

OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS

Adrian

WASHINGTON, D.C. 20240

October 10, 1975

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MEMCON

Participants: Adrian de Graffenried, OMSN
Steve Sanders, OTA
Larry Cardwell, OMB

Date : October 9, 1975

Steve Sanders called to inform OMSN about the latest status of the \$1.5 million transition funds. Sanders had been called by Dale Fasio (Interior Budget person). Fasio related that Cardwell had informed him that because approval of the Covenant seemed so unclear that OMB was considering shifting the transition fund from the FY76 amendment to the administration FY77 budget. Fasio related to Sanders that things seemed to be "shifting".

I called Cardwell to "inquire" about the status of the \$1.5 million transition request. Cardwell stated that OMB was "reviewing the FY77 budget request together with the FY76 amendment of which the \$1.5 million was a part", budget constraints were getting "tighter" due to constrictions in the budget, that there were many projects which had been authorized which could be implemented immediately upon funding, and, that these projects were thus different from the \$1.5 million request in the respect that these transition monies could not be spent until approval of the Covenant which seemed unclear at this time. I notified Cardwell that: (1) approval of the Covenant was not as "unclear" as might appear; (2) on 3 Oct., the Senate Interior Committee unanimously approved H.J.R. 549 and deleted Sections 2 and 3 which OMB had objected to; (3) that the bill would be referred to another Senate Committee; (4) that Interior members had noted that the referral should be no longer than 30 days; (5) that OMSN expected the Covenant to thus be on the floor of the Senate for action about December 1; (6) that Separate Administration would ensue immediately upon approval of the Covenant; (7) and that we had discussed the possibility of an interim Separate Administration prior to complete final approval of the Covenant; (8) that the \$1.5 million transition funds were needed to permit creation and functioning of the Office of Transition Studies and Plans; and (9) that therefore OMSN preferred that the \$1.5 million remained in FY 76 amendment request.

Cardwell claimed that: (1) he had not heard of action by the Senate Interior Committee to approve the Covenant; (2) that he was not aware that Separate Administration would occur upon approval of the Covenant or was being contemplated earlier than approval of the Covenant; and (3) that this new news made a "difference" in OMB's review of the Interior budget action. Cardwell went on to note that OMB would have to review the precise proposal for Separate Administration due to how it may

affect the "budget process"; I referred Larry to OTA. Cardwell also noted that approval of the Covenant may still be delayed if the Conference Committee "tacked on" section 2 and 3 inasmuch as the Administration would have to instruct the Republican Congressional members to vote against the "package", if the "package" was still approved and sent to the White House, then the President would then veto the "package" on the basis of sections 2 and 3. I informed Cardwell that OMSN had been told that the President intended to send a "message" to Republican members of Congress that he would "veto" the package if it contained sections 2 and 3, but that in reality, he would not veto the package because the Covenant was more important to U.S. interests. Cardwell expressed concern about the conflicting statements; he may contact Schmitz about this matter. I notified Cardwell that this info may be OBE because it was several weeks old, but that we had been told that White House personnel were giving "messages" to members of the Congress about the "package" without consulting with OMSN, which caused us some concern also.

I asked Cardwell to keep us up-to-date about the status of the \$1.5 million as it was an important item to be retained in the FY76 budget if we were to meet our commitments to the NMI and avoid administrative difficulties in the district. He agreed and asked we also keep him up-to-date on the approval process. I suggested he contact Dave Schiele about this matter as Dave was our "Congressional man".

I discussed this matter with Dick Scott, OTA. He informed me that OTA discussed Separate Administration with OMB two weeks ago. Therefore, it seemed difficult to imagine that Cardwell was "not aware" of the plans to initiate Separate Administration upon approval of the Covenant. He also reminded me that OMSN had discussed this issue a number of times with Cardwell in relation to the need to have the \$1.5 monies as soon as possible. Scott expressed his belief that OMB may not have the authority to shift the \$1.5 into the FY77 budget if it was previously authorized to be appropriated during FY76.

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