

SEP 20 1967

Hon. William H. Norwood
High Commissioner of the Trust Territory
of the Pacific Islands
Saipan, Mariana Islands 96950

Dear Mr. Norwood:

Each autumn, for as long as I can remember, people in the Office of Territories have been dismayed upon the receipt of the Trust Territory budget estimates. I fear the condition has persisted. What can be done about it, in terms of the long run, we must soon explore fully. What we will immediately have to do, I will describe below.

Our problems with the estimates and justifications which have now arrived, with your letter of September 15, are three: (1) timing, for they arrived here one week late, thereby precluding any real "review"; (2) form, because the justifications are presented in the usual old way, instead of being geared to the PFR system; and (3) substance, because, although these justifications, we all agree, are vastly better than any we have earlier received from the Trust Territory, they are simply not good enough.

(1) Timing.

We asked that the estimates arrive in this Office "not later than September 11, 1967". They arrived late in the afternoon of Monday, September 18. They are due in the Office of the Secretary today, September 20. As I will explain more fully below, we have once again received an extension of time on the Trust Territory budget, but only because the form must be modified, not because our time for "review" at this level is so short. In any event, as of Monday evening, we had only a bit more than one day for our "review."

I have been using the words in quotation marks, because I want to assure you again that no one in the Office of Territories understands that our review is for the purpose of any real form of second-guessing. While we had better not predict the future, my own very clear view is that we are not in Washington to make budgetary decisions that can far better be made on the spot. We understand that you and your associates are in Saipan to run the Trust Territory. Thus I do not expect to suggest to you that your planning money (or whatever) ought better to be spent for vocational education (or whatever). I must concede the possibility that we could, in circumstances that don't now exist, very much doubt the wisdom of particular decisions (quantities of

housing for Americans and no schools for Micronesians, for example), and that we might feel constrained to do something about our debts, but on all of the fine points, and so far as I now know and can reasonably anticipate, on all of the big points, our stance is one of deferring to and supporting you and your judgments. So by review, all I mean is: is the document sufficiently workmanlike, internally consistent, correct in its facts, and responsive to the need, for us in the Office of Territories to be prepared to associate ourselves with it, and to say that we support the budgetary requests?

We have to be able to say this, of course, or the budgetary machinery for the Trust Territory would grind to a halt. But we are reluctant to say it, if we don't believe it to be true. Accordingly, we established a September 11 deadline in order to permit us to do our job, which is a very hard case to do in one working day plus a fraction of another.

2. Form.

Our most serious difficulty at the moment relates to the form of the estimates we have received from you, which is the time-honored form we have all grown accustomed to. It will, as I understand it, be the form in which our estimates for the next fiscal year eventually go forward to the Congress, so the enormous amount of work that has gone into your document is not at all wasted and would, in any event, eventually be required. But the Budget Bureau has, for some time, made known that the fiscal year 1969 estimates which it will review this fall must be in a different form, geared to the PPS system. Specifically, Budget has aimed that all estimates be meshed to program categories in the program memorandum. This means that we should, in terms of program elements, show all requested increases, with narrative justification. Decreases need not be justified, but merely shown by figures on Exhibit 21. Programs that are unchanged need not be represented, except in terms of totals. (It seems to me that this form is really easier to construct than the old-fashioned one, but that matters not, since we're under instructions in any case.)

The new form was, I understand, discussed both face to face and to some extent by letter by our Office of Territories PPS and budget people with your PPS and budget people. Our people thought they had communicated the new need. Additionally, our memorandum of August 9 to you (signed by Mr. Milner as Acting Director) transmitted the official instructions for the preparation of the 1969 estimates. Mr. Milner's memorandum explicitly called attention to the instructions as to form, and attached both Departmental and Budget Bureau documents elaborating on it at great length.

The problem may be that the length was too great. In any event, it is clear that we failed to get the word across, and it is now clear to me that we should have undertaken to do so with even greater clarity. At the same time, we did suppose that what we had attempted to communicate got through, and that we would have had questions from you if the instructions were not utterly lucid.

