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APPROVED
MAY 28 1975

ACTION

THE WHITE HOUSE
WASHINGTON

Last Day: May 30

May 26, 1975

Posted
5/28
To Archives
5/29

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *Junc*
SUBJECT: Enrolled Bill S. 326
Trust Territory of the Pacific Islands

Attached for your consideration is S. 326, sponsored by Senator Jackson, which:

- Increases the FY 75 appropriation authorization ceiling for civil government activities of the Trust Territory of the Pacific Islands from \$60,000,000 to \$75,000,000.
- Authorizes an appropriation of \$1,500,000 to fund the transition of the Mariana Islands District from the Trust Territory Government to Commonwealth status if such status is approved by the Congress.

A discussion of the features of the bill is provided in OMB's enrolled bill report at Tab A.

OMB, Interior, Max Friedersdorf, Phil Buchen (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign S. 326 at Tab B.



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

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:

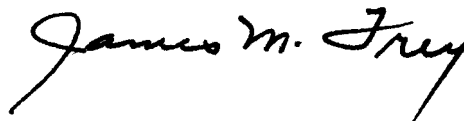
"...The accelerated capital improvements program had been agreed upon because, despite a great expansion of Micronesia's capital plant over the past six years, much remained to be done. The accelerated program was designed for construction of such rudimentary physical infrastructure as will be necessary 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

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 23

Time: 800pm

FOR ACTION:

Norm Ross *or*
Max Friedersdorf *in*
Ken Lazarus

cc (for information):

Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

May 26

Time:

200pm

SUBJECT:

H.R. S. 326 - Trust Territory of the Pacific Islands

ACTION REQUESTED:

_____ For Necessary Action

_____ For Your Recommendations

_____ Prepare Agenda and Brief

_____ Draft Reply

_____ For Your Comments

_____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAY 21 1975

Dear Mr. Lynn:

This responds to your request for our views on the enrolled bill S. 326, "To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

We recommend that the President approve the enrolled bill.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975 for the activities of the civil government of the Trust Territory of the Pacific Islands. S. 326 as enrolled would authorize a total annual appropriation of \$75 million for fiscal year 1975. Section 2 of S. 326 would authorize \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States.

On February 18 and 26, 1975, we respectively transmitted to the Senate and House the Department's proposal to authorize appropriations for the continuance of the civil government of the Trust Territory for fiscal years 1975 and 1976, the transition quarter July 1, through September 30, 1976, and fiscal year 1977. In that proposal, we had requested a supplemental authorization of \$15 million for fiscal year 1975.

The bulk of the increased annual authorization under our proposal was devoted to the Department's accelerated capital improvement program which the Secretary of the Interior had announced in a January 1974 speech to the people of Micronesia. 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



Save Energy and You Serve America!

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**OFFICE OF MANAGEMENT
AND BUDGET**

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RECEIVED

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. A number of high priority items are urgently required. They are: \$500,000 for fuel and supplies for both power plants and inter-island ships; \$1,484,000 for the Yap hospital; \$166,000 for procurement of four new inter-island ships; \$150,000 for development planning; \$200,000 for architecture and engineering; and \$945,000 to cover the deficit incurred by Trans Pacific Lines, Inc.

It is our understanding that the Senate has passed a supplemental appropriation for the Trust Territory for fiscal year 1975 at \$8,050,000. The House version of the supplemental appropriation bill did not include this item. We anticipate the bill's going to a Conference Committee after the Memorial Day recess. The Congress did not take action on the Department's authorization request for fiscal year 1976, the transition quarter, and for fiscal year 1977. We anticipate that the Congress will consider this part of our proposal in this session, as such increased annual authorization will be necessary to complete the Department's accelerated capital improvements program.

Section 2 of S. 326 as enrolled relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The need for these funds is quite urgent since the agreement was signed on February 15, 1975. The transition period is scheduled to begin as soon as the political status agreement is approved by the people of the Northern Marianas in a plebiscite tentatively scheduled for June, 1975.

