previous bids received on similar work for 1979-80 and the inflationary price trends of highway construction work which averaged 15 to 20 percent annually nationwide. It is interesting to note, however, that for the third quarter of this year, highway construction costs dropped 4.1 percent nationwide.

A number of factors may have influenced the recent bidding results, as shown in the above listing. The most apparent factor is the increased competition, from a low of two bids to a high of eight bids per project. This increased competition could be attributed to the nearing of completion of the contracting on the nearby Tennessee-Tombigbee Waterway and decreasing State highway construction programs.

Another important factor could well be the utilization of price adjustment clauses for fuel and asphalt products. These clauses reduce contractor risks since bidders do not have to include possible future inflation costs in their bids.

Status of Working Drawings

Of the 11 projects funded in 1980, 7 have been awarded to date, and 4 remain to be awarded. An FHWA official advised that working drawings on the four are basically completed:

Project	Percent Completed
2D5	100
3A9	95
3A6	80
3A7	80

If funding is available, all four projects will be obligated during FY 1981.

Fund Utilization

The following schedule indicates that the above four projects could be awarded for approximately $3.7 million. Grossed up, this amounts to an appropriation of $5 million. A cognizant FHWA official advised that $5 million will open up 300 continuous miles of the Natchez Trace Parkway from Jackson, Mississippi, to Nashville, Tennessee.

FUND UTILIZATION AS OF FEBRUARY 24, 1981 (MILLIONS)

	Planned		Actual			
Project	Engineer's Estimate	Amount Available $16.1	Award*	Amount Available $16.1	Advertising/ Negotiation Date	Award Date
2D6	$ .6	$15.5	$ .74	$15.36	5/29/80	12/4/80
2D5	1.0	14.5	1.00	14.36	8/13/80	
2D4	.5	14.0	.61	13.75	8/22/80	1/15/81
3A2	4.2	9.8	3.50	10.25	7/10/80	9/22/80
2D2	6.5	3.3	4.30	5.95	7/31/80	9/30/80
3A8/3A5	1.0	2.3	.54	5.41		2/12/81
3A4	4.0	-1.7	2.70	2.71	9/30/80	1/2/81
3A9	.8	-2.5	1.50	1.91		
3A6	4.0	-6.5	4.10	-2.89		
3A7	.8	-7.3	.80	-3.70		
Total	$23.4		$19.08			

*Figure shown is either contract amount or most recent estimate.

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D. "Red Barn" Project

This project, for which NPS has received unwarranted criticism, was not an NPS construction project but a building that was given to NPS for the loan of an NPS building.

The Red Barn was a stable which housed a concessionaire riding academy. But, most important, it offered a riding program to the physically handicapped. When the barn was condemned and the program for the handicapped was canceled, NPS received undue criticism.

It should be noted that the A/E who designed the Red Barn received an award for the innovative design. The Investigative Staff was advised that the A/E was very upset with the contractor for not following the specifications, which probably contributed to the demise of this impressive structure. The following are the events of this non-NPS project:

August 1968	Initial discussions between the Washington Metropolitan Area Transit Authority (WMATA) and NPS on replacement of stables. (Note: Regular meetings were conducted by WMATA and NPS monthly to review projects.)
October 1968	Site survey commissioned by WMATA to evaluate relocation sites for the U.S. Park Police and concessions.
November 1968	Military Road site selected for stable relocation.
January 1969	Plans submitted to the National Capital Planning Commission (NCPC) for approval (Concept).
February 1969	Plans approved by NCPC (Concept).
August 1969	Plans approved by NPS (Structural).
October 1969	Final approval by NPS.
November 1969	Permit issued (interim--"Butler" building-to house concessionaire during construction of permanent "red barn.").
March 1970	Permit issued (construction of U.S. Park Police stable addition).
July 1971	Permit issued (construction of "red barn" replacement for use by the concessionaire).
1972	The "red barn" was constructed for the NPS by the WMATA in 1972. WMATA designed and built the stable in exchange for its use of the building the NPS made available adjacent to WMATA tunnel excavation near Taft Bridge (Connecticut Avenue and Beach Drive); and as a replacement facility from which the stable concessionaire would operate.

December 1972 — NSP accepted "red barn" facility.

1978 — An NPS safety inspection of the facility revealed that construction and engineering flaws had resulted in leakage in and around the numerous high windows. It is estimated that the leaks had been occurring for 4-5 years, so that rafters, joists, siding, and support members had seriously deteriorated.

1979/1980 — NPS conducted a structural survey of the facility early in 1979 and developed plans and specifications for needed repairs and stabilization. NPS began the process of contracting for the repairs, but stopped during negotiations because:

(1) It was estimated that $300,000 would be necessary to fully eliminate structural hazards, whereas only $80,000 was available;

(2) Additional funds would be necessary within 4 years of any correction to refurbish and repair chronic construction deficiencies; and

(3) Use of the facility would have to be discontinued until any repairs could be made.

October 1980 — Thirty temporary stalls (15 box and 15 standing) were constructed by the NPS adjacent to the concessionaire-operated boarding stable so that Rock Creek Park Horse Centre, Inc., could relocate its trail riding and therapeutic riding activities to a safe structure prior to removal of the "red barn."

January 1981 — NPS is preparing a study on U.S. Park Police facility needs which includes alternatives for the location of a permanent facility to house the therapeutic riding activities.

Upon completion of the ongoing study, the necessary funds will be requested for a permanent facility to house a therapeutic riding program.

The "red barn" has been torn down.

XI. LEGISLATIVE COMPLIANCE

The NPS has developed a procedure which provides for a review of historical and environmental considerations during the preliminary stages of the construction planning process. Each 10-238 sent from a park to the regional office is examined by the logical environmental specialist, landscape architect, or cultural resource specialist to determine any potential impacts the proposed project might have on the environment or nearby cultural resources.

In the case of environmental concerns, any potential problems are addressed by following the highly structured procedures set forth in the National Environmental Policy Act of 1969 (NEPA). If the regional specialists identify any potential cultural resource problems, they, similarly, are addressed by following the requirements set forth in the National Historic Preservation Act of 1966 (NHPA), as well as other acts and an Executive order.

NEPA Considerations

When a potential NEPA problem is identified by the regional specialists, the following steps are taken to fully explore the matter for the benefit of the regional director, who is the operational decisionmaker for the NPS in such cases:

(a) The need the proposed project is supposed to solve is fully described. For example, if a 10-238 from Yosemite National Park requested installation of a new water line to an existing campground, Western regional specialists would determine things such as what the present gallons-per-day shortage is and how many visitors to the area are affected by it.

(b) The environment in which the project is to be developed is fully described including an analysis of its physical, natural, demographic, and cultural resource characteristics.

(c) All possible alternatives to the proposed project are explored. In the above example, for instance, the specialists might examine the alternative of digging a new well at the campground as opposed to laying a new pipeline to it from an existing well.

Those three steps result in a document called an "Environmental Assessment." In those instances where the proposed project is relatively minor in scope, with little or no adverse impact on the environment and, probably most importantly, where there is little or no public sentiment against building it, the regional director could make a judgment call and decide to proceed no further. He would then direct his staff to issue a "Finding of No Significant Impact" (FONSI) statement, a step which is allowed by NEPA regulations, and planning for the project would continue on into the advance planning and construction phases.

If, after those first three steps, the regional director decides that the project is of such magnitude that its construction will probably provoke significant public opposition, the NEPA guidelines require that a fourth step be undertaken--an Environmental Impact Statement (EIS) must be prepared.

The EIS embodies a detailed analysis of the potential environmental impact each of the alternatives described in step (c) above would have. The EIS is, by definition, a lengthy, time-consuming, and expensive document to produce. The regional director will require that it be produced only when he judges it to be absolutely essential.

Cultural Resource Considerations

The cultural resource counterpart to the NEPA process is the procedure mandated by section 106 of the NHPA. Any 10-238 or derivative task directive sent to the regional office by a park is examined by specialists to, first, determine if any cultural or "National Register" properties are within the area of the proposed project and, second, to analyze the potential impact of the proposed project on them. The assembled information is then forwarded, as early as possible, to the Advisory Council on Historic Preservation, which has authority to enforce the NHPA and may seek changes in the proposed project. If the Advisory Council agrees to the project, a memorandum of agreement is signed by it and the responsible regional director.

As noted above, the regional director has operational authority to ensure that all proposed projects within his jurisdiction are in compliance with pertinent legislation, including the NEPA and NHPA, from the earliest possible point in the planning process. His objective is to avoid the adverse effect of getting as far as construction drawings, or even having funds for a project actually appropriated, only to find that it is in violation of a regulation and must be changed or dropped.

The Investigative Staff believes that the procedures developed by the NPS to ensure that legislative compliance needs are recognized and dealt with early in the planning process are adequate. The regional director and his staff are augmented by the Legislative Compliance Division at DSC, which also analyzes copies of all relevant 10-238's and task directives to determine if any legislative compliance problems exist.

An official of that division confirmed that it served only in an advisory capacity to the regional director and had no authority to prevent a project from being scheduled for advance planning or construction which it felt was not in legislative compliance. He noted, however, that all NPS officials are aware of the need to comply with pertinent guidelines and pointed out that for the past 2 years the DSC contracting officer has observed a rule that no construction contract would be awarded without the prior approval of the Legislative Compliance Division.

The most obvious example of what can go wrong when the above guidelines are not followed is the recent cancellation of the proposed May Creek Activity Center at Redwood National Park. Although the Activity Center had been the subject of a previous planning effort directed at determining its potential impact on the surrounding environment, no formal EIS had been completed before the NPS publicly announced its intention to "fast track" the project and complete it within 1 year.

As it turned out, the NPS was forced to cancel the project after funds had been reprogrammed for it and a substantial effort had been made by DSC to prepare construction documents because local environmentalists successfully argued that the structure would interfere with the local elk habitat. One regional environmental specialist agreed that had the planning process been allowed to follow its established course, the EIS procedure would very probably have uncovered the large degree of public sentiment against building the Activity Center before funds had been programmed for it. In this instance, the NPS Director, who agreed with those regional planners that the structure should be "fast tracked," had been assured that all the necessary environmental data had been assembled and that the problem with the Activity Center's impact on the elk herd was inconsequential.

While that assurance to the NPS Director was generally accurate, it failed to include the caveat that the environmental data which dismissed the structure's impact on the elk herd had been assembled in draft form only and had not been formally developed and approved in an EIS. The environmental specialist agreed that, almost by definition, an activity center amounts to a "substantial Federal undertaking" with a significant environmental impact and would logically require that an EIS be filed before construction commenced.

The Investigative Staff notes that there are several other examples, at Big Bend-Castalon and Willow Beach, where the failure by the NPS to strictly adhere to the provisions of relevant NEPA and NHPA legislation led to project delays and carryovers. It believes, however, that as the NPS begins to implement those management improvements that have been recommended in this report, the greater discipline and accountability which will result should ensure that the above legislation will be followed to the letter of the law.

* * * * *

RESPONSES TO QUESTIONS PERTAINING TO INVESTIGATIVE STAFF FOLLOWUP REPORT ON THE NATIONAL PARK SERVICE PLANNING, DESIGN AND CONSTRUCTION PROGRAM

Five-Year National Priority List

Question: What was the rationale for the 213 projects?

Answer: The 213 projects which received nationwide priorities represented the highest priority of each region competing with one another for national rank. The objectives for the priority setting are:

1. Projects which are mandatory by court order, the delay of which may subject the Service to legal sanctions, including projects to correct deficient sewerage systems and correct life threatening conditions in structures.

2. Correct problems which pose a threat to public safety or health, including projects to correct unsafe drinking water supplies and hazardous conditions in structures and mechanical systems, roads and bridges.

3. Preserve and protect from further deterioration the natural and cultural resources in the System.

4. Rehabilitate deteriorated visitor use and support facilities.

5. Bring facilities into compliance with the requirements of the Architectural Barriers Act of 1968, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended, to insure access for special populations to facilities and areas within the System.

6. Provide visitor and support facilities in new and developing park areas where potential visitation or the need for resource is highest.

7. Provide for adaptive use of historic structures where it is cost-effective.

8. Provide additional visitor use and support facilities where such facilities will be environmentally sound and cost-effective and where visitation has increased at least 15 percent since the end of 1973.

9. Provide other new facilities.

Question: What was the funding assumption?

Answer: No funding ceilings were placed on this priority setting meeting. Adjusting to funding levels is a matter of scheduling and appropriate phasing for construction.

Question: If funding is not forthcoming in that amount, which of the 213 projects in the listing will not be constructed?

Answer: It was never the intent of the National Park Service to ask for funding for all 213 projects at one time. Budget requests will be based on appropriate program levels and technical scheduling considerations. Subject to annual review, it is the intent of the Service to ask that all 213 projects be requested at some time. This is subject to an annual reassessment of the validity of the list.

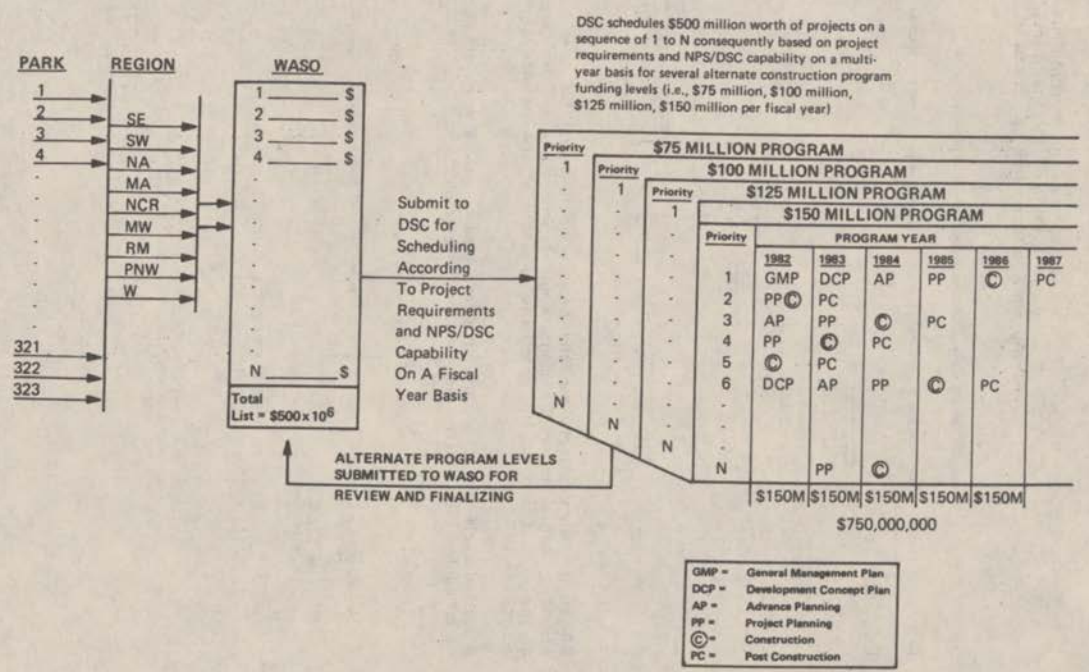
Question: Why weren't the projects which were funded for advance and project planning in FY's 1979 and 1980 automatically placed on the 213-project listing?

Answer: The approach to setting national priorities in a joint meeting of the Director and Regional Directors was employed for the first time in June of 1980. The impetus for taking this new approach came from the Director who had been only recently appointed to that position. The decision was made not to totally bind the Director to decisions made by his predecessor; i.e., decisions that lead to the creation of the fiscal 1979 and 1980 advance and project planning programs.

However, it is obvious from the outcome of the meeting that the status of planning was given consideration. As an example, the 1980 project planning request included 39 projects. Seventeen have national priority numbers. An additional 20 were programmed in years preceding 1982 and thus would not have received national priority numbers.

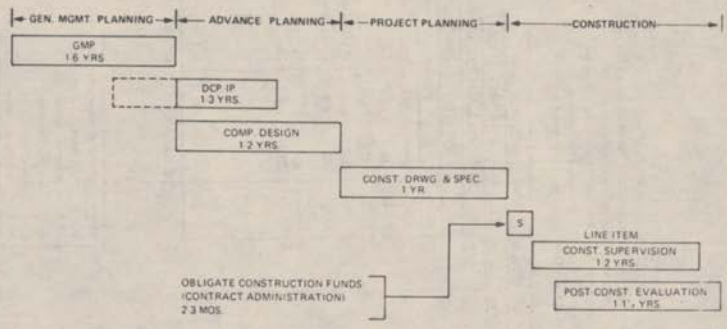
A distinction needs to be made between the priority number and the scheduling strategies employed. Existence of advance and project planning funds affects the scheduling of the project. For example, if project planning is already funded, the Denver Service Center would recommend construction funding in the next year even though the project may have a lower priority than one for which advance or project planning has not been received. A third factor to consider is the program level. This determines the total number of projects in any given fiscal year. This interaction of priority, scheduling, and program level is illustrated in the following chart:

FIGURE 2: NATIONAL PRIORITY LIST
MULTIPROJECT/MULTIYEAR



...egional and Washington offices
... is initiated for that park. This
...llowing work efforts and be scheduled in the

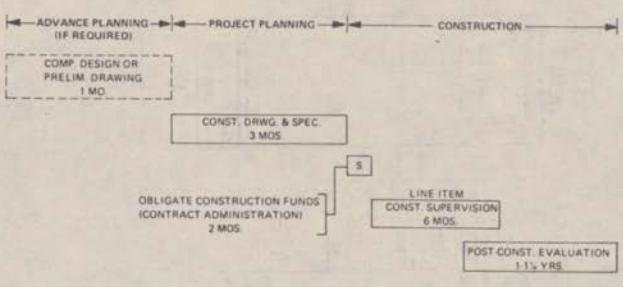
FIGURE 3: COMPLETE PLANNING/DESIGN/CONSTRUCTION CYCLE REQUIRED



All of the work efforts for the project would have the same national priority. Actual time requirements would depend mainly on the complexity of the project and on the resources available at the Service Center to accomplish it.

A partial-cycle project requiring a less comprehensive work effort would be scheduled in a shorter time period; for example:

FIGURE 4: PARTIAL CYCLE REQUIRED



Staffing at Denver Service Center

Question: What is the full-time ceiling for DSC?

Answer: The full-time end-of-year ceiling for Denver Service Center is 356.

Question: What is the discipline mix of the 339 full-time employees and the 275 "permanent other" employees?

Answer: The discipline mix of the 339 full-time employees, the 275 "permanent other" employees, and 52 temporary employees was compiled as of September 30, 1980, and is as follows:

Position Title	Grade Range	Number of Filled Positions
Engineer	5-16	133
Landscape Architect	5-15	66
Architect	5-15	83
Planners/Recreation Specialist	5-13	39
Historian/Archeologist	5-14	43
Environmental Specialist	5-14	41
Construction Representative/ Engineering Technician/ Surveyor	9-13	63
Graphic Arts/Writer Editor	3-13	24
Cartographic/Draftsman and Technician	6-12	15
Support Professional	4-14	45
Reprographic Technician	WG	11
General Clerical	1-7	87
Intergovernmental Personnel Act Employee	14	1
Social Scientist	11-14	3
Exhibit Specialist, Carpenter Mason, Laborer	9-11	12
TOTAL	TOTAL	666

Onboard Personnel as of September 30, 1980:

Permanent Full-time	339
Less than Full-time	275
All Other (Temporary)	52
TOTAL	666

Question: What is the rationale for almost 50 percent "permanent other" positions?

Answer: The rationale for almost 50 percent "permanent other" positions is the relation of historical end-of-year permanent full-time (PFT) position ceilings to workload. The dramatic workload increases resulting from the 1977-1979 programs were not

accompanied by increases in PFT position ceiling. In order to accomplish the program, permanent less than full-time positions were added, along with a major increase in contracting out to A/E firms.

Question: How many hours per pay period do the "permanent other" employees work?

Answer: The normal range of the "permanent other" employees is 32-36 hours per week depending on when the appointment was made. Depending on the workload, the actual hours can be adjusted to a maximum of 40 hours per week as follows:

6 pay periods on part-time tour and 20 pay periods at 40 hours per week or 2 to 4 pay periods of furlough for Subject-to-Furlough positions.

Question: Are the "permanent other" employees part of the ceiling for Denver Service Center?

Answer: Two separate end-of-year ceilings have been given to Denver Service Center.

1.	Permanent Full-Time	356
2.	Permanent Other (includes Permanent Part-Time, Temporaries, ect.)	279
		635

The use of two separate ceilings will be discontinued in fiscal 1982 if the government changes to full-time equivalent work-years instead of end-of-year ceilings.

Projected Fiscal 1981 Maximum Work-Year

Question: If the $77 million is reduced, where would the reduction be made--full-time, "permanent other," or "other employees"?

Answer: Reduction would be made in those disciplines excess to the remaining program requirements, and not be based on "full-time" or "permanent other." Most temporary employees would probably be the first released, depending on their professional discipline.

Question: If a $50 million construction budget is approved, what will be the mix of employees at DSC?

Answer: The optimum mix of disciplines for a $50 million program would depend on the composition of the program. A construction budget of predominantly sewer/water system and road rehabilitation would require a somewhat different workforce than a program dominated by historical restoration and new recreation facilities.

Question: If only the 339 full-time employees are retained, what will the impact be?

Answer: Since reductions would primarily be made based on disciplines, the situation would most likely evolve to only 339 full-time employees remaining, with conversions made of the retained less-than-full-time employees to fill any vacant full-time positions.

Level of Construction Funding Required
to Sustain Denver Service Center in Its Present Form

Question: If the Congress decides to fund the NPS program below $50 million for a sustained period after FY 82, should DSC be disbanded or could a core group of professionals be maintained to supervise projects which are contracted out to A/E's?

Answer: If the National Park Service construction program falls below $50 million for a sustained period, it would be necessary to maintain a core group of professionals to accomplish planning documents (general management plans and development concept plans), do advance planning for construction projects, and accomplish and/or contract out design to A/E's. In addition, it is highly desirable to continue "in-house" the on-site construction supervision now accomplished by Denver Service Center employees. Disbanding a central design and construction office such as Denver Service Center, would make it difficult and expensive to cope with the year to year changes in geographic dispersion of the program. Presumably 10 regional offices would have to be minimally staffed to be ready for an undetermined program level each year.

Question: What percentage of NPS construction projects has been contracted out to A/E's from FY's 1976-1980 (both by project and total dollar amount)?

Answer: The percentage of construction projects that has been contracted out are listed on the following table:

TABLE 3

DCS Professional Services
In-House vs. A/E Obligations
(Overhead Not Included)

	FY 1978			FY 1979			FY 1980		
	Total Obligations	% Performed In-House	% Performed by A/E	Total Obligations	% Performed In-House	% Performed by A/E	Total Obligations	% Performed In-House	% Performed by A/E
General Management Planning	$2,230,000	91	9	$1,652,400	88	12	$1,184,943	94	6
Advance Planning	6,580,000	75	25	8,215,400	83	17	3,106,742	73	27
Project Planning	7,238,000	34	66	6,055,900	44	56	4,621,475	57	43
Construction Supervision	3,600,000	85	15	4,595,600	82	18	5,554,947	83	17
Boundary Surveys and Others	1,600,000	11	89	1,611,562	24	76	2,196,494	76	24
	$21,248,000	59%	41%	$22,130,862	68%	32%	$16,664,601	78%	22%
		($12,593,000)	($8,655,000)		($15,072,733)	($7,058,129)		($13,060,367)	($3,604,234)

FY 76*			FY 77*		
9,355,000	62%	38%	14,613,000	56%	44%
	($5,755,000)	($3,600,000)		($8,125,000)	($6,488,000)

*We do not have a breakdown by project types for these two years.

Question: How does the obligation rate of A/E-produced projects compare with those handled exclusively by DSC professionals?

Answer: There is no evidence to suggest that a correlation exists between obligation rate and the amount of A/E work administered at Denver Service Center. The experience of the past 4 years is as follows:

	Amount of A/E Work ($ in Millions)	Percentage of work	Obligation Rate * Percentage
1977	6.5	44	77
1978	8.7	41	72
1979	7.0	32	73
1980	3.6	22	70

* includes FHWA projects

Further, an analysis of individual projects shows no such trend. Consider the 25 projects listed in the investigative report (pages 47-63); 11 were done in-house; 10 by A/E's; 3 were a combination of in-house-A/E approach; and 1 was a regional project incorrectly attributed to the Denver Service Center.

Question: Given the reduced emphasis on new construction projects like Visitor Centers and the increased emphasis on public health/safety projects, would it be desirable to maintain the present number of professionals at DSC even if the construction appropriation were maintained at $77 million?

Answer: Yes. Even though the discipline mix could change somewhat, approximately the same number of professionals would be required for a comparable size program.

Question: If the construction appropriation is maintained at such a reduced level that it is no longer feasible to operate DSC, would it not be possible to consolidate the design and engineering requirements of other Interior Agencies, including NPS, into one professional group?

Answer: It would be possible but not at all desirable. Each unit of the National Park System has been established because it contains nationally significant, unique resources. The professional expertise of the Denver Service Center and the Harper's Ferry Interpretive Design Center has been established as direct staff support to line management in preserving, protecting, and interpreting those resources. This support is best provided by organizations devoted exclusively to the mission of the Service, which are staffed with professionals who make a career of assisting and advising Service line managers.

Increasing Funds Allocated
To the Operation of the National Park System Account

Question: Has the NPS surveyed its maintenance requirements to determine at what amount the ONPS account should be funded to stabilize and then improve the present state of disrepair in many NPS structures?

Answer: The Service maintains a computer listing of all cyclic maintenance and repair/rehabilitation project needs. The cyclic program provides for stabilizing structures while the repair/rehabilitation program is designed to improve structures. The Service currently faces a substantial backlog of unfunded needs for these programs. Recognizing this shortfall, the Administration has proposed as part of the park restoration and improvement program an additional $29.0 million for cyclic maintenance and repair and rehabilitation.

Question: Does the NPS agree with the philosophy that it is more cost effective to preserve existing structures, roads, and utility systems before allocating funds for new construction projects which are not absolutely essential for protecting the public's health and safety?

Answer: The National Park Service's criteria used to establish our 5-year construction program generally emphasizes the rehabilitation and restoration of buildings and structures, with particular attention to health and safety related projects, ahead of all new construction. Therefore, the Service does agree with this philosophy.

Thirty-One Percent Markup of Construction Costs

Question: How did the NPS arrive at the above figures?

Answer: The National Park Service has used these figures (15 percent for supervision and 16 percent for contingency) based on average budget experience over the years. Regarding construction supervision, a comprehensive work-load analysis prepared at DSC in fiscal 1981 indicates no surpluses in the overall activity. While the 15 percent figure sometimes generates a surplus on large projects, smaller projects ($100,000 to $500,000) can seldom be supervised for 15 percent. Further, it is frequently necessary to employ the services of private architectural/engineering firms for varying degrees of construction supervision. In these instances, overhead figures of 100 to 150 percent are common. Overall, our experience tends to support the 15 percent as a good, average figure for the total program, though not necessarily for individual projects.

The 16 percent contingency figure is also an amount that must be viewed as a long-term average. In fiscal year 1978 when the construction industry was relatively healthy, bids 10 to 13 percent above the engineers' estimate were common. Since then, the decline in construction activity made the 1980 total experience 6 percent less than available funds. A study of closed contracts in 1979 indicates a 5 percent average for change-orders and claims. This figure can be substantially upset by change-orders and claims on the balance of the contracts.

Question: How does the NPS allocate unexpended supervision or contingency funds--especially those which are 10 percent above or below the estimated project cost?

Answer: National Park Service has a process for allocating unexpended supervision funds to other projects where deficits exist. This process requires concurrence by both region and the Washington Office.

With regard to allocating contingency funds, the contingency is placed in a general reserve which is used to cover unforeseen costs including bids which may be above the budgeted amount (but less than 10 percent above gross funding), and change orders and overruns. The contingency is available for any approved project requiring it without being restricted for use to the project from which it came. The Service maintains a current earmarking of anticipated needs on a project by project basis. Formal allotments are made for increases needed for approved projects from available funds. The funds available at any given time would include amounts available for contingencies plus any surpluses resulting from awards being less than the amounts programmed for actual construction. During the past three years, contingency supplemented by savings, has been used wherever possible to offset the $16 million in slippage imposed since fiscal 1979.

Question: What do the FHWA and the Corps of Engineers charge for construction supervision of National Park Service projects?

Answer: The Corps of Engineers is presently supervising the rehabilitation of the Seawall at Ellis Island for the National Park Service for 6 percent. The Corps does not, however, have a full-time inspector on the job. The agreement between the National Park Service and the Corps of Engineers requires the job be covered by an inspector 2 days a week. In addition, the only other project being supervised by the Corps of Engineers is the rehabilitation of the seawall at San Juan National Historic Site for a supervision cost of about 7 percent of the construction amount.

The Service allocates 15 percent of the construction to FHWA for project supervision. FHWA requires the full 15 percent to cover administrative support costs as well as field costs. Depending on the complexity of the project, FHWA costs can fluctuate above and below 15 percent. It should be noted, too, that FHWA sometimes requires the assistance of private architectural/engineering firms for construction supervision.

National Park Service Project Accounting Needs Improvement

Question: Does the NPS agree that maintaining the integrity of project accounts is essential both as a good accounting procedure and as a means of providing accurate information as to the final cost of each project authorized by the Congress?

Performance standards for managers at the Service Center now require ratings on individual's accountability for fund integrity. Also, as staff time allows, the Washington Office intends to increase its monitoring of Denver Service Center programs and project execution.

Answer: The National Park Service does agree that the integrity of planning project accounts is essential provided that flexibility is maintained in our ability to move funds within lump sum appropriations. The reality of the planning, design, and construction world dictates that this flexibility be available when unexpected physical conditions are encountered, studies reveal unsuspected factors, or management needs to adjust to external factors. It should be noted here that there is a clear distinction between such lump sum accounts and line item construction funding. In the latter, the Committee's reprogramming criteria are observed.

Question: Why was $91,000 transferred from the Vicksburg account to the Tuskegee account without complying with normal reprogramming procedures?

Answer: In the case at point, the administrative costs for planning, contracting, and construction supervision were high since the projects involved three very complex historic structures, a road project that went beyond its original scope and extended negotiations with three 8(a) contractors.

After the contracts were awarded and construction was well underway, it became apparent that programmed supervision funds were inadequate. A program adjustment was submitted by the Service later to supplement those funds but was denied by the Region, since the ultimate amount might have exceeded the legislative ceiling. Accordingly, costs were accrued in another project supervision account, and a clear audit trail was maintained in order to facilitate accounts adjustments. This mischarge has been corrected with all funds now charged to the proper benefitting account.

Final costs for this project are not yet known. However, it does appear that the total actual costs for the project could exceed the development limitation.

Question: How will the NPS ensure that this kind of activity will not occur in the future?

Answer: In fiscal 1981, the DSC initiated a project management approach. This will begin to convert advance and project planning estimates from a percentage of net construction to an actual professional services work component estimate. Over a period of time this will mean that DSC teams are working against estimated amounts rather than available amounts based on a percentage of net construction. It is expected that there will always be variations in professional services amounts actually needed compared to the original estimates but the project management approach should help in increasing the accuracy of these professional services estimates.

Regional Dissatisfaction with Denver Service Center's Cultural Resource Preservation Product

Question: Does the NPS see any merit to the widespread regional criticism of the DSC approach to CRP projects as being inappropriate and wasteful?

Answer: The essential distinction that needs to be made with regard to cultural resource preservation approaches is whether or not a construction approach or a maintenance/day-labor approach is the indicated solution. The investigative report acknowledges that there are projects (e.g., the S.S. Wapama) that require a construction approach. The investigative report also acknowledges that there are some projects which because of the scale of the project are well beyond the capability of the regions. When management decides that a construction approach is required for reasons of scale, schedule, or complexity, the only office in the National Park Service equipped to handle such projects is the Denver Service Center. Historic preservation projects frequently require the assistance of structural, mechanical, and electrical engineers. No historical architect has this expertise. Projects of this type should be assigned to the Denver Service Center. Projects requiring a day-labor approach that can be done over a long period of time should be funded out of operating accounts. With regard to criticism of individual projects listed in the report, we believe there are factors that need to be considered beyond the opinions of the individuals quoted.

Question: If so, does the NPS intend to respond to the recommendations made in 1979 by a working group of NPS CRP officials that historical architects be relocated from DSC to regional or biregional sites?

Answer: The Service does not at this time intend to take such action. We do not believe that involving the regions more in preservation projects necessitates the creation of biregional sites or preservation centers. To establish these mini-Denver Service Centers (as they are covered in the report) for cultural resource preservation type work would require additional operating dollars. Since the Denver Service Center is entirely project funded from the "Construction" appropriation, there would be no funds to transfer with personnel. In view of the difficulty the Service is having providing sufficient funding to perform basic maintenance and operations in park areas, it is unlikely that funding could be provided for the creation of these centers in the near future.

Question: Does the NPS agree with the above group's observation that the Service should assume a "preservation-maintenance" approach to CRP projects as opposed to a "new construction" approach?

Answer: It depends upon the nature of the project. The investigative staff report acknowledges that certain projects require a construction approach. No hard and fast rule can be cited. It is possible that additional cultural resources preservation work could be done using Operation of the National Park System funds.

Project Planning for Cultural Resource Preservation Work at Perry's Victory and Peace Memorial

Question: Why were two A/E firms paid approximately $270,000 without obtaining a complete solution to the problems at Perry's Victory?

Answer: This project is the rehabilitation of an historic column. The construction cost was estimated at nearly $4 million and to be done in two phases. Two hundred-seventy thousand dollars is not an unreasonable cost for design requirements for an historic structure. It was felt that as complete a solution for the funding available was obtained. It is not uncommon to find additional problems in a complex rehabilitation project.

The funds paid the two A/E firms covered an entire range of project elements, of which the cleaning is only 1.9 percent. The $270,000 covered all of these elements including the one element of $5,000 for the stone cleaning.

The A/E firms did obtain a complete solution to the cleaning situation. They adhered to the method approved in the Historic Structures Report. The cleaning method was the best possible, given the moratorium on sandblasting and the lack of clear standards. Any subsequent questions are a matter of differences in professional approach, with one historical architect preferring one method and another historical architect preferring some other method.

Since there are no cleaning standards, each project involving stone cleaning of historic structures is researched, tested and designed to solve the specific requirements of that structure. This currently allows professional differences regarding how much testing is adequate, what form the testing should take, and the resulting method recommended. Uniform standards would define all the testing needed, how to do the testing, and how to determine the "best" cleaning method.

Question: Could the planning process have been more efficiently performed without retaining A/E's?

Answer: No. The A/E was selected based on his previous performance in the historic preservation. It is doubtful more experienced professionals could have been obtained.

Question: One Washington Headquarters CRP official felt the A/E's at Perry's Victory were not adequately supervised. Is that a problem in other CRP projects?

Answer: The viewpoint stated probably refers to that portion of the project related to cleaning where differences of opinion continue to exist. Denver Service Center Management believes the A/E was adequately supervised.

National Maritime Museum at Golden Gate National Recreation Area

Question: Has the National Park Service defined the mission of the National Maritime Museum?

Answer: The Park Service is currently working on the definition and role of the National Maritime Museum. The Regional Office is seeking involvement of the public, particularly the maritime preservation community on both the east and west coasts. This process will take considerable time, and it is not expected that a final report will be finished before July 1982.

The Service does not intend to acquire more vessels for the National Maritime Museum until its mission is clearly defined.

Question: What does the National Park Service intend to do with the ships that are currently located in the museum?

