



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-272449

September 13, 1996

The Honorable Frank H. Murkowski
Chairman, Committee on Energy and Natural Resources
United States Senate

Dear Mr. Chairman:

In response to your request, this letter updates information presented in our 1995 testimony on the fiscal arrangements the U.S. government has with five insular areas: American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.¹ Specifically, we updated information from our prior testimony regarding (1) the federal taxes that apply to the territories; (2) the amount of revenue collected by the Internal Revenue Service (IRS) from Puerto Rico; (3) the amounts of federal excise taxes on rum collected from and transferred back to Puerto Rico and the U.S. Virgin Islands; (4) the amounts of customs duties collected by the federal government in Puerto Rico and the U.S. Virgin Islands and the amounts transferred back to these territories; (5) the amount of local revenues that the territorial governments collect; (6) the amount of federal expenditures in the territories, by program; and (7) how selected federal social programs apply to the territories.

RESULTS

Since our 1995 testimony, the only significant change that has been made in how federal taxes apply to the territories relates to the Puerto Rico and possessions tax credit. The Small Business Job Protection Act of 1996² repeals this tax credit for taxable years beginning after December 31, 1995. However, the act provides grandfather rules under which a corporation that was an existing credit claimant

¹The Internal Revenue Code (IRC) refers to the five insular areas as "possessions." However, outside of the IRC, they are more commonly referred to as territories, and we used that term in this report when referring to these five insular areas.

²P.L. 104-188.

remains eligible to claim credits for certain income during a 10-year transition period (see enc. I for details).

For fiscal year 1995, the Internal Revenue Service collected about \$3.3 billion from Puerto Rico for individual and corporation income taxes, unemployment tax, estate and gift taxes, and excise taxes (see enc. II for details).

For fiscal year 1995, the Bureau of Alcohol, Tobacco and Firearms (BATF) collected \$232.4 million in excise taxes on rum shipped from Puerto Rico to the United States and \$47.8 million on rum shipped from the U.S. Virgin Islands to the United States. For that year, the U.S. Treasury transferred \$204.9 million and \$41.7 million of rum excise tax revenue to the governments of Puerto Rico and the U.S. Virgin Islands, respectively (see enc. II for details).

For fiscal year 1995, the U.S. Customs Service collected \$138.2 million in duties in Puerto Rico, of which \$96 million was transferred to the Puerto Rican government. For the same year, the Customs Service collected \$9.2 million in duties in the U.S. Virgin Islands and transferred \$4.2 million of that revenue to the U.S. Virgin Islands government (see enc. II for details).

In 1994, local revenues reported by the territorial governments were: \$34.0 million in American Samoa, \$679.5 million in Guam, \$5,048.7 million in Puerto Rico, and \$381.4 million in the U.S. Virgin Islands. Local revenues reported by the Northern Mariana Islands were \$157.5 million for 1993, the most recent year for which this information was available. In some cases, these local revenue totals include amounts collected by the federal government and transferred to the territories (see enc. III for details).

For fiscal year 1995, federal expenditures in the five territories were approximately \$11.4 billion. The distribution of federal expenditures by program varied among the five territories. For example, in American Samoa and the Northern Mariana Islands most of the federal expenditures were for grants and other payments to the territorial governments. In Guam, the largest single category of federal expenditures was salaries and wages for federal employees, primarily in the Defense Department. Detailed data on federal spending in the territories are presented in enclosure IV.

The manner in which the six federal programs we had reviewed in our prior testimony are extended to the territories has not changed significantly, except for adjustments to the annual funding limits applicable to these programs.³ Detailed information on these adjustments is presented in enclosure V.

³The programs we reviewed are Food Stamps, Aid to the Aged, Blind, or Disabled (AABD), Aid to Families with Dependent Children (AFDC), Medicaid, Medicare, Supplemental Security Income (SSI), and Foster Care.

BACKGROUND

The United States provides financial and other assistance to its territories, which include American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. Although there are more U.S. territories than the insular areas discussed in this report, these five insular areas receive special recognition in the U.S. Internal Revenue Code. Historically, these territories have depended heavily on federal programs and special tax treatments. The need for such treatment stems in part from factors limiting the territories' ability to attain economic self-sufficiency and social development, such as scant natural resources, small land areas, and limited invested capital. Enclosure VI provides information regarding the economic and demographic characteristics of the territories. For a list of our products related to the territories, see Selected GAO Products at the end of this letter.

