

which was in the Star Ledger, New Jersey's largest circulation daily, on Thursday, May 11. It says:

The Republicans have offered a budget resolution that does it all, reduces the deficit, balances the budget, and saves Medicare from bankruptcy—a piece of work crafted of smoke and mirrors. The only thing they do not tell you is how to cut \$256 billion from Medicare and \$175 from Medicaid, or who is going to get hurt if and when the cuts are made.

You cannot make up that kind of money by switching everybody in Medicare and Medicaid to managed care insurance.

You cannot make it up by cutting fees to doctors and hospitals, unless you want to see the old and the poor turned away.

Medicare is getting all the attention because it is the program for the elderly, a stronger political lobby than people on Medicaid, the program for the poor.

No one bothers to mention that Medicaid clients are mainly women and their children, or that the biggest bite from that budget provides the only hope most of us will have of keeping our mothers and fathers in nursing homes without our families going bankrupt.

Many of the same Republicans who ranted last year that a national health care program would result in health care rationing are among the crowd now calling for the kind of budget cuts which could very well mean rationing for the elderly and the poor. Shows what a difference a year and an election can make.

Mr. Speaker, I include this whole editorial for the RECORD:

[From the Star-Ledger, May 11, 1995]

MEDICARE'S CUTTING EDGE

Why did Willie Sutton rob banks? Because that's where the money is, he said.

Why are Medicare and Medicaid scheduled to take the biggest blow in the budget cutting proposed by congressional Republicans? Same reason. Same crime.

The Republicans have offered a budget resolution that does it all, reduces the deficit, balances the budget and saves Medicare from bankruptcy—a piece of work crafted of smoke and mirrors. All you have to do is trim a bit from this, a bit from that and a whole bunch from Medicare and Medicaid over the next few years and voila!

The only thing they don't tell you is how to cut \$256 billion from Medicare and \$175 billion from Medicaid or who is going to get hurt if and when the cuts are made.

You cannot make up that kind of money by switching everybody in Medicare and Medicaid to managed care insurance. The best managed care plans are not holding health care increases down to the point that would have to be matched in order to reap the savings the Republican budget resolution promises.

You cannot make it up by cutting fees to doctors and hospitals, unless you want to see the old and the poor turned away.

Medicare is getting all the attention because it is the program for the elderly, a stronger political lobby than people on Medicaid, the program for the poor.

No one bothers to mention that Medicaid clients are mainly women and their children or that the biggest bite from that budget provides the only hope most of us will have of keeping our mothers and fathers in nursing homes without our families going bankrupt.

Many of the same Republicans who ranted last year that a national health care program would result in health care rationing are among the crowd now calling for the kind of budget cuts which could very well

mean rationing for the elderly and the poor. Shows what a difference a year and an election can make.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. FUNDERBURK). Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed will be taken after debate is concluded on all motions to suspend the rules, but not before 5 p.m. today.

GREENS CREEK LAND EXCHANGE ACT OF 1995

Mr. YOUNG of Alaska. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1266) to provide for the exchange of lands within Admiralty Island National Monument, and for other purposes, as amended.

The Clerk read as follows:

H.R. 1266

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Greens Creek Land Exchange Act of 1995".

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) The Alaska National Interest Lands Conservation act established the Admiralty Island National Monument and sections 503 and 504 of that Act provided special provisions under which the Greens Creek Claims would be developed. The provisions supplemented the general mining laws under which these claims were staked.

(2) The Kennecott Greens Creek Mining Company, Inc., currently holds title to the Greens Creek Claims, and the area surrounding these claims has further mineral potential which is yet unexplored.

(3) Negotiations between the United States Forest Service and the Kennecott Greens Creek Mining Company, Inc., have resulted in an agreement by which the area surrounding the Greens Creek Claims could be explored and developed under terms and conditions consistent with the protection of the values of the Admiralty Island National Monument.

(4) The full effectuation of the Agreement, by its terms, requires the approval and ratification by Congress.

SEC. 3. DEFINITIONS.

As used in this Act—

(1) the term "Agreement" means the document entitled the "Greens Creek Land Exchange Agreement" executed on December 14, 1994, by the Under Secretary of Agriculture for Natural Resources and Environment on behalf of the United States and the Kennecott Greens Creek Mining Company and Kennecott Corporation;

(2) the term "ANILCA" means the Alaska National Interest Lands Conservation Act, Public Law 96-487 (94 Stat. 2371);

(3) the term "conservation system unit" has the same meaning as defined in section 102(4) of ANILCA;

(4) the term "Green Creek Claims" means those patented mining claims of Kennecott

Greens Creek Mining Company within the Monument recognized pursuant to section 504 of ANILCA;

(5) the term "KGCMC" means the Kennecott Greens Creek Mining Company, Inc., a Delaware corporation;

(6) the term "Monument" means the Admiralty Island National Monument in the State of Alaska established by section 503 of ANILCA;

(7) the term "Royalty" means Net Island Receipts Royalty as that latter term is defined in Exhibit C to the Agreement; and

(8) the term "Secretary" means the Secretary of Agriculture.

SEC. 4. RATIFICATION OF THE AGREEMENT.

The Agreement is hereby ratified and confirmed as to the duties and obligations of the United States and its agencies, and KGCMC and Kennecott Corporation, as a matter of Federal law. The agreement may be modified or amended, without further action by the Congress, upon written agreement of all parties thereto and with notification in writing being made to the appropriate committees of the Congress.

SEC. 5. IMPLEMENTATION OF THE AGREEMENT.

(a) LAND ACQUISITION.—Without diminishment of any other land acquisition authority of the Secretary in Alaska and in furtherance of the purposes of the Agreement, the Secretary is authorized to acquire lands and interests in land within conservation system units in the Tongass National Forest, and any land or interest in land so acquired shall be administered by the Secretary as part of the National Forest System and any conservation system unit in which it is located. Priority shall be given to acquisition of non-Federal lands within the Monument.

(b) ACQUISITION FUNDING.—There is hereby established in the Treasury of the United States an account entitled the "Greens Creek Land Exchange Account" into which shall be deposited the first \$5,000,000 in royalties received by the United States under part 6 of the Agreement after the distribution of the amounts pursuant to subsection (c) of this section. Such moneys in the special account in the Treasury may, to the extent provided in appropriations Acts, be used for land acquisition pursuant to subsection (a) of this section.

(c) TWENTY-FIVE PERCENT FUND.—All royalties paid to the United States under the Agreement shall be subject to the 25 percent distribution provisions of the Act of May 23, 1908, as amended (16 U.S.C. 500) relating to payments for roads and schools.

