

RATIONALE

Section 401(a)

For working purposes we may assume that the \$20 million covered in this Section would be broken down as follows:

Operations.....	\$15 million
Federal Programs	
and Services.....	\$5 million

This breakdown is an arbitrary one designed to get the discussion going. U.S. Federal programs and services now constitute about 13% of the basic TTPI budget. It may be that under a new status, however, the Government of Micronesia will wish to buy from the U.S. technical or specialized services now provided directly by the TTPI Government. Thus, this proposal would set aside 25% of the total for this purpose.

It should be made clear at the outset that the United States is quite prepared to see the Micronesians divide the pie between the Central Government and the districts and among the districts in whatever way they choose; and we hope that they will do so soon so that both sides can begin to deal with concrete proposals rather than abstractions. The United States, as the source of the funds, would naturally reserve the right to object to an unreasonable or palpably unfair division, but fully intends to deal with this question with the utmost flexibility.

For a breakdown of current TTPI expenditures by function see Attachment 5.

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Trust Territory of the Pacific Islands

BUDGET AUTHORITY
Summary by Activities
Fiscal Year 1973

	FY 1971	FY 1972	Estimate FY 1973	Increase + Decrease -
I. DIRECT APPROPRIATIONS:				
A. HIGH COMMISSIONER'S OFFICE	\$ 274,600	\$ 332,000	\$ 313,000	\$ +17,400
B. JUDICIARY	288,600	322,300	325,000	+3,000
TOTAL - DIRECT APPROPRIATIONS	563,200	654,300	638,000	+112,000
II. GRANTS, REIMBURSEMENTS AND OPERATING INCOME:				
A. PROGRAMS, ADMINISTRATION AND OPERATIONS:				
1. Health Services	\$ 5,055,800	\$ 6,070,900	\$ 7,005,000	\$ +1,219,600
2. Education	9,073,900	10,270,400	11,490,000	+1,219,600
3. Public Affairs	2,034,000	2,070,800	2,102,000	+31,200
4. Resources and Development	4,011,300	4,914,000	4,581,000	-333,000
5. Protection to Persons and Property..	1,620,100	1,805,600	2,187,000	+361,400
6. Administration	3,847,000	4,312,100	4,804,000	+491,200
7. Transportation and Communications ..	2,442,100	2,904,800	3,273,000	+366,200
8. Public Works and Utilities	6,179,600	6,581,100	7,943,000	+1,361,900
TOTAL - PROGRAMS, ADMINISTRATION AND OPERATIONS	\$34,271,800	\$39,011,700	\$45,300,000	\$4,374,300
B. CAPITAL IMPROVEMENTS	25,303,000	27,660,000	16,330,000	-4,303,000
TOTAL - GRANTS, REIMBURSEMENTS AND OPERATING INCOME	59,594,800	59,671,700	59,721,000	+49,300
LESS: ESTIMATED REIMBURSEMENTS AND OPERATING INCOME	-300,000	-300,000	-300,000	-59,000
NET GRANTS REQUIRED	59,294,800	59,371,700	59,362,000	-9,700
ADD: DIRECT APPROPRIATIONS	563,200	654,300	638,000	+29,700
GRAND TOTAL	\$60,061,000	\$60,080,000	\$60,000,000	\$ -20,000

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Section 401(b)

If the Micronesians wish to discuss possible U.S. Federal programs and services they desire as a part of (not in addition to) U.S. assistance to be covered by the Compact, the first task is to review services now being provided through the TTPI Government (Att.6)

A second step could be a review of other Federal programs and services which might be made available to Micronesia. The United States would undertake to investigate the financial, legal, and policy implications of any programs or services the Micronesians were interested in.

We would have to make it plain to the Micronesians that there may be legislative problems which would come under the "Applicability of Laws" arrangements. Also, it should be stressed that the cost of such programs and services would be deducted from the overall assistance level. Thus, there is not much hope of using this device as a "sweetener" unless there is a specific service the Micronesians are especially keen to get.

For an illustrative list of programs and services and suggested financial questions to be posed to the Micronesians, see Att.7. A lively dialogue on these topics, should it occur, would be beneficial to both sides. Should the Micronesians respond in any meaningful fashion to our leading questions on their financial structure and its prospects, there could emerge a rational economic basis on which to increase our original offer of assistance.