SCOPE AND METHODOLOGY

To identify recent changes in federal tax law affecting the territories, lawyers from our Office of General Counsel reviewed the current Internal Revenue Code. To update data regarding federal taxes and customs duties collected in and transferred to Puerto Rico and the U.S. Virgin Islands, we reviewed current IRS reports and federal budget documents; gathered excise tax information from the Bureau of Alcohol, Tobacco and Firearms; and obtained customs data from the U.S. Customs Service.

We obtained data on local revenues collected by the territories other than Puerto Rico from A Report on the State of the Islands, which was published in 1995 by the Office of Insular Affairs of the U.S. Department of the Interior. We acquired information for Puerto Rico from the 1994 Informe Economico al Gobernador, an annual report to the Governor of Puerto Rico on the economy of the Commonwealth, prepared by the Planning Board of Puerto Rico.

To determine the amount of federal expenditures in the U.S. territories, by program, we used the report Federal Expenditures by State, for Fiscal Year 1995, published by the U.S. Bureau of the Census. We obtained the most recent information regarding the six social programs from officials of the various federal agencies administering these social programs.

We did our work in Washington, D.C., between April and September 1996 in accordance with generally accepted government auditing standards. We did not audit the reliability of the data collection systems that produced the information we used.

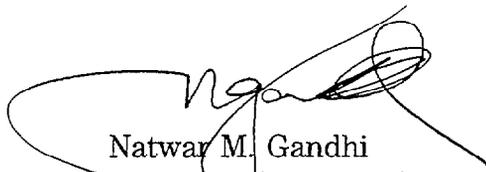
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Copies of this letter are being sent to the Commissioner of Internal Revenue, the Ranking Minority Member of your Committee, the Chairmen and Ranking Minority Members of the

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House Committee on Resources and House Subcommittee on Native American and Insular Affairs, and other interested parties. We will also make copies available to others upon request. Please contact me at (202) 512-9044 if you or your staff have any questions.

Sincerely yours,



Natwar M. Gandhi
Associate Director, Tax Policy
and Administration Issues

CHANGES TO THE PUERTO RICO AND POSSESSIONS TAX CREDITBACKGROUND

Congress established the Puerto Rico and possessions tax credit (Section 936 of the Internal Revenue Code) as part of the Tax Reform Act of 1976. The stated purpose of the credit was to "assist the U.S. possessions in obtaining employment producing investments by U.S. corporations."

Prior to 1994, the section 936 tax credit was equal to the full amount of the U.S. income tax liability on territory-source business income earned by qualified firms.¹ In addition, the provision exempted from U.S. taxation the income earned on qualified investments made by section 936 firms from their profits earned in the territories. This income is called qualified possessions source investment income, or QPSII. Puerto Rico established rules to ensure that QPSII funds invested through the island's financial intermediaries meet the act's requirements.

The 1993 Budget Act limited the section 936 credit.² After 1993, taxpayers were to calculate the business income credit as under prior law, but the credit would be capped under one of two alternative options selected by the taxpayer:

- The "percentage limitation" option provides for a decreasing credit equal to a decreasing percentage of the amount computed under prior law.
- The "economic-activity limitation" option limits the credit to an amount equal to the sum of three factors: (1) 60 percent of the taxpayer's qualifying wage and fringe benefit expenses; (2) specified percentages of the taxpayer's depreciation allowances with respect to qualifying tangible property; and (3) in certain cases, the taxpayer's qualifying possession income taxes.

RECENT CHANGES

Since our testimony, the Small Business Job Protection Act of 1996 has been passed by Congress and signed by the President. This act includes a provision that repeals the

¹Firms qualified for the credit if, over a 3-year period preceding a taxable year, 80 percent or more of their income was derived from sources within a territory and 75 percent or more of their income was derived from the active conduct of a trade or business within a territory.

²Omnibus Budget Reconciliation Act of 1993, P. L. No. 103-66.

Puerto Rico and possessions tax credit for taxable years beginning after December 31, 1995. However, the act provides phaseout rules under which a corporation that is an existing credit claimant is eligible to claim credits with respect to possessions business income for a transition period lasting through taxable years beginning before January 1, 2006. Credits attributable to QPSII are eliminated for income earned after June 30, 1996.

For any taxable year beginning after December 31, 1995, and before January 1, 2006, a corporation that is an existing credit claimant with respect to Guam, American Samoa, or the Northern Mariana Islands will continue to determine its credit with respect to such possession the way it does under present law. Corporations that are existing credit claimants with respect to Puerto Rico and the U.S. Virgin islands may continue to claim credits but those credits will be subject to income caps.³ For taxable years beginning in 2006 and thereafter, the credit with respect to all possessions is eliminated.

