

# **BUDGET** The United States Department of the Interior **JUSTIFICATIONS**

and Performance Information  
Fiscal Year 2006

## **OFFICE OF INSULAR AFFAIRS**

NOTICE: These budget justifications are prepared for the Interior and Related Agencies Appropriations Subcommittees. Approval for release of the justifications prior to their printing in the public record of the Subcommittee hearings may be obtained through the Office of Budget of the Department of the Interior.





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## OFFICE OF INSULAR AFFAIRS GENERAL STATEMENT

### Introduction

The Office of Insular Affairs (OIA) carries out the Secretary's responsibilities for U.S.-affiliated insular areas. These include the territories of Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as the three freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

All of OIA's programs fall within the mission goal of *Serving Communities – Increase Self-Sufficiency of Insular Areas (Goal 5 of the Department of the Interior's Strategic Plan)*. OIA will achieve its mission by promoting sound financial management practices in the insular governments, increasing economic development, and increasing Federal responsiveness to the unique needs of island communities.

#### OIA's Mission Goal

*Increase Economic Self-Sufficiency  
Of Insular Areas*

The budget request for FY 2006 continues to promote implementation of the management reform initiatives advanced by the President. Developed within the framework of Secretary Norton's 4 C's Vision – Consultation, cooperation and communication – all in the service of conservation – the request reflects the ongoing effort of the Office of Insular Affairs to adapt to changing needs of the insular areas. Planned efforts for 2006 include continued integration of performance criteria during formulation of the 2005 budget, and continued implementation of improvements to financial management practices in the insular areas. OIA in carrying out its mission continues to facilitate the involvement of others, including communities, partners, grantees and the interested public. Regular input, monitoring and feedback will continue to enhance our programs, processes, and future planning.

OIA continues to provide assistance to help develop more efficient and effective government in the insular areas. This assistance meets a variety of needs, including resources for critical infrastructure like wastewater systems, hospitals, and schools. In FY 2004 and FY 2005, the OIA received over \$75 million, annually, in Assistance to Territories funding, providing over 92 percent of these funds to insular areas in the form of grants to support and provide financial assistance to them. Through FY 2006, the OIA plans to maintain this effort.

#### Key Performance Objectives

- ✓ Maintain or decrease the level (and need) of federal revenues in the insular areas.
- ✓ Improve timeliness of financial statements.
- ✓ Maintain or increase level of private sector employment to overall employment in the insular areas.
- ✓ Enhance assessment of grant awards based on performance and stated outcomes.
- ✓ Maintain positive assessments of technical assistance efforts based on surveys of customers.

**FY 2006 BUDGET REQUEST**

Budget Authority	2004 Actual	2005 Enacted	2006 Request	2006 Request Change from 2005	
				Amount	Percent
Current	82,121	81,031	79,125	-1,906	-3%
Permanent	309,071	311,021	313,276	+2,255	+7%
Total	391,192	392,052	392,401	+349	+1%
FTEs	40	40	40	0	0

The total estimated OIA budget for fiscal year 2006 is \$392.4 million, of which all but \$46.5 million is mandatory funding (estimates fiscal payments to the territories at \$115 million). OIA's mandatory funding is a reflection of long-term commitments made to the insular areas that are guaranteed in law. In current funding, both mandatory and discretionary, OIA requests \$79.1 million. This is a \$1.9 million decrease from 2005 that reflects the reduction of Congressional earmarks. Included in the 2006 budget proposal is \$1.0 million to provide for grant assistance to fund water and wastewater projects in the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.

The following table shows the fiscal year 2005 Enacted – current funding, with across the board reductions for current appropriation activities, and the OIA fiscal year 2006 President's Request Level with a comparison between the FY 2005 Enacted and the FY 2006 Request.

**Current Funding - Dollars in 000's**

	FY 2005 Enacted	FY 2006 President's Request	FY 2006 +/- FY 2005 Enacted
American Samoa Operations	\$22,779	\$23,110	+\$331
Covenant Grants (Mandatory) <i>(see table that follows for detail)</i>	27,720	27,720	0
Territorial Assistance Activities	25,082	23,433	-1,649
<b>Included in Territorial Assistance</b>			
OIA Salaries and Expenses	6,472	6,881	+409
General TA*	11,716	8,561	-3,155
Maintenance Assistance	2,268	2,300	+32
Brown Tree Snake	2,663	2,700	+37
Insular Management Controls	1,470	1,491	+21
Coral Reef Initiative	493	500	+7
Water & Wastewater Projects	0	1,000	+1,000
	<b>FY 2005 Enacted</b>	<b>FY 2006 President's</b>	<b>FY 2006</b>

\* includes Insular Measures & CNMI Labor & Immigration Projects for FY 2005 & 2006; congressional add-ons in FY 2005, and net figure after slight programmatic increases and reductions of add-ons in request for FY 2006.

		Request	+/- FY 2005 Enacted
Palau Health and Ed. Grant	2,000	2,000	0
Federal Services Assistance	2,957	2,862	-95
Enewetak Support	493	0	-493
<b>Totals</b>	<b>\$81,031</b>	<b>\$79,125</b>	<b>-\$1,906</b>
<i>FTEs</i>	<i>40</i>	<i>40</i>	<i>0</i>

The following table below shows the Covenant Funding Levels compared between FY 2005 and FY 2006. Covenant grant funding is further detailed under the Covenant Grant section.

### Covenant Grant Funding Levels

*Dollars in thousands (000's)*

Territory	Baseline Funding	FY 2005 +/- Baseline	FY 2006 +/- Baseline	Total FY 2005	Total FY 2006	Diff +/- FY 2005
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

The following table shows the fiscal year 2005 and 2006 permanent funding.

### Permanent Funding - estimated - Dollars in 000's

	<u>FY 2005</u>	<u>FY 2006</u>
<b>Compacts of Free Association</b>		
<i>Republic of the Marshall Islands, Federated States of Micronesia and the Republic of Palau</i>	\$196,021	\$198,276
Payments to the Territories	115,000	115,000
<i>Guam</i>	[51,000]	[51,000]
<i>Virgin Islands</i>	[64,000]	[64,000]
<b>Totals</b>	<b>\$311,021</b>	<b>\$313,276</b>

### FY 2006 Budget Summary and Highlights



The FY 2006 OIA budget continues to focus on strategies that contribute to increasing the self-sufficiency of insular areas. The 2006 request includes an increase of \$1.0 million to provide for a grant program for water and wastewater projects in the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa. These territories face a myriad of water problems on a daily basis, including a lack of running water 24 hours a day, wastewater infrastructure deficiencies that have caused violations of Federal environmental laws, and drinking water quality which is not always up to the U.S. standards.

OIA continues to use funds to provide assistance to develop more efficient and effective government in the insular areas. This assistance meets a variety of needs, including resources for critical infrastructure like hospitals, schools and wastewater systems. The OIA budget also promotes sound financial management practices in the insular governments, increasing economic development and self-sufficiency, and increasing federal responsiveness to the unique needs of island communities.

OIA's budget may be broken out into two major categories of funding – permanent or mandatory and current discretionary. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated (\$313.3 million). Within current appropriations, two activities are considered mandatory, Covenant grants (\$27.7 million) that provide capital assistance to U.S. territories and an annual Health and Education Block Grant given to the Republic of Palau (\$2 million).

American Samoa Operations (\$23.1 million), the second largest budget activity is considered discretionary but is a directed appropriation that provides fundamental assistance to help the American Samoa Government provide basic services of health care, education, public safety and support for the judiciary.

While not officially considered a mandatory program, Federal Services assistance (\$2.9 million) is comprised of two subactivities that were negotiated and are defined in law. The first is reimbursement to the U.S. Postal Service for continuation of mail service to the freely associated states. Failure to provide this service would be a breach of the negotiated Compact. The other activity is annual audit support for the Republic of Palau. The Compact of Free Association guarantees this support for compliance with the Single Audit Act at no cost to the freely associated states. In the case of the Federated States of Micronesia and the Republic of the Marshall Islands, audit assistance is incorporated in the permanent appropriations.

That leaves only the OIA Salaries and Expenses account (\$6.9 million) and the Technical Assistance activity (\$16.5 million) as truly discretionary programs, \$23.4 million out of a total OIA budget of \$392.4 million in fiscal year 2006.

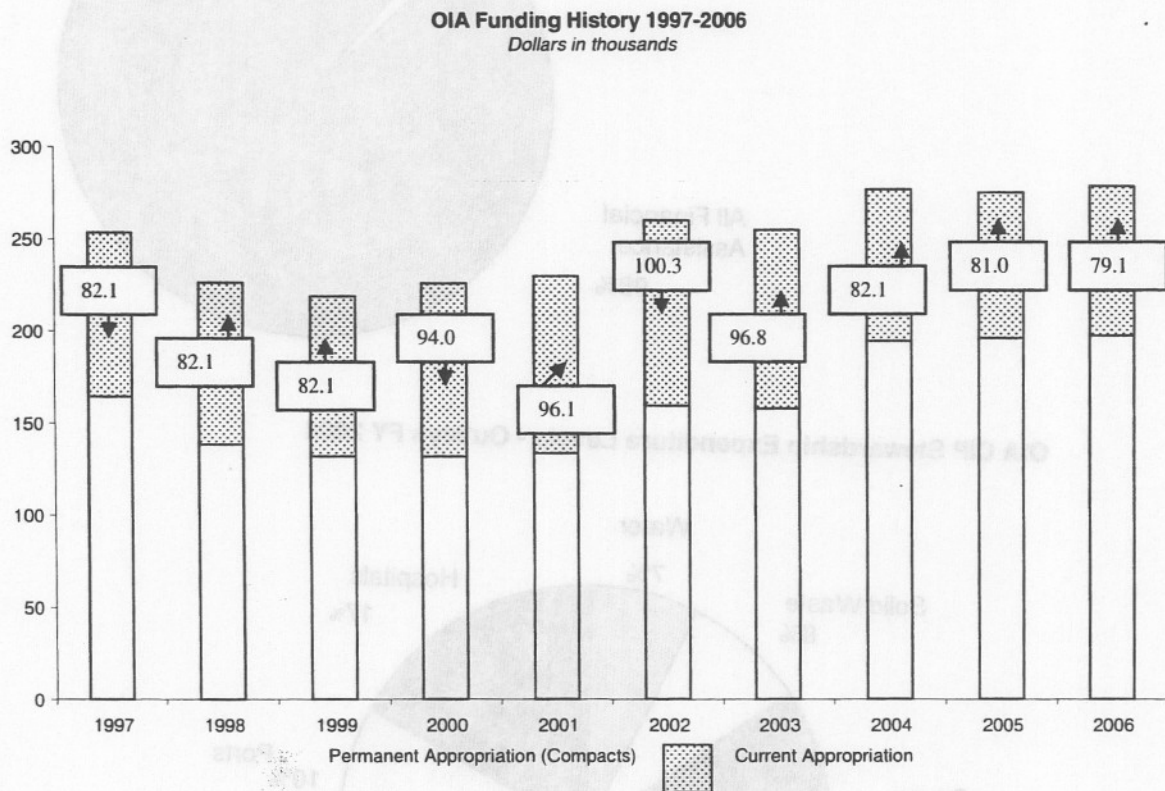
OIA's request for fiscal year 2006 current appropriations includes uncontrollable expenses. This amounts to an increase of \$325,000 for OIA Salaries and Expenses and \$10,000 for American Samoa operations. *(This funding does not match the Interior Budget in Brief for uncontrollables and is shown under American Samoa Operations)* OIA is not requesting additional funding for basic grant support to American Samoa. Rather the \$10,000 increase



in uncontrollable expenses is for salaries of two U.S. judges, appointed by the Secretary and stationed in American Samoa's High Court. They are hired as Federal employees and receive pay raises and other benefits given to all employees hired under various Federal pay schedules.

In FY 2006, OIA is proposing a reduction of \$95,000 in the Federal Services activity due to savings from cost efficiencies in the U.S. Postal Service. The budget also proposes a reduction of \$493,000 in Enewetak operations as it is now permanently appropriated through the Compact of Free Association.

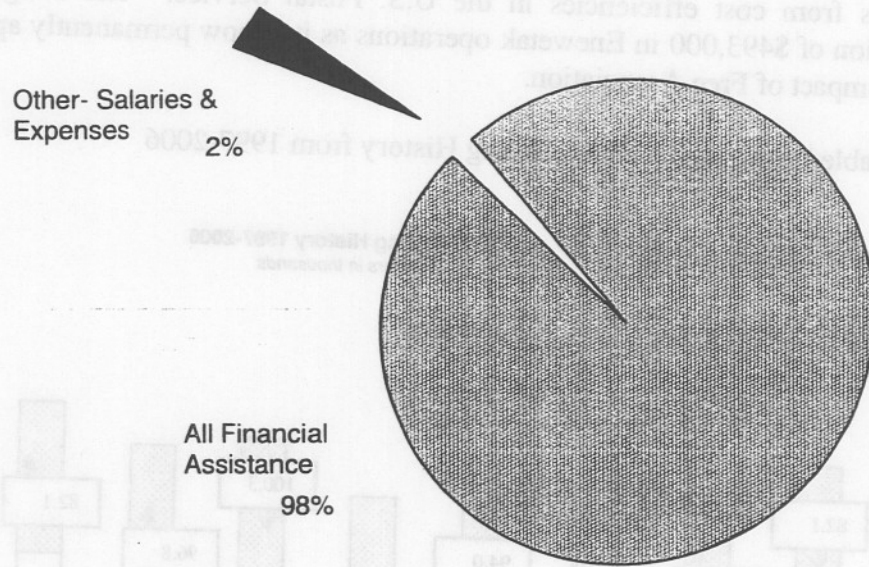
The Table below shows OIA Funding History from 1997-2006



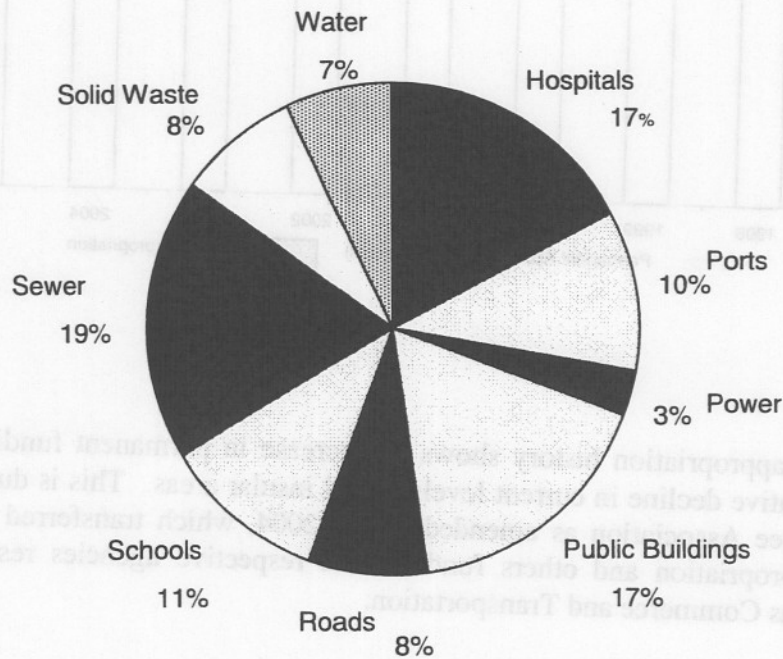
OIA's current appropriation history shows an increase in permanent funding for Compact areas and a relative decline in current levels for all insular areas. This is due partially to the Compact of Free Association as amended in FY 2004, which transferred certain funds to Permanent appropriation and others funds to the respective agencies responsible for the mission, such as Commerce and Transportation.

All but 2 percent of total funding received goes toward assistance to the territories. High priority projects such as those identified within the infrastructure program, the stewardship expenditures make up a large portion of the use for OIA discretionary funding.

**Funding Request Percentage  
Respectively, FY 2004-2006**



**OIA CIP Stewardship Expenditure Levels - Outlays FY 2004**



### Office of Insular Affairs Management Reforms and Activities to Implement the President's Management Agenda

The President's vision for reform is guided by three principles: it should be citizen-centered; results-oriented; and market based. The President identified five government-wide initiatives to help achieve this vision:

- Budget and Performance Integration;
- Strategic Management of Human Capital;
- Competitive Sourcing;
- Improved Financial Performance; and
- Expanded e-Government.

The Office of Insular Affairs supports the President's Management Agenda and continues to create a citizen-centered organization by implementing strategies to integrate budget and performance; conduct workforce planning; provide assistance to improve greater accountability, and expand e-government opportunities for the island communities.

#### Budget Performance Integration:

*Data Validation, Verification and Other Evaluations:* With the advent of the new Interior Strategic Plan and many measures under its results-focused approach, OIA is working with the insular governments on accountability and other measures to ensure that performance data collection and reporting yields reliable information for decision-making. Last year, the largest evaluation of an OIA funded program was completed. This was the renegotiation that led to amendments to the Compacts of Free Association for the Federated States of Micronesia and the Republic of the Marshall Islands. The evaluation began with a policy review and decision to renegotiate. This led to the establishment of financial and programmatic parameters for the negotiators. OIA participated intensely throughout the process and took the lead on some major issues, including the establishment of a new paradigm for accountability, consistent with its mission and strategic goals.

At a February 2004 meeting of parties and stakeholders involved in the brown tree snake control program, a Departmental priority and part of an Administration crosscut budget effort, OIA announced its financial and general support for creation of an independent panel of distinguished scientists to review the brown tree snake control program and make recommendations on effectiveness and future funding priorities.

During fiscal year 2003 and early 2004, OIA took on a major programmatic review of its Covenant grants to develop a new system for allocating the annual budget. A more detailed description of this effort appears later in this overview.

*Cost and Performance:* OIA is tracking time spent on grants management through the activity based costing initiative. This information will be used to compare OIA grants staffing to other similar programs. In addition, OIA continues to use accounting information



to track the timing of grant outlays and is reporting with the annual budget the amount of time required to complete various projects. OIA is using this cost and performance information to improve efficiency of island spending by speeding up projects. By reducing the amount of time required to complete major infrastructure projects from grant award to project closeout, inflationary costs are reduced and the return on major investments is advanced.

*Capital Asset Planning and Control:* Because of its small size, OIA has no capital assets other than office equipment. OIA shares in the costs of enterprise investments such as FBMS and ESN along with other parts of the Office of the Secretary.

*Base Analysis:* In making fiscal year 2006 budget decisions, OIA considered base funding for all activities. As mentioned earlier, several of these programs are mandatory and the amount of funding is dictated by legislation or appropriation earmarks. However, in deciding whether to seek additional funding for any activity, OIA considered several factors including carryover balances (all of OIA funding except salaries and expenses is no-year funding) and the possibility of new legislation to require matching contributions.

OIA also undertook a thorough review of its Covenant grant allocation system. It was decided that Section 702 of the CNMI Covenant (Public Law 94-241), which requires appointment of Special Representatives to negotiate multi-year periods of financial assistance, presented an opportunity to advance OIA strategic goals. Through the negotiations with the CNMI and planning and evaluation by OIA staff, a new paradigm for allocation of Covenant funding was developed that rewards good financial management practices and good planning and use of infrastructure assistance. This directly advances achievement of OIA goals of improved accountability and increased economic development resulting from more effective use of limited resources. Further discussions on this process may be found within the Covenant Grant section of this Justification.

*Strategic Management of Human Capital:* As a small office (current FTE 40 with one Senior Executives, our Deputy Assistant Secretary) and with unique human capital needs and geographic challenges, OIA has limited strategic capability. However, OIA is taking advantage of those opportunities it has. For a number of years, it has hired interns from the U.S. territories and has helped place several in Federal positions, if not in OIA. Recently, OIA hired three young people under the "Outstanding Scholar" program in an effort to counteract its aging workforce. Two of the four positions filled in a new Hawaii office are minorities, including an Asian/Pacific Islander and a Native American. Another Asian/Pacific Islander has been hired as a senior economist at a management level.

*Competitive Sourcing:* Because of its small size and inherently governmental nature of its program, OIA is not proposing competitive sourcing studies.

*Financial Performance:* OIA has received only clean audit opinions under the Chief Financial Officer Act requirements. From 1992 to 1997, OIA prepared its own financial statements; but for the last seven years, OIA has been incorporated in the financial reports for the Office of the Secretary. OIA has been extremely active in the Department's efforts to



streamline and simplify grants management and has participated in all planning sessions for the new Financial Business Management project. OIA's participation in this project is extremely important because it is the primary office within the Office of the Secretary that provides grants and thus has unique needs associated with grant accounting and management.

OIA's most important efforts in the financial performance area are those designed to improve financial performance and accountability in the territories and freely associated states. Among these efforts are the aforementioned paradigm that allocates capital funding based on competitive financial performance criteria. An increased focus is now being placed on bringing the insular governments in full compliance with the requirements of the Single Audit Act. One incentive is the allocation criteria for participation in the capital improvement program. A territory cannot receive capital funding unless it is in compliance with the Single Audit Act or has presented a plan, approved by OIA that will bring them into compliance by a date certain. In addition, OIA, in fiscal year 2004, began a joint program with the USDA Graduate School to address the longstanding problem of non-resolution of audit findings and recommendations by insular governments. In this and other efforts, OIA has increased its efforts to improve the internal audit capability in the territorial governments. Technical assistance has been provided to train auditors, including an on-the-job training program conducted by the Inspector General's Office and funded by OIA. The presence of a qualified independent auditor is also one of the threshold criteria for receiving capital funding from OIA.

**Accountability:** OIA continues to further its mission and federal directives by promoting accountability within OIA and in all of the U.S. affiliated insular areas under the Secretary's responsibility. By providing direct technical assistance and training from OIA staff and consultants, insular areas have been able to complete numerous financial statements and reports that had been outstanding for a number of years. These reports assist both the federal and insular area governments in identifying resources and pinpointing weaknesses.

The focus on accountability enhances the development of procedures at the OIA that help ensure adequate monitoring of federal grants and full implementation of the OIA Financial Assistance Manual. These procedures will help ensure OIA is assisting the insular areas in identifying areas of need and responding to such needs in a timely manner. The procedures also include the monitoring and rating factors which help determine the level of funding of which the insular areas are eligible. Such stated procedures and detailed assessments will allow interested parties to clearly see the progress of each insular area in establishing and implementing good management practices.

Promoting accountability has also helped bring insular governments closer to complying with federal deadlines for financial statements and single audits. OIA is committed to assisting all of the insular areas in completing their annual financial statements and single audits by providing OIA staff assistance to resolve statement qualifications and audit findings.

**Expanding Electronic Government:** OIA is working closely with the other offices in Policy, Management and Budget to institute E-government initiatives. E-Government is extremely important to OIA. OIA's territorial constituents are remotely located in the Pacific Ocean

and the Caribbean. Twenty years ago, communication was by key-punched cable machines or by operator-assisted telephone. These were gradually replaced by facsimile machines and direct dial telephone capability. Now the primary linkage, and one of the most important social changes in the islands, is access to electronic mail and the internet. OIA has supported studies for financing and installing undersea cable to improve electronic capacity. OIA has provided significant technical assistance for an E-Commerce business initiative in American Samoa. OIA has developed its own website and has helped the insular governments improve the quality and usefulness of their websites. OIA has funded both technical assistance and capital acquisitions for installation of teleconferencing and other telecommunication capacity in the islands. A recently initiated effort is to use the internet to electronically publish business opportunities in the islands and thus increase competition and improve the quality of procurements funded by OIA.

Section 333 Compliance table may be found in the Territorial Assistance – Office of Insular Affairs section of this Budget Justification.

**Office of Insular Affairs  
Fiscal Year 2006 Budget Request  
Performance Summary**

OIA is the principle office responsible for achieving the Department's mission of quality communities for insular areas and its end outcome goal to accomplish this mission by increasing the islands' economic self-sufficiency. All of OIA's programs fall within the mission goal of *Serving Communities – Increase Self-Sufficiency of Insular Areas (Goal 5 of the Department of the Interior's Strategic Plan)*.

**The first strategy in this regard is to improve insular governments' financial practices.** OIA is planning several strategies to accomplish this goal. One is to use the allocation of budget resources as an incentive for financial improvements. Beginning with the fiscal year 2005 budget, OIA established a competitive process by which construction grant funding is allocated in accordance with 13 competitive criteria, of which seven are related to good financial management. These include the extent to which the territory: (1) provides timely and comprehensive responses to audit inquiries; (2) demonstrates prompt and effective efforts to resolve questioned costs and correct internal control deficiencies; (3) complies with grant reporting requirements; (4) demonstrates effective contract administration and complies with statutory procurement practices and processes; (5) exercises prudent financial management in its day-to-day operations, remains solvent, and is current in paying outstanding obligations; (6) maintains clear and updated grant files; and (7) expends grant awards in accordance with budget constraints and construction schedules. An eighth criterion is submission of grant applications in a timely and complete manner. Before receiving financial assistance, the territories must either be in compliance with a number of threshold criteria or have presented to OIA a financially viable plan, with clear benchmarks, to bring them into compliance by a specific deadline. These threshold criteria include: (1) properly functioning internal controls, including the presence of a qualified independent auditor; (2) standard procurement statutes in place that require competitive bidding processes and prohibit conflicts of interest; (3) having a financial management system capacity that



meets minimum standards required by the "Common Rule" for Federal grants; (4) be in compliance with deadlines established under the Single Audit Act of 1984; and (5) be in general compliance with any memorandum of agreement to which it is a party with OIA or the Department of the Interior.

**A second approach to achieve the goal of improving financial practices is to provide technical assistance to carry out specific plans for financial management improvements.** To help accomplish this goal, OIA has contracted with the USDA Graduate School. The Graduate School provides training in a wide variety of financial disciplines. It also provides technical expertise to provide on-site assistance and advisory services, including development and implementation of long term improvement plans. To help appraise the effectiveness of these 3 approaches to improving the financial practices of the insular areas OIA will use the following performance indicator: "(Targeted reduction) in the total average months late for all insular general fund financial statements."

**A third approach to improving financial practices is to provide assistance to bolster and institutionalize improvements to the local audit capacity.** This is carried out through peer reviews, through direct classroom training, through membership and attendance at audit conferences and through coordinated on the job training in the Department of the Interior Inspector General's Office.

**The fourth strategy is to increase economic development.** OIA's approach in this area is limited to the extent that economic development is much more a product of private sector investment and capital markets than it is a product of government programs. However, government can create a good environment for development. One way, which has already been discussed, is by having adequate infrastructure to support new development. A second way is to have a well trained labor force. OIA provides considerable financial support to education activities, including vocational education; on specific initiatives to bring together the territorial governments with potential entrepreneurs and those who may provide investment capital, and OIA sponsored economic development conferences in Washington D.C. and Los Angeles hosted by the Secretary. This year a trade mission featuring potential investors will visit the islands. OIA has also brought on considerable staff expertise for this purpose, including contracted expertise.

**The fifth strategy is to look at the ratio of private sector jobs to total employment with anticipated increases in private sector jobs.** OIA's emphasis on economic development is geared to assist the private sector with an anticipated result in the long term of increased private sector jobs availability to lessen dependence on Federal and local government employment.

**The sixth strategy is to increase Federal responsiveness to unique needs of island communities.** Again, OIA has developed a number of approaches to advance this goal. The first was creation, by Presidential Executive Order, of an Interagency Group on Insular Areas. This group meets periodically under the Chairmanship of the Secretary to bring together Federal agencies to hear the concerns of the insular governments, identify problems and develop solutions, and create an excellent forum for sharing information. OIA also is a

key partner with the State Department in the Interagency Group on Freely Associated States. This group meets periodically to resolve problems and coordinate efforts in the Federated States of Micronesia and the Republics of Palau and the Marshall Islands. OIA is also making a strong effort to improve communications with the insular areas and those who do business with them. Particular attention has been placed on improving electronic communications. This is extremely important to the territories and freely associated states because of their remote locations. Technical assistance and capital funding has been provided to improve undersea cabling, satellite communications, video conferencing and distance learning, and website innovations. One form of assessing the effectiveness of activities to increase Federal responsiveness to unique needs of island communities is OIA's customer satisfaction survey.