Sincerely yours,

Assistant

Rayston C. Hughes
Secretary of the Interior

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

THE WHITE HOUSE

WASHINGTON

May 26, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: Action Memorandum - Log No.
S. 326 - Trust Territory of the Pacific Islands

The Office of Legislative Affairs concurs with the agencies that the President sign the enrolled bill.

Attachments

Date: May 23

Time: 800pm

FOR ACTION:

Norm Ross
Max Friedersdorf
Ken Lazarus

cc (for information):

Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

May 26

Time:

200pm

SUBJECT:

S. 326 - Trust Territory of the Pacific Islands

OK NER

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. [unclear]
For the President

527

Date: May 23

Time: 800pm

FOR ACTION:

Norm Ross
 Max Friedersdorf
 Ken Lazarus

cc (for information):

Jim Cavanaugh
 Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

May 26

Time:

200pm

SUBJECT:

S. 326 - Trust Territory of the Pacific Islands

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus 5/27/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
 For the President

AMENDING SECTION 2 OF THE ACT OF JUNE 30, 1954, AS AMENDED,
PROVIDING FOR THE CONTINUANCE OF CIVIL GOVERNMENT FOR
THE TRUST TERRITORY OF THE PACIFIC ISLANDS

February 24 (legislative day, February 21) 1975.—Ordered to be printed

Mr. JOHNSTON, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany S. 326]

The Committee on Interior and Insular Affairs, to which was referred the bill (S. 326) to amend section 2 of the act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Insert the following new section:

“SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States. *Provided, however,* That no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been approved by the Congress.

PURPOSE OF BILL

The purpose of S. 326, as amended, is to increase the authorization ceiling for fiscal year 1975 for the activities of the civil government of the Trust Territory of the Pacific Islands from the current authorization of \$60 million to \$65,650,000, and to authorize the appropriation of \$1,500,000 to fund the transition of the Mariana Islands District from the Trust Territory Government to a new commonwealth status as a territory of the United States if such new status is approved by the Congress.

BACKGROUND

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1954 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

Under the trusteeship agreement, the United States is charged with the promotion of political, social, educational and economic development.

U.S. authority is vested in a High Commissioner, who is appointed by the President, by and with the advice and consent of the Senate. The High Commissioner's legislative authority was granted to the Congress of Micronesia on the day of its first session in 1965, but the High Commissioner retains veto power over measures passed by the Congress.

Since 1969, the United States and Micronesia have been negotiating the future political status of the territory's six districts and termination of the trusteeship.

LEGISLATIVE HISTORY

Public Law 93-111, enacted in the first session of the 93d Congress, currently authorizes the appropriation of \$60 million for fiscal year 1975 for the government of the Trust Territory. Late in the second session of the 93d Congress legislation was introduced and hearings were held on the administration's request for increased funding authorization for the Trust Territory for fiscal years 1975 and 1976. At the hearing on September 25, 1974, the Department of the Interior testified that the \$15 million which was requested for fiscal year 1975 was for capital improvement projects but could not provide the committee with a comprehensive plan on the specific projects. The Department was requested to provide a breakdown of the \$15 million request, but responded too late for action prior to adjournment of the 93d Congress.

Subsequently, members of the staff of the committee conducted an investigation in the area and reported to the committee that there are critical needs in the districts, especially for fuel and medical supplies. The committee agrees that a portion of the requested supplemental authorization should be granted, but that a portion of the amount requested should be deferred pending further review of the management of public works programs in the trust territory.

S. 326, which was introduced by Senator Jackson in the 94th Congress, incorporates new authority for only \$5,650,000. The critical needs for this amount are set forth below.

NEED

The following are the budgetary items which the committee believes are critical to the basic welfare of the Trust Territory:

MEDICAL SUPPLIES AND REFERRALS, \$500,000

Increasing capabilities in health services for Micronesia's 115,000 people require an increase of drugs and medical supplies. The costs of drugs and supplies have jumped from \$700,000 in fiscal year 1972 to \$1,485,000 in fiscal year 1974. The original 1975 request could not anticipate spiraling cost increases of this magnitude. Coupled with this, air fares have risen about 20 percent which is rapidly depleting funds for medical evacuees. At present, to meet these costs, it is necessary to take them from other medical areas, at best an undesirable alternative.

