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APPROVED

AUG 19 1976

8/19/76

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: August 23

August 17, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

[Signature]

SUBJECT:

H.R. 13359 - Financial Assistance
for the Virgin Islands

Posted
8/21/76

archived
8/23/76

Attached for your consideration is H.R. 13359, sponsored by Delegate de Lugo and thirteen others.

The enrolled bill provides for the United States to guarantee not to exceed \$61 million in bonds issued by the government of the Virgin Islands over the next three to five years to bring the Virgin Islands capital improvement program up-to-date; directs the Secretary of the Interior to grant the government of the Virgin Islands \$8.5 million for operations; and authorizes the Virgin Islands Legislature to levy a 10% income tax surcharge.

Additional discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 13359 at Tab B.



VNC 7 A 1310



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

AUG 16 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13359 - Financial assistance
for the Virgin Islands
Sponsors - Del. de Lugo (D) Virgin Islands and
13 others

Last Day for Action

August 23, 1976 - Monday

Purpose

Provides for the United States to guarantee not to exceed \$61 million in bonds issued by the government of the Virgin Islands; directs the Secretary of the Interior to grant the government of the Virgin Islands not more than \$8.5 million; and, authorizes the Virgin Islands Legislature to levy a 10 percent income tax surcharge.

Agency Recommendations

| | |
|---------------------------------|--------------------|
| Office of Management and Budget | Approval |
| Department of the Interior | Approval |
| Department of the Treasury | No objection |
| Department of Justice | Defers to Interior |

Discussion

The Virgin Islands, an unincorporated territory of the United States, is comprised of three main islands covering 132 square miles plus some 50 smaller islands, and it has

a population of about 100,000. Other pertinent facts concerning the Virgin Islands are that:

- it has a locally elected Governor and legislature (Congress can nullify laws passed by the legislature);
- its citizens hold U.S. citizenship, elect a non-voting representative to the House, but cannot vote for the President;
- its residents pay income taxes based on the Internal Revenue Code which are not covered into the U.S. Treasury, but go directly to the Virgin Islands government as a territorial tax;
- its economy depends primarily on tourism, although several other industries, including one of the largest oil refineries (Hess) in the world, are present; and,
- compared to the United States, it has a higher cost of living (by 25-30 percent), higher rate of inflation (about double), and a somewhat worse unemployment rate (9 percent).

A reduction in tourism of 25-30 percent, the reduced attractiveness of the Virgin Islands' free port status, a decline in revenues resulting from the Tax Reduction Act of 1975 and its extension, and an increasing demand for public services (school enrollment is up 65 percent since 1970, primarily due to a court ruling requiring that children of non-permanent alien residents be admitted to the public schools), have all combined to place severe financial stress on the government of the Virgin Islands. With respect to the Virgin Islands' fiscal year 1976 and 1977 budgets, this has been translated by necessity into substantial tax increases, a serious curtailment of services including the dismissal of some 350 employees (3.6 percent of public work force), a hiring and wage freeze, and the transfer of almost all capital improvement funds into the operating budget.

Notwithstanding the drastic measures cited above, the fiscal year 1977 budget continues to carry a projected \$8.5 million deficit under the government's \$118.6 million austerity program (about a 20 percent reduction in real terms from the 1975 budget). Because existing debt equals the statutory limit there is a bar to the government of the Virgin Islands seeking additional deficit financing. Consequently, earlier this year the Governor of the Virgin Islands sought financial assistance from the Federal Government.

Subsequently, the Department of the Interior, with your approval, submitted a draft bill to the Congress which was designed to provide essential funds to the Virgin Islands until approximately \$100 million annually in additional revenues becomes available to that government upon the termination of certain industrial tax exemptions between 1978 and 1981. Briefly, the key features of the Administration proposal included authorization for:

- the government of the Virgin Islands to levy a surcharge, not to exceed 10 percent, on future income taxes;
- \$15 million in direct loans to the government of the Virgin Islands to supplement its operating budgets in fiscal years 1977 and 1978;
- \$61 million in direct loans budgeted over the next three to five years to bring the Virgin Islands long delayed capital improvement program up-to-date;
- interest on both loans to equal the average yield of outstanding marketable obligations of the United States of comparable maturities with repayment to begin July 1, 1982 and be completed in 10 years;
- the Secretary of the Interior to place any stipulations he deems appropriate on the loans; and,
- repayment of the loans, if necessary, through deductions from the funds collected by the U.S. Government as excise taxes on goods produced in the Virgin Islands and returned to its government.

H.R. 13359, while consistent with the intent of the Administration proposal, would provide financial assistance to the government of the Virgin Islands through somewhat different devices. Specifically, the enrolled bill would:

- authorize the government of the Virgin Islands to institute up to a 10 percent surcharge on future income taxes;
- direct the Secretary of the Interior to make grants for operations to the government of the Virgin Islands not to exceed \$8.5 million;
- authorize the Virgin Islands Legislature to issue revenue bonds without regard to the present limitation that public indebtedness may not exceed 10 percent of the aggregate assessed valuation of the taxable real property in the Virgin Islands;
- authorize the Secretary of the Interior, with the approval of the Secretary of the Treasury, to guarantee bonds issued by the Virgin Islands Legislature for capital improvements in an amount not to exceed \$61 million and subject to certain conditions -- income from bonds so guaranteed would be subject to Federal income taxes;
- create a revolving fund within the Treasury for payment of expenses under the Act and authorize the Secretary of the Interior to borrow from the Treasury (without further action by Congress) in the event of default on a guaranteed obligation and subsequently repay such Treasury borrowings from appropriations;
- provide that all bonds issued under this Act shall have priority for payment of principal and interest out of excise taxes collected by the U.S. Government for the government of the Virgin Islands with any guaranteed bond having first priority.

In reporting on H.R. 13359, the Senate Interior Committee explained its rationale for the grant/loan guarantee approach:

"The Committee decided that loans for operations were inappropriate since the operations shortfall being experienced by the Virgin Islands is due, in part, to actions of the federal government. A grant was substituted as being a more equitable form of assistance.

"The committee further believed that a loan guarantee approach would reduce direct Federal involvement in the financing of capital improvements and encourage fiscal responsibility."

Although the enrolled bill takes a different approach in providing financial assistance to the Virgin Islands, we believe it would have essentially the same effect as the Administration proposal, and accordingly, we concur in Interior's approval recommendation. In fact, under the enrolled bill, Federal outlays will be limited to the \$8.5 million operating grant funds, unless the Virgin Islands unexpectedly defaults on the guaranteed loans. Finally, we note that in order to ensure that the capital improvement funds are used most effectively, the Governor of the Virgin Islands has informally agreed to an Interior proposal for employing the Naval Facilities Engineering Command--Atlantic Division to act as contract administrator for capital improvement projects.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 17

Time: 1100am

FOR ACTION: Max Friedersdorf cc (for information): Jack Marsh
Ken Lazarus Jim Cavanaugh
Bill Seidman Ed Schmults
Steve McConahey
Paul Beach m

FROM THE STAFF SECRETARY

DUE: Date:

August 17

Time:

1100am

SUBJECT:

H.R. 13359-financial assistance for the Virgin Islands

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 13 1976

Dear Mr. Lynn:

This responds to your request for the views of this Department on H.R. 13359, "To authorize the government of the Virgin Islands to issue bonds in anticipation of revenue receipts and to authorize the guarantee of such bonds by the United States under specified conditions, and for other purposes."

We recommend that the President approve the enrolled bill.

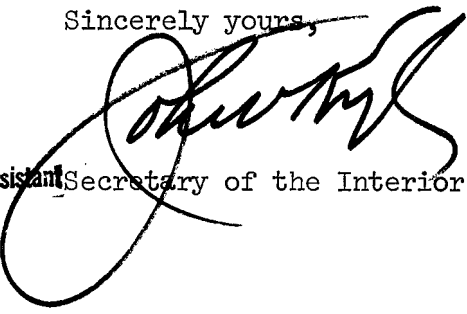
H.R. 13359 would authorize the legislature of the Virgin Islands to issue new revenue bonds upon which the Virgin Islands may request a federal guarantee. Section 2 of the bill sets forth certain determinations which must be made by the Secretary of the Interior before there can be a federal guarantee of any bond issue and provides that the aggregate amount of guaranteed obligations may not exceed \$61 million. H.R. 13359 also authorizes a grant of \$8.5 million to compensate the Virgin Islands for the unexpected revenue loss occasioned by the Tax Reduction Act of 1975, and it further allows the Virgin Islands to institute up to a 10 percent surcharge on future income taxes.

On April 7, 1976, this Department transmitted a legislative proposal to the Congress which authorized the granting of loans up to \$15 million to supplement the operations budget of the Government of the Virgin Islands and the granting of loans up to \$61 million to assist in bringing the Virgin Islands' long-delayed capital improvement program up to date. Our proposal also provided authority for the Virgin Islands to levy a tax surcharge of up to 10 percent on future income taxes.



Although H.R. 13359 departs from our proposal by authorizing a grant program and a bond guarantee system of assistance to the Government of the Virgin Islands instead of a loan program, this Department has no objection to H.R. 13359 and recommends that the President approve the enrolled bill.

Sincerely yours,


Assistant Secretary of the Interior

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 13 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 13359, "To authorize the government of the Virgin Islands to issue bonds in anticipation of revenue receipts and to authorize the guarantee of such bonds by the United States under specified conditions, and for other purposes."

The enrolled enactment would authorize the Secretary of the Interior, with the approval of the Secretary of the Treasury, to guarantee up to \$61 million of taxable obligations issued by the government of the Virgin Islands to finance public works or other capital projects.

The Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel

Richard R. Albrecht

Department of Justice
Washington, D.C. 20530

August 16, 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 13359 "To authorize the government of the Virgin Islands to issue bonds in anticipation of revenue receipts and to authorize the guarantee of such bonds by the United States under specified conditions, and for other purposes."

The bill would provide for the issuance by the government of the Virgin Islands of bonds in anticipation of certain tax receipts and for the guaranty of those bonds by the United States.

The subject matter of the bill is outside the competence of the Department of Justice. We therefore defer to the views of the departments more directly affected by the legislation (Interior and Treasury) as to whether the bill should receive Executive approval.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General
Office of Legislative Affairs

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 17

Time: 930 am

FOR ACTION: Max Friedersdorf
Ken Lazarus
Bill Seidman
Steve McConahey
Paul Leach

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date:

August 17

Time:

1100am

SUBJECT:

H.R. 13359-financial assistance for the Virgin Islands

ACTION REQUESTED:

☐ For Necessary Action

☐ For Your Recommendations

☐ Prepare Agenda and Brief

☐ Draft Reply

☒ For Your Comments

☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please

James M. Cannon

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 17

Time: 930 am

FOR ACTION: Max Friedersdorf *RKW* cc (for information): Jack Marsh
Ken Lazarus Jim Cavanaugh
Bill Seidman Ed Schmultz
Steve McConahey
Paul Leach r

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APPROVE RBP

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James M. Cannon

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

AUG 16 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13359 - Financial assistance
for the Virgin Islands
Sponsors - Del. de Lugo (D) Virgin Islands and
13 others

Last Day for Action

August 23, 1976 - Monday

Purpose

Provides for the United States to guarantee not to exceed \$61 million in bonds issued by the government of the Virgin Islands; directs the Secretary of the Interior to grant the government of the Virgin Islands not more than \$8.5 million; and, authorizes the Virgin Islands Legislature to levy a 10 percent income tax surcharge.

Agency Recommendations

Office of Management and Budget

Approval

Department of the Interior

Approval

Department of the Treasury

No objection

Department of Justice

Defers to Interior

Discussion

The Virgin Islands, an unincorporated territory of the United States, is comprised of three main islands covering 132 square miles plus some 50 smaller islands, and it has

AUTHORIZING LOAN FUNDS FOR THE GOVERNMENT OF THE VIRGIN ISLANDS, AND FOR OTHER PURPOSES

APRIL 30, 1976.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H.R. 13359]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 13359) To authorize loan funds for the government of the Virgin Islands, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 13359 is to authorize loan funds for the Government of the Virgin Islands at a time of fiscal crisis confronting the territorial government.

BACKGROUND AND NEED

The economic crisis in the Virgin Islands has been precipitated by a sharp drop in tourism, the Virgin Islands' largest industry, triggered by the worldwide recession and local disturbances.

The situation was compounded by the Tax Reduction Act of 1975 (and its extension), with numerous tax reduction features which reduced the revenues available to the Virgin Islands Government.

The loss of revenues required a matching reduction in expenditures since the taxing authority and public indebtedness of the Virgin Islands is, by law, more greatly restricted than that of many states. It is clear that this legislation is necessary to stimulate the economy of the islands and allow the territory to balance the operating budget at an acceptable level of services by fiscal year 1979.

SECTION-BY-SECTION ANALYSIS

Section 1 would amend the Act of July 12, 1921, to authorize the Government of the Virgin Islands to levy a surtax, not to exceed 10%,

on the future income taxes payable to the Government of the Virgin Islands.

Section 2 would authorize loans up to a total of \$15 million to supplement the operations budgets of the Government of the Virgin Islands for their fiscal years 1977 and 1978.

Section 3 would authorize \$61 million in loans to bring the Virgin Islands long-delayed capital improvement program up-to-date and allow the funding to be spread out over five years.

