



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 9, 2006

H.R. 1595 **Guam World War II Loyalty Recognition Act**

As ordered reported by the House Committee on the Judiciary on June 7, 2006

SUMMARY

H.R. 1595 would require the federal government to compensate Guam residents for their treatment during the island's occupation by Japanese military forces during World War II. The legislation also would authorize the appropriation of \$5 million for a grant program to memorialize the occupation of Guam during World War II.

CBO estimates that enacting this legislation would increase direct spending by about \$180 million over the 2007-2009 period to make war-claim compensation payments. In addition, we estimate that implementing the bill would cost \$3 million in 2007 and \$8 million over the 2007-2011 period, assuming appropriation of the necessary amounts.

H.R. 1595 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 1595 contains a private-sector mandate, as defined in UMRA, on individuals seeking to represent certain claimants who are eligible to receive money from the Foreign Claims Settlement Commission. The bill would limit the amount of compensation individuals can receive to represent claimants who file for claims with the Foreign Claims Settlement Commission under this bill. CBO estimates, however, that there would be no cost to comply with the mandate.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1595 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, In Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN DIRECT SPENDING					
Guam War-Claim Compensation Payments					
Estimated Budget Authority	120	60	0	0	0
Estimated Outlays	100	68	12	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Foreign Claims Settlement Commission					
Estimated Authorization Level	2	1	0	0	0
Estimated Outlays	2	1	0	0	0
Grant Program					
Authorization Level	5	0	0	0	0
Estimated Outlays	1	1	1	1	1
Total Changes					
Estimated Authorization Level	7	1	0	0	0
Estimated Outlays	3	2	1	1	1

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted at the end of fiscal year 2006, that the necessary amounts will be provided each year, and that spending will follow historical patterns for similar programs.

Direct Spending

H.R. 1595 would authorize the Treasury to make payments to the residents of Guam for deaths and injuries suffered during Japanese occupation of the island in World War II. The Foreign Claims Settlement Commission (FCSC), an agency within the Department of Justice, would adjudicate such claims. Under the bill, claimants would have one year to file with the FCSC. H.R. 1595 specifies war-claim compensation payments of \$25,000 to survivors of those who died during the war, \$15,000 for survivors who were raped or severely injured, \$12,000 for those who were forced into labor and suffered personal injury, and \$10,000 for survivors of a forced march or internment. Heirs of deceased occupation survivors, including a spouse, child, or parent, would be entitled to a payment of \$7,000. In addition, before making such payments, the FCSC would deduct amounts previously paid under the Guam Meritorious Claims Act of 1945 (Guam Act). Using information from the Guam War Claims

Review Commission and the Foreign Claims Settlement Commission, CBO estimates that about \$10 million was previously paid under the Guam Act.

Guam Population During Occupation. Based on census data from 1940, CBO estimates that approximately 22,000 Guamanians were living on the island when it was seized and occupied by Japanese forces on December 10, 1941. The Guam War Claims Review Commission reported that, during the 32-month occupation, virtually the entire population was either interned, in hiding to avoid capture, or subjected to forced march at one time or another while under Japanese occupation during World War II. Thus, for this estimate, we assume all Guamanians enumerated in the 1940 census would be eligible for war-claims compensation payments under H.R. 1595.

Death Benefit Payments. Using information from the Guam War Claims Commission, it is generally accepted that approximately 1,000 Guamanians died during the war before the island was declared secure and liberated by U.S. forces on August 10, 1944. H.R. 1595 would provide a \$25,000 war-claim compensation death payment to survivors of those Guamanians who perished during the occupation. The number of possible survivors and claimants is unknown. Using information from the National Center of Health Statistics regarding survival probabilities, however, CBO estimates that there are approximately 700 survivors of the 1,000 Guamanians who died during the Japanese occupation. Under that assumption, war-claim compensation death payments would cost about \$18 million. (If all Guamanians who perished during the occupation were to have survivors who claimed the \$25,000 payment, the costs could reach \$25 million.)

Other Benefit Payments. In addition, CBO estimates that all surviving Guamanians (around 21,000) who were located on the island during the occupation would be eligible for payments of \$10,000 to \$15,000 (depending upon the level of injury). Heirs of those individuals could receive a payment of \$7,000. There is no information to determine the number of surviving Guamanians from the time of the Japanese occupation, their level of injury, or the number of heirs of such individuals. Using information from the National Center for Health Statistics concerning survival probabilities, CBO estimates that there are 7,000 survivors of the occupation and about 12,000 heirs that would be eligible for payment. Using an average payment of \$12,500 for survivors and \$7,000 for heirs, CBO estimates that payments to those survivors and heirs would cost about \$170 million. (If all Guamanian survivors and heirs claimed an average payment of \$11,000, the costs could reach \$231 million.)

Total Benefit Payments. Using CBO's estimated claim payments amounts under H.R. 1595 and accounting for the nominal value of the previous war-claim payments of about \$10 million, CBO estimates that providing additional war-claims compensation under H.R. 1595 would cost about \$180 million. We expect that those payments would be made

over the 2007-2009 period because of the time required to file, adjudicate, and process claims payments.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 1595 would cost \$8 million over the 2007-2011 period, assuming appropriation of the estimated amounts.

Foreign Claims Settlement Commission. Section 4 would require the FCSC to determine claim eligibility and payment amounts. In addition to promulgating rules and regulations, FCSC would be required to publicize the program. Based on information from FCSC, CBO estimates that additional staffing and administrative costs as well as a media campaign in Guam would cost \$3 million over the 2007-2008 period.

Grant Program. Section 5 would authorize the appropriation of \$5 million for the Department of the Interior to establish a grant program to support activities in memory of Guam's occupation during World War II. Assuming the appropriation of the authorized amount, CBO estimates that implementing this provision would cost \$5 million over the 2007-2011 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1595 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1595 contains a private-sector mandate as defined in UMRA. The bill would limit the fees payable to attorneys or other individuals seeking to represent claimants who are eligible to receive money from the Foreign Claims Settlement Commission under this bill. Specifically, section 4(b)6 would limit fees for representational services to not more than 1 percent of the amount that the claimant is paid. The limitation on representational fees is a private-sector mandate as defined in UMRA. Because the claimants in this program would be a new source of business generated under the bill, representatives would not lose fees that they could have collected in the absence of the bill. CBO therefore estimates that the cost to comply with the mandate would be zero—clearly well below the annual threshold established by UMRA (\$128 million in 2006, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On February 3, 2006, CBO transmitted a cost estimate for H.R. 1595, as ordered reported by the House Committee on Resources on November 16, 2005. The two versions of the legislation are identical and the estimated costs over five years are the same. (The previous cost estimate assumed enactment in 2006. We now assume spending would start in 2007.)

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