(d) MINERAL DEVELOPMENT.—Notwithstanding any provision of ANILCA to the contrary, the lands and interests in lands being conveyed to KGCMC pursuant to the Agreement shall be available for mining and related activities subject to and in accordance with the terms of the Agreement and conveyances made thereunder.

(e) ADMINISTRATION.—The Secretary of Agriculture is authorized to implement and administer the rights and obligations of the Federal Government under the Agreement, including monitoring the Government's interests relating to extralateral rights, collecting royalties, and conducting audits. The Secretary may enter into cooperative arrangements with other Federal agencies for the performance of any Federal rights or obligations under the Agreement or this Act.

(f) REVERSIONS.—Before reversion to the United States of KGCMC properties located on Admiralty Island, KGCMC shall reclaim the surface disturbed in accordance with an approved plan of operations and applicable laws and regulations. Upon reversion to the United States of KGCMC properties located on Admiralty, those properties located within the Monument shall become part of the

Monument and those properties lying outside the Monument shall be managed as part of the Tongass National Forest.

(g) SAVINGS PROVISIONS.—Implementation of the Agreement in accordance with this Act shall not be deemed a major Federal action significantly affecting the quality of the human environment, nor shall implementation require further consideration pursuant to the National Historic Preservation Act, title VIII of ANILCA, or any other law.

SEC. 6. RECISION RIGHTS.

Within 60 days of the enactment of this Act, KGCMC and Kennecott Corporation shall have a right to rescind all rights under the Agreement and this Act. Recision shall be effected by a duly authorized resolution of the Board of Directors of either KGCMC or Kennecott Corporation and delivered to the Chief of the Forest Service at the Chief's principal office in Washington, District of Columbia. In the event of a recision, the status quo ante provisions of the Agreement shall apply.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Alaska [Mr. YOUNG] will be recognized for 20 minutes, and the gentleman from Hawaii [Mr. ABERCROMBIE] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Alaska [Mr. YOUNG].

Mr. YOUNG of Alaska. Mr. Speaker, I yield myself such time as I may consume.

(Mr. YOUNG of Alaska asked and was given permission to revise and extend his remarks and to include extraneous matter.)

Mr. YOUNG of Alaska. First of all, Mr. Speaker, let me thank the gentleman from Hawaii [Mr. ABERCROMBIE] for his work and cooperation on this bill.

Mr. Speaker, I am pleased to rise in support of the Greens Creek Land Exchange Act of 1995.

This act will approve a land exchange agreement between the U.S. Forest Service and Kennecott Greens Creek Mining Co. ("Kennecott"). These lands surround the Greens Creek Mine, a zinc-lead-silver-gold mine, located on Admiralty Island in southeast Alaska. The land exchange agreement is the product of a nearly 10-year-long negotiation between the two parties.

Under the Greens Creek Land Exchange Agreement, Kennecott receives the right to mine mineral deposits on about 7,500 acres of land, located in Admiralty Island National Monument. In return, Kennecott will: First, pay a royalty to the Federal Government on any production from these lands, and second, purchase and donate to the U.S. Forest Service 1 million dollars' worth of inholdings located within the Admiralty National Monument—an amount of land equal in value to the land received under the agreement.

The royalty is based on the value received from 1 sales after deduction of shipping, smelting, and refining charges. The royalty has two tiers depending on the value of the ore. When metal prices are average or better, the royalty will be 3 percent, and at low metal prices, the royalty will be three-quarters of 1 percent. This two-tier

royalty will encourage the Greens Creek Mine to continue operation in times of low metal prices.

This land exchange will help promote sound economic and environmentally responsible resource development, support land consolidation in conservation system units within the Tongass National Forest, and raise revenues for the Federal Government.

Mr. Speaker, I urge an "aye" vote on H.R. 1266 and thank GEORGE MILLER for his leadership in the effort to approve this land exchange agreement. I look forward to the successful completion of the Greens Creek land exchange and hope that it will help provide new economic opportunities for those who live in southeast Alaska.

Mr. Speaker, I include for the RECORD the text of the Greens Creek Land Exchange Agreement:

AGREEMENT

This Agreement, by and between Kennecott Greens Creek Mining Company, Inc., a Delaware corporation ("KGCMC") and The United States of America, by and through the U.S.D.A. Forest Service ("USFS"), dated , 1994.

Whereas, on December 2, 1980, Congress established the Admiralty Island National Monument (the "Monument") by enactment of the Alaska National Interest Lands Conservation Act ("ANILCA") (P.L. 96-487):

Whereas, the Monument was established as part of the Tongass National Forest for the purpose of protecting objects of ecological, cultural, geological, historical, prehistorical and scientific interest, in particular its wildlife and supporting habitats;

Whereas, Congress designated approximately nine hundred thousand acres of the Monument as wilderness under ANILCA;

Whereas approximately 17,000 acres of the Monument was designated as non-wilderness to permit the development of a silver, lead, zinc and gold deposit;

Whereas, KGCMC, as manager of the Greens Creek Joint Venture ("GCJV") has developed the Greens Creek Mine (the "Mine") on 17 claims which were located prior to the establishment of the Monument (the "Existing Claims");

Whereas, operation of the Greens Creek Mine, which is located approximately 15 miles from Juneau, Alaska, can produce 450,000 tons of ore per year and contribute over 265 jobs to the local economy of Southeast Alaska;

Whereas, KGCMC hopes that the life of the Mine and the jobs it provides can be extended by further exploration and development of subsurface lands within the non-wilderness portion of the Monument adjacent to the Existing Claims;

Whereas, such development can occur without significant adverse environmental effects by utilizing existing facilities of the mine for the most part and minimizing surface disturbance on Monument lands;

Whereas, further exploration and potential development of the Mine can be accomplished without significant impact to the Monument and its purposes;

Whereas, KGCMC has proposed a land exchange to acquire rights to explore and mine adjacent subsurface lands in return for conveyance to the United States, through the USFS, of important private inholdings located within the Monument and/or other Conservation System Units within the Tongass National Forest, the assignment to the United States of a royalty interest in the returns from any future development from

mining the lands acquired by KGCMC through the exchange, and a restrictive covenant and future interest in the Existing Claims, Mill Site #1 (MS 2514), and other lands held by KGCMC located on Admiralty Island;

Whereas, the result of such land exchange would include consolidation of Federal land ownership in the Monument Wilderness in return for the right through title to explore and mine the subsurface lands adjacent to the Mine within the existing non-wilderness area of the Monument, in an environmentally sound manner.