Section 4 provides the conditions and repayment provisions for the loans authorized pursuant to sections 2 and 3. Amortization of the loans would begin July 1, 1982 and be paid back over 10 years, with interest equal to the average yield of outstanding marketable obligations of the United States of comparable maturities. These repayments may be made in the form of withholdings by the Secretary of the Treasury from U.S. Customs duties which would otherwise be returnable to the Virgin Islands.

Section 5 provides that the Secretary of the Interior would be able to place any stipulations he deems appropriate on the loans to the U.S. Virgin Islands.

Section 6 provides that no portion of the sums to be repaid by the Government of the Virgin Islands to the United States under Sections 2 and 3 of this Act shall be considered to be public indebtedness of the Virgin Islands within the meaning of section 8(b) of the Revised Organic Act of the Virgin Islands (68 Stat. 500; 48 U.S.C. 1574(b)).

Section 7 authorizes the Legislature of the Virgin Islands to initiate a referendum to approve or disapprove the amount of any loan under provisions of this Act, any item of expenditure for which such loan is requested, the aggregate amount of such loans in any fiscal year, or any combination of the foregoing. It is the intention of the Committee that the Legislature may specify whether the results of such a referendum shall be advisory or binding.

COST AND BUDGET ACT COMPLIANCE

The provisions of H.R. 13359 involve loans to the Territory of the Virgin Islands which are to be repaid to the United States with interest beginning on July 1, 1982. In light of this fact, any budgetary impact will be nominal.

INFLATIONARY IMPACT

H.R. 13359 was introduced and recommended to meet emergency financial needs and to enhance the economy of the Territory of the Virgin Islands. No significant inflationary impact is anticipated as a result of the enactment of this legislation.

EXECUTIVE COMMUNICATION

The favorable recommendation of the Department of the Interior regarding legislation comparable to H.R. 13359 follows:

U.S. DEPARTMENT OF THE INTERIOR, OFFICE OF THE SECRETARY, Washington, D.C., April 7, 1976.

HON. CARL B. ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed is a draft bill "To authorize loan funds for the Government of the Virgin Islands and for other purposes."

We recommend that the bill be referred to the appropriate Committee for consideration and that it be enacted.

At present there is a fiscal crisis confronting the territorial Government of the Virgin Islands. This crisis is due to the state of the economy and government revenue collection capability. Tourism—the largest industry and major contributor to the gross domestic product of the Virgin Islands—has declined over the past three years. This decline was caused by the worldwide recession, local disturbances, and the reduced attraction of the islands' freeport status. The latter was the result of the devaluation of the U.S. dollar and the lowering of tariff barriers on the mainland United States. The decline in tourism precipitated the reduction of public revenues from this industry.

In addition to this revenue decline, the Tax Reduction Act of 1975 (and the amendment which extended it) with its rebate provisions, negative income tax, liberalized investment credits, and other tax reduction features, further reduced the revenues available to the Virgin Islands Government.

The purpose of the Tax Reduction Acts was to stimulate the economy. While this was achieved in the continental United States, the Acts had the opposite result in the Virgin Islands.

In practice, under the Tax Reduction Acts, people would have more money to spend, which would improve the demand for goods and services. This would have a multiplier effect on the economy, and thus it would improve. Such was true in the United States. However, most of the goods and services in the Virgin Islands come from the continental United States. The new money in the Virgin Islands quickly went to the mainland without improving the Virgin Islands economy. Estimated losses of Virgin Islands Government revenues as a result of these Acts approximate \$15 million.

The loss of government revenues meant a corresponding reduction in expenditures. Since the taxing authority and public indebtedness of the Virgin Islands is, by law, far more restricted than that of the U.S. Government or many States, the Virgin Islands cannot compensate for the loss of revenues.

At the beginning of fiscal year 1976 the revenues projected for the Government of the Virgin Islands exceeded \$132 million. Proposed expenditures for government operating costs were equal to that amount. That revenue amount included \$20 million in anticipated receipts from custom duties on petroleum products imported into the United States from the Virgin Islands. However, the Department of Justice has ruled that there is no legal authority in the U.S. to make these payments, and thus, they are not available. Actual receipts for

the first half of fiscal year 1976 suggest maximum receipts of \$92.5 million from all taxes, fees and fines, including moneys collected from hospital operations. Executive action such as reducing expenditures and increasing revenues yielded a balanced budget of \$117.1 million.

This included the transfer into the operating budget of capital improvement funds in excess of \$25 million, a severe curtailing of government services, and a personnel reduction of 346 employees. The government is the primary employer in the Virgin Islands and the rate of unemployment prior to the government layoff already exceeded 9% of the work force.

In the areas of health and education these reductions have been most pronounced. The reductions in health personnel required reducing the number of hospital beds and limited the service capability of the Virgin Islands' two hospitals.

The schools are understaffed and over crowded. In 1970 the school system admitted all non-citizen (alien) school-age children legally residing in the Virgin Islands. The enrollment increase since then has been 58.3%, with a serious impact on education services.

To meet its service responsibilities to its citizens, the Government of the Virgin Islands has, from 1971 through 1975, deferred \$31 million worth of capital improvement projects to make these moneys available for operating expenses. Without financial relief, an additional \$30 million in capital projects will have to be deferred in fiscal years 1976 and 1977. This is a total of \$61 million for the period fiscal years 1971 through 1977.

The Government of the Virgin Islands needs legislation and Federal assistance through loans to stimulate the economy. Such assistance will allow the territory to balance the operating budget at an acceptable level of services by fiscal year 1979.

The attached draft bill would deal with the effects of the Tax Reduction Acts and the deferred capital improvements projects. Section 1 would amend the Act of July 14, 1921, to authorize the Government of the Virgin Islands to levy a surtax, not to exceed 10%, on the future income taxes payable to the Government of the Virgin Islands. The 1921 Act provides that the income tax laws in force in the United States shall be likewise in force in the U.S. Virgin Islands, except that the proceeds of Virgin Islands taxes shall be paid into the Virgin Islands Treasury. This amendment would enable the Government of the Virgin Islands to respond to changes in the income tax laws of the United States. Along with the present estimated \$15 million loss in revenues, the Virgin Islands expects to lose \$5 million annually in future revenues under the Tax Reduction Acts.

Section 2 would authorize loans up to \$15 million to supplement the operations budgets of the Government of the Virgin Islands for their fiscal years 1977 and 1978. Their operating expenditures for fiscal year 1975 amounted to \$117 million; fiscal year 1976 expenditures are projected at \$117.1 million. The Government of the Virgin Islands has proposed an austerity budget of \$118.6 million for fiscal year 1977 but estimates revenues at only \$110.1 million. There is a shortfall of \$8.5 million. Given the effects of inflation and past cuts in expenditures, government services are already at unacceptably low levels. A loan of \$15 million would allow the balancing of local 1977 and 1978 budgets at acceptable levels of services. These loans for operations taken

together with the economic recovery stimulated by the capital improvement program loans proposed in section 3 would result in increased revenue collections by the government. It would then be capable of balancing its fiscal year 1979 budget without further assistance.

Section 3 would authorize \$61 million in loans to bring the Virgin Islands long-delayed capital improvement program up-to-date. How quickly these funds are requested for appropriation will depend upon review of proposals by the Government of the Virgin Islands, however the legislation would allow the funding to be spread out over five years. The Virgin Islands cannot borrow for non-revenue producing purposes under the Revised Organic Act of the Virgin Islands. Thus, if the capital improvement program is to be implemented at this time, the Virgin Islands will need a Federal loan.

Section 4 would provide the conditions and repayment provisions for the loans authorized pursuant to sections 2 and 3. Amortization of the loans would begin July 1, 1982 and be paid back over 10 years, with interest equal to the average yield of outstanding marketable obligations of the United States of comparable maturities. In our judgment, since funds will become available to the Virgin Islands through the expiration of certain industrial tax exemptions in 1978 and 1981, the government will be readily able to amortize any debt incurred through this provision. It is anticipated that after 1981 the Government of the Virgin Islands will benefit from up to \$100 million annually in additional revenues due to the expiration of these exemptions.

Under section 5 of the draft bill, the Secretary would be able to place any stipulations he deems appropriate on the loans to the U.S. Virgin Islands.

The Office of Management and Budget has advised that there is no objection to the presentation of this legislative proposal from the standpoint of the Administration's program.

Sincerely yours,

JOHN KYL,

Assistant Secretary of the Interior.

A bill to authorize loan funds for the Government of the Virgin Islands and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 44, Section 1, of the Act of July 12, 1921 (42 Stat. 123, 48 U.S.C. 1397) is hereby amended by striking the period at the end thereof and inserting in lieu thereof the following language:

"Provided further, That notwithstanding any other provision of law, the Legislature of the Virgin Islands is authorized to levy a surtax on all taxpayers in an amount not to exceed ten percentum of their annual income tax obligation to the Government of the Virgin Islands."

SEC. 2. There is hereby authorized to be appropriated to the Secretary of the Interior \$15,000,000 to be paid as loans to the Government of the Virgin Islands to be used for operating expenses.

SEC. 3. (a) The purpose of this Section is to provide the Virgin Islands with funds for the construction of necessary public works, including the acquisition of real property.

(b) There is authorized to be appropriated to the Secretary of the Interior not to exceed \$61,000,000 to carry out the purposes of this Section, to be paid to the Government of the Virgin Islands in such sums as may be requested by the Governor of the Virgin Islands with the concurrence of the territorial legislature and approved by the Secretary of the Interior, and such moneys as may be appropriated shall be available until June 30, 1980. Funds appropriated pursuant to this Section shall also be available for use by the Government of the Virgin Islands to permit the Virgin Islands to qualify for participation in Federal programs relating to public works and community development for which the Virgin Islands is otherwise eligible.

SEC. 4. Repayment of the loans under Sections 2 and 3 of this Act shall commence no later than June 30, 1982 in such amounts as the Secretary of the Interior estimates will reimburse the United States, with interest as set forth below, over a period of ten years. These repayments may be made in the form of withholdings by the Secretary of the Treasury from sums collected pursuant to section 7652(b) of Public Law 83-591 (68A Stat. 907, 26 U.S.C. 7652(b)) as amended, before such sums are transferred to the Government of the Virgin Islands. The foregoing amounts, until reimbursed to the United States, shall bear interest beginning on the date when the moneys are advanced, at a rate determined by the Secretary of the Treasury, taking into consideration the average yield on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the advance, adjusted to the nearest one-eighth of 1 per centum. All sums so withheld shall be deposited in the Treasury of the United States as miscellaneous receipts.

SEC. 5. The Secretary shall place such stipulations as he deems appropriate on any loans to the Virgin Islands pursuant to Sections 2 and 3 of this Act.

SEC. 6. No portion of the sums to be repaid by the Government of the Virgin Islands to the United States, as provided for in sections 2 and 3 of this Act, shall be considered to be public indebtedness of the Virgin Islands within the meaning of section 8(b) of the Revised Organic Act of the Virgin Islands (68 Stat. 500, 48 USC 1574(b)).

CHANGES IN EXISTING LAW

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman) :

ACT OF JULY 12, 1921 (42 STAT. 123; 48 U.S.C. 1397)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the naval service of the Government for the year ending June 30, 1922, and for other purposes:

GENERAL EXPENSES

The Secretary of the Navy shall send to Congress at the beginning of its next regular session a complete schedule or list showing the amount of money of all pay and for all allowances for each grade of officers in the Navy, including retired officers, and for all officers included in this Act and for all enlisted men so included.

PAY, MISCELLANEOUS

For commissions and interest; transportation of funds; exchange; mileage to officers of the Navy and Naval Reserve Force while traveling under orders in the United States, and for actual personal expenses of officers of the Navy and Naval Reserve Force while traveling abroad under orders, and for traveling expenses of civilian employees; and for mileage, at 5 cents per mile, to midshipmen entering the Naval Academy while proceeding from their homes to the Naval Academy for examination and appointment as midshipmen; for actual traveling expenses of female nurses; actual expenses of officers while on shore patrol duty; hire of launches or other small boats in Asiatic waters; for rent of buildings and offices not in navy yards; expenses of courts-martial, prisoners and prisons, and courts of inquiry, boards of inspection, examining boards, with clerks, and witnesses' fees, and traveling expenses and costs; expenses of naval defense districts; stationery and recording; religious books; newspapers and periodicals for the naval service; all advertising for the Navy Department and its bureaus (except advertising for recruits for the Bureau of Navigation); copying; ferriage; tolls; costs of suits; commissions, warrants, diplomas, and discharges; relief of vessels in distress; recovery of valuables from shipwrecks; quarantine expenses; reports; professional investigation; cost of special instruction at home and abroad, including maintenance of students and attachés; information from abroad and at home, and the collection and classification thereof; all charges pertaining to the Navy Department and its bureaus for ice for the cooling of drinking water on shore (except at naval hospitals), and not to exceed \$250,000 for telephone rentals and tolls, telegrams and cablegrams; postage, foreign and domestic, and post-office box rentals; and other necessary and incidental expenses; *Provided*, That no part of this appropriation shall be available for the expense of any naval district unless the commandant thereof shall be also the commandant of a navy yard, naval training station, or naval operating base: *Provided further*, That the sum to be paid out of this appropriation, under the direction of the Secretary of the Navy, for clerical, inspection, and messenger service in navy yards and naval stations, for the fiscal year ending June 30, 1922, shall not exceed \$750,000, and for necessary expenses for the interned persons and prisoners of war under the jurisdiction of the Navy Department, including funeral expenses for such interned persons or prisoners of war as may die while under such jurisdiction, and for payment of claims for damages under Naval Act approved July 11, 1919; in all, \$3,500,000.