OPERATIONS AND MAINTENANCE, \$3,500,000

(a) \$3,000,000; fuel cost increases and operation and maintenance supplies

These funds are required to cover unanticipated, and therefore un-budgeted, cost increases for fuel and supplies. At the time the original trust territory budget was being prepared, there was no energy crisis, with its attendant skyrocketing fuel costs. Since then the price of diesel fuel has increased 84 percent from 20 cents per gallon to 36.7 cents. Gasoline is up 88 percent from 22 cents to 41.4 cents per gallon. The cost of other oil products, such as lubricants, solvents, and greases, has almost kept pace with fuel. The prices of incidental maintenance supplies have also increased sharply since the fiscal year 1975 budget was formulated.

(b) \$500,000; fuel and operating costs for inter-island ships

This is required for the sea transportation program, primarily to cover increased costs for the operation of the trust territory's inter-island ships. Of the total amount, \$250,000 is required to support additional operating costs of the fleet resulting from the fuel price increases noted above. Abnormally high drydocking costs required to keep these old ships in operation and price increases for supplies and equipment account for the remaining \$250,000.

YAP HOSPITAL, \$1,484,000

The present hospital, built around the old Japanese hospital, is badly deteriorated and clearly inadequate with no room for expansion. Good efforts by public health officials and other medical personnel have convinced more and more Micronesians to use the hospital rather than rely on traditional "native" cures, thus taxing the present facility above its capabilities.

A plan for a new hospital was completed in 1973 before rampant inflation. \$4,245,000 in FY 1975 funds were appropriated for the project. The unanticipated escalation of the cost of construction materials requires additional funding to now meet the basic plan.

DISPENSARY MATCHING FUNDS, \$166,000

The only health facility available to about 60,000 people scattered in remote villages and outer islands are dispensaries manned by a

health aide or nurse. There is a total requirements for 115 dispensaries of which 70 have been or are now under construction. This request would provide matching funds which would enable the trust territory to receive \$1,500,000 under the Hill-Burton Act for 26 additional dispensaries. Half of the \$1,500,000 will be lost to the trust territory if it cannot be obligated prior to June 30, 1975.

TOTAL AMOUNT OF ABOVE ITEMS: \$5,650,000

COMMITTEE AMENDMENTS

An agreement which will lead to commonwealth status for the Mariana Islands district has been reached and was signed on February 15, 1975, by the United States and the Marianas. The committee amended S. 326 by adding a new section 2 to authorize an appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention, and referendum, a political status plebiscite, political education programs, and economic, fiscal and physical planning studies. A breakdown of the costs of this transition program is set forth below as follows:

Economic and social planning:	
Economic and social development planning-----	\$225,000
Fiscal and revenue planning-----	50,000
Physical planning-----	225,000
Impact on relocation of capital-----	50,000
Subtotal -----	<u>550,000</u>
Administration (2 years):	
Joint Commission-----	40,000
Secretariat-----	460,000
Contingencies-----	50,000
Subtotal -----	<u>550,000</u>
Schedule transition steps:	
Political status education program and status plebiscite-----	50,000
Constitutional convention-----	75,000
Constitutional education program and constitutional referendum-----	50,000
Election of new government-----	25,000
Subtotal -----	<u>200,000</u>
Research and Planning:	
Studies and Planning Constitutional convention-----	50,000
Research and Planning Government reorganization-----	50,000
Initial Legislative Program-----	50,000
Research U.S. Federal programs and services-----	50,000
Subtotal -----	<u>200,000</u>
Grand total-----	<u>1,500,000</u>

While the committee is aware that the need for these funds will be urgent if the agreement is implemented, it wishes to emphasize the fact that adoption of this amendment is not intended in any way to affect the ultimate decision which has to be made by the Congress of the United States with respect to this agreement. The committee, therefore, provided that the authorized sum may not be expended until the Congress has approved the agreement.

