

October 17, 1979

MEMORANDUM FOR:

STU EIZENSTAT

FROM:

CURT HESSLER (151)

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.