CONTINGENT, NAVY: For all emergencies and extraordinary expenses, exclusive of personal services in the Navy Department or

any of its subordinate bureaus or offices at Washington, District of Columbia, arising at home or abroad, but impossible to be anticipated or classified, to be expended on the approval and authority of the Secretary of the Navy, and for such purposes as he may deem proper, \$50,000.

TEMPORARY GOVERNMENT FOR WEST INDIAN ISLANDS: For expenses incident to the occupation of the Virgin Islands and to the execution of the provisions of the Act providing a temporary government for the West Indian Islands acquired by the United States from Denmark, and for other purposes, approved March 3, 1917, to be applied under the direction of the President, \$343,440: *Provided*, That no person owing allegiance to any country other than the United States of America shall be eligible to hold office as a member of the colonial councils of the Virgin Islands of the United States nor to hold any public office under the government of said islands: *Provided further*, That the income tax laws now in force in the United States of America and those which may hereafter be enacted shall be held to be likewise in force in the Virgin Islands of the United States, except that the proceeds of such taxes shall be paid into the treasuries of said islands.

EXPENSES, CIVILIAN NAVAL CONSULTING BOARD: For actual expenses incurred by and in connection with the civilian naval consulting board, including the services of one clerk, at \$1,400 per annum, for duty in connection with the board at Washington, District of Columbia, \$5,000.

AVIATION, NAVY: For aviation, to be expended under the direction of the Secretary of the Navy, as follows: For aircraft and accessories in course of construction or manufacture on June 30, 1921, \$440,000; for new construction and procurement of aircraft and equipment, \$5,323,000; for navigational, photographic, and aerological equipment, including repairs thereto, for use with aircraft built or building on June 30, 1921, \$49,250; for maintenance, repair, and operation of aircraft factory, helium plant, air stations, fleet activities, testing laboratories, and for overhauling of planes, \$4,534,181; for continuing experiments and development work on all types of aircraft, \$1,615,000; for drafting, clerical, inspection, and messenger service for aircraft stations, \$275,000; new construction, buildings, and improvements at air stations at a total cost not to exceed \$1,177,000, as follows: Coco Solo, \$392,000; Hampton Roads, \$70,000; Lakehurst, \$280,000; Pearl Harbor, \$185,000; Pensacola, \$100,000; San Diego, \$150,000; in all, \$13,413,431, and the money herein specifically appropriated for "Aviation" shall be disbursed and accounted for in accordance with existing laws as "Aviation" and for that purpose shall constitute one fund: *Provided further*, That the Secretary of the Navy is hereby authorized to consider, ascertain, adjust, determine, and pay out of this appropriation the amounts due on claims for damages which have occurred or may occur to private property growing out of the operations of naval aircraft, where such claim does not exceed the sum of \$250: *Provided further*, That all claims adjusted under this authority during any fiscal year shall be reported in detail to the Congress by the Secretary of the Navy: *Provided*, That no part of this appropriation shall be expended for maintenance of more than six heavier-than-air stations on the coasts of the continental United

States: *Provided further*, That no part of this appropriation shall be used for the construction of a factory for the manufacture of airplanes.

STATE MARINE SCHOOLS: To reimburse the State of New York, \$25,000, the State of Massachusetts, \$25,000, the State of Washington, \$25,000, and the State of Pennsylvania, for the period from April 1, 1920, to June 30, 1921, \$31,250, for expenses incurred in the maintenance and support of marine schools in those States in accordance with section 2 of the Act entitled "An Act for the establishment of marine schools, and for other purposes," approved March 4, 1911; in all, \$106,250.

CARE OF LEPERS, ETC., ISLAND OF GUAM: Naval station, island of Guam: Maintenance and care of lepers, special patients, and for other purposes, including cost of transfer of lepers from Guam to the island of Culion, in the Philippines, and their maintenance, \$20,000.

BUREAU OF NAVIGATION

TRANSPORTATION AND RECRUITING: For travel allowance of enlisted men discharged on account of expiration of enlistment; transportation of enlisted men and apprentice seamen and applicants for enlistment at home and abroad, with subsistence and transfers en route, or cash in lieu thereof; transportation to their homes, if residents of the United States, of enlisted men and apprentice seamen discharged on medical survey, with subsistence and transfers en route, or cash in lieu thereof; transportation of sick or insane enlisted men and apprentice seamen to hospitals, with subsistence and transfers en route, or cash in lieu thereof; transportation of enlisted men of the Naval Reserve Force to and from duty, with subsistence and transfers en route, or cash in lieu thereof; transportation of civilian officers and crews of naval auxiliaries; apprehension and delivery of deserters and stragglers, and for railway guides and other expenses incident to transportation; expenses of recruiting for the naval service; rent of rendezvous and expenses of maintaining the same; advertising for and obtaining men and apprentice seamen; actual and necessary expenses in lieu of mileage to officers on duty with traveling recruiting parties; transportation of dependents of enlisted men, \$3,500,000.

The Bureau of Navigation, Navy Department, is hereby directed to furnish to the proper officers in the several States, Territories, insular possessions, and the District of Columbia, on or before October 31, 1921, statements of the services of all persons from those several places who served in the Navy during the War with Germany, and for that purpose exclusively an additional sum not to exceed \$25,000 is hereby appropriated for obtaining the necessary material and the employment of the necessary clerical force.

RECREATION FOR ENLISTED MEN: For the recreation, amusement, comfort, contentment, and health of the Navy, to be expended in the discretion of the Secretary of the Navy, under such regulations as he may prescribe: *Provided*, That not more than two persons shall be employed hereunder at a rate of compensation exceeding \$1,800 per annum, \$800,000.

CONTINGENT: Ferriage, continuous-service certificates, discharges, good-conduct badges, and medals for men and boys; purchase of gym-

nastic apparatus; transportation of effects of deceased officers and enlisted men of the Navy, and of officers and enrolled men of the Naval Reserve Force who die while on duty; books for training apprentice seamen and landsmen; packing boxes and materials; books and models; stationery; and other contingent expenses and emergencies arising under cognizance of the Bureau of Navigation, unforeseen and impossible to classify, \$20,000.

GUNNERY AND ENGINEERING EXERCISES: Prizes, trophies, and badges for excellence in gunnery, target practice, engineering exercises, and for economy in fuel consumption, to be awarded under such rules as the Secretary of the Navy may formulate; for the purpose of printing, recording, classifying, compiling, and publishing the rules and results; for the establishment and maintenance of shooting galleries, target houses, targets, and ranges; for hiring established ranges, and for transporting equipment to and from ranges, \$100,000.

INSTRUMENTS AND SUPPLIES: Supplies for seamen's quarters; and for the purchase of all other articles of equipage at home and abroad; and for the payment of labor in equipping vessels therewith and manufacture of such articles in the several navy yards; all pilotage and towage of ships of war; canal tolls, wharfage, dock and port charges, and other necessary incidental expenses of a similar nature; services and materials in repairing, correcting, adjusting, and testing compasses on shore and on board ship; nautical and astronomical instruments and repairs to same; libraries for ships of war, professional books, schoolbooks, and papers; maintenance of gunnery and other training classes; compasses, compass fittings, including binnacles, tripods, and other appendages of ship's compasses; logs and other appliances for measuring the ship's way, and leads and other appliances for sounding; photographs, photographic instruments and materials, printing outfit and materials; and for the necessary civilian electricians for gyrocompass testing and inspection, \$750,000.

OCEAN AND LAKE SURVEYS: Hydrographic surveys, including the pay of the necessary hydrographic surveyors, cartographic draftsmen, and recorders, and for the purchase and printing of nautical books, charts, and sailing directions, \$105,000.

NAVAL TRAINING STATION, CALIFORNIA: Maintenance of naval training station, Yerba Buena Island, California: Labor and material; buildings and wharves; general care, repairs, and improvements of grounds, buildings, and wharves; wharfage, ferriage, and street car fare; purchase and maintenance of live stock, and attendance on same; wagons, carts, implements, tools, and repairs to same; fire engines and extinguishers; gymnastic implements; models and other articles needed in instruction of apprentice seamen; printing outfit and materials, and maintenance of same; heating and lighting; stationery, books, schoolbooks, and periodicals; fresh water, and washing; packing boxes and materials; and all other contingent expenses; maintenance of dispensary buildings; lectures and suitable entertainments for apprentice seamen; in all, \$125,000.

NAVAL TRAINING STATION, RHODE ISLAND: Maintenance of naval training station, Rhode Island, labor and material, buildings and wharves; dredging channels; extending sea walls; repairs to causeway and sea wall; general care, repairs, and improvements of grounds, buildings, and wharves; wharfage, ferriage, and street car fare; pur-

chase and maintenance of live stock, and attendance on same; wagons, carts, implements, and tools, repairs to same, including the maintenance, repair, and operation of two horse-drawn passenger-carrying vehicles to be used only for official purposes; fire engines and extinguishers; gymnastic implements; models and other articles needed in instruction of apprentice seamen; printing outfit and materials, and maintenance of same; heating and lighting; stationery, books, schoolbooks, and periodicals; fresh water, and washing; packing boxes and materials; and all other contingent expenses; lectures and suitable entertainments for apprentice seamen; in \$185,000: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for clerical, drafting, inspection, and messenger service for the fiscal year ending June 30, 1922, shall not exceed \$15,701.60.

NAVAL TRAINING STATION, GREAT LAKES: Maintenance of naval training station: Labor and material; general care, repairs, and improvements of grounds, buildings, and piers; street car fare; purchase and maintenance of live stock, and attendance on same; wagons, carts, implements, and tools, and repairs to same, including the maintenance, repair, and operation of one horse-drawn passenger-carrying vehicle to be used only for official purposes; fire apparatus and extinguishers; gymnastic implements; models and other articles needed in instruction of apprentice seamen; printing outfit and material, and maintenance of same; heating and lighting, and repairs to power-plant equipment, distributing mains, tunnel, and conduits; stationery, books, schoolbooks, and periodicals; washing; packing boxes and materials; lectures and suitable entertainments for apprentice seamen; and all other contingent expenses: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for clerical, drafting, inspection, and messenger service for the fiscal year ending June 30, 1922, shall not exceed \$45,000; in all, naval training station, Great Lakes, \$400,000.

To make just compensation for land, title to which was taken over under proclamation of the President, dated November 4, 1918, as an addition to the naval training station, Great Lakes, Illinois, and for damages occasioned by delay in the payment for such land, or for the use and occupancy thereof by the United States, \$546,805, or so much thereof as may be necessary: *Provided*, That the Secretary of the Navy is authorized, in his discretion, to dispose of, at public or private sale, at a price to be approved by him, any land in the vicinity of the Navy Mine Depot, Yorktown, Virginia, and the naval training station, Great Lakes, Illinois, and East Camp, Hampton Roads, Virginia, or interest therein, title to, or interest in which has been acquired by the United States subsequent to April 6, 1917, also any improvements that have been placed thereon by the United States that are deemed by him to be no longer needed for naval purposes: *Provided further*, That in cases where compensation has not as yet been made by the United States in accordance with the provisions of law, then, and in that event, the Secretary of the Navy is hereby authorized to restore such lands to former owners, and is further authorized to ascertain, determine, adjust, and pay the just compensation that such former owners are entitled to receive for the use and occupancy of such lands by the United States, such compensation to be paid from appropriations made for payments for such

lands: *Provided further*, That the Secretary of the Navy, in determining the compensation for the use and occupancy of such lands, is authorized, in his discretion, to sell and convey, under such terms and conditions as he may deem appropriate, to the parties entitled to receive the land such improvements or any part thereof as may have been placed in or on said lands by the United States: *Provided further*, That the Secretary of the Navy be, and he is hereby, authorized to execute all necessary instruments to accomplish the purposes of aforesaid, and all moneys received from the disposition of such lands shall be covered into the Treasury as "miscellaneous receipts." Report shall be made to the Congress of the final disposition of the lands aforesaid.

NAVAL TRAINING STATION, NAVAL OPERATING BASE, HAMPTON ROADS, VIRGINIA: Maintenance of naval training station at naval operating base, Virginia: Labor and material, general care, repairs, and improvements; schoolbooks; and all other incidental expenses: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for clerical, drafting, inspection, and messenger service for the fiscal year ending June 30, 1922, shall not exceed \$25,000; in all, \$375,000.

NAVAL RESERVE FORCE: For expenses of organizing, administering, and recruiting the Naval Reserve Force and Naval Militia; for the maintenance and rental of armories, including the pay of necessary janitors, and for wharfage, \$50,000: *Provided*, That no part of the money appropriated in this Act shall be used for the training of any member of the Naval Reserve Force except with his own consent.

RECEIVING BARRACKS: Maintenance of receiving barracks, \$50,000.

NAVAL WAR COLLEGE, RHODE ISLAND: For maintenance of the Naval War College on Coasters Harbor Island, including the maintenance, repair, and operation of one horse-drawn passenger-carrying vehicle to be used only for official purposes; and care of ground for same, \$82,750; services of a professor of international law, \$2,000; services of civilian lecturers, rendered at the War College, \$1,200; care and preservation of the library, including the purchase, binding, and repair of books of reference and periodicals, \$5,000: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for clerical, inspection, drafting, and messenger service for the fiscal year ending June 30, 1922, shall not exceed \$50,000; in all, Naval War College, Rhode Island, \$90,950.

