



THE PRESIDENT'S PERSONAL REPRESENTATIVE
FOR MICRONESIAN STATUS NEGOTIATIONS
WASHINGTON, D.C. 20240

July 23, 1980

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MEMORANDUM FOR ROZANNE RIDGWAY

FROM: Peter R. Rosenblatt

SUBJECT: Palau Funding, Executive Summary

You will recall my mentioning at our meeting on July 11 a new problem which had just come to my attention. Interior's planned level of funding for Palau government operations in FY 81 and the projected level in the FY 82 contingency (assuming no Compact) budget exceed the levels provided for in the Compact. Estimates of the essential figures are as follows:

FY 80:	\$8.4 million (including \$1.1 million deficit)
FY 81:	\$8.7 million
FY 82:	\$10.5 million (proposed contingency, in event trusteeship continues)

These figures are only those directly allocable to Palau and they include additional moneys Palau will get for FY 80 and 81 to meet the added cost of fuel. They do not include the cost to the U.S. Government of TTPI-wide Federal programs from which Palau also benefits. By contrast, the Compact provides only \$7 million a year in operating costs for the first ten years of its life and \$6 million per year for the final five years, with an inflation adjustment of not more than 7% per annum from the 1981 base year, an estimated \$1 million per year as Palau's pro-rata share of certain region-wide funding schemes, and a limited number of Federal programs and services--far fewer than those which apply now and until trusteeship termination.

If Palau will require \$10.5 million in operating expenses in FY 82 in order to survive--and Interior's budget-analysts genuinely believe it will--then we cannot reasonably offer must less than that in the Compact. Furthermore, my negotiating position becomes untenable if the USG agency charged with the management of the TTPI

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implicitly recognizes--as the Interior budget submission would--that the Compact amounts we are offering are seriously insufficient.

The attached paper analyzes the situation and furnishes detail in justification of the recommendations which appear in its conclusion.



Peter R. Rosenblatt

Attachment a/s

cc: Wallace Green, TIA
Ron Cogswell, OMB

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