³Each taxpayer's cap is based on the average business income that the taxpayer earned in the possession during a specified base period. For taxpayers selecting the percentage limitation method, the income cap becomes effective for tax years beginning after December 31, 1997. For taxpayers selecting the economic-activity limitation, the income cap becomes effective for tax years beginning after December 31, 2001.

FEDERAL REVENUES FROM THE TERRITORIESTable II.1: Federal Internal Revenue Collections in Puerto Rico, Fiscal Years 1990-1995

Dollars in millions

Tax collected	1990	1991	1992	1993	1994	1995
Corporation income	\$133.5	\$111.2	\$45.8	\$181.8	\$411.0	\$972.6
Individual income, self-employment, and Social Security	1,668.8	1,801.8	2,137.6	2,225.9	2,093.1	2,272.8
Unemployment insurance	35.2	29.0	35.6	37.8	38.2	35.0
Estate and gift	1.6	6.0	9.4	6.5	1.9	3.3
Excise ^a	29.8	32.1	52.0	45.4	23.0	23.0
Total	\$1,868.8	\$1,983.3^b	\$2,280.4	\$2,497.5	\$2,567.1	\$3,306.9

Note: Totals may not add because of rounding.

^a A reclassification of funds occurred in this category after fiscal year 1993, which significantly decreased the excise tax category and increased the corporate income tax category.

^b Includes \$3.1 million of railroad retirement not shown separately.

Source: Internal Revenue Service Annual Report, various issues, and Internal Revenue Service Data Book, 1993-94 and 1995.

Table II.2: Federal Excise Taxes on Puerto Rican Rum and Revenue Shares Transferred to Puerto Rico, Fiscal Years 1992-1995

Dollars in millions

Collections and revenue transfers	1992	1993	1994	1995
Tax collected on Puerto Rican Rum	\$247.4	\$231.1	\$224.4	\$232.4
Amount transferred to Puerto Rico ^a				
Transfer of tax on Puerto Rican rum	\$192.9	\$180.2	\$184.2	\$193.9
Share of tax on foreign rum	16.5	17.2	16.4	11.2
Audit adjustments	0.2	1.2	1.6	.7
Subtraction for Treasury's enforcement expenses	(0.9)	(1.1)	(0.7)	(.8)
Total amount transferred	\$208.7	\$197.5	\$201.5	\$204.9

Note 1: Tax collections are net of refunds and drawbacks to producers.

Note 2: Totals may not add because of rounding.

^aThe tax on Puerto Rican rum shipped to the United States is imposed at a rate of \$13.50 per proof gallon. Puerto Rico receives transfers from the federal government equal to \$11.30 per proof gallon of all the rum that it ships to the United States. (It also receives a share of the tax on rum shipped from foreign countries into the United States).

Source: Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms, and GAO computations.

Table II. 3: Federal Excise Taxes on U.S. Virgin Islands Rum and Revenue Shares Transferred to the U.S. Virgin Islands, Fiscal Years 1992-1995

Dollars in millions

Collections and revenue transfers	1992	1993	1994	1995
Tax collected on Virgin Islands Rum	\$36.0	\$39.3	\$35.6	\$47.8
Amount transferred to the U.S. Virgin Islands ^a				
Transfer of tax on Virgin Islands Rum	\$28.0	\$30.6	\$29.0	\$40.1
Share of tax on foreign rum	2.9	2.5	2.6	1.6
Audit adjustments	0.6	(1.2)	0.7	(.1)
Total amount transferred^b	\$31.5	\$31.8	\$32.4	\$41.7

Note 1: Tax collections are net of refunds and drawbacks to producers.

Note 2: Totals may not add because of rounding.

^aThe tax on U.S. Virgin Islands rum shipped to the United States is imposed at a rate of \$13.50 per proof gallon. The Virgin Islands is to receive transfers from the federal government equal to \$11.30 per proof gallon of all the rum that it ships to the United States. (It also receives a share of the tax on rum shipped from foreign countries into the United States).

^b These amounts differ from the amounts reported in the U.S. Budget because the U.S. Budget amounts include advance payments, which are required to be paid prior to the start of the fiscal year of collection.

Source: Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms, and GAO computations.