NAVAL HOME, PHILADELPHIA, PENNSYLVANIA, PAY OF EMPLOYEES: Secretary, \$2,200; foreman mechanic, \$2,200; superintendent of grounds, \$1,080; steward, \$1,200; store laborer, \$660; matron and office assistant, \$720; beneficiaries' attendant, \$480; chief cook, \$660; assistant cooks—one \$540, one \$480; laundresses—chief \$420, five at \$360 each; scrubbers—chief \$420, three at \$360 each; waitresses—head \$480, ten at \$360 each; kitchen attendant, \$540; laborers—two at \$840 each, four at \$720 each, one \$660, five at \$600 each, five at \$540 each; stable keeper and driver, \$660; master at arms, \$900; two house corporals, at \$600 each; barber, \$600; carpenter, \$1,200; painters—one \$1,200, one \$1,020; engineer, \$1,080; chauffeurs—one for coal truck \$960, one for small truck \$840, one for governor's car \$840; electrician, \$1,400; stenographers and typewriters—two at \$1,400 each, one \$1,200, one \$1,000; telephone operator, \$900; total for employees, \$47,280.

MAINTENANCE: Water rent, heating, and lighting; cemetery, burial expenses, and headstones; general care and improvements of grounds, buildings, walls, and fences; repairs to power-plant equipment, implements, tools, and furniture, and purchase of the same; music in chapel and entertainments for beneficiaries; stationery, books, and periodicals; transportation of indigent and destitute beneficiaries to the Naval Home, and of sick and insane beneficiaries, their attendants, and necessary subsistence for both, to and from other Government hospitals; employment of such beneficiaries in and about the Naval Home, as may be authorized by the Secretary of the Navy, on the recommendation of the governor; support of beneficiaries, and all other contingent expenses, including the maintenance, repair, and operation of one horse-drawn passenger-carrying vehicle, two motor-propelled vehicles, and one motor-propelled passenger-carrying vehicle, to be used only for official purposes, \$110,366;

In all, Naval Home, \$157,646, which sum shall be paid out of the income from the naval pension fund.

BUREAU OF ORDNANCE

ORDNANCE AND ORDNANCE STORES: For procuring, producing, preserving, and handling ordnance material; for the armament of ships, for fuel, material, and labor to be used in the general work of the Ordnance Department; for furniture at naval ammunition depots, torpedo stations, naval ordnance plants, and proving grounds; for maintenance of proving grounds, powder factory, torpedo stations, gun factory, ammunition depots, and naval ordnance plants, and for target practice; for the maintenance, repair, or operation of horse-drawn and motor-propelled freight and passenger carrying vehicles, to be used only for official purposes at naval ammunition depots, naval proving grounds, naval ordnance plants, and naval torpedo stations, and for the pay of chemists, clerical, drafting, inspection, and messenger service in navy yards, naval stations, naval ordnance plants, and navy ammunition depots: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for chemists, clerical, drafting, inspection, watchmen, and messenger service in navy yards, naval stations, naval ordnance plants, and naval ammunition depots for the fiscal year ending June 30, 1922, shall not exceed \$2,000,000; in all, \$14,000,000.

Purchase and manufacture of smokeless powder, \$200,000.

EXPERIMENTS, BUREAU OF ORDNANCE: For experimental work in the development of armor-piercing and other projectiles, fuses, powers, and high explosives, in connection with problems of the attack of armour with direct and inclined fire at various ranges, including the purchase of armour, powder, projectiles, and fuses for the above purposes and of all necessary material and labor in connection therewith; and for other experimental work under the cognizance of the Bureau of Ordnance, in connection with the development of ordnance material for the Navy, \$250,000.

CONTINGENT, BUREAU OF ORDNANCES: For miscellaneous items, namely, cartage, expenses of light and water at ammunition depots and stations, tolls, ferriage, technical books, and incidental expenses attending inspection of ordnance material, \$20,000.

That no part of the appropriations heretofore, herein, or hereafter made for "Increase of the Navy" under the Bureau of Ordnance and no part of allotments of appropriations heretofore or hereafter made to said bureau shall be available for the payment for services or materials used in the construction of any shop, building, living quarters, or other structures, except such temporary structures costing not in excess of \$5,000 each as may be incident to current work of said bureau, or for additions and betterments to any existing shore station facilities unless the appropriation shall in terms specifically authorize such construction or additions and betterments: *Provided*, That nothing herein shall be construed as interfering in any way with any existing contract or any work in progress on the date of the approval of this Act: *Provided further*, That hereafter no money appropriated for ordnance or ordnance material or material purchased therewith shall be used for any other purpose than that for which the appropriation was made: *Provided further*, That nothing herein shall be construed as preventing the allocation of armor, armament, ammunition, ordnance material, equipment, and accessories to ships according to the requirements of the naval service.

BUREAU OF YARDS AND DOCKS

MAINTENANCE, BUREAU OF YARDS AND DOCKS: For general maintenance of yards and docks, namely, for books, maps, models, and drawings; purchase and repair of fire engines; fire apparatus and plants; machinery; operation, repair, purchase, maintenance of horses and driving teams, carts, timber wheels, and all vehicles, including motor-propelled and horse-drawn passenger-carrying vehicles to be used only for official purposes, and including motor-propelled vehicles for freight-carrying purposes only for use in all navy yards and naval stations; tools and repair of the same; stationery; furniture for Government houses and offices in navy yards and naval stations; coal and other fuel; candles, oil, and gas, attendance on light and power plants; cleaning and clearing up yards and care of buildings; attendance on fires, lights, fires engines, and fire apparatus and plants; incidental labor at navy yards; water tax, tolls, and ferriage; pay of watchmen in navy yards; awnings and packing boxes; pay for employees on leave, and for repairs and preservation at navy yards, fuel depots, fuel plants, and stations, \$7,500,000: *Provided*, That the sum to be paid out of this appropriation under the direction of the Secretary of the Navy for clerical, inspection, drafting, messenger, and other classified work in the navy yards and naval stations, except similar expenditures in the Bureau of Yards and Docks, for the fiscal year ending June 30, 1922, shall not exceed \$1,300,000: *Provided further*, That no part of any appropriation contained in this Act shall be used for the purchase of passenger-carrying automobiles: *Provided further*, That expenditures from appropriations contained in this Act for the maintenance, operation, and repair of motor-propelled passenger-carrying vehicle, including the compensation of operators, shall not exceed \$175,000, exclusive of such vehicles owned and operated by the Marine Corps in connection with expeditionary duty without the continental limits of the United States: *Provided further*, That during the fiscal year ending June 30, 1922, operators of

motor vehicles who were carried on the rolls of other bureaus prior to July 1, 1920, shall be continued to be so carried where their employment shall be found necessary.

CONTINGENT, BUREAU OF YARDS AND DOCKS: For contingent expenses and minor extensions and improvements of public works at navy yards and stations, \$150,000.

PUBLIC WORKS, BUREAU OF YARDS AND DOCKS

NAVY YARD, NEW YORK, NEW YORK: Toilet facilities at shipbuilding slips, \$40,000; dredging, to continue, \$100,000; in all, \$140,000.

The expenditure of the appropriation of \$750,000 for water front improvements navy yard, New York, New York, contained in the Naval Appropriation Act for the fiscal year 1919, is hereby suspended until July 1, 1922.

NAVY YARD, PHILADELPHIA, PENNSYLVANIA: Dry Dock Numbered 3, to complete, \$200,000.

NAVY YARD, NORFOLK, VIRGINIA: Water-front improvements, to continue, \$250,000.

NAVY YARD, CHARLESTON, SOUTH CAROLINA: Dredging, to continue, \$40,000.

NAVAL STATION, GUANTANAMO, CUBA: Additional distilling facilities of a submarine base, \$800,000, no part thereof to be expended unless the Secretary of the Navy shall first ascertain that the break-water already begun can be successfully completed and made permanent with this amount.

NAVAL STATION, GUANTANAMO, CUBA: Additional distilling facilities, \$75,000.

NAVY YARD, MARE ISLAND, CALIFORNIA: Maintenance of dikes and dredging, \$175,000; improvements to central power plant, \$150,000; in all, \$325,000.

NAVY YARD, PUGET SOUND, WASHINGTON: For grading, filling, and sea-wall construction, \$250,000; keel blocks for Dry Dock Numbered 2, \$6,500; extension of building numbered 178, \$13,500; roadways and sidewalks, \$25,000; pier five, rebuilding and extending \$715,000; telephone improvements, \$10,000; pattern shop extension, \$90,000; fifty-ton dry-dock crane, \$200,000; additional storage facilities, \$95,000; in all, \$1,405,000.

NAVAL STATION, PEARL HARBOR, HAWAII: Addition to machine shop, \$200,000; electric-system extensions, \$85,000; water-front development, \$450,000; improvements to coaling plant, \$75,000; compressed-air system extension, \$15,000; additional storage facilities, \$200,000; in all, \$1,025,000.

NAVAL AMMUNITION DEPOT, PUGET SOUND, WASHINGTON: Extension, building numbered seven, one hundred and fifty feet, \$25,000.

NAVAL AMMUNITION DEPOT, MARE ISLAND, CALIFORNIA: Addition to magazine and shell house, \$100,000.

NAVAL AMMUNITION DEPOT, PEARL HARBOR, HAWAII: For additional storage facilities, \$177,000.

DEPOTS FOR COAL: For depots for coal and other fuel: Contingent, \$50,000; care and custody of naval petroleum reserves, \$10,000; in all, \$60,000.

NAVAL OPERATING BASE, HAMPTON ROADS, VIRGINIA: Motor generator set, \$20,000.

MARINE BARRACKS, SAN DIEGO, CALIFORNIA: Toward the further development of the Marine Corps base, \$500,000.

NAVAL BASE, SAN DIEGO, CALIFORNIA: Stonehouse at foot of Broadway, to complete, \$200,000.

NAVAL HOSPITAL, SAN DIEGO, CALIFORNIA: The Secretary of the Navy is hereby authorized and directed to continue and to enlarge the construction of the naval hospital being erected at San Diego, California, on land donated to the United States and accepted by the Secretary of the Navy under the authority conveyed in the Naval Act of July 11, 1919, at a total cost not to exceed \$1,975,000, and \$500,000 is hereby appropriated to continue its construction.

Submarine base, Coco Solo, Canal Zone: Grading and drainage, \$40,000.

Submarine base, Pearl Harbor, Hawaii: Additional piers, \$100,000; battery-charging installation, \$50,000; in all, \$150,000.

TRAINING STATION, SAN DIEGO, CALIFORNIA: To complete the development of a permanent training station, San Diego, California, \$100,000,000.

Total public works, \$7,032,000, and the amounts herein appropriated therefor shall be available until expended.

BUREAU OF MEDICINE AND SURGERY

MEDICAL DEPARTMENT: For surgeon's necessities for vessels in commission, navy yards, naval stations, and Marine Corps; and for the civil establishment at the several naval hospitals, navy yards, naval medical supply depots, Naval Medical School and Dispensary, Washington, and Naval Academy, \$2,920,000: *Provided*, That the sum to be paid out of this appropriation, under the direction of the Secretary of the Navy, for clerical service in naval hospitals, dispensaries, medical supply depots, and Naval Medical School, for the fiscal year ending June 30, 1922, shall not exceed \$150,000.

CONTINGENT, BUREAU OF MEDICINE AND SURGERY: For tolls and ferriages; care, transportation, and burial of the dead, including officers who die within the United States, and supernumerary patients who die in naval hospitals; purchase of cemetery lots; purchase of books and stationery, binding of medical records, unbound books, and pamphlets; hygienic and sanitary investigation and illustration; sanitary, hygienic, and special instruction, including the printing and issuing of naval medical bulletins and supplements; purchase and repairs of nonpassenger-carrying wagons, automobile ambulances, and harness; purchase of and feed for horses and cows; maintenance, repair, and operation of two passenger-carrying motor vehicles for naval dispensary, Washington, District of Columbia, and of one motor-propelled vehicle for official use only for the medical officer on out-patient medical service at the Naval Academy, and a motor omnibus for the transportation of convalescent patients and attendants at the Naval Hospital at Las Animas, Colorado, to be used only for official purposes; trees, plants, care of grounds, garden tools, and seeds; incidental articles for the Naval Medical School and naval dispensary, Washington, naval medical supply depots, sick quarters at Naval Academy and marine barracks; washing for medical department at Naval Medical School and naval dispensary, Washington,

naval medical supply depots, sick quarters at Naval Academy and marine barracks, dispensaries at navy yards and naval stations, and ships; and for minor repairs on buildings and grounds of the United States Naval Medical School and naval medical supply depots; rent of rooms for naval dispensary, Washington, District of Columbia, not to exceed \$1,200; for the care, maintenance, and treatment of the insane of the Navy and Marine Corps on the Pacific coast, including supernumeraries held for transfer to the Government Hospital for the Insane; for dental outfits and dental material, and all other necessary contingent expenses; in all, \$500,000.

CARE OF HOSPITAL PATIENTS: For the care, maintenance, and treatment of patients, including supernumeraries, in naval and other than naval hospitals, \$100,000.