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Trust Territory of the Pacific Islands

Analysis of Funds Available Within Trust Territory from
Other Federal Agencies

	<u>FY 1972</u> <u>Estimate</u>	<u>FY 1973</u> <u>Estimate</u>
Health Program (H.E.W.):		
Comprehensive Health Planning	\$ 77,000	\$ 77,000
Prevention and Control of Communicable Disease	56,000	39,000
Health Planning Services	385,000	424,000
Mental Health	68,000	75,000
Hospital Construction: HILL BURTON ACT	<u>200,000</u>	<u>80,000</u>
Total - Health Program	\$ 786,000	695,000
Education: <u>1/</u>		
Elementary and Secondary Education Act, 89-10	\$1,367,000	\$1,367,000
Library Services and Construction Act, 89-511	57,000	57,000
Adult Basic Education Act, 89-750	82,000	82,000
Manpower Development and Training Act, 89-415	45,000	45,000
Education Professional Development Act, 89-329	25,000	25,000
Vocational Education Act, 90-576	267,000	267,000
National Defense Education Act, 89-10	54,000	54,000
National School Lunch Act	8,000	8,000
Higher Education Act, 88-204	<u>- 0 -</u>	<u>500,000</u>
Total - Education	\$1,905,000	\$2,405,000
Resources and Development (DOD-USAF):		
Agriculture:		
Animal Health Service	\$ 24,000	\$ 24,000
Public Works (O.E.P.):		
Disaster Control Office Public Law 91-606	\$ 25,000	\$ 25,000
Public Affairs: <u>2/</u>		
Community Development:		
Territorial Economic Opportunity Office	\$ 25,000	\$ 25,000
Micronesian Legal Services Program	600,000	600,000
Trust Territory Office on Aging	70,000	85,000
Foundation for the Peoples of the South Pacific ..	132,000	155,000
Community Action Agencies:		
Marianas	205,000	195,000
Marshalls	175,000	175,000
Truk	80,000	80,000
Ponape	261,000	261,000
Palau	208,000	208,000
Yap	82,000	82,000
Head Start Program	497,000	407,000
Neighborhood Youth Corps	<u>200,000</u>	<u>200,000</u>
Total - Public Affairs	\$2,535,000	\$2,473,000

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Trust Territory of the Pacific Islands

	<u>FY 1972</u> <u>Estimate</u>	<u>FY 1973</u> <u>Estimate</u>
Administration:		
Procurement and Supply:		
U.S.D.A. Food (includes freight)	\$1,400,000	\$1,400,000
Personnel (Labor):		
Emergency Employment Act	296,000	296,000
Public Service Career Program	<u>156,000</u>	<u>- 0 -</u>
Total - Administration	\$1,852,000	\$1,696,000
Peace Corps	\$ 868,000	\$ 850,000
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TOTAL OTHER FEDERAL FUNDS	<u>\$7,995,000</u>	<u>\$8,168,000</u>

- 1/ All funds are from H.E.W. except Manpower Development and Training which is Labor Department, and National School Lunch Act which is Department of Agriculture.
- 2/ All funds are from O.E.O except Office on Aging and Head Start Program which are H.E.W., Neighborhood Youth Corps which is Labor Department, and the Foundation for the Peoples of the South Pacific.

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TRUST TERRITORY OF THE PACIFIC ISLANDS
OFFICE OF THE HIGH COMMISSIONER
SAIPAN, MARIANA ISLANDS 96950

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CABLE ADDRESS
HICOTT SAIPAN

SEP 14 1972

The Honorable Haydn Williams
c/o Office of Status Negotiations
Office of the Secretary of Interior
Department of the Interior
Washington, D.C.

Dear Ambassador Williams:

Enclosed is an estimate of funds from agencies other than the Department of the Interior, as requested by Mr. de Graffenried in his August 23rd letter to the Director of Finance.

An attempt was made to separate funds for Marianas district programs from the total. Projections are extremely difficult since all funds are appropriated on a year-by-year basis and of course, the Trust Territory does not exercise control over the size of the grants it will receive.

We hope that this data will serve your purposes but please feel free to contact us if we may be of further assistance.

Sincerely yours,

Leo A. Falcam
Acting Deputy High Commissioner

Enclosure

03- 024069