BRIEFING PAPERS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

FEBRUARY 21-23, 1988

Prepared by: Bureau of Planning
February 1988

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National Governor's Association
Winter Meeting
Preliminary Schedule of Committee Sessions

Saturday, February 20, 1988

1:00-1:30 pm	Opening Press Conference
2:00-4:00 pm	Special Work Session on Federalism

Sunday, February 21, 1988

9:00 am	Subcommittee on Tourism: Discussions on international tourism and initiatives to promote tourism in the states.
9:30 am	Subcommittee on Telecommunications: A work session on telecommunications issues.
11:00 am	Executive Committee: Discussions on the federal budet deficit and welfare reform.
1:00 pm	First Plenary Session: Restoring the Balance: State Leadership for America's Future.
2:45 pm	Committee on Criminal Justice and Public Protection: Discussions on the impact of AIDS on the criminal justice system and training National Guard units in other countries.
	Committee on International Trade and Foreign Relations.
4:15 pm	Committee on Economic Development and Technological Innovation: Discussions on the development of a national housing policy.

Monday, February 22, 1988

2:15 pm	Committee on Energy and Environment: A report on ozone pollution will be given and national energy policy issues will be discussed.
	Committee on Human Resources: Discussions on New Jersey's Project Reach, a welfare-to-work program; public-private partnerships in day care; education; and employment and training programs.
3:45 pm	Committee on Agriculture and Rural Development and the Task Force on Rural Development: Discussions on rural development issues.
	Committee on Transportation, Commerce and Communications: Discussions on airline safety, telecommunications and transportation finance.

Tuesday, February 23, 1988

9:30 am	Second Plenary Session: Restoring the Balance: State Leadership for America's Future.
12:15 pm	Concurrent Meetings of Task Forces and Subcommittees

Restoring The Balance: State Leadership for America's Future

Overview of the Theme:

In 1787, James Madison described the proposed U.S. Constitution as "neither wholly federal nor wholly National". Rather, it was a hybrid ... a careful balance of powers incorporating the concept that all governmental functions lacking a compelling rationale for federal involvement should be left to the states and localities. Decentralists have steadfastly maintained that genuine democracy can flourish within a small political entity where the government is "closer to the people." Despite their efforts, American federalism has undergone enormous change from colonial times to the present, especially within the last 50 years. The transformation has been so extensive as to warrent a reexamination of the principles which uphold the federal system itself.

Two hundred years after the ratification of the Constitution, the National Governors' Association (NGA) believes that the important balance of power between the states and the federal government has tipped toward a top heavy federal system. Federalists tout the administrative efficiency of centralism and deplore the duplication of effort and function inherent in what they feel is the "fragmentation of authority." State administrators feel, on the other hand, that burdensome federal regulations have become more pervasive, more intrusive, more unmanageable, more ineffective, more costly and, above all, more unaccountable. The Governors feel they have become administrative agents for federal programs which lack sensitivity and responsiveness to local needs.

While Guam persists in its pursuit of Commonwealth status, its goals of more autonomy and less federal domination are shared by the member Governors of the NGA. Common frustrations with federal policy have spurred the NGA to initiate an investigation of state-federal relationships and to choose the subject as its theme for this winter meeting.

Committee on International Trade and Foreign Relations

1. Federal-State Partnership in Trade Promotion:

Overview:
The Governor's will be exploring the role of the U.S. Department of Commerce in promoting U.S. trade as well as the role of the States. NGA recognizes that States must be full partners with the federal government and the private sector in the drive to promote and expand American exports. Some of the issues that will be addressed are:

- In what cases should the federal government sponsor trade missions given State trade missions.
- How can federal technical assistance be targeted so that States can get the help they and their businesses need.
- Simplifying current export licensing procedures so that U.S. companies can be strong competitors in foreign markets.
- How to encourage the private sector to fill gaps in current U.S. "trade infrastructure" - financing freight forwarding and export trading companies.
- Expanding private/public partnerships to the manufacture and service trades.
- Obtaining more detailed and timely trade statistics by the U.S. Department of Commerce for the private sector and the states to use as a bases for their trade decisions.