Answer: The Service is continuing to maintain the vessels in its care through the use of available funding, such as from the cyclic maintenance program. For example, the Balclutha is scheduled to go into drydock in the near future to determine the extent of needed repairs.

Question: What does the National Park Service intend to do with the ship Wapama?

Answer: The Wapama was leaking badly, due primarily to being hogged 30 inches. She has been taken out of the water and presently rests on a barge. A naval historical architect recently completed a thorough analysis of the ship and recommended needed repairs. The Service through private "creative funding" is trying to locate the large amounts of money required for the repair work, which could total $5,000,000.

The Service does intend to meet its mandated responsibility to preserve this historic ship. There has been interest shown by the private sector in participating with the Service in financing the needed repairs to the ship. Total funds needed could total $5 million.

Bent's Old Fort National Historic Site

Question: Is the NPS satisfied that its reconstruction of Bent's Old Fort did not violate existing guidelines when it was constructed in 1975-1976?

Answer: The reconstruction of Bent's Old Fort did not violate NPS policy and guidelines when constructed in 1975-1976. The Administrative Policies for Historical Areas of the National Park System (Revised 1973) would have been in effect at that time. It states on page 28:

"Restoration--When needed to interpret properly the historical values of the area, historic structures may be fully and exactly restored when they are of the first order of significance or a vital element of a site or complex of structures of the first order of significance. Fully restored structures will usually be maintained for exhibition purposes only. Once restored, they should be faithfully preserved in form and detail.

When needed to interpret properly the historical values of the area, historic structures of the second and third orders of significance are eligible for lesser degrees of restoration, such as adaptive restoration or partial restoration. Moreover, such historic structures should serve living, utilitarian purposes, consistent with interpretation of the historical values of the area."

And, on page 30, it states:

"Reconstruction--Reconstruction should be authorized only when the following conditions are met:

(a) All or almost all traces of a structure have disappeared and its recreation is essential for public understanding and appreciation of the historical associations for which the park was established.

(b) Sufficient historical, archeological, and architectural data exist to permit an accurate reproduction.

(c) The structure can be erected on the original site or in a setting appropriate to the significance of the area, as in a pioneer community or living historical farm, where the exact site of structures may not be identifiable through research."

Besides meeting the conditions, the decision to reconstruct was predicated on requirements placed in acquisition of the property and the enabling legislation creating the national historic site. The State Historical Society of Colorado placed a stipulation that the Fort be reconstructed in their donation of the property to the Government and Congress in creating the national historic site placed a requirement in the enabling legislation that the Fort be reconstructed.

Question: Are any plans being developed to reconstruct Fort Union Trading Post in a similar manner? If so, would that project be in compliance with all State, Federal, and NPS guidelines?

Answer: There are no plans to reconstruct Fort Union Trading Post in a similar manner to Bent's Old Fort. A study titled Fort Union Reconstruction Analysis completed by Rocky Mountain Region in August 1979 answered a question asked by Congress that a reconstruction was technically possible at the cost of about $8 million.

The recommendation presented in this report was a partial reconstruction (insofar as historical and archeological data could accurately document the original). This report is only recommended and no project is programmed.

Maintaining a Cultural Resource Preservation Capability at Denver Service Center

Question: If the NPS decides to maintain a CRP capability at DSC, does it feel that the current organization which disperses CRP professionals among the various new construction teams, none of which is headed by a historical architect, is a satisfactory arrangement?

Answer: Organizational alignments at the Denver Service Center will largely be determined by the shape of the construction program. At the present time only one team (Mid-Atlantic/North Atlantic) has a significant number of cultural resource preservation projects. Another, Midwest/Rocky Mountain, has a considerable amount of work in National Register structures at Yellowstone and one or two major projects in the Midwest Region. There has been insufficient work on the Southeast/Southwest team to justify continuation of the Branch of Historic Preservation. In order to save overhead, employees of that branch have been reassigned to design and planning branchs on that team. Alaska/Pacific Northwest/Western and National Capital teams have a few historic preservation projects.

A discipline mix is requred to successfully accomplish cultural resource preservation projects. The view that historic preservation projects are accomplished solely by historical architects is not borne out at Denver Service Center. The services of sanitary, mechanical, and electrical engineers are frequently required to solve problems related to cultural resource properties. These disciplines are readily available on the teams. Given current and projected levels of cultural resource work at Denver Service Center, we believe that the current organizational alignment with historic preservation on the geographic teams is the most appropriate one. Further, there is no documentation to suggest that historic preservation activities are more or less efficient now than with the old organizational alignment. Productivity factors have generally remained the same or are slightly up over the last several years.

Question: Has the NPS considered establishing an independent CRP team at DSC which would be base funded and headed by a historical architect?

Answer: The previous Denver Service Center organizations have included an historic preservation team separate from the geographic teams. It was not base funded. While this organizational alignment has the advantages of any functional organization, it had the disadvantage of leaving the regional directors with several different divisions to deal with in Denver. Given the current work load there is no proposal to reestablish a separate historic preservation division at Denver.

Outlay

Question: Is this outlay rate acceptable to National Park Service?

Answer: The outlay rate is, of course, directly dependent on the rate of obligation and timeliness. The rate of outlay is not acceptable since it indicates a slow rate of obligation; however, our construction obligation rate improved considerably in fiscal 1980 and we expect equal success in fiscal 1981.

Question: What steps do you plan to take to accelerate outlays?

Answer: Additionally, outlays in fiscal 1981 are occurring at a high rate. For example, $123 million in outlays were projected for fiscal 1981 and $78 million actual expenditures have occurred as of August 30, 1981.

Construction Project Carryovers

Question: Which listing is correct?

Answer: The Washington Office listing more correctly shows year-end unobligated balances based on information available from final year-end closings reflected in the accounting system.

Question: Why the difference?

Answer: The Denver Service Center listing represents a "flash picture" of project status as of September 30, based on contract award information available in the contracting office. The Denver Service Center information does not reflect official obligation postings in the accounting system. Delays in transmittal of obligational documents and technical problems at the year-end rush of business prevented the recording of some obligations in the accounting system until a later time.

Question: Since the Denver Service Center listing was provided in November 1980 and the Headquarters listing in January 1981, why should any difference exist?

Answer: While the Denver Service Center listing was provided in November, it reflected award information as of September 30, not November. The Washington Office listing prepared in January 1981 took into consideration official information available in the accounting system following final year-end closeout. (The Washington Office listing has been slightly modified since January based on accessibility of more detailed accounting data provided by the regions.)

Biscayne National Monument

Question: What is National Park Service's policy on modifying specifications already out on bid?

Answer: Our policy is to make required changes by addendum prior to bid opening and change orders after project is underway. Changes are usually corrective or technical in nature, since it is usual that management requirements are worked out in the preliminary drawing stage.

Question: When is a project considered to be firm?

Answer: Normally a project is firm with respect to management requirements with approval of the preliminary design. Technical requirements are firm with completion of the project drawings and specifications. However,as the project progresses from design through construction, invariably, new conditions are brought to light, subsurface irregularities are uncovered, and management and public needs may change.

Question: Can each and every new superintendent change specifications to his liking?

Answer: No. However, Denver Service Center has to be responsive to the perceived needs of the person closest to the site, new or existing.

Cabrillo National Monument
Lake Meade National Recreation Area

Question: What steps is NPS taking to eliminate examples such as these?

Answer: Construction projects are being carefully tracked by monthly reviews between the Manager of the Denver Service Center and responsible design and program control personnel.

Question: How can Congress be assured that what is reported is correct?

Answer: Every effort will be made to accurately report on the status of all construction projects.

Question: Will the new accounting system prevent this situation from occurring in the future?

Answer: The new accounting system should be helpful in accurate tracking of all projects but will only be as good as the data that has been put in.

Ocmulgee National Monument

Question: Under what interpretation did NPS consider this example to be a contract in September 1979?

Answer: As stated in the report, the National Park Service was directed by officials of the Department of the Interior to award letter contracts to the Small Business Administration. In accordance with 41 CFR 14-3.408, letter contracts were prepared accompanied by a Determination and Findings to Enter Into a Letter Contract.

In the case of the maintenance facility, a letter contract was issued September 21, 1979, to the Small Business Administration. It was then included as an obligation toward the National Park Service's Minority Business Enterprise goal.

Negotiations with the Minority Business Enterprise/8(a) contractor were unsuccessful. It was not shown as a carryover in fiscal 1979 because negotiations were still in progress. The project was withdrawn from Small Business Administration in May of 1980. It was shown as a carryover in 1980.

Bids were opened on this project on April 21, 1981. The low bid received was $239,862.

Question: What steps has DSC implemented to prevent a recurrence of this practice?

Answer: The National Park Service recognizes that the use of letter contracts as was done in September 1978 and September 1979 is not an acceptable practice. The use of letter contracts delayed the actual negotiation of contracts with the Small Business Administration. We should have been more firm with the Small Business Administration and insisted their subcontractors' proposals be complete, fully supported, and broken down properly.

The National Park Service does not intend to use letter contracts for obligation purposes or for meeting Minority Business Enterprise goals.

Planning Fund Carryover

Question: Does NPS plan to analyze this carryover amount?

Answer: An analysis is currently underway at Denver Service Center of all advance planning, project planning, and supervision accounts.

Question: What criteria will be used to determine whether planning will be continued or stopped?

Answer: Funds related to projects not now on the national priority list or those projects on the priority list scheduled beyond 1985 will be reprogrammed to projects of higher priority.

Question: What is the anticipated amount of planning funds which can be transferred to complete planning for the projects on the National Priority List?

Answer: It is anticipated that approximately ½ of the carryover is related to projects no longer on the national priority list.

Date of Specifications and Awards

Question: How does DSC plan on changing the "carry over or buy at higher prices" mode of operation?

Answer: Given the constraints of the budget cycle and the timing of appropriations, it is very difficult to obligate construction projects in the first two quarters of the year of appropriation. Fundamentally, this would require all projects to be ready at the same time. To accomplish that, Denver Service Center would require a much larger staff than currently exists and a greatly expanded planning program. We believe that such staffing would be grossly inefficient and undoubtedly very expensive. In any typical year, three sets of construction projects are being accomplished: advance planning is done for the anticipated construction program 2 years downstream, project planning is done for construction projects 1 year downstream, and plans and specifications and bidding documents are being finished for the current construction year. Given the nature of this kind of workload, it would be very difficult to have all current construction year projects ready when appropriations are enacted and allotments are made. Furthermore, producing specifications, advertising, bid and award procedures take 90 days. A stable construction funding level and a set of national priority projects, which the Service has recently initiated, will improve both our obligation rate and the date of contract award.

Question: Why aren't the specifications ready in a more timely manner?

Answer: A study done of 20 jobs funded in fiscal 1981 indicates that the median end of project planning is April 1, 1981; that the median date of award for 1981 will be July 1. That is, half of the construction projects currently on the books at Denver Service Center will be awarded by July 1. Actual 1981 experience shows that 42 percent of the projects on the Service Center's active list have been awarded by Mid-May (60 percent of the year elapsed).

With regard to the premium for advertising construction jobs late in the fiscal year, the competitive picture in the construction industry has changed markedly since 1978. In 1979, the aggregate experience at the Service Center indicated a 13 percent downtrend compared to engineers' estimate. That trend continued in 1980 with aggregate bids being 10 percent below the engineers' estimates. Thus, in 2 fiscal years, we have gone from aggregate bid experiences totalling 13 percent over engineers' estimates to an aggregate experience that shows 10 percent under engineers' estimates. The total figures for 1979 and 1980 are:

	Total Funds Available (Aggregate Preliminary Estimates	Aggregate Low Bids (Awards)	Percentage Over/Under Preliminary Estimates	Aggregate Engineers' Estimates	Percentage Awards Over/Under Engineers' Estimates
1979	62,457	62,562	+0.2%	62,699	-0.2%
1980	52,091	49,008	-5.9%	54,082	-0.4%

The National Park Service has found a very close correlation with the condition of the construction industry and the bidding experience.

Question: How many of the "late" specifications were handled by A/E's?

Answer: Of the 25 projects listed in the investigative report (pages 47 through 63) 11 were done inhouse; 10 by A/E's; 3 were a combination of inhouse-A/E approach; and 1 was a regional project incorrectly attributed to Denver Service Center.

The definition of "late" is open to some debate. The investigative staff assumed that bids that are opened in July or August are late. We disagree with that definition. Admittedly, it would be desirable to advertise construction projects earlier. However, as we have mentioned previously, it is currently not possible nor efficient to maintain the kind of staffing that would allow that approach.

"Phantom" $121,000 Project

Question: Will the new National Priority List preclude examples such as this from occurring?

Answer: The "Phantom" project referred to was justified in the fiscal 1980 budget as interim repairs and construction at the El Portal effluent disposal facility. The purpose of requesting the funds in advance of final construction (requested in the fiscal 1982 budget) was to retain a sum of money should the State of California require temporary measures to meet their standards. As the State never required such actions the money was never allotted to the Denver Service Center. Hence, it was not shown as carryover on the Denver Service Center lists. The money was retained in the Washington Office for possible emergency use. The national priority list will have no effect on such project requests since we believe the original project request was a valid one.

Question: Are there any other examples of projects such as this added to the construction budgets?

Answer: Since this condition and the possible need for interim repairs were unique to Yosemite, we do not believe that there are other such projects in the construction budgets.

Question: Can National Park Service guarantee that similar projects have not been submitted in the past and will not be submitted in the future?

Answer: The National Park Service feels that the budget submittal was legitimate based on the information available when the fiscal 1980 budget was requested. We believe that such interim repair needs are very rare occurrences.

Tuskegee Transfer

Question: What is the status of the OIG Report?

Answer: The Department of the Interior Office of the Inspector General staff is still working in Denver Service Center. No report or draft report has been made available to the National Park Service.

Question: How common is this practice?

Answer: The Service's own investigation of the problem represented by the Tuskegee example indicates that this is not an isolated case. However, steps are being taken including design of a new accounting system and implementation of a more disciplined project management system at Denver Service Center, that should prevent such cases in the future.

Question: Will the new accounting system reflect actual project costs?

Answer: Yes. The basic design requirement for project accounts in the new system is that they accumulate costs for planning, design, and construction projects regardless of fund source and organization unit involved.

Question: How many projects have cost overruns? How many have cost underruns?

Answer: Of the 79 projects awarded during fiscal 1980, 42 (53%) were under the funds available, 37 (47%) were over the funds available. In terms of dollars available versus award amounts, awards were 6 percent under availability, with the net underrun held for change orders and/or claims.

Question: What has happened to the funds of the projects with cost underruns?

Answer: First priority for funds from individual projects awarded with cost underruns is change orders and/or claims on those same projects. Since total actual costs are not known until a project is accepted from the contractor, underruns would be available for items that develop as construction progresses. After completion of a project, any remaining net underruns are used for award of other projects with overruns, or change orders and claims on other projects.

Letter Contract Practice

Question: Did National Park Service consider these assignments as a contract? Under what citation?

Answer: The National Park Service did consider the letter contracts to be obligational documents to the Small Business Administration and this could be construed that they were considered contracts. The letter contracts were prepared in accordance with 41 CFR 14-3.408 and were accompanied by a Determination and Findings. The letter contracts and findings were reviewed by the Office of the Regional Solicitor, Department of the Interior.

Question: Who directed that this ruse be used to enhance SBA 8(a) goals and the National Park Service obligation rate?

Answer: The National Park Service was directed by officials of the Department of the Interior to award letter contracts in order to meet the goals established for the minority business program. The National Park Service was not as concerned about obligation as it was concerned about meeting the Minority Business Enterprise goal. National Park Service finance offices considered the letter contracts valid obligations, but they were not intended to solely obligate funds.

Question: What steps have been taken to preclude this practice from recurring?

Answer: The original expectation was that negotiation and award would follow timely. That seldom happened (investigative report: pages 79-86). As a result of this experience no letter contracts were issued in 1980 and none will be issued in 1981.

It should be pointed out that in spite of the time spans involved, most of these projects were successfully negotiated and all Minority Business Enterprise goals were met in terms of actual awards.

Employee Housing

Question: What is the status of the study on employee housing at Yosemite?

Answer: The study is partially complete. We have information about the existing employment and residential distribution within the park. We also have preliminary figures concerning the need for employee housing in the Valley and other locations. We still need to find out the potential availability of employee housing outside the park (other than the El Portal Administrative Site) and the environmental impacts of all the alternatives.

Question: If 1,880 employees live in Yosemite, how many family members also live there?

Answer: There are 1,196 family members living in Yosemite in addition to the 1,880 employees.

Question: If 28 houses acquired under the inholding program have been converted to employee housing, how many houses, in total, have been acquired under the inholding program?

Answer: Approximately 337 houses have been acquired under the inholding program.

Question: Does converting the 28 houses to employee housing send out a conflicting message to the remaining 220 inholders as to the Government's resolve to return the Yosemite Park to its natural state?

Answer: The remaining 220 inholders have been assured of the Government's intent to return Yosemite to its natural state through the current general management plans that have been developed. In addition, the current moratorium on land acquisition sanctions limited private residential use in the inholding areas. We do see some conflict, however, between the former owners in that many were under the impression that they could retain use of the improvements under a Special Use Permit until all inholding properties in the area were purchased and the National Park Service started action to return the area to its natural state.

El Portal Waste Water Treatment Plant

Question: What is the status of the claim and counterclaim?

Answer: The architect/engineer firm and the National Park Service are pursuing the claim and counterclaim. At the present time, it is anticipated the matter will go before the Board of Contract Appeals.

Question: Why was the plant accepted from the contractor?

Answer: The construction contractor completed the contract in accordance with the plans and specifications; therefore, the work was accepted by the National Park Service.

Question: Can the existing plant be modified to become an efficient operating plant?

Answer: Yes. The fiscal 1982 construction project will include plant modifications to enable the plant to consistently meet State river discharge standards and will reduce operational costs by eliminating incineration as the normal sludge disposal method.

Question: What is the National Park Service philosopy of purchasing packaged treatment plants? What cost analyses have been prepared to justify either custom or packaged plants?

Mr. YATES. Aside from several additional questions you have from Mr. McDade, Mr. Young and myself, we look forward to seeing you again.

[The questions and answers follow:]

QUESTIONS SUBMITTED BY CONGRESSMAN JOSEPH M. MCDADE

Delaware Water Gap National Recreation Area

Question: What is the status of negotiations between the National Park Service and the Commonwealth of Pennsylvania to transfer title of Route 209 to the Park Service?

Answer: It is our understanding that the Governor's Office is preparing a deed to transfer title of U.S. 209 to the National Park Service. We have not yet received a verification from the Governor's Office, but it is expected soon. We have indicated our willingness to accept the road, and restrict truck traffic, if sufficient funding and manpower are made available.

Question: Is vandalism of historic sites still a problem in the Delaware Water Gap National Recreation Area?

Answer: Vandalism is still a serious problem. During the month of April there were three fires (suspected arson). One building was completely destroyed and two fires were immediately extinguished. There is an average of two to three breakins of park owned buildings per week.

Question: Last year the Committee provided $750,000 for restoration of some of these sites. What progress have you made in implementing this restoration?

Answer: Restoration has been completed on 200 home sites. One contract (Van Campen Inn) has been advertised for bids with award expected August 1981. The Denver Service Center has done task directives on six other buildings, which will go under contract by the end of the fiscal year 1981.

QUESTION SUBMITTED BY CONGRESSMAN DON YOUNG

Humpback Whales Study

Question: In FY 81, the Appropriations Committee suggested that the National Park Service allocate research money to study humpback whales in Glacier Bay National Park. Since this is a multi-year study, the research must be funded again in 1982. Is it the intention of the National Park Service to include such funding in the FY 82 request?

Answer: The Service's fiscal 1982 budget request does include funds to continue this important research effort.

ADDITIONAL COMMITTEE QUESTIONS

Land and Water Conservation Program

Question: Initially when HCRS was terminated, responsibility for administration of the LWCF was transferred to the Office of the Assistant Secretary for Policy, Budget and Administration. In an amendment to the Secretarial order, responsibility was transferred to the Office of the Assistant Secretary of Fish Wildlife and Parks.

--How will the Assistant Secretary administer the program?

Answer: The details on how the program will be administered have not been finalized. Upon final decision on this issue, we will submit the details on how it will be administered.

Alaska Reduction

Question: For management of Park areas $71,057,000 is requested, an increase of $1,312,000 over the 1982 base. (It is possible that some of the general reduction identified in the budget amendment may apply to this activity). The increases allocated among new areas not currently base funded ($886,300); for increased work load due to new facilities or expansion of Park acreage ($240,000); restoration of former administrative support services eliminated or curtailed because of higher operating costs, ($124,500); and increased work load due to additional concessioners generated activities and compliance with health regulations, ($61,200).

--How much of the Alaska reduction of $4,000,000 is applied to this activity?

Answer: $293,400 was reduced from Alaska and applied to this activity.

U.S.S. Arizona Memorial

Question: For interpretation and visitor service, a net increase of $271,000 was requested in the January budget. This increase is made up of reductions of $1,435,000 in direct support of the performing arts in Washington, D.C., and an increase of $1,706,000 for parks across the board. This includes $300,000 which had been funded by the Navy in prior years for the USS Arizona Memorial. According to the table at page 89, $406,000 is available for this program in 1981 and the budget estimate for 1982 is $754,000. Information provided to the staff on a visit to this memorial indicated that the requirements for this memorial in 1982 are $973,000.

--How will the balance of the operation of this unit be funded?

--What is the background for inclusion of this unit within the National Park System?

--If the cost continues to increase in such a manner, can this be turned back to the Navy for operation?

Answer: Higher priorities throughout the National Park Service did not allow the Service to program the total needs at the Arizona Memorial. We are reviewing the Arizona Memorial operating program along with other programs to see if adjustments can be made. If none can be made we will fund interpretation, landscape maintenance, air conditioning, and film replacement at less than optimum levels. We also will try to hold electrical costs constant.

The 1978 Military Construction Authorization provides for the transfer of the operation of the Arizona Memorial from the U.S. Navy to the National Park Service at the completion of the visitor center. This transfer of operation had previously been agreed to in principle in 1975 between the Secretary of the Navy Middemdorf, and Acting Secretary of the Interior Frizzell. In addition, the Secretary of the Interior's Advisory Board on National Parks, Historic Sites, Buildings and Monuments endorsed the inclusion of the Arizona Memorial in the National Park System. Actual operation was transferred to the National Park Service in October 1980 through an interagency agreement between the U.S. Navy and the National Park Service.

The interagency agreement can be terminated by mutual consent of the U.S. Navy and National Park Service. We do not expect operating costs to increase significantly except for inflation and costs associated with increased visitation. Although the operation could be turned back to the U.S. Navy, we believe the National Park Service has special expertise gained from years of operating similar visitor facilities throughout the United States that makes it in everyone's best interest that the National Park Service continue to operate the Arizona Memorial.

New River Gorge National River

Question: A press release prepared April 10, 1981 describes a contract to interview people in the New River Gorge area of West Virginia to capture their memories of the coal boom period of the early 1900's.

--How much did that contract cost?

--How will that information be used to interpret the New River Gorge area?

Answer: The cost of the contract was $5,000.

This information will be used in developing an interpretive program (including living history) which will depict methods of coal extraction and life in general during the coal boom era.

Shakespeare Summer Festival

Question: A memorandum audit report dated March 6, 1981, addressed final costs claimed under the Shakespeare Summer Festival in 1978.

--What was the response of the Park Service to the exception contained in that audit report?

--Have contracts been signed to perform Shakespeare in the parks in the Washington area this summer?

Answer: Following receipt of the March 6, 1981, Inspector General Memorandum Audit Report which disallowed $8,191 and questioned $27,104 of the $35,375 billed by Shakespeare Summer Festival for 1978, discussions were held with the Department of Labor concerning National Park Service's disposition of the contract. It was agreed that National Park Service would set forth its findings in writing, giving Department of Labor 30 days to respond, after which National Park Service would close out the contract, if no comments are received. The findings were: (1) Shakespeare Summer Festival did not maintain complete employee financial pay records as required by the contract and the Service Contract Act; (2) potential underpayments due Shakespeare Summer Festival employees may total $17,631; (3) an accurate accounting of the underpayments is not possible for lack of complete financial pay records; and (4) the Service Contract Act requires a setoff of monies due underpaid employees upon the determination of the Labor Department. As a result, the Labor Department has been asked to respond before the contract close out date of June 26, 1981.

A contract award for Shakespeare-in-the-Parks performances this summer is pending receipt of pre-award audits/surveys from the Inspector General. The final reports are expected by June 1.

U.S. Park Police

Question: A press release dated May 15, 1980, stated that 68 park police officers had been sent to Miami, Florida, to provide security, a processing center for Cuban refugees.

--When actions of this nature occur, who pays for the park police travel and compensation?

--If it is the Park Service, why?

--If not the Park Service, since the park police were fully budgeted, what happened to the savings that occur as a result of a reimbursement?

Answer: On May 10, 1980, President Carter was informed that an emergency existed due to the arrival of large numbers of undocumented Cuban Aliens into Florida which had created a demand upon State resources beyond their capabilities. The situation was declared a National Disaster for the purposes of Federal assistance and the Federal Emergency Management Agency was directed to coordinate all activities under the Disaster Relief Act through authority in 44 CFR, part 205.

The Federal Emergency Management Agency reimbursed the National Park Service for unbudgeted travel, premium pay and equipment costs associated with the emergency. FEMA also reimbursed the Service for any premium pay thatwas necessary to maintain adequate police coverage in the areas from which the officers are temporarily reassigned. The budgeted base salaries for all officers are paid by the National Park Service. Accordingly, there are no savings that result from the reimbursement.

Crime and Vandalism Poster

Question: Posters designed by the Pacific Northwest Region aimed at stemming crime and vandalism in the parks have been adopted by the California State Park System.

--Can copies of those posters be provided to the Subcommittee?

Answer: These posters will be provided to the Subcommittee.

Maintenance

Question: For maintenance, the 1982 request is $193,945,000, an increase of $1,744,000 above the 1982 base. The justification on page 27 says that to partially fund the increases for park base operations and the other maintenance programs listed above, the Service is reallocating $14,310,000 used in fiscal 1981 to fund Systemwide nonrecurring repair and rehabilitation projects. This was part of the $16 million added above the budget for fiscal year 1981 by the Congress. Yet the Secretary in appearing before the authorizing committees blames previous Administrations and Congress for not maintaining the existing parks.

--If parks have deteriorated so badly, why are you reducing maintenance by $14 million by reallocating these funds to other activities?

--To which activities have these funds been reallocated?

--How have you allocated the $16 million that was added on by the Committee for maintenance in 1981? If so, where?

Answer: The Service is not reducing its maintenance programs by $14,310,000 in fiscal 1982. These funds are being redirected to cover increases in park maintenance programs, especially in the older established parks, and to expand regional cyclic maintenance and repair/rehabilitation programs.

The Service's fiscal 1982 request includes a gross increase of $16,054,000 for maintenance programs distributed as follows:

	($ Thousands)
Initiate and improve maintenance programs in new and developing parks	2,428
Increase maintenance programs in established areas to restore services cut back due to inflation	7,336
Increase regional cyclic maintenance/repair and rehabilitation programs	5,865
Initiate a Servicewide dam safety program	425
Total increases(gross)	16,054

These increases will be covered in part by reallocating $14,310,000 used for one-time project needs in fiscal 1981. The resulting net increase is $1,744,000.

The $16.3 million added by the Committee for fiscal 1981 was allocated in the following manner:

1. Health and safety related projects..... $15,218,000

   Projects funded cover a wide variety of health and safety related requirements including replacing unsafe wiring, upgrading water and sewer systems, repairing damaged walks, trails, and bridges, and correcting fire safety deficiencies in park facilities. These funds are distributed by region as follows:

	($ Thousands)
Rocky Mountain	3,499.0
North Atlantic	1,005.3
National Capital	854.4
Mid-Atlantic	909.0
Southeast	1,450.0
Midwest	1,121.7
Southwest	962.2
Western	2,251.8
Pacific Northwest	1,576.1
Alaska	1,182.5
Harpers Ferry Center	406.0
Total	15,218.0

2. Development of equivalent fire safety code standards for National Park Service and concession facilities (to be accomplished through a contract with the Bureau of Standards) and the training of National Park Service personnel in the application of these equivalency codes..... 300.0

3. Comprehensive Servicewide building inspection and inventory program..... 500.0

4. Congressionally mandated research program to assess the impact of construction of the Bailey Nuclear Power Plant on the Cowles Bog National Natural Landmark within Indiana Dunes National Lakeshore..... 312.0[1]

   Total 16,330.0

Concessions Management

Question: For concessions management, $2,717,000 is requested for fiscal year 1982, the 1982 base. The Subcommittee has shown considerable interest in this program for the past four years. It is also an area which we know is of great interest to the Secretary. The Subcommittee added funds in 1981 to strengthen the concessions operations, to provide additional training.

--How have those funds been allocated among the regions?

Answer: The 1981 funds were increased by $250,000 and are being spent in the following ways:

1.	Training for concessions specialists and collateral duty personnel in rate approval, concessioner evaluation, insurance administration, and public health and safety inspections has been stepped up at regions and Washington levels.	$19,000
2.	We are instituting an ADP financial management system. This system will provide for an ongoing report system comparing the financial health of individual concessioners, analysis of relative profitability with industry trends, a system of tracking payments to the Government, and for internal analysis to point out potential audit needs.	143,500
3.	We are doing a study, assessing financial fees more in line with "value of contract" as expressed in P.L. 89-249.	40,000
4.	In order to provide oversight for the existing Alaskan concessions at Katmai, Glacier Bay, and Denali, and to meet the intent of the Congress relative to the new areas in Alaska, a regional concessions office was established in Anchorage.	63,000
	Total	265,500

This totals $265,500 with the excess of $15,500 coming from reallocating existing funds.

Glacier National Park

Question: A press release dated February 3, 1981, indicated that the Service had awarded a 25-year contract to the present concessionaire. On March 3, 1981, the Park Service approved the sale of the concessions operated by Mr. Hummel to the Greyhound Food Management, Inc., and Rex G. Maughan.

--Was the Service aware of the pending sale of Glacier Park, Inc., to Greyhound Food Management, Inc.?

--Why had Glacier Park, Inc., held off so long on making improvements and then agreed to make the improvements and then sell the concession after the Park Service had signed a 25-year agreement?

Answer: The National Park Service was aware that conversations were being undertaken concerning the possible sale to Greyound Food Management and Rex Maughan. Prior to these discussions, we were also aware of conversations with other potential buyers. In addition, as far back as 1977 the concessioner was actively pursuing the sale of Glacier Park Inc., and it was general knowledge that a sale was imminent.

As a result of a Concession Management review in September 1979, there were deficiencies identified in the concession facilities estimated to be $2.5 million. This represented immediate and long-range improvements. The concessioner did not want to make the improvements without a significant extension of the contract. The contract was due to expire on December 31, 1985. The concessioner entered into an agreement with Greyhound Food Management to sell. The agreement was contingent upon negotiations for a new contract being completed.

Campsite Reservation System

Question: A press release dated April 17, 1981 indicated that the 1981 campsite reservation system is operational. The cost to a camper for use of the service is $1.75.

--How is that cost compared to ticketron services for other box office events?

--Why would it cost more?

Answer: Ticketron service charges range from $.75 for a baseball game to $1.50 for a Broadway play. Fees are based on three factors; what the market is accustomed to, cost of operation, and the convenience of making the reservation.

The $1.75 fee is based on one transaction rather than one seat for a play or baseball game. A campsite reservation can be made for 1 to 14 nights for one to eight people on one transaction.

The National Park Service's fee ($1.75) is the same as the fee charged for the New York and California State Parks and the U.S. Forest Service.

Award of Concession Contracts

Question: One of the questions raised by a concessionaire during the question and answer period with Secretary Watt addressed a preference right/first refusal claim in concession contracts. There did not appear to be anyone present who understood the concern expressed by the concessionaire.

--Has the Park Service altered its practice of awarding concession contracts? If so, how? If not, why was the person upset?

Answer: The National Park Service issues all concession contracts or permits pursuant to the policies enunciated in Public Law 89-249. The law provides that the Secretary shall encourage continuity of operations by giving a preference in the renewal of contracts or permits to a concessioner who has performed satisfactory service. It also provides that before doing so the Secretary shall give reasonable public notice and shall consider and evaluate all proposals received as a result thereof.

Between the right of preference for renewing a contract and the obligation of the National Park Service to evaluate all proposals received there was a lack of definition as to what this preference

meant in light of other proposals. We have interpreted the right of preference to mean the concessioner has the right to meet the terms of any other responsive proposal and if he does so is entitled to the new contract. If a superior proposal is received, as determined by the Secretary, the concessioner will be given the opportunity to meet those terms and conditions.

This represents a change in our procedure. There are some concessioners who oppose this position, because they feel the preference in the law was intended to be something much more than a right of first refusal; i.e. guarantee renewal so long as performance was satisfactory.

Valley Forge National Historical Park

Question: At page 43 of the justification a statement indicates that $130,900 will be used at Valley Forge National Historical Park to stabilize, rehabilitate, and preserve 125 public and historic structures to avoid continuing deterioration.

--What will actually be done with those funds?

--What is the nature of the public and historic structures that can be stabilized, rehabilitated, and preserved for $130,900?

--How will that work be different from work which might be done there under the maintenance program?

Answer: A variety of stabilization procedures varying with each structure according to specific needs. Included will be: roofing, stone work, electrical, sanitary plumbing, painting and structural repairs for building safety.

Some specific examples are:

(1) The DeWees House (1740's) - Public and administration use.
Work to be done:
Porch floors are rotting and need repair.
Dampness in cellar.
Drainage needs work.
Termites are suspected in the 1st floor.

(2) The Second Building, Horseshoe Trail West, (1850's) - This will supplement regular maintenance to bring these structures up-to-standard. Use of this building as an employee residence.
Work to be done:
Cellar window frames and access stair are deteriorated.
Gutters, windows and doors need repair. There is evidence of termites.

(3) Third Building, "Site of Adjutant General's Quarters" (1770) - The use is administrative.
Work needed:
Repair of gutters, exterior painting, fireplaces are open and losing heat, dampness in basement.

The 125 structures range from large stone buildings built in the late 1700's to wood frame structures built in the 1800's. Some structures are adjacent out-buildings and some are historic earthworks. The buildings are used for public (interpretive) use, administrative use and a few as employee residences.

The cultural preservation work needed on these structures goes well beyond routine operational maintenance requirements. With one plumber and one painter on park staff, we are unable to keep up with regular maintenance. This funding would be in addition to the maintenance program to begin bringing these structures up-to-standard.

Water Resources Program

Question: $1,567,000 is requested for water resources. This is an increase of $615,000 above the 1982 level.

--Why isn't this program included under the resource management program?

--What would be the consequences of not providing this increase?

Answer: The Water Resources Program has been maintained as a separate budget line item in order to assure responsiveness and accountability for specific water-related activities which the National Park Service must carry out under 14 separate Congressional statutes and Executive Orders (see list below). However, the Service believes that the Program can be incorporated into the Resources Management Program, and would not object to this change, if the Committee so wishes.

