



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

JUN 23 1975

MEMORANDUM FOR MR. W. R. SMYSER
Senior Staff Member
National Security Council

SUBJECT: Marianas Commonwealth transmittal to the Congress

On Wednesday, June 18, we circulated the draft joint resolution and the draft presidential transmittal letter for a quick, formal, interagency review under the A-19 procedure for clearing draft legislation.

The detailed provisions of the covenant itself were exempted from any suggestions for changes in this review but some agencies voluntarily expressed problems with provisions affecting their program responsibilities. They expressed the intent to try to remedy those problems in the course of preparing the detailed Federal Relations Act which will be necessary if the joint resolution, including the broadly stated provisions of the covenant, is enacted by the Congress.

We requested and received telephone comments on the draft Presidential letter and the introductory sections of the draft Joint Resolution from each of the following agencies: Defense, State, Interior, Justice, Treasury, Labor, HEW, Federal Reserve Board, Commerce and DOT. Suggested changes by these agencies are reflected in the attached copies of the draft. The Ambassador, through his staff, has indicated that he has no objection to these changes.

OMB strongly recommends the inclusion of three additional paragraphs (Attachment D) in page 3 just above the concluding paragraph of the transmittal letter. These paragraphs outline the appropriation authorization and other financial assistance provisions which are included in the covenant as negotiated and which would be enacted into law by the draft Joint Resolution. We believe inclusion of these paragraphs is essential to comply with the spirit of the Congressional Budget Act. The Ambassador, through his staff, has said he would have no objection to the inclusion of these paragraphs in the Presidential transmittal letter.

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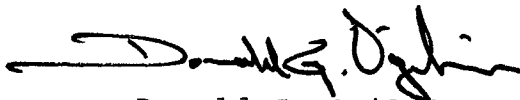
Potential Issue Associated with Mariana Covenant Approval

OMB staff have received repeated reports for the staffs of the Office of Micronesian Status Negotiations (OMSN), Interior (DOI), and Foreign Claims Settlement Commission (FCSC) that House Interior Territorial Affairs Subcommittee Chairman Phillip Burton (D-Calif.) has said he intends to attach a rider on the Joint Resolution to approve the Mariana covenant. The rider is described as a provision guaranteeing payment by the U.S. of 100% of the value of valid claims adjudicated under the Micronesian Claims Act of 1971 (85 Stat. 92).

Adjudication of those claims still is underway and some of the methods which have been adopted by the Micronesian Claims Commission (MCC) (under the FCSC) are very controversial because OMSN and DOI staff believe they are resulting in excessive awards. However, the FCSC staff asserts they have no authority to challenge the MCC methods for awarding claims. (DOI staff question this position).

Since the adjudication of claims by the MCC is not complete it is not possible to estimate the precise cost of a guarantee for payment of 100% of the value of valid claims. However, the best estimate is that it might require an increase of \$55 million to \$65 million above the presently enacted appropriation authorization of \$25 million (e.g., for a total of \$80 million to \$90 million) to pay all valid claims.

OMSN staff report they have made repeated efforts to persuade Chairman Burton not to attach this rider to the resolution. However, they say he still is considering attaching the rider as far as they can tell.



Donald G. Ogilvie
Associate Director

Attachment

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