Whereas, the accomplishment of such land exchange for the purposes of Conservation System Unit consolidation and for the purpose of permitting further exploration and development of the Greens Creek Mine is in the public interest under the terms of Section 1302(h) of ANILCA; and

Whereas, this land exchange is being accomplished under the land exchange authority of Section 1302(h) of ANILCA:

Now, therefore, the parties to this Agreement agree as follows:

1. *General Description of the Exchange.* The USFS agrees to exchange the mineral estate, subject to a future interest and other provisions of this Agreement, in 7500 acres, more or less, of subsurface public land (the "Exchange Properties") delineated on a map and description title "KGCMC Exchange Properties" dated March 26, 1993, designated Exhibit A of this Agreement. KGCMC agrees to exchange in return: i) title, or alternatively, funds to acquire title, to private inholdings ("Exchange Inholdings") totalling no less than \$1,000,000 in fair market value from lands located within Admiralty Island National Monument and, if necessary, other Conservation System Units within the Tongass National Forest, from a list titled "KGCMC Exchange Inholdings" dated November 6, 1993, designated Exhibit B hereto; ii) a royalty interest in "Net Island Receipts" realized from the sale of minerals that may be mined from the Exchange Properties, (excluding those minerals which are property of KGCMC by operation of extralateral rights); and iii) a restrictive covenant and future interest in the Existing Claims, Millsite #1 (MS 2514), and any other lands held by KGCMC located on Admiralty Island. The specific interests to be exchanged and terms and conditions thereto are described elsewhere in this Agreement.

2. *Effective Date.* This Agreement shall become effective upon its execution by both parties and approval by Act of Congress. The effective date of this Agreement shall be the date of enactment of Federal legislation approving this exchange.

3. *Termination.* In the event the exchange closing described in Section 4.A is not completed within seven years from the effective date of this Agreement, this Agreement shall terminate and become null and void upon expiration of seven years from the effective date. The terms of this Agreement shall otherwise be incorporated in the conveyances completed pursuant to this Agreement. Both parties state their intent to exert reasonable best efforts to complete the exchange closing as soon as practicable in advance of seven years from the effective date.

4. Exchange Details.

A. there shall be a single exchange closing. At the closing, the following conveyance shall occur:

(i)(a) the United States shall receive fee title via general warranty deeds to the surface and subsurface estate of Exchange Inholdings totalling no less than \$1,000,000 in fair market value, subject only to any reservations, exceptions, or conditions approved prior to closing by the USFS. Upon conveyance, each Exchange Inholding shall become

and be managed by the USFS as part of the Conservation System Unit having exterior boundaries within which the Inholding is located.

(b) In the event that the Congress enacts legislation establishing a special fund in the Treasury for the deposit of monies to be available until expended, without further appropriation, for the acquisition by the Forest Service of lands and interests in lands within the exterior boundaries of Admiralty Island National Monument or other Conservation System Units within the Tongass National Forest, KGCMC shall, in lieu of the conveyances described in (i)(a), pay to the United States the sum of \$1,100,000 at the closing, for deposit in said fund. Monies from said fund shall be available for the purchase of lands and interests in lands and related administrative costs.

(ii) KGCMC shall receive title to the entire interest of the United States in the form of a patent upon completion, at KGCMC expense, of a survey meeting Bureau of Land Management standards, to the Exchange Properties, comprising the subsurface mineral estate of the lands described in Exhibit A, along with rights appurtenant to such estate identical to those provided for an "unperfected claim" as defined in section 504 of ANILCA (16 U.S.C. 432 note) once patent to the minerals of such claim is conveyed by the United States. Provided, the Exchange Properties conveyance shall specifically reserve the restrictive covenant and future interest in the United States as described in Section 8, and shall specifically except extralateral rights as described in Section 4.B;

The Exchange Properties conveyance shall furthermore be specifically subject to:

a. valid existing rights;

b. the covenants described in Sections 4.C. and 4.D;

c. the Net Island Receipts interest described in Section 6 and Exhibit C hereto; including but not limited to the right of USFS to enter and inspect the Exchange Properties as provided in Exhibit C hereto;

d. a coextensive right of USFS to enter and inspect the Exchange Properties to monitor compliance with Sections 4.B and 4.C;

The Exchange Properties conveyance shall be furthermore subject only to any other exceptions, reservations, or conditions approved prior to closing by KGCMC.

B. The parties expressly agree that no extralateral rights for the Exchange Properties shall be conveyed under the terms of this Agreement. This Agreement shall not enlarge nor diminish any extralateral rights which KGCMC may now have or in the future establish with respect to its existing claims.

C. The parties expressly agree that no minerals extracted from the Exchange Properties other than hardrock and metalliferous minerals available for location and patent under the general mining laws of the United States (30 U.S.C. 21-53 *et seq.*) may be sold for commercial purposes. Any other mineral or mineral material on the Exchange Properties may be extracted and utilized by KGCMC in the exploration, development, mining and beneficiation process of Existing Claims and Exchange Properties for hard rock and metalliferous minerals, without payment to the United States.

D. Use and occupancy by KGCMC, its successors, or assigns of the surface overlying the Exchange Properties shall be limited as follows:

(1) Use and occupancy of the surface estate overlying the Exchange Properties shall be minimized to the maximum extent practicable, including but not limited to consolidating facilities and operations to the maximum extent practicable with facilities and operations related to the existing Greens

Creek Mine, and reclamation in accordance with applicable law and regulation.

(2) There shall be no use or occupancy of the surface estate overlying the Exchange Properties until the operator, as defined in the regulations referenced herein, has applied for and received approval of a plan of operations, including reclamation, in accordance with the provisions of 36 CFR 228.80 and 36 CFR 228, Subpart A in effect on the effective date of this Agreement.

(3) There shall be no use or occupancy of the surface estate overlying the Exchange Properties for purposes of open pit, hydraulic, or other surface mining, or smelting operations.

(4) Neither the existence of privately owned minerals nor any provision of this Agreement shall be construed to preclude the United States and its assigns, including the general public, from occupancy or use of the surface estate overlying the Exchange Properties. The USFS shall as appropriate impose reasonable restrictions upon public occupancy and use for purposes of avoiding conflict with KGCMC operations, to protect public safety, or for other purposes. This provision shall not be construed to alter respective tort liability, if any, between USFS and KGCMC or other entities under applicable law.

E. Evidence of title to Exchange Inholdings shall be in a form acceptable to and in conformance with standards of the Attorney General of the United States.

