

UNDER SECRETARY'S
TALKING POINTS ON IMPLEMENTATION
ON TERRITORIAL POLICY REVIEW
for
White House Press Briefing
February 13, 1980

1. The Administration has now completed an extensive review of U.S. policy toward the territories:

- substantial involvement of DOI, OMB, DPS, State, Treasury, and other Federal agencies;
- numerous consultations with territorial governments;
- coordination and consultation with key Congressional members and staff;

2. Presidential concurrence and decisions have been obtained as listed below.

3. Steps recently taken include:

- briefing of key Congressional members and staff;
- briefings of territorial governments;
- release to the public of Presidential message to Congress.

4. The Administration must turn to implementation of the legislative and administrative elements of the President's decisions. The goal of the Policy Review was to provide a framework for budgetary, legislative and administrative decisions affecting the territories.

The Interagency Task Force concluded, and the President agreed, that the central elements of U.S. policy are the following:

- encouraging the self-determined political, economic and social development of the territories, within the context of U.S. national security interests;
- fostering private sector economic development in the territories;
- providing incentives to reduce territorial reliance on U.S. grants for operating expenses and capital improvements;
- substantial upgrading of the policy attention and technical assistance provided to the territories by Interior, the Domestic Policy Staff, and other key Federal agencies.

Each of these elements is essential. If we do not have a comprehensive approach, incorporating each of the elements, we will have accomplished little in this review, and our successors will face the same, or worse, situation in future years.

5. Broadly speaking, Interior's major new responsibilities are:

- to provide higher lever policy attention to territorial matters including:
 - steps to foster private sector economic development and to discourage reliance on U.S. payments and subsidies;
 - short-term steps leading to sounder territorial financial conditions, especially in Guam and V.I.;
 - coordination of other Federal agencies programs (mostly grants) and policies affecting the territories;
 - relations between U.S. and territorial governments.

- to provide enhanced support in Washington and the field for economic and social development and improved financial management in the territories including:

- technical assistance on a continuing basis
- increased oversight of territorial budgets

6. In order to encourage sounder financing by the territorial governments and to discourage long-term reliance on Federal subsidies, legislation will be proposed to the Congress to provide a formula for the Federal matching of territorial tax collections in the Virgin Islands and Guam. The principal ingredients of the legislation will be these:

- Under the formula, the gross matching amount would equal total collections of locally imposed taxes (excluding the Federal income tax, but including any tax surcharge that the territory might impose), divided by the most recent available figure for per capita income for each territory (calendar year 1978 data will be used for FY 1981 payments) and multiplied by \$3000.

- Against this gross matching amount would be offset 50 percent of the taxes collected by the Federal Government and covered into the territorial treasuries under their respective organic acts (i.e., the "matching fund" created by Section 28(b) of the Revised Organic Act of the Virgin Islands; and Federal income taxes paid the Federal Government by Federal employees as well as excise taxes on Guam's products, as provided by Section 30 of the Guam Organic Act).

- The two territories would continue to receive advance payment of the full amount of the above taxes covered over as now provided by law. They would also receive whatever amounts the Congress might appropriate for particular purposes, likely to be capital improvement projects, and amounts payable under all Federal grant programs as provided by law.

- The program would run for four years, beginning in the fiscal year 1981, with payments made quarterly, at the end of the collection period.

- To receive these grants, each territory would be required to develop a four-year plan to eliminate deficits, showing plans to improve their budgeting and accounting systems, with the requirement that a

balanced budget be achieved in fiscal year 1984. In the absence of substantial progress toward implementation of the plan and the elimination of deficits, the Secretary of the Interior would be authorized to withhold quarterly payments pending solution of the problem.

7. To accomplish these new responsibilities and help implement the essential elements of U.S. policy, the Department of the Interior proposes the following organizational changes:

- establish an Assistant Secretary for Territorial and International Affairs;
- the new A/S would have two deputies; one for policy (headquartered in Washington) and one for operations;
- the policy deputy would have responsibility for territorial, political, economic, and social policy analysis (including multi-year development planning and Federal budget formulation) and legislative analysis as well as the work of the existing international affairs staff;

- the operations deputy would have responsibility for (1) program coordination and assistance, including programs of other agencies, (2) the comptroller's function, and (3) budget execution and assistance.

8. The Secretary has decided to transfer responsibility for departmental coordination of international programs to the new A/S. This has been done since: (1) natural resource concerns and policy issues are increasingly international in scope, (2) international responsibilities are now diffused within the Office of the Secretary but are nonetheless time consuming, and (3) the involvement of Interior's agencies with other nations through bilateral technical agreements and other international relationships needs stronger policy-level direction and coordination. Putting both under one Assistant Secretary would lead to some efficiencies.