Applicable Statutes/Orders

Statute/Orders	Responsibility
1. Organic Act 8/25/16	Water resource protection/ preservation
2. Public Law 93-741	Water use for National Park Service
3. Act of 8/7/46 60 Stat 885	Water use for National Park Service
4. Act of 8/8/53 67 Stat 495	Water utilities for National Park Service
5. Federal Water Pollution Control Act	Monitoring, standards, planning

6. Safe Drinking Water Act	Water source safety
7. Wild & Scenic Rivers Act	Stream preservation/protection
8. Wilderness Act of 1964	Stream preservation/protection
9. Endangered Species Act	Species protection
10. National Environment Policy Act of 1969	Protection of water environment
11. Executive Orders 11514/11991 5/25/77	Protection of environmental quality/monitoring
12. Executive Order 11988 5/25/77	Floodplains management
13. Executive Order 11990 5/25/77	Wetlands protection
14. Executive Order 12088 10/17/78	Federal compliance with pollution control standards

The Service recently has identified some $6.4 million of additional Water Resource Program in-park project needs for the FY81-85 period. This is exclusive of annual expenditures of $354,000 (FY81) to support the nine field hydrologists who carry out the Program. Under current levels of funding ($934,000 in FY81), only a small fraction of the in-park water project needs can be supported.

Simply put, at current funding levels the Service cannot meet its obligations to protect and properly manage its vital water resources, and the Service similarly cannot comply with specific requirements associated with statutes such as the Federal Water Pollution Control Act, the Safe Drinking Water Act, the National Environmental Policy Act, and the Endangered Species Act. Without additional Program funding, the Service cannot develop the water quality and the water resource inventory data needed to assure adequate water supplies for consumption and recreational use and also for the maintenance of park ecosystems which are critically dependent on water resources (fisheries, aquatic flora and fauna, riparian vegetation, wildlife habitats and wilderness preservation).

The requirement to accumulate and assess water quality and water quantity data is especially important in the water-short western regions where there are ever-increasing water needs associated with energy, industrial and urban development in the immediate vicinity of major National Park Service natural area parks. Without these data, the Service cannot provide timely and meaningful technical analyses of permit applications and NEPA documentation and cannot identify the mitigation measures which should be required to assure that proposed water development projects will not adversely impact park resources.

The specific in-park projects which will be initiated in FY82 with the requested $615,000 funding increase are identified as follows:

Park Water Projects To Be Funded With Requested FY82 Increase

Project	Purpose
Fredericksburg/Spotsylvania County Battlefields Memorial National Military Park	Locate and develop a potable groundwater supply for ranger station.
Lehman Caves National Monument	Locate and develop a drinking water supply for visitor and employee uses.
Death Valley National Monument	Flood hazard study.
Glacier National Park Capital Reef National Park	Develop water quality management plans required under P.L. 92-500 and Memorandum of Understanding with EPA.
Fort Laramie National Historic Site Fire Island National Seashore Saugus Iron Works National Historic Site Cape Lookout National Seashore Cuyahoga National Recreation Area Big Thicket National Preserve Hot Springs National Park White Sands National Monument Mount Rainier National Park North Cascades National Park	Conduct in-park studies to evaluate the availability, safety and quality of in-park surface and subsurface water sources.
Bryce Canyon National Park Grand Canyon National Park Great Smoky Mountains National Park Yosemite National Park Zion National Park Chaco Culture National Historical Park	Review and evaluate existing surface and underground water quality and water supply data to support improved management of park water resources.

Ice Age National Scientific Reserve

Question: For the Ice Age National Scientific Reserve, $588,000 is requested, an increase of $148,000 over the 1982 base. Is this increase being matched by the State of Wisconsin in the proportions called for by legislation authorizing this joint venture?

Answer: The State of Wisconsin will spend at a minimum $588,000 during fiscal 1982 and will probably spend up to $665,800, depending on the availability of State funds. Therefore, the State of Wisconsin is matching and probably will exceed the required funding level pursuant to the terms of the legislation, which states:

> "The Secretary, pursuant to an agreement with the State of Wisconsin, may pay up to 50 percentum of the annual costs of management, protection, maintenance, and rehabilitation of the reserve."

Reflecting Pool

Question: The Park Service proposed to repair the Reflecting Pool, keep it from leaking. Funds were provided. It is now proposed to turn it into an ecosystem in a manner that would not detract its reflective ability.

--What assurance did the Service have that such an ecosystem can be developed in the Reflecting Pool?

--Where will funds come from in order to develop that ecosystem?

Answer: The Service has succeeded in developing such ecosystems in two other areas in Washington; the Bolivar Pond (located between 18th and 19th Streets on Virginia Avenue, NW) and the Constitution Gardens Lake. Bolivar Pond was installed with a wetlands setting, in the late 1960's, aesthetics were the prime motive. It was soon discovered, however, that because a semblance of the workings of a natural ecosystem were included, this brought with it the natural mechanisms by which the system kept itself clean. Up until that point, Bolivar Pond maintenance procedures included as many as five purgings a year (at an average cost of $2,000 per purge--exclusive of damage caused by the purging process), in order to clean out ever-present algae growth in the then sterile water, and to remove the trash people threw in the pool.

With the installation of the natural ecosystem, purgings became unnecessary and the associated costs saved. We have also found that people are less inclined to trash this natural setting.

When Constitution Gardens Lake was completed and filled, we were confronted with a similar situation as with Bolivar Pond; vast growths of algae, and collections of trash. In this case, however, purging costs were in the order of $10,000 each (again, exclusive of costs due to ground "heaving," and the other negative effects of taking the water's weight off the pool bottom. Nor was the value of 5-½ million gallons of water included: because we do not pay for our water, we do not calculate its cost in maintenance operations). Wishing to profit from the experiences at Bolivar, we sought means to accomplish the same end results in Constitution Gardens Lake (cost savings, and more attractive setting), without disturbing its different architectural objective--a clean sheet of water. The designers of this pool did not want any emerging vegetation involved in this ecosystem.

The combined objectives were realized, and thus Constitution Gardens Lake has not needed draining in 2 years (and looks even healthier in this third year, than it did at this time last year). The cost savings in avoided purges approach $50,000--and probably at least this amount in avoided damage. People have been more prone to toss their leavings into walkway trash bins, rather than into the Lake. It now features a considerable colony of waterfowl, which the visitors appreciate.

Drawing from these two experiences, the Service believes it can develop such an ecosystem for the Reflecting Pool and save significant maintenance costs while not detracting from the pool's reflective features.

Operating funds were used from monies programmed for the periodic cleaning and maintenance of the Reflecting Pool.

Construction

Question: At page 110 of the justification, the table shows that in fiscal year 1981 there was $85,182,000 in unobligated balances from prior years.

--Provide for the record the projects that made up that balance.

Answer: A statement itemizing the $85,182,000 carryover to fiscal 1981 follows:

Construction Appropriation

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
1. Line Item Projects		
Acadia NP		
Ocean Drive		
Replace Comfort Station and Water Line (134) (FY 1980)	113	--
Andrew Johnson NHS		
Park General		
Rehabilitate Home (103) (FY 1980)	155	--
Big Bend NP		
Castolon		
Employee Quarters (165) (FY 1979)	525	50
Reconstruct Water System (183) (FY 1979)	338	--
Rio Grande Village		
Ranger Contact Facilities (117) (FY 1979)	220	42
Amphitheater Reconstruction (118) (FY 1979)	184	--
Biscayne NP		
Elliott Key		
Maintenance Building and Residences - Phase III (105) (FY 1980)	446	--
Blue Ridge Parkway		
Peaks of Otter		
Sewage System (326) (FY 1977)	1,330	--
Cabrillo NM		
Rehabilitate Lighthouse (123) (FY 1978)	60	--

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
Catoctin Mountain Park		
Gym Renovation, Utilities (125) (FY 1980)	218	--
C&O Canal NHP		
Allegheny District		
Stabilize Paw Paw Tunnel (153) (FY 1980)	223	--
Canyonlands NP		
Hans Flat		
Rehabilitate Water System (195) (FY 1979)	109	--
Chaco Culture NHP		
Duplex Residence (106) (FY 1978)	106	--
Crater Lake NP		
Lost Creek		
Upgrade Water System (171) (FY 1980)	45	--
Delaware Water Gap NRA		
Park General		
Stabilize Van Campen Inn (238) (FY 1980)	78	--
(Total Appropriated: $98)	(Portion Remaining)	
Rehabilitate Zimmerman House (262) (FY 1980)	519	--
(Total Appropriated: $1,262)	(Portion Remaining)	
Everglades NP		
Flamingo		
Buttonwood Canal - Parking and Boat Ramp (177) (FY 1979)	--	60
Fire Island NS		
William Floyd Estate		
Preservation (174) (FY 1980)	190	--
(Total Appropriated: $223)	(Portion Remaining)	
Fort Sumter NM		
Dock and Visitor Facility (105) (FY 1978)	1,538	4,043
Gateway NRA		
Park General		
Rehabilitate Buildings and Grounds (109) (FY 1979)	400	--
(Total Appropriated: $1,576)	(Portion Remaining)	
Breezy Point		
East Rockaway Point - Structure Obliteration (112) (FY 1980)	655	--

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
Park General		
Resurface Roads and Rehabilitate Buildings and Restore Grounds (109) (FY 1980)	2,421	1,093
Glen Canyon NRA		
Comfort Station (148) (FY 1978)	37	--
Great Sand Dunes NM		
Reconstruct Sewer System and Comfort Station (108) (FY 1978)	133	--
Great Smoky Mountains NP		
Sugarlands		
Improve Sewage System (253) (FY 1979)	233	--
Guadalupe Mountains NP		
Park General		
Trail System (Final Phase) (110) (FY 1980) (Total Appropriated: $648)	--	150 (Portion Remaining)
Harpers Ferry NHP		
Park General		
Rehabilitate Buildings (110) (FY 1980) (Total Appropriated: $1,210)	503 (Portion Remaining)	--
Lake Mead NRA		
Expand Sewage System (121) (FY 1978)	223	--
Lehman Caves NM		
Sewage Lagoon and Trailer Dump Station (106) (FY 1978)	307	--
Lowell Historic Preservation Commission		
Mill Exteriors Stabilization (202) (FY 1980) (Total Appropriated: $933)	899 (Portion Remaining)	--
Martin Van Buren NHS		
Park General		
Rehabilitate Structures (102) (FY 1980) (Total Appropriated: $315)	185 (Portion Remaining)	--
Montezuma Castle NM		
Comfort Station (104) (FY 1978)	192	--

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
Mount McKinley NP (Denali NP and Preserve)		
Park General		
Savage River Bridge Replacement (163) (FY 1979)	--	1,849
Natchez Trace Parkway		
Section 2D (127) (FY 1980) (Total Appropriated: $8,800)	--	2,131 (Portion Remaining)
Section 3A (132) (FY 1980) (Total Appropriated: $15,000)	--	8,808 (Portion Remaining)
National Capital - East		
East Potomac Park		
Expand and Rehabilitate Maintenance Facility (265) (FY 1978)	102	20
National Mall		
Lincoln Memorial Inscriptions of States of Hawaii and Alaska (FY 1974)	12	--
National Visitor Center		
Emergency Roof Repairs (FY 1980) (Total Appropriated: $2,360)	550 (Portion Remaining)	--
Ocmulgee NM		
Visitor Center Rehabilitation and Solar Energy Installation (121) (FY 1979) (Total Appropriated: $705)	269 (Portion Remaining)	--
Maintenance Building and Visitor Center Exhibits (102) (FY 1979)	606	--
Perry's Victory and IPM		
Park General		
Memorial Column Rehabilitation and Illumination (101) (FY 1980)	2,370	--
Piscataway Park - National Capital		
Park General		
Construct Facility, National Colonial Farm (470) (FY 1980) (Total Appropriated: $175)	48 (Portion Remaining)	--
President's Park - National Capital		
Reconstruct Electrical System (247) (FY 1978)	465	--
Renovate Utilities (247) (FY 1979)	609	--
Renovate Utilities (247) (FY 1980)	655	--

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
Redwood NP		
May Creek Activity Center (809) (FY 1980)	700	500
Rock Creek Park - National Capital		
Reconstruct L Street Bridge (105) (FY 1978)	--	1,048
San Juan NHS		
Park General		
Stabilization of Breakwater (127) (FY 1980) (Total Appropriated: $2,569)	655 (Portion Remaining)	--
Shenandoah NP		
Park General		
Chlorination for Water Systems (260) (FY 1979)	418	--
Dickey Ridge		
Water Line (319) (FY 1979)	320	--
Springfield Armory NHS		
Park General		
Rehabilitate Structures (103) (FY 1979) (Total Appropriated: $1,345,000)	623 (Portion Remaining)	--
Statue of Liberty NM		
Ellis Island		
Rehabilitation of Building - Seawall and Electrical Systems (107) (FY 1980) (Total Appropriated $2,500)	1,100 (Portion Remaining)	--
Tumacacori NM		
Park General		
Mission Church Rehabilitation and Stabilization (122) (FYs 1978-79) (Total Appropriated: $580)	187 (Portion Remaining)	--
Vicksburg NMP		
Gunboat Cairo		
Visitor Facility and Cairo Restoration and Display (101) (FYs 1977-78) (Total Appropriated: $6,943)	1,200 (Portion Remaining)	200
Whiskeytown NRA		
Park General		
Reconstruct Water System (804) (FY 1979)	132	--

Composition of $85,182,000 Carryover to Fiscal 1981	Appropriated Amounts B&U ($ in Thousands)	R&T
Wilson's Creek NB		
Park General		
Headquarters Visitor Center-Maintenance Area (104) (FY 1980)	1,310	--
Yellowstone NP		
Grant Village		
Water Treatment System (142) (FY 1980)	1,871	--
Construct Concession Overnight Visitor Facilities (619) (FY 1980)	3,000	--
Lake		
Water Storage and Treatment (138) (FY 1980)	2,376	--
Yosemite NP		
El Portal		
Develop Well System (223) (FY 1980)	520	--
Effluent Disposal Facility (347) (FY 1980)	131	--
Total, Line Item Construction Carryover to FY 1981 (Item 1)	32,814	19,994
	TOTAL $52,808	

	Amount
1. Line Item Construction Projects - FY 1980 and Prior Year (Total Brought Forward from Preceding List)	52,808
2. Estimated Unobligated Balances for Projects Underway by Park Work Forces (Archeological Investigations and Salvage, Planning and Supervision, and Day Labor Construction Projects; Force Accounts within Contracts; and Approved Change Orders (with Funding Transferred to Regions) for which Obligations were not Incurred as of 9/30/80.	7,702
3. Estimated Contingency to Cover Change Orders, Overruns, and Claims for Projects Underway as of 9/30/80. (Undelivered Orders as of 9/30/80 totaled $135 million.)	4,300
4. Estimated Unobligated Balances for Exhibit and Audiovisual Projects Awarded in Prior Years and Still Underway by Harpers Ferry Center (Comprised of Planning and Production).	2,100
5. Estimated Unobligated Balances for Emergency and Unscheduled Projects (Lump Sum Programs)	500

Composition of $85.2 Million Carryover to Fiscal 1981			Amount
6. Estimated Unobligated Balances for Advance Planning and Project Planning Underway by Denver Service Center and Federal Highway Administration; and that Portion of Project Supervision Derived from Projects Awarded in Prior Years and Which are Still Underway.			$17,772
NPS:	Advance Planning	$4,278	
	Project Planning	7,931	
FHWA:	Project Planning	700	
NPS & FHWA:	Project Supervision	4,863	
Total Carryover Brought Forward to Fiscal 1981			85,182

Question: The same table shows the unobligated carryover into fiscal year 1982 as $27 million.

--Provide for the record the detail making of that $27 million.

Answer: When this table was prepared the projected carryover was $27 million. The current estimate has been revised to $34 million. Some carryover in the National Park Service's construction program is inevitable. The current estimate of $34 million applies to a large extent to: (1) balances for ongoing programs which cannot be completed by the end of the fiscal year; and (2) contingency and supervision funds which must be retained for obligated projects during the course of construction until these projects are completed.

In addition, while the National Park Service strives to obligate individual line item construction projects to every extent possible during the year they are programmed, experience indicates that unanticipated problems sometimes occur (cost problems, design changes, questions involving standards, etc.), forcing delays in the obligation of projects. The revised estimate of $34 million includes several line item projects which cannot be awarded in fiscal 1981.

An itemization of the projected carryover to fiscal 1982 follows:

Category	Projected Carryover to Fiscal 1982	
	B&U	R&T
	($ in Thousands)	
1. Line Item Projects		
Chaco Culture NHP		
Duplex Residence (106) (FY 1978)	106	--
Denali NP & Preserve (Mount McKinley NP)		
Savage River Bridge Replacement (123) (FY 1979)	--	1,849

Category	Projected Carryover to Fiscal 1982	
	B&U	R&T
	($ in Thousands)	
Fort Sumter NM		
Dock and Visitor Facility (105) (FY 1978)	1,538	4,043
Redwood NP		
May Creek Activity Center (809) (FY 1980)	700	500
Yosemite NP		
El Portal		
Effluent Disposal System (347) (FY 1980)	131	--
Subtotal, Line Item Projects	2,475	6,392
2. Balances for ongoing planning programs underway by Denver Service Center and Federal Highway Administration	9,500	
3. Balances for ongoing archeological investigations underway by archeological centers in regional offices	633	
4. Balances for ongoing exhibit and audiovisual projects, and interpretive planning underway by Harpers Ferry Interpretive Center	1,800	
5. Balances for construction projects underway by park work forces (day labor) and force account balances in contracts	4,700	
6. Contingency and supervision funds retained for obligated projects for duration of construction (to cover change orders, overruns, claims and project supervision and inspection services)	8,500	
Total, Projected Carryover to Fiscal 1982 (Revised)	34,000	

Appomattox Court House National Historical Park

Question: At page 124, there is a request for $1,324,000 to install burglar and fire alarm and fire suppression systems in 18 buildings in Appomattox Court House National Historical Park, Virginia. The table at page 118 shows that $20,000 is included in the 1982 project planning. This estimate is based on a preliminary design and it is estimated that construction drawings will be scheduled for completion by August 1981.

--If the project planning is not completed until funds are received in fiscal year 1982, how can construction drawings be ready for completion by August 1981?

--Are the historic site reviews and reports completed for the building renovations?

Answer: Project planning is funded and construction drawings are underway and will be completed by August 1981. However, the available funding will not permit preparation of all necessary bidding documents. The $20 thousand being requested in fiscal 1982 will be used to fund the requisite bidding documents.

The site reviews and reports are completed for the fire suppression system.

Big Bend National Park

Question: At page 125, there is a request for $514,000 to install an additional water reservoir at Big Bend National Park in Texas. This project was requested last year and cut because planning was not far enough advanced. The amount requested in 1981 was $367,000.

--Is the increase cost due to inflation or to a better estimate?

--When was the present 500,000 gallon reservoir constructed?

Answer: Increased cost is due to both inflation and a more accurate cost estimate.

The present reservoir was constructed in 1954.

Fort Sumter National Monument

Question: At page 127, $887,000 is requested for a water line to connect the Fort Sumter water system to the mainland. This project was cut in 1981. The justification indicates that the water line will run from Fort Sumter to Fort Johnson through a marsh.

--Have all the environmental requirements been taken into consideration?

--Do you have a Corps of Engineers permit to disturb the marsh?

Answer: All of the environmental requirements have been considered and all assessment completed.

We do have a Corps of Engineers permit to disturb the marsh as well as a South Carolina Council permit.

Sandy Hook--Beach Replacement

Question: Mr. Howard of New Jersey has written to the Subcommittee asking that the Subcommittee support a beach nourishment project at Sandy Hook and asked to be provided with any details which the Department might provide as to how it will seek to meet the challenge to prevent isolation of the oceanographic and park facilities at the end of the hook. Also of interest to Mr. Howard is whether the Park Service has plans to replace 2 beach centers at the northern end of Sandy Hook where facilities were demolished two years ago.

--Please provide information which can be provided to Mr. Howard in response to his concerns.

Answer: The Park Service has diked and replaced sand to counter erosion of the land connecting Sandy Hook to the mainland. We have also prepared a proposal calling for pumping additional sand for an initial cost of about $6 million plus an annual replacement cost of $600,000. If a breech occurs, the construction of a bridge or causeway could be considered. The cost for such construction has not been determined.

With regard to the two beach centers at the northern end of Sandy Hook, the Service has developed comprehensive design plans for their reconstruction. This will be the first new development for Gateway, and as such, has received close review and comment from Park, Region and Denver Service Center management. The estimated combined construction cost is $5.5 million.

It will be necessary to complete working drawings and specifications prior to actual construction.

Glacier National Park

Question: On page 130 is a request for $1,968,000 to complete rehabilitation of a sewer system in Glacier National Park, Montana.

--When were funds provided for the initial construction?

--What is the status of that portion of the project?

--Is the construction industry in this area adequate to handle a $2,000,000 project on top of the $1,348,000 requested for the water system?

Answer: Fiscal 1978 budget appropriation provided $2,201,000 for construction of the St. Mary sewage treatment plant and collection system.

Final inspection is being scheduled for June and the system will be operational in July.

Yes. In fact, currently water and sewer projects of this size in the Montana-Wyoming areas seem to be attracting a large number of

bidders. Twelve bids were received for the recent bid offering for construction of the Yellowstone--Old Faithful water system.

Oconaluftee Bridge

Question: On page 131, $1,077,000 is requested to replace the Oconaluftee Bridge in Great Smoky Mountains National Park. This is a 180-foot bridge to serve as access to a residential area which contains seven permanent residences and eight seasonal units, the second largest maintenance area in the park and the Job Corps Center for 180 enrollees.

--Would it be less expensive to relocate the residences and the maintenance area than to build the bridge?

--Will the Job Corps Center be retained under the current budget restrictions?

Answer: No. It would be far more expensive to relocate the residences and the maintenance area than it would be to replace the Oconaluftee Bridge.

We know of no current plans to eliminate the Job Corps Center at this area.

Lowell National Historical Park

Question: On page 132, $720,000 is requested to reconstruct the Dutton Street parking lot for the Lowell National Historical Park. The justification indicates that the construction estimate is based on special on-site studies.

--What are those studies?

--Have the historic site reports been prepared yet?

--Have all the project planning activities been completed?

Answer: The study consists of an on-site engineering survey to determine the scope and size of the area.

Because this project is to construct a parking lot, a historic site report is not necessary.

The advance planning was completed on August 11, 1980 and the project planning will be ready on June 15, 1981.

Lowell Historic Preservation Commission

Question: At page 133, $396,000 is requested to partially rehabilitate the Boott Mill complex and to demolish and restore the site of two non-historic buildings. At page 119, the justifications show that $200,000 is requested for project planning in fiscal year 1982 for that project.

--How can the project be ready for obligation for fiscal year 1982 for $396,000 when $200,000 for planning is requested for the same fiscal year?

Answer: Only a small portion of the $200,000 project planning relates to work to be done with the $396,000 construction requested in fiscal year 1982. Most of the planning to be done with the $200,000 relates to future construction requirements for this project.

Mount Rainier National Park

Question: At page 134, $786,000 is requested to correct deficiencies at the Paradise Sewage Treatment Plant in Mount Rainier National Park. The justification indicates that peak summers have consistently overloaded the tertiary processing facilities.

--When was that plant put into operation?

Answer: The original sewage treatment plant was constructed in 1968 and 1969. It was subsequently modified to enable tertiary waste treatment during the summers of 1978 and 1979.

Mount Rushmore National Memorial

Question: At page 135, $189,000 is requested to construct a water line from tank to existing line at Mount Rushmore National Memorial. This estimate is based on completed construction drawings, but the construction start is not expected until the third quarter of fiscal year 1982. Other projects requested, for example, the one at Mount Rainier, show that the construction drawings are not scheduled for completion until February 1982 but the construction start will be the third quarter.

--If these drawings are completed, why did it take six months to begin construction?

--Why doesn't it take six months from the time of completion of construction drawings on other projects to begin construction?

Answer: The weather conditions in South Dakota in late fall and winter would make the water line construction very expensive. Therefore, even though the drawings are complete, a much more favorable bid can be obtained if awarding a contract and starting the project is delayed until the third quarter.

Construction starts on many projects are based on the climate conditions at various geographical locations.

Natchez Trace Parkway

Question: At page 136, $11,535,000 is requested to complete construction on a project which was funded in fiscal year 1980.

--Explain the circumstances that led to this project being $11,000,000 over the amount estimated by the Park Service in fiscal year 1980, the year in which funds were provided to construct this very project.

--How can this estimate be based on 80 percent construction drawings when funds were provided in 1980 for this project?

Answer: The fiscal 1980 appropriation of $24 million will not complete sections 3A and 2D. We were advised by the Federal Highway Administration, in February 1980, that additional funding would be required to finish these two sections. Two factors contributed to this underestimate: (1) At the time the 3A funding requirements were given to the Congress (spring 1979), according to FHWA, costs were not being projected beyond current market prices for all project estimates. Since cost escalation occurred so rapidly during the period 1977-1979, the FHWA revised its estimating procedures, and estimates are now projected specifically for the budget year. (2) Inflation in road construction was unprecedented during 1977-1979. An inflation rate of about 30 percent nationwide occurred since the estimate was made for the 1980 budget. When sharp increases in road construction were reflected in bids received across the Nation last summer and fall, FHWA revised its 3A estimate upward.

There is a higher-than-normal inflation rate in the highway industry and this is due to the fact that energy consumption associated with road construction is greater than any other construction activity. Road construction costs have increased during the past few years in direct relationship to the rising costs for petroleum based products.

All components for section 3A are completed with the exception of one bridge which is currently underway. The design for section 2D is also completed.

Kutz Bridge

Question: On page 138, $3,900,000 is requested to repair the Kutz Bridge in Washington, D.C. The Committee cut this project in fiscal year 1981 when the estimate was only $1,965,000.

--Had the Committee provided the $1,965,000 in 1981, would that have been adequate to complete the bridge?

Answer: The Federal Highway Administration's estimate for fiscal 1981 indicated that $1,965,000 would be sufficient to make the repairs considered necessary at the time the budget was submitted. However, the scope of this project has increased since that time due to the delay in initiating the repairs. For example, the approachs to the bridge have continued to deteriorate to the point where they now require replacement instead of the minor repair that was necessary at the time the fiscal 1981 budget estimate was prepared. Inflation also contributed to some of the price escalation. If repairs are not made soon, the rapid deterioration will continue and ultimately complete replacement of the structure will become necessary.

Meridian Hill Park

Question: At page 139, $876,000 is requested to reconstruct the walls, walk and drainage system at the Meridian Hill Park. The justification indicates that a study completed in 1977 and updated in 1979 indicates immediate action must be taken to prevent further deterioration and possible collapse.

--What has occurred in the two years since the study was completed indicating that immediate action must be taken? Have funds been requested for this project previously?

Answer: A 1980 National Park Service engineering study reported continuing movement of the high wall along 16th Street, deterioration of cast concrete walls due to freeze and thaw, and marked erosion of concrete. This deterioration created severe safety problems when a noticeable bulge developed in a section of the high wall, compelling the Service to remove twelve 24" trees at the top of the wall and precast concrete ledge, balustrade and urns along a 16 foot section as well as erect an 8-foot chain link fence to protect visitors. Denver Service Center structural and geotechnical engineers rechecked the site in 1981 and noted particularly periodic subjection of the walls to high stresses from soil pressure and accelerated deterioration of concrete from entrapped water. This finding resulted in recommendations for a subsurface investigation, which is presently being carried out by the Federal Highway Administration with 1980 advance planning funds ($25,000).

The current investigation will assess the condition of the walls and recommend specific corrective action. The most critical needs will be placed high in priority for accomplishment.

Project planning dollars ($90,000) are programmed in fiscal 1981 for this project. The possibility exists that the investigation may surface the need for repairs beyond those provided for in the fiscal 1982 request of $876,000. A future budget request would be submitted to cover any such needs.

Construction Appropriation Language

Question: At page 145, the construction appropriation language is shown. The language includes the phrase "without regard to the act of August 24, 1912, as amended." This language is subject to a point of order because it sets aside language which prohibits spending more than $3,000 on a structure.

--With all the legislation proposed by the Park Service and enacted by the Congress regarding parks, why has that $3,000 limitation not been repealed?

--What would be the effect of not including that language in this account and in the Operation of the National Park System account?

Answer: The limitation was originally contained in an Appropriation Act, Public Law 302, of the 62d Congress, making appropriations for the fiscal year ending June 30, 1913. That Act limited the cost of buildings to no more than $1,000. The limitation was subsequently amended in the Appropriation Act for the fiscal year ending June 30, 1919, Public Law 181, 65th Congress, to $1,500. Legislation enacted on February 30, 1940 (P.L. 417, 76th Congress), increased the limitation to $3,000. During at least the last 10 years, every construction appropriation for the National Park Service has contained language waiving the $3,000 limitation.

The standard waiver language appeared to be the most efficient method of addressing the issue, and for that reason we have recommended that Congress continue to adopt it. If the language is not adopted in the Act, we would recommend that appropriate language be placed in the Committee reports to indicate that the Congress is appropriating funds for structures in excess of the $3,000-per-structure limitation with the clear intention of waiving that limitation. Although we would take the position that the language is not strictly mandatory as a legal matter, its inclusion avoids any legal controversy over this point.

The John F. Kennedy Center for the Performing Arts

Question: At the time the Subcommittee had a hearing with the Park Service regarding the visitor center and again with the Secretary on March 6, a request was made for an evaluation of the contracts repairing the roof, terraces, and damage within the Kennedy Center that had been caused by design or leaks.

--Why has that report not been provided to the Committee?

Answer: The long-term success of the construction activities will depend upon regular maintenance procedures. In addition to as-constructed drawings and a file of shop drawings and other material submitted by contractors, a maintenance manual has been prepared which covers all materials and assemblies used in the repair work. The building is regularly inspected by a Supervisory Architect from the Denver Service Center.

Semi-annual inspections of the roof are made by Warren-Ehret-Linck Company under the terms of an agreement with the National Park Service. The repairs to the terrace areas and entrance plaza drive are permanent in nature with routine maintenance accomplished as outlined in the maintenance manual.

Maintenance activities are handled by the National Park Service which are supervised by a chief of maintenance under the direction of the General Manager. Technical advice is provided by the regional staff and an architect from the Denver Service Center.

Question: The justification for this account for fiscal year 1981 indicated that certain non-recurring items would be completed within the base funding. The justification at page 166 shows non-recurring items to be completed within the base funding in fiscal year 1982.

--Are any of these projects carryover projects from fiscal year 1981?

--Were any non-recurring items proposed to be done within 1981 not done in fiscal year 1981?

Answer: As noted on page 166 of the National Park Service Budget Justifications for fiscal 1982, one project, installation of lights and benches on Watergate walk, had to be deferred from fiscal 1981 to fiscal 1982 because of insufficient funds.

Those items that are programmed in fiscal 1981 are scheduled to be completed by the end of the fiscal year.

Administrative Provisions

Question: It is proposed at page 188, under Administrative Provisions, to delete the limitation regarding the noise abatement plan for Grand Teton National Park. The justification and proposed language changes are shown on page 189. There is no justification provided in support of that language deletion.

Answer: At the time the budget justification was prepared, the language was deleted by the Administration which did not feel that appropriation riders or restrictions were conducive to effective administration.

Park Restoration and Improvement

Question: 1981 Appropriation.....$ -0-
1982 Amended Request..... 105,000,000
Change..... 105,000,000

This is the account proposed by Secretary Watt to restore and improve facilities within the existing crown jewels of the National Park System. These funds would be derived from the land and water conservation fund, and the language indicates that the appropriations should be available only upon enactment into law of authorizing legislation.

--What is the status of the legislation which would authorize use of land and water conservation fund monies for this purpose?

--What is the difference between projects funded within this account and projects funded within the construction account, the maintenance activity of the ONPS account, or the resource management activity within the ONPS account?

Answer: Proposed legislation which would allow Land and Water Conservation Fund monies to be expended on rehabilitation and improvement of park facilities has been introduced in both Houses (House, H.R. 3586 by Congressman Lujan, Jr., R-New Mexico; Senate, S-910 by Senator James McClure, R-Idaho). Only minimal action has been taken to date in the form of a Senate Subcommittee hearing. The Energy Committee's Public Lands and Reserved Water Subcommittee held a hearing on May 7 to take testimony from interested persons.

All projects proposed for funding in the fiscal 1982 Park Restoration and Improvement Program represent many of those which were not within reach of the Service's 1982 line item construction and ONPS allowances as contained in the original budget submission to Congress. The projects listed in the capital improvement and cyclic maintenance sections are essentially a second level order of priority within the Service's total construction, cyclic and repair/rehabilitation program needs.

Question: The justification indicates that for health and safety projects recommended in this program can be accomplished under the direction of existing park personnel and do not require planning and design called for by projects normally funded from the construction account. These then would be comparable to projects that would be done within the maintenance program within the ONPS account. At page 16 of health and safety projects papers, is a proposal to spend $30,000 to replace unsanitary comfort stations at three prime visitor use areas in the Danielson, Paramount and Brown ranches.

--What are the existing facilities in those areas?

Answer: The existing comfort stations (pit toilets) at these sections of the park are currently inadequate to serve growing visitation. Each area contains picnic areas, trails and other visitor use facilities and attractions which are drawing increasing interest.

Cyclic Maintenance

Question: For cyclic maintenance, $29,000,000 is proposed. Page two shows examples of projects that would be done with no justification and the balance of the justification simply indicates the amount of money that would be spent in each park.

--Why can no justification be provided in support of these projects? $10,000,000 is requested for cultural resource preservation. The justification is shown for $5,000,000 of the project; the balance is simply a table which shows how much cyclic maintenance for cultural resource facilities in the balance of the park unit.

--Why can't justifications be provided in support of this request?

Answer: The enormous size of the current inventory of cyclic maintenance projects did not permit it to be included in the Park Restoration and Improvement Program material. The number of individual projects for cultural and noncultural programs totals well over 9,000, representing virtually every park in the System. The projects can be grouped under 8 to 10 separate categories and indicate universal maintenance and repair needs that are common in all park areas. Cyclic maintenance projects are described and justified in some detail by the parks and submitted to the regional offices. Once an approved plan for cyclic maintenance of facilities is approved and scheduled, it becomes the parks' guide for an ongoing program of preventive maintenance. Most cyclic maintenance projects involve the application of materials which wear away from age, weather and use. Paint, road tar, roof shingles, etc, must be reapplied on a periodic basis to prevent further facility deterioration, and this is the central justification of need for each cyclic maintenance project at all parks.

Piper Barn--Antietam National Battlefield Site

Question: $48,000,000 is requested for capital improvements. These are comparable for projects for which funds would normally be provided in the construction account. The first item is to stabilize the Piper Barn at Antietam National Battlefield Site. This is a project for which funds were cut in fiscal year 1981 because there was little confidence in the quality of the estimate which was based on an historic structure report. This estimate was based on a completed comprehensive design.

--Why is this not based on final construction drawings?

Answer: Many capital improvement projects require very time consumming and detailed planning to be accomplished before a good construction cost estimate can be prepared, while other projects do not require quite as much preplanning. The Piper Barn project is an example of a project for which final design can be completed rather expeditiously and which does not include any significant design unknowns. Therefore, inasmuch as we had confidence in the quality of the construction estimate, the completion of final construction drawings was not deemed to be a mandatory prerequisite for submittal of this project for construction funding. Work on the final construction drawings for the Piper Barn are now underway and the project could be advertised and awarded in the first half of fiscal 1982.

Chaco Culture National Historical Park

Question: $2,227,000 is requested for road reconstruction in Chaco Culture National Historical Park in New Mexico to reconstruct the Gallow entrance road.

--Will this reconstruction provide an alternate route for the oil trucks and oil tankers now using New Mexico Route 57 or will an alternative have to be found?

