18B 03/4

November 9, 1973

MEMORANDUM TO MESSRS. WILLENS, LAPIN AND CARTER

RE: Marianas Economic Proposals

In the course of preparing a revised version of the memorandum on long-term financial assistance, I decided to explore whether a dollar-for-dollar match of locally raised revenues would be sufficient for our client. The attached chart shows that a dollar-for-dollar match may be inadequate in early years, and overgenerous in later years.

The attached chart is based on the following assumptions. First, a dollar-for-dollar match of locally raised revenues. Second, a purchase by the United States of half of Tinian for $33,750,000 ($2,500 an acre), to be paid off over forty years at an interest rate of 7%. Third, annual U. S. grants for necessary capital improvement. Not included because of a lack of data are the effects of federal grant programs and the return of U. S. source income to the Marianas, both of which would increase the amount available to meet governmental needs.

Plainly the assumptions are subject to challenge, but I think that it's worthwhile taking this "best guess" at the financial situation before coming to a final conclusion on our economic proposals.

The data has been calculated based on the MPSC position paper presented at the last round of negotiations.

/s/
Michael Helfer

Attachment

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YEAR	CAPITAL IMPROVEMENT GRANTS FROM U.S.	LOCALLY RAISED REVENUE	BASE PAYMENTS	MATCHING PAYMENT	TOTAL	NEEDS	DEFICIT OR SURPLUS
1975	3.5	2.9	2.5	2.9	11.8	22.1	-10.3
1976	5.4	3.9	2.5	3.9	15.7	26.3	-10.6
1977	8.6	5.7	2.5	5.7	22.5	29.6	-7.1
1978	11.7	6.4	2.5	6.4	27.0	34.7	-7.7
1979	12.3	7.8	2.5	7.8	30.4	35.3	-4.9
1980	10.5	9.4	2.5	9.4	31.8	31.0	+0.8
1981	8.5	11.1	2.5	11.1	33.2	31.0	+2.2
					NET DEFICIT:		-37.6

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