Recommended Action:
No specific issue appears to be before the NGA with respect to this topic of discussion. Guam should seek NGA's support of Article 3, Section 303 of the draft Commanwealth Act in any resolutions which may be developed. This section provides that the U.S. shall seek to obtain from foreign countries favorable treatment of Guam's exports and to encourage other countries to consider Guam as a developing territory. In addition, the federal government is to assist Guam to be a member or participant in appropriate regional and international organizations, including the Asian Development Bank. It also provides that Guam would be allowed to enter into bilateral and mutilateral agreements and to promote joint public/private ventures. Lastly, this section provides that the federal government is to assist and

facilitate the establishment by Guam of offices in the U.S. and in foreign countries.

2. Textile Legislation:

Overview:
The Textile and Apparel Trade Bill of 1987 is a protectionist legislation which initially included provisions for limiting the amount of textiles that insular areas can import into the U.S. mainland and which defined products manufactured on Guam, CNMI, and American Samoa as "foreign". This proposed provision, however, was not passed by Congress.

At present, Guam is afforded the ability to have sweaters manufactured on Guam to enter the U.S. Customs Zone duty free through Headnote 3(a) of the Tariff Schedules. The Courts however have held that Congress has not provided Guam with relief from quotas and has held it is a function of the federal Executive Branch to establish quotas. Currently Guam's textiles are allowed to enter the U.S. through a Hong Kong visa waiver. This waiver permits 160,000 dozen sweaters made on Guam to enter the U.S. under Hong Kong as the country of origin without affecting Hong Kong's quota. This arrangement is a result of the Multi-Fibre Agreement of 1974 that was renegotiated in July 1985.

Guam's ability to export textiles to the U.S. under a visa waiver to Hong Kong's quota may now be in jeopardy. In a protectionist move, the U.S. has eliminated the special import breaks given to Hong Kong and to the other members of the Association of South East Asian Nations (ASEAN). Since the action was just taken by the U.S., the actual impact, if any, to Guam's textile industry is not known at this time.

Laws and regulations which treat Guam and other American Flag Territories as "foreign" negatively impact on the islands' manufacturing industries. Specifically, they negatively impact the labor market and overall economies of the developing noncontiguous territories.

Recommended Action:
Guam should seek NGA's support opposing any policy which would limit its ability to export the goods it manufactures into the United States. Such a policy would be in keeping with NGA's policy position with respect to supporting free trade with Canada.

Guam should also seek NGA's support of Article 5 of the draft Commonwealth Act. Article 5 would allow goods manufactured on Guam to be treated as domestic by the U.S. and be free from quotas, duties and other restrictions when they enter the U.S. Custom's Zone, while at the same time providing the United States the same considerations with respect to U.S. goods imported into Guam.

3. Headnote 3(a): Textiles, Watch Manufacturing and Other Manufacturing Industies:

Overview:
Guam is accorded trade preference with the United States by General Headnote 3(a) of the Tariff Schedules of the United States. Headnote 3(a) allows Guam to export its manufactured goods duty-free into the Customs Territory of the United States where at least fifty percent of the value of the good has been added in Guam. If the materials used to produce the eligible article are not wholly the product or manufacture of Guam, the product must undergo a "substantial transformation" into a new and different article of commerce.

In the case of the garment industry, the definition of "substantial transformation" is ambiguous and requires individual rulings to determine whether the process constitutes a substantial transformation. Guam has been granted a "waiver of visa" under Hong Kong's quota to allow 160,000 dozen sweaters to be shipped into the U.S. In the case of the watch industry, Guam has a total annual quota of 1 million watches and watch movements. Guam's sole watch producer, however, has only been given an annual quota of 500,000 units.

The changes to Headnote 3(a) and the ambiguity of the regulation negatively impact Guam's trade relations with the U.S. The quotas placed on its manufacturing industries adversely affect employment.

Because of the quota restrictions, prospective firms have been withdrawing their plans for locating on Guam.

Recommended Action:
Guam should seek NGA's support of Article 5 of the draft Commonwealth Act which provides for no duties, quotas or tarriffs on goods shipped between Guam and the United States.