Answer: Yes, the proposed project is in fact the by-pass road which will redirect all through traffic around the main ruins area of the park.

Crater Lake National Park

Question: $1,017,000 is requested for Crater Lake National Park to widen and surface four miles of road. This is a project that was dropped from the 1981 budget as part of a budget cutting exercise by the Executive.

--If this is a health and safety project, why would that project have been dropped from fiscal year 1981?

Answer: That period you mention was a time of increased fiscal restraint and the National Park Service had to make some very hard choices as to what could be cut from the fiscal 1981 budget.

Crater Lake Lodge

Question: $1,667,000 is requested to rehabilitate the Crater Lake Lodge. An additional $4,000,000 will be needed in the future.

--When is it anticipated that those funds would be requested?

--When is it anticipated that planning would be done for this project?

No planning funds are shown in the 1982 nor in the 1981 budget.

Answer: It is anticipated that the remaining funds will be requested in fiscal 1983. Planning was funded in 1981 for this project after the extent of the health and safety danger became known. The funds were made available through internal reprogramming of lump sum design funds.

Capital Improvements Projects

Question: For these capital improvement projects in this program, if the authorization is not provided, how many would be moved into the regular construction program in lieu of projects requested to be funded within the 1982 request for the construction program?

Answer: The fiscal 1982 Park Restoration and Improvement Program represents an increased funding level for National Park Service activities to be derived through the redirection of Land and Water Conservation Fund monies. If the necessary authorization is not provided, then the National Park Service would abide by the regular fiscal 1982 budget request. We have no plans to substitute Park Recreation and Improvement Program development projects for any construction projects currently proposed in our regular 1982 budget request.

Guadalupe Mountains National Park

Question: $1,664,000 is requested to construct approximately 24 miles of trail in the Guadalupe Mountains National Park in Texas.

--How does this project qualify as a health and safety measure simply because the Park Service planning resulted in construction of trails to the high country areas without adequate safeguards for lost or stranded hikers?

Answer: It was not our intention to mislead anyone into believing that this project is a health and safety motivated project. This project represents a resource protection and visitor use initiative, which we believe merits funding. The safety aspect of this proposal is of secondary importance. As we state in the introductory section of the Park Restoration and Improvement Program request, somewhat less than half of the $105 million being requested is related to Health and Safety motivated projects.

Gulf Islands National Seashore

Question: $3,402,000 is requested to construct entrance road at the Davis Bayou area of the Gulf Islands National Seashore. This is to eliminate use of U.S. 90 which winds through a town crossing road and railroad intersections.

--How many accidents have occurred at the dangerous road and rail intersections in the past three years?

--What impact will this access road have on the community?

80-810 O—81——71

Answer: Currently, there is no direct access to the Davis Bayou area and all visitors utilizing private vehicles must drive through commercial and residential sections of the town of Ocean Springs, Mississippi. Since there currently is no Federally owned park entrance road, we do not have any accident statistics. It would also be very hard to isolate visitor related accidents in the town of Ocean Springs from all other accidents occurring in this municipality. With respect to the second question, the town of Ocean Springs has no objection to this project, and indeed would welcome having direct access to the Davis Bayou area.

Jefferson National Expansion Memorial National Historic Site

Question: $2,266,000 is requested to rehabilitate the exterior of the Old Court House at the Jefferson National Expansion Memorial National Historic Site in St. Louis.

--Why is this a high-priority project? Simply because it is allegedly a public eyesore?

Answer: No, we are not requesting funding for this project merely to alleviate an eyesore. This structure is a national landmark which is experiencing major deterioration of the historic fabric and suffers from water intrusion which threatens the structural integrity of the building. The building is also a visitor use structure and serves as the park's administrative headquarters.

Mount Rainier National Park

Question: $1,258,000 is requested to repair the Backbone Bridge approach at Mount Rainier National Park. The bridge was reconstructed in fiscal year 1979.

--Why were funds insufficient to complete the necessary approach repairs?

Answer: The explanation is that the scope of work was underestimated by the Federal Highway Administration. When actual construction began, required repairs proved much more extensive than originally anticipated. Such problems inevitably occur occasionally despite our best efforts to prevent them.

Lake Crescent Highway

Question: $5,655,000 is requested for the Lake Crescent Highway realignment. This will cost an additional $15,688,000 in future years.

--Has the environmental impact study been completed?

--Has any historic site review been completed?

--Will the road be taken completely out of the park by this realignment?

Answer: Perhaps the term realignment is somewhat too broad to accurately describe this project proposal. The reconstruction of the Lake Crescent Highway will involve minor realignment of many dangerous curves and a general widening of the roadway to increase traveler safety. Inasmuch as the basic route will remain unchanged, no environmental impact statement nor historic site review is required for this project. The road will remain in the park.

Perry's Victory and International Peace Memorial

Question: $2,444,000 is requested for the rehabilitation of the Perry's Victory Memorial Column - Phase II.

--When was the first phase of construction completed?

--When were funds for that phase provided?

Answer: The first phase of rehabilitation of the Memorial Column was funded in fiscal 1980. The construction work is currently underway and should continue for approximately another year.

The Service's technical experts consider the initiation of phase II construction immediately following the completion of phase I as highly desirable.

San Juan National Historic Site

Question: $5,500,000 was requested to construct 200 feet of protective breakwater, a portion of the total breakwater that will be required at the San Juan National Historic Site in Puerto Rico. An additional $9,500,000 will be required to complete the breakwater. This $15,000,000 breakwater is to protect $12.7 million worth of work done by the Corps of Engineers with Park Service appropriations provided since 1977. The breakwater would be 750 feet long.

--Have all the environmental requirements been met? Have all required Corps of Engineers permits been obtained?

Answer: The Army Corps of Engineers have been responsible for this project from its inception. They have prepared an environmental statement for this project and have assured us that all required permits have been obtained.

Skyline Drive

Question: $1,266,000 is requested to reconstruct deteriorated portions of Skyline Drive. There are no estimates available for the total cost of reconstructing approximately 35 miles of roadway.

--How much work will this actually accomplish?

--What assurances can be provided that the Federal Highway Administration estimates are any more reliable than those they have provided for the Natchez Trace Parkway?

Answer: This first phase of reconstruction will correct deficiencies along approximately 3 miles of deteriorated road. The Federal Highway Administration estimates that complete reconstruction of this portion of the Skyline Drive will cost in excess of 20 million dollars, which would be phased over a number of fiscal years.

The Federal Highway Administration recently completed a detailed field survey of the entire 105 mile Skyline Drive and have completed all studies necessary to assure completion of this initial reconstruction project within available funds.

Sitka National Historical Park

Question: $1,254,000 is requested to complete restoration of the second floor of the Bishop's Suite and Chapel in the Russian Mission Building at Sitka National Historical Park. $616,000 was provided to begin this project in 1981 and at that time, it was estimated that $890,000 would be required to complete the project. The estimated visitation at this facility is less than 100,000 a year.

--Why should such a substantial investment be made for such limited visitation?

--What accounts for the 25 percent increase in the 1981 estimated cost to complete?

Answer: The Russian Bishop's house and chapel are national landmarks with broadly recognized international significance. I believe this has been recognized in the Congress as witnessed by the several previous reconstruction projects funded at this area.

With respect to the 25 percent increase in the 1981 estimated cost, the predominant reason is the significant inflation being experienced in Alaska, which is especially pronounced in the construction area.

Ellis Island

Question: $1,917,000 is requested to rehabilitate the main building, historic structures and seawall at Ellis Island. Of this, $786,000 would be for electrical repairs and $1,131,000 would be for seawall rehabilitation.

--When will the seawall work be completed?

Answer: If fiscal 1982 appropriations become available on October 1, 1981, we estimate that the seawall portion of this project will be completed in about one year. Weather conditions represent the most significant unknown with respect to this type of construction project.

To answer this question in the broader sense, one final phase remains to be funded after this fiscal 1982 proposal is accomplished. This final phase is currently estimated to cost approximately $800,000 and would require about one year to complete.

Yellowstone National Park

Question: $2,016,000 is requested to complete construction of a water system at the Mammoth headquarters area of Yellowstone National Park. Phases one and two were funded in fiscal year 1978 and 1979; Phase three funding is requested in the construction account of this budget.

--Why was funding for this project not included in the construction account rather than funding a project from two different sources?

Answer: As you know, the Park Restoration and Improvement Program initiative represents a new source of funding for National Park Service project work, although the work to be performed is not different from that contained in our regular budget request. Within available ceilings, we could not accommodate the completion of the Mammoth water system reconstruction as part of the regular construction appropriation. The Park Restoration and Improvement Program will enable the Service to complete this project and we forsee no difficulty in funding the last phase from a different fund source.

Mr. DICKENSON. Thank you, sir. As a final gesture here, on behalf of the National Park Service and the National Capital Parks, I would like to present you a personal copy of an extraordinary booklet.

Mr. YATES. I take it this will not be considered to be a bribe.

Mr. DICKENSON. That is not a bribe, but it is an expression of our goodwill and respect for you, Mr. Chairman.

Mr. YATES. I will receive this on behalf of the committee, and it will be kept for safekeeping in my office.

THURSDAY, JUNE 4, 1981

NATIONAL PARK SERVICE (Continuation)

THE SECRETARY OF THE INTERIOR

WITNESSES

JAMES G. WATT, SECRETARY OF THE INTERIOR
WILLIAM D. BETTENBERG, OFFICE OF BUDGET, DEPARTMENT OF THE INTERIOR
RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE
NANCY C. GARRETT, ASSOCIATE DIRECTOR, ADMINISTRATION, NATIONAL PARK SERVICE
STANLEY T. ALBRIGHT, ASSOCIATE DIRECTOR, MANAGEMENT AND OPERATIONS, NATIONAL PARK SERVICE
DENIS GALVIN, MANAGER, DENVER SERVICE CENTER, NATIONAL PARK SERVICE

CONTINUATION OF HEARING

Mr. YATES. Recorder, this is the continuation of the hearing in the appropriations for 1982 of the National Park Service.

Mr. REGULA. Mr. Chairman, I have a parliamentary inquiry.

Mr. YATES. I will take your parliamentary inquiry just after I finish the introduction.

Appearing on behalf of that appropriation at this continued hearing is the Secretary of the Interior, Mr. Watt, Mr. Bettenberg, Director of the Office of the Budget, Department of the Interior. That is a new name, isn't it?

Has he always had that?

Mr. BETTENBERG. I have had that title for two years.

Mr. YATES. You and I have been here a long time.

Mr. Dickenson, Director of the Park Service. Ms. Garrett, Associate Director. Mr. Albright and Mr. Galvin, Manager. Where is Mr. Galvin? There he is. I thought you were in the forest instead of being with the trees.There is a request here from the congressional liaison who has asked for permission to record tomorrow's hearing. I don't know whether it is from the Department of Interior. Does somebody want to tell me why you want to record it?

In the absence of that, we ought to follow the regular procedure and just go by transcript. So this hearing will not be recorded, in the absence of having someone explain why they want it recorded.

I yield to Mr. Regula.

Mr. REGULA. Mr. Chairman, I have a commitment to testify elsewhere at 9:45. My inquiry concerns the length of time you anticipate the Secretary being here?

Mr. YATES. I would guess the Secretary would be here not more than an hour. Did you want to ask him something?

Mr. REGULA. Would it be possible for me to make my inquiries before I leave?

Mr. YATES. Ordinarily, I would want you to do that. I want to make a preliminary statement, and then I will let you make your inquiries. The preliminary statement will take me about three minutes.

Mr. REGULA. Fine.

IDENTIFYING UNSAFE CONDITIONS IN PARKS

Mr. YATES. Then I will yield to you for your statements.

The reason for this hearing appeared at our last hearing. We have not been able to make sense out of the so-called hazardous, dangerous, safe, whatever the phrasing is, conditions in the parks. When the Secretary appeared before us the last time, he talked about the presence of safe—unsafe and hazardous conditions in the parks that had to be remedied. We have been trying ever since that time to find out where those unsafe and hazardous conditions appear, and what the Park Service intends to do about it.

We had been told at the last hearing that the central office receives lists of what needs to be rehabilitated in the parks, including unsafe and hazardous conditions from the regional directors, who I assume get their lists from superintendents.

We requested that the list that has been submitted by the superintendents and the regional directors be submitted to the committee for its examination so that we could get an overall picture of the entire park system. We would then be in a position to appraise unsafe and hazardous conditions. In the event that funds were needed beyond those requested in the budget to remedy those conditions, we would be in a position to consider that possibility before the committee.

In all frankness, the lists that we received leave me at least somewhat more bewildered than I was the last time, and it is not entirely my fault. We weren't supplied with any lists. We were supplied with printouts. The first printout was only partial. The second printout that we received did not agree with the first printout. And we will go into that when we have our hearings, of our examination a little bit later.

I think it is very important—and that is why I requested the Secretary to be here—that we examine this question of hazardous conditions in the parks, and deal with it once and for all to get it out of the way so that we can treat it and provide a program for taking care of it as promptly as possible. We don't want any kind of unsafe condition, of a dangerous or hazardous condition in the parks which may result in some kind of injury to the American people who use the parks.

With that statement, I yield to Mr. Regula.

ABANDONED MINE LAND RECLAMATION

Mr. REGULA. Thank you, Mr. Chairman.

The two areas I would like to touch on with the Secretary involve the RAMP program and also the Trust Territories because these both will be a subject of our markup in the near future.

First I would like to ask some questions about the abandoned mines reclamation program. This program was generated by Congress through levying a tax on coal producers to rehabilitate the literally millions of acres of abandoned strip mines. What troubles me about the administration of the program thus far is the fact that we will have over $500 million, I think $532 million in unobligated balances in fiscal year 1982 in the abandoned mine reclamation fund. For some reason we are not getting this money out into the field to get the job done.

For example, this year the receipts on the abandoned mine reclamation fund are estimated to be $223 million. Yet you have asked for only $115.2 million in appropriations. So my first question would be, since the money and the tax is levied to reclaim land, why are you not recommending an appropriation of the full amount so that it gets out into the field to rehabilitate these lands?

Secretary WATT. I think that is a proper question, and I, too, have asked the question. The answer I received is that under the law those monies cannot be transferred to the states until the states have an approved program. What we have inherited with this Administration is a situation that, of the 27 coal producing states that pay into the fund, only eight of the states—is that right, eight? Eight of the states have had approved programs that can be the beneficiary of those dollars.

So it is a statutory limitation that I think is unfortunate because it delays the reclamation of those lands, and then you get into the problem of why haven't the state plans been approved and that is a real can of worms that we are trying to address. We feel by January 1, 1982 we will have most of the state plans approved, with some exceptions for states have to have some state legislature action to bring them on line.

But it is not until the plans are approved that we can ask for money to let those activities be carried on.

Mr. REGULA. Would you be willing to commit yourself to a request for a supplemental to appropriate additional monies if in fact state plans are approved, say, by January 1, 1982?

Secretary WATT. I think then we at least would be able to consider such a request.

Mr. REGULA. Why are the state plans delayed? Is it lack of funding in the states?

Secretary WATT. No.

Mr. REGULA. Or just lack of getting it done?

Mr. BETTENBERG. One thing for the record. There are two plans involved. The first is the regulatory plan. There are approximately eight states that have not completed that——

Mr. REGULA. You are talking about reclamation prospectively, in the case of the regulatory plan, is that correct?

Mr. BETTENBERG. Yes. But there is a second plan that is then required for an abandoned mine reclamation program.

Mr. REGULA. Right.

Mr. BETTENBERG. You cannot have an abandoned mine reclamation plan approved until you have a regulatory program approved.

Mr. REGULA. When you say regulatory, you are talking about future money, is that correct?

Mr. BETTENBERG. That is right.

Mr. REGULA. So the two have to go hand in hand?

Mr. BETTENBERG. The two have to go hand in hand. We have some, I believe it is eight states, that are currently enjoined by court action from getting approval of the regulatory program. By law, until they have the regulatory program approved, we can't approve the state abandoned mine land program.

The law also specifies that 50 percent of the money that is received into that fund must go back to the states from which it is collected once they have that plan. So we have been building up

funds since the very first quarter after the Act passed in 1977. These funds will go to the states at such time as they get their plans approved.

I think that there are perhaps only three reclamation plans that are approved at this point, but I would have to correct that number for the record.

Mr. REGULA. That would be the basis for the large unobligated balances accumulated in the fund, is that correct?

Mr. BETTENBERG. That accounts for the major share.

Mr. REGULA. What is the basis of these injunctions? Is it that the state plan is not tough enough, or is it the other side of the coin, that the states are being enjoined because they, for some reason don't think it is a proper federal role?

Secretary WATT. It is a combination of several things, Congressman. In some instances the coal operating companies have successfully obtained injunctions against the state from complying with the regulations of the Department of the Interior because they believe the regulations are inconsistent with the statute and unconstitutional. That is now before the Supreme Court and will be resolved hopefully this summer or fall.

Mr. REGULA. But they are addressing it on a state by state basis, not attempting to enjoin the Department of Interior nationally from enforcing the regulations.

Secretary WATT. That is correct. Now, you asked the question why haven't states been successful in getting their plans approved, and my belief is that the Office of Surface Mining adopted regulations that were far, far in excess of what the Congress had intended. The Act itself is very specific in requirements and was criticized for several years because of the specificity of the statutory requirements.

Then the Department of the Interior wrote some 500 pages—I forget the number of pages—of more specific regulations further dictating how the states must comply. Both the states and the mine operators rebelled at this, they have fought it for a variety of reasons.

Governor Brown of Kentucky was highly offended by the OSM regulations so he came to see me because under the regulatory scheme, the Department of the Interior was requiring that he hire 1200 people to carry out the program. The Department of the Interior telling the Governor of Kentucky how many people he had to hire to do the program.

I said, "Well, how many do you think it will take?"

He said, "400."

So I don't think it is appropriate for the Federal Government to tell a governor how many people he has to hire. We are changing those things.

Mr. REGULA. You are relooking at the mining regulations and if a state does a good job, you permit it?

Secretary WATT. That is correct, just as Congress intended. I think the pendulum is way out of whack based on what the Governor was telling us. We need to bring that pendulum back to what Congress intended. We need to not compromise ever with congressional intent, but we must take another look at these excessive regulations that go beyond it, Congressman.

Mr. REGULA. That explains it then.

I have one further question on this. As I understand the Act of 1977, 20 percent of the taxes may be used for the RAMP program. As I understand it, also, this does not require approval of the state plan. This is done through the Soil Conservation Service. You have requested $4.3 million for fiscal year 1982, and this is about two percent of the fiscal 1982 receipts. You could go to 20 percent of the fiscal 1982 receipts.

Why are you not requesting the full 20 percent of fiscal 1982 receipts which would be allowed by law, and put those into the RAMP progam and get it out to the states so at least that much of the program could be underway? I don't think the impediments that you just described apply in the case of the RAMP program.

Secretary WATT. Bill, do you know the answer to the Congressman's question?

Mr. BETTENBERG. I think that I can respond. So far as I know, this program has not been covered with the Secretary previously, so the Administration has not taken a particularly hard look at it. The RAMP program has not been favorably considered by the Department or OMB in the past.

Mr. REGULA. Why not?

Mr. BETTENBERG. There are two principal reasons. The first is that it is terrifically manpower intensive. It requires literally hundreds of people for the relatively low levels of program effort which they have now. If you were at 20 percent, it would require literally thousands of people to manage the program. It is apparently a program that is run with Soil Conseration Service personnel on the site actually designing each individual very small project.

Second, Secretary Andrus' view—and I can only speak to Secretary Andrus' view on this—was that the states ought to take responsibility for virtually the entire abandoned mines program. They automatically get 50 percent of the revenues. His view was that it was more appropriate to have a single mechanism for implementing the abandoned mine lands program within a state. So Secretary Andrus proposed to shift all of the resources to the states as soon as they had abandoned mine land plans. Otherwise, you would end up with the Soil Conservation Service having a program, the Bureau of Mines having a program, the Office of Surface Mining having a program, and each individual state also having a program.

So the Department in its initial development of the 1982 budget tilted very heavily toward a state emphasis, anticipating the states would be coming on line with their programs and would be able to handle the entire workload.

Mr. REGULA. I am not sure that I agree with the system developed by Secretary Andrus as to the shortcomings of the RAMP program. It seems to me the Soil Conservation Service, in many instances, is the logical repository of this responsibility, because you are talking about downstream impact of polluted water coming out of open pits which impact on farmland. You are talking about the washout of land that will result from a failure to have upstream cover that would inhibit the flow of water.

So it seems to me that the Soil Conservation Service is a logical instrument or agency to be involved here, and that the Congress, in making a decision to allow 20 percent for that, has, reason to it.

You are talking about two percent, at least in your budget request. $4.2 million is insignificant. I don't want to belabor the point, but I would like to hear from somebody in your department, Mr. Secretary, prior to our markup, because I am considering at least offering an amendment to increase this amount, since the money is in the fund. It is not a case of breaking the budget. This is earmarked funding and it is a matter of distribution within the total concept of reclaiming of abandoned mine lands.

Secretary WATT. Let us get back to you. Obviously I have not focused on it. We didn't do zero based budgeting when I came in. Where the previous Administration cut funds I smiled with glee and only looked where I could further cut funds. I have just learned about this matter at this table.

Mr. YATES. You ought to spend more time here.

Secretary WATT. I have found it to be enlightening.

AMERICAN SAMOA POWER GENERATION FACILITIES

Mr. REGULA. Mr. Chairman, I am going to submit some questions for the record on the Trust Territories. But I would just ask one of the Secretary.

This concerns American Samoa. They have requested about $8 million for procurement and installation of power generation facilities. Would you have any problem if this were appropriated to your office to be made in the form of a loan to American Samoa on conditions to be determined by your office rather than an outright grant?

Secretary WATT. Is that in our budget request now? I don't remember that it was.

Mr. BETTENBERG. The supplemental had $1.5 million for rehabilitation of the electrical generation system.

Mr. REGULA. This is an ongoing project and I don't think the appropriations would be totaled this year. It is about a three year project.

Secretary WATT. I see. I would like to reserve judgment on that. I realize you are under pressure. We have given special attention to the territories. For the first time in the history of the country we will have an Assistant Secretary for that responsibility.

A couple of years ago authority was granted to name an Assistant Secretary, but there was never one named and confirmed by the Senate for that job. We have selected a man and woman to be Assistant Secretary and Deputy, whose names are before the President now, and we will be giving it high priority because of the concerns that you have expressed to me personally.

Mr. REGULA. Would you have him discuss this personally with me prior to our markup?

Secretary WATT. I will. I will do that.

Mr. REGULA. I will submit the rest of my questions on the Trust Territories for the record.

[The questions follow:]

QUESTIONS SUBMITTED BY CONGRESSMAN RALPH REGULA

TRUST TERRITORY OF THE PACIFIC ISLANDS

Question. The FY 1982 request for Territorial and International Affairs exceeds $200 million. Earlier testimony relating to the Pacific islands suggest the need for considerable capital improvement, such as roads hospitals, water and power facilities. What will be the consequences of not making these improvements? Are there viable alternatives other than direct appropriations?

Answer. For the island groups of the Trust Territory, the on-going 5-year capital improvement program is intended to provide a basic infrastructure of roads, airfields, docks, sewer, water, and electrical systems. Over the last several years, funds have been provided to the other territories for constuction of hospitals, power plants, and for road and water system improvments. The Northern Mariana Islands receive specifically designated construction funds as part of th Covenant agreement. If such capital improvement projects were not continued, the people of the islands would not have the benefit of such services as 24 hour electricity and running water. Another consequence would be that economic development would be slowed without the basic infrastructure needed to attract private investors. A possible funding alternative, especially for revenue producing projects such as utilities, may be the use of loan guarantees. The Department does not have the authority to make loan guarantees.

Question. Energy appears to be a major problem, especially with rising fuel costs. Are alternative power sources such as solar and/or wind being considered to replace conventional systems?

Answer. At this time, all of the territories and the islands in the Trust Territory depend on diesel powered units for their energy needs. There are several on-going projects using solar and wind for power generation. These projects are small scaled projects serving energy needs in remote locations. Both the Governments of Guam and the Northern Mariana Islands are pursuing the possibility of using OTEC as potential.

Studies examining the potential of Hydro-electric power in Ponape, Kosrae and Palau are also either underway or planned.

At the same time, the Department of Energy and the Department of Interior are performing an energy study in order to identify viable alternative energy sources for each of the territories.

However, it does not seem realistic that alternate energy sources will meet the prime generation needs of any of the islands in the near future. In this regard, it is imperative that the islands maintain their current equipment in peak operating condition until such a time when other energy sources can complement or replace the existing facilities.

Question. In the case of American Samoa, $8 million is needed for power generating equipment. Would a loan as opposed to a direct grant be a viable means of funding for this capital improvement request? What would be reasonable terms for repayments?

Answer. Yes, a loan would be a viable means of funding the purchase of the necessary power generating equipment. Reasonable terms for a loan would be repayment within 30 years with deferral of initial payments for a period of from two to five years. This deferral would provide time for the American Samoa Government to make the management changes necessary to begin to turn the electric utility into an independent, self-sustaining power authority. The Department does not have the authority to make a loan to the American Samoa Government.

Question. For longer-term capital improvement and economic development purposes, would some type of territorywide development bank help meet island needs and help promote self reliance?

Answer. The existence of a territorywide development bank would certainly be a key segment of any overall plan to help the islands promote economic development. There have been several business successes as a result of the Economic Development Loan Funds.

CONCERN ABOUT CONDITION OF PARKS

Mr. YATES. Mr. Secretary, as I indicated, we are very concerned about the condition of the parks. We are very concerned about your statement about the condition of the parks. In your previous testimony to us on May 19, you say, "We feel it is important for the

National Park Service to take care of what it has before it reaches out for additional lands."

I can understand that. Calling for a temporary moratorium on the aggressive acquisition program. If I can understand that. Use of the term "aggressive" is subject to some interpretation.

Secretary WATT. We will continue with some modest——

Mr. YATES. $29 million for the parks, as I remember. Started out with $45 million, then we discovered that the Forest Service——

Secretary WATT. We discovered that right here at the table.

Mr. YATES. Forest Service and Fish and Wildlife shared in the $45 million and parks had $29 million. You talk about $105 million for restoration and improvement of deteriorated conditions. Then you say this:

> I felt compelled to apologize to the American people for the state of the parks in that there are some six GAO reports that suggest that many of our parks may not be meeting the health and safety standards of State and Federal Government.

And immediately our alarm flag went up because when you talk health and safety you got our attention immediately.

Secretary WATT. And mine. May I review the bidding on that, because that has been a learning process. When I commenced work on the 1982 budget in January, I was aware generally, because of reports from those of us who like to visit the parks, members of Congress and from the Park Service professionals, that there was a deterioration of the parks; We needed to address that resource so we could see that it was preserved and made available to the visiting public.

We arranged priorities within the Department's budgets to request funds in addition to the $87.3 million which the Carter budget had within it. And I had ideas much different then than I later developed when Russ Dickenson, the Director, came to me with his outline for the use of the additional monies. It wasn't for some of the activities that I had visualized. It dealt with sewage treatment plants, drinking water, tunnels, highways and buildings. That wasn't exactly what I had visualized in the early weeks of the Administration.

I then learned of the GAO report that we have been discussing at some length. That was made available to Congress in October of 1980. It had not come to my attention when we submitted the Reagan budget for 1982. It was only something I have learned since talking about the $105 million. It caught my attention.

I appreciate the conversations we have had about that. I have asked the Director and others why is this deplorable situation in existence? I am satisfied that this Committee has been very responsive to the requests of the National Park Service. I see in reviewing the history of the last several years that there is no evidence that this Committee has ever neglected to fund those requests dealing with health and safety standards, or almost anything with regard to the parks. This committee has been very supportive and generous to the Park Service.

I find in reviewing it, the Park Service professionals have been very good in seeking the funds necessary to maintain the parks. The candid answer, Mr. Chairman, is that the Park Service professionals have not been backed by the political office holders, such as myself, in their efforts to get the needed consent from the Depart-

ment and from OMB so they could make the requests of this committee. I do not find any room for criticism of the committee or of the National Park Service professionals.

I have been critical—and you pointed out to me in private conversations on the phone that I have been critical. I feel that Congress has authorized acquisition of more properties in more areas than we can properly take care of. And I do not think that is wise stewardship. So we have changed the emphasis to a temporary moratorium to slow down and almost stop acquisition of those lands until we can protect what we have.

So I am critical, but the criticism is not leveled at the professionals within the Park Service or members of this committee. You have been very generous in responding to the requests made to this committee.

ACCUSATION THAT CONGRESS HAS NOT DONE ITS JOB

Mr. YATES. You know, I appreciate very much your statement. Except that I take a look at the transcript of your meeting with Congressman Udall on the McNeill-Lehrer report and you say there that Congress hasn't done its job. You say, for example:

> I think the reason we have addressed the park issue is that Chairman Udall and others brought on a park each month for the past two years. Some call it park barrel legislation. I think that is probably appropriate. While they focus their attention on grabbing more land and taking it off the tax rolls and taking people's homes away as they create other parks, they have neglected to let the money flow to upkeep and maintenance of the parks.

That is a reflection on this committee.

Secretary WATT. If it is, then it is erroneous. It is not intended to be. I was talking to Congressman Udall, Chairman of the Authorizing Committee. That committee, in my judgment, has not paid proper regard for upkeep and maintenance and taking care of what they are authorizing. I hoped to have bored in hard on that point.

Mr. YATES. But you say here and again you say in response to the question by Mrs. Hunter Gall: "We have asked for $105 million additional that was not in the Carter budget for 1982 because we agree fully with the Chairman's outline"— referring to Chairman Udall. "That is our objective." But you say this: "In past Administrations, past Congresses have not funded it."

Now, we are all prepared here this morning to place in the record the actual statistics showing the requests of the Park Service for dealing with what they told us was the condition of the parks, and what this committee and what the Congress voted. And the committee and the Congress went right along with the Park Service.

As a matter of fact, when President Ford announced the Bicentennial program for improving the parks, this committee cooperated—I was going to say a 1,000 percent. Perhaps that is not right. This committee cooperated fully with the Park Service in laying out plans for dealing with the Bicentennial uplifting the conditions of the parks.

I think we will put the statistics relating to what we have done over the last five years into the record at this point to show that.

[The information follows:]

NATIONAL PARK SERVICE HEALTH AND SAFETY RELATED CONSTRUCTION PROJECTS

[In thousand of dollars]

	Sewage or waste	Water treatment	Roads	Bridges	Electric, fire safety	Other safety	Safety subtotal	Other construction	Total request	Appropriation
Fiscal 1978 (original)..	2,575	1,926	6,789	736	3,592	7,020	22,638	29,552	52,190	(1)
Fiscal 1978 (amended)..	5,004	6,631	9,513	952	1,752	349	24,201	118,989	143,190	161,442
Fiscal 1979..	8,214	15,704	6,877	7,549	2,527	4,561	45,432	75,896	121,328	118,488
Fiscal 1980..	4,681	21,947	5,693	590	2,000	19,881	54,792	30,746	85,538	112,154
Fiscal 1981..	8,770	7,336	.....	4,847	2,821	9,449	33,223	38,173	71,396	43,367
Fiscal 1982..	7,524	8,610	3,165	5,481	9,159	876	34,815	26,820	61,635	(1)

[1] Not applicable.

Mr. YATES. In order to show that we think you are wrong when you say in the past Administrations, past Congresses have not funded it. The Congresses have funded it.

Secretary WATT. Okay.

Mr. YATES. Now the question as to whether or not Russ Dickenson's predecessors asked us for enough money to fund the parks is another question. We tried to obtain from Russ Dickenson's predecessors, each of them as they came in, as we tried to obtain from you and from Dickenson, what the parks need. Not what the OMB says you need, but what the parks need. And the fact that in each of those instances, we went over the appropriations that OMB had approved, we exceeded the appropriations based on the testimony as to what the parks needed by $26 million in one year, as I remember it, and a similar amount in others, because the condition of the parks, their health and safety, their freedom from danger, is of very great importance to this committee. That is why we are going into this extended hearing, to find out once and for all where we stand on that.

Now, I will let you speak in just a moment. You may have been swept away by the emotion of the moment when you testified.

Secretary WATT. That has happened before.

GAO REPORT LIMITED TO TWELVE PARKS

Mr. YATES. That is right. You say: "I think it is not reasonable for a government official to come in and neglect the upkeep of the parks while he reached out to grab more. "But you say "Unfortunately we have seen that neglect, and that must be stopped." You are saying, "We are asking for the support of this committee and members of Congress, special interest groups and the American people to rally behind our efforts to save the parks for the people's enjoyment." And you say, "that is the context in which we are here."

I can understand the GAO report. GAO comes along and looks at 12 parks, and then on the basis of its inspection of 12 parks

extrapolates to reach a conclusion that $1.6 billion is needed. I have some questions about that. But the point is, you are willing to accept it.

You say, "Through the extrapolation they have estimated that based on the experience of these 12 parks the debt would be $1.6 billion to bring them up to minimum standards."

Now, Mr. Dickenson seemed to agree with that when he testified—if I can find it here. He pointed to the $1.6 billion figure, too, of the GAO as being something that you had to deal with. I would take it that since you replied to GAO—I haven't seen your reply, but I have seen your response to this committee contained in your letter of June 2nd in which you point out that as far as the parks are concerned, the amount of money that you think would be needed to take care of all the health, safety, fire and other hazards present in all the parks are approximately $472,062,000. This letter will be placed in the record. Now, do I interpret your letter correctly? Do you want to take a look at this?

[The letter follows:]

United States Department of the Interior

NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

IN REPLY REFER TO:

JUN 2 1981

Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Yates:

Enclosed is a projected FY'83-86 program in response to your request at our Hearing on May 21, 1981. The purpose of the program is primarily to deal with health and life safety projects as related in the 1980 General Accounting Office Report.

Projects included herein are based on information from the field and judged by them as to seriousness and urgency. Scheduling of major projects such as this is normally carried out by the Denver Service Center based on the need for analysis, environmental studies, designs and specifications. Due to time constraints that portion of the normal programming process has not been completed at this time. These projects and specific time scheduling are slated to be reviewed at the upcoming national priority setting meeting scheduled in Denver later this month. Cost estimates will be refined as the planning and design process yields further information.

Although prepared on short notice, this program does provide a reasonable estimate of the projects and funds needed to address the type of problem identified by the General Accounting Office. Please contact us if additional information is required.

Sincerely,

Russell E. Dickenson

Director

Enclosure

PARK REHABILITATION AND IMPROVEMENT PROGRAM
FY 83 - FY 86 And Out Years
June 2, 1981

Introduction

The 1980 GAO Report regarding the NPS and USFS facilities that do not meet health and safety standards, has generated considerable interest from the Administration, the Congress and the general public.

The GAO Report specifically addressed the needs in 12 park units. Based on a random sample of 123 of the 6,078 backlog projects Servicewide, GAO estimated the magnitude of the problem to be in the range of $1.6 billion. Life/safety deficiencies in concessioner owned and operated structures are being or will be corrected through negotiations with the concessioners or will be corrected by new concessioners as a qualifying requirement of new concession contracts. A special FY 81 add-on appropriation of $16.5 million was provided to correct some of the most critical NPS health safety deficiencies. The Administration has now requested $105 million in FY 82 for a park restoration and improvement program.

All health and safety projects that the Service has the capability to undertake in FY 82 have been included in the FY 82 park restoration and improvement request. The enclosed list of additional projects includes those which could be accomplished beginning in FY 83. Preliminary scheduling of these projects has been accomplished by the Regional Offices based on lead time needed to develop necessary predesign documents and other considerations. Final scheduling by the Denver Service Center has yet to be completed.