GPRA Performance Data Validation and Verification - In keeping with departmental and OMB policy for performance data verification and validation, OIA has complied with requirements for performance data credibility directly connected to the DOI Strategic Plan goals and measures as related to the territories. In 2004, OIA's approach to achieving performance data credibility included reimbursable agreements with the U.S. Bureau of Census to determine the capability and availability of realistic, measurable economic indicators in the territories that could be collected, compiled and assessed. In FY 2005, this approach was continued with a U.S. Bureau of Census reimbursable agreement for various 2005 surveys including housing, income, and expenditure surveys in the territories, along with training workshops to produce Gross Domestic Product. Included within the reimbursable deliverables are compilation and data validation and verification assessments on private and public sector employment ratios for the territories to ensure quality assurance measures are in place and to verify and certify data accuracy.



**AUTHORIZATIONS**

(1) Guam. Executive Order 10077, dated September 7, 1949, transferred administrative responsibilities for Guam from the Secretary of the Navy to the Secretary of the Interior. Executive Order 10137, of June 30, 1950, amended Executive Order 10077 to make the transfer effective on July 1, 1950. The Guam Organic Act was approved on August 1, 1950 (64 Stat. 384, 48 U.S.C. Sec. 1421 et. seq.) and declared Guam to be an unincorporated territory of the United States and provided that Guam's relationship with the Federal Government shall be under the general administrative supervision of the Secretary of the Interior. As a result of subsequent amendments to the Organic Act, Guam also elects its Governor and a Delegate to the United States Congress.

(2) American Samoa. In 1900, the islands were placed under the administration of the Secretary of the Navy by Executive Order. In the Act of February 20, 1929 (48 U.S.C. 1661), Congress stated that until it shall provide for the Government of the islands of American Samoa, "all civil, judicial, and military powers shall be vested in such manner as the President of the United States shall direct." The President vested these powers in the Secretary of the Interior by Executive Order 10264, dated June 29, 1951. Secretary's Order No. 2657, dated August 29, 1951, set forth the extent and nature of the authority of the Government of American Samoa and the manner in which the authority is to be exercised. Secretarial Order 3009 dated September 24, 1977, provided for an elected Governor and Lt. Governor for American Samoa, and elected officials first took office on January 3, 1978. Pursuant to Public Law 95-556, American Samoa, in November 1980, elected its first Delegate to the United States Congress.

(3) U.S. Virgin Islands. The islands were under the jurisdiction of the Navy Department from March 21, 1917, until March 18, 1931 (48 U.S.C. 1391), when responsibilities were transferred to the Secretary of the Interior pursuant to Executive Order 5566, dated February 27, 1931. Organic legislation was first passed in 1936 (49 Stat. 1812), and was revised by Public Law 83-517, effective July 22, 1954 (48 U.S.C. et. seq.). The latter has since been amended in various respects and the Virgin Islands' elected officials first took office on January 3, 1978.

(4) Northern Mariana Islands. On March 24, 1976, the President signed a joint resolution of Congress approving the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America" (Public Law 94-241). The islands remained a part of the Trust Territory of the Pacific Islands under the jurisdiction of the Secretary of the Interior pursuant to Executive Order 11021 of May 7, 1962. Secretarial Order 2989, dated March 14, 1976, and effective January 9, 1978, provided for the separate administration of the Northern Mariana Islands, provided for the elected Government in the Northern Mariana Islands, and activated various sections of the Covenant. By Presidential Proclamation of November 3, 1986, and as a result of a valid act of self-determination pursuant to Section 1002 of the Covenant, the Northern Mariana Islands ceased to be bound by the United Nations Trusteeship Agreement of 1947, and became a commonwealth in political union and under the sovereignty of the United States.

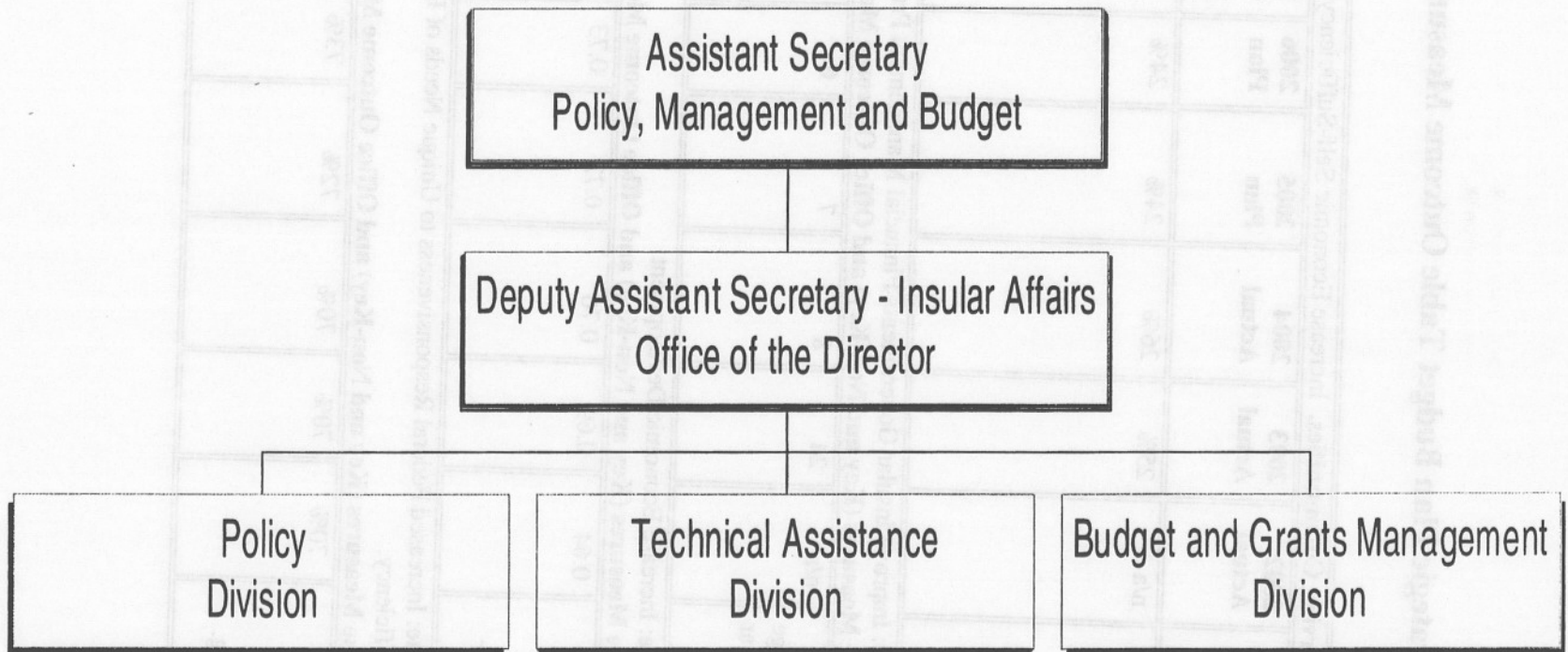
(5) Office of Insular Affairs. Established August 4, 1995, by Secretarial Order No. 3191.

(6) Trust Territory of the Pacific Islands. Under the terms of the Trusteeship Agreement between the United States and the Security Council of the United Nations, entered into on July 28, 1947 (61 Stat. 397), the United States exercised full jurisdiction over the Trust Territory of the Pacific Islands and was obligated to promote the political, economic, and educational advancement of the inhabitants. The act of June 30, 1954 (68 Stat. 330), as amended, and Executive Order 11021 of May 7, 1962, provide the basis for administration of the Trust Territory. By Presidential Proclamation of November 3, 1986, and pursuant to Sections 101 and 102 of the Joint Resolution to approve a Compact of Free Association (P.L. 99-239), the 1947 United Nations Trusteeship Agreement ceased to apply to the Republic of the Marshall Islands and the Federated States of Micronesia as those two Micronesian states entered into a relationship of free association with the United States. The Compact of Free Association for Palau was implemented on Oct. 1, 1994. No additional funding will be requested under this appropriation.

(7) Compacts of Free Association. The Compact Free Association Act of 1985, was enacted in January 1986 (P.L. 99-239) and authorized funding over a fifteen-year period for the Federated States of Micronesia and the Republic of the Marshall Islands. Sections 231 of the Compact act authorized an additional two years of funding while negotiations were taking place on a new multi-year funding agreement. In December 2003, the President signed Public Law 108-188, enacting amendments to the Compact of Free Association and providing an additional twenty years of guaranteed annual assistance to the Federated States of Micronesia and the Republic of the Marshall Islands. The Compact of Free Association for the Republic of Palau was enacted on November 14, 1986 as P.L. 99-658, and was implemented on October 1, 1994.

These basic legal authorities have been supplemented and modified over the years by various omnibus territory acts and other program legislation.

**ORGANIZATION CHART  
OFFICE OF INSULAR AFFAIRS**



Organization Chart



## DOI Strategic Plan Budget Table Outcome Measures

<b>End Outcome Goal: Serving Communities. Increase Economic Self-Sufficiency of Insular Areas</b>							
<b>END OUTCOME MEASURES</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Plan</b>	<b>2006 Plan</b>	<b>Change in Performance – 2005 to Planned 2006</b>	<b>Long-term Target (2008)</b>
Federal assistance as a percentage of GDP for insular economies – Annual proxy measure: “Ratio of Federal Revenue to Total revenues in insular areas.” (SP Key)	n/a	25%	26%	24%	24%	0%	22%
<b>Intermediate Outcome: Improve Insular Governments Financial Management Practices</b>							
<b>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</b>							
<i>Timeliness of Financial Statements:</i> Total average months late for all insular general fund financial statements. (SP-Key)	n/a	24	8	7	6	-1	4
<b>Intermediate Outcome: Increase Economic Development</b>							
<b>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</b>							
<i>Private Sector Employment:</i> Ratio of private sector jobs to total employment. (SP-Key)	0.64	0.69	0.76	0.72	0.73	+1	0.74
<b>Intermediate Outcome: Increased Federal Responsiveness to Unique Needs of Island Communities Striving for Economic Self-Sufficiency.</b>							
<b>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</b>							
OIA Customer Satisfaction and Confidence Rating: Percent numeric rating. (SP-BUR-Non-Key)	70%	70%	70%	72%	73%	0	75%

## FY 2006 BUDGET REQUEST FUNDING GOAL TABLES

OIA's FY 2006 budget falls 100 percent under the Strategic Plan Mission Goal of *Serve Communities*- End outcome Goal: *Increase Economic Self-Sufficiency of Insular Areas*.

## FUNDING ARRAYED BY APPROPRIATION AND END OUTCOME GOAL

Program Description	FY 2006 Budget Request	End Outcome Goal Advanced
Administration to Territories	\$74,263,000	<b>Serving Communities:</b>  <b>Increase Economic Self-Sufficiency of Insular Areas</b>
Compact of Free Association – current account	\$4,862,000	
<b>Total FY 2006 Budget Request – CURRENT account</b>	<b>\$79,125,000</b>	
Compact of Free Association – Permanent account	\$198,276,000	
Fiscal Payments to Territories <i>Guam</i> <i>Virgin Islands</i>	\$115,000,000 \$51,000,000 \$64,000,000	
<b>Total FY 2006 Budget Request – PERMANENT account</b>	<b>\$313,276,000</b>	
<b>Total FY 2006 Budget Request – <u>Current</u> &amp; <u>Permanent</u> accounts</b>	<b>\$392,401,000</b>	

The following table summarizes proposed budgetary changes in the FY 2006 budget and the end outcome goals they impact.

**FUNDING ARRAYED BY CURRENT APPROPRIATION/PROPOSED BUDGETARY CHANGE AND END OUTCOME GOAL**

<b>Program Change Description</b>	<b>Budget Change</b>	<b>Goal Advanced</b>
<u>Assistance to Territories - uncontrollables</u>	+\$325,000	Serving Communities:
<u>Assistance to Territories</u> – net amount which includes elimination of one-time technical assistance projects; and to eliminate fiscal hardship within island economies, restoration of the 2005 across the board reduction for insular projects:	-\$1,318	Increase Economic Self-Sufficiency of Insular Areas
<i>Water &amp; Wastewater Projects</i>	+1,000,000	
<i>Office of Insular Affairs</i>	+74,000	
<i>General Technical Assistance</i>	+114,000	
<i>Maintenance Assistance Fund</i>	+32,000	
<i>Brown Tree Snake Control</i>	+37,000	
<i>Insular Management Controls</i>	+21,000	
<i>Coral Reef Initiative</i>	+7,000	
<i>American Samoa – Operations</i>	+331,000	
<u>Compact of Free Association</u> – current account: Federal Services: Reduction to overall activity	-\$95,000	
<u>Compact of Free Association</u> – current account: Enewetak Support (only current funding eliminated, permanent funding remains)	-\$493,000	
<b>Total Net Budget Change</b>	<b>-\$1,906</b>	<b>Net – Serving Communities</b>



**APPROPRIATION LANGUAGE – ASSISTANCE TO TERRITORIES**

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior, \$[76,255,000]74,263,000, of which: (1) \$[69,682,000]67,382,000 shall be available until expended for technical assistance, including maintenance assistance, disaster assistance, insular management controls, coral reef initiative activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 166I(c)); grants to the Government of American Samoa, in addition to current local revenues, for construction and support of governmental functions; grants to the Government of the Virgin Islands as authorized by law; grants to the Government of Guam, as authorized by law; and grants to the Government of the Northern Mariana Islands as authorized by law (Public Law 94-241; 90 Stat. 272); and (2) \$[6,563,000]6,881,000 shall be available for salaries and expenses of the Office of Insular Affairs: *Provided*, That all financial transactions of the territorial and local governments herein provided for, including such transactions of all agencies or instrumentalities established or used by such governments, may be audited by the Government Accountability Office, at its discretion, in accordance with chapter 35 of title 31, United States Code: *Provided further*, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: *Provided further*, That of the amounts provided for technical assistance, sufficient funds shall be made available for a grant to the Pacific Basin Development Council:] *Provided further*, That of the amounts provided for technical assistance, sufficient funding shall be made available for a grant to the Close Up Foundation: *Provided further*, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: *Provided further*, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c). (Department of the Interior and Related Agencies Appropriations Act, 2005.)

ASSISTANCE TO TERRITORIES -FY 2006 Summary of Requirements

Comparison by Activity/Subactivity	2004 Actual		FY 2005 Actual		Uncont. Changes Amount	Program Changes (+/-)		FY 2006 Budget Request		Incr. (+) or Decr. (-) from 2005	
	FTE	Amount	FTE	Amount		FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES											
(1) American Samoa Operations Grants	2	22,814	2	22,779	0	331	2	23,110	0	331	
(2) Covenant Grants											
(a) Northern Mariana Islands Construction		11,000		12,423	0	-1,215		11,208		-1,215	
(b) American Samoa Construction		10,140		9,731	0	-189		9,542		-189	
(c) Guam Construction		0		1,398	0	2,004		3,402		2,004	
(e) CNMI Law Enforcement, Labor and Immigration Initiative	1	1,000	-1	0	0	0		0		0	
(f) Virgin Islands Construction		5,000		4,168	0	-600		3,568		-600	
(g) Impact Aid to CNMI (Capital Improvements)		0		0	0	0		0		0	
(h) Disaster Assistance		580		0	0	0		0		0	
Subtotal, Covenant Grants		27,720		27,720	0	0		27,720		0	
(3) Territorial Assistance											
(a) Office of Insular Affairs (OIA)	37	6,243	37	6,472	325	84	37	6,881	0	409	
(b) General Technical Assistance		10,431	1	7,456	0	105	1	7,561	0	105	
Judicial Program 9th Circuit		0		316	0	-316		0		-316	
Art. II Compact Health Care		0		986	0	-986		0		-986	
Insular Measures and Assessments		0		986	0	14		1,000		14	
Water System Rehab - CNMI		1,975		0	0	0		0		0	
Prior Service Benefits Trust Fund		0		986	0	-986		0		-986	
Water System Rehab - CNMI		0		986	0	0		0		-986	
subtotal, General Technical Assistance		12,406		11,716	0	-3,155		8,561		-3,155	
(c) Maintenance Assistance Fund		2,272		2,268	0	32		2,300		32	
(d) Brown Tree Snake Control		2,321		2,663	0	37		2,700		37	
(e) Insular Management Controls		1,472		1,470	0	21		1,491		21	
(f) Coral Reef Initiative		494		493	0	7		500		7	
Water and Wastewater Projects in the Insular Areas		0		0	0	1,000		1,000		1,000	
Subtotal, Territorial Assistance		25,208		25,082	325	-1,974		23,433		-1,649	
<b>TOTAL REQUIREMENTS, ASSISTANCE TO TERRITORIES</b>	<b>40</b>	<b>75,742</b>	<b>40</b>	<b>75,581</b>	<b>325</b>	<b>-1,643</b>	<b>40</b>	<b>74,263</b>	<b>0</b>	<b>-1,318</b>	

Assistance to Territories Summary of Requirements Table

Summary of Requirements by Object Class  
(Dollar amounts in thousand)

Appropriation:	Assistance to Territories	2005 Estimate		Uncontrollable and Related Changes		Program Changes		2006 Request	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<u>Object Class</u>									
11.0 Personnel Compensation:									
11.1	Permanent positions - FTE-P	40	2,561	103		40		2,664	
11.3	Positions other than permanent		435					435	
11.5	Other personnel Compensation		55					55	
	<b>Total personnel compensation</b>	<b>40</b>	<b>3,051</b>	<b>103</b>		<b>0</b>		<b>40</b>	<b>3,154</b>
<u>Other Object Classes</u>									
12.1	Personnel benefits		874	24					898
13.0	Benefits to former employees		--	--				--	--
21.0	Travel & transportation of persons		520	--				520	
22.0	Transportation of things		--	--				--	--
23.1	Rental payments to GSA		582	139				721	
23.2	Other rent, comm, and utilities		155	--				155	
24.0	Printing and reproduction		15	--				15	
25.0	Other services		2,375	59		74		2,508	
26.0	Supplies and materials		90	--				90	
31.0	Equipment		65	--				65	
41.0	Grants, subsidies & contributions		67,854 1/	--		(1,717)		66,137	
99.0	<b>Total requirements</b>		<b>75,581</b>	<b>325</b>		<b>(1,643)</b>		<b>74,263</b>	

**Assistance to Territories – Object Class Table**



DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 01085-0412-0 14-0412-0-1-806		2004 Actual	2005 Estimate	2006 Estimate
Direct Program:				
00.01	American Samoa Operations	23	23	23
Territorial Assistance				
00.02	(a) Office of Insular Affairs	6	6	7
00.03	(b) Technical Assistance	16	12	8
00.10	(c) Brown Tree Snake Control	2	3	3
00.11	(d) Insular Management Controls	2	1	1
00.12	(e) Maintenance Assistance Fund	2	1	2
00.13	(f) Coral Reef Initiative	1	1	1
00.14	Insular Measures and Assessments	--	--	1
00.91	Direct subtotal, discretionary	52	48	46
01.01	Covenant Grants (mandatory)	40	28	28
01.92	Direct subtotal	92	76	74
03.00	Direct subtotal	92	76	74
10.00	Total new obligations	92	76	74
Budget resources available for obligation				
21.40	Unobligated balance carried forward, start of year	30	18	18
22.00	New budget authority (gross)	77	76	74
22.10	Resources available from recoveries of prior year obligations	3	--	--
23.90	Total budgetary resources available for obligation	110	94	92
23.95	Total New obligations	-92	-76	-74
24.40	Unobligated balance carried forward, end of year	18	18	18
New budget authority (gross), detail				
40.00	Appropriation (discretionary)	49	49	46
60.00	Appropriation (mandatory)	28	28	28
70.00	Total new budget authority (gross)	77	76	74

Assistance to Territories – Programming & Finance Table (2)

DEPARTMENT OF THE INTERIOR  
 OFFICE OF INSULAR AFFAIRS  
 ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 01085-0412-0 14-0412-Q-1-806		2004 Actual	2005 Estimate	2006 Estimate
<b>Change in obligated balances</b>				
72.40	Obligated balance, start of year	1115	132	132
73.10	Total new obligations	92	76	74
73.20	Total outlays (gross)	-72	-76	-86
73.45	Recoveries of prior year obligations	-2	-	-
74.40	Obligated balance, end of year	132	132	120
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new discretionary authority	30	31	30
86.93	Outlays from discretionary balances	20	23	27
86.97	Outlays from mandatory authority	-	-	28
86.98	Outlays from mandatory balances	22	22	1
87.00	Total outlays (gross)	72	76	86
<b>Net budget authority and outlays</b>				
89.00	Budget authority	76	76	74
90.00	Outlays	72	69	86

**Assistance to Territories – Programming and Finance Table (2)**

0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0

**Department of the Interior  
Office of Insular Affairs  
EMPLOYEE COUNT BY GRADE**

(Total Employment)

	2004 Actual	2005 Estimate	2006 Estimate
ES-0	1	1	1
EF-0	1	1	1
SES	0	0	0
SL-0*	1	1	1
GS/GM-15	7	7	7
GS/GM-14	11	10	10
GS/GM-13	7	7	7
GS-12	3	3	3
GS-11	3	5	6
GS-10	0	0	0
GS-9	6	3	2
GS-8	0	0	0
GS-7	2	2	2
GS-6	0	0	0
GS-5	0	0	0
GS-4	0	0	0
GS-3	0	0	0
GS-2	0	0	0
<b>Total Employment (actual/projected) at the end of the Fiscal Year</b>	<b>42</b>	<b>40</b>	<b>40</b>

\*SL=denotes Chief Justice, High Court of American Samoa

Employee count includes the Ombudsman position.

**Employee Count by Table**



Activity: <b>AMERICAN SAMOA</b> Subactivity: <b>OPERATIONS GRANTS</b>						
	2004 Enacted	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
General Operations	21,957	21,922	-	+321	22,243	+321
High Court	857	857	-	+10	867	+10
FTE	2	2	-	-	2	-
<b>Total Requirements</b>	<b>22,814</b>	<b>22,779</b>	<b>-</b>	<b>+331</b>	<b>23,110</b>	<b>+331</b>
FTE	2	2	-	-	2	-

Authorization: The Act of February 20, 1929, (45 Stat. 1253, 48 U.S.C. 1661).

#### **PROGRAM OVERVIEW:**

Each fiscal year, the Office of Insular Affairs provides grant funds to American Samoa for the operation of the local government, including the judiciary. The American Samoa Government does not have sufficient local revenues to fund the entire operating costs of its government. The purpose of this program activity is to fund the difference between budget needs and local revenues. The Department defines "budget needs" as the cost of maintaining current programs and services. Unless mutually agreed upon by the American Samoan Government and the Department new programs are funded from local revenues.

#### **Cost and Performance Information:**

- The American Samoa Government provides annual input into the Department of the Interior budget including cost estimates and basic demographic information.
- The annual grant requires periodic financial reporting on the status of ASG finances and their efforts to achieve fiscal reform.
- Periodic meetings and site visits identify problems and issues and develop technical assistance or other strategic remedies.

A secondary objective of this program activity is to promote self-sufficiency (DOI Strategic Plan Outcome Goal 5 for Serving Communities). In this regard, the Department's policy is to maintain the operations grant at a constant level, thus requiring American Samoa to absorb the

costs of inflation or costs associated with the growing population. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations.

*Support for Strategic Plan:* Operational support for American Samoa is necessary to achieve the intermediate goal of economic development. An environment for economic development requires that government provide basic critical services such as health care, education and public safety. OIA subsidizes these basic services. However, OIA does not increase the annual subsidy amount for inflation or increases in population. This policy supports the long term goal of self-sufficiency by requiring the local government to assume an increasing share of the financial burden each year.

*Program evaluations, data validation and verification:* Program evaluations take place in several forms. The operational grant has financial reporting requirements that keep OIA apprised of the general financial condition of the government. In addition, OIA has entered into a memorandum of agreement with the American Samoa Government on a plan for financial reform. This agreement calls for periodic reports and assessments. Finally, GAO and the Interior Inspector General's Office have conducted numerous reviews and audits of OIA's relationship with American Samoa.

*Means and Strategies:* This program is carried out by means of an annual grant with a stream of monthly payments. The strategy is to keep the grant at a constant level, thus requiring American Samoa to absorb inflationary costs and increased program needs. This progressively leads toward self-sufficiency.

*1992 GAO Review and Joint Working Group:* The American Samoa Government has experienced serious financial problems for a number of years. As a result of a General Accounting Office Report issued on April 7, 1992, Congress directed the Department of the Interior and the American Samoa Government ("ASG") to form a joint working group to address ASG's financial management problems. In 1995, the Department hired a contractor with financial management expertise to assist the joint working group in developing and implementing a financial recovery plan. On January 26, 1996, the Governor submitted the financial recovery plan to the Department, endorsing all its recommendations and pledging to implement the plan. Unfortunately, progress reports revealed that the American Samoa Government was not taking substantive steps towards implementing cost-containment and revenue enhancement measures identified in the financial recovery plan. In 1997, Congress directed that \$2 million of capital improvement funding be withheld until the Secretary certifies that the financial recovery plan has been substantially implemented. These funds were released to American Samoa in fiscal year 2004.

*Fiscal Year 2000 Tobacco Loan and Fiscal Reform Plan:* In response to a proposal from the American Samoa Government (ASG), Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million, to be repaid from their share of the Tobacco Settlement Escrow Fund for the purpose of paying debts (\$14.3 million) and implementing



financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors have now been paid. As a condition to the loan and requirement of the 1980 legislation, ASG submitted an Initial Fiscal Reform Plan on July 30, 2001. Subsequent to discussions and meetings between ASG and OIA, a Memorandum of Agreement (MOA) was signed by Governor Tauese P. Sunia and Deputy Assistant Secretary David B. Cohen on August 2, 2002. The MOA defined the implementation of the fiscal reform plan designed to bring the ASG annual operating expenses into balance with projected revenues for the years 2003 and beyond as required under Public Law 106-113 (H.R. 2466) Part 5, Section 125(b)(3). As authorized by the MOA, OIA released \$4.3 million for expenses incurred by ASG under the Fiscal Reform Plan. The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

*Revised Fiscal Reform Plan:* In July 2004, ASG submitted a revised Fiscal Reform Plan (Plan) to comply with the MOA and more accurately describe the on-going fiscal reform activities ASG was able to undertake with the financial and technical assistance provided by OIA. In September 2004, OIA accepted this Plan and, upon verification of progress, released \$2 million in CIP funds that had been withheld from ASG since 1997. ASG has continued to provide information as required under the MOA and Plan, and reported operational surpluses for Fiscal Years 2002 through 2004. A review of ASG's continued progress of the action items of the Plan is scheduled for March 2005. In addition to monitoring the progress of the current action items, it is OIA's goal to assist ASG in developing and implementing fiscal reforms that will have a long-term effect on ASG's financial management practices and result in a more responsive and accountable government.

## 2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS

American Samoa accomplished the following in 2004:

- Established a schedule for completion of Single Audits for fiscal years 2001, 2002, 2003, 2004 and 2005.
- November 15, 2003 – Financial Reports for quarter ending September 30, 2003.
- February 15, 2004 – Financial Reports for quarter ending December 31, 2003.
- May 14, 2004 – Financial Reports for quarter ending March 31, 2004.
- August 15, 2004 – Financial Reports for quarter ending June 30, 2004.

## 2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS

American Samoa plans to accomplish the following in 2005:

- November 15, 2004 – Financial Reports for quarter ending September 30, 2004.



- February 15, 2005 – Financial Reports for quarter ending December 31, 2004.
- May 14, 2005 – Financial Reports for quarter ending March 31, 2005.
- August 15, 2005 – Financial Reports for quarter ending June 30, 2005.

### 2006 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS

American Samoa plans to accomplish the following in 2006:

- November 15, 2005 – Financial Reports for quarter ending September 30, 2005.
- February 15, 2006 – Financial Reports for quarter ending December 31, 2005.
- May 14, 2006 – Financial Reports for quarter ending March 31, 2006.
- August 15, 2006 – Financial Reports for quarter ending June 30, 2006.

### JUSTIFICATION OF 2006 PROGRAM CHANGES:

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	23,110	+331
FTEs	2	0

The FY 2006 provides a modest increase to the American Samoa Government operation grants to promote self-sufficiency. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations in keeping with the Department's policy to require American Samoa to absorb inflationary costs. The program increase of \$331,000 is necessary to continue to fund American Samoa Operations at a level comparable to the last 10 years. The increase will allow the American Samoa government to continue current work on obtaining quality financial reports.

Relationship to Performance Goals: The provision of an operating subsidy is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and services. The accomplishments identified above are directly related to OIA's intermediate outcome measures of quality and timeliness of financial statements included in the 2004 accomplishments for American Samoa noted on the previous page. OIA will continue to work closely with the American Samoan Government to achieve minimal auditor qualifications, and decrease the total number of months late for submission of audited general fund financial statements.