BUREAU OF SUPPLIES AND ACCOUNTS

PAY OF THE NAVY: Pay and allowances prescribed by law of officers on sea duty and other duty, and officers on waiting orders, \$37,023,859: *Provided*, That hereafter each new midshipman shall, upon admission to the Naval Academy, be credited with the sum of \$250 to cover the cost of his initial clothing and equipment issue, to be deducted subsequently from his pay: *Provided further*, That the foregoing proviso shall apply to midshipmen who entered the Naval Academy during the period between June 20, 1921, and the date of the approval of this Act; officers on the retired list, \$3,113,771; commutation of quarters for officers, including boatswains, gunners, carpenters, sailmakers, machinists, pharmacists, pay clerks, and mates, naval constructors, and assistant naval constructors, \$4,254,192, and also members of Nurse Corps (female), \$1,000; for hire of quarters for officers serving with troops where there are no public quarters belonging to the Government, and where there are not sufficient quarters possessed by the United States to accommodate them or commutation of quarters not to exceed the amount which an officer would receive were he not serving with troops, and hire of quarters for officers and enlisted men on sea duty at such times as they may be deprived of their quarters on board ship due to repairs or other conditions which may render them uninhabitable, \$25,000; pay of enlisted men on the retired list, \$620,250; extra pay to men reenlisting under honorable discharge, \$4,390,800; interest on deposit by men, \$10,000; pay of petty officers, seamen, landsmen, and apprentice seamen, including men in the engineer's force and men detailed for duty with the Fish Commission, enlisted men, men in trade schools, and pay of enlisted men of the Hospital Corps, \$77,034,687; pay of enlisted men undergoing sentence of court-martial, \$655,000; and as many machinists as the President may from time to time deem necessary to appoint; and apprentice seamen under training at training stations and on board training ships, at the pay prescribed by law, \$2,294,136; pay of the Nurse Corps, \$688,608; rent of quarters for members of the Nurse Corps, \$29,000; retainer pay and active-service pay of members of the Naval Reserve Force, \$7,000,000; payment of \$60 discharge gratuity, \$465,000; reimbursement for losses of property under Act of October 6, 1917, \$10,000; payment of six months' death gratuity, \$200,000; in all, \$137,815,303; and the money herein specifically appropriated for "Pay of the Navy," shall be dis-

bursed and accounted for in accordance with existing law as "Pay of the Navy," and for that purpose shall constitute one fund: *Provided*, That retainer pay provided by existing law shall not be paid to any member of the Naval Reserve Force who fails to train as provided by law during the year for which he fails to train.

PROVISIONS, NAVY: For provisions and commuted rations for the seamen and marines, which commuted rations may be paid to caterers of messes in case of death or desertion upon orders of the commanding officers, commuted rations for officers on sea duty (other than commissioned officers of the line, Medical and Supply Corps, chaplains, chief boatswains, chief gunners, chief carpenters, chief machinists, chief pay clerks, and chief sailmakers) and midshipmen, and commuted rations stopped on account of sick in hospital and credited to the naval hospital fund; subsistence of officers and men unavoidably detained or absent from vessels to which attached under orders (during which subsistence rations to be stopped on board ship and no credit for commutation therefor to be given); subsistence of men on detached duty; subsistence of officers and men of the naval auxiliary service; subsistence of members of the Naval Reserve Force during period of active service; expenses in handling provisions and for subsistence of female nurses and Navy and Marine Corps general courts-martial prisoners undergoing imprisonment with sentences of dishonorable discharge from the service at the expiration of such confinement: *Provided*, That the Secretary of the Navy is authorized to commute rations for such general courts-martial prisoners in such amounts as seem to him proper, which may vary in accordance with the location of the naval prison, but which shall in no case exceed 30 cents per diem for each ration so commuted; and for the purchase of United States Army emergency rations as required; in all, \$21,925,922.50, to be available until the close of the fiscal year ending June 30, 1923.

MAINTENANCE, BUREAU OF SUPPLIES AND ACCOUNTS: For fuel; the removal and transportation of ashes and garbage from ships of war; books, blanks, and stationery, including stationery for commanding and navigating officers of ships, chaplains on shore and afloat, and for the use of courts-martial on board ships; purchase, repair, and exchange of typewriters for ships; packing boxes and materials; interior fittings for general storehouses, pay offices, and accounting offices in navy yards; expenses of disbursing officers; coffee mills and repair thereto; expenses of naval clothing factory and machinery for the same; laboratory equipment; purchase of articles of equipage at home and abroad under the cognizance of the Bureau of Supplies and Accounts, and for the payment of labor in equipping vessels therewith, and the manufacture of such articles in the several navy yards; musical instruments and music; mess outfits; soap on board naval vessels; athletic outfits; tolls, ferriages, yeomen's stores, safes, and other incidental expenses; labor in general storehouses, paymasters' offices, and accounting offices in navy yards and naval stations, including naval stations maintained in island possessions under the control of the United States, and expenses in handling stores purchased and manufactured under "General account of advances," and the accounting offices of the Treasury are authorized and directed to credit "General account of advances" with the amount of the net losses which may be certified by the Paymaster

General of the Navy as having been incurred in disposing of excess stocks in the naval supply account; and reimbursement to appropriations for the Department of Agriculture of cost of inspection of meats and meat-food products for the Navy Department: *Provided*, That the sum to be paid out of this appropriation, under the direction of the Secretary of the Navy, for chemists and for clerical, inspection, and messenger service in the supply and accounting departments of the navy yards and naval stations and disbursing offices for the fiscal year ending June 30, 1922, shall not exceed \$3,500,000; in all, \$9,000,000.

The clothing and small-stores fund shall be charged with the value of all issues of clothing and small stores made to enlisted men and apprentice seamen required as outfits on first enlistment, not to exceed \$100 each, and for civilian clothing not to exceed \$15 per man to men given discharge for bad conduct, for undesirability, or inaptitude, and the uniform gratuity paid to officers of the Naval Reserve Force.

FREIGHT, BUREAU OF SUPPLIES AND ACCOUNTS: All freight and express charges pertaining to the Navy Department and its bureaus, except the transportation of coal for the Bureau of Supplies and Accounts, \$4,000,000.

FUEL AND TRANSPORTATION: Coal and other fuel for steamers' and ships' use, including expenses of transportation, storage, and handling the same; maintenance and general operation of machinery of naval fuel depots and fuel plants; water for all purposes on board naval vessels; and ice for the cooling of water, including the expense of transportation and storage of both, \$17,500,000: *Provided*, That \$1,000,000 of this appropriation shall be available for use, in the discretion of the Secretary of the Navy, in mining coal or contracting for the same in Alaska, the transportation of the same and the construction of coal bunkers and the necessary docks for use in supplying ships therewith; and the Secretary of the Navy is hereby authorized to select from the public coal lands in Alaska such areas as may be necessary for use by him for the purposes stated herein.

BUREAU OF CONSTRUCTION AND REPAIR

CONSTRUCTION AND REPAIR OF VESSELS: For preservation and completion of vessels on the stocks and in ordinary; purchase of materials and stores of all kinds; steam steerers, steam capstans, steam windlasses, and all other auxiliaries; labor in navy yards and on foreign stations; purchase of machinery and tools for use in shops; carrying on work of experimental model tank and wind tunnel; designing naval vessels; construction and repair of yard craft, lighters, and barges; wear, tear, and repair of vessels afloat; general care and protection of the Navy in the line of construction and repair; incidental expenses for vessels and navy yards, inspectors' offices, such as photographing, books, professional magazines, plans, stationery, and instruments for drafting room, and for pay of classified force under the bureau; for hemp, wire, iron, and other materials for the manufacture of cordage, anchors, cables, galleys, and chains; specifications for purchase thereof shall be so prepared as shall give fair and free competition; canvas for the manufacture of sails, awnings, hammocks, and other work; interior appliances and tools for manufacturing purposes in navy yards and

naval stations; and for the purchase of all other articles of equipage at home and abroad; and for the payment of labor in equipping vessels therewith and manufacture of such articles in the several navy yards; naval signals and apparatus, other than electric, namely, signals, lights, lanterns, running lights, and lamps and their appendages for general use on board ship for illuminating purposes; and oil and candles used in connection therewith; bunting and other materials for making and repairing flags of all kinds; for all permanent gallery fittings and equipage; rugs, carpets, curtains, and hangings on board naval vessels, \$22,500,000: *Provided*, That the amount of money to be expended from the appropriation "Construction and repair of vessels," for the restoration, preservation, and maintenance of the naval brig Niagara in the city of Erie, Pennsylvania, including the construction of suitable facilities for anchoring said vessel and properly preserving it for historical purposes shall not exceed \$10,000: *Provided further*, That the sum to be paid out of this appropriation, under the direction of the Secretary of the Navy, for clerical, drafting, inspection, watchmen (ship keepers), and messenger service in navy yards, naval stations, and offices of superintending naval constructors for the fiscal year ending June 30, 1922, shall not exceed \$3,450,000.

BUREAU OF ENGINEERING

ENGINEERING: For repairs, preservation, and renewal of machinery, auxiliary machinery, and boilers and naval vessels, yard craft, and ships' boats, distilling and refrigerating apparatus; repairs, preservation, and renewals of electric interior and exterior signal communications and all electrical appliances of whatsoever nature on board naval vessels, except range finders, battle orders and range transmitters and indicators, and motors and their controlling apparatus used to operate machinery belonging to other bureaus; searchlights and fire-control equipments for antiaircraft defense at short stations; maintenance and operation of coast signal service, including not to exceed \$2,500 for the purchase of land necessary for radio shore stations; equipage, supplies, and materials under the cognizance of the bureau required for the maintenance and operation of naval vessels, yard craft, and ships' boats; purchase, installation, repair, and preservation of machinery, tools, and appliances in navy yards and stations, pay of classified force under the bureau; incidental expenses for naval vessels, navy yards, and stations, inspectors' offices, the engineering experiment station, such as photographing, technical books and periodicals, stationery, and instruments; instruments and apparatus, supplies, and technical books and periodicals necessary to carry on experimental and research work in radiotelegraphy at the naval radio laboratory: *Provided*, That the sum to be paid out of this appropriation, under the direction of the Secretary of the Navy, for clerical, drafting, inspection, and message service in naval yards, naval stations, and offices of the United States inspectors of machinery and engineering material for the fiscal year ending June 30, 1922, shall not exceed \$2,500,000; in all, engineering, \$20,500,000.

ENGINEERING, EXPERIMENT STATION, UNITED STATES NAVAL ACADEMY, ANNAPOLIS, MARYLAND: For original investigation and extended experimentation of naval appliances, testing implements

and apparatus; purchase and installation of such machines and auxiliaries considered applicable for test and use in the naval service, and for maintenance and equipment of buildings and grounds, \$225,000.

NAVAL ACADEMY

PAY, NAVAL ACADEMY: Pay of professors and others, Naval Academy: Pay of professors and instructors, including one professor as librarian, \$385,000;

One swordmaster, \$1,900; assistants—one \$1,700, one \$1,500; head master in physical training, \$2,200; instructors in physical training—one \$2,100, two at \$2,000 each, seven at \$1,900 each; assistant librarian, \$2,500; cataloguer, \$1,800; two shelf assistants, at \$1,400 each; secretary of the Naval Academy, \$3,000; clerks—two at \$2,100 each, two at \$1,900 each, two at \$1,800 each, nine at \$1,600 each four at \$1,400 each, twenty-three at \$1,300 each, seven at \$1,200 each; repair men or seamstress, \$1,000; surveyor, \$1,700; services of choirmaster and organist at chapel, \$1,700; captain of the watch, \$1,600; second captain of the watch, \$1,500; thirty watchmen, at \$1,400 each; five telephone switchboard operators, at \$840 each; mail messenger, \$1,200; in all, \$161,600;

In all, pay of professors and others, Naval Academy, \$546,600.

DEPARTMENT OF ORDNANCE AND GUNNERY: For leading ordnancemen, ordnancemen, ordnance helpers, electricians, and other employees, \$20,658.

DEPARTMENTS OF ELECTRICAL ENGINEERING AND PHYSICS: For electrical machinists, mechanics, laboratorians, and other employees, \$19,431.04.

DEPARTMENT OF SEAMANSHIP: Three coxswains, at \$1,176.88 each; three seamen, at \$1,001.60 each; two seamen, at \$826.32 each; in all, \$8,188.08.

DEPARTMENT OF MARINE ENGINEERING AND NAVAL CONSTRUCTION: For master machinists, assistants, pattern makers, boiler makers, blacksmiths, machinists, molders, coppersmiths, who shall be considered practical instructors of midshipmen, and other employees, \$55,914.32.

COMMISSARY DEPARTMENT: For chief clerk and purchasing agent, chief cook and cooks, steward and assistant stewards, stenographers, typists, head waiters and assistant head waiters, head pantrymen, chief baker and bakers, butchers, truck chauffeurs, mechanics for repair of trucks, firemen, seamstresses, and necessary pantrymen, butcher's helpers, baker's helpers, waiters, coffeemen, dish pantrymen, utility men, linen men, laundrymen, scullions, and other unskilled and unclassified occupations, wages to be determined by the Superintendent of the Naval Academy and in no case to exceed \$75 per month in case of unskilled and unclassified employees, \$238,415.99: *Provided*, That no employer paid under the provisions of this paragraph shall receive a salary in excess of \$2,000.

DEPARTMENT OF BUILDINGS AND GROUNDS: One messenger to superintendent, \$1,001.60; necessary building attendants, \$145,436.80; in all, \$146,438.40.

In all, civil establishment, \$1,035,645.83.

CURRENT AND MISCELLANEOUS EXPENSES, NAVAL ACADEMY: Text and reference books for use of instructors; stationery, blank books and forms, models, maps, and periodicals; apparatus and materials for instruction in physical training and athletics; expenses of lectures and entertainments not exceeding \$1,000, including pay and expenses of lecturer; chemicals, philosophical apparatus and instruments, stores, machinery, tools, fittings, apparatus, and materials for instruction purposes, \$110,000.

