

APPROVED
MAY 28 1975

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 23 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 326 - Trust Territory of the
Pacific Islands
Sponsor - Sen. Jackson (D) Washington

1644
Last Day for Action

May 30, 1975 - Friday

Purpose

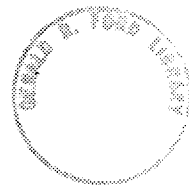
Increases the fiscal year 1975 appropriation authorization ceiling for civil government activities of the Trust Territory of the Pacific Islands and authorizes certain funds for planning the transition to Commonwealth Status for the Mariana Islands District of the Trust Territory.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval

Discussion

Under provisions of a trusteeship agreement concluded in 1947 with the Security Council of the United Nations, the United States is responsible for the promotion of political, economic, educational, and social advancement of the people of the Trust Territory of the Pacific Islands (TTPI). Governmental functions are carried out by a civil government composed of an executive branch headed by an appointed High Commissioner, a judicial branch and a bicameral elected legislature. The United States has an obligation under the Trusteeship Agreement to offer the people of the Trust Territory the opportunity to vote on what form of future



political relationship(s) with the United States or other nations they prefer. The future political status of TTPI has been the subject of negotiations between the United States and the Congress of Micronesia Joint Committee on Future Status (JCFS) since 1969. The amounts of annual U.S. financial assistance for the TTPI have been one of several principal issues in these continuing negotiations.

Under present law, the fiscal year 1975 appropriation authorization for the TTPI's civil government functions is \$60,000,000 in grants appropriated to the Interior Department plus up to \$10,000,000 to offset reductions in, or termination of, Federal programs under which the TTPI is eligible to receive assistance (no amount has been requested or appropriated under the \$10,000,000 authorization). Currently there is no appropriation authorization for 1976 and subsequent fiscal years.

In August 1974 and again in February 1975, the Administration proposed legislation to extend the appropriation authorization for civil government beyond fiscal year 1975. In addition, the Administration draft bills provided:

1. An increase in the 1975 authorization of \$15,000,000 to a total of \$75,000,000 (this would have no impact on the \$10,000,000 authorization for reduced or terminated categorical programs). This increase was proposed principally as the first year increment of a six year accelerated capital improvements program which was tentatively agreed to in talks during early April, 1974, by the negotiators representing the U.S., and the Congress of Micronesia, subject to subsequent approvals by their governments. Presidential approval for the amounts negotiated was given early in July, 1974, after the chairman of the negotiating Committee for the Micronesians had indicated the amounts had been approved by his full Joint Committee on Future Status.
2. An authorization for a separate appropriation of \$1,500,000 to assist in the planning transition of the Mariana Islands District of the TTPI to a proposed new status as a U.S. commonwealth. The U.S. has conducted separate negotiations with this

district since December 1972 in response to a request by the District legislature. These negotiations resulted in a draft covenant to establish a Northern Mariana Islands Commonwealth with the U.S. The draft commonwealth covenant was signed by the negotiators on February 15, 1975 in Saipan, and was approved by the Mariana Islands District legislature on February 20. If approved by the plebiscite now scheduled for June 17, the draft covenant will then be ready to be transmitted to the U.S. Congress by the President. The \$1.5 million authorized by this bill would be used to help pay the cost for a constitutional convention and referendum, political education programs and economic, fiscal, and physical planning studies.

The enrolled bill amounts conform to the Administration recommendations as set forth on points 1 and 2 above. However, Congress amended the bill so that none of the funds authorized to aid the Mariana Islands District transition could be obligated or expended until after final agreement by the Mariana Political Status Commission and the United States has been approved by the Congress. Further, S. 326 does not provide appropriation authorizations for the periods after fiscal year 1975 that had been requested by the Administration.

In its letter on the enrolled bill, the Department of Interior notes that:

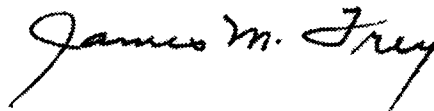
"...The accelerated capital improvements program had been agreed upon because, despite a great expansion of Micronesia's capital plant over the past six years, much remained to be done. The accelerated program was designed for construction of such rudimentary physical infrastructure as will be necessary for a sound and self-sufficient economy. To the extent possible, we would like to have this physical infrastructure in place within the next few years before the trusteeship gives way to a new political status for Micronesia in order to make economic self-sufficiency a more feasible goal when the trusteeship ends.

"The request for the additional \$15 million for fiscal year 1975 was in the nature of an emergency authorization to keep on schedule in meeting the above goals..."

The 1976 Budget included both the \$15,000,000 increase in the 1975 annual appropriation authorization for the TTPI and the \$1,500,000 for the Marianas transition costs as amounts to be transmitted later after enactment of the necessary authorizing legislation. Consequently, no request has been transmitted to the Congress requesting appropriation of either these amounts. The Senate Appropriation Committee has included an \$8,050,000 appropriation for the TTPI (contingent upon enactment of the \$15,000,000 authorization increase) in the Second Supplemental appropriation bill. The items which the Committee selected to fund within the \$8,050,000 amount generally appear to be those the TTPI Government and Interior have identified as having highest priority.

In the meantime, the Congress of Micronesia has enacted a resolution rejecting as "inadequate" the amounts for FY 1975 and future years which were agreed to in the negotiations as described above. Consequently, Interior is organizing a task force to review the Capital Improvements Program for the TTPI and to make recommendations as to the amounts which would be required to achieve specified objectives. We are working with Interior to define the scope of that task force review.

In light of these recent developments, as well as the fact that only five weeks remain in fiscal 1975, we recommend that no request for a supplemental to appropriate the remaining \$7,000,000 (of the \$15,000,000 increase in the 1975 authorization for the TTPI) be transmitted to Congress. We will work with Interior and the Office of Micronesian Status Negotiations to determine when the \$1,500,000 for the Marianas transition planning should be transmitted to Congress.



Assistant Director for
Legislative Reference

Enclosures