<b>Activity: CNMI/COVENANT GRANTS</b>						
<b>SUMMARY TABLE</b>						
<b>\$(000)</b>	<b>2004 Actual</b>	<b>2005 Enacted</b>	<b>Uncontrollable-changes</b>	<b>Program Changes</b>	<b>2006 Budget Request</b>	<b>Change From 2005</b>
CNMI Construction	11,000	12,423	0	-1,215	11,208	-1,215
American Samoa Construction	10,140	9,731	0	-189	9,542	-189
Guam Construction	0	1,398	0	+2,004	3,402	+2,004
Virgin Islands Construction	5,000	4,168	0	-600	3,568	-600
CNMI Immigration Initiative	1,000	0	0	0	0	0
Disaster Assistance	580	0	0	0	0	0
<b>Totals</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>0</b>
FTEs	1	0	0	0	0	0

**Authorization:** Public Law (P.L.) 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Article VII, "United States Financial Assistance", 48 U.S.C. 1681, as amended by Section 10 of P.L. 99-396 (100 Stat. 840). Public Law 99-236 authorized continued funding for this activity at the funding level of the last authorized year (\$27,720,000), until further Congressional action. These provisions were further amended by Public Law 104-134, enacted in 1996.

#### **Cost and Performance Information**

In FY 2005 OIA implemented a new competitive system to allocate all of the \$27.7 million that will offer an opportunity to improve accountability and provide incentives for territorial management and financial reforms.

- Grantee performance is assessed annually against 13 criteria
- Each criteria is assigned a score of 0-4
- Scores are used to determine the annual allocation of funding among insular area Grantees.

**FISCAL YEAR 2005 REQUEST AND PROGRAM OVERVIEW:** Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The CNMI Initiative can be funded from discretionary technical assistance money. The territories are being asked to submit capital improvement requests in a range both above and below base (target). The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands and American Samoa. With respect to base levels for Guam and the U.S. Virgin Islands, OIA has divided equally the balance of the funding since these two governments have a greater capacity to locally finance infrastructure and the historical trends are not as clear. In the case of Guam, infrastructure assistance over the past several years has been in the form of Compact impact aid that has been increased in the budget, but moved to the Compact appropriation account. In the case of the Virgin Islands, funding has only been available on an intermittent basis. The new process offers both governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2 million above and below these base-levels:

<u>Baseline Covenant Funding</u>	
FY 2005 – FY 2010	
(\$000)	
CNMI .....	11,000
American Samoa .....	10,000
Guam .....	3,360
Virgin Islands .....	<u>3,360</u>
<b>TOTAL</b>	<b>27,720</b>

The following set of threshold criteria has been developed to determine eligibility to receive infrastructure support through Covenant capital improvement grants. If the insular governments are deficient in any of these criteria, they must either demonstrate their willingness and capability to correct the deficiency prior to grant award; or must present or have presented to OIA, for approval, a financially viable plan, with clear benchmarks, to bring them into compliance by a specific deadline. The threshold criteria are listed below:

Covenant Grant Allocation  
Threshold Criteria

The insular government has in place:

1. properly functioning internal controls, including the presence of a qualified independent auditor, with an adequately funded office and strong safeguards to its independence;
2. standard procurement statutes requiring competitive bidding processes and prohibiting conflicts of interest;



3. financial management system capacity that meets minimum standards required by the "Common Rule" for Federal grants (for the Department of the Interior these standards can be found at 43 CFR 12.6);
4. presence of qualified professionals (normally engineers or architects) to develop project specifications and cost estimates, certify plans and oversee project implementation.

The insular government must also:

1. be in general compliance with deadlines established under the Single Audit Act of 1984;
2. be in general compliance any memoranda of agreement, memoranda of understanding, or other agreements to which it is a party with the Office of Insular Affairs or the Department of the Interior.

The determination of the annual allocation is made on the basis of a set of competitive criteria that measure the demonstrated ability of the governments to exercise prudent financial management practices, to select and administer high priority projects, and to meet Federal grant requirements. In addition to the application of these criteria to the allocation of capital improvement assistance, the Office of Insular Affairs will consider the capacity of the insular government to absorb the amount of capital assistance they would otherwise qualify for and any special or extenuating conditions that might require adjustments to the allocation. The competitive criteria either measure the governments' demonstrated financial and administrative capabilities or assess the relative merits of the proposed projects. The competitive criteria are listed below:

#### Competitive Criteria for Proposed Allocation of Mandatory Covenant Funding

Financial and administrative criteria:

1. The extent to which the applicant provides timely and comprehensive responses to any follow-up inquiries that OIA may have regarding audits, including those related to questioned costs and those related to internal control deficiencies.
2. The extent to which the applicant has demonstrated prompt and effective efforts to resolve questioned costs or to correct internal control deficiencies.
3. The extent to which the applicant has complied with all reporting requirements and other requirements applicable to past and ongoing grants.
4. The extent to which the applicant has demonstrated effective contract administration and compliance with local statutes and regulations regarding procurement practices and processes.
5. The extent to which the applicant is exercising prudent financial management, is solvent, and is current in paying outstanding obligations.
6. The extent to which the applicant is maintaining clear and updated grant files that are readily available for review.
7. The extent to which the applicant has expended previous grant awards in accordance with budget constraints and construction schedules.

## Project criteria:

1. The extent to which the application is submitted on time and is complete.
2. The extent to which the proposed projects help achieve the economic goals and objectives set forth in OIA's strategic plan.
3. The extent to which the application describes anticipated measurable outcomes for the project.
4. The extent to which the application provides a schedule of major milestones for completion of the project, including start and finish dates.
5. The extent to which the application provides a sufficient level of detailed cost estimates with total costs that are within OIA budget targets.
6. The extent to which the project supports stated priorities and serves a significant portion of the population.

Allocations will vary from year to year depending upon how the insular governments meet the competitive criteria. A change in an annual allotment does not necessarily indicate deterioration in performance. It instead recognizes those governments whose performance has increased during a fiscal year. However, once every five years, OIA will re-calculate base levels based on the average allocation over the five-year period. Thus, long-term good performance will be rewarded and poor performance in the long-term will be penalized.

<b>Territory</b>	<b>Baseline Funding</b>	<b>FY 2005 +/- Baseline</b>	<b>FY 2006 +/- Baseline</b>	<b>Total FY 2005</b>	<b>Total FY 2006</b>	<b>Diff +/- FY 2005</b>
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

<b>Activity: CNMI/COVENANT GRANTS</b>						
<b>Subactivity: CNMI CONSTRUCTION</b>						
	2004 Actual	2005 Estimate	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)						
CNMI Construction	11,000	12,423	0	-1,215	11,208	-1,215
<b>Total</b>	11,000	12,423	0	-1,215	11,208	-1,215
FTEs	--	--	--	--	--	--

**Authorization:** Public Law (P.L.) 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Article VII, "United States Financial Assistance", 48 U.S.C. 1681, as amended by Section 10 of P.L. 99-396 (100 Stat. 840). Public Law 99-236 authorized continued funding for this activity at the funding level of the last authorized year (\$27,720,000), until further Congressional action. These provisions were further amended by Public Law 104-134, enacted in 1996.

### PROGRAM OVERVIEW

Section 701 of the Covenant (Public Law 94-241) states, "*The Government of the United States will assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American economic community and to develop the economic resources needed to meet the financial responsibilities of local self-government.*" Section 701 does not contain a finite standard to measure what is an adequate standard of living or the amount of economic resources necessary to meet the financial responsibilities of local self-government. Instead, it speaks of achieving progressively higher standards and a commitment by the Federal government to assist the CNMI in making progress.

The Federal government's financial commitment to the Covenant totals \$581 million in mandatory funding since the first seven-year period of financial assistance began in 1978. The second of the two subsequent guaranteed funding periods expired in FY 2003. This last agreement, as modified by Congressional action, provided a total of \$148 million in mandatory funding over an eleven-year period that was matched by the CNMI government. All of the funding has been used for construction of infrastructure, as required by Public Law 104-134 and the Third Special Representatives Agreement. The US-CNMI partnership in capital development has produced tangible results in terms of infrastructure and economic development, which is especially significant when considering that the CNMI has the shortest history as part of the United States. This subactivity supports DOI's Serving Communities Strategic goal, and is aimed at increasing economic self-sufficiency in the CNMI.



*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support a healthy business climate that attracts and retains private sector investment. The construction contracting process provides income to private sector and supports competitive practices and business efficiencies. A successful private sector results in improved health, higher levels of education and a safer community thereby accomplishing DOI's long-term goal of increasing economic self-sufficiency. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The capital improvement programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. Annual plans, budgets and performance information related to planning and management capacities are evaluated annually against threshold and competitive criteria to allocate resources among the insular areas.

*Means and strategies:* Capital improvement funds are provided as financial assistance through the Federal grant process. Through the management of the capital improvement programs, the CNMI will continue to hone its skills related to community planning, contract and project management and accountability, bolstering self-governance.

## **FY 2004 PROGRAM ACCOMPLISHMENTS**

In FY 2002, the Commonwealth government launched an effort to better plan and manage its capital improvement program. Consequently, beginning in FY 2003 and continuing in FY 2004, the CNMI made significant improvements in their CIP administration, especially in the areas of project accounting and project management. The CNMI hired a CIP coordinator in the Governor's office and hired new project managers for each of the main islands in the Commonwealth. Furthermore, the CNMI has continued to support an administrative office for the coordination of federal infrastructure projects which has resulted in the CNMI producing and submitting financial and narrative reports as required by federal grant regulations.

## **2005 PLANNED PROGRAM PERFORMANCE**

FY 2005 will see continued focus on critical needs in basic infrastructure such as delivery of potable water, solid waste management, and provision of sanitary sewer. The service needs in these projects are long standing and well documented in previous studies and CIP plans prepared by and for the CNMI. The \$12.4 million will be granted to the CNMI under terms and conditions similar to the Third Special Representatives Agreement but will not require the local government to match the Federal contribution. Funded projects must be included in the overall capital improvement development plan of the CNMI which details priority needs.

**JUSTIFICATION OF 2006 PROGRAM CHANGES:****CNMI Construction**

(-\$1,215,000) from FY 2005 funding level

(+\$208,000) from 2006 baseline funding level

Dollars in thousands (000's)

Territory	Baseline Funding	FY 2005 +/- Baseline	FY 2006 +/- Baseline	Total FY 2005	Total FY 2006	Diff +/- FY 2005
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

The FY 2006, budget request for the CNMI construction program is \$11,208,000 with no additional FTE's. Although it appears as an overall decrease in total funding between FY 2005 and FY 2006 levels, there is an actual increase to the CNMI above baseline funding. This occurred because Guam did better in meeting allocation criteria therefore lessening the total available dollars to allocate among the territories.

Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The CNMI Initiative can be funded from discretionary technical assistance money. The territories are being asked to submit capital improvement requests in a range both above and below base (target). The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands. The OIA capital improvement request for each government will be within a range \$2 million above and below these base-levels:

CNMI Baseline Funding	\$11,000,000
Results from Competitive Process	<u>+208,000</u>
Programmed funding for FY2005	\$11,208,000

The amount requested in FY 2006 reflects the continued needs in the CNMI to invest in public infrastructure which will help to improve the quality of life for residents. Another purpose of infrastructure development is to develop a backbone to support the economic development of the CNMI to attain a goal of self-reliance.

The CNMI will continue the implementation of its Capital Improvements Plan with a renewed focus on the priority list established in 1999. The proposed projects to be funded in FY 2006 are briefly explained below.

The Delivery of Potable Water to the island of Saipan will be the focus of proposed capital improvement spending at \$5,656,000. Currently, the residents of Saipan do not have potable water that is available twenty-four hours a day. The CNMI governor formed the Water Task Force to coordinate this important effort.

Another important activity on the island of Saipan is the revitalization of the tourist district, Garapan. The CNMI plans to use \$1,500,000 for the Garapan Revitalization Phase V project. Past capital improvement funding has been used successfully to make Garapan more tourist friendly with pedestrian routes and parks. Garapan Revitalization Phase V continues these efforts.

In order to comply with EPA regulations, the CNMI recently commenced closure of the Puerto Rico Dump once a new dump was created. A few activities remain to be completed before the Puerto Rico dump will be permanently closed. The CNMI plans to use \$1,500,000 of the FY 2006 capital improvement funding to ensure that the dump is closed properly.

The island of Tinian plans to use capital improvement funding for its Wastewater Collection, Transmission, Treatment, and Disposal Project while the island of Rota plans to use capital improvement funding to develop a new landfill. Each island would receive \$1,276,000 to implement their project plans.

**Relationship to Performance Goals:** This program furthers the intermediate goals of increasing economic development and self-sufficiency in the CNMI, through improving infrastructure priority needs. The CNMI has met its initial performance output in 2003 of creating a multi-year infrastructure plan and has moved on to improve the ratio of projects completed to projects started. Each of the projects identified to date for the FY 2005 accomplishments is a component of overall plans developed for the CNMI, lending support to economic development and self-sufficiency. These construction projects will have performance measures and milestones to achieve, consistent with OIA's intermediate measure of increased percentages of projects achieving identified goals as planned.



### PROJECT LISTINGS AND UPDATES

With the financial assistance of OIA, the CNMI worked with the U.S. Army Corps of Engineers to evaluate its personnel, planning, contract management and reporting systems. In 1998, the CNMI, in conjunction with the ACOE, developed a capital needs plan. This plan has directed the expenditure of capital improvement funding. The following projects have been initiated with Covenant funding during the past five years. The percent disbursed is generally indicative of percent of grant proposal construction completed.

In reviewing the following tables please note that the CNMI has made great strides to strengthen the government's ability to effectively manage infrastructure grants and accelerate the spending of grant funds. The current administration has been especially diligent in these efforts by assigning capable individuals to manage grant funds and by supporting project manager positions to monitor the progress of specific projects. Working together with OIA, the CNMI is pushing vital infrastructure improvements forward, therefore, it is expected that unspent grant funds detailed in the following charts will become increasingly encumbered.

OIA continues to encourage the CNMI and other territories to practice sound grants management through the new competitive CIP allocation process. Any territory that is currently not spending CIP funding in an efficient manner could receive less CIP funding in the future.

#### FY 2006 Proposed Projects

Funding Category	Amount Awarded (\$)	Percent Disbursed
Economic Development	\$1,500,000	0%
Solid Waste	\$2,776,000	0%
Wastewater	\$1,276,000	0%
Water	\$5,656,000	0%
<b>Total</b>	<b>\$11,208,000</b>	<b>0%</b>

#### FY 2005

Funding Category	Amount Awarded (\$)	Percent Disbursed
Solid Waste	\$2,673,000	0%
Wastewater	\$3,270,000	0%
Water	\$6,480,000	0%
<b>Total</b>	<b>\$12,423,000</b>	<b>0%</b>

## FY 2004

Funding Category	Amount Awarded (\$)	Percent Disbursed
Economic Development	\$3,000,000	40%
Roads	\$500,000	0%
Solid Waste	\$1,000,000	0%
Wastewater	\$1,300,000	0%
Water	\$5,200,000	2%
<b>Total</b>	<b>\$11,000,000</b>	<b>12%</b>

## FY2003

Funding Category	Amount Awarded (\$)	Percent Disbursed
Education	\$370,500	26%
Health	\$160,000	0%
Economic Development	\$2,000,000	92%
Power	\$250,000	0%
Ports	\$700,000	0%
Public Buildings	\$375,000	16%
Roads	\$1,922,500	0%
Solid Waste	\$3,650,000	0%
Wastewater	\$1,052,000	0%
Water	\$520,000	0%
<b>Total</b>	<b>\$11,000,000</b>	<b>18%</b>

## FY 2001-2002 Grant Awards

Funding Category	FY2002		FY 2001	
	Amount Awarded (\$)	Percent Disbursed	Amount Awarded (\$)	Percent Disbursed
Education	\$892,500	1%	\$1,328,000	3%
Economic Development	-	-	\$1,250,000	80%
Health	\$1,455,000	0%	\$4,140,000	26%
Ports	\$2,500,000	0%	\$750,000	7%
Public Buildings	-	-	\$1,702,500	40%
Public Safety	-	-	\$2,232,800	75%
Roads	-	-	\$230,295	62%
Solid Waste	\$1,550,000	7%	-	-
Wastewater	\$2,766,000	2%	-	-
Water	-	-	\$350,000	100%
Unallocated	\$1,836,500	0%	\$14,205	0%
<b>Total</b>	<b>\$11,000,000</b>	<b>2%</b>	<b>\$11,997,800</b>	<b>42%</b>



FY 2001-2002 Grant Awards

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Funding Category	FY 2006		FY 2001	
	Amount Awarded (\$)	Percent Disbursed	Amount Awarded (\$)	Percent Disbursed
Total	\$11,000,000	1%	\$11,997,800	43%
Unallocated	\$1,836,300	0%	\$14,302	0%
Water	-	-	\$350,000	100%
Wastewater	\$2,766,000	2%	-	-
Solid Waste	\$1,250,000	7%	-	-
Roads	-	-	\$230,292	61%
Public Safety	-	-	\$1,232,800	75%
Buildings	-	-	\$1,702,500	40%
Public	-	-	-	-
Ports	\$2,500,000	0%	\$750,000	7%
Health	\$1,422,000	0%	\$440,000	36%
Economic Development	-	-	\$1,250,000	80%
Education	\$892,500	1%	\$1,328,000	3%

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: AMERICAN SAMOA CONSTRUCTION</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	10,140	9,731	0	-189	9,542	-189
FTEs	-	-	-	-	-	-

**Authorization:** P.L. 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Article VII, "United States Financial Assistance", 48 U.S.C. 1681, as amended by Section 10 of P.L. 99-396 (100 Stat. 840). Public Law 104-134 was enacted in 1996, amending Public Law 99-396 to continue annual Federal funding to the CNMI at a reduced level and to prescribe reallocation of remaining funds for other uses, including capital infrastructure for American Samoa.

**PROGRAM OVERVIEW:** Until 1996, American Samoa received annual discretionary grants for capital improvement needs. These grants averaged approximately \$5 million annually. During that time American Samoa fell further and further behind in keeping up with the infrastructure needs of a rapidly growing population. As a consequence, the people of the territory have been faced with increasing hardship and risk with regard to such basic needs as drinking water, medical services and education. In recognition of these severe problems, Congress enacted legislation in fiscal year 1996 which directs a portion of the mandatory covenant funds to be used to pay for critical infrastructure in American Samoa. The legislation required the development of a multi-year capital improvement plan. The plan was prepared by a committee appointed by the Governor of American Samoa. The Army Corps of Engineers served as technical advisors to the committee under an interagency agreement funded through the Office of Insular Affairs. This plan was transmitted to Congress on August 8, 1996. The Capital Improvement Master Plan is updated on an annual basis. All projects have been categorized into three general priority areas. First order priorities include health, safety, education, and utilities. Second order priorities include ports and roads. Third order priorities include industry, shoreline protection, parks and recreation and other government facilities. The objective of this program is to assist American Samoa in providing infrastructure to promote economic development and improve health, education and public safety.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support private sector investment and support a business climate. The construction contracting process provides income to private sector and supports competitive practices and business efficiencies. The long-term goal of increasing economic self-sufficiency is supported as a result of the effects improved health, higher levels of education and more

effective public safety has on the over-all community. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The capital construction programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. Annual plans, and budgets, including performance information related to planning and management capacities are evaluated annually against threshold and competitive criteria to allocate resources among the insular areas. The Office of Insular Affairs will apply these guidelines to the collection of its performance information and will supplement these protocols in instances where incoming information is not in the control of the organization or where information is obtained under contract.

*Means and strategies:* Capital construction funds are provided as financial assistance through the Federal grant process. The funding also supports the development of planning, contract and project management and accountability, bolstering self-governance.

#### **2004 AND 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In FY 2004, the Government of American Samoa took steps to further augment the territories ability to manage its CIP grant funding from OIA. First, the Governor reconstituted the CIP Committee in American Samoa. The committee consists of representatives from all of the government organizations that receive CIP funding and is headed by a Chairman appointed by the Governor. Together, the CIP committee formulates the infrastructure priorities in territory and monitors ongoing projects to see that they are successfully completed.

In addition to the CIP Committee, the American Samoa Government has hired a new employee to coordinate the collection of CIP related information from the various American Samoa agencies. The employee will aid the CIP Committee in fulfillment of its duties as well as providing OIA with required documentation and other information in an efficient manner.

FY 2005 American Samoa will continue focus on critical needs in basic infrastructure such as providing adequate educational and health care facilities for American Samoa's growing population. The service needs in these project areas and others are long standing and well documented in previous studies and CIP plans prepared by and for American Samoa. In FY 2005, American Samoa will be granted \$9,731,000 to address these infrastructure needs.



American Samoa has allocated its fiscal year 2004 and 2005 funding and submitted plans for the following capital improvement projects:

**FY 2004-2005 Grant Awards**

FUNDING CATEGORY	2004 AMOUNT AWARDED (\$)	2005 AMOUNT AWARDED (\$)
Health	\$1,900,000	\$1,710,000
Education	\$3,106,500	\$2,774,000
Water Improvements	\$475,000	\$950,000
Sewer Improvements	\$1,900,000	\$1,416,000
Solid Waste Improvements	\$475,000	\$237,500
Port	\$817,000	\$532,000
Roads	\$361,000	\$741,000
Public Safety	\$484,500	\$484,500
Parks	\$76,000	\$76,000
Public Buildings	\$38,000	\$323,000
O&M Set-Aside	\$507,000	\$487,000
<b>TOTAL</b>	<b>\$10,140,000</b>	<b>\$9,731,000</b>

**2006 PLANNED PROGRAM  
PERFORMANCE ACCOMPLISHMENTS**

American Samoa has submitted the following allocations for fiscal year 2006 projects: \$2 million for health, \$2.850 million for education, \$500 thousand for water improvements, \$1.765 million for sewer improvements, \$250 thousand for solid waste improvements, \$1.370 million for port improvements, \$296.7 thousand for village road improvements, \$410 thousand for public safety, and \$100 thousand for parks and recreation.

**Cost and Performance Information:**

- Reduce average number of students per classroom.
- Increase number of residents with sewer hookups.
- Increase number of ships (container) utilizing the wharf.

**JUSTIFICATION OF 2006 PROGRAM CHANGES:****American Samoa Construction**

(-\$189,000) from FY 2005 funding level

(-\$428,000) from FY 2006 baseline funding level

Dollars in thousands (000s)

Territory	Baseline Funding	FY 2005 +/- Baseline	FY 2006 +/- Baseline	Total FY 2005	Total FY 2006	Diff +/- FY 2005
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

The FY 2006, budget request for the American Samoa Construction program is \$9,542,000 with no additional FTE's. The fiscal year 2006 recommended level for American Samoa Construction is \$9,542,000. This is a decrease of \$189,000 from fiscal year 2005. The overall decrease in total funding between FY 2005 and FY 2006 levels is because Guam did better overall in meeting allocation criteria as compared to the prior year therefore receiving a greater portion of the distribution as compared to 2005 and reducing the balance for allocation to the remaining areas.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	9,542	-189
FTEs	0	0

The fiscal year 2006 recommended level for American Samoa construction \$9.542 million. This is a reduction of \$.189 million from fiscal year 2005.

The entire 2006 request will be utilized for infrastructure projects in American Samoa. Approximately \$2 million of the \$9.5 million request will be utilized to make improvements to

the Lyndon B. Johnson Tropical Center, specifically, to begin construction of a new two-story pediatric ward building on the site of the existing facility. This is part of a long-term program to construct four new two-story wards. Repair and upgrade of the facility has reached a critical point due to age and overcrowding.

Approximately \$2.850 million will be utilized to provide quality education for a growing population of students in American Samoa. These funds will be used to construct new classroom buildings at Leone Junior High School and at Lupelele in order to meet increased demand and improve existing facilities. The \$2.850 million will also fund construction of a new office building for the Department of Education, their current facility being beyond repair, and the purchase of necessary furniture and equipment for schools.

Approximately \$1.765 million will be utilized to make much needed improvements to the sewer system. New sewer lines will be constructed for portions of Tualauta County which currently have no service. In addition, improvements to existing inadequate lines will be made to provide better service, fire protection, and to prevent possible contamination of the water supply.

Approximately \$1.370 million will be utilized to continue to upgrade the Main Container Wharf which plays a critical role in American Samoa's infrastructure. The current structure's surface is failing and must be replaced and strengthened in order to be able to meet demand. The remainder of the funds will be used to meet a Federal Aviation Administration match requirement. The Airport is unable to generate enough funds to meet the match requirement in order to receive the approximately \$ 9 million in grant funds to make necessary improvements to its facilities.

The remaining \$1.557 million will be utilized for various water improvement, solid waste, public safety, park and road projects.

The fiscal year 2006 amount was calculated utilizing the CIP selection criteria and methods below and further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant grants. It was based on a premise that all funds would be used for capital needs in the U.S. territories. The territories were asked to submit capital improvement requests in a range both above and below base (target). The base-levels were established on the basis of current historic trends with respect to American Samoa. The new process offered the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2 million above and below these base-levels:

American Samoa Baseline Funding.....	\$10,000,000
Results from competitive process.....	- \$458,000
Proposed funding for FY 2006.....	\$9,542,000



PROJECT LISTING

The following tables list the proposed projects for fiscal year 2006 and projects funded by the fiscal year 2005, 2004, 2003, 2002, and 2001 appropriations. These projects are in accordance with the American Samoa Master Capital Improvement Plan.

In reviewing the tables please note that the American Samoa Government and OIA have worked together to effectively address the infrastructure needs of the territory through the expeditious expenditure of CIP grant funding. The following tables are evidence of these efforts. The spending patterns displayed by the tables are consistent with the construction process. Spending is initially low in the planning and design phases of a construction project. Once these phases are complete and the actual construction work begins, spending is greatly accelerated.

American Samoa Baseline Funding.....	210,000,000
Reserve from competitive process.....	2428,000
Proposed funding for FY 2006.....	22,342,000

## FY 2006 Proposed

In accordance with American Samoa's fiscal year 2006 budget submission dated August 1, 2004, the proposed fiscal year 2006 funding will be used for the following critical infrastructure:

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	2,000,000	0%
Education	\$2,850,000	0%
Water Improvements	\$500,000	0%
Sewer Improvements	\$1,765,000	0%
Solid Waste Improvements	\$250,000	0%
Ports	\$1,370,000	0%
Public Safety	\$410,000	0%
Parks & Recreation	\$100,000	0%
Village Roads	\$296,700	0%
<b>TOTAL</b>	<b>\$9,541,700</b>	<b>0%</b>

## FY 2005 – Awarded December 27, 2004

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,710,000	0%
Education	\$2,774,000	0%
Water Improvements	\$950,000	0%
Sewer Improvements	\$1,416,000	0%
Solid Waste Improvements	\$237,500	0%
Port	\$532,000	0%
Roads	\$741,000	0%
Public Safety	\$484,500	0%
Parks	\$76,000	0%
Public Buildings	\$323,000	0%
O&M Set-Aside	\$487,000	0%
<b>TOTAL</b>	<b>\$9,731,000</b>	<b>0%</b>

## FY 2004 – Awarded February 20, 2004

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,900,000	29%
Education	\$3,106,500	0%
Water Improvements	\$475,000	0%
Sewer Improvements	\$1,900,000	42%
Solid Waste Improvements	\$475,000	49%
Port	\$817,000	20%
Roads	\$361,000	0%
Public Safety	\$484,500	0%
Parks	\$76,000	0%
Public Buildings	\$38,000	0%
O&M Set-Aside	\$507,000	50%
<b>TOTAL</b>	<b>\$10,140,000</b>	<b>20%</b>

## FY 2003- Awarded March 7, 2003

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,984,500	71%
Education	\$3,695,550	40%
Water Improvements	\$855,000	43%
Sewer Improvements	\$1,258,750	100%
Solid Waste Improvements	\$237,500	11%
Port	\$641,250	98%
Roads	\$361,000	24%
Public Safety	\$324,900	0%
Parks	\$95,000	0%
Public Buildings	\$145,350	77%
Economic Development	\$34,200	0%
O&M Set-Aside	\$507,000	85%
<b>TOTAL</b>	<b>\$10,140,000</b>	<b>57%</b>



## FY 2002 - Awarded October 22, 2001

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,539,000	77%
Education	\$2,850,000	84%
Water Improvements	\$1,425,000	97%
Sewer Improvements	\$950,000	100%
Solid Waste Improvements	\$237,500	100%
Port	\$997,500	88%
Roads	\$598,500	55%
Public Safety	\$874,000	78%
Parks	\$161,500	0%
O&M Set-Aside	\$507,000	100%
<b>TOTAL</b>	<b>\$10,140,000</b>	<b>84%</b>

Note: OIA is working closely with the ASG to increase spendout rates on infrastructure projects.

