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The Director

September 23, 1966

Resources and Civil Works Division  
(W.H. Austin)

Supplemental appropriation for the Trust Territory of the Pacific Islands

Legislation increasing the authorization for the Trust Territory of the Pacific Islands has passed the Senate (S. 3594) and has been reported out by the House Committee on Interior and Insular Affairs (H.R. 17505). It appears that Congress will approve a \$32 million ceiling for the Territory in 1967, and \$35 million in 1968, in place of the Administration proposal for an unlimited authorization for operating expenses and a five-year, \$178 million, capital improvements program.

A major increase in the Government's contribution to the Trust Territory is needed to overcome serious deficiencies in health, education, economic development, transportation and other areas. The most immediate needs are for: (1) funds to cover operating programs left unfunded by a shortfall in expected local revenues and operating income from taxes and sale of power and transportation services and (2) funds to cover operating programs which have been funded in the past from diversion of construction balances. Money is needed at the earliest possible date to pay for fixed operating expenses at the present level. We do not believe that funding of these needs can wait for a supplemental from the next session of Congress. The Interior staff estimates of absolute minimum needs for 1967 operations is \$3,324,000 plus \$744,000 for the revenue shortfall. The minimum level is a staff judgment and the Department position is that the full estimate of \$4,068,000 is essential to Territory programs. We would support a minimum figure of \$3,309,000 as presented and the funding of the \$744,000 revenue shortfall amount.

The second part of the supplemental request is for capital improvements totaling \$8,010,400. Interior staff has identified \$4,354,000 in this category as being of the most immediate need. This lower amount would concentrate on providing an increase in communication, transportation and support necessary for future improvements in health, education and economic development and for immediate support of the Peace Corps effort.

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We could, of course, defer even the highest priority capital improvements projects until a January supplemental. We would recommend inclusion of the increases now rather than splitting the 1967 supplemental funding for the Territory into two pieces.

The Territory should be well able to absorb and use efficiently the money requested in the supplemental, even though the amount, \$14.5 million, is close to the amount of the basic program, \$17.5 million. As we mentioned above, the bulk of the funding for operations is needed to support the present actual level of operations. The Territory should be able to absorb the capital improvements increase. The low level of present 1967 grant funding for construction is due only to the overall limitation within which ongoing operating programs have taken an ever-increasing portion of the total.

Funding of at least some part of this new authorization is essential from (1) the standpoint of human needs of the people of the Territory, (2) the Administration's commitment in transmittal of the authorizing legislation and commencement of the Peace Corps program to improve the lot of the people of Micronesia, (3) failure of 20 years of U.S. administration there, and (4) commitments which we have made to the U.N. Trusteeship Council as to planned improvements, particularly in health and education.

We believe that in view of the present extremely tight fiscal situation that the entire \$14.5 million supplemental is not supportable. We recommend funding the minimum grants program below:

Operation .....	\$3,399,000
Revenue Shortfall .....	764,000
Capital Improvements .....	<u>4,354,000</u>
	\$8,507,000

A summary of present funding and supplemental programs at \$14.5 and \$8.4 million is attached.

Attachment

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**TERRITORY OF THE PACIFIC ISLANDS**  
(Thousands of dollars)

	<u>Current 1967</u>	<u>\$14.5 million supplemental</u>	<u>\$8.4 million supplemental</u>
<b>I. DIRECT APPROPRIATIONS</b>			
A. High Commissioner's Office	\$ 270	\$ 10	\$ --
B. Judiciary	208	5	--
Total, Direct Appropriations	478	15	-- ✓
<b>II. GRANTS</b>			
<b>A. PROGRAMS AND OPERATIONS</b>			
1. Community Services:			
a. Medical Services	2,143	675	675
b. Education	4,007	742	742
c. Community Development	108	589	75
Total, Community Services	6,551	1,996	1,496
2. Public Affairs			
3. Business & Development	215	138	138
4. Protection to Persons and Property	1,465	674	151
5. Administration	494	112	112
6. Operations, Maintenance, Transportation and Communications	2,543	807	200
	4,668	2,660	1,212
TOTAL, PROGRAMS AND OPERATIONS	19,030	5,737	3,308 ✓
<b>B. CAPITAL IMPROVEMENT</b>			
	2,537	3,010	4,354
TOTAL GRANTS	18,427	13,747	7,663
LESS: Estimated Revenues			
Reimb. & Opp. Income	1,205	(744)	(744)
NET GRANTS REQUIRED	17,222	14,491	6,919
TOTAL -	17,494	14,506	8,407 ✓

✓ Interior staff would still propose adding \$15,000 for direct appropriations to the Territory Government. This amount is not in our recommendation.

**STATE DEPARTMENT OF THE PACIFIC ISLANDS  
CAPITAL IMPROVEMENT PROGRAM  
(Thousands of Dollars)**

<b>Item of Expenditure</b>	<b>Current 1967</b>	<b>\$14.5 million amendment</b>	<b>\$8.4 million amendment</b>
<b>I. BUREAU FACILITIES CONSTRUCTION</b>	\$ 90	\$ 890	\$ --
<b>II. BUILDINGS CONSTRUCTION:</b>			
a. Classroom	400	600	--
b. Storehouse	747	61	--
<b>III. WATER DEVELOPMENT</b>	225	525	525
<b>IV. FISH DEVELOPMENT</b>	250	600	600
<b>V. FISH AND AQUACULTURE DEVELOPMENT</b>	--	300	300
<b>VI. MARINE DEVELOPMENT &amp; LAND RECLAMATION</b>	50	250	--
<b>VII. AIRFIELD CONSTRUCTION PROGRAM</b>	700	1,525	1,000
<b>VIII. AIRFIELD ROAD PROGRAM</b>	150	50	--
<b>IX. AGRICULTURE CONSTRUCTION</b>	50	190	--
<b>X. EMPLOYEE HOUSING</b>	125	1,085	505
<b>XI. JUDICIAL BUILDINGS</b>	100	110	--
<b>XII. COMMUNICATIONS CONSTRUCTION:</b>			
a. Communications	--	944	944
b. Telephone Construction	--	400	400
<b>XIII. EMERGENCY &amp; MINOR CONSTRUCTION</b>	--	250	--
<b>XIV. MASTER PLANNING</b>	--	250	--
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>2,537</b>	<b>8,010</b>	<b>4,354</b>

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