F. USFS shall bear its own attorney fees, costs of document preparation for conveyance of the Exchange Properties to KGCMC, and costs of recording documents conveying Exchange Inholdings and other property interests to the United States. KGCMC shall bear all other closing costs, including abstract of title or title insurance, transfer taxes, brokerage fees, its attorney fees and recording costs. KGCMC shall also bear the cost of survey required for issuance of patent to the Exchange Properties and any survey required by the United States to complete conveyance of any Exchange Inholdings to the United States. Provided, if USFS completes the acquisition of Exchange Inholdings pursuant to Section 4.A(i)(b), the USFS shall bear all closing costs for the Exchange Inholdings. All costs borne by KGCMC pursuant to this paragraph shall not be credited against the \$1,000,000, Net Island Receipts interest, or other consideration owing to the United States under this Agreement. The provisions of Public Law No. 91-646 shall not apply to this Agreement. KGCMC shall not be construed as an agent of the United States in acquiring Exchange Inholdings or otherwise under this Agreement.

G. The USFS agrees to cooperate with KGCMC in attempting to effect the transactions contemplated herein as tax free exchanges pursuant to Section 1031 of the I.R.C. (26 U.S.C. 1031 *et seq.*), but expressly disclaims any jurisdiction to determine or influence Internal Revenue Service determinations of the tax consequences of any transactions.

5. Valuation of Exchange Inholdings

A. Attached as Exhibit B of this Agreement is a list of the properties which the USFS lists as qualified for conveyance as Exchange Inholdings. KGCMC shall be permitted to acquire and designate any such properties as Exchange Inholdings and convey or cause to be conveyed to the USFS such properties as is necessary to effect the Exchange. No particular lands are required to be conveyed, and there is no priority for these potential Exchange Inholdings except as described in Section C below.

B. The fair market value of each Exchange Inholding shall be the lesser of the actual

amount paid for the Inholding by KGCMC, excluding closing costs borne by KGCMC described in Section 4.E above, or the fair market value adjusted to the effective date of this Agreement, determined by an appraisal. The appraisal for each Exchange Inholding shall be completed by KGCMC at its own expense and the appraisal report provided to USFS no sooner than 1 year and no later than 60 days in advance of closing for the Inholding concerned, for review and approval. Said appraisal shall be completed according to the then current Uniform Appraisal Standards for Federal Land Acquisitions. In the event KGCMC is not able to acquire Exchange Inholdings totalling exactly \$1,000,000 in fair market value, KGCMC shall be obligated without further consideration to convey and bear the expense of acquiring any additional Exchange Inholding required to bring the total fair market value of the Exchange Inholdings conveyed to at least \$1,000,000.

C. Exhibit B is divided into two parts: Part A lists lands located within Admiralty Island National Monument. Part B lists lands located within other Conservation System Units within the Tongass National Forest. KGCMC shall use reasonable efforts to acquire lands from the Part A list when available at fair market value and only acquire lands from the Part B list upon a determination by the USFS that lands from the Part A list are not available at fair market value after such reasonable efforts. KGCMC shall otherwise consult and cooperate with USFS in identifying opportunities of acquisition at fair market value of particular lands listed in Exhibit B, and use reasonable efforts to acquire such lands.

6. *Net Island Receipts Royalty Interest*—The Parties agree that the United States shall receive a percentage of the Net Island Receipts from mineral production from the Exchange Properties as described in Exhibit C of this Agreement. The United States shall be provided reasonable access by KGCMC to the Exchange Properties and any books, records, documents, and mineral samples, to audit the payment of the Net Island Receipts interest as provided in Exhibit C.

7. *Existing Extralateral Rights*—This Agreement, including the grant of the Net Island Receipts interest described in paragraph 6 and Exhibit C shall not enlarge or diminish any rights KGCMC may now have or in the future establish to minerals lying with the Exchange Properties through application of extralateral rights extending from KGCMC's Existing Claims. The Net Island Receipts interest to be granted to the United States under this agreement shall not burden, nor entitle the United States to any monies realized by KGCMC from the sale of concentrates or other mineral products from ores, the title to which belongs to KGCMC by operation of extralateral rights extending from KGCMC's existing claims and property interests.

8. Restrictive Covenant and Future Interest in the United States.

A. KGCMC shall grant the United States a restrictive covenant and future interest in (i) the Existing Claims; (ii) Millsite #1 (MS 2514); and (iii) the Exchange Properties, and the right to a future interest in (iv) the "Future Acquired Lands," defined as follows: any lands on Admiralty Island to which KGCMC, its successors, or assigns acquires title after the effective date of this agreement and prior to the vesting of title in the United States as defined in Section 8.B. occurs, excepting Exchange Inholdings conveyed to the United States pursuant to this Agreement. The grant shall be effected by: (i) a conveyance by deed regarding the Existing Claims and Millsite; (ii) a reservation and/or exception in the conveyance from the

United States regarding the Exchange Properties; and (iii) a contractual right to conveyance by deed upon KGCMC acquiring title, regarding the Future Acquired Lands. KGCMC shall grant the restrictive covenant and future interest and rights thereto described herein at the exchange closing.

B. The terms of the restrictive covenant and future interest to be granted to the United States in Section 8.A. are as follows:

(1) *Restrictive Covenant*: Use of the subject lands by KGCMC, its successors, and assigns shall be limited solely to bona fide good faith mineral exploration, development, and production activities, including reclamation work. This covenant shall run with the land until such time as the vesting of title to the United States occurs.

(2) *Future interest: Right of Reentry*: The United States shall have a right to reenter and take title and possession to all right, title, and interest in the subject lands upon the following, whichever occurs earlier:

(a) abandonment by KGCMC, its successors, or assigns, of all bona fide good faith mineral exploration, development, and production activities, including reclamation work, on each and all of i) the Existing Claims; ii) Millsite #1 (MS 2514); iii) the Exchange Properties; and iv) the Future Acquired Lands. Complete cessation for ten consecutive years of all bona fide good faith mineral exploration, development, and production activities, including reclamation work, on all the lands listed in i) through iv) herein, shall be conclusively deemed to constitute abandonment, without prejudice to abandonment occurring otherwise.

(b) January 1, 2045; if as of December 1, 2044, KGCMC, its successors, or assigns are not engaged in bona fide good faith mineral exploration, production, or production activities, including reclamation work, on any of the lands listed in (i) through (iv) in (a) above.

(c) January 1, 2095, irrespective of any ongoing activities and subject to the right of reentry occurring sooner based upon abandonment as described in (a) above.

The right of reentry and all other terms herein shall not in any way relieve KGCMC, its successors, or assigns of obligations described in Section 9 [indemnity] of other obligation otherwise applicable.

