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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET 1984 OCT -3 11 8:04

WASHINGTON, D.C. 20503

OCT 2 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5561 - Omnibus Territories
Sponsors - Delegate Won Pat (D) Guam and 3 others

Last Day for Action

October 9, 1984 - Tuesday

Purpose

Amends a variety of laws dealing with economic development of the United States territories and reorganizes the territorial courts in the Virgin Islands, Guam, and the Northern Mariana Islands.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval
Administrative Office of the U.S. Courts	Approval
Department of Transportation	Approval
Department of Commerce	Approval
Department of Justice	No objection
Department of State	No objection
Department of Housing and Urban Development	No objection
Department of Defense	No objection
Department of Energy	No objection
Department of the Treasury	Cites concerns
Department of Agriculture	No comment(<i>Informally</i>)
Environmental Protection Agency	No comment(<i>Informally</i>)

Discussion

Provisions of the Enrolled Bill

Like most bills dealing with the territories (i.e., Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands), H.R. 5561 is a collection of numerous unrelated provisions. The enrolled bill would:

- authorize appropriations to the Secretary of the Interior of \$2 million annually for fiscal years 1985, 1986, and 1987 for technical assistance in fostering private development in the territories (title I);



- authorize the Virgin Islands and American Samoa to issue industrial development bonds that, consistent with the Administration's recommendations, would be exempt from most State and local (but not Federal) taxes (sections 201 and 202);
- allow the Guam Power Authority to refinance for the second time, at a 7 percent interest rate, its \$36 million loan from the Federal Financing Bank (FFB) to extend the date on which payment of principal is due from 1990 to 2004 and require creation of an independent ratemaking body to implement rates sufficient to assure repayment (section 203);
- permit residents of Guam, American Samoa, and the Northern Mariana Islands (NMI) who are U.S. citizens or nationals or citizens of the NMI to register their vessels under the Vessel Documentation Act, so that such people may obtain financing for fishing vessels (financing is normally restricted to ships documented under the Act, which currently limits documentation to ships owned by U.S. citizens) (title III);
- authorize appropriations of \$16.3 million for fiscal year 1986 for public facilities improvement projects on Guam (section 401(a));
- authorize appropriations of \$600,000 for fiscal year 1985 for Interior, in consultation with DOT, to plan improvements at the Alexander Hamilton Airport in St. Croix, Virgin Islands, and allow \$10 million previously authorized for construction of water and power facilities in the Virgin Islands to be used for construction of improvements to the Airport (section 401(b));
- authorize Interior, in consultation with HUD, to study the housing needs of American Samoa (section 401(c));
- authorize appropriations of \$15 million for fiscal year 1986 for grants by Interior to the Northern Mariana Islands for water system improvements (section 401(d));
- purport to convey the Ebenezer Home in St. Thomas, Virgin Islands, to the Frederick Lutheran Church, even though Interior has no record of owning the home (section 501);
- transfer Government House on St. Croix to the Government of the Virgin Islands without consideration and without a requirement for public use of the facility (section 502);



- forgive repair and transportation charges (totalling some \$3.2 million) on electrical generators in American Samoa loaned by the Army to Interior (section 503);
- limit to 30 percent the amount of development expenses that Guam can deduct from proceeds it may receive from the sale of port property transferred to Guam in 1981, which under current law must be deposited in the Treasury (section 504);
- clarify and extend the eligibility for a number of Federal programs to the territories, including urban parks, Urban Development Action Grants, and soil and energy conservation, and extend to Guam and the Virgin Islands a provision of current law waiving for American Samoa and the Northern Mariana Islands all Federal program matching grant requirements of up to \$200,000 (section 601);
- allow Guam to retain Federal income tax receipts from military personnel and Federal civilian and military pensioners living on Guam, since Guam currently pays about \$600,000 annually in tax refunds to such people (who file returns with Guam) but does not retain tax collections from them (section 601(h));
- authorize, under limited conditions, State, Justice, and Interior, acting jointly, to waive visa requirements for visitors to Guam (section 602); and
- completely reorganize the territorial courts of the Virgin Islands, Guam, and the Northern Mariana Islands (titles VII, VIII, IX, and X).

Legislative History

As noted above, the enrolled bill is a collection of numerous provisions, many of which began as separate bills. The Department of Commerce, for example, proposed a bill similar to title III dealing with the documentation of foreign vessels. The Department of Justice also made proposals similar to the judicial reforms of titles VII through X.

Several agencies, including Interior, Treasury, Justice, and Commerce, recommended amendments to H.R. 5561 as it was under congressional consideration. Many of these recommendations were adopted, at least partially. The Administration's principal recommendation, however, that Congress adopt the separate bills involving the vessel documentation and judicial reform issues in lieu of this omnibus measure (which includes a number of unnecessary and mildly troublesome features), was not followed.



Agency Views

As Interior notes in its enrolled bill letter, the Administration opposed several features of H.R. 5561, including titles I and IV, section 501, and much of section 601. These provisions, however are "of relatively minor consequence," and do not outweigh Interior's support for several other sections, most notably those regarding industrial development bonds, documentation of vessels, Guam port development, and judicial reform. Accordingly, Interior recommends approval of H.R. 5561.

Several other agencies express some concerns regarding many features of the enrolled bill, including some sections supported by Interior. Transportation is concerned that it would not have final approval over all vessels documented under the Vessel Documentation Act, and plans to monitor implementation of the bill and recommend remedial legislation if problems arise. Transportation, although opposing the special authorization for the Alexander Hamilton Airport, recommends approval of H.R. 5561 with a signing statement to express the Administration's view that this authorization should not be viewed as a precedent. We do not believe this issue warrants a signing statement, as there are several such authorizations included in the enrolled bill for which there is no current intention on the part of the Administration to recommend funding.

The Departments of State and Justice have previously opposed the Guam visa waiver in separate legislation, but since the provision in the enrolled bill is discretionary, both State and Justice have no objection to its enactment. Moreover, Justice would prefer not to extend the terms of incumbent territorial judges from eight to ten years, but does not believe that this "requires the Executive disapproval of the bill."

Finally, Treasury expresses reservations about section 203's Guam Power Authority refinancing provisions, which do not incorporate the Administration's recommendations that such refinancing be done at Treasury interest rates to avoid subsidizing the Authority any further. Accordingly, Treasury "would concur in a veto recommendation, if such a recommendation is made by the Department of the Interior," (which, as noted above, recommends approval). Treasury notes that, if the bill is approved, it will not purchase the Authority's refinancing notes until the appropriations to Interior to pay for the required subsidies are made.



Conclusion and Recommendation

We concur in Interior's assessment that, even though the enrolled bill includes several features that are unnecessary or undesirable, it also includes provisions recommended by the Administration to facilitate private development in the territories. On balance, the bill should foster greater economic self-sufficiency in the insular areas. Accordingly, we recommend approval of H.R. 5561, which passed both Houses of the Congress by voice vote.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

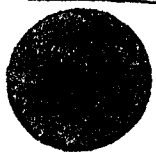


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