We have explored the question whether we should proceed to meet our deadline (today), by sending forward that which we have from you. The best advice we can obtain indicates that we should instead be late (we have an extension to "early" next week) and in the brief interval convert your estimates to the new form. Because your estimates do not in all particulars identify the amounts of the increases with specificity (a matter further discussed below), and because they are not geared to the Program Memorandum (although apparently amounts are consistent with it), we will not be able to do all that the instructions require. Your estimates are not geared to the program elements (or subcategories) of the Program Memorandum in their treatment of such items as administrative costs. Accordingly, our conversion will not run to the program elements, but instead will attempt to use the conventional line items on Form 24. This is the best compromise we can effect, in the time available.

(3) Substances.

As I noted at the outset, we do find these justifications to be very much better than any of their predecessors, and for this I and all of my associates do give you and your associates high marks and sincere thanks. We recognize that you have, as your covering letter states, involved program managers throughout the Trust Territory in their preparation, and we know of course that this results in much more time being required. But as I stated, they are not quite good enough, particularly when we seek close to a doubled appropriation.

Perhaps I might point out, very much at random because I have not had sufficient minutes to do a thorough job, some examples of the kinds of things I find bothersome:

1. On page 18 of the budget estimates, we ask an increase of over half a million dollars for administration of hospitals and out island services. I am personally committed, as you know, to total support for medical requests, and I do not doubt the need for much more money in this area than we can ever hope to get. But in reading pages 18 and 19, I cannot find out with any specificity at all where that \$560,000 is proposed to be spent. True, I can see that we propose

what we sorely need, i.e., another doctor and R.N. per district, but what chunk of the \$540,000 will be consumed thereby? Does the \$375,000 recited for medical referrals represent an increase in that sum over last year, or is that the total now being spent? Can a dollar sign be attached to the "additional travel and per diem" and "other drugs and medical supplies" referred to on page 19? If not, how did we get the budget estimate in the first place?

Paraphrasing, I would say that the above questions are typical of ones which I felt frequently in reading the estimates. Education, on page 27, is as good an example. For what it is worth, I would suggest that in the future, all narrative justifications begin by telling the size of the increase (as yours quite consistently do), but also what the principal components are, with dollars attached, why they are needed, and how they relate to the present level of service. Sometimes these estimates do that, particularly in the field of Administration, but not always.

2. On pages 26 and 27, will it really cost \$15,400 to "develop a standardized list for supplies and equipment"?

3. On page 29, is there even one District Center in which 100% of the high school students are boarders? It seems unlikely.

4. On pages 38-40, I find nothing that says roughly (and only roughly is required) how the almost \$1,000,000 is spent on agriculture. I do not for an instant doubt the need, nor the useful results which have arisen from past expenditures, but there is nothing to indicate how much of the million is devoted to rice, how much to pepper, how much to copra, how much for salaries, how much for education at Ponape, etc.

5. On page 45, why will the Land Commission(s) be only partially funded?

6. On page 71, I am reminded that I did understand last year (as I believe Budget and the Committee have felt they understood for several years) that we were in fiscal 1969 seeking sufficient funds, once and for all, to finish the Ponape airstrip. The justification supporting the 1968 amendment so indicates. From page 71, I judge we were wrong, and that we now need \$400,000 more "to complete the Takatik airstrip serving the Ponape District". Couldn't we say, forthrightly, that we erred in our estimate last year, and that we still need more, but add a qualification to the extent that we really think we'll manage to finish it off this time, but can make no guarantee? I'd rather be hung for a mistaken estimate, than for what might seem to be a kind of deception.

7. On pages 72 and 73, I have read the bott paragraphs several times and now think I understand what they're saying. I infer (and one ought not to have to infer from budget documents, which should be utterly explicit), that we messed wrong last year when we said we could get three boats for a total of \$240,000; instead we can get only 2; we do plan to do that (although it is unclear whether we have done so or will, and, if we will, just when); thus we want a third boat, which will cost a minimum of \$120,000 and very possibly more, for which we seek \$113,000. I cannot accept the last man squatar.

These are examples. I will not pain either of us further by re-citing more. I know, of course, that it is easy for any person on earth to review and criticize and point up silly mistakes in the work of any other person on earth, barring none. My purpose is not to be clever or difficult, but to state that we must, as the saying goes, get organized next week.

I appreciate your bearing with me so long. I didn't have time to write a shorter letter.

Sincerely yours,

(Sgd.) Mrs. Ruth G. Van Cleve

Mrs. Ruth G. Van Cleve
Director

cc: H. Mangum

VanCleve:emw
9/20/67