Cost

As previously stated, S. 326, as amended, will add \$5,650,000 to the amount of (\$60 million) already authorized by Public Law 93-111 for the civil government of the Trust Territory of the Pacific Islands for fiscal year 1975 and authorizes \$1,500,000 for the transition for the Mariana Islands district from the trust territory government to commonwealth status as a territory of the United States.

COMMITTEE RECOMMENDATION

A quorum of the Committee on Interior and Insular Affairs present in open markup session on February 19, 1975, unanimously ordered S.326, as amended, reported favorably to the Senate.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill (S. 326), as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

ACT AS OF JUNE 30, 1954 (68 STAT. 330) AS AMENDED

* * * * *

SEC. 2. There are authorized to be appropriated not to exceed \$25,000,000 for fiscal year 1967, [and for each of the fiscal years 1974 and 1975, \$60,000,000] for fiscal year 1975, \$65,650,000 plus such sums as are necessary, but not to exceed \$10,000,000, for each of such fiscal years, to offset reductions in, or the termination of, Federal grant-in-aid programs or other funds made available to the Trust Territory of the Pacific Islands by other Federal agencies to remain available until expended, to carry out the provisions of this Act and to provide for a program of necessary capital improvements and public works related to health, education, utilities, highways, transportation facilities, communications, and public buildings: *Provided*, That except for funds appropriated for the activities of the Peace Corps no funds appropriated by any Act shall be used for administration of the Trust Territory of the Pacific Islands except as may be specifically authorized by law.

○

AMENDING SECTION 2 OF THE ACT OF JUNE 30, 1954, AS AMENDED,
PROVIDING FOR THE CONTINUANCE OF CIVIL GOVERNMENT FOR
THE TRUST TERRITORY OF THE PACIFIC ISLANDS

MAY 1, 1975.—Ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany S. 326]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 326). To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Page 1, line 7, strike out "\$65,650,000:." and insert "\$75,000,000:."

PURPOSE

The purpose of S. 326, as reported by the Committee on Interior and Insular Affairs, is to increase the authorization ceiling for fiscal year 1975 for the activities of the civil government of the Trust Territory of the Pacific Islands from \$60,000,000 to \$75,000,000, and to authorize the appropriation of \$1,500,000 to fund the transition of the Mariana Islands District from the Trust Territory of the Pacific Islands to a new commonwealth status as a territory of the United States if such new status is approved by Congress.

Bills were also introduced by Mr. Phillip Burton (H.R. 5192 and H.R. 5343), and by Mr. Sam Steiger (H.R. 5215). No action was taken at this time because, in addition to the provisions of S. 326, these bills provided for budget authorizations for fiscal years 1976 and 1977.

BACKGROUND

In an executive communication to the Speaker, dated February 26, 1975, which is included in this report, the Department of the Interior recommended the enactment of the legislation described above, except

that the proposal provided that the \$1,500,000 for the Mariana Islands transition period could be obligated and expended at the time final agreement between the Marianas Political Status Commission and the United States had been signed.

The Senate approved S. 326, which provides for an increase in the fiscal year 1975 authorization of \$5,650,000, in place of \$15,000,000 requested by the Department of the Interior. Also, S. 326 establishes the date of Congressional approval of the Marianas Covenant as the time at which funds to aid the Mariana Islands in the transition period will become available for obligation and expenditure, in place of the earlier time of the signing of the Covenant by the United States and the Northern Mariana Islands. Under the Departmental proposal, the funds would have been immediately available upon authorization and appropriation, because the Covenant was signed on February 15, 1975.

NEED

The increase of \$15,000,000 in the ceiling authorization of the Trust Territory government is needed for the purposes listed below. Such needs are caused by the extreme impact of inflation on the cost of supplies and fuel, and by the prolonged deferral of needs such as adequate inter-island ships, hospitals, etc.