Table II. 4: Customs Amounts Collected in, and Transferred to, Puerto Rico and the Virgin Islands, Fiscal Years 1990-1995

Dollars in millions

Collections and revenue transfers	1990	1991	1992	1993	1994	1995
Collections in Puerto Rico	\$116.4	\$116.7	\$123.5	\$133.3	\$164.5	\$138.2
Transfers to Puerto Rico	92.5	92.4	93.4	100.0	132.8	96.0
Collections in the U.S. Virgin Islands	9.6	9.2	9.1	10.4	9.5	9.2
Transfers to the U.S. Virgin Islands	4.7	4.5	5.2	6.6	5.3	4.2

Note: Collections include duties collected in Puerto Rico and the Virgin Islands and collections made on behalf of the two locations in their Customs districts.

Source: U.S. Customs Service.

LOCAL REVENUES COLLECTED BY THE TERRITORY GOVERNMENTS

Table III.1: Local Revenues Collected in American Samoa, 1990-1994

Dollars in millions

Type of revenue	1990	1991	1992	1993	1994
Taxes	\$25.3	\$33.7	\$21.7	\$26.2	\$25.2
Licenses and permits	0.4	0.4	0.5	0.5	0.5
Charges for service	6.8	6.9	5.8	5.2	4.4
Fees and fines	0.7	0.7	0.8	0.7	0.7
Miscellaneous revenues	0.8	0.7	0.5	0.2	2.3
Indirect cost	N/A	N/A	N/A	2.1	1.1
Total	\$34.0	\$42.4	\$29.3	\$34.9	\$34.0

Note: Totals may not add because of rounding.

Source: Department of the Interior, A Report on the State of the Islands, August 1995.

Table III.2: Local Revenues Collected in Guam, 1990-1994

Dollars in millions

Type of revenue	1990	1991	1992	1993	1994
Taxes	\$413.0	\$497.9	\$518.5	\$496.0	\$471.1
Licenses, fees, and others	10.0	13.4	10.6	11.2	11.6
Uses of money and property	17.1	18.5	12.9	10.2	20.3
Federal contributions	93.9	116.1	140.0	180.3	164.7
Other	13.4	9.1	8.7	9.9	11.8
Total	\$547.4	\$655.0	\$690.8	\$707.6	\$679.5

Note 1: Totals may not add because of rounding.

Note 2: Federal contributions include mirror taxes (U.S. income tax laws used as the local income tax system) and rebates established by Federal law.

Note 3: Transfers of U.S. income taxes were as follows: \$43.9 million in 1990, \$35.3 million in 1991, \$52.6 million in 1992, \$66.3 million in 1993, and \$49.2 million in 1994.

Source: Department of the Interior, A Report on the State of the Islands, August 1995; and U.S. Executive Office of the President, Budget of the United States Government, various years.

Table III.3: Local Revenues Collected in the Northern Mariana Islands, 1990-1993

Dollars in millions

Type of revenue	1990	1991	1992	1993
Individual income tax	\$14.2	\$16.9	\$18.5	\$22.5
Corporate income tax	2.5	3.6	3.2	4.0
Gross receipt tax	46.4	60.2	56.5	63.2
Excise tax	22.6	22.8	22.4	28.7
Hotel room tax	4.6	5.3	6.5	6.0
All other taxes	20.6	27.3	27.5	33.0
Total	\$110.8	\$136.0	\$134.6	\$157.5

Note 1: Includes mirror taxes and revenue transfers established by federal law.

Note 2: Numbers do not add due to rounding.

Source: Department of the Interior, A Report on the State of the Islands, June 1994.

Table III.4: Local Revenues Collected in Puerto Rico, 1990-1994

Dollars in millions

Type of revenue	1990	1991	1992	1993	1994 ^a
Property tax ^b	\$170.0	\$200.0	\$368.0	\$372.5	\$430.5
Income tax on individuals	1,025.1	1,123.7	1,122.3	1,241.9	1,410.6
Income tax on corporations and partnerships	843.8	941.9	1,032.5	987.4	1,126.9
Other income taxes	196.9	265.9	192.7	183.1	337.2
Inheritance and gift tax	0.8	1.4	1.1	1.1	0.9
Excise taxes	985.7	951.2	982.3	1,099.2	1,236.0
Licenses	46.4	43.3	51.2	55.7	57.1
Nontax revenues	232.2	221.0	294.4	323.7	449.5
Total revenue from local sources	\$3,500.9	\$3,748.5	\$4,044.6	\$4,264.5	\$5,048.7

Note 1: Totals may not add because of rounding.

Note 2: Numbers do not include municipal construction excise taxes and municipal license taxes collected by the municipal governments.

^aThese are preliminary numbers.

^bReflects amounts collected by the municipal governments that, prior to 1992, were collected by the central government.