9. *Hazardous Waste and other Indemnity*. KGCMC, Kennecott Corporation, and their successors and assigns shall indemnify, defend and hold harmless the United States, its various agencies and employees, from any damage, loss, claim, fines, penalties, and costs whatsoever arising in any way and at any time from any use, occupancy or activities, past, present or future (provided said use, occupancy, or activities occur no later than the time at which title reverts to the United States), by any entity, on the Exchange Inholdings, Existing Claims, Millsite #1 (MS 2514) and other property in which a restrictive covenant and future interest is granted to the United States under this Agreement, specifically including, but not limited to: (a) those activities by which hazardous substances, hazardous materials, or wastes of any kind were generated, released, stored, used, or otherwise disposed on the described property or facility thereon, and (b) any response or natural resource damage actions conducted pursuant to any federal, state, or local environmental law, regulation, or rule, and related in any manner to said hazardous substances, hazardous materials, or wastes.

10. *Disclaimer of Value Warranty*. The parties expressly disclaim any warranty of value for any of the lands or interests exchanged under this Agreement. It is expressly recognized by the parties that potential revenues or proceeds from any of the

lands or interests exchanged herein are purely speculative.

11. *Loss or Damage Prior to Conveyance*. Both parties agree not to do, or suffer others to do, any act prior to the conveyance described in this Agreement by which the value of the real property herein identified for exchange may be diminished or further encumbered. In the event any such loss or damage occurs from any cause, including acts of God, to the real property herein identified for exchange before execution of deed, the party who is grantee under this Agreement as to that property shall not be obligated to accept title to said property, and an equitable adjustment in the consideration shall be made at the option of said party. Information obtained from exploratory drilling or other acts otherwise authorized shall not be construed as diminishing or further encumbering the identified property, for purposes of this Agreement.

12. *Status Quo Ante*. In the event this Agreement becomes null and void prior to the completion of the exchange closing by operation of its terms or by order of a court of competent jurisdiction, the parties shall return to their status and rights prior to execution of the Agreement.

13. *Notices*—Notices required to be delivered under this Agreement shall be delivered in writing by U.S. mail, hand delivery with return receipt, or fax with confirmation as follows:

KGCMC

General Manager
Kennecott Greens Creek Mining Co.
3000 Vintage Park Road
Juneau, Alaska 99801

General Counsel
Kennecott Corporation
10 East South Temple
Salt Lake City, Utah 84113
U.S. Forest Service

Regional Forester
Region 10
P.O. Box 21628
Juneau, Alaska 99802-1628

14. *Signatures for Execution*. The signers shall be: (i) for Kennecott Corporation and Kennecott Greens Creek Mining Company, respectively, the authorized officer for the Corporation and for the Company; and (ii) for the United States of America, Department of Agriculture, Forest Service, the USDA Assistant Secretary for Natural Resources and Environment.

15. *Counterparts*. This Agreement may be signed in separate counterparts by the parties which, when each have so signed, shall be deemed a single Agreement.

16. *Entirety of Agreement*. This instrument and attachments embody the whole Agreement of the parties. The Exhibits referenced herein are attached hereto and incorporated by reference as part of this Agreement. There are no promises, terms, conditions, or obligations other than those contained herein. This Agreement shall supersede all previous communications, representations, or agreements, either verbal or written, between the parties.

17. *Modification*. This Agreement may be modified only upon written Agreement of the parties thereto and after notification in writing to the appropriate committees of the U.S. Congress.

18. *Clerical and Typographical Errors*. Clerical and typographical errors contained herein may be corrected upon notice to the Parties. Unless such errors are deemed substantive by either party within ten (10) days notice, corrections may be made without for-

mal ratification by the Parties. In the event the delineation of a boundary upon a map included in an exhibit to this Agreement conflicts with a textual description of the boundary included in the exhibit, the map boundary shall control, subject to correction of errors in map boundaries under this section.

19. *Covenant Not to Sue*. The parties to this Agreement mutually covenant not to sue each other challenging the legal authority of either to enter into their Agreement or to effectuate any terms herein. Either party may enforce the covenants, terms, and conditions of this Agreement in a court of competent jurisdiction.

20. *Officials Not to Benefit*. No Member of Congress or Resident Commissioner shall be admitted to any share or part of this Agreement or to any benefit that may arise therefrom unless it is made with a corporation for its general benefit (18 U.S.C. 431, 433).

Third Party Beneficiaries. This agreement is not intended, and shall not be construed, to create any third party beneficiary. Nothing in this Agreement shall be construed as creating any rights of enforcement by any person or entity that is not a party to this Agreement.

Successors and Assigns.

A. This Agreement shall be effective and binding upon each party and any successors or assigns thereto. The parties shall have the right to assign, transfer, convey, lease, sell or alienate any of their rights under this Agreement. The Parties further acknowledge that a transfer from KGCMC to Greens Creek Joint Venture, operating as a joint venture, is expressly permissible upon written notice to the USFS. An assignment, transfer conveyance, lease, sale or other alienation of rights, however, shall not release a party from its duties under this Agreement, except that an agency of the United States shall be released from its duties if the transfer is to a successor agency.

B. An assignment, transfer, conveyance, lease, sale or alienation shall not release any of the covenants or conditions which run with the land imposed by this Agreement. The covenants and conditions contained in this Agreement shall be construed as running with the land unless they are clearly intended as personal to a party to this Agreement. The parties may contract for the disposition or utilization of any rights granted by this Agreement.

23. *Equal Value and Public Interest Determination*. The Parties recognize the impossibility of precisely valuing the respective considerations flowing between the United States and GCJV pursuant to this Agreement. In accordance with Section 1302(h) of ANILCA, the USFS Regional Forester, Region 10, pursuant to authority delegated by the Secretary of Agriculture, has determined that although the mutual consideration flowing between the Parties may be unequal, it is in the public interest to consummate this exchange. This paragraph shall be construed as a finding by the Secretary that the public interest values of the interests in land exchanged pursuant hereto are equal.

In Witness Whereof, Kennecott Corporation, Kennecott Greens Creek Mining Company, and the USDA Assistant Secretary for Natural Resources and Environment, acting for and on behalf of the United States Department of Agriculture, has executed this Agreement.