1. \$500,000; Medical Supplies.
2. \$2,555,000; Operations and maintenance (primarily increased fuel costs).
3. \$8,000,000; New inter-island ships.
4. \$1,484,000; Hospital for Yap District.
5. \$166,000; Matching funds for dispensary construction.
6. \$150,000; Comprehensive developmental planning study.
7. \$200,000; Architectural engineering revolving fund.
8. \$945,000; Fiscal year 1974 deficit caused by need to advance funds to Transpace receiver to continue operations.

Also, the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The need for these funds is quite urgent since the transition period is scheduled to begin as soon as the political status agreement is acted upon by the U.S. Congress, if such action is favorable.

COMMITTEE AMENDMENT

The Committee on Interior and Insular Affairs recommends the approval of S. 326 by the House of Representatives with an amendment deleting the amount "\$65,650,000" and inserting in lieu thereof "\$75,000,000", thus bringing the authorization up to the ceiling requested by the Department of the Interior. The Senate provision for delay-

ing the availability of funds for the Marianas transition until Congress has approved the Covenant to establish a Commonwealth of the Northern Mariana Islands is retained.

COST AND BUDGET ACT COMPLIANCE

Enactment of the bill will increase the fiscal year 1975 authorization ceiling by \$15,000,000, and a one-time authorization of \$1,500,000 is provided for.

This authorization covers only fiscal year 1975 and projection for future years, including the five subsequent fiscal years, will probably be in the same range; however, in any event, the Congress will have an opportunity to consider those funding levels at a later time.

INFLATIONARY IMPACT

The expenditures authorized in S. 326 involve necessary governmental activities and programs in remote areas. It is the sense of the Committee that these outlays will not result in any significant inflationary impact.

OVERSIGHT STATEMENT

Pursuant to Rule X, clause 2(b) (1) the Subcommittee on Territorial and Insular Affairs continues to exercise oversight responsibilities in connection with territorial legislation. No recommendations were submitted to the Committee pursuant to Rule X, clause 2(b) (2).

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs recommends, by voice vote, the enactment of S. 326, as amended.

EXECUTIVE RECOMMENDATION

The Executive Communication from the Department of the Interior recommending this legislation follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., February 26, 1975.

HON. CARL B. ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed is a proposed bill to amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

Late in the 93rd Congress legislation was introduced and hearings were held on the Administration's proposal to authorize appropriations for the continuance of the civil government of the Trust Territory for fiscal year 1975 and 1976. The reason for the two year proposal was that it would coincide with Stage I of the transition of Micronesia to a new political status. Since that legislation was introduced, nego-

tiations with the Congress of Micronesia's Joint Committee on Future Status have experienced some delay. It now appears that Stage I of the transition will also include fiscal year 1977. The attached Departmental proposal has been amended to reflect that change in schedule by including fiscal year 1977. In addition, authorizations have been included for the transition quarter between fiscal year 1976 and fiscal year 1977. This transition quarter will cover July 1, 1976 through September 30, 1976. We recommend new consideration of the proposed bill and strongly urge that it be enacted.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975. Our proposed bill would authorize a total annual appropriation of \$75 million for fiscal year 1975, and the 1975 constant dollar equivalent of \$80 million for 1976, \$15.1 million for the transition quarter and \$79 million for 1977. Section 2 of our proposed bill would authorize \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States.

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1947 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

Under the trusteeship agreement, the United States is charged with the promotion of political, social, educational, and economic development. Beginning in 1964, with the establishment of the Congress of Micronesia, political development in the Trust Territory has been rapid and, by most accounts, effective. Indeed, the United States has been engaged since 1969 in continuing negotiations with the Micronesians to determine new political relationships for the area. One major topic of the negotiations is the future financial assistance by the United States to Micronesia.

The bulk of the increased annual authorization would be devoted to the Department's accelerated capital improvement program which the Secretary of the Interior announced in a January 1974 speech to the people of Micronesia. The accelerated capital improvements program has been agreed to because, despite a great expansion of Micronesia's capital plant over the past six years, much remains to be done. The accelerated program is 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.