Purchase, binding, and repair of books for the library (to be purchased in the open market on the written order of the superintendent), \$2,500.

For expenses of the Board of Visitors to the Naval Academy, \$3,000.

For contingencies for the superintendent of the academy, to be expended in his discretion, \$3,000.

For contingencies for the commandant of midshipmen, to be expended in his discretion, \$1,200.

In all, current and miscellaneous expenses, \$119,700.

MAINTENANCE AND REPAIRS, NAVAL ACADEMY: For general maintenance and repairs at the Naval Academy, namely: For necessary repairs of public buildings, wharves, and walls inclosing the grounds of the Naval Academy, improvements, repairs, and fixtures; for books, periodicals, maps, models, and drawings; purchase and repair of fire engines; fire apparatus and plants; machinery; purchase and maintenance of all horses and horse-drawn vehicles for use at the academy, including the maintenance, operation, and repair of three horse-drawn passenger-carrying vehicles to be used only for official purposes; seeds and plants; tools and repairs of the same; stationery; furniture for Government buildings and offices at the academy, including furniture for midshipmen's rooms; coal and other fuels; candles, oil, and gas; attendance on light and power plants; cleaning and clearing up station and care of buildings; attendance on fires, lights, fire engines, fire apparatus, and plants, and telephone, telegraph, and clock systems; incidental labor; advertising, water tax, postage, telephones, telegrams, tolls, and ferriage; flags and awnings; packing boxes; fuel for heating and lighting bandmen's quarters; pay of inspectors and draftsmen; music and astronomical instruments; and for pay of employees on leave, \$1,105,000.

Commutation of rent for bandmen, at \$15 per month each, \$13,500.

In all, maintenance and repairs, \$1,118,500.

In all Naval Academy, exclusive of public works, \$2,273,845.83.

MARINE CORPS

PAY, MARINE CORPS: Pay of officers, active and reserve list: For pay and allowances prescribed by law for all officers on the active and reserve list, \$4,386,196.01.

For pay of officers prescribed by law, on the retired list: For three major generals, four brigadier generals, eight colonels, six lieutenant colonels, twenty-six majors, forty-four captains, twenty-two first lieutenants, nine second lieutenants, two marine gunners, one quartermaster, clerk, two pay clerks, and for officers who may be placed thereon during the year, including such increased pay as is now or

may hereafter be provided for retired officers regularly assigned to active duty, \$353,761.25.

Pay of enlisted men, active and reserve list: Pay and allowances of noncommissioned officers, musicians and privates, as prescribed by law, and for the expenses of clerks of the United States Marine Corps traveling under orders, and including additional compensation for enlisted men of the Marine Corps qualified as expert riflemen, sharpshooters, marksmen, or regularly detailed as gun captains, gun pointers, cooks, messmen, signalmen, or holding good-conduct medals, pins, or bars, including interest on deposits by enlisted men, post exchange debts of deserters, under such rules as the Secretary of the Navy may prescribe, and the authorized travel allowance of discharged enlisted men, and for prizes for excellence in gunnery exercise and target practice, and for pay of enlisted men designated as Navy mail clerks and assistant Navy mail clerks, both afloat and ashore, \$12,060,300.76.

For pay and allowances prescribed by law of enlisted men on the retired list: For nineteen sergeants major, one drum major, forty gunnery sergeants, thirty-six quartermaster sergeants, fifty-four first sergeants, fifty-six sergeants, twelve corporals, five principal musicians, eighteen first-class musicians, one second-class musician, one drummer, and ten privates, and for those who may be retired during the fiscal year, \$210,822.60.

Undrawn clothing: For payment to discharged enlisted men for clothing undrawn, \$25,000.

Mileage: For mileage to officers traveling under orders without troops, \$150,000.

Commutation of quarters for enlisted men on recruiting duty, for officers and enlisted men serving with or without troops where there are no public quarters belonging to the Government, and where there are not sufficient quarters possessed by the United States to accommodate them, for enlisted men employed as clerks and messengers in the offices of the commandant, adjutant and inspector, paymaster, and quartermaster, and the offices of the assistant adjutant and inspectors, assistant paymasters, assistant quartermasters, at \$21 each per month, and for enlisted men employed as messengers in said offices, at \$10 each per month, \$711,100.

PAY OF CIVIL FORCE: In the office of the major general commandant: Temporary special assistant to the major general commandant, \$2,750; chief clerk, \$2,250; clerk, \$1,800; messenger, \$971.28; in all, \$7,771.28.

In the office of the paymaster: Chief clerk, \$2,250; clerk, \$1,500; in all, \$3,750.

In the office of the adjutant and inspector: Chief clerk, \$2,250; clerks—one \$1,800, one \$1,600, one \$1,500, one \$1,400, one \$1,200; in all, \$9,750.

In the office of the quartermaster: Temporary special assistant to the quartermaster, \$2,750; chief clerk, \$2,250; clerks—two at \$1,800 each, one \$1,500, two at \$1,400 each, two at \$1,200 each, technical engineer, \$2,300; draftsman, \$2,000; in all, \$19,600.

In the office of the assistant quartermaster, San Francisco, California: Chief clerk, \$2,500.

In the office of the assistant quartermaster, Philadelphia, Pennsylvania: Chief clerk, \$2,500; messenger, \$840; in all, \$3,340.

For temporary employees in offices at Marine Corps Headquarters and at Marine Corps posts, \$100,000: *Provided*, That no person shall be employed hereunder at a rate of compensation in excess of \$2,000 per annum.

In all, for pay of civil force, \$146,711.28, and the money herein specifically appropriated for pay of the Marine Corps shall be disbursed and accounted for in accordance with existing law as pay of the Marine Corps, and for the purpose shall constitute one fund.

In all, pay, Marine Corps, \$18,043,891.90.

MAINTENANCE, QUARTERMASTER'S DEPARTMENT, MARINE CORPS

PROVISIONS, MARINE CORPS: For enlisted men serving ashore; subsistence and lodging of enlisted men when traveling on duty, or cash in lieu thereof; commutation of rations to enlisted men regularly detailed as clerks and messengers; payments of board and lodging of applicants for enlistment while held under observation, recruits, recruiting parties, and enlisted men where it is impracticable to otherwise furnish subsistence, or in lieu of board, commutation of rations to recruiting parties, and enlisted men traveling on special duty, at such rates as the Secretary of the Navy may prescribe; ice machines and their maintenance where required for the health and comfort of the troops and for cold storage; ice for offices and preservation of rations, \$4,141,450.

CLOTHING, MARINE CORPS: For enlisted men authorized by law, \$1,125,000.

FUEL, MARINE CORPS: For heat, light, and commutation thereof for the authorized allowance of quarters for officers and enlisted men, and other buildings and grounds pertaining to the Marine Corps; fuel electricity, and oil for cooking, power, and other purposes; and sales to officers, \$590,000.

MILITARY STORES, MARINE CORPS: Purchase and repair of military equipments, such as rifles, revolvers, cartridge boxes, bayonet scabbards, haversacks, blanket bags, canteens, rifle slings, swords, drums, trumpets, flags, waistbelts, waist plates, cartridge belts, spare parts for repairing rifles, machetes; tents, field cots, field ovens, and stoves for tents; instruments for bands; purchase of music and musical accessories, articles of field sports for enlisted men, signal equipment and stores, purchase and marketing of prizes for excellence in gunnery and rifle practice; good-conduct badges; medals and buttons awarded to officers and enlisted men by the Government for conspicuous, gallant, and special service; incidental expenses of schools of application; equipment and maintenance of school, library and amusement rooms and gymnasiums for enlisted men; rental and maintenance of target ranges, and entrance fees in competitions; procuring, preserving, and handling ammunition and other necessary military supplies; in all, \$500,000.

TRANSPORTATION AND RECRUITING, MARINE CORPS: For transportation of troops, and of applicants for enlistment between recruiting stations and recruiting depots or posts, including ferriage and transfers en route, or cash in lieu thereof; toilet kits for issue to recruits upon their first enlistment and the expense of the recruiting service, \$750,000.

REPAIRS OF BARRACKS, MARINE CORPS: Repairs and improvement to barracks, quarters, and other public buildings at posts and stations; for the renting, leasing, and improvement of buildings in the District of Columbia, with the approval of the Public Buildings Commission, and at such other places as the public exigencies require and the erection of temporary buildings upon the approval of the Secretary of the Navy; such temporary buildings as may be erected in pursuance hereof at a total cost not to exceed \$10,000 during the year, \$450,000.

FORAGE, MARINE CORPS: For forage in kind and stabling for public animals of the Quartermaster's Department and the authorized number of officers' horses, \$100,000.

CONTINGENT, MARINE CORPS: For freight, expressage, tolls, cartage, advertising, washing bed linen, towels, and other articles of Government property, funeral expenses of officers and enlisted men, and retired officers on active duty during the war and retired enlisted men of the Marine Corps, including the transportation of bodies and their arms and wearing apparel from the place of demise to the homes of the deceased in the United States; stationery and other paper, printing and binding; telegraphing, rent of telephones; purchase, repair, and exchange of typewriters; apprehension of stragglers and deserters; employment of civilian labor and draftsmen; purchase, repair, and installation and maintenance of gas, electric, sewer, and water pipes and fixtures; office and barracks furniture, vacuum cleaners, camp and garrison equipage and implements; mess utensils for enlisted men and for properly constituted officers' messes; packing boxes, wrapping paper, oilcloth, crash, rope, twine, quarantine fees, camphor and carbonized paper carpenters' tools, tools for police purposes, safes; purchase, hire, repair, and maintenance of such harness, wagons, motor wagons, armored automobiles, carts, drays, motor-propelled and horse-drawn passenger-carrying vehicles to be used only for official purposes, and other vehicles as are required for the transportation of troops and supplies and for official military and garrison purposes; purchase of public horses and mules; services of veterinary surgeons, and medicines for public animals, and the authorized number of officers' horses; purchase of mounts and horse equipment for all officers below the grade of major required to be mounted; shoeing for public animals and the authorized number of officers' horses; purchase and repair of hose, fire extinguishers, carts, wheelbarrows, and lawn mowers; purchase, installation, and repair of cooking and heating stoves and furnaces; purchase of towels, soap, combs, and brushes for offices; postage stamps for foreign and registered postage; books, newspapers, and periodicals; improving parade grounds; repairs of pumps and wharves, water; straw for bedding, mattresses; mattress covers, pillows, sheets, furniture for Government quarters and repair of same; packing and crating officers' allowance of baggage on change of station, deodorizing, lubricants, disinfectants; for the construction, operation, and maintenance of laundries; and for all emergencies and extraordinary expenses arising at home and abroad, but impossible to anticipate or classify, \$2,000,000.

In all, for the maintenance of Quartermaster's Department, Marine Corps, \$9,656,450; and the money herein specifically appropriated for the maintenance of the Quartermaster's Department, Marine Corps,

shall be disbursed and accounted for in accordance with the existing law as maintenance, Quartermaster's Department, Marine Corps, and for that purpose shall constitute one fund.

Total Marine Corps, exclusive of public works, \$27,700,341.90.

INCREASE OF THE NAVY, CONSTRUCTION AND MACHINERY: On account of hulls and outfits of vessels and machinery of vessels heretofore authorized, to be available until expended, \$53,000,000.

INCREASE OF THE NAVY, TORPEDO BOATS: On account of submarine torpedo boats heretofore authorized, to be available until expended, \$4,000,000.

INCREASE OF THE NAVY, ARMOR AND ARMAMENT: Toward the armor and armament for vessels heretofore authorized, to be available until expended, \$33,000,000.

Total increase of the Navy heretofore authorized, \$90,000,000: *Provided*, That no part of this appropriation can be expended except on vessels now being constructed.

That no part of any sum appropriated by this Act shall be used for any expense of the Navy Department at Washington, District of Columbia, unless specific authority is given by law for such expenditure.

That no part of the appropriations made in this Act shall be available for the salary or pay of any officer, manager, superintendent, foreman, or other person having charge of the work of any employee of the United States Government while making or causing to be made with a stop watch or other time-measuring device a time study of any job of any such employee between the starting and completion thereof, or of the movements of any such employee while engaged upon such work; nor shall any part of the appropriations made in this Act be available to pay any premiums or bonus or cash reward to any employee in addition to his regular wages, except for suggestions resulting in improvements or economy in the operation of any Government plant; and that no part of the moneys appropriated in each or any section of this Act shall be used or expended for the purchase or acquirement of any article or articles that, at the time of the proposed acquirement, can be manufactured or produced in each or any of the Government navy yards of the United States, when time and facilities permit, for a sum less than it can be purchased or acquired otherwise[.]: *Provided further, that, notwithstanding any other provision of law, the legislature of the Virgin Islands is authorized to levy a surtax on all taxpayers in an amount not to exceed 10 per centum of their annual income tax obligation to the government of the Virgin Islands.*

AUTHORIZING THE VIRGIN ISLANDS TO ISSUE REVENUE BONDS

JUNE 30 (legislative day, JUNE 18), 1976.—Ordered to be printed

Mr. JOHNSTON, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H.R. 13359]

The Committee on Interior and Insular Affairs, to which was referred the act (H.R. 13359), to authorize loan funds for the government of the Virgin Islands, and for other purposes, having considered the same, reports favorably thereon with an amendment to the title and text and recommends that the act as amended do pass.