## FY 2001 - Awarded October 16, 2000

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,643,500	100%
Education	\$2,783,500	100%
Water Improvements	\$475,000	100%
Sewer Improvements	\$2,400,000	100%
Solid Waste Improvements	\$237,500	100%
Power	\$237,500	100%
Port	\$475,000	100%
Roads	\$361,000	96%
Public Safety	\$532,000	80%
Parks	\$209,000	61%
Economic Development	\$304,000	100%
O&M Set-Aside	\$482,000	100%
<b>TOTAL</b>	<b>\$10,140,000</b>	<b>98%</b>

**Maintenance Set-aside:** Five percent (5%) of all grant funds from the mandatory covenant account for American Samoa construction is set aside for operations and maintenance. ASG provides a 100% match. This maintenance set-aside program requires specific plans from ASG for the use of the money as well as reporting procedures necessary to account for this fund.

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,643,300	100%
Education	\$2,783,300	100%
Water Improvements	\$473,000	100%
Sewer Improvements	\$2,400,000	100%
Solid Waste Improvements	\$237,500	100%
Power	\$237,500	100%
Port	\$473,000	100%
Roads	\$201,000	90%
Public Safety	\$232,000	80%
Parks	\$200,000	0%
Economic Development	\$304,000	100%
O&M Set-Aside	\$483,000	100%
<b>TOTAL</b>	<b>\$10,146,000</b>	<b>98%</b>

Note: OIA is working closely with the ASG to increase expenditure rates on infrastructure projects.

FY 2001 - Awarded October 16, 2000

FUNDING CATEGORY	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Health	\$1,643,300	100%
Education	\$2,783,300	100%
Water Improvements	\$473,000	100%
Sewer Improvements	\$2,400,000	100%
Solid Waste Improvements	\$237,500	100%
Power	\$237,500	100%
Port	\$473,000	100%
Roads	\$201,000	90%
Public Safety	\$232,000	80%
Parks	\$200,000	0%
Economic Development	\$304,000	100%
O&M Set-Aside	\$483,000	100%
<b>TOTAL</b>	<b>\$10,146,000</b>	<b>98%</b>

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: GUAM CONSTRUCTION</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	0	1,398	-	+2,004	3,402	+2,004
FTEs	-	-	-	-	-	-

**Authorization:** P.L. 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Article VII, " United States Financial Assistance", 48 U.S.C. 1681, as amended by Section 10 of P.L. 99-396 (100 Stat. 840) and Section 118 of Public Law 104-134 mandated

**PROGRAM OVERVIEW:** Legislation enacted in 1996 established a minimum six-year capital infrastructure project program for Guam as impact aid resulting from Micronesian immigration authorized in the Compacts of Free Association. Beginning in fiscal year 2004, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Funds provided in fiscal year 2005 and future years under this subactivity will be utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support private sector investment and support a business climate. The construction contracting process provides income to private sector and supports competitive practices and business efficiencies. The long-term goal of increasing economic self-sufficiency is supported as a result of the effects improved health, higher levels of education and more effective public safety has on the over-all community. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The capital construction programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. Annual plans, and budgets, including performance information related to planning and management capacities are evaluated annually against threshold and competitive criteria to allocate resources among the insular areas. The Office of Insular Affairs will apply these guidelines to the collection of its performance information and will supplement these protocols in instances where incoming information is not in the control of the organization or where information is obtained under contract.



*Means and strategies:* Capital construction funds are provided as financial assistance through the Federal grant process. The funding also supports the development of planning, contract and project management and accountability, bolstering self-governance.

#### 2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS

No funds were provided to Guam in 2004 under the mandatory Covenant funding.

#### 2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS

The Office of Insular Affairs awarded \$1.398 million to Guam in fiscal year 2005 for construction under the mandatory Covenant funding. The amount is being utilized for the design and revitalization of Hagatna, Guam's capital city. The financial assistance will enable building and renovations of public offices situated in Hagatna. This in turn is anticipated to increase the number of private businesses relocating to the area and increase public use of the area by providing increased shopping, entertainment and recreation opportunities.

#### JUSTIFICATION OF 2006 PROGRAM CHANGES:

##### Guam Construction (+\$2,004,000)

*Dollars in Thousands (000s)*

Territory	Baseline Funding	FY 2005 +/- Baseline	FY 2006 +/- Baseline	Total FY 2005	Total FY 2006	Diff +/- FY 2005
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

The FY 2006, budget request for the Guam Construction program is \$3,402,000 with no additional FTE's.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	3,402	+2,004
FTEs	0	0

The fiscal year 2006 recommended level for Guam construction is \$3.402 million. This is an increase of \$2.004 million from fiscal year 2005. The overall increase in total funding between FY 2005 and FY 2006 levels is because Guam did better overall in meeting allocation criteria as compared to the prior year where it was reduced by \$1.96 million.

Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The territories are being asked to submit capital improvement requests in a range both above and below base (target). The base-levels have been established on the basis of current historic trends with respect to American Samoa. The new process offers the U.S. insular area governments opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2 million above and below base-levels.

Guam Baseline Funding.....	\$3,360,000
Results from competitive process.....	+ \$42,000
Proposed funding for FY 2006.....	\$3,402,000

The entire 2006 request will be utilized for infrastructure projects in Guam. In October 2003, the Government of Guam entered into a Consent Decree with the U.S. Environmental Protection Agency to close Guam's sole civilian landfill and open a new municipal solid waste landfill. The existing landfill has exceeded its capacity since the 1980's. Approximately \$2.8 million of the \$3.4 million request will be utilized for solid waste improvements mandated by the Consent Decree.

Approximately \$100,000 will be utilized to increase Guam's economic self-sufficiency. These funds will be used to obtain temperature treatment equipment for agricultural exports. This equipment will provide an organic, non-chemical method for insuring that fruits are not infested with the fruit fly larvae that are responsible for the prohibition in trade imposed. This equipment

would allow Guam to explore the export market for fruit which they have been previously unable to take advantage of.

Approximately \$484,000 will be utilized to begin the process of renovating and improving boating facilities at the Gregorio D. Perez Marina located in the village of Hagatna. Repair and upgrade of the facility has reached a critical point. The marina's two main docking areas are in urgent need of replacement. The flotation devices that support the docks are aging and taking on water causing the docks to submerge. The concrete sheet pilings around the main dock are severely corroded and urgently require replacement to provide the structural integrity necessary for keeping the surrounding landmass from falling into the marina. The funding will provide for the architecture and engineering designs and the beginning construction costs for this major renovation project. The cost for the entire renovation is estimated at \$1.4 million.

	0	0	FTE
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The fiscal year 2006 recommended level for Guam construction is \$3,402 million. This is an increase of \$2,004 million from fiscal year 2005. The overall increase in total funding between FY 2005 and FY 2006 levels is because Guam did better overall in meeting allocation criteria as compared to the prior year where it was reduced by \$1.96 billion.

Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Government grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The territories are being asked to submit capital improvement requests in a range both above and below base (target). The base levels have been established on the basis of current historic trends with respect to American Samoa. The new process offers the U.S. insular area governments opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2 million above and below base-levels.

Guam Baseline Funding	\$3,380,000
Results from competitive process	+ 512,000
Proposed funding for FY 2006	\$3,402,000

The entire 2006 request will be utilized for infrastructure projects in Guam. In October 2003, the Government of Guam entered into a Consent Decree with the U.S. Environmental Protection Agency to close Guam's sole civilian landfill and open a new municipal solid waste landfill. The existing landfill has exceeded its capacity since the 1980's. Approximately \$2.8 million of the \$3.4 million request will be utilized for solid waste improvements mandated by the Consent Decree.

Approximately \$100,000 will be utilized to increase Guam's economic self-sufficiency. These funds will be used to obtain temperature treatment equipment for agricultural exports. This equipment will provide an organic, non-chemical method for ensuring that fruits are not infested with the fruit fly larvae that are responsible for the prohibition in trade imposed. This equipment



<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: VIRGIN ISLANDS CONSTRUCTION</b>						
	2004 Enacted	2005 Estimate	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	5,000	4,168	0	-600	3,568	-600
FTEs	-	-	-	-	-	-

**Authorization:** P.L. 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Article VII, "United States Financial Assistance", 48 U.S.C. 1681, as amended by Section 10 of P.L. 99-396 (100 Stat. 840). Public Law 104-134 was enacted in 1996, amending Public Law 99-396 to continue annual Federal funding to the CNMI at a reduced level and to prescribe reallocation of remaining funds for other uses, including capital infrastructure for the U.S. Virgin Islands.

**PROGRAM OVERVIEW:** Public Law 104-134, enacted in 1996, reduced annual funding to the CNMI and allocated other funds for uses throughout the U.S.-affiliated insular areas.

All the insular areas over the years have received funding through this mandatory covenant appropriation to fund capital improvement projects. While, in past years, American Samoa, Guam and the Commonwealth of the Northern Mariana Islands received set levels of funding, the U.S. Virgin Islands received irregular funding. Recently though, the needs of the Virgin Islands have reached a threshold that without further addressing could pose a threat to the health and safety of residents and visitors. Currently, the Virgin Islands is mandated to comply with Consent Decrees issued for various violations of Federal environmental laws. Recent allocations of covenant funds are being utilized to assist the Virgin Islands in complying with these Federal mandates.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support private sector investment and support a business climate. The construction contracting process provides income to private sector and supports competitive practices and business efficiencies. The long-term goal of increasing economic self-sufficiency is supported as a result of the effects improved health, higher levels of education and more effective public safety has on the over-all community. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The capital construction programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. Annual plans, and budgets, including performance information related to planning

and management capacities are evaluated annually against threshold and competitive criteria to allocate resources among the insular areas. The Office of Insular Affairs will apply these guidelines to the collection of its performance information and will supplement these protocols in instances where incoming information is not in the control of the organization or where information is obtained under contract.

*Means and strategies:* Capital construction funds are provided as financial assistance through the Federal grant process. The funding also supports the development of planning, contract and project management and accountability, bolstering self-governance.

#### 2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS

The Office of Insular Affairs awarded a \$5.0 million grant to the U.S. Virgin Islands on November 25, 2003 to provide partial funding to be used for the design, construction and operation of upgraded treatment facilities on St. Thomas and St. Croix. The performance goal for this grant is to secure full operation and regulatory compliance with applicable law no later than February 28, 2006 for the Anguilla plant (St. Croix), and no later than February 28, 2007 for the Airport plant (St. Thomas).

The Virgin Islands entered into a contract for the design, construction and operation of upgraded wastewater treatment facilities on St. Thomas and St. Croix. The Virgin Islands is working diligently to meet EPA imposed deadlines.

#### 2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS

The Office of Insular Affairs awarded a \$4.2 million grant to provide funds to cover a portion of the cost of the design, construction and operations of the wastewater treatment plants on St. Croix and St. Thomas. The plants will be designed to meet all regulatory requirements of local and federal law. Upon completion, they will provide reliable service to Virgin Islands residents and more than two million tourists annually. Although the Virgin Islands has many infrastructure funding needs, the most important need at this time is to correct wastewater treatment plant and collection system deficiencies.

**Justification of 2006 Program Changes:  
Virgin Islands Construction (-\$600,000)**

*Dollars in Thousands (000s)*

Territory	Baseline Funding	FY 2005 +/- Baseline	FY 2006 +/- Baseline	Total FY 2005	Total FY 2006	Diff +/- FY 2005
CNMI	11,000	+1,423	+208	12,423	11,208	-1,215
American Samoa	10,000	-269	-458	9,731	9,542	-189
Guam	3,360	-1,962	+42	1,398	3,402	+2,004
Virgin Islands	3,360	+808	+208	4,168	3,568	-600
<b>Total</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>

The FY 2006 budget request for the Virgin Islands Construction program is \$3,568,300 with no additional FTE's.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	3,568	-600
FTEs	0	0

The fiscal year 2006 recommended level for Virgin Islands construction \$3.568 million. This amount is requested for territory-wide sewer system infrastructure improvements. The overall decrease in total funding between FY 2005 and FY 2006 levels - \$600,000 from the fiscal year 2005 amount of \$4.168 million-is because Guam did better overall in meeting allocation criteria as compared to the prior year therefore increasing its funding allocation and reducing the balance for distribution.. The fiscal year 2006 amount was calculated utilizing the CIP selection criteria and methods below and further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The territories are being asked to submit capital improvement requests in a range both above and below base (target). The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands and American Samoa. With respect to base levels for Guam and the U.S. Virgin Islands, OIA has divided equally the balance of the funding since these two



governments have a greater capacity to locally finance infrastructure and the historical trends are not as clear. In the case of the Virgin Islands, funding has only been available on an intermittent basis. The new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2 million above and below base-levels.

Virgin Islands Baseline Funding.....	\$3,360,000
Results from competitive process.....	+ \$208,300
Proposed funding for FY 2006.....	\$3,568,300

### 2006 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS

The requested \$3.6 million will be used for St. Croix and Territory-wide collection system upgrades in the Virgin Islands. Local funding has been identified for commitment to the St. Thomas Langmouth Pump Station Decommission and 3,000 LF of collection system and for the St. Thomas Weymouth-Rhymer Pump Station and 1,000 LF of collection system.

Approximately \$1.4 million will be utilized to repair, rehab and replace the sanitary sewer infrastructure in St. Croix. The infrastructure consists of manholes and appurtenances, collection, service and interceptor sewers. The sewers are in various states of deterioration and collapse. The intent of this project is to repair the existing sewers and manholes, rehabilitate areas of inflow and infiltration and replace manholes, sections of pipe and/or manhole to manhole sections of interceptor.

#### 2006 Performance Measures:

- The Anguilla Wastewater Treatment Plant, on St. Croix, will be completed and placed in operation by November 30, 2005.
- The Charlotte Amalie Wastewater Treatment Plant, on St. Thomas, will be completed and fully operational by November 30, 2006.
- Full regulatory compliance will be in place by February 28, 2006 at the Anguilla plant, and by February 28, 2007 at the Charlotte Amalie plant.

Approximately \$2.2 million will be utilized to begin repairs in St. John, St. Thomas and St. Croix for elements of the sanitary sewer infrastructure (mainly collection system pipelines and manholes) which require immediate attention. The estimated budget needed for the overall repair, rehabilitation and/or replacement of the collection system Territory wide is \$5.0 million per year for five years just to get the system into an acceptable state of repair.

**PROJECT LISTING**

The following tables list the proposed projects for fiscal year 2006 and projects funded by the fiscal year 2005, 2004, 2003 and 2001 appropriations.

**FY 2006 Proposed**

<b>FUNDING CATEGORY</b>	<b>AMOUNT AWARDED(\$)</b>	<b>PERCENT DISBURSED</b>
Sewer Improvements	\$3,568,000	0%
<b>TOTAL</b>	<b>\$3,568,000</b>	<b>0%</b>

**FY 2005**

<b>FUNDING CATEGORY</b>	<b>AMOUNT AWARDED(\$)</b>	<b>PERCENT DISBURSED</b>
Sewer Improvements	\$4,168,000	0%
<b>TOTAL</b>	<b>\$4,168,000</b>	<b>0%</b>

**FY 2004 and 2003 Grant Awards**

<b>FUNDING CATEGORY</b>	<b>FY 2004</b>		<b>FY 2003</b>	
	<b>AMOUNT AWARDED (\$)</b>	<b>PERCENT DISBURSED</b>	<b>AMOUNT AWARDED (\$)</b>	<b>PERCENT DISBURSED</b>
Sewer Improvements	\$5,000,000	13%	\$993,000	76%

**FY2002**

No funds were provided under the mandatory covenant funding for The Virgin Islands in fiscal year 2002.

**FY2001 Grant Award**

<b>FUNDING CATEGORY</b>	<b>FY 2001 – Grant No. 2</b>	
	<b>AMOUNT AWARDED (\$)</b>	<b>PERCENT DISBURSED</b>
Sewer Improvements	\$1,350,000	100%

### PROJECT LISTING

The following tables list the proposed projects for fiscal year 2006 and projects funded by the fiscal year 2005, 2004, 2003, 2002, and 2001 appropriations.

The Guam Government and OIA have worked together to effectively address the infrastructure needs of the territory through the expeditious expenditure of CIP grant funding. The following tables are evidence of these efforts. The spending patterns displayed by the tables are consistent with the construction process. Spending is initially low in the planning and design phases of a construction project. Once these phases are complete and the actual construction work begins, spending is greatly accelerated.

#### FY 2006 Proposed Projects

FUNDING CATEGORY	AMOUNT AWARDED(\$)	PERCENT DISBURSED
Solid Waste Improvements	\$2,818,000	0%
Economic Development	\$100,000	0%
Port	\$484,000	0%
<b>TOTAL</b>	<b>\$3,402,000</b>	<b>0%</b>

#### FY 2005

FUNDING CATEGORY	AMOUNT AWARDED(\$)	PERCENT DISBURSED
Economic Development	\$1,398,000	0%
<b>TOTAL</b>	<b>\$1,398,000</b>	<b>0%</b>

#### FY 2004

No funds were provided under the mandatory covenant funding for Guam in fiscal year 2004.



## FY 2003- Awarded August 1, 2003

FUNDING CATEGORY	AMOUNT AWARDED(\$)	PERCENT DISBURSED
Education	\$2,500,000	77%
Public Safety	\$1,718,000	29%
Health	\$1,355,000	6%
<b>TOTAL</b>	<b>\$5,573,000</b>	<b>45%</b>

## FY 2001 and FY 2002 Grant Awards

FUNDING CATEGORY	FY 2002		FY 2001	
	AMOUNT AWARDED (\$)	PERCENT DISBURSED	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Education	\$2,300,000	55%	\$0	0%
Water Improvements	\$0	0%	\$1,250,000	99%
Public Safety	\$983,000	27%	\$294,000	0%
Health	\$232,000	41%	\$1,125,000	59%
Roads	\$2,749,000	15%	\$6,800,000	86%
Public Buildings	\$28,750	93%	\$100,000	0%
Unallocated	\$87,250	0%	\$0	0%
<b>TOTAL</b>	<b>\$6,380,000</b>	<b>33%</b>	<b>\$9,569,000</b>	<b>81%</b>

FY 2002- Awarded October 25, 2001

FY 2001- Awarded October 25, 2000

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FY 2005 - Awarded August 1, 2005

FUNDING CATEGORY	AMOUNT AWARDED(\$)	PERCENT DISBURSED
Education	\$2,300,000	77%
Public Safety	\$1,718,000	29%
Health	\$1,352,000	6%
TOTAL	\$5,370,000	45%

FY 2001 and FY 2002 Grant Awards

FUNDING CATEGORY	FY 2002		FY 2001	
	AMOUNT AWARDED (\$)	PERCENT DISBURSED	AMOUNT AWARDED (\$)	PERCENT DISBURSED
Education	\$2,300,000	55%	20	0%
Water Improvements	20	0%	\$1,250,000	99%
Public Safety	\$983,000	37%	\$294,000	6%
Health	\$232,000	41%	\$1,122,000	29%
Roads	\$2,749,000	15%	\$6,800,000	88%
Public Buildings	\$28,750	93%	\$100,000	0%
Unallocated	\$87,250	0%	20	0%
TOTAL	\$6,380,000	33%	\$9,250,000	81%

FY 2005 - Awarded October 25, 2005  
 FY 2001 - Awarded October 25, 2001

Activity: TERRITORIAL ASSISTANCE						
SUMMARY TABLE						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
Office of Insular Affairs	6,243	6,472	325	+84	6,881	409
Technical Assistance	12,406	11,716	0	-3,155	8,561	-3,155
Maintenance Assistance	2,272	2,268	0	+32	2,300	32
Brown Tree Snake Control	2,321	2,663	0	+37	2,700	37
Insular Management Controls	1,472	1,470	0	+21	1,491	21
Coral Reef	494	493	0	+7	500	7
Water and Wastewater Projects	--	--	--	+1,000	1,000	1,000
<b>Total</b>	25,208	25,082	325		23,433	-1,649
FTEs	40	40	--	--	40	--

This activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The office has oversight responsibility for over \$392.4 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. The office has been able to attain clean audit opinions for all annual financial statements prepared under requirements of the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the office.

The second major function within this activity includes the various technical assistance activities carried out by the office. OIA's technical assistance activities have always been considered its most effective tool to implement Administration policy, and to achieve mutually desired improvements in the insular areas. Many of the technical assistance activities are evolving from application-based grant programs, which reacted to problems identified, to programs that rely on the implementation of result-oriented plans. Significant changes in management are being put into place, as we ask the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.



**Activity: TERRITORIAL ASSISTANCE  
SUMMARY TABLE**

	2004 Actual	2005 Budget	2006 Budget	Change from 2005 (+/-)
Office of Insular Affairs	6,243	6,472	6,881	409
Technical Assistance	12,406	11,716	8,361	-2,175
Maintenance Assistance	2,212	2,268	2,300	32
Brown Tree Snake Control	2,321	2,663	2,760	37
Insular Management Controls	1,472	1,470	1,461	21
Coast Reef	494	493	500	7
Water and Wastewater Projects	--	--	1,000	1,000
<b>Total</b>	<b>22,208</b>	<b>22,082</b>	<b>23,433</b>	<b>-1,649</b>
FTEs	40	40	40	--

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This activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The office has oversight responsibility for over \$302.4 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. The office has been able to obtain clean audit opinions for all annual financial statements prepared under requirements of the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the office.

The second major function within this activity includes the various technical assistance activities carried out by the office. OIA's technical assistance activities have always been considered its most effective tool to implement Administration policy and to achieve mutually desired improvements in the insular areas. Many of the technical assistance activities are evolving from application-based grant programs, which reacted to problems identified, to programs that rely on the implementation of result-oriented plans. Significant changes in management are being put into place as we ask the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

<b>Activity: Territorial Administration</b>						
<b>Subactivity: OFFICE OF INSULAR AFFAIRS</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	6,243	6,472	+325	84	6,881	+409
FTEs	37	37	--	--	37	--

**Authorization:** Secretary's Order 3191, August 4, 1995, established the Office of Insular Affairs under the Assistant Secretary-Policy, Management and Budget. This order also abolished the Office of Territorial and International Affairs (OTIA) and the Office of the Assistant Secretary-Territorial and International Affairs.

**PROGRAM OVERVIEW:** The Office of Insular Affairs carries out the Secretary's responsibilities with respect to U.S.-affiliated insular areas. Fiscal year 2006 staffing is 40 FTEs in Territorial Assistance (37 OIA, 2 American Samoa and 1 Ombudsman). The office is organized into three divisions and a director's office.

The Office is headed by a Deputy Assistant Secretary for Insular Affairs, who provides overall policy direction. The Director's Office also handles non-financial administrative functions, public information and correspondence control.

The Policy Division performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. It monitors issues related to the four nuclear-affected atolls in the Marshall Islands, the CNMI Labor, Immigration, and Law Enforcement Initiative, and the Coral Reef Initiative. The Division maintains a field presence in the CNMI and American Samoa.

The Technical Assistance Division manages all General Technical Assistance grants and cooperative agreements, as well as the Insular Management Control Initiative (Financial Management Improvement Program).

The Budget and Grants Management Division is responsible for budget formulation and presentation, chief financial officer activities, and performance planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, the Brown Tree Snake Control Program, the Operations and Maintenance Improvement Program, and Compact Impact Grants. The Division maintains a field presence in Hawaii, the CNMI, Palau, the FSM and the Marshall Islands. As part of the 1995 re-organization of insular functions, many of the typical budget execution functions were transferred to the Department's Office of Budget along with one FTE to perform those functions.

## SECTION 343

An increase of \$59,000 is requested for the OIA portion of the Department working capital fund for E-Government initiatives, reimbursables, and department wide activities. OIA administrative costs are carried in the Office of Insular Affairs Activity and not in individual program activities.

**Working Capital Fund - Category Funding Summary**  
(\$'s in thousands)

Category	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate	Difference from FY 2005 (+/-)
Centralized Billing	407.9	585.7	490.9	-94.8
Fee for Service Billing	5.0	35.1	147.8	+112.7

All of OIA's overhead and administrative costs that support departmental functions are paid from our Office of Insular Affairs account as billed through the Department Working Capital Fund. Specific detail itemizing the actual activity billed can be found on the following pages. The tables below identify the OIA costs by activity –broken out as centralized and fee for service billing.

**Centralized Billing – Working Capital Fund – OIA**  
(\$'s in thousands)

Activity	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Invasive Species Program	10.1	11.4	12.3
Invasive Species DOI Coordinator	1.7	1.9	2.0
<i>Subtotal Secretaries Immediate Office</i>	<i>11.8</i>	<i>13.3</i>	<i>14.3</i>
Departmental Newsletter	.3	.2	.2
Departmental News & Information	.6	5.0	5.4
Hispanic Media Outreach	0	4.7	0
<i>Subtotal Office of Communications</i>	<i>.8</i>	<i>9.9</i>	<i>5.6</i>
Activity Based Costing/Management	0	.5	.5
<i>Subtotal Office of Financial Management</i>		<i>.5</i>	<i>.5</i>
Employee Assistance Programs	.7	.9	.9
<i>Office of Personnel</i>	<i>.7</i>	<i>.9</i>	<i>.9</i>
Frequency management Support	8.6	9.4	17.7
NTIA Spectrum Management	0	39.4	39.6



Activity ( <i>centralized billing continued</i> )	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
<i>Office of the Chief Information Officer</i>	8.6	48.8	57.4
WCF Management	0	.8	.9
CFO Financial Statement Audit	0	53.2	53.5
<i>Department-wide Activities</i>	0	53.2	57.4
E Government Initiatives		1	1
<i>Department Activities</i>		1	1
Executive Forums	0	.1	.2
Departmental Library	5.8	0	0
Departmental Museum	.5	.8	.8
Learning & Performance Center Management	0	.2	.2
Leadership Institute (SESCDP & TLP)	.7	.6	.3
On-Line Learning	0	0.2	.3
<i>Subtotal – NBC Human Capital/DOIU</i>	6.9	1.9	1.8
Computer Applications & Network Services	105.8	113.6	120.2
Telecommunications Services	22.6	23.7	28.7
Voice/data switching	9.5	8.3	7.2
New PBX Telephone System	6.9	0	0
Hardware/Software Customer Service Center	30.7	24.4	24.4
Records Management/FOIA	.3	.2	.2
<i>Subtotal – NBC-CIO</i>	175.8	170.2	180.8
Acquisition services- DC/Denver	0	34.1	0
Interior Complex Management & Svcs	11.7	10.4	12.3
Family Support Room	.5	.2	.2
Shipping & Receiving	0	4.3	6.0
Moving Services	0	2.7	3.6
Space management Services	4	2.6	3.0
Security	28	58.3	80.3
Accessible Technology Center	.1	.1	.2
Health Unit	3.5	3.3	3.3
Federal Executive Board	.1	.1	.1
Mail Policy	2.6	.1	.2
Mail & Messenger Services	36.3	50.0	53.2
Transportation Services (Household Goods)	0	0	1.9
Property Accountability Services	11.8	11.3	9.8
<i>Subtotal – NBC – Administrative Operations</i>	98.7	177.5	174.3
Financial Management Services (Dept. Offices)	104.6	107.7	0
<i>Subtotal – NBC- E-payroll</i>	101.9	1046	107.8
<i>Subtotal – NBC</i>	37	38.9	37.6
<b>TOTAL</b>	<b>407.9</b>	<b>585.7</b>	<b>490.9</b>

## Fee for Service Billing – Working Capital Fund – OIA

(\$'s in thousands)

Activity	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Acquisition & Property Initiatives	0	.3	.3
<i>Subtotal Management coordination</i>	0	.3	.3
Information Resource Initiatives -OIA	5.0	0	0
<i>Subtotal – Information Resources Initiative</i>	5.0	0	0
Online Learning	0	2.3	0
<i>Subtotal – NBC – Human Capital/DOIU</i>	0	2.3	0
Creative Communications	0	18.8	19.4
Postage	0	13.5	14.4
Express Delivery	0	.1	.1
<i>Subtotal – NBC – Administrative Operations</i>	0	.32.4	34.0
<b>TOTAL</b>	<b>5.0</b>	<b>35.1</b>	<b>147.8</b>

The Office of Insular Affairs is the Executive Branch's liaison organization with the U.S. territories of Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands and American Samoa. OIA also administers financial assistance to the three freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

In FY 2006 the OIA will continue to promote the Department's mission of assisting the insular areas to develop quality communities and economic self-sufficiency. OIA's top two priorities for the insular areas are promoting private sector economic development and strengthening accountability for Federal funds. Economic development is promoted in a variety of ways, including by funding critical infrastructure such as schools, hospitals, roads and environmental facilities. OIA also provides assistance to the insular areas to make stateside businesses aware of the exciting opportunities that exist in the islands, and help the islands make reforms to improve their business climates. As for accountability, technical assistance is provided to help the insular areas become better stewards of Federal funds, and a number of our grants are now awarded according to criteria that reward good fiscal management.