4. Brooks Amendment:

Overview:
Representative Jack Brooks, from Texas, introduced an amendment which bars Japanese companies from federally funded U.S. public works projects. This amendment has been passed into law. Because of Guam's close proximity to Japan, Guam has been able to take advantage of using less expensive contractors and construction materials from Japan. Under the law, Japanese contractors will not be able to bid on federally funded construction projects nor can Japanese construction materials be used.

This protectionist measure constrains Guam's development as construction projects will be more expensive and time consuming. Navy Command on Guam has expresssed concern that the Brooks Amendment will have a substantial negative impact on Department of Defense construction projects on Guam. The law is an example of the federal government's failure to consider the unique needs and concerns of Pacific Rim countries.

Recommended Action:
Guam should seek NGA's support in its effort to obtain a Congressional exemption from the Brooks amendment.

5. Subcommittee on Tourism:

Overview:
This Subcommittee will be discussing international tourism and initiatives to promote tourism in the States. It is likely that the U.S. Travel and Tourism Administration's (USTTA) role in promoting tourism will be one of the topics discussed. NGA has been supportive of the USTTA. Last year, for example, it lobbied Congress to

appropriate $12.9 million for FY 1988 for USTTA as the States found its promotion efforts to be effective.

It is also possible Governor Waihee, Hawaii, will bring up the topics of airline safety, airline passenger satisfaction, visa waivers for the Pacific Rim and the involvement of the States in bilateral aviation negotiations. (Please refer to the following attached PBDC briefing papers on Aviation Programs and Meeting with Governor Waihee for additional information on these issues.)

Recommended Action:
Guam should seek NGA's support of Article 9, Section 902 of the draft Commonwealth Act which pertains to Guam's inclusion in bilateral aviation treaty negotiations, allowing foreign airline carriers to stop on Guam before proceding on to another U.S. destination and ensuring Guam's continued Essential Air Service determination. In addition, Guam should seek NGA's support of Article 7, Section 703 which pertains to Guam-Only Visa for tourist and business purposes.

AVIATION PROGRAMS

There are three main aviation programs that Guam and PBDC have been concerned about over the years - Airport Improvement Program; Essential Air Services Program; and Consumer Complaints Program. These programs and actions that should be pursued are described below.

Airport Improvement Program (AIP)

The AIP is a federal grant program administered by FAA under which monies are made available to the Guam Airport Authority (GAA) for the planning and development of airports. AIP monies are derived from the National Airport and Airway Trust Fund from taxes and user fees including an 8% tax on airline tickets, a $3.00 international departure fee and a 12¢ and 14¢ per gallon tax on general aviation gas and jet fuel respectively, among others. Between 1982 - 1987, GAA received $9,151,192 under this program or over $1.5 million per year. As of November 1987, the Senate and House passed 2 somewhat different bills to continue the program which would have expired in 1987.

As the different bills have presumably been conferenced by the House and Senate, the Governor should request detailed information on the final bill including:

1. The funding for PBDC member governments and Guam in particular; and
2. Whether or not monies can be used for acquisition of private land affected by high noise levels and aircraft accidents.

The Governor might also inquire about the $3.00 international departure tax which has been discussed as a possible revenue source for funding customs, immigration and agricultural inspections at U.S. ports of entry (e.g., Hawaii). The $3.00 tax is collected by airlines on Guam even for departures to the U.S. However, Guam is not considered a US port of entry and conducts its own customs and agricultural inspections which cost over $1.3 million and $100,000 respectively for FY 1987.

Essential Air Services Program (EAS)

The EAS is basically an insurance program that assures continued air passenger service from a U.S. point with minimal service to a U.S. hub from which may flights depart. Guam's EAS determination developed by DOT in 1984 consists of:

1. Non-stop jet service to Honolulu
2. A minimum of 1990 available seats per week
3. A minimum of 4 weekly round trip flights per week
4. All service to be scheduled to afford reasonable access to connecting flights at our hub, Honolulu.

If airline passenger service drops below the EAS level listed above, the federal government will contract with other available airlines and subsidize airline service up to the EAS level.