In developing a sound, cost effective maintenance management program, the NPS must address both short and long term maintenance needs of the parks. The initial phase of the program will address the immediate critical needs identified in the parks. This is work which must be done to remedy potentially hazardous conditions and to provide a holding action against the most rapid losses of investment.

New more stringent codes, standards, regulations and a necessarily reduced preventive maintenance program have placed the Service in a position where many programs for the safety, health and comfort of visitors and employees are below an acceptable standard, and in many instances do not meet mandated requirements.

Most of the work is not of a routine nature. Critical problems exist because facility conditions or use has changed beyond the point where routine maintenance can keep up. Consequently special design, work instructions, direction and technical assistance are essential to successful accomplishment.

The Program

The program presented here is designed to systematically reduce the hazards, risks, losses and uneconomical conditions of park facilities that presently exist throughout the Service.

Information concerning the condition and needs of park facilities has been developed through several major inventory and inspection programs and through special studies and evaluations of specific facilities. The final action to be taken to provide needed corrective action is a complex management decision based on the available facility condition information, cost estimates, proposed facility uses and other park priority requirements. The Service has now completed a 5 year program to inventory and evaluate park roads and bridges. Similar information is now available for trails, water systems and wastewater systems.

In FY 81, the Service is initiating a similar comprehensive building inspection program. Information from that program will further assist park managers in identifying their most critical needs and determining their priorities. In some instances the park manager may take alternate or interim action such as reducing the use or closing the facility. Thus, the programming process provides a systematic means to assure that those projects with the greatest management risks are scheduled in highest priority.

In this program, critical life, safety and health related projects have been given the highest priorities. This program includes maintenance, rehabilitation, adaptation, and capital improvement projects.

It is a known characteristic of old, possibly historic, structures that they may not comply with modern fire and life safety codes. It is advantageous to correct structural and mechanical deficiencies and carry out sound preservation or restoration work at the same time as the health and safety projects are carried out. Many projects, while not presently concerned with health and safety, can be accomplished more economically now, thus avoiding those problems in near future years.

In some instances it is more economical to construct new projects that are not strictly classified as life/safety projects. However, new projects are designed to meet new codes and standards, they require improved utility services, all of which reduces the potential life/safety deficiencies in the future.

The estimated costs used are based on the latest estimates available to the regional offices. As projects are planned and scheduled, estimates will require adjustments based on the year funded, the changes in mandated requirements, specific design information, and potential innovative alternatives that would be less costly.

Life, safety and health projects underway in FY 81 and requested in FY 82 were selected from among critical needs based partially upon Service capability to complete designs and specifications, and accomplish the work either inhouse or by contract.

Explanation of Material

Within the Service, decisions as to facility needs are delegated to the park area manager. Only recently have managers been provided with information in the form of functional data from inventories, inspection reports and special studies and analysis. New requirements occasioned by programs for energy conservation, accessibility for special populations, upgraded building codes, water, wastewater, and solid waste requirements must be addressed in all facility management decisions. The manager has been faced with the interpretation of all of these requirements and with development of a plan of action that can be achieved within the time and budget constraints.

In assembling this material, field offices were asked to use their best judgment in identifying and coding projects according to their objectives, their urgency, and their project type.

For summary purposes the objectives used were condensed to the following list: (these are abbreviated in the report due to space limitations)

1. Health/safety/fire
2. Concession contract compliance
3. Cultural resource protection
4. Environmental protection/natural resource preservation
5. Energy and cost saving
6. Protection of facility
7. Other

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7. Other

Within each of these objectives the projects were identified by one of the following urgency statements in order to help select and schedule the most urgent projects. Due to space limitations, these urgency statements do not appear on this report.

a. Serious damage, accident or resource damage experienced
b. Facility not usable or resource in bad shape
c. Reported potential serious problem
d. Facility or resource deteriorating rapidly
e. At least interim action needed now/needs expansion/or can be saved with short term pay off
f. Poor appearance, lack of convenience
g. No reported incidents or damage

The total program is presented here by Region, specific area and formulated into 5-year programs with an average annual Service cost projections of approximately $100 million. At the Washington Office a review has been conducted in an attempt to assure that projects were not previously programmed or duplicated and that projects were identified with the proper objective.

NATIONAL PARK SERVICE
PARK REHABILITATION AND IMPROVEMENT PROGRAM
SUMMARY, FISCAL YEARS 1983 to 1986

	FY 83 Costs $1000	FY 84 Costs $1000	FY 85 Costs $1000	FY 86 Costs $1000	FY Out Costs $1000	Total Costs $1000
Health, Safety, Fire	130,762	94,832	97,681	73,991	74,796	472,062
Other	169,019	217,024	278,596	242,475	316,952	1,224,066
Total	299,781	311,856	376,277	316,466	391,748	
Grand Total						1,696,128

Mr. DICKENSON. I have a copy in front of me, Mr. Chairman.

Mr. YATES. Rather than $1.6 billion?

Mr. DICKENSON. You will recall that at the last hearing, Mr. Chairman, you also requested the individual regional directors to submit lists directly to the committee.

Mr. YATES. We haven't got it.

Mr. DICKENSON. If it has not been delivered——

Mr. YATES. We received a printout. We don't have the original transmission.

Ms. GARRETT. It all came in by computer.

Mr. DICKENSON. The list submitted by each regional director was transmitted by computer.

Mr. YATES. Go ahead.

Mr. DICKENSON. These lists totalled out to $607 million, Mr. Chairman. These are the appraisals conducted by the field managers of the Service, the professionals. We surveyed that ourselves and reviewed and evaluated that and reduced that to the figure of $472 million, which represents the best evaluation and best estimate of the high priority health, life, safety needs of the National Park Service at this time.

Mr. YATES. But you are equivocating.

Mr. DICKENSON. In what way, Mr. Chairman?

Mr. YATES. You are equivocating. You are saying that is your best estimate. What is the committee to do with that? How is the committee to deal with that? We have to depend on you to give us a statement as to what the parks need. You have testified in various places that—well, the testimony is less than precise—may I say.

Secretary WATT. Mr. Chairman, may I address that?

DEVELOPMENT OF THE PARK RESTORATION AND IMPROVEMENT PROGRAM

Mr. YATES. All right, go ahead.

Secretary WATT. It is less than precise. I came to the Department at the end of January. I set some new priorities and some new directions for the National Park Service. We have reanalyzed the entire budget, and I think they have done an outstanding job within the timeframe that we have had to work.

I made several decisions. They might have been wrong, but I made them with the best knowledge that I had at hand. When we first started, I was unaware of the GAO report, and so I asked for a program, and commenced on what Russ and I thought would be a five year program. We put in $105 million for restoration and improvement. I then later learned about the GAO report. It was the best information I had.

I do not feel it would have been prudent as a manager to go out and do an appraisal and assessment before we got started in addressing the concerns of health and safety. I reacted, I would say, basically like I sense you are reacting, that this is an alarming situation which needs our attention. I have not gone back to verify or to identify or try to figure out who personally is to blame for this or that.

I am trying to look ahead. I am saying to the Director of the Park Service, let's get the program underway. We will identify and

inventory further requirements and steps in the years ahead. We are here with a program to commence this effort, and Russ has given me his best estimates of what his capability is in fiscal year 1982.

Mr. YATES. What is an Appropriations Committee to do? An Appropriations Committee has to act on facts that are presented to it and upon estimates.

Secretary WATT. These are estimates.

Mr. YATES. But here, let's go back to the record. During the hearings on May 19th, I read from the GAO's Report. I said:

> The Park Service computer produced list of all proposed projects does not indicate which projects are intended to correct health and safety deficiencies.

Then I say:

> I think we ought to have that.
> Also some proposals contain several components. Some are health and safety oriented, others are not. Since the cost of each component is often estimated separately, it is not up to us to determine what portion of the project is related to health and safety.

We became suspicious immediately of the $1.6 billion figure. In other words, I asked Mr. Dickenson:

> Mr. YATES. The $1.6 billion figure is not related entirely to health and safety, according to the statement by the GAO. Do you have figures which indicate what the health and safety figures would be?
> Mr. DICKENSON. We do not, sir. We just know that the $1.6 billion is low.

Now, this is in answer to the committee, that the $1.6 billion is low.

Now you submit a letter to the committee talking about $472 million as being the figure. What is the committee supposed to do?

Mr. DICKENSON. Mr. Chairman, the $472 million represents the absolute best estimate of the field managers of the Service that we can give you at this time. That $472 million I might add, is in addition to the life, health, safety features in the 1982 fiscal year 1982 budget.

Secretary WATT. Part of the January budget and the $105 million would be additional.

Mr. DICKENSON. So that would take us well beyond the $600 million range. But what we are saying to you now in connection with the material we have submitted, is that we are not identifying $1.6 billion life, health, and safety requirements as reported by GAO. The best figure that we can come up with at this time is the $472 million for 1983 and subsequent years, in addition to the 1982 figure, Mr. Chairman.

Mr. YATES. We hadn't had a chance to go through your printouts yet. But we will go through them.

Mr. DICKENSON. There are many other developmental and repair, rehabilitation and construction needs, but which do not relate precisely to life, health, safety requirements.

LISTS FROM THE REGIONAL DIRECTORS

Mr. YATES. When did you receive the—Ms. Garrett indicated that the information from your regional directors was transmitted by printout to the central office.

Mr. DICKENSON. That is correct.

Mr. YATES. When was that submitted?

Ms. GARRETT. The deadline for receipt of that information from the field was 10:00 Saturday night.

Mr. YATES. Which Saturday night?

Ms. GARRETT. This Saturday night past.

Mr. YATES. Yes, but that doesn't answer our question. As I understood what Mr. Dickenson told us the last time that he appeared, his submission to the committee was based upon lists that had been given to him before that time by the regional directors. Those were the lists we had requested, not the printouts that you received by last Saturday night. We wanted the original lists that were submitted.

Ms. GARRETT. Mr. Chairman, in response to that, for the $105 million budget amendment much of that information was obtained by telephone. At no time did we receive from our regional directors a specific list of projects for the $105 million.

Mr. YATES. How do you do this, Nancy? What is the procedure? A director calls up, and somebody in your office writes out this list?

Ms. GARRETT. We were asked to put together the $105 million program in a fairly short time frame.

Mr. YATES. By whom?

Ms. GARRETT. By the Secretary and Director of the Park Service.

CAPABILITY OF THE NATIONAL PARK SERVICE

Mr. YATES. How did you arrive at the $105 million?

Mr. DICKENSON. That was arrived at in discussions between the Secretary and me.

Mr. YATES. Based on what?

Mr. DICKENSON. It was based upon the capability of the National Park Service over the next five years to perform the kinds of projects that we are discussing here. We have, we believe, Mr. Chairman, the capability at our Denver Service Center, as far as capital investment projects are concerned, in our regional offices and in our parks, to perform at about a $100 million level per year. That was the basis on which we made our representation to the Secretary.

Mr. YATES. Correct me if I am wrong in my understanding, then. What you are saying is the Secretary, did the Secretary tell you that you had $105 million, or did you tell the Secretary that your capability was $105 million?

Mr. DICKENSON. My first representation to the Secretary in our first discussion was $125 million a year for five years. But the subsequent budget decision reduced that to the $105 million. That is based upon the kind of capability currently existing within the Service.

Mr. YATES. It is strange. You read the testimony, and you read contrary statements. Here is Mr. Kerr, Regional Director of Santa Fe, who says we have a larger list than appears in the budget hearing. I don't have that with me today. Apparently that is a list different from a phoned in list of requests.

Ms. GARRETT. Mr. Chairman, in the normal budget process the regions do submit formal documents for consideration during the budget review process. But the $105 million was a special initiative with a short turnaround. For that specific program we did not have

the kind of written documentation from the field that we normally require and receive as part of our formal budget process.

Mr. Kerr's statement was a general statement that, out of the total budget that he requests every year, not all of it ends up in the Park Service budget. I believe that was the context of his statement.

Mr. YATES. Isn't what you should have given us the list that the directors sent into the central office preceding the budget, at the start of the budget process?

Ms. GARRETT. We certainly have that available, Mr. Chairman, and could bring that up this afternoon.

LIMITATIONS ON THE REGIONS

Mr. YATES. We should have that from each of the parks and each of the regional directors. That is what we wanted to find out, is what the park superintendants and district directors said they needed for the budget. Are they constrained by any budget limitations in sending these lists into you?

Ms. GARRETT. Mr. Chairman, in response to the ceilings that are established for the Park Service by the department and OMB, we do reflect that when we send out a budget call.

Mr. YATES. Nancy, let's start——

Ms. GARRETT. The answer to the question is yes. They are constrained by the ceiling.

BUDGET PROCESS

Mr. YATES. Tell us what the procedure is, first. When you go into the process of making a budget. We are starting that now.

Ms. GARRETT. Yes sir.

Mr. YATES. Do you call them first, or do they just send their requests in to you?

Ms. GARRETT. The process starts with the Department telling us the dollar limitation within which we must limit our increases for the next fiscal year. That is translated to our offices in a memo signed by the Director.

Mr. YATES. How do they reach that limit?

Ms. GARRETT. I would address that question to Mr. Bettenberg.

Mr. YATES. Apparently you have a step before Ms. Garrett starts?

Mr. BETTENBERG. Yes, sir.

Mr. YATES. How do you arrive at the amount that you tell the Park Service they have to address?

Mr. BETTENBERG. That process starts a year and one half in advance of the beginning of the fiscal year. At that time we give the Park Service, and other agencies in the Department, long-range estimates from the current budget. We provide those to each bureau in March of every year, and ask them for a range of budget levels, typically capped by a requirement that the top level not be greater than say, 10 or 12 percent more, or something like that, at the bureau level.

Mr. YATES. Now, you received—all right. Then Ms. Garrett.

Ms. GARRETT. Yes, sir.

Mr. YATES. What figure did you give Ms. Garrett for the budget under the Carter budget, for her limit under the Carter budget for the parks?

Mr. BETTENBERG. I don't know what that figure would be.

Mr. YATES. Can you tell us what figure he gave you that corresponds with the $105 million figure that the Secretary and Mr. Dickenson——

Mr. BETTENBERG. We would have given only one figure for the entire Park Service.

Ms. GARRETT. That is correct.

Mr. YATES. You have that entire figure?

Ms. GARRETT. Yes, sir.

Mr. YATES. What do yo do with that entire figure?

Ms. GARRETT. Then we go to our field offices and indicate to them what the limit is that we may request in our budget submission to the Department.

Mr. YATES. OK.

Ms. GARRETT. So they are constrained to that level.

Mr. YATES. The constraint to that level, at least in the maintenance and rehabilitation of the parks, would have to be not more than $105 million, wouldn't it?

Ms. GARRETT. The $105 million budget amendment was not a part of the——

Mr. YATES. No. It would have to be $105 million or less, wouldn't it?

Secretary WATT. No, not in this instance.

Ms. GARRETT. We are talking about two different processes.

Mr. YATES. Why are we?

Secretary WATT. Because I brought the $105 million on in January.

COMPARISON TO CARTER BUDGET

Mr. YATES. What was the $105 million for?

Secretary WATT. I introduced that new money to the Park Service for restoration and improvement of the parks.

Mr. YATES. I know. For restoration and improvement for the parks. What was the comparable figure under the Carter budget?

Ms. GARRETT. There really isn't a comparable figure. The Secretary referenced a few moments ago the $87.3 million figure that the Carter budget included of similar kinds of projects that was intially included in the fiscal year 1982 Carter budget. But it wasn't broken down as a special program as the $105 million.

Mr. YATES. The $105 million represented rehabilitation plus acquisition, did it not?

Secretary WATT. No.

Ms. GARRETT. No, sir, it did not. It was strictly a rehabilitation and improvement program.

Mr. YATES. It must have included acquisition because you are spending no money for acquisition except $29 million. That is in addition to the $105?

Mr. DICKENSON. Yes.

Mr. YATES. So you have $105 million and $29 million for a total of $134 million for acquisition and rehabilitation, is that correct?

Secretary WATT. Well, I have asked for a moratorium on acquisition, except for the $29 million.

Mr. YATES. Except for the $29 million. So it isn't fair then to compare the Carter acquisition budget with the Reagan acquisition budget——

Ms. GARRETT. No sir. In the Carter acquisition budget, the request for the Park Service was $234 million. The comparable figure in the Reagan budget, as the Secretary has indicated, is a total of $45 million for the Department, of which $29 million is for the National Park Service.

Mr. YATES. All right.

Mr. BETTENBERG. You struck on a point that I think is useful to elaborate on here. The acquisition budget last year and all previous years would not have ever initially been assigned to the Park Service in our allocation system. It was independently assigned to the Heritage Conservation and Recreation Service.

Mr. YATES. That is a fair explanation. Then you go out to the regional directors and the regional directors have a limit. Apparently, under the Carter budget their limit was $87 million?

Ms. GARRETT. No, sir, the $87 million was the figure the Secretary used to represent the total that was included for restoration-improvement, paralleling the kind of things we had asked for in the $105 million program. So the $87.3 million was not any kind of limit. The Secretary was simply using that to show they had increased the amount for those restoration and improvement activities by $105 million.

Mr. YATES. Is there another account that should be added to the $87 million in the Carter budget for all the maintenance and rehabilitation?

Secretary WATT. Nancy, you need to explain that the $87 million is a composite from two different accounts.

Ms. GARRETT. Yes, sir.

Mr. YATES. The $87 million is the total for rehabilitation?

And maintenance in the parks?

Ms. GARRETT. The various categories that make up the $105 million included cyclic maintenance, health and safety projects, and cultural resources projects. If you were to look at the Carter budget for how much had been specifically earmarked for the health and safety kind of projects, and maintenance and rehabilitation and repair kind of projects, that was the $87.3 million figure used by the Secretary.

We had come in in fiscal year 1982 with an amendment of $105 million, a significant increase over the $87.3 amount.

SHARE OF WORK DONE BY THE DENVER SERVICE CENTER

Mr. YATES. How much of this was being done by the Denver office?

Ms. GARRETT. Mr. Chairman, that would not have been done by the Denver office, because for the most part, that would be in our operation-maintenance program. Some of it would be, but a very small percentage of that would be at the Denver Service Center. For the most part, that is done by the parks and the regions.

Mr. YATES. Again, there is a confusing aspect here. I thought $105 million was arrived at as being the total Mr. Galvin's office could handle.

Ms. GARRETT. Mr. Galvin's office plus regional offices' and parks' abilities to do the contracts, to do the planning. There is some planning done in our regional offices.

Mr. YATES. Then you can go beyond the $105 million in dealing with this problem, can't you then?

Mr. DICKENSON. Mr. Chairman, if I may interrupt here, I spoke just a few minutes ago to that very point. We have looked at the capability of the Service in terms of the $105 million, originally the $125 million. Since that $105 million is composed of very diverse groupings of different kinds of projects, only one of which is capital investment, which is primarily Mr. Galvin's responsibility, what we are dealing with here is a lot of operational maintenance at the field level.

When we talk about $105 million, we are talking about the capability of the Service throughout, in toto.

Secretary WATT. It is additional capability beyond the $87.5 million and other activities.

Mr. YATES. That is not what Mr. Galvin told us the last time. When he was in the last time, he said he can't handle more than $105 million worth of work as I remember what he said.

Mr. GALVIN. No, if I said that precisely, that is not what I meant. I said that in the program submitted—the 1982 program submitted—of the $105 million, $50 million roughly is capital improvement. And the regular construction request totals $60 million. Between those two accounts, that represents the current total of capital project work that we have ready to go, that we can obligate in 1982.

Mr. YATES. Maybe we ought to start from the beginning again, because this record is just a mass of contradictions. Let's start again. We start with the figure of $105 million.

Secretary WATT. Mr. Chairman.

Mr. YATES. Either the Secretary gave that to Mr. Dickenson, or Mr. Dickenson gave that to the Secretary as being the amount that the Park Service can use for rehabilitation this year. You are going to have $105 million and there is another figure of $80 million plus.

Secretary WATT. Mr. Chairman, I think it is important, if you start from the beginning, that we are talking about an incremental value of $105 million from the base that was in the Carter budget. The figures do get confusing. This is not the total capability of the Park Service. They have all their other programs. I came on and added to what their January programmatic budget request was, $105 million.

We had different ideas than some of the things we are now talking about, I confess to you, on restoration and improvement. I said I need to understand what your capability is and what I am improving. I am adding $105 million to what? And the answer that Russ gave from his people was that to make like comparisons, we have to pull project costs from, as I recall, two different accounts.

Ms. GARRETT. Yes.

Mr. YATES. We can compare apples and apples instead of having so much confusion. So when they totaled that up, they said in the Carter budget we are proposing $87.5 million for like type projects. Then the question was, how much more money could you add to the existing workload and do it?

Russ came back with we think it is roughly a five year program at $125?

Secretary WATT. That is right, about $105 million. That is the capacity of the Park Service.

Mr. YATES. I want to know whether that is the capacity of the parks.

Mr. DICKENSON. Operational people at parks, regional offices and Denver Service Center in toto. That is the operational and construction capability of the National Park Service as it currently is constituted.

OUTSIDE CONTRACTING

Secretary WATT. What about outside contracting?

Mr. DICKENSON. This request visualizes a very heavy use of outside contractors. Many, many of those.

Mr. YATES. But that is the capability of the Park Service without outside contractors?

Ms. GARRETT. No, sir.

Mr. YATES. What is the capability of the Park Service without outside contractors?

Ms. GARRETT. Much of that $105 million, sir, will be contracted out.

Mr. YATES. How much is the capability of the Park Service itself of the $105 million?

Ms. GARRETT. The capability of the Park Service is limited by the ability of contracting people to process the paperwork, go through the bid process and so forth.

Mr. YATES. How do you arrive at $105 million? Why can't you make it $120 million, for example, as long as you are contracting out?

Ms. GARRETT. With additional staff in contracting, yes sir, we could increase that capability.

Mr. YATES. With additional money you could?

Ms. GARRETT. Yes, sir.

Mr. YATES. Why do you say the $105 million limit then?

Mr. DICKENSON. Based upon our current capability, Mr. Chairman.

Mr. YATES. That is not true, though. Based on your current dollars allotted to you?

Mr. DICKENSON. That is right.

Secretary WATT. And manpower.

Mr. DICKENSON. And manpower.

Mr. YATES. But we are talking about the possibility of outside contracting now. So that is additional manpower.

Mr. DICKENSON. That is standard for us, Mr. Chairman. We use the contracting as a vital, important part.

Mr. YATES. Why do you say it is only $105 million?

Mr. DICKENSON. Because it takes time to contract. It takes time to supervise. It takes bodies. It takes a lot of manpower just to process and monitor the contracts.

Mr. YATES. Who supervises the outside contracting, all the superintendents, or Mr. Galvin?

Mr. DICKENSON. It depends upon the size and complexity of the project. It might be from Denver or it might be a local supervision. It depends upon the size and complexity.

Mr. YATES. I have got to go. I have got to turn this over.

Mr. Secretary, I have got to go to the floor because they are on outside amendments on the Conference Report. They adopted it apparently without a vote. I have got to go. You may be excused if you want to be excused. Let's recess for about an hour and a half. That should do it. Let's come back at 1:00.

Mr. Secretary, if you don't want to come back, you don't have to come back.

Secretary WATT. If I might, thank you for the excuse on that.

Mr. YATES. Yes.

Secretary WATT. Let me compliment you and thank you for your attention to this subject. We are making decisions without all the facts that we would like to have. It is frustrating. I made decisions last January and February with much less information than we now have to present to you.

There is an area of critical concern, and the expression that you have made, and the questions and your comments show you share the concern that I have. I appreciate the interest and attention you are giving the subject.

Mr. YATES. Mr. Secretary, this is what we have done every year.

Secretary WATT. But you haven't had the type of cooperation that I am seeking to give on this subject matter.

GAO REPORT IS INACCURATE

Mr. YATES. Well, Mr. Andrus gave us cooperation, and Mr. Morton did and all the other secretaries did, because we gave them the money with which to do it.

Secretary WATT. What is GAO talking about?

Mr. YATES. GAO is wrong in its extrapolation. It has looked at 12 parks. Mr. Dickenson himself, in his report says GAO is wrong because he talked about $472 million as being the total.

Secretary WATT. Well, there is a question of definition there.

Mr. YATES. Yes.

Secretary WATT. His letter talks about $1.6 billion.

Mr. YATES. Yes.

Secretary WATT. I am not here to defend GAO. I am just trying to be responsive to people's needs.

Mr. YATES. Mr. Secretary, all that I am trying to say is that I would hope that after you see the way in which we work, that it wouldn't come easily to you to say that the Congress has been remiss in not making the funds available to take care of the parks. We have done what the Park Service said the Park Service needed.

Secretary WATT. That is right, so the criticism is not at you or this committee.

Mr. YATES. Or the Congress, because the Congress adopted our reports.

Secretary WATT. Okay. Then it is a problem that has grown.

Mr. YATES. I have to go to the floor.

As Mr. Galvin said, he said it is age. It is age and the plant is just kind of worn out and needs rehabilitation. I think that if I may say so, perhaps the parks never told us the full story.

Secretary WATT. That may be the case.

Mr. YATES. That is why we are trying to get the story from the park superintendents themselves. Maybe it is the Central Office and your predecessors, rather than you.

Secretary WATT. So I compliment you for that effort.

Mr. YATES. No, you don't have to compliment us.

Secretary WATT. Well, I am.

Mr. YATES. We take pride in the job that we do here. We try to do a constructive and reasonable job, one that will take care of the parks. But we do request that before you say what you say on this program, or other places about the fact that Congress was remiss in what it did, that you really look at all the facts.

Secretary WATT. We have not——

Mr. YATES. All right.

Secretary WATT. I think you understand my concerns that we are authorizing more parks than we have been able to take care of.

Mr. YATES. That is something else again, but has nothing to do with health and safety.

Secretary WATT. That is what I am talking about.

Mr. YATES. That has nothing to do with health and safety.

We will come back at 1:00.

AFTERNOON SESSION

THE PARK RESTORATION AND IMPROVEMENT PROGRAM

Mr. YATES. When did you agree on the $105 million with the Secretary?

Mr. DICKENSON. That would have been the latter part of January. I don't have an exact date in my mind, Mr. Chairman, but it was not long after the Secretary came on duty.

Mr. YATES. We have placed in the record earlier the requests for funding by the National Park Service and the amounts approved by the Congress for each of the years 1978 through 1981, and also requests for 1982. That may go into the record as well.

I don't understand what happened to you and me and everybody else who was at the last hearing [reading:]

Mr KERR. We have a larger list than appears in the budget hearing. I don't have that with me today.

Mr. YATES. Is the way to get the information we want, Mr. Dickenson, to ask for the list that each of your regional directors sent in?

Mr. DICKENSON. That certainly would be one method.

But there was no list sent in, was there? There were telephone conversations, you said.

Ms. GARRETT. Well, the $105 million restoration and improvement program was put together through telephone conversations. For the $472 million health and safety program which we presented to you last night you do have the lists as they were submitted to us by computer.

Mr. YATES. Last Saturday?

Ms. GARRETT. And before, yes, that is correct.

Mr. YATES. What do you mean by and before?

Ms. GARRETT. We started receiving that data Thursday, Friday, and Saturday.

Mr. YATES. Last week?

Ms. GARRETT. That is correct.

Mr. YATES. But you didn't have any list before that time, did you?

Ms. GARRETT. No, sir, we did not, not on the $105 million.

Mr. YATES. Did you on anything?

Ms. GARRETT. For the budget which originally was put together and later became known as the Carter budget, yes, we did get written input from the regions in response to the calls for that budget.

Mr. YATES. Are those available?

Ms. GARRETT. Yes, sir. They are very voluminous, but they are certainly available.

Mr. YATES. More voluminous than your printouts?

Ms. GARRETT. Oh, yes, because for each increase there is a separate form which we call a 10-237. They really are quite voluminous but certainly can be made available if you so choose.

Mr. YATES. How high would they all be? Three feet higher than the table?

Ms. GARRETT.Every increase is supported by a specific form. If they want an increase for an action project, there is a specific form that addresses that increase.

NATIONAL PARK SERVICE FIVE-YEAR PROGRAM

Mr. YATES. We read from the investigative staff's observation. The latest NPS attempt at producing a five-year Service-wide priority list of construction needs culminated in the compilation of a $526 million—that is a new figure—213 item list in the summer of 1980.

Ms. GARRETT. Yes, sir.

Mr. YATES. That list is to be used to determine which proposed projects will be submitted to the Congress for funding beginning with fiscal year 1982.

Ms. GARRETT. That is just for the construction program, sir——

Mr. YATES. Just for the construction program.

Ms. GARRETT [continuing]. As opposed to the total operating funds for the National Park Service. It is a much smaller percentage of the budget.

Mr. YATES. Nancy, keep your voice up so the reporter can hear you. Washington headquarters' view that list is that it will be used to guide all phases of NPS planning and program development formulation, and that because it was produced by a high level management team——

Ms. GARRETT. Yes, sir.

Mr. YATES. The NPS director, ten regional directors and managers of the DSC—I thought it was Democratic Study Group—the process will be necessary unless they produce many improvements over the earlier five lists. How many earlier five-year lists were there?

Ms. GARRETT. In prior years the five-year program was not put together in the kind of priority setting process that Director Dickenson instituted last summer and to which reference is made in that particular document.

Mr. YATES. How does that relate to this list attached to your letter of June 2?

Mr. DICKENSON. The five-year program you are addressing there, Mr. Chairman, deals with a construction program, sometimes referred to as our capital investment program. It deals with a broad variety of facilities. They are not just related to health and safety issues, some are visitors facilities, et cetera. What we are dealing with in terms of the special listing here——

Mr. YATES. Health and safety are in there?

Mr. DICKENSON. Health and safety is the feature of the list we provided to you on June 2, but it covers so much more than just construction and capital investment. There are many, many maintenance, rehabilitation and operational kinds of features. It is mixing apples, oranges, lemons, grapefruit and everything else.

Mr. YATES. I can see rehab source system access. Then I look down the list and it says purchase three garbage bailers.

Mr. DICKENSON. Yes, sir, of the 805 projects which were included in the new special listing delivered to you day before yesterday, about 200 of those are construction projects of which about 60 have current national priorities. Many others have regional priorities which we will be dealing with in Denver, later this month.

Mr. YATES. The grand total of this is $607 million?

Mr. DICKENSON. That would be the total submitted, the raw total submitted by the regional directors, sir. As contrasted with the total of the listing which we gave you, which is $472 million, and the difference of $135 million is explained by the kind of headquarters evaluation that we conducted. We eliminated duplication, miscoding, for example. There were many other projects which did not meet the deadline, did not arrive in time for inclusion.

Mr. YATES. $607,686,000.

Mr. DICKENSON. Yes, sir. My recommendation to the committee, as Director, Mr. Chairman, is to be cautious in using those raw submittals from the regional directors, because when we evaluated and assessed those, as we have done in the last two days, we struck out several of them.

Mr. YATES. Is this list which I look at entitled regional director's reports, the entire health and safety list of the Park Service?

Mr. DICKENSON. That is the current entire list.

Mr. YATES. Does it include everything?

Mr. DICKENSON. Yes, sir.

Mr. YATES. As of today, this includes everything?

Mr. DICKENSON. That is right, sir.

Mr. YATES. The grand total is $607,686,000.

Ms. GARRETT. That is true, Mr. Chairman. But that report has been reviewed by the Washington office and bumped against the other programs that we have. For example, the $105 million and the $16.3 million add-on by the Congress for fiscal year 1981.

That document that you have in front of you has duplicated many of the projects that were already in another program. As Mr. Dickenson was saying, the major differences between the $607 million in front of you and the $472 million which is in the other printout, is a result of that kind of review by the Washington office. So any duplicate projects have been taken out of the $472

million report. So the valid list is the one over here, because it includes recent input.

As I said, in some cases projects that were in the $105 million were restated in that $607 million project listing before you. So we had to pull those out because we had already accounted for them in the $105 million. Okay? But the product that is over here represents, as of this moment, the total input from our ten regional offices for their health and safety needs.

Mr. YATES. That is everything?

Mr. DICKENSON. That is correct.

Mr. YATES. Everything for the National Park Service?

Mr. DICKENSON. $472 million, yes.

Mr. YATES. That is one figure we finally can agree on. That is as of now.

Mr. DICKENSON. Yes, sir.

Mr. YATES. Does this include what you have asked us for in the 1982 budget?

Ms. GARRETT. No, sir, that was the point I was making. The 1982 health and safety requirements are included in the $105 million. Where the regions included the projects that are already in the $105 million, we have taken those out of the $472 million list. The $105 million in the 1982 budget and document on this side of the table include everything we know about health and safety deficiencies in the Park Service today.

Mr. YATES. What about the $87 million in the Carter budget. Is that included?

Ms. GARRETT. Yes, sir, it would be, because that $87 million, while it did not include very many health and safety projects, in addition to the Reagan budget for health and safety. Let me double check the figure. In fact, in the original Carter budget——

Mr. YATES. $87 million is not in the $105 million. That is in addition?

Ms. GARRETT. That is correct.

Mr. YATES. But both the $105 million and $87 million include non-health and safety projects.

Mr. BETTENBERG. That is correct. The $87 million was for the cyclic maintenance, repair, rehabilitation——

Ms. GARRETT. That is right.

Mr. BETTENBERG [continuing]. As well as construction.

Ms. GARRETT. Yes.

Mr. BETTENBERG. The program in the original Carter budget which has been retained, and the $105 million has those same features.

Ms. GARRETT. Plus more.

Mr. BETTENBERG. It includes park preservation projects like the Courthouse in St. Louis, which we looked at at the last hearing, and other things beyond health and safety.

We have some trouble in explaining the numbers just because of the complexities. We talk a lot about health and safety, but at the same time——

CLOSING OF PARKS

Mr. YATES. Why did GAO find it so easy to talk about it? GAO talked about health and safety. In fact, the Secretary, at least in

one of his statements, mentioned that he hoped some of the parks wouldn't have to be closed as a result. Are there any parks that may have to be closed?

Mr. DICKENSON. No.

Mr. YATES. None?

Mr. DICKENSON. Not right away.

Mr. YATES. Why does the Secretary say what he did then?

Mr. DICKENSON. I think he was projecting down the line if the fiscal resources were not made available. My recollection of his testimony is that in five years or so, some parks would probably have to be closed.

Mr. YATES. Which ones?

Mr. DICKENSON. We don't know that, sir.

Mr. YATES. How did he know it then?

Mr. DICKENSON. I don't think that he does either. I think he was making a general forecast.

Mr. YATES. But he said it would happen in five years?

Mr. DICKENSON. I suppose I ought to let the Secretary talk for himself since this was his testimony.

Mr. YATES. But you and your regional directors know the condition of the parks. Are there any parks which are threatened with closing within five years?

Mr. DICKENSON. Mr. Chairman, if——

Mr. YATES. Tell me under what circumstances parks may close?

Mr. DICKENSON. If we did not get the fiscal resources to remedy some of the sewer and water deficiencies, those systems within the park might have to be closed down.

Mr. YATES. What parks? What you are saying is some parks are threatened with closing as a result of their sewer systems, and we better give you the money for them or you are going to close them within five years.

Mr. ALBRIGHT. I would say probably the bigger parks such as Yosemite where GAO was getting a lot of their figures, Mr. Chairman, were figures having to do with needed concession improvements, facilities such as hotels and that kind of thing.

Mr. YATES. I want to know specifically what parks. I don't like these broad generalizations, these alarming statements that are made and then you leave the committee dangling in the air.