Source: Planning Board of Puerto Rico, Informe Economico al Gobernador, 1994 and Puerto Rico Treasury officials.

Table III.5: Local Revenues Collected in the Virgin Islands, 1990-1994

Dollars in millions

Type of revenue	1990	1991	1992	1993	1994
Individual income tax	\$145.2	\$183.9	\$193.4	\$205.6	\$191.8
Corporate taxes	28.5	41.5	30.9	33.8	31.5
Real property	29.3	27.8	40.1	50.1	35.2
Excise	14.6	15.2	16.0	18.5	14.9
Hotel	N/A	N/A	N/A	10.2	10.8
Gross receipts tax	N/A	N/A	N/A	88.4	79.2
Other taxes	68.2	81.1	84.3	3.8	2.6
Tax refunds	N/A	N/A	N/A	(38.4)	(22.8)
Other revenues	66.4	37.7	11.9	14.1	10.8
Contributions, other funds	2.0	30.0	18.5	34.2	27.5
Total	\$354.3	\$417.3	\$395.0	\$420.4	\$381.4

Note 1: The term "N/A" means not applicable.

Note 2: Numbers do not add due to rounding.

Note 3: Includes mirror taxes and rebates established by federal law. Transfers of U.S. excise taxes and custom duties in 1994 were \$33.3 million and \$5.3 million, respectively.

Sources: Department of the Interior, A Report on the State of the Islands, August 1995, and U.S. Customs Service officials.

FEDERAL EXPENDITURES IN THE U.S.
TERRITORIES, BY PROGRAM

Table IV.1: Summary Distribution of Federal Expenditures in the U.S. Territories and in the United States, FY 1995

Dollars in millions

Type of expenditures	Territories						United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	Total	
Grants and other payments to local governments	\$73	\$162	\$41	\$3,535	\$217	\$4,028	\$228,936
Salaries and wages	3	370	2	704	45	1,124	168,151
Direct payments for individuals	30	139	4	5,143	160	5,476	717,157
Procurement contracts	18	125	2	366	34	545	202,209
Other programs	4	20	3	191	11	229	47,058
Total expenditures	\$126	\$817	\$52	\$9,939	\$468	\$11,402	\$1,363,511

Note: Totals may not be the sums of the detailed amounts because of rounding.

Source: Federal Expenditures by State for Fiscal Year 1995, Bureau of the Census, June 1996.

Table IV.2: Federal Grants to the U.S. Territories and to the United States, FY 1995

Dollars in millions

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Department of Agriculture						
Agricultural Marketing Service	\$--	\$--	\$--	\$3	\$--	\$381
Cooperative State Research Service	1	1	1	7	1	414
Extension Service	2	1	1	4	1	474
Farmers Home Administration	--	--	--	6	--	399
Food and Consumer Service:	6	11	--	1,401	15	13,889
Child Nutrition Program	5	4	--	165	6	7,251
Food Stamp Program	--	2	--	1,111 ^a	2	2,836
Women, Infants, and Children	--	5	--	119	6	3,397
Food Donation	1	--	--	4	--	325
Other ^b	--	--	--	2	--	80
Forest Service	--	--	--	--	--	404
Soil Conservation Service	--	--	--	1	--	88
Total grants, Dept. of Agriculture	\$8	\$13	\$2	\$1,423	\$16	\$16,090
Department of Commerce						
Economic Development Administration	\$1	\$--	\$--	\$5	\$--	\$305
National Oceanic and Atmospheric Admin.	2	1	--	1	1	220

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
National Telecommunications and Information Administration	--	--	--	--	--	32
Total grants, Dept. of Commerce	\$2	\$1	\$--	\$6	\$1	\$557
Corporation for Public Broadcasting						
Total grants, Corporation for Public Broadcasting	\$--	\$--	\$--	\$3	\$--	\$292
Department of Defense						
National Guard Centers-construction	\$--	\$1	\$--	\$--	\$--	\$240
Total grants, Dept. of Defense	\$--	\$1	\$--	\$--	\$--	\$245
Department of Education						
Bilingual education and minority language affairs	\$--	\$--	\$--	\$4	\$--	\$311
Educational research and improvement-libraries	--	--	--	2	--	131
Office of Elementary and Secondary Education:	7	8	3	282	8	8,825
Education for disadvantaged	5	5	2	255	8	6,817
School improvement programs	2	3	1	25	3	1,277
School assistance in federally affected areas	--	--	--	1	--	672
Office of Post Secondary Education	--	--	--	1	--	92