This policy dovetails with concern over the economy expressed by members of the Congress of Micronesia who cite roads, airports, and shipping facilities as high priority items. Construction or improvement of these and other facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000

square miles of ocean. The proposed program will reflect a policy of holding down the cost of governmental operations in order that maximum funding may be devoted to important capital improvement projects. The on-going Trust Territory Government program of replacing U.S. personnel with qualified Micronesians will remain an integral part of policy in Micronesia. Future requests for appropriations will also seek to continue the fledgling program for education in self-government and on-going programs in the fields of health and education. In addition, we look for improvement in communications and transportation among the 2,100 islands of Micronesia.

The bill provides an authorization of \$80,000,000 for 1976, \$15,100,000 for the transition quarter and \$79,000,000 for 1977 plus or minus such amounts as will offset changes in the purchasing power of the U.S. dollar measured by the Gross National Product Implicit Price Deflator. This last provision is necessary for implementing an agreement reached in the negotiations. The selection of the GNP Implicit Price Deflator as the appropriate index is based on the need to have as broad and objective an indicator as possible of the changes in the purchasing power of the U.S. dollar.

Our proposal for an expended authorization would make unnecessary the existing authorization of \$10,000,000 for terminated categorical grant programs past its present expiration date at the end of fiscal year 1975. We note that in fiscal year 1975 only \$700,000 were appropriated to cover such terminated grants.

Section 2 of the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The need for these funds is quite urgent since the agreement was signed on February 15, 1975. The transition period is scheduled to begin as soon as the political status agreement is approved by the people of the Northern Marianas in a plebiscite tentatively scheduled for June 1975.

The proposed increases in authorization are endorsed by Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations. The proposal in section 1 is deemed vital to our negotiating efforts since it reflects the tentative agreements reached with the Congress of Micronesia's Joint Committee on Future Status at Carmel, California, in March 1974. Section 2 supports the agreement on a Marianas transition program reached in Saipan in May 1974 during the Fourth round of Marianas political status negotiations.

The Office of Management and Budget has advised that the presentation of this proposed legislation is in accord with the program of the President.

Sincerely yours,

ROYSTON C. HUGHES,
Assistant Secretary of the Interior.

Enclosure.

A BILL To amend section 2 of the Act of June 30, 1954, as amended providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years 1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; and for fiscal year 1976, \$80,000,000; for the period beginning July 1, 1976 and ending September 30, 1976, \$15,100,000; and for fiscal year 1977, \$79,000,000 which amounts for each fiscal year or other period shall be adjusted upward or downward, in the budget transmitted to the Congress for the next succeeding fiscal year, to offset changes in the purchasing power of the United States dollar by multiplying such amounts by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year preceding the fiscal year or other period for which the appropriations are made and dividing the resulting product by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year 1974.

SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States; *Provided however*, That no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.

CHANGES IN EXISTING LAW

In compliance with clause 8 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

ACT OF JUNE 30, 1954 (68 STAT. 330) AS AMENDED

* * * * *

SEC. 2. There are authorized to be appropriated not to exceed \$25,000,000 for fiscal year 1967, [and for each of the fiscal years 1974 and 1975, \$60,000,000] *for fiscal year 1975, \$75,000,000* plus such sums as are necessary, but not to exceed \$10,000,000, for each of such fiscal years, to offset reductions in, or the termination of, Federal grant-in-aid programs or other funds made available to the Trust Territory of the Pacific Islands by other Federal agencies to remain available until expended, to carry out the provisions of this Act and to provide for a program of necessary capital improvements and public works related to health, education, utilities, highways, transportation facilities, communications, and public buildings: *Provided*, That except for funds appropriated for the activities of the Peace Corps no funds appropriated by any Act shall be used for administration of the Trust Territory of the Pacific Islands except as may be specifically authorized by law.

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

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SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States: *Provided, however,* That no part of such sum may be obligated or expended until final agreement between Marianas Political Status Commission and the United States has been approved by the Congress.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

May 19, 1975

Dear Mr. Director:

The following bills were received at the White House on May 19th:

H.R. 6894
S. 326

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.