Where do you need the money right now? Where should the money go right now to save those parks?

Mr. DICKENSON. We have tried to articulate that.

Mr. YATES. But you haven't. Which parks? Pull it out of your budget. Tell me which parks. Pull it out of our budget.

CRITICAL PROJECTS

Ms. GARRETT. I think one way to approach that, Mr. Chairman, is that if you were to look at the projects that were accomplished with a $16.3 million add-on as given to us by the Congress for fiscal year 1981, that was a stopgap measure. We looked at the parks that had the most critical health and safety items and addressed those with the $16.3 million add-on. Then for the $105 million, the health and safety projects that are included in that budget are the next critical kind of projects. In 1983——

Mr. YATES. Nancy, what parks are threatened with closing because of sewage conditions or drinking water conditions? I want to know because we want to make sure the money goes to those parks. Which are the ones?

Mr. DICKENSON. Mr. Chairman, we have identified——

Mr. YATES. Identify them again then.

Mr. DICKENSON [continuing]. The specific projects.

Mr. YATES. Identify them again then.

Mr. DICKENSON. We will just have to get the list out and start going through that.

Mr. YATES. Do that. The Secretary said in the hearings, "The threat right now is that we are shutting down some campgrounds because of a lack of ability to take care of them." What does that mean?

Mr. DICKENSON. That is simply because of the effects of inflation upon individual park budgets.

Mr. YATES. That doesn't relate to care and safety?

Mr. DICKENSON. No sir, it has nothing to do with health and safety, or anything else.

NO PARK CLOSINGS ANTICIPATED

Mr. YATES. Go through it and tell us which ones. Wait a minute, here we are.

Mr. DICKENSON. We are not anticipating, Mr. Chairman, closing any areas because of health and safety conditions. As I tried to indicate, within individual parks——

Mr. YATES. Let me read to you what the Secretary said. He said:

> We have commenced and outlined to Russ Dickenson a five year program for the restoration and improvement of the National Park system. We will address those less favorable issues such as sewage treatment projects that need to be built, repairing the roads and tunnels and buildings and taking care of the drinking water supplies. Russ has an aggressive program on that.

I am trying to have you identify your aggressive program on that.

Mr. DICKENSON. Yes sir.

Ms. GARRETT. We started that program, Mr. Chairman, with the $16.3 million add-on in fiscal 1981. When we determined which projects were to be funded from the $16.3——

Mr. YATES. How much of an add-on?

Ms. GARRETT. $16.3 million in fiscal year 1981.

Mr. YATES. All right. We gave you that money.

Ms. GARRETT. Yes, sir.

Mr. YATES. What did we give you that money for?

Ms. GARRETT. For health and safety.

Mr. YATES. That is an add-on maintenance project?

Ms. GARRETT. Yes, sir.

Mr. YATES. But what does that have to do with health and safety?

Ms. GARRETT. We have used it to address the concerns——

Mr. YATES. In which parks?

Ms. GARRETT. We have a listing we can provide for you. I don't have it with me. But we went out to the field. We asked the field to identify the most critical kind of health and safety projects that we should fund from the $16.3 million.

Mr. YATES. Why did you ask only for $16 million?

Ms. GARRETT. Because that was the amount of the add-on. We got that $16 million add-on.

Mr. YATES. Why didn't you ask for more if you needed it? This is what OMB gave you. But if your need was actually greater, why didn't you ask us for it?

Ms. GARRETT. As we discussed this morning, we are constrained by——

Mr. YATES. By OMB?

Ms. GARRETT. —the limits that are set for us. We did address——

Mr. YATES. Even if there is a question of health and safety you are still constrained?

Ms. GARRETT. Yes, sir, we are.

Mr. YATES. Then why did the Secretary say what he did? We want to take care of everything. Does $16 million take care of your needs? It doesn't, does it?

Ms. GARRETT. No, sir.

Mr. YATES. Obviously it doesn't. It is far short.

Ms. GARRETT. It is the $16 million plus those dollars included in the $105 million plus the $472 million we presented to you this week for health and safety.

Mr. YATES. Here is the Secretary again:

> It is foolhardy to think about the possibility of needing to shut down parks because of health and safety while you continue to acquire more and more lands you cannot take care of.

What parks are you thinking of closing down?

Mr. DICKENSON. We are not thinking of closing down parks, Mr. Chairman.

Mr. YATES. Why does the Secretary say that?

Mr. DICKENSON. I can't speak for the Secretary.

Mr. YATES. Would you remind him of what he said?

Mr. DICKENSON. Yes sir.

Mr. YATES. Mr. Bettenberg, you are the Director of the Budget. Would you remind him of what he said, too? I am sure he would like to hear that.

Yes, Mr. Galvin?

HYPOTHETICAL CLOSING OF YOSEMITE NATIONAL PARK

Mr. GALVIN. Let me give you an example of say, one specific park and some circumstances that could shut it down.

Mr. YATES. Okay.

Ms. GALVIN. In this 1982 budget we have requested funds to bring the El Portal sewer treatment facilities up to state standards. The reasons for that are fairly complicated. They include some design insufficiencies, but they also include a different interpretation of the standards by the states as opposed to the earlier interpretations of EPA when the sewage treatment plant was originally designed. The State has required us to come up with an action plan to improve that sewage treatment plant. They have given us a certain deadline within which we have to meet that action plan.

If we do not meet that plan, and the sewage treatment plant still doesn't meet the standards of discharge to the Merced River, the state has the authority to close us.

Mr. YATES. Why didn't you ask for that money in 1981?

Mr. GALVIN. We did.
Mr. YATES. Did we give it to you?
Mr. GALVIN. No.
Mr. YATES. Why didn't we give it to you?
Mr. GALVIN. I don't know.
Mr. YATES. Why didn't we give it to them? Had you completed your planning?
Mr. GALVIN. We judged the planning was complete enough to ask for it. I am not sure we were correct at the time.
Mr. YATES. Staff tells me you weren't correct. He says your planning wasn't completed. If the planning wasn't completed, how do you know how much money you need?
Mr. GALVIN. We know now and have asked for it again, Mr. Chairman.
Water systems in Yosemite are in similar conditions. While they are not a direct hazard to health and safety, they have the potential to be because they are chlorinated but not disinfected.
Mr. YATES. Let's go back to this. You are talking about El Portal, aren't you?
Mr. GALVIN. Yes, sir.
Mr. YATES. In 1977 you asked us for money for that project.
Mr. GALVIN. For the sewer line from the valley to the plant.
Mr. YATES. Same project?
Mr. GALVIN. Same project. Different part.
Mr. YATES. We gave you the money for it.
Mr. GALVIN. Right.
Mr. YATES. Up to now, the committee is cooperating.
Mr. GALVIN. Absolutely.
Mr. YATES. In 1981 you came forward and asked us for the money. Staff says your plans weren't completed.
Mr. GALVIN. Yes, sir.
Mr. YATES. Now, in 1982 your plans are completed?
Mr. GALVIN. I think we have got a complete status of where the plans are. We have just completed the assessment and expect to be ready to obligate the money in 1982.

SOUTH RIM OF GRAND CANYON NATIONAL PARK

Mr. YATES. I expect the committee will give you the money for El Portal. How many others are in the same condition?
Mr. Chapman talked about the South Rim of Grand Canyon as needing new pipes. I think he said the pipes were worn out.
Mr. GALVIN. Right.
Mr. YATES. I understand that you had an emergency situation some years ago, and the committee gave you money to put a temporary system in.
Mr. GALVIN. I believe that was—although I am not familiar with the situation to which you referred?
Mr. YATES. The point that I am making is we want to do these things. If you tell us what to do. And you are ready to do it.
Ms. GARRETT. Right.

WESTERN PARKS HAVE WASTE PROBLEMS

Mr. YATES. Now you are ready to do it on Yosemite. We will make the money available. I am trying to find out what other parks have this kind of health and safety condition, and can't get an answer.

Mr. GALVIN. In terms of water and sewer, you are talking largely about Western parks, because most of the Eastern parks—excluding Blue Ridge Park, Smokies and places like that— many of the Eastern parks are on municipal systems or their systems are small enough so that there are septic tanks or some low level kind of treatment.

Mr. YATES. We don't have to worry about the Eastern parks?

Mr. GALVIN. No, sir, I didn't say that. I said the major portion of the problems are in all of the old Western parks where we manage our own water systems——

Mr. YATES. Mr. Galvin, what parks specifically do you need money for and how much do you need?

Mr. GALVIN. Well, I can't answer the second part of the question, but certainly Yosemite, Grand Canyon, Yellowstone, Crater Lake.

Mr. YATES. Why can't you answer the second part? If I gave you this list will that help you?

Mr. GALVIN. In that list 200 of the 800 items are construction projects. They list most of the major problems. They list the Yosemite and Grand Canyon water systems, I believe.

Mr. DICKENSON. We have laid out, we believe, Mr. Chairman, what is an orderly priority for the committee's consideration based upon our relationship with the states, conversations with the states as to their deadlines and timetables, and the kind of problems that have been assessed by professionals in the field.

Mr. YATES. Here is what our investigative staff says about El Portal. During the investigative staff's visit to the various parks, one plant, the El Portal sewage treatment plant, was constantly referred to as the joke of NPS. The plant has been beset with serious operational and design problems since its inception in 1970. Is that correct?

Mr. GALVIN. I would question the word "serious".

Mr. YATES. All right. Suppose I struck the word "serious" and said operational and design problems?

Mr. GALVIN. Yes, sir.

Mr. YATES. You would? Investigative staff was advised that when it was finally completed in 1977, the NPS knew in 1977 that the plant was not what it wanted.

Mr. GALVIN. That is because the Clean Water Act of 1977 made the treatment design solution obsolete, because it transferred jurisdiction to the state, and the state changed the interpretation of the standards.

Mr. YATES [reading]:

> NPS knew the plan was not what they wanted and plans were were immediately underway to move the very expensive tertiary treatment plant. Aside from the numerous problems, the Investigative Staff was advised that this sewage treatment plant, located outside of Yosemite Valley was also designed as a visitor's center.

Is that true?

Mr. GALVIN. No sir, that is not true.

Mr. YATES [reading]:

With the rationale being that while people are visiting beautiful Yosemite National Park they also may wish to visit a sewage treatment plant.

Are you saying it was not designed as a visitors center?

Mr. GALVIN. I am saying it was not designed as a visitors center.

Mr. YATES. Why would our staff say that?

Mr. GALVIN. The only interpretation I can put on that remark is that the sewage treatment plant is in plain sight of everyone entering the park through that entrance. And the exterior of the building facing the main road is done in Cor-Ten steel, which is a steel that gives the plant a color effect. It does have a lobby. It has no exhibits. It is a sewage treatment plant of the kind you would find in most cities, except that the exterior treatment is I would say, more elaborate than a sewage treatment plant in the city because it is in plain sight of the visitors from the road.

But I have been in a lot of visitor centers and I have been in a lot of sewage treatment plants, and I think I know the difference. And I would dispute that statement.

Mr. YATES. Well, it has here:

State of California: May 1978, the State of California issued an order allowing continued direct discharge until May 1, 1980 at which time the state expects full compliance. In a report dated May 6, 1980, the second architect and engineering firm concluded the existing treatment plant is not capable of reliably meeting the present discharge standards and must be upgraded. Costs to date.

What is the status of your park's relationship with the State of California? Are you meeting the standard now?

Mr. GALVIN. No, sir. The money we have requested will enable us to meet the standards.

Mr. YATES. When?

Mr. GALVIN. When the current construction is complete.

Mr. YATES. When will that be?

Mr. GALVIN. Probably in 1983.

Mr. YATES. Does that have the approval of California?

Mr. GALVIN. Yes, sir.

Mr. YATES. In writing?

Mr. GALVIN. They will not give us an approval until they see final working drawings on the plant.

Mr. YATES. Do you have final working drawings?

Mr. GALVIN. No, sir, we do not.

Mr. YATES. How are you going to bid then?

Mr. GALVIN. We have completed the preliminary design and will have final working drawings in fiscal year 1982.

Mr. YATES. It says final construction drawings are scheduled for completion November 1981 in your justification.

Mr. GALVIN. Yes, sir, that is accurate.

Mr. YATES. Are you still on that schedule?

Mr. GALVIN. Yes, sir.

Mr. YATES. All right. What else do you have? What other parks are there where we have to deal with dangerous situations like El Portal?

Mr. GALVIN. Perhaps we should discuss the water systems in Yosemite both at Wawona and in the valley. The sewage treatment plant is at Wawona.

Mr. YATES. That is Yosemite, too. Then are you going to have to close Yosemite?

Mr. GALVIN. No, sir. If the state will allow us to continue to violate the standards while working on a solution we will not have to close. But it is an example where the state has jurisdiction and so ordered us to stop discharging to the river. If they order us to stop discharging to the river we will have to shut Yosemite Valley down because that is where all sewage from Yosemite goes.

The way all of these water and sewage issues go is you have to meet certain standards estblished by the State or EPA. Generally, if you have an action plan for a solution to the problem, then they will allow you to continue to operate while you meet your schedule.

GRAND CANYON NATIONAL PARK

Mr. YATES. What other parks have sewage systems that violate safety standards?

Mr. GALVIN. Grand Canyon has some. Not all the sewage——

Mr. YATES. When are you correcting those?

Mr. GALVIN. The worst one is under construction right now. That is Phantom Ranch. I believe Indian Gardens may need correction.

Mr. YATES. What are you doing about it? Do you have one portion of it that you are dealing with? What about the rest of it? Is that in the 1982 budget?

Mr. GALVIN. No, sir.

Mr. YATES. Why not?

Mr. GALVIN. In the instance where the water and sewer projects are not in the 1982 budget, they are not ready to be in the 1982 budget.

Mr. YATES. For what reasons?

Mr. GALVIN. Because planning and design is not sufficiently far advanced to come up with a good estimate to put it in the budget so that we can obligate the money in the fiscal year it is appropriated.

Mr. YATES. Do you mean like El Portal in 1981?

Mr. GALVIN. Yes, sir.

Mr. YATES. If you asked for El Portal in 1981, why don't you ask for Grand Canyon in 1982?

Mr. GALVIN. Because the committee has been sufficiently attentive to the status of our planning and design that we have attempted to make this request entirely clean.

Mr. YATES. How long has that condition been in existence at Grand Canyon?

Mr. GALVIN. The particular sewage system I am speaking of is the Indian Gardens system. I believe it has been insufficient for a number of years. It was mentioned in the GAO report, as an example.

Mr. YATES. Why didn't you do something years ago? Why didn't you let us know about it years go?

Mr. GALVIN. In correcting that situation, we would need two years advance time in a normal cycle.

Mr. YATES. But you had two years advance time. You knew about the condition three or four years ago.

Ms. GARRETT. October 1980.

Mr. GALVIN. I suspect that we had inspection, internal inspection reports or State inspection prior to that.

Mr. YATES. Mr. Galvin, Mr. Dickenson, isn't this what the committee wants to know? Apparently what has been happening is, for some reasons—and I don't know what they are—the Park Service has overlooked—I will use that word, which is a euphemism—the Park Service has overlooked advising the committee of what can only be described as a degraded situation, if not a dangerous one. Is that right?

Mr. GALVIN. It is certainly a degraded situation, yes sir.

Mr. YATES. All right. Possibly dangerous?

Mr. GALVIN. In some instances.

Mr. YATES. Yes. The Grand Canyon, I am talking about.

Mr. GALVIN. I would classify that as a health hazard——

Mr. YATES. All right.

Mr. GALVIN [continuing]. To those downstream.

Mr. YATES. That is fine. That is what I am looking for.

I don't know why, and this condition has been in existence for some years?

Mr. GALVIN. Yes, sir.

Mr. YATES. And it still isn't in the 1982 budget?

Mr. GALVIN. Yes, sir, that is right. However, other Grand Canyon sewage treatment plants have been in the budget and we are attempting to——

Mr. YATES. I can appreciate that, but why don't you put the whole thing in?

Mr. GALVIN. It is a combination I think of three or four factors. One is the technical design steps that are required to make the budget submittals timely.

Two, is priority of the job against other jobs on the national priority list. There is program level. How much money is available.

Mr. YATES. What priority would be higher than this one?

Mr. GALVIN. A sewage treatment plant in Yellowstone or Grand Canyon, Yosemite.

Mr. YATES. Why don't you ask for all of them?

Mr. GALVIN. Many, many of them are on the national priority list, Mr. Chairman.

Mr. YATES. You are not asking for this one now and you are not asking for the others, are you?

Mr. GALVIN. We are not asking for them because we are not ready to ask for them.

Mr. YATES. All of a sudden you start talking about Yellowstone and the other parks as having these conditions. That is what I am trying to find out from Mr. Dickenson. Which parks have these conditions. Even though you are not ready to put them on the list, which parks have these conditions?

Mr. DICKENSON. The list that we have submitted to the committee now contains these.

Mr. YATES. I want to know which ones they are.

Mr. GALVIN. You could say Grand Canyon, Yellowstone, Mount Rainier, and Blue Ridge Parkway have sewage problems.

Mr. YATES. That is in the West, isn't it?

Mr. GALVIN. Yes, sir, I excepted the Blue Ridge Parkway in the original statement. I would expect most of those Eastern parks are

on the municipal systems. King's Mountain, Glacier National Park, Grand Canyon certainly is on the list.

PARK HEALTH CONDITIONS

Mr. YATES. Will you describe what condition is in each of those parks?

Mr. GALVIN. Generally speaking—and this would vary from park to park—the condition is that we have either a system that is obsolete, it no longer meets current standards.

Mr. YATES. All right.

Mr. GALVIN. It may be working perfectly well. It may be working the same way as it did when designed in 1920, but it doesn't meet 1977 or 1972 standards or——

Mr. YATES. In what respects? Is it a health hazard?

Mr. GALVIN. Health hazards very largely.

Mr. YATES. Then it qualifies doesn't it? Even if it operates well, it is still a health hazard. So the fact it operates well is no reason for it to continue.

Ms. GARRETT. That is right. It needs to be upgraded.

Mr. YATES. If it is a health hazard, are you going to have to close the park down?

Mr. GALVIN. Depends largely on the calls made by the State or the EPA. They are the people who enforce the standards and generally speaking, we communicate with them, we give them an action plan. While that action plan is in process, they let us stay open.

Mr. YATES. Do you know that you are in violation of their standards in those parks?

Mr. GALVIN. In some places, yes sir.

Mr. YATES. Are you taking care of those?

Mr. GALVIN. Yes, sir.

Mr. YATES. In the 1982 budget?

Mr. GALVIN. We are taking care of those that are ready to go in the 1982 budget, yes sir. Water treatment at Yellowstone, sewage treatment at Yosemite.

Mr. YATES. How do you get a list of what has to be done of these water systems?

Mr. DICKENSON. We have provided that, Mr. Chairman.

Mr. YATES. No, you provided a list of that plus everything else.

Ms. GARRETT. We could certainly break that out, Mr. Chairman, show water and sewer separately from this list.

Mr. YATES. How do we get it taken care of quickly?

Mr. DICKENSON. What kind of a timetable to isolate water and sewer systems out of the list?

Mr. GALVIN. Water and sewer? We can pull that up out of the multi-year with very little problem.

Mr. YATES. What does multi-year mean?

Ms. GARRETT. This list here.

Mr. YATES. Five years?

Mr. GALVIN. I don't like to refer to it as a five year program. I think that is inaccurate. It is a list of construction priorities of the National Park Service. It includes all the water and sewer.

Mr. YATES. Is that in order or priority?

Mr. GALVIN. Well, this particular cut happens to be in regional priority order.

Mr. YATES. Why isn't that what the committee wants?

Mr. GALVIN. It is just construction.

Ms. GARRETT. Just construction.

Mr. DICKENSON. Just construction.

Ms. GARRETT. The subject of lists is a complicated one.

Mr. YATES. You said it.

Ms. GARRETT. Generally speaking, there are two important lists. There is a list for operating and there is a list for construction. The construction program is on what we call the multi-year program commonly referred to as the five year program. That is an open file that superintendents can enter at any time. They send in a form. They say "I need it." They put a priority number on it. The region puts a priority number on it. Annually, we put a national priority number on it. From there, we make our construction request.

On the operations side it is different. You have to go back to them for a list every time a budget cycle comes around.

OPERATIONS AND MAINTENANCE PROGRAM

Mr. YATES. Is there a health hazard in the operations list?

Mr. GARRETT. Absolutely. There are 600 on the list, I believe.

Mr. YATES. Such as what?

Ms. GARRETT. A lot of road work, for example, resurfacing the road because of potholes, shoulder work, restriping highways.

Mr. GALVIN. Replacing guardrails.

Mr. YATES. It is similar to traveling to the Sun Highway where you hit a pothole and go down about 3,000 feet.

Ms. GARRETT. We might put this in perspective by saying that in the paper you have before you there are approximately 800 projects listed of which only about 200 are construction projects. The other 600 would be funded under what we call our operations and maintenance program.

Mr. YATES. Am I making a mountain out of a molehill?

Ms. GARRETT. I wouldn't say that, Mr. Chairman. I would say maybe we——

Ms. GARRETT [continuing]. Haven't been totally clear in the differences between the operations and maintenance program and construction program.

Mr. YATES. I thought we were proceeding in an orderly manner until Secretary Watt spoke up and threatened with closing the parks. Mr. Galvin says, yes, we could close some of the parks because the states could close those parks. Is that right?

Mr. GALVIN. That is right.

Mr. YATES. Because you are not complying with them. The committee immediately says that you ought to be complying with them?

Ms. GARRETT. Yes, sir.

Mr. YATES. You tell us you are not on the 1982 budget list for them?

Ms. GARRETT. We have included everything in the fiscal year 1982 construction program that Mr. Galvin has prepared with project plans, and that was within the ceiling of the established——

Mr. YATES. But Mr. Galvin's projects can be closed by the States, can't they?

Mr. DICKENSON. We have worked out with the states a timetable. That is what he has testified to.

Mr. GALVIN. The action plan generally will be accepted by EPA or the State. They don't say you have to comply tomorrow. You give them a plan that says we will be in compliance by 1984 or 1983 or 1982. Generally speaking, they will buy that. You have to describe for them——

Mr. YATES. Mr. Galvin, suppose they agreed to it for 1990. Would that be acceptable to the Park Service?

Mr. GALVIN. It depends on the situation. Certainly I believe in a case like Yosemite, where we are discharging in a relatively pristine river, high up stream, I think the Park Service is interested in meeting the highest standards there.

Mr. YATES. I would agree with that and I am sorry you didn't include it in the 1981 budget.

Mr. GALVIN. We did.

Mr. YATES. I know you say you did, but you weren't ready to do anything.

Mr. GALVIN. No, sir. We thought we were more ready than the committee did. But we are ready this year.

Mr. YATES. You will get the money this year.

We are a year late. What about Grand Canyon? You are just as late for that, aren't you? Are you discharging in a pristine stream there?

Mr. GALVIN. At Grand Canyon we have a different situation. We have a septic system that is surfacing.

Mr. YATES. If it floods, you are through, aren't you?

Mr. GALVIN. Yes, sir.

Ms. GARRETT. We would not want to leave the impression that only the water and sewage projects could result in some kind of closing. There are others like fire standards, for example, that are set either at a national level or state level. Many of the projects——

FIRE AND SAFETY PROGRAMS

Mr. YATES. That is the important thing is the fire standards for your concessionaires, where your people sleep, isn't it?

Mr. GALVIN. Yes, sir.

Ms. GARRETT. Not only where they sleep but the visitor centers and various buildings throughout the park are also a concern.

Mr. YATES. I will accept that, Nancy. Tell us about that.

Ms. GARRETT. If I could add one point. All through the projects we have included are those kinds of projects to meet the fire and safety codes established at the national level or by the individual States. While I cannot tell you just off the top of my head which parks right at this moment are in violation of State codes, that information can be put together and provided. Clearly we need to look——

[The information follows:]

PARK AREAS WITH FACILITIES WHICH DO NOT MEET CURRENT FIRE AND SAFETY CODES

The following park areas have facilities which do not meet current fire and/or safey codes. In many cases, these deficiencies are found in older structures which

met code provisions at the time of construction but which are no longer in compliance with updated standards. Required project work includes the replacement of obsolete wiring, the installation of fire alarm and/or suppression sytems, sructural modifications to improve fire safety, and improved storage areas for flammable liquids.

Amistad National Recreation Area.
Apostle Islands National Lakeshore.
Bandelier National Monument.
Big Bend National Park.
Boston National Historical Park.
Booker T. Washington National Monument.
Bryce Canyon National Park.
Cabrillo National Monument.
Canyon de Chelly National Monument.
Canyonlands National Park.
Cape Code National Seashore.
Capulin Mountains National Monument.
Carlsbad Caverns National Park.
Chaco Culture National Historical Park.
Chamizal National Memorial.
Chickamauga and Chattanooga National Military Park.
Chickasaw National Recreation Area.
Chiricahua National Monument.
Coulee Dam National Recreation Area.
Crater Lake National Park.
Craters of the Moon National Monument.
Denali National Park and Preserve/
El Morro National Monument.
Everglades National Park.
Federal Hall National Memorial.
Fire Island National Seashore.
Fort Davis National Historic Site.
Fort McHenry National Monument and Historic Shrine.
Fort Smith National Historic Site.
Fort Union National Monument.
Frederick Law Olmsted National Historic Site.
Gateway National Recreational Area.
George Washington Memorial Parkway.
Glacier National Park.
Golden Gate National Recreation Area.
Grand Teton National Park.
Great Sand Dunes National Monument.
Guadalupe Mountains National Park.
Harpers Ferry National Historical Park.
Hawaii Volcanoes National Park.
Hot Springs National Park.
Hubbell Trading Post National Historic Site.
Independence National Historic Park.
Isle Royale National Park.
Jean Lafitte National Historical Park.
Jefferson National Expansion Memorial National Historic Site.
John Fitzgerald Kennedy National Historic Site.
John Muir National Historic Site.
Katmai National Monument.
Lake Meredith National Recreational Area.
Lassen Volcanic National Park.
Lincoln Boyhood National Memorial.
Lincoln Home National Historic Site.
Lowell National Historical Park.
Lyndon Baines Johnson National Historical Park.
Mammoth Cave National Park.
Martin Van Buren National Historic Site.
Mesa Verde National Park.
Mount Rainer National Park.
Mount Rushmore National Memorial.
Navajo National Monument.
Olympic National Park.
Oregon Caves National Monument.

Ozark National Scenic Riverways.
Padre Islands National Seashore.
Pictured Rocks National Lakeshore.
Rock Creek Park.
Rocky Mountain National Park.
Roosevelt National Park.
Saint Croix National Scenic River.
Saugus Iron Works National Historic Site.
Sequoia National Park.
Shenandoah National Park.
Sunset Crater National Monument.
Voyageurs National Park.
White Sands National Monument.
Whitman Mission National Historic Site.
Wolf Trap Farm Park for the Performing Arts.
Wupatki National Monument.
Yellowstone National Park.
Yosemite National Park.
Zion National Park.

MULTIYEAR PROGRAM

Mr. YATES. Let's do that. In your letter to us dated June 2, you say this on page 4:

For summary purposes the objective views were condensed to the following list: Health, safety, fire, concession contract compliance, cultural resource protection, environmental protection, natural resource preservation, et cetera. Within each of these objectives, the projects were identified by one of the following urgency statements.

Ms. GARRETT. Yes, sir.

Mr. YATES [reading]:

Serious damage, accident or resource damage experienced; facility not usable or resources in bad shape; reported potential serious problem; facility or resource deteriorating rapidly, at least interim needed now, needs expansion; poor appearance, lack of convenience; no reported incidence of damage. The total program is presented here by region, specific area and formualted into five year programs.

Multiple year programs? That is better isn't it?

Mr. GALVIN. Multiyear.

Mr. YATES. You may not make it in five years is what you mean?

Mr. GALVIN. Five years is the scheduling.

Mr. YATES. Okay.

Mr. GALVIN. It is a long list of work that needs to be done.

Mr. YATES. You don't know that you can do it in five years?

Mr. GALVIN. I am sure with everything on the list, I can't.

Mr. YATES. How much money is all that going to cost you?

Ms. GARRETT. Everything that has a regional priority number totals $1.4 billion.

Just construction.

Mr. GALVIN. Just construction.

Mr. YATES. That isn't health and hazard?

Ms. GARRETT. No sir, it is everything they want to do in the parks—total construction.

Mr. GALVIN. $3 billion is the total in the file.

Mr. YATES. That file?

Mr. GALVIN. No, this is just the jobs with priority numbers. Some jobs don't have regional priority numbers, but they are still in the file.

Mr. YATES. Health, safety and fire is the only list you have given us. You haven't given us any list about whether or not your concessionaires are in compliance with their contracts.

Ms. GARRETT. We do have that listing of projects. That list totals the $1.7 billion, which is reflected in that chart attached to the paper you have in your hand. Line 1 of that is just the health and safety. But we do have a printout that totals $1.7 billion that represents the total input from the regions——

Mr. YATES. What about cultural resource protection?

Ms. GARRETT. Yes sir, that would be in the $1.7 billion figure.

Mr. YATES. Environmental protection?

Ms. GARRETT. Yes sir, right on through that list.

Mr. YATES. Is that another list?

Ms. GARRETT. It is part of the $1.7 billion list.

Mr. YATES. Energy—protection of facility. Is that another list?

Ms. GARRETT. It is included in the $1.7 billion. Mr. Chairman, I might point out that in the front of the $472 million list that is on the table, also by region, alphabetically by park, is a listing of project with an identification of the urgency.

Mr. YATES. What is this over 100? What does that mean?

Mr. DICKENSON. That means the public use on any given day, Mr. Chairman. It is an estimate by management as to the kind of usage a facility gets.

Mr. YATES. Then potential risk, what is the highest urgency?

Ms. GARRETT. Serious damage, accident or resources damage is the highest urgency.

Mr. YATES. Let's look at how you describe these. Potential risk. You have one comfort station deteriorating fast.

Ms. GARRETT. I might say, Mr. Chairman, with regard to that urgency column, the only indicators used are (a) through (g), as defined on page 4 of the attachment you referred to a moment ago. Those are the only categories that would show up in that column, abbreviated so they would fit into the space on the page.

GLACIER NATIONAL PARK

Mr. YATES. This doesn't tell us at what happens if it goes out. For example, Glacier—replace Fern Creek Bridge, deteriorating fast. What happens if it is not replaced?

Mr. DICKENSON. Then the people have to wade the creek.

Mr. YATES. Is there no other bridge available?

Mr. DICKENSON. There is a bridge currently available, I am sure.

Ms. GARRETT. Twenty-four trail bridges?

Mr. YATES. Fern Bridge or replace Halter Creek bridge, McDonald Creek major repair. Suppose those aren't done? Are there alternatives to use or access to the park?

Mr. ALBRIGHT. Basically, I wouldn't think most of those are access, sir, because of the number of people it shows using them. So they are backcountry trail bridges, bridges where people are going to try to wade the stream.

Mr. YATES. I see. Well, the worst you have got is deteriorating fast or potential risk.

Mr. ALBRIGHT. I think the other one, sir, reported incidences, is probably the one.

CANYONLANDS NATIONAL PARK

Mr. YATES. Unusable, bad shape, for a road. Suppose you don't rehabilitate the road. You can't use it obviously. What happens then? That is Canyonlands. You wouldn't be able to use Canyonlands would you?

Mr. DICKENSON. Can I ask a question?

Mr. YATES. You can in just a minute.

Would you have to close Canyon Lands because those roads aren't paved?

Mr. GALVIN. No, sir.

Mr. ALBRIGHT. I don't believe so. Not those.

Mr. GALVIN. No.

Mr. YATES. It says unusable. Bad shape.

Mr. DICKENSON. Those are not primary roads are they?

Mr. GALVIN. No, these are roads in the parks.

Mr. YATES. What kind of roads would they be then?

Mr. GALVIN. These are access roads, sir.

Mr. YATES. Access to what?

Mr. GALVIN. To Canyonlands. But they are unsafe because of the condition of the surface.

Mr. YATES. Are you still using them?

Mr. GALVIN. Yes, sir.

Mr. YATES. Then you shouldn't use the word "unusable" should you?

Mr. GALVIN. I expect that what the park superintendent is saying is if some attention is not paid to them in upcoming years they will become unusable.

Ms. GARRETT. It is an and/or situation. It is either unusable or not safe. The definition includes both.

Mr. GALVIN. Incidentally, Mr. Chairman, that job does have a regional priority and is in the construction list.

Mr. YATES. For what year?

Mr. GALVIN. Right now we are calling it at two phases, 1984-85.

Mr. YATES. Why not this year?

Mr. GALVIN. Because it is not ready to be done.

Mr. YATES. Maybe the question I ought to ask you, Mr. Galvin, is what are you ready for?

Mr. GALVIN. What we have asked for in 1982.

Mr. YATES. That isn't very much, then, is it?

Mr. GALVIN. It is. I would say it totals $100 some million worth of construction between the two programs. $110 million.

Ms. GARRETT. That is taking about $62 million from the regular budget request, and another $48 million from the PRIP program.

GRAND TETON NATIONAL PARK

Mr. YATES. Here at Grand Tetons you have potential risks on water systems. Bear Creek, Moose water system. Triangle X Ranch water system. Beaver Creek sewage system, reported incident. Would a reported incident be the occurrence of somebody with typhoid or stomach problems because of having used that water?

Mr. ALBRIGHT. Bad samples of the water system.

Mr. YATES. Then it has turbidity filter. Bear Creek has 18 chemical toilets with a potential risk. What year do you have for those?

Mr. GALVIN. On those two Teton systems?
Mr. YATES. Only two? They have six.
Mr. GALVIN. Two are construction jobs. On those two we have 1983.
Mr. YATES. Why not 1982? You are not ready for them?
Mr. DICKENSON. Not ready.
Mr. YATES. Are you ready for them?
Mr. GALVIN. No, sir, 1983.
Mr. YATES. Are you asking for everything you are ready for, or are you ready for other projects where you haven't been able to get the money for this year?
Mr. GALVIN. We are asking for money for all the priority projects we are ready for, sir.
Mr. YATES. Are you ready for any other projects that you haven't been able to get the money for?
Mr. GALVIN. Not in the category of health and safety.
Mr. YATES. What categories, are there any risks?
Mr. GALVIN. No, sir.
Mr. YATES. Of any kind?
Mr. GALVIN. No, sir, I am talking——

PROGRAM EXPANSION CAPACITY

Mr. YATES. Give me an example of the projects that you are ready for that you are not asking money for.
Ms. GARRETT. Could I answer that, Denny?
I might say, Mr. Chairman, in the list you have before you which totals $472 million for health and safety, only $10 million of that $472 million could be pushed to a year earlier than fiscal year 1983. That $10 million figure——
Mr. YATES. Why?
Ms. GARRETT. Because we are not ready with the project planning, primarily, or other kinds of planning that is necessary in order to be able to come up with firm estimates and actually do the——
Mr. YATES. But I have asked him what he is ready for.
Ms. GARRETT. Yes sir. He has said he is——
Mr. YATES. He isn't ready for all the health and hazardous projects because obviously, you have listed those for 1983, some for 1983 and 1984.
Ms. GARRETT. That is right.
Mr. YATES. Do you have the planning money for all those projects?
Ms. GARRETT. Yes, sir. Either we have planning money or we can reprogram planning money to them, based on the national priority system.
Mr. YATES. Why is Triangle X water system under Grand Teton delayed until 1985? My goodness, you are not going to replace 18 chemical toilets which you have down as a potential risk beyond 1986?
Mr. GALVIN. I believe that is one of the projects we can move up, to replace the chemical toilets.
Mr. DICKENSON. It is cyclic.
Ms. GARRETT. Our rationale on that kind of project, Mr. Chairman, is that the superintendent has determined that it would not

be until the out year that it would be necessary to replace those 18 chemical toilets—by usage, by various kinds of samples, by his own experience, by cyclic maintenance program. That is why it is shown in the out year.