Accomplishments both planned and completed follow:

**2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

1. Developed and implemented a competitive application system, within the budget and program performance framework, for determining the allocation of OIA infrastructure assistance to U.S. territories.
2. Conducted the second symposium on investment development in the territories.
3. Implemented a program to develop benchmark gross domestic product figures and other economic indicators for each of the insular areas.
4. Preliminary stages of development of a five-year strategic plan for the Office of Insular Affairs.
5. Conducted the second year of an intern program to assess economic development problems and opportunities in the insular areas. Expanded the program to include the freely associated states.

**2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

1. Expand development and continue to put into effect new policies and procedures for grants management and administration.
2. Conduct the third year of an intern program to assess economic development problems and opportunities in the insular areas. Continue expansion of the program to include the freely associated states.
3. Implement a program to develop Housing, Income and Expenditure figures and other economic indicators for each of the insular areas.
4. Conduct a business opportunities mission to Guam, CNMI and Palau.
5. Continue development for a five-year strategic plan for the Office of Insular Affairs.

2005	2004	2003	2002
728	288	608	
828	788	828	
628	608	628	
608	608	748	



**JUSTIFICATION OF 2006 PROGRAM CHANGES**

The fiscal year 2006, budget request for the Office of Insular Affairs is \$6,881,000 and 40 FTEs, a net program increase of \$409,000 and no FTEs from the 2005 enacted level.

2006 Program Changes		
	2006 Budget Request	Program and Uncontrollable Changes (+/-)
\$(000)	6,881	+409
FTEs	40	--

The additional funding in fiscal year 2006 will be used to increase site visits and continue to improve OIA's capacity to monitor and administer financial assistance. Fiscal year 2006 will continue economic development and accountability in the insular areas, and involve increased grants monitoring. In addition, it is extremely important that OIA have high visibility in the freely associated states during the first years of the new agreements in order to ensure that institutional structures such as the joint economic and management committees are properly staffed and supported and to ensure that there effective compliance with grant terms and conditions. In the 2003 and 2004 customer satisfaction survey, results indicated that site visits were desired. This funding should result in improved customer satisfaction survey results for "site visits" and overall satisfaction in OIA's capacity to monitor and administer financial assistance.

OIA Customer Service and Confidence Rating			
	2002	2003	2004
Advocacy/Federal agency coordination	60%	58%	72%
Site Visits	82%	76%	85%
O&M and Infrastructure	68%	69%	69%
TA Grants –in-process	74%	69%	66%

**2005 BUDGET REQUEST**  
**Uncontrollable and Technical Program Changes**  
 BUREAU: Office of Insular Affairs  
 (in thousands)

**UNCONTROLLABLE CHANGES SUMMARY TABLE:**

<i>Appropriation/Activity/Subactivity</i>	<i>Item</i>	<i>2005</i> <i>Change</i>
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	2005 Pay Raise	+\$28
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	2006 Pay Raise	+\$33
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	Space Rental Changes	+\$90
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	Departmental Working Capital Fund Changes	+\$59
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	Government-wide CSRS/FEHB legislative proposal	+\$0
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	Health costs	+\$24
Assistance to Territories/Territorial Assistance, Office of Insular Affairs	One Less Payday	-\$20
<b>TOTAL, UNCONTROLLABLE COST CHANGES</b>		<b>+\$325</b>

**Description of Uncontrollable Changes:**

**ASSISTANCE TO TERRITORIES/TERRITORIAL ASSISTANCE, OFFICE OF INSULAR AFFAIRS**

**Additional cost Pay Raises**

	2005 <u>Budget</u>	2005 <u>Revised</u>	2006 <u>Change</u>
2005 Pay Raise.....	+\$26	+\$25	+\$33
2006 Pay Raise.....			2006 <u>Change</u> +\$90

These adjustments are for an additional amount needed in 2005 to fund the remaining 3-month portion of the estimated cost of the, on average, 3.5 percent pay increases effective in January 2005 and the additional costs of funding for an estimated 2.6 percent January 2005 pay increase for GS-series employees and the associated pay rate changes made in other pay series.

	<u>2005</u> <u>Change</u>
<b>One Less Payday</b> .....	-\$20

This adjustment reflects the added costs resulting from the fact that there is one less payday in FY 2006 than in 2005.

**Other Uncontrollable Cost Changes:**

	<u>2005</u> <u>Budget</u>	<u>2005</u> <u>Revised</u>	<u>2005</u> <u>Change</u>
<b>Rental payments to GSA</b> .....	\$643	\$643	+\$139

The adjustment is for changes in the costs payable to General Services Administration resulting from changes in rates for office and non-office space as estimated by GSA, as well as the costs of mandatory office relocation.

	<u>2005</u> <u>Budget</u>	<u>2005</u> <u>Revised</u>	<u>2006</u> <u>Change</u>
<b>Department Working Capital Fund Changes</b> .....	\$628	\$687	+\$59

The change reflects expected changes in the charges for Department and other services through the centralized billing portion of the working capital fund. These charges are displayed in the Budget Justification for Department Management. In addition to the 2006 uncontrollable change, the 2006 budget includes requested program changes (e.g. ESN). The change between 2005 Budget and 2005 Revised is attributable to bureau requested changes in billing methodologies, 2005 requested program increases for e-government payments that will be collected and paid centrally through the WCF, and changes that were approved by the Working Capital Fund Consortium. These changes are reflected in the Departmental Management Justification.

	<u>2005</u> <u>Budget</u>	<u>2005</u> <u>Revised</u>	<u>2005</u> <u>Change</u>
<b>Employer Share of Federal Health Costs</b> .....	0	0	+\$24
Amount of Health care costs absorbed.....		[+\$15]	

The adjustment is for changes in the Federal Governments share of health insurance coverage for Federal employees.



<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Technical Assistance</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	12,406	11,707	0	-3,146	8,561	-3,146
FTE	0	+1 <sup>*</sup>	--	0 <sup>*</sup>	1	0 <sup>*</sup>

<sup>\*</sup> FTE program change is based on a transfer of an FTE from the Covenant Grants activity to the Technical Assistance activity related to the CNMI immigration, labor and law enforcement program. The overall total for OIA FTE's remains the same.

**Authorization:** Section 601 of Public Law 96—597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of “research, planning assistance, studies, and demonstration projects” to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

**PROGRAM OVERVIEW:** The technical assistance program provides support not otherwise available to the insular areas, to combat deteriorating economic and fiscal conditions and maintain the momentum needed to make and sustain meaningful systemic changes. The program allows each government to identify pressing issues and priorities, and develop action plans to mitigate these problems. Direct grants and reimbursable agreements with technical assistance providers, both within and outside the Federal government, are key to implementation. Funded projects are focused to meet immediate needs in the short term and assist the governments in developing longer term solutions.

The islands regularly seek technical assistance to improve the productivity and efficiency of government operations, develop local expertise, and build institutional capacity in critical areas that include: health care, education, public safety, data collection and analysis, fiscal accountability, transportation, and communication. The program is also used to help the insular areas increase private sector economic opportunities, broaden the economic base, conserve energy, and protect fragile ecosystems. The Office of Insular Affairs and the insular

#### **Cost and Performance Information**

Technical assistance funding has been used to assist U.S. affiliated islands in developing more efficient and effective government by providing financial and technical assistance.

With a focus on continuation of financial improvement, conducting assessments, monitoring and evaluation, and program performance, OIA, in cooperation with each insular areas, anticipates funds will be used to enable grantees to develop and attain performance objectives and milestones.

governments have repeatedly found the program to be an excellent means to support policy goals, and to respond quickly and effectively to special emergent insular needs.

#### **2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In fiscal year 2004, OIA provided direct technical assistant grants in excess of \$4 million to the insular areas. In addition, OIA obligated more than \$2 million for technical expertise provided by other Federal agencies.

As part of its technical assistance effort, OIA supported training programs for island participants to improve technical expertise on a variety of topics. Over 3,000 participants attended various training courses and events. Courses examples include Governmental Accounting and Audit Updating, Audit problem solving and Analysis, and Removing Obstacles to Achieving an Unqualified Audit Opinion. Specific details on key training courses and events are provided in the Insular Management Controls activity section.

In fiscal year 2004 particular program emphasis was placed on economic development activities. An area of focus was to develop useful and consistent economic indicators for the territories. Benchmarking, and collection of demographic information are part of this program activity.

#### **2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS**

As part of its technical assistance effort, OIA in FY 2005 will enhance funding for training programs for island participants to improve technical expertise on a variety of topics. Over 3,000 participants attended various training courses and events. Courses examples include Governmental Accounting and Audit Updating, Gross Domestic Product development, Housing, Income and expenditure data collection, Audit problem solving and Analysis, and Removing Obstacles to Achieving an Unqualified Audit Opinion. Specific details on key training courses and events are provided in the Insular Management Controls activity section.

OIA continues to fund the Ombudsman's Office and in 2005 provided \$425,000 for the office through technical assistance funds. Estimated costs include approximately \$120,000 for salaries, \$5,000 for travel, \$61,000 for space, \$234,000 for other services (which includes contract employees) and \$5,000 for supplies and materials.

The office will also conduct a business opportunity trade mission to Guam, the CNMI, and Palau to help the islands take advantage of investment opportunities from U.S. investors. In FY 2005, OIA commenced a program, Insular Measures and Assessments, which will begin consistent collection and reporting of economic indicators for the insular areas. Such indicators, which are routinely developed for the total U.S. economy and for the states, with assistance from the Department of Commerce's Bureau of Census, have never been consistently developed for U.S. insular areas. OIA will also continue its partnership efforts with the Asian Development Bank. This data will assist in the analysis and identification of economic development opportunities in the islands.

**JUSTIFICATION OF 2006 PROGRAM CHANGE:****Technical Assistance (-\$3,146,000);**

The FY 2006, budget request for the Technical Assistance program is \$8,561,000. The Covenant grant activity and allocations proposed no longer include funding for the CNMI immigration, labor and law enforcement program. Instead any funding request for this program and the related grant management falls under the Technical Assistance activity. The overall total for OIA FTE's remains the same. In FY 2006, funds will be available for the Ombudsman's office.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	8,561	-3,146
FTEs	+1	+0

The Department is proposing a net decrease of \$3,146,000 related to FY 2005 Congressional discretionary funding for the Prior Service Benefits Trust Fund, Judicial Program funding for the 9<sup>th</sup> Circuit, Article II Compact Health Care, water system rehabilitation in the CNMI, and economic development activities. The CNMI will have increased Covenant funding available in FY 2005 to use for additional water system projects and OIA is proposing \$1 million in new funding for water and wastewater projects in the insular areas for the territorial governments, which will assist in economic development. See Covenant Grants – CNMI Construction and Technical Assistance – Water and Waste water sections for further detail on water system projects in the CNMI.

The table on the following page identifies general Technical Assistance grants and their respective amounts by category.



**Office of Insular Affairs General Technical Assistance  
FY 2000-2004 Funding History**

<i>Recipient</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
<b><i>Direct Grants to Insular Governments</i></b>					
American Samoa	\$162,215	\$490,600	\$658,925	\$371,705	\$365,051
CNMI	316,000	259,000	549,490	216,080	680,000
Federated States of Micronesia	238,717	285,705	788,673	258,867	643,268
Guam	330,000	439,232	670,000	1,063,094	57,150
Republic of the Marshall Islands	112,600	266,400	517,985	410,864	800,368
Republic of Palau	277,000	50,000	504,734	753,568	489,106
U.S. Virgin Islands	420,000	669,335	1,250,000	954,024	938,325
<b><i>Subtotal</i></b>	<b>\$1,856,532</b>	<b>\$2,460,272</b>	<b>\$4,939,807</b>	<b>\$4,028,202</b>	<b>\$3,973,268</b>
<b><i>Interagency Technical Support</i></b>					
National Park Service	150,000	0	0	0	500,000
USDA Graduate School	1,860,96	1,591,136	1,304,835	1,300,000	1,850,000
U.S. Census Bureau	297,000	350,000	700,000	266,887	1,050,000
U.S. Court of Appeals (9 <sup>th</sup> )	0	25,000	100,000	100,000	100,000
Asian Development Bank	1	333,000	333,000	333,000	333,000
U.S. DOI – OIG	0	0	0	0	11,302
U.S. DOI – Bureau of Recl.	0	0	0	0	250,000
U.S. Army	0	0	0	0	270,000
Environmental Protection Agen.	0	0	0	0	25,000
U.S. Forest Service, USDA	0	0	35,000	0	7,000
<b><i>Subtotal</i></b>	<b>\$2,378,960</b>	<b>\$2,046,136</b>	<b>\$2,178,817</b>	<b>\$2,023,887</b>	<b>\$4,532,016</b>
<b><i>Other Technical Assistance</i></b>					
Junior Statesmen	96,000	96,000	96,000	115,200	145,200
Pacific Business Center	136,280	55,000	56,104	100,000	231,001
PIHOA (Pacific Health Dir.)	258,698	0	103,561	0	218,467
Closeup Foundation	400,000	500,000	500,000	500,000	500,000
Asian Development Bank	0	1,237,000	333,000	333,000	333,000
College of the Marshall Islands	0	56,000	56,000	0	35,600
Prior Service Benefits	0	0	250,000	250,000	100,000
Coral Reef Initiative	0	0	40,250	0	100,000
APIPA Peer Review 2004	0	0	0	0	99,000
<b><i>Subtotal</i></b>	<b>\$1,140,010</b>	<b>\$2,244,478</b>	<b>\$1,420,000</b>	<b>\$1,378,915</b>	<b>\$2,910,759</b>
<b>Grand Total</b>	<b>\$6,479,970</b>	<b>\$5,926,40</b>	<b>\$8,497,539</b>	<b>\$7,625,289</b>	<b>\$11,416,114</b>

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Maintenance Assistance (O&amp;M Improvement Program)</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	\$2,272	\$2,268	0	+32	\$2,300	+32
FTE	--	--	--	--	--	--

**Authorization:** Section 601 of Public Law 96-597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of "research, planning assistance, studies, and demonstration projects" to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

### PROGRAM OVERVIEW

The Department of the Interior continues to provide assistance for investments in public infrastructure in the insular areas. In order to protect these investments, the maintenance assistance fund was created to stimulate and support the development of maintenance institutions in the island governments.

History demonstrated that the governments had placed little emphasis on maintenance planning and budgeting, life cycle costing, and training. Maintenance was a reaction to crisis, rather than a regular, institutionalized process. As a consequence, the usefulness of power plants, roads, ports, water and sewer systems and public buildings declined prematurely. The maintenance assistance program addresses this problem by providing expert reviews and recommendations on the general condition of the infrastructure and by providing cost-shared grants to provide long-term solutions to systemic problems.

### Cost and Performance Information

The Federal share of the initiative funding has been used to enhance maintenance planning and budgeting programs within the insular areas.

Select facilities throughout the insular areas have been reviewed or will be reviewed to assign benchmarks for the insular government decision making as well as Future federal funding decisions.

The scope of the benchmarking will cover roads, schools, hospitals, airports, seaports, solid waste disposal facilities and government buildings with the intent of identifying "best practices." A detailed report is provided upon conclusion of each benchmarking phase.

The maintenance assistance program does not emphasize repair projects. It instead focuses on changing those conditions that allow poor maintenance practices to exist. The program underwrites training, education and technical advice related to maintenance. Funding can be used to purchase specialized maintenance equipment or information technology related to maintenance. The program also funds the cost of inventories of maintenance needs and the development of maintenance plans. The program provides an ongoing assessment of its effectiveness through annual site visits by teams of engineers and grant managers.

The maintenance assistance fund also provides funding to address general regional training needs efficiently and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The Micronesian Water and Wastewater training program and the Pacific Lineman training program make standard water & wastewater maintenance training and power maintenance training easily accessible to all insular areas. Development of two regional organizations has been supported through the program, the Pacific Power Association and the Pacific Water Association. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

*Support for Strategic Plan:* Maintenance assistance focuses on institutional improvements to insular governments that increase the usefulness and longevity of public infrastructure, an essential element to achieving OIA's intermediate goals of economic development and private sector investment.

*Program Evaluations:* Each discretionary project is analyzed on its merits, including the extent to which the project helps achieve long-term and intermediate goals and strategies. In addition, as a pre-requisite for receiving discretionary technical assistance, OIA has developed a set of threshold criteria that must be met. These criteria have been documented in a financial assistance manual. In addition, OIA uses a contractor-provided metric benchmark system which measures insular infrastructure once every two years and documents the relative status of the condition of infrastructure and maintenance practices.

*Means and Strategies:* Maintenance assistance generally uses grants as the primary means to provide insular assistance. However, grants to individual island areas require an equal local financial match. This strategy emphasizes the importance of local buy-in to maintenance assistance as a means of building and sustaining local institutions. Regional programs have also been developed for training purposes to emphasize economies of scale.

#### **2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Issued \$2,019,148 in new grants.
- Initiated 77 new grant awards.
- Provided certified training to 50 electrical linemen.
- Fifteen Micronesian linemen received their PLT Master Linemen Certification.
- The Micronesian Water and Wastewater Training Program conducted 26 training activities.



- Completed 48 grants in an average time of 31 months.
- Completed phase III of a benchmarking study of the state of infrastructure and maintenance for 3 islands.
- Seven participants from the insular areas gave a presentation at the 2004 Department of the Interior Facilities and Asset Management Conference.

The table that follows identifies the allocation of maintenance assistance funding from FY 2001 – 2004.

### MAINTENANCE ASSISTANCE

**FY 2001-2004**

Grant Award Amounts

<u>Recipient</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
American Samoa	\$81,000	\$752,800	\$197,000	\$238,160
Guam	\$288,000	\$140,000	\$60,000	\$0
U.S. Virgin Islands	\$475,750	\$70,000	\$0	\$0
Commonwealth of the Northern Mariana Islands	\$27,100	\$148,000	\$310,500	\$85,400
Republic of Palau	\$120,000	\$75,000	\$411,000	\$55,000
Republic of the Marshall Islands	\$115,500	\$225,200	\$350,000	\$408,224
Federated States of Micronesia	\$415,000	\$0	\$46,908	\$100,000
Chuuk	\$15,000	\$0	\$135,000	\$0
Kosrae	\$0	\$378,800	\$148,300	\$338,000
Pohnpei	\$132,667	\$562,500	\$334,234	\$63,864
Yap	\$350,000	\$0	\$0	\$100,000
Other Grants* (Other Regional Programs)	\$1,596,327	\$1,025,504	\$1,047,952	\$630,500
<b>TOTAL</b>	<b>\$3,616,344</b>	<b>\$3,377,804</b>	<b>\$3,040,894</b>	<b>\$2,019,148</b>

\* Includes Regional Programs which benefit all of the islands such as Lineman Training, Pacific Insular area water utilities participating in the Pacific Water Association, project officers to oversee the benchmarking of the water utilities & wastewater management, Pacific Islands power utilities training and training needs assessment study, energy efficiency assessment study of the Pacific Island power utilities and partial funding for the Board Members Workshop & Engineers Workshop.

**2005 PLANNED PROGRAM PERFORMANCE**

- Continue the Micronesian Water and Wastewater training program.
- Complete an Energy Efficiency Assessment of the Pacific Islands Power Utilities.
- Provide Micronesian Regional GIS and Benchmark Training to the insular areas.
- Work to achieve an average time of 24 months for completion of grants.

**JUSTIFICATION OF 2006 PROGRAM CHANGE:****Maintenance Assistance (O&M Improvement Program) OMIP (+\$28,000)**

The FY 2006 budget request for the Operations and Maintenance Improvement Program ("OMIP") is \$2,300,000 with no additional FTEs.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	2,300	+32
FTEs	0	0

OIA is proposing an increase of \$32,000 for fiscal year 2006 to enable the program to maintain its level of assistance in all insular areas. This funding will provide support for the first coordinated workshop on maintenance of solid waste landfills in the insular areas and continue the Continue the Micronesian Water and Wastewater training program, graduate one additional class of certified lineman, and sponsor an Operational and Maintenance Improvement Conference.

**2006 PLANNED PROGRAM PERFORMANCE**

- Continue the Micronesian Water and Wastewater training program.
- Graduate one additional class of certified linemen.
- Plan to achieve an average time of 24 months for completion of grants.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: BROWN TREESNAKE CONTROL</b>						
Subactivity	2004 Enacted	2005 Enacted	Uncontrollable Changes	Program Changes	2006 Budget Request	Change from 2005 (+/-)
<b>Brown Treesnake Control</b>	2,321	2,663	---	+37	2,700	+37

**Authorization:** Section 601 of Public Law 96-597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of research, planning assistance, studies, and demonstration projects to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

**PROGRAM OVERVIEW:** Brown Treesnake (BTS) Control is a combination research and operational program designed to prevent the dispersal of this non-indigenous invasive species to other areas and to eradicate existing or newly established BTS populations in U.S. areas. Research is designed to develop better control techniques such as barriers, traps, baits, and toxins and to develop improved methods for integrating these techniques. Research is also intended to improve our understanding of the basic biology of the BTS and ultimately to find a method or methods, such as toxins or biocontrols, to eradicate large populations of BTS over wide areas.

This program is a cooperative effort involving primarily the Office of Insular Affairs (financial assistance and grants management); the U.S. Geologic Survey (basic and applied research); the Fish and Wildlife Service (restoration and Pacific coordination); the U.S. Department of Agriculture (control management); the Department of Defense (financial assistance and control management on military facilities); and the Governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (control management).

#### **Cost and Performance Information**

To ensure the strategic allocation of resources to combat invasive species, the National Invasive Species Council (NISC), co-chaired by the Secretary of the Interior, developed the first interagency example of a performance-based budget. Based on common goal statements, strategies, actions, and performance measures, the council selected priority topical and geographical areas of focus, and member agencies developed coordinated budget requests to address these.

In 2003, NISC formed a BTS workgroup to further develop strategies and numerical performance measures to be used government wide. Performance measures for BTS Control will generally summarize accomplishments in the areas of research, interdiction, and restoration.



**2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

- Guam maintained approximately 650 BTS traps in support of endangered species recovery, installed three electrical barriers on trees to protect Mariana Crow nests; and surveyed high-risk areas to determine the extent of introduced prey species for BTS.
- The Commonwealth of Northern Mariana Islands (CNMI) continued to maintain 350 traps around ports of entry while also inspecting 95% of all Guam-based flights arriving at Saipan International Airport and 90% of all Guam based cargo arriving at the Saipan Commercial Seaport. Local officials responded to two credible BTS sightings on Saipan; maintained a highly successful outreach and awareness campaign; and initiated a multi-agency environmental awareness task force. Four staff members took part in the USGS Rapid Response Training. The CNMI finished construction on the first, typhoon-proof snake barrier located at the Saipan Port.
- The State of Hawaii inspected 96% of arriving flights from Guam and other areas considered high risk for BTS; hired and trained 3 additional canine teams; and sent 12 personnel for rapid response training.
- USDA Wildlife Services maintained approximately 750 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff inspected 90% of commercial cargo departing Guam; expanded cooperative agreements in association with the Harmon Industrial Park to 31 individual warehouses; removed approximately 3,500 BTS from targeted commercial cargo export operation zones; and hosted the first BTS informational workshop for the cargo export industry on Guam.
- The USGS Rapid Response Team (RRT) responded to four snake sightings in the CNMI and Hawaii; trained 20 new RRT searchers, including people from USGS (6), USDA (2), Hawaii (8), and CNMI (6); and conducted informational sessions in the CNMI, Yap, and Palau.
- USGS enclosed a five-hectare plot with a snake proof fence, creating a closed population area to be used for future research studies. Scientists conducted research on BTS demographics and trap effectiveness; the effect of rodenticide use on snake trap ability; the affect of prey density on trap effectiveness; the effectiveness of canines in detecting BTS in pacific island habitats; and conducted pilot studies to determine appropriate rodent monitoring strategy for obtaining estimates of rodent densities in pacific island habitats.
- USDA National Wildlife Research Center (NWRC) scientists tested potential chemosterilants both in the lab and on Guam; evaluated the potential to use artificial bait to replace dead mice for oral delivery of toxicants; investigated ways to develop a practical, efficient aerial delivery system; examined the potential economic impacts to Hawaii from the Introduction of BTS; and conducted BTS public awareness at NWRC.

**2005 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Guam will continue to install electrical barriers around trees to protect endangered Mariana Crow nests. Monitoring will continue in high-risk areas to detect incipient prey populations for BTS. Guam will increase the number of BTS in support of endangered species recovery by 100 to a total of 750 traps. Additionally, in FY05 Guam plans to initiate a Coqui Frog Interdiction Media Campaign and complete a BTS prey study on frog-infested areas.
- CNMI will maintain approximately 400 BTS traps at ports of entry, design and launch a snake awareness website, continue to send staff for USGS Rapid Response Training, initiate the construction process of the Tinian BTS Containment Barrier; and maintain the outreach and awareness campaign.
- The State of Hawaii will maintain four canine teams in the field, continue rapid response training course for personnel; and inspect a minimum of 90% of arriving flights from Guam.
- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff will inspect 90% of commercial cargo departing Guam; and continue to expand interdiction efforts in the Harmon Industrial Park through cooperative activities.
- The USGS Rapid Response Team (RRT) will respond to all credible BTS sightings in the Pacific; visit all the Freely Associated States for BTS/RRT education and outreach, and train 12-16 new RRT searchers. USGS researchers will continue data collection on snake demographics; complete the training of dogs for BTS detection and initiate tests of their effectiveness at detecting BTS; use rodent monitoring pilot study results to develop and test a systematic rodent monitoring pilot study; and coordinate the completion of the biocontrol blue-ribbon panel final report. Researchers will begin new studies on the effectiveness of the following: detecting snakes via systematic visual searches in the controlled population area; modified trap designs; and a new snake barrier design.
- USDA National Wildlife Research Center (NWRC) scientists will continue research to develop a practical, efficient aerial delivery system and will conduct public information sessions at the research center.

**JUSTIFICATION OF PROGRAM CHANGES:****Brown Treesnake (BTS) (+\$37,000)**

The FY 2006, budget request for the BTS control program is \$2,700,000 an increase of \$38,000, with no additional FTE's.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	2,700	+37
FTEs	0	0

The funding for the BTS program will allow OIA, in partnership with other federal and local programs to achieve its identified strategy as noted below. The Department is continuing its participation in an interagency performance budget on invasive species in 2006 that is being coordinated by the National Invasive Species Council. The Department's bureaus will work in partnership with other Federal agencies; State, local, and tribal governments; and private sources to perform the seven functions of invasive species management: prevention, early detection and rapid response; control and management; restoration; research; education and public awareness; and leadership and international cooperation.

The FY 2006 budget request for BTS Control is \$2,700,000, a net increase of \$37,000 from the 2005 enacted level. The BTS Control Program is part of a Federal crosscutting effort to control or eradicate non-indigenous invasive species. The increased request will help supplement the grant given to The Government of Guam, Division of Aquatic and Wildlife Resources office.

**2006 PLANNED PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Guam plans to increase the number of BTS traps maintained to 800 in order to expand endangered species recovery efforts. Installation of electrical barriers on trees containing active Marian Crow nests will be continued. To prevent the establishment of Coqui Frog (prey for BTS) on Guam, the government will continue to monitor high-risk areas and maintain the public awareness campaign.
- The CNMI will maintain approximately 450 BTS traps at CNMI ports of entry, begin construction on the Rota BTS Containment Barrier, maintain the outreach and awareness



campaign; and continue to send staff for USGS Rapid Response Training.