United States Department of Agriculture

By: _____
Assistant Secretary for Natural Resources and Environment

Date: _____
Kennecott Greens Creek Mining Company
By: _____

Its: _____
Date: _____

Kennecott Corporation
By: _____
Its: _____

Date: _____

EXHIBIT B—PART A

KGCMC EXCHANGE INHOLDINGS—ADMIRALTY ISLAND NATIONAL MONUMENT

Tract	Acres	Location	Legal description	USGS quad
USS 796 (406906)	7.88	Wheeler Creek .	T44S, R65E, CRM	JUN A-3.
USS 1058	54.04	Hood Bay	T52S, R68E, CRM	SIT B-2.
USS 1159	71.47	Wheeler Creek .	T44S, R65E, CRM	JUN A-3.
(938822) (Homestead Entry No. 85)				
Fraction of HES 85 totaling approx. 22 acres subdivided as:				
Tract A	4.965			
Tract B	4.965			
Tract C	4.965			
Tract D east part	0.366			
Tract D west part	1.5			
Tract E Lot 1	2.48			
Tract E Lot 2	2.48			
Fraction of HES 85 totaling approx. 16 acres				
Fraction of HES 85 totaling approx. 33 acres				
USS 1351	134.53	Mole Harbor	T49S, R70E, CRM	SIT C-1.
Tract A	3.44			
Tract B	131.09			
USS 1480	10.24	Hood Bay	T52S, R69E, Sec7	SIT B-2.
(T&M Pat. 1027446)				
USS 1575	14.63	Gambier Bay ...	T51S, R71E, CRM	SUM B-6.
Tract A	3.905			
Tract B	4.069			
Tract C	2.544			
Tract D	2.239			
Tract E	1.875			
USS 1984	32.59	Pybus Bay	T53S, R71E, CRM.	SIT B-1.
(T061484)				
Parcel 1&2	21.50			
Parcel 3	11.09			
USS 2412:				
Lot 16	3.51	Hood Bay	T52S, R68E, Sec12.	SIT B-2.
Tract A	1.981			
Tract B & C	1.528			
USS 2412:				
Lot 21	4.55	Hood Bay	T52S, R68E, Sec12.	SIT B-2.
(Homesite Pat. 1126506)				
Lot 23	5.00	Hood Bay	T52S, R68E, Sec12.	SIT B-2.
(Homesite Pat. 1130390)				
USS 2413:				
Lot 28	3.90	Hood Bay	T52S, R69E, CRM	SIT B-2.
Lots 30-37	23.1	Hood Bay	T52S, R69E, CRM	SIT B-2.
(PLO 774)				
PLO's 593, 774, 5156 & 5188 totaling:				
	612.63	Hood Bay	T52S, R68E, CRM T52S, R69E, Sec 7.	SIT B-2.
USS 10438:				
Lot 1	3.98	Hood Bay	T52S, R68E, CRM	SIT B-2.
Lot 2	22.59	Hood Bay	T52S, R68E, CRM	SIT B-2.
USS 10444	100.0	Hood Bay	T52S, R68E, CRM	SIT B-2.
USS 10459	60.0	Chaik Bay	T52S, R69E, CRM	SIT B-2.
MS 312	132.67	Kanaku Bay	T50S, R68E, CRM	SIT B-2.
MS 1032	82.28	Greens Creek ...	T43S, R66E, CRM	JUN A-2.
			Sec. 31 & 32	JUN A-3.
1152018	18.00	Murder Cove	T56S, R68E, CRM	SIT A-2.
Fraction	16.00			
Fraction	2.00			
AA-7741	158.04	Mitchell Bay	T50S, R68E, SEC 12.	SIT C-2.
Native Allot.				
Patent No. 50-93-0148				
Native Allot.	104.48	Favorite Bay	T51S, R68E	SIT B-2.

The above list of private holdings within Admiralty Island National Monument are considered desirable for acquisition. Data is from the USDA Forest Service, R-10 data files and State of Alaska, Juneau District Recorders Office. The listing is considered to be approximately 95% complete as of the date of this agreement. Parcels to be considered under this exchange shall also include holdings conveyed into private ownership subsequent to the date of this agreement. The parcels are listed in numerical order without any regard as to priority or availability for acquisition.

EXHIBIT B—PART B

KGCMC EXCHANGE INHOLDINGS—OTHER CONSERVATION SYSTEM UNITS

Tract	Acres
Misty Fiords National Monument/Wilderness:	
MS 2267	647.12
USS 1663	10.08
USS 1980	14.00
USS 287	34.53
USS 1342	5.00
USS 2975	79.87
USS 2662	4.96
USS 2667	84.07
USS 1445	65.25

KGCMC EXCHANGE INHOLDINGS—OTHER CONSERVATION SYSTEM UNITS—Continued

Tract	Acres
USS 2629	28.13
USS 2320	116.77
USS 2740	124.19
IC 1072	12.75
IC 1424	11.40
IC 1188	19.20
IC 929	4.65
Subtotal	1,261.87
South Prince of Wales Wilderness:	
USS 310	13.75
IC 1107	33.20
IC 1115	3.10
Subtotal	50.05
Peterson Creek/Duncan Salt Chuck Wilderness:	
MS 652	78.16
USS 310	7.75
Subtotal	85.91
Stikine-LaConte Wilderness:	
USS 1023	160.00
USS 2358	4.93
Pat'd Land	159.63
Pat'd Land	151.35
Pat'd Land	141.65
Pat'd Land	135.39

KGCMC EXCHANGE INHOLDINGS—OTHER CONSERVATION SYSTEM UNITS—Continued

Tract	Acres
Pat'd Land	114.38
Pat'd Land	157.76
Subtotal	1,025.09
West-Chichagof/Yakobi Wilderness:	
MS 2257	15.00
MS 1574	201.64
MS 965A	39.96
MS 1587	32.84
MS 1046 & 1453	35.79
MS 1046	7.35
MS 1460	33.53
MS 936	23.56
MS 1047	13.75
MS 864	42.82
MS 1576	12.34
MS 1575	12.62
MS 1461	4.77
MS 1594	35.39
MS 1498	16.66
MS 1502 A & B	162.42
MS 1504	19.81
MS 957A	13.38
MS 1497	1.17
USS 1476	12.70
Subtotal	737.50
Chuck River Wilderness:	
MS 791	35.43
MS 964	55.02
MS 42	9.87

KGCMC EXCHANGE INHOLDINGS—OTHER CONSERVATION SYSTEM UNITS—Continued

Tract	Acres
MS 1085	62.47
MS 577	154.46
MS 37, 38 & 39	55.45
USS 1509	40.22
USS 1940	37.66
USS 3082	4.51
MS 424	12.96
MS 525A	25.55
MS 267 A & B; 268 A & B; 269; 270	63.98
MS 579 A & B	111.85
MS 40 & 41	28.00
USS 2845	3.78
Subtotal	701.21

The above list of private holdings within Conservation System Units on the Tongass National Forest are considered desirable for acquisition. Data is from the USDA Forest Service, R-10 data files and State of Alaska, Juneau District Records Office. The listing is considered to be approximately 95% complete as of the date of this agreement. Parcels to be considered under this exchange shall also include holdings conveyed into private ownership subsequent to the date of this agreement. The parcels are listed in random order without any regard as to priority or availability for acquisition.