Mr. YATES. What is he going to do? He says there is a potential risk on your list.

Ms. GARRETT. That is right.

Mr. YATES. Is he going to do something to get rid of that potential risk? What is he going to do?

Ms. GARRETT. In that case, he would simply replace those chemical toilets.

Mr. YATES. What do you mean replacing them? Who is going to pay for them? When you replace a chemical toilet, don't you have to buy one to take its place?

Ms. GARRETT. Yes, that is not a construction job. Just go out and buy them.

Mr. YATES. Where is he going to get the money for them?

Ms. GARRETT. He wouldn't unless it comes through this program. I am sorry, I missed your question, Mr. Chairman.

Mr. YATES. I missed your answer. This says replacing 18 chemical toilets.

Ms. GARRETT. Yes, sir.

Mr. YATES. All right, it is a potential risk.

Ms. GARRETT. Yes, sir.

Mr. YATES. What is he going to do?

Ms. GARRETT. The superintendent is saying it will not become the kind of risk that it will be necessary to replace until 1986. He is saying he doesn't need to replace it in 1985, that he doesn't need to replace it until the out year.

Mr. YATES. 1986 or beyond that. Why is it on your list then?

Mr. DICKENSON. He has made a judgment, Mr. Chairman, that it will last until then. All he is describing is a potential risk. But he is identifying the year of replacement.

Mr. YATES. Again, I find that confusing. I thought I was dealing with a list of critical items.

Ms. GARRETT. Health and safety.

Mr. YATES. Yes, health and safety. But if it is not going to be replaced until 1986 that is not a critical health and safety item, is it?

Mr. DICKENSON. The more critical ones are shown in 1983, Mr. Chairman, from a priority standpoint.

Mr. YATES. That isn't necessarily true. You have the critical items that are on your list for 1984, aren't they, because you can't be ready before then? Mr. Galvin says yes, that is true. You could push them up to 1983, couldn't you?

Mr. GALVIN. 1983 would be a real problem.

Mr. YATES. Why?

Mr. GALVIN. Because we should have started the planning on any job in 1983 in 1981. So we are a year behind the cycle and wouldn't be able to give you good estimates because the estimate would simply be based on horseback——

Mr. YATES. How do I activate you or how do you slow me down? How do you get action for something that has to be done? Am I being unduly alarmed if I say that I don't agree with you, and that

if it is on this list we ought not to wait until 1984 or 1985, that we ought to be doing it now?

Mr. GALVIN. The fact is that we can't do it all now. We get into a question of capacity at some level.

Mr. YATES. What kind of capacity, your capacity?

Mr. GALVIN. Our capacity to accomplish the work in a timely manner.

Mr. YATES. What if you expanded your operation?

Mr. GALVIN. We can expand our operation, but again, at this point in time with this budget, you are largely talking about expanding construction in 1984, because advance planning begins in 1982.

Mr. YATES. Then why shouldn't you expand and do it then. If you don't, you are going to be delayed another year or two, aren't you?

Mr. GALVIN. Right.

Mr. YATES. Are you doing it? Have you money to expand then?

Mr. GALVIN. It depends on the program level we predict for 1984. We can expand—we can expand our capacity by doing more A&E contract work in 1982.

Mr. YATES. That is what I am trying to find out, Mr. Galvin. Maybe we are getting down to it now. How many of these things are in the category of El Portal and have to be moved up? Are these Grand Teton projects in that category?

Mr. GALVIN. I am not familiar with the Triangle X project.

Mr. ALBRIGHT. Sir, if I may address the Triangle X project.

Mr. YATES. Yes.

Mr. ALBRIGHT. I think it is true with a number of the projects that you are seeing, that many of the water and sewer projects have been dealt with through interim measures that were taken either through the pollution in the parks money which we had or the $16.3 million add-on which was used to effect these interim improvements.

Mr. YATES. Do you mean a jerrybuilt kind of thing, a Band-aid, or patchup?

Mr. ALBRIGHT. It will work until the planning can be done, until the project could go through the regular system.

Mr. YATES. How much money can you save, or is it more expensive to do it that way?

Mr. ALBRIGHT. I don't know if construction people——

Mr. YATES. Why do a patchwork job if you can save money by doing a permanent job?

Ms. GARRETT. Because it is faster. The Mammoth water system is a good example. It has a temporary treatment plant in there. It is not the right capacity, it is not the right kind of plant, but it does the job until——

POTENTIAL PARK CLOSINGS

Mr. YATES. I have to ask the right question obviously. I am not sure I am asking you the right question. I get the impression that you fellows are fencing with me. You are fencing with me because you are constrained by $105 million. I am challenged by the Secretary's statement about the health hazard and in fact some of these parks may have to be closed. And I don't want the parks closed. In

order to take care of these situations which threaten the closing of certain parks, will the $105 million take care of that?

Mr. GALVIN. It will take care of the highest priority jobs that are ready, sir.

Mr. YATES. I am not asking you that. I am asking will it take care of all the jobs that have to be taken care of in order to prevent a closing of the parks within the next two or three years?

Mr. GALVIN. No, sir.

Mr. YATES. Then how much money do you need to do that?

Mr. GALVIN. I think the money we have requested is adequate.

Mr. YATES. No, you don't. How can you say that? Obviously you don't.

Mr. DICKS. How can you say that when you say some of the parks will have to be closed because $105 million isn't adequate? How much would you need to keep the parks open?

Mr. YATES. Is there a failure of communication?

Mr. DICKS. I think we are mixing apples and oranges or something. We are talking about the $105 million in terms of the 1982 fiscal year. That was the context in which Mr. Galvin was responding.

Mr. YATES. That isn't what I am talking about.

Mr. DICKS. I understand that.

Mr. YATES. What I am talking about, Mr. Galvin, has no relation to this fiscal year as such. This is the part that troubles me, are you protecting your $105 million? I am troubled by the fact that the $105 million may require closing of some of the parks which would not be closed if, for instance, we gave you $125 million. Is that a possibility?

Mr. GALVIN. No, sir, I don't believe so, because I think the connection you are making between the potential closing of parks and this budget request is much too close. As I have explained previously, in those instances where we have water, sewer, or health problems, we are taking interim measures, we are submitting plans to the State or the EPA, whoever has the jurisdiction. And generally speaking they will accept those interim plans providing we tell them the scheduled action we will take to correct the situation.

Mr. YATES. Suppose there is an outbreak of typhoid, would you close the park?

Mr. GALVIN. If there were an outbreak of typhoid we would certainly close the park.

Mr. YATES. Is that a possibility?

Mr. GALVIN. I do not believe so. The principal health problems relate to the various kinds of organisms in some of the Western parks.

Mr. YATES. I think typhoid comes from an organism.

Mr. GALVIN. But I don't believe it is prevalent in the Western states.

Mr. YATES. Do you have any suits against the Park Service because of somebody getting sick after drinking water in one of your parks?

Mr. GALVIN. I don't know. I think there have been some.

Mr. DICKENSON. There was one at Crater Lake, Mr. Chairman.

Mr. DICKS. Mr. Chairman, I think they have a responsibility to tell us and I think you are absolutely correct in this, if this budget

of $105 million is inadequate, and I think you have testified—as I understand it, you have testified it isn't enough money to take care of the urgent priorities. What would be a level of funding that would be sufficient to take care of the urgent priorities in fiscal year 1982?

Mr. GALVIN. I didn't mean to testify that it isn't enough money to cover the urgent priorities.

Mr. YATES. I got the impression he came to an opposite conclusion.

Mr. DICKS. You said it three different ways, but you said it. What is enough money? Did you want to correct your testimony?

Mr. GALVIN. No, the question I understood is, is it all in this budget? My answer is no, it isn't----

ADEQUACY OF CONSTRUCTION REQUEST

Mr. DICKS. Then it isn't adequate to take care of the need. That is what you have testified to.

Mr. GALVIN. Yes, but is it timely to take care of the need is the question. It is more than a question of how much money you need. It is also a question of when the solution can be effected.

What I am saying, as far as construction goes, is this represents the work we are ready to do. And it is an adequate level.

Mr. DICKS. Is it adequate or is it optimum?

Mr. GALVIN. It is adequate.

Mr. DICKS. Then you are telling us it isn't enough. That is bureaucratese for "It isn't enough, but I have to say that because my boss is sitting over here." Now, what is adequate? What is sufficient to get the job done? What would you need? Could you spend any more money?

You are saying you couldn't spend any more money in 1982 on these problems?

Mr. GALVIN. I am only speaking for construction.

Ms. GARRETT. We can address that specifically for all of the other projects that are in this list. In looking at every single project on a project by project basis, as I mentioned earlier, we identified $10 million worth of projects that could be moved up from fiscal year 1983 or fiscal year 1984 and done in fiscal year 1982 considering project planning, advance planning, the cycle, is it ready, so forth. So we could do another $10 million of work on health and safety projects in fiscal year 1982.

Mr. YATES. Beyond the $105 million?

Ms. GARRETT. Beyond that presently included in the 1982 budget.

Mr. YATES. Beyond the $105 million?

Ms. GARRETT. That is correct, sir.

Mr. DICKS. That represents your total capability?

Mr. YATES. No. This is the first leak in the dike.

Mr. DICKS. The whole dam?

Mr. YATES. It is the first time the dam broke. Now you are going to get fired tomorrow.

Ms. GARRETT. I made that statement an hour ago.

Mr. YATES. Where were we?

Ms. GARRETT. That is from the total $472 million, we could move $10 million worth of projects forward to fiscal year 1982. That is taking a look, sitting down with Denny Galvin and going through

it project by project, saying does it require advance planning or project planning? If it doesn't, is there any reason we can't move it up?

ADDITIONAL PROJECTS IDENTIFIED

Mr. YATES. What were those $10 million in projects?

Ms. GARRETT. We have them right here.

Mr. YATES. Tell us. Let her do it.

Ms. GARRETT. I can start on page 1. Badlands. Identification number 24, rehab 10, fire hose boxes. Moved from fiscal year 1984 to 1982.

Bighorn Canyon, identification number 13. Rehabilitate lagoon fence. Moved from fiscal year 1983 to fiscal year 1982.

Canyonlands, numbers 11 and 12, moved both of those from 1983 to fiscal year 1982.

Mr. YATES. What do those represent?

Ms. GARRETT. Eleven is replace pumps, clean wells. 3(a) and 3(b), rehabilitate the Needles water system. Both could be moved up to fiscal year 1982.

Custer Battlefield, identification 6, rehabilitate a trail culvert. Could be moved up from fiscal year 1983 to fiscal year 1982.

Glacier National Park, number 17, 38, 39, 42, could all be moved up to fiscal year 1982.

At Grand Teton identification number 41, replace eight septic systems at Beaver Creek, could be moved from fiscal year 1984 up to fiscal year 1982.

Rocky Mountain National Park number 43, number 78, and 79 could all be moved up from fiscal year 1983 and fiscal year 1984 to fiscal year 1982.

Theodore Roosevelt National Park, identification number 12, rewire buildings, building number 70 to code, $142,000, could be moved from fiscal year 1983 to fiscal year 1982.

Mr. YATES. Go ahead, you are doing very well, Nancy.

Mr. DICKS. Could I ask one question on this?

Mr. YATES. No.

Mr. DICKS. Please.

Mr. YATES. Let her finish.

Mr. DICKS. I want to ask her one question so we can understand the meaning of this list. Just because you can do it this year, does that also mean that it is the highest priority? That is the question I would like to ask.

Ms. GARRETT. I would answer by saying the year in which it appears on the chart, like for example, fiscal year 1983 or fiscal year 1984, by definition——

Mr. DICKS. My chart——

Ms. GARRETT. You are looking at the first part of the book. If you would switch to the second tiny brief you will be with us.

Mr. YATES. Go ahead, Nancy.

Ms. GARRETT. At Wind Cave there is a project shown for fiscal year 1983. That could be moved up to fiscal year 1982.

Mr. YATES. What is the test for moving it up from 1983?

Ms. GARRETT. Mr. Galvin and others and I went through an exercise yesterday to review each project to see if it requires project planning? Does it require advanced planning? Is it in that

cycle which makes sense for it to be replaced as early as fiscal year 1982? If it generally met those criteria we said, they are health and safety, by definition, that is critical. We are going to move them up.

Mr. YATES. You are going to throw this to Mr. Yates.

Ms. GARRETT. And we will relate that to the Chairman.

STATEMENTS OF CAPABILITY

Mr. YATES. Go ahead, Mr. Bettenberg.

Mr. BETTENBERG. If we could pause just one second, I think the witnesses you have been hearing today are very sincere people. They are not constrained to tell you that they don't have the capability to do something they have the capability of doing. No one has ever told them that. I am positive they don't feel that.

Mr. YATES. I beg your pardon? Haven't they been told they have $105 million to deal with?

Mr. BETTENBERG. They have been told that they have a budget of $105 million.

Mr. YATES. That is right. And to give the Director a list of projects that meets the $105 million.

Mr. BETTENBERG. Oh, yes. What I am saying——

Mr. YATES. Yes, whether there are others that can qualify as dangerous or so forth, they still can't submit because they don't meet the $105 million. As I understand what is happening now, Nancy is coming forward with an additional $10 million worth of projects.

Mr. BETTENBERG. But what I am pointing out is I think they have been trying to be responsive all along in this hearing. There is no bar on them. I am positive they don't feel any requirement to tell you if they had a $200 million capability or a billion dollar capability, that that was in fact something less.

Mr. YATES. I don't believe that, Mr. Bettenberg, I just don't believe that. I think that Russ Dickenson has got to stay within his $105 million. I don't know, that is why I told Nancy she was going to be fired tomorrow morning because she dared to breach the $105 million.

Mr. BETTENBERG. Mr. Chairman——

Ms. GARRETT. I hope you don't know something I don't know.

Mr. BETTENBERG. In all the years I have been coming before this committee, so far as I know, no one has ever had a bar from saying what——

Mr. YATES. From OMB?

Mr. BETTENBERG. There is no impediment from OMB, the Department or anybody else.

Mr. YATES. Mr. Bettenberg, either you or I are naive.

Mr. BETTENBERG. They are charged with supporting the budget in the sense of telling you these are the highest priority things and in fact, they develop the priorities within the amount of money they have been allowed. Those are their priorities.

Mr. YATES. That is impossible. The last hearing Mr. Galvin said that his only—he was so wedded to the $105 million that he had no potential for exceeding it. Didn't you say that?

Mr. GALVIN. Generally speaking, yes.

Mr. YATES. All of a sudden you have——

Mr. DICKS. Generally speaking?

Mr. GALVIN. Mr. Chairman, I wouldn't be doing this. I am only speaking for construction. These jobs that Nancy is listing do not consider Denver Service Center. They would be done in the regions or parks. When I said I am wedded to the $105 million, it is that part that the Denver Service Center is going to execute; it represents our total capacity for 1982. It is the jobs that are ready or will be ready.

Mr. YATES. They are the only ones who will be ready and there is no way you can make any of the others ready.

Ms. GARRETT. There is nothing else ready for 1982.

Mr. YATES. That can't be made ready?

Ms. GARRETT. In this category, that is right.

Mr. YATES. In the same way, Nancy is making these ready.

Mr. GALVIN. Very little. Minor jobs.

Mr. YATES. Like what, a sewer system?

Mr. GALVIN. Septic tank maybe.

Mr. YATES. Would a septic tank help the situation?

Ms. GARRETT. Mr. Chairman, when Denny and I went through this exercise yesterday, if we came to a septic tank and felt that the project planning could be done early enough in the year to obligate this project in 1982 we moved it up.

Mr. YATES. Is that in our list?

Ms. GARRETT. Yes, sir.

Mr. YATES. Isn't that part of your construction list?

Ms. GARRETT. Yes, sir, but most of the projects in here Denny would do are the very large dollar projects that would be impossible to get the project planning ready so that that project could be obligated in fiscal year 1982.

Mr. YATES. How long will it take? Have you started on it yet? He has already started on his 1983 project he said.

Ms. GARRETT. Yes, sir.

Mr. DICKS. Could I ask another question?

Mr. YATES. In just a moment, please.

Ms. GARRETT. The projects he is working on now would be ready in 1983, but——

Mr. YATES. None of those 1983 projects would be ready for 1982?

Ms. GARRETT. Not major construction projects, that is correct.

Mr. YATES. How about un-major projects?

Ms. GARRETT. Those that could be ready for 1982 are in this list that I was going through just now.

Mr. YATES. They are the only ones?

Ms. GARRETT. Yes, sir. The ones I am calling out.

Mr. YATES. But we are talking about construction now. Are you reading off non-construction projects?

Ms. GARRETT. Yes, but that is because for the most part, when he and I sat down yesterday, he said to me, no way could that be ready for 1982.

Mr. YATES. That is true of all of that?

Ms. GARRETT. Yes, sir, that is correct.

Mr. YATES. Nancy, you can put a list of all those in the record, would you?

Ms. GARRETT. Yes, sir.

[The information follows:]

PARK RESTORATION AND IMPROVEMENT PROGRAM

Health, Fire and Safety Projects

The following is a listing of $10 million additional health and safety projects which could be accomplished during fiscal 1982. These projects are generally small repair and rehabilitation projects without protracted planning and design requirements which can be accomplished by regional and park staffs. These projects were chosen from the National Park Service $472 million computer listing of health and safety projects.

ROCKY MOUNTAIN REGION Park	Project Title	Amount ($000)
Badlands NM	Rehabilitate 10 Fire Hose Boxes	6
Bighorn Canyon NRA	Rehabilitate Lagoon Fence	15
Canyonlands NP	Replace Pumps and Clean Wells 3A, 3B, and NE	18
	Rehabilitate Needles Water System	12
Custer Battlefield NM	Rehabilitate Medicine Tail Culvert Number 002P	5
Glacier NP	Rebuild 5 Trail Bridges	25
	McDonald Creek Bridge Repair	7
	North Fork Flathead Rehabilitation	16
	Kintla Creek Rip Rap	14
Grand Teton NP	Replace 8 Septic Systems, Beaver Creek	20
Rocky Mountain NP	Replace Ski Lift Shives	20
	Rewire 64 Buildings to Standard (2 projects)	200
Theodore Roosevelt NP	Rewire Building 70 to Code	142
Wind Cave NP	Rehabilitate Box Culvert	9
Yellowstone NP	Rehabilitate Fire Hole River (Morning Glory)	12
Zion NP	Rebuild Retaining Wall (3 miles, 2 projects)	150
	Total, Rocky Mountain Region	671
NORTH ATLANTIC REGION		
Acadia NP	Rehabilitate Restroom, Schoodic Area	15
	Pave Walkway, Blackwoods Amphitheatre	3
	Install Showers, McFarland Maintenance Area	4
	Obsolete Power Tools Maintenance	4
Edison NHS	Install Complete Fence Enclosure, Mayer	12
Fire Island NS	Rehabilitate Restrooms, Talisman Area	50
Franklin D. Roosevelt NHS	Maintenance Facility Rehabilitation	99
	Install Exterior Lighting	9
	Tree/Shrub Management	45
	Rehabilitate Carpenter Shop	14
Gateway NRA	Removal of Poly-Chlorinated Biphenyls from Transformers, Sandy Hook	50
	Rehabilitate Signs and Traffic Controls, Parkwide	60

NORTH ATLANTIC REGION (Cont'd) Park	Project Title	Amount ($000)
John F. Kennedy NHS	Replace Deteriorated Hall Carpet	4
Lowell NHP	Install Safety System, 9 Maintenance Trucks	8
Sagamore Hill NHS	Rehabilitate Old Orchard Water System (3 projects)	200
Saint-Gaudens NHS	Rehabilitate Blow-Me-Down Dam	92
Saugus Iron Works NHS	Install Exhaust System on Maintenance Shop	3
Statue of Liberty NM	Install Emergency Exit for Administrative Building	10
	Remove Dead Trees and Fallen Limbs	15
	Replace Worn and Unsafe Carpeting in Visitor Areas	35
Vanderbilt NHS	Rehabilitate Septic Systems	30
	Total, North Atlantic Region	762
NATIONAL CAPITAL REGION		
Antietam NBS	Replace Galvanized Water Line, Cemetery	12
Baltimore-Washington Parkway	Replace Bridge Railings	35
	Replace Water Tanks	120
Catoctin Mountain	Repair Sanitation Sewer for Visitor Center	7
Chesapeake and Ohio Canal NHS	Remove Unsafe Buildings, 2 Locks	65
George Washington Memorial Parkway	Rehabilitate Parkway Lighting, Memorial Bridge	27
Manassas NBP	Replace Pit Toilets, Picnic Area	90
	Install Emergency Exit, Park Headquarters	20
National Capital Parks-East	Control Methane Gas, South Kenilworth	110
	Marshall Hall Site Restoration	25
	Up Grade Traffic Control Devices	37
	Control Methane Gas, Oxon Hill	300
	Install Fire Hydrants, Anacostia Marina, Fort McNair Marina, Buzzard Point	51
Rock Creek Park	Improve Fire Protection System, Headquarters	5
Wolf Trap Farm Park	Install Emergency Generator, Filene Center	200
	Total, National Capital Region	1,104
MID-ATLANTIC REGION		
Assateague NS	Install Sanitary Refuse Collection Dumpsters	165
Colonial NHP	Install Dust Collection System, Yorktown Shop	27
Delaware Water Gap NRA	Remove Hazardous Trees along Route 209	33
Fort Necessity NB	Resurface Braddock Grave Entrance Road	8
	Rehabilitate 825 feet of Trails	11
	Install Water System Chlorinators	5
	Rehabilitate Utility Systems, Building 46	7

MID-ATLANTIC REGION (Cont'd) Park	Project Title	Amount ($000)
Friendship Hill NHS	Install Well and Distribution System	25
George Washington Birthplace NM	Install Flammable Material Storage Cabinet	4
Hampton NHS	Install Overseer's Cottage Furnace	11
	Total, Mid-Atlantic Region	296
SOUTHEAST REGION		
Big Cypress NPre	Acquire Off-road Structure Fire Truck	118
	Rehabilitate Ochopee Water System	50
	Rehabilitate Residential Sewer System	12
Blue Ridge Parkway	Rehabilitate Parkway Water Systems	120
Canaveral NS	Rehabilitate Walkway and Remove Safety Hazardous	42
	Install Self-Contained Toilet Unit (10)	60
Cape Lookout NS	Rehabilitate Septic Systems	45
	Install Fire-fighting Equipment	44
	Install Portable Toilet Hand Pumps	26
Chickamauga and Chattanooga NMP	Upgrade Visitor Center Utility Systems	80
Cumberland Island NS	Rehabilitate Restrooms and Utility Systems	50
	Install Seacamp Restrooms and Showers	20
	Acquire Fire Pumper	50
Everglades NP	Rehabilitate Utility Systems, Long Pine Key	55
	Fumigate NPS-owned Concession Facility	24
Great Smoky Mountains	Rehabilitate Back-Country Trail Bridges	100
Gulf Islands NS	Install Parkwide Signs	30
	Restripe Roads, Parkwide	50
Mammoth Cave NP	Inspect Ferry Boats	24
	Sign Replacement/Repair	70
Russell Cave NM	Rip Rap Creek Boule, Russell Cave	25
Virgin Islands NP	Install Comfort Stations, Hawksnest, Reef Bay and Cruz Bay	85
	Rehabilitate/Replace Park Radio Components	25
	Total, Southeast Region	1,205
MIDWEST REGION		
Apostle Islands NL	Provide Fire Protection, Historic Light Station	22
	Safety Inspection (X-Ray) of Kiwatin Hull	5
	Install Safety Rails and Signs	10
	Install Vault Toilets on Islands	20
	Overhaul Lift Engines and Winches	2

MIDWEST REGION (Cont'd) Park	Project Title	Amount ($000)
Cuyahoga Valley NRA	Replace Septic Sewer Systems	30
	Tree and Bush Removal, Roadside Safety	60
	Plug Abandoned Gas Wells	11
Grand Portage NM	Fill and Seal Abandoned Well	4
Isle Royale NP	Install Toilets, Daisy Farm	30
Jefferson National Expansion Memorial NHS	Fire/Instrusion Detection System	100
	Replace Broken Terrazzo, Arch Entrance	232
Lincoln Boyhood NMem	Install Fire and Burglar Alarm Systems	32
Lincoln Home NHS	Install Exterior Lighting Systems for Visitor Safety	25
Ozark NSR	Install Vault Toilets and Vacuum Pump	90
	Provide Water Supply at Devils Well	45
	Install Alley Well Fire Sprinkler System	25
	Install Fire Hydrants, Big Spring	60
	Resurface Ferry Parking Area	10
	Install Restaurant Storage, Big Spring	5
Perry's Victory and IPM	Install Handrails at Memorial Plaza	8
	Inspect Northwest Seawall	15
Pictured Rocks NL	Install Well at Little Beaver Campground Well	4
	Install Vault Toilets	40
St. Croix NSR	Install Vault Toilets	42
	Provide Potable Water for Campers	50
Scotts Bluff NM	Install Fire Suppression Equipment	10
Voyageurs NP	Rehabilitate Boat Docks, Whispering Pines	50
	Rehabilitate Trailhead Docks, Park General	70
	Install Vault Toilets in Campgrounds	50
	Lost Bay Trail Rehabilitation	30
	Total, Midwest Region	1,187
SOUTHWEST REGION		
Amistad NRA	Provide Flammable Liquid Storage Building	23
	Extend Walkway Down to Boat Docks	50
	Install Ground Fault Circuit Interrupters	10
Bandelier NM	Remove Hazardous Trees from Visitor Areas	25
	Rehabilitate Back-Country Trails, Park General	100
	Rehabilitate Frijoles Ruin Trail, Frijoles Canyon	39
	Install Fire Detection System at Visitor Center and Maintenance Building	40
	Install Ground Fault Circuit Interrupters	20
	Rehabilitate Park Radio	87
	Replace Pit Toilets	12

SOUTHWEST REGION (Cont'd) Park	Project Title	Amount ($000)
Big Bend NP	Rehabilitate Electrical System to Code	39
	Up Grade Fire Detection System	200
	Rehabilitate Irrigation System	12
	Rehabilitate Amphitheatre Walk Lights	10
	Install Ground Fault Circuit Interrupters	25
	Relocate Electrical System, Employee Quarters	20
	Repair Ceiling at Castolon General Store	15
Big Thicket NPre	Improve Trails and Rehabilitate Boardwalks	117
	Acquire Mobile Radiós for Emergencies	4
	Replace Trail Bridges, Park General	32
Buffalo NR	Install Fence Around Abandoned Pit Mines	25
	Replace Electrical Hookups	30
	Improve Access Roads	60
	Rehabilitate Values and Fire Hydrants	10
	Repair Road Shoulders	15
Canyon De Chelly NM	Install Masonry Walls at Overlooks	10
	Provide New Trail-Whitehouse Overlook	29
	Provide Dog-Proof Garbage Area	3
	Install Ground Fault Circuit Interrupters	20
	Relocate Electrical System	25
Capulin Mountain NM	Replace Power Generator at Headquarters Area	12
	Improve Nature Trail Access	14
Carlsbad Caverns NP	Acquire Standby Pumps for Main Water System	8
	Install Cave Monitoring Equipment	30
	Install Ground Fault Circuit Interrupters	15
	Rehabilitate Cavern Lights	20
Chaco Culture NHP	Install Ground Fault Circuit Interrupters	10
Chamizal NMem	Replace Xenon Lamp Reflectors-Theatre	5
	Modify Exit Stairs, Theatre	13
	Stabilize Flagpoles and Support Pylons	23
	Install Ground Fault Circuit Interrupters	10
Chickasaw NRA	Install Low-Flow Hypochlorinators	10
	Replace Portable Toilets	45
	Replace Navigation Buoys	15
	Repair Sewer Manholes	20
El Morro NM	Replace Boardwalk, Inscription Trail	3
	Replace Fuel Tanks and Lines	10
Fort Davis NHS	Replace Hospital Porch	15
	Install Ground Fault Circuit Interrupters	10
	Rehabilitate Trails, Park General	5
Fort Smith NHS	Fence Off Electric Tower	10
Fort Union NM	Install Safety Glass at Visitor Center	10
	Diesel Dispensing System at Maintenance Area	5
	Acquire Flammable Storage Building	5

SOUTHWEST REGION (Cont'd) Park	Project Title	Amount ($000)
Guadalupe Mountains NP	Septic Tank for Dog Canyon Residence	20
Hot Springs NP	Rehabilitate/Repair Light Pole Standards	18
	Improve Water Testing Lab	2
	Rehabilitate Well Serving 3 Park Quarters	3
	Replace Water Reservoirs at Hot Springs Mountain	28
	Rehabilitate Water Line West Mountain and Campground	15
	Install Ground Fault Circuit Interrupters	10
Hubbell Trading Post NHS	Rehabilitate Water Tank Roof	10
	Repoint/Replace Campground Walkways	15
	Install Ground Fault Circuit Interrupters	10
	Provide Flammable Liquid Storage Building	20
Lake Meredith NRA	Provide Space Parts for Sewer System	20
	Install Two Hypochlorinators	5
	Install Ground Fault Circuit Interrupters	10
Lyndon B. Johnson NHP	Install Auto Cutoff Switch on Air System	5
Navajo NM	Remove Rock Hazards at Betatalun Trail	20
	Rehabilitate Betatalun Trail	20
	Install Ground Fault Circuit Interrupters	10
Padre Island NS	Dispose of Hazardous and Toxic Waste	10
	Replace 30 Portable Chemical Toilets	12
	Repair/Replace Fire Safety Equipment	30
	Restripe Roads and Parking Area	10
	Rehabilitate Sewage System and Plant	40
	Repair/Replace Aerial Mileage Markers	5
	Install Ground Fault Circuit Interrupters	20
Pea Ridge NMP	Replace Glass at Visitor Center	25
	Make Improvements to Visitor Center	40
Southwest Regional Office	Install Fire Detection System	60
Sunset Crater NM	Install Guardrail Along Section of Route 345	37
	Rehabilitate Concrete Walks, Visitor Center	45
White Sands NM	Repair Sewer Lines, Park General	6
Wupatki NM	Install Fire Detection/Suppression System	25
	Rehabilitate Electric System, Maintenance Building	10
	Rehabilitate Water System Pumps	15
	Total, Southwest Region	2,061
WESTERN REGION		
Cabrillo NM	Install Fire Detection Alarm System	20
Channel Islands NP	Replace Dock Supports and Decking	70
Chiricahua NM	Install Fire Alarm System, Faraway Ranch	12
Eugene O'Neill NHS	Preserve Safety Storage Structure	4

WESTERN REGION (Cont'd) Park	Project Title	Amount ($000)
Golden Gate NRA	Repair Eight Public Use Elevators	150
	Replace Electric Wiring in Maritime Museum	100
	Reconstruct Trail Bridge, Point Bonita Lighthouse	125
Grand Canyon NP	Install Fire Standpipes	30
	Improve Flood Protection for Waterline	200
John Muir NHS	Construct Trail for Handicapped Trail	10
	Repair Bridge over Creek	6
Lake Mead NRA	Replace Portable Comfort Stations	48
Lassen Volcanic NP	Install Vacuum Exhaust System in Carpenter Shop	15
	Install Vent System in Auto/Machine Shop	15
Pinnacles NM	Rehabilitate Solid Waste Disposal Loading Ramp	7
Point Reyes NS	Rehabilitate Back-Country Trail System	238
	Drill Well and Replace Pump for Employee Quarters	7
	Replace Vault Toilets	15
	Install Sewer System, Lifeboat Station	20
	Install Chemical Toilets, Park General	11
	Provide Rodent and Termite Control, Nike Site	29
Sequoia NP	Repair/Reroof Two Buildings	30
	Repair/Rehabilitate Marble Fork Bridge	15
	Replace Dorst Creek Bridge	75
	Construct Roof Extensions and Building Fire Exits	15
	Construct Roof Extensions, Wolverton Ski Hut	15
	Provide Restroom Facilities, Pear Lake	15
	Replace Overhead Fuel Storage with Underground Tank	10
Tonto NM	Install Rock Monitoring Equipment	12
Whiskeytown NRA	Eliminate Hazardous Open Mines	24
	Sand Blast and Paint Digester Tanks	7
Yosemite NP	Repair Sprinkler Fire System	7
	Repair Covered Bridge, Wawona	60
	Recharge Freon in Fire Suppression System Protecting Park Collections	29
	Replace Chemical Pit Toilets	300
	Install Fire Alarm System, History Center	16
	Total, Western Region	1,762
PACIFIC NORTHWEST REGION		
Mount Rainier NP	Install Fire Doors, Paradise Day Use Building	20
Nez Perce NHP	Install Emergency Communication System	3

PACIFIC NORTHWEST REGION (Cont'd) Park	Project Title	Amount ($000)
Olympic NP	Modify Kalalock Sewer System	30
	Sewage System Improvements	60
	Replace Pit Toilets, Parkwide	74
	Up Grade Building Wiring and Plumbing, Parkwide	170
	Hazardous Tree Removal, Parkwide	150
	Up Grade Elwha Coast Guard Water System	23
	Correct Olympic Hot Springs Outflow	70
Whitman Mission NHS	Correct Hazards to Fuel Storage Area	7
	Install Emergency Communication System	5
	Total, Pacific Northwest Region	612
ALASKA REGION		
Denali NP & NPre	Rehabilitate Rock Creek Bridge	8
	Safety Railing and Bridge Repairs (5 projects)	61
	Correct Structural Fittings and Erosion Hazard on Sanctuary Bridge	5
	Repair Eroded Fittings, Tekanika Bridge	2
	Repair Erosion, Igloo Creek Bridge	4
	Repair Grades and Erosion, Upper Igloo Bridge	4
	Repair Erosion/Girdles, East Fork Toklat Bridge	18
	Rebuild Abutment Jetty, Stoney Creek Bridge	18
Glacier Bay NP & NPre	Replace Hazardous Kitchen Equipment and Boilers	90
Katmai NP & NPre	Fireproof Fuel Storage Facility	45
	Rehabilitate Deteriorated and Hazardous Seasonal Employee Quarters	85
	Total, Alaska Region	340
	Total, All Regions.....	10,000

FISCAL YEAR 1982 PROJECT PLANNING

Mr. YATES. I am glad we have agreed that there are some other items that could be used this year.

May I invite your attention to page 118 of your justification where you have 1982 project planning. We don't see any of those, on your construction, on these lists. Does that mean the ones that appear on page 118 and all the way through 1982 project planning, page 120 are not health and safety projects?

Mr. GALVIN. The question is what?

Mr. YATES. The question, Mr. Galvin, is are none of the projects listed on page 118 to 120 of your justification health and safety projects because none of them seem to appear on the list you have given us for health and safety projects?

Mr. GALVIN. These are 1982 planning projects which are very largely for jobs that will be in 1983.

Mr. YATES. What was the answer to my question?

Mr. GALVIN. This is 1982 project planning. In the normal cycle these projects will be asked for in 1983.

Ms. GARRETT. I think we need to make another point here, Denny.

Mr. YATES. Yes, but I am saying this. We don't find these projects listed in the sheets we have gotten for 1983.