- The State of Hawaii will maintain four canine teams in the field, continue rapid response training course for personnel; and inspect a minimum of 95% of arriving flights from Guam.
- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff (through OIA funds) will inspect 90% of commercial cargo departing Guam; and continue to expand interdiction efforts in the Harmon Industrial Park through cooperative activities.
- USGS RRT will continue to respond to snake sighting and will conduct training for snake searchers in the Pacific region. Research will be completed on the effectiveness of dogs in detecting BTS in Pacific island habitats and on the effectiveness of detecting BTS via visual searches. New research will begin on testing new snake trap designs and barriers as well as baseline rodent monitoring on Saipan, Rota, and Guam.
- USDA National Wildlife Research Center (NWRC) scientists will continue research to develop a practical, efficient aerial delivery system and will conduct public information sessions at the research center.

The program strategies and performance measures for the BTS Control program are provided below. The OIA funding for the BTS control program will allow OIA, working in partnership with the Fish and Wildlife Service, US Geological Survey, and US Department of Agriculture to achieve the strategy results identified below. These strategies and performance measures were created by the BTS Workgroup of the National Invasive Species Council and are used by all government programs working on BTS Control. Target performance outcomes and base levels (when available) for the Office of Insular Affairs are provided.

### **Strategy 1**

Evaluate new and improve existing BTS control products and their application including toxicants, repellents, fumigants, alternative attractants and sterilants, and associated delivery strategies; and provide science-based operational evaluations to BTS eradication efforts to prevent the accidental spread of the BTS from Guam via the cargo transportation network; protect human health and safety, local agriculture, and fragile ecologic systems.

<b>Performance Measures:</b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
1. Number of products tested and evaluated.	2	8	5	5
2. Successful testing of wide-area application of acetaminophen-treated baits.	NA	NA	NA	NA

**Strategy 2**

To improve methods for detection, monitoring, and control of BTS through activities such as (but not limited to), developing rapid response plans, identifying and controlling potential pathways for infestations, implementing and maintaining control methodologies and practices in programs to reduce impacts of BTS to the human environment. Evaluate and improve efforts to prevent the establishment of BTS on further US insular areas. Throughout all these programs, focus on improving public participation and enhancing cooperation amount affected entities will be emphasized.

<b>Performance Measures:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
1. Number of detection and monitoring methods evaluated.	1	1	2	2
2. Number of acres subjected to BTS monitoring and control.	10	10	10	10
3. Number of BTS captured on CNMI.	0	0	0	0
4. Number of BTS captured on Hawaii.	0	0	0	0
5. Number of BTS interceptions at ports of exit on Guam.	2,500	3,000	3,000	3,000
6. Number of public awareness events executed.	91	90	87	97
7. Number of affected entities enrolled as involved partners.	51	61	64	68

**Strategy 3**

Create and maintain areas to protect endangered species and other wildlife from BTS predation on occupied islands.

<b>Performance Measures:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	NA	NA	NA	NA
2. Number of traps maintained in areas in order to protect endangered species from predation.	750	650	750	800

<b>ACTIVITY: Territorial Assistance</b>						
<b>SUBACTIVITY: Insular Management Controls</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2004 (+/-)
\$(000)						
Insular Management Controls	1,472	1,470	0	21	1,491	21
FTEs	--	--	--	--	--	--

**Authorization:** Section 601 of Public Law 96-597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of "research, planning assistance, studies, and demonstration projects" to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

**PROGRAM OVERVIEW:** Significant improvements have been made in accountability by the insular governments since inception of the technical assistance program in 1983. Early accomplishments included the development and installation of financial management systems throughout the U.S. territories and the freely associated states. This enabled these governments to perform their own accounting operations, produce audited financial statements and provide reasonable assurance to both local citizenry and the Federal Government that controls were in place and funds were being used for intended purposes.

The present Management Control Initiative is a cooperative effort of the Office of Insular Affairs, each insular government, the audit community and the USDA Graduate School to identify and implement fundamental financial management improvements. The governments, assisted by a team of experts, undertake a systemic review of their management systems and fiscal practices and develop comprehensive plans of actions. Certain aspects of the plans require funding to initiate progressive reforms, assess effectiveness over time and sustain changes, while others are amenable to modifications in policies and practices.

Annual meetings bring together the governments to review progress, issues, and best practices. Additional resources may be necessary as plans are evaluated and adjusted, and to help the governments with the next level of changes.

#### **Cost and Performance Information**

Financial Management Improvement Plans are developed in conjunction with insular finance officers and independent auditors.

Semi-annual meetings bring parties together to discuss solutions and priorities.

Technical assistance is provided by the USDA Graduate School to provide advisory services and training.



*Support for Strategic Plan:* A major strategy toward achieving the intermediate goal of economic development and the long-term goal of economic self-sufficiency is to improve local government controls and accountability, making the insular areas a more attractive site for business investment. This program focuses on correcting material weaknesses and building institutional controls for improved management of local resources.

*Program evaluations:* OIA, in conjunction with the USDA Graduate School, developed a Financial Management Improvement Program, whereby an independent team of financial experts works with each insular government to identify control weaknesses and develop a corrective action plan. Funds in this program are used to implement the action plans developed through the independent evaluations,

*Means and strategies:* This program uses both financial assistance to the governments and independent expertise as a means to improve financial controls. The strategy employed in grant assistance is to pay for long term systemic changes such as new systems or contractual assistance for audits and other financial services. The strategy of using independent expertise is to make quick assessments and recommendations that can be carried out at the local level or to provide training and other short term assistance that has long-term benefits.

#### **FY 2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

Assist with updating financial management systems and processes.

Regional Activities conducted by OIA in cooperation with the U.S.D.A. Graduate School in FY 2003 through OIA technical assistance included:

- Insular Government Finance Officers Association (IGFOA) Meeting (Honolulu)
- Government Finance Officers' Association (GFOA) Conference/IGFOA Meeting (Milwaukee)
- Association of Pacific Island Public Auditors (APIPA) Conference (Republic of the Marshall Islands)

The following table highlights participant levels in Financial Management Training, an activity to improve insular government financial management practices.

## FINANCIAL MANAGEMENT TRAINING

**Total Participants in OIA Funded Financial Management Training  
FY 2000- 2004**

<u>Site</u>	<u>FY 2000 Participants</u>	<u>FY 2001 Participants</u>	<u>FY 2002 Participants</u>	<u>FY 2003 Participants</u>	<u>FY 2004 Participants</u>	<u>Total</u>
American Samoa	80	35	49	145	--	309
Republic of the Marshall Islands	20	20	120	53	--	213
Federated States of Micronesia	240	10	88	65	--	403
Republic of Palau	33	187	358	392	--	970
Guam	175	190	358	463	--	1186
Northern Mariana Islands	238	100	315	258	--	911
Virgin Islands	332	686	636	748	50	2452
Regional (APIPA, IGFOA)	344	612	1406	1343	226	3931
<b>Totals</b>	<b>1462</b>	<b>1840</b>	<b>3330</b>	<b>3467</b>	<b>276</b>	<b>10375</b>

**TRAINING COURSES**

Training courses and related activities were funded through the insular management control initiative and conducted by the U.S. Department of Agriculture graduate school in FY 2004 and will continue in FY 2005. OIA provides assistance for several general and specialized certificate programs in order to increase the capabilities of the insular governments in the area of accountability and financial management and to generate local expertise. The table on the following pages provides a summary of course opportunities extended to the insular areas.

## Training - U.S. Territories

<b>American Samoa:</b>  Classroom Training       Consult-Training	<ul style="list-style-type: none"> <li>• Contract Negotiations</li> <li>• Leadership Essentials for Supervisors and Managers (ASPA)</li> <li>• Supervisory Training (ASDB)</li> <li>• Procurement &amp; Contract Management for Government Officials</li> <li>• Indirect Costs Training</li> <li>• Strategic Planning (Treasury Department)</li> </ul>	<b>CNMI:</b>  Classroom Training    Consult-Training	<ul style="list-style-type: none"> <li>• Procurement and Contract Management</li> <li>• Revenue and Tax Training</li> <li>• Creative Thinking for Auditors</li> <li>• Performance Auditing</li> <li>• Performance Government</li> <li>• Strategic Planning (OPA)</li> <li>• Strategic Planning (CUC)</li> <li>• Financial Management Improvement Planning Review</li> <li>• Procurement Consultation</li> </ul>
<b>Guam:</b>  Classroom Training	<ul style="list-style-type: none"> <li>• Procurement &amp; Contract Management for Sr. Gov't Officials</li> <li>• Management Accountability &amp; Controls for Sr. Gov't Officials</li> <li>• Developing and Presenting Audit Findings</li> <li>• Effectively Management the Procurement Process</li> <li>• Grantsmanship I: Planning, Obtaining &amp; Successfully Completing Grants and Contracts</li> <li>• Grantsmanship II: Administrative Requirements &amp; Cost Principles for Grants &amp; other Agreements</li> </ul>	<b>Virgin Islands:</b>  Classroom Training	<ul style="list-style-type: none"> <li>• Computer software skills</li> <li>• Ethical Decision making</li> <li>• Presentation skills</li> <li>• Negotiation skills</li> <li>• Train-the-Trainer</li> <li>• Customer Service Excellence</li> <li>• Basic Position Classification</li> <li>• Performance Measurement &amp; Budget</li> <li>• Project Management</li> </ul>
Consult-Training	<ul style="list-style-type: none"> <li>• Project Management</li> <li>• Workload Analysis (DOA)</li> <li>• Audit Peer Review</li> <li>• Accounting/Finance Office Planning</li> <li>• Financial Management System (FMS) Review</li> <li>• Organizational Management Controls</li> <li>• Financial Management System Project Mgmt. Support</li> <li>• Strategic Planning (OPA)</li> <li>• Procurement Assessment &amp; Consultation</li> </ul>	Consult-Training	<ul style="list-style-type: none"> <li>• Business Process Design</li> <li>• Strategy Development</li> <li>• Concept of Financial Management Operations – Vision Document</li> <li>• Department of Finance – Performance Measurement Workshop</li> <li>• Milestones &amp; Execution Plans for Vision Document</li> <li>• The Change Management Execution Strategies Workshop</li> <li>• Annual Report/Drawdown Development</li> </ul>



Training - Freely Associated States

<p><b>Republic of the Marshall Islands:</b></p> <p>Classroom Training</p> <p>Consult- Training</p>	<ul style="list-style-type: none"> <li>• None</li> <li>• Creative Thinking for Auditors</li> <li>• Developing and Presenting Audit Findings</li> <li>• Audit Peer Review</li> <li>• Financial Management System Planning</li> <li>• Compact Readiness Consultation</li> </ul>	<p><b>Federated States of Micronesia:</b></p> <p>Classroom Training</p> <p>Consult Training</p>	<ul style="list-style-type: none"> <li>• None</li> <li>• Strategic Planning for Compact Negotiations</li> <li>• Indirect cost Calculation</li> <li>• Audit Peer Review (FSM Nat'l Gov)</li> <li>• Audit Peer Review (Pohnpei State)</li> <li>• Audit Peer Review (Yap State)</li> </ul>
<p><b>Republic of Palau:</b></p> <p>Classroom Training</p> <p>Consult Training</p>	<ul style="list-style-type: none"> <li>• Audit Assignment Decision Making</li> <li>• Personnel Reclassification/Wage Analysis</li> <li>• Determining Indirect Costs</li> <li>• Performance Budgeting/Measurement Training</li> </ul>		

**2005 and 2006 Planned Performance**

- Work with the insular areas to meet response deadlines in regards to audit reports.
- Reviewing current organization structure, procedures, individually for each program, and as appropriate, revise current procedures and establish processes that will enhance compliance with federal regulations and increase efficiency and accountability.
- Continue development and enhancement of procedures and tracking for rating and analysis of stated eligibility factors for funding.
- Continue accounting and management assistance related to resolving financial statement audit qualifications and compliance with OIA Financial Assistance Manual
- Continue monitoring of progress of financial statement and single audit reporting

**Relationship to Performance Goals:** The tables on the following pages identify a summary of grants for financial management improvement program. These measures are consistent with OIA's internal performance goals, and OIA will continue efforts in working with the insular areas to improve financial management practices.

The table below shows Assistance levels and accomplishments in Financial Management Planning.

**ASSISTANCE FOR FINANCIAL MANAGEMENT IMPROVEMENT**

Insular Area	Completed Plan	Grant Award Amount	Grant Award Year	Focal Area
American Samoa	Yes	\$700,000	2000-1	<ul style="list-style-type: none"> <li>• Tax administration;</li> <li>• Hospital financial management system;</li> </ul>
		\$290,000		
CNMI	Yes	\$350,000	2003	<ul style="list-style-type: none"> <li>• Hospital financial management system.</li> <li>• JDE/Hr modules,</li> <li>• LAN development, procurement and supply</li> </ul>
		\$195,800		
Guam	Yes	\$393,000	2000-01	<ul style="list-style-type: none"> <li>• Hospital</li> <li>• Public school,</li> <li>• FMIP management Tax System</li> </ul>
Virgin Islands*	Yes	\$800,000	2003	Accounting System Support
		\$400,000	2000	Audit & Controls
		\$75,000		

\* The Virgin Islands has a completed plan. However, it is time for this plan to be revised. A Financial Assessment has been completed and the report will be available before the last quarter of FY 2005.

**FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM  
FREELY ASSOCIATED STATES**

<b>Insular Area</b>	<b>Completed Plan</b>	<b>Grant Award Amount</b>	<b>Grant Award Year</b>	<b>Focal Area</b>
FSM	Yes	\$150,000 \$692,100	2000-01 2002	Accounting System Support
Marshall Islands	ADB	\$80,000 \$110,000 \$73,000 \$300,000	2003	Accounting System Support
Palau	Yes	\$400,000	2000	Audit & Controls

In FY 2006 OIA plans to work with the insular governments to update their Financial Management Program goals for the next time period.

**FINANCIAL STATEMENTS**

Timeliness of submission of audits by the insular governments to the Department of the Interior will continue to be a major performance measure for improvement in FY 2005. OIA will work cooperatively with the insular area governments to ensure a decrease in the number of months late the insular area governments are in submitting their general financial statements. The table on the following page provides a current status report of audit submissions for each insular area as of September 2, 2004.



The following table shows timeliness of financial statement submissions by total average months late for all insular area general fund financial statements.

**TIMELINESS OF AUDITS**

*As of September 2, 2004*

	<u>Insular Area</u>	<u>Year Ended Audit Period</u>	<u>Audit Date of Submission</u>	<u>Due Date</u>	<u>Number of Months Late as of 09/021/2004</u>
1	American Samoa	9/30/1998	8/29/2003	6/30/1999	63 Months
		9/30/1999	8/29/2003	6/30/2000	51 Months
		9/30/2000	8/29/2003	6/30/2001	39 Months
		9/30/2001	Not In	6/30/2002	27 Months
		9/30/2002	Not In	6/30/2003	15 Months
		9/30/2003	Not In	6/30/2004	3 Months
2	Virgin Islands	9/30/2002	4/3/2004	6/30/2003	10 Months
		9/30/2003	Not In	6/30/2004	3 Months
3	Northern Mariana Islands	9/30/2002	6/30/2003	6/30/2003	4 Months
		9/30/2003	Not In	6/30/2004	3 Months
4	Guam	9/30/2002	12/31/2003	6/30/2003	6 Months
		9/30/2003	Not In	6/30/2004	3 Months
5	Federated States of Micronesia	9/30/2002	Not In	6/30/2003	15 Months
		9/30/2003	Not In	6/30/2004	3 Months
6	Republic of the Marshall Islands	9/30/2003	4/23/2004	6/30/2003	- 2 Months
7	Republic of Palau	9/30/2003	4/1/2003	6/30/2003	- 2 Months

OIA continues to work with the Insular Governments in obtaining current reporting per requirements. Substantial improvements should be noted in FT 2005. Once the audits are submitted qualifications respective to each particular audit report are reviewed, identified and

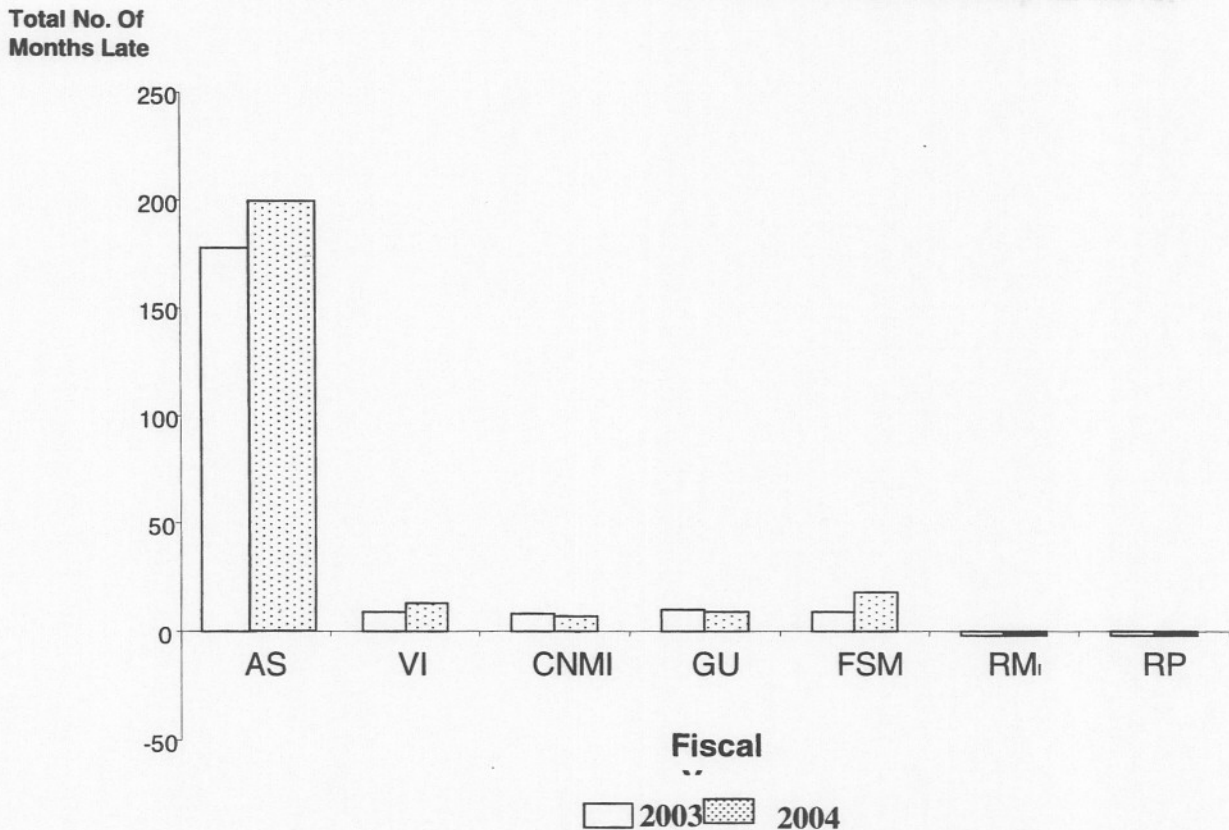
recorded, so that OIA can determine the extent to which assistance efforts can aid in the overall reduction of qualifications.

Relationship to Performance Goals: The following table identifies the information for audit due dates and actual submission. These measures are part of OIA's intermediate output requirements and in FY 2006 OIA will continue its effort in working with the insular areas to reduce the number of months late for submission of these required reports.

In reviewing the measure of audit timeliness the data, as of September 2, 2004, shows significant change from the previous year. In FY 2005, OIA anticipates continued reduction in the overall total average months late for all insular areas as American Samoa is expected to finalize their remaining audit reports for official submission.

The following table shows an overall reduction in total average months late for all insular areas – a reduction of 12 months - from outstanding audits in 2003 to the 2004 time period, a trend OIA will assist the insular areas in continuing throughout FY 2004 and FY 2005.

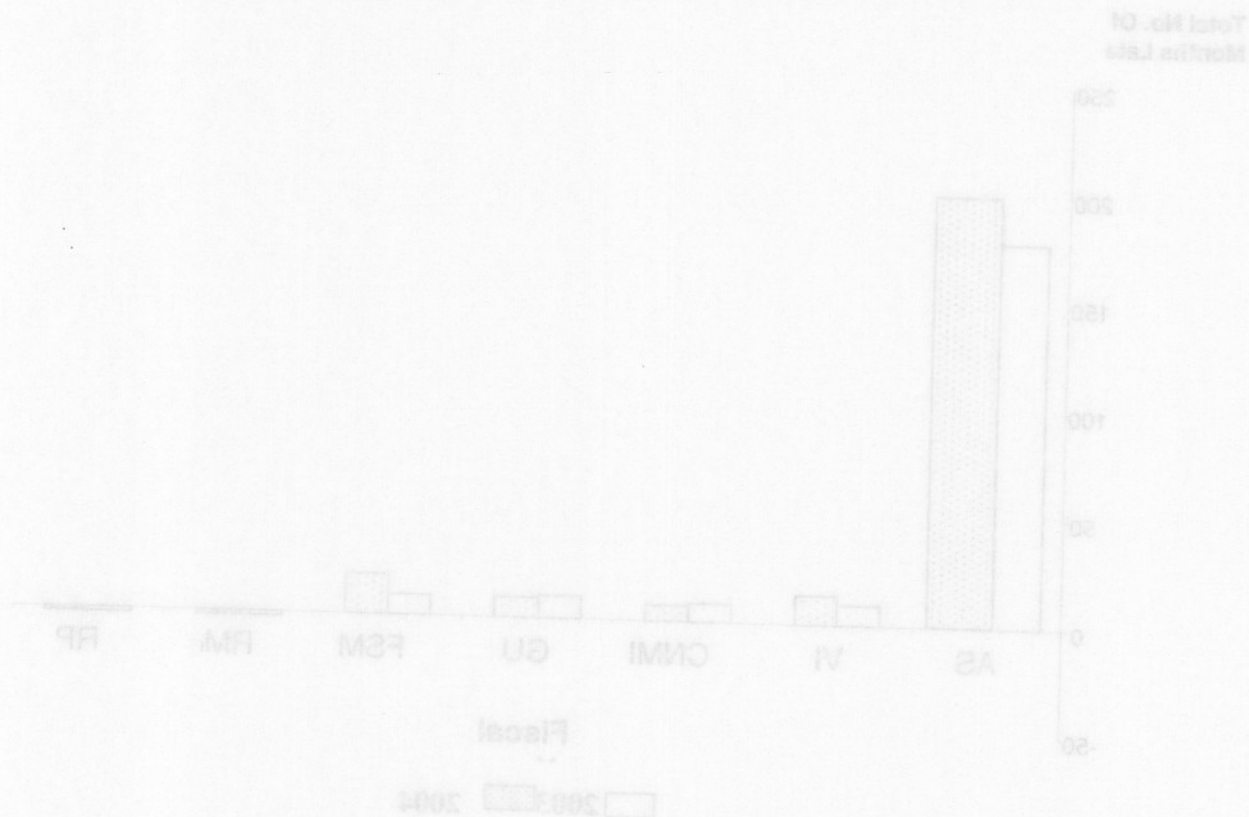
**Audit Submissions - Total Months Late**



**JUSTIFICATION OF 2006 PROGRAM CHANGES:**

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	1,491	+21
FTEs	0	0

In FY 2006, OIA will use the \$21,000 increase to continue training opportunities and technical assistance in areas related to financial management, including the implementation of the financial management improvement plans. Accurate and timely accounting for financial transactions and various reporting requirements is a long-term strategic outcome OIA intends to attain with the insular governments. Training courses and technical assistance will include accountability, financial management and regular use of performance measures. OIA will review the qualifications and assist the islands in decreasing the overall total.





<b>Activity: Territorial Assistance</b>						
<b>Subactivity: CORAL REEF INITIATIVE</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
\$(000)	494	493	0	7	500	7
FTEs	--	--	--	--	--	-

**Authorization:** Section 601 of Public Law 96-597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of "research, planning assistance, studies, and demonstration projects" to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

### PROGRAM OVERVIEW

Healthy coral reef resources are an integral part of the economy and environment of island communities, from the U.S. Virgin Islands to Guam. Among the most diverse and biologically complex ecosystems on earth, coral reefs protect island communities from coastal erosion and storm damage, provide habitat to numerous species, and support important tourism and recreational industries. Coral reef resources are now threatened by a variety of stresses including poor water quality, over-harvesting, coastal development, disease and bleaching (loss of symbiotic algae). According to recent estimates, more than 25 % of the world's coral reefs already have been lost or severely damaged.

Executive Order 13089 (June 1998) established the U.S. Coral Reef Task Force (Task Force) to bring together Federal, state, and territorial governments (through their chief executives) to address the coral reef crisis. Co-chaired by the Secretaries of the Interior and Commerce, the Task Force is credited with setting the national and international agenda for long-term management and protection of coral reefs. Adopted in March 2000, the Task Force's *National Action Plan to Conserve Coral Reefs* outlines a comprehensive program of research, mapping, monitoring, conservation and restoration to address the coral reef crisis.

#### Cost and Performance Information

Priority projects with cost estimates outlined *Local Action Strategies* and annual project proposals

Annual grants assist insular governments in carrying out projects.

Annual reviews held in consultation with the Coral Reef Task Force.

With the majority of U.S. coral reefs located in the insular areas, the Office of Insular Affairs (OIA) plays a critical role in the national effort to develop effective programs to sustainably manage and protect U.S. coral reef resources. OIA has worked closely with the islands to identify and implement a broad scope of management actions from education and outreach to the establishment of marine protected areas and increased enforcement. Priority projects are outlined in the *All Islands Coral Reef Initiative Strategy*, the Task Force's *National Action Plan to Conserve Coral Reefs*, annual funding proposals, and the territories' *Local Action Strategies*.

OIA also provides technical advice and funding to the Marine Resources Pacific Consortium (MAREPAC). MAREPAC was created to promote regional cooperation on marine resource use, management and preservation among the Pacific Islands of American Samoa, the Federated States of Micronesia (Chuuk, Kosrae, Pohnpei, and Yap), the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, Guam and the Republic of Palau. MAREPAC is a milestone in the development of regional capacity and a model program for sharing resources and expertise, providing training and education, and promoting the sustainable use of marine resources.

OIA will continue to work with the insular areas to identify, prioritize and fund local initiatives aimed at improving coral reef management, protection, and restoration in the insular areas.

*Support for Strategic Goal:* This initiative directly assists in achieving the intermediate goal of economic development. Healthy coral reefs are a cornerstone of island economies as they support fisheries and tourism, the major private sector economic forces in the islands.

*Program evaluation:* In conjunction with the National Oceanic and Atmospheric Administration, OIA assisted in developing a National Action Plan to Conserve Coral Reefs. Specific plans were developed for each of the insular areas. Members of the coral reef task force meet semi-annually to evaluate progress and work out specific plans for the next half-year.

*Means and Strategies:* OIA uses two means to carry out its Coral Reef Initiative. The first is by working with the territories to develop short, intermediate and long-term strategies and goals. The second is by providing direct grants to insular governments to implement various projects in these strategies.

#### **FY 2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In FY 2003 OIA in a cooperative effort with the insular areas continued to identify high priority local needs for research, mapping, monitoring, management and education to improve local management and protection of their coral reefs. Detailed local action plans were developed by resource managers to identify high priority management needs for improving the health and management of coral reefs under their jurisdiction. OIA provided support to the U.S. Coral Reef Task Force which has developed a national strategy for coral reef management and protection.

Specific accomplishments include:

- In partnership with the National Oceanic and Atmospheric Administration, OIA awarded



8 new grants to improve coral reef management and protection in the insular areas;

- Worked with territorial and Federal partners to develop Local Action Strategies for coral reef management and protection. The Local Action Strategies will help the Department and Federal partners identify and prioritize local needs;
- Conducted scientific assessments, including training of local students of coral reefs in atolls of the Marshall Islands;
- Worked with Federal, state and territorial partners to convene two U.S. Coral Reef Task Force meetings;
- Supported a workshop to train marine resource managers in the Freely Associated States on identification and protection of spawning aggregations of reef fish.

OIA, in cooperation with other Federal, local and international partners, supported development of "A Blueprint for Conserving the Biodiversity of the Federated States of Micronesia". Through a series of workshops and planning sessions, the Blueprint captures the collective biological knowledge of regional scientists and local experts and turns that knowledge into mapped focal areas for biodiversity protection. It also recognizes the authority of local villagers to manage their own forest and marine resources, creating a new spirit of cooperation between government and community leaders. In the first effort of its kind for this region of the Pacific, the Blueprint provides the framework for creating the first national system of protected areas for the FSM.