The EAS program was to have terminated on October 4, 1988 as a result of federal deregulation policies. However, it is our understanding that the program has been extended for another 6 years.

The Governor should inquire about the possibility of an EAS determination for cargo service. All PBDC members are concerned about this issue as disruptions in cargo service have occurred in the past.

Consumer Complaints Program

As a result of federal deregulation of airlines, greater emphasis has been placed by Congress and the States on the Department of Transportation (DOT) consumer complaints program. This program essentially provides a mechanism for consumers to lodge official complaints such as lost baggage, unreasonable delays, near-collisions, etc. to DOT. Thus far, the key to success of this program is a DOT toll-free telephone line which is not available for use in the territories.

On February 25, 1987, the PBDC Governors signed a memorandum of understanding that allows each member government to establish their own consumer complaints program in collaboration with the DOT program. On Guam, the GAA created its program which involves the collection and transmittal of complaints to the DOT.

Information generated from the National Consumer Complaints program is published in an airline "report card" that describes the performance of each airline. All that Guam should do is ensure that the report card specifically describes the performance of airlines in the PBDC area and that this information is widely distributed in each PBDC member area.

MEETING WITH GOVERNOR WAIHEE

According to PBDC, Governor Waihee will meet with Governor Ada on the opportunities available to entice more Japanese tourists to visit the Pacific Basin (Hawaii, Guam and CNMI). The specific opportunity to be discussed appears to be the formation of the American Flag Pacific Islands (AFPI) as a single destination for the purposes of bilateral aviation negotiations between the federal government and foreign governments.

Presently, the U.S. government negotiates with foreign governments to allow foreign air carriers to serve U.S. points and U.S. carriers to serve foreign points. During these negotiations, each government negotiates the cities to be served, price considerations, cargo services, charter services and other aviation issues. In these meetings, if foreign governments allow U.S. carriers to service relatively small, less profitable foreign cities, the U.S. government may offer Guam in return. Obviously, each government attempts to service the most lucrative destinations of the other with the least amount of government restriction. In most instances, governments are allowed to choose those destinations they will actually service.

Before discussing Governor Waihee's apparent proposal, the following should be noted:

1. Based upon available information, 10 foreign countries (i.e., Fiji, Indonesia, Japan, Nauru, New Zealand, Philippines, Singapore, Taiwan, Thailand and United Kingdom) are allowed by the U.S. to provide airline service to Guam. Few of these countries have actually chosen to service Guam due to the smallness of its market, the profitability of destinations such as Hawaii and the availability of longer range aircraft that can over-fly Guam.

2. Hawaii currently has a policy of attracting greater foreign investment to ensure that Hawaii will continue to be a destination point (if only to ensure the continued profitability of these foreign investments). This policy has been extremely effective in ensuring that Hawaii is not over-flown.

3. Five foreign countries with aviation operations in the Pacific are not allowed to serve Guam but are allowed to service Hawaii. These countries are Australia, China, Korea, Malaysia and France. No information is currently available to determine why the countries are not allowed to serve Guam.

4. Guam is authorized to establish the Visa Waiver program in which tourists from countries which have a US visa rejection rate of less than 16.9% including Australia, Brunei, Burma, Indonesia, Japan, Malaysia, Nauru, New Zealand, Papua New Guinea, Singapore, Solomon Islands, the United Kingdom (including Hong Kong), Vanuatu, and Western Samoa can visit Guam without visas for no longer than 15 days. Hawaii does not currently participate in this program and will probably not participate since it is a part of the U.S. customs territory. As the CNMI covenant provides local control over immigration, CNMI may not need to participate.

5. At present, information is not available to assess cargo service from foreign countries. In the U.S. for example, the desire to increase the number of Japanese tourists to the U.S. has not been met with great enthusiasm by the Japanese because of domestic pressures on the U.S. government to reduce cargo imports from Japan. There may be some potential in using cargo service as a bargaining chip to increase passenger service from foreign countries.

6. To a large extent, Guam and CNMI are competing for similar tourist clientele. Hawaii on the other hand, may be attracting higher income Japanese tourists because of the higher costs of travel, lodging and other amenities. (Visitor profiles of Hawaii, CNMI and Guam were not compared due to lack of time). From one perspective, competition for tourists ensures that Guam will develop tourist amenities at a pace that will ensure against adverse economic impacts should tourism decline. However, under this situation, Guam cannot maximize revenues from tourism.