EXHIBIT C—NET ISLAND RECEIPTS ROYALTY

A. DEFINITION OF NET ISLAND RECEIPTS

"Net Island Receipts (NIR)" shall be any excess of "Revenues Received (RR)" over "Allowable Deductions (AD)" for any calendar year. Net Island Receipts shall be calculated using the following formula: $NIR = RR - AD$.

Where:

NIR = Net Island Receipts for the calendar year (in dollars);

RR = Revenues received during the calendar year, as defined in Section D. below (in dollars);

AD = Allowable deductions incurred during the calendar year, as defined in Section D. below (in dollars);

B. ROYALTY CALCULATION

The dollar amount of the royalty payable to the Interest Holder shall be calculated using the following formula: $Royalty = (X) (NIR)$.

Where (X) = three percent (3%) of NIR when NIR exceeds \$120/ton, and three-fourths of one percent (0.75%) when NIR is equal to or less than \$120/ton. Provided, the \$120/ton threshold shall be adjusted annually according to the Gross Domestic Product Implicit Price Deflator, until the sooner of the following dates, whichever occurs earlier:

- (1) the date 20 years subsequent to the date upon which mining operations commence at the Greens Creek Mine, whether or not operations include the Exchange Properties; or
- (2) the date 30 years subsequent to the effective date of the Agreement.

C. PAYMENTS OF ROYALTY

The payor shall deliver to the Interest Holder a payment equal to the percentage, as set forth in section B. above, of all NIR realized by the Payor during any calendar year (January 1-December 31), within thirty days after the end of said calendar year, together with a copy of the accounting made in connection with such payment. All payments of royalty to the Interest Holder shall be subject to adjustment, including interest on any such adjustment at the rate provided by 31 U.S.C. 3717, on March 31.

D. OTHER DEFINITIONS

1. "Exchange Properties" shall mean the "Exchange Properties" described by Exhibit A of the Agreement.

2. "Payor" shall mean KGCMC, its successors and assigns.

3. "Interest Holder" shall mean United States of America, pursuant to the terms of the Agreement.

4. "Revenues Received (RR)" shall mean the payments received or credited from the sale of ores or products produced from ores mined from the Exchange Properties at the point of sale before subtracting the Allowable Deductions (AD). Sales to affiliates of KGCMC shall be valued at the fair market value of the products sold. Any credits or payments received from a buyer by KGCMC shall be credited as RR.

5. "Allowable Deductions" shall mean the following actual costs incurred by Payor: costs of all transportation and insurance for ores or products produced from ores mined from the Exchange Properties, between KGCMC Admiralty Island loading facilities and the point of delivery of said ores or products, smelting and/or refining charges, treatment charges, penalties, umpire charges, independent representative charges and all charges by purchasers of said ores or products.

E. ACCOUNTING MATTERS

All Revenues Received (RR) and Allowable Deductions (AD) shall be determined in accordance with generally accepted accounting principles and practices consistently applied. RR and AD shall be determined by the accrual method.

F. COSTS OF COMMON FACILITIES

Where any AD are incurred in conjunction with like costs for mineral products from other Properties controlled by the Payor, such costs shall be fairly allocated and apportioned in accordance with generally accepted practices in the mining industry.

G. AUDIT AND DISPUTES

1. The Interest Holder, upon written notice, shall have the right to have an independent firm of certified public accountants or utilize its own personnel at its own cost to audit the records that relate to the calculation of the NIR royalty within 24 months after receipt of a payment described in Section C of this Exhibit.

2. The Interest Holder shall be deemed to have waived any right it may have had to object to a payment made for any calendar year, unless it provides notice in writing of such objection within 25 months after receipt of final payment for the calendar year. The parties may elect to submit the dispute to a mutually acceptable certified public accountant, or firm of certified public accountants, for a binding resolution thereof.

H. GENERAL

1. Unless otherwise specified, capitalized terms used herein shall have the same meaning as given to them in the Agreement.

2. Accurate records of tonnage, volume of products, analyses of products, weight, moisture, assays of pay metal content and other records related to the computation of the NIR royalty hereunder shall be kept by the Payor.

3. Up to four times per year, the Interest Holder or its authorized representative on not less than five (5) business days written notice to the Payor, may enter upon all portions of the Exchange Properties for the purpose of inspecting the Exchange Properties, all improvements thereto and operations thereon, and may inspect and copy all records and data pertaining to the computation of the NIR royalty, including without limitation such records and data which are maintained electronically. The Interest Holder or its authorized representative in exercising entry and inspection rights may not unreasonably hinder operations on or pertaining to the Exchange Properties. This provision does not diminish any other independent right which the Interest Holder may

have to enter and inspect Payor's properties, records or data.

4. All notices or communications hereunder shall be made and effective in accordance with the provisions of the Agreement.

5. The NIR royalty interest shall be a real property interest that runs with the Exchange Properties and shall be applicable to any person who processes and sells products from the Exchange Properties.

6. All information and data provided to the Interest holder shall be treated as confidential by the USFS and disclosed to other parties only to the extent, if any, required by law.

7. The Payor shall have the right to commingle ore and minerals from the Exchange Properties with ore from other lands and properties; provided, however, that the Payor shall calculate from representative samples the average grade of the ore and shall weigh (or calculate by volume) the ore before commingling. If concentrates are produced from the commingled ores by the Payor, the Payor shall also calculate from representative samples the average recovery percentage for all concentrates produced during the calendar year. In obtaining representative samples, calculating the average grade of the ore, and calculating average recovery percentages the Payor shall use procedures accepted in the mining and metallurgical industry suitable for the type of mining and processing activity being conducted.

Mr. Speaker, I reserve the balance of my time.

Mr. ABERCROMBIE. Mr. Speaker, I yield myself such time as I may consume.

(Mr. ABERCOMBIE asked and was given permission to revise and extend his remarks.)

Mr. ABERCROMBIE. Mr. Speaker, good morning and aloha, and good morning and aloha to my good friend and most excellent chairman, the gentleman from Alaska [Mr. YOUNG].

Both the chairman, the gentleman from Alaska [Mr. YOUNG], and the ranking member, the gentleman from California [Mr. MILLER], introduced this bill, a hallmark of bipartisan cooperation dearly to be cherished and assiduously sought after in legislation to come. In my view, Mr. Speaker, and in the view of the gentleman from California [Mr. MILLER], H.R. 1266 provides for a beneficial resolution, both for the economy and the environment of southeast Alaska.

Mr. Speaker, the Committee on Resources has a long history of concern for the management of Admiralty Island National Monument.

□ 1230

While the wilderness and wildlife values of Admiralty Island are very special, responsible operation of the Greens Creek Mine is not necessarily compatible with the conservation purposes for which the monument was established. This legislation would allow Greens Creek to explore 7,500 acres of nonwilderness lands adjacent to the existing mine, allowing mine operations to expand with relatively little surface disturbance.

