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MEMORANDUM

To: Ambassador Williams  
From: A. de Graffenried, Legal Advisor  
Subj: TTPI Budget Issues and Perspectives

The Joint Budget Committee (JBC) of the COM has pressed during the past year for direct participation in the budget process and also proposed that it control the U.S. monies made available by appropriation. The JBC especially pressed DASTA and the HICOM after the UNIC meeting last May.

DASTA and the HICOM both agreed at that time that the COM should become "more involved" in the budget process, but noted that the involvement should be a gradual evolvement into more responsibility. It was proposed to the JBC/COM that among the first steps toward greater responsibility could be in the area of reprogrammed monies and in the budget planning process at the lower, initial levels. The JBC/COM did not directly respond to these proposals - instead the leadership protested the reduction of the TTPI budget to \$56 million and again called for greater direct participation and for control over the U.S. appropriated monies.

DASTA and the HICOM believe that the JBC/COM are trying to by-pass the Executive Department of the TTPI and the Interior Department in the current U.S. Congress budget hearings; DASTA notes that the JBC/COM has not forwarded the COM FY 75 budget change recommendations to TTPI or Interior and that instead the JBC plans to submit its FY 75 budget proposals directly to the U.S. Congress in testimony. DASTA believes that the JBC will propose that the U.S. Government establish a matching grant formula of 9:1 to be under the control of the COM. This would provide the COM with approximately \$56 million from the U.S. (\$6 million local revenues x 9), to raise current TTPI budget levels back to the \$60 million range. The JBC U.S. Congressional statement is attached.

A summary of the overall COM position and recommendations on the budget and on its budget role is as follows:

1. U.S. Congress make TTPI appropriations available for direct appropriation by the COM.
2. COM to report directly to the U.S. Congress for the programs carried out under U.S. appropriational authority.
3. Establish a matching fund on a 9:1 formula.
4. Terminate the intermediary functions of the Department of the Interior and permit and require the functions of the government to be discharged through the COM and the High Commissioner.

5. Establish "immediately" a \$5 million fund for the Micronesian Claims Commission.

6. District authorities to have sole responsibility for land certification for CIP and TTPI projects and for expenditures of obligations under \$75,000.

7. Freeze placed on operational budget to prevent expansion and to hold it at the \$43 million level of FY 73.

8. Strengthen the management capabilities of the district governments "to enable them to support the future government structure of Micronesia regardless of the form that structure may take".

DASTA has decided to let the JEC testify before Mrs. Hanson's Committee as an object lesson to the COM because they believe that the U.S. Congress will decidedly reject the COM proposals. DASTA plans to waffle by stating that these proposals have not been seen prior to testimony and that, consequently, "a great deal of study must be made before response is made". As to the budget hearings themselves, the major issues focus on reductions in capital improvement projects and operations throughout the TTPI.

Some \$10 million in CIP funds (of a total of \$16.3 million appropriated for CIP projects) for FY 73 were placed in reserve for spending in FY 74. This reflected a major difficulty in contracting-out the CIP projects and in obligating the funds. Delays in initiating CIP projects were first from a lack of adequate planning, lack of public works staff to undertake CIP projects, obtaining land for CIP projects (availability, identification of suitable sites, costs of acquisition, and land certification regulations), logistics involved in transporting and storing materials and equipment, re-programming, lack of heavy equipment in the TTPI, and lack of skilled manpower. These factors worked, according to the Public Works Director, in an accordion-like fashion to lengthen the time-frame within which funds could be obligated with the consequence that although the funds for FY 73 have been appropriated, the TTPI has not been able to obligate them for CIP project starts. Among the CIP deletions from the FY 75 budget, by district, are the following:

	Total Original CIP Figures (\$1000')	Total New CIP Figures (1000's)	Deletion of Scheduled Projects	Reduction
Headquarters	\$3780	\$2238	interisland ship construction	Bikini rehabilitation
Marshalls	\$3164	\$1298	all roads and bridges, legal affairs building, power facilities Resource Development facilities.	

Marianas	\$1458	\$408	Elementary school, Public health, telephone system, resource development, community development power	water facilities
Palau	-\$2563	\$93	Public health facilities, road construction, airport improvement, community development, power facilities.	water facilities
Ponape	\$2562	\$322	Elementary school, roads/bridges, docks, resources development, water, sewage, power	secondary school
Truk	\$3107	\$739	airfield, docks, harbor, warehouse, resources development, community development	elementary school, roads/bridges, power
Yap	\$2779	\$234	Secondary school, Resources development, community development, water facilities.	Public health

In the area of Operations, there has been little overall reduction. There are some shifts in budget requests as between departmental activities that reflect a reduction from original FY 75 figures, but these figures still reflect an increase in dollar amounts from FY 74. In only two areas were FY 75 budget proposals below that of FY 74 levels: Public Affairs and Resources and Development. These reductions were \$42,000 to \$109,000 and \$628,000 to \$1,311,000 respectively with the two figures representing two different approaches to reduced levels in operations. The public affairs reduction resulted in lowered program activity in the areas of civic affairs and public information at headquarters, of community development and grant-in-aid in the Marshalls, and of legislative liaison in Truk. Resources and Development reductions resulted in lowered program activity in the area of EDLF at headquarters, agriculture in the Marianas, agriculture and economic development in the Marshalls, and lands and surveys in Truk.