Mr. DICKENSON. That is not the 1983 budget submittal.

Mr. YATES. Wait a minute. It is the 1983 budget submittal because you are telling us how you intend to deal with these in the years to follow, 1983, 1984, 1985, 1986.

Ms. GARRETT. Yes, sir.

Mr. YATES. The impression we have is that in the budget for 1983, where you have so indicated, you are going to ask for money for those projects in 1983. So to that extent, it is part of your budget for 1983.

Ms. GARRETT. Yes, sir, but I do need to make a clarification. When this list was put together, Mr. Chairman, we did not have the health and safety projects identified.

Mr. YATES. Which list?

Ms. GARRETT. This is the list in the justification we put together. We had not yet identified the health and safety projects that were going to be done in fiscal year 1983. We have already had sessions saying that this list is going to have to be revised in order——

Mr. YATES. When you say this list?

Ms. GARRETT. Justification pages 118, 119, and 120 are going to have to be revised now to address high priority health and safety projects we are reflecting for fiscal year 1983 recognizing the timing——

Mr. YATES. Are you saying the justification pages we refer to have no meaning at this point?

Ms. GARRETT. At this point, Mr. Chairman, they will have to be updated to reflect the urgent health and safety projects that we have identified——

Mr. YATES. Even though some of them talked about constructing concession overnight visitor facilities——

Ms. GARRETT. That is correct, sir, all——

Mr. YATES. Comfort station utility.

Ms. GARRETT. A comfort station would be——

Mr. YATES. Why isn't it on the new list you have given us? For example, on Padre Island, where you have constructed deteriorated unsafe section of main road, does that appear in Padre Island on this list?

Ms. GARRETT. It might.

Mr. YATES. Well, that is Grand Teton. What about Padre Island? No Padre Island.

Mr. Dicks wanted to ask some questions.

Mr. DICKS. I was trying to find out where 1982 is. I guess this is the list for 1982?

Ms. GARRETT. That is correct.

Mr. GALVIN. And beyond.

Mr. DICKS. So the $10 million you are talking about is taking off of these lists and moving them into 1982?

Ms. GARRETT. That is correct.

Mr. DICKS. Where is 1982?

Ms. GARRETT. We have it with us. I don't know if you have it in your material there, Mr. Congressman.

Mr. YATES. I just don't understand that statement of yours, Nancy. Norman, may I continue?

Mr. DICKS. Yes.

Mr. YATES. I yielded to you, but I just wanted to continue on that point.

Ms. GARRETT. Yes.

PROJECT PLANNING AND CONSTRUCTION REQUEST IN THE REAGAN BUDGET

Mr. YATES. The list of planning money that we asked you about related to the Reagan budget. Now, you say that list will have to be revised.

Ms. GARRETT. That is a true statement, yes, sir.

Mr. YATES. If that list has to be revised, how much of the Reagan budget has to be revised?

Ms. GARRETT. None of the rest of the Reagan budget will have to be revised, but we have simply recognized that we have very high priority health and safety projects which have to be done, that we are going to have to take our project planning money in 1982 and redirect to meet those projects.

Mr. YATES. In other words, you didn't think it was important when you prepared the Reagan budget?

Ms. GARRETT. We didn't have the material on the individual projects at that time and we do now.

Mr. GALVIN. There is some correlation, Mr. Chairman. There is, for instance, project planning in 1982 for a sewage treatment plant at Sequoia, which is on this list. The Lake Crescent highway realignment project planning in 1982, also is on this list. I think in our cover memo we pointed out that that cross tie needs to be made. We have a meeting set up in late June to do that.

Mr. DICKS. What is the 1982 budget?

Mr. YATES. He has a list of them.

Mr. DICKS. Not the list. The total 1982 budget.

Mr. YATES. For construction, or the total Park Service?

Mr. DICKS. Construction.

Mr. GALVIN. $62 million.

Ms. GARRETT. Yes. Of which approximately $48 million are line item projects as opposed to advanced planning, project planning and lump sum. Of that total $62, approximately $48 million are actually line item projects.

Mr. BETTENBERG. That is a little confusing. It is $62 million in the original Carter submission for the construction budget a part of which was line item projects. The Carter budget also had cyclical maintenance repair and rehabilitation money in it. I don't have that figure. I am sure the Park Service does. Then in addition to the Carter budget, there is this amended request for $105 million——

Mr. YATES. Is your answer relative to the construction only?

Mr. DICKS. Is that 1982 or 1983?

Mr. BETTENBERG. The $105 million has about $50 million in construction.

Ms. GARRETT. $48 million.

Mr. DICKS. Is that a supplement to 1982?

Mr. BETTENBERG. It is an amendment to 1982.

Mr. DICKS. So it is separate from the reconstruction budget?

Ms. GARRETT. Yes, sir. Of that $105 million $48 is in the capital improvements area.

Mr. DICKENSON. That is correct, Mr. Chairman.

HEALTH AND SAFETY COMPONENT OF MAINTENANCE PROGRAM

Mr. YATES. Have you identified the health and safety aspects of your maintenance budget for 1982?

Ms. GARRETT. Yes. In fact, Mr. Chairman, we have looked at approximately 8,000 projects and our cyclical maintenance and rehab program in that $105 million. We have identified about $14.5 million that which is specifically related to our definition of health and safety.

Mr. YATES. Take a look at that again, this is what, the justification?

Ms. GARRETT. I need to say that——

Mr. YATES. At maintenance you show $198 million for 1982.

Ms. GARRETT. Yes sir, but that is considerably more than simply maintenance, that particular figure.

Mr. YATES. What does it consist of?

Ms. GARRETT. All of the kind of maintenance we do in the parks, whether it is mowing, painting, working on roads.

Mr. YATES. Have you identified the health and safety aspects of that figure?

Ms. GARRETT. I have not. We have done it for the cyclic maintenance program but we have not done it for the total of approximately $190 million.

Mr. YATES. Is that something we should have?

Mr. DICKENSON. It would be very difficult to provide.

Ms. GARRETT. It would be. I think the important aspect of that would be to take the cyclic maintenance portion, as we have done, and identify what percentage of that cyclic maintenance portion relates to health and safety. I think that is a more specific kind of indicator than just saying what percentage of our total maintenance budget is health and safety, because most of the health and safety would be done through cyclic maintenance.

Mr. YATES. Your regular maintenance of roads in a park like Yellowstone, for example, would not be cyclic maintenance, would it?

Ms. GARRETT. Could be, but wouldn't necessarily be.

HEALTH AND SAFETY CONCERNS AT CONCESSIONAIRE FACILITIES

Mr. YATES. Did you have a question?

What do we do about the concessionaires who are not complying with health and safety?

Mr. DICKENSON. We have dealt with all of the situations described in the GAO report as it relates to concession operation, Mr. Chairman. Remedial work is either underway or planned.

Mr. YATES. GAO only went to 12 parks?

Mr. DICKENSON. Yes, sir.

Mr. YATES. What about other parks?

Mr. DICKENSON. We have dealt with the remainder. All of the remedial attention required is either underway or planned.

Mr. YATES. For all the parks?

Mr. DICKENSON. Yes, sir, where we have concessions.

Mr. YATES. The committee doesn't have to worry about health and safety in any of the concessions in the parks?

Mr. DICKENSON. Interim measures, where required, have been undertaken. Permanent solutions in other cases have been planned.

Ms. GARRETT. I would add, Mr. Chairman, that in the list of parks included in the health and safety part of our $105 million you will see a number of National Park Service owned concession facilities which are being corrected, conditions are being corrected through the $105 million program.

Mr. DICKS. May I ask one question?

Mr. YATES. Sure.

Mr. DICKS. The GAO report, dated October 10, 1980 about the Paradise Inn at Mt. Rainier, says the Park Service has known about the Inn's fire safety deficiencies since 1972 but has not rehabilitated the Inn or closed it to overnight use. Park Service studied the Inn's deteriorated condition while allowing guests to stay overnight.

Mr. DICKENSON. If I could comment Mr. Dicks. The Paradise Inn situation—I know you are familiar with it.

Mr. DICKS. Yes.

Mr. DICKENSON. It is a fine old historic building going out of plumb, for example, trying to follow gravity down the hill. It was built to old standards for rooms and comfort stations, that sort of thing. One of the first things I did as Regional Director of the Pacific Northwest in 1976, in conjunction with the superintendent, was to include that in the budget. This committee acted on that several years ago.

While the work has not been finally and fully completed, it is as safe as you can make it and complies as fully with the code as any old historic building that I am aware of.

Mr. YATES. Here is Secretary Watt again [reading:]

Mr. YATES. Should we go over the budget of the appropriations for Interior?
Secretary WATT. I recommend that you not give us any money over any of the requests.

So his recommendation would be that we should not give you the $10 million for the list that you are putting in the report.

Mr. DICKENSON. That is my understanding, Mr. Chairman.

Mr. YATES. I say even for health and safety. Mr. Watt says:

We have asked for a substantial increase there to the full extent and capacity that Russ says he is capable of handling for that.

We know that you are capable now where you can handle another $10 million, can't you?

Mr. DICKENSON. That is what I am advised, Mr. Chairman.

Mr. YATES. Isn't it funny, Mr. Watt is always advised about something new when he comes here, too?

Ms. GARRETT. I should point out that the whole $105 million is not just health and safety.

Mr. DICKENSON. It is up to $59.4 million.

Ms. GARRETT. That is correct.

Mr. YATES. From what figure before?

Mr. DICKENSON. About $40 million was the figure, I believe.

Ms. GARRETT. We had testified to $43 million.

Mr. DICKENSON. That is right.

Ms. GARRETT. We went through and looked at all the projects, cyclic maintenance and rehab and repair, and have added those to the list.

LAND ACQUISITION

Mr. YATES. Well now, here we are again.

Mr. YATES. You have $45 millon set aside for acquisitions this year. Do you have a program for acquisition for the next five years?

Secretary WATT. No.

Is that correct? You have no program for acquisitions for the next five years?

Mr. DICKENSON. I am not aware of any projected program.

Mr. YATES. That means anything we add for acquisitions in the bill the committee will have to identify because you don't have any acquisitions that you want, is that right?

Mr. DICKENSON. We certainly have a lot of priority lists, the staff——

Mr. YATES. I am sorry. I gave you your chance. The record says that you have no acquisitions that you want for the next five years.

Mr. DICKENSON. No, sir, I am not testifying to that. No sir.

Mr. YATES. All right. Let me ask you the question again. I asked Secretary Watt, "Do you have a program for acquisition for the next five years?"

Secretary Watt said, "No."

What do you say?

Mr. DICKENSON. We have performed a great deal of staff work. We have our recommended priorities at the National Park Service level.

Mr. BETTENBERG. If I can elaborate.

Mr. YATES. Are you making any recommendations to the committee?

Mr. DICKENSON. No, sir.

Mr. YATES. So the committee has to make its own choices then?

Mr. DICKENSON. We would welcome the priority setting of the committee.

Mr. YATES. Does that mean you don't want any acquisitions for the next five years?

Mr. DICKENSON. No, sir.

Mr. YATES. It doesn't mean that?

Mr. DICKENSON. No, sir.

Mr. YATES. What does it mean, then?

Mr. DICKENSON. Well, if I could give you at least my interpretation, it is that in the setting of the annual budget figures, this agency, the National Park Service, will have a chance to participate in the departmental deliberations.

Mr. YATES. I am going to vote and I will be back while you mull over that.

[A short recess was taken.]

LAND ACQUISITION PRIORITY LIST

Mr. YATES. Suppose by chance the committee thinks that the Land and Water Conservation Fund appropriations should be continued beyond fiscal year 1981 and should be included in 1982. The committee should then make recommendations for acquisitions out of that Fund, rather than have the Park Service tell us what their priorities are.

Mr. DICKENSON. We would be glad to respond to any request you might make to us, Mr. Chairman, with our recommendations.

Mr. YATES. But you say you don't have any program for acquisitions?

Mr. DICKENSON. No, sir, we do not.

Mr. YATES. I see. They don't have any priorities?

Mr. DICKENSON. I understand we are talking about programs, Mr. Chairman. We could advise on priorities. Maybe we are getting into semantics here, but certainly, we have an active staff who would be glad to make recommendations.

Mr. YATES. What is Secretary Watt going to say?

Mr. DICKENSON. The Secretary has taken the position that $45 million would be——

Mr. YATES. That is for 1981?

Mr. DICKENSON. That is for 1982.

Mr. YATES. That is right. That doesn't relate to the Land and Water Conservation Fund, does it?

Mr. DICKENSON. Yes, sir, it does.

Mr. BETTENBERG. Mr. Chairman, we did supply a priority list for 1981 at the committee's request.

Mr. YATES. If that is true, why is your answer that you don't have the program?

Mr. BETTENBERG. We don't have a program.

Mr. YATES. You have a list but no program?

Mr. BETTENBERG. You asked, the committee asked——

Mr. YATES. For a list of priorities. That is right.

Mr. BETTENBERG. We don't have a program that you would recognize as a program, one that says that next year the Interior Department is proposing to acquire——

Mr. YATES. I would recognize that as a program, but probably you wouldn't.

Mr. BETTENBERG. I think that if we sent you a request with no details, you wouldn't call it a program.

Mr. YATES. But you have already sent us the details, haven't you? You have given us a list of priorities?

Mr. BETTENBERG. For 1981.

Mr. YATES. Only for 1981, not for 1982?

Mr. DICKENSON. No, sir.

Mr. YATES. Did you have no program when you submitted the Carter budget?

Mr. BETTENBERG. Oh, there was very definitely a program then.

Mr. YATES. What changed it?

Mr. BETTENBERG. The Secretary decided we should have a moratorium on further acquisitions.

HASSEL ISLAND

Mr. YATES. Tell us about Hassel Island. How important is that to the Park Service? Is that on your list of priorities?

Mr. DICKENSON. I am looking for Mr. Kriz.

Mr. YATES. We will delay that. The Carter budget request was for $3,600,000 for Hassel Island, is that right?

Ms. GARRETT. Yes, sir.

Mr. YATES. And none in the Reagan budget, is that correct?

Mr. DICKENSON. That is correct, sir.

RELEASE OF FUNDS PROPOSED FOR RESCISSION

Mr. YATES. Mr. Bettenberg, let me ask you a question. The House today approved the Conference Report for the Supplemental Appropriations for 1981. I assume the Senate will do the same this afternoon. I assume the President will sign the bill. That being true, will you release the money that has been held up by the rescissions that you requested?

Mr. BETTENBERG. We fully anticipate we will. I don't know what basis——

Mr. YATES. There is no basis in law for holding it further, is there?

Mr. BETTENBERG. We have not been obligating the amounts in the rescissions automatically overturned until Congress completed its action, which as I recollect, was fairly strongly called for in the House Report on the supplemental.

Mr. YATES. Does OMB have the right to impound funds prior to sending a rescission to the Congress?

Mr. BETTENBERG. There is a period of time between the time that we send them an apportionment for the request that impounds the funds, and the President formally submits the impoundment. And to that extent, there is an impoundment that takes place before the beginning of the 45 day calendar period.

As I understand it, GAO counts the 45 day period from the day the President sends the request. But there is not only extensive paperwork, but there seems to be substantial delay, as well, in that process.

Mr. YATES. Go ahead.

Mr. BETTENBERG. For instance, I would guess that our apportionments, which I would have signed impounding money for the Inte-

rior Department, were submitted to OMB on the Land and Water Conservation Fund, Historic Preservation Fund, and Urban Park Fund, on approximately February 18, concurrent with the announcement of the President that he was waiting to seek rescissions on those funds.

The Presidential message to Congress was not sent until either the 17th or 18th of March. The 17th of March. A similar delay occurred last year, as well. At least some delay is inherent in the system, in that the President signs a document subsquent to our sending a document to OMB. There are a lot of collection procedures across the government that go into those things. But there is more delay than can be accounted for just by that.

Mr. YATES. All right.

Mr. BETTENBERG. As I understand it, GAO has chosen, I don't know if consciously or otherwise, to count the rescission dates from the time the President sent the document.

LETTERS ON DIVESTING PARKS

Mr. YATES. In the hearing that took place May 19th, Mr. Dickenson, I asked Mr. Arnett about his famous letters which would have required you to take certain actions against so-called urban parks. Mr. Arnett said that he prepared and signed it. He says it was not sent to the Director as indicated.

Then Secretary Watt says, "Russ just whispered to me that was pulled, and he never got it."

Is that your memory of what happened?

Mr. DICKENSON. My memory, Mr. Chairman, is that I actually saw the memorandum.

Mr. YATES. You did see it?

Mr. DICKENSON. But it was in fact withdrawn at the order of the originator.

Mr. YATES. It was sent to you originally then, wasn't it?

Mr. DICKENSON. Yes sir. It came to the Director of the Park Service.

Mr. YATES. It came to the Director of the Park Service. Then subsequently, after that, did you receive a notice that the memo had been withdrawn?

Mr. DICKENSON. I believe it was a verbal directive.

Mr. YATES. By whom?

Mr. DICKENSON. By the Assistant Secretary.

Mr. YATES. Mr. Arnett?

Mr. DICKENSON. Yes.

Mr. YATES. That he was withdrawing it?

Mr. DICKENSON. That he was withdrawing it.

Mr. YATES. Can you tell me how long after you received it it was withdrawn?

Mr. DICKENSON. I believe a matter of hours, sir.

Mr. YATES. So nothing was done to implement that directive?

Mr. DICKENSON. That is correct, sir.

Mr. YATES. Is anything being done currently to implement that directive?

Mr. DICKENSON. Not in the National Park Service, sir.

Mr. YATES. Do you know whether it is being done in any of the services in Interior?

Mr. DICKENSON. I have no knowledge of any others.

OPERATIONAL INCREASES

Mr. YATES. Let's tidy up a few things.

Mr. Watt keeps saying, "I keep chiseling away trying to get OMB to lower our budget ceiling." Suppose the committee were to cut your budget requests. Would that help Secretary Watt and you to carry out the responsibilities of the Park Service?

Mr. DICKENSON. No sir.

Mr. YATES. Suppose the committee were to increase it, would that help you?

Mr. DICKENSON. Within the capability of the National Park Service to use those additional funds, certainly it would be of assistance, Mr. Chairman.

Mr. YATES. Where is the National Park Service capable of using additional funds?

Mr. DICKENSON. In the operational field, particularly the impact of inflation on our operational budget has been quite severe.

Mr. YATES. How much more money do you think you need there?

Mr. DICKENSON. Well, I believe we could give you a professional estimate on that, Mr. Chairman.

Mr. YATES. All right, supply that for the record.

Mr. DICKENSON. Yes sir.

[The information follows:]

ADDITIONAL OPERATING FUNDS

The greatest inflationary impact on the parks has taken place since fiscal 1978. Since that fiscal year, the Service has had to provide for initiating operations in 37 new areas. Budget allowances have not been sufficient to accommodate both the growth of the System and the operational deficiencies that were developing in the existing areas as a result of high inflation rates. Accordingly, many areas have cut visitor services; e.g., cut hours of operation, reduce the length of the season, curtail some operational maintenance activities, defer maintenance projects and cut seasonal hires. The Service estimates that to reach parity with fiscal 1978 operating levels for only those areas that were then in the System would require an additional $42.2 million above the fiscal 1982 request now before Congress. This figure was computed as follows:

	In millions of dollars
Total park operating dollars appropriated in fiscal 1978 [1]	$267.4
Add: Actual full-year pay cost requirement for fiscal years 1979, 1980, 1981 for parks in the system in the beginning of fiscal 1978 [2]	44.5
Add: Inflation factor for non-personnel services portion of budget for fiscal years 1979–82	38.4
Total adjusted requirement for fiscal 1982 for areas to provide same level of service as in fiscal 1978	350.3
Total park operating dollars requested in fiscal 1982 for only those areas that were in the system at the start of fiscal 1978	308.1
Total shortfall in fiscal 1982 budget request	$42.2

[1] These figures include the cyclic maintenance program and pay costs, but exclude Regional and Washington Office operating funds.

[2] Index used is for Government purchases of goods and services as provided in "Economic Report of the President for 1981" and OMB projection for fiscal 1981 and 1982.

YOUTH CONSERVATION CORPS

Mr. YATES. If you do not have the Youth Conservation Corps Funds for 1982, will you be required to do outside contracting for the work that they do?

Mr. DICKENSON. We believe, Mr. Chairman, that many of the activities formerly accomplished by the Youth programs will simply not be accomplished this year.

Mr. YATES. I don't think that is quite the question I asked. Has the Youth Conservation Corps been doing constructive work for the Park Service?

Mr. DICKENSON. The answer to that is yes, sir, it has.

Mr. YATES. The next question is, if they hadn't done that work, would you have been required to do it from other sources?

Mr. DICKENSON. The answer to that question, Mr. Chairman, is if we do not have the Youth Conservation Corps, we do not have additional funds to divert to accomplish that work. So, therefore, it would not be accomplished.

Mr. YATES. Is it work that should be done?

Mr. DICKENSON. The Youth Conservation Corps performed admirably in backcountry. It did a lot of very useful work, sir.

LAND EXCHANGE NEGOTIATIONS

Mr. YATES. Mr. Bettenberg, would you know the status of the negotiations between the Secretary and the Governor of Utah respecting the land exchange?

Mr. BETTENBERG. I would not.

Mr. YATES. Do you remember I asked him about that when he was last in here?

Mr. BETTENBERG. Yes, I remember.

Mr. YATES. Do you have anything to do with that?

Mr. BETTENBERG. All I know is what I have heard at these hearings——

Mr. YATES. And what you read in the papers? It was brought out in our hearings that the exchange had to have an equal monetary value. I meant to say that to the Secretary today when he was here.

May I say that we are contemplating marking up next week, and the committee would appreciate your replies promptly as possible to the written questions.

Mr. DICKENSON. Yes sir.

Mr. YATES. What is the status of the investigation respecting the drawing of the boundries at the dunes?

Mr. DICKENSON. The Inspector General is conducting an investigation of a number of areas. I believe Indiana Dunes is one of those, Mr. Chairman. I am not aware of any findings, or even what the status of that investigation is, except that the files related to lands and land acquisitions have been sealed by the Inspector General.

Mr. YATES. The committee would appreciate a copy of the investigation when it is through.

Mr. DICKENSON. We will relay that to the Inspector General.

Mr. YATES. Let's see if I have anything else here.

The letter from Mr. Dickenson dated June 3, 1981 providing additional information concerning three statements addressed during these hearings will be put in the record.

That is all. Thank you very much.

[The letter follows:]

United States Department of the Interior

NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

IN REPLY REFER TO:

JUN 3 1981

Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
Washington, D.C. 20515

Dear Mr. Yates:

This is in response to your request for additional information concerning three statements made during our recent hearing. The statements and a clarification of the meaning of those statements are presented below:

Statement: With regard to the GAO study on health and safety, you asked in the hearing if there were health and safety problems in more than the 12 areas GAO specifically investigated. I responded that we knew that there was and that we followed up with our own independent survey. You have now requested that we supply this survey.

Explanation: The survey to which I referred was an informal one with no single specific report made. Our survey consisted of reviewing our future year construction and repair/rehabilitation programs, Federal Highway Administration's reports on roads and bridges and discussions with Regional Directors and Park Superintendents. All of these sources clearly indicate that the need to correct health and safety deficiencies in facilities exists in far more than 12 areas reviewed by GAO. The $105 million park restoration and improvement program now before your Committee contains approximately $43 million of projects specifically for correcting such deficiencies in 118 park areas. The list of additional health and safety projects transmitted to you on June 2 in accordance with your instructions has many more areas. This list is the most comprehensive survey we have of health and safety needs of the parks.

Statement: During the hearing the Secretary was discussing the 5-year park restoration and improvement program and the need to begin addressing deficiencies in park facilities such as sewage treatment projects that need to be built, repairing roads and tunnel and bridges and taking care of drinking water systems. The Secretary further stated that we have to do this over the next 5 years, or start shutting down parks. You are now requesting a list of those parks we will have to close.

Explanation: The Secretary was making the general statement that it is possible that if funding is not made available to correct deficiencies, particularly health and safety related problems, the Service may have no choice but to close a facility rather than endanger visitors. This is consistent with conversations the Secretary and I have had on this subject.

There is no list of parks that may have to be shut down. Such determinations will be made on a case-by-case basis as future circumstances warrant.

Statement: Again, in a discussion relative to the GAO report, I indicated to you that a lot of the kinds of deficiencies identified in this report have already been corrected. You have asked us to supply you with a listing of those actions we have taken.

Explanation: We have prepared a brief report (Copy attached) showing the status of all actions that have been taken to correct specific problems identified by GAO. A copy of this report was supplied to the Committee previously.

Sincerely,

Russell E. Dickenson

Director

Enclosure

SUMMARY
NATIONAL PARK SERVICE CORRECTIVE ACTIONS
TO DEFICIENCIES NOTED IN GAO HEALTH AND SAFETY REPORT

GAO NOTED DEFICIENCIES	ACTION				
PARK - PROBLEMS	PLANNING STARTED OR COMPLETED	CONSTRUCTION DONE OR UNDERWAY	CONST. PROPOSED IN FISCAL 1982 REGULAR BUDGET	CONST. PROPOSED IN FISCAL 1982 PARK RESTORATION & IMPROVEMENT PROGRAM	CONSTRUCTION POST-1982
Blue Ridge Parkway					
Unsafe Tunnels	X				
Unsafe Lodge and Overnight Cabins	X	X			X
Crater Lake NP					
Crater Lake Lodge Safety Violations	X			X	
Everglades NP					
Flamingo Hotel and Employee Apartments Safety Code Violations	X	X			
Glacier NP					
Deficient Water Systems	X	X y	X y	X y	X y
Deficient Sewer Systems	X		X y	X y	X y
Unsafe Bridges	X			X	
Unsafe Hotels and Employee Dorms	X	X y			X y
Grand Canyon					
Deficient Sewage Systems	X	X y			X y
Areas of Deficient Housing El Tovar Hotel Safety Violations	X	X y			X y
Isle Royale NP					
Deficient Water Systems	X	X y			X y
Denali NP & P					
Bridges Unsafe	X			X y	X y
Mt. McKinley Hotel Deficient	X			X y	X y
Mt. Rainier NP					
Paradise Inn Safety Violations	X	X y			
Rocky Mountain NP					
Deficient Water Systems	X			X y	X y
Voyageurs NP					
Inadequate Sewer System	X	X			
Unsafe Hotel and Residences Kettle Falls	X	X		X y	X y
Yellowstone NP					
Water Systems Unsafe	X	X y	X y		
Hotels and Associated Residences Unsafe	X	X y	X y	X y	X y
Yosemite NP					
Wawona and Ahwahnee Hotels Unsafe	X	X y		X y	X y
19 Water and Sewer Systems Do Not Meet California Standards	X	X y	X y	X y	X y

y Indicates that a portion of the total deficiency is being addressed.

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

May 15, 1981
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CURRENT NPS CORRECTIVE ACTION IN
RESPONSE TO GAO'S PARK HEALTH AND SAFETY REPORT

GAO NOTED DEFICIENCIES	NPS CORRECTIVE ACTIONS
PARK - PROBLEMS	
Blue Ridge Parkway 8 Unsafe Tunnels	- Blue Ridge, Pkg. #132 - Install Tunnel Linings, 8 Tunnels. Advance Planning Underway, Project Planning Proposed for Fiscal 1982 PRIP. Construction Fiscal 1983-1985 Period.
1 Unsafe Lodge and 2 Overnight Cabins	- Concessioner-owned facilities, concessioner starting to make necessary repairs.
Crater Lake NP Crater Lake Lodge Safety Violations	- Crater Lake, Pkg. #220 - Rehabilitate Crater Lake Lodge, Advance Planning completed, Project Planning Underway, Construction Scheduled Fiscal 1982 PRIP.
Everglades NP Flamingo Hotel and Employee Apartments Safety Code Violations	- Everglades, Pkg. #105 - Employee Quarters, Flamingo. Construction Funded, Fiscal 1979. Flamingo Hotel is Concessioner-operated. Concessioner is making necessary repairs.
Glacier NP 16 Deficient Water Systems	- Glacier, Pkg. #257 - Water Wells and Chlorinators, 6 Systems. Construction Funded Fiscal 1980. - Pkg. #256 - Water Wells and Chlorinators, 7 Systems. Advance Planning Underway, Design Scheduled Fiscal 1983 and Construction Fiscal 1984. - Pkg. #131 - Many Glacier Water System, Construction Proposed Fiscal 1982. - Reconstruction of one water system proposed as part of Fiscal 1982 Park Restoration and Improvement Program.
3 Deficient Sewage Systems	- Glacier, Pkg. #141 - Rising Sun Sewage System, Project Planning Nearly Completed, Construction Proposed for Fiscal 1982. - Glacier, Pkg. #249 - Reconstruct 2 Sewage Systems, Advance Planning Completed, Project Planning Underway, Construction Scheduled Fiscal 1983 or 1984. - Reconstruction of one sewage system proposed as part of Fiscal 1982 Park Restoration and Improvement Program.

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PARK - PROBLEMS	GAO NOTED DEFICIENCIES	NPS CORRECTIVE ACTIONS
Glacier NP (Continued)	8 Unsafe Bridges	- NPS Corrective Action On 13 Bridges Proposed In Fiscal 1982 Park Restoration and Improvement Program.
	3 Unsafe Hotels and 1 Employee Dorm	- Over $209,000 In Lump Sum Construction is Underway to Correct Lake McDonald Lodge and Employee Residences and Other Facilities. - Many Glacier Hotel is Concessioner-owned. Concessioner Making Repairs Per Agreement with NPS. - Fire Safety Improvements in 3 Employee Dorms Proposed in Fiscal 1982 Park Restoration and Improvement Program.
Grand Canyon	3 Deficient Sewage Systems	- Pkg. #102 - Phantom Ranch Sewage System. Construction Funded Fiscal 1980, Currently Underway. - Pkg. #356 - Indian Gardens Sewage System. Advance Planning Scheduled Fiscal 1982. Construction may be 1984. - Pkg. #293 - Sewage System, Grand Canyon Village. Advance Planning Scheduled Fiscal 1982. Construction may be 1984.
	3 Areas of Deficient Housing. El Tovar Hotel Safety Violations	- Pkg. #145 - Construct 25 Residences, Village, Advance Planning Started, Design Scheduled for 1983. - El Tovar Hotel Concessioner-owned. Concessioner Starting to Make Repairs. An Additional Water Reservoir may be Required.
Isle Royale NP	4 Deficient Water Systems	- Pkg. #135 - Rock Harbor Water System - Construction Funded Fiscal 1978. - Pkg. #185 - Windigo Water System - Reconstruction Underway by Park. - Pkg. #106 - Mott Island Water System, Reconstruction Underway by Park. - Pkg. #186 - Daisey Water System, Construction Fiscal 1983 or 1984.
Denali NP&P	11 Bridges Unsafe	- Denali, Pkg. #163 - Replacement, Savage River Bridge. Funded Fiscal 1979. Construction not Started, Will Require Additional Funds. - Other Bridge Deficiencies Recently Identified by FHWA Safety Inspection Being Analyzed. - Ghiglione Street Bridge Repair Proposed in 1982 Park Restoration and Improvement Program.
	Mt. McKinley Hotel Deficient	- General Management Plan Currently Underway. Planning Effort Must be Completed to Determine Proper Course of Action. Dormitory Repairs (Fire Hazard) Proposed in Fiscal 1982 Park Restoration and Improvement Program.
Mt. Rainier NP	Paradise Inn Safety Violations	- Pkg. #176 - Rehabilitate Paradise Inn. Construction Currently Underway. Paradise Inn Day Use Building, With Similar Health and Safety Deficiencies, Proposed for Reconstruction in Fiscal 1982 Park Restoration and Improvement Program.

GAO NOTED DEFICIENCIES	NPS CORRECTIVE ACTIONS
PARK - PROBLEMS	
Rocky Mountain NP 4 Deficient Water Systems	- Rocky Mountain, Pkg. #237 - Reconstruct 7 Water Systems. Advance Planning Fiscal 1981, Design Scheduled Fiscal 1983, Construction Fiscal 1984. - Pkg. #232 - Reconstruct 3 Water Systems. Design Scheduled Fiscal 1982. Construction Fiscal 1983. - 4 Water System Improvement Projects Included in Fiscal 1982 Park Restoration and Improvement Program.
Voyageurs NP Inadequate Sewer System Unsafe Hotel and Residences Kettle Falls	- Park Lump Sum Reconstruction Funded Fiscal 1980, Project to be Completed This Summer. - Voyageurs, Pkg. #154 - Rehabilitate Kettle Falls Hotel and Residences. Advance Planning Underway, Project Planning in Fiscal 1982 and Construction Fiscal 1983 or 1984. Lump Sum Emergency Repairs Underway. - Fire Alarm System Proposal Included in Fiscal 1982 Park Restoration and Improvement Program.
Yellowstone NP 8 Water Systems Unsafe	- Pkg. #488 - Tower Fall/Roosevelt Water System. Construction Funded Fiscal 1980. - Pkg. #427 - Madison Junction Water System. Construction Funded Fiscal 1980. - Pkg. #429 - Norris Junction Water System. Construction Funded Fiscal 1980. - Pkg. #142 - Grant Village Water System. Construction Funded Fiscal 1980. - Pkg. #138 - Lake Water System. Construction Funded Fiscal 1980. - Pkg. #113 - Mammoth Water System. Under Construction Fiscal 1979. - Pkg. #140 - Old Faithful Water System. Phase I - Construction Funded Fiscal 1980. Phase II - Proposed Fiscal 1981 Construction - Deleted by House. - Pkg. #141 - Canyon Water System. Design Started Fiscal 1980, Construction Fiscal 1982.
3 Hotels and Associated Residences Unsafe	- Yellowstone, Pkg. #620 - A 5-8 Year Concessions Facilities Rehabilitation Effort. Phase II Deleted by House, Reproposed for Fiscal 1982. - Fiscal 1982 Park Restoration and Improvement Program Includes Electrical Corrections and Alarms for Employee Dorms and Family Housing Units.
Yosemite NP Wawona and Ahwahnee Hotels Unsafe	- Yosemite, Pkg. #363 - Rehabilitate Wawona Hotel. Advance Planning Scheduled Fiscal 1981, Project Planning Fiscal 1982, Construction Fiscal 1983. - Pkg. #114 - Fire Protection, Wawona Hotel, Advance Planning Underway, Project Planning Scheduled Fiscal 1981, Construction Tentative Fiscal 1983. - $125,000 Included in Fiscal 1982 Park Restoration and Improvement Program for Hotel Fire Protection Projects.

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GAO NOTED DEFISIENCIES	NPS CORRECTIVE ACTIONS
PARK - PROBLEMS	
Yosemite NP (Continued) 19 of 25 Water and Sewer Systems Do Not Meet California Standards (No Surface Water Collectors)	- Ahwahnee Hotel Concessioner-owner. Concessioner Obligated to Make Corrections or He May be Closed Down. - Yosemite, Pkg. #223 - Completion, El Portal Water System, Construction Funded Fiscal 1980. - Pkg. #347 - Final Effluent Treatment, El Portal, Construction Proposed Fiscal 1981. But Deleted by House. Reintroduced in Fiscal 1982. - $50,000 Included in Fiscal 1982 Park Restoration and Improvement Program for Water System Improvements. - Other Water and Sewer Development Packages Tentatively Planned for Fiscal 1982 to Fiscal 1986 Advance Planning and Design: Yosemite Packages #262, #249, #319, #325, #364, #383, #451, and #828. (Preliminary Construction Estimates for These Projects Currently Exceeds $40 Million)

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