By virtue of the agreement negotiated between the Forest Service and Kennecott, the environment will benefit both in the short term through \$1.1

million of land acquisition from willing sellers, and in the long term when mining operations cease and the lands revert back to the Forest Service.

In addition, the bill creates a land acquisition account to be funded by the first \$5 million of royalties collected for further land purchases in the Tongass National Forest, with priority to non-Federal lands within the national monument.

Pursuant to the terms of the agreement, if Greens Creek fails to purchase and deliver title to \$1.1 million worth of lands acceptable to the Forest Service, the land exchange will not be consummated.

Mr. Speaker, it is important to consider this agreement in the context of efforts to reform the mining law of 1872. The notion that those of us who favor modernizing the mining laws are opposed to the mining industry in this country is simply false. My support of this legislation, which is likely to significantly enhance the economics and life of the Greens Creek Mine, should put that falsehood to rest.

This legislation does set an important precedent that the Government should receive a royalty share for the development of public lands. At the same time, I do not consider the 3-percent net royalty negotiated in this agreement as universally applicable for purposes of mining reform.

I recognize there were concessions from both sides in the negotiating process and I am reluctant to rewrite the deal. On balance, however, I applaud both Kennecott and the Forest Service for their efforts, and I ask Members to support the bill.

May I add personally, Mr. Speaker, again my congratulations to the gentleman from Alaska [Mr. YOUNG], the chairman, and the appreciation of all the members on the minority side for his openness and, as always, his willingness to be cooperative with us.

With that, Mr. Speaker, I reserve the balance of my time.

Mr. YOUNG of Alaska. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I could only echo what the gentleman just said. There is a way we can work on many of these issues and solve the problem if we seek to do so.

The gentleman from Hawaii has always been able to work with me on his issues especially in his great State. We have a great deal in common. We hope to solve some of his problems with the Hawaiian natives which we have also solved in Alaska. I do compliment him.

I may suggest to the gentleman from California [Mr. MILLER], the ranking member, we ought to let the gentleman from Hawaii [Mr. ABERCROMBIE] manage these bills more often.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. ABERCROMBIE. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. FUNDERBURK). The question is on the motion offered by the gentleman from Alaska [Mr. YOUNG] that the House suspend the rules and pass the bill, H.R. 1266, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. YOUNG of Alaska. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks, and include extraneous material, on H.R. 1266, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alaska?

There was no objection.

CRONYISM INVOLVED IN REPUBLICAN BUDGET PROPOSAL

(Ms. FURSE asked and was given permission to address the House for 1 minute and to revise and extend her remarks and include extraneous material.)

Ms. FURSE. Mr. Speaker, can this really be true? The 1996 budget before us cuts school lunches, makes Medicare more expensive, guts environmental protection, all in the name of balancing the budget, but the biggest item of all is not touched. In fact, it is increased. The millions of Americans who thought that the end of the cold war meant the end of huge Pentagon budgets will be sadly disappointed.

For years, when thoughtful people said that the waste in the Pentagon was enormous, we were criticized for not being strong on defense. But, of course, we were right all along.

An article in Sunday's Washington Post states, "Each year the Department of Defense inadvertently pays contractors millions of dollars that it does not owe."

"In addition," the article says, "the department has spent \$15 billion"—and I repeat, \$15 billion—"it cannot account for over the last decade."

Why are we cutting education, nutrition, health care, and environmental protection, but increasing Pentagon spending? Could it possibly be that defense contractors make huge contributions? But children, seniors, endangered species, they do not.

This is not an issue of security. This is an issue of cronyism.

Mr. Speaker, the article referred to is as follows:

[From the Washington Post, May 14, 1995]

LOSING CONTROL—DEFENSE DEPARTMENT—BILLIONS GO ASTRAY, OFTEN WITHOUT A TRACE

(By Dana Priest)

Each year, the Defense Department inadvertently pays contractors hundreds of mil-

lions of dollars that it does not owe them, and much of the money is never returned.

In addition, the department has spent \$15 billion it cannot account for over the past decade.

And Pentagon purchasing agents appear to have overdrawn government checking accounts by at least \$7 billion in payment for goods and services since the mid-1980s, with little or no accountability.

Unlike the infamous \$7,600 coffee pot and \$600 toilet seat pricing scandals of years past, these problems, and many more, are the result of poor recordkeeping and lax accounting practices that for years have characterized the way the Defense Department keeps track of the money—\$260 billion this year—that it receives from Congress.

According to a series of investigations by the Department's inspector general and the General Accounting Office, and ongoing work by Pentagon Comptroller John J. Hamre, the department's systems of paying contractors and employees are so antiquated and error-prone that it sometimes is difficult to tell whether a payment has been made, whether it is correct, or even what it paid for.

Just how much money does the poor accounting waste?

Former deputy defense secretary and new CIA Director John M. Deutch wouldn't hazard a guess. "Lots," he scribbled recently on a reporter's notebook in response to a question.

For months after he took the job as chairman of the Joint Chiefs of Staff in late 1993, Gen. John Shalikashvili received paychecks for the wrong amount. In the last year and a half, Comptroller Hamre counted six problems with his own pay.

A paper-based system in which items frequently are misplaced or lost and computers that often cannot talk to each other are part of the problem. But there are other major systemic weaknesses. A lack of basic accounting procedures—such as matching invoices and payment records, or keeping track of money spent on a given piece of equipment from one year to the next—has made it impossible to determine how billions of dollars have been spent by each of the service branches.

In addition, Hamre explained, tracking the money has been nearly impossible because 300 different program directors—the Air Force F-16 fighter program director, the commanding officer of an aircraft carrier, the head of a maintenance depot, for example—have had separate checkbooks, each one free to write checks without regard to the balance in the Pentagon's central registry.

The U.S. Treasury has always paid the bills, even when there was no money in a given project's account, because it assumes any error was unintentional and someday would be corrected, said Pentagon officials and inspector general investigators.

"There's this huge pot of money over there in the Treasury that you can keep drawing down," said the Deputy Inspector General Derek J. Vander Schaaf. "As long as your [overall] checkbook's good," he said, meaning the Treasury, "nobody screams."

The problems were created over several decades and made worse during the 1980s Reagan administration defense buildup during the latter days of the Cold War, when there was little political will to scrutinize the record sums being spent.

Today, however, even ardent defense hawks have become disturbed over the mismanaged flow of funds. Some Republicans who looked deeply into the matter are suggesting a freeze on military spending until the Pentagon's corroded payment system can be permanently fixed.

"The defense budget is in financial chaos," said Sen. Charles E. Grassley (R-Iowa), who