**Blueprint for Conserving the  
Biodiversity of the Federated States of  
Micronesia**

A major goal of this initiative is to protect and sustainably manage a full representation of the FSM's marine, freshwater and terrestrial ecosystems.

Specific ongoing outputs for the Coral Reef program include:

- First-ever scientific assessment of the natural and cultural diversity of Ailinginae Atoll in the Marshall Islands was undertaken at the request of the local government. The report will be used to support nomination of Ailinginae Atoll as a World Heritage Site.
- Enhancement of a web-based system to identify needs and track progress on state and territorial coral reef initiative projects.
- Scuba-assisted harvest of fish banned in American Samoa in an effort to rebuild local fish stocks.
- Strategy for creating a national system of protected areas developed for the Federated



States of Micronesia.

- Culturally-appropriate primary and secondary education materials on value of coral reefs developed in Guam, American Samoa and the Commonwealth of the Northern Mariana Islands.
- Economic valuation of coral reefs (a 3 year project) is actively underway.

### **FY 2004 AND 2005 PLANNED PROGRAM PERFORMANCE**

The goal of the Coral Reef program is to improve the health of coral reefs in the U.S. insular areas for their long-term economic and social benefit through enhanced local management and protection. OIA's primary role is that of assisting the insular areas in identifying causes for coral reef decline, assessing needs form improving local management and protection, and as available provide technical and financial assistance to meet priority needs. Performance indicators and outputs will focus on the health and management of local coral reefs, through assistance provided.

Local action plans are under development for fiscal year 2005 though 2006 in accordance with a resolution adopted at the most recent U.S. Coral Reef Task Force meeting. OIA is meeting with local coral reef advisory groups to identify priority needs to improve their coral reefs. Once priority needs are updated, funding will be allocated in accordance with specific goals and objectives, with measures identified within grants.

Specific planned accomplishments include:

#### **FY 2005**

- In partnership with the National Oceanic and Atmospheric Administration, award 5 new grants to improve coral reef management and protection in the insular areas
- Work with Federal, state and territorial partners to convene two U.S. Coral Reef Task Force meetings
- Complete reports on scientific assessment of atolls of the Marshall Islands

**JUSTIFICATION OF 2006 PROGRAM CHANGES:**

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	500	+7
FTEs	0	0

In FY 2006, OIA will use the \$7,000 increase for the following:

- In partnership with the National Oceanic and Atmospheric Administration, award 8 new grants to improve coral reef management and protection in the insular areas;
- Work with territorial and Federal partners to implement Local Action Strategies for coral reef management and protection;
- Complete 8 grants in an average of 20 months to improve management and protection of coral reefs in the insular areas;
- Work with insular areas to identify strategic needs and priorities to advance local coral reef management and protection as laid out in the initial Local Action Strategy Plan.

JUSTIFICATION OF 2006 PROGRAM CHANGES:

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Program Changes (+/-)	2006 Budget Request	2005 Budget
+7	200	
0	0	
		FTEs
		2(000)

In FY 2006, OIA will use the \$7,000 increase for the following:

- In partnership with the National Oceanic and Atmospheric Administration, award 8 new grants to improve coral reef management and protection in the insular areas;
- Work with territorial and Federal partners to implement Local Action Strategies for coral reef management and protection;
- Complete 8 grants in an average of 30 months to improve management and protection of coral reefs in the insular areas;
- Work with insular areas to identify strategic needs and priorities to advance local coral reef management and protection as laid out in the initial Local Action Strategy Plan.



<b>Activity: Territorial Assistance</b>						
<b>Subactivity: WATER &amp; WASTE WATER</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Budget Request	Change from 2005 (+/-)
--						
\$(000)	0	0	0	1,000	1,000	1,000
FTEs	--	--	--	--	--	--

<b>Performance and Cost Summary – MEASURES ARE UNDER DEVELOPMENT</b>			
<b>Water and Wastewater Projects</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Water Quality Measure:</b> Parts per million of contaminants; maintaining high grade of water supply, including compliance with drinking water standards and quality service delivery standards; minimize the number of people/properties affected by interruption of wastewater services. <sup>//</sup>	n/a	TBD	TBD
<b>Water Efficiency Measure:</b> Water pumped vs. water billed; reduce water loss; maintain or enable water network pressure and flows to comply with standards of Water supply Management; community awareness of cost information and water supply/use management. <sup>//</sup>	n/a	TBD	TBD

// Specific projects and performance metrics will be determined upon receipt of grant proposals.

**Authorization:** Section 601 of Public Law 96-597, (48 U.S.C. 1469d) authorized the Secretary of the Interior to provide technical assistance in the form of "research, planning assistance, studies, and demonstration projects" to the territories through Departmental staff, reimbursements to other agencies, grants to or cooperative agreements with the insular governments, or the employment of private individuals, partnerships, or corporations.

#### **Program Overview**

The territorial assistance activity provides support not otherwise available to the insular areas, to combat deteriorating economic and fiscal conditions and maintain the momentum needed to make and sustain meaningful systemic changes. The program allows each government to identify pressing issues and priorities, and develop action plans to mitigate these problems. Direct grants and reimbursable agreements with technical assistance providers, both within and

outside the Federal government, are key to implementation. Funded projects are focused to meet immediate needs in the short term and assist the governments in developing longer term solutions.

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**In its FY 2006 budget request OIA is requesting a distinct category of assistance identified as water and wastewater projects in the insular areas.**

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**Water and Wastewater projects: This is a new subactivity fund within technical assistance that is requested specifically to target, promote and develop insular area water and waste water systems and projects that improve insular area water and waste water needs.**

Water is a vital, non-manufactured resource. No resource is more essential to health, food supplies, the environment and economic well-being. The increasing frequency of water shortages, droughts, inadequate storage and distribution capacity, and changing water quality requirements and regulations raise the demand for improved water resource management. The solution to managing water resources more efficiently in the insular areas while not simple can be accomplished over time, if appropriately planned.

Funding in the amount of \$1.0 million is requested for water and wastewater projects in the U.S. Virgin Islands, Guam, the Northern Mariana Islands and American Samoa. These territories face a myriad of water problems, including a lack of running water 24 hours a day, wastewater infrastructure deficiencies which have caused violations of Federal environmental laws, and drinking water quality which is not always up to U.S. standards. The territories are trying to address these major issues by working closely with the U.S. Environmental Protection Agency but they are desperately in need of funding to assist them in modifying their water and wastewater infrastructure in order to comply with Federal regulations. This \$1.0 million would be distributed among the U.S. territories to assist them in meeting their highest priority needs in these areas. This funding can provide dramatic improvement in the quality of life for these residents. The resources would provide for increased water reuse, ecosystem resource management, improved water quality, and system standardization.

The importance of improved water and wastewater systems has been heightened in recent years as analysis conducted by local and Federal agencies have indicated deficiencies in the systems meeting environmental requirements. In the case of the Virgin Islands, inadequate wastewater treatment facilities have threatened health and reef environments and have culminated in court-ordered sanctions against the governments. In the case of Guam, contaminated water from the landfill threatens the quality of the ground water supply and recent typhoons and earthquakes have revealed a fragile and tenuous distribution system. The CNMI remains the largest community in the United States without 24-hour water despite annual rainfall well in excess of double the national average. It is a result of poor planning, inadequate funding and a distribution and storage system, which mostly pre-dates World War II. American Samoa still relies heavily on small village systems, sometimes contaminated by poorly constructed septic systems.



### ***Strategic Outcomes and Results***

Providing cost effective service without interruption to individual, private and public markets: The Department's Strategic Plan's mission goal of *Serving Communities* includes an outcome goal of "Increasing Economic Self-sufficiency of the Insular Areas." The Territorial Assistance activity accomplishes this outcome. Through the expertise obtained through technical assistance funds completion of these projects will provide all persons and communities with appropriate water service by the most cost-effective and efficient means possible at affordable prices. In providing this service economic self-sufficiency is enhanced and the needs of the insular areas are met through stable water and wastewater services without disruption to individuals or the private market place.

Water and Wastewater projects: OIA's intermediate outcome within the Department's Strategic Plan "Increased Federal Responsiveness to Unique Needs of Island Communities" is an internal measure that the OIA is committed to accomplishing. OIA works closely with the Department and the insular governments to develop balanced and cost effective programs based on Federal public policy to assist the insular areas. The requested funding level of \$1.0 million will increase water efficiencies and management in the insular areas. OIA assistance in this area enables fulfillment of the respective island community's need in maintaining continuity in water management resource development and implementation along with preventing disruption of water distribution in the insular communities.

### ***Critical impact of non-funding***

Non-inclusion of the additional funds requested for water and wastewater projects would continue and potentially increase water and wastewater problems in the insular areas. Because of recent Federal regulations and Court Orders that require certain levels of compliance the need for a solution to the water and waste water problems in the insular areas is a high priority need. Congress has recognized this need and over the years has provided limited funding, specific to one or two areas to assist in resolution of inadequate water and wastewater systems. In providing funding specific to water and wastewater projects OIA, through grant proposals that meet funding criteria can better assist the insular areas toward resolution of their water and wastewater problems.



*Means and Strategies*

OIA provides grants to the insular areas to fund approved water and wastewater projects selected through ratings made on the basis of a set of competitive criteria that measure the demonstrated ability and needs of the governments and insular areas. The majority of the workload is handled through the grant recipient with OIA grant managers to administer the grant in accordance with the grant terms and conditions and work with the island governments and project managers to ensure implementation meets anticipated expectations.

**Data Validation/Verification**

**Any Technical Assistance Project including Water and Wastewater projects:** The OIA is working with each affected government to ensure records remain current and have in place certain requirements for the governments and managers with project responsibilities once funding is available. Presently, the governments are implementing improvements to their systems to accommodate the administrative function. Periodic reports, and annual financial statements and audits are conducted and available to support record keeping and financial accountings.

**JUSTIFICATION OF 2006 PROGRAM CHANGES:**

The FY 2006 Budget request for the water & waste water projects in the insular areas is \$1,000,000. This activity line contains no associated FTEs.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$ (000)	1,000	+1,000

Planned accomplishments in FY 2006, under this level of funding include funds for grant awards to the insular areas which will increase OIA's ability to meet its strategic goals. Specifically:

- The funds provided by this water and wastewater grant project would assist OIA in meeting its second strategic goal of increasing economic development as it would provide funds for improvements to water and wastewater infrastructure which would allow island governments to support new development and improve their quality of life.
- The increased funding could also improve OIA's performance in meeting the strategic goal to increase Federal responsiveness to the unique needs of the island communities. There are no other places within the United States that are experiencing comparable water and wastewater issues as the islands. A focus on the effort by OIA will allow dramatic improvements in these areas and additionally will facilitate the insular areas in identifying and utilizing the technical expertise available from the appropriate Federal agencies.

**APPROPRIATION LANGUAGE - COMPACT OF FREE ASSOCIATION**

For grants and necessary expenses, \$[5,499,000]4,862,000, *to remain available until expended*, as provided for in sections 221(a)(2), 221(b), and 233 of the Compact of Free Association for the Republic of Palau [as authorized by Public Law 99-658; Public Law 108-188]; and section 221(a)(2) of the Compacts of Free Association [and their related agreements between the Government of the United States and] for the Government of the Republic of the Marshall Islands[,] and [the Government of the United States of] the Federated States of Micronesia, [respectively, as amended, to remain available until expended], as authorized by Public Law 99-658 and Public Law 108-188. (Department of the Interior and Related Agencies Appropriations Act, 2005.)





<b>Account: Compact of Free Association (Current Appropriation)</b>						
<b>Activity: Federal Services Assistance</b>						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Request	Change from 2005 (+/-)
-	2,700	2,957	---	-95	2,862	-95

**Authorization:** Sections 122, 221(a), 232 and 233 of Public Law 99-239 and Sections 122, 223, 232 and 233 of Public Law 99-658.

**PROGRAM OVERVIEW:** The Compacts of Free Association guarantee that the freely associated states (FAS) will continue to receive certain Federal services, either at a level equivalent to what was provided in the year preceding the implementation of the Compact, as is the case for Palau; or in accordance with negotiated agreements, as is the case for the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). These services include the U.S. Postal Service (USPS). The Compacts also provide that annual audits, in accordance with the Single Audit Act of 1984, will be conducted at no cost for the Republic of Palau through fiscal year 2009 and on an equal cost share basis for the FSM and RMI through fiscal year 2023.

This budget also includes funding for postal services for the FAS.

The United States Postal Service (USPS) provides transportation of mail to and from the freely associated states. Although the freely associated state governments operate their own postal services for internal mail distribution, they have almost no role in the international movement of mail. By agreement, U.S. postal rates are the floors for rates charged by the FAS. Currently U.S. domestic first class postage rates are in effect for mail from the United States to the FAS, although agreements with the FSM and RMI will allow an increase in these rates in future years. The FAS operate the local post offices and transport mail to and from air and seaports. All proceeds from the sale of FAS stamps and postal indicia are retained by the FAS governments.

The effectiveness of the USPS program, especially for the Republic of the Marshall Islands, is dependent on the availability of commercial air service. To maintain mail service, the USPS in recent years has chartered special flights and purchased additional space on passenger flights to transport mail.

#### **2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

- Entered in a reimbursable support agreement with the USPS for services provided to the freely associated states.
- USPS entered into a new mail transportation contract with Continental Airlines specifying service performance resulting in improved mail service throughout the

region.

- Provided a grant to the Republic of Palau to conduct a single audit.

**2005 PLANNED PROGRAM PERFORMANCE:**

- Enter into 1 reimbursable agreement with the USPS for services provided to the freely associated states.
- Provide and administer one grant to the Republic of Palau for conduct of a single audit.

**JUSTIFICATION OF 2006 PROGRAM CHANGES:**

**Federal Services (-\$95,000)**

The FY 2006, budget request for the Federal Services program is a reduction of \$95,000 with no additional FTE's.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	2,862	-95

The budget contains a reduction of \$95,000 related to U.S. Postal Service costs in the Freely Associated States. An estimated \$2.5 million will be used to reimburse the USPS for services rendered to the freely associated states. This represents the estimated full cost for providing these services. The balance of \$362,000 will be granted to the Republic of Palau for the costs associated with the 2006 audit.

Performance Workload Measures-Federal Services				
	2004	2005	2006	Change from 2005
Reimbursable Agreements	1	1	1	0
Audit Grants	1	1	1	0

<b>Account: Compact of Free Association (Current Appropriation)</b>						
<b>Activity: Enewetak Support</b>						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
	379	493	-	-493	0	-493

<b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b>						
<b>Activity: Enewetak Support</b>						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
	1,300	1,300	-	0	1,300	0

**Authorization:** Section 103(h)(2) of Public Law 99-239, the Compact of Free Association Act of 1985, as amended requires "the President..., without reimbursement, to continue the planting and agricultural maintenance program on Enewetak... including operations and maintenance of the vessel used for such purposes. Section 103(f)(2)(C)(i and ii) of the Compact of Free Association Amendments Act of 2003, mandates that the "planting and agricultural maintenance program on Enewetak shall be funded at a level not less than \$1,300,000 per year, as adjusted for inflation..." and appropriates these sums out of any funds in the Treasury not otherwise appropriated.

**PROGRAM OVERVIEW:** The natural vegetation of Enewetak Atoll was largely destroyed during World War II and during the subsequent nuclear testing program conducted by the United States. Following the cleanup and resettlement of Enewetak, food bearing trees and root crops had to be replanted. However, the depleted soil of the island environment made it difficult to support sufficient agricultural activity to feed the population. In 1980, the Enewetak Support program was implemented to provide supplemental foods for the community, replant vegetation of the inhabited islands, provide agricultural maintenance training and transport food to the island.

The Enewetak community developed a plan with the assistance of the University of the South Pacific to provide greater amounts of locally produced food and to better integrate necessary imported food into the local diets. A continuing effort is being made to replenish the atoll's soil and agricultural potential. The replanted vegetation is producing at pre-nuclear testing period levels, when the population was about 150 people, but is not sufficient for the current population of about 800 people.



The Enewetak program uses approximately 40% of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Approximately 31% of the funding is used to purchase food and commodities for the residents of the atoll. The remaining funds are used to operate the atoll's new vessel and support office in Majuro.

In 2005 the Enewetak project managers are conducting a detailed survey of the three inhabited islands of the atoll to establish baseline data for the acreage of land currently usable for agriculture. Upon the completion of the survey new performance measures will be set in consultation with OIA.

**The Enewetak program was incorporated and funded within the Permanent funding provisions of the Compact of Free Association in December 2003, therefore current funding is not requested, nor necessary.**

<b>Performance /Workload Measures-Enewetak Support</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Change from 2005</b>
Operations Grants	1	1	1	0
Ave. Mos. To Completion	12	12	12	0
Perf. Objectives Accomplished	# acres rehabilitated	Create baseline for acres rehabilitated	# acres rehabilitated	

**JUSTIFICATION OF 2006 PROGRAM CHANGES:**

**Compact - Enewetak Current Appropriation (-\$493,000)**

The FY 2006, budget request for the Enewetak program is -\$493,000 with no additional FTE's.

2006 Program Changes		
	2006 Budget Request	Program Changes (+/-)
\$(000)	0	-493
FTEs	0	0

The amended Compact of Free Association (Public Law 108-188) includes a provision that appropriates, in permanent funding, \$1.3 million annually for twenty years, with adjustments for inflation, for the Enewetak Support program. It is no longer necessary to seek a current appropriation to maintain this program.

Change from 2005	2006	2005	2004	Program Assistance Grants
0	1	1	1	

<b>Account: Compact of Free Association (Current Appropriation)</b>						
<b>Activity: Program Grant Assistance</b>						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
	2,000	2,000	0	-0-	2,000	0

**Authorization:** Public Law 99-658, Section 221(b).

**PROGRAM OVERVIEW:** The Compact of Free Association with the Republic of Palau provides for a special category of funds for health and education activities. The Compact requires the use of funds be described in an annual program plan submitted to the United States. Palau uses these funds solely for education programs within its Ministry of Education.

**2004 PLANNED PROGRAM PERFORMANCE:**

1. Issue and administer one grant for the Republic of Palau

**2005 PLANNED PROGRAM PERFORMANCE:**

1. Issue and administer one grant for the Republic of Palau.

<b>Performance Workload Measures-Program Grant Assistance</b>				
	2004	2005	2006	Change from 2005
<b>Program Assistance Grants</b>	1	1	1	0



<b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b> <b>Activity: Economic Assistance</b> <b>Subactivity: Federated States of Micronesia (FSM)/ Republic of the Marshall Islands(RMI)</b>						
\$(000)	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
RMI	58,800	61,256	--	758	62,014	758
FSM	92,500	93,586	--	1,302	94,888	1,302
FEMA	400	405	--	5	410	5
Judicial Training	300	304	--	4	308	4

**Authorization:** Public Law 108-188

**PROGRAM OVERVIEW:** Article I of Title Two of the Compacts of Free Association describes the financial assistance committed by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments also include a new permanent and indefinite appropriation that assures continuation of direct financial assistance through fiscal year 2023.

The long term goal of United States Compact financial support is to assist the freely associated states "in their efforts to advance the economic self-sufficiency of their peoples." The funding provided over the past seventeen years provided the basis for meeting the two primary political goals of the compact, to (1) secure self-government for each country by ending the four decades-old Trusteeship; and (2) assure national security rights for the United States in the freely associated states. The two primary goals could not have been achieved without the stability compact funding gave the FSM and RMI economies during the past seventeen years.

The first Compact financial assistance period and related agreements provided funding by category and purpose, and established general guidelines for the use of funds. The local governments, through their own legal processes, allocated funding among self-chosen priorities. Compact funds were disbursed to the FSM and RMI according to negotiated procedures rather than standard Federal practices. All funds dedicated to capital purposes were transferred to the governments the first day of the fiscal year. All operational funding was disbursed in quarterly lump sums. Customary regulations for the use of Federal funds, such as the Common Rule for grant funds, did not apply to Compact funding. The lack of effective enforcement mechanisms over the use of funds was well documented. This was, however, by design. The Compact was consciously negotiated to limit U.S. control over funding given to the newly established democracies.

The FSM and the RMI have not achieved their long-term Compact goal of self-sufficiency. The United States believes part of the reason for poor economic performance over the past seventeen years was in the design of the Compact itself. The lack of performance standards and measures and monitoring systems allowed poor practices to take root in local government administration.

The amended Compact provides assistance in the form of direct grants in six sectors: education, health care, infrastructure, public sector capacity building, private sector development, and environment. Joint economic management committees, comprised of high ranking officials from the United States and the RMI or FSM, meet no less than annually to agree on the allocation of Compact funds among the sectors and to discuss performance, accountability issues and conditions for the use of assistance. OIA serves as the administrator of the financial assistance and ensures enforcement of conditions. An office for monitoring Compact assistance has been established in Honolulu and personnel have also been located in the RMI and FSM capitals. Through a negotiated fiscal procedures agreement, accountability and control standards similar to those which apply domestically between the Federal Government and State and local governments have been implemented.

The amended Compact also requires the United States to make contributions to trust funds for each government. The trust funds are intended to help provide a base for financial self-sufficiency following the conclusion of direct assistance in fiscal year 2023.

#### **2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

- Conducted the first formal meetings of the joint economic management committee with the FSM and the joint economic management and financial accountability meeting with the RMI for the purpose of allocating Compact assistance among the six sectors and reaching general agreement on grant conditions.
- Issued and administered six grants to the RMI and five to the FSM according to allocation decisions and conditions of the joint economic management committee for the FSM and the joint economic management and financial accountability committee for the RMI.
- In cooperation with the freely associated states, established performance objectives for all sectors and began defining measures to track performance over the next twenty years.

- Fully staffed the Hawaii Field Office to provide necessary subject matter and financial management expertise.
- Conducted on-site monitoring of grant compliance and performance progress.
- Established a field office in the RMI for continuous on-the-ground monitoring of grants and Compact-related matters, and reassigned similar duties to OIA's FSM field representative.
- Established trust funds and administering boards for the RMI and FSM and deposited first year's capitalization.
- In cooperation with the FSM, addressed procedural and administrative problems preventing the award of public sector infrastructure grant project funds.

**2005 PLANNED PROGRAM PERFORMANCE:**

- In cooperation with the freely associated states, complete the development of measures and baseline data to track performance in all sectors and establish systems to account for, monitor and correct non-compliance or lagging performance.
- Issue and administer all sector grants to the FSM and the RMI.
- Conduct a minimum of 200 days of site visits in the RMI and FMS to review compliance and monitor performance progress.
- Convene regular and special meetings of the joint economic management and financial accountability committee for the RMI and the joint economic management committee for the FSM to address major issues as these arise.

**2006 PLANNED PROGRAM PERFORMANCE:**

- Conduct a minimum of 200 person-days of site visits in the RMI and FSM.
- Collect quantitative and qualitative data on performance objectives and measures.



<b>Performance Measures-Compact of Free Association Economic Assistance - FSM and RMI</b>				
<b>Measures</b>	<b>2004 Baseline</b>	<b>2005 Estimate</b>	<b>2006 Estimate</b>	<b>Changes (+/-)</b>
Site Visits	322	200	200	-
Education (Student Achievement Lev.) FSM RMI	Baseline being developed	Ongoing development	TBD	
Health Care (Decrease infant mortality) FSM RMI	19.3/100 25.5/100	19.3/100 25.5/100	19.3/100 25.5/100	
Private Sector Development (Private Sector/Total Employment) FSM RMI	Baseline being developed	Ongoing development	TBD	
Environment (Acres in conservation areas) FSM RMI	Baseline being developed	Ongoing development	TBD	
Infrastructure (% w/ 24 hr. water) FSM RMI	Baseline being developed	Ongoing development	TBD	

<b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b>						
<b>Activity: Economic Assistance</b>						
<b>Subactivity: Republic of Palau</b>						
\$ (000)	2004 Actual	2005 Estimate	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
Palau	12,071	10,471		+185	10,656	+185

**Authorization:** Public Law 99-658

**PROGRAM OVERVIEW:** Article I of Title Two of the Compact of Free Association describes the financial assistance committed to the Republic of Palau by the United States. Backed by the full faith and credit of the United States, the financial assistance established in Article I is the most significant part of the economic relationship with Palau. Compact funding was appropriated on a permanent and indefinite basis in 1986 (Public Law 99-349). However, because of delays in the ratification process by the Republic of Palau, its Compact was not implemented until 1995, eight years after implementation for the other two freely associated states.

There are a number of marked differences between the Compact with Palau and the Compacts with the Federated States of Micronesia and the Marshall Islands, some of which were negotiated during the eight-year interim period in order to help Palau overcome opposition to ratification of the Compact. This includes a trust fund, capitalized at \$70 million by the U.S., which will provide income to Palau for an additional 35 years after direct assistance expires in 2009. Because of the \$70 million investment trust fund, Palau's compact does not contain any provision for re-negotiating direct financial assistance at the end of the original 15-year period (2009).

Palau also received its capital funding in a substantially different manner. Rather than annual grants for capital needs, Palau received a \$36 million trust fund (adjusted for inflation based on 1981 dollars) in 1995. The United States is also building for the people of Palau, a 53-mile road on Babeldaob Island that, upon completion, will cost the U.S. approximately \$149 million.

The final major difference between the Compacts is that Palau has never received the services of the Federal Emergency Management Agency. Palau gave this service up in return for other concessions, on the premise that they are more removed from the typical typhoon track than are the other two freely associated states.

**2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

- The U.S. met all of its requirements under the Compact, as did Palau, including annual economic consultations.
- Approximately 82% of the 53-mile Palau Road was completed.

**2006 PLANNED PROGRAM PERFORMANCE:**

- Meet all requirements under the negotiated Compact.
- Conduct annual economic consultations, in conjunction with the State Department.
- Complete 100% of the 53-mile Palau Road.

<b>Performance Measures-Compact of Free Association</b>			
<b>Palau</b>			
<b>Performance Measures</b>	<b>2005 Plan</b>	<b>2006 Plan</b>	<b>Change (+/-)</b>
53 mile Rd./ % Completion	82%	100%	+18%



<b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b>						
<b>Activity: Compact Impact</b>						
	2004 Actual	2005 Enacted	Uncontrollable Changes (+/-)	Program Changes (+/-)	2006 Estimate	Change from 2005 (+/-)
Hawaii	10,571,277	10,571,277	0	0	10,571,277	0
Guam	14,242,322	14,242,322	0	0	14,242,322	0
CNMI	5,171,914	5,171,914	0	0	5,171,914	0
American Samoa	14,487	14,487	0	0	14,487	0

**Authorization:** Public Law 108-188

**PROGRAM OVERVIEW:** Section 104 (e) of Title One of the amended Compacts of Free Association describes the financial assistance committed by the United States to the State of Hawaii, Guam, the Commonwealth of the Northern Mariana Islands and American Samoa. The goal of this financial support is to provide through 2023, \$30,000,000 in grants to affected jurisdictions to aid in defraying costs incurred by affected jurisdictions as a result of increased demands placed on health, educational, social, or public sector services or infrastructure related to such services due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

The \$30,000,000 distribution is based on a ratio allocation to the government of each affected jurisdiction, on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

**2004 PROGRAM PERFORMANCE ACCOMPLISHMENTS:**

- The State of Hawaii used the full amount of its \$10,571,277 to supplement state funds to support indigent health care.
- Guam used its grant of \$14,242,322 in the following manner:
 

○ School Buses	\$3,200,000
○ Medical Supplies	1,800,000
○ Pharmaceuticals	6,584,010
○ Medical Equipment	1,500,000
○ Corrections Equipment	300,000
○ Public Health building improvements	754,238
○ Police Building	2,837,000
○ Fire Department Equipment	257,074
- The Commonwealth of the Northern Mariana Islands used the FY 2004 grant to supplement the budgets of the following operational agencies:
 

○ DPH- Hospital, Public Health	\$3,698,315
○ DPH- Mental Health, Youth Services	72,149
○ Division of Youth Services	242,730
○ Department of Public Safety	1,004,894
○ Public Defender	155,826

**2005 PLANNED PROGRAM PERFORMANCE:**

- The following FY 2005 grants will be made to each eligible jurisdiction based on the population of eligible migrants:
 

○ Hawaii:	\$10,571,277
○ Guam:	\$14,242,322
○ CNMI:	\$ 5,171,914
○ American Samoa:	\$ 14,487
- Grant assistance provided may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants.
- Each jurisdiction will provide a program plan to the Department of the Interior for the use of the funds.