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Office of Special Education and Rehabilitative Services:	4	9	3	48	7	5,233
Education for the handicapped	3	7	2	4	5	3,103
Rehabilitation services and handicapped research	1	2	1	44	2	2,130
Office of Vocational and Adult Education	--	1	--	47	1	1,359
Other	--	--	--	--	--	4
Total grants, Dept. of Education	\$12	\$19	\$6	\$384	\$19	\$15,995
Department of Energy						
Total Dept. of Energy	\$--	\$--	\$--	\$--	\$--	\$255
Environmental Protection Agency						
Construction of wastewater treatment works	\$--	\$3	\$1	\$15	\$--	\$2,451
Abatement control and compliance	--	1	--	5	--	698
Hazardous substance response trust fund	--	--	--	1	--	204
Total grants, Environmental Protection Agency	\$--	\$4	\$1	\$21	\$--	\$3,353
Equal Employment Opportunity						
Total grants, Equal Employment Opportunity	\$--	\$--	\$--	\$--	\$--	\$27
Federal Emergency Management Agency						

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Disaster relief	\$--	\$4	\$--	\$4	\$7	\$1,349
Emergency planning, preparedness, and mitigation	--	--	--	3	--	140
Total grants, Federal Emergency Management Agency	\$--	\$4	\$--	\$7	\$8	\$1,489
Department of Health and Human Services						
Administration for Children and Families:	\$4	\$16	\$3	\$320	\$19	\$33,165
Family support payments (AFDC)	--	8	--	102	8	17,151
Social Services Block Grant	--	2	--	13	--	2,744
Children and family services	4	6	3	179	11	6,448
Low-income home energy assistance	--	--	--	2	--	1,419
Community Services Block Grant	--	--	--	16	1	520
Assistance for legalized aliens	--	--	--	--	--	191
Other	--	--	--	8	--	881
Medicaid	2	4	--	112	4	89,070
Public Health Service ^c	1	2	--	44	3	2,384
Substance Abuse and Mental Health Administration	--	1	--	19	1	1,433
Total grants, Dept. of Health and Human Services	\$8	\$23	\$3	\$494	\$29	\$126,077

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Department of Housing and Urban Development						
Community development	\$--	\$1	\$--	\$95	\$3	\$4,339
Emergency shelters and homeless assistance	--	--	--	2	--	121
Low-rent housing-operating assistance	--	--	--	61	16	2,854
Lower income housing assistance:	--	16	--	375	35	15,943
Housing payments-section 8	-	12	--	204	10	12,032
Public housing	--	4	--	171	25	3,893
Housing payments-college housing	--	--	--	--	--	18
Other	--	--	--	34	1	2,350
Total grants, Dept. of Housing and Urban Development	\$--	\$18	\$--	\$567	\$55	\$25,607
Institute of Museum Services						
Total grants, Institute of Museum Service	\$--	\$--	\$--	\$--	\$--	\$14
Department of Interior						
Bureau of Land Management:	\$--	\$--	\$--	\$--	\$--	\$181
Payments in lieu of taxes	--	--	--	--	--	101
Fish and Wildlife Service	1	1	1	11	1	415
National Park Service:	--	--	--	1	--	63

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Land and water conservation	--	--	--	--	--	24
Preservation of historic properties	--	--	--	--	--	35
Urban parks and recreation	--	--	--	--	--	4
Office of Territorial Affairs	30	49 ^d	14	--	50 ^e	167
Total grants, Dept. of the Interior	\$32	\$50	\$15	\$12	\$51	\$1,889
Department of Justice						
Legal activities-assets forfeiture fund	\$--	\$1	\$--	\$3	\$--	\$189
Office of Justice Assistance-Justice programs	2	2	1	8	2	1,699
Total grants, Dept. of Justice	\$2	\$3	\$1	\$11	\$2	\$1,890
Department of Labor						
Employment and Training Administration:	\$1	\$5	\$--	\$133	\$9	\$6,898
Job Training Partnership Act	--	3	--	103	4	3,590
State unemployment insurance and employment service operations	--	1	--	29	4	3,231
Community service employment for older Americans	1	1	--	1	1	77