   In our view, competition among islands is desirable provided that the level of tourism on any one island is sufficient to generate a reasonable profit from existing and planned investments. Guam can no longer consider itself as the gateway to Micronesia since many Micronesian Islands are serviced directly by foreign carriers. While continuing to entice Japanese tourists, Guam must branch out to other areas, especially those that are already allowed to service Guam.

7. Guam is currently impacted by U.S. Cabotage Laws (49 USC 1508) that do not allow foreign carriers to make intermediate stops on U.S. soil between the home country and the final U.S. destination. In practice, this means that JAL cannot pick up passengers on Guam on its way to Honolulu. Evidence exists in bilateral agreements that federal negotiators have discretionary authority to waive this requirement if in the U.S. interest to do so.

CONCLUSION

It should be a policy of the Government of Guam to encourage the federal government to allow other foreign countries to service Guam. This could be accomplished through the establishment of the American Flag Pacific Islands (AFPI) as a single destination area as Governor Waihee seems to espouse. It is doubtful however, that this approach alone would increase tourism from foreign countries. So long as the federal government allows foreign governments to choose from any approved U.S. destinations as a result of U.S. deregulation policies, foreign carriers will have difficulty in choosing Guam as an intermediate or final destination for passenger service.

A more effective policy for GovGuam to pursue to increase passenger service would be to nurture economic and socio-cultural ties with those countries that are currently allowed to service Guam but do not and eventually with those countries not currently allowed to service Guam.

Establishing the AFPI as a destination for foreign cargo may assist in achieving our goal in passenger service. Foreign countries may encourage more tourist visits if these countries were provided an outlet for consumer goods.

Governor Waihee's apparent proposal will practically eliminate Guam's problems with airline Cabotage Laws in that foreign carriers would be allowed unrestricted travel between the islands.

Potentially problematic issues are also evident. Increases in foreign carriers may cause the demise of domestic carriers serving Guam and CNMI. With foreign carriers entering and leaving the market at will, substantial delays in providing air service could be experienced if domestic carriers have already left the market area. Since Hawaii will probably not participate in the

Visa Waiver program, Guam could experience the difficulties currently experienced in the absence of the program as more than 15 days might be required to visit the AFPI. In addition, it is likely that the Guam Visa Waiver program could be jeopardized in the eyes of the federal government due to the ability of foreign nationals to easily enter the mainland U.S. through Hawaii.

GovGuam is not in a position to assess the impacts of Governor Waihee's apparent proposal at this time. It is hoped that Governor Ada will be able to obtain more specific information from Governor Waihee so that these issues can be more fully evaluated.

Committee on Energy and Environment

1. EPA Ozone Standards:

Overview:
States are required to have met by the end of 1987 federal standards for ozone and carbon monoxide pollution under the Clean Air Act, or face sanctions including construction bans on certain kinds of industrial development and the withholding of federal funds. The U.S. Environmental Protection Agency (EPA) has proposed requiring states and communities that missed the clean air deadlines to develop new plans to attain federal standards by the mid-1990s. Many states have sharply criticized the EPA plan because it places on the states virtually the entire burdern of additional pollution controls. The plan also fails to commit EPA to new federal efforts; leaves many states subject to construction bans while other less severely polluted areas are exempted; and fails to address the transport of ozone across state lines. It is estimated that as many as 70 areas in 40 states will not be able to attain the standards.

Proposals are before the House and Senate to extend the deadline if areas adopt additional pollution control measures and to place moratoriums on the sanctions. The Senate Bill (S. 1351) also provides that EPA define and requires states to adopt additional pollution control technologies which the statue defines as "reasonably available," and applies pollution controls within a multi-state "corridor" through which wind patterns distribute pollution along the eastern seaboard. It also seeks tighter automotive emmissions control programs and includes provisions on acid rain and airborne toxics (such as those from municipal waste incinerators)

NGA is supporting an eight-month to one year moratorium on construction bans and other economic sanctions against those areas that fail to meet the pollution control deadlines for ozone and carbon monoxide.

