



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

March 7, 1980

*✓* *McC*: *Best*  
*✓* *David*  
*✓* *Jeff J.*  
*(Al S.)*

MEMORANDUM TO: STUART E. EIZENSTAT  
FROM: CURT HESSLER *Curt*  
SUBJECT: Enrolled Omnibus Territories Bill  
(H.R. 3756)

Yesterday Phil Burton offered me the following arrangement regarding Presidential consideration of enrolled bill H.R. 3756:

- If you personally called to inform him of the specific provisions in the bill which the Administration found objectionable, he would endeavor to get immediate Congressional passage for a "clean" bill.
- If the President simply vetoes H.R. 3756 and you do not call him beforehand, he vows a major, potentially embarrassing override effort on his part.

Justice, Energy, and DOD will likely recommend a veto; DOI recommends signing. The Director has yet to review the issue, but an OMB veto recommendation appears to me likely. H.R. 3756 is a collection of old, discredited approaches dealing with the troubled finances of the territories on a backdoor, piecemeal, ad hoc subsidy basis. Some of these approaches (i.e., costly capital improvements, Federal services provided free of charge, mandatory waivers of matching fund requirements, mandated programs in the Trust Territory, and Federal collection of all local taxes in the Northern Marianas) run counter to the thrust of recently approved Presidential decisions regarding the territories.

In addition, with little or no executive branch or Congressional review, several provisions were tacked onto the original bill which either establish troubling precedents (Puerto Rico title to submerged lands out to three leagues), expose the Federal Treasury to enormous liabilities (interest on Guam land claims), or cast doubt of present Administration support for major, previously announced initiatives (nuclear anti-proliferation policy).

Attached is a list of six key sections in H.R. 3756 which OMB staff believes should be eliminated entirely from the bill or should be amended significantly. I recommend that you call Burton and give him the Administration's version of a clean territories bill. The last day for Presidential action in H.R. 3756 is Saturday, March 15.

Attachment

Highly Objectionable/Should Be Eliminated

1. Section 301: Authorization of Interest on Guam Land Claims

- Budgetary exposure is significant, potentially ranging from \$100 million to \$500 million in outlays over the next several years. (Justice has asked that these numbers not be released publicly.)
- Inflationary impact of pouring up to \$1 billion in principal and interest payments into a small, remote U.S. territory with a gross annual product of about \$500 million.
- Precedent for paying interest on old land claims against U.S.G. based on land acquisition methods employed by Federal agencies 30-35 years old that may be suspect today.

2. Section 102: Comprehensive Health Care System for the Northern Marshall Islands

- Open-ended authorization and legislative history potentially require U.S.G. to establish a national health care system covering radiation and non-radiation illness and injury for any South Pacific atoll in perpetuity.
- Precedent for the type of non-radiation care to be extended to U.S. citizens exposed to nuclear weapons testing.
- Duplication of (1) existing, adequate DOE medical surveillance and monitoring program for radiation-related injury or illness for Rongelap and Utirik in the northern Marshalls, and (2) general health-related assistance provided the Marshalls through Federal funding for the Trust Territory.
- October 9, 1979, letter to Senator Jackson from DOI gives the Administration alternative.

3. Section 605: Spent Nuclear Fuel Storage in U.S. Territories

- Runs counter to the Administration's nuclear anti-proliferation policy by authorizing another congressional approval process that would add little real additional control over spent nuclear fuel storage program, but might place in doubt U.S.G. willingness to proceed with international storage arrangements.
- State, Energy, Defense, and Interior have no objection to retaining the DOI reporting requirement established in the bill, if the congressional approval requirement were eliminated.

4. Section 606: Puerto Rico Jurisdiction Over Its Submerged Lands Out To Three Leagues

- Places Puerto Rico in a position far superior to that of coastal States.
- Adequate protection not established for Federal installations and interests, primarily DOD activities and endangered species.

5. Section 104: Mandate to Keep Federal Health and Education Programs in the Trust Territory at Current Levels Without Express Congressional Approval for Termination or Decrease

- Provision is diametrically opposite the Presidential decision to continue only a limited number of mutually agreed Federal health and education programs under free association and then only when there was a demonstrable need which could not be met in any other way.
- At the very least, the provision locks the U.S.G. into a high level of program funding (currently about \$15-20 million a year) until the trusteeship terminates and prevents the desirable, gradual reduction of some discretionary programs toward the levels projected under free association.
- Certain of these programs were described in a December 1979 "Sixty Minutes" segment on the Trust Territory as quintessential government waste that has fostered an immense dependence of the Micronesians on Federal largesse.

6. Section 202: Northern Marianas Hospital Authorization (\$24 million)

- Excessive cost; with the built-in inflation adjustment, CBO estimates the total cost of the section at \$32 million for 90 beds. Using Federal funding, Guam in 1979 bought a modern, 250-bed hospital for \$25 million.
- Real need may be better management and maintenance of the existing hospital. In October 1979 the Administration proposed to study the Northern Marianas health care needs and report to Congress by June 1980. OMB could support a hospital, but only after a study jointly endorsed by Interior and HHS.