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Occupational Safety and Health Administration	--	--	--	2	--	98
Total grants, Dept. of Labor	\$1	\$4	\$1	\$135	\$8	\$7,001
National Foundation on the Arts and the Humanities						
Total grants, National Foundation on the Arts and the Humanities	\$--	\$--	\$--	\$1	\$--	\$45
Neighborhood Reinvestment Corporation grants						
Total grants, Neighborhood Reinvestment Corporation	\$--	\$--	\$--	\$--	\$--	\$20
State Justice Institute grants						
Total grants, State Justice Institute	\$--	\$--	\$--	--\$	\$--	\$11
Department of Transportation						
Coast Guard	\$--	\$--	\$--	\$--	\$--	\$39
Federal Aviation Administration-airport and airway trust fund	1	12	8	7	4	1,826
Federal Highway Administration:	5	9	3	94	17	19,440
Highway trust fund	5	9	3	94	17	19,091
Motor carrier safety grants	--	--	--	--	--	66
Highway related safety grants	--	--	--	--	--	40
National Highway Traffic Safety Administration	1	--	--	1	--	138

Federal agencies and programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Research and Special Programs Administration	--	--	--	--	--	31
Federal Transit Administration	--	--	--	17	--	4,818
Total grants, Dept. of Transportation	\$7	\$22	\$11	\$120	\$22	\$26,311
Department of the Treasury—Customs Bureau and IRS rebates						
Total grants, Dept. of Treasury	\$--	\$--	\$--	\$344 ^e	\$4 ^g	\$394
Department of Veterans Affairs						
Total grants, Dept. of Veterans Affairs	\$--	\$--	\$--	\$8	\$--	\$277
Total federal grants to the territories and the United States	\$73	\$162	\$41	\$3,535	\$217	\$228,936

Note 1: Totals may not be the sum of the detailed amounts due to rounding. Moreover, we have included the details only for programs from which at least one of the territories received at least \$500 in 1995. Consequently, the subtotals and totals for the United States may include amounts that are not shown separately in the details.

Note 2: The notation "--" represents an amount less than \$500,000.

^aThe amount shown is for the nutritional assistance block grant program; all other amounts are grant payments for food stamp administration.

^bIncludes temporary emergency food assistance and special milk programs.

^cIncludes Health Resources and Services Administration and Centers for Disease Control.

^dIncludes transfers of U.S. income tax revenues.

^eIncludes transfers of U.S. excise tax revenues.

^fIncludes transfers of U.S. customs duties and excise tax revenues.

^gIncludes transfers of U.S. customs duties revenues.

Source: Federal Expenditures by States for Fiscal Year 1995, Bureau of the Census, June 1996.

Table IV.3: Federal Direct Payments for Individuals in the U.S. Territories and for Those in the United States, FY 1995

Dollars in millions

Programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Social Security:	\$17	\$51	\$--	\$2,977	\$73	\$330,832
Retirement insurance payments	6	30	--	1,460	47	221,558
Survivors insurance payments	6	16	--	644	16	66,136
Disability insurance payments	5	5	--	873	10	43,139
Medicare:	--	1	--	809	12	180,109
Hospital insurance payments	--	--	--	388	7	114,894
Supplementary medical insurance payments	--	1	--	421	5	65,215
Federal retirement and disability payments:	2	66	1	199	15	67,036
Civilian	--	42	--	128	11	39,340
Military	2	24	1	70	4	27,696
Federal payments for unemployment compensation	--	--	--	394	9	28,731

Programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Veterans compensation for service-connected disability	2	4	--	190	1	11,555
Veterans pension for nonservice-connected disability	--	--	--	94	--	2,209
Veterans compensation for service-connected death	--	1	--	29	--	3,007
Pension to Veterans surviving spouses and children (death pension)	--	--	--	34	--	815
Veterans educational assistance	--	--	--	5	--	913
Other Veterans benefits program	--	--	--	10	--	536
Supplemental security income payments	--	--	1	--	--	24,708
Food stamps ^a	--	24	--	--	28	22,767
Social insurance payments for railroad workers	--	--	--	2	--	8,089
Housing assistance	6	--	1	64	17	5,915
Pell grant program	2	1	1	290	1	5,288
National guaranteed student loan interest subsidies	--	--	--	3	--	1,987
Federal workers compensation	--	1	--	--	--	1,859
Black lung payments	--	--	--	--	--	1,236

Programs	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	Virgin Islands	
Other	--	1	--	44	3	2,741
Total federal government direct payments for individuals by program	\$30	\$139	\$4	\$5,143	\$160	\$717,157

Note 1: Totals may not be the sum of the detailed amounts due to rounding. Moreover, we have included the details only for programs from which at least one of the territories received at least \$500 in 1995. Consequently, the subtotals and totals for the United States may include amounts that are not shown separately in the details.

Note 2: The notation "--" represents an amount less than \$500,000.

