

April 18, 1974

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MEMORANDUM

TO: Mr. Willens
FROM: R. K. Kelley
RE: Marianas - Applicability of Social Legislation

Jim Leonard called today. He said that he wanted to let me know what his office was doing in the area of "Social Security" legislation and programs.

He said that his office is preparing four memoranda for the Marianas Political Status Commission. These memoranda cover the following subject areas:

- (1) Old Age, Survivors', and Disability Insurance (OASDI);
- (2) Medicare, Medicaid, and Health Maintenance Organizations;
- (3) unemployment insurance; and
- (4) other public assistance, principally Supplemental Security Income (SSI).

Leonard said that he would like to see the Marianas obtain all of these "Social Security" programs except unemployment compensation. He said that he felt unemployment compensation was not of great significance for the Marianas and it involved a payroll tax that he did not feel should be applied in the Marianas. With respect to Medicare and OASDI, Leonard said that he would like to obtain these for the

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Marianas but to negotiate a gradual imposition of the tax on employers and employees that finance these programs. Such taxes presently amount to 2% in the Marianas but would go as high as 12% if Medicare and OASDI were applied.

With respect to other public assistance, Leonard said that it would be ideal if the Marianas could obtain the new SSI program benefits. SSI provides a monthly income of \$140 (\$210 in the case of a couple) to aged, blind and disabled persons. Under recent amendments to the Social Security Act, SSI replaced four former federal grant programs that provided money to States to aid the aged, blind and disabled. I pointed out that SSI does not apply in Puerto Rico, the Virgin Islands or Guam. For these territories, the federal grant programs are still in effect. The rationale for excluding the territories from SSI was that the new federal income supplement was too high. Leonard said he realized this but would like to consider negotiating the application of SSI regardless. He said that he believed the Social Security Administration would have no objection as 15,000 people would make little difference.

With respect to Leonard's proposed negotiating positions on SSI and a gradual imposition of the employer-employee tax discussed above, Leonard expressed concern that the U.S. negotiating team would not have the expertise to treat these matters.

Leonard and I also briefly discussed the question of when the Marianas would become eligible for the grant programs made applicable under the status agreement. I said it was my belief this would occur after Congress had approved the agreement. Leonard wondered whether, if the trusteeship was not at the same time terminated, the U.N. would feel that other parts of the TTPI were discriminated against in not receiving similar aid.

On another matter, Leonard indicated that before deciding to exempt the Marianas from the federal minimum wage, as he had suggested was desirable to avoid disruption of the local economy, we should consider whether this might bring organized labor to lobby against the status agreement. He said he would like to talk with you on this and the SSI problem, as well as other matters.

cc: Mike Helfer
Noel Kramer