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CHANNEL FOR ANNUAL BUDGET REQUESTS - POSSIBLE
DISCUSSION AT HAWAII.

1. Problem:

How to handle the annual appropriation request for the Commonwealth. Specifically will the Marianas deal directly with the Congress and with the OMB and will DOTA act as intermediary.

2. Discussion:

It is contemplated that the Covenant will provide for an annual fixed level of budget support, including funds for operations, CIP and economic development. It is possible that the agreement will go further and contain a "maintenance of value" provision to adjust the annual amount in accordance with the impact of price inflation. This latter aspect will require the establishment of some governmental machinery in the Marianas to record price changes and develop a system of Marianas price indexes.

3. Options

a. The Marianas could submit a request for appropriations directly to OMB with its justification for price adjustment without reference to DOTA. The Marianas could alone defend its request.

b. The Marianas could submit its request (the agreement figure adjusted for price changes) to DOTA for inclusion in the total territories budget. DOTA would in the first instance, examine the submission and then, if satisfied, help defend the request with the OMB and then Congress.

c. The OMB could include the Marianas requirement in the President's budget without any submission using the agreement itself as the basing point. It would merely request DOTA to provide price inflation data to make annual corrections for price.

4. Critique

None of these alternatives should present any difficulty for OMSN or DOTA. The size of the annual package in real terms (that is in constant prices) will have been spelled out in the covenant. No policy issues will be involved; the commitment will be over-riding.

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5. Recommendation.

If this topic doesn't come up, don't raise it.
We need some more time to elicit OMB's views, as well,
perhaps, as Congressional views.