^aThe food stamp entry for Puerto Rico is not comparable to the entries for the other locations, because, as shown in table IV.2, food stamps are supplied to Puerto Rico in the form of block grants.

Source: Federal Expenditures by State for Fiscal Year 1995 Bureau of the Census, June 1996.

FUNDING LIMITS FOR SELECTED FEDERAL SOCIAL PROGRAMS IN THE TERRITORIES

Territories	Funding limits for fiscal year 1996
American Samoa	Medicaid: \$2.35 million
Guam	AABD and AFDC: \$3.8 million ^a
	Medicaid: \$4.06 million
Northern Mariana Islands	Food Stamp: \$3.7 million
	Medicaid: \$1.22 million
Puerto Rico	AABD and AFDC: \$82 million ^a
	Food stamp: \$1,143 million
	Medicaid: \$128 million
U.S. Virgin Islands	AABD and AFDC: \$2.8 million ^a
	Medicaid: \$4.22 million

Note 1: AABD stands for Aid to the Aged, Blind, or Disabled

Note 2: AFDC stands for Aid to Families with Dependent Children

^a The Social Security Act sets a dollar maximum on federal payments, including administrative costs, for AFDC, Emergency Assistance, AABD, and Foster Care, combined.

Source: Information provided by the agencies administering these social programs.

SELECTED ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF THE TERRITORIES AND OF THE UNITED STATES

Demographic or economic characteristic	Territories					United States
	American Samoa	Guam	Northern Mariana Islands	Puerto Rico	U.S. Virgin Islands	
Land area (square miles)	77	209	184	3,459	135	3,539,224
1995 Population (in thousands)	57	153	51	3,813	97	263,814
U.S. citizens as a percentage of total population (1990)	63%	84%	46%	99%	83%	95%
Median age (1990)	20.9	25.0	27.4	28.4	28.2	32.9
Labor force (in thousands)	14 ^c	47 ^c	29 ^c	1,200 ^f	46 ^b	131,056 ^g
GDP (in billions)	\$0.128 ^d	\$2 ^d	\$0.524 ^g	\$27 ^g	\$1 ^a	\$6,738 ^g
National product per capita	\$2,600 ^d	\$14,000 ^d	\$10,500 ^g	\$7,050 ^g	\$11,000 ^a	\$25,850 ^g
Unemployment rate	16.7% ^l	7.3% ^h	N/A	16% ^g	5.6% ^g	5.5% ^h

Note: The term "N/A" means not applicable.

^a1987.

^b1988.

^c1990.

^d1991.

^e1992.

^f1993.

^g1994.

^h1995.

Sources: The World Factbook 1995, November 9, 1995; Statistical Abstract of the United States, 1995, Department of Commerce, September 1995.

SELECTED GAO PRODUCTS RELATED TO THE U.S. TERRITORIES

Tax Policy: Analysis of Certain Potential Effects of Extending Federal Income Taxation to Puerto Rico (GAO/GGD-96-127, Aug. 15, 1996).

U.S. Insular Areas: Information on Fiscal Relations With the Federal Government (GAO/T-GGD-95-71, Jan. 31, 1995).

U.S. Insular Areas: Development Strategy and Better Coordination Among U.S. Agencies Are Needed (GAO/NSIAD-94-62, Feb. 7, 1994).

Tax Policy: Puerto Rico and the Section 936 Tax Credit (GAO/GGD-93-109, June 8, 1993).

Food Assistance: Nutritional Conditions and Program Alternatives in Puerto Rico (GAO/RCED-92-114, July 21, 1992).

Pharmaceutical Industry: Tax Benefits of Operating in Puerto Rico (GAO/GGD-92-72BR, May 4, 1992).

American Samoa: Inadequate Management and Oversight Contribute to Financial Problems (GAO/NSIAD-92-64, Apr. 7, 1992).

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U.S. Customs Service: Unresolved Audit Issues Between Customs and the Virgin Islands (GAO/GGD-90-21, Dec. 8, 1989).

Puerto Rico: Background Information on Applicable Federal Legislation, Its Government Structure, and Its Finances (GAO/HRD-90-7T, Nov. 15, 1989).

Puerto Rico: Update of Selected Information Contained in a 1981 GAO Report (GAO/HRD-89-104FS, Aug. 9, 1989).

Welfare and Taxes: Extending Benefits and Taxes to Puerto Rico, Virgin Islands, Guam, and American Samoa (GAO/HRD-87-60, Nov. 15, 1987).

Issues Affecting U.S. Territory and Insular Policy (GAO/NSIAD-85-44, Feb. 7, 1985).

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