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ARTICLE VII

United States Financial Assistance

Section 701. The Government of the United States will undertake together with the Government of the Northern Mariana Islands measures which will assist the people of the Northern Mariana Islands to develop the economic resources needed to meet the financial responsibilities of local self-government. To this end, the United States will provide direct financial support to the Government of the Northern Mariana Islands for local government operations, for programs for capital improvements and for economic development. The initial period of such support will be seven years, as provided in Section 702.

Section 702.

(a) Approval of this Agreement by the United States Congress will constitute an authorization for [and an appropriation of] the following guaranteed annual levels of direct grant assistance to the Government of the Northern Mariana Islands for each of the seven fiscal years following enactment:

- (1) \$8 million for budgetary support for government operations; and
- (2) \$4 million for capital improvement projects, of which \$500,000 each year shall be reserved for such projects on the island of Tinian and \$500,000 each year shall be reserved for such projects on the Island of Rota; and
- (3) \$1.5 million for an economic loan fund, of which \$500,000 shall be reserved for small loans to farmers and

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fishermen and to agricultural and marine cooperatives.

(b) The United States will also make available without cost to the Northern Mariana Islands the full range of Federal services and programs available to the Territories of the United States.

(c) Funds provided under Subsection (a) of this Section not obligated or expended by the Government of the Northern Mariana Islands during any fiscal year shall remain available for obligation or expenditure by the Government in subsequent fiscal years for the purpose for which the funds were appropriated. Funds provided under Subsection (a) of this Section will be considered to be local revenues of the Government of the Northern Mariana Islands when used as the local share required to obtain federal programs and services.

(d) The enactment into law of this Agreement will constitute and authorization for [and an appropriation of] a pro-rata share of the funds provided under Subsection (a) of this Section for that period between enactment and the beginning of the next succeeding fiscal year.

(e) The amounts authorized [and appropriated] by Subsection (a) of this Section will be adjusted for each fiscal year by a percentage which is the same as the percentage change in the Guam Consumer Price Index using 1975 as the base year.

(f) Upon expiration of the authorization [and appropriation] provided in Subsection (a) of this Section, the annual level of payments in each category listed in Subsection (a) of this Section will continue until Congress authorizes and appropriates

a different amount.

Section 703. There will be paid into the Treasury of the Government of the Northern Mariana Islands, to be expended to the benefit of the people thereof as the Government may by law prescribe, the proceeds of all customs duties and federal income taxes derived from the Northern Mariana Islands including the amount of taxes deducted and withheld by the United States under Chapter 24 of the Internal Revenue Code with respect to compensation paid to members of the Armed Forces who are stationed in the Northern Mariana Islands but who have no income tax liability to the Northern Mariana Islands with respect to such compensation by virtue of the Soldiers and Sailors Civil Relief Act, the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in the Northern Mariana Islands and transported to the United States, its territories or possessions, or consumed in the Northern Mariana Islands, and the proceeds of any other taxes which may be levied by the Congress on the inhabitants of the Northern Mariana Islands, and all quarantine, passport, immigration and nationalization fees collected in the Northern Mariana Islands, except that nothing in this Section shall be construed to apply to any tax imposed by Chapters 2 or 21 of Title 26, United States Code.

Section 704. The Government of the Northern Mariana Islands shall submit to the President of the United States an annual report on the administration of the funds transferred to the

Government of the Northern Mariana Islands pursuant to Section 702, and such reports shall be transmitted by the President to the Congress of the United States.