**JUSTIFICATION FOR 2006 PROGRAM CHANGES**

The FY 2006 Compact Impact Assistance will be awarded in the same increments as FY 2005 for the same purposes.

OFFICE OF INSULAR AFFAIRS  
**COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION**  
 Summary of Requirements - FY 2006

Comparison by Activity/Subactivity	2004 Actual	2005 Estimate	Uncont. Changes	Program Changes	FY 2006 Budget Request	Incr. or Decr. from 2006
<b>COMPACT OF FREE ASSOCIATION - PERMANENT</b>						
<u>Assistance to the Marshall Islands:</u>						
Sector Grants	30,000	29,848	0	-89	29,759	-89
Kwajalein Payments	5,000	5,059	0	11	5,070	11
Audit	500	500	0	0	500	0
Trust Fund	7,000	7,589	0	613	8,202	613
Rongelap Resettlement	0	1,768	0	-8	1,760	-8
Kwajalein Lease Payment	15,000	15,177	0	212	15,389	212
Enewetak	1,300	1,315	0	19	1,334	19
2003 Compact of Free Association Payments			0	0		
Subtotal, Marshall Islands Assistance	58,800	61,256	0	758	62,014	758
<u>Assistance to the Federated States of Micronesia (FSM)</u>						
Sector Grants	76,000	76,897	0	1,076	77,973	1,076
Trust Fund	16,000	16,189	0	226	16,415	226
Audit	500	500	0	0	500	0
2003 Compact of Free Association Payments			0	0		
Subtotal, FSM Assistance	92,500	93,586	0	1,302	94,888	1,302
<u>Compact Impact</u>	30,000	30,000	0	0	30,000	0
Judicial Training	300	304	0	4	308	4
FEMA - Disaster Assistance	400	405	0	5	410	5
<u>Total, FSM Marshalls Compact (Permanent)</u>	<u>182,000</u>	<u>185,550</u>	<u>0</u>	<u>2,069</u>	<u>187,620</u>	<u>2,069</u>
<u>Assistance to the Republic of Palau</u>						
Section 211 (Government Operations)	7,781	6,781	0	0	6,781	0
Section 215 (Inflation Adjustment)	4,290	3,690	0	185	3,875	185
Subtotal, Assistance to the Republic of Palau	12,071	10,471	0	185	10,656	185
<b>TOTAL REQUIREMENTS, COMPACT, Permanent</b>	<b>194,071</b>	<b>196,021</b>	<b>0</b>	<b>2,254</b>	<b>198,276</b>	<b>2,254</b>
<b>GRAND TOTAL, COMPACT, Permanent &amp; Current</b>	<b>200,450</b>	<b>201,471</b>			<b>203,138</b>	



COMPACT OF FREE ASSOCIATION TABLES

OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION  
 Summary of Requirements  
 FY 2006

Comparison by Activity / Subactivity	2004 Actual	2005 Estimate	Uncont. Changes	Program Changes	FY 2006 Budget Request	Incr. or Decr. from 2005
<b>COMPACT OF FREE ASSOCIATION - CURRENT</b>						
<u>FSM/Marshalls/Palau Compact</u>						
Federal Services Assistance	2,700	2,957	0	-95	2,862	-95
Program Grant Assistance						
Section 221(b) (Education/Health Care)	2,000	2,000	0	0	2,000	0
Military Use and Operating Rights Grant	0	0	0	0	0	0
Subtotal, Program Grant Assistance	2,000	2,000	0	0	2,000	0
Other Programs						
Enewetak Support	1,679	493	0	-493	0	-493
Subtotal, Other Programs	1,679	493	0	-493	0	-493
<b>TOTAL REQUIREMENTS, COMPACT, Current</b>	<b>6,379</b>	<b>5,450</b>	<b>0</b>	<b>-588</b>	<b>4,862</b>	<b>-588</b>

Note: In accordance with the Amended Compact of Free Association, P.L. 108-188 funds for Enewetak Support are provided under the permanent Compact account.

Summary of Requirements by Object Class  
(Dollar amounts in thousand)

Appropriation:	Object Class	Uncontrollable and Related Changes							
		2005 Estimate		2006 Estimate		Program Changes		2006 Request	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation:	Compact of Free Association								
	<u>Object Class</u>								
	11.0 Personnel Compensation:								
	11.1 Permanent positions - FTE-P	--	--	--	--	--	--	--	--
	11.3 Positions other than permanent								
	11.5 Other personnel Compensation								
	<b>Total personnel compensation</b>	--	--	--	--	--	--	--	--
	<u>Other Object Classes</u>								
	12.1 Personnel benefits								
	13.0 Benefits to former employees								
	21.0 Travel & transportation of persons								
	22.0 Transportation of things								
	23.1 Rental payments to GSA								
	23.2 Other rent, comm., and utilities								
	24.0 Printing and reproduction								
	25.0 Other services		3,000						4,000
	26.0 Supplies and materials								
	31.0 Equipment								
	41.0 Grants, subsidies & contributions		198,000						199,000
	<b>99.0 Total requirements</b>		<b>201,000</b>						<b>203,000</b>

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
COMPACT OF FREE ASSOCIATION

Program and Financing (in millions of dollars)  
(FSM/Marshall's/Palau)/(Current and Permanent Accounts)

OMB ACCOUNT ID: 010-85-0415-0		2004	2005	2006
14-0415-0-1-808		Actual	Estimate	Estimate
<b>Direct Program:</b>				
Discretionary programs				
00.01	Federal service assistance	3	3	3
00.02	Enewetak support	2	--	--
00.91	Subtotal, discretionary	5	3	3
Mandatory				
01.01	Program grant assistance, mandatory	2	2	2
01.92	Subtotal	7	5	5
Permanent Indefinite				
02.01	Assistance to the Marshall Islands	55	62	62
02.02	Assistance to the Federated States of Micronesia	75	94	95
02.03	Assistance to the Republic of Palau	12	10	11
02.04	Compact Impact	30	30	30
02.91	Subtotal, permanent indefinite	172	196	198
10.00	Total new obligations	179	201	203
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	2	23	23
22.00	New budget authority (gross)	200	201	203
23.90	Total budgetary resources available for obligation	202	224	226
23.95	Total new obligations	-179	-201	-203
24.40	Unobligated balance carried forward, end of year	23	23	23
New budget authority (gross), detail				
40.00	Appropriation (discretionary)	4	3	3
60.00	Appropriation (mandatory)	196	198	200
70.00	Total new budget authority (gross)	200	201	203
Change in obligated balances				
72.40	Obligated balance, start of year	53	86	73
73.10	Total new obligations	179	201	203
73.20	Total outlays (gross)	-146	-214	-215
74.40	Obligated balance, end of year	86	73	61
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	2	3	3
86.93	Outlays from discretionary balances	2	--	--
86.97	Outlays from new mandatory balances	121	198	200
86.98	Outlays from mandatory balances	21	13	12
87.00	Total outlays (gross)	146	214	215
Net budget authority and outlays				
89.00	Budget authority	200	201	203
90.00	Outlays	145	214	215



OFFICE OF INSULAR AFFAIRS

FY 2006 BUDGET JUSTIFICATION

U.S. DEPARTMENT OF THE INTERIOR  
 OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION (PL 99-239)  
 MARSHALL ISLANDS AND FEDERATED STATES OF MICRONESIA  
 Estimated Payments 1987 - 2003  
 \$'S in 000S

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	TOTALS	FY 2002	FY 2003
<b>Republic of Marshall Islands (RMI)</b>																		
S.211 Capital and Current	26,100	26,100	26,100	26,100	26,100	22,100	22,460	22,460	22,100	22,100	19,100	19,100	19,100	19,100	19,100	337,220	22,433	22,433
S.217 Inflation	6,468	6,816	7,668	8,520	9,656	9,272	10,004	10,736	11,224	11,712	10,700	11,342	11,342	11,556	11,984	149,000	14,384	14,384
S.213 Kwajalein Impact	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	28,500	1,900	1,900
S.214 Energy Production	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	28,000	1,867	1,867
S.215 Communications O&M	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	4,500	300	300
S.215 Communications Hardware	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,000	200	200
S.111 Tax & Trade Compensation	0	6,000	0	4,000	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
S.216 Maritime Surveillance/Med. Ref.	2,367	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	26,167	1,744	1,744
Subtotal	40,135	44,816	39,668	44,520	41,656	37,272	38,364	39,096	39,224	39,712	35,700	36,342	36,342	36,556	36,984	586,387	42,828	42,828
S.221 Health & Ed. Block Grant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	45,000	3,000	3,000
Military Use and Operating Right	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,500	0
Enewetak Operations	900	1,100	1,100	1,100	1,094	1,094	1,091	1,091	1,089	1,091	1,091	1,191	1,576	1,191	1,388	17,187	1,391	1,620
Rongelap Resettlement	0	0	0	0	0	1,975	1,983	1,983	6,979	0	24,020	0	0	0	0	36,940	0	0
Erjebi	5,000	2,500	2,500	0	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
Bikini Resettlement	0	2,300	5,000	22,000	21,000	21,000	21,000	0	0	0	0	0	0	0	0	92,300	0	0
Section 177 (Nuclear Claims)	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	150,000	0	0
Other Construction	0	400	1,000	2,000	1,989	0	0	1,000	499	0	0	0	0	0	0	6,888	0	0
<b>TOTAL - RMI</b>	<b>199,035</b>	<b>54,116</b>	<b>52,268</b>	<b>72,620</b>	<b>68,739</b>	<b>64,341</b>	<b>65,438</b>	<b>46,170</b>	<b>50,791</b>	<b>43,803</b>	<b>63,811</b>	<b>40,533</b>	<b>40,918</b>	<b>40,747</b>	<b>41,372</b>	<b>944,702</b>	<b>49,719</b>	<b>47,448</b>
<b>Federated States of Micronesia (FSM)</b>																		
S.211 Capital and Current	60,000	60,000	60,000	60,000	60,000	51,000	51,000	51,000	51,000	51,000	40,000	40,000	40,000	40,000	40,000	755,000	50,333	50,333
S.217 Inflation	14,652	15,504	17,442	19,380	21,964	21,128	22,797	24,464	25,576	26,688	22,300	23,638	23,638	24,084	24,976	328,231	31,940	31,939
S.214 Energy Production	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	42,000	2,800	2,800
S.215 Communications O&M	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	9,000	600	600
S.215 Communications Hardware	6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,000	400	400
S.213 Yap Impact	160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	11	11
S.111 Tax & Trade Compensation	0	12,000	0	8,000	0	0	0	0	0	0	0	0	0	0	0	20,000	0	0
S.216 Maritime/Med. Ref./Scholarships	4,335	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	55,701	3,713	3,713
S.212 Civic Action Teams	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000	933	933
Other Construction	0	0	0	0	3,979	3,950	0	500	1,497	0	0	0	0	0	0	9,926	0	0
Subtotal, permanent (FSM)	85,747	95,773	85,711	95,649	94,212	84,347	82,066	84,233	86,342	85,957	70,569	71,907	71,907	72,353	73,245	1,240,018	90,730	90,729
S.221 Health & Ed. Block Grant	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	105,000	7,000	7,000
<b>TOTAL - FSM</b>	<b>92,747</b>	<b>102,773</b>	<b>92,711</b>	<b>102,649</b>	<b>101,212</b>	<b>91,347</b>	<b>89,066</b>	<b>91,233</b>	<b>93,342</b>	<b>92,957</b>	<b>77,569</b>	<b>78,907</b>	<b>78,907</b>	<b>79,353</b>	<b>80,245</b>	<b>1,345,018</b>	<b>97,730</b>	<b>97,729</b>
<b>Federal Services - FSM/RMI/Palau</b>	<b>18,750</b>	<b>17,320</b>	<b>12,760</b>	<b>10,160</b>	<b>7,660</b>	<b>7,810</b>	<b>7,294</b>	<b>7,528</b>	<b>6,514</b>	<b>6,964</b>	<b>6,964</b>	<b>7,354</b>	<b>7,354</b>	<b>7,120</b>	<b>7,338</b>	<b>138,890</b>	<b>7,354</b>	<b>7,306</b>
<b>GRAND TOTAL, RMI &amp; FSM</b>	<b>310,532</b>	<b>174,209</b>	<b>157,739</b>	<b>185,429</b>	<b>177,611</b>	<b>163,498</b>	<b>161,798</b>	<b>144,931</b>	<b>150,647</b>	<b>143,724</b>	<b>148,344</b>	<b>126,794</b>	<b>127,179</b>	<b>127,220</b>	<b>128,955</b>	<b>2,428,610</b>	<b>154,803</b>	<b>152,483</b>

COMPACT PAYMENT PROJECTIONS  
10 YEAR TOTAL - FY 2004-2014

(In thousands of dollars)	FY 2004-2014											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10 Year Total
<b>Federated States of Micronesia</b>												
Sector Grants	76,000	76,897	77,973	78,254	78,538	78,826	79,119	79,415	79,716	80,021	80,330	865,089
Trust Fund	16,000	16,189	16,415	17,456	18,512	19,582	20,668	21,768	22,884	24,016	25,163	218,655
Audit	500	500	500	500	500	500	500	500	500	500	500	5,500
<b>TOTAL</b>	<b>92,500</b>	<b>93,586</b>	<b>94,889</b>	<b>96,210</b>	<b>97,550</b>	<b>98,909</b>	<b>100,287</b>	<b>101,684</b>	<b>103,100</b>	<b>104,537</b>	<b>105,993</b>	<b>1,089,244</b>
<i>Inflation @ 2/3 of OMB assumptions</i>		1.18%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	
	<i>actual</i>											
<b>Republic of the Marshall Islands</b>												
Sector Grants	30,000	29,848	29,759	29,669	29,577	29,484	29,390	29,294	29,197	29,099	31,007	326,324
Kwaj. Payments	5,000	5,059	5,070	5,070	5,070	5,141	5,213	5,286	5,360	5,435	7,511	59,215
Rongelap Resettlement		1,768	1,760	1,760								
Lease Payments	15,000	15,177	15,389	15,605	15,823	16,045	16,270	16,497	16,728	16,962	20,200	179,697
Enewetak - Section 103 (f)(2)(c)(i)	1,300	1,315	1,334	1,352	1,371	1,391	1,410	1,430	1,450	1,470	1,491	15,314
Trust Fund	7,000	7,589	8,202	8,824	9,454	10,093	10,742	11,399	12,066	12,742	13,427	111,537
Audit Grants	500	500	500	500	500	500	500	500	500	500	500	5,500
<b>TOTAL</b>	<b>58,800</b>	<b>61,256</b>	<b>62,014</b>	<b>62,780</b>	<b>61,796</b>	<b>62,654</b>	<b>63,524</b>	<b>64,406</b>	<b>65,301</b>	<b>66,208</b>	<b>74,135</b>	<b>702,874</b>
<i>Inflation @ 2/3 of OMB assumptions</i>		1.18%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	
<b>COMPACT IMPACT</b>												
Section 104	30,000	30,000	30,000	29,688	30,000	30,000	30,000	30,000	29,665	30,000	30,000	329,353
OIA cost reimb.				312					335			647
Judicial Training	300	304	308	312	316	321	325	330	335	339	344	3,534
FEMA - Disaster Assistance (FSM&RMI)	400	405	410	416	422	428	434	440	446	452	459	4,712
<b>Grand Total FSM &amp; RMI</b>	<b>151,300</b>	<b>154,842</b>	<b>156,903</b>	<b>158,990</b>	<b>159,346</b>	<b>161,563</b>	<b>163,811</b>	<b>166,090</b>	<b>168,401</b>	<b>170,745</b>	<b>180,128</b>	<b>1,792,118</b>
<i>(excludes compact impact, judicial training &amp; FEMA funds)</i>												
<b>SubTotal</b>	<b>700</b>	<b>708</b>	<b>718</b>	<b>728</b>	<b>738</b>	<b>749</b>	<b>759</b>	<b>770</b>	<b>781</b>	<b>792</b>	<b>803</b>	<b>8,246</b>
<i>(judicial training &amp; FEMA funds only)</i>												
<b>GRAND TOTAL</b>	<b>182,000</b>	<b>185,550</b>	<b>187,621</b>	<b>189,718</b>	<b>190,084</b>	<b>192,312</b>	<b>194,570</b>	<b>196,860</b>	<b>199,182</b>	<b>201,537</b>	<b>210,931</b>	<b>2,130,364</b>
<i>(includes Compact Impact, Judicial Training &amp; FEMA funds)</i>												

COMPACT PAYMENT PROJECTIONS  
10 YEAR TOTAL - FY 2015-2023

(In thousands of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	FY 2015-2023 10 Year Total	20 Year GRAND TOTAL
<b>Federated States of Micronesia</b>											
Sector Grants	80,643	80,961	81,283	81,610	81,941	82,277	82,618	82,963	83,314	737,610	1,602,699
Trust Fund	26,327	27,507	27,892	28,282	28,678	29,080	29,487	29,900	30,318	257,471	476,126
Audit	500	500	500	500	500	500	500	500	500	4,500	10,000
<b>TOTAL</b>	<b>107,470</b>	<b>108,968</b>	<b>109,675</b>	<b>110,392</b>	<b>111,119</b>	<b>111,857</b>	<b>112,605</b>	<b>113,363</b>	<b>114,132</b>	<b>999,581</b>	<b>2,088,825</b>
<i>Inflation @ 2/3 of OMB assumptions</i>	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%		
<b>Republic of the Marshall Islands</b>											
Sector Grants	30,581	30,502	30,422	30,341	30,259	30,175	30,091	30,005	29,918	272,295	598,619
Kwaj. Payments	7,632	7,739	7,847	7,957	8,068	8,181	8,296	8,412	8,530	72,663	131,878
Rongelap Resettlement											
Lease Payments	20,318	20,602	20,891	21,183	21,480	21,781	22,086	22,395	22,708	193,444	373,141
Enewetak - Section 103 (f)(2)(c)(i)	1,496	1,517	1,538	1,560	1,582	1,604	1,626	1,649	1,672	14,243	29,557
Trust Fund	14,122	14,827	15,541	16,266	17,001	17,746	18,501	19,267	20,044	153,314	264,851
Audit Grants	500	500	500	500	500	500	500	500	500	4,500	10,000
<b>TOTAL</b>	<b>74,649</b>	<b>75,687</b>	<b>76,740</b>	<b>77,807</b>	<b>78,889</b>	<b>79,987</b>	<b>81,100</b>	<b>82,228</b>	<b>83,372</b>	<b>710,459</b>	<b>1,413,333</b>
<i>Inflation @ 2/3 of OMB assumptions</i>	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%		
<b>COMPACT IMPACT</b>											
Section 104	30,000	30,000	29,645	30,000	30,000	30,000	30,000	29,620	30,000	269,265	598,618
OIA cost reimb.			355					380		735	1,382
Judicial Training	345	350	355	360	365	370	375	380	386	3,285	6,819
FEMA - Disaster Assistance (FSM&RMI)	460	466	473	480	486	493	500	507	514	4,380	9,092
<b>Grand Total FSM &amp; RMI</b>	<b>182,119</b>	<b>184,655</b>	<b>186,415</b>	<b>188,199</b>	<b>190,009</b>	<b>191,844</b>	<b>193,704</b>	<b>195,591</b>	<b>197,504</b>	<b>1,710,040</b>	<b>3,502,158</b>
<i>(excludes compact impact, judicial training &amp; FEMA funds)</i>											
<b>SubTotal</b>	<b>805</b>	<b>816</b>	<b>828</b>	<b>839</b>	<b>851</b>	<b>863</b>	<b>875</b>	<b>887</b>	<b>900</b>	<b>7,664</b>	<b>15,910</b>
<i>(judicial training &amp; FEMA funds only)</i>											
<b>GRAND TOTAL</b>	<b>212,924</b>	<b>215,471</b>	<b>217,242</b>	<b>219,039</b>	<b>220,860</b>	<b>222,707</b>	<b>224,579</b>	<b>226,478</b>	<b>228,404</b>	<b>1,987,704</b>	<b>4,118,068</b>
<i>(includes Compact Impact, Judicial Training &amp; FEMA funds)</i>											



U.S. DEPARTMENT OF THE INTERIOR  
 OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION  
 REPUBLIC OF PALAU

Estimated Payments 1995 - 2009  
 \$'S IN 000'S

ACTIVITY (P.L. 99-658)	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTALS
Sect. 211(a) Current Account	12,000	12,000	12,000	12,000	7,000	7,000	7,000	7,000	7,000	7,000	6,000	6,000	6,000	6,000	6,000	120,000
Sect. 211(b) Energy Production	28,000															28,000
Sect. 211(c) Communications	1,650	150	150	150	150	150	150	150	150	150	150	150	150	150	150	3,750
Sect. 211(d) Maritime Surveillance, Health, Scholarships	631	631	631	631	631	631	631	631	631	631	631	631	631	631	631	9,465
Sect. 211(e) Start-up for 211(d)	667															667
Sect. 211(f) Investment Fund a/	66,000		4,000													70,000
<b>Subtotal Sec. 211</b>	<b>108,948</b>	<b>12,781</b>	<b>16,781</b>	<b>12,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>231,882</b>
Sect. 212(b) Capital Account	36,000															36,000
Sect. 213 Defense Use Impact	5,500															5,500
Sect. 215 Inflation Adjustment	35,719	5,842	6,075	6,440	3,790	3,861	4,004	4,147	4,147	4,290	3,690	3,875	3,875	3,875	3,875	97,502
<b>SUBTOTAL</b>	<b>186,167</b>	<b>18,623</b>	<b>22,856</b>	<b>19,221</b>	<b>11,571</b>	<b>11,642</b>	<b>11,785</b>	<b>11,928</b>	<b>11,928</b>	<b>12,071</b>	<b>10,471</b>	<b>10,656</b>	<b>10,656</b>	<b>10,656</b>	<b>10,656</b>	<b>370,884</b>
Sect. 221(b) Special Block Grant	6,300	4,900	3,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	38,700
<b>DIRECT PAYMENTS</b>	<b>192,467</b>	<b>23,523</b>	<b>26,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>13,928</b>	<b>13,928</b>	<b>14,071</b>	<b>12,471</b>	<b>12,656</b>	<b>12,656</b>	<b>12,656</b>	<b>12,656</b>	<b>409,584</b>
Federal Services b/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sect. 212(a) Palau Road Construction	53,000		96,000													149,000
<b>GRAND TOTAL, PALAU</b>	<b>245,467</b>	<b>23,523</b>	<b>122,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>13,928</b>	<b>13,928</b>	<b>14,071</b>	<b>12,471</b>	<b>12,656</b>	<b>12,656</b>	<b>12,656</b>	<b>12,656</b>	<b>558,584</b>

a/ PALAU MAY WITHDRAW \$5 MILLION ANNUALLY FROM THE FUND IN YEARS 5 THROUGH 15.

b/ Aggregate amount included on the FSM/RMI Compact Estimated Amounts table for federal services for FSM/RMI/Palau.

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
PAYMENTS TO THE U.S. TERRITORIES, FISCAL ASSISTANCE

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0418-0 14-0418-0-1-806		2004 Actual	2005 Estimate	2006 Estimate
Direct Program:				
Obligations by program activity				
00.01	Advance payments to Guam of estimated U.S. income tax collections	51	51	51
00.02	Advance payments to the Virgin Islands of estimated U.S. excise tax collections	64	64	64
09.01	Virgin Island Loan	1	1	1
10.00	Total new obligations	116	116	116
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	118	115	115
22.60	Portion applied to repay debt	-2	--	--
23.90	Total budgetary resources available for obligation	116	115	115
23.95	Total new obligations	-116	-116	-116
New budget authority (gross), detail				
60.00	Appropriation (Mandatory)	115	115	115
Mandatory				
68.00	Offsetting collections (cash)	3	--	--
70.00	Total new budget authority (gross)	118	115	115
Change in obligated balances				
73.10	Total new obligations	116	116	116
73.20	Total outlays (gross)	-115	-115	-115
Outlays (gross), detail:				
86.97	Outlays from new mandatory authority	115	115	115
Offsets against gross budget authority and outlays				
88.40	Offsetting collections (cash) from Non-Federal sources	3	--	--
Net budget authority and outlays				
89.00	Budget authority	115	115	115
90.00	Outlays	113	115	115
Cumulative balance of direct loans outstanding				
12.10	Outstanding, start of year	10	8	6
12.51	Repayments: repayments and prerepayments	-2	-2	-3
12.63	Write-offs for default: Direct loans	--	--	--
12.90	Outstanding, end of year	8	6	3

## MISCELLANEOUS TABLES

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
TRUST TERRITORY OF THE PACIFIC ISLANDS

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0414-0  
14-0414-0-1-806

	2004 Actual	2005 Estimate	2006 Estimate
<b>Budget resources available for obligation</b>			
21.40 Unobligated balance carried forward, start of year	1	2	2
24.40 Unobligated balance carried forward, end of year	1	--	--
<b>Change in obligated balances</b>			
72.40 Obligated balance, start of year	10	5	2
73.20 Total outlays (gross)	-4	-3	-2
73.45 Recoveries of prior year obligations	-1	--	--
74.40 Obligated balance, end of year	5	5	--
<b>Outlays (gross), detail:</b>			
86.93 Outlays from discretionary balances	4	3	2
<b>Net budget authority and outlays</b>			
89.00 Budget authority	--	--	--
90.00 Outlays	2	3	2



DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO AMERICAN SAMOA DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-4163-0 14-4163-0-1-806		2004 Actual	2005 Estimate	2006 Estimate
<b>Direct:</b>				
00.01	Interest paid to Treasury (6.139 percent on \$19 million)	1	1	1
10.00	Total new obligations	1	1	1
<b>Budgetary resources available for obligation</b>				
21.40	Unobligated balance carried forward, start of year	-2	--	--
22.00	New financing authority (gross)	1	1	1
22.60	Portion applied to repay debt	-2	--	--
23.90	Total budgetary resources available for obligation	1	1	1
23.95	Total new obligations	-1	-1	-1
24.40	Unobligated balance carried forward, end of year	--	--	--
<b>New budget authority (gross), detail</b>				
Discretionary				
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	1	1	1
Mandatory				
69.00	Offsetting collections (cash)	1	1	1
69.47	Portion applied to repay debt	-1	-1	-1
69.90	Spending authority from offsetting collections (total mandatory)	--	--	--
70.00	Total new financing authority (gross)	1	1	1
<b>Change in obligated balances</b>				
72.40	Obligated balance, start of year	--	--	--
73.10	Total new obligations	1	1	1
73.20	Total financing disbursements (gross)	--	--	--
<b>Outlays (gross), detail:</b>				
87.00	Total financing disbursements (gross)	--	--	--
<b>Offsets against gross budget authority and outlays</b>				
Offsetting collections (cash) from				
88.40	Non-Federal sources - interest payments from American Samoa	1	1	1
88.40	Non-Federal sources	1	--	1
88.90	Total, offsetting collections (cash)	2	1	2
<b>Net budget authority and outlays</b>				
89.00	Financing authority	-1	-1	-1
90.00	Financing disbursements	--	-1	-2

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OMB ACCOUNT ID 5125-0138  
14-153-01-800

	Actual	Estimate	Estimate
9000 Treasury department			
9100 Treasury activity			
9200 Budget authority and other			
8800 Total offsetting collections (cost)			
8840 Total Federal sources			
8850 Total Federal sources - Federal payments from American Samoa			
8860 Offsetting collections (cost) from			
8870 Open against gross budget authority and other			
8700 Total financing department (gross)			
8600 Classes (gross, detail)			
7300 Total financing department (gross)			
7210 Total new obligations			
7220 Original balance, end of year			
7230 Change in obligated balance			
7000 Total new financing activity (gross)			
6900 Spending authority from offsetting collections (total financing)			
6870 Total new obligations to repay debt			
6800 Offsetting collections (cost)			
6810 Spending authority from offsetting collections			
6820 New budget authority (gross, detail)			
5400 Investigated balance carried forward, end of year			
5300 Total investigations			
5200 Total budgetary resources available for obligation			
5100 Points applied to repay debt			
5000 New financing authority (gross)			
4100 Investigated balance carried forward, start of year			
4000 Budgetary resources available for obligation			
3000 Total new obligations			
2000 Interest paid to Treasury (0.15% percent on \$10 million)			