Recommended Action:
This issue will be a major topic of discussion at the NGA. Guam, however, is not impacted at this time as the Cabras Power Plant has been given a Congressional exemption from the Clean Air Act and

Guam has been exempted by U.S. EPA from complying. While Guam is not directly impacted by the issue it should support NGA efforts to seek moratoriums for those states that are impacted.

2. Nuclear Waste:

Overview:
The State of Alaska has filed a suit against the federal government to stop a Reagan administration plan to permit Japan to transport highly toxic nuclear waste by air via Alaska. The plan would grant Japanese officials permission to fly toxic nuclear plutonium to Europe with a refueling stop in Alaska. Alaska contends that the federal government violated federal law by failing to take proper safeguards to protect Alaskans and their environment. In its suit, the State asks that shipments of plutonium be stopped until officials have fully complied with laws which require an environmental impact statement on potentially hazardous activities. The law suit was filed after the State attempted to reach a satisfactory arrangement with the State Department and other federal agencies to ensure that Alaskans and their viromnent would be safe if one of the plutonium-carrying planes goes down.

Recommended Action:
It is not known if Governor Cowper will bring this issue before the NGA. Guam should, however, strongly support Alaska in its efforts to prevent Japan from transporting its nuclear waste through its state. Guam's support of Alaska's effort is consistent with its own effort to prevent Japan from dumping its nuclear waste in the Pacific Ocean.

3. Nuclear Waste Storage in the Republic of the Marshall Islands:

Overview: The President of the Republic of the Marshalls has suggested that Bikini Island be used as a repository for nuclear wastes by the United States. This policy position is contrary to efforts to have Bikini decontaminated and cleaned up by the United States. This issue may come up in discussions at NGA.

Recommended Action:
None.

4. **Nuclear Dumping in the Pacific Ocean:**

Overview:
Japan desires to dump its low level nuclear waste in the Pacific Ocean at a site approximately 600 miles north of the Mariana Archipelago. The United States supports Japan's desire to dump its waste in the Pacific Ocean. At the last London Dumping Convention, held in 1985, a moratorium was placed on all plans to dump nuclear waste in the Pacific Ocean. Since the Convention's last meeting there has been no new effort to pursue the dumping of nuclear waste by Japan; however, Japan still desires to dump its waste in the Pacific Ocean and the U.S. federal government is still supporting Japan.

Recommended Action:
Guam should seek NGA's support of Article 3, Section 304, of the draft Commanwealth Act. This article pertains to nuclear waste storage and stipulates that the United States shall not utilize the waters surrounding Guam for dumping or storage of nuclear waste. While the Atricle does not directly prevent Japan from dumping its nuclear waste, it does prevent the federal government from supporting Japan and its efforts to receive support of its plan at the the next London Convention.

Committee on Transportation, Commerce and Communications

1. Subcommittee on Telecommunications:

Overview:
NGA recognizes that there exists a strong linkage between economic development and telecommunications. NGA also recognizes the vital role telecommunications play in the effecient and effective operations of state governments. The Governors will be exploring telecommunication issues in an effort to develop a national communication policy position.

Due to Guam's geographic distance from the U.S. mainland, telecommunications play a significant role in the island's economic development effort as well as providing a vital link between the Government of Guam and the federal Government. While telecommunication is critical to Guam's overall development, Guam is designated as international rather than domestic under the Communications Act of 1934 (this Act regulates interstate and foreign commerce in communications). As a result of Guam's designation as international, long distance toll charges to and from Guam are significantly higher. Businesses, the Government of Guam and residents are adversely affected by these high rates. In additon, other forms of telecommunication such as imagery (facsimile) and data transmissions are more expensive. These inflated rates negatively impact Guam's development. It is important to note that Puerto Rico and the Virgin Islands have recently been designated as domestic and as such are now enjoying significantly lower telecommunication rates. Section 903 of the draft Commonwealth Act recognizes the importance of telecommunication and provides that Guam is to be designated as domestic.

