

October 18, 1979

MEMORANDUM FOR: BO CUTTER
FROM: CURT HESSLER *CSH*
SUBJECT: Northern Mariana Islands (NMI)
Powerplant

You, like me, are being petitioned by Stu to take a dive on a \$9M add-on to the Interior Appropriations bill. (The attached memos tell the story.) Rubenstein can't figure out what Stu thinks he would get out of Burton for this. My strong inclination is to say no, as my note to Stu (which crossed his to you/me in the mails) indicates.

What say you? (Say fast.)

Attachments

October 17, 1979

MEMORANDUM FOR: STU EIZENSTAT
FROM: CURT HESSLER (KJ)
SUBJECT: Burton's Request for \$9 Million
for the Northern Marianas

This is a bad one.

Administration policy--backed by DOI--is to appropriate for the Northern Marianas an automatic (inflation-indexed) amount each year, reflecting the N.M. founding Covenant signed between N.M. and the U.S. in 1976. This year that amounts to \$20.7 million. Within this amount, N.M. budget its operations, construction, economic development, etc., according to its own priorities.

In the House, Burton got an add-on of \$9 million to this amount in the Interior Appropriation bill, to pay for a power plant.

- This plant is already under construction, with the funds having long been budgeted by N.M. out of the annual automatic appropriation.
- Burton and N.M. presumably want the extra \$9 million to free up funds from the automatic appropriation for other (unspecified) purposes.

We all agree the power plant is important. It is being built. The issue is whether we now breach our general policy of limiting N.M. to the Covenant-provided automatic appropriation. That would be a bad (and open-ended) precedent.

The Senate Appropriations Committee turned down the \$9 million. I don't know if anyone will try to restore it on the Floor tomorrow. Most likely no, and the issue will be in Conference.

Unless there are very strong extraneous reasons for doing so, we should avoid relaxing our opposition to the \$9 million.

Attached is DOI's fact sheet on the item, which was presented to the Senate Appropriations Committee.

Attachment

FY 1980 Budget
Appeals of House Action to the Conference
(in thousands of dollars)

BUREAU: Office of Territorial Affairs

APPROPRIATION: Administration of the Territories

	<u>Request</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Recommended</u>
Northern Marianas Power Plant	0	9,000	0	0

APPEAL JUSTIFICATION:

Under the provisions of the Covenant to Establish a Commonwealth of the Northern Mariana Islands, the budget includes direct grant funds of \$20.7 million for governmental operations, construction, and economic development. Of this amount, the budget included no grants for power plant construction. The House allowance proposes to make available an additional \$9 million for construction of a power plant. Since the GNMI has signed a contract with a Japanese firm, in November of 1978, for construction of a power station, it clearly appears that the additional appropriation would be replacement funding of previously budgeted capital improvement projects.

Of the GNMI capital improvement program currently budgeted, there has been no adequate justification of what these projects' priorities are and why these funds cannot be used for the construction of the power plant. Additionally, there has been no justification of why the cost of the power plant cannot be amortized through power user charges.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR BO CUTTER/CURT HESSLER

FROM: STU EIZENSTAT

SUBJECT: Northern Mariana Islands powerplant

The primary source of power in the Northern Mariana Islands is a 35 year old barge on loan from the Corps of Engineers which breaks down at least monthly. The lack of reliable power service is a major impediment to the economic development of this newest territory of the United States.

Since 1976 the Commonwealth has planned a new powerplant to replace the barge which is to be returned to the Corps next year. P.L. 95-134 authorized \$12 million for the construction of a new plant and distribution facilities. Other funding sources explored have included commercial lending and the bond market. Both are considered infeasible by the Interior Department. The NMI has been judged ineligible for REA loans. It was not expected that this project would be financed through the use of Covenant funds.

Although they support it, the Interior Department did not include a recommendation for this purpose in their FY '80 budget request apparently on the basis of OMB advice that such a request would be rejected. The House, however, included \$9 million for the powerplant in the Interior appropriations bill, asserting that distribution facilities could be funded out of existing CIP grants to the Commonwealth.

Since the Senate made no similar addition, the matter is expected to be discussed in conference. Despite the Senate's noninclusion, Bennett Johnston and others are willing to support the House addition.

In view of the critical need for this facility and the importance of the issue to Phil Burton and other Members of Congress, I strongly recommend that OMB authorize Secretary Andrus to inform the conferees of Administration support for the House action.