AMENDMENT

1. The Committee adopted an amendment in the nature of a substitute.

Strike out all after the enacting clause and insert instead the following:

That (a) in addition to the authority conferred by section 8(b) of the Revised Organic Act of the Virgin Islands (48 U.S.C. 1574(b)), the legislature of the government of the Virgin Islands is authorized to cause to be issued bonds or other obligations of such government in anticipation of revenues to be received under section 28(b) of such Act (26 U.S.C. 9652). The proceeds of such bonds or other obligations may be used for any purpose authorized by an act of the legislature. The legislature of the government of the Virgin Islands may initiate, by majority vote of the members, a binding referendum vote to approve or disapprove the amount of any such bond or other obligation and/or any purpose for which such bond or other obligation is authorized.

(b) The legislature of the government of the Virgin Islands may provide, in connection with any issue of bonds or other obligations authorized to be issued under subsection (a) the proceeds of which are to be used for public works or other capital projects, that a guarantee of such bonds or obligations by the United States should be applied for under section of this Act.

(c) Except to the extent inconsistent with the provisions of this Act, the provisions of section 8(b)(ii) of the Revised Organic Act of the Virgin Islands (other than the limitation contained in the proviso to the first sentence of subparagraph (A)) shall apply to bonds and other obligations authorized to be issued under subsection (a).

Sec. 2. (a) When authorized under subsection (b) of the first section of this Act, the government of the Virgin Islands may apply to the Secretary of the Interior (hereinafter referred to as the "Secretary") for a guarantee of any issue of bonds or other obligations authorized to be issued under subsection (a) of the first section of this Act. Any such application shall contain such information as the Secretary may prescribe.

(b) The Secretary is authorized, with the approval of the Secretary of the Treasury, to guarantee and to enter into commitments to guarantee, upon such terms and conditions as he may prescribe, payment of principal and interest on bonds and other obligations issued by the government of the Virgin Islands under subsection (a) of the first section of this Act. No guarantee or commitment to guarantee shall be made unless the Secretary determines—

(1) that the proceeds of such issue will be used only for public works or other capital projects;

(2) taking into account anticipated expenditures by the government of the Virgin Islands while the bonds or other obligations forming a part of such issue will be outstanding, all outstanding obligations of the government of the Virgin Islands which will mature while the bonds or other obligations forming a part of such issue will be outstanding, and such other factors as he deems pertinent, that the revenues expected to be received under section 28(b) of the Revised Organic Act of the Virgin Islands will be sufficient to pay the principal of, and interest on, the bonds or other obligations forming a part of such issue;

(3) that credit is not otherwise available on reasonable terms and conditions and that there is reasonable assurance of repayment and

(4) that the maturity of any obligations to be guaranteed does not exceed 30 years or 90% of the useful life of the physical asset to be financed by the obligation, whichever is less as determined by the Secretary.

(c) The Secretary shall charge and collect fees in amounts sufficient in his judgment to cover the costs of administering this section. Fees collected under this subsection shall be deposited in the revolving fund created under subsection (g).

(d) Any guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligation for such guarantee, and the validity of any guarantee so made shall be incontestable, except for fraud or material misrepresentation, in the hands of the holder of the guaranteed obligation. Such guarantee shall constitute a pledge of the full faith and credit of the United States for such obligation.

(e) The interest on any obligation guaranteed under this section shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954

(f) The aggregate principal amount of obligations which may be guaranteed under this Act shall not exceed \$61,000,000. No commitment to guarantee shall be entered into under this Act after October 1, 1979

(g) (1) There is hereby created within the Treasury a separate fund (hereinafter referred to as "the fund") which shall be available to the Secretary without fiscal year limitation as revolving fund for the purpose of this Act. A business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (section 102 103, and 104 of the Government Corporation Control Act (31 U.S.C 847-849)) for wholly-owned Government corporations.

(2) All expenses, including reimbursements to other government accounts, and payments pursuant to operations of the Secretary under this Act shall be paid from the fund. If at any time the Secretary determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

(3) If at any time the moneys available in the fund are insufficient to enable the Secretary to discharge his responsibilities under guarantees under this Act, he shall issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary of the Treasury. Redemption of such notes or obligations shall be made by the Secretary from appropriations which are hereby authorized for this purpose. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, which shall not be less than a rate determined by taking into

consideration the average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury shall purchase any notes or other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes or obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

Sec. 3. Each issue of bonds or other obligations issued under subsection (a) of the first section of this Act shall have priority for payment of principal and interest out of revenues received under section 28(b) of the Revised Organic Act of the Virgin Islands in the order of the date of issue, except that issues guaranteed under section 2 shall have priority, according to the date of issue, over issues not so guaranteed and the revenues received under section 28(b) of the Revised Organic Act of the Virgin Islands shall be pledged for the payment of such bonds or other obligations.

Sec. 4. The Secretary is authorized and directed to make grants to the government of the Virgin Islands for operation of such government in an amount not to exceed \$8,500,000.

Sec. 5. Chapter 44, section 1, of the Act of July 12, 1921 (42 Stat. 123; 48 U.S.C. 1397) is hereby amended by striking the period at the end thereof and inserting in lieu thereof the following language: "Provided further, That, notwithstanding any other provision of law, the Legislature of the Virgin Islands is authorized to levy a surtax on all taxpayers in an amount not to exceed 10 per centum of their annual income tax obligation to the government of the Virgin Islands.

Sec. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

2. Amend the title so as to read:

An act to authorize the government of the Virgin Islands to issue bonds in anticipation of revenue receipts and to authorize the guarantee of such bonds by the United States under specified conditions, and for other purposes.

PURPOSE

The purposes of H.R. 13359 are to enable the government of the Virgin Islands to raise sufficient funds for both operations of the government and its capital improvement program and to make grants to the Virgin Islands to alleviate the present fiscal crisis.

BACKGROUND AND NEED

The economic crisis in the Virgin Islands has been precipitated by a sharp drop in tourism, the Virgin Islands' largest industry, triggered by the worldwide recession and local disturbances.

The situation was compounded by the Tax Reduction Act of 1975 (and its extension), with numerous tax reduction features which reduced the revenues available to the Virgin Islands Government.

The loss of revenues required a matching reduction in expenditures since the taxing authority and public indebtedness of the Virgin Islands is, by law, more greatly restricted than that of many states. It is clear that this legislation is necessary to stimulate the economy of the islands and allow the territory to balance the operating budget at an acceptable level of services by fiscal year 1979.

The impact of the Tax Reduction Act on the \$100 million Virgin Islands budget is indicated in the following figures submitted by the Department of the Interior to the Committee prior to the full Committee markup:

EFFECT OF TAX REDUCTION ACT ON GOVERNMENT OF THE VIRGIN ISLANDS REVENUES

I. In a study conducted in February 1976 based on a sampling of 2,000 tax returns, it was estimated that the following revenues were lost to the Government of the Virgin Islands during calendar year 1975 due to the effect of the Tax Reduction Act of 1975 (Public Law 94-12).

| | |
|---|-------------|
| Rebates on 1974 taxes..... | \$2,663,000 |
| Changes in low income allowance and standard deduction..... | 1,811,000 |
| Credit for exemptions..... | 2,644,000 |
| Earned income credit..... | 1,866,000 |
| Changes in normal corporate taxes..... | 333,000 |
| Changes in corporate tax exemption from \$25,000 to \$50,000..... | 3,153,000 |
| Investment tax credit..... | 300,000 |

| | |
|--|------------|
| Total estimated loss for tax year January through December 1975..... | 12,770,000 |
|--|------------|

II. The Tax Reduction Act of 1975 was extended by Public Law 94-164 until June 30, 1976 and is expected to be extended for another six months. Assuming that the earned income credit is maintained the Virgin Islands Government estimates that revenue losses for 1976 will remain the same as 1975 except that there will be no rebate.

| | |
|----------------------------------|------------|
| 1975 estimated revenue loss..... | 12,770,000 |
| Less rebates..... | 2,663,000 |

| | |
|--|------------|
| Total estimated loss for tax year January through December 1976..... | 10,107,000 |
|--|------------|

III. Total estimated revenue loss for the Government of the Virgin Islands for 1975 and 1976 due to the Tax Reduction Act and its extensions.....

| | |
|--|------------|
| | 22,880,000 |
|--|------------|

Since the federal income tax operates as a local territorial tax in the Virgin Islands, not only were revenues reduced in the Virgin Islands, but the Virgin Islands was required to cover the rebate provisions of the Tax Reduction Act from its own treasury.

LEGISLATIVE HISTORY

H.R. 13359 passed the House on May 3, 1976, and was the subject of a full Committee hearing on May 10. Similar bills had been introduced in the Senate (S. 3327 at the request of the Administration and S. 3357 at the request of Congressman DeLugo). The Committee considered H.R. 13359 during a full Committee markup on June 23, and adopted a substitute amendment proposed by Senator Johnston.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Interior and Insular Affairs, in open business session on June 23, 1976, by unanimous vote of a quorum present recommends that the Senate pass H.R. 13359, if amended as described herein.

Senators voting to report the bill, as amended, were as follows:

| Ayes | Nayes |
|----------|----------|
| Jackson | Abourezk |
| Church | Haskell |
| Metcalf | Stone |
| Johnston | Bumpers |

COMMITTEE AMENDMENTS

1. The Committee adopted a substitute text proposed by Senator Johnston. The House passed measure would have provided loans to the Virgin Islands in the amount of \$15 million for operations and \$61 million for capital improvements.

The Committee decided that loans for operations were inappropriate since the operations shortfall being experienced by the Virgin Islands is due, in part, to actions of the federal government. A grant was substituted as being a more equitable form of assistance.

The committee further believed that a loan guarantee approach would reduce direct Federal involvement in the financing of capital improvements and encourage fiscal responsibility.

The amendment, in brief, provides increased revenue bonding authority to the Virgin Islands, authorizes a grant of \$8.5 million to compensate the Virgin Islands for the unexpected revenue loss occasioned by the Tax Reduction Act, and allows the Virgin Islands to institute a 10 percent surcharge on income taxes.

Section 1(a) of the amendment authorizes the legislature of the Virgin Islands to cause to be issued bonds or other obligations in anticipation of revenues to be received under section 28(b) of the Revised Organic Act of the Virgin Islands.

Section 1(b) provides that the Virgin Islands may request a federal guarantee for such obligations.

Section 1(c) extends the present controls on bond issues contained in section 8(b)(ii) of the Revised Organic Act except for the limitation that the public indebtedness may not exceed 10 percent of the aggregate assessed valuation of the taxable real property in the Virgin Islands, and other limitations inconsistent with this authority.

Section 2 sets forth the requirements for a federal guarantee of any bond issue. The section requires the Secretary of the Interior to determine that (1) the proceeds will be used only for capital projects; (2) that there will be sufficient revenues to cover the bond issue; (3) that credit is not otherwise available on reasonable terms; and (4) that the maturity of the obligation does not exceed the lesser of 30 years or 90 percent of the useful life of the project. The section further provides that the Secretary shall collect fees to cover administrative costs, that the guarantee is conclusive evidence of the eligibility of the obligation for the guarantee, that the interest on the guaranteed obligation will be subject to federal income tax, that the aggregate amount of guaranteed obligations may not exceed \$61 million and that no guarantee may be entered into after October 1, 1979.

The section also establishes a revolving fund and authorizes the Secretary of the Interior to borrow from the Treasury in the event of

default on a guaranteed obligation. The borrowing authority is necessary in order to assure investors of timely payment in the event of default.

Section 3 provides that any bond issued under this Act will have a priority on revenues derived from section 28(b) of the Revised Organic Act for repayment and that of such bonds, any guaranteed issue will have first priority.

Section 4 directs the Secretary to make grants for operations to the Virgin Islands' government in an amount not to exceed \$8.5 million.

Section 5 provides that the Virgin Islands legislature may institute a 10 percent income tax surcharge.

Section 6 authorizes the appropriation of such sums as may be necessary to carry out the provisions of this Act.

2. The title was changed to reflect the amendment.

COST AND BUDGETARY CONSIDERATIONS

The legislation contemplates an \$8.5 million grant to the Virgin Islands. The timing of the grant will depend upon the submission of an appropriation request by the Administration. Loan guaranty authority of up to \$61 million is provided subject to future appropriations action by the Congress.

EXECUTIVE COMMUNICATIONS

The pertinent legislative reports and communications received by the Committee from the Department of the Interior setting forth Executive Agency recommendations relating to H.R. 13359, are set forth below:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., April 7, 1976.

HON. NELSON A. ROCKEFELLER,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a draft bill "To authorize loan funds for the Government of the Virgin Islands and for other purposes."

We recommend that the bill be referred to the appropriate Committee for consideration and that it be enacted.

At present there is a fiscal crisis confronting the territorial Government of the Virgin Islands. This crisis is due to the state of the economy and government revenue collection capability. Tourism—the largest industry and major contributor to the gross domestic product of the Virgin Islands—has declined over the past three years. This decline was caused by the worldwide recession, local disturbances, and the reduced attraction of the islands' freeport status. The latter was the result of the devaluation of the U.S. dollar and the lowering of tariff barriers on the mainland United States. The decline in tourism precipitated the reduction of public revenues from this industry.

In addition to this revenue decline, the Tax Reduction Act of 1975 (and the amendment which extended it) with its rebate provisions,

negative income tax, liberalized investment credits, and other tax reduction features, further reduced the revenues available to the Virgin Islands Government.