Recommended Action:
It should be brought to NGA's attention that Guam is designated as international. Guam should pursue within any resolution that may be developed and adopted by NGA, support of Section 903 of the draft Commanwealth Act which would change Guam's designation to domestic.

2. Port User Fee or Ad Valorem Tax:

Overview:
Ocean transportation and trade are restricted among the U.S. noncontiguous Pacific areas by P.L. 99-662, Title XIV - Port User Fee. The intent of the Port User Fee is to generate revenues for off-shore and on-shore infrastructure improvements by taxing cargo. Through the law, exemptions from the tariff are granted to domestic cargo from the U.S. mainland to Hawaii, the American Flag Territories (Guam, CNMI, American Samoa) and Alaska and vise versa. However, cargo shipped between the noncontiguous Pacific areas (Hawaii, the AFTs and Alaska) are still taxed. This tax hinders trade among the noncontiguous areas and has a negative impact on the region's economic development.

Recommended Action:
The Governors should seek NGA's support for eliminating the Port User Fee on intra-regional trade. Eliminating the tax will improve and promote intra-regional trade and allow the noncontiguous areas to further develop their economies.

3. Gasohol and Federal Highway Funds:

Overview:
Federal gasoline taxes provide to the States and to Guam an important revenue source for state highway construction and improvement projects. During 1987, the House Agriculture Committee approve a provision that gasoline should contain 5 % ethanol makino, which would convert the gasoline into Gasohol and which would reduce the federal taxable amount on gas by about 5 %. According to the U.S. Federal Highway Administrator, Ray Barnhart, a 5 % tax cut would mean an annual loss of $3.6 to $4 billion in federal highway funds which are allocated to state and local governments.

Guam currently receives $4.3 million annually in federal highway monies. The passage of this provision by Congress would result in a reduction of approximately $215,000 to the Territory under the federal program. Guam's repayment of its highway bond would also be impacted by this reduction as federal highway monies are being used in part to pay for the bond.

Recommended Action:
During the past year, NGA has been following this issue and opposes the proposal. Guam should support actions taken by NGA to fight this proposal.

4. Elimination of Diesel Fuel Tax Exemption:

Overview:
Presently, state and local governments are exempted from paying federal diesel fuel taxes. However, Congress is considering proposals to require state and local governments to pay federal diesel fuel taxes up front and then file for refunds. NGA has urged Congress to not pass House and Senate proposals as they encroach on intergovernmental tax immunity, and impose an unnecessary burden on state and local governments.

Recommended Action:
Should this issue come before the NGA, Guam should support NGA's efforts to fight the proposal.

5. Aviation:

Overview:
The issue of airline safety is anticipated to be discussed. As aviation issues are expected to also be addressed in the Subcommittee on Tourism, please refer to pages 7-14 for information on aviation transportation issues.

Bringing Down the Barriers Task Forces

1. **Task Force on Teen Pregnancy**

Roughly 30% of all births on Guam each year are to unmarried teenage mothers. The birth rate for single women on Guam is increasing steadily and remains high compared to the U.S. national average. These sad realities have serious implications not only to hundreds of young girls, their babies and their families each year but also to the island's problems with poverty, unemployment, juvenile crime, school dropouts and child abuse. The strain that teenage pregnancy places on our overburdened welfare system is evidenced by the fact that less that a fourth (22%) of Guam's households are headed by females but almost half (49%) of our Food Stamp families are female headed.

The NGA Task force on Teen Pregnancy has found that "poor teenagers and their children are at a greater risk for poor school performance...(and) becoming pregnant or having a child while still a teenager makes dropping out of school extraordinarily likely". The U.S. Congress has attempted to address the problem through the Jobs for Employable Dependent Individuals (JEDI) Act. This new law rewards states for using the Job Training Partnership Act (JTPA) system to train and place school dropouts under 22 years of age into long term employment. The amount of the reward, however, is based upon the amount of federal welfare dollars saved without regard to the cost of the training. If expensive incentives such day care and/or transportation allowances are required to attract participants - or if the completion, placement and retention rates of the trainees are not high - the cost of the training may outweigh the eventual reward. Also, states must expend local monies on training projects long in advance of reaping any return on their investment.