The purpose of the Tax Reduction Acts was to stimulate the economy. While this was achieved in the continental United States, the Acts had the opposite result in the Virgin Islands.

In practice, under the Tax Reduction Acts, people would have more money to spend, which would improve the demand for goods and services. This would have a multiplier effect on the economy, and thus it would improve. Such was true in the United States. However, most of the goods and services in the Virgin Islands come from the continental United States. The new money in the Virgin Islands quickly went to the mainland without improving the Virgin Islands economy. Estimated losses of Virgin Islands Government revenues as a result of these Acts approximate \$15 million.

The loss of government revenues meant a corresponding reduction in expenditures. Since the taxing authority and public indebtedness of the Virgin Islands is, by law, far more restricted than that of the U.S. Government or many States, the Virgin Islands cannot compensate for the loss of revenues.

At the beginning of fiscal year 1976 the revenues projected for the Government of the Virgin Islands exceeded \$132 million. Proposed expenditures for government operating costs were equal to that amount. That revenue amount included \$20 million in anticipated receipts from custom duties on petroleum products imported into the United States from the Virgin Islands. However, the Department of Justice has ruled that there is no legal authority in the U.S. to make these payments, and thus, they are not available. Actual receipts for the first half of fiscal year 1976 suggest maximum receipts of \$92.5 million from all taxes, fees and fines, including moneys collected from hospital operations. Executive action such as reducing expenditures and increasing revenues yielded a balanced budget of \$117.1 million.

This included the transfer into the operating budget of capital improvement funds in excess of \$25 million, a severe curtailing of government services, and a personnel reduction of 346 employees. The government is the primary employer in the Virgin Islands and the rate of unemployment prior to the government layoff already exceeded 9% of the work force.

In the areas of health and education these reductions have been most pronounced. The reductions in health personnel required reducing the number of hospital beds and limited the service capability of the Virgin Islands' two hospitals.

The schools are understaffed and over crowded. In 1970 the school system admitted all non-citizen (alien) school-age children legally residing in the Virgin Islands. The enrollment increase since then has been 58.3 percent, with a serious impact on education services.

To meet its service responsibilities to its citizens, the Government of the Virgin Islands has, from 1971 through 1975, deferred \$31 million worth of capital improvement projects to make these moneys available for operating expenses. Without financial relief, an additional \$30 million in capital projects will have to be deferred in fiscal years 1976 and 1977. This is a total of \$61 million for the period fiscal years 1971 through 1977.

The Government of the Virgin Islands needs legislation and Federal assistance through loans to stimulate the economy. Such assistance will allow the territory to balance the operating budget at an acceptable level of services by fiscal year 1979.

The attached draft bill would deal with the effects of the Tax Reduction Acts and the deferred capital improvements projects. Section 1 would amend the Act of July 14, 1921, to authorize the Government of the Virgin Islands to levy a surtax, not to exceed 10%, on the future income taxes payable to the Government of the Virgin Islands. The 1921 Act provides that the income tax laws in force in the United States shall be likewise in force in the U.S. Virgin Islands, except that the proceeds of Virgin Islands taxes shall be paid into the Virgin Islands Treasury. This amendment would enable the Government of the Virgin Islands to respond to changes in the income tax laws of the United States. Along with the present estimated \$15 million loss in revenues, the Virgin Islands expects to lose \$5 million annually in future revenues under the Tax Reduction Acts.

Section 2 would authorize loans up to \$15 million to supplement the operations budgets of the Government of the Virgin Islands for their fiscal years 1977 and 1978. Their operating expenditures for fiscal year 1975 amounted to \$117 million; fiscal year 1976 expenditures are projected at \$117.1 million. The Government of the Virgin Islands has proposed an austerity budget of \$118.6 million for fiscal year 1977 but estimates revenues at only \$110.1 million. There is a shortfall of \$8.5 million. Given the effects of inflation and past cuts in expenditures, government services are already at unacceptably low levels. A loan of \$15 million would allow the balancing of local 1977 and 1978 budgets at acceptable levels of services. These loans for operations taken together with the economic recovery stimulated by the capital improvement program loans proposed in section 3 would result in increased revenue collections by the government. It would then be capable of balancing its fiscal year 1979 budget without further assistance.

Section 3 would authorize \$61 million in loans to bring the Virgin Islands long-delayed capital improvement program up-to-date. How quickly these funds are requested for appropriation will depend upon review of proposals by the Government of the Virgin Islands, however the legislation would allow the funding to be spread out over five years. The Virgin Islands cannot borrow for non-revenue producing purposes under the Revised Organic Act of the Virgin Islands. Thus, if the capital improvement program is to be implemented at this time, the Virgin Islands will need a Federal loan.

Section 4 would provide the conditions and repayment provisions for the loans authorized pursuant to sections 2 and 3. Amortization of the loans would begin July 1, 1982 and be paid back over 10 years, with interest equal to the average yield of outstanding marketable obligations of the United States of comparable maturities. In our judgment, since funds will become available to the Virgin Islands through the expiration of certain industrial tax exemptions in 1978 and 1981, the government will be readily able to amortize any debt incurred through this provision. It is anticipated that after 1981 the

Government of the Virgin Islands will benefit from up to \$100 million annually in additional revenues due to the expiration of these exemptions.

Under section 5 of the draft bill, the Secretary would be able to place any stipulations he deems appropriate on the loans to the U.S. Virgin Islands.

The Office of Management and Budget has advised that there is no objection to the presentation of this legislative proposal from the standpoint of the Administration's program.

Sincerely yours,

JOHN KYL,
Secretary of the Interior.

Enclosure.

A BILL To authorize loan funds for the Government of the Virgin Islands and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 44, Section 1, of the Act of July 12, 1921 (42 Stat. 123, 48 USC 1397) is hereby amended by striking the period at the end thereof and inserting in lieu thereof the following language:

: Provided, further, That notwithstanding any other provision of law, the Legislature of the Virgin Islands is authorized to levy a surtax on all taxpayers in an amount not to exceed ten percentum of their annual income tax obligation to the Government of the Virgin Islands."

SEC. 2. There is hereby authorized to be appropriated to the Secretary of the Interior \$15,000,000 to be paid as loans to the Government of the Virgin Islands to be used for operating expenses.

SEC. 3. (a) The purpose of this Section is to provide the Virgin Islands with funds for the construction of necessary public works, including the acquisition of real property.

(b) There is authorized to be appropriated to the Secretary of the Interior not to exceed \$61,000,000 to carry out the purposes of this Section, to be paid to the Government of the Virgin Islands in such sums as may be requested by the Governor of the Virgin Islands with the concurrence of the territorial legislature and approved by the Secretary of the Interior, and such moneys as may be appropriated shall be available until June 30, 1980. Funds appropriated pursuant to this Section shall also be available for use by the Government of the Virgin Islands to permit the Virgin Islands to qualify for participation in Federal programs relating to public works and community development for which the Virgin Islands is otherwise eligible.

SEC. 4. Repayment of the loans under Sections 2 and 3 of this Act shall commence no later than June 30, 1982 in such amounts as the Secretary of the Interior estimates will reimburse the United States, with interest as set forth below, over a period of ten years. These repayments may be made in the form of withholdings by the Secretary of the Treasury from sums collected pursuant to section 7652 (b) of Public Law 83-591 (68A Stat. 907, 26 U.S.C. 7652 (b)) as amended, before such sums are transferred to the Government of the Virgin

Islands. The foregoing amounts, until reimbursed to the United States, shall bear interest beginning on the date when the moneys are advanced, at a rate determined by the Secretary of the Treasury, taking into consideration the average yield on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the advance, adjusted to the nearest one-eighth of 1 per centum. All sums so withheld shall be deposited in the Treasury of the United States as miscellaneous receipts.

SEC. 5. The Secretary shall place such stipulations as he deems appropriate on any loans to the Virgin Islands pursuant to Sections 2 and 3 of this Act.

SEC. 6. No portion of the sums to be repaid by the Government of the Virgin Islands to the United States, as provided for in sections 2 and 3 of this Act, shall be considered to be public indebtedness of the Virgin Islands within the meaning of section 8(b) of the Revised Organic Act of the Virgin Islands (68 Stat. 500, 48 USC 1574(b)).

CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill H.R. 13359 as reported.

○

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To authorize the government of the Virgin Islands to issue bonds in anticipation of revenue receipts and to authorize the guarantee of such bonds by the United States under specified conditions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) in addition to the authority conferred by section 8(b) of the Revised Organic Act of the Virgin Islands (48 U.S.C. 1574(b)), the legislature of the government of the Virgin Islands is authorized to cause to be issued bonds or other obligations of such government in anticipation of revenues to be received under section 28(b) of such Act (26 U.S.C. 7652). The proceeds of such bonds or other obligations may be used for any purpose authorized by an act of the legislature. The legislature of the government of the Virgin Islands may initiate, by majority vote of the members, a binding referendum vote to approve or disapprove the amount of any such bond or other obligation and/or any purpose for which such bond or other obligation is authorized.

(b) The legislature of the government of the Virgin Islands may provide, in connection with any issue of bonds or other obligations authorized to be issued under subsection (a) the proceeds of which are to be used for public works or other capital projects, that a guarantee of such bonds or obligations by the United States should be applied for under section 2 of this Act.

(c) Except to the extent inconsistent with the provisions of this Act, the provisions of section 8(b)(ii) of the Revised Organic Act of the Virgin Islands (other than the limitation contained in the proviso to the first sentence of subparagraph (A)) shall apply to bonds and other obligations authorized to be issued under subsection (a).

SEC. 2. (a) When authorized under subsection (b) of the first section of this Act, the government of the Virgin Islands may apply to the Secretary of the Interior (hereinafter referred to as the "Secretary") for a guarantee of any issue of bonds or other obligations authorized to be issued under subsection (a) of the first section of this Act. Any such application shall contain such information as the Secretary may prescribe.

(b) The Secretary is authorized, with the approval of the Secretary of the Treasury, to guarantee and to enter into commitments to guarantee, upon such terms and conditions as he may prescribe, payment of principal and interest on bonds and other obligations issued by the government of the Virgin Islands under subsection (a) of the first section of this Act. No guarantee or commitment to guarantee shall be made unless the Secretary determines—

(1) that the proceeds of such issue will be used only for public works or other capital projects;

(2) taking into account anticipated expenditures by the government of the Virgin Islands while the bonds or other obligations forming a part of such issue will be outstanding, all outstanding obligations of the government of the Virgin Islands which will mature while the bonds or other obligations forming a part of such issue will be outstanding, and such other factors as he deems

pertinent, that the revenues expected to be received under section 28(b) of the Revised Organic Act of the Virgin Islands will be sufficient to pay the principal of, and interest on, the bonds or other obligations forming a part of such issue;

(3) that credit is not otherwise available on reasonable terms and conditions and that there is reasonable assurance of repayment, and

(4) that the maturity of any obligations to be guaranteed does not exceed thirty years or 90 per centum of the useful life of the physical assets to be financed by the obligation, whichever is less as determined by the Secretary.

(c) The Secretary shall charge and collect fees in amounts sufficient in his judgment to cover the costs of administering this section. Fees collected under this subsection shall be deposited in the revolving fund created under subsection (g).

(d) Any guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligation for such guarantee, and the validity of any guarantee so made shall be incontestable, except for fraud or material misrepresentation, in the hands of the holder of the guaranteed obligation. Such guarantee shall constitute a pledge of the full faith and credit of the United States for such obligation.

(e) The interest on any obligation guaranteed under this section shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954.

(f) The aggregate principal amount of obligations which may be guaranteed under this Act shall not exceed \$61,000,000. No commitment to guarantee shall be entered into under this Act after October 1, 1979.

(g) (1) There is hereby created within the Treasury a separate fund (hereinafter referred to as "the fund") which shall be available to the Secretary without fiscal year limitation as revolving fund for the purpose of this Act. A business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849)) for wholly owned Government corporations.

(2) All expenses, including reimbursements to other government accounts, and payments pursuant to operations of the Secretary under this Act shall be paid from the fund. If at any time the Secretary determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

(3) If at any time the moneys available in the fund are insufficient to enable the Secretary to discharge his responsibilities under guarantees under this Act, he shall issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary of the Treasury. Redemption of such notes or obligations shall be made by the Secretary from appropriations which are hereby authorized for this purpose. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, which shall not be less than a rate determined by taking into consideration the average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury shall purchase any notes or other obligations issued hereunder and for that purpose he is author-

ized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes or obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

SEC. 3. Each issue of bonds or other obligations issued under subsection (a) of the first section of this Act shall have priority for payment of principal and interest out of revenues received under section 28(b) of the Revised Organic Act of the Virgin Islands in the order of the date of issue, except that issues guaranteed under section 2 shall have priority, according to the date of issue, over issues not so guaranteed and the revenues received under section 28(b) of the Revised Organic Act of the Virgin Islands shall be pledged for the payment of such bonds or other obligations.

SEC. 4. The Secretary is authorized and directed to make grants to the government of the Virgin Islands for operation of such government in an amount not to exceed \$8,500,000.

SEC. 5. Chapter 44, section 1, of the Act of July 12, 1921 (42 Stat. 123; 48 U.S.C. 1397), is hereby amended by striking the period at the end thereof and inserting in lieu thereof the following language: “: *Provided further*, That, notwithstanding any other provision of law, the Legislature of the Virgin Islands is authorized to levy a surtax on all taxpayers in an amount not to exceed 10 per centum of their annual income tax obligation